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# THE

## House of Assembly Debates

### (OFFICIAL REPORT)

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FIRST SESSION 2003 – 2008

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#### HOUSE OF ASSEMBLY

*Tuesday, November 22, 2005*

Pursuant to the adjournment, the House of Assembly met at 10.15 a.m. on Tuesday, November 22, 2005.

#### 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 the Civil Service)

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

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

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

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

Hon. G. W. PAYNE, LL.B. (Hons.)

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

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

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

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

Mr. R. St. C. TOPPIN, LL.B. (Hons.)

Mr. D. St. E. KELLMAN

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

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

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

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

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

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

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

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

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

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

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, November 15, 2005.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, I beg to move that the Minutes for the Honourable the House of Assembly for its meeting of Tuesday, November 15, 2005, which Minutes have been circulated, be taken as read.

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

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

## PAPERS

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

1. Statements and Audit Reports of the Industrial Credit Fund (ICF) for the year ending December 31, 2003 on:
  - (i) Loan Number 2260 BAR;
  - (ii) European Investment Bank Project; and
  - (iii) The Agricultural Development Project Loan Number 2782 BAR (Part C).
2. Annual Report of the Barbados Tourism Investment Inc. for the year 2004.
3. Annual Report of the Barbados Tourism Authority for the period April 1 2002 to March 31, 2003.

Hon. H. F. LASHLEY: Mr. Speaker, I am commanded to lay the following:

Annual Report of the National Assistance Board for the periods April 2002 to March 2003 and April 2003 to March 2004.

## FIRST READING OF BILLS

Hon. Miss M. A. MOTTLEY: Mr. Speaker, I beg to move that the following Bills be read a first time:

The Arts and Sport Promotion Fund (Amendment) Bill, 2005.

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

## SUSPENSION OF STANDING ORDERS

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

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

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

## GOVERNMENT BUSINESS

## ORDER NO. 12 – GUARANTEE OF LOANS (COMPANIES) (AMENDMENT) BILL, 2005

Hon. R. C. EASTMOND: Mr. Speaker, from time to time, Central Government is called on to guarantee bonds and usually does so by taking into account a number of factors.

Mr. Speaker, it might at first seem that if a given entity, especially a commercial entity, is embarking on borrowing, that the particular entity is responsible for repaying. Indeed, Sir, whenever a human being or corporate being borrows, that being is primarily responsible for repayment and in circumstances where Government is called on to guarantee, the original borrower always remains primarily responsible for repayment. Sir, Government's guarantee is in the form of a Letter of Comfort.

Mr. Speaker, in relation to the matter at hand, what this Parliament is being asked to do at this time is to raise the borrowing limit from \$200 million to \$345 million. In other words, today, the maximum amount Government can guarantee for a company which is borrowing is \$200 million. The question arises as to why this particular limit. Sir, ten years ago, this limit would have been lower and twenty years ago this limit would have been lower still.

Mr. Speaker, what has to be borne in mind is that a Government functioning in an economy, like what we have in Barbados, must always be prudent to watch borrowing that can impact on foreign reserves and even when Government is a guarantor, to ensure that amounts of money which Government is going to back are set in such a way that fiscal prudence and careful monetary management are the watchwords.

Mr. Speaker, in moving this Parliament to increase the total amount that Government can guarantee, what Government carefully has done is to bear in mind, the purpose to which the sums of monies to be borrowed by private companies would be put and the particular effect that such expenditure by private companies would have on the overall economy. At the same time, Government has to bear in mind its own interest to ensure that whenever matters like these come before us, that Government is as cautious as possible.

Mr. Speaker, I remember a debate in this Honourable House some years ago, when one Honourable Member actually asked why particular limits were set with the aim in the future of changing these limits.

Mr. Speaker, if for example, we look at our Local Loans Act, there is a definite limit of money that Government can borrow locally. Sir, in other words, a ceiling is set. The purpose of that is to ensure that Government approaches borrowing in a very careful way. At the same time that we have the Local Loans Act in operation as a piece of legislation in Barbados, we have this piece of legislation known as the Guarantee of Loans (Companies) Act and this is the particular Act that we are debating today.

Mr. Speaker, as I said earlier, the purpose is for Government to be able lawfully to guarantee much

more than it can at the moment. This does not mean that in every instance in Barbados that whenever a given entity is minded to borrow that it can invoke Government as a type of co-signatory or co-signor. It means that Government is always minded of the degree to which the money borrowed is going to be invested on behalf and in the name of the people of Barbados and the particular economic purposes of such borrowing as indicated.

Mr. Speaker, it is a relatively simple and straightforward piece of legislation. It does not invoke many detailed legislative provision. It is a very short Bill and in the circumstances, I am asking that this Parliament be inclined to raise the limit which Government can guarantee from \$200 million to \$345 million.

Sir, in the circumstances, I am asking that this Bill be read a second time.

Hon. G. A. CLARKE: I beg to second that, Sir.  
10.30 a.m.

Mr. SPEAKER: The Honourable Member for St. Michael North West.

Mr. C. A. MASCOLL: Mr. Speaker, I almost said that I was caught with my pants down. In an ideal state there should be no limit to a guarantee. A guarantee ought to be based on a set of conditions or principles agreed by both parties. Where there is a collision with principal and money, then there is conflict and an obvious need for some kind of restraint. In this particular debate we are seeking to amend an Act that was introduced to Parliament in 1998. At that time there was an intention for Government to guarantee the borrowings of a private company. At this time there is, obviously, an intention for the Government to guarantee a loan on behalf of a private company that is Government owned. Therefore, it is expected that such a loan is intended to exceed the existing limit of \$200 million.

Sir, I intend to deal extensively with this amendment because, for me, the start of this legislation was the beginning of a significant rise in off-budget spending on the part of Government in the 1998 period and thereafter. As I said, there should be strictly no limit on a guarantee, because a guarantee ought to be established under certain conditions and you are seeking to provide security for the fulfillment of those conditions, that would have been established by the two parties.

Mr. Speaker, there is definitely a difference between getting on a board and getting on board. There is a definite difference between the two. To get on a board you need to ensure that you purchase X amount of shares in order to sit on a board, whereas, to get on board, you need to have shared vision, and therein lies the difference between getting on a board and getting on board.

Sir, with respect to the question of a board, you simply need enough money to purchase shares to get on a board, whereas, a shared vision requires principle and that principle must be set within a particular set of parameters, which we can all determine and describe, but is for a bigger philosophical debate, which may come later. Therefore, let me get to the substance of this amendment.

Mr. Speaker, in the long title of Chapter 96, it is said that it is an Act to provide for the guarantee by the Government of Barbados of loans granted by lending agencies to companies in which the Government holds at least 50 per cent of the ordinary share capital. That is extremely important because it is saying that the Government should have at least 50 per cent of the ordinary share capital. In the same Act, shared capital is defined as ordinary share capital, it means all the capital realised from any issued shares, by whatever name called other than from shares, the holders of which have a right only to a dividend at a fixed rate and not any other right to share in the profits of the company, an extremely important definition of an ordinary share capital. Sir, I would hope to elaborate on this matter later in my speech.

Mr. Speaker, let us look at this legislation in more detail, because to my mind it is either cleverly written, deliberately written or there is a conflict between what is meant by Government having at least 50 per cent of the ordinary shares and what it meant by control. The definition of the Act points to a definition of what is meant by "control" in this Act. It says: "Control means the Government or the body corporate controlled by the Government as the case may be, holds a number of shares in the company, carrying voting rights that is sufficient to elect a majority of the Directors of the company." I repeat, "... is sufficient to elect a majority of the Directors of the company."

Sir, as I said, it is either very cleverly drafted or very deliberately drafted, because on the one hand, in the long title, it is saying that Government needs to hold at least 50 per cent of the shares but then the word control is defined to mean that Government must have sufficient to elect a majority of the directors.

Mr. Speaker, it does not say that it is necessary for Government to have at least 51 per cent of the shares to elect a majority of the directors of the company. It says that Government must have sufficient to elect a majority of the directors of a company.

Sir, this introduces notions of what is necessary as opposed to what is sufficient. If Government does not

have 51 per cent of the shares in a company, Government can still exercise control of the company because Government may have sufficient to have a majority of the directors, and a majority does not mean that it has to have more than 50 per cent of the shares.

Sir, I say that is either cleverly drafted or deliberately drafted, because in other legislation, control is determined by (1) the extent to which Government can directly or indirectly exercise control over the affairs of the company; (2) the extent to which it can appoint the majority of the directors and (3) the extent to which it holds at least 51 per cent of the shares.

Sir, that is obviously a more deliberate construction that requires Government to satisfy all three criteria outlined in previous legislation. Whereas, this legislation is saying that Government only needs to have sufficient to have the majority, and sufficient does not mean that it has to have more than 51 per cent of the shares.

Mr. Speaker, a majority in this instance does not mean having more than 50 per cent of the shares. It is similar to a poll where individuals may be contesting for some position and one person receives 35 per cent of the votes, another 30 per cent and another 25 per cent of the votes. In fact, the person who received 35 per cent of the votes has the majority, but does not have more than 50 per cent. Therefore, a majority does not mean that you need to have more than 50 per cent. Sir, in this instance, Government does not need to have more than 50 per cent of the shareholding in order to control the company. Mr. Speaker, this is an extremely important and fundamental issue that we have to examine. As I said before, it is either that the legislation is deliberately drafted or cleverly drafted because it does not require the Government to have more than 50 per cent of the share in order to be able to control a company. I hope that my point is not perceived as esoteric or intellectual but for what it is, a fact.

10.40 a.m.

The long title of the legislation says that the guarantee of loans is an act to provide for the guarantee of the Government of Barbados of loans granted by lending agencies to companies in which the Government holds at least 50 per cent of the ordinary share capital. Then the word, control, says that it does not require all that because the Government has to hold a number of shares in a company carrying voting rights that are sufficient to elect a majority of the directors of the company.

Mr. Speaker, in order for it to rain, it is necessary that there are clouds in the sky but it is not sufficient to have clouds in the sky for it to rain because you can have a very cloudy day without rain. Therefore, a necessary and sufficient condition vary in their relevance and importance.

Mr. Speaker, to be a father, it is necessary for me to be

a man. It is not sufficient for me to be a man. Likewise, to be a mother, it is necessary to be a female or woman. It is not sufficient to be a female or a woman. Therefore, the use of the word, sufficient is an extremely clever use of language in this legislation because in all fairness, the Government does not need to have at least 50 per cent of the shares in a company to guarantee any loan for a company, so it is either that we dismiss the long title or we amend the contents. I think that the construction is extremely deliberate because a majority does not mean more than half in this particular circumstance.

Mr. Speaker, we had a situation in another place a couple of years ago, in which there were two individuals and one individual withdrew but in order to secure a majority the other individual might have required the first individual's support. Therefore, one out of two may be 50 per cent but in that instant...

*Asides.*

Mr. C. A. MASCOLL: No. That is a different thing. That is the collision of principle in numbers, where you have a situation in which even though there is only one, they were still voting to establish a majority. Why do you need to establish a majority when there is only one? Therefore, in all fairness, Mr. Speaker, what I am simply doing is using examples to demonstrate how clever language can be used, in order to get home an issue that may rest on principle but may require something material to justify or verify it in the eyes of the public. Therein lies the conflict.

Mr. Speaker, having said that, I now go on to discuss the more substantive issues in this piece of legislation. We have some companies in this country that provide extremely meaningful services to the people of Barbados. They are natural monopolies. The Barbados Light and Power Company is a natural monopoly.

The question is, should the Government be allowed to guarantee loans for a company such as the Barbados Light and Power, even though the Government may not have at least 50 per cent of the shareholding, or it may not even have a majority per cent of the shareholding, but is the Barbados Light and Power providing a service that the country cannot do without and, therefore, on the basis of the usefulness or desirability of the service, the Government should seek to put such legislation in place to guarantee loans on behalf of that institution? Of course, there are other monopolies but they happen to be statutory corporations such as the Barbados Water Authority (BWA) and the Government can naturally guarantee a loan for the BWA without such legislation.

Mr. Speaker, I made a comment at the start of my contribution that the introduction of this legislation

coincided with the increased use of off-budget financing on the part of the Government. At the time of the introduction of this legislation in 1998, the GEMS and HRL projects were centrepieces of discussion.

The reason why I have to repeat is because, having been a teacher for a long part of my life, I recognise that repetition is the key to understanding. This is the reason young people are able to repeat “dub” songs that the older people do not understand. The complex language in the dub, which would have to be translated for older people is readily absorbed by the youth because of the repetition of the song and, therefore it becomes part of the persons almost being. It is almost like teaching by rote, which is repetition and therefore you learn.

Mr. Speaker, the reason I have to make the comment is while the Government can guarantee loans for statutory corporations and now companies, loans guaranteed by the Government are not part of the national debt of the country. The Government can guarantee loans for HRL, BAMC, BTII, any other statutory body or a private company but it is not part of the national debt of this country. Sir, I read from the Central Bank’s Economic and Financial Statistics at page 113, which states that in this table the national debt is classified according to the residence of the lender. It is the direct borrowing of the central Government and does not include guarantee debt of Government agencies. Therefore, you would notice that the international organisations are now starting to pay increasing attention not to the national debt but to the public debt because the public debt of Barbados is inclusive of loans guaranteed by Government for other government agencies.  
10.50 a.m.

*Asides.*

Mr. C. A. MASCOLL: Mr. Speaker, this Administration found a way to spend heavily without having to come to Parliament for approval. It was always the case that the use of off-budget financing was a very clever way of expending without having to come to Parliament for approval. In fact, this morning the Honourable Member for St. Michael North East, laid the Annual Report of the Barbados Tourism Investment Inc., and I look forward to seeing a copy of it, because this legislation which is before us this morning is directly related to the affairs of the Barbados Tourism Investment Inc.

Mr. Speaker, the Barbados Tourism Investment Inc. is the mother company of World Cup Barbados. The Barbados Tourism Investment Inc. has 94 per cent of the shareholding in World Cup Barbados that is to execute Cricket World Cup 2007. Therefore, in order for the Barbados Tourism Investment Inc. – a private company in which Government has at least 50 per cent of the shareholding – to borrow and to borrow in excess of \$200 million, it means that the

guarantee limit which we seek to amend had to be amended in light of the fact that the Barbados Tourism Investment Inc. is seeking now to borrow in excess of \$200 million. Mr. Speaker, I cannot speak to it because it is really indirectly on the Order Paper and it is to come today where Government intends to borrow a healthy sum of \$125 million.

Mr. SPEAKER: You said that you cannot speak to it, but...

*Asides.*

Mr. C. A. MASCOLL: I know that the adjustment in the limit which we are debating is directly connected to the fact that the Barbados Tourism Investment Inc. will, sooner rather than later, be engaging in a very hefty piece of borrowing that will exceed \$200 million. That creates another concern which is identified at Clause 5 of the legislation which says:

“Any sums borrowed and guaranteed under the authority of this Act shall be applied and are hereby appropriated to the purposes for which they are borrowed or guaranteed, as specified in the loan agreement or the guarantee in respect of those sums.”

Mr. Speaker, a very clever thing is going to happen here today in this Chamber, which again I can only refer to when it comes up for discussion. Suffice to say that sooner rather than later the Barbados Tourism Investment Inc. is going to be able to borrow a very healthy sum of money in excess of \$200 million to facilitate the Cricket World Cup 2007. However, the Government has covered itself by seeking an external loan as a means to cushion the possible impact.

*Asides.*

Mr. C. A. MASCOLL: Mr. Speaker, we would see. I have been told such things before. When I raised issues in Barbados, I have been told that they bear no relation to anything that is happening, only for six months to elapse and then for the reality to be shown or to be proven.

Mr. Speaker, I am saying therefore that it is extremely important that we recognise what is happening this morning with respect to the amendment to the Guarantee of Loan (Companies) Act.

Mr. Speaker, let me get to the issue of a private company in which Government may not necessarily have the majority shareholding but in which the delivery of the service is so critical to the country that Government may see the need to guarantee such a loan. Government has been guaranteeing loans for the Barbados Light and Power Company Limited for the longest time. Mr. Speaker,

that is a monopolistic situation in which there is a natural monopoly because the provision of electricity is best done by a natural monopoly and has to do with the extent to which such a monopoly is expected to invest heavily in technology so as to be able to reduce its cost of doing business over time.

In recent weeks, we attended the opening of a special engine at the Barbados Light and Power Company Limited, which was designed to reduce the cost of electricity over time. Sir, it was said at the same function that were it not for the new plant that Barbadians would have had to pay 22 per cent more on their electricity bill than they currently pay. Sir, they stated that because the economies of scale derived from the new plant was a heavy investment for the Barbados Light and Power Company Limited, they were able to reduce the impact of the heavy oil price increases over the last year and a half on the Barbadian consumer.

Mr. Speaker, it is expected that in a year or in a year and a half from now when oil prices may begin to trend downwards that Barbadian consumers would see the benefit of the new technology in their electricity bills, so I am therefore awaiting the outcome of such. As usual, you say something now but you can only prove it six or seven months later. You talk about interest rates and then oddly enough they increase four times in less than a year. There is nothing magical to it.

Mr. Speaker, let me therefore, in light of this legislation, speak to a possible event within the context of Government's ability to be a major shareholder but not necessarily be a 51 per cent shareholder in a company, and more important to the fact that it may be the delivery of a service that Government may view so important as to support. The recent merger of two media houses is important for Barbados. This market now is not a monopoly, this is a duopoly in which there are two players in the market but there is one dominant player and a very less dominant player.

Mr. Speaker, given this legislation, if it is perceived that such a service is critical to Barbados and its development, then it is possible for Government to guarantee a loan as well for a company providing a service deemed sufficiently important, even though the Government does not have a majority shareholding in that particular company. Therefore, one can begin to see that this legislation appears, because of the use of the word control, to have the potential to have very far-reaching consequences.

Mr. Speaker, I have my doubts about whether or not there was a merger or whether there was an acquisition, because I suspect that it is more along the lines of an acquisition rather than a merger that has occurred, but that is irrelevant, but important because of the nature of the service being provided. It is the same importance to which I attached the service delivered by the Barbados Light and Power

Company Limited to Barbados, that the media which is in a duopolistic situation may be seen to be providing a service that is of equal importance to the social, economic and political advancement of this country. Therefore, in light of that, it may someday be regarded as sufficiently critical for Government to want to guarantee a loan if required some time up ahead for a company of that nature. That is, as I said, slightly peripheral and marginal to the exercise.

Mr. Speaker, when this piece of legislation came, it commenced on December 24, 1998. There was an election on January 20, 1999, but the very company for which this legislation was intended, has not delivered what was intended of it, and that is the problem. It is, therefore, because of Clause 5 of the legislation that it is permissible to speak because it says:

11.00 a.m.

“Any sums borrowed or guaranteed under the authority of this Act shall be applied and are hereby appropriated to the purposes for which they are borrowed or guaranteed, as specified in the loan agreement or guaranteed agreement, in respect of those sums.”

Mr. Speaker, therefore, it is expected that under this legislation, we can query the purpose to which these funds will be put. Sir, this was done at a time when a project that was expected to cost \$65.4 million has moved to \$145.3 million and eventually became a project costing \$201.3 million to the taxpayers of Barbados.

Mr. Speaker, Government placed \$8.2 million in initial equity into that project, Government put \$10 million in cash into the GEMS Project, Government paid off \$37.7 million in interest for that company, and Government then cleverly loaned or provided a grant of \$145.3 million to that project. Sir, I am confused to this day as to whether or not the \$145 million given to the GEMS Project was either a grant or a loan, and I am yet to discover because I was told in a subsequent debate that until...

*Asides.*

Mr. C. A. MASCOLL: Of course, it bears relation because we are talking about the guarantee of a loan, and Hotels and Resorts Limited (HRL) is a private company. Sir, was that \$145 million a loan, a Government guarantee or a grant? Sir, to this day I am confused as to what it was and as to whether or not we have a right to treat it as a loan. Sir, if it is a grant, it would be assigned to the Consolidated Fund. If it is a loan, it can be given without permission. Sir, I am still confused as to how \$145 million of the taxpayers of Barbados, could have been taken up to pay off a debt

of a private company which is owned by Government and the fact that this payment was not done by way of a guarantee, a loan or a grant.

*Asides.*

Mr. C. A. MASCOLL: Mr. Speaker, I raised that matter because this limit has been adjusted upwards to accommodate an anticipated guarantee of a loan to the Barbados Tourism Investment Inc. Sir, what really would be the size of the loan? It is \$100 million? Is it \$120 million that we heard about? It is \$250 million that will be guaranteed?

Mr. SPEAKER: Honourable Member, please. The Order has not been called yet. Therefore, according to the Rules of the Honourable House, the Honourable Member cannot, therefore, reflect on that Order.

Mr. C. A. MASCOLL: Mr. Speaker, of course, we accept your ruling because I am speaking hypothetically. I am suggesting that the amendment to this limit is made deliberately to accommodate a potential loan. Therefore, I want to know.

Mr. Speaker, I have not yet addressed the matter in relation to the Honourable Member for St. James North. In his address, the Honourable Member said that Government can, in fact, guarantee a loan for a private company, up to the tune of \$200 million. Sir, I did not respond because I always thought that this guarantee limit was more about the aggregated number.

*Asides.*

Hon. R. C. EASTMOND: On a point of elucidation. Sir, I recall saying that the current law is that the maximum limit to which Government can offer guarantee is \$200 million, and that limit is to be changed.

Mr. C. A. MASCOLL: Mr. Speaker, I expected that it was an honest error and, therefore, did not pounce on it in the earlier discussion, but I will now speak to the matter. Sir, as I have said before, there should be no limit...

*Asides.*

Mr. C. A. MASCOLL: Mr. Speaker, I said at the start that there ought to be no limit on the guarantee of a loan because that guarantee should be based on a set of principles. Therefore, whether or not a loan would be guaranteed, ought to be based on the capacity of the company to carry the loan which they are seeking. Therefore, if, in an instance, that loan is going to be guaranteed, it would mean that one would accept some level of security, which would be based on the security of the company to deliver on that loan. Therefore, to have a limit on a particular loan by a company is not to respect that a guarantee in essence speaks to the principles of whether or not a company could deliver or could carry out

the very loan that it is seeking to be accommodated by Government. Sir, that is why I said that, in fact, there is no real need to have a limit on a loan.

Mr. Speaker, the issue is, if there is a limit on the aggregate, it means there is a limit on the potential of Government to lend individual companies, even though they have embarked on a journey of establishing private companies that are owned by Government. Therefore, the imposition or raising the limit, raises the aggregate amount, but it does not speak to what would happen to an individual company, if Government is seeking to give a guarantee to that company.

Mr. Speaker, we end up now having the sum in part not being equal to the whole because we have restricted how much money in guarantees Government can give to private companies expressed in the legislation, while, on the other hand, there is no limit to how much Government can guarantee to an individual company, based on the particulars of that company.

Mr. Speaker, that, in itself, now creates a different kind of mess. The mess that it creates is, if Government continues to establish private companies such as the Barbados Tourism Investment Inc., Hotels and Resorts Limited (HRL), the Caves of Barbados, BAMC, Land Reclaimers, among others, then Government, in essence, will have to be amending this legislation over time, in order for it to accommodate any guarantee of a sufficiently large size that is not yet contemplated in the legislation.  
11.10 a.m.

Mr. Speaker, this is why I said that there would always be a collision between principle and money. If a company has a legitimate cause based on whatever project it is and it comes to Government and Government accepts the principle upon which the company is embarking on the loan in order to satisfy a particular set of objectives, then on the basis of principle, Government should guarantee the loan. If however, there is a limit now imposed on the amount that Government can give, then there become a collision between the principles that should inform the decision of Government to grant a guarantee and the extent to which Government can give a guarantee because of the limit imposed on the aggregate amount the Government can give in this particular legislation and that creates confusion so long as normal circumstances do not prevail.

Mr. Speaker, I say this because you can manage an economy during normal time but what if there is a crisis

or a change of policy direction and at the same time you have to give Caves of Barbados a guarantee of a large magnitude. You also have to continue with Hotel and Resorts Limited since you do not plan to sell it and now you have Barbados Tourism Investment Incorporated which embarks on major capital projects in Barbados. Sir, the conflict is obvious because you just got on the horse and started to ride and ride.

Mr. Speaker, Government has found a very clever way of spending money over the last seven years or more without having to seek permission from Parliament. Sir, Government has embarked extensively on setting up private companies to spend the money of taxpayers without approval and, therefore, started to increase the size of our public debt to the extent where it has become worrying. In fact, it is expected that the public debt of Barbados would exceed the GDP and therefore, the ratio of public debt to GDP 100 per cent would exceed the GDP in the next seven years.

Mr. Speaker, there was a stated policy objective of reducing our national debt to 60 per cent of GDP from 87 per cent in a proposal that was put before us. Therefore, we are now in a state of confusion in terms of managing the economy of Barbados.

Mr. Speaker, on the one hand, we speak about controlling the external debt and how it was brought down but, on the other side of the coin, we increased the domestic debt. We then found a way to borrow money through statutory bodies and increased our public debt without it being reflected in our national debt. Sir, we embarked joyfully on the path and now we have recognised that the strategy cannot work and the Government is now retreating from several positions which it took.

Mr. Speaker, I know I have the opportunity later in the day to speak to another side of the national debt and therefore, I cannot elaborate on it but, I am really and truly concerned that the Government has found a way seven years ago to spend our money by using other Government agencies to guarantee debt, not having it recorded on our national debt and not having it treated as a major problem until recently.

Mr. Speaker, I end on this note. This piece of legislation is so cleverly drafted that the long title speaks to the issue of Government having at least 50 per cent yet still when you look at the definition of control, it says that all Government needs is to have sufficient voting rights to elect a majority of the directors of the company. Sir, sufficient does not mean necessary and majority does not mean over 50 per cent. Therefore, this legislation as it stands permits Government to engage in guaranteeing loans for any company in which Government has a majority shareholding but does not necessarily have a 50 per cent or more shareholding as described in the long title.

Mr. Speaker, I thank you.

Mr. SPEAKER: the Honourable Member for St. Lucy.

Mr. D. St. E. KELLMAN: Mr. Speaker, I rise to give some support to my comrade. I want to concur with some of the things stated by the Honourable Member for St. Michael North West. Sir, in 1998 when this Bill was brought to Parliament to make provision for those companies in which Government has 50 per cent shareholding, one got the impression that there was a difference between private companies because previous to this Act, Government had the capacity to guarantee loans for private companies like the Barbados Light & Power Company Limited, the Barbados Telephone Company and others.

Mr. Speaker, today it is clear to me that there is no need for a separation of those two loan Acts. Sir, the important word is private sector so those loans borrowed by companies which are outside the ambit of Government must be seen in the same way as if they were being borrowed by the Barbados Light and Power Company Limited. Sir, as we say in accounting, we are only creating contingent liabilities for the Government.

Mr. Speaker, the most important point is that when the private sector created foreign reserves that the Government of Barbados calls them second-tier reserves. When foreign reserves are held by the private sector outside of Barbados, there are counted as if they belong to the Government of Barbados and, as I said before, are regarded as second-tier reserves.

Mr. Speaker, when public debt is created by the private sector and guaranteed by Government, the debt must be accepted as well by the Government because it is based on a principle in accounting called matching. Sir, I am using the matching principle because if you accept the revenue you must also accept the expenditure.

Mr. Speaker, we do not only have second-tier reserves but second-tier public debt. I want to hear Government speak about second-tier public debt in the same voice that they speak about second-tier reserves because Government cannot take the revenue without taking the expenditure. Sir, it is a clear accounting principle called matching.

Mr. Speaker, when we are describing the debt of Government, I no longer want to hear about national debt. We will speak about the public debt of the country because all debt belongs to the country in the same way that all reserves belong to the country. Sir, I do not know of any economist that can fault this logic. It is sound logic because

if you want revenue, you must accept what creates the revenue also. I challenge any accountant or economist to fault what I am saying here today. I challenge all of them today, if you have second-tier reserves and have accepted them, you must accept the second-tier debt also.  
11.20 a.m.

Mr. Speaker, it is a waste of time continuing to speak about the 1998 Guarantee Loans Act. We need to combine the two because when we guarantee, we are now guaranteeing in the interest of the country. When we get the reserves we will treat them as if they are in the interest of the country. Sir, I have no time to waste on this.

It is clear on This Side that we have a better understanding than the Government. It is also clear that we argue based on principle. We are not debating halfway arguments. We do not come to this Parliament to argue about reserves without accepting that there is also something called debt.

Mr. Speaker, today, under the matching principle, you must speak about the second-tier debt and the second -ier reserves. I lay my case.

I thank you, Sir.

Mr. SPEAKER: The Honourable Member for St. James Central.

Hon. K. D. SYMMONDS: Mr. Speaker, you will, of course forgive me if I am unable to resist the observation that, in spite of whatsoever context may have emanated from the Other Side today, it is a memorable occasion for the fact that never before in the history of this current Parliament has there been unanimity of thought and approach between the Honourable Member for St. Lucy and the Leader of the Opposition. It is, perhaps, a miraculous by-product of the events of last Saturday. Politics make strange bed fellows.

Mr. Speaker, we have to deal with the substance of this matter. The point of departure should be that the Leader of the Opposition, in effect, has left us one...

Mr. D. St. E. KELLMAN: On a point of order. The Honourable Member for St. James Central is deliberately misleading the Honourable House. The Honourable Member was in this Honourable House last week when he told the Honourable Member for St. Michael North West that he had endorsed the concept under the social partnership. The Honourable Member for St. Michael North West then told him that the Honourable Member for St. Lucy has been saying this to this Honourable House for a long time and he agreed. The agreement is nothing new. It did not take an election for this to happen.

Mr. SPEAKER: Honourable Member, what is your

point of order?

Hon. K. D. SYMMONDS: Sir, may I proceed?

Mr. SPEAKER: Honourable Member, proceed, please.

Hon. K. D. SYMMONDS: It has been said that the enemy of my enemy is my friend. That is all that I was trying to say, Sir. With that none of these Honourable gentlemen in here would disagree.

Mr. Speaker, the fact of the matter is that if we were left with one enduring piece of substance from the Leader of the Opposition, and there was that, it would be that a guarantee of a loan, as he puts it, should be based on a set of principle and that one fundamental principles would be the capacity of the company to deliver on the loan. I think those are his exact words.

Sir, the difficulty which I have, as I listen to the Honourable Member, is to accept that he can so postulate on one hand and then on the other hand, he finds it intellectually possible to challenge the importance of having the limitation statutorily placed on the guarantee.

Sir, the purpose of the limitation statutorily created is to act in effect as a check and balance on potential excesses of a board of directors which necessarily must constitutionally manage the process of a corporate entity.

Mr. SPEAKER: Honourable Member, on what do you rise, Sir?

Mr. C. A. MASCOLL: On a point of elucidation. I think that the Honourable Member for St. James Central failed to listen carefully. My limit does not speak to an individual company. I am suggesting that based on the principle, there ought to be no limit on the individual company. Therefore, if I accept that, why should there be an overall limit on Government's capacity to guarantee loans for private companies?

I think the Honourable Member misunderstood my comments. I am saying that there should be no limit on the aggregate amount and the limit on the companies should be based on the principles which would inform, whether you give or not.

Hon. K. D. SYMMONDS: Mr. Speaker, the point that the Leader of the Opposition seeks to make by way of clarification is accepted.

Sir, I want to stress the point that we have to be mindful of the fact that there has to be a means by which Government places checks and balances on the

potential acts or omission of a board of directors. Having said that, the only other issue in this very narrow debate is to what extent is necessary to take this route in law. What is really the economic development of Barbados?

Sir, the Honourable Member has made a career out of making heavy weather about Hotels Resorts Limited. Sir, perhaps there may be some merit in some of the things that the Leader of the Opposition said now and in the past, but that is not what we are debating here today. Subsequent to those issues raised, I remind this Honourable House that we had a general election in Barbados in which the Honourable Leader of the Opposition led the Opposition, and the public has spoken. So, this matter is dead.

*Asides.*

Hon. K. D. SYMMONDS: He continues to speak better than his predecessor who does not even come to Parliament.

Sir, the point that I am making is, those are not the issues that we are faced with today. We are faced with, in my view, a question of a developing economy being faced with its constraints. Do we continue to function within the box with our hands tied by orthodox approaches, or are we prepared to look towards imaginative ways within which we can to finance the long-term economic development of Barbados?

Sir, if we look at Needhams Point Holdings, it is an exercise which is now known to the general public as the Hilton Hotel. It is not financed as a result of borrowing on an international market. The Government of Barbados took a conscious look at the development of the old Hilton... I am going to break it down to the basics. We have to reach a point in this exercise where we demystify this process.

Sir, we are talking about a situation where Government sits down and looks at its tourism product. It said that it has a major hotel called the Barbados Hilton, which has, by virtue of using the international brand name Hilton International, a standing in and outside of this region, an established clientele since the 1960s.

Mr. Speaker, the fact is, that product was so rundown, so deficient in terms of meeting the standards expected and accepted by the modern international business traveler in particular, that Government was faced with the situation of do we go to the international market to finance, at great cost, the replacement of that hotel?

Sir, modern orthodoxy in these economic matters says that if you go to the international market, your hands become constrained by virtue of the World Bank's and International Monetary Fund's dictates on your debt repayments, and scheduling of those debt repayments.

Sir, at the same time, and I have made this point

repeatedly in this Honourable House, good governance dictates that we are going mouth about a services economy based primarily on a tourism product, which not accidentally is now second to none in the Caribbean, we have to continue to invest and reinvest in that tourism plant.

Mr. Speaker, to make this matter simple, the Needhams Point Project was financed in an unorthodox way, through this same approach of local borrowing which we are discussing today.  
11.30 a.m.

Mr. Speaker, the GEMS of Barbados was all about taking a rundown tourism plant on the south coast of this island and transforming tourism in Barbados from what it was, a Charles Dickens manifestation of "A Tale of Two Cities", Sir, because, on the west coast, which I have the honour of representing a substantial part, there are palatial hotels.

In those days on the south coast, there was a largely rundown product and what the Government sought to do was to find a way of financing. Sir, we could debate this forever but the point is that we would come to a point in time in Barbados where we have to accept that this which is being done, is in the long term development of the country.

I make the other point. If we look at Grantley Adams International Airport, that is another project which is being financed in this way. The Minister of Tourism who is not now in his seat but is in Parliament has made the point repeatedly...

*Asides.*

Hon. K. D. SYMMONDS: The point that I am making, Sir, is that Grantley Adams International Airport would have been a project in excess of \$251 million. We are faced with a situation where if you were to go to the international market to borrow that, you have the same constraints and considerations that would have been inflicted on us, had we gone to the market for GEMS, the Hilton and the Caves of Barbados.

There is nobody in any part of this debate at anytime that has said that the Government should not reinvest in the redevelopment of fundamental aspects of this country's tourism plant. The issue is, therefore, are we going to be mealy-mouthed about how we do it, Sir. Are we going to accept that it can be done by going to the international market, but then we are so constrained that we will not be able to deliver on the qualitative and quantitative improvements in the way we wish to do it, Sir.

If therefore you are going to accept that, then you also have to accept that the alternative is to develop a

form of unorthodoxy from which this country has benefitted. If you go to see what the Hilton is today, if you go to Grantley Adams International Airport today, you would recognise automatically the improved capacity in the departure lounge, the runway, the parking capacity and the potential for even greater capacity, then what you are seeing is that fundamental changes are being made to critical components of the country's tourism product.

Mr. Speaker, whether it is the BTII or any of the others, the point consistently is the same over and over again. This is why I start on the fundamental point of departure but this is really a question of being governed by prudence. There must be the statutory limitation in place at the level of the company because the Board of Directors, and any Board of Directors, once a company is created will feel that it has a certain air of independence.

Our experience has been and continues to be that even in these companies which obviously have a large Government interest, the mental independence of the Board of Directors... Sir, it is a good Barbadian thing to have proud independent thinking people, who are at the helm of a commercial enterprise but often Government has to pull the rein and say there is a Governmental policy consideration on any particular issue. Sir, that is why we find that limit has to be in place at the level of the company.

In terms of the aggregate, Sir, again, it is a matter of simple common sense and should not attract debate for any prolonged period of time because we have collectively to do a lot of reinvesting, if we are going to continue to transform and transmogrify a critical product and that product has several sectors. The Caves of Barbados, the hotels that Government has an interest in, the airport and the seaport are critical sectors. Therefore, Sir, to the extent that Government makes these forms of reinvestment, there is going to be a compiling of the aggregate.

I want therefore to say that I know the Leader of the Opposition does not really want to debate this. He wants to debate what comes after this and we are very anxious to join him on those terms.

Thank you very much, Sir.

Mr. SPEAKER: The Honourable Member for St. Philip West.

Dr. D. C. ESTWICK: Mr. Speaker, I think it is reasonable that the Honourable Members would not want me to speak because I have some things that I believe I need to say and I am going to say them, Sir, because I do not see this as a trivial matter.

Sir, I believe that when I hear the Honourable Member for St. James Central make the remark that a policy of unorthodoxy should be utilised in such a way where he does not attach long-term consequences to it, whether or not that

policy of unorthodoxy breaches the Financial Administration rules of the country, the result of that practice of unorthodoxy has long-term implications for the fiscal deficit of this country. It bothers me immensely because I am then confident in my mind that he is misled and also all the other Honourable Members on That Side who support such thinking.

Mr. Speaker, it is important to get into this debate because any guarantee by Government is a guarantee to utilise taxpayers' money. Therefore, there are fundamental implications with respect to a country like Barbados so poised with a national debt in crisis proportions, problems which the IMF warned them about in the last Article IV consultation. This guarantee, Sir, speaks precisely to expenditure containment because part of the Government's strategy in order to reduce and contain central Government expenditure, was to shift debt to statutory corporations and to Government owned companies.

Therefore, Mr. Speaker, it is a strategy of expenditure containment, one designed to give Barbadians the impression that there is a reduction in the national debt and the fiscal deficit of Barbados when that is not so because when the Government guarantees a loan for the National Housing Corporation that is in debt, the Government has to repay. When Government guarantees a loan for the QEH, and the QEH is in debt or is not an income generating entity, Government has to repay. When Government has to guarantee a loan for the Barbados Water Authority (BWA), Government has to pay it because the BWA is brimming in debt. When Government has to guarantee a loan for all of the other statutory entities as well as private companies, Government has to pick up the 'tab'. This is the point. Therefore, Members try to trivialise this matter, that Sir, is to beg the question.

Mr. Speaker, Barbadians are aware that the Sanitation Service Authority is in debt. The Barbados Water Authority is in debt. The National Petroleum Corporation is in debt. The National Conservation Commission (NCC) is in debt. The Barbados National Oil Terminal Company is in debt. The National Housing Corporation is in debt. Yet, they would want Barbadians to accept that Government is supposed to guarantee loans for these companies that are in debt and the Government and the taxpayers do not have to pick up the bill. What rubbish I am hearing? What nonsense I am hearing? Mr. Speaker, this is why I believe I have to get involved in this debate now, while I wait for the other debate. Here this Government is saying to Barbadians that a Government does not have to own 51 per cent or 50 per cent of the shares in an operation in order to guarantee a loan, yet the Public Accounts Committee's legislation speak directly to giving the Public Accounts Committee only the right to investigate public expenditure of a company that Government owns 51 or

more per cent of the shares. What nonsense I am hearing?  
Am I suppose to sit and say nothing?  
11.40 a.m.

Mr. Speaker I will sit now and wait until the loans comes to be debated in this House of Assembly because I will have to say what I have to say and I hope that you would bear with me. Sir, I am not going to breach any rules, I know them well, but I am going to tell Barbadians exactly what I believe they should hear because this Administration is misleading the people of Barbados and it is my responsibility, irrespective of the rhetoric being espoused, to explain to Barbadians exactly where they are being misled by this Administration, and I am going to do that, Mr. Speaker.

I thank you.

*Asides.*

Mr. SPEAKER: Order, please. The Honourable Member for St. James North will now wind up.

Hon. R. C. EASTMOND: Mr. Speaker, I rise to wrap up this debate. If I understand what is on the Order Paper, Honourable Members would have an opportunity to expiate later today.

Sir, consistent with the view that Parliament ought not to mislead, I must say that when I made my first intervention there was information which I lacked, which has now come to my attention. Sir, it is clear to me that one of the purposes in what we are doing here is to provide a guarantee and a kind of security for the Barbados National Oil Terminal, that came to my attention after I had spoken.

Sir, in the circumstances I beg to move that this Bill be read a second time.

Hon. G. A. CLARKE: I beg to second that.

*On the motion of Hon. R. C. EASTMOND, seconded by Hon. G. A. CLARKE, the house resolved itself into Committee, Mr. R. D. Marshall in the Chair.*

#### COMMITTEE

Mr. CHAIRMAN: This House is in Committee.

*Clauses 1 – 2 inclusive were called and passed.*

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

*On the separate motion of Hon. R. C. EASTMOND, seconded Hon. G. A. CLARKE, the Bill was read a third time and passed and cited as the Guarantee of Loans*

*(Companies) (Amendment) Act, 2005.*

ORDER NO. 16 – RESOLUTION TO APPROVE IN ACCORDANCE WITH SECTION 5 OF THE CROWN LANDS (VESTING AND DISPOSAL) ACT, CAP. 225 THE VESTING IN BUSH HILL TOURISM TRUST INC. OF A PARCEL OF LAND, THE PROPERTY OF THE CROWN, SITUATE AT BUSH HILL, IN THE PARISH OF SAINT MICHAEL TO FACILITATE ITS RESTORATION AND PRESERVATION AS AN HERITAGE TOURISM SITE

Hon. Miss H. E. THOMPSON: Mr. Speaker, this is a matter that has previously been considered by the House and there has in fact been much discussion over this redevelopment project.

Essentially, the Resolution seeks to gain the approval of this Honourable House for permission to vest a parcel of land, which is currently the property of the Crown at Bush Hill, St. Michael, in the Bush Hill Tourism Trust Inc. The property which is known as George Washington House, has historical and heritage characteristics, features and interest because it is the sole place in which George Washington is said to have slept outside of the United States of America during his term of office.

Mr. Speaker, it is believed that to have this among our many social and cultural attractions, would help with the diversification of our tourism product at a time when we are preparing for Cricket World Cup 2007 and seeking to create greater interest and a variety of products in a mature tourism destination for tourist arrivals. This is perceived as having some value to add to the cluster of places of interest already available in Barbados.

Mr. Speaker, there was a time when it was believed that sun and sand were all one needed to have a successful tourism destination, but over time populations have become more sophisticated and the average tourist more demanding, therefore, a variety of product offerings are critical to attract the varying interest of persons who would come to our shores as tourists.

Mr. Speaker, heritage tourism has become of extreme interest internationally. There are person who travelled for the heritage and historical value of a holiday. There are persons who travel and visit cathedrals, museums and historical houses. There are people who go to England to see the round table at which King Arthur and his knights are alleged to have sat.

Here in Barbados it is believed that there are a number of properties that do have social and historical interest and this one would be of particular relevance for tourists of the United States of America.

11.50 a.m.

Mr. Speaker, the aura that continues to surround Presidents or former Presidents of the United States of America, is a very interesting phenomenon because these are people who wield tremendous power and whose careers are followed with great interest.

Mr. Speaker, in our political climate, we have a way of casting off politicians, once they have served their term and treating them as 'nobodies' but in the United States of America, there is a tradition where a person, who has served as President is always called Mr. President or President somebody. There is also a certain security detail that continues with that person until death.

Sir, a number of things relating to the historical periods for which these Presidents have served, and the extent to which they have asserted influence within the United States of America, within the parochial borders but more important, the extent to which they exerted influence on the international agenda, is often a course of study in itself. For instance, there has been the development of Presidential Libraries. Most recently, there is the Clinton Library which was recently opened. There is also the George Bush Library.

Mr. Speaker, here at Bush Hill, it would be of tremendous interest to some persons, that of all the places in the world, George Washington came to Barbados. We believe that, for a long time, the property that is called the "George Washington House" was mistakenly so described and now the correct property in which George Washington had actually slept, has been identified. Therefore, the intention is that the property will be refurbished and redeveloped as a heritage site of interest to students, Barbadians and tourists alike.

Mr. Speaker, this new entity in which the property is to be vested, the Bush Hill Tourism Trust Inc., is an amalgam of the Barbados National Trust and the Barbados Tourism Investment Inc. Sir, the Barbados Tourism Investment Inc., is a Government company which has been used as a vehicle for investment and development of a number of sites across Barbados. In fact, in collaboration with the Barbados National Trust, the Barbados Government has worked to develop "Tyrol Cot", "Arlington House" in St. Peter, along with various sites across Barbados. The Barbados Tourism Investment Inc., as Government's investment vehicle, has also developed a number of tourism-based facilities at the national level and has done good work in seeking to renew and diversify Barbados tourism product offerings.

Mr. Speaker, at the national level, in terms of family entertainment and family recreation, it also means that these facilities are available to nationals, for them to enjoy. I can imagine that over time the "George Washington House" would be used for a variety of social and cultural activities, which will be identified as being appropriate for the site by

the company. Sir, this is a non-profit company, whose responsibility it now will be to renovate, restore, repair, reconstruct, maintain and preserve the "George Washington House" at Bush Hill, and the adjoining buildings.

Mr. Speaker, many buildings of that era have a number of outbuildings which were used as stables, houses for carriages, maids quarters, *et cetera*. This building being typical of that era, has a number of outbuildings which will also be refurbished. I understand that a sort of museum will be created at the site and that the intention is to have it as close as is possible to the characteristics, which it would have manifested at the time George Washington would have visited.

Mr. Speaker, Government has committed to investing BDS\$2 million in the new company, the Bush Hill Tourism Trust Inc., to assist in the redevelopment programme. Sir, I know there are a number of American nationals who have an interest in being part of the redevelopment process, since there is ample opportunity for partnering between this new entity, the Bush Hill Tourism Trust Inc., and other private sector interests, in order to come up with what is the most desirable outcome and the resources necessary for full redevelopment.

Mr. Speaker, in 1999, this property which was owned by the Barbados Light and Power Company Limited, was compulsorily acquired, specifically for this redevelopment purpose. Sir, you would be aware that if one goes to the Bush Hill area, the old clockhouse and other buildings at the Garrison, which are both privately and publicly owned, one would see that these buildings have been undergoing significant refurbishment and redevelopment.

Mr. Speaker, although this Resolution comes under the heading of the Ministry of Housing, Lands and the Environment, in assuming my role as Environmental Minister, I want to point out that as a people, it is of extreme significance that we take cognisance of the benefits and features of the traditional Barbadian architectural idiom and vernacular, which are being repeated and replicated outside of Barbados but that for reasons unknown to me, we are letting those things slip away from us. Therefore, a number of buildings with traditional Barbadian architecture have been demolished, refurbished or vulgarised in various ways, all in the name of redevelopment and modern architecture.

Mr. Speaker, when one travels to London, to European cities or even within the Caribbean, one will see a number of heritage buildings, which have tremendous antiquity and beauty, which are worth visiting. Sir, all over the world, there is a movement towards preservation of cultural icons and, therefore, buildings very much speak to the

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Mr. Speaker, when one travels to London, to European cities or even within the Caribbean, one will see a number of heritage buildings, which have tremendous antiquity and beauty, which are worth visiting. Sir, all over the world, there is a movement towards preservation of cultural icons and, therefore, buildings very much speak to the

story of a historical era, to the cultural mores, values and beauty, as they typify that particular historical period. Therefore, it is critical that we should seek to preserve our historical buildings, and the George Washington House is one of them.

Mr. Speaker, there are a number of buildings around Bridgetown, some that are lost and some which are being lost. In this regard, therefore, I would urge property owners that a sensitive redevelopment of these buildings can only enure to the benefit of Barbados' physical beauty, aesthetic appeal and physical landscape. In fact, there is a move afoot to have Barbados and Bridgetown recognised, at the international level by UNESCO, for its historical and other features. Therefore, in order to do that, there has to be some preservation of the cultural icons and physical landscape. Therefore, the noting of historical sites will be of critical importance.

Mr. Speaker, there are a number of buildings in Bridgetown, which we pass unnoticed daily, but which mark the first point coming across the Atlantic, at which slaves were landed from Africa to Barbados. Sir, these buildings, especially around the Careenage area, do not have any signs on them. They do not even have a plaque, which would draw people's attention to the fact that hundreds and thousands of our ancestors first stepped off the slave ships from Africa, on Caribbean soil, at that point in Bridgetown. It is, therefore, critical for people to understand our history. It is, therefore, critical for them to come to grips with that history, and for us to be able to mark those places on our historical walk, to the point where we are now.

12.00 noon

While some may feel that this is not one of the icons we would want to preserve, I would think it is, given its historical importance and its linkage with the United States of America and the fact that the United States of America is for us one of the tourism destinations from which our economy benefits.

Mr. Speaker, Bush Hill House was built in the 18th century so it is a house of some antiquity. This document suggests that it was owned by George Washington who later became the first President of the United States of America and who actually stayed in the house when he visited Barbados in 1751. The footprint of the property is 7 245 square metres or just under 80 000 square feet or an equivalent of 1.79 acres of land on which stands the main house and four smaller buildings including a mill wall. Sir, mill walls which are rapidly disappearing from our landscape. I trust our developers would seek to maintain that particular feature of the House. It must have been a grand property in its time. This location would not have been accidently chosen either, given its strategic proximity for security reasons to the Garrison Savannah and the army such

as it was at that time.

Mr. Speaker, the survey plan should be available and attached as Appendix I for inspection by Honourable Members. The property was surveyed in 1998. The vesting today is done under the Crowns Lands (Vesting and Disposal) Act, Cap. 225, which empowers the Minister of Housing, with the approval of Parliament, to sell, lease, exchange, grant, assign or surrender any land vested in or owned by the Crown. The Resolution has been certified by the Attorney General as an Order to be submitted to Parliament.

Mr. Speaker, this is one of several development projects which the Government is undertaking in conjunction with the Barbados National Trust. I think it would have tremendous cultural heritage and tourism benefits for Barbados. I commend it to the Chamber and urge Parliament's approval of this Resolution.

I beg to move that this Resolution do now pass.

Mr. SPEAKER: The Honourable Member for St. Michael North West.

Mr. C. A. MASCOLL: Mr. Speaker, I want to make a very short contribution to this debate. This decision speaks to the nature of Barbados as it is today. Here we are willing to invest a few million dollars in renovating a house which George Washington who became the first President of the United States of America, perhaps slept in for one night.

Mr. Speaker, we had major discussion and debate on where we should push Lord Nelson and if he should be pushed into the Careenage...

Mr. SPEAKER: Honourable Member, this Resolution relates to a vesting.

Mr. C. A. MASCOLL: Mr. Speaker, the truth is that I should not be allowed to speak on a vesting.

Mr. SPEAKER: Honourable Member, you can speak but the trend of your speech seems to be about something that is not here in the Resolution.

Mr. C. A. MASCOLL: Mr. Speaker, I am suggesting that George Washington who became the first President of the United States of America would have made far less a contribution and potentially will make far less a contribution to this country than if we were to acquire the land surrounding Lord Nelson and see it as a tourism entity and investment and vest it in the interest of developing this country as a tourism entity.

Sir, I am saying that the historical link between the United States of America and Barbados is negligible compared to the historical link between Barbados and Britain, that the benefits that can be derived from such a vesting will be tremendous for us. I do not understand why a country should pay so much attention to whether or not the first President of the United States of America would have visited Barbados or slept in a house, but cannot see the merit of embracing whether or not that individual would have come to Barbados, is irrelevant. He demonstrates a link between Little Britain and Big Britain and historical he is symbolic of that relationship and we cannot deny it.

Mr. Speaker, on one hand we do not want to be colonised by the UK but on the other hand, we can justify why we can invest so many millions in a house with respect to who slept in it but want to deny our relationship with the British. Sir, I feel very emotional about it because there is absolutely no difference between the colonial gesture which we are seeking to accommodate and the more relevant colonial gesture which made us what we are.

Mr. Speaker, our relationship with Britain was far more critical in those times and, therefore, the vesting is relevant...

Mr. SPEAKER: Honourable Member, that is not on the Order Paper. I do not see anything relating to Lord Nelson in this Resolution.

Mr. C. A. MASCOLL: Mr. Speaker, this land is being vested to protect a one-night stand but we cannot respect the relationship we had with the British through another statue.

Mr. SPEAKER: The Honourable Member for St. Lucy.

Mr. D. St. E. KELLMAN: Mr. Speaker, it is no doubt that we need not to limit this vesting and that we need to expand it. It is clear that anything that is going to develop our tourism that Parliament must use the opportunity now to increase it. If it means that we need to go next door and acquire some land and vest it to protect the history of Lord Nelson, then we need to do that. Sir, we also need to go to St. Lucy and get some local people to vest land ...

Mr. SPEAKER: Honourable Member, I am not going to allow you to do that. You have to stick to the topic as it relates to this Order.

Mr. D. St. E. KELLMAN: Mr. Speaker, this is not location. The important thing is vesting here and that is exactly what I am dealing with. Sir, if that is not your ruling, please let me know because I do not want to break any rules when I am debating. I seek your guidance so that I can debate correctly.  
12.10 p.m.

Mr. SPEAKER: Honourable Member, the Resolution is very clear. It is about vesting in the Bush Hill Tourism

Trust Inc., of a parcel of land situated at Bush Hill. That is what we are talking about.

Mr. D. St. E. KELLMAN: Sir, it means that I have to remove the land from Cane Garden, St. Lucy, where the late Right Excellent Errol Barrow lived to Bush Hill so that it can be vested, I will do that.

*Asides.*

Mr. SPEAKER: Honourable Member, you have lost me, Sir.

*Asides.*

Mr. D. St. E. KELLMAN: Sir, when we are dealing with heritage tourism, we must include everybody. I support George Washington, Lord Nelson and I have all reasons to put an argument for the house in which the late Right Excellent Errol Barrow lived.

Sir, we need to have a total picture. If it means in this debate that I have to get the construction company that moves the earth to please us today, I might have to make a call to my constituents in St. Lucy to move the earth to Bush Hill to debate this Resolution on heritage tourism and on vesting in this Honourable House today.

Sir, I will not break any rules. I will be guided by your rules. Sir, you know that I have always done that. In all my debates, I stick to the principles and guidelines set down by you, Sir. I will not breach any of them, Sir. I will continue to deal with vesting but what the Honourable Minister speaks of today is only the beginning of a wider vesting that has to occur in this Honourable House.

I thank you, Sir.

Mr. SPEAKER: The Honourable Member for St. Michael South.

Hon. N. A. LYNCH: Mr. Speaker, I hope that I could restore some straight-line thinking in this debate. Sir, a lot of what was said by the Honourable Member for St. James South, who introduced this particular Resolution, rest in the issue of tourism. I believe that the matter before us, the vesting of this particular property in Bush Hill Tourism Trust Inc., as the name clearly denotes, does relate to a matter that has some significant cultural and historical value for Barbados, but at the same time creates a basis for further development of the tourism industry.

Sir, this is a significant tourism development initiative, that is the concept of the amalgam between the Barbados National Trust and the Barbados Tourism Investment

Incorporated. This is also a significant initial development for a wider area, the Garrison, which has significant cultural and historical value for Barbados and at the same time, has similar values for visitors to our country.

Mr. Speaker, the first phase is the beginning of a plan for Government to develop that wider Bush Hill and Garrison area for significant tourism development.

Sir, I want to dispel a lot of what has been said regrading the significance of the vesting of this property and whether the value of George Washington having slept there is important to our tourism development and by extension the wider development of Barbados.

I believe that the acquiring of the property, the initial phase of the development of the project speaks to a wider issue. That George Washington would have slept in that house is of significant value to visitors from the United States of America who come to Barbados. The significance of this move when compare to that of Lord Nelson, cannot be an issue, the Government of Barbados never said anything about throwing Lord Nelson in the Careenage. That is why we are seeking to acquire the Screw Dock for development as part of our overall heritage.

Mr. Speaker, the house where George Washington slept is of significant historical and cultural value for people from the United States of America who are visiting Barbados. Therefore, it fits into a wider scheme of the development of our tourism industry. Anyone who misses that concept, is not thinking along the line of our continued development of one of our most significant markets, which is the US market.

Mr. Speaker, the future of our tourism industry hinges on the ability to create better phases for products development. Therefore, the vesting of this property, where George Washington slept, creates another tourism product for people visiting our country. We have got most of the aspects of our tourism development right, the marketing, accommodation and airlift issues. Really and truly, if we are to continue to expand the industry in any sensible way, product development, particularly ancillary product development to those which are the pillars of tourism, must be at the center. This particulars initiative answers that question and continues to create a basis for Barbados to develop the industry.

Sir, the concept of the Barbados Tourism Investment Inc. and the Barbados National Trust in this amalgam along with the Bush Hill Tourism Trust Inc. is another on of those initiatives which is a continuum of the type of overall development that is necessary for Barbadians to progress and our economic development to thrive.

Sir, the development of Jubilee Gardens and the Swing Bridge, they all fit into this wider picture of creating a basis for expanding product development within the area of tourism.

Mr. Speaker, I believe that it has, not only a practical and functional significance but also a historic and cultural value for our development. Sir, whether people want to move Bush Hill House to St. Lucy or remain close to Bridgetown, the fact of the matter is, when we speak of the first President of the United States of America, Barbados is the only place he visited outside the United states of America, this has significance for them and wider economic significance for us.

Sir, when we speak of our British heritage or marrying George Washington's visit to the wider development of Little England to Big England, that is also a significant issue. However, fundamental to this debate, the issue that George Washington slept here, and his actions are of significance to Barbadians because it continues to help us with our tourism development. It is important to Americans, as their first president, where he slept is of historical importance. Their cultural heritage is expanding, therefore, those who visit Barbados would want to see this place.

Sir, I recently returned from London attending the World Travel Market. Sir, what sets Barbados apart from the rest of the other tourism destinations in the region, is our ability to market products and services that other tourism destinations do not have. I agree that some of them may have these types of historic, cultural and heritage sites as well, but Barbados continues to compile and respect the cultural heritage component of the development of our tourism industry. That is what set us apart. That is why we continue to be the number one destination in the region and have been awarded a number or accolades.

*Asides.*

Sir, I know that some people would have love me to stay in London, maybe that would have helped them in their quest for leadership; but they failed. However, at the same time...

*Asides.*

Hon. N. A. LYNCH: Sir, I return with the knowledge that Barbados continues its march to be the number one destination in this region and that this particular...

Mr. SPEAKER: Honourable Member, just keep to the topic, please.

Hon. N. A. LYNCH: Mr. Speaker, thank you.

This particular issue of vesting is going to continue to take us forward in that march. Sir, \$2 million is not so significant in terms of the development of George Washington House. What is significant, Mr. Speaker, is that we are continuing to create the types of heritage and cultural values that are important for the development of our tourism industry.

12.20 p.m.

I am obliged to you, Sir.

Mr. SPEAKER: The Honourable Member for St. Philip West.

Dr. D. C. ESTWICK: Mr. Speaker, I want to say, upfront that I do not care anything about a lot of the conversation about the vesting of the land, on which the property that George Washington slept in Barbados is situated, in the National Housing Corporation (NHC).

I also want to say without reservation that what I am interested in, Sir, is that this administration, if they are going to be looking to spend \$2 million on acquiring that land and vesting it in the NHC, then I believe...

Hon. Miss. H. E. THOMPSON: Mr. Speaker, on a point of order. The Honourable Member is misleading the House in his anxiety to go ballistic and talk about things that are irrelevant. I understand, Sir, coming out of Saturday on Members on the Other Side...

Mr. SPEAKER: Please, make your point of order.

Hon. Miss. H. E. THOMPSON: Sir, the reality is that the vesting is not in the National Housing Corporation or the BTII.

Dr. D. C. ESTWICK: Mr. Speaker, I will proceed because the Honourable Member makes no mistakes, Sir, it is the Lord speaks. The point is I am not concerned with whether or not it is the BTII or the National Housing Corporation.

Mr. Speaker, what I am concerned with is that it is \$2 million, which should be used to help poor people who are sleeping on the streets. It is to be used for those 14 and 15 people who are living in the National Housing Corporation homes and are being put out every day. It should be used to find land for the people in Barbados, who cannot find land or housing in the country. It is supposed to help the constituents of St. Philip West, who right now cannot find a house or a home. Are you telling me about investing \$2 million in the BTII for George Washington house? This is not what we are in here to do.

Sir, we are in here to help poor people. We are in here to develop a set of policies, which Parliament has a responsibility in the interest of the masses of Barbadians who cannot help themselves. I have no interest in this BTII

investment. This is foolishness. I have nothing more to say about that, Sir.

Thank you, Sir.

Mr. SPEAKER: The Honourable Member for St. James South will now wind up.

Hon. Miss. H. E. THOMPSON: Thank you very much, Your Honour.

I understand the Honourable Member for St. Philip West getting excited with his own speech. The reality is however that a Government cannot be narrow in focus. While it is entirely critical to do all of the national parochial development work, there has to be a broader investment and development portfolio, which will cause revenue and foreign exchange to come into Barbados to help the same poor people, to create jobs to help build houses and to ensure that Barbadians can make a living and that is what this is attempting to do.

Sir, one saw it today. This is a hangover from Saturday and the bitterness and rancour that is left after their membership conference on Saturday that everyone is today speaking with a certain amount of venom and that is, in fact, what their challenge is, Sir.

Sir, the new leader has not even condescended to come and unpick his teeth and sit amongst them today. It is fascinating what we are going through at a national political level. There is a level of war on the Other Side that stops them from focusing on a national developmental agenda.

The Honourable Member for St. Michael North West, Sir, in his comments was making the point about Lord Nelson and George Washington. I think that George Washington did, in fact, sleep in Barbados for more than a night but the Honourable Member for St. Michael North West clearly is not aware that Lord Nelson, in his anxiety to defend him, made it clear that Barbados was the worst place he has ever gone to in his life and wanted to get out of Barbados quickly. It is a matter of historical record.

Mr. SPEAKER: Honourable Member, there is nothing about Lord Nelson here. This is not what the vesting is about, please.

Hon. Miss. H. E. THOMPSON: I am just reminding him of the historical reality in case he did not know it, Sir, and I do not think he did because he made such a large point of defending Lord Nelson.

Mr. D. St. E. KELLMAN: Mr. Speaker, on a point of order. The Honourable Member is misleading the House, Sir, by trying to give Barbadians the impression that Lord Nelson is not a tourist attraction.

Mr. SPEAKER: Please, just proceed to wind up.

Hon. Miss. H. E. THOMPSON: Sir, this is greater evidence of the confusion that exists in the minds of the Honourable Members on the Other Side coming out of Saturday. He is on his way to court and may, in fact, be thinking of his own law case against his Party.

*Asides.*

Hon. Miss. H. E. THOMPSON: Sir, I think the House has agreed in large measure that this is an important initiative for revenue generation and foreign exchange earning. I also think it would help to diversify our tourism product, as I indicated earlier, and would be of interest at both a national and international level.

I therefore beg to move that the Resolution do now pass.

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

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

#### SUSPENSION OF SITTING

Hon. R. C. EASTMOND: Mr. Speaker, I beg to move that this House be suspended until 1.30 p.m. today.

Mr. R. D. MARSHALL: I beg to second that, Sir.

*The question that the House be now suspended until 1.30 p.m. was put and resolved in the affirmative without division and Mr. SPEAKER suspended the House accordingly.*  
12.27 p.m.

#### RESUMPTION

Mr. SPEAKER: This Sitting is resumed.

ORDER NO. 15 – RESOLUTION TO APPROVE THE BORROWING OF SUMS UP TO \$125 000 000 IN THE CURRENCY OF THE UNITED STATES OF AMERICA ON THE INTERNATIONAL CAPITAL MARKETS BY THE ISSUE OF SECURITIES THROUGH DEUTSCHE BANK SECURITIES INC. AS LEAD MANAGER FOR THE PURPOSE OF STRENGTHENING THE FOREIGN RESERVES; AND TO APPROVE THE ESTABLISHMENT OF A SINKING FUND FOR THE REDEMPTION OF EACH ISSUE OF SECURITIES MADE UNDER THE EXTERNAL LOANS ACT, CAP. 94D AND FOR THE MONEYS NECESSARY TO MAINTAIN AND SERVICE THE FUND

Hon. Miss M. A. MOTTLEY: Mr. Speaker, I have the pleasure to lead this Resolution on behalf of the Minister of Finance, whom Parliament may know is on his way to the Commonwealth Heads of Government Meeting and, is in

fact, today meeting with the Prime Minister of Great Britain and other CARICOM Heads of Government. Were it not for that fact, he would have been here to lead this Resolution.

Mr. Speaker, also at the outset, I would ask you to forgive me if my voice is a little weak today because I am having a little difficulty having had some dental work. Therefore, I will try my best in the circumstances.

The Resolution, which is before the House today, is to enable the Government to raise a loan of US\$125 million on the international capital market. The transaction is being managed by Deutsche Bank Securities Inc. and it would have a format where we would be seeking to issue bonds bearing an interest rate of 6.25 per cent and maturing in 2035, a 30-year bond.

The context of the loan is that the proceeds are expected to be able to allow us to finance the foreign exchange component of some of the Cricket World Cup activities being undertaken by both the Government and the private sector and also to help us strengthen the balance of payments situation at a time when it has been under some pressure from high private sector spending.

It is recognised, Mr. Speaker, that much of the expenditure, which will be undertaken to support the hosting of the Cricket World Cup in 2007, will have a high foreign exchange component since a lot of it is construction driven. It is, therefore, felt that it is preferable for us to deal with this matter by reason of a foreign denominated loan as opposed to going to the local market, for if we go to the local market, we would risk crowding out the private sector, who themselves are undertaking significant projects in preparation for the Cricket World Cup and generally for the boosting of the productive capacity of the country across the productive sectors.

In addition, Mr. Speaker, it is fair to reflect that going to the local market will also have a negative impact on interest rates and inflation. In the circumstances, the decision for us to raise a foreign loan as opposed to a domestic loan is therefore preferred.

Mr. Speaker, the context must also be reflected upon given the fact that as I said it is the desire of the Government to strengthen the balance of payments at a time when there has been some pressure. Mr. Speaker, it is no secret that during the year 2004, the foreign reserves of the country would have decreased by some \$312.7 million. Sir, while the decrease in 2005 has been nowhere near the amount of 2004, at the end of October it is still representing a decline of \$128.5 million, almost one-third of the decline which took place last year.

Mr. Speaker, in spite of the fact that decline is much less, it is felt that it is better for us to bolster the foreign reserves so that we can appropriately satisfy the demand, both from the public sector and the private sector, in relation to these preparations for the Cricket World Cup.

In addition, Mr. Speaker, we simply do not have the timeline to be able to wait, because as you know the finals are being hosted in some 16 to 17 months, and therefore all projects must be completed by that time period if we are in fact to host successful games and not to cause any bad reputation to ensue to Barbados' name.

Mr. Speaker, we have also to recognise that we are in a position to undertake this loan because when one looks at the overall figures and the overall profile of Barbados' debt management programme, the truth is that we are still far better than we were 10 to 15 years ago and we are still far better than we are in relation to other Caribbean countries, and in relation to our debt service ratios, we are still better than most in the hemisphere.

Mr. Speaker, if you give me some time, I am going to carry you through each of these which would cause this House to be satisfied that the decision which the Government is taking is one which is prudent and which would allow us to be able to meet our obligations without doing any violence at all to our debt management portfolio and profile.

Mr. Speaker, when you look at Barbados' external debt to Gross Domestic Product ratio, the truth is that Barbados now enjoys an external debt to Gross Domestic Product ratio that is better than every other Caribbean island except Trinidad and Tobago, which benefits from the export of oil and gas and the Bahamas which benefits from a vibrant tourism sector, by reason of its geographical proximity to the United States of America.

Mr. Speaker, the truth is that we have an external debt to Gross Domestic Product ratio of 28.2 per cent. Sir, what is the rest of the region? Jamaica stands at 59.1 per cent, Belize at 79.3 per cent, the Eastern Caribbean at 101.1 per cent and Guyana at 149.6 per cent. Mr. Speaker, therefore, in almost every instance throughout the rest of the Commonwealth Caribbean, countries that are carrying an external debt to Gross Domestic Product (GDP) ratio, that is at least double and in most instances, four times the size of Barbados' external debt to Gross Domestic Product (GDP) ratio. As I said, Trinidad and Tobago benefits from the abundance of oil and gas reserves, which allow it to be the largest exporter of Liquefied Natural Gas (LNG) to the United States of America. In the entire world, no country exports more LNG to the United States of America than Trinidad and Tobago. Their external debt to Gross Domestic Product (GDP) ratio stands at 11.8 per cent, while the Bahamas stands at 9 per cent.

1.40 p.m.

Mr. Speaker, if one were to look at ballpark figures, one may feel that Barbados' Gross Domestic Product (GDP)

ratio is not as good as that of Trinidad and Tobago. Sir, I would venture to suggest to this Honourable House that when one examines the purposes for which the Government of Barbados borrows, in terms of building capacity to boost economic growth and to level the playing field in relation to the social benefits from which our people eventually become the beneficiaries, then, on a holistic analysis, it makes even more sense of where our external debt to Gross Domestic Product (GDP) stands, in relation to what we have been able to achieve as a people, for our economic and social development. Therefore, in these circumstances, Barbados provides a greater degree of social services, than Trinidad and Tobago or the Bahamas.

Mr. Speaker, it is but perhaps fortuitous that today's newspaper reflects on a conference being held here at the University of the West Indies, which looks at the issue of the financing of tertiary education, when the Government of Barbados almost stands isolated in the region, in its commitment to continue to pay tuition fees for all Barbadian nationals at the University of the West Indies.

Mr. Speaker, when one begins to understand that or begins to understand the range of services to which we have committed as a nation across political parties, for us to provide for our citizens, then one begins better to understand why our achievement at being able to hold an external debt to Gross Domestic Product (GDP) ratio at 28.2 per cent is a signal achievement in the context of the Caribbean, even in comparison to a low ratio on the part of countries like Trinidad and Tobago and the Bahamas.

Mr. Speaker, it is also noteworthy that neither the International Monetary Fund, nor the credit rating agencies with whom we have a relationship, largely because of our inability anymore to access major concessional financing for development purposes, have considered that Barbados has an external debt to Gross Domestic Product (GDP) ratio that is high. In fact, the only thing this loan will do, will be to carry up our external debt to Gross Domestic Product (GDP) ratio. It will move it from 28.2 per cent to 28.5 per cent, a mere increase of 0.3 percentage points, in circumstances where we will, at least, assure the public that we can undertake our obligations in the preparation of hosting a world game, with the confidence that we can complete it in time and that all of the projects, whether public or private sector, can go ahead apace, without having to worry about what damage would be done to Barbados' foreign reserves, as we meet these obligations.

Mr. Speaker, the external debt to Gross Domestic Product (GDP) ratio is not the only index. Indeed, the one that has been focused upon by the Opposition for most of the last year, is the overall central government total

debt ratio, both with publicly guaranteed debt and excluding publicly guaranteed debts. Sir, what is the reality? This Government, year by year, has said that our long-term goal is to have a central government debt to Gross Domestic Product (GDP) ratio on or about 60 percent of Gross Domestic Product (GDP).

Mr. Speaker, we would have been in a position this year to reach a central government rate of Gross Domestic Product (GDP) ratio of 63.2 per cent, by the end of December of this year, which would be the closest it would have come to for some time. Sir, this is in the context of us in 2002, reaching a high of 79.8 per cent.

Mr. Speaker, I want to repeat that. In 2002, our central government debt to Gross Domestic Product (GDP) ratio would have been as high as 79.8 per cent and that without this loan now before this Honourable House, this year we would be on target, and that the closest we would have come to that target of 60 percent, would be by achieving a ratio of 63.2 per cent.

Mr. Speaker, there is no magic in meeting goals for the sake of doing so and, therefore, effectively the goal represents a target from which there is a band of flexibility which we would have to exercise, in order to meet other developmental goals. Sir, the only reason we are in Parliament is to make sure that we can improve the quality of life of the people of this country. Therefore, for us simply to have an A-plus rating and the management of an objective down to 60 per cent, would speak for nothing if, in so doing, other things which would actually bring about the benefit to the people of this country are not capable of bringing about those benefits, because of the fact that we would have refused to take action, to ensure that those objectives could have been achieved.

Mr. Speaker, Government has taken a decision that now is the time for us to go to the international markets, for the reasons already outlined, in terms of Balance of Payments support, assuring the capacity to undertake and execute the Cricket World Cup 2007 projects, for both private and public sector, and in circumstances where it will not cause our plans to be put off target. Sir, when we raise this loan, which, interestingly enough, is attracting the lowest ever interest rate than any Barbados Government loan has ever attracted internationally, that being 6.25 per cent... Sir, never have we been able to attract an interest rate so low, which, on the international level, speaks volumes about people's considerations of our management of this economy.

Mr. Speaker, for us to be able to attract that interest rate, at a time when interest rates globally are trending upwards, and where it is likely that if we were to wait to achieve the goal of 63.2 per cent by the end of December and then go to the market in January or February, we would have faced the spectacle of higher interest rates, given what

is happening internationally in respect of interest rates, particularly with the pressure from the upward movement in oil prices and inflation in recent times.

Mr. Speaker, we are making a judgment call. It is one we believe we could defend. It is one that does no injury, whatsoever, to our overall debt management. Sir, this is being done in circumstances where once we now add the impact of this loan on the overall central government debt to Gross Domestic Product (GDP) ratio, it will move from 63.2 percent, without the loan, to 67.5 percent. Sir, this is still substantially below what it was in 2004, when it stood at 74.3; below 2003, when it stood at 75 per cent; below 2002, when it stood at 79.8; below 2001, when it stood at 72.3 per cent, and if the Opposition wants me to go there, below that which it was ten to fifteen years ago, under their management.

Mr. Speaker, what this effectively means is that overall, Barbados is still seeing a drastic reduction in its debt ratio, as compared to what it was but that at the same time, Barbados is still borrowing to meet the immediate needs that we have to meet over the next eighteen months.

1.50 p.m.

Mr. Speaker, if Honourable Members would wish me to add the public guaranteed debt to the central government debt, I would do so but in doing so, the results are virtually the same. Sir, in 2002, the Government guarantee debt in combination with central government debt stood at 89.1 per cent. Sir, without this loan it would have stood at 72.1 per cent and with this loan it will stand at 76.3 per cent of GDP in circumstances where it is considerably lower than it was in the last few years.

Mr. Speaker, the figures are clear. We do not believe that there are going to be any concerns in relation to this step and its impact on our overall figures given the fact that it represents a reduction of Government's overall debt to GDP ratio including publicly guaranteed debt from last year's position of 84.7 per cent to a current position now of 76.3 per cent.

Mr. Speaker, even with this loan, Barbados debt to GDP position overall will drop 8.1 percentage points. Sir, this is largely because we have been replacing old debt with new debt but we have not been replacing all the old debt. We have been only taking on new debt to the extent that we deem necessary. There has been a retiring of some of the debt and hence a reduction in the overall debt to GDP ratio by 8.1 percentage points from 84.7 per cent to 76.3 per cent.

Mr. Speaker, central to this is the commitment that we have outlined to this House and to the people of Barbados that we will not leave a debt position for future generations that is untenable and places future generations in a position where they are unable to meet challenges of their time by reason of the fact that a previous generation so mortgaged the future of this country that they could not meet the developmental needs twenty or thirty years from now.

Mr. Speaker, it reflects a maturity of approach that, unfortunately, has not been the hallmark of all developing countries. Sir, the figures pointed out to you even in relation to the external debt to GDP ratio in comparison with other Caribbean countries show the different approach that has been taken by the Government of Barbados across political parties as opposed to other countries.

*Asides.*

Hon. Miss M. A. MOTTLEY: Sir, the Leader of the Opposition would want to make much of it because he is now leading from behind, given the events of last weekend. I understand and empathize with him because he may well feel that the only thing he has now to rely on is that he at least understands how various elements of the economy works in a way that is regarded to be better than the person who is now to be his competitor and the person chosen to lead the Democratic Labour Party into the next election.

*Asides.*

Hon. Miss M. A. MOTTLEY: Mr. Speaker, I am not going to take any offence at anything that the Honourable Member for St. Michael North West would say today because it might well be regarded and come to be said that he was behaving like a man who was facing the executioner and who felt this was the last ditch effort that he had to make in order to salvage what is already a desperate situation.

Mr. Speaker, in those circumstances, having had the experience of being a lawyer practising in the criminal jurisdiction in this country and having had to defend many a man before the courts for wanting to avoid the hangman's noose, I may well want to avail my services to him to give him advice as to how he may save his life at this eleventh hour in order to ensure that...

Mr. SPEAKER: Honourable Member, I hope you are not advocating any violence.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, I am not. The problem I have is that I could not represent him from the frontbench so it would put me in a 'tizzy' as to whether I should avail myself of the opportunity of going back to the private bar to help him out. I daresay that if he is going to mount a legal challenge, the Honourable Member for St. Lucy seems better positioned to go in that respect and,

therefore, what he wants at this stage is political succour and not legal advice.

Mr. Speaker, I say that only to make the point that there really ought not to be any major partisan divide on the management of Barbados' debt since Independence. The truth is that in the early years of Independence, the Right Excellent Errol Walton Barrow in this House made a statement that has come to characterise our approach to the management of our economy and our society. He made the point that he was receiving advice that Barbados should not run any fiscal deficit at all in relation to its annual expenditure and that we should seek to run fiscal surpluses. He said then in this House that any developing country, particularly one which was recently independent that sought to plan its development without recourse to debt was anti-developmental and that it was an antediluvian strategy that bore no relevance to the circumstances of a people who had been oppressed for over three centuries.

Mr. Speaker, what does that simply mean. It means that we effectively manage an economy where the majority of people have had no access to capital historically, where the majority of people would not have had access to basic social services historically and that the great accomplishment of this country has been to seek to level the playing field, in relation to access to social and economic benefits in a period of seven decades, without an ounce of bloodshed being dropped in pursuit of reaching that objective.

Mr. Speaker, we do not give ourselves a lot of credit for these things. When you look at global history during the 20th Century, it is absolutely clear that the steadfast approach to development that has been pursued in this country, while not being excessive and careless, has resulted in Barbados having the highest quality of living of any developing country in the world today and maintaining that position for over one decade.

Mr. Speaker, you might well have expected that if we had pursued that kind of programme that our debt profile would be far higher than it is. Sir, when you go to Trinidad & Tobago there is no doubt that it does not enjoy the level of social capital that Barbados enjoys. When you go to the Bahamas or Jamaica, there is no doubt that they do not enjoy the level of social capital that we enjoy. Indeed, the 1995 Economic Report has appended to it an article by Havelot Brewster comparing Barbados and Jamaica in relation to Barbados' steadfast approach to the development of social capital over a period of time as an independent nation as compared to Jamaica, and his judgement that it has made the significant difference to the quality of life, to the political and economic stability and to the absence of

crime in the manner of which a country like Jamaica has had to deal with. Sir, I say to you that it is significant that while we, therefore, commit to borrowing to build for the future, we have not done so in a way that is profligate, excessive or reckless. That must always be the measure this Honourable House use to determine whether the incurring of additional debt will put us in a position that allows us to meet today's need, building tomorrow, while not mortgaging away our future for future generations.  
2.00 p.m.

Mr. Speaker, I go further. This is where the Honourable Leader of the Opposition and ourselves will divide. The Honourable Member is on record – and if I am wrong, I am going to give way for him to correct me, he is on record in the public of Barbados, this year, as saying that the Government of Barbados should have signed the PetroCaribe Agreement, allowing it to borrow money for the purchase of oil, which is a resource used every day, effectively borrowing for recurring expenditure, and we said no.

Sir, for Barbados to borrow to pay for oil is like an individual borrowing to pay for food. You have to eat every day. When you have completed today's meal, tomorrow's money is needed for more food and to pay back for the food that you ate yesterday. This Government believes, that our borrowings should be focused on building capacity in this country and allowing balance of payments support, to ensure that there is no loss of confidence in this country's economy, such that we can plan our economic development in a certain and careful way.

Sir, we, therefore, say that when you examine the three major foreign loans over the period of eleven years, since 1994, that this Government has engaged in, you will see that they have been for perfectly legitimate reasons, to allow us to go about our business without causing a panic in the economy.

Mr. Speaker, what were they? Sir, when you look back at 1994 to January 1999, in our first term of office, the domestic debt went down, from \$1.77 billion to \$2.15 billion, less than a \$400 million increase. The foreign debt, rather than expanding, went from \$714 million to \$672 million. In the first term of this Government, we continued the process of trying to hold off new borrowing on a major scale, while consolidating and ensuring that we were borrowing only for purposes of expanding productive capacity in this country.

Mr. Speaker, in 1999 to 2003, what did we face? The foreign debt virtually doubled, from \$672 million to \$1.3 billion, and you ask yourself why. There were two major loans. In the year 2000, this Government took a deliberate decision to go to the international capital markets to raise US\$100 million to help prepare the country for a

phased liberalisation of our capital account, a phased liberalisation of our exchange controls, to help us move into a situation where we can honour our commitments in a Caribbean Single Market and Economy. Barbados had exchange controls in a way that other countries had long liberalised, in terms of Trinidad and Jamaica.

Sir, if we are going to allow people to invest within the region, you have to reform your exchange controls so that capital can move within the region. Once the capital is moving, we wanted to make sure that in its movement, you do not so negatively affect your foreign reserves to create a panic in the economy. Hence we borrowed US\$100 million to help us manage the phased liberalisation of our capital accounts in the year 2000.

Mr. Speaker, when we did that, we were not to know that in 2001 an event that will be remarked and reflected upon in any global history for the rest of the earth's future was to happen. On September 11, 2001, a Tuesday morning, the attack on the World Trade Centre led to a form of global panic particularly as it related to air travel, a central component of Barbados' tourism sector, creating a level of panic across all the global markets and all countries, particularly those that depended on tourism.

Mr. Speaker, I recall that this Government called a national consultation in October 2001. We brought in our external markets advisor, Jeffrey Belle and we as a Government met with the private sector and the unions. We met at Sherbourne and made a number of decisions to stave off any negative consequences to this economy. One of which was that we go to the international capital market to borrow US\$150 million, because Barbados' economic management thus far would have assured us that we would get the best possible interest rates; we would not, at that time, suffer any negative fallout to our primary foreign earner tourism, if there were to be negative consequences to air travel in the medium term, and in the circumstances as a precautionary measure, we go to the markets and raise the US\$150 million to help us through this period.

Sir, when we raised the money, the Prime Minister came back to this country and Parliament and indicated that it makes no sense having money that you have borrowed, sitting there when you have to borrow other money to build capacity, whether it was the airport, Barbados National Terminal Company Limited for storage capacity for petroleum products, the expansion of the seaport, repairs to our roads and physical infrastructure or the building of the Hilton Hotel to ensure that we could have high-class rooms to help Barbados earn foreign exchange. We decided that we would use the proceeds of the Bond Issue in 2000 and

2001 to help finance the country's productive capacity so as to ensure that we meet the ability to have an expanded trading sector activity, such that we do not continue to face the spectacle of a negative external current account position. Those are the facts. There is nothing hidden.

Sir, we feel that every time we have gone to the market, thus far, it has been precautionary. This one today is equally precautionary. It does not take a Solomon to forecast that the extended activity taking place over the next eighteen months will continue to put pressure on our foreign reserves.

Mr. Speaker, all this Government is saying, that as pressure is placed on our foreign reserves, we must be in a position to respond in a timely manner, ensuring that there is no panic ensuing, because there is a time line in terms of the building of this capacity before that capacity can start to earn money.

Mr. Speaker, that summarises the three major foreign loans that this Government has undertaken in relation to the last eleven years since we have been the Government of this country.

Sir, when you look at the overall debt to the Gross Domestic Product ratio, the Opposition may ask about the external debt service ratios. How are you going to service these debts? We say, once again, Barbados is in an excellent position to service the debt. What are the facts? Barbados has an external debt service ratio that last year stood at 7.8 per cent. Sir, do you want me to repeat that? Barbados' external debt ratio stood at 7.8 per cent.

Sir, what is the external debt ratio? It is simply how much you have to repay as a percentage of how much you earn from the export of goods and services. Sir, you are exporting goods and services, you are receiving money but you have to pay out a percentage of that for your debt. What percentage of our exports last year was paid for debt? It was 7.8 per cent. Mexico which is oil rich had to pay out 11.3 per cent last year. Uruguay which is a strong agricultural producer and larger than Barbados had to pay out last year, 23.1 per cent of everything that they earned in terms of exports, in foreign debt service and El Salvador, 11.7 per cent. Barbados 7.8 per cent in 2004 and it is scheduled to drop this year to 7.4 per cent and even with this loan, it will not affect our external debt service ratio for 2005 because, obviously you will not be paying back any money on a loan raised in this year.  
2.10 p.m.

Mr. Speaker, it is only Chile, whose external debt service ratio is lower than ours in the hemisphere at 5.5 per cent and everybody knows that Chile is regarded as one of the strongest economies in the hemisphere. They have come through a turbulent period themselves but they have managed it and managed it well.

Therefore, Mr. Speaker, the simple point is that in terms of analysing the Government's debt management programme, no injury whatsoever is going to be done from us raising this loan, to that debt management of the Government. At the same time, it assures this Parliament and this Government that we can meet the expectations in relation to the investments, which have to be carried out, both by the public sector and the private sector to ready this country to meet its most difficult and complex obligation, in terms of the hosting of the World Cup Finals.

We believe, Mr. Speaker, that when you take into account the Government's obligations and commitment to position itself, in terms of securing its long term growth and development of this country, it is important for us to seize the opportunity at this time when we are receiving the lowest ever interest rates that the sovereign nation of Barbados has ever been able to attract. Sir, interest rates in the world are now trending upwards and we should move at this point in time, rather than putting off to next year, that which you can do now when you balance and analyse all of the other considerations which are before the Government at this point.

Mr. Speaker, we feel as well that there is no magic, as I said, to the achievement of bold targets, if it is going to lead to consequences that may have a negative impact on our people. While it would be great for the Government to say that it has come closer to its long-term objective of Central Government debt to GDP of 60 per cent, that there would be no glory in us coming close to that within three percentage points of that this year, and at the same time compromise the country's capacity to meet the obligations of hosting World Cup.

Mr. Speaker, these are the simple issues. As I said I trust and hope, I cannot predict, that this is not an issue which would divide this House. Sir, in truth and in fact, a holistic examination of Barbados' debt management, since becoming an independent country, reflects a country that has been mature but sensitive to the developmental needs of its people, making sure that we meet those needs, while ensuring that we do not ever mortgage away the future of this country, such that those generations which are yet unborn will not be in a position to have to beg and suffer at the altar of profligate behaviour on the part of early generations of those managing the country in its early years.

I also believe, Mr. Speaker, that there is one other point that when you look at the overall debt to GDP ratio some of the debt, particularly the Public Guarantee Debt ratio, which is represented in ball figures, now in 2005 will stand at 9.3 per cent. Sir, some of that Public Guarantee Debt will never come to be paid by Central Government.

Mr. Speaker, the question could be asked. Why is it included? The simple answer is that in many instances, the Government guarantees the debts of statutory corporations or companies to ensure that they get access to better terms and conditions because once you do that, the person who is lending the money to that company or a statutory corporation feels that there is a lesser risk in lending them the money because Government debt, a sovereign guarantee, is the best that you can get. In those circumstances, instead of them facing an interest rate that may be a little prohibitive, they can in fact access a lower interest rate by reason of the Government guarantee of the debt.

We say, therefore, Mr. Speaker, that when you go behind the ball numbers of the public guarantee debt, what do you see:

Guarantee for the airport, which will have more than the capacity to repay the debt that it has raised for its expansion because they have a significant revenue stream.

Guarantee for the National Terminals Company Limited, which will have more than a significant revenue stream in its processing and handling of petroleum products in this country.

Guarantee for Needham's Point Limited, which will more than be able to repay the debt because there is a revenue stream coming from the management of the Hilton Hotel.

Guarantee of GEMS, and as controversial as the Honourable Member for St. Michael North West has tried to make it, that will also have a revenue stream coming back into the Government.

Sir, it is only when there is no revenue stream coming back that public guaranteed debt will come to be repaid ultimately by Central Government. Even then, the benefits may not be that you have a financial benefit, in terms of a revenue stream to help you repay the debt but the benefits invariably redound to the general economic development and the building of capacity in this country. Therefore, you can improve the conditions under which your productive sectors can earn and ensure the stability of this country's growth and, of course, macroeconomic stability and by extension, hopefully, growth with equity.

Mr. Speaker, this Government has always maintained too that it makes no sense pursuing a path of development that allows growth to take place without jobs being created. We do not believe in jobless growth. Therefore, we have sought to manage the economy in such a way where unemployment now continues to stand in single digit figures and where, Sir, the dominant issue of the day is no longer bringing down unemployment but importing migrant labour.

This is a Government that in 1994, Mr. Speaker, when

we were in Opposition, the Prime Minister was castigated for saying that we believe that more than 30 000 jobs could be created in this economy and that we can move unemployment from the 25 per cent plus that it was then to single digit figures, lower than France and Germany. In circumstances, when you look at the investment to be made in this country over the next 18 months, there will be more than 27 major projects between the public and private sector to boost productive capacity in this country.

The Honourable Member for St. John will know well about the refurbishment of Sam Lord's Castle. The Honourable Member for St. Michael North West should know about what will happen at Paradise in relation to the Four Seasons. They will break ground in January 2006 and approximately 800 workers will be required to help build the new hotel and villas over a three-year period. Sir, once the development finishes, it would provide significant employment for Barbadians. There is also the development for the third expansion at the Crane. The development in the north for a company out of Asia, BANYAN Investments and I can go on and on.  
2.20 p.m.

This is not an economy that is on the back foot. This is not an economy in which people do not have confidence. Mr. Speaker, if you had to choose one single index it would be the interest rate – and the Honourable Member for St. Michael North West would have told me this long time ago – because the interest rate that you can attract on the international capital markets effectively determines how the markets perceive the country. Do they feel that you are a safe risk in terms of lending money to?

Mr. Speaker, in 1991, when this country needed loans more than at any other time, this Government of Barbados was forced to accept the most arduous terms that it has ever had to accept for a loan. The Honourable Member for St. Michael North West can give the House the full details of that loan. I believe he would be well familiar with the bullet loan of 1991, which had arduous terms and conditions.

Mr. D. St. E. KELLMAN: On a point of order. The Honourable Member is misleading the House by giving the impression that the worst loan that this House has ever borrowed was the Euro loan in 1991. The record will show that even though the interest rate on that loan was high, the exchange conversion was such that the loan was borrowed at a high exchange rate, but it depreciated which meant that the interest payments were actually reduced from the original amount but the reverse occurred when the Japanese loan was borrowed because you started with a low interest rate and you ended up with a high interest rate and a high principal repayment rate.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, when all is said and done the interest rate on the bond which is expected to be raised, that is before this House today, is 6.25 per cent. The interest rate in 1991 on the bullet loan was 13.5 per cent, more than double this interest rate.

Mr. D. St. E. KELLMAN: On a point of order. The Honourable Member is misleading the House by giving the impression that this loan was a fixed loan and not a floating loan. Sir, if this argument is true, it means that there was no depreciation in the loan, but in truth and in fact this loan depreciated in value which cost Barbados less in servicing the loan than the original amount that occurred.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, clearly the Honourable Member is concerned as to whether or not he has to issue a writ tomorrow morning and therefore his head is a little confused. Mr. Speaker, I would not bother to detain the House on these matters except to say that I was a Member of the Senate in 1991 and that the Honourable Member for St. Lucy in 1991, was Mr. Evelyn Greaves, not this Honourable Member.

Mr. Speaker, the simple point is that the 6.25 per cent, which is the lowest ever interest rate that this country has ever had for any sort of international loan, is a reflection of the confidence that the markets have in the management of this economy.

Mr. Speaker, we are not saying that there are not issues. We have come to this Parliament in August of this year to be able to help us increase the external earnings of this country by restructuring the productive sectors. We recognised that there is work to be done in terms of reducing the external current account deficit and to hopefully put us back in a surplus position. We have come to the country and say that we need to dampen the volume of imports particularly for consumer related spending largely because it is putting pressure on the balance of payments.

However, Mr. Speaker, that does not mean that the economy is in crisis. If the country were in crisis, we would not be attracting an interest rate of 6.25 per cent, we would be all up to the 13.5 per cent which was attached to the bullet loan of 1991.

Mr. Speaker, I say to you that this Government has therefore determined that the time is propitious for us to go to the market at this point in time. We recognise that internationally interest rates are trending upwards. We recognise that yes that we could stay and come close to the 60 per cent debt to Gross Domestic Product ratio, which we say is our long-term target, but what would it profit us to achieve that target and then to be off target in relation to being ready for Cricket World Cup and of course post World Cup Barbados when most of the investments will continue to be around to be able to earn for the people of this country.

Mr. Speaker, in making this judgement, we are

cognisant that our external debt to GDP ratio will only go to 28.5 per cent when the majority of the region is double and quadruple that, that our external debt service ratio is lower than almost every other country in the hemisphere at 7.4 per cent and that our Central Government debt to Gross Domestic Product ratio would still be below 70 per cent, at 67 per cent, therefore, if you include publicly guaranteed debt, the most it would go to is 76 per cent which is still 8 percentage points lower than it was last year. Mr. Speaker, these are the facts.

Mr. Speaker, we believe that the development of this country must be undertaken in a cautious but sensitive way, one that would not be reckless but one which still is recognising that we have an obligation to help improve the productive capacity of the country and by extension the earning power of Barbadians across the board and the quality of life. Sir, as we achieve growth, we carry along the people of Barbados with us so that we will not be a country that would want to achieve 7 and 8 per cent growth but have double digit unemployment figures because we feel that the ethos of this country must be respected as we govern the country. Sir, we feel that there must be social justice and that there must be an attempt to ensure that people in this country can earn at every level of the society to provide for their families, and if they cannot do so, the Government must meet the obligation of providing the safety net to help them through until they can reach the point where they can be independent themselves.

Mr. Speaker, what distresses me after 11 years in this House, 14 years in Parliament, is that I really feel that there are some issues that an historian would recognise a unanimity of approach across the political divide, that for it to be used on the altar of political expediency is really to reflect the desperate nature of persons as they do so.

Indeed, Mr. Speaker, other than the Leader of the Opposition's desire for us to sign the PetroCaribe agreement and borrow for recurring expenditure for oil, there would otherwise have been no political divide at all. Mr. Speaker, given the fact that the Honourable Member for Christ Church East Central, I believe, holds a contrary position to the Leader of the Opposition in this matter, there may still be hope in having unanimity of approach that the Government of Barbados should never borrow for recurring expenditure. Mr. Speaker, not one of us should ever borrow for things that we have to buy on a day to day basis.

*Asides.*

Hon. Miss M. A. MOTTLEY: Mr. Speaker, I ask the House to put us in a position where we can go to the market. In fact, I believe that the day for going to the market is Independence Day, 30th November, and that it is

appropriate that on that day, the Government should be able to raise the funds necessary to finance and to provide the support for the balance of payments so that we can assure the country that we can meet our obligations without there being any further negative pressure on our balance of payments. In fact, it would carry the balance of payments to some 24 weeks import cover, which is clearly much more than the one week of 1991, and ensuring that as we do so that we continue to pursue broader economic policies that would bring equity and justice and allow for growth to take place in this economy that would benefit all and not just a few.

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

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

Mr. SPEAKER: The Honourable Member for St. Michael North West.

Mr. C. A. MASCOLL: Mr. Speaker, the fact is that the Barbados Government has not gone to the external market in this way since 2002, but the truth is that economic circumstances in Barbados have deteriorated since 2002.

*Asides.*

Mr. C. A. MASCOLL: Mr. Speaker, I will demonstrate that for those individuals who, especially within the past eighteen months, have experienced a significant rise in the cost of living. In fact, the cost of living has now moved to almost 7 per cent annualised, and will get higher. Sir, it will get higher to the detriment of the average Barbadian whose income has not increased commensurately because of an Incomes Protocol that has been in place for the last eleven years. This will be so, in spite of the fact that water rates of Barbadians have gone up over the last eighteen months. It is a fact that the cost of electricity has risen substantially and has become a burden for the average Barbadian household. It is a fact that the cost of food has outstripped the cost of the overall Price Index, to the extent that food prices have risen far more quickly than the annualised average of 6 per cent or 7 per cent of inflation and, therefore, constitutes a major burden, especially on the poor sections of the society.

Mr. Speaker, it is a fact that fuel cost in this country has risen, to the detriment of motorists and other consumers. It is a fact that mortgage owners have had to incur substantial increases in both mortgage interest rates and lending rates across Barbados, over the past eighteen months. It is a fact that rents in Barbados have risen, directly because of what has been happening with immigrants, as well as the fact that these additional costs have put pressure on homeowners, for them to increase the cost of rents to the average Barbadian. It is a fact that the cost of travel outside of the Transport Board has risen to the average Barbadian. It is a fact that the

overall cost of living has been a burden to the average Barbadian since 2002. Nobody can deny that reality, the information is there to suggest that all I am saying is the truth.

Mr. Speaker, before I get into the substantive part of my discussion this evening, let me just caution the Honourable Member for St. Michael North East. The Honourable Member cannot simply say that because of circumstances prevailing in Barbados today, that the Government is able to attract an interest rate of 6.7 per cent on a loan, and then to compare that to 1991, when a loan from Barclays attracted a 13.5 per cent at that time.

Mr. Speaker, I would like to caution the Honourable Member for St. Michael North East that, in fact, in the United Kingdom, in 1988, the Treasury Bill rate was 12.55 per cent. In 1989, it was 14 per cent. In 1990, it was 12.96 per cent, and in 2005, the average Treasury Bill rate is approximately 4.6 per cent.

Sir, the point I wish to make is that, in the early 1990s, the overall interest rate regime environment was much higher than it is today. In fact, in the United States of America, about the same time that we borrowed the money, the Treasury Bill rate was 6.8 per cent, as compared to 2.9 per cent today. Therefore, I am saying that the Honourable Member cannot translate the interest rate of yesteryear, with the interest rate that currently prevails, because internationally interest rates at that time were historically high because of what was happening in the Gulf of Mexico, along with a number of other things.

Mr. Speaker, I would like to dismiss that for what it is, which is simply an attempt to suggest that the Government of Barbados is in a better position and, therefore, the interest rate that it has attracted this year is going to be half of what it was in the 1990s, without recognising that the overall international environments were such that interest rates on a whole were substantially higher.

Mr. Speaker, I do not want to discuss numbers only, neither do I want to be bogged down with the size of the loan, I also want to look at the environment in which we are today. Sir, I noticed the reference to the Right Excellent Errol Walton Barrow, a man for whom I have the utmost respect and regard, and for whom I have no shame in saying that, to this day, I think is extremely relevant to the politics of Barbados.

Sir, I wish to say that perhaps the greatest contribution of the Right Honourable Errol Walton Barrow, was his recognition that we cannot deliver social goods and

services to a people, without understanding the constraints of the economy. In fact, the late Prime Minister of Jamaica said that the Right Excellent Errol Walton Barrow understood the nexus between social services and the economy, better than any Caribbean Prime Minister. Therefore, it is not surprising that any analysis of Barbados, from the 1960s, would find that we have embarked on a course that has provided those social goods and services, without us coming into any difficulty with our economic stability because from its inception we understood what it was to manage a small open economy.

Mr. Speaker, we also understood that a social democratic political philosophy requires that excesses on the Current Account, the differences between the current revenue and expenditure, was a necessary requirement for us to be able to deliver to the most vulnerable and least privileged in the society and that, therefore, it was expected that, in sufficient proportion, we would have taxed those who have, to allow us to deliver to those vulnerable persons in society.

Mr. Speaker, therefore, Current Account surpluses became a necessary part of a social democratic philosophy and was practised throughout the 1960s and 1970s. In fact, if one examines closely the early 1990s crisis, one would recognise that was, in fact, the major burden for the Government. Sir, the issue was, how would a Government, practising of social democratic philosophy, have to carry deficits on its Current Account? It cannot, because it is against the overall thinking of those who practise and understand social democratic philosophy. It also constituted the major difficulty for a Party that had historically connected with the masses but it had, at that time, to be pressured into a position of deficits on its Current Account. 2.40 p.m.

Mr. Speaker, I just want to reiterate that the Right Excellent Errol Walton Barrow understood better than any Caribbean Prime Minister the relationship between that capacity to generate excesses on your current account and the ability to deliver social goods and services to the people of this country.

Mr. Speaker, I sat and marvelled at the presentation of the Honourable Member for St. Michael North East. I do not know where the numbers came from but I have numbers here, which I can quote directly from the *IMF Country Report of August 2005*. In fact, Barbados' public sector debt as a percentage of GDP is now approaching 88 per cent. Sir, not only that, Barbados has been under severe pressure by the IMF and others to restrict and reduce consumption as a means of protecting the balance of payments.

Mr. Speaker, there is no doubt at all that over the last year and a half, we have seen policies on the part of this administration that would suggest a deliberate strategy to try to curb consumption. It is to those things that I would wish

to address my mind today but again, I have to set the environment within which I propose to look at this whole effort of raising \$250 million on the external market.

Mr. Speaker, the first thing we must recognise is that the Governor of the Central Bank of Barbados only recently said that the reserves are in a very healthy state but the Prime Minister at consultation at Sherbourne said that there is a challenge, that the Government has to find ways and means of earning foreign exchange and, therefore, looking to correct the current account deficits which we have sustained over the last seven years.

Mr. Speaker, how do we restructure the economy of Barbados to be able to earn foreign exchange through tourism, manufacturing, agriculture and the international business sector? Sir, therein lies the contrast and the contradiction. Mr. Speaker, on one hand, the Governor of the Central Bank of Barbados indicated that the reserves were healthy but the Prime Minister was suggesting that we needed to do something in order to safeguard our foreign reserves.

Mr. Speaker, the Honourable Member for St. Peter, the Prime Minister, is on record saying that what distinguishes his Administration from a Sandiford Administration would be his foreign borrowing strategy. He said that he does not intend to borrow from foreign sources in any given year more than what he has to repay in interest on those foreign loans in any given year. Therefore, when you check the information, you then wondered how could this Administration have embarked on the most excessive foreign borrowing of any Government in the history of Barbados. It was stated quite clearly that the Government does not intend to borrow from foreign sources to put the country under any tremendous pressure, that the country intends to earn its way by ensuring that the economy was private sector led.

Mr. Speaker, the Honourable Member for St. Peter also went on to say that he would have an employment strategy that concentrates on private sector led employment and that he would not embark on Government employment to the extent that it would harm the economy.

Mr. Speaker, I need to set those things in context because before I speak to the external debt situation sensibly, it is important that we look at the current policy environment to appreciate what has been happening. Sir, let me therefore quote more directly from the IMF document before me. Sir, at page 8 of the IMF document it says that Barbados, when compared to the rest of the region has one of the highest public debt to GDPs ratios of any Government in the region.

Mr. Speaker, it says and I quote:

“As a result the ratio of primary public expenditure to GDP which is already high by Caribbean standards, will rise future. At the same time, public debt is projected to rise from 86 per cent of GDP in fiscal year 2004/2005 to 88 per cent of GDP in 2005/2006, far exceeding the average for Latin America and the Caribbean and for emerging market countries.”

Mr. Speaker, these are not my words but the words of the IMF. Sir, if I were a priest, I would say this is the word of the Lord but, this is the word of the IMF that the public debt to GDP ratio for Barbados far exceeds the average for Latin America and the Caribbean. Therefore, I wondered where the Honourable Member for St. Michael North East got her information because this gospel according to the IMF is clearly and precisely written. Therefore, there is clear evidence as to exactly what is happening in this economy.

*Asides.*

Mr. C. A. MASCOLL: Sir, I will make it a document of the House. It is the *IMF Country Report for August 2005*. Mr. Speaker, there is no doubt at all that Barbados' debt situation is a cause for concern.

Mr. Speaker, what is more important is that in the National Strategic Plan, it has been identified that the objective of Government is to reduce the overall national debt. Therefore, it is hard to see how a Government is going to be pursuing over the year 2005 to 2025, in a document called the *National Strategic Plan of Barbados*, a strategy to lower the public debt when it is already embarking on heavy external debt borrowing to the magnitude we are seeing here today. This will continue to happen and it is a source of major concern for the Democratic Labour Party.

Mr. Speaker, what is even more confusing is that Barbados' foreign direct investment is the lowest for any country in the region. Sir, contrary to what is being said by the Other Side and by the Honourable Member for St. Michael North East, Barbados' net foreign direct investment as a percentage of GDP, according to the same document, is 3.8 per cent when compared to 13.1 per cent for Trinidad & Tobago. In fact, even Jamaica has foreign direct investments that are higher than Barbados which is 5.4 per cent.

Sir, I am suggesting that, notwithstanding what has been said by the Other Side, even Jamaica, and to some extent Guyana, is outperforming Barbados as it relates to foreign direct investment. Again, investment is the engine by which an economy works. If we are not in a position to boast about major investment in Barbados, when compared to other countries in the region, then what are we really

boasting about? Sir, what are we really boasting about when we talk about projects here and there?

The reality is, if we are saying that the other countries are not performing as well, but those countries can, in fact, find ways and means to attract investment of a magnitude that doubles, sometimes triples and quadruples that of Barbados, then there ought to be a major source of concern.

Mr. Speaker, since 2002, we pursued alternative ways to finance our expenditure. We sought to establish private companies and put a lot of our spending in private companies. What we did this morning was clear evidence of this, but the important thing to note is we have not been able to manage this economy in a way that redounds to the benefit of the average Barbadian. It has not been the case.

Mr. Speaker, you need to find out for yourself what is happening among average Barbadians who are confined by an Incomes Protocol, but there is no Prices Protocol. Barbadians have to accept a 2 or 3 per cent per annum increase, now inflation is galloping at 7 or 8 per cent; Barbadians have to look for housing but a \$50 000 house has not been delivered and will not be delivered, even though we were promised.

Sir, we were promised that Barbadians will soon have access to low income housing but a year later, not one small or low income house has been produced in the interest of the average Barbadian. This is important because it is the measure of progress for the small people. That is what is the measure on the part of the average Barbadian. It has nothing to do with our many reserves. It has nothing to do with whether we are able to borrow on the foreign market at a lower interest rate. It has nothing to do with our fiscal position. It has to do with the reality of life in Barbados. Barbadians are facing hard times. This is not about any economic crisis relating to Gross Domestic Product, balance of payments, public debt, national debt, imports or the current account, this is simply about Barbadians who are unable to obtain proper paying jobs, affordable housing, unable to buy in supermarkets as they wish because of rising prices, and those who have houses, now living on the margin, this is the reality. It is not about whether you can acquire a loan at 6 or 7 per cent, again, this is the reality.

Sir, let me, therefore, look at some of the issues that really impact on Barbadians. Let us look at what has happened to the economy since 2002. We do not have a manufacturing sector to boast about. We do not have an international business sector to boast about. We do not have an agricultural sector... by the way, for the last five or six budget presentations in this Chamber, there have been

almost 15 or 16 initiatives in agriculture and not 10 out of those 16 have been implemented. Every year the agricultural sector is given priority. A list of initiatives, but the agricultural sector in Barbados has not benefitted from any of the measures proposed in this Honourable Chamber over the last six years.

Sir, agriculture is down. The sugar industry has not been performing. Therefore, when you look at the reality of Barbados' economic structure, you will find that only tourism has performed since 2002 and over the last year-and-a-half, tourism has been pressured to carry the load.

Mr. Speaker, this explains precisely why we have to be concerned about this country's capacity to borrow. If it continues to borrow, without earning foreign exchange, it will run into difficulty as is happening now.

Sir, we were not supposed to go to the foreign market or borrow from international sources. We were told that the reserves were proper and adequate and, therefore, did not require any intervention on the part of Government to go external.

In fact, we were recently told that the external part of the debt has been falling substantially and will continue to do so and it constitutes a major part of Government's strategy for managing our debt. We were told by the Right Honourable Prime Minister that it is a major focus for him, how he will continue to lower the external debt of Barbados while ensuring that we are still capable of repaying such debt.

Mr. Speaker, we have not had it. We have seen in the Government sector an increasing emphasis on establishing private companies to build the Hilton Hotel and to get involved in GEMS and other projects. Strangely enough, we have also seen the so-called corporatisation of the Port as a means of earning additional revenue.

Sir, a set of international lawyers asked a very pointed question about the Port. I have this question before me.

Mr. SPEAKER: Honourable Member, from the same document?

Mr. C. A. MASCOLL: Sir, a similar document which I can make ...

Mr. SPEAKER: Honourable Member, you know you have to make it a document of the House.

Mr. C. A. MASCOLL: Sir, that is okay. I need to make it a document of the House. The question is, has the Government's 49 per cent stake in the Port Authority been divested, if not, when is this expected to occur?

Mr. Speaker, I wish to repeat this question. Has the

Government's 49 per cent stake in the Port Authority been divested, if not, when is this expected to occur?

Sir, this is an extremely important question because a major debate took place in this Parliament and we were given the impression that the Port Authority is simply being corporatised, now, a group of international lawyers is asking whether Government has divested its 49 per cent share in the Port Authority.

Sir, what is unfortunate about this is that there is no way of going to the Registry to find out who owns shares in a company. Therefore, unless we are told by those involved, it cannot be investigated whether the Government has 49 per cent or 51 per cent of the shares in the Port Authority.

Sir, what is most distractive is that this is a group that is acting on behalf of Government and this is a group that is seeking to raise the same loan for the Government, but is asking a very sensitive question about the current state of shares at the Barbados Port Authority. This has to be dealt with because we were not given any impression that Government does not have more than 50 per cent of the shares at the Barbados Port Authority.

I have noted the silence and I have taken note of the silence in this Chamber because this ought to be an area for discussion, an area of concern and I will not fail to pursue whether this question is a legitimate question. A very legitimate question asked by a group of lawyers who are acting on the behalf of the Government of Barbados in this particular loan.

*Asides.*

Mr. C. A. MASCOLL: I need to engage the public on this because we were given the impression that the private sector ...

*Asides.*

3.00 p.m.

Mr. C. A. MASCOLL: Mr. Speaker, this loan which the Government is seeking to raise from the Deutsche Bank Securities Inc. has attorneys who are named in the document. They were here on a visit and they asked very specific and incisive questions about the state of the Barbados economy. They asked about the fiscal affairs in the Barbados economy. They asked about the public debt of the country. They queried the balance of payments and the international trade situation. They spoke about tourism and asked questions about tourism. They asked about the business and financial services sector, including the banking sector. They asked about Government and society.

Sir, they asked a whole range of questions relating to the overall performance of the Barbados economy because this constitutes a prospectus, the groundwork, the due diligence, before this group will go to the international market to get \$250 million on behalf of this administration. This has to be a source of concern for us.

These lawyers who are acting on behalf of Government and doing due diligence must know whether or not the Port Authority is corporatised or privatised. They must know, Mr. Speaker, whether or not the Government owns less than 50 per cent shares in the Port Authority and if they do, then already the private sector of Barbados is controlling the majority shareholdership in the Barbados Port Authority.

Therefore, the public has to know because we were told only last year that we were not privatising the Barbados Port Authority, we were only corporatising the Barbados Port Authority. We were told the same thing about the Grantley Adams International Airport, that in fact the Grantley Adams International Airport would only be corporatise and that the private sector will not have 51 per cent shareholdership.

Yet, Mr. Speaker, how could it be that a group of lawyers, acting on behalf of Government in the pursuit of this international loan asked a question about the state of share ownership at the Barbados Port Authority. I have noted the silence and therefore, I intend to pursue this matter because it has to be addressed.

Hon. K. D. SYMMONDS: Mr. Speaker, on a point of order. The Honourable Member is misleading the Chamber. He must accept that if he is going to make a charge that a group of lawyers, apparently acting with some interest of a brief on the part of Government have put a question like this, the Honourable Member must at least pay us the courtesy of hearing word for word what is it that the lawyers are asking.

If the Honourable Member is purporting to be quoting from a letter or citing some sort of a letter which the lawyers have written or are alleged to have written – and I am very weary with the Honourable Member with this sleight of hand – if there is nothing to hide, then he should produce the letter so that the public sees and hears and then let us sensibly answer because he is saying at the same time that he is not going to ask a parliamentary question, which is the correct way of dealing with these matters.

Mr. C. A. MASCOLL: Mr. Speaker, I can make this letter a document of the House.

Mr. Speaker, nobody can query or question my integrity in politics. Nobody can question the truthfulness of my debating. Nobody can query when I make any comments on incites in this country. Nobody can query anything but

what I know is that it would be extremely difficult to go into the Treasury or Registry to verify who owns shares in the Barbados Port Authority. Directors are registered but not their shareholdership so you do not know.

Mr. Speaker, I am saying again that there is the problem in this country that even when you raise matters as critical as the one I am raising, having had a debate about the whole issue of whether or not this entity was corporatised or privatised, there is actually no way of truly verifying, authentically, whether or not it is so because there is no way of knowing who actually owns shares in the Port Authority. Therefore, I am saying that I need to know exactly what is happening with respect to the policy of the Government on the whole issue of shareholdership at these entities.

Hon. K. D. SYMMONDS: Mr. Speaker, on a point of order. The Honourable Member is misleading the House because he is putting forward a postulation that does not make sense legally in my view.

Mr. SPEAKER: What is your point of order, Sir?

Hon. K. D. SYMMONDS: Sir, my point of order is that the Port Authority is a public company, to the best of my knowledge, Barbados Port Inc. Therefore, I do not know how it is possible not to know the shareholders of a public company.

*Asides.*

Mr. C. A. MASCOLL: Mr. Speaker, there is no way of verifying how many shares an individual owns in a company in Barbados. There is a difference between shareholder and share, and I said that. Therefore, there is no way of knowing how many shares have been transferred to a particular individual. Sir, you can know the shareholder but you cannot know how many shares that individual holds in a particular company.

*Asides.*

Mr. C. A. MASCOLL: Mr. Speaker, that is the important issue because 51 per cent of the shares will determine whether or not the company is still public or private. Therefore, it has nothing to do with how many shareholders there are but how many shares the shareholders have to determine whether or not they hold 51 per cent or less of the shares.

Mr. Speaker, in light of that we were told about corporatisation of the two Ports but what I want to know categorically and in the interest of the Barbadian public,

is whether or not the private sector now holds the higher percentage of shares at the Barbados Port Authority. I need this information because that is the next step away from corporatisation that creates privatisation.

In similar view, the Grantley Adams International Airport is now a corporate entity but is it yet a private entity with respect to the shareholdership. Sir, I need to know and Barbadians need to know because we were given the impression that corporatisation will not lead to privatisation. The only difference between the two is the question of how many shares the Government owns in a particular entity to determine whether or not that entity is private or public in nature.

*Asides.*

Mr. C. A. MASCOLL: But why?

Sir, a senior statesman would fail to recognise a point that the difference between corporatisation and privatisation relates simply to the amount of shares held by the public entity. At the Port Authority it is being suggested that Government now owns less than 50 per cent of the shares. Therefore, the Port Authority is now on its way fully to being a privatised entity and not a public entity.

*Asides.*

Mr. C. A. MASCOLL: Simply, that is what it is...

*Asides.*

Mr. C. A. MASCOLL: It is a minority shareholder but that is why it becomes private sector and therefore, the fear that large entities in Barbados will, sooner rather than later, be in a position to control what is happening at the Barbados Port and that is the point I needed to make.  
3.10 p.m.

Mr. Speaker, I have taken note of the silence in this matter because this is a very serious matter, which we also need to look at with respect to the Grantley Adams International Airport which is now going through all kinds of contortions, which is not sure exactly what it is at this stage and where the staff is complaining about the performance of that entity to date. Mr. Speaker, we are not sure whether or not staff would be given more favourable conditions or whether they would be disadvantaged. That is an important part of the policy framework within which we have to operate. It is all to do with the whole question of the performance of the economy, the whole question of the ability of the Government to borrow and whether the Government is going to be able to borrow and borrow at any meaningful and reasonable condition. I therefore have major concerns.

Mr. Speaker, the overall strength or health of the economy in its wider context has to be seen too within the performance of non-financial public sector entities such as the Transport Board. How is the Transport Board performing? Has the Transport Board been able to turn around its affairs and its inefficiencies? Is the Transport Board potentially going to be better managed this year and next year than it was in the past?

Mr. Speaker, I also need to know whether or not the Barbados Water Authority is in any better state than it was last year? Since the Minister increased water rates substantially at the beginning of January, is the Barbados Water Authority in any better condition than it was two years ago? The Honourable Member for St. Philip South, who is becoming irritable, only needs to say to the public of Barbados whether or not that entity is performing better than it was before.

Mr. Speaker, the whole question of the health and performance of the economy, the state of the public sector, whether or not the National Housing Corporation is doing any better than it did two years ago, and what is really the state of that entity as I speak, are the issues that we need to know about, not about any loan or about the reserves. We need to know about the things that impact and are impacting on individuals in Barbados. Therefore, while one can do what one wants by using information to suit one, one cannot escape the reality of life that this economy has not delivered to the average Barbadian in a way that was expected. On its current course, this economy cannot deliver to the average Barbadian in the way that was expected.

Mr. Speaker, there is clear evidence of what is happening in Barbados. There is clear evidence with respect to workers. There is clear evidence with respect to labourers. Mr. Speaker, as was said by the Honourable Member for St. Lucy, there is a two-sided triangle that has been in operation since the early 1990s, Government with its VAT and the private sector with its profitability, but there is nothing for the workers who have carried the sacrifice and the burden over the last 11 years without seeing the reward. Who wants to deny that reality in Barbados? All one needs to do is to check among the lower income households in Barbados to see what they are earning; what their expenses are per week; what their food bill is per week; what their electricity bill is per month; what their water bill is per month and what it costs for clothing and shelter.

Mr. Speaker, you only need to investigate those facts to understand whether or not the increasing foreign reserves have translated into betterment for the people of Barbados and whether or not the better fiscal position as espoused by the Government has translated into a better standard of living for the average Barbadian. What we are seeing is that people's properties and real estate on the West Coast

and the South Coast of Barbados have substantially increased in value, but we have not seen any commensurate opportunities for average low income Barbadians. The Honourable Member for Christ Church West Central could speak to this in his own constituency with respect to the opportunities that have not been made available for low income individuals that were promised over the last five years. Therefore, Mr. Speaker, there is an abundance of evidence to show.

Mr. Speaker, the other thing is that rather than earn foreign exchange and rather than dealing with the issue of creating an environment for earning foreign exchange, the Government recently embarked on a process of privatisation. They privatised the Barbados National Bank and the Insurance Corporation of Barbados.

Mr. Speaker, I heard something this morning that I could not believe, which is that Government used the proceeds from the divestment of the Barbados National Bank shares to build the Hilton Hotel. In fact, the majority of the shares were sold to a Trinidadian owned company, so how could it be that local funds were used to build the Hilton Hotel. One hundred and eighty-nine million dollars or more from the divestment proceeds of the Barbados National Bank that was bought by RBL Trinidad and Tobago were used in that project. Therefore, it is not true to say that local funds were in fact used. Indirectly, they were used, but that is understandable. However, the Barbados National Bank shares were sold to RBL Trinidad and Tobago, the proceeds were placed in the Public Enterprise Investment Fund and the Public Enterprise Investment Fund was used to give money... In fact, Mr. Speaker, the original proceeds came from the divestment of the Barbados National Bank, which would have been a foreign transaction, so it cannot be a question of local funds.

*Asides.*

Mr. C. A. MASCOLL: We were told that the Government did not want to crowd out the private sector. The reality is clear, we sold our family silver to get proceeds to buy the Barbados National Bank. We took up a major part of the divestment proceeds and put them into other projects. It must be an area of concern because we have not been earning foreign exchange commensurate with what we were saying over the last ten years, which is why we are currently here because the Government promised not to borrow from foreign sources, yet the Government is now seeking to borrow \$250 million, when it promised less than five or six months ago that they are not going to go to the international market.

Mr. Speaker, why do we have a situation in which we have to go lock, stock and barrel to the international market to borrow. It cannot be the case. We were told only recently that the reserves were healthy. We were told only recently that we do not want any foreign borrowing. We were told

only recently that this thing was unnecessary, that you do not have to increase the external debt burden, yet still we are borrowing \$250 000 from overseas. It is completely at variance with what we were told, but that is the reality of life.

Mr. Speaker, I want to speak now to the whole issue of the policy environment. I have my own interpretation. Only last year, Treasury Bills in Barbados were less than 2 per cent. Over the last four months we have seen, on four occasions, an increase in the deposit rate.

Mr. Speaker, if you check the same *Report of the International Monetary Fund*, it says on page 1 that:

“Directors recommended the acceleration of efforts to adopt market based monetary policy tools, as well as the phasing out of the minimum deposit rate to improve the efficiency of financial intermediation.”

Mr. Speaker, the Central Bank of Barbados has not phased out the minimum deposit rate, it is skilfully using what is happening to the Treasury Bill rate, to make adjustments to the deposit rates.  
3.20 p.m.

Mr. Speaker, a Treasury Bill rate is determined by negotiation. When one makes a bid for Treasury Bills, one submits an interest rate one is willing to pay. On the basis of that, the Central Bank of Barbados has, therefore, on four separate occasions, pushed up the minimum deposit rate but it was done under the guise that it was increasing savings.

*Asides.*

Mr. C. A. MASCOLL: Sir, people in Barbados do not save because of deposit rates. People do not save because the Central Bank of Barbados has increased the savings rates, Barbadians save for precautionary reasons. They do not save for speculative reasons but for transactionary reasons. Barbadians put aside for a rainy day or in the hope that, at some point in the future, they would transfer their financial assets into real assets, that is by converting their savings into a house, a car, land, or some other major asset.

Mr. Speaker, the Central Bank has increased the lending rates as a way of trying to dampen consumption and trying to protect the Balance of Payments but it has not increased interest rates to encourage further savings. Furthermore, a low income Barbadian does not have anything to save. If the cost of food, electricity, water rates and mortgages are rising, a Barbadian, therefore, has to spend more of his income, in order to survive, as there would not be much from which he can save.

Mr. Speaker, over the past eighteen months, under this administration, Barbadians have been pressured into submission; lending rates therefore, would be the obvious objective of the Central Bank, not to increase any savings but to increase the lending cost to Barbadians and other individuals, so as to dampen consumption and by extension, to dampen the pressure on the foreign reserves. That is the important thing to note.

Mr. Speaker, I have to say that we have to query why we are going to the foreign market at this time. Is it because of Barbados' under performance in tourism? Is it because of the failure of the manufacturing sector to perform? Is it because of the failure of the International Business Sector to perform? Is it because of the failure of the agricultural sector to perform? Sir, those are the real reasons we are borrowing from foreign sources. It has nothing to do with Cricket World Cup, 2007. If we were performing well and earning foreign exchange, we would not need to go to foreign markets because our reserves are supposed to be good, healthy and in an unprecedented state. Sir, what, therefore, could be the issue? Why are we running to borrow BDS\$250 million?

Mr. Speaker, we were told that Barbados had unprecedented levels of foreign reserves; that Barbados is in a comfortable state; that Barbados is able to repay all its debts; that Barbados can allow people to come and eat as they like; that Barbados can allow in anything foreign. What, therefore, is the issue now, less than two months after? Mr. Speaker, it is very clear that this economy has not performed and, therefore, the Government is now embarking on a path of further borrowing, having said it would not borrow in the foreseeable future.

*Asides.*

Mr. C. A. MASCOLL: Mr. Speaker, there is no correlation between savings and savings rate in Barbados or in any country in the region. Once there are transactions within the economy, the money is going to appear in the financial system. Once you borrow, once you bring in funds, these funds would find their way into the financial system but they would not be as a direct consequence of any savings on the part of low income or middle income Barbadians. The reality is there.

Mr. Speaker, how could Barbadians save over the past eighteen months? From what would they have been able to save? Would they have been able to save from their fixed income? Would the more than 27 000 civil servants, on their fixed income, many of whom have mortgages, many of whom have to eat, many of whom have to pay higher rates, many of whom want a house and cannot get access to that house, would they have been able to save over the past eighteen months in Barbados?

Mr. Speaker, what about the gas station workers who get \$175 per week? Would they have been able to save? What about the guards, the shop assistants, the workers in the tourism sector, who have not been able to work an entire week because of the slow going? Would they have been able to save, as a result of increased savings rate? Would these individuals have had that opportunity? Therefore, it would not be a case on the part of the Central Bank, that it has increased savings rate in order to increase the overall savings.

*Asides.*

Mr. C. A. MASCOLL: Mr. Speaker, furthermore, we have had a situation in which only the upper echelons in the Civil Service have experienced increases in wages, yet there is now a situation in which public servants will only get a 2 per cent or 3 per cent increase, based on negotiations, while inflation is at 7 per cent. How would they be able to survive, in an environment where prices have outstripped the growth of wages? How could Barbadians expect that persons earning \$7 000 or \$8 000 per month, could get a similar increase to a person earning \$1 000 per month, and in an environment where inflation is galloping and will continue to gallop in the next eighteen months.

Mr. Speaker, these are extremely serious matters that we have to contemplate. Sir, not too long ago, the economy was supposed to be cruising. We were supposed to be growing. Tourism was supposed to be galloping. There were supposed to have been other opportunities but now, in the twinkling of an eye, we have a situation where we have to cut back on consumption and to restrict imports by imposing a 3 per cent cess.

Sir, those persons who drink brandy would know that, over the last month, a bottle of brandy has moved from less than \$50 to \$70.

*Asides.*

3.30 p.m.

Sir, I am not a drinker but I know that brandy has skyrocketed in cost over the last month in Barbados. Those who want to buy any big vehicle like a Range Rover would also know that there has been a substantial increase in the cost of those kinds of vehicles in Barbados within the last two months. No one can deny it because there has been a substantial increase. Sir, one vehicle now costs \$493 000 being advertised in Warrens.

Mr. Speaker, it is important to recognise that these things are happening because anyone who can afford to purchase such a vehicle must be able to make substantial profits and these must be as a result of rising prices which are being paid by the average Barbadian.

Mr. Speaker, there is a relationship between the price of such commodities and the price of small commodities on the shelves in the supermarket and in other businesses. Let us not forget that the rich lives on the backs of the middle class and poor people. Any person who is in a position to afford that type of luxury is doing so at the expense of the average consumer whether it is a consumer for commodities like food, land, real estate, services like accounting, medical or dental. Those individuals can only exist at that level if they are charging prices that would permit the kind of income necessary to have access to such assets.

Mr. Speaker, this has to be an area for concern. This country, while boasting of growth, has seen unbalanced growth. If you visit the west coast or south coast, you would recognise that you have had a situation in this country in which the average Barbadian seeking to own a piece of land has been impacted on by the rising prices on the west coast and south coast. Sir, there is no imaginary line or separation. Once prices rise on the coastal areas, they are going to be pushed inland and this is what has happened to Barbadians.

Mr. Speaker, you cannot separate what is happening on the south coast and west coast from central, eastern or northern Barbados. You cannot separate the demand for rental homes from what Barbadians are experiencing with respect to the prices they have to pay for houses.

Mr. Speaker, it does not exist in a vacuum. We are not trying to isolate Barbados or separate it simply to the 'haves and have-nots' because Barbados is an entire society that is being affected by all the policies and programmes of this administration. Barbados cannot be so separated and segmented that those who have, are not having on the backs of persons who do not have the real resources and potential.

Mr. Speaker, we have to look at the reality of life in Barbados. We cannot be bogged down with external debt, foreign reserves and the fiscal balance but we need to look at what is happening to the average Barbadian.

Mr. Speaker, I will move to my next section on the whole question of the ability of the Government to deliver a social programme in light of the economic constraints. Sir, I have repeated this matter over the last year *ad nauseam* because it has to get into the psyche of Barbadians that the real challenge for the future in Barbados has to be the capacity of any Government to deliver social goods and services to its people. This is why health care delivery is taking on a different character. This is why there is concern as to whether or not we will have to pay for health care delivery.

Mr. Speaker, this is why there is talk about education

being costed out of the reach of the average Barbadian. This is precisely why we have concerns about housing. Therefore, the ability for us to borrow, the health of the economy, the ability of the Government to deliver social services will all be related and connected back to proper management of the economy and by extension the society.

Mr. Speaker, we have to accept and understand that we may be mortgaging the future of Barbados, if we do not understand how close we are to putting the society under severe pressure and problems.

*Asides.*

Mr. C. A. MASCOLL: Sir, I will not go into it today because I have expressed it before. This National Strategic Plan would not be fulfilled if we do not do the right things now. This National Strategic Plan is based upon our ability to manage our affairs currently. Therefore, what the future holds for Barbados has to be determined by what type of policies we embark on now. Sir, if we do not accept that, we will miss the boat for the future of this country.

Mr. Speaker, therefore, I end by saying that in light of what has been happening in recent times in Barbados, I do not understand the justification for \$250 million in external loans while we are supposed to have healthy foreign reserves. We recently said that we will not embark on any extra-regional borrowing or external borrowing. We recently said that we need to control the national debt in Barbados, that we would bring it down to 60 per cent of GDP, yet we are here today increasing the debt, the debt servicing, the public debt, the national and overall debt, we are not doing anything to the economy to put it in a position where it can earn enough foreign exchange in the future to justify the kind of borrowing which we are embarking on.

Mr. Speaker, this administration does not want to recognise the importance of 'Kellmononics' which is to punish consumption and reward production. This is a healthy approach for the future because the only way we can get our productive sectors, especially the foreign exchange sectors, to perform is if we respect that we have, in some way, reward production and, more important, to put the foreign exchange earning productive sector in the lead in this economy.

Mr. Speaker, it is the only way it can be done. I have said for the last 11 years that the economy of Barbados needs restructuring. We have not so embarked and are now beginning to feel the effects because we have not listened to words of wisdom.

Mr. Speaker, I thank you.

Mr. SPEAKER: Honourable Member, you need to make the document a document of the House.

*The Speaker left the Chair and the Deputy Speaker took the Chair.*  
3.40 p.m.

Mr. DEPUTY SPEAKER: The Honourable Member for St. Philip South.

Hon. A. P. WOOD: Mr. Deputy Speaker, it gives me considerable pleasure to rise to make a contribution in this debate. First, let me issue my commendations to the Honourable Member for St. Michael North East for a very comprehensive presentation on this particular item, quite unlike that of the Other Side when we come to these occasions to discuss the structure of Barbados' debt and our debt management programme. She has not only been able to put it in a time series fashion, but she has been able to put it in the context of the necessities for Barbados' recent economic development.

Sir, the Honourable Member went a little further to give regional comparisons in respect of key economic variables and ratios that we focus on when we are looking at a debt management strategy.

Mr. Deputy Speaker, we had many debates in this Honourable Chamber, especially in recent times, on the Government's debt management strategy. For the most part, the Honourable Members on the Other Side were led by their chief economic spokesperson and his deputy, but how much longer in that position is left to be determined. I am not going to get into that.

Sir, when you hear them speak of the Government's approach on managing its debt, you get the impression that there has been no forward movement in this economy. You get the impression that a trained economist, as he is, would not talk about levels pertaining to debt, be it the overall debt or components of the debt, in isolation from what is happening elsewhere in the real sector of this economy without recognising what is happening in respect of the delivery of social services in Barbados and without wanting to make serious comparison with what has happened over the last eleven years as it relates to moving this economy forward in carrying every one in the country by addressing issues of social and economic justice. Sir, they come into this Honourable Chamber and seek to give the impression that this debt is just accumulating without reference to the ability of this economy to build its capacity, to reposition itself and to make good on these obligations when they fall due.

Sir, I can tell you that since I have been following the fortunes of the Barbados Labour Party in the last eleven years, at no time was there any impression of the inability of this Government to meet its financial obligations when they

fall due.

Mr. Deputy Speaker, the Honourable Members on the Other Side can talk about the level of the public debt and its ratio. They can talk about central Government's debt but one thing I am certain that the people of Barbados are very concerned about the ability of this administration to do the things that would improve the quality of their lives. I came to this Parliament and got involved in elective politics because this Barbados Labour Party has signalled its intent, and continues to do so, that it is interested in improving the quality of life of all Barbadians.

Mr. Deputy Speaker, we have not made it any secret of our choice in respect of the management of this small open economy and having to deal with significant challenges as we go forward we did not make any secret in respect of which course of economic policy making we would have to use.

Sir, as I speak to this issue of debt management, the theory of debt management, the theory of economic policy and the practical aspects of it, what comes to mind is a classic piece of work, which was not written by the Honourable Member for St. Michael North West or myself, it was written by two noted economists in 1977. I think it was published in the *Journal of Political Economy*. It is called "Rule versus Discretion: The Inconsistency of Optimal Plans". It was written by Professor Kidland and Professor Prescod.

Sir, economies and those who manage economies can make a choice. They can hold fast to a rules-base approach to the formulation and the implementation of economic policy, but they can recognise that small open economies will continue to be pressured and in some cases the slightest external in regional economic events can seek to knock us off course. We can take the choice to hold fixed to a rules-base policy approach or we could seek to use discretionary policy when it is necessary in order to restore the economy or, indeed, keep it on its desired growth path.

Sir, this Barbados Labour Party, certainly the one that I am a part of and proud to be a part of, has taken a decision, recognising that we need to have some flexibility in respect of formulation and implementing policy approach but would pursue not a hard and fast rule-base policy, but would pursue one that allows some level of discretion and policy flexibility.

Mr. Deputy Speaker, if I go back to September 11, 2001, and the impact that it would have had on this economy, if we did not pursue an approach of policy flexibility, this Government would not have taken a

deliberate decision in the aftermath of that unfortunate event to pursue counter-cyclical policies. We did it in the context of ensuring that, notwithstanding the difficult times that this economy would have had to face, that we were going in the interest of preserving as many jobs as possible. We did it after serious consultation with the economic planners, the major investors in this country and all Barbadians.

Sir, we went to Sherbourne and entered a very interesting consultative process, and at the end of the day, we said that the Government will do what is necessary, notwithstanding the need to be fiscal expansionary in approach, but we would want you to join us going forward to ensure that there is as a high level of preservation of jobs in this country.

Mr. Deputy Speaker, I have gone back to that event to make the point that when I, as a trained economist, want to discuss debt management strategies, I am not going to get caught up in these numbers. I am going to look at the ability of the Government to repay its debts. I am also going to look at the Government to utilised whatever it has borrowed in order to advance the cause of its people, while ensuring that there is a desired level of social and economic equity going forward. That is what I would look at.

Sir, when one is analysing the Government's debt management strategy, one has to focus on some key things. These are: Will economic development in the country allow it to repay its debts? Sir, all the evidence that have been provided will tell us that this Barbados economy is, and will continue to be in a position to pay its debts.  
3.50 p.m.

What will be the impact of the strategy on key economic variables? Growth, employment, balance of payments, and I am going to come to the latter one a little later, when I look at the main purpose of this particular item that is before us.

How would the Government's approach to debt impact on the country credit ratings? The Honourable Member for St. Michael North West would want to come into this Honourable Chamber and seek to trivialise the reality, the fact that the management of the economy and the present position of the economy will necessarily influence this Government's ability to borrow US\$125 million at a slender rate of 6.25 per cent over an extended period of 35 years, the lowest interest rate in market borrowing that Barbados has ever been able to access.

Mr. Deputy Speaker, if this does not count for something, I do not know what we would be able to do in this country to please the Honourable Members on the Other Side that something of significance is happening in this country.

Mr. Deputy Speaker, there are many countries in this

region, the Honourable Member for St. Michael North West mentioned a few of them, which will not be in a position at this time to go and borrow any amount at rates of interest below double digits. This Barbados economy, notwithstanding all of the unjustifiable criticism, can go to the foreign market and borrow US\$125 million at a rate of 6.25 per cent. All that is happening in the national economy would have the financial system wanting to charge levels in excess of 6.25 per cent but while they continue to preach doom and gloom, the capital markets will continue to look at Barbados' economic prospects favourably and would want to reward us by charging rates of 6.25 per cent.

Mr. Deputy Speaker, the Honourable Member for St. Michael North West has a way of thinking that the more he signals his exuberance and enthusiasm, the more points he is making. Sir, that is not a fact because I sat here and heard this Honourable Member for St. Michael North West, expounding theories of savings behaviour that are well-known to us. He said that in a small open economy like Barbados, the interest rate sensitivity of savings is low and that Barbadians tend to save for reasons quite unconnected and unrelated to the movements in the interest rates. There is a body of empirical evidence, some of which is provided by myself, to support that contention to some extent.

Mr. Deputy Speaker, he also went on to say that there are many other reasons why individuals in Barbados might want to save and he mentioned precautionary reasons, such as for transaction purposes. Therefore, you might have a particular transaction in mind which you want to make some time down the road but some Barbadians are still in the habit of not wanting to borrow in order to effect purchases, so they will save and they will do it in a very clinical way to make sure that the timing of the effecting of the purchase coincides with their ability to save all that is required.

Mr. Deputy Speaker, he said that and there is merit in that but then he said that Barbadians do not have anything to save. Therefore, having given an explanation why Barbadians would save, he then said that Barbadians do not have anything to save. He was going reasonably well up to that point when he said they did not have anything to save because he gave us reasons why they might want to save. I am not knocking him.

Do you know the first thing I did? I went and I collected the Economic and Financial Statistics. This is the evidence and I am going to focus on the particular category of saver that is relevant for the discussion, savings by private individuals. I am not looking at the other categories, companies, the Government and statutory corporations.

Savings by private individuals were: In 1994, \$1.36 billion; in 1995, \$1.43 billion; in 1996, \$1.6 billion; in

1997, \$1.74 billion; in 1998, \$1.94 billion; in 1999, \$2.1 billion; in 2000, \$2.27 billion; in 2001, \$2.38 billion; in 2002, \$2.46 billion; in 2003, \$2.69 billion; and in 2004, \$2.97 billion. Up to July 2005, it has scaled the \$3 billion mark. The totals moved from \$2.24 billion in 1994 to a whopping \$6.28 billion in 2005 at July.

Sir, the Honourable Member for St. Michael North West made a cardinal error when he said that Barbadians do not have anything to save. I know that if Barbadians did not have anything to save, we might not be facing the challenge that we have now, in respect of our foreign reserves.

Mr. D. St. E. KELLMAN: Mr. Deputy Speaker, on a point of order. The Honourable Member for St. Philip South is misleading the House. He is deliberately giving figures that he has taken from a hat and he has nothing to substantiate what he is saying.

Hon. A. P. WOOD: Mr. Deputy Speaker, I am quoting from the *Economic and Financial Statistics of the Central Bank of Barbados*, the September 2005 edition and let me take Honourable Members to Table B.15 on page 31.

Mr. Deputy Speaker, I was about to make the point because I know that the Honourable Member for St. Michael North West knows better in this particular instance because on the one hand we are seeing that there has been a difficulty for our foreign reserves, occasioned by the heavy lending by financial institutions in Barbados for, essentially, consumption related activities. This is one of the things that we sought to address, reducing the rate at which imports had been increasing and that is what we came in here to do, just a couple of months ago.

Therefore, you cannot be on the one hand recognising that is a fact and on the other hand saying that we are not saving anything. The transformation process is such that we will take the deposits in the financial institutions and put a substantial portion into productive or investment activity.

Sir, what has happened is that there has been a build up in savings as I have shown, and there is a sort of a disproportionate allocation of those savings to the various activities. Part of the difficulty we are dealing with is that too high a proportion of the accumulated savings in the financial system would have gone to more consumption oriented activities, as opposed to investment related activities. This is why I am saying that the Honourable Member for St. Michael North West knows better. Sir, let me continue.

The Honourable Member for St. Michael North West has the habit of saying that the economy is not being managed to the benefit of Barbadians. He says it continually and I do not understand why he cannot get himself out of that habit. Since he has returned to this Honourable Chamber, he continues to say this over and over, it is like a stuck record. He takes us back to 1994, when we took over

and he does it over and over.  
4.00 p.m.

Mr. Deputy Speaker, I do not like to do these things, but this is the record. No Government that has won three consecutive general elections and no Government that has convinced the Barbadian population of its ability to manage the economy, could be a Government that has not been doing things that are not in the best interest of the population.

Mr. Deputy Speaker, I warned them earlier that when they make statements like these, they are passing judgement on the intellectual capacity and the judgement of the Barbadian people. Sir, they had an opportunity to do that on three previous occasions and they came up short. I can assure them that if they continue along that line by giving the impression that the people in Barbados do not make good judgement, they would come up even shorter.

Mr. Deputy Speaker, you were involved in elective politics in the early 1990s, and you followed these matters extremely close because you are a man whose heart is in the right place, but that is why you are over here, so that is not in dispute, and you are very close to the people on the ground in your constituency and elsewhere in Barbados and your profession allows you to remain connected to the people.

Mr. Deputy Speaker, this is the evidence. Mr. Deputy Speaker, you would remember that some time between 1991 and 1993, there was an 8 per cent cut in wages; a cut in allocation to the social services; there was a loss of self-esteem and self-respect among Barbadians; there was even a loss in the confidence in the Barbadian currency and many properties were repossessed as a result of all of these jobs losses, which were somewhere in the region of 4 000 to 4 500.

Mr. Deputy Speaker, you would also remember that all of that even led to disarray in the Democratic Labour Party. In that period, the country was at the mercy of the International Monetary Fund and the unemployment level shot up to in excess of 25 per cent.

Mr. Deputy Speaker, the position 11 years later is totally different. I am not saying at this point in time that we do not have economic challenges to deal with. The one thing about this administration is that we speak up to them. The Honourable Member for St. Peter is very forthright with Barbadians.

Mr. Deputy Speaker, you were a member of his team in the last general election when we went to the people

and told them that the times ahead were going to be very difficult and so a certain degree of belt tightening would have to take place during this term and that this could be the first five years or so that Barbados would have to deal with its most difficult economic times. He also went on to say that there is a necessity of the team for the times. Do you remember that, Mr. Deputy Speaker? We did not shy away from the economic realities of the day in what we should be looking forward to. We came straight out and told the people what the position was, which is quite unlike what a previous Democratic Labour Party Administration did when they said that they were not going to commit political suicide and they were going to pursue fiscal policies that will ensure a return to power and then deal with the economic consequences afterwards. Mr. Deputy Speaker, this Government does not operate like that.

Mr. Deputy Speaker, during the last ten years we have been able to restore the 8 per cent cut. We have maintained very healthy allocations to the social services including education. We sought to accelerate the pace at which those social services have delivered through the establishment of the Rural and Urban Development Commissions. We have been able to restore the self-esteem and self-respect of the Barbadian people to the point where people are feeling extremely good about themselves and are certainly feeling good about the country. We have been seeing massive improvements in housing. We have seen the value of mortgages skyrocketed over the last ten to 11 years. We have seen unemployment come down to below 9 per cent in this country, and this is unprecedented. Mr. Deputy Speaker, these are realities of the day.

Mr. Deputy Speaker, they say that this Government is not doing anything on the behalf of the people yet it could bring down the unemployment rate from almost 26 per cent in 1993-94, to less than 9 per cent. Mr. Deputy Speaker, I can tell you that the people I speak to in my constituency and the people I encounter elsewhere in this country think that this Government is doing a very good job. They recognise that there are economic challenges but they also know that this is the team that could lead them through these economic challenges.

Mr. Deputy Speaker, before I close let me get a little closer to the matter that is at hand. Mr. Deputy Speaker, the Honourable Member for St. Michael North East set the stage and put this loan request in its proper context and all we should be concerned about in this Honourable Chamber today is whether or not the move to the market for US\$125 million at this point in time is a wise move. That is what we have come in here to discuss today, never mind where the Honourable Member for St. Michael North West took us. He went into theories of savings behaviour, *et cetera* and then he faulted himself by trying to push in a lie on us. However, I do not think that he did it intentionally,

it was enthusiasm that got the upper hand of him.

Mr. Deputy Speaker, is this loan request relevant at this stage, that is all we have come in here to discuss today. I am saying, Mr. Deputy Speaker, that it is relevant for a number of reasons. It is related to the preparation for the Cricket World Cup. It says that we need US\$125 million at this point in time to help us to finance the foreign exchange component of some of the preparation for Cricket World Cup and to do some other things. The preparations will have a high foreign exchange cost as it is mostly construction related.

Mr. Deputy Speaker, this Government has never hidden the fact that there has been pressure on the foreign reserves. In March 2004, it was \$1.5 billion, a very healthy amount, and in December 2004 it was \$1.2 billion, a decline of \$312.7 million. Up to end of October this year there has been a further decline of \$128.5 million and one would expect during the festive season in November and December that there would be a further decline until the new tourist season takes root and we can build up in the foreign receipts and the takings from next year sugar crop, which will come in as we go into the next year.

Mr. Deputy Speaker, we are also saying that these funds will help to sustain the foreign exchange reserves over the next 18 months. We expect that over the next 18 months, when the preparatory activities for the Cricket World Cup intensify that there will be more and more movement in the foreign reserves. Therefore, to go to the market for US\$125 million at this point to help us through that period is obviously a wise move and the timing of it is very significant because we have gone at a time when we are able to attract a rate of 6.25 per cent, the lowest recorded rate.

Sir, any economic manager of a country, if he is thinking in a very linear way and not in zigzagged or non-linear way like the Honourable Member for St. Lucy, would want to go to the market at this time. Mr. Deputy Speaker, the Cricket World Cup, 2007, holds a special place in the hearts of all Barbadians. Therefore, one of the things that we must not do, is to take chances with the preparatory activities. Sir, there are substantial gains to be made during the period of the Cricket World Cup, 2007, and certainly during its legacy factor. Sir, therefore, we have to ensure that adequate resources are made available, to ensure that the preparatory activities can be done in a very seamless way. 4.10 p.m.

Mr. Deputy Speaker, I want to support this loan. The timing of this loan has been very much thought

out, therefore, going to the international market at this time could not have been better. The Honourable Member for St. Michael North East, spoke to how this would impact, in a negligible way, on our debt management position and on our strategy going forward.

Mr. Deputy Speaker, with those few words, I thank you for your indulgence.

Mr. D. St. E. KELLMAN: Mr. Deputy Speaker, in deciding whether or not one should borrow, one has to look at the financial position of any institution. Therefore, when one considers that over the last 11 years, coming out of 1994, one would have gotten the impression that the economy was performing well. Sir, when one listens to what was said by the Honourable Member for St. Philip South, it is quite obvious today that there is a shortfall in foreign exchange being earned in this economy and that because of that dramatic shortfall, Government is now seeking to prop up the shortfall in foreign exchange that has not been earned from the productive sectors. Instead, Government is now turning to the financial institutions to build foreign reserves, when normally those foreign reserves would have come from our productive sectors.

Mr. Deputy Speaker, this means that not only do we have a debt problem, we also have a monetary and fiscal problem within the economy. This is saying that we need to concentrate on improving the productive capacity of the country, instead of first looking at the borrowing capacity of that country. Sir, it also says that tourism cannot be performing as well as we were told by the Government of Barbados, and that there has been a serious decline in both the offshore and tourism markets, as it relates to the capacity to generate foreign exchange.

Mr. Deputy Speaker, everybody knows that agriculture and manufacturing are not performing the way that they should, and so we will remove them from the equation at this time. Sir, what we will concentrate on at this time are those two sectors which we were told have been performing well, which the evidence now shows they were not performing well.

Mr. Deputy Speaker, over the last few years, we have seen a number of significant increases in borrowings in this country. At one stage it was US\$75 million, while at another stage it was US\$150 million. We are now hearing about US\$125 million, and that nearly over \$700 million was borrowed. Sir, this has nothing to do with the amount of money that was borrowed on the local market. It has nothing to do with the divestment and the selling off of assets to foreign companies, which should have also generated foreign exchange.

Sir, the question must be asked, how is it that we are borrowing so much money, and we are selling off so many assets, yet there is still the need for Government to continue borrowing. It means that the economy has not been allowed

to function in the traditional way, in which we have depended on to finance our reserves and foreign exchange.

Mr. Deputy Speaker, this is a very serious problem which we are having with our economy and one must understand what is happening. We have another very serious problem. When Cricket World Cup, 2007, was first spoken about, the impression was given that the required sum which we would have needed to finance this project was BDS\$100 million.

Mr. Deputy Speaker, at that time, I was bold enough to have said that BDS\$100 million could not have financed Cricket World Cup, 2007, but since then, we have spent lots of money in compulsorily acquiring land, in putting up buildings, in knocking buildings down, on sponsors and on a number of other things, in relation to Cricket World Cup, 2007. Sir, the most embarrassing piece of information is that for a BDS\$100 million project, Government is borrowing US\$125 million.

Mr. Deputy Speaker, there is no where in the world that one could have budgeting at this level, where you come to your people and tell them that the project is going to cost BDS\$100 million and that you are going to spend out of the pocket, then to come back to Parliament and seek to borrow US\$125 million to finance that project.

Mr. Deputy Speaker, am I to believe it is because they have used the wrong contractors? Everybody knew when they thought a local man at Warrens was doing the wrong thing, even though he was doing the right thing because he had understood the local conditions at Warrens and used a floating foundation to save the Government money. Sir, now we have gone on the international market and have brought in a number of contractors who do not know anything about Barbados' soil condition. These contractors are now costing us an overrun of almost 200 percent, on a project that was projected to cost BDS\$100 million.

*Asides.*

Hon. K. D. SYMMONDS: On a point of order. The Honourable Member has misled this Honourable House on three occasions. It is incorrect to say that Government is borrowing BDS\$250 million to finance a BDS\$100 million project. The Honourable Leader of Government Business, in her presentation to the Honourable House, made it abundantly clear that the resources will help to finance the foreign exchange components of some of the preparations for Cricket World Cup, 2007, which are being undertaken by both the private sector and Government. It will also support foreign exchange inflows, which, as a result of the level of imports increasing, will place the Balance of Payments under pressure. Sir, that has nothing

to do with borrowing money purely for a BDS\$100 million project, as there are a number of ancillary things going on with that project.

*Asides.*

Mr. D. St. E. KELLMAN: Mr. Deputy Speaker, I am responding to the Honourable Member who spoke before me. That was exactly what the Honourable Member said. I will not allow the Honourable Member for St. James Central, who is known to be a 'spin doctor' for Government, to try to break my concentration on this presentation.

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

Mr. D. St. E. KELLMAN: Mr. Deputy Speaker, I withdraw that statement. Sir, when I said the Honourable Member is a 'spin doctor' for the Government, I did not mean that the Honourable Member was checking for Government.

Mr. DEPUTY SPEAKER: Honourable Member, please continue.

Mr. D. St. E. KELLMAN: Mr. Deputy Speaker, what I said was that at Warrens, a local contractor's work was terminated, despite the fact that he was doing the correct thing. Instead, contractors were brought into Barbados, who do not understand the conditions of Barbados' soil, but whose work has not been terminated, despite the fact that these contractors have been driving piles 120 feet into the earth, when they should have been using floating foundations. Sir, this is having regard to the fact that we were told by the Honourable Member for the City, that almost all of the buildings in that particular area of Bridgetown have floating foundations and that greenheart was used in some areas.  
4.20 p.m.

It means that we have people who do not know anything about Barbados. Sir, I want to congratulate them for this. There are the only people who can use 14 people and when those 14 people are not around anymore, they require 800. They are saying that to me that one Indian equals 57.14 Barbadians. It is also amazing that we do not have any room, space or vacancy for artisans in Barbados and that they have been used in all the other projects. So far, they have been able to employ 300 Barbadian artisans even though we were told they could not be found.

Mr. Deputy Speaker, the question must be asked, how many Barbadians have been replaced by other persons and are still being counted as being employed. I have said already that there is work in Barbados but that there is no work in Barbados for Barbadians and that people are

being employed. Sir, anybody who doubted me can now see that 14 Indians have gone, 300 Barbadians got work so far and that 500 more would be employed to do the work of 14 Indians.

Mr. Deputy Speaker, we have to be careful in this country. It is also clear to me that once a foreign company comes to Barbados that it can get everything it wants. Sir, since 1994, a local company wanted a television station but could not get it but now that it has been sold out to Trinidadians, they can get it in less than six months.

Mr. Deputy Speaker, I warn Barbadians that the Barbados Labour Party had even taken over the red colours from the Government of Trinidad and if you check, every company now coming to Barbados is from Trinidad. There is a .... I do not know if it is Bartrin or Trinbar. I would need to hear from the Other Side what would be the new combination between Trinidad and Barbados because it is clear that we have to change the name of Barbados. We cannot continue to call her Barbados when the private sector is now dominated by Trinidadians. I am not saying there is anything wrong with it but the Government needs to tell people the reason for the change in policy. How is it that things were so bad in Barbados in 1994 and we did not have to do it but now that things are well, all investments are coming from the south of Barbados.

Mr. Deputy Speaker, we are wasting millions of dollars at the international courts talking about protecting oil reserves when, in truth and in fact, the two countries have merged in Caribbean Single Market and Economy, so there is no sense in wasting the moneys of the taxpayers. Sir, the oil reserves should be combined, which are tapped and left in the sea. It is a known fact that we have a lot of oil reserves which have been tapped and left waiting on that decision. I want to say to the Attorney-General to bring back all the attorneys because if there is Trinbar or Bartrin there is no need to waste the money of the taxpayers.

Mr. Deputy Speaker, in judging a floating loan there are foreign exchange losses and foreign exchange gains. This Government is known for foreign exchange losses but the Democratic Labour Party when they borrow know about foreign exchange gains. The same loan in 1991, about which we are discussing interest rates, and how the Democratic Labour Party borrowed a loan and the interest rate was high, this country Barbados was able to get foreign exchange gains from that loan. Those loans borrowed in the 1980s called the Japanese bullet loans, the interest rates were low but there were massive foreign exchange losses because the capital when repaid was doubled. Sir, because the currency was low, it increased to such a capacity that the repayment was doubled.

*Asides.*

Mr. D. St. E. KELLMAN: Sir, I challenge any accountant or economist to challenge me on that and to bring statistics to prove me wrong. Mr. Deputy Speaker, the Democratic Labour Party understood when to borrow in the market. I want to know if the Government has been able to do an analysis to determine whether interest rates would be going up or down. It is rather interesting that in 2001 when they borrowed \$300 million the interest rate was 7.25 per cent. We have now seen some shifts and the interest rate is 6.25 per cent. One has to ask what has occurred? Is there a great expectation that the interest rates on the world market would drop, or, is there an expectation that we would de-peg our currency?

Mr. Speaker, if interest rates are increasing and the interest rate on this loan is dropping, then the persons negotiating this loan would have received a commitment from this Government that we do not know about. Sir, when one looks at the flow of interest rates, in 2001 the interest rate was 7.25 per cent but now this loan is 6.75 per cent, it is dropping while the world rates are increasing then something is wrong. I am not surprised that these gentlemen who are lending the money are asking many questions in Barbados because the most important thing is to de-peg our currency.

*Asides.*

Mr. D. St. E. KELLMAN: Sir, I do not wait on anybody to think for me. I want Honourable Members on That Side to tell me whether my argument has merit or if I am wasting my time.

Mr. Deputy Speaker, I want to know why the interest rates was 7.25 per cent in 2001, they are now increasing all across the world yet we can get a loan with dropping interest rates. Who is de-pegging whom? What understanding has these people been given because it is rather strange.

Mr. Deputy Speaker, the Honourable Member for St. James Central promised me that he would get up and speak. Sir, what is going on in Barbados? When we went into elections and were told that we had foreign reserves of over \$2 billion but this afternoon an Honourable Member is telling me that the foreign reserves in my country is now under \$1 billion.

*Asides.*

Mr. D. St. E. KELLMAN: Sir, the Honourable Member for St. Philip South said that. Sir, it is now under \$1 billion, which means that the foreign reserves of the country has declined by over 50 per cent because previously they were over \$2 billion.

4.30 p.m.  
Sir, I want to know why this happened. It occurred at a time when we are selling the gold of the country, while our

foreign reserves are declining. It means that this country is in a serious financial position.

I have recommended to this Government to increase the level of production, allowing workers to operate at their maximum and not punish people for consuming. I have been begging this Honourable House for many years to wake up and smell the coffee. Our problem is not a revenue problem. The problem is our ability to earn foreign exchange and we need to understand that.

Sir, we need to institute a policy of import substitution which would help our agriculture and manufacturing sectors. That is what is needed. We must recognise that. The only way you can operate correctly is by refusing to punish people who produce. This country has been famous for punishing people that produce and rewarding those who spend. I am saying that has to change and soon. The economic planners of this country must stop believing that because the Honourable Member for St. James Central has been able to coin 'Kellmanonics' which is associated with me that it cannot be implemented in this country.

The Honourable Member for St. James Central had the wisdom to understand the theory. Sir, the recommendations that people described as mouthing, he turned into an economic theory. He should take the credit. Although he was not the source of the information, I am prepared to share it with him. He should stop running away from it and realise that at least there is something in his political life he did right.

Sir, if you refer to the recommendations from the International Monetary Fund and the Inter-American Development Bank ... I am told that Mr. William Demas was famous for making the statement that commonsense dictates that when you have something that can work, you allow it to work. We are in a crisis position.

Mr. Deputy Speaker the best time for 'Kellmanonics' to be implemented is now. Sir, when you are expecting an expansion in the economy, based on World Cup 2007, which should generate large sums of revenue for the Government. At least over the last eleven years, where workers were deprived of having an opportunity, but the time is right for the workers to have an opportunity to recover what they lost and to assist in increasing the capacity of the country.

Sir, it is simple. The private sector and the Government got what they wanted. Sir, have a relationship with the workers and compensate them. They are the ones that are left out.

Mr. Deputy Speaker, the credit squeeze policy that the Government is talking about is a waste of time. You need

to squeeze Government and the private sector. The Government and the private sector have all the revenue they need. They have so much, that this credit squeeze the Government has attempted to create, will not impact on them because they have second tier reserves overseas, so, anytime there is a squeeze, they could use that money to purchase goods to ship to Barbados.

I am saying that the Government and the private sector need to have a relationship with the workers, the real productive people of Barbados, together they drive the country forward.

Mr. Deputy Speaker, there is no doubt that all of us must come on board to save this country. It is in a crisis. I want to applaud the Opposition for waking up, smelling the coffee, and offering the Government alternatives that can work. You can offer this Government many ideas but you cannot expect them to implement what they do not understand.

Hon. A. P. WOOD: On a point of order. Sir, the Honourable Member is deliberately misleading this Honourable House. I have been here for most of the Sitting and I have not heard a single alternative from the Honourable Members on the Other Side. The Honourable Member needs to stop misleading this Honourable House. That should be struck from the record. You are incapable of offering this Government any alternative.

Mr. DEPUTY SPEAKER: Honourable Member, proceed.

Mr. D. St. E. KELLMAN: Sir, the Honourable Member is attacking the Honourable Member for St. James Central. I will not stand in this Honourable House and allow the Honourable Member for St. Philip South to attack the Honourable Member for St. James Central, when he is known all over Barbados, to be writing for the *Nation* newspaper, and coming up with a theory.

Sir, the Honourable Member for St. Philip South is saying that the Honourable Member for St. James Central does not know what he is saying. It is unfair and the Honourable Member for St. Philip South should apologise to the Honourable Member for St. James Central and those remarks should be struck from the record.

Sir, they should be struck from the records because he has punished the masses of Barbados and while trying to get equal, is playing off an internal war between the Honourable Member for St. James Central and himself. The Honourable Member is always with the Prime Minister, who has given the Honourable Member for St. Philip South the ministry that punishes everybody in Barbados. We cannot entertain that type of behaviour in this Honourable House.

Sir, we have to understand what is happening in the economy and we need to put our hands to the plough. We can only do this if the Government is prepared to open its head and allow knowledge to flow in. I am prepared to continue to give the ideas that will help them to take this economy out of the rut but they must be prepared to do what I have accused them of not doing. I said on many occasions that when you have good ideas you need not worry about the Barbados Labour Party, you can float them. Even when you give them good ideas, they still do not know how to implement them.

I thank you, Sir.

Mr. DEPUTY SPEAKER: The Honourable Member for St. James Central.

Hon. K. D. SYMMONDS: Mr. Deputy Speaker, I want to begin by thanking the Honourable Member for St. Lucy for taking his seat as well. The whole House would want to echo those sentiments, even those on the Other Side. Sir, when I listen to the Honourable Members on the Other Side who have spoken so far, my memory goes back to the days when one read the Irish poet Yates. I am sure you are classically trained and you remember Yates and his submission on Civil responsibility, when he said that the age of innocence has been drowned and the best amongst us must make sure that we never lose conviction, because desperate men have grown full of passionate intensity, while being devoid of deliberation.

Sir, desperate men have grown full of passionate intensity, while being devoid of deliberation. Sir, there nothing resonates more when you think of that. The Leader of the Opposition is anxious to get up. He is agitating. I have only just begun. Sir, nothing resonates more than when you reflect on the Honourable Member for St. Lucy's contribution, devoid of deliberation but full of passionate intensity.

Sir, some part of this exercise today has to collide with rational assessment. I want to begin by talking about this bond market issue. The bond market today is characterised by exceptional levels of liquidity. This bank to which we are going, Deutsche Bank Securities Inc., is a European Bank. In the European Union, the European Central Bank has today set interest rates at 2 to 3 per cent. Sir, big banks with large amounts of liquidity, dealing with small interest rates on loans within that marketplace, in a situation where there have an opportunity to lend to sovereigns States like Barbados. Barbados is a sovereign State. Automatically they would be attracted because they could reap a higher return on the loan. 4.40 p.m.

Sir, the point that the learned Attorney-General, Acting Finance Minister made resonates and this is perhaps what the Honourable Member for St. Lucy does not understand. At 6.25 per cent when banks have opportunities to lend to sovereigns ... and we have already heard in this House how Barbados in another day and under another regime had to deal with the austerity of a 13 per cent interest rate. Sir, what we have to recognise is that Barbados' credit worthiness today, in the eyes of the international community is high.

The Honourable Member for St. Michael North West, the Leader of the Opposition likes to make heavy weather of the 2005 Article IV Consultation of the International Monetary Fund. I am not going to attack his integrity because he says his integrity is beyond doubt and I would never challenge that but what I would say, Sir, is that he reads to this Chamber, selectively.

The same document which I had to prise out of him to get it made a document of this House, says at page 8 under the rubric heading, and I quote:

**“RECENT ECONOMIC DEVELOPMENTS AND NEAR-TERM PROSPECTS**

7. A strong economic recovery appears to have taken hold in 2004, which is expected to continue in 2005. Real GDP growth in 2004 is estimated at 4.4 percent, led by a recovery in tourism, construction, and communications. ... In 2005, real GDP growth is projected to ease somewhat to 3.1 percent, as tourism activity expands at a more sustainable rate.”

Sir, this is what they projected. I heard the Leader of the Opposition today, prophesying doom and gloom which were tied to this IMF Document. In fact, the Honourable Member was so bold and, I think so offensive, as to refer to the IMF as a Bible. He said it was a gospel but he chose to quote a selective gospel and I would not accept it, Sir. He does not speak in total terms to that which this same document represents.

The Honourable Member for St. Lucy asked for his darkness to be illuminated. He wants to know why we can get a 6.25 per cent deal. This is what he called it but there is no deal.

Mr. DEPUTY SPEAKER: One moment, please.

Mr. C. A. MASCOLL: Mr. Deputy Speaker, on a point of order. The Honourable Member for St. James South Central is obviously misleading the House. It is precisely because the optimistic projection of the IMF, as well as the Central Bank and the Government, was not realised that we have seen this reaction to increase interest rates to dampen consumption.

Therefore, it is because of the expectation that

tourism would have performed much better in 2005, and it did not, that we have now seen all of what we are seeing. I do not understand the point of the Honourable Member for St. James Central.

Mr. DEPUTY SPEAKER: Proceed, Honourable Member.

Hon. K. D. SYMMONDS: He would profess, Sir, to be naked of understanding but the staff report for 2005 Article IV Consultation, prepared by a staff team of the IMF, followed discussions that ended in Barbados on May 10, 2005, so a lot of what we will speak to in this House, Sir, was well in trained throughout the first half of 2005. Therefore, I do not know why we are talking about this massive shortfall in expectations. I am speaking to you, Sir, against the backdrop of the Honourable Member for St. Lucy, having indicated that he does not understand how you can get to a 6.25 per cent interest rate.

One of the reasons that you get to that interest rate is because unlike what happens in the Opposition, the rest of the world views Barbados with a certain degree of high regard, in terms of our credit worthiness over the long-term. The other critical point that has to be made is this.

Mr. D. St. E. KELLMAN: Mr. Deputy Speaker, on a point of order. The Honourable Member is misleading the House because if one was to take him at face value, then one would have to ask what occurred in 2001, when we borrowed the \$300 million that was supposed to be used for the rainy day, when interest rates were much lower and we were only able to get 7.25 per cent as an interest rate, now, they are much higher, we are getting 6.25 per cent and the Honourable Member must explain that to this House.

Mr. DEPUTY SPEAKER: Proceed, Honourable Member.

Hon. K. D. SYMMONDS: Mr. Deputy Speaker, I know they do not want me to say what I have to say because I have to dispel myths in this speech but I am going to do so, Sir. The rational assessment that has to be done must also take into consideration this country's economic performance over the last 11 months.

Mr. Deputy Speaker, I listened, again I can only call it a depiction of gloom, the Leader of the Opposition blames the Government because energy rates have been affected. He blames the Government because water rates have been affected. He does not at the same time say that bus fares are held in place. He does not at the same time say that National Housing Corporation rents are held in place. The Government accepts those things that the Honourable Member spoke to but I would also want to ask what are one of the key indicators of economic performance?

The first key indicator that anybody anywhere in the world looks to is the country's unemployment rate. Mr. Deputy Speaker, we have to be very clear, because this has to be part of the understanding of the House and the country. In June of this year, unemployment for the first time in Barbados in the last 20 years went as low as 8.9 per cent.

What does that mean? It means not only that it is lower than unemployment in France and Germany but Barbados' unemployment level today is one of the lowest in the hemisphere, if you take the United States and Canada out of the picture. The only other country with a lower rate would be Chile, which is 8.6 per cent and that is the top performing economy in Latin America.

The second indicator that I thought the Leader of the Opposition, trained in economics, would have wanted to reflect soberly upon, would be the question of interest rates. I know, Mr. Deputy Speaker, as do you because you are a man of practical affairs in this world. You see constituents and you have to interface with people who are interested in acquiring house and land. He said that Barbadians do not make investment, I know that they do and I also know that in June of this year, Bank of Butterfield was offering interest rates as low as 5.5 per cent. There was a fight between commercial banks in Barbados to offer the lowest possible interest rate and that, Sir, was a reflection of the confidence they had in the Barbadian economy.

*Asides.*

Hon. K. D. SYMMONDS: I am not going into any individual banking policy.

Mr. C. A. MASCOLL: Mr. Deputy Speaker, on a point of order. The Honourable Member is misleading the House. As a very small bank, Bank of Butterfield was simply trying to secure a share of the market and therefore came in at that end but what has happened is that there have been subsequent increases in interest rates and mortgage rates and lending rates have all gone up.

Therefore, the Bank of Butterfield was just in an oligopolistic situation looking to get a share in the market and came in at the lower end that is all. There is nothing magical about it, Sir.

Mr. DEPUTY SPEAKER: Proceed, Honourable Member.

Hon. K. D. SYMMONDS: Sir, it was not only Bank of Butterfield, it was BNB and there were others. The fact of the matter is that there was active competition in the marketplace to offer the low interest rates. The point therefore has to be made that as an indicator of economic performance, the country stood to benefit.

4.50 p.m.

Mr. Deputy Speaker, there is a third one because at the end of the day ... I am going to choose the categories that the Leader of the Opposition touched on. In his submission he said, in his own words, that investment is an engine for growth, and we would all agree with that. One of the tests therefore would be the extent to which the commercial banks would have been pressed during the last year, in which allegedly we are performing so atrociously, by the demand to support domestic investment activity.

Mr. Deputy Speaker, if you look at the last statement coming out of the Central Bank, it is clear that there has been a growth in commercial bank credit to the private sector, which has increased over all previous years. In addition to that, there has been an increase in credit to the financial sector by as high as 33 per cent in 2005, over what it was in 2004, which translates into some \$37 million in credit to the financial sector. In the non-financial private sector, credit increased to 13.7 per cent during this year. Therefore, I would want to ask the Opposition what does that translate into because those figures have to mean something. What does that credit increase represent? Does it translate into investment? Does it translate into positive economic activity?

The Honourable Member is on his feet again. Every time you defend the performance of the economy of Barbados in terms of facts, the Honourable Member is on his feet.

Mr. D. St. E. KELLMAN: On a point of order. Mr. Deputy Speaker, I would like to draw to your attention that the Honourable House does not have a quorum.

Mr. DEPUTY SPEAKER: The Honourable Member for St. James Central, please proceed.

Hon. K. D. SYMMONDS: Sir, I was saying that the test would have to be what does those figures translate into. Sir, we have to break this down for the public of Barbados. Sir, the non-financial private sector and the financial private sector have pressured the banks into increased credit, so what does it translate into.

Sir, you would have from that point to be prepared to go to look for the evidence of what is taking place in the economy. The first piece of evidence I have already pointed to is that unemployment in Barbados has been on a decline and has maintained a downward trend over the last two to three years and it is now at a record low level, therefore we are clear that people are working. The second thing that you

that you would have to look to is where are the dividends from corporate taxation standing, because if it is that there has been increased demand in terms of credit, is that translating into positive economic activity.

Sir, if corporate receipts in Barbados increased by 28.9 per cent in the space of one year, it would suggest that there is a greater degree of economic activity in the corporate sector. Sir, if you look at the personal sector where you are talking about people making demands for mortgages *et cetera*, then you have figures of \$245.1 million.

Mr. Deputy Speaker, it would suggest to me therefore that the Barbadian economy has to be in an expansionary mode. Therefore, when the Leader of the Opposition is heard to talk about an absence of investment, it does not square with the facts that are before the House. The Leader of the Opposition may choose to speak to a lower level of foreign direct investments, as in somebody from the United States of America or Canada coming here, as opposed to, I believe, the analogy he draws with Jamaica as he looks at their tourism sector.

Mr. Deputy Speaker, I have absolutely no difficulty with saying that if he chose to do that, then I could understand that is perhaps the case because while you may have a Sheraton Hotel or a Wyndham Hotel or whatever investing directly in Jamaica that has not happened in Barbados. However, that is not to say that we have not had levels of investment activity in the productive sectors of our economy during the last year, nor is it to say that we cannot look at the fruits of that investment activity and see where it is bringing dividends.

Sir, I challenge anybody on the Other Side, and I reflect a little on the project at Needhams Point, which is the Barbados Hilton Hotel, to dispute that is a worthwhile venture in terms of investment activity and that it is a piece of investment activity which is already bringing visible financial results to the country.

The Honourable Member is back on his feet again, I have never seen him so agitated.

Mr. C. A. MASCOLL: On a point of order. The Honourable Member said that he challenged anybody to... the thing about the Hilton Hotel is not the investment. The prospectus said that the Government would raise \$89 million from the private sector as part of the \$192 million required to build the Hilton Hotel. The Government was never able to raise any money from the private sector but spent our money from the divestment of the Barbados National Bank shares. If the Hilton Hotel is supposed to be so profitable and tourism is doing so well, why was the Government unable to get joint private sector funding?

Mr. DEPUTY SPEAKER: Proceed.

Hon. K. D. SYMMONDS: Mr. Deputy Speaker, the Honourable Member is being spurious. Whether or not he approves or agrees with the reasons the investment was made, the point is that the investment has been made and it is abundantly clear that it is an investment which is reaping reward. Sir, I want to go further because if the Honourable Member wishes to provoke that kind of debate we could come from the high ground and we could point out to him that in large measures his speech this evening was frivolous by virtue of the fact that it is clear that Government's initiatives have worked.

Mr. Deputy Speaker, it was this Government which implemented personal income tax being revised downwards from 40 per cent to 37.5 per cent. I do not know that you can creditably say that has not been beneficial to this economy. I do not know that you can say an increase in personal allowances...

Mr. Deputy Speaker, he talks about the public servants. He would have us believe that a public servant cannot actually have a house and that house could not be refurbished so as to meet the requirements of World Cup 2007, so that there could be benefits. He would have us believe that if you are employed in the Public Service you cannot have a residence or a piece of property which you can develop and rent out.

Sir, those things are largely financed by the additional cash in hand that the public servant would have when the personal allowances shifted from \$17 000 to \$20 000, as happened this year.

This is why I say that in large measure the Honourable Member's contribution can be characterised as being specious because of the fact that you have clear indications where you did not just tinker with tax bands. When you change in a substantial way the personal allowances and the extent to which the highest level of income tax is inflicted on an earner in Barbados above \$24 200 per annum, then you are saying that person has an increase in disposable income which he or she can reinvest in the economy.  
5.00 p.m.

Mr. Deputy Speaker, that is what creates the greater demand in this country. Sir, we can all see it happening, for instance, as the recommencement of a construction boom in Barbados. We all know that in relation to those matters that Barbados is, in a large measure, a price taker because most of the inputs to the construction industry are imported. That is why we would have the need to be cautious about the Balance of Payments.

Mr. Deputy Speaker, this fact spirals from a healthy economy and flows from a set of Barbadian people who

have reaped the rewards of Government's initiatives. Therefore, when I say the initiatives have worked in the context of taxation... Sir, I have made this point before in the context of land taxes. When, with the stroke of a pen, Government removed the first \$125 000 in land tax, it brought relief to the taxpayers of Barbados, of a burden which they previously have had to carry. In turn it will leave them with a level of disposable income, which they can then reinvest in another sector of the economy, at their will.

Mr. Deputy Speaker, that is why there are so many Barbadians today, whose lifestyles take on the dimension of that of a person living in a developed country, where, in spite of the fact that one may be a professional, practising that profession by day, one would have his money silently working for him in terms of an investment.

Mr. Deputy Speaker, there are Honourable Members in this Honourable Chamber who know that is true because that is what is happening to them, they are benefitting from those opportunities. It is not only in the professional classes where people are benefitting, there are hairdressers, taxi men, barbers and others, who make their living by way of a trade and by the selling of their skills. Sir, by virtue of the fact that there has been a reduction in taxation of one type or other, these persons then have a greater degree of disposable income, which they can then reinvest into a sector of their choice.

Mr. Deputy Speaker, the point we have to look at is, what were the options that Government had. When the Honourable Member for St. Lucy made the point about whether we needed to go for the loan, had he stopped there, I would have understood because that is a serious option. Sir, my view is that if the Honourable Member wants us to place the option of loan on the table, then I would fall on the side of saying yes, we needed to take the loan because we would be going to the marketplace on a 30-year basis. Therefore, in that regard, there would be no difficulty or likelihood of bunching, in terms of repayments because of the 30-year maturation period.

Mr. Deputy Speaker, if people are telling us that they have confidence in us and can give us a low interest rate, and that we do not have to worry about bunching in terms of our repayment over the period of 30 years. We would then know that we have room to play with and that we would not have to compromise in giving ourselves enough elbow room to manoeuvre, in terms of securing our Balance of Payments, at a time when we know we are going to be pressured because of the fact that we have not only invited the State but we have invited every member of the Barbadian society to play their part, in participation of Cricket World Cup 2007, in a number of ancillary areas, whether these ancillary services are transportation, housing, restaurant facilities, tourist services, water sport activities, *et cetera*.

Mr. Deputy Speaker, those are all ancillary activities in

an economy, in which Barbadian will be benefitting. Sir, that is why I say it is nonsense for us to be putting a target mark of only \$100 million on Cricket World Cup 2007. Sir, it is clear that \$100 million might be what is being spent at Kensington, but it has nothing to do with all of the other money that would be spent, in terms of investments and preparation by vendors or small business persons, who would want to profit from selling their wares.

Mr. Deputy Speaker, if I have to speak to this matter in terms of the context or the conscience of the Barbadian society, which is asking the question, what is in it for me, then the issue must be that, what is in it for the people of Barbados, is that they would have an opportunity by way of having a larger pool of people in the country, who would be offering their skills and services, which would be of an unimaginable range, to the people who would be coming to visit our shores. Therefore, by extension, tourism becomes an issue which becomes more economically meaningful to every Barbadian, irrespective of whether or not that person is already working in a particular trade or profession.

Mr. Deputy Speaker, I would also say that if we did not go to the international market to borrow this money, that we would have been in danger of crowding out the private sector. Sir, the private sector, which is made up of a myriad of people who would be doing those vast array of things, each of them would want to get a small loan to tide them through, so that they could make preparation to seize on the opportunity to make a profit out of this venture.

Mr. Deputy Speaker, I would also want to say that the question of earning foreign exchange is an issue with which this country has to grapple. Sir, we have to understand that we are in an era where fundamental deadlines are being put before us. The World Trade Organisation; our relationship with Europe, as part of the African, Caribbean and Pacific grouping; the relationship with the rest of the Hemisphere, as part of the Free Trade Area of the Americas; our relationship as part of CARICOM; all turn on one major issue, that is our capacity to sell our goods and services across and outside of the border of Barbados and into the territories of other countries.

Mr. Deputy Speaker, it was Sir Arthur Lewis, the Noble Laureate, who made the point that Barbados is a tiny island paradise in more ways than one because in terms of our economic relations with the rest of the world, it is not that we pose a threat of domination, even though we have the potential to dominate, but that we have become so content with our achievements, that we look towards our shores as being a paradise, and we do not realise what could be achieved if we went beyond.

Mr. Deputy Speaker, I believe if we reflected dispassionately on that point made by Sir Arthur Lewis, we would see that there is much substance to it. Sir, I regret to say that to this day, there are Barbadians who see the Caribbean Single Market and Economy as meaning people coming to Barbados, to take jobs away from Barbadians.

Sir, the issue for us is that we have a competitive advantage by virtue of the fact that we have invested far more in educating our people than our neighbours have done; by virtue of the fact that we have a far more experienced and skilled professional base than our neighbours; by virtue of the fact that we are richer in technological advancement than many of our neighbours. Therefore, we have an opportunity to sell our skills and services abroad.

Mr. Deputy Speaker, the fact is that people's focus are on other people coming here to take jobs away from Barbadians. Again, to some extent, it is an ignorance of what the Caribbean Single Market and Economy is about because Article 45 of the Revised Treaty of Chaguaramas only talks about the free movement of people as a goal, something that we would like to achieve in the future. Sir, on the other hand, Article 46, makes it abundantly clear that there is now an opportunity for people of a certain category, whether musician, entertainer, university graduate or journalist, can move and begin the process of preparing themselves for immersion into an even broader arena of competition across this Hemisphere and into the global hemisphere.

Mr. Deputy Speaker, we stopped and said that in theory, at a personal level, this is too difficult to be achieved, without reflecting on the fact that, for example, there is a young lady who lives in the constituency of the Honourable Member for St. Michael South Central, who has taken upon herself to create a business of building and maintaining swimming pools. This young lady has, in fact, moved that business across the Caribbean.  
5.10 p.m.

There is in the constituency of the Honourable Member for Christ Church East Central, a young man who has taken upon himself the opportunity of going into St. Vincent so that he can try to get into their water sports industry. Sir, we are talking about the ordinary Barbadian man and woman, which has nothing to do with professionals like doctors, lawyers *et cetera*, who seek to move their services abroad.

Mr. Deputy Speaker, when the Leader of the Opposition says that there is nothing in the performance of this economy or the policies of the Government that resonates for the average man in Barbados, I say, with great respect that it can only be described as empty balderdash.

Mr. Deputy Speaker, one of the most recent trips

the Prime Minister would have taken would have been to St. Vincent and to Antigua to interface with heads of those two Governments on the question of alien landholding legislation and to bring them as best as humanly possible to the Christian understanding that you cannot sign on to treaty which guarantees people a right to establish. It gives a Barbadian a right to go to Antigua and set up a business where he never had the right before.

Mr. Deputy Speaker, the Honourable Member from St. Michael South Central, who is an engineer, would be able to go to Antigua but could not set up an engineering practice in Antigua as a right. It makes no sense giving him that right if at the same time there is a piece of legislation which said that he is an alien and not entitled to homeland because the engineering practice cannot float in midair or on the seal offshore. It has to be something that people can relate to in concrete terms. Sir, it is the same thing for a supermarket, pharmacy or whatever.

Mr. Deputy Speaker, when this Government fights tooth and nail to bring the question of the country's foreign trade relationship to the forefront of economic debate in Barbados, it is by virtue of our understanding and appreciation of the fact that Barbados is too rich in human resource potential to content itself with 166 square miles. While there are some millionaire enterprises such as the people who wear yellow and purple, who sell food, that can rock back on a bed of comfort, there are smaller people who have equal potential who must be encouraged to go into the wide beyond.

Mr. DEPUTY SPEAKER: Honourable Member, you have one more minute.

Hon. K. D. SYMMONDS: Mr. Deputy Speaker, I can go on *ad infinitum*. I realise that my time is out. In closing, I want to say that I think this is a necessary measure to be taken and give it my unswerving support.

Mr. DEPUTY SPEAKER: The Honourable Member for St. Philip West.

Dr. D. C. ESTWICK: Mr. Deputy Speaker, I want to enter this debate largely because apart from all the statements I have heard earlier, it bothers me somewhat when I hear at this stage a reason being given for this particular loan, which is a sizeable one that is supposed to offset any foreign exchange shortfall which the company may have as we anticipate increased imports related to the capital developments for World Cup 2007 and also to bolster the foreign reserves of the country in that regard.

Mr. Deputy Speaker, I hold a slightly different view because the economic circumstances of Barbados were

not developed overnight. I am going to posit the position that this administration is trying to contain a twin-deficit position in Barbados which represents a real crisis position by any economic set of definitions.

Mr. Deputy Speaker, there are those who may want to mislead people with respect to the reality. One speaks with respect to an external current account deficit which is about 10 per cent or 11 per cent of GDP. One speaks to another balance of payment deficit that is expressed with respect to your trade deficit balance that represents more than \$1.6 billion at this particular time. We speak about the fiscal deficit and the reality that exists today.

Mr. Deputy Speaker, I am not going to buy the talk that this is not to solve an economic crisis. Sir, any time there is a twin-deficit problem, there is an economic crisis, in particular if the twin-deficit problem is buffered by a significant external borrowing component of the national debt.

Mr. Deputy Speaker, we have a national debt over \$2 billion. The foreign component, as indicated by the Honourable Member for St. Michael North East, represents approximately 27.5 per cent of GDP. Sir, back in 1992/1993, the same external debt to GDP ratio was only 28.5 per cent. It was a crisis then for the Democratic Labour Party but it is not a crisis now for the Barbados Labour Party.

Mr. Deputy Speaker, the fundamental difference that I would speak to is... because it is bringing me into the reality of the so-called fairy tale concept of the money we have presently in net international reserve. I will have to go back to the 2001/2002 reality. When this Administration had to borrow \$150 million in order to make sure that we did not have an external current account crisis in Barbados and we could not cover our imports of goods and services. If the Honourable Members on the Other Side want to appreciate what I am saying, it is in the IMF Consultation, Article IV for 2002/2003.

Mr. Deputy Speaker, I am trying to make the point that our external current account position has been worsening and evidence is there from since 2000, 2001, 2002, 2003 and 2004 and is proposed to get worse in 2005. I want to find out if this administration led by the Honourable Member for St. Peter was asleep during the period of time when our external current account position was deteriorating every single year. Sir, all of a sudden in 2005, the Honourable Member for St. Peter wakes up and believes that the solution is to establish a Barbados International Export Corporation.

Mr. Deputy Speaker, all of a sudden I am hearing in the same 2005 about Export Barbados Inc. as though these new measures that would take many years to have any sort of

impact on the economic of Barbados could solve any of the problems that we have to deal with within the next 18 months or so. Sir, it cannot solve them.

Mr. Deputy Speaker, I love to quote and I want to quote the same IMF Document to which the Honourable Member for St. James Central related. Sir, it the International Monetary Fund document that the Honourable Member for St. James referred to. Sir, I want to quote the recommendations at Page 14, No. 23. I am going to read slowly because it is very important for Barbadians to understand. It states:

“The macro economic outlook for debt sustainability for Barbados to be able to sustain its debt payments hinges critically on the Government’s success in reducing its deficit. The present deficit would imply high debt ratios in the context of their high external current account position. This poses a risk to the fixed exchange rate anchor of Barbados, especially if there is a decline in direct foreign investment.”

5.20 p.m.

There was a decline in 2002 and 2003, which led this Administration to sell the Barbados National Bank, to raise \$189 million for the financial and capital accounts of Barbados, in an attempt to fool Barbadians that we were developing foreign reserves, but we were selling off the assets to put in the foreign reserves. The same thing occurred with the revenues of Insurance Corporation of Barbados.

Sir, the point is, we had a decline in direct foreign investment. We were already the lowest in the region averaging 13 per cent, when the entire region was averaged 22 and 23 per cent. We subsequently had a significant reduction. That is what the Central Bank’s Report said.

Mr. Deputy Speaker, I am not here to get involved in much of the other talk. I want to make a comment that the Right Honourable Prime Minister does not understand. It is that economic stability in a small open economy does not depend on the amount of money you have in a bank. It does not depend on how much liquidity exists. The amount of money sitting in a bank only helps the bankers. Sir, it does not depend on the net international reserves as a stock. The stock of reserves means nothing, because it is used up in the daily activity of the country. It means nothing. Sir, the fundamental requirement is a continuing capacity to earn foreign exchange. This Administration has not been able to solve that problem in eleven years. This is what this debate is about.

Mr. Deputy Speaker, therefore, we are in a twin-deficit reality. When the foreign reserves which we are trying

to prop up, because we cannot borrow forever and we cannot sell assets morning, noon or night... Sir, the next thing we are going to be hearing is that GEMS and the Hilton Hotel are to be sold because the International Monetary Fund recommended that.

Sir, the International Monetary Fund has recommended that this Government should sell GEMS and the Insurance Corporation of Barbados, but the Insurance Corporation of Barbados has been sold already and GEMS is going too.

Sir, do you know what is interesting? GEMS is a hotel chain. Are you going to sell that and build a Hilton hotel? Barbadians are not foolish. That has to be part of the privatisation programme for this Administration. It has to be, because I have now been able to sit and analyse clearly what the International Monetary Fund has been saying to Barbados. Barbados has followed almost every International Monetary Fund dictate. Sir, if the Honourable Members wish me to identify them, I will do so.

Sir, there are fiscal consolidation, debt reduction and public debt containment, which they have not been able to control. In fact, they made matters worse by entertaining bill operate and lease transfer mechanisms. All they have done is transfer the principal payments and interest payments to a future generation.

Sir, shifting debt from central government to private companies, owned by Government and statutory corporations, is simply to shift the debt from central recording to an overall public sector recording. It has not changed anything. The Government still has to look for the financing because the majority of those entities cannot repay any debt.

Mr. Deputy Speaker, I remember hearing the Honourable Member for St. Michael North East say, and I wrote it down, that if the companies have a revenue stream, why would Government not want to guarantee them, because the companies would be profitable enough to repay the loans. Sir, tell me which companies the Honourable Member is talking about? Sir, are they the National Housing Corporation, Barbados Water Authority or the Queen Elizabeth Hospital?

Mr. Deputy Speaker, the problem is, I can live with the airport...

*Asides.*

Dr. D. C. ESTWICK: I want to know when the Hilton Hotel will make a profit that can go into the Consolidated Fund. How many years from now? It is not like when this Administration took \$145 million of the taxpayers money and paid off the debt of GEMS, the Central Bank's report said that. The Central Bank Economic Review for the first quarter of 2004, said that the Government took \$145 million of the taxpayers money and paid off the debt of GEMS. So,

do not come to me with any rubbish today.

Sir, what I believe is more pertinent in this debate is for this Administration to be cognizant of the part they played in generating the economic conditions that now exist. I am on record stating that in 1994, when the Democratic Labour Party demitted office, we had \$40 million in surplus on the current account, and by 2004, the deficit was 14 per cent of the Gross Domestic Product when one includes off-budget financing. That is in the report of the International Monetary Fund and the World Bank, inclusive of the off-budget financing that was hidden as a mechanism to avoid a true indication of the deficit to the people of Barbados. That is a fact.

Sir, it is interesting that I usually would have to go back and bring the information because it is important to do this. Mr. Deputy Speaker, at the time when this Administration... they used the terminology that they entered a fiscal expansion programme. They knew that they were expending more money than they were spending. They did not understand that you have to know when to stop. The point is not that you were engaging in one. This is not classical economics when they believed that economies had a servomechanism and Government did not have to intervene. That time is past. Sir, the Honourable Member for St. Philip South understands exactly what I am saying.

Sir, the intervention of Government with the fiscal expansion programme is alright but you have to know when to stop. Do you know why? When you do not check it, as this Government did not do, you end up with a burgeoning fiscal deficit which you have to finance. How did they finance the deficit? They borrowed from the Central Bank or from the international market. That is what they did.

Mr. Deputy Speaker, the only fundamental difference, that I have found in my research, that occurred between 1990-1993 and what is going on now, is that this Administration is borrowing money to put into the Central Bank to finance the deficit. In 1992, the Democratic Labour Party inherited a situation where... and I will quote and make it a document of the Honourable House, the International Monetary Fund Working Paper for Economic Resilience with an Exchange Rate Pegged: Barbados Experience between 1985 and 2000.  
5.30 p.m.

The balance of payment crises in Barbados broke in 1991 when international private finance for emerging market prices declined and Barbados was unable to roll over maturing international loans that were taken out under the Barbados Labour Party, not Sir Lloyd Erskine

Sandiford's Administration. I am sick and 'fed-up' of hearing that charge repeatedly as though it is fact. If you want to dispute the work and writings of Delisle Worrell, Harold Codrington, Ronald Craigwell and Kevin Greenidge, you could do that, Mr. Deputy Speaker, and I want to put that in context.

Hon. A. P. WOOD: Mr. Deputy Speaker, on a point of elucidation. There is nothing to prevent a team of economic managers of a country, if it is doing its job properly to be in a position to roll over maturing debt. Even if what the Honourable Member for St. Philip West said is true that between 1991 and 1992 when the Democratic Labour Party was in power that debt incurred by the Barbados Labour Party during the period 1976 to 1985 had, in fact, matured, the reality of the situation is that they mismanaged so spectacularly leading up to that period because they were in power from 1986 to the period he is talking about, so that was during their second term.

They mismanaged the economy so spectacularly that when they dealt with maturing debt they were in a position, quite unlike this Government at any stage in the last 11 years from rolling over maturing debt, as he says, or even going to get new debt. Therefore, all he has done, without realising it is that he has admitted what all Barbadians knew that the Democratic Labour Party mismanaged the Barbadian economy spectacularly between 1986 and 1993.

Mr. DEPUTY SPEAKER: Please proceed.

Dr. D. C. ESTWICK: Mr. Deputy Speaker, I will proceed because I like to resort to facts. I want to say to the Honourable Member, if he was unaware, that in 1976 when the Democratic Labour Party left office, the national debt of Barbados was \$258 million. I want him to understand that the domestic component of that debt was 18.6 per cent and the foreign component was only 19.4 per cent.

However, by 1986 when the Barbados Labour Party lost power, the total national debt was \$1.2 billion. In addition to that, this was an increase of \$942 million in ten years. The foreign component of the debt was 54 per cent, a similar programme, and you can challenge me.

Mr. Deputy Speaker, in 1994, when the Barbados Labour Party took over office, the total national debt in Barbados was \$2.1 billion. By 2004, the debt had climbed to \$4.438 billion, an increase of \$2 billion in ten years. They cannot tell me anything in here today.

Mr. Deputy Speaker, the point is that this Administration had created a debt trap in Barbados at the same time as an external current account deficit and a fiscal deficit crisis in the country and that is economic mismanagement. Do you want to talk about it? That is the issue. You are in a debt trap at the same time that you are in

an external current account deficit position that you cannot solve.

The reason it cannot be solved is that this administration in 2001, 2002, 2003 and 2004 decreased the net deposit rate at the Central Bank. You can get up and deny it. By decreasing the net deposit rate at the Central Bank you were responsible for enhancing credit. You made loans cheaper and as a result of that, it is the fiscal expansion that has occurred which created the external current account crisis in Barbados. You are to blame. I said that you must learn how to control it.

Do you know what, Sir? I heard the Honourable Member for St. James Central, who is unschooled in economic matters, spoke about fiscal expansion without understanding that such may cause, in a small open economy, an external current account crisis.

I would want to say to you, Mr. Deputy Speaker, that I am now seeing this administration, which decreased the net deposit rate for those four years indicated, has now increased it four separate times in one year. The point is, Sir, they do not understand how to use the macroeconomic policy at this time because the crisis that we have requires fiscal consolidation. It has to be solved by a fiscal adjustment. It cannot be solved by a monetary adjustment.

Sir, I will reiterate my point. The crisis that we have in Barbados cannot be solved by a monetary position. It has to be solved by a fiscal measure. Do you know that, Sir? This is not Dr. Estwick, the Honourable Member speaking. It is the IMF in the Article IV Consultation that has said that fiscal consolidation was a necessity to solve the debt crisis of Barbados and also to sort out the external current account problems in Barbados.

It is a fiscal problem that has to be solved and what this Administration is doing is playing around, off-budget financing here and there, hiding expenditure and now you have created a crisis in Barbados, you want the Opposition to come and concur that you have not created a crisis. You have created a crisis in Barbados and I know what I am saying.

Mr. Deputy Speaker, I want to go back because I do not mind all the faces that are pushed up in the air. I have a job to do and I am going to do it, Sir.

*Asides.*

Dr. D. C. ESTWICK: Mr. Deputy Speaker, I want this Administration to understand the implications of the staff appraisal statements at page 21, Clause 41, that looks

at the type of medium term projections for Barbados and what would be necessary for obtaining those particular goals.  
5.40 p.m.

Mr. Deputy Speaker, the reason we are not discussing a trivial matter here this evening is because any time you increase the foreign component of your debt at a time when you have an external current account problem and when you have a problem where the foreign exchange earning sectors of Barbados grew at a slower rate than the foreign consuming sectors in Barbados, you have a problem that cannot be solved in the method that this Administration is trying to solve it, which is to borrow money to prop up the reserves. They would have to be borrowing from now until 'the cows come home' to prop up the reserves because they are not doing what is necessary to solve the problem in a serious manner.

*Asides.*

Dr. D. C. ESTWICK: I would hear all of that, Mr. Deputy Speaker, but I know that what I am saying is grounded in what has been said by analysts from the World Bank, the International Monetary Fund and Standard and Poors, so I am not perturbed by rhetoric, I can defend what I have to say.

Mr. Deputy Speaker, I remember indicating to this Administration in 2003-2004 that they had created macro-economic unstable positions in Barbados. I also remember the Honourable Members on That Side saying to me to stick to medicine. I remember them calling us nay sayers, gloom and doomers and all sorts of fancy talk, but thank the Lord for the International Monetary Fund. The International Monetary Fund in their entire 2004 consultation has been speaking to a macro-economic crisis position and how this Government has to get out of it.

Sir, what is important is that this Administration is not trying to take the advice of the International Monetary Fund seriously, they are dodging. They are talking about macro-economic unstable finance scenarios, that is what it is.

*Asides.*

Dr. D. C. ESTWICK: The Honourable Member for St. Philip South cannot confuse me, he is confusing himself.

Sir, any time a country has an external current account deficit of more than 11 per cent, any time that country has a national debt of over \$4 billion, any time that country has a fiscal deficit – and you can look in the Estimates on the Accounting-General basis which has been consistently more than \$500 million that this Government have to look to finance it every year – couple with the external deficit, the national debt and the external debt to Gross Domestic Product ratio of more than 25 per cent, that is a crisis position. Sir, there is no one who can tell me otherwise, that is a fact.

Mr. Deputy Speaker, if this Administration believes that it could go and borrow \$250 million when the country is in that situation, then they are not understanding what are the ramifications of the real economic parameters in Barbados. Sir, I believe that I have a responsibility to try my best to understand them and to give a different view.

Mr. Deputy Speaker, my final statement is that this loan has to do with dealing with a twin-deficit crisis in Barbados. As a result, if this Administration misuses those revenues, Barbados is going to plummet in a serious way in terms of its international reputation. Sir, it happened already. We must not forget the decline in rating by Standard and Poors has already started. It occurred three to four times within the last two to three years, and it will continue. Sir, that is where my difference of analysis with this Administration occurs, and I am going to stick to my position.

I thank you very much, Mr. Deputy Speaker.

Hon. N. A. LYNCH: Mr. Deputy Speaker, I want to join the debate and to make my intervention a little more structured than that of the Honourable Member for St. Philip West. I suspect, as he clearly put to the House, that you do not have to be an economist to take part in this debate.

Mr. Deputy Speaker, some of the 'hardheaded' submissions that were made clearly do not reflect the real Barbadian reality or concept that you can grow a home-grown economic programme that can sustain an economy, protect employment and build capacity for the future.

Mr. Deputy Speaker, the Democratic Labour Party, so much led by the dictates of the International Monetary Fund, clearly do not appreciate that we on This Side have the capacity to build a home-grown programme that clearly protects the people of Barbados, protects employment and builds capacity for the future. Their recipe to any crisis that they found themselves in has always been to send people home, to cut salaries and to raise taxes.

Mr. Deputy Speaker, this economy has not been projected to be in any crisis. Mr. Deputy Speaker, the crux of this debate is that the Government proposes to raise US\$125 million on the international capital market. This would be achieved by issuing bonds bearing an interest rate of 6.25 per cent and maturing in 2035, the transaction being managed by the Deutsche Bank.

Mr. Deputy Speaker, I heard this afternoon from the Leader of the Opposition, prophecies of doom and

gloom. He spoke of issues of an economy in crisis. He spoke of bad economic management overall by This Side. He spoke of productive sectors that are in his opinion not firing on all cylinders. He spoke of tourism being the only ray of hope, but now a past ray because it has been under pressure in the last year. He spoke of high interest rates. He spoke of foreign direct investment as a percentage of GDP as the lowest in the region, lower than Jamaica and even lower than Guyana. He spoke about his own disbelief in national statistics, like the unemployment figures, as produced by creditable agencies as not, in his opinion, being real.

Mr. Deputy Speaker, I suspect that if you look at the loan agreement itself that clearly those in the international markets do not have the same concept of the position of the Barbados economy as those of the Other Side of the aisle. For all of the reasons that have been put out, we on This Side of the aisle have never denied that there are challenges with the debt and there are challenges with this economy. Nevertheless, Mr. Deputy Speaker, at the same time we have the ability to go to the markets to acquire a US\$125 million loan at 6.25 per cent interest rate when, in the words of the Honourable Member for St. Lucy, interest rates are going up.

Mr. Deputy Speaker, I suspect that there are a few countries in the world and even fewer in this region that could go to the international markets at this time and raise a loan at the type and quality of interest rates that Barbados has been able to raise.

Mr. Deputy Speaker, this says a lot about the position of the economy and how our economy is viewed externally. Mr. Deputy Speaker, the economy has been challenged in recent times and we do admit that the fiscal deficit as a percentage of Gross Domestic Product had increased, and there are substantial reasons for that. We have been able as a Government, deliberately so, to manage a situation that could easily have got out of hand. Mr. Deputy Speaker, this administration took the view that it was better to look for a position, to be able to protect unemployment, to build more capacity for the future, than at any other time with which we had been faced. Sir, we are addressing the changes that have been apparent in the Barbados economy. Sir, consumption patterns have increased by \$500 million, by the availability of new debts to Barbadians.

Mr. Deputy Speaker, the International Monetary Fund document, at Page 2 of Article Four Consultation, which has been so much referred to by Honourable Members on the Other Side, talks about:

“A strong economic recovery appears to have taken hold in 2004, which is expected to continue in 2005. Real GDP growth is estimated at 4.4 per cent, led by a recovery in tourism, construction and communications.”

Mr. Deputy Speaker, in a position, where, for the first time in many years, Barbadians have seen much tax relief, both in personal income taxes, personal allowances and corporation taxes, one would automatically assume that in that particular space, they would have an opportunity in an environment of increase liquidity, to look to increase issues of mortgage rates, mortgage lending, *et cetera*. Sir, what happened in Barbados was a situation where we created a more congenial economic environment where liquidity was ripe. Therefore, it can be said that we took advantage of that situation.

Sir, the concept, which has been espoused by the Honourable Leader of the Opposition, of punishing consumption and rewarding production, is clearly an option this Government has been pursuing. Sir, the concept of being able to create a Barbados Export Inc., which will put the productive sectors and particularly International Business in the same light as tourism, where, in an expanded economy and in a wider marketplace, would give us an even shot with International Business, clearly must be seen as a way of putting the productive sectors on a stronger footing, for better performance in the future.

Mr. Deputy Speaker, the reality of the economy being under pressure has never been denied. Sir, I accept the fact that the tourism sector has been under pressure in the third quarter. Sir, this would be so in an environment in which 700 hotel rooms have been closed, in order to prepare them for Cricket World Cup 2007.

Sir, under the law, in the agriculture sector, land cannot be taken out of production without a reason. Sir, the first thing people would do in an uncertain market, is to seek to reduce their disposable income, especially when they look at the concept of oil price increases and know that there is some uncertainty in the international marketplace and in the wider economy. Therefore, in the tourism industry, the first area that suffers when disposable income is being compromised, would be the issue of leisure business, leisure travel and recreation. Therefore, this would be a situation in relation to the 700 good rooms that are being taken out of commission, out of high-class hotels such as Sandy Beach, Casuarina Beach Hotel, *et cetera*. Sir, traditionally these hotels have always had very high occupancies. Sir, these rooms are taken out of production and are being refurbished for 2007.

There is also uncertainty in the global economy and people from our major markets are watching their spending and are cutting their recreational incomes. In addition,

when you look at the issue of how oil prices will affect the airlift situation; at how airlines are under pressure and are looking for opportunities to restructure their own capacities; at the weather system situation that we had this year, which militates against people coming into this region; and at the bad publicity that we had from an issue that occurred in one of the neighbouring islands, these things have all created a scenario of a tourism sector that would have been challenging in the third quarter.

Mr. Deputy Speaker, even with such challenges, let me outline how the tourism sector has performed. Sir, at the end of August, we are down 1.9 per cent, under where we would have performed in 2004. Sir, this is being done even though we have 700 rooms out of commission. We would also have to take out of that mix, the 6 000 people who would have come here last year under the English Cricket Tour. Sir, when we take out the 6 000 people, we find that we are even further ahead.

*Asides.*

Hon. N. A. LYNCH: Mr. Deputy Speaker, a proper analysis of the situation would show that even in the face of these serious issues, our tourism industry continues to perform. Sir, I suspect that when the Honourable Members on That Side look at the figures for the 4th Quarter of the year, when the season really starts to 'kick in' they would paint a totally different picture.

Mr. Deputy Speaker, the Honourable Members on the Other Side have talked about the divestment of the family silver. They have talked about selling off shares in the Barbados National Bank and in the Insurance Corporation of Barbados. They have talked about how this family silver is being used when it is put into the Public Enterprise Investment Fund. Sir, I cannot see the logic in arguing negatively against using the proceeds for capacity building, to finance issues such as the construction of the Barbados Hilton and the expansion of both the Bridgetown Port and the Grantley Adams International Airport. These are all areas of our economic development where capacity must be built for the future. Sir, even if generations of Barbadians would be paying for them in the future, they would also be benefitting.

Mr. Deputy Speaker, the Honourable Member for St. Philip West talked about the issue of growing capacity, particularly in a situation where our tourism figures are swelling, where there have been increases in our arrivals, increases in our aeroplane capacity, increases in ships and homeporting capacities. Sir, if tourism is our number one industry and the first point of entry is either our seaport or airport, how could we not be talking about expanding them both?

Sir, at the moment, we have challenges with accommodating the aeroplanes and being able to deal with air/sea transfers and private jet landings. We are already in a situation where we have 300 private jet landings last year. Therefore, there must be the capacity of an airport, to be able to handle such landings. There must also be the capacity of a Government, to be able to move to redeveloping the Barbados Hilton, which adds to the brand name capacity and to the overall marketing muscle for Barbados.

Mr. Deputy Speaker, what we do not want is a proliferation of international brands because we want to hold the authenticity of the tourism sector to a certain point, where it is appealing to our major markets. Sir, at the same time, at a certain level, brand name hotels do add to the marketing muscles, that allows the branding of Barbados to be positive. Sir, whenever the Barbados Hilton advertises, it has to say internationally that it has a property in Barbados and that Barbados is part of the central marketing pool of the Hilton. Sir, the real point is that Barbadians will earn through these future entities.

Mr. Deputy Speaker, I want to address the issue of the Bridgetown Port and the divestment of shares. The Honourable Member for St. Michael North West has claimed that no one can question his integrity, and I allowed the charade to go on, just like the one that happened on Saturday. Sir, I would like to point out that this constant reference about the divestment of shares of the Barbados Port Inc., to the private sector, is complete and absolute nonsense. The Government of Barbados is holding 100 per cent of the shares in the Barbados Port Inc. Therefore, there is no way that we could have divested any shares without first coming to the Cabinet of Barbados.  
6.00 p.m.

Mr. C. A. MASCOLL: Mr. Deputy Speaker, on a point of order. I asked a very simple question that was asked by the lawyers who are seeking to raise this loan on behalf of the Government. Has the Government 49 per cent stake in the Port Authority been divested, if not, when is it expected to occur? Mr. Deputy Speaker, I am simply asking the question whether these lawyers who are seeking to raise \$250 million on behalf of Government would not have been briefed before they do this due diligence in order to be able to approach the international market for such a loan. Therefore, it became an attractive question because of the concerns that were raised as to whether or not the Port Authority was corporatised and would eventually be privatised. Therefore, I am suggesting that I would not be able to understand how a group of persons looking to raise \$250 million on behalf of the Government would not know anything about the Barbados Port Authority Inc.

Hon. N A. LYNCH: Mr. Deputy Speaker, that is not what was said by the Honourable Leader of the Opposition.

On more than one occasion, he has come to this House to make this Chamber and the people of Barbados believe that we are divesting of the majority of the shares of the Barbados Port Inc. into the hands of the private sector. Sir, he also said so on the Floor of the House today.

Mr. Deputy Speaker, whether or not his integrity can be questioned, I am saying that the Government of Barbados is holding 100 per cent of the shares.

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

Hon. N. A. LYNCH: Mr. Deputy Speaker, in the case of the seaport and the airport, the same issues pertain and the Government has not divested of any shares. As a matter of fact, in the Port itself, the only issue that the Government has broached relative to divestment of shares has been to the issue of seeking in the future possibly to divest shares to the employees of the Port. There is no evidence that this Government of Barbados has ever raised the issue of divesting any shares.

Mr. C. A. MASCOLL: Mr. Deputy Speaker, on a point of order. The Honourable Member is misleading the House again. In a debate we determined, according to the law, that the only difference between corporatisation and privatisation is the ability of a company to raise money by way of shares. Therefore, the question was raised, what would make it different at the Port of Authority Inc., when it becomes a company as opposed to being a statutory board. Sir, similar questions were asked of every other institution that has been so designated now a private company owned by Government. We simply asked:

Are you preparing that entity for privatisation?

Do you intend to issue shares which you could not issue?

Sir, this was the issue.

Hon. N A. LYNCH: Mr. Deputy Speaker, the answer is no. Sir, they have always sought to mislead the House on this issue. The impression that he tried to posit here today was that we had already sold shares to the private sector at the port and airport. Mr. Deputy Speaker, I questioned his integrity on the matter because he has tried to fool the public of Barbados for too long on nonsense.

Mr. Deputy Speaker, the conditions are right to borrow at 6.25 per cent. The bond markets internationally are characterised by high levels of liquidity at this time and Deutsche Bank is liquid and has jumped at this opportunity to lend to a sovereign state. The European Central Bank has been able to reduce these rates by 2 per cent or 3 per cent.

*Asides.*

Hon. N. A. LYNCH: Mr. Deputy Speaker, all the information is available for Members to look at. Sir, why should we not jump at the opportunity to do so particularly if the rates are so propitious and lower than our local rates at this time. Sir, I suspect that the reserves will fall in an environment of relaxed conditions and in an environment of capacity building. I also suspect that within the coming Christmas period that we would see some fall once there is increased consumption.

Mr. Deputy Speaker, when you look at the tourism receipts which will come during the same period that this will cushion the pattern of lowering of reserves throughout this season.

Mr. Deputy Speaker, we have turned this debate into a wider one on the economy but the only issue is whether or not this loan request is a prudent economic one at this time. I believe that the activity which this loan is meant to finance is vital to our economic future and the World Cup 2007. Sir, if World Cup 2007 is managed and handled correctly, it would, no doubt, bring short-term and long-term gains to the people of Barbados.

Mr. Deputy Speaker, if there is one legacy that would come out of World Cup 2007, it will be a tourism legacy. The capacity to be able to create 2 000 more rooms for Barbados for the future, the capacity to be able to create a basis for 20 000 more visitors during a short window for Barbados is, in itself, a short-term activity.

Mr. Deputy Speaker, when you look at what will come out of World Cup 2007, the number of people who will have a birds-eye view of Barbados whether they come here or do so by some electronic method, it means that Barbados has the capacity to earn from this particular activity well pass 2007. Therefore, the opportunity to showcase Barbados to a wider audience must not be ignored. Sir, we cannot falter in our efforts to ensure that World Cup 2007 works for Barbados whatever the Honourable Members on the Other Side put forward.

Mr. Deputy Speaker, I want to speak about how we have managed issues to date. Sir, I am not a naysayer or disbeliever. I take the point that issues of a national debt of \$1.4 billion and a fiscal debt that has been pushed up to 6 per cent of GDP are issues that are, in themselves trying and challenging. However, I do not think they can be aptly described as an environment of crisis for the economy of Barbados.

Mr. Deputy Speaker, I believe when you are able to structure your debt in a way that you create a productive sector in which you can build capacity for the future and there is no bunching of repayment for your debt, it shows the capacity to handle the situation well.

Mr. Deputy Speaker, we could follow the example of the infamous Democratic Labour Party and increase taxes and send home people or cut the salaries of people by 8 per cent. It is in their genetic blood to be able to do things that disadvantage the people of Barbados. Sir, that is how they have always handled these issues.  
6.10 p.m.

Sir, when I hear issues relating to a matter like the GEMS of Barbados... Sir, we could argue that the GEMS of Barbados may not have been managed in the best way, but the reasons for creating a Hotel and Resorts Limited and a GEMS of Barbados, cannot be in dispute. The concept of grouping a number of hotels that are primarily Barbadian owned, with a large debt to the Barbados Development Bank, restructuring in a way that the owners of those hotels who are ordinary Barbadians, like me and you, continue to hold on to their hotels or some semblance of ownership of the hotel, in an environment which, clearly because of the hotels location, hotel under-capitalisation and because a lot of these people came out of industries where they were not versed in hotel and tourism management, and as a result lost a lot. The learning curve was very steep.

Sir, there were situations where hotels were badly located, in which people borrowed money from the Barbados Development Bank, large sums that they could never repay. During the term of the loans, the interest rates were doubled; they repaid money when the season was good and when the season was bad they were unable to repay their loans.

Sir, a particular gentleman borrowed \$750 000; during the term of the loan he repaid as much as he could but after repaying more than \$750 000 in interest, he still owes \$750 000 to the Barbados Development Bank.

Mr. Deputy Speaker, during the length of the loan, the interest rates were changed and in many instances the change was not discussed with the borrowers.

Sir, why should we take away the people's properties when we could create an environment in which they could continue to hold them in some ownership structure, so that they could have back some of the sweat equity that they put into these hotels. Where is the conscience of the Democratic Labour Party on these issues? The Democratic Labour Party would have liked us to put them on the market and let the traditional private sector snap them up. Sir, people who never could have owned a hotel if we did not create a Barbados Development Bank, and an open a window for them to own a hotel. Sir, that is why I say, I am on This Side.

Mr. Deputy Speaker, clearly, we have challenges with the debt and there are some reserved challenges. Again, I make the point that once you are in a situation where you create debt to protect employment in this country, and the debt is manageable, you are building capacity for the future, which is well-managed, the debt can be paid back. I associate myself with those types of policies. Sir, on the issue about being debt trap, clearly, the capacity building that has come, and what is coming through World Cup 2007 is a wonderful opportunity for Barbados to manage its economy better. Sir, therefore, I want to associate myself with this particular course of action.

On This Side, we are unlike the Democratic Labour Party who in 1993 found themselves bankrupt of ideas, money and the will to govern this country. I say that I am happy to be on This Side of the aisle.

I am obliged to you, Sir.

Mr. SPEAKER: The Honourable Member for St. James North.

Hon. R. C. EASTMOND: Mr. Speaker, authority for the raising of this loan comes from Chapter 94 (d) of the Laws of Barbados. That chapter is designated or styled the External Loan Act. Under this Act, Section 3, subsection 1, Government is authorised to borrow money outside of Barbados for such purposes and in such sums as are approved by Resolution of Parliament, and this explains why we are here. Sir, of note, subsection 2 of section 3 says that all borrowings under this Act shall be effected and secured by the issue and sale of securities. Sir, that explains why this matter of bonds has emerged in this debate.

Sir, a natural question, looking at this, is why borrow now. Perhaps, at the domestic level of a householder borrowing, I could say that there are householders who may be in funds and still borrow. For example, a person in the community might have access to funds in excess of \$85 000 and yet borrow \$60 000 to purchase a car or some other purpose. The question arises, why do people borrow rather than access alternatives?

Sir, if we take it that in this economy, locally, there are millions of dollars in loanable funds for which Government competes against the private sector, then clearly if we turn to the local financial market as a Government, to raise funds in a situation where private sector agencies also have their eyes on those funds, it means that Government would be competing against the private sector for loanable funds. That is one reason that explains this borrowing. The

quantum of loanable funds in Barbados available to Government and the private sector locally is limited and for us to tap BDS\$250 000 on the local financial market would mean taking BDS\$250 000 that the private sector could very well have its eyes on.

Sir, at the same time, it is not necessarily imprudent for an agency to want to borrow when it is not forced to borrow. Let me explain what I am saying. There is a theory that one should borrow when one is not under duress or coercion to borrow. When one is forced to borrow by difficult financial circumstances, one automatically finds oneself in an inferior bargaining position.

Mr. Speaker, picture the person at domestic level, hard pressed financially with no resources, going to a financial institution to borrow and being turned back precisely because in the eyes of the financial institution that person does not have the wherewithal or collateral to support their borrowing.

Sir, at the same time, in the context of what is happening here now, Government would have taken a decision on this borrowing against the background of Government's total financial status. This borrowing would have been very carefully thought out. It is not a question of Government deciding to borrow on impulse or some capricious whim, but Government has calculated that at this time it can afford to borrow, (1) because its good name stands out and (2) why would Government take from its current resources to borrow, when in taking from its current resources, it would be compromising funding for projects in urban and rural Barbados, and compromising funding that would ordinarily go to everyday governmental expenses. This is one of the reasons why Government had decided to borrow.

Sir, I am saying, and I will repeat it, if Government had to take \$250 million from its own current resources, it would mean that it would be \$250 million denied from projects like roads, supporting the Rural Enterprise Fund and ordinary, day-to-day projects which Government would want to deliver on behalf of the people of Barbados.  
6.20 p.m.

Sir, one of the reasons why I decided to take part in this debate is that the Honourable Member for St. Philip West made bold to say that the contribution he was making to the debate was to stand and project at a high intellectual level, in that he was supported by *sotto voce* motivation and encouragement by his leader.

If, Sir, this debate is to be pitched at a high intellectual level, and there is no reason for Parliament ever to reject any effort to take a debate at a high level, then one question that arises in consequence of the contribution made by the Honourable Member for St. Philip West is this...

The Honourable Member for St. Philip West said that during the Democratic Labour Party's Administration, the time frame in which he put it, the national debt did not exceed \$300 million. He said that twice. He made a figure of between \$269 million and \$296 million. The exact figure, I do not know, Sir, but cleverly, the Honourable Member for St. Philip West did not say what that debt represented, either as a percentage of the Gross Domestic Product (GDP), or did he enlighten Parliament with the actual ratio of that debt to other parameters that people look at in considering the economy.

In addition to what he said, he rejected the notion of monetary policy being constantly applied for the achievement of medium and long term economic goals. He did hint very strenuously that he would have favoured fiscal measures in all this, and if my ears were working right, I am sure he said that there was room for the implementation of fiscal policy in all this.

Sir, if we look at the history of fiscal and tax policy in Barbados and where fiscal policy is now, especially as was enunciated by the Honourable Member for St. Michael South, then clearly, we have to be very careful how we approach fiscal policy. The reason for this is that in this small economy, with a total of about 268 000 people of whom young people under 16 take part in the economy to some level but are not investors or wage earners, we then have to work out that the total number of people paying tax, stands at a figure more like 70 000 or 80 000.

In light of the contribution made by the Honourable Member for St. Michael North West, who was lamenting the fact that those who are poor do not seem to be doing so well, if fiscal policy was introduced for the achievement of the type of economic objectives mentioned by him, then we would have to look to see which segments of society and economy will have to be targeted to be taxed.

I am going to pay some attention to this, Sir, because in a situation where this Government is increasingly moving towards reducing the tax liability of wage earners, and where this tax liability has always been subject to enormous debate going back to 1984 and 1985, in the days when other persons occupied this Parliament, we have to first of all say that if you are going to be really serious about forgiving people who work for \$17 500 or less from paying Income Tax, then your fiscal policy has to target who in the society should pay tax.

Sir, traditionally, progressive taxation is more about taxing those better able to pay tax, than taxing those

least able to pay tax. I recall that the Honourable Member for St. Michael North West said words to the effect that the poor are not doing so well, and the rich often do well by climbing on the backs of the poor. If that submission is taken in context, it means that the poor ought not to bear the burden of paying huge amounts of tax, especially direct tax.

At the same time, and this is a very important point when it comes to fiscal policy in a polity and an economy like ours, we also have to look at the capacity of the productive sectors to pay tax. For if we are going to take the arguments about progressive fiscal policy to their logical end, it would be that those business persons and very rich persons ought to be taxed progressively, as you save the poor from taxation.

However, Sir, bearing in mind the nature and structure of our economy and that high taxation always represent powerful disincentives to the productive sectors, then I must ask this question: Could the Honourable Member for St. Philip West mean that a fiscal policy designed to raise additional taxes or to dampen demand, which is geared towards making the richer segments and the business sector pay do what we want, by way of the attainment of wholesome economic objectives?

I say, Sir, that if we look at the Democratic Labour Party policy between 1991 and 1994, it drew both from monetary policy and fiscal policy. In our economy those economists who really are everyday practitioners are always of the view that you cannot have fiscal policy and no monetary, or monetary policy and no fiscal policy but that you must have a prudent mix.

Sir, before I go on to the aspect of the Honourable Member for St. Philip West's contribution that spoke to four attempts this year by this Government to deal with – and I believe he meant – the liquidity reserves, I will come to that, Sir, I believe he must have been talking about the liquidity reserve ratio. People make adjustments to it. Governments have been known to increase the liquidity reserve ratio to take money out of circulation. Sir, you increase the liquidity reserve ratio by requiring commercial banks to deposit more with the Central Bank. The effect of that is to bring in excess liquidity, and stop liquidity from being made available, willy-nilly. If you assume that the increase in liquidity reserve ratio would decrease spending and increase demand, it could have a positive effect on your balance of payments position and your foreign reserves.

However, Sir, I would like to urge the Honourable Member for St. Philip West, in his enthusiasm, to have second thoughts about fiscal policy in an era where increasingly more and more wage earners are asking for more concessions and that they not be made to pay huge amounts of Income Tax.

Mr. Speaker, I got involved because the Honourable Member for St. Philip West and the Honourable Member for St. Michael North West said that they wanted the debate to be pitched at a high intellectual level. I trust that I am doing justice to it, Sir, and I believe that all the Honourable Members on This Side who have spoken have essayed to take the debate to the level that the Honourable Members on That Side are asking us to reach.

Sir, by way of conclusion, I had the benefit of looking at a number of variables, parameters and barometers. The young people of today, 15 and 16 years old tell me that they do not like the idea of having to pay an enormous national debt 30 years from now. In an economy like this, it would be ideal to keep borrowing down and to ensure at the same time that our future generations do not have to pay huge amounts of money to service debts, incurred not by them but by their forefathers, or to consider our exchange rate.

6.30 p.m.

Sir, if we do not promote exports, if we do not have exports flowing at the levels that we ought and if the level at which we import continues either at the current level or increases while exports do not increase, then there would be a debate 15 or 20 years from now on Barbados' exchange rate.

Sir, you are a Caribbean person of some experience and you would have seen the fortunes of Jamaica and Guyana when it came to exchange rate adjustments. Trinidad and Tobago had an exchange rate adjustment between 1987 and 1989, but that appears to be a "tow-off" and ended.

Sir, in a culture where we raised the issue of exchange rate parity and where we look at that matter squarely, clearly we have to move into a culture of greater and more exporting both of goods and services.

Sir, long before my Party came to Government, I heard many people from overseas say that bureaucracy has repeatedly stood in the way of the inflow of investment funds in Barbados. Sir, if it is true that bureaucracy has been dampening efforts to invest in Barbados, we have to look at what new opportunities they could be to promote the export of goods and services and thereby earn additional foreign exchange and we have also to look at the way we do business generally to see if the way we do business is forward looking and proactive in the year 2005, and for the future, or if we are still in a mode of the year 1950 or so.

Sir, increasingly investors are looking at Barbados as a desirable place. Its labour force is highly trained. It is a highly stable, political and social culture, but that is not all. Too many persons have complained that increasingly efforts to invest in Barbados are stymied by slow-moving bureaucracies and by an absence of quick decision making.

Sir, in the context of where we are going for the future we have to look at that and look at the extent to which we can do other things about our whole approach to commerce and trade to be able not only to fast-track decision making but to ensure that we develop an investment culture that would impact positively in favour of promoting foreign exchange inflows by earning them, so that those persons who are alleging, and I have heard the allegation repeatedly, that we are borrowing to prop up the foreign reserves would be satisfied that we have set out to earn our way rather than borrow our way.

Ideally, in a culture where we import heavily and where some of that importation is justified on the grounds that it impacts positively on business activity and where some is justified on the ground that ordinary consumers need those imports at the same time to ensure that we can continue, we have to develop an export culture where no one can accuse us of begging for, or borrowing foreign exchange rather than earning it.

Sir, I trust that the day can come when we can have an all-party approach to this whole business of how does a country with the structured economy of Barbados set out to earn its way and to be able to ensure that its reserves stand up having been prudently and sensibly earned.

This then, Sir, is the contribution I have made and I have done so in response to the invitation from the Other Side that the debate should be pitched at a certain level.

I thank you, Sir.

Mr. R. L. SEALY: Mr. Speaker, as I rise I cannot resist but to pay a compliment to the Honourable Member who just took his seat for accepting the invitation from the Honourable Members from This Side to pitch the debate at a very high level. Mr. Speaker, I think he did extremely well. It is not easy to defend the indefensible, so it is always better to embrace some of the points that we have been making here for the whole afternoon and in a very measured way, perhaps to deal with this issue.

Mr. Speaker, I heard the Honourable Member mentioned the word earning at least a dozen times and that is what we have been saying all along. We cannot borrow our way in this world, we must earn our way. Mr. Speaker, allow me to perhaps laud the contribution from both the Leader of the Opposition and the Honourable Member for St. Philip West, as well as the Honourable Member for St. Lucy because it is not just simply a matter of borrowing money and what it would be used for. It has to be put in an appropriate context and that is what we have been trying to push from This Side this afternoon.

Mr. Speaker, the moneys that we are borrowing are to

the tune of BDS\$250 million. In essence, if we are going to be putting or adding that sum of money to our national debt, it is only appropriate that some clear plan has to be identified as to how this money would improve our capacity to earn foreign exchange. Mr. Speaker, experience tells us it is not just good enough to say World Cup, so we can borrow because it is going to be this bonanza for the country. I believe you have to come a little better than that.

Mr. Speaker, we remember very well the "rainy day money". A few years ago Government borrowed \$300 million ostensibly for the same reasons we are hearing in here today. Barbados has a good credit rating. Money is available, money is cheap. Incidentally, this money is cheaper than the rainy day money, but we would not get into that, and the interest rate is actually lower.

Mr. Speaker, what I am saying is that we heard then that these funds were going to be plugged into improving our capacity to earn foreign exchange, but what is the reality today? The productive sectors are all under severe pressure or simply not performing. Mr. Speaker, those are the words, by the way, that we heard from the Governor of the Central Bank in her recent review, in which she spoke that in spite of an overall growth in the economy that there was a fall of over \$300 million in the foreign reserves and that our productive capacities were suffering a bit.

Mr. Speaker, this is worrying. In essence, what we are saying is that the country is not earning foreign exchange and we have not really and truly heard exactly how this \$250 million is going to improve our capacity to earn foreign exchange and therefore we need to hear some more. We have heard that the reserves have been boosted by the sale of the Insurance Corporation of Barbados shares to a Bermudian outfit and every time we come in here...

Mr. Speaker, there is going to be a budget in another couple of weeks. There is going to be a section in the budget when the Prime Minister will announce how strong the foreign reserves are and every member of the Government will be pounding the desk and saying how great things are and that our foreign reserves are over \$1 billion.

Mr. Speaker, we are hearing in here on this Resolution that we are borrowing money for the purpose of strengthening the country's foreign reserves. If the foreign reserves are so strong, why is it necessary to strengthen them, and if it is necessary to strengthen them, we are simply saying that an appropriate explanation needs to be given.

Mr. Speaker, I heard the Honourable Member for St. Michael North East in her presentation speak about

the quality of life and that we needed to borrow this money because of the result it would have on improving the quality of life of Barbadians. I do not think that we would argue with that point. The borrowing of money is not unique to this Government, previous governments have done it. Sir, we simply believe that it is necessary to provide the country with a more complete explanation of exactly how these funds would improve the quality of life of those who are to come as well. Mr. Speaker, let us remember that the question of this debt is one with which future generations will have to deal, as this particular facility is for 30 years. Sir, by then many of us would be gone, most of us would probably be out of politics, and some of us would have gone to the Great Beyond. Therefore, it is others who are coming afterwards, who would have to confront and face the music. They would not only have to face this particular loan but the overall question of the national debt.

6.40 p.m.

Mr. Speaker, in such circumstances, therefore, I ask the question: "With the bloating debt and with the productive sectors not earning, what plan does the Government have?" Sir, I heard the Honourable Member for St. James Central speaking about our participation in the various theatres, such as the Caribbean Single Market and Economy, the Free Trade Area of the Americas, albeit that seems to be a little rocky now. It is not going to get any easier, given the barriers that we would be lowering for our export earning sectors. Therefore, the question again is: "What plan does the Government have?"

Mr. Speaker, we have heard before about proposals or about money that was supposed to have improved our capacity to earn foreign exchange, but we have not seen such. I believe that we should hear from the Government and indeed the Minister of Finance, on this issue of debt. It is a hobbyhorse of mine. I have had to speak to it on previous occasions in this Honourable House but I do believe that we need to be careful the way in which we go about putting ourselves in debt. If, on the other hand, we are going to put ourselves in debt, then the reasons, explanations and plans, need to be more forthcoming.

Mr. Speaker, I am afraid what I have heard in here today leaves me somewhat uncomfortable. Sir, as the Honourable Member for St. Philip West pointed out, there is precedence of where a government can take a good hand with which it has been dealt, and so put the country into so much debt that when future governments are forced to make harsh decisions or worse than that, future generations may have the very quality of life that we would be seeking to improve in the present, being compromised. Again there are a number of examples all over the world, of countries that have been brought to the brink of ruin for no other reason than having a high level of external debt to service. Therefore, we do not want to find ourselves in that position.

Mr. Speaker, I have noticed that the Cricket World Cup

2007, activities have been cited as one of the reasons for this loan. We know that the construction activity being associated with Cricket World Cup 2007, which has a high foreign exchange component, has been cited. We are also well-aware that the main project being undertaken by World Cup, (Barbados) Inc., the redevelopment of Kensington Oval, has run into some early difficulties. I would therefore, think that it would be quite appropriate that, in wrapping up, the Honourable Member for St. Michael North East, would give this Honourable House and the country, the assurance that everything is still on track.

Mr. Speaker, there have been issues and challenges relating to the project, with regards to labour situations relating to the main contractor. I understand that matters are before the court and, therefore, it would be inappropriate for me to comment on certain things. Sir, I would want to have the assurance that everything is on track for Cricket World Cup 2007 and that if we are going to be putting so much at stake, insofar as literally mortgaging our children's future to an extent and investing so much, we, therefore, need to be assured that everything is alright.

Mr. Speaker, the Opposition is very much in favour of the Cricket World Cup 2007, being successful. We have said that, but obviously there are people's concerns that we have. Therefore, those assurances certainly would be useful.

Mr. Speaker, a point was made by the Honourable Member on That Side, about where we are today, in terms of the economy, but I would only say that it is a little worrying when we see our inflation is growing, according to the Central Bank. Sir, I heard the unemployment rate was at its lowest ever, but certainly as I have previously said, I do not feel it on the ground. Therefore, if the unemployment rate in Barbados is so low, that would suggest there are a number of employment opportunities to be had. Therefore, I would be glad for any member of the governing Party, to let me know where these opportunities are, so that I can direct my constituents to them.

Mr. Speaker, it is quite interesting to note that when Cricket World Cup, 2007, advertised for workers, almost one thousand able-bodied and unemployed men showed up. This is a country that is saying that the unemployment rate is less than 10 per cent. This is a country that is saying that it has to bring artisans in from overseas and that it has to issue work permits to outsiders because there are not enough local artisans to satisfy that local demand. Sir, therefore, I am not totally convinced by these unemployment figures and I hope I am wrong because as I said, I would be the first to provide a list of persons from my constituency, to get this abundance of jobs that are there to be had.

Mr. Speaker, that is not only in relation to unemployment but with inflation growing and with our

reserves declining, there are sufficient worrying indicators that we need to be careful of, insofar as monitoring the question of how we put ourselves into further debt. I believe my colleagues have ably dealt with this and I would only conclude by saying that the point the Honourable Member for St. Philip West made about fiscal policies is not unique to him. The Governor of the Central Bank has said that Government would have to look at restraining spending patterns, to deal with the current situation. Her exact words were "expenditure control".

Mr. Speaker, therefore, let us understand that the Government is not going to say that the Democratic Labour Party wants fiscal policies adjusted and that we want to send people home. Sir, that is not true. It is not the Democratic Labour Party that is sending home people from the airport. Sir, workers at the airport are going home because the concessions are going to people from Ireland and local Barbadians cannot get back their jobs. Sir, the Grantley Adams International Airport Inc., has promised that it will be rationalising the whole operation at the airport. Sir, we heard that, for example, the red caps, though they are not under the airport management, are going to be looked at, along with all other staff at the airport. Therefore, clearly it is not the Democratic Labour Party who is talking about fiscal restraint, it is the Governor of the Central Bank of Barbados who spoke about it.

Mr. Speaker, we also have to ask what is going to happen when the Bridgetown Port becomes privatised. How many people would be sent home? Sir, the lawyers for the Government have been saying that the Port is supposed to be privatised, and that has been made a document of this Honourable House. It is on Central Bank's letterhead, signed by officials of the Central Bank, referring to lawyers employed by the Government of Barbados, talking about the shares at the Port that are supposed to be sold.

Mr. Speaker, the Honourable Member for St. Michael South has produced a share certificate. Sir, what does that mean? I noticed that the Honourable Member can only speak about the evidence that exists. He cannot talk about the plans because he does not want to tell anybody the truth about what Government plans to do with the Port.

Mr. Speaker, how therefore, could a consultant, a lawyer hired by the Government, be aware of something and not the Cabinet of Barbados?

*Asides.*

Mr. R. L. SEALY: Mr. Speaker, apparently he has missed that meeting but we will find out in due course what is happening. Sir, I wish to say that it is clear that the fiscal restraint that they are trying to pin on the Democratic Labour Party, that they have already seen the need for that fiscal restraint. Sir, we will wait with bated breath to see

where that goes.

Mr. Speaker, having said that, I still believe that if the Government is going to be borrowing these large sums of money repeatedly and still spending... Sir, do not let us forget that expenditure is also growing.  
6.50 p.m.

Sir, we see supplementaries come in here for huge sums of money. We are borrowing, spending, selling and doing everything except what we need to do, which is to earn. If they do not want to listen to the Opposition, they can listen to the Honourable Member for St. James North, who admitted that he was speaking on behalf of the Opposition today, and made a good speech. Sir, on twelve occasions he prodded the Government that they needed to earn more because that is the way we must go, not borrowing but earning.

Mr. Speaker, I am obliged to you.

Mr. SPEAKER: The Honourable Member for St. Michael North East will now wind up.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, I am obliged to you for the opportunity to bring this debate to a close. I want to thank in general most Honourable Members who have spoken. I would have to reflect a tinge of sadness that some of the issues have sought to be confused. A tinge of sadness also in relation to where this Opposition Democratic Labour Party chooses to stand to date particularly after hearing the Honourable Member for St. Philip West who I thought would have wanted to root his philosophical positions and the things in which he believed more in line with the Right Excellent Errol Walton Barrow rather than the policies and programmes outlined by the Democratic Labour Party of the 1991 era.

Mr. Speaker, I have the words buzzing in my head from his speech in relation to the phrase fiscal consolidation, as he sought to hold the Article IV Consultation of the IMF as a preacher would hold a bible and to suggest that the language and the advice of the IMF should be pursued at all costs in the context of suggestions from the same page 14 and same paragraph 23 which he only quoted in part, which also recommends fiscal consolidation. Sir, at paragraph 24 it goes on to suggest that if they had their way, they would commence the fiscal adjustment this year.

Mr. Speaker, let us place all of this in context. The IMF is concerned with figures and balancing figures. There is now enough literature across the globe and enough

criticism, that while one will pay attention to what the international financial institutions say, that Governments of the day across the globe opt first to put their people at the centre of their development programmes and, in so doing, simply meeting numeric targets for the sake of meeting numeric targets will not bring about development to the country or to the people.

Mr. Speaker, it is no secret that China has enjoyed some of the most robust growth rates for more than a decade in circumstances where they have not followed the dogma or doctrine as outlined by international financial institutions.

Mr. Speaker, by contrast, there are countries across Latin America, Africa and Asia, who have been forced to follow structural adjustment programmes that have led to untold social dislocation and disharmony in those countries in circumstances where even if they were to implement policies now, there is an attendant lost of time that would ensue in circumstances where there would not be able to retrieve the losses that they incurred because of the social dislocation and lack of cohesion in most of these countries.

Mr. Speaker, when we became the Government of this country, the IMF was also prescribing to the Democratic Labour Party how to run this country. They told them to raise the rents at the National Housing Corporation at a time when unemployment was in excess of 25 per cent. They told them to raise bus fares and water rates at a time when unemployment was not only 25 per cent but at a time when pay cuts had been imposed on the public servants of this country.

Mr. Speaker, the Honourable Member for St. John, who by now has learn from his period in Opposition, would have followed the dictates of the IMF to the letter. I believe this is a defining moment for the Democratic Labour Party because, as I said, they can choose to follow the philosophy, programmes and policies that have been articulated by their founder leader, the Right Excellent Errol Walton Barrow, who was very clear that he was not prepared to follow a set of numeric indices at the expense of his people and that there was no independent developing country that could look forward to bringing development to their people without incurring debt. Sir, those are the facts.

Mr. Speaker, I take comfort perhaps only in the fact that neither the Honourable Member for St. Philip West, nor the IMF have to take decisions that would impact on how people live tomorrow, next week and next month. Therefore, the academic and esoteric exercise in which the Honourable Member for St. Philip West chooses to engage, can continue because there is freedom of speech not only in this Parliament, to which all Honourable Members would claim that privilege, but in the country and, therefore, the debate is healthy.

Mr. Speaker, I thank the Honourable Member for

St. Philip West for speaking but choose to distance this Government from an approach that would lead to fiscal consolidation. Sir, those fancy words mean how is he going to achieve that fiscal consolidation? Is he going to send home people from the public services? Is he going to cause a pay cut again and amend the Constitution? Sir, we have changed the Constitution to protect public workers in this country. Is he going to have a slew of increases in all the tariffs and rates across the country? Mr. Speaker, that is the only way you are going to bring about fiscal consolidation either by raising revenue or by cutting expenditure.

Mr. Speaker, this Government took a conscious decision in October 2001, that it would choose to run a counter-cyclical fiscal deficit. These are fancy words for simply saying that we would run a higher than normal deficit because we felt it was our duty to make sure that levels of employments would be maintained in this country after September 11, 2001.

Mr. Speaker, after September 11, 2001, virtually no planes were flying and nobody knew what would be the fate of the tourism industry in particular, dependant as it is on air travel. Sir, the Governments of CARICOM met in the Bahamas to discuss how they would meet the challenges of it. Some Governments in the region chose to engage a programme of fiscal consolidation because they wanted to pursue greater growth and wanted their numbers to look good.

Mr. Speaker, this Government chose instead to run a higher fiscal deficit so that we would not have to send home workers at National Conservation Commission or the Ministry of Public Works or impose undue hardship on people, recognising that in a small society most people live on marginal income and, therefore, their capacity to adjust from layoffs is severely longer than almost any other adjustment that we could make. We chose to run that higher than normal fiscal deficit, cognisant that we would have to bring it in line within two to three years so as not to destabilise the overall macroeconomic situation of the Government. Sir, we promised to do that and we did it. Sir, the deficit which we have run the last two years has hovered about 2.5 per cent back in line with what we regard, and others regard, as a sustainable position. Mr. Speaker, you do not have to take my words on these matters.  
7.00 p.m.

Sir, in September 2005, the Commonwealth Finance Ministers met in Barbados and one of the papers before them was a paper on the "Emerging Debt Problems of Small States". At page 12, this is what that paper said:

"The fortunes of the Bahamas and Barbados, which have generally been run prudently, have been affected by global developments. There were particularly

severely affected by the September 11, 2001 terrorist attacks, with accumulative Gross Domestic Product decline over 2001/2002 of about 4 per cent in Barbados and over 3 per cent in the Bahamas.”

Sir, that is what this says. Sir, Barbados’ growth rate, in terms of the overall economy has been less than other countries in the region, largely because we felt that simply achieving a high growth rate without having jobs was not worth it. We preferred to have a negligible growth rate and maintain employment levels, as there are today in single digit figures, than to put people on the breadline in order to get a numeric target.

Sir, it goes on to say at Page 20:

“In Barbados to mitigate the recession, the Government adopted and accounted a counter-cyclical policy stance, with a public investment programme and wage increases for public servants with the result that the primary deficit moved from surplus to a deficit of around 4.3 per cent and the overall deficit widened sharply to around 9.5 per cent in 2002. With the recovery, the authorities also tightened capital expenditures bringing the primary balance back into surplus in 2004. In recent years, Barbados has been spending about 5 per cent of its Gross Domestic Product in interest payment.”

Mr. Speaker, everything that I have said has been confirmed by that document prepared by the Commonwealth Secretariat for the Commonwealth Ministers of Finance Meeting. The simple point is this, you can choose to oppose for the sake of opposing, and I accept that. Sir, but to suggest that (1) either this economy is in crisis or (2) that Barbados should pursue what we consider to be anti-developmental programmes, that is your right, but this Government is not going to pursue a pattern of development that seeks to achieve growth without jobs. It will not. We do not believe that a small country can sustain significant increases in unemployment because the long-term sequella in relation to the people of the country will be too devastating and will undermine social cohesion in this country, and I suggest even further, political, economic and social stability.

Sir, that is our judgement call and we have made it. Just as the same way that we would not follow the Honourable Member for St. Michael North West’s recommendation that we should sign PetroCaribe and borrow for the purchase of oil or petroleum products. If he were in the position over here, that is what he said, he felt the Government should do, but we disagree. Therefore, there are defining differences in how this Government and the Opposition will approach challenges that face this country. Now there is a legitimate concern expressed as to how the productive sectors are continuing to do. We admit that the external current account deficit is of some worry to us and

we have sought to put measures in place to reverse the negative performance of the traded sectors. What does the Central Bank Report for September 2005 say? I quote at Page 1: “Real output of the trading sectors declined marginally, 0.5 per cent during the first five months of 2005. This was significantly lower than the 6.7 per cent loss recorded last year.” That is what it said.

Sir, let me make the first point. We believe that the performance of the productive sector is beginning to improve but we do not expect it to improve overnight. We do not. We will continue to put policies in place, that not only tourism but the rest of the services sector, agriculture as well as the manufacturing sector, can perform at a level that the earnings which they bring in will not cause us to face a persistent external current account deficit.

Sir, in the last month, the Government has taken decisions on the restructuring of the sugar industry. We know, that given the decisions by the European Union, the revenues from the sugar industry will continue to decline. We have taken a decision that by 2008, we will have a sugar industry that is not dedicated alone to producing sugar as a bulk commodity to the European Union, but that would see the sugar industry producing 30 megawatts of power for domestic consumption, ethanol, and that should allow us to reduce the amount of gasoline imports. The idea is, that you produce a gasoline that is based on 80 per cent gasoline and 20 per cent ethanol, so, it reduces your import bill by 20 per cent. Sir, it would also see us producing specialty sugar for export, utilising the Barbados brand name; it would see us producing molasses for the domestic rum industry that would allow us, therefore, to give a further fillip to an already well-performing rum industry in recent years, and it would also see us producing sugar for the domestic market.

Sir, that is just one aspect of what we are doing in terms of restructuring the agriculture sector to see it perform; but it would take us the next two-and-a-half years to invest and build the replacement factory, to do the replanting of the fuel cane and other things that would see these investments bring to bear far more than the US\$16 million that the sugar industry is now bringing into to this country on an annual basis.

In addition, we have seen proposals and initial work to the restructuring of the Sea Island Cotton industry, which would allow us a vertically integrated industry, rather than simply providing a bulk commodity for export, where our people do not benefit from the value added component of it.

Sir, we have seen the manufacturing and industrial sectors make investments in additional plant, and part

of the debt that we have been guaranteeing, for example, the Barbados Industrial Development Corporation for the Newton Park project, near the Henry Forde Roundabout, for the technology centre, is to expand the productive capacity of industry in Barbados.

Sir, I know that you may be challenged to debate and oppose for the sake of opposing, particularly given the events of the last weekend, but the reality is, this is an economy where we are seeking to restructure the productive sectors to meet the needs, our tourism plan has generally been a mature plan that has not gone beyond 6 000 rooms for over twenty years.

Sir, the opportunity that World Cup has given us, has been to attract investment into this country where we expect that the number of rooms available for sale in Barbados post-World Cup will be no less than 10 000.

Sir, a two-thirds increase in your room capacity for the first time in two decades, that must stand to reason that it will yield more foreign exchange earnings. We recognised that until we reach there, a number of measures are required by this Government to avoid destabilising the entire economy, until we can see the earnings realised post 2007 and post 2008 in terms of sugar. All that we are doing is taking a precautionary measure.

Sir, what is the existing import cover? The foreign reserves are healthy. The foreign reserves without this loan, stands at 20.5 weeks. Sir, that is in excess of four months of foreign reserve cover. How can this economy therefore be categorised as an economy which has a problem with its foreign reserves. We are saying that you do not wait until you drop down to one week, as happened in 1991, to say that you need to buttress foreign reserves to facilitate economic activity in the country by the public and private sectors. Sir, that is the difference between the Democratic Labour Party and the Barbados Labour Party.

7.10 p.m.

If we are accused of being cautious and hence taking this loan, then we stand guilty as charged because I have said it is precautionary. It is to ensure that we can meet the demands of the public and private sector in relation to their activity for the next 18 months, without having to think twice, pause or reflect as to whether we can meet the commitments.

Mr. Speaker, I believe if that is what it would deliver to us, then it is worth us not meeting our central Government debt to GDP ratio of 60 per cent, moving from the 63 per cent that it will stand at in December and going to the 67 per cent where it will stand at, Sir.

Mr. Speaker, the other curious irony – and this is not central to the debate but this is for the Honourable Member for St. Philip West who loves to read his Bible, the Article IV IMF Consultation. This is his credo and at

paragraph 24 here is what the IMF says:

“Under the Mission’s active scenario, fiscal adjustment will begin this year.”

Sir, the IMF would have had the Government of Barbados contracting expenditure and seeking to raise additional revenue, at a time when the Opposition says that there are people in this country who are already facing the negative impacts of oil increases by reason of increased inflation.

Therefore, the Honourable Member for St. Philip West is endorsing a position that will place greater hardship on the ordinary Barbadian man and woman, at a time when they are already facing hardships due to matters beyond our control. How much ever we may produce oil, we do not produce more than 1 100 barrels a day. We depend on the import of petroleum products. Everybody who has TV in their house knows that over the last two years, the price of oil has gone from under US\$30 a barrel to a high that went in excess of US\$70 a barrel.

Mr. Speaker, these are the realities of the world and that is as much a reality as if a hurricane had hit Barbados today. We cannot do anything about it because we would have to deal with the consequences of a hurricane, in the same way as we deal with the consequences of an extraordinary sustained spike in oil prices.

Mr. Speaker, what we have chosen to do is to, but cautiously ensure that we can prepare ourselves for other eventualities that may come in the next 18 months. Sir, paragraph 24 says:

“Starting the adjustment now could also avoid the need for an even harsher and less gradual consolidation after the World Cup. Under the staff scenario, the balance of the non-financial public sector would fall to 5¾ per cent of GDP in 2005, 2006 and to slightly less than 1 per cent of GDP by 2009 to 2010. The resulting deficit would result in a decline in public debt to around 75 per cent of GDP by the end of the decade.”

It goes on to give the footnote as:

“The net of Government deposits in the banking system, Government and government-guaranteed debt excluding the National Insurance System, would fall to 60 per cent of GDP by 2012/2013 and around 50 per cent by 2015/2016.”

Mr. Speaker, they are speculating about scenarios and they say that their scenario would bring the situation to a debt to GDP ratio of central Government debt and Government guaranteed debt of 75 per cent of GDP.

It is sad, Sir, that even without following the IMF's prescription, the central Government and public guaranteed debt to GDP ratio with this loan will stand at 76 per cent of GDP by the end of this year, 2005.

*Asides.*

Hon. Miss M. A. MOTTLEY: Mr. Speaker, the figures came from the Central Bank of Barbados. The Governor of the Central Bank has clearly indicated that the central Government debt and the public guaranteed debt to GDP ratio stood at 84.1 per cent. Sir, activity this year, caused it to drop from 84 per cent to 76.1 per cent and even with this loan, a decline of 8.1 percentage points.

Mr. Speaker, if they feel that it is their role to impugn the integrity of the Central Bank, so be it for the Democratic Labour Party but the Central Bank is an institution that has served this country for over three decades.

Mr. C. A. MASCOLL: Mr. Speaker, on a point of order. The Honourable Member for St. Michael North East is misleading the House. I also have before me, information that is said to be published and sourced at the Central Bank and I know that there is no way that in any one year, the national debt as a ratio of GDP can fall from 84 per cent of GDP to 76.

Mr. Speaker, I do not have to see any numbers. I do not want to see any numbers. I do not care about any numbers because I know it cannot happen and therefore I do not care who published the data.

*Asides.*

Hon. Miss M. A. MOTTLEY: Mr. Speaker, perhaps the Honourable Member for St. Michael North West would wish that I was a magician but I am reading from statistics produced by the Central Bank of Barbados.

In 2002, which was the high point, our central Government debt, excluding public guaranteed debt, was at 79.8 per cent and Government guaranteed debt at 9.3 per cent. In 2003, the central Government debt to GDP ratio, excluding public guaranteed debt, 75 per cent, a drop of 4.8 percentage points. In 2004, it dropped a further .7 percentage points to 74.3 and in 2005, with this loan, it will go to 67 per cent. When you add the public guarantee debt of 9.3 per cent that brings us to a figure of 76.3 per cent.

Sir, if the Honourable Member does not like the fact that the figures do not fall within his gloom and doom projections, then he should say so but these are figures...

Mr. C. A. MASCOLL: Mr. Speaker, on a point of order. The Honourable Member is misleading the House. I have information here from the same document, Article IV Consultation, Table III: Barbados Public Sector Finance and Requirement and Debt, at the end of the period, public debt and there is a host of information and there is no way in which any public debt as a percentage of GDP has fallen.

*Asides.*

Mr. C. A. MASCOLL: Page 25. It has it here, Government and Government guaranteed debt, then it has central Government. In 2000/2001, 64.1 per cent. The following year, 2002, 73.6. The following year 2003, 78.4 per cent. The following year 2004, 75.3 per cent. The following year, an estimate of 74.5 per cent. When you add the rest of the public sector debt, the debt is also increasing.

There is no way, Mr. Speaker, that in any one given year, our public debt, our national debt, or whatever debt can fall by any eight percentage points. It cannot happen in Barbados.

Mr. SPEAKER: Both of you must be quoting from different sections. Let us move on, please.  
7.20 p.m.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, I make the point that the Honourable Member chose, like the Honourable Member for St. Philip West, to rely on an International Monetary Fund document. Mr. Speaker, I am relying on figures supplied by the Central Bank of Barbados, which I am prepared to make a document of the House.

Mr. C. A. MASCOLL: On a point of order. Mr. Speaker, again the Honourable Member is misleading the House. On every table in this document it gives the source, the Central Bank of Barbados and the Fund Staff Estimates. It then goes on, Barbadian authority... who is the Barbadian authority? There is only one authority on statistics in Barbados.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, to add insult to injury, the Honourable Member knows that the figures for 2005-2006 and the same International Monetary Fund Report at page 25, that he is quoting, are specifically stated to be projected. Therefore, for him to suggest that by his judgement, and that is what it comes down to, it cannot have declined by 8.1 percentage points this year.

Mr. Speaker, in these matters I may follow the rest of the Democratic Labour Party in choosing not to follow the Honourable Member for St. Michael North West. I prefer in these matters to follow the Governor of the

Central Bank and the staff of the Central Bank, who have exercised an official duty in suggesting to the Ministry of Finance that the decline in the debt to GDP ratio of central Government debt and public guaranteed debt will decline by 8.1 percentage points. Mr. Speaker, that may not sound like good news to them but it is good news to this Government and to the people of Barbados.

Mr. Speaker, they would want the record of Barbados to be one where it becomes a debt-stressed country. Mr. Speaker, even the International Monetary Fund that they are relying on so heavily does not regard a country as being debt-stressed unless its debt to Gross Domestic Product ratio is in excess of 90 per cent.

Mr. Speaker, I go further, the Commonwealth Finance Ministers meeting, in the same document, made a determination as to which countries in the hemisphere were under what they call severe debt stress, moderate debt stress and less indebted. Mr. Speaker, Barbados falls in the category of those that are less indebted. Those are the facts.

Mr. Speaker, they do not want to tell you what is written at page 9 of the same International Monetary Fund Article Four Consultation that they are quoting from, they go to other areas that preach fiscal consolidation. At page 9, it says that:

“The primary budget deficit is the highest in the region and public expenditure is also significantly higher owing to high levels of non-wage expenditure, but the debt burden, though rising in recent years, still remains below that of other countries in the region, except for Trinidad and Tobago.”

Therefore, Mr. Speaker, what you have is both the judgement of the International Monetary Fund and the Commonwealth Secretariat, effectively regarding Barbados as among the less indebted.

*Asides.*

Hon. Miss M. A. MOTTLEY: ...the Commonwealth Finance document that I refer you to at page 7. Mr. Speaker, on the external debt, I quoted the figures for you today, Barbados is surpassed only by Trinidad and Tobago and The Bahamas in the region. Mr. Speaker, these things do not gel in their ears, as they do not help them in their quest for political dominance and therefore instead of reflecting and looking for another issue they would now seek to impugn the integrity of the Central Bank of Barbados.

Mr. C. A. MASCOLL: On a point of order. The Honourable Member for St. Michael North East is again misleading this House. Within the last year or year and a half the Government has come to this Chamber and increased the limit on every conceivable piece of debt, that is, what we can have in treasury bills and debentures, which have increased by over \$400 million on one occasion and then

another \$500 million on the other, so I do not know what is the discussion. There is no evidence at all that Government national debt is on any decline, and it would get worse.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, this is a case of a one-sided song and a one-sided man because the reality is that it is not only about the raising of debt, but also the expansion of the Gross Domestic Product. The percentage debt to the Gross Domestic Product ratio will take into account both the increase in debt as well as the increase in the Gross Domestic Product.

Mr. Speaker, the reality is that there has been a retiring of old debt and a replacement of some of that old debt with new debt but not at the pace where we have replaced all of the old debt which has been retired. Mr. Speaker, it stands to reason that if you are not replacing all of the old debt that there must be a net decline in the debt. Mr. Speaker, I leave it at that.

Mr. Speaker, I make the point one more time that this Government has made a clear judgement that we are not prepared to place this country's future on a reckless track, that we are not prepared to carry debt beyond that which is sustainable and that at the same time we do not believe in simply complying with numeric targets for the sake of complying with them in circumstances where it would put in jeopardy our ability to meet our obligations.

Mr. Speaker, as I told you, the contrast is stark. On the Other Side, fiscal consolidation, whether that leads to job losses or increases in rates across the board, on This Side we say that we continue to run some level of debt in order to fuel the development of this country. On the Other Side they would have you adhere to numeric indices irrespective of the consequences that it have on the people of Barbados.

Mr. Speaker, I say to you that they can stand and make those judgements because no decision that they make on That Side would impact on any single Barbadian tomorrow on how they live their lives. I trust and hope that if ever they were to make decisions to impact the people of this country, that the approaches and the philosophy which we see being articulated from this new generation of Democratic Labour Party, would harp back to those of the late Right Excellent Errol Barrow, rather than to follow the dastardly and difficult decisions that they made in 1991, that led to such untold harm and injury to the people of this country.

Mr. Speaker, if they want to choose to follow the International Monetary Fund bible, then we dub them the IMF choir in Barbados, we do not envy them that. If they choose to speak only according to the gospel of the International Monetary Fund, we do not envy them that either.

Mr. Speaker, I say to you that we would stand by the consequences of our actions. Every time we went to the foreign markets to make a foreign loan, it has been for a precautionary reason. We have been proven right in our judgement on the two occasions before and we trust and hope that our judgement in going now at a time when we can get the lowest possible interest rate that the country has ever got and at a time when the world's interest rates are trending upwards. We believe that the time is propitious to make that kind of determination.

With those words, I want to thank Honourable Members particularly on This Side who spoke, but I regret that the House was not able to reach consensus on the approach in this matter. Mr. Speaker, the task of governing does not allow us to engage in esoteric academic debates that may have negative consequences to people but to take decisions that recognise that every decision will have both a financial and human consequence to Barbadians living in this country.

Mr. Speaker, we look forward to this decision allowing us to proceed and to undertake the projects which we have to undertake such that not only do we not bring dishonour to this country but rather that we ensure that Barbadians can benefit sufficiently from the investments that we are making in the productive capacity. Sir, we hope that we would return to a situation in the very near future where we could see external current accounts surpluses instead of deficits and instead of having to manage that situation in a tenuous form. 7.30 p.m.

Mr. Speaker, therefore, as I said, when you take this debate in conjunction with the other Government programmes and policies which we articulated, you would see a Government that is seeking to put this country on a solid macroeconomic path, one which would not place the lives and the quality of lives of Barbadians in jeopardy, as we make that adjustment to put us back on that sure-footed path.

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

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

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

#### ADJOURNMENT

Hon. Miss M. A. MOTTLEY: Mr. Speaker, this brings us to the end of Government Business for today's Sitting. I beg to move that this House do now adjourn until Tuesday, November 29, at 10.00 a.m.

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

*The question was put and resolved in the affirmative without division and Mr. SPEAKER adjourned the House accordingly.*  
7.32 p.m.

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