
THE

House of Assembly Debates

(UNOFFICIAL REPORT)

PARLIAMENT 2003 – 2008

HOUSE OF ASSEMBLY

Tuesday, November 14, 2006

Pursuant to the adjournment, the House of Assembly met at 10.15 a.m. on Tuesday, June 14, 2006.

PRESENT

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

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

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

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

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

Mr. G. W. PAYNE, Q.C.

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

(Hons.) (Lond.), LL.M. (Leic.), J.P. (Minister of Labour and the Civil Service)

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

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

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

Hon. A. P. WOOD, B.Sc., M.Sc., M.Phil. J.P. (Minister

of Education, Youth Affairs and Sports)

Hon. R. R. FARLEY, B.Sc., J.P. (Minister of Housing and Lands)

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

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

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

Hon. H. F. LASHLEY

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

Mr. D. St. E. KELLMAN

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

Hon. Miss M. A. MOTTLEY, Q.C., LL.B. (Minister of Economic Affairs and Development)

Hon. T. A. PRESCOD, B.A. (Minister of Social Transformation)

Hon. J. J. S. ATHERLEY, B.A., B.Sc., J.P. (Minister of State, Prime Minister's Office)

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

Hon. C. A. MASCOLL, B.Sc. (Econ.) (Hons.), M.A. (Public Finance) (Minister of State, Ministry of Finance)

Hon. D. D. MARSHALL, LL.B. (Hons.), L.E.C. (Attorney General and Minister of Home Affairs)

Mr. M. A. LASHLEY, LL.B. (Hons.)

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

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 the Meeting held on November 07, 2006.

Hon. R.C. EASTMOND: Mr. Speaker, I beg to move that the minutes of the House of Assembly for its meeting of Tuesday, November 07, 2006 be confirmed subject to any omissions, corrections and/or observations.

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

Mr. SPEAKER: If there are not corrections or observations, then let those Minutes stand confirmed.

ANNOUNCEMENTS BY HIS HONOUR THE SPEAKER

Mr. SPEAKER: I am to report to this Honourable House that I am in receipt from the Accountant-General the Accounts and Statements for the month of July 2006.

PAPER

Hon. R.C. EASTMOND: Mr. Speaker, on behalf of the Honourable Minister of Tourism and International Transport, I am commanded to lay the following:

1. Annual Report of Needham's Point Development Inc. for the year 2004.
2. The Annual Report of Needham's Point Holding Limited for the year 2004.

Hon. R.C. EASTMOND: Mr. Speaker, on behalf of the Honourable Minister of Health, I am commanded to lay the following:

1. The Annual Reports of the Barbados Water Authority for the years, 2000 to 2001 and 2001 to 2002.

H116/10:20

Sequence 2

Tuesday, November 14, 2006

GOVERNMENT NOTICES

Hon. R.C. EASTMOND: Mr. Speaker, I beg to give notice of a Resolution to approve the vesting in the National Housing Corporation a parcel of land, the property of the Crown at Cave Hill, St. Michael, for residential purposes.

SUSPENSION OF STANDING ORDERS

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

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

GOVERNMENT BUSINESS

ORDER NO. 14

TO MOVE PASSING OF A RESOLUTION TO APPROVE (a) THE BORROWING BY THE

GOVERNMENT OF SUMS OF UP TO SIXTY-FIVE MILLION DOLLARS (\$65 000 000) IN THE CURRENCY OF THE UNITED STATES OF AMERICA ON THE INTERNATIONAL CAPITAL MARKETS FOR THE PURPOSE OF STRENGTHENING THE FOREIGN RESERVES BY THE ISSUE OF SECURITIES THROUGH DEUTSCHE BANK SECURITIES INC. AS LEAD MANAGER AND (b) THE ESTABLISHMENT OF A SINKING FUND FOR THE REDEMPTION OF EACH ISSUE OF SECURITIES AND FOR THE MONEYS NECESSARY TO MAINTAIN AND SERVICE THAT FUND.

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

Hon. Miss M.A. MOTTLEY: Mr. Speaker, I rise to speak in support of the Resolution which is before us, to authorise the Central Government to borrow some US\$65 million by reopening the \$125 million loan which this Honourable Chamber approved in November 2005. This Resolution comes in the context of the determination of policy, as articulated by the Minister of Finance, the Right Honourable Member for St. Peter, as he presented the Annual Estimates of Expenditure and Revenue in this financial year, March 2006. In that context the Right Honourable Member indicated that the Government of Barbados, would seek to have a debt management policy, that would see us not increasing our net foreign debt, but seeking to do so in a manner that we would borrow within the limits of amortisation, within the context of any one year. Sir, I say this, because it is in that context that this loan has been undertaken.

Sir, on that occasion the Right Honourable Member also indicated that we would not seek to only use domestic financing, in circumstances where a large percentage of the project, which we were doing, would be having a high foreign import content. I say this because if you are financing in the country, projects which are going to be relying on a large percentage of imports, then it stands to reason that since those imports would be using up a considerable amount of foreign exchange, the money which you raise in relation to the financing of those projects, should also have some component of foreign exchange as part of the loan which is raised.

Mr. Speaker, the Government, therefore, has been consistent in its position. The Governor of the Central Bank, in her last Press briefing, on the review of the economy after the first nine months, would have indicated that this was the intention, and certainly the advice of the bank. Sir, it has been accepted by the Ministry of Finance, and, indeed, on a previous occasion, not in this Chamber, I would have indicated to the country that we would be going for this loan of US\$65 million.

Sir, may I at the outset indicate for those who may go to the Annual Estimates of Revenue and Expenditure, and indicate that on Page 5 of the memorandum, a figure of US\$56 million is shown as that being the projection at the time when the Estimates would have been settled in February 2006, in relation to the projected amortisation of foreign debt. Those figures have now been settled by the Ministry of Finance, and in truth and fact, the figure which is to be amortised is \$125.3 million and hence some US\$63 million, hence the US\$65 million loan, which the Government is borrowing, showing that there is no net increase in the foreign debt which the country is undertaking.

Mr. Speaker, matters pertaining to the raising debt have become politically contentious, across different Governments, particularly the instance of Opposition. Indeed, as you go through the records of this Honourable Chamber, you would have seen that happen in relation to the first Government after Independence. You would have seen it happen in relation to a previous Barbados Labour Party administration, between 1976 and 1986. You would have seen it happen, certainly on this occasion now, in recent years, the last year or two.

Sir, I want to use the opportunity to set it in context, in relation to what are the indices that really count, in relation as to whether debt is manageable or not. I want to also set it in the context as what is the purpose of the debt in the first place. Finally, whether this is part and parcel of our ability to achieve our developmental objectives, without putting the nation or indeed the finances of the nation at peril.

Mr. Speaker, you will know that I will not be able to end my presentation without quoting the Right Excellent Errol Barrow from 1967, in Hansard, as he did with our foreign policy in pronouncing it on the assumption of our membership at the United Nations, still, in fact, informs the politics of development in this country during the course of the forty years of our Independence.

Mr. Speaker, if I come, therefore, to the specific factor of why do we raise debt, for the first part, most Governments that are managing developing economies recognise that the only way you are going to be able to build capacity to allow the country to earn more, is by being able to build out aspects of our infrastructure, which will allow you to have that earning capacity in the future.

It is not new. This country has seen almost all of our major assets being financed from debt, whether it is in the context of the fishing harbour, in Bridgetown, in the context of our schools, to which our children now attend, aspects of our health care system, the polyclinic system, whether it is in relation to what this Government has

assumed debt for, during the course of our tenure, namely the expansion of the Bridgetown Port.

Mr. Speaker, only in today's paper we see the opening of a new berth in relation to that Port, significantly expanding our capacity, to be able to deal not just with transshipment, but, indeed, also with a hopefully expanded capacity for the berthing of cruise ships, as well as the homeporting of the same.

10.30 a.m.

Sequence 3

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House 116, Sequence 4, 10.30 a.m.

Hon. Miss M.A. MOTTLEY: Mr. Speaker, in addition to that, we have assumed debt for the expansion of the Grantley Adams International Airport. Sir, not only now is it recognised as one of the premier airports in the region, it has also been able to allow us to add value to our tourism product, which as you know is still our primary foreign exchange earner in this country.

We have assumed debt, Mr. Speaker, to be able to expand our capacity for the storage of oil. This is a matter of fundamental national security for us because, if there are opportunities in relation to our being able to store oil so as to avoid any disruptions, in relation to the transportation of the same, whether it is because of hurricanes, or other matters outside of our control, it adds to the country's overall security.

Our ability, Mr. Speaker, to borrow in order to defend our coastal installations, as well as our coast lines because, as you know, in the context of the last year, one of the major challenges that we have been facing has been as a result of erosion. It is all tied in, Mr. Speaker, not only to the tidal movements but ultimately, we believe, to changes in the global weather system that have come as a result of global warming, and have also led to increases in sea temperature, and indeed, in relation to the death of some of our coral throughout this part of the world.

Mr. Speaker, I say this cognizant that more and more of Barbados' economy is driven, as a result of the presence of coastal businesses that generate a larger percentage of our GDP than hitherto. It is in that context that we need to be able to defend the coastlines. Therefore, there are myriad reasons a Government seeks to borrow money. It is in that context that I set what are the general developmental objectives of this Government.

At the outset, as I said, of this financial year, we indicated that if we were going to be engaged in projects

that have a high import content, we will do so in circumstances where we would not only seek to raise domestic financing but, indeed, foreign financing so long as there is no net addition to the debt.

What are the facts in relation to Barbados' debt profile as it stands today? Mr. Speaker, when I spoke to this matter, I would have indicated that the assumption of this loan would still put us in a position, where our foreign debt to GDP ratio would be lower than it was last year, in 2005. Last year, our foreign debt to GDP ratio was at 29.1 per cent. With this loan, the foreign debt to GDP ratio will only be at 26.8 per cent.

Mr. Speaker, in relation to the overall debt to GDP ratio, both foreign and domestic debt, last year we were close to 95 per cent, in terms of our overall debt to GDP ratio of central Government debt and Government guaranteed debt. With this debt, Sir, that ratio is being estimated only at 87.2 per cent.

Sir, as a result of both the combination in the expansion of GDP, as well as the retirement of some debt, you will therefore see a drop of almost 8 percentage points, in relation to the overall debt to GDP ratio, between last year and this year.

In addition, what is perhaps the best measurement of all in relation to your capacity to service that debt, our debt service ratio is going to be calculated at some 6.7 per cent this year.

Mr. Speaker, I want to pause there and take some time because out of every dollar that we earn in foreign exchange, we are effectively saying that 6.7 cents, less than 7 cents in each dollar, will go to service our foreign loans.

Mr. Speaker, if we were even just approximating it to our own personal circumstances, you would see that Barbados' debt position is in no way burdensome, in relation to our capacity to service. It is also in the context that we have never once, as a sovereign nation, defaulted on any loan. We have never once as a sovereign nation asked anybody to reschedule because we could not pay.

Mr. Speaker, it is significant because when I therefore say to you that the debt service ratio is 6.7 per cent of our total export earnings, you will understand why this is more than serviceable. Sir, you only need to cast your mind back to what Barbados' debt service ratio was in 1990, 1991 or 1992.

In 1990 Barbados' debt service ratio was 15.4 per cent, more than double what it is today. In 1991, it was 17.9 per cent and in 1992, 17.8 per cent. Sir, let me come further down. In the years from which we would have taken responsibility for this economy, in 1995, 8.8 per cent;

in 1996, 11.2 per cent; in 1997, 8.4 per cent; in 1998, 7.3 per cent and in 1999, 8.0 per cent.

All of the years that I have called in the decade of the 1990s, Barbados had a higher foreign debt service ratio - throughout the entire decade of 1990s - than it will have even with the assumption of this loan of US\$65 million.

Mr. Speaker, at the end of the day, the capacity of a country to be able to repay its debt, is what is uppermost. We accept the precept that you cannot finance your own development only from your earnings, if you want to be able to make the kinds of transformations and adjustments that need to be made, not only in terms of the country's economic capacity but also in relation to the social transformation of the country, so as to bring about a greater level of social justice and equity, which ultimately as well, has long term economic benefits, in terms of the stability of the economy.

Where does all of this stand, in relation to other countries? Mr. Speaker, I have indicated both when I introduced the loan in November of 2005 that we are reopening now, and I indicate now again, that our position, Sir, both in terms of foreign debt to GDP ratio, as well as our foreign debt service ratio, is lower than everyone in the Caribbean community, with the exception of Trinidad and Tobago and the Bahamas.

Mr. Speaker, I also indicated - and the figures are there - that even in the context of Latin America and the Caribbean, our foreign debt service ratio and our debt to GDP ratio, is below the average in Latin America and the Caribbean. And countries like Mexico and Uruguay have a higher foreign debt to GDP ratio, as well as a higher foreign debt service, than we do.

I say this because I understand how easy it is for persons to try to engage in the politics of fear, in causing the country to feel that what we are doing is unmanageable and incapable of being sustained.

Mr. Speaker, as I said, it is significant that all of the indices show we are well within the comfort limits that are necessary for us to give this Honourable House the assurance that we are not doing anything, which would cause the country difficulty.

I want to also make the point, Mr. Speaker, that one of the reasons we borrow, is because those people who come after us, who are going to benefit from the installations and facilities that we borrow to finance to build, have to help pay for that installation or facility, once it is earning. It is no different from what we do at a personal level.

Mr. Speaker, there are very few people in Barbados now who would build a house out of cash, or who could build a house out of cash. They recognise that the benefit of the house will last them 20, 30, 40 years and, therefore, they borrow and amortise the loan over that period of time. What we have said we would not do as a Government is to borrow for recurring expenditure.

House 116, Sequence 4, 10:40:36

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Hon. Miss M. A. MOTTLEY: Mr. Speaker, we do not borrow to buy food, we do not borrow to pay salaries and we would not borrow money for items of recurring expenditure that are fundamental to our continuing having the ability to meet those obligations because at some point then your debt would become unsustainable. Mr. Speaker, we borrow to build capacity and to be able to ensure that we could increase the level of earnings which this society can engage in.

Mr. Speaker, all of this comes in the context of a general economic performance which continues to be good. The economy is robust, and we have had now more than three years of consecutive growth. Mr. Speaker, let me set that in the context of the last 12 years. Mr. Speaker, the Barbados economy, since 1993, has had 12 years of economic growth. The one year in which there was no growth at all was 2001 because of a combination of measures in relation to the impact of trade liberalisation, the impact of a global depression in terms of the world economy and of course in relation to the now infamous September 11th events.

Mr. Speaker, during that year this economy contract by some 2.6 per cent but by the next year, 2002, the process of recovery had started when the economy grew by half a per cent and thereafter between 2002 and 2005 the average growth has been just under three per cent and indeed last year and this year.

Sir, the first nine months of this year have already shown a level of growth at some 3.7 per cent, which is projected to hold for the entire year, and indeed the projections for 2007 remain good and buoyant, so the economy is robust.

Mr. Speaker, I challenge any Honourable Members in this Honourable House to show me how we have been able to achieve over the 40 years any longer period of sustained growth than over the course of the last 13 years.

I go further, Mr. Speaker, this has not been growth without jobs as the Democratic Labour Party would have asserted to this Honourable Chamber and to this country in the early 1990s. They advanced the precept of jobless

growth so that while the economy started to grow under them in 1993, it was at a time when unemployment was at its highest, at 24.3 per cent. Mr. Speaker, what is unemployment in Barbados today? Mr. Speaker, unemployment in Barbados today stands at less than nine per cent and it is going to go further down.

Mr. Speaker, the Right Honourable Member for St. Peter was ridiculed and parodied in this country for saying that job number one is jobs and that he could not be responsible for an economy that would create 30 000 jobs. Mr. Speaker, we have created over 30 000 jobs and we are still going.

Mr. Speaker, I want to say to you that the acid test of confidence in an economy is the extent to which people are prepared to invest. Mr. Speaker, this economy is one in which more and more people are coming forward to invest, both domestically as well as from inside and outside the region.

Mr. Speaker, one only has to look at the figures in relation to the number of mortgages that this country has given in the last five years, none of this was spoke about in this debate. Mr. Speaker, we have doubled the number of mortgages in the last five years than even what existed prior to 2000. Mr. Speaker, if Barbadians did not have confidence in their own economy they would not be seeking to undertake mortgages and borrow money that would put them in a difficult position.

Mr. Speaker, Barbadians are borrowing to invest and expand. The level of capital inflows in this country surpassed \$400 million last year. Mr. Speaker, while our external current deficit remains a concern to us, one of the reasons why we have been able to manage a process of transformation and restructuring of the economy is because the confidence is there such that the capital inflows have not diminished. Far from diminishing, Mr. Speaker, they have increased.

Mr. Speaker, what are the projects that have not yet been touched? The Honourable Member for St. John can tell us, better than any other Honourable Member in here, about the development of Sam Lord's Castle and the scale of investment. I think it is about US\$300 million that CLICO would be putting into Sam Lord's Castle. That has not yet started, so that would not be ready for the Cricket World Cup.

Mr. Speaker, all those who say that post-2007 is going to be dimmed or difficult, I say to them that the evidence of the pipeline of projects available to us does not lend support to the view that post-2007 will be difficult.

Mr. Speaker, Paradise Hotel and the other investments that are going to come close to US\$400

million are still in to be done. Mr. Speaker, Paradise Hotel would not be ready for the Cricket World Cup. Mr. Speaker, how does all those, who two years and three years ago were predicting that the construction and the various activities and investments in this country are only geared toward the Cricket World Cup, explain that two of the country's major investments are continuing apace in circumstances where they are not being planned for Cricket World Cup.

Mr. Speaker, there are other investments. There is one that is planned for the West Coast in Holetown that is just under US\$200 million. Mr. Speaker, in Paradise's case, over 1 000 jobs will be created during construction because they are going to be working double shift both day and night and 800 post-construction jobs will be available for people who are not working in this country now to keep that hotel and those villas going.

Mr. Speaker, when I say to you that the unemployment rate, which is already lower than Germany and France and the majority of countries in this world, is going to go down even further, I say that to you from the confidence of knowing what we have been working on in relation to the arrangements, the applications at the Town and Country Planning Department, in relation to the issue of fiscal incentives and in relation to other applications for regulatory permission that are before us.

Mr. Speaker, I have every confidence that the investments we have made by borrowing to expand the Airport and the seaport are more than justified given the infrastructural platform that it would create to facilitate additional investment. Mr. Speaker, these are the things that matter.

Mr. Speaker, we have some concerns, as I have indicated, in relation to the size of the external current account deficit. However, the reality is that we have seen some slight improvement this year over last year in relation to that and we have seen some slight improvement in relation to the retained imports which have dropped by just under two per cent this year. Mr. Speaker, we still are concerned that we need to be able to hold the course in terms of boosting our exports such that that deficit which now exists, and the increase, of half of which has been occasioned by the trebling of oil prices in the last three years...

Mr. Speaker, up to 2000, we spent two per cent of our Gross Domestic Product on energy products. Mr. Speaker, last year we spent 6.5 per cent of our Gross Domestic Product on oil products. Mr. Speaker, one must remember that the Gross Domestic Product has expanded since 2000. Therefore, not only have we trebled the rate of increase but the base upon which we are measuring has also increased. Mr. Speaker, you therefore get a better

picture of one of the reasons why our external current account deficit has increased as it has over the last three to four years.

Mr. Speaker, if you go back to the same Article IV International Monetary Fund Consultation Report, you would see that they say it clearly for you. The reality is that half of the increase in the external current account deficit in Barbados in the last three years has come as a result of the trebling of oil prices.

We sincerely hope, Mr. Speaker, that those oil prices would stabilise.

House 116 Sequence 5

10.50 a.m.

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Hon. Miss M. A. MOTTLEY: Mr. Speaker, we sincerely hope that those oil prices would stabilise. Indeed, there has been some downward movement in the last four months, which has seen it come back down within the low-60s range, as opposed to the low to mid-70s range, where it peaked earlier this year.

Mr. Speaker, in addition to the impact of the rising oil prices on our External Current Deficit, we have also had to contend with the fact that because of the buoyancy and the confidence in the economy, the scale of projects which are being undertaken, has had an impact on our Import Bill, thus increasing our Import Bill by more than

\$1 billion, over the course of the last two years. Sir, that is a 50 per cent increase on our Import Bill.

Mr. Speaker, even though Barbadians have started to respond, in relation to our being able to increase our exports, the pace of increase of our exports is still outstripped by the increased in our Import Bill. Mr. Speaker, let me put it another way; last year our exports rose from \$346 million in the year before, to more than \$421 million, a 21 per cent increase. Therefore, it would have seen the country responding, in terms of our initiative to increase exports, but the capacity to do so, at the rate to offset the real increase to imports, is not yet there, because we need to build out more capacity in the country across all of the productive sectors.

Sir, we have seen, in the first nine months of this year, a similar increase in exports. We have seen some 17 per cent increase, therefore, we cannot say that we are not making progress towards the goals, which we have established, but we are realistic enough to know that the restructuring of certain sectors and the building out of the economy, would take time, and that it cannot happen overnight.

Mr. Speaker, the restructuring of the manufacturing, to be able to compete in a world which will not guarantee it the preferences that existed before, does not happen overnight. We have to undertake fundamental policy changes in relation to the retooling. We have to undertake fundamental policy changes in relation to the introduction of technology across the board, instead of a few flag ship companies. We have to undertake fundamental policy changes in relation to the recapitalisation of many of the firms, rather than a few flag ship companies. We have to undertake fundamental policy changes in relation to treating to the issue of the availability of skills, to be able to participate in those areas of manufacturing, which, in my view, could carry us forward for the next generation.

Mr. Speaker, it is going to be areas in which this country has natural advantages, for example, like that of rum industry; like that of a restructured furniture industry; like that of a fashion industry that does not only focus on the design component, but recognises that significant training has to take place, in order to translate a design into a garment that is consistent, properly-sized and capable of being exported on a consistent basis.

Mr. Speaker, in addition, the agricultural industry is facing elements of restructuring. Sir, the one major difference between the International Monetary Fund and ourselves, in its last Article Four Consultation, is that the International Monetary Fund feels that we should defer the start of the construction of the new sugar factory, which will allow us, for the first time in our modern history as a nation, to produce sugar as a specialised commodity, to be able to produce ethanol, to reduce at least 10 per cent initially of our Import Bill on gasoline, and working it up to 20 per cent. Sir, I am being told those figures are now being revised because of the yield and quality of our cane, to being able to produce almost 55 megawatts of electricity, rather than the traditionally expected 30 megawatts. That will have an impact in relation to being able to reduce part of our fuel oil Import Bill, and in relation to the production of molasses.

Mr. Speaker, all of those things to which I have just referred, will have the impact of either boosting foreign exchange earnings or reducing the need to spend foreign exchange, in relation to electricity and ethanol, which are going to be produced out of a restructured sugar industry.

Mr. Speaker, we have seen investments in other areas of agriculture, across the island. We have seen people, I believe at Strong Hope, where they have put up over 12 acres of greenhouses. There are also other people going back into agriculture because they have accepted the Government's objective that we want to be able to guarantee a certain percentage of food security in this country. It would, therefore, mean that we will have to engage in agriculture, but that we do so, leveraging technology wherever possible, so that the means of production can, in fact, allow for better returns on investments, in a way that would not have happened, if we had not used the most modern means available to us in the production of the goods within the agricultural sector.

Mr. Speaker, I have also spoken to a number of investments in the tourism sector. I have no doubt that the Minister of Tourism and International Transport will update the country on other investments, so such that you would understand why this Government has the confidence that this economy will continue to grow beyond 2007, and that the levels of employment, which we are holding, will improve in circumstances where we know what is before us, in terms of investments and projects to be executed.

Mr. Speaker, you would ask, what have we sacrificed. I would have loved that we could have gone forward with the University College of Barbados, since three or four years ago. I would have loved that we could have gone forward with the West Coast Sewerage Project, three or four years ago, but we have made choices, as a Government, that certain projects had to be phased, in order to ensure that we could remain within the bounds of fiscal prudence and, at the same time, recognising that it is our intention to be able to deliver on those things which were immediate, especially the World Cup related expenditure, but which had the capacity to fuel the opportunities for further growth in this country.

Mr. Speaker, this has not been a Government that has said we are spending, at all cost, on all things. We have exercised a level of fiscal prudence, in terms of the phasing of the projects. Therefore, the West Coast Sewerage Project will start after Cricket World Cup, 2007; the University College of Barbados will start after Cricket World Cup, 2007, and the Bridgetown Marina will start after Cricket World Cup, 2007.

Mr. Speaker, if you were to write down these number of projects I am talking about, you would understand why we say we have the confidence that we have. But we recognise that as we seek to build out these things, such that we could move from an external current deficit, back to a surplus, which this Government enjoyed in the latter years of the 1990s, that it takes time to build. It takes time to train. It takes time to procure the assets that

would be the underlying engine of growth in these new areas of the productive sector.

Mr. Speaker, I am satisfied that Barbadians understand that and, therefore, what we are trying to do, in relation to the transformation of this economy and society, cannot happen overnight but we want to make sure that we leave the country in a better placed position, in terms of guaranteeing the prosperity and quality of life for the second generation of Independence.

Mr. Speaker, we have good indices. At the end of the day, it is not only the acid test of confidence in the economy but the independent indices, whether those indices are the United Nations Human Development Index, in terms of the quality of life because of our commitment to balance growth and social justice; whether it is the World Economic Forum, that has, for the first time, assessed this country's competitiveness and has determined that the only countries in the Americas that were ahead of Barbados, in relation to competitiveness, were the United States of America, with 300 million people; Canada, with the largest land size of any country in this hemisphere; and Chile, which is a developed economy that has done amazingly well in the last 30 years, since its difficulties with its internal issues after the American intervention in the early 1970s.

Mr. Speaker, these are the facts. Sir, what comes after them is a country with 166 square miles, with

270 000 people. It defies rational explanation, other than your understanding that this country's commitments across Governments and across political parties, to put education first, to put the rule of law first, to stand up for the ageing instruments of democracy, that sustained commitments on the part of people, not just since Independence but since the late 1930s, when there was a clear commitment on the part of people involved in public life in this country, that better must come.

11.00 a.m.

Tuesday, November 14, 2006

(EDITED)

Hon. Miss M.A. MOTTLEY: Thank God, in the two generations since then, better has come.

Mr. Speaker, I believe fervently that the investments that we are engaged in as a nation, are absolutely essential to being able to put us on a solid footing for the third generation of growth since the 1930s. Mr. Speaker, this House was engaged in the last month in what I consider to be one of the most important debates that would set out the framework for this country's development in the next 20

years. I am talking about the debate on the Draft National Strategic Plan because, the one thing that we know, is that we cannot go forward as a divided country. The one thing that we know is that we have to go forward on the basis of shared perspectives and consensus. While I accept and appreciate that the other side is in heightened political mode and, therefore, may not want to agree on certain things, deep down I know that they do. It is just unfortunate that they have chosen not to signal that fact to the electorate and public of Barbados. Sir, I am satisfied that combined effort has been responsible across political Parties for Barbados' ranking as well as it has done in all of the various independent global surveys in which it has participated.

Mr. Speaker, I have not even mentioned Transparency International, which has ruled that this country is one of the least corrupt countries in the hemisphere and, certainly, has the highest index among all developing countries in the world. Sir, this is why I say that sometimes you have to step back from the trees and see the woods and realize that while we may have internal family squabbles at a domestic level - that is effectively what it - that what is most important for the citizenry of this country to demand of all persons in public life, is that we do not squander a legacy of continued and shared perspectives on development.

Mr. Speaker, it is in that context that I can find no better way of indicating what our shared perspective on development is, than by quoting the Right Excellent Errol Walton Barrow, who in 1966, set out what he believed an independent Barbados' perspective on debt should be. Sir, we keep repeating it in this Chamber, in the same way that when we speak on foreign policy, his words to the UN continue to resonate across all sides of this Chamber "Friends of All, Satellites of None."

Mr. Speaker, the public debt management strategy and I quote Mr. Speaker, from page 474 of Hansard, and it is worth reading on each and every occasion for us to understand what is our philosophical position on debt. When you combine that with the indices on the debt to GDP ratio and foreign debt service ratio, that you would realise that there is really no issue at hand.

Mr. Speaker, the Right Excellent Errol Walton Barrow said these words and I repeat them:

"I should like to say something about the public debt especially because, from time to time, we hear a lot of ill-informed comments about the size of the public debt and alarming statements about the island becoming bankrupt on this account."

Mr. Speaker, does this sound familiar?

"In the first place, all monies borrowed both locally and abroad receive the prior approval of this legislature. Secondly, the reason why Government borrows for capital development is that the generations, who come after, and who will be sharing in the development, should be asked to contribute toward the cost."

Mr. Speaker, the Right Excellent Errol Walton Barrow continues:

"We do not borrow money for Independence celebrations or for paying the salaries of teachers, public officers or for the promotion of the island's attractions at Expo 67."

Sir, I can add that we did not borrow money for PetroCaribe, buying food or paying teachers.

Sir, the Right Excellent Errol Walton Barrow goes on:

"We do, however, borrow for the construction of the new harbour.."

Mr. Speaker, does that sound familiar like in today's newspaper?

Sir, the Right Excellent Errol Walton Barrow goes on:

"...Or, we borrow for the permanent improvements of the runway and taxiway at Seawell International Airport or we borrow for new schools...."

Mr. Speaker, does that sound familiar like what we have done with EduTech and Hilda Skeene Primary?

Sir, the Right Excellent Errol Walton Barrow continues:

"...or other products of a lasting nature which will continue to exist long after this generation of taxpayers has paid its last debt."

Mr. Speaker, the Right Excellent Errol Walton Barrow went on:

"Thirdly, in a society such as ours, with the ability to accumulate capital, which is concentrated in the hands of a few, who do not necessarily nourish a propensity to invest their savings in the land of their birth, it is imperative that the Government formulates plans for social development and productive capital projects in order to maintain, not only the quality of its citizens educationally and otherwise but also to generate gainful employment and purchasing power in the hands of the masses."

Mr. Speaker, he said:

"By embarking on a capital works programme, evidence of which can be seen all over this country from the parquet of Paragon to the panorama of Pico Teneriffe, the Government has been able to keep hanging from building and bridges, from quarries to conference rooms, the notice to all and sundry, "Men at Work".

Mr. Speaker, what is the unemployment rate? It is 8.8 per cent.

The Right Excellent Errol Walton Barrow continued:

"In the final analysis, or as we would say, when everything boils down, the size of the public debt must be controlled by the country's ability to service and pay that debt, when the time of reckoning comes. The best judges of the nation's ability to pay and of the soundness of its financial policies, are the investors..."

Sir, does that sound familiar - the acid test.

The Right Excellent Errol Walton Barrow said:

"...and these, at least have displayed unbounded confidence in our financial health by their over-subscriptions of the Government's two major fund raising activities.

Sir, the Right Excellent Errol Walton Barrow went on and this is the part that I would like Honourable Members to listen to and remember, who believe this is a public issue on which to excite fear.

"Any time a member of this House, honestly believes, that the country should not incur further debt, they should have the courage to stand up and be counted amongst those opposed to development, rather than to take advantage of the financial innocence of uninformed bystanders, when those persons have slumped away from these legislative buildings."

Mr. Speaker, that is the verdict. It is not my verdict, and I say so in the shadow of the Resolution which was brought in this Chamber last week to praise Mr. Barrow in 1966 for the leadership and courage that he had.

H116/11:10 Sequence 7

Tuesday, November 14, 2006

Hon. Miss M.A. MOTTLEY: Sir, I say to you, that it is unfortunate that the new Democratic Labour Party, that is not democratic, that is not for labour and is barely even a Party, could continue to excite the politics of fear in this country, in circumstances when they know, that were they

ever to become the Government of this country, they would live by the words in relation to the development of this country.

I challenge them to stand in this Chamber today, and to indicate that they are going to move away from the language and vision of the Right Excellent Errol Barrow, as identified in terms of development politics in this country.

Asides.

Mr. SPEAKER: Order, please.

Hon. Miss M.A. MOTTLEY: Mr. Speaker, I have no difficulty in associating with the legacy of Errol Barrow on this matter or matters of foreign policy. Mr. Speaker, I can say to the Honourable Member, Leader of the Opposition, at least when Mr. Barrow was living, he and I spoke to one another and got on well. I cannot say the same thing for the Honourable Member for St. John. In fact, it is as clear as day, that this new Democratic Labour Party, wants to distance itself so far from the legacy of the Democratic Labour Party under Errol Barrow, that it is frightening. Sir, at least, if they were following the philosophies and programmes of the Right Excellent Errol Barrow, I would have the confidence of knowing that this country's future would at least be sustained, on the basis of a shared perspective on certain developmental issues.

Mr. Speaker, unfortunately, we do not have that confidence when we hear the Honourable Members from the Opposition side speak. They obviously want to remember, and I want it to ring in their ears tonight, any time an Honourable Member of this Honourable House, honestly believes that a country should not incur further debt, he should have the courage to stand up and be counted amongst those opposed to development, rather than take advantage of the financial innocence of the uninformed bystanders, when he has slumped away from these legislative buildings.

Sir, what did he say? The acid test is whether you can service the debt. If your debt service ratio is at 6.7 cents, in every dollar of foreign exchange you earn from the exports, and lower than it has been at any time in the 1990s, that cannot be an issue for this country in relation to taking up of this debt.

Sir, I want to say that the interest ra

te which would be applicable will obviously be the same, 6.625 per cent, less than half what it was in the Barclays Zoete Loan, which the Democratic Labour Party undertook in the deep dark days of 1990/1991, and which stands to be repaid by 2015. What is even more important, this Government, in respect to the management of its debt profile, has determined that it made more sense for us to

open up this debt, because the maturing of this debt is thirty years, 2035, so there is no immediate bunching of debt repayments that the country will have to face, and it makes sense, at this stage, because the yield curb is flat. In other words, the interest on both long-term and short-term maturities is more or less the same, so, there is no benefit from going for a shorter loan at this stage. In all things stated, it made sense to reopen this loan, rather than to go back to the market and place a separate loan for the US\$65 million.

Mr. Speaker, this is consistent with the policy that this Government has enunciated at the beginning of this financial year, when it laid the Annual Estimates of Revenue and Expenditure. It is consistent with the philosophy, that this Government has adhered to under the leadership of the Right Honourable Member for St. Peter, under the leadership of the late Tom Adams, under the leadership of the late Sir Harold St. John, under a Government led by the Right Excellent Errol Barrow, and, indeed, I dare to say even Sir Lloyd Sandiford.

I trust and hope that the utterances, which have come in the course of the last eighteen months in particular from the Opposition, are nothing more than utterances that are desperate to be able to find themselves on the corridor of power, but not really deeply held commitments. Sir, I say that if there are deeply held commitments, then this country's future development is in serious trouble.

Mr. Speaker, I want to believe that there are purely platforms for ascension to power, and not deeply held philosophical commitment on the part of the Democratic Labour Party. Let them answer that in here today, because that will be one of the issues that we will discuss in the context of the next year.

Sir, when I hear the noises coming as hard as they do from the other side, I know that it has resonated and I know that there are issues even internally in the Democratic Labour Party that question how far this group, this new Democratic Labour Party has moved from the philosophical moorings of Errol Barrow. I shall smile.

Mr. Speaker, I say to you that apart from all of these things...

Mr. SPEAKER: Order, please. Order, please.

Hon. Miss M.A. MOTTLEY: Mr. Speaker, let them have their way, because when they behave like this, it is usually indicative that it has resonated and it has gone home. In this debate every Honourable Member on this side is going to ask the question, where do you and this new Democratic Labour Party, stand in relation to Errol Barrow. I know that the Honourable Member for St. Lucy is the true inheritor of the Barrow legacy among them. I

know that. Even if at times he may be a little misguided, he is the true inheritor and his spirit and his heart is in the right place.

Sir, I say that the Honourable Member for St. Philip West, because we have short memories, at the end of April, early May 2003, told this country that we would be facing a devaluation of the Barbados dollars.

Dr. D.C. ESTWICK: On a point of order. The Honourable Member is misleading the House, because that is not what was said. I would ask the Honourable Member to produce the document and do not attempt to mislead Barbados through this Honourable House.

Hon. Miss M.A. MOTTLEY: Mr. Speaker, the newspaper carried a statement...

Asides.

Mr. SPEAKER: Order, please. Honourable Member, you cannot refer to the newspaper.

Hon. Miss M.A. MOTTLEY: Mr. Speaker, I have accepted the ruling. The Honourable Member was reported in this country, as stating in 2003 and again in 2006, that this country would face a devaluation. Now if the Honourable Member is so afraid of the comments that have been associated with him, it can only be because he knows that they were not true, that they were not rooted in any statement that would lead a reasonable person to that conclusion, and it was part and parcel of what I called the politics of fear, and the politics of desperation.

Mr. Speaker, I expect to hear more of the same from him today. I expect to hear issues that would speak... Sir, you know on one hand he said that the tax reform, should never have been undertaken because it has put the country in a debt situation, and on the other hand he said that the country is too highly taxed. It is nothing new for the Honourable Member for St. Philip West, to speak from both sides of his mouth in relation to matters of the economy.

Sir, I say to you, that I expect more of the same, but when all of that more of the same is articulated, I want to know simply where do they stand, in relation to their development policy, as it relates to the use of debt to be able to allow a Government, to play an interventionist role in a society that needs both structural economic transformation, and social transformation.

11.20 a.m.

Sequence 8

Tuesday, November 14, 2006

House 116, Sequence 9, 11.20 a.m.

Hon. Miss M.A. MOTTLEY: Sir, that will tell the tale of what kinds of policies and programmes that any Government, which the Democratic Labour Party could ever form in this country under its current leadership, would support.

Mr. Speaker, I believe that I have spoken sufficiently in this debate. I have set out the context, as to why we are going for this debt. I have shown that our debt service capacity is, in fact, lower than at any time during the 1990s, at 6.7 per cent. I have shown that even our debt to GDP ratio, both foreign and domestic debt, is lower than it was last year, is lower than any other country in the Caribbean, except Trinidad and Tobago and the Bahamas, and that the acid test of the continued confidence in this economy, while we go through what must, of necessity, be five to seven years of restructuring and building new capacity, is the extent to which we attract investment, and foreign capital.

Mr. Speaker, the acid test then was the inflows last year, in excess of over \$400 million. I have shown, that we are not borrowing money to buy food, we are not borrowing money to buy oil, we are not borrowing money to pay salaries but, in truth and in fact, we are borrowing to build capacity in this country.

Most important, as we also know, our net import cover is in excess of 21 weeks - not one week, as it was in 1991, or not even 11 weeks as it was when we took over the Government, but 21 weeks. While it is not as high as it was two years ago, we believe that our ability to proactively manage our foreign reserves, by ensuring that we have access to debt, that is not just domestic and, therefore, will lead to a net foreign reserve exodus when we build projects, then I believe that we are on the right path. Sir, we are also holding faithful with the people of this Nation, in terms of carrying forward the project of development, but doing so in a way that will not put this generation, or future generations at peril, in relation to the management of this economy.

I beg that this Resolution do now pass.

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

Dr. D.C. ESTWICK: Mr. Speaker, all of the mouthings on the other side will not deter me from making my presentation today. It will be made in an unusual style. The reason I will make this presentation in an unusual style, is because there comes a time when you have to speak to the country in simplistic language, outside the rhetoric and jargon of economic terminology. This is what I

intend to do today, Mr. Speaker, because I have certain things to say.

Mr. Speaker, after 12 years in office, I am now hearing that it takes time to build capacity in an economy. After 12 years in power, I am now hearing that it takes time to train and to develop human capital resources. After five Budgets and 12 years, I am hearing that it takes time to transform an economy in Barbados. I want to start my statement by refuting the statements from the Honourable Member for St. Michael East.

Mr. Speaker, it is not my statement, with respect to whether or not Barbados will face difficulty with respect to the exchange rate pegged. I can refer to the Chief Economist for the Caribbean Money Markets Brokers, when he spoke recently, and when he also wrote recently in the Broad Street Journal, when he spoke categorically about the consistent growth in consumerism, when he spoke to the significant growth in credit in Barbados, when he spoke to those conditions in the context of a rapidly growing rate of imports, and an almost negligible rate of growth of exports. Sir, that economist made the point that this does not augur well for the stability of the exchange rate in Barbados.

Asides.

Dr. D.C. ESTWICK: This is not my presentation. There are economists out there who share concerns with respect to Barbados' capacity to maintain that peg. Therefore, I stand by my assertions that if we continue in this country to have an import driven economy, if we continue in this country to have a situation where our import bill, as well as our external debt service, when combined, our export of goods and services does not come close to supporting the revenue required, we are going run into trouble. Mr. Speaker, I stand by that and I will give later, the statistical evidence to back up what I am saying. I do not mind the mouthings over there. I will deal with the projects.

Sir, let me go on by talking first to this abuse of late Rt. Excellent Errol Walton Barrow. I do not understand if the Honourable Members on the other side have selectively short memories, because it was Errol Barrow who asked Tom Adams if he had ever read the book, "The Debt Trap." It was the same Errol Barrow who abhorred rapid growth of external debt.

It was through that same principle that within the eight years of power, since 1986 or between 1961 and 1976, we had a negligible growth within our external debt. When we demitted office in 1986, the external debt was \$248 million. Ten years after the Barbados Labour Party rule in this country, our external debt was \$1.2 billion. They cannot be quoting Errol Barrow. They are quoting

somebody else. They should quote Sir Grantley Adams. They should quote Tom Adams, because they are misquoting Errol Barrow.

Mr. Speaker, the other fundamental point is that when Mr. Barrow spoke about debt, he was not talking about this rapid increase in the magnitude of debt. Sir, any time you are speaking to debt, you have to speak in relation to not only the magnitude of the debt, but the rapid rate of escalation of the debt. You also have to speak in relation to debt, in the context of what is your import bill on top of that debt. You also have to speak to debt in terms of what is the fiscal deficit position that you are operating within. You also have to speak to debt in terms of what are the inflationary parameters within which you are dealing with servicing a debt.

Mr. Speaker, it is not a simple arithmetic concept of debt, and you talk about one issue. There are a multitude of components to analyse, when you are taking about debt. Therefore, the Honourable Member for St. Michael East does not have a clue what she is talking about. It is also quite clear to me that the Honourable Member for St. Philip South does not have a clue, even though he is an economist.

Asides.

Mr. SPEAKER: Order, please.

Dr. D.C. ESTWICK: Mr. Speaker, let us look at where we are in Barbados today. In Barbados, we are going to borrow more than US\$60 million, in the following context: We have a significant macro imbalance in Barbados. We have an import bill that has spiralled out of control, an increase of over \$1 billion in two years, because a Prime Minister said that he is going to move heaven and earth for the World Cup. Sir, while he is moving heaven and earth, he is burying Barbados under the earth.

Asides.

House 116, Sequence 9, 11:30:15

Tuesday, November 14, 2006

Dr. D. C. ESTWICK: While we have that scenario, we also have a worsening of our trade deficit with respect to our CARICOM and international trading partners. Our trade deficit now is \$2.8 billion and rising.

Mr. Speaker, while this is going on, we have a central Government debt - I will support what I am saying - to Gross Domestic Product (GDP) of over 83 per cent. Mr. Speaker, when one adds the debt of the Central Bank of Barbados, the debt of statutory corporations and the debt of Government-owned private companies, that overall public

sector debt to GDP goes above 99 per cent. I will give my data to support what I am saying.

Mr. Speaker, while we have that condition, we are going to borrow money with an external current account deficit which is being driven by a high import bill of 12.5 per cent of GDP, which is approximately \$900 million.

Mr. Speaker, I have already spoken to the unemployment figures in this country already. Mr. Speaker, even in those conditions, the Central Bank of Barbados reports since 1994 have said that the last time we had balanced economic growth and economic growth led by the foreign exchange producing sectors was in 1994 when the Democratic Labour Party left office.

Mr. Speaker, after 12 years in office, we have had a reversal of the type of economic growth, so we need to reduce the import bill and to increase the export bill. Mr. Speaker, what we have had in Barbados is unbalanced growth and growth led by the foreign exchange consuming sectors of Barbados.

In addition to that, any individual on that side, who can remember the fundamental principles of neo-classical growth theory, would recall that one of the fundamental problems in economic growth in a small open economy is when you have an economy that is being driven by excessive consumption by Government. Mr. Speaker, that is determined and defined as the consumption ratio to Gross Domestic Product. Sir, it is in the documents.

Mr. Speaker, that does not augur well for economic growth and development in a small open economy. That is exactly what the Barbados Labour Party has done. Sir, since 1994, what this administration has done is to keep Barbados operating as though it is perpetually coming out of a recession because the fundamental reason for an economy or an Government to be running a large fiscal deficit is understandable economically when you are trying to develop or create aggregate demand in a country.

Mr. Speaker, since 1994, because of excessive Government spending and the loose behaviour with respect to private credit, we have had a scenario where the Barbados economy is galloping along on the demand side led ably by Government consumption. The net result of that is the fiscal deficit and the external current account deficit that we have. These are the facts, Mr. Speaker.

Mr. Speaker, what is amazing is how the debt in Barbados has grown. In 1994, our central Government debt was \$1.89 billion, but by 2006, our central Government debt has mushroomed to \$4.8 billion under this administration. Mr. Speaker, while we had an escalation in the debt over the last ten to 12 years, over the same time

period, we have had a growth of the import bill by over \$2 billion.

Mr. Speaker, what is also frightening in respect to this reality is that while all of this was going on, we had a Government in power led by an Economist that was asleep because it was only last year, 2005, that this administration woke up and recognised that imports were too high. It was only then that they moved to establish an export incorporation company in Barbados. Sir, 11 years of seeing an import bill growing and growing, because the economy was led by consumption, Honourable Members on that side and all the economic gurus did nothing.

In fact, if my memory serves me correctly, after 2001 it was this administration that decreased the Central Bank deposit rate about five times between 2001 and 2004, the net result of which was an increase in credit to the private sector. Mr. Speaker, while that was going on, Government was engaging on projects on top of projects also increasing consumption. Mr. Speaker, the net result of that is that you worsened the external position and you now have to run cap in hand to borrow money.

Mr. Speaker, we borrowed \$250 million in 2001 to prop up the reserves. They floated money again on the international market and placed bonds to raise money to prop up the reserves. They came back again in August 2005 to borrow another \$300 million. Now I am going to be told, Mr. Speaker, that we can sit down again today and accept that the Government is coming to borrow another \$60 million at a time when the inflation is out of control in Barbados. You tell me, Mr. Speaker, how the inflationary problem would be solved, given the expenditure for Cricket World Cup and the private sector expenditure that is continuing and will continue even at a faster pace during Christmas. I want to find out if the Honourable Member spoke to all of the foreign exchange consuming projects that are supposed to come and how are we going to deal with the dampening effects of inflation in Barbados.

Mr. Speaker, I think the Honourable Member for St. Michael North West should explain to them what it does to the marginal propensity to save. Mr. Speaker, as long as the marginal propensity to consume in Barbados continues to increase based on Government expenditure and private sector consumption, we will have problems.

House 116 Sequence 10

11.40 a.m.

Tuesday, November 14, 2006

Dr. D. C. ESTWICK: Mr. Speaker, I think what is important here is that we have to understand why we are where we are today, so as to understand how we could get

out of the problem. We cannot get out of the problem with continuing and spiraling Government consumption. We cannot solve the inflationary spiral in Barbados by continuing private sector consumption. We cannot solve the fiscal deficit crisis in Barbados by continuing Government expansionary projects. Therefore, when the Honourable Member for St. Michael North East tells you about the number of projects to come, those projects would worsen the problem because of the fact that the export growth in Barbados is tending to zero. It is minimal.

Asides.

Dr. D. C. ESTWICK: Mr. Speaker, let me quickly go to how we have gotten here.

Asides.

Dr. D. C. ESTWICK: Mr. Speaker, I said in the past that this administration has borrowed \$150 million in 1999; \$200 million in 2000; \$300 million in 2001; \$31 million in 2002. At the same time, they have increased the Domestic Loans Limit to more than \$400 million. They then continued to borrow expeditiously from the domestic market. Therefore, when one looks at the debenture increase borrowing from the National Insurance Scheme, there were debentures, in 1994, being held by National Insurance Scheme, to the tune of \$446 million. Today, it is \$1.4 billion, and it is increasing.

Asides.

Dr. D. C. ESTWICK: Mr. Speaker, in addition, there is the \$250 million that was borrowed in August. They have now come to borrow \$120 million, yet they are telling me that it is not going to affect the external debt ratio. Let me get to that now, because I read with some measure of clarity.

Mr. Speaker, when one is analysing debt in any economy, especially a small open economy like ours, you simply cannot look at the external debt service to that debt ratio. The external debt service to debt ratio relates specifically to the production of a country's export of goods and services, unless the country is borrowing the foreign reserves. What is more instructive is an analysis of what is one's total foreign exchange requirement on an annualised basis. Therefore, based on the Central Bank's Balance of Payment document for 2006, our exports of goods and services amount to \$2.3 billion.

Mr. Speaker, in 2006/2007, our Import Bill alone is \$3.2 billion, a deficit of \$1 billion, to begin with. We have not yet added the external debt service of \$244 million, as projected by this document called the Estimates of Expenditure for 2006/2007. Sir, when combined, it is a foreign exchange requirement of over \$3.4 billion. But let

us look at what we are getting, in terms of exports of goods and services. We are getting \$2.3 billion. Where is the other \$1.3 billion going to come from? Is it going to come from the Right Honourable Member for St. Peter, the Honourable Member for St. Philip South, or the Honourable Member for St. Michael North West?

Sir, this is a serious matter which this country is facing and in circumstances where there is an inflation rate of over 7 per cent, in circumstances where there are certain economists in the region who are predicting that it would go over 10 per cent, I would advised the Right Honourable Member for St. Peter to listen to the Governor of the Central Bank of Trinidad and Tobago. Sir, to solve an inflation crisis, it has to be done the old fashioned way, which is to deal with the money pool in the society. Secondly, you have to deal with increase output, and when you are dealing with controlling the available money in the market, concomitantly you have to deal with Government's excessive spending.

Mr. Speaker, let me go into more detail, I did not want to go to this level but if I have to, then I will do so. I can refer specifically to the reports of the International Monetary Fund, at its Article Four Consultation, when it has evaluated both core and non-core inflation, from 2003 to 2006. When one looks at what is called the non-core inflation, which is non-energy related increases, that inflation was almost zero, in 2004. Sir, it is now over 4 per cent. Therefore, that is a price-pushed inflation, based upon the Cess and upon increase in VAT revenue.

Asides.

Dr. D. C. ESTWICK: Mr. Speaker, I know about these things too, but I will stand by my facts that what has happened is that we have kept Barbados in an over-demand mode. Sir, the Honourable Members on the other side should read certain aspects of Theosian application. Sir, I am not talking about the management of aggregate demand in a small open economy, I am talking about demand management strategies, to understand that in Barbados, once there is a consumption-driven economy, that it would drive inflation. And that is exactly what is happening in Barbados.

Mr. Speaker, I do not mind the Governor of the Central Bank of Barbados, who is a very distinguished lady, but if this administration does not deal with the monetary policy and make the necessary adjustments, either through the reserved ratio at the Central Bank, the prime interest rates of Barbados, or through the deposit rate, we are going to run into serious trouble.

Asides.

Dr. D. C. ESTWICK: I am here because I am a Barbadian, I am not a political yard-fowl. I am interested in what is the interest of Barbados and not what is politically expedient. That is the difference between this side and that side. If that side had operated political expediency, we would not have reversed all of the gains which were achieved in 1992/1993.

Mr. Speaker, I speak to the fact that we can see the increase in the consumption of Gross Domestic Product (GDP) ratio, from 1995 up to present day. That is a fact.

11.50 p.m.

Tuesday, November 14, 2006

(EDITED)

Dr.D.C. ESTWICK: Mr. Speaker, I also express grave concerns that we are going to borrow money in the context of a preliberalisation of the capital account and are about to liberalise the capital environment. It is important to be considered at this stage but, that debate will come later. I caution now that I have read Beck, Kunt and Levine; Beckford and Greenidge, Holder and Greenidge, Sir, I have read all of them. I have read Edwards, Kray, Rodric and so on, if they want to challenge me, they must come good.

Sir, I know that if the Honourable Member for St. Peter carries Barbados down a liberalisation of the capital accounts without the appropriate growth and development of the financial sectors, in particular, the non-bank financial sectors in Barbados; if the Prime Minister of Barbados carries this country down a path, where we open up a capital account to significant capital inflows without the mechanisms to deal with issues of liquidity, we are going to worsen our state of affairs. Sir, I sound a warning today.

Mr. Speaker, I do not mind the talk because I can review the Chin-Ito evaluation for all the countries and I can also speak to the share measurement for Barbados as well as the Quinn measure.

Mr. Speaker, when one, therefore, speaks of debt..., I will now deal with the ratios and I stand by my calculations. Sir, I will first go to the evaluation of the total public sector debt in Barbados because I have been hearing a lot of talk and I want the evidence to be brought. Sir, these are my notes on public sector debt in Barbados.

Sir, I have used May 2006 and, according to the Economic and Financial Statistics of the Central Bank of Barbados, our Central Government Debt was listed at \$4.95 billion but I have rounded it off to \$5 billion because that is mathematically acceptable. The Guarantee Debt as of March 31, 2006, based on the Auditor-General Reports for

financial year 2005-2006, was listed at \$526 million. Since that time, we have guaranteed \$485 million in debt and those would include BWA, BIDC, QEH, Sanitation Authority, Transport Board and others. Sir, when one, therefore, adds the Guarantee Debt as of March 31, 2006 of \$526 million and add that to the Guarantee Debt subsequently of \$485 million, it gives you \$1 billion. When you add that \$1 billion to the Central Government Debt of \$5 billion, the total Public Sector Debt, as calculated, stands around \$6 billion and, Sir, I stand by that and I also stand by another fact.

Mr. Speaker, I will not be utilising the projected GDP by this Administration as listed in 2006/2007 Estimates. I have grave misgivings about the computation and the methodology. Sir, again these are my own notes. On page 3, GDP was projected for 2005/2006 to be \$5.9 billion but when I double-checked the actual, it was not significantly different thereafter. Sir, in the Estimates of Expenditure Revenue for 2006/2007, the GDP is projected for \$6.7 billion. Mr. Speaker, in one year, they are telling me that the GDP was increased by \$786 million in Barbados. Sir, that is 13 per cent increased. Therefore, I will use the IMF and Standard and Poors' projection of \$6.66 billion Sir, this is important because when you then calculate a Public Sector Debt to GDP and you utilise \$6 billion divided by \$6.066 million, it is almost 100 per cent.

Mr. Speaker, I do not mind the rhetoric from the Honourable Member for St. Michael North East because these are the facts so they should refute the figures. Sir, any part of the world, even in primary school or ABC economics, any time your debt to GDP ratio is about 60 per cent, you have problems. Our Central Government Debt to GDP is over 80 per cent and our Public Sector Debt to GDP is almost 100 per cent.

Mr. Speaker, I will now go to another statistic raised by the Honourable Member. This statistic relates to what is known as the External Debt to GDP and I am sticking to the External Debt because we have to generate foreign exchange revenue to deal with that in Barbados. I am utilising the External Debt and the data which I using, comes from all the loans raised under the External Loans Act, Cap 94D, and, as listed in the Annual Estimates of Expenditure and Revenue, that figure not only includes guaranteed elements of debt but includes Central Bank Debt and Central Government Debt and the amount outstanding is \$3.2 billion to be exact, Sir. When one divides that outstanding external debt by the GDP, we get over 50 per cent. Mr. Speaker, it is acceptable that less than 40 per cent, given a high import bill and given a high export regime is acceptable. Sir, these are the facts, they are not my facts but facts that are used by all agencies and universities worldwide.

Mr. Speaker, I now go to another issue, that is, the external debt for the export of goods and services in Barbados. Sir, I want to be very accurate here so I want the precise figure. Sir, this is important because it is your export of goods and services that determine whether you have the capacity to pay external debt in the short term. This is why it is important to us in a situation, where we have a high import bill and a low export regime.

H116/12:00

Sequence 12

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Dr. D.C. ESTWICK: Sir, before I give that, let me give the debt service to revenue. Mr. Speaker, in Barbados we are now spending \$682 million in debt service. Again, the data came from the Estimates of Expenditure and Revenue 2006-2007. In that same document, this administration was projecting a total revenue of approximately \$2.1 billion. That gives us a debt service to revenue of approximately 31 per cent. Mr. Speaker, by any standards, when you speak to a low export regime and a high import regime that is not acceptable.

Sir, our external debt service is \$244 million. I have said before, based on the balance of payments document of the Central Bank 2006, our exports of goods and services amount to just over \$2 billion. When we calculate a debt service to the exports of goods and services ratio, we get a figure of between 13 and 14 per cent.

Sir, that figure has to be taken in consideration with what is your import bill. I will say to the Honourable Member for St. Michael North East, that when she speaks to only what is the external debt service to exports of goods and services, the Honourable Member is not understanding the dynamics at all, because the external debt requires foreign exchange and the import bill requires foreign exchange as well. The two of them must be accumulated. They must be added together.

Mr. Speaker, another debt service ratio is the pure external debt to Gross Domestic Product ratio. In Barbados it is currently over 49 per cent, as we stand. The data is from the same source for the data. There is not an economist worldwide who looks at a small open economy, with a poor export regime and a significant import bill, that does not indicate that it is a problem. They all say that it should be less than 40 per cent. I do not mind the talk. I walk the walk. I bring the facts, because there are all referenced and are book noted too.

Sir, I want the Honourable Member for St. Michael North East to explain to me these elements. Explain to Barbados and me the rapid increase in Government's

consumption to Gross Domestic Product ratio, explain that and explain what that means for economic growth. I also want the Honourable Member for St. Michael North East to explain to me, what it means when our national savings rate in Barbados has been falling rapidly from 17.8 per cent to 7.6 per cent in 2006, and the private savings rate from 11.6 per cent to 4.3 per cent. Sir, ask the Honourable Member if that is not consistent with an economy where you have a significant reduction in the margin of a propensity to save, and also consistent with an economy where the margin of propensity to consume is running away, extremely high. These are the facts.

Mr. Speaker, I want the Honourable Member for St. Michael North East to explain why it is that the non-entry related goods and services had a significant increase in their rate of inflation from almost zero per cent in 2004 to 4 per cent in 2006. Sir, they continue to blame oil prices in Barbados and if the core inflation has moved from almost zero in 2004, to 4 per cent in 2006, and those are not really driven by the oil prices variables, I want the Honourable Member to explain it to me.

I also want the Honourable Member to explain if in January 2006, there was a full pass through of the increases in oil prices to consumers, and if not after that there was a partial pass through and Government was borrowing the money to finance that discount. I want the Honourable Member to explain these things to me and the people of Barbados, and the implication of these things.

Sir, I also want the Honourable Member to explain how and what will be the impact - and these are not my words, these are the words of the Governor of the Central Bank, at the private sector/public sector consultation - of Barbados losing \$250 million in foreign reserves annually.

I also want the Honourable Member for St. Michael North East to explain if, when you are losing \$250 million in foreign reserves on an annual basis, if that is the time when you are going to execute the type of liberalisation on capital accounts in Barbados.

Mr. Speaker, I also want the Honourable Member for St. Michael North East to explain to Barbadians, if the Governor of the Central Bank has indicated that there would be an increase in the debt service ratio this year, how can the Honourable Member be saying that this loan would not have any impact at all on debt service. That is what I would want the Honourable Member to explain. Sir, the Governor of the Central Bank has said - and it was reported in all the newspapers, that there is going to be an increase in debt service, and specifically the external debt service, we had the Honourable Member for St. Michael North East telling Barbados that there is not going to be any deterioration of the external debt service ratio.

Mr. Speaker, I want to ask two more questions. In 1994, when the Democratic Labour Party demitted office, the Central Bank reports said that economic growth was led by the traded sectors. What are they led by now? In 1994, we had a fiscal deficit, on the Accountant General's basis - I am going to use that because that is what you have to finance - of \$98 million. What is it today, \$550 million. In 1994, inflation was running at 1.2 per cent.

12.10 p.m.

Sequence 13

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House 116, Sequence 14, 12.10 p.m.

Dr. D.C. ESTWICK: In 2006, it is 7.4 per cent and heading for double digit, almost hyper-inflation. In 1994 our central Government debt was a little over \$2 billion, in 2006 almost \$5 billion.

Who is responsible for this? Who is responsible for the worsening of all those macro-economic conditions? Not the Democratic Labour Party. Who was responsible for all those reversals over the last 12 years? One man and one man alone, the Rt. Honourable Member for St. Peter, and the poor advice he gets from the Honourable Member for St. Philip South, or lack of advice. These are the facts from comparing and contrasting.

Mr. Speaker, who holds responsibility for the worsening of our current account deficit? If for 12 years, a Government sat down and there was not an appreciable increase in our exports in Barbados to nowhere in the world, at the same time when our import bill is skyrocketing, who is responsible for that? Not the Democratic Labour Party. Sir, the Barbados Labour Party must take full responsibility for the increased inflation, the increase in the fiscal deficit, the worsening of the external current account deficit, and the worsening of the debt problems in Barbados. As I have said before, our public sector debt is almost over 100 per cent of GDP. I would want them to come and try to refute it.

Mr. Speaker, in the final analysis, my position is that I cannot believe that after 12 years in power, the Honourable Member for St. Michael North East would now tell us that it takes time to build capacity, it takes time to build human capacity, it takes time to transform an economy. Sir, the Barbados Labour Party is the architect behind the shifting of economic growth from the traded sectors to the non-traded sectors.

The last time the traded sectors led economic growth in Barbados, was in 1994.

Who is responsible for that? The Democratic Labour Party? Who is responsible for the growth of the import sector, in terms of construction? Who is responsible for other retail and wholesale related increases? Who is responsible for transport increases? Who is responsible for all of the foreign exchange consuming growth that we had in Barbados?

As I have said, the Prime Minister is moving heaven and earth for the World Cup but he is burying Barbados at the same time, and these are what the facts say. Sir, whether they want to sit and hold out these lofty beliefs that all these projects to come will bring a windfall in Barbados, let them keep waiting. If you cannot solve the inflation problem, if you cannot solve the deficit problem, you are going to create a worse condition in Barbados. You mark my foolish words.

Mr. Speaker, I heard the Central Bank Governor speak to: "I am happy for the economic growth, even though it is negative growth." Sir, that is what was said, negative growth. I am happy for it, because of the inflation rate. I want to say this. I am uncomfortable with a set of economic circumstances, where we are having unbridled consumption, where we are having runaway importation, where we are having significant leakage in Barbados through imports, when the only sector that drives our exports in goods and services tourism, increased by 1.8 per cent, based on the Central Bank reports, and stated by the Central Bank Governor.

I have a problem when that is happening, when that rate of growth is nominal, compared to the rapid escalation in the import growth rate. I will restate my point that when one evaluates what is the definition of the debt trap and one uses the definition, Mr. Speaker, that if your exports of goods and services growth rate is below the interest rates on your external debt, you have a debt trap. Sir, I stand by that.

Mr. Speaker, in conclusion, this is my position. In the interest of Barbados, in the interest of the people of this country, in the interest of the children in Barbados, the Democratic Labour Party has no choice than to take the moral high ground and to support the Resolution. We have no choice because it is in the interest of the people of Barbados.

Mr. Speaker, we will state, categorically that we are saddened by the state of affairs, the direction that we now find ourselves in, Sir, that we now have to do what is in the interest of our people. We are a caring Party and we are not going to sit idly by and let Barbados down a road, where there is a desperate need for borrowing. We should not be here. It is because of that desperate need and our desire to help the people of Barbados, that we are going to stand up

and do the right thing on behalf of the people of this country.

Asides.

Dr. D.C. ESTWICK: Sir, cap in hand begging for foreign reserves. They begged in August 2005, they begged in 2001, they begged in 2003, do you mean they are begging again in 2006.

Asides.

Dr. D.C. ESTWICK: This is what the Barbados Labour Party has come to, an administration of beggars.

Asides.

Dr. D.C. ESTWICK: Mr. Speaker, we will do the honourable thing on behalf of the people of Barbados and we will give it some critical support, but we have to explain to Barbadians why we are where we are, and who took us there.

I thank you, Mr. Speaker.

SUSPENSION OF SITTING

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

Hon. N.A. LYNCH: 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.

House 116, Sequence 14, 12:20:15

Tuesday, November 14, 2006

RESUMPTION

Mr. SPEAKER: This Sitting is resumed.

Hon. A. P. WOOD: Mr. Speaker, I rise to make my contribution to this debate. Mr. Speaker, I have had a long association with the discipline of Economics, but I was taken on a journey before lunch which came to a most surprising conclusion.

Mr. Speaker, after the Honourable Member for St. Philip West sought to paint a very gloomy picture of the performance of the Barbados economy over the last 12 years and sought to criticise our debt management strategy over that period, he quoted a whole set of ratios and statistics seeming to want to justify his position. Sir, he

even criticized how the Government officials who are charged with the responsibility of doing projections for the Gross Domestic Product in this country and doubted their approach and the numbers that they have arrived at.

Sir, he took us on a journey which had him colliding with things which, based on my association with the subject, he obviously is very unfamiliar with. Sir, I would explain some of them as I go along. Sir, having gone through all of that, I am hearing that he is giving critical support because they have the interest of the people at heart, so they are supporting it.

Mr. Speaker, this subject of debt should not be unfamiliar to him. Mr. Speaker, painting a gloomy picture of an economy is not unfamiliar to the Democratic Labour Party because they, between the period 1991 and 1994, would have placed the people of Barbados through a period of economic hardship which brought pain and suffering to the people of Barbados. That is what the Democratic Labour Party and the Honourable Member for St. Philip West is familiar with.

Mr. Speaker, when I was an undergraduate student in final year I remember, from listening to my mentor at the University of the West Indies, Mr. McClean, God bless him in his grave... Sir, the Honourable Member for St. Philip West obviously would have caused him to roll and turn when he heard the misplaced views on economic theory underpinning what it is the Honourable Member had to say today, and I will come to that too.

Mr. Speaker, we were having a tutorial, it was a final year course in monetary economics - Mr. McClean had given us this topic to address - and a young man from over in the north of the country was to come back and make his presentation and we would then comment afterwards. Sir, the guy went on and on and I looked at the other students in Mr. McClean's room because the guy was far away from the subject and we were a little confused because we would have done some work on the question as well and after 15 minutes into the tutorial Mr. McClean stopped him and said, young man, I want you to be aware that you have not scored a point yet.

Mr. Speaker, I was in no position, like you, to stop the Honourable Member for St. Philip West, but after 45 minutes or so of the Honourable Member for St. Philip West discourse, he would not have scored a point either.

Asides.

Hon. A. P. WOOD: Mr. Speaker, I am not going to get on with the misuse of the economic terms on his part, but I want to say that in terms of his understanding of what lies behind price movements in Barbados and the link between aggregate demand and the internal price level or

the link between aggregate demand and the balance of payments, the Honourable Member for St. Philip West was as far away from an understanding of the transmission mechanism as any student unfamiliar with economics would come to.

Mr. Speaker, I am not saying that he might not have spoken to someone who passed through the campus already but in terms of his confusion of the issues, whoever he would have spoken to, he is doing a great disservice to that person.

Mr. Speaker, this Barbados economy is characterised by what we called a small open economy with certain features. One would expect that the external sector in Barbados as a proportion of output would be fairly large because of the high degree of openness of our economy. We have a high import dependence and there is a high preponderance of imports in our consumption and absorption mix, and that is understood.

Mr. Speaker, in terms of the inflation process in this country, my long association with the discipline tells me that what the Honourable Member for St. Philip West got up in here and said today - and I made a note of it - that aggregate demand pressures lead to inflation in the Barbadian economy, so...

Dr. D. C. ESTWICK: On a point of order. The Honourable Member is misleading the House because he is taking what I have said out of context. I spoke to the increase of consumption with the Gross Domestic Product and that increase in that ratio, that is what I spoke to, I will not accept that.

Hon. A. P. WOOD: Mr. Speaker, he probably does not even know what generates aggregate demand, so I will forgive him. Sir, because he does not have a clear understanding of the difference between cost push inflation and demand pull inflation, and he does not know the difference between the level of theory and the level of practice depending on the structure and the feature of the particular economy he is talking about, he sought to suggest that inflation in the Barbados economy is more as a result as an increase in aggregate demand.

Mr. Speaker, my long association with the subject, very well taught by Mr. McClean, tells me, and tells the Honourable Member for St. Michael North West and the Honourable Member for St. Peter, that in the context of a small open economy that aggregate demand pressures are felt more on the balance of payments, as is what is happening in this economy, and has less to do with what is happening in terms of the movement in the internal prices.

House 116 Sequence 16

1.40 p.m.

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Hon. A. P. WOOD: Mr. Speaker, that is a basic fact of life. In the context of small open economies like ours, where there will be a direct link between an increase in aggregate demand and the Balance of Payments, which will be reflected in the movement of international reserves...

Asides.

Hon. A. P. WOOD: Mr. Speaker, more so in the context of a small open economy, is that all the studies that the others and I have done, are merely imported inflation.

Asides.

Dr. D. C. ESTWICK: On a point of order. The Honourable Member is misleading this Honourable House. Inflation spiral in Barbados...

MR. SPEAKER: Honourable Member, a point of order is not a point of explanation.

Asides.

MR. SPEAKER: Honourable Member, a point of elucidation then?

Dr. D. C. ESTWICK: Well, on a point of elucidation.

Asides.

MR. SPEAKER: Please, Honourable Members.

Dr. D. C. ESTWICK: Mr. Speaker, the Honourable Member said that the inflation rate increase in Barbados is imported inflation. I have said that when one looks at the inflation spiral in Barbados and separates it with respect to core and non-core inflation, the evidence has been shown, by Standards and Poors' and by the International Monetary Fund, that with regard to the increase in inflation, it is the core non-inflation component that has increased significantly, since 2004 to 2006. Those are the facts.

MR. SPEAKER: Honourable Member, I thank you.

Asides.

Hon. A. P. WOOD: Mr. Speaker, the Honourable Member for St. Philip West is so unfamiliar with the discipline, that he does not even realised when I speak about imported inflation, the particular elements I am talking about would be about what is happening to the international oil prices, about how by virtue of the impact,

they would have on the international economy because of our high import dependency, and about the impact the movement in the national price of oil would have on the international economy, from which we draw heavily, not only for our consumption goods but for the goods that go into our production processes. Sir, it is through that channel that the main impact on the international price level would be felt. Sir, it is as simple as that. But then again, anything to do with economics, the Honourable Member would not understand.

Mr. Speaker, that theory comes in and could be considered as one of the key elements in the cost-push menu. We could also look at some of the other things that would affect the economic price level.

Asides.

Hon. A. P. WOOD: There are other theories on imperial work, which would have shown some link between the movement in the interest rate and the movement in the domestic price level. It is not a statistically significant impact, as would be the case of imported prices.

Mr. Speaker, the Honourable Member has also given the impression, without even realising, that the increase in the cost of fuel could be separated from what is happening elsewhere in the economy. The Honourable Member tried to make a distinction between the impact on the price level that would be occasioned by the increase in oil prices. Sir, the reality of it is that oil is everywhere and anywhere in the economy, like that of electricity. Therefore, if there is an increase in the price of oil, resulting in an increase in the price of electricity, it would mean that it is going to increase one of the key components of the cost menu of a business. Therefore, there is going to be a push effect, as a result of the increase in the price of oil and electricity.

Asides.

Hon. A. P. WOOD: Mr. Speaker, one of the things the Honourable Member has not said, if the Honourable Member really knows anything about how prices are affected in this country, is about productivity. Sir, this is a very important argument for his benefit, we call it an exogenous variable, and the price level determination function in Barbados would be that of productivity.

Mr. Speaker, the Honourable Member for St. Philip West also does not understand, because there is a particular context in which we need to discuss the debt situation in Barbados. There is a particular context in which we need to understand and to speak seriously to, about a debt management programme for an economy, one that has travelled the path this one has, since 2001. It is a very

serious thing and the Honourable Member for St. Michael North East is right.

Mr. Speaker, since there was the downturn in the international economy, since the events of September 2001, this Government said that it was going to take a deliberate attempt to utilise fiscal expansionary policies, to ensure that what the Democratic Labour Party had sent people through, between 1991 and 1994, would not have happened. We said that we would have used the opportunity, and that because of the strength of the economy at that time, that we were going to do a little slackening of the fiscal position, in an effort to ensure that people in this country did not suffer.

Mr. Speaker, the Honourable Member would not know about that, because they practised the other approach between 1991 and 1994. Sir, as a result of our slackening of the fiscal position, in an effort to ensure that people in this country did not suffer, what have we done? We have given the tourism sector a chance to lead the rebound. We also said we would have invested in capacity building. We said that there would have been no cuts in the social services in this country, and we have lived to those promises.

Asides.

Hon. A. P. WOOD: That is what we said we would have done because in everything that we have done over here, we have always put a human face to it. That is why I have said, which is consistent with what the Honourable Member for St. Michael North East has said earlier, that the debt situation needs to be analysed in a particular context. The Honourable Member made mention of the importance of incurring the deficits, in order to propel development, and that is a basic fact of life.

Mr. Speaker, could you imagine if Barbados, as small as it is, could seek to practice a balance budget, how many people in this country would suffer? That is why it is important to continue to make contact with the thinking of the Right Excellent Errol Barrow, in regard to how development in a small economy could be propelled. Therefore, we are not shameful on drawing on the wisdom, as it relates to propelling investments in Barbados, by reminding them of what the previous Honourable Member for St. John would have said back then.

Mr. Speaker, I do not know what books the Honourable Member for St. Philip West read, but I can tell you that there is such a thing in economic called a Philips curve, which gives a relationship between inflation and...

Mr. D. St.E. KELLMAN: On a point of order. Mr. Speaker, the Honourable Member is misleading this Honourable House by giving the impression that in economics, the Philips curve is taken seriously in this day and age. The Honourable Member knows that the theory of

the Philips curve is not relevant in this modern day practice.

Hon. A. P. WOOD: Mr. Speaker, if I were still lecturing at the University of the West Indies, I would have asked the Honourable Member to explain to this country what is a Philip's curve.

Asides.

MR. SPEAKER: Honourable Member, please proceed.

1.50 p.m.

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(EDITED)

Hon. A.P. WOOD: The Honourable Member was trying to establish earlier, that Government spending is driving the inflation in the country and I am saying that is not the case.

Mr. Speaker, I am saying that, consistent with what we did in September 2001 and beyond, in order to protect the gains that we have had socially and otherwise in this country, it is well understood that there is a trade off between inflation and unemployment and that is well-established by Professor Phillips way back then. It is an inversed relationship but relevant to the extent, that says that if you want to aim for low levels of unemployment in certain circumstances, you have to expect, through the pursuance of economic policies, a rise in the price level. Sir, that is an established relationship. Mr. Speaker, if he knew there was such a thing and had come into contact with it, he would have tempered some of those statements here.

Mr. Speaker, let me go to the Honourable Member for St. Philip West, the man who knows more about personal debt than anybody else, not about the country's debt. Sir, let us look at the context in which this debt in Barbados has been accumulated. It is clear and simple, if you look at the performance of this economy over the last 12 years. I would not stand here and say that we have not had challenges in regard to the generation of foreign exchange, I am not going to say that is the case. The Honourable Member for St. Peter said in here on numerous occasions and prefacing every Economic Statement since 2001, that one of the things which Barbados has to do with greater urgency is to earn our way in the world more and to stimulate those activities that would result in the generation of higher levels of foreign exchange. Sir, that is nothing to be hidden.

Mr. Speaker, if what the Honourable Member for St. Philip West is mentioning about this debt trap and all sort of other economic terms is true, this economy would not be looked on so favourable by all and sundry, outside of the Democratic Labour Party, who reside in Barbados and outside of Barbados. Sir, persons would not be interesting in investing in this country and also the growth performance of this economy would not have been such that even beyond 2001, this economy has been on a growth trajectory and the short-term projections are that it will remain on that growth trajectory.

Mr. Speaker, let me also tell you that if you listen to the gloom and doom brush with economics coming from the Honourable Member for St. Philip West, you would not expect that the people of this country would be able to have access to social services, without having to endure any cuts, as was the case in 1991 to 1994. You would not believe that we are expanding the university and that we are expanding the post-secondary and tertiary level institution, so as to offer more places, which would help us to hold firm to that incontrovertible link between the building of human capital and development.

Sir, that is captured especially well in a branch of economics, which the Honourable Member for St. Philip West would be well advised to read, called "Endogenous Growth Theory". Sir, an understanding of economic growth theory would tell us that a country that sets aside large investments to build human and social capital, is a country that is preparing itself properly to remain on a growth trajectory.

Mr. Speaker, none of us on this side would tell you that the economy does not have a challenge with increasing its national capacity to import. I heard the Honourable Member for St. Michael North East presiding at a seminar with the manufacturers and, in recognition of the need for us to earn more foreign exchange, the Honourable Member for St. Michael North East set some ambitious targets for the manufacturing sector. Sir, could that be a non-recognition of the need not to earn foreign exchange?

Mr. Speaker, the Honourable Member for St. Philip West mentioned the establishment of the agency that is to lead the activity and plan in a structural way for us to increase our national capacity to import. Sir, for the benefit of the Honourable Member for St. Philip West because he may not know what that fancy term means, the national capacity to import basically is the ability of a country to import from its current export earnings.

Mr. Speaker, this is one of things we are paying close attention to, to build our national capacity to import because that is what the country needs as well. Sir, to come in here using economic terms without understanding the link in the dynamics of a small open economy, is just to

obfuscate and confuse - not on this side because we have people who understand these things - those on the other side, starting with himself.

Mr. Speaker, let me get to the issue of the debt trap.

Mr. SPEAKER: Honourable Member, you have two more minutes.

Hon. A.P. WOOD: Mr. Speaker, in International Finance that some of us use to teach, there was a lovely subject in the final year course call the "Debt Crisis". When you hear the Honourable Member for St. Philip West speaking about the debt trap, you would think that Barbados was in the same environment of Sub Sahara Africa in the early 80s. You would not believe that this country has no problems whatsoever in meeting our external debt service obligations.

Mr. Speaker, a country is caught in a debt trap if it is generating so little foreign exchange earnings or if it has access to the international capital markets, so it cannot avail itself of the necessary foreign exchange to propel its development so, it becomes caught in a vicious cycle of debt, which is called the debt trap, if too a high a proportion of its current export earnings and its inability to access foreign exchange elsewhere, puts a tremendous damper on its developmental objectives.

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Hon. A.P.: Sir, you have to take too high a proportion of the foreign exchange that you have access to, and meet the external obligations, so, you are left with too little, to deal with issues pertaining to the development of the country, recognising that it is an open economy.

Mr. SPEAKER: Order, please.

Hon. A.P. WOOD: Mr. Speaker, this is a foolish definition that he has given of a debt trap. A debt trap is something that is practical, and you have the experience of Sub Saharan Africa, many of the countries. One of the reasons they found themselves in that problem, is because of the inefficient use of the monies, that they would have been able to access from those countries that would have benefited heavily from the petro dollars in the 1970s.

Sir, it was because of an inefficient use of those funds, that would have run Sub Saharan African countries, and some in Latin America as well, but we will never be in that position, because as the Honourable Member for St. Michael North East Honourable Senator said, we do not

borrow money for consumption led activities. That was one of the problems with the Sub Saharan African countries and the Latin American countries. Too much of the money was used for consumption activities.

Mr. SPEAKER: Order, please.

Mr. Speaker, we had a situation a few months ago and we said and stood firm that we were not taking on any deal with the Venezuelans with Petro-Caribe, because that would be tantamount to us borrowing for something that you use on a everyday basis. We said no, that you borrow to build capacity.

Sir, the late Right Excellent Errol Barrow would have recognised that in the context of an inter-generational view of economic strategising, that there is absolutely nothing wrong, if you are going to build productive capacity, that is going to generate revenue and benefits for the economy, over a medium and long-term, that those who come afterwards and will be in a position to benefit going forward, that they have some responsibility also to look after the debt that would have resulted in creating a better environment for them to live over the period. That is how we look at it in an inter-generational context. That is how serious the economists would discuss the debt that we have been accumulating and the appropriate debt management strategy.

Mr. Speaker, I am sorry that my time has come to an end, but I respect your position, and I thank you.

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

Mr. D. St.E. KELLMAN: Mr. Speaker, it is clear that all the predictions that have been made from this side about the economy of Barbados has been proven today. It is clear that when a Government makes an announcement that its import bill has increased by \$1 billion and then less than a month after, turns up in Parliament seeking to borrow money to increase the foreign reserves of the country, it is a message that those economists on the hill should have a field day on.

Sir, I would expect that based on the pronouncement of the Prime Minister, where it was stated that our import bill has increased by \$1 billion, and today we are now borrowing \$130 million to prop up the reserves, I wait to hear the economists on the hill speaking on this particular matter.

Mr. Speaker, it is clear that when one considers the \$1 billion increase in the import bill, one has to consider whether there is a relationship between the \$1 billion import bill and this particular loan. The question would have to be asked, if there is a relationship between the \$1

billion increase in import bill and the Government seeking to have a \$130 million to boost the foreign reserve, clearly, one can easily come to the conclusion that this money is to match the increase in the import bill. One would have to ask whether it is true, based on what was said previously on the other side, that the Government does not borrow money to pay current account bills. Sir, this is a very serious statement and consideration should be given to this particular matter.

Sir, when we speak about borrowing - a statement was made earlier comparing the Democratic Labour Party between the period 1986 to 1994, to the Barbados Labour Party and its current position. It is clear that the Democratic Labour Party had policies in place to deal with import substitution. That is why in that period, one would have seen the imports only increasing by \$47 476 000 per year, and one can easily look at the Economic and Financial Statistics of the Central Bank and these figures will be shown to be correct.

Sir, under the Barbados Labour Party, the evidence is clear that whenever they are in Government there is an increase of \$180 million per year, as compared with the Democratic Labour Party, when they spent only \$47 million per year, which means that they have the capacity of increasing the foreign debt as it relates to imports by over 203 per cent. If the Honourable Member for St. Philip South, whom I had to correct on the Phillips curve wants to contradict what I am saying, I can ask the Honourable Member to refer to the Central Bank of Barbados Economic and Financial Statistics, and the evidence is there.

Sir, all this has occurred even though I warned the

Government that they should not cut back sugar production. I warned them not to introduce quotas for the milk farmers. I warned them not to cut back the poultry producers production and I also warned them that the food crop farmers should not see a decrease in the demand, but instead an increase in the demand.

Mr. Speaker, clearly, one can easily come to the conclusion that our economic position is a problem of the Barbados Labour Party, and it has nothing to do with what is happening in the world. Sir, for the simple reason, it was not the world who decided to cut back the sugar production of Barbados. It was not the world who decided to put quotas on the milk producers of Barbados. It was not the world that decided that the poultry producers in Barbados should cut back their supply, neither was it the world that demanded that there should be a cut for the food crop farmers in Barbados.

14.10 p.m.

Sequence 19

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House 116, Sequence 20, 2.10 p.m.

Mr. D. St.E. KELLMAN: Sir, one would have thought that in light of all this information, the Government would have recognised that there are about three sources of foreign exchange. That is, the country can easily earn foreign exchange from its returning nationals, the country can earn foreign exchange from its exports and services, and the country can also get foreign exchange through loans.

Sir, instead of us seeing a programme being placed by this Government to have a relationship with the returning nationals, and a programme where the Government is interested in increasing its exports, we are seeing...

Hon. A.P. WOOD: Mr. Speaker, on a point of order. The Honourable Member is misleading the House. I did not want to interrupt the Honourable Member in his flow but he is not quite true when he has identified those limited sources, from which a country can get foreign exchange.

Mr. Speaker, many a country has been helped by the inflow of capital, in the form of foreign direct investment. He just identified foreign nationals remittances, he said through loans and the generation of export earnings. He missed out a very important component. I do not know if he did it because of ignorance or he is talking too fast.

Mr. D. St.E. KELLMAN: Mr. Speaker, quite clearly, anybody who understands the inflows from returning nationals would know that also will be involved. The problem is the Honourable Member is too quick on his feet because I was explaining, and he did not give me chance to speak about investments.

The Honourable Member should have known that the same way I had the capacity to correct him on the Phillips Curve and its relevance in today's economic discussions, that I would know the importance of investments.

Asides.

Mr. D. St.E. KELLMAN: It is no way, Sir, and I would not repeat that the Honourable Member for St. Michael South said that the Honourable Member for St. Philip South, when he spoke, had a dose of Phillips Milk of Magnesia.

The point I am making is that you would not in this House today, Sir, hear the Honourable Member for St.

Michael North West in here speaking about the Philips Curve and using it in modern day relevance, because the Honourable Member understands that was relevant in that age, but it is not relevant today.

It is possible for inflation to increase and employment not to increase, or unemployment to decrease. The Honourable Member knows that. Sir, do you know what is interesting? The same Honourable Member who spoke about growth without employment could now come and talk about the Phillips Curve. He could have asked me to explain to this House about Phillips Curve. The Honourable Member should have known that I do not speak on matters that I am not acquainted with.

Sir, under the Democratic Labour Party we net borrowed between that bad period, and I am going to give you the statistics. Sir, between 1986 and 1994, the Democratic Labour Party had a net borrowing at \$131.9 million per year. I am speaking about foreign debt. I am speaking about a Party which they said was bankrupt.

Sir, would you believe that this great Party, the Barbados Labour Party during the period 1994 to 2006, net borrowed on a yearly basis at \$67.89 million per year. I want you to tell me, Sir, which Party is worse, the one that is borrowing at \$16.4 per year, or the one that is borrowing on \$67.89. All of these statistics can be found on page 73 of the Economic and Financial Statistics.

Sir, I do not even have to open it. I know the page well. I will stop to give the Honourable Member for St. Philip South, the economist, a chance to dispute these statistics that I have produced in this House. I know he cannot stand up because he knows that once I produce statistics in this House, they cannot be challenged.

Sir, I will now show you the difference between the Barbados Labour Party and the Democratic Labour Party. I am going to be fair. I will always be fair in this discussion. The Democratic Labour Party had a policy that they have always felt - and it is a policy that came from the late Rt. Excellent Errol Walton Barrow - that a country should be able to depend on itself. Sir, that is why you would find that a Democratic Labour Party would prefer to borrow on the local market, instead of borrowing on the foreign market.

Sir, between the period 1986 to 1994, we borrowed \$133.1 million on the local market, whereas the Barbados Labour Party borrowed \$122.14 million. In other words, when it comes to borrowing from its own people, the Barbados Labour Party borrows less. Sir, when it comes to foreigners, they borrow more and they incur foreign currency outflows, which they put in the pockets of foreigners. The Democratic Labour Party puts the money in the pockets of local people and that is the difference.

Sir, if you watch the policies of the Barbados Labour Party everything is predicated towards outsiders, and not its own inside people. The statistics are here and they cannot get away from them. When you see me arguing, I do not argue because I want to argue. I can even challenge the Honourable Member for St. Michael North West, and I know that the Honourable Member will not dispute these figures because these are normal things that we would have discussed and understood and nobody can contradict us on them. Sir, if he had to argue this point, he would have argued it the same way, came to the same conclusion, even though we are discussing economics, and you can get different answers, depending upon how you look at the topic.

Mr. Speaker, this country has to understand something. I hope that the Honourable Member for St. Michael North West would rise to the occasion when he gets up. There is a source of capital in this country that we can source, which we are ignoring. There is a source of capital that does not cost us one cent in foreign exchange. Sir, that is what the Honourable Member for St. Philip South would call, remittances. I am happy that the Honourable Member understands the importance of remittances.

Sir, if we are getting remittances and those remittances have no foreign exchange cost to them, the only cost they can have because of the solution that I want to put to this borrowing, is revenue and not foreign exchange.

This Government has a problem. This Government is more involved in revenue expenditure than earning foreign exchange. I have said this already and I will continue to make this charge. This Government has to understand that when returning nationals send in their remittances, they do not cost the country one cent in foreign exchange. It is the cheapest source of foreign exchange.

The Honourable Member wanted me to talk about investments. When you get foreign investments, then you expect foreign flows out. When you get remittances, you do not normally expect foreign flows out. It is not a cost to the country, so if I had to leave out something, Sir, I would prefer to leave out the investments than to leave out the remittances. The remittances are in the interest of the country.

House 116, Sequence 20, 14:20:14

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Mr. D. St.E. KELLMAN: Sir, I know that my professor would take that from the student.

Mr. Speaker, every year the remittances to this country by returning nationals save us \$15 million, which is money we do not have to look for to service loans.

Hon. A. P. WOOD: On a point of order. I really do not like to do this but this is a serious place and I expect serious people to come in here and talk serious things. The Honourable Member is seeking to give the impression that a country, in seeking to develop seriously and maintain a quality of life that persons living here are accustomed to, can do so based on the quantum of remittances rather than to look for inflows of foreign capital to develop big projects. It is really a sad day in the life of this House when someone could put a higher value on remittances to develop big projects in an effort to propel our development rather than on the substantial millions that flow into the country.

Mr. D. St.E. KELLMAN: Mr. Speaker, the Honourable Member for St. Michael North West would never have made that point because the Honourable Member would have known that I am only speaking about the remittances to make a bigger point, which is, that the remittances are known, but that there is a source outside of Barbados from the same people who send the remittances that we need to target. Therefore, the Honourable Member should have known not to try to contradict anything I am saying. Sir, I will now deal with the investment side of it.

Asides.

Mr. D. St.E. KELLMAN: The excuse now is that I took long. I was explaining the remittances and now I am on to the investments.

Asides.

Mr. D. St.E. KELLMAN: Sir, because other Honourable Members might attack him, the Honourable Member wants to take that out on me, but he has chosen the wrong person to attack when he is speaking about economic or financial matters because he knows that I can take him on and deal with him and embarrass him too.

Mr. Speaker, the majority of the returning nationals that come to Barbados do not bring their bank accounts with them, they just bring an amount of money to service themselves. Sir, because of the attractiveness of the savings elsewhere, they leave their bank accounts overseas. That is why I am saying that we need to create an investment climate for returning nationals.

Sir, this is nothing new, I have said this as far back as when we were discussing the foreign debate and I have Mr. Speaker as my witness. I am sorry that the Dame is not here because the Dame would have given him some lashes for this same point. Sir, what we need to do is to give the

returning nationals an interest rate higher than what they are getting in the country of their savings so that they can send those returns to Barbados as investments, and the Government could underwrite the surplus payment to the returning nationals considering the foreign exchange inflows that the country is getting. In other words, what we are giving up for foreign exchange is probably about a two or three per cent service charge, whereas on this loan alone we are paying out 6.625 per cent, all of which has to be serviced in foreign exchange. I am saying that it is better to look at the opportunity cost of what they are doing and then deal with the returning nationals instead of going on the international market and incurring higher debts servicing charges.

Asides.

Mr. D. St.E. KELLMAN: The Honourable Member is saying that I am attacking him, it is the Honourable Member that was attacking me, I am only defending myself. He has declared war on me and now that I pulled out my big punch, he is complaining.

Mr. SPEAKER: Your time is going.

Mr. D. St.E. KELLMAN: I do not mind, Sir, once I am dealing with the Honourable Member.

Mr. Speaker, we also have to be very careful in this country because we are now getting to a very critical stage where we seem to be prioritising in the wrong direction. A country like Barbados that brags of having 12 years of growth cannot now be coming to the Parliament of the country to borrow money to prop up the foreign reserves. Sir, that is an admission that this country has not been servicing its food bill.

Sir, had the Honourable Member been sitting over here, he would have come to the same conclusion. Sir, I know that the Honourable Member came to that conclusion a long time ago because in life, once you are dealing with figures everything is a formula. Sir, I will work out the formula to demonstrate to this Parliament, not now, at the appropriate time because I would do the add-ons and the subtraction, that there has to be a deficit and it has to be financed and why the financing cannot be for capital projects, but has to be for servicing your daily bills. Sir, the evidence is there.

Sir, for quick reflection, the Prime Minister of this country said that the import bill increased by \$1 billion. Mr. Speaker, let us start from there. If your food bill increased by \$200, it means that you have to find money to service that food bill and if your wages are not increasing, where will you turn to pay that debt. This means that you will have to borrow to pay the debt. It is the same thing with an economy.

Sir, the Honourable Member for St. Philip South nor anyone of them on that side cannot come in here when I am sitting in this Parliament and shoot figures at me and expect me to swallow them. They should know that they might get away with it, but they not shoot them at me because once they shoot them at me I have to defend myself and when I defend myself it can be a very dangerous punch coming.

Mr. Speaker, I am saying that we need to recognise that this country belongs to all of us. The call must go out that we must reduce cost and increase production. We must also put a system in place to ensure that the returning nationals do not only have remittances but that they pay for their investments in this country. Sir, this foolishness where we have been frustrating the returning nationals because of revenue must stop. If they are bringing in the remittances at this level, we cannot be complaining about duties over a car or about furniture. Sir, it is much bigger than revenue now.

Sir, what we are speaking about is foreign reserves which is more important to Barbados right now than revenue because tomorrow morning if the Prime Minister of this country wants revenue, all he has to do is to summon this Parliament - and sometimes the Prime Minister does not even have to do that - or he can make the announcement and say by 12.00 p.m. something will increase and the Honourable Member would get his revenue. Mr. Speaker, foreign exchange cannot be had the same way. Therefore, we have to appreciate people who earn foreign exchange. Sir, that is why I cannot understand why people would complain when the manufacturing sector, the agricultural sector and the services sector get concessions because they are doing something for the country that other people cannot do, and I will defend them.

Sir, because a man is not exporting, it does not mean that he is not involved in import substitution which will stop leakages of foreign exchange.

House 116 Sequence 21

2.30 p.m.

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Mr. D. St.E. KELLMAN: Mr. Speaker, the time is not here for me to give an economic lecture but it serves to demonstrate that no matter who you are, you cannot come here and pull wool over my eyes, because when it comes to broadness, they do not have it, I have it. They have the horizontal but I have both horizontal and vertical. When they come here telling me about Errol Barrow, they do not know anything about Errol Barrow because, in relation to a discussion such as this, the Right Excellent Errol Barrow said that a Government must always budget, so that it could

service its capital account, by the surplus from its revenues over expenditure.

Mr. Speaker, I was here to have heard him, and I understand, and that is a normal procedure. Sir, a country that continues to run on deficits, would be a country always in trouble. Furthermore, no country could continue to build up deficits, without having a surplus. Sir, even the Barbados Labour Party had a surplus. If they are saying that having a surplus is wrong, it would mean that in the year 1997, I think it was, they would have committed an error.

Asides.

Mr. D. St.E. KELLMAN: My memory serves me well, that in one particular year the Barbados Labour Party had a surplus. What I mean is that the revenue was higher than the expenditure. It means that based on the inflows, what the Government should have done, was that instead of trying to match expenditure with revenue, the Government should have kept the surplus and built up reserves for the 'rainy day'. Instead, the Government went on the foreign market to protect the local market.

Sir, it is wrong and we need to do something about it. The question must be asked, if we, every year, come to this Parliament and our expenditure is greater than our revenue, how is it being financed? It is being financed through borrowing? Sir, that alone is an admission that we have been borrowing to service current expenditure.

Mr. Speaker, I do not want to hear these glorified statements about not doing this or that. The facts are here and, therefore, I expect that when I am sitting here and economic matters are being discussed, that there would be a higher level of debate. I do not want persons to come here, believing that they could simply throw statistics around and that I would accept them just like that. Sir, I will defend my integrity, as it relates to statistics.

Mr. Speaker, I know the World Trade Organisation and a number of organisations believe that small countries should not support their local industries because of the fact that they want to dump their products onto those countries. I have warned this country that the World Trade Organisation, the Organisation for Economic Co-operation and Development (OECD) and others, are not in the interest of small countries. They are about keeping market share and dumping their goods onto other countries. Mr. Speaker, if we have agreed that we cannot give concessions to our farmers or manufacturers, in the same way that other countries could develop their industries, then we need to engage in what is called Research and Development. Nobody could stop any Government from giving money for Research and development, to better any problem. Sir, as an example, we have a Sugarcane Research Station at

Groves and in order for them to do their work, they must be able to spend money. Therefore, to spend money to generate foreign exchange for the country, it, therefore, means that the country should provide money for that research station, to be able to do its work in Research and Development. Sir, at the end of the day, it is all about generating foreign exchange.

Mr. Speaker, for example, in relation to the milk producers, we have to find a way where the cows would be able to produce more milk. Therefore, we have to give farmers money for them to be able to engage in research and development, so that through Research and Development, they would be able to develop a better process of milking, or for the cows to eat in such a way that they could deliver more milk. Sir, we also have to give fishermen money for them to engage in research and development. Government is not subsidising any of the industries.

Asides.

Mr. D. St.E. KELLMAN: Mr. Speaker, all we are doing is giving money to increase capacity, and that is exactly what we want in the country. Mr. Speaker, other countries use different forms, to be able to look after their producers. Therefore, we have to find ways of looking after our producers too because at the end of the day, it is the foreign exchange that we need. Sir, I do not believe in coming to this Parliament every time and borrowing foreign exchange. Sir, foreign exchange must be earned or attracted and the best foreign exchange that can be attracted is that of the returning nationals. I want Barbadians to understand the importance of returning nationals to this country. We have only seen the remittances but there is a large bloc of money out there that we could receive, in terms of investments from returning nationals.

Mr. Speaker, I want returning nationals to know that we have not forgotten them, and that we understand their contributions to Barbados, and that will ensure they would be seen as investors and savers for Barbados. Sir, we will put the necessary instruments in place to attract what they have. We will also have a relationship with them, in the same way that we will have one with the manufacturers, farmers and all other persons involved in production in this country, especially the workers. I thank you.

Mr. D. J. H. THOMPSON: Mr. Speaker, let me begin by agreeing with the Honourable Member for St. Philip West, that we participate in this debate, probably on a sad note, but that we will support the borrowing by Government of this sum of money, because of our overall commitment to this nation. Therefore, if the Government says that it is in such a perilous situation and that there are concerns about foreign exchange earnings... Sir, even if they do not say there are concerns about the performance of

the Barbados economy, I know that in their hearts, for those who have not spoken, they are concerned, and we are concerned.

Sir, I would even venture to say that at present, there are some people sitting on the Front Bench, who in the last 18 months in their criticism of this Government, have been complaining, in the most vociferous and pointed language, about the state of the Barbados economy. But more importantly, it has come from that Front Bench, no less a statement, which occurred on 19th May, 2004, - and I cannot quote from the newspaper, I have to quote from my memory, that Government excessive borrowing, since the year 2000, poses a threat to Barbados' fixed exchange rate.

Asides.

Mr. D. J. H. THOMPSON: You do not know who said that? You could read the Nation Newspaper, Thursday 20th May, 2004.

Asides.

Mr. D. J. H. THOMPSON: I am not quoting, I told them to read the Nation Newspaper. If you do not know the page, the headline is: "Mascoll: I Told You So". So make sure you read the right article.

Asides.

Hon. C. A. MASCOLL: On a point of order. Mr. Speaker, it is quite easy to appear to be quoting from a paper, when a paper does not carry quotation marks, and suggesting that someone has said something like that. Mr. Speaker, I would have never said that borrowing would be a threat to any exchange rate in this country.

Asides.

Certain remarks made by the Honourable Member for St. Michael North West were ordered to be expunged from the records by MR. SPEAKER.

2.40 p.m.

Tuesday, November 14, 2006

(EDITED)

Mr. C.A. MASCOLL: . . .

Mr. C.A. MASCOLL: I would never say it and my training would never have permitted it and, Therefore, I could not have been quoted in any paper that Clyde Mascoll said that. Sir, I am talking about quoting and you know, Mr. Speaker, that newspapers can put a very flowery byline or it can even go on to suggest, by inference, that

there is no direct quote and, therefore, nobody on that side, the ones that I taught, the ones that I advised, can say that Clyde Mascoll has ever said that excess borrowing would lead to devaluation. Sir, I have defended myself in my speech.

Mr. D.J.H. THOMPSON: Mr. Speaker, Sir, I am not sure what the Honourable Member responded to. Sir, I do not want to quote so I have to go on my memory of what I read, which is reliable, but the Honourable Member is saying that I am not authentic so I would have had to cut and pasted this article. I urge all Honourable Members of the House and Barbados as a whole - since I cannot quote it here, I will quote it elsewhere - to read the Nations Newspaper at the top of page 5, in the Daily Nation of Thursday, May 20, 2004. I have heard Honourable Members of the Frontbench say, with my own ears, that Government's high debt, fiscal deficit, and the external current account deficit are risks to the fixed exchange rate of two to one.

Mr. Speaker, that was all I said and all that the Honourable Member for St. Philip West has been saying. Sir, there are people in here who, every week get up and talk about how they now feel like a man but, Sir, I never had that difficulty. I never had to tell anybody that I now feel that way. I could imagine that if you spent 12 years saying one thing and would now find yourself in a position saying the complete opposite, then no wonder you have to tell people that you are a man or that you have become a man, if you were not one before.

Mr. Speaker, in this debate, we have a public duty to Barbados and our position has been consistent in the last 18 months. I want to say to Honourable Member for St. Michael North East and the Honourable Member for St. Philip South that the one one thing you cannot say in this debate about us, any of the six people on this side...

Asides.

Mr. D.J.H. THOMPSON: I can speak when I want to speak. I am a man, that is why I can speak when I want to speak and nobody can tell me when to speak.

Mr. SPEAKER: Honourable Member, you are sure about that?

Mr. D.J.H. THOMPSON: Yes, Sir, I am very sure and I know that you know how sure I am about that too.

Mr. SPEAKER: I know you are sure.

Mr. D.J.H. THOMPSON: Sir, the position on this side has been and remains consistent. I am saying that, fortunately, we have some people over there in the highest level of Governments, in the Ministry of Finance - I am not

talking about the Honourable Member for St. Philip South because if I had a man of his talent and ability on my side, I would not relegate him to being Minister of buses and gas stations, not after the speech I heard today. I would have given him a little promotion where he could more effectively use the talent that apparently has been concealed from the rest of Barbados. I know I would never say, if he were on this side, that I needed an economist because I would have accorded him his due respect and honour.

Mr. Speaker, I am saying that there are people on that side, who have agreed with the position of the Democratic Labour Party but if there is any dissonance, disconnection and confusion in economic policy in Barbados today, it has been on that side of the Chamber. There is confusion over the impact of the removal of the cess in the Ministry of Finance at the top levels of Government. There is confusion over whether you can get people to voluntarily bring down prices or not. The Minister says you can but somebody else in the Ministry says that it cannot work. There is confusion over Government's borrowings, despite what Honourable Members on that side said because, there are persons in the Minister of Finance who, for the past 12 years, have been saying that this level of borrowing is dangerous to the economy of Barbados. The fact that they have changed their tune is not my fault. The change is based on money but it is not based on fundamental things in relation to debt. Sir, do you understand what I mean. The change that has occurred, the substantive Minister of Finance....

Asides.

Mr. D.J.H. THOMPSON: I do not know who is the substantive Minister right now but I believe it is the Honourable Member for St. Peter and when he is not here, the Acting Prime Minister, acts as Minister of Finance, which is correct as it should be. Sir, I would not risk doing otherwise either. Therefore, I am talking to the Minister of Finance. When we last debated a financial matter in here, I made an error because I was talking to the wrong Minister. I should have been talking to the Honourable Member for St. James North, who was then the Acting Minister of Finance on financial matter. I did not know this because we are not told those things on this side.

Mr. Speaker, the Honourable Member for St. Michael North East said in this debate that we do not borrow to buy food and pay salaries. Sir, there has been a very intellectually dishonest debate taking place in Barbados down through the years. As a youngster, I came to this Chamber and use to hear in the 1980s, the debate on two sides of the House. Sir, when the Barbados Labour Party Government brought a Resolution to borrow money, they would identify some projects for which this money is going to be used. On the other side, the Democratic Labour

Party's argument was that the money is not being borrowed really for those projects but being borrowed for balance of payments support. Sir, eventually, this House got to the stage where it was able to bring a Resolution to Parliament that said that the Government of Barbados was borrowing for balance of payment support. The Minister who moved the Resolution seems to be in a time-warp.

We all understand what borrowing for balance of payment support means. It has nothing to do with all the projects the Minister called out. The Government is not building Sam Lord's Hotel, the Crane Hotel; the Government is not using this money to build Paradise Hotel. The purpose of balance of payment support is to ensure that the level of reserves in Barbados remains acceptable, so that we can do just what the Honourable Member for St. Michael North East said we were not doing...

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Sequence 23

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Mr. D.J.H. THOMPSON: ...that is import food and pay for it with foreign exchange; import motor cars pay for them with foreign exchange; help meet the commitments to persons who work for Barbados, but have to be paid in United States dollars, British pounds or Japanese Yens or Euros. Therefore, conversely, I am saying to the Minister, who moved the Resolution, that she cannot say for certainty, that if we do not borrow the money, that we will still be able to buy food, motor cars and all of the other kinds of things in Barbados.

Hon. Miss M.A. MOTTLEY: On a point of order. Sir, the Honourable Member is grossly misleading the Honourable House. I really was not going to get into it, because the Honourable Member clearly has problems there, with reconciling with the statements of the Honourable Member for St. Philip West. The reality is, it is a gross misstatement to say that if this US\$65 million was not borrowed, that this country would have gross difficulties with buying motor cars, food and paying salaries. It is absolutely untrue. It is errant nonsense, and it ought not to come from the mouth of an officer of this House.

Mr. D.J.H. THOMPSON: Mr. Speaker, I am going to repeat what I said. The Honourable Member cannot stop me from saying it, and I know why it can be said. That is why I say there is so much confusion on that side, because statements have been made from that side to the public of Barbados, that we are not earning enough foreign exchange. Therefore, if you are not earning enough, the logical conclusion is, at some point in the future, unless

you find somewhere of supplementing your foreign exchange needs, then there would run out eventually. I am not saying that is imminent, but I am saying what the Honourable Minister cannot say to this House is that without foreign borrowing, this Government can meet its normal commitments in relation to the need for foreign exchange in Barbados. Sir, the Honourable Member for Peter has said it, that he has to sell land and borrow money and that is what pays the bills in Barbados.

Hon. Miss M.A. MOTTLEY: On a point of order. I hate to intervene and to object. The Honourable Member is misleading the House, in what can only be categorised as a simplistic ABC view of what the issue is. This country has an issue with the earning of foreign exchange, to the extent that our import bill, currently, is outstripping the earning of foreign exchange. We have said that we are nowhere near in any danger zone, that we are using the borrowings to help us build capacity so as to remove the mismatch now between imports and exports.

Sir, for the Honourable Member to give that sense of panic and immediacy to the country, is to send the wrong message, rooted in what is not true. The Honourable Member for St. Peter has said that in addition to any borrowing, or in addition to any divestment, the country must earn. Mr. Speaker, to suggest that we are only doing the first two and not the third, is to mislead again.

Mr. D.J.H. THOMPSON: Sir, I do not know what the problem is. I am supposed to be someone who does not read, has no intellect or has no ability to discuss economic issue.

Mr. SPEAKER: Honourable Member I did not hear those things.

Mr. D.J.H. THOMPSON: Sir, I am glad to hear that you will acknowledge...

Asides.

Mr. D.J.H. THOMPSON: Sir, there are going to be many interventions in this debate, because I am not talking any archaic nonsense. At the end of the day, I live in Barbados. I have children who live here and who want to have future in this country. I am not going to allow anybody to sidetrack me with any nonsensical jargonistic presentations, because at the end of the day, it is about the reality for Barbados and for the average man and woman in this country.

Sir, the Honourable Member for St. Michael North East, needs to understand that in the year 2006, the Honourable Prime Minister put four options before the country. He said, one, is to legalise casino gambling, but he said he is not going to do that, he does not agree with that.

He said, two, is the legalisation of prostitution but he said that he personally does not agree to that and that is not on the cards, Sir, he then said that the only other ways in which a country like Barbados, on the eve of our 40th anniversary of Independence can earn foreign exchange is by borrowing money and by selling land, and that is the economic strategy that this Barbados Labour Party administration has to pursue, because that is what pays the bills in Barbados.

Asides.

Mr. D.J.H. THOMPSON: Sir, I am trying to see the wood from the trees too. I was really elated when I read in today's newspaper the Prime Minister went to Six Roads and spoke. I am not going to quote what he said, but I understood that he said that he cannot see the wood from the forest, but I can see it, Sir. I can see the wood from the trees.

Sir, we have had all the talk in here in this particular debate. Sir, when Errol Barrow was speaking in the 1960s, he was speaking in a certain context. That context changed for Barbados, and there is a political reality now. There were searing debates in this Chamber. Fortunately, I was young and inquisitive enough, to come here in this Chamber and hear them myself, when Errol Barrow was criticised by the member, whom we eulogised in here the other day, Roy Brathwaite in St. Lucy, for travelling to Havana for a debt conference in the year 1985, and he was called a communist, because of concerns that were being raised about third world debt. The conference was convened by Fidel Castro, that was 1985, and Errol Barrow was one of the lead speakers.

Mr. Speaker, there is a book by Cheryl Payer, I think, called "The Debt Trap, which he said he would lend the then Prime Minister of Barbados, because of his concern about the situation in relation to debt.

Sir, sometimes when you are in your own Party you have to be able to be critical. You cannot be a lapdog to anybody, Sir. I stood in this Chamber and heard Errol Barrow criticised his own Minister of Finance, in 1986, for going to Osaka, Japan, with the then Governor of the Central Bank, to borrow money, but the Honourable Members on that side do not read any of that.

Asides.

Mr. D.J.H. THOMPSON: Sir, there is nothing that Errol Barrow said in that speech, that could be of any assistance to the Honourable Members on that side, in pleading their case to the public of Barbados.

Sir, he had concerns about foreign borrowing. The Honourable Member for St. Lucy, reminded me today, that

in this very House of Assembly, in Budget Debates and otherwise, Errol Barrow always made the point that there has to be some surplus, which must be able to go towards meeting our capital requirements and needs in Barbados, as part of the development effort.

Sir, they took one quotation, made against a background when the national debt was much smaller; against a background when Barbados, at that time, did not have some of the physical infrastructure that we now have. We were now starting out on that journey.

15.00 p.m.

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House 116, Sequence 25, 3.00 p.m.

Mr. D.J.H. THOMPSON: We were now starting out on that journey and we were way behind because when the late Rt. Excellent Errol Walton Barrow was speaking, the economy of Jamaica was galloping ahead of Barbados. It was higher on the human development index. It was higher in relation to every economic indicator, so much so, I see the Honourable Member for St. Michael North East reading that book, "The Elusive Eric Williams." What was it that the late Alejandro Bustamante said about the late Sir Grantley Adams, that imagine, he cannot run poverty-stricken Barbados - that is the way the Jamaicans were looking at us then - but he wants to run a federation in which Jamaica is a member.

Sir, at that time as we all know, the slide in Jamaica's economy started in the 1970s.

Asides.

Mr. D.J.H. THOMPSON: Sir, those quotations must be taken in context. I do not think that late Rt. Excellent Errol Walton Barrow would be so careless a person... Sir, I notice the Members on that side claiming him. I almost fell out of my chair today, when in responding to something that was said on this side, a member on that side said but Errol Barrow is not only yours, he is ours. *Asides.*

Mr. D.J.H. THOMPSON: Sir, when Errol Barrow, in this Chamber, fell out of his chair, that same Honourable Member was not flying over here to help him. That Honourable Member was on the other side laughing, "Oh, look he fall down." Sir, but all of a sudden, to prove a simple and almost cheap political point, the Members on that side have seized on a minuscule quotation by a great National Hero of this country.

Mr. Speaker, the late Rt. Excellent Errol Walton Barrow was a man who would never have said that Barbados only has two options for its development. The late Rt. Excellent Errol Walton Barrow was a man who said that this Barbados has to be built on a balanced economy, in which farmers must be able to make a contribution, in which fishermen must be able to make a contribution; in which manufacturers must be able to make a contribution; in which the hotel sector must be able to make a contribution; in which service providers must all be involved in the national effort of earning enough foreign exchange for us to pay our way.

Sir, Errol Barrow also had another philosophy and it went in these words: "If you cannot pay the subscriptions, don't join the club."

I am saying that we are so bankrupt of economic direction in Barbados today that, despite all of those projects that the Honourable Member for St. Michael North East may have talked about, I have to ask what was said today, as did the Member who delivered the reply to the Budget in 2004.

I do not really want to quote from this, because if I read this back today with unlimited time, this would answer all of the questions.

Asides.

Mr. D.J.H. THOMPSON: You may have it here but you cannot quote it.

The Member is not going to want to tell this House, Sir, that Government cannot forecast revenue. He could only say that when he is over here. He is not man enough now he is over there to say that they are forecasting methods wrong. He is not man enough to that they can no longer calculate unemployment correctly, and when he goes in the Pine, the Farm and so on, nine out of every hundred young people are working.

Therefore, all this talk today about 30 000 jobs there is somebody over there who said that only nine out of every hundred people in the Pine, in the Farm and in Eden Lodge are working. That is just 2004.

Asides.

Mr. D.J.H. THOMPSON: Sir, he is not going to quote that. Nobody on that side would quote this speech, because if they had to quote that speech, they would tell you, as I just said, why is it that with so much liquidity in the banking system in Barbados, Barbadians have not been investing in anything but real estate.

Asides.

Mr. D.J.H. THOMPSON: Sir, he said that in a sea of liquidity, there are no investments in manufacturing, that there are no investments in agriculture, and there is no investment in anything else major for the benefit of the people of Barbados.

Sir, that was said but today, we heard - I am not sure who is most senior of the finance spokespersons today, but I will accord the Honourable Member for St. Michael North East the seniority - the Honourable Member for St. Michael North East trotting out all of those investments, many of them born of people, who as I say, come to Barbados who may have had a long association with this country and who make investments in this country. Sir, what about ordinary Barbadians? What is their view about their ability to make a contribution in Barbados, either through innovation in the manufacturing sector, or through being involved in agriculture in St. Philip, or being able to fish in Tobago and to bring some fish here to sell and to survive?

Sir, at the end of the day, we are saddened that Barbados is at this stage and what, essentially, the Member put before us, we already know. There is a lot of foreign investment in real estate. I congratulate the Honourable Member for St. Michael North East for her honesty in this debate.

Sir, very little of the investment she spoke about, would have been local Barbadian investment. There may be local partners but in very small shares in those investments.

Therefore, the Prime Minister is right. There are two things that are paying the bills in Barbados. It does not seem as though there is any hope, in relation to the major economic sectors in this country, if you could still call them major, to make a contribution to the earning of foreign exchange.

Sir, we are truly saddened by it because we would like to see this country pursue an alternative economic strategy. They have been in office for 12 years.

Asides.

Mr. D.J.H. THOMPSON: The Rt. Honourable Member for St. Peter in 1994, used to tell us that the long run will soon be here, that these are short term measures and medium term measures.

I am saying the long run for this Government is already here. You have been in office for 12 years with some of the largest majorities ever. All of the talent available to you on that side and some from on this side to add to you, the largest Cabinet in this country, substantial revenue from the VAT...

Asides.

Mr. D.J.H. THOMPSON: But I am not the alternative but I am quoting your speech, and that means you were not the alternative either.

Mr. SPEAKER: The Honourable Member, could you conclude, please.

Mr. D.J.H. THOMPSON: Thank you, Sir.

You had all of the opportunities to lay out before the people of Barbados and have your long term objectives met, but you cannot get it done. Sir, 12 years later, the Minister for Economic Affairs is saying it takes a long time to get this happening; it takes a long time to get human resources going; it takes a long time to get investment occurring; it takes a long time to turn around the manufacturing sector; it takes a long time to build a new sugar factor and all of the excuses in the world. Therefore, this country is consigned to an economic Programme by this Government that involves selling off our prime real estate and borrowing, and that is sad for Barbados, very sad, Sir.

Thank you, Sir.

House 116, Sequence 25, 15:10:14

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Mr. Speaker vacated the Chair and Mr. Deputy Speaker assumed the Chair.

Hon. C. A. MASCOLL: Mr. Deputy Speaker, what we have just listened to is precisely why this country cannot afford to allow the Honourable Member for St. John to become part of the leadership apparatus of Barbados.

Mr. Speaker, I have always been prepared for a debate and had I not brought with me my reply to the 2004 Budget, the Honourable Member for St. John would have been able to quote to suggest that I said anywhere in this document that only nine out of 100 boys or men in the districts of Eden Lodge or the Farm are currently employed. Mr. Deputy Speaker, nowhere in this reply is any such comment made because I am not so political as to ignore my profession.

Mr. Deputy Speaker, let me therefore address the matter at hand because the impression is being given that Barbados has recently become dependent on financial inflows.

Mr. D. J. H. THOMPSON: On a point of order. I want to draw to the House' attention that I was actually quoting from the debate of Tuesday, March 14, 2005 in which the Honourable Member for St. Michael North West

said: I am saying that if you want to believe the data, it is up to you. I cannot make you believe but I know that deep down in your bosoms it must be very hard to believe that in any district like the Farm that out of every 100 males and females that I meet only nine of them would be unemployed. Can this be happening in the Farm, the Ivy, the Pine or even in middle class Barbados that every one hundred persons you survey that only nine would be employed in today's Barbados as we speak and we believe it. Sir, I will repeat because the Honourable Member questioned the record. He said: Sir, you only need to come out early on mornings to see the number of guys on the block, you only need to go and do your own survey across your constituencies to recognise that it cannot be that of every hundred persons that you come into contact with only nine are unemployed.

Mr. DEPUTY SPEAKER: Proceed Honourable Member.

Hon. C. A. MASCOLL: Mr. Deputy Speaker, that is why it is so difficult to deal with the Honourable Member for St. John because in his presentation he gave the impression that I said that only nine were employed out of every hundred. He is now quoting me and saying nine unemployed.

Mr. D. J. H. THOMPSON: On a point of order. If the Honourable Member wants to deny that he said that, he can do so, but that is what the Honourable Member said. Sir, he cannot question what he said is part of the debate. Is he saying that he did not say it or he did not remember that he said it.

Mr. DEPUTY SPEAKER: Proceed Honourable Member.

Hon. C. A. MASCOLL: You see exactly why the Honourable Member cannot qualify to lead Barbados because he said in his speech that I said that I cannot accept that nine out of every hundred, not unemployed, but employed. That is what he said in his speech deliberately taking off the unemployed to give the impression that I am suggesting that the unemployment rate in Barbados cannot be nine per cent but rather 91 per cent.

Mr. D. J. H. THOMPSON: On a point of order. The Honourable Member did not correct me when I spoke. I finished my speech, I got up and I have quoted for the House what the Honourable Member said. Sir, if the Honourable Member knows what he said, he would not have to argue with anybody over it. He should tell the public what he said, he should repeat it. He said that it is impossible in Barbados that in any district like the Farm and so on that out of 100 people only nine are unemployed.

Hon. C. A. MASCOLL: Mr. Deputy Speaker, I made the unfortunate assumption that the Honourable Member for St. John had made an honest error in saying nine employed. I made the unfortunate assumption that he had made an error, but he is deliberate, that is his nature, so I will move on.

Asides.

Hon. C. A. MASCOLL: Mr. Deputy Speaker, I rise to address some of the more important matters raised in this debate. Mr. Deputy Speaker, I am sorry that my friend from St. Philip West is not in here now, but I expect that he would return to this Chamber because I need simply to explain to him that the way to understand why Barbados' inflation is not self-imposed is to understand that the rest of the region is also currently experiencing a spurt in the inflation rate. Sir, had Barbados' inflation rate been self-imposed, St. Lucia, St. Vincent, Dominica, Grenada and all the rest of the CARICOM countries would not also be experiencing high inflation. Mr. Deputy Speaker, an international phenomenon called rising oil prices is the major source of inflation in the Caribbean, it is not self-imposed.

Mr. Deputy Speaker, let me explain to my good friend the difference between the inflation being experienced in Barbados and the inflation being experienced in Trinidad and Tobago. Barbados is not oil-producing, Trinidad is. Trinidad does not pass on the entire cost of oil to its consumers, therefore the inflation in Trinidad is not spurred by oil. What has happened in Trinidad is that the excess oil prices have led to greater spending power and therefore Trinidad's inflation is demand pull. They have a lot of money, is chasing the same amount of goods, and as we would see in a fish market when there is a lot of money and little fish, the price will go up, and if there is a glut, the price will come down, so it is demand pull. Sir, in the context of other Caribbean countries, inflation is cost push, and that has to be understood. Sir, I would just tell him that.

Mr. Deputy Speaker, the other thing I want my friend to recognise - I owe it to him, I feel a sense of responsibility because I know his heart - that if he is saying that the inflation rate should really be higher, then he is saying that nominal Gross Domestic Product would grow even more. Mr. Deputy Speaker, let me explain it to him, because I understand his heart.

Mr. Deputy Speaker, real GDP is nominal GDP divided by a deflator, what we call a price deflator. Sir, if small y is equalled to big Y over P - I am going to do this because I know that he understands mathematics - and you take the log of small y , it becomes log y , then small y is equal to log big Y minus log P . Log big Y is the log of nominal income, so you bring the other fellow on the other

side and nominal income is therefore a combination of real Gross Domestic Product plus the deflator.

Sir, the rate of growth of nominal GDP is a combination of the deflator plus real GDP growth. The deflator in Barbados and the rest of the Caribbean almost mimics inflation, so if you have high inflation, then nominal GDP is spurred by high inflation. High inflation plus the growth in real GDP will cause nominal GDP to grow substantially.

Therefore, you should not question whether or not the GDP growth for this year or next year would be high, it will be high because of the inflationary pressure on the deflator. I do not know if I could say that better. Therefore, if you are suggesting there should be more inflation, then Government's nominal GDP should grow higher and as a consequence what the Deputy Prime Minister explained that there would be a fall in the debt to GDP is true, but it is as a result of the increases in nominal GDP.

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2.20 p.m.

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Hon. C. A. MASCOLL: Therefore, do not let someone, who is less capable than you, use you, when an Honourable Member of this Honourable Chamber, who has been a Minister of Finance, has refused to engage in discussion on the economy. My friend, I honestly believe that you have been sent forward to shield that individual from his faults. His faults are the inability to understand and to appreciate the real issues affecting Barbados. I would want to say that is a strategy the Honourable Member has employed, which is the less I am exposed, the better off I am, the more I can attack on a political platform. But if you come into this Honourable Chamber, where you could be dissected, which it could be demonstrated that you are incapable, this is not your ground. Your ground is on the political platform, where you could infer all kinds of things about individuals, without the scrutiny of thought, without the scrutiny of logic or without the scrutiny of understanding. Sir, that is the nature of the individual, who is beside you.

Asides.

Hon. C. A. MASCOLL: Mr. Deputy Speaker, I am, therefore, saying to the Honourable Member that while I understand his desire, while I understand his enthusiasm, please do not allow himself to be used, and that is what is happening.

Mr. Deputy Speaker, on the other question, my other friend from St. Lucy, who is making a point about

returning nationals, and it is not a bad thing. What the Honourable Member is suggesting is that if Government wants to get more money from returning nationals, perhaps Government could attract them by providing a higher interest on their deposits. This is fairly laudable but hard to implement because it would be discriminatory. How do we discriminate in this way?

Mr. Deputy Speaker, what has happened in this country, with returning nationals, is that most of them are from the United Kingdom, where the pound has strengthened significantly over the last two to three years. Therefore, in this regard, Government would have to provide an interest for them, which would offset the appreciation of the pound. It would have to be sufficiently high to make the appreciation of the pound to be less attractive for those individuals to retain balances in UK currency or pound sterling.

Sir, by the way, they are permitted to hold \$100 000 in foreign currency deposits in the commercial banks of Barbados. Therefore, a policy that seeks to attract more, by way of incentives to the returning nationals, would have to take into consideration that most of them are, in fact, UK-based, where the pound would have appreciated and therefore, it would be an incentive for them to hold their balances in sterling, rather than in local dollars. As I speak, the exchange rate of the pound is almost BDS\$4 to £1. Not too long ago, the exchange rate of the pound was almost BDS\$3.00 to £1. Therefore, it is an incentive to hold UK or sterling balances.

Mr. Deputy Speaker, while the suggestion is being made that perhaps we could look at that, there is another thought. Sir, what I really want to discuss is that, if you were to look at the Central Bank Report, the Annual Statistical Digest, and look at the visible trade deficits from 1953, one would see that Barbados has always had a deficit on its trade balances. I repeat, it is a feature of a small open economy, as was said by the Honourable Member for St. Philip South. Barbados has always had a visible trade deficit, in which case, Barbados has always had to rely on capital inflows to offset the trade balance that we always generate.

Mr. Deputy Speaker, what has happened, in recent times, is that there has been an increase in development and an escalation in the kind of goods that we are importing, as well as the capital development that we have seen. Therefore, as I was saying for the last 12 years - and I can still say it, even though I am on this side - is that Barbados would need to increase its capacity to earn foreign exchange. Sir, that is not unique to Barbados, that is a feature of all CARICOM economies. There are two constraints to managing a Caribbean economy: (1) prudent fiscal management, and (2), the capacity to earn foreign exchange.

Mr. Deputy Speaker, I will quote: "In 1953, Barbados has a visible trade deficit of \$4.4 million...". Sir, one has to understand that within the context that, at that time, in 1953, Barbados only imported \$45 million of imports.

"In 2004, Barbados has a visible trade deficit of \$2.2 billions...". Sir, Barbados now imports \$2.2 billion in imports. Therefore, it is all relative. Sir, one has to understand that a feature of the Barbados economy is that we have always had visible trade deficits and that they will continue into the foreseeable future.

I am, therefore, saying to you that if you were to check the information on page 169 of the Central Bank Annual Statistical Digest, you would understand that, for all the years, that information has been so in this document. Therefore, the question as to whether or not Barbados is now selling land to earn foreign exchange, to offset the trade balance, or whether or not Barbados is capable of exporting more, is an issue that has to be looked at. It is an issue which I have been known to speak on and will continue to speak on, because I know that the Right Honourable Prime Minister, as well as the Deputy Prime Minister, understand only too well the importance of building out capacity, to enhance the ability of this country to earn foreign exchange. That is nothing new.

Mr. Deputy Speaker, here me this, because the Honourable Member for St. John has actually confused the current account deficit of the Balance of Payments with the current account of the fiscal side. The Honourable Member was talking about the import/export relationship. The Honourable Member then talked about the capital account on the fiscal side. It was really a confusion of the Balance of Payment and the fiscal position.

Mr. Deputy Speaker, when I was preaching Errol Barrow to the other side, I was told that he was dead.

Asides.

Hon. C. A. MASCOLL: And that there was no need to resurrect him. I walked out of a meeting, with an expletive at the end, when I was told that Errol Barrow was dead and that there was no need to revisit him like that, every minute.

Asides.

Hon. C. A. MASCOLL: Mr. Deputy Speaker, I really owe it to that great man. I should not, in any way, feel any responsibility for assisting in destroying his institution, therefore, I will not go on that path because we need Parliamentary democracy. We have a two-party democracy and whatever we say, we would like to see it being retained.

Mr. Deputy Speaker, what has happened is that this side has taken the words of the Right Excellent Errol Walton Barrow and have used them to its advantage, in demonstrating that historically those Prime Ministers of the 1960s had understood the need for having debt. Sir, at the time, small countries could not build infrastructure and capacity without incurring debt. Therefore, when I spoke about excess debt and borrowing, my concern was genuine and it remains genuine, with respect to our capacity in the future. What debt does, is that it does not hurt you now but it could undermine your capacity to have alternative programmes and strategies into the future.

Mr. President, this Party and Government has taken within its Draft National Strategic Plan that it will reduce the national debt to 60 per cent of Gross Domestic Product (GDP), by the year 2015 because it appreciates the need to have alternative policy instruments available to it in the future, along with flexibility of policies, that will redound to the benefit of this country.

3.30 p.m.

Tuesday, November 14, 2006

(EDITED)

continuation of Mr. C.A. MASCOLL:

I do not have to apologise or retreat because I can quote myself in a paper which I wrote in 1995. I was not in Parliament but I can quote myself from a paper entitled: "Future Fiscal Policy and Productivity in the Barbados Economy", and I will quote it slowly and deliberately.

"Fiscal policy, in an open economy like Barbados which has experienced unbalanced growth, since the 1970s, ought to have paid more attention to the supply side of changes in cost, rather than be directed predominately at demand side issues which focused on the benefits of Government's activity. If change in cost was the focus, issues of efficiency and productivity would have emerged as among the most critical for Government over two decades ago."

Mr. Deputy Speaker, I was writing in 1995, as a Research Fellow at the institute on Cave Hill, so if I said that issues of efficiency and productivity would have emerged as among the most critical for Government over two decades ago, I would have been talking about the 1970s, so I have not changed my position. Mr. Deputy Speaker, all I have done is to speak to my conviction and once you can speak to a conviction and a belief, you do not have to change your tune. This is why you need to have a philosophy and vision, that is why introducing a strategic vision for this country is paramount in governance for the future. Sir, I do not have to change the tune, I can quote on

anything. I even went on because I heard reference made to the Right Excellent Errol Walton Barrow and I said here:

"In 1971, the then Prime Minister of Barbados stated that he was an unrepentant product of the Keynesian Revolution in economic thought."

Sir, what is important about this, is that philosophy says one thing, that Government has a duty to extract resources from the wealthy in the form of current account surpluses on its fiscal side, in order to take care of the needy in the provision of health, education, social services and such deliveries. It is rooted in Keynesian social philosophy that Government has a right to extract resources. This is why there was the introduction of an income tax in the 1920s in Barbados because, at that time, the average Barbadian could not vote; at that time the average Barbadian did not have a real income, so that what the Government of the day did, was the Government sought to tax those who were rich by means of an income tax.

Sir, the evolution of an income tax is from progressive income taxation, which sought to extract resources from wealthy people to a point where you no longer have that sort of progressivity in income taxation and Governments now have, one or two income tax rates because the income tax is no longer seen as a mean of redistributing income to the poor; that is understood.

Mr. Deputy Speaker, the issue now is about allocation, not distribution, because Government has, in fact, found ways of using expenditure on hospitals, education, road and building infrastructure to assist the poor so, you do not need a progressive income taxation.

Mr. Deputy Speaker, there are several other things that I can speak to, in the course of this debate but, I really do not feel the need to because I have not heard anything new. I have not heard any discussion on the way forward for Barbados but, I want to say this, on the question of debt. I am the one who pronounced on debt and, I can continue to pronounce on debt but, I also do not want people to believe that a debt GDP ratio is sacrosanct because, it is not. The way to understand it is to understand that the Gross Domestic Product is the value of goods and services delivered in one year but your debt is an accumulation of debt over many years. Sir, just like a household, who is allowed to borrow \$500 000 to build a house but only earn \$100 000 a year, that household would not be called upon in one year to pay back its debt. A country will not be called upon in one year to pay back its debt, so that the debt GDP ratio is indicative but it should not be held on to. It is the structure of the debt that is most important.

Mr. Deputy Speaker, now that I am here, let me say this. I would hope that any Government in the future in

Barbados would adopt a foreign borrowing policy which says that it can borrow in any given year, the amount of money it repays in amortisation in that year. Now, politics as it is, might not have permitted me to embrace such a policy position but, the thing is, if you could retain a stable foreign debt component, you could manage your domestic debt far more effectively so, you should have a strategy. This is what is required in life so you would not have to be hither, thither and yon. What you do is that you outline a set of principles in which you govern and if people disagree with those principles, so be it.

Mr. Speaker, most of us here in the Caribbean support the Democrats of the United States of America but what has happened over the last two decades is that the Republicans were able to identify clearly what they stood for, whether it was in defence; whether it was on taxation; whether it was on abortion or whether it was on other positions, they were not flopping from here to there but were able to say what they stood for and, that is what you have to do as a Government. You have to put a strategy in place and allow people to differ with your strategy. Mr. Speaker, if there is a contention over whether or not you should borrow, you have to determine whether it is within the context of an overall strategy that has been adopted or if it is within the context of its impact on the economy or some other social impact that it may have, so I have no difficulty, Mr. Deputy Speaker.

Sir, if I feel as though there is a sense of comfort where I am now and I can express it, so be it and whoever it offends, let it offend. I have no difficulty saying it and whether or not I can be classified as a man, is nobody's business. Sir, my manhood was never questioned, my gender was never questioned and it cannot be questioned in the future because I know what I stood for from the time I was a boy. I know what I stood for from the time I was at Combermere School, I know what I stood for from the time I was at the University of the West Indies and I still know what I am.

Mr. Deputy Speaker, I do not have to worry about whether or not people perceive that I am now a boy. Sir, could I be still a boy at 47 years old? Mr. Deputy Speaker, I am my own man. In fact, let me say this. They always contradict themselves in trying to argue because, if anything, my pronouncement on Cess should have been that a reduction in the Cess, should lead to a substantial reduction in price, if I am being purely political, that is what I should say but, can I say that when we have been trained to know that wages and prices hardly ever move downwards. Sir, we have been trained for that. This is why the Democratic Labour Party suffered the way it did in the early 1990s because a nominal price does not come down, it hardly ever does.

H116/15:40

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Hon. C.A. MASCOLL: Sir, if you cut wages, using a legislative framework, it offends an individual. If the person's real wage falls, as a result of an increase in prices, that is market driven, that can be returned and rescued by the unions, but a cut in nominal wages is unheard of.

Sir, we have been trained to recognise that wages are sticky downwards and so too for the most part, are prices, except driven by a technological change, as occurred in the United States economy, under President Clinton. Sir, that is what happened under President Clinton, with Alan Greenspan. Sir, Alan Greenspan was increasing interest rates, it was supposed to be inflationary, but prices were falling in the United States under President Clinton. Sir, reason they fell, is because of technology, the cost of a computer, the cost of a video, and the cost of even a cell phone, the costs of refrigerators were all declining because of the increase use of technology, in the production of such.

Sir, at one stage a laptop computer could not be accessed in Barbados except you paid as much as \$25 000 to \$30 000, and that no longer the case. Sir, of course, I support the borrowing, just like the other side supports the borrowing, and I understand the need for it. In fact, let me say that I respect a policy of foreign borrowing that says you can borrow up to your foreign amortisation. However, I understand the need to control your debt Gross Domestic Product ratio over time, but that has to do with controlling the domestic side.

Sir, I can therefore say, with comfort, that let this Resolution do now stand pass.

I thank you.

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

ADJOURNMENT

Hon. R.R. FARLEY: Mr. Deputy Speaker, this brings us to the end Government Business for the day. I beg to move that this House be adjourned until Tuesday, November 21, 2006, at 10.00 a.m.

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

The question that the House be adjourned until Tuesday, November 21, 2006, at 10.00 a.m. was put and resolved in the affirmative without division and Mr. DEPUTY SPEAKER suspended the House according.

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EDITORIAL NOTES — NOT PART OF THE REPORT

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

EDITORIAL QUERIES

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

Q1. Masthead and date. The convening sentence in the source gives the date as Wednesday, June 14, 2006, but the heading and file name give Tuesday, November 14, 2006, which is used. Please confirm.

Q2. Masthead. The session is not stated in the source, so no session line is printed.

Q3. Dates in the text. The source gives ‘Tuesday, June 14, 2006’ (14 June 2006 was a Wednesday); ‘Tuesday, March 14, 2005’ (14 March 2005 was a Monday). The weekday and date do not agree; printed as in the source.

Q4. Headings ‘(EDITED)’. The source carries the heading ‘(EDITED)’ five times in the course of the debate on Order No. 14, apparently a reporters’ working mark. Printed as in the source.

Q5. Order No. 14, Hon. C. A. Mascoll. After one ‘(EDITED)’ heading, a line reads ‘ontinuation of Mr. C.A. MASCOLL:’ as an ordinary paragraph. Printed as in the source.

Q6. Order No. 14, Hon. A. P. Wood. One speech heading reads ‘Hon. A.P.’ without a surname; the speech is a continuation of Hon. A. P. Wood’s remarks. Printed as in the source.

Q7. Order No. 14, Dr. D. C. Estwick. Dr. Estwick refers both to borrowing ‘more than US\$60 million’ and to the Government having ‘now come to borrow \$120 million’; the Resolution is for up to US\$65 million. Printed as in the source.

Q8. Adjournment. The closing procedural sentence says that Mr. Deputy Speaker ‘suspended the House according’, although the question put was that the House be adjourned. Printed as in the source.

DEBATE SUMMARY

(Editorial summary — not part of the record.)

The House of Assembly met on Tuesday, 14th November, 2006 at 10.15 a.m., with Mr. Speaker in the Chair; prayers were taken by Reverend Canon Ivan Harewood. The Minutes of 7th November were confirmed

on the motion of Hon. R. C. Eastmond, and the Speaker reported receipt of the Accounts and Statements for July 2006 from the Accountant-General. Mr. Eastmond laid the 2004 Annual Reports of Needham’s Point Development Inc. and Needham’s Point Holding Limited and the Annual Reports of the Barbados Water Authority for 2000–2001 and 2001–2002, and gave notice of a Resolution to vest Crown land at Cave Hill, St. Michael in the National Housing Corporation for residential purposes. Standing Orders were suspended for the rest of the Sitting.

The only Order taken was Order No. 14, the Resolution to approve the borrowing of up to US\$65 million on the international capital markets to strengthen the foreign reserves, through Deutsche Bank Securities Inc. as lead manager, and to establish a sinking fund. Hon. Miss M. A. Mottley explained that the loan reopened the \$125 million issue approved in November 2005 and followed the policy stated by the Minister of Finance in the Estimates and the advice of the Central Bank. She argued that the Government borrowed to build capacity, such as the expansion of the Grantley Adams International Airport, and not to buy food or pay salaries, and noted that oil prices had come back to the low-60s range. After a point of order from Dr. D. C. Estwick, the Speaker ruled that she could not refer to the newspaper.

Dr. Estwick said the Opposition would support the borrowing but warned of a macro imbalance: an import bill up by over \$1 billion in two years, a worsening trade deficit, borrowing of \$150 million in 1999, \$200 million in 2000 and \$300 million in 2001, debt service of \$682 million against projected revenue of about \$2.1 billion, or about 31 per cent, and inflation of 7.4 per cent in 2006. He questioned Barbados’ capacity to maintain the peg and called the Government ‘an administration of beggars’.

After the suspension until 1.30 p.m., Hon. A. P. Wood, drawing on his background in economics, disputed Dr. Estwick’s analysis of inflation and of a debt trap, arguing that inflation was largely imported and that the Government had refused a Petro-Caribe arrangement because it would have meant borrowing for consumption; Dr. Estwick raised points of order and was allowed a point of elucidation. Mr. D. St. E. Kellman argued that the Opposition’s predictions about the economy had been proven by the need to borrow for reserves within a month of the import bill announcement, and exchanged points of order with Mr. Wood.

Mr. D. J. H. Thompson said the Opposition would support the borrowing out of commitment to the nation, and challenged the Government’s use of Errol Barrow’s speeches; his remarks drew points of order from Hon. C. A.

Mascoll and Miss Mottley. Mr. Deputy Speaker then took the Chair. Mr. Mascoll accused Mr. Thompson of misquoting him, over several points of order from Mr. Thompson, quoted his own 1995 paper 'Future Fiscal Policy and Productivity in the Barbados Economy', argued that the region as a whole was experiencing a rise in inflation, and suggested that future Governments limit

foreign borrowing in a year to the amount repaid in amortisation. The Resolution was agreed to without division.

On the motion of Hon. R. R. Farley, seconded by Hon. G. A. Clarke, the House was adjourned until Tuesday, 21st November, 2006 at 10.00 a.m.