

THE SENATE DEBATES

(OFFICIAL REPORT)

FIRST SESSION OF 1986 – 91

THE SENATE

Wednesday, May 11, 1988.

The Senate met in the Senate Chamber, Public Buildings at 11:15 a.m. today.

PRESENT

His Honour Senator M. deL. JORDAN, (Deputy President)

Senator the Hon. Sir JAMES TUDOR, K.C.M.G., (Minister of Foreign Affairs) (Leader of the Senate)

Senator the Hon. L. V. H. LEWIS, (Minister of State for the Civil Service)

Senator A. MORRISON

Senator N. W. BOXILL

Senator Mrs. V. C. FRASER, B.S.S., J.P.

Senator Mrs. G. L. EASTMOND

Senator A. J. N. PHILLIPS

Senator T. A. PRESCOD

Senator L. R. TULL, Q.C.

Senator J. C. W. WICKHAM, M.B.E.

Senator the Rev. Canon I. McK. JONES

Senator L. A. WARD, G.C.M.

Senator C. A. BLACKMAN, Q.C.

Senator Mrs. P. Y. FORDE

Senator Dr. L. L. SHOREY

Senator the Hon. Dr. C. D. CLARKE (Minister of State for Finance).

Prayers were led by Rev. Dr. Lionel Crawford.

Mr. DEPUTY PRESIDENT: The Senate is in session.

PRESENTATION OF PAPERS

SENATOR THE HON. SIR JAMES TUDOR: Mr. Deputy President, I am commanded to lay the following documents:

The Customs Tariff (Amendment) (No. 4) Order, 1988.

The Customs Tariff (Amendment) (No. 5) Order, 1988.

Guarantees granted under the Exempt Insurance Act, Cap. 308A, Section 32 to the following:—

Centre Reinsurance (Barbados) Ltd.

Coral Reinsurance Company Ltd.

Insure-Rite (Barbados) Ltd.

Mariners Insurance Company Ltd.

National Capital Reinsurance Company Inc.

Sequoia Insurance Company (Barbados) Ltd.

Shure Insurance Company Ltd.

The Customs Tariff (Amendment) (No. 6) Order, 1988.

PUBLIC BUSINESS

BORROWING BY THE GOVERNMENT OF UP TO
TEN BILLION JAPANESE YEN RE FINANCING
GOVERNMENT'S CAPITAL EXPENDITURE
AND IN MEETING ITS FOREIGN DEBT
REPAYMENTS

SENATOR THE HON. Dr. C. D. CLARKE: Mr. Deputy President, the Government proposes under the

External Loan Act, Cap. 94D, to raise a loan of up to 10 billion Japanese yen by means of a private issue and sale of bonds in the Japanese capital market. The proceeds will amount to about BDS \$160 million.

Of particular note is the maturity of this issue, 10 years. The interest rate is not to exceed 7 per cent, and the redemption is 10 per cent of face value at par every year commencing at the end of the sixth year.

Mr. Deputy President, this bond issue will make the third private placement in the Japanese market. The first placement of bonds, Series A, was completed in February, 1985, and this was for 5 billion yen, an equivalent to Bds. \$38.6 million. The second placement was in September, 1986, and this was for 4.3 billion yen, equivalent to Bds. \$55.8 million. The interest rates on the first issue, Series A, was 7.7 per cent, and on the second issue, 6.9 per cent. The life of the first issue was 5 years.

I would like to give some indication of the sort of debt service, the weight of the debt service, facing the country between 1988 through 1996:

1988 – Capital repayments, \$51.1 million. Interest, \$52 million

1989 – Principal repayments, \$63.4 million. Interest repayment, \$50.9 million

1990 – Principal repayment, \$127 million. Interest repayment, \$47 million

1991 – Principal repayment, \$156 million. Interest repayment, \$39.5 million

1992 – Principal repayment, \$102.1 million. Interest repayment, \$28.4 million

1993 – Principal repayment, \$89.6 million. Interest repayment, \$20.9 million

1994 – Principal repayment, \$50.8 million. Interest repayment, \$14.8 million

1995 – Principal repayment, \$34.1 million. Interest \$12.3 million

1996 – Principal repayment, \$33.4 million. Interest repayment, \$10.8 million

It is quite clear that from these figures, \$103.1 million debt service in 1988, \$114.3 million in 1989, that we must make some provision to honour these obligations, and the sheer weight and scope of the debt tends to aggravate our debt servicing.

11.25 a.m.

Debt management is one of the tools available for the management of the economy, and the way we handle the debt would determine our ability to service our foreign obligation.

I will now give you the nominal value of loans contracted by the Barbados Government since 1976 on the foreign markets. In 1976, the foreign debt stood at \$27.5 million. In 1977, we incurred debt totalling \$25.4 million; in 1978, \$63.3 million; 1979, \$53.9 million. This is the actual debt incurred on an annual basis, not the total debt outstanding at that period. In 1980, \$70.6 million; 1981, \$92.3 million; 1982, \$22.2 million; 1983, \$110 million; 1984, \$125.6 million; 1985, \$73.4 million; 1986, \$126 million; 1987, \$175.3 million.

That is the new debt, or the incremental debt incurred annually. The total foreign debt outstanding at 1987 was \$706.9 million.

Asides.

SENATOR THE HON. DR. C. D. CLARKE: That is the foreign component.

The purpose of this borrowing in Japan is to provide greater flexibility in the foreign debt management. Specifically we are hoping to retire the shorter term issues, where interest rates are higher and debt repayments greater, the 1985 and 1986 issues we will lengthen the maturity, and by so doing, we reduce the burden of the debt service over that period. So total debt need not increase, but the burden of debt service is not as onerous as it might otherwise have been.

We also have capital works to be undertaken, and given the rates of interest prevailing at the time that these works are to be launched, we could either use these funds to finance the foreign portions of the capital projects or, if possible, seek additional funding at lower rates for those capital projects. Capital projects by their very nature have a relatively long life, and it has been considered prudent not to place the full burden of capital projects on the current generation, but to stretch it out over its useful life so that generations to come who will share in the benefits of these capital projects will also be able to service the outstanding obligations.

Raising this loan affords flexibility to reduce debt burden, and it allows us to finance the foreign exchange portion of the capital programme. Also, our debt position would be somewhat enhanced, since our creditworthiness would be enhanced, for the simple reason that once the ratio of payments over your foreign exchange earnings from tourism and trade is reduced the overall position is enhanced, and you are better able to service the debt. It is what falls due at a point rather than the amount outstanding, that gives the problem in foreign debt financing.

Mr. Deputy President, I move that this Resolution do now pass.

SENATOR C. A. BLACKMAN: Mr. Deputy President, I wish at the outset to commend the Honourable Minister who introduced the Resolution for the degree of detail he has given as a background to the Resolution, to the extent that, of the four questions I proposed to ask the Minister to address in his reply, I am reduced to two.

The first question I raise, Mr. Deputy President, is simply, why Japan? I ask that in the context that the foreign exchange control rates were raised in borrowing Japanese yen, the strength of the Japanese yen *vis-a-vis* the US dollar, to which we are linked, and the consequential variable that there is, and what it is going to cost us to meet the foreign exchange if the Japanese yen continues to appreciate against the US dollar. We would find, Sir, that although there is the advantage of which the Minister spoke, in that you are paying off short-term debt for longer term debt, the cost of debt service in foreign exchange terms, if the yen continues to appreciate, might well wipe out that advantage.

The figures, Sir, speak for themselves. The Barbados Economic Report for 1987, at page 86 provides a table, Table 12 (5), which shows that the interest on foreign debt in 1987 was \$53.3 million. If we are taking up a liability for \$11 million on one loan, I make it approximately 20 per cent to 22 per cent.

The Minister gave us a list of loans contracted over the last ten-year period. I think that these are the sum of all foreign loans made in those years. The loan which we are now about to approve is just short of the total loans made in 1987 of \$175 million. One loan alone is going to cost us \$160 million.

I understand the Minister's view that you need to have the money available to service certain debts, but I also ask, why so early? Because according to the Appendix D to the Estimates, which were laid here a few months ago, the Japanese A Bond loan was repayable on February 25, 1990, and that \$55 million signed in September 1986 in October 1991. Are we going to service a debt for three years before we need it? That may be rather simplistic, but there may well be an answer. I would appreciate the answer.

Sir, the Japanese bond market might be a ready source of funds for us to tap. But at the end of the day, we have to ask ourselves really, what benefit do we get from Japan? What has Japan done for the Barbadian economy? I came across a clipping from the *Times* of London for April 30, and it was revealing. It disclosed that the Japanese have opened their 21st company in Wales, a components plant offering employment to 500 Welsh workers. In 15 years since 1972, they have put 21 factories in Wales and have put nothing in this part of the world.

11.35 a.m.

All that the record shows — I am relying on the documents of this House — is that we have imported substantially over the years from Japan, going from \$9 million in 1982 to \$55 million in 1985. Sir, the figures are from "Diplomacy And Development", a document of this House. So the question is, what are we getting from Japan other than borrowing their money and having an exchange control risk that is going to cost this country a lot of money?

The Addendum to the Resolution indicates that it is for two purposes, debt repayment and capital expenditure. The gravamen of the Minister's explanation seems to suggest to me that more emphasis is being placed on debt repayment than capital expenditure, because, using your figures, you are going to have to look for \$103 million this year in Japanese repayment. Or is it Japanese repayment in 1989? If it is \$103 million out of \$160 million, it is \$57 million available for capital expenditure. Could the Minister be a bit more particular as to what capital expenditure it is?

We have been told on occasion in this Chamber that the money is being used for capital expenditure. On one occasion, I tried to put a question, which the Clerks disallowed. They told me that I was not entitled to impute a motive when the House has already passed a Resolution for capital expenditure. But we are never told what the capital expenditure is. We are given it in vacuum. Nothing is identified in terms of specific projects and how much capital expenditure money is going to be expended on.

I cannot guess, because I have not seen what capital projects are being wound down. If others are in the pipeline, I am not aware of them. I am not privy to the information that the members on the Government's front bench may have. The question is, and the Senate should know, what are the capital projects? Because the Estimates did not disclose any capital projects.

Asides.

SENATOR C. A. BLACKMAN: Well, I will be grateful for the information when the information comes, Sir. But on the present information, I do not know on what capital projects the money is going to be spent.

I still ask — why Japan? Why do we go and borrow this money, on which we will probably suffer some foreign exchange risk, making for a larger debt service to this country?

Sir, two or three years ago, there was an enquiry for increased rates for the Barbados Telephone Company. One of the things that surfaced at that enquiry was that the Telephone Company's management had made a Swiss franc loan for their plant expansion specifically because the rates were cheap. But the Swiss franc continued to

appreciate extraordinarily against the U.S. dollar. The result was that the debt service for that so-called cheap loan was horrendous, and that was one of the factors that pushed them before the Public Utilities Board. The PUB, more or less, came to the conclusion that it was a bad management decision to have taken that sort of foreign exchange risk.

I am suggesting that there is a question as to whether we should take the foreign exchange risk in going to borrow money in a currency that is known to be appreciating, and is likely to appreciate for the foreseeable future against that to which we are linked.

I am indebted to you, Sir.

SENATOR L. A. WARD: Mr. Deputy President, my concern is very much like Senator Blackman's. Why do we borrow in the Japanese market when we are open to a risk? It may go the other way and we may make a saving. But any prudent businessman would be very hesitant to go into a market in which he cannot see its stability in the future, and this is looking from six — ten years away from now, and exchange rates are fluctuating worldwide. It is the opinion of most economists that it will continue to appreciate, so there is a very real risk taken in borrowing in yen, except, Sir, if the largest portion of this loan is to be used to retire debt that we incurred in Japanese yen, because we would be using the yen for a particular purpose.

Why go to the Japanese market to borrow this money when we are tied to the U.S. dollar? Is it that our credit-worthiness in the dollar market is not good? Is it that we cannot raise it in the American market in American dollars? Because Government would have some control over the repayment of this debt. We would rise or fall with the American dollar, except that Government, in its wisdom, decided to devalue the Barbados dollar, and that would be in control of Government. Apart from that, we would be borrowing and repaying in the same currency.

As Senator Blackman said, the Minister, in introducing this Resolution, answered some of the things I had prepared to query. If the majority of this loan is to retire debt that we are now faced with, providing that the majority of that debt, is in Japanese yen, I would have no hesitation in agreeing with it. But if the bulk of it is to be used for capital expenditure, it means that we are, on the other hand, keeping debt that would be, perhaps, in U.S. dollars — we do not know — and creating some now in Japanese yen, and we do not know what we would have to repay for that debt. We may be lucky, we may repay less, it may go in our favour, but there is a big risk it may go against us.

11.45 a.m.

Thank you very much.

SENATOR J. C. W. WICKHAM: Mr. Deputy President, without knowing much of the details of the economics of borrowing, it occurs to me, and I am supported in this view by a recent article in the *Wall Street Journal*, that Japan has been in some way bullied by the developed countries — America and Europe — for its lack of assistance to Third World countries, and, in fact, now is taking initiatives to invest, to give assistance to several countries in Africa.

My comment, therefore, is directed perhaps to the Foreign Minister, who is present among us, to confirm this Japanese interest in Third World countries, and to ask whether he has detected some interest in Barbados by Japan, which may very well be a source of soft money for assistance in developing programmes.

The Japanese surplus has been a source of embarrassment to the country for a long time, and more and more often one sees comments by Mrs. Thatcher and by American economists suggesting that Japan is not pulling its weight. The Japanese Foreign Secretary and Mr. Reagan have very often repeated the need for Japan to play its role, and it may very well be that the choice of the Japanese market is somehow or other linked to those considerations.

Thank you.

SENATOR L. R. TULL: Mr. Deputy President, I am a little amazed that the mood of the Senate today is as sober as it is when the only item of Government Business is for the loan of \$160 million. Perhaps people are still reeling under the very savage blows of the last week or two and are taking a little time to get back their composure.

Since this Senate was convened two years ago, Sir, more than half the time, apart from the debates on the annual Estimates, has been devoted to Government borrowing money, and I want all of us to think about it.

Government comes in here and borrows money over and over and over again. I have said before in this Chamber, and I say again, that I do not have any problem with Government borrowing money for its development projects. What I have a difficulty with, however, is that a Government whose mouth was so full of talk about national debt, should so blithely walk in here month after month with Resolutions for this kind of massive borrowing. When this is passed, Sir, it will be over \$400 million borrowed by this Government in two years, and that is the highest incidence of foreign borrowing in the history of Barbados.

As I said, Mr. Deputy President, I am not even quarrelling with the borrowing in itself. I heard the Minister of Finance in the Budget two weeks ago, or whenever it was, point out with great care that the National Debt of Barbados, as a percentage of its GDP, was not sufficiently large as to cause any consternation, and that international financial institutions had stated that. That is nothing new. He is repeating a trite and worn-out truth, because the Barbados Labour Party had repeatedly told the country that we had not reached the point where we needed to put up a lot of red flags over our National Debt. Of course, we had to take a close look at it and make sure that we do not do anything reckless in terms of its accumulation, but it had not reached crisis proportions.

The Minister of Finance said that voluntarily in the Budget statement of two weeks ago, so I get that part of it out of the way. But I cannot understand how this Government — if I need to reiterate it — can tell us over and over that they must borrow money in such large amounts and we know not what they are borrowing the money for.

The Addendum to this Resolution is an insult to this Senate, because it gives us the barest minimum, the skeleton. They are borrowing money from Japan, it matures in a certain time, the interest is such and such, it is redeemed in such and such a time, and that is the end of it. That really does not say much. What it says is that the money is for repayment of foreign debt and also some for capital development.

They have brought Resolutions in here for loans where they add on more. I am sorry that I was not prepared for this debate, if not I would have brought them, but what comes out every time they talk, although it does not always feature in the Addendum, is that they borrow money at low interest rates to pay off money that has been borrowed before at higher interest rates. That makes sense. The only trouble with it is that they believe that it is a new revelation.

When the previous Administration, which in the early years of the 1980s, because of the great turmoil in the international financial markets and in the international economies, because these had pushed interest rates up to scandalous levels — I remember one time the LIBOR rate was probably about 14.5 per cent — had to borrow at those rates at that time — and later in the 1980s, when it decided to borrow at lower interest rates so they could pay off some of the loans that were borrowed at higher interest rates, the Government — the Opposition as it then was — ridiculed the whole idea, dismissed it, and said that the foreign debt was unconscionable, it constituted an albatross around the necks of the people of this country, and that they would stop it.

The late Prime Minister Barrow said that he would not borrow any more money overseas as the leader of this country, that all this Government's loans would be contracted locally. And we clearly have here another crisis in Government, a crisis between what they say and what they do. But that is not unusual with them these days. They have the most remarkable record of *volte face* that has ever been seen by any Government in this country.

I heard, as I came in, discussion about the Japanese contribution to the technical development, and so on, of developing countries, or its lack of it, which is very true. The Japanese have not been very generous in helping developing countries. What it has managed to do, however, is to pour great volumes of consumer goods into Third World countries, earn a lot of money out of them, and gave very little back in return.
11.55 a.m.

A few years ago, the United Nations Development Programme gave a commitment for the OECD countries, the industrialised countries, to put aside 0.7 per cent of their GDP for assistance to developing countries, to help them to move from a position of increasing poverty into some form of progress. It is only a few weeks ago that I have been reading that, far from meeting this commitment, they are now talking about it again; they say they realise they have not done it, and calls are being made both by developing countries, and, indeed, developed countries, for this, because I believe the Scandinavian countries were the only ones who had stuck to this particular commitment.

The Japanese were far off the mark. I do not know if it is a cultural thing, Sir, but there is a certain inscrutability about the Japanese that makes those of us who have to deal with them not quite sure at the end of the day what it is they are committing themselves to, and I am speaking from experience.

The position is that developing countries are having increasing difficulty in finding the kind of assistance, whether through technical assistance, joint venture operations, investment or soft loans, from the First World or the industrialised countries.

I was reading in the paper again two days ago, arising out of the EEC/ACP meeting in Mauritius that has been going on this week, that the EEC seems to be reneging from a position they had taken in respect of prices, and particularly in respect of sugar, with ACP countries. This is all of a piece of things that have been happening with the first world or the developed countries in the last few years, that they have been giving this stop-go responses to developing countries in their relations with them.

When the Barbados Labour Party was the Government, graduation from soft loans with the World Bank became a matter of some concern. It was the feeling in the World Bank that Barbados, along with some other Caribbean countries like the Bahamas and Trinidad and Tobago, had reached a level of development — and development in these terms were based solely, not mainly, on per capita income — where we were no longer poor countries, and therefore we would be excluded from the provision of soft loans in that institution, and that we would have to go out and get our money from the international cartels and the commercial banks, and so on, as we have had to do.

I mention this, Sir, to point out that we have to be very careful that we do not misunderstand the nature of Barbados, how it is perceived in the international community. When you talk about Barbados being a poor country among other countries, financial institutions and international personnel tend to laugh at you and say, 'You have a per capita income of US\$5 000 a year, the per capita income in Upper Volta is US\$320 and the per capita income in Burtina Faso is less than US\$400 a year, and the per capita income in the People's Republic of China is less than US\$500 a year, so what are you talking about saying that Barbados is a poor country?' We have had this particular difficulty.

There are many answers to that, but one of the more important answers, and one that we have put from time to time from Barbados — I do not know if the new Government is doing that, Sir, I cannot speak for them — is that the per capita cost of administration in Barbados is thousands of times higher than it is, say, in Brazil, with 100 million people. So if Brazil needs one international airport and Barbados needs one international airport, 100 million people pay for one international airport in Brazil, but only 250 000 pay for the one in Barbados. I give that as a raw example.

The administrative cost of running a country has to be taken into consideration when one begins to talk about how wealthy you are, your ability to pay, and stuff of that nature. So while Barbados may have a per capita income that is higher than the per capita income of Brazil, Brazil is a forcefully developing, industrialised community that is itself, giving technical assistance to a number of Third World countries, particularly countries on the African continent. We have to take all these things into consideration.

I really had not intended to speak on this, because I get tired of talking on these Resolutions and debt, when the Government just think that they can tell the people one thing and do something else. I am a little bit tired of that, especially in such a modest audience. I think that kind of argument perhaps should be made where there are more people listening.

But I want, Sir, finally, to deal with something I believe Senator Blackman mentioned, if I got him right. When you bring an Addendum and tell us that you want money for repaying foreign debt, or you want money for capital expenditure, you have a responsibility, if the Addendum does not spell it out, to tell us specifically what is going to be spent on foreign repayment, which loans, how much per year over what period of time, and you have a responsibility, if you are asking us to vote for the Resolution, to tell us what are you going to spend on capital works, what projects, how much they cost, and so on.

I know that the Government has not got any capital projects. Do not let us laugh about it! We have been enquiring, because the gestation period for a capital project is not a day, a week, a month or a year.

Aside.

SENATOR L. R. TULL: Senator Morrison says they are still working on ours. Thank God for that! If you did not have ours to work on, I do not know what you would be doing.

All the projects that you are working on that are — to use your words — our projects, funds had been acquired for those projects before, you do not have to get money for those again. Every single project that this Government has taken over from the previous Government, financing had already been acquired for them, because you do not start a project unless you have the money.

I am hearing about debt payments, Sir. One of the things that happened in Barbados is that, ever since the Barbados Labour Party became the Government of Barbados, we have improved the economic lexicon of Barbadians. All this business about debt repayment, foreign reserves and balance of payments were phrases that were too big for the mouths of Barbadians when the Barbados Labour Party became the Government in 1976. They did not know anything then, and I am not talking about just the man in the street. I am talking about people who went to school long who did not understand these concepts. Now they are familiar with the concepts, but they are still some of us who do not understand exactly what they mean.

12.05 p.m.

How do you repay debts? You do not repay debts by going and borrowing money to pay off money that you borrow. That is the height of economic madness, and I keep hearing that all the time! You pay off foreign debt by earning it. And at a period when you tell me, according to all of the reports that you are handing out, and the propaganda which you are knocking down the people of Barbados with, that tourism is performing with all thunders, that the growth in tourism in the last year has been

out of this world, and that all sectors of the economy, are performing, except sugar and electronics, you should be earning lots of money to repay debt.

Electronics do not bring in any foreign exchange into Barbados. They talk a lot of nonsense. The electronic firms are offshore, enclave industries that bring in things, assemble them and send them back overseas. What it does is to provide jobs. That is why we have been attracting offshore companies that bring in products. We get them for the jobs, not the foreign exchange.

Intel and these people bring in the electronic parts, send them to the factory, girls sit down and put them together, and then they ship them back to the United States. What foreign exchange are you talking about?

Everybody is an economist nowadays, Mr. Deputy President.

Asides.

SENATOR L. R. TULL: Not me. Mine is naked common sense.

The way you repay foreign debt is by earning foreign money. When you tell me that tourism is booming, it means that you should bring in \$700 million in tourism in a year, and you pay your \$100 million in debt repayment out of that \$700 million. Or if you are into exports of sugar, or manufactured goods, or if you are relying on the offshore sector, — thank God, again, for the Barbados Labour Party for what is coming in from the offshore financial services. If they did not have that, I do not know what would happen to them, Sir — if you are bringing in foreign money in these areas, it is that, that you use for paying your foreign debt.

The fact that you have to go and borrow money overseas to pay your debt tells me that your external economy is not functioning. You cannot have it both ways. You cannot tell me on one hand that tourism is booming, export manufacturing has picked up, your offshore financial services are growing, which means the revenue from abroad in foreign earnings are growing, and on the next hand tell me, 'But I have to go and borrow money to pay my foreign debt.' This does not gel.

Let the economists over there get up and explain these straightforward and simple concepts to us. Operate in the spirit of the Prime Minister and the Minister of Finance, who said that he is going to lay it out that the ordinary old woman in Bawdens, St. Andrew, can understand. The only trouble is when he lays it out that way he does not himself seem to understand.

I was told that this Resolution provided a good opportunity for the Senate to debate the Budget. You

can touch the whole Budget on this, Sir, but I do not have either the inclination, or the energy, to go into all the subtleties of the Budget of the last two weeks, not its impact on the country as a vague entity, but on individual people in this country. I do not really want to get into that.

I want to sum up. One point is that it is a breach of faith to the people to have told them that the National Debt during the period of the Barbados Labour Party was high, and that one of the reasons why the people should get rid of them was because it was a vicious and damaging thing, and would cause a lot of disruption in this country. You said you would do something about it, and you went as far as saying that you will stop foreign borrowing. But, month after month, you come in here and do the opposite. That is a breach of faith with the people.

The second point is that you seek to get money to pay your foreign debt by boosting the areas of the economy that earn foreign exchange. I hear all about tourism, and so on. If you can get your foreign exchange industries booming, as you are boasting that they have been booming, it is the income from them that you should be using to pay off debt.

Asides.

SENATOR L. R. TULL: No. They cannot go out to them, because they are telling the people one thing when something else is happening.

You cannot tell me that the Government of Barbados cannot find \$150 million a year to pay its foreign debt. What foolishness are you telling me? A country that you tell me is earning over \$700 million foreign income in tourism, \$70 million in sugar?

I do not know the amount of money coming in from the offshore services. You are now telling me that your export manufacturing has picked up again. Add that figure on. Add on the amount of money that is being received as remittances. They have not dried up, Sir. Barbadians overseas still send money to their relatives here in Barbados. All of this is foreign money coming into the country, and you do not have to be any economist, flouting a lot of esoteric phrases and concepts, to understand a simple and straightforward thing.

I have heard Senator Lewis get up there and deny it before, but the Central Bank Report of December, the last one, bears out exactly what I had been told by Senator Lewis was not true, that they have done a number of borrowings to pay for current expenditure. He can get up again and deny that. Some of the money you borrowed has gone in current expenditure.

I will leave those words of wisdom. I am finished. I am really tired of this kind of thing that we have to be confronted with month after month. I feel a sense of frustration, not so much with the content of it, but by the attitude of the Government, its colossal arrogance in thinking that it can do as it feels. They can say one thing, do as they like, and then come in here, without any reasonable explanation, and continue to foist this kind of thing on the people of this country.

I am minded not to vote for it, but they say when you have one or two, it is a waste of time.

That is my contribution, Mr. Deputy President.

SENATOR N. W. BOXILL: Mr. Deputy President, I am going to sound like a broken record. I have to be constantly repeating this statement. Apparently, Senator Tull either has one year's experience, or he has 45 years' experience one time. He seems to have forgotten. I do not think that Senator Tull's memory could be that short.

Senator Tull is accusing us on this side of the Senate of misleading this country, telling the people one thing and doing something else. But I have said something before, and I am going to say again, and I have noticed that at no time I say it, and this is the third or fourth time that I am going to repeat this exact statement, you get headline news.

12.15 p.m.

In 1976, on September 1, the National Debt was some \$241 million. The Barbados Labour Party, of which Senator Tull is one of the staunch and hierarchy members, went up hill and down ditch preaching to the masses that there was corruption in the Democratic Labour Party — to prove the point, they even went and brought down Duffus to demolish the Democratic Labour Party — that the National Debt was too high, and that you were going to have to sell out your pig, cow, sheep and house, to pay that debt. Barrow had the whole country mortgaged! Up to September 2, until 12.00 o'clock, this is what Senator Tull and his cohorts were saying. Come September 3, 12.00 o'clock in the morning now, and the same leader of Senator Tull's party made this statement — I was not here at the time, but I read it — 'Oh the National Debt is nothing to worry about. It is well within reach.'

(*Aside:* SENATOR L. R. TULL: What date?)

SENATOR N. W. BOXILL: On September 3. You won the Government on the night of the 2nd.

Mr. DEPUTY PRESIDENT: Address the Chair, please.

SENATOR N. W. BOXILL: Yes, Sir.

The Leader of their party was saying that the National Debt was nothing to worry about, it was trivial — and they went on a borrowing spree. You would remember that when they went and borrowed the \$94 million to build this supposed to be super highway to the airport, which is a bad highway, and a lot of people are going to get killed on it. It is a "diway" not a highway. The statement when they borrowed this money was, let the young people pay for it, this is for posterity sake. Senator Tull seems to have a short memory. These are the exact words they were saying. They went on a rampage!

I want the Minister who introduced this Resolution to tell me and the Chamber, before he finishes, about the \$60 million, that was borrowed on the European market at 22½ per cent, with a four year moratorium. It was for eight years, but for four years you do not pay, so we have come into power and we have to pay it. We find ourselves in the trouble that they put us in. Let Senator Tull get up and deny this. Are you getting up?

Aside.

SENATOR N. W. BOXILL: He said, "Go along." But I want him to deny this. I want the papers, because we have some dishonest papers in this community, to let the public know these things. I have said this for the third or fourth time. I have said that you went on the European market and borrowed \$60 million at 22½ per cent with a four year moratorium. You are cool, you do not have to worry about that. But for the last four years, you have to pay back the interest on \$60 million, so that is interest plus the principal.

(*Aside:* SENATOR L. R. TULL: Do not let them confuse you.)

SENATOR N. W. BOXILL: They cannot confuse me. I am an old politician.

We have to pay interest plus principal. What do you think, that you can push your hand in the air and pull down money? It does not come down so now. These are the things that they did to us.

When Senator Tull talks about we have misled the people, he seems to have forgotten — and I brought the manifesto here — that in the 1976 Election, they were up hill and down ditch preaching and telling people that they were going to give the school children free uniforms. I do not know how you would get that to work, because you have tall children, short children, fat children, all kinds of children. I do not know how you were going to cut uniforms for everybody. Can you imagine they cutting a uniform that would fit you to put me in? How would it look?

You are talking about losing faith. After fooling the people, because Bajans like a freeness, that they were

going to get these free uniforms, it boiled down to \$100, because they only gave \$100. A hundred dollars cannot buy a pair of shoes nowadays for school children.

Senator Tull must understand when he comes in here that we still have people who have what you call a photographic memory, and a long memory. That is me. I have been around long. I am not any Johnny-come-lately. You must not come in here and try to mislead us to get headlines, because I can imagine now that in tomorrow's papers are going to be big headlines, about what Tull said again. But you do not have to do that. You can call them up and get what you want. We know that.

The point I am making is that it is not fair for the honourable Member to come in this Chamber and make these kinds of erratic statements.

Aside.

SENATOR N. W. BOXILL: Erratic, not erotic. There is nothing called erotic. Erratic!

Laughter.

Mr. DEPUTY PRESIDENT: You may proceed.

SENATOR N. W. BOXILL: Yes, Sir.

I would like the introducer of this Resolution to let the Chamber know — I would not be here with him — the amount of interest that we have to pay back on that \$60 million. I came in a bit late, and I do not know if he gave the interest rate that we have to pay on the \$94 million that they borrowed for the road. And do not forget, Mr. Deputy President, that a cable came from Wahington back to Barbados that somebody was bringing home the bacon. Well, apparently the pig got away, because I have not seen this bacon yet. And as a result of the bacon not coming home, somebody went through the eddoes.

I tend to share a bit of Senator Blackman's concern about Japan, because I have said it before, and I say it again, if I had my way, I would not be borrowing anything from Japan, because Japan does not buy anything from us. That is how I feel about them. But that is only my feeling, I do not run the country. But I can see Senator Blackman's need for querying this sort of thing.

As Senator Wickham has said, it may be that the Japanese are coming around to lending. I am not going to say to any "Third World", because I do not belong to any Third World. We had a Parliament long before the United States and those kinds of people, we are not any Third World. I would say undeveloped, and if you can call Barbados an undeveloped country, there is not much

in Barbados to develop now, because nearly all of Barbados has been developed.

Japan really does not buy anything from us. But they ship their cars to us, they ship everything. Even the Americans are now complaining about them. In my view, they are a selfish bunch.

But, as I said, I do not run the country, and I would like the Minister, when I sit down, to give us some information on the question that Senator Blackman asked — why are we going to Japan? And also let us know about the \$60 million European that was borrowed in the Barbados Labour Party's time with the four year moratorium.

With those few words, Mr. Deputy President, I beg to support this Resolution.

SENATOR DR. L. L. SHOREY: Mr. Deputy President, I share a number of concerns expressed by previous speakers. Let me start, Sir, by reminding this Honourable Chamber about something that has already been referred to, which I think is very unfortunate, that in the last two years, most of the measures brought before this Honourable Chamber have dealt largely with loans. I cannot think of any significant social legislation that has been placed before this honourable body for its consideration. 12.25 p.m.

I believe that one item that will come in that section, the amendment of the Tenancies Freehold Purchase Act. Other than that, I cannot think of any significant social legislation that has been introduced, and yet there is a crying need for such, and one can present many areas shouting for attention. For example, there is the handicapped. We have no legislation, to the best of my knowledge, requiring that new buildings should have ramps provided, or that major modifications of existing buildings should include these. If such legislation is on the books, I am in error, but I am not aware that there is such legislation on the books.

In this Honourable Chamber, at least on one occasion, attention has been paid to the increasing hardships resulting from praedial larceny. I am not aware that there has been brought before this Chamber any legislation seeking to deal with this problem. I have argued, very briefly, admittedly, that there is a need for a comprehensive review of labour legislation so as to ensure that the rights of both employers and employees should be adequately protected. I throw these out as reminders to the Government, because life is something more than paying attention to money matters, important as those are, and one would wish to see other matters brought before this Honourable Chamber.

Specifically dealing with the Resolution now before honourable Members, I am uneasy, as other speakers have indicated they are, about the implications of raising money in the Japanese market. I need not go over the possible consequences. Those have been very clearly stated.

I am very uneasy about another matter, raised by Senator Blackman and repeated by Senator Tull, that we have been given information that is sadly lacking in detail. We do not have any specific information provided as to what quantum of the \$160 million, or thereabouts, Barbados is going to be spending on capital works, and what quantum will be spent on repayment of loans.

It seems to me, Sir, that I must echo, as strongly as I can, the feeling expressed by previous speakers that it is an injustice to us to ask us to debate matters like this without providing an adequate amount of information on which we can reach a reasonably informed position. I certainly hope that these are matters which the Government in future will take into account so that the information base can be much sounder than it is at the moment with respect to financial matters.

I trust, Sir, that the Minister of State will in his reply find it possible to give some of this specific information that has just been requested.

Thank you, Mr. Deputy President.

SENATOR V. C. FRASER: Mr. Deputy President, I rise in support of the Resolution for the borrowing of the money. I have found that we tend to reel and squeal about a number of things. A country has to go on. There is no Government that is in power for two years that could heal all the ills and clean up all the things that need cleaning up. This is something we must realise.

The second thing is that we keep on talking about only loans coming here, and especially foreign borrowing and foreign debt. You hear this all the time. I think we bandy around a lot of words so that certain people cannot understand what we are talking about. Let us stick to simple matters of commonsense. I am the person for that.

We import food into this country, which some people are imposing on the country. This is something which we need to look at seriously. What are we importing for tourists and what are we sending out? A lot of the food that we are importing into this island is very unnecessary, and it costs a lot of foreign exchange to bring in some of that food.

Barbados had a Prices Commission to monitor the kinds of foods that were coming into this country, how many brands were coming into this country and what was

the cost of these brands, in collaboration with missions abroad. That is what our missions are for as well. Therefore, you found that you were able at that time to reduce considerably the amount of importation of foreign goods into this country. Whereas you had 37 brands of corned beef at one time, you were able to reduce them to six or eight brands, and still every person had a brand to suit his or her pocket.

But you talk foolishness — the Prices Commission is in limbo. I remember that that was one of the first things that was said. You started some sort of thing and then it finished. We do not have people to police things, and at that time it was for ten years. People seem to forget that they were in power for ten years. Where were the Prices Commission Control officers policing the place to see what is being brought into this country? How much it cost this country to bring in all of these stupid items that we really do not need?

12.35 p.m.

As soon as you talk about the word "banning", it is a bad word, but I feel that a number of these items have to be put on the negative list, or you have to decide to ban some of them. This importation is costing a lot of foreign exchange.

In housekeeping, if you do not have money to spend to buy items, even simple people borrow money. If a Government has not got money to continue some of the projects that were left, the Government has to borrow money. It is in the interest of every single Barbadian, if we want the country to run down or if we want it to stand down. It is as simple as that. So we have to take various corrective measures, just like we have to take in our own homes, in a business or in a school, in whatever you are thinking about. It is all right for people to get up and talk. How would you like to see Barbados like some of its neighbours?

You cannot bring in a lot of basic items, because surely there are a lot of items that we do not need to import. Go to the supermarket and see them — chicken in a tin, okras in a tin and all kinds of foolishness coming from extra-regional sources where hard-earned foreign currency is going. Why is that being allowed to continue? This is one of the things that we will have to address our minds to. It takes time. I know that my Government is presently doing surveys, and has done surveys. As to the decisions that will be taken, I am sure you will hear in due course, but surveys have been done, and we know of the foods that are coming in here.

When you talk about tourism if you are going to bring in money with one hand and send back out more money for the food to feed the tourists, it does not make any sense. The Government has looked at that and is seriously contemplating what it will do about that situation.

If we are going to make our farmers real people, and we are going to give them the opportunity to build themselves and make themselves stronger, we have got to help them by not importing a lot of the things that they can grow and can produce here successfully.

For everything you need money. In tourism, you need money in order to bring in money. You need money to boost agriculture. If you are going to deal with exportation of products from this country, you need a lot of money, because it is a very specialised business. Your packaging has to be correct. That is a lot of money.

I am pleased to see that they are beginning to do certain types of packaging in Barbados. I saw it on the television last night. That is going to help, as was said, the poultry producers to have nice packages for their poultry. They are presently exporting flying fish, you will have proper packaging for your flying fish. You are exporting vegetables, you will have proper packaging. But for all these things, before you can earn back money — and people are saying you should have had money from this and from that — you have to spend money to see that your products are well cemented in the country where the people want them, because somebody else can come in with better packaging than you tomorrow and they will decide they are going to take that. Just the bare attraction of the packaging can mean a whole lot.

Also, you have to spend money on growing proper crops for export. They have to be of a certain standard. All these things take money before you can talk about returns of money. You have to spend money to get them off the ground, to send them off to the various destinations, to earn money, and the earning of money is something that will be a slow process, because you first have to build up your quality and your quantity of exports. In many cases, sometimes you are promised the amount by farmers or fishermen and then you do not get the amount that you require to export. You are promised a certain amount of flowers, but you do not get the flowers that you want to export. It would do us well to try to encourage our people that when they are going into an area, they do the best they can, they try to get expert advice.

On getting small loans, there is a small loans window, there is the National Development Foundation, and there are agencies that can help the small business people who are getting into the export market. It has always been said the world over that small business people are the people who produce the best quality produce, so it is to those people that we have to inject capital to helping them to build up their businesses.

I am saying this because people seem to think that you get money from export overnight. It is not done

overnight, it is done with the injection of capital. It is done with getting the right seeds or whatever. It is done with sitting down and talking to the farmer, the marketer, the processor and all these people. If you are going into processing, you have to talk about very expensive equipment if you want to keep up with modern-day trends, else you will be left behind, and you will not be able to get into that business to get the foreign exchange you are talking about to come into your country.

We have to consider whether we are serious or not and stop talking about "every time we are coming here with loans." If we have to get loans to service debts that we owe, we have got to do it. It is as serious and as simple as that. We have to realise that Barbados has no iron ore, no aluminium. It has not got any of these resources that a lot of other places, even in the Caribbean region, have. We have primarily the resources of our people, and, therefore, our people must sit down and think carefully.

I have always been a person who has said that Barbadians should never run down Barbados anywhere. This is our country, and when it fails, we all will fail. Do not worry to think it will be the DLP, it will be all Barbadians who have failed.

Let us look seriously at whether we are not contributing ourselves, by buying some of the things we do not need, to sending out this foreign exchange, because I see a lot of Barbadians, and we were watching the patterns of shopping in supermarkets, who blindly pick up tins and put them in trollies. They do not even look to see what the tins have in. When they get home, they suddenly discover they do not need these things. They need to plan their shopping lists and go and shop sensibly rather than going and buying on impulse.
12.45 p.m.

There are a lot of people who still buy on impulse. Do not let us fool ourselves with that. The way how the supermarket has its merchandising done, the beautiful and attractive way the tins and boxes are set, lures a lot of people to just taking up something to try it. You cannot blame people. If they find a product is selling, they are going to bring it in.

Why are we importing all of these baby foods into this country. Have you taken a look at that? Isn't there pumpkin on the supermarket shelves? Isn't there banana? Haven't you been seeing the advertisement on television with bottled banana coming from abroad? Why should Barbados have that? What do we need that for? Why do we need all of these bottled foods to feed children when we are accustomed to feeding them from the family pot? That is foreign exchange that is going out of this country. Nothing is coming in from that, and when you examine some of these things, you are talking about millions of

dollars. I think it would do us well to go through the exercise and examine some of the foolish things that would cut down on the sending out of foreign exchange.

Mr. Deputy President, I now support the Resolution.

SENATOR A. MORRISON: Mr. Deputy President, I should like to add a few brief remarks on this Resolution to borrow some money on the external loan market. I would like to deal with the facts of the case. The fact is that there has been very high borrowings in this country during the Eighties, without going into the point of whether the Barbados Labour Party was right or wrong to borrow as they have borrowed, and, to my mind, it is now a question of debt management. Because of the high borrowings of the Eighties, we can only survive that debt by two routes, by foreign exchange earnings or by foreign borrowings.

Senator Tull knows very well, when he looks through the Economic Report, that there has been a moderate increase in foreign exchange earnings. That is there for everybody to see. Therefore, Sir, we will have to resort to the method of foreign exchange borrowings to keep Barbados afloat. It is a very grave responsibility. It is the high mark of any Government at anytime in the history of this country to ensure that funds are always available to service the debt that has already been incurred, and for this reason, this Resolution is very much on the ball, and any sensible Minister of Finance would have to see to it that we resort to those kinds of measures to keep Barbados on an even course in its financial handlings.

We have inherited capital works. There were several capital projects going on at the time when we took over this Government. They were all bunched together. We had the West Coast/Airport Road, the Northern Access Road, the new Bridgetown Fishing Harbour, a World Bank loan which is supposed to rehabilitate all the main highways in Barbados, and the educational loan, which is dealing with the building of new schools, and the upgrading in the primary schools. All these things came at the same time, they were all bunched together, so we cannot argue now that the Minister of Finance should not be introducing measures whereby he can keep these things going and be able to pay for them.

The ability to incur expenditure, Sir, is also the same ability to impose taxation. There is nothing right or wrong in the attitude of the Minister of Finance to the problems that he has had to face in his term of office. This is something that is very elementary.

We have had three or four Ministers of Finance in the last three or four years, and each one at some time has had to sit down with his advisers, given the problems

that he faced, to arrive at a just solution, based on the evidence, to bring some kind of adjustment to the society. Probably, Sir, that would have been uppermost in the mind of the Minister two weeks ago when he introduced the Financial Statement and Budgetary Proposals in the Other Place. So there is nothing right or wrong about these things, Sir.

People take on a lot of economic talk. A Budget is supposed to address problems which confront any Administration. We have had a situation in this country where the National Union of Public Workers had applied for a 80 per cent increase for all civil servants, and although our Administration had agreed then to 35 per cent in the first year and 15 per cent in the second year, which is a total of 50 per cent, we were thrown out of power, and when the new Administration came into being, I remember it being said in the Other Place that we had given too generous increases to the civil servants. They said so again last year when we came into power. We were told that we had given away all the taxpayers' money to the business people in Barbados. We were told that it was a gift. I have heard Senator Tull say that he has never been better off.

A Minister of Finance has the ability to give away, not to do anything at all, or to tax. When he gives away, it is no problem; when it remains the same, there is no problem; but when he taxes, you hear a big outcry. But the money has got to come from somewhere, and there is no loss of faith or any breach of any promise, because you have got to deal with the situation as you see it at the time. For that reason, Sir, I say that every Minister of Finance is right at the time in how he assesses a situation and in what measures he brings out at the time to provide solutions for what he sees as the problems confronting him at the time.

The Minister of Finance has decided that he is going for a loan at this time to help service the National Debt and at the same time provide funding for capital projects. We have had the Estimates debated in this Chamber, and the capital projects are there listed in the Annual Estimates of Expenditure, and there are no funds which can be drawn down in this country which do not conform with the Financial Administration and Audit Act, 1964, of this country, which set out quite clearly how funds are to be expended. As a matter of fact, Duffus himself said that those laws that we have in our Financial Administration and Audit Act were just like the laws of the Medes and Persians, and there was no way anybody could get around anything in that particular Act. It was well thought out.

12.55 p.m.

Asides.

SENATOR A. MORRISON: Duffus said so. Nobody has been able to find fault with the Financial Administration and Audit Act, not even Duffus. So we have the safeguards there on how our money is expended annually.

We have to come to the House to get these various allocations approved, and then the civil servants sit down in judgement to make sure that the funds are being spent for the purposes for which they were provided. So there is no problem about not knowing how much money is allocated at any time for capital expenditure, because they come every time as the subject of a separate Resolution when the monies are about to be expended. This is the safeguard which we have in this country.

I would like to support Senator Shorey in his plea for more attention being paid to the handicapped in our society. I have had the privilege of attending a study tour in the United States of America in.....

Mr. DEPUTY PRESIDENT: Senator Morrison, will you give way for a minute. I understand that the President has arrived from his investiture.

Mr. PRESIDENT entered the Chamber and took his seat.

SENATOR A. MORRISON: Mr. President, I was saying that I have had the privilege of going on a study tour for about four months in the United States of America in 1984 in support of a point raised earlier by Senator Shorey about having provision in our laws to accommodate the handicapped in our society. Where I went to, I think it was in the twin city, Minnesota, I saw everything that could be done for the handicapped.

The buses have to have the extra entrance. Every building in Minnesota is equipped for the handicapped, and the buildings they live in also contain equipment for the handicapped that they can pursue their own vocations without any help from anybody. Even to go into the bathroom, they have the particular rails, and they do not need any help from anybody. They have gone further than anybody else to ensure that the handicapped must live a life as if they did not have these handicaps.

I would support a resolution from anybody to bring us up-to-date with modern trends and give the handicapped that ray of hope and to make them independent, because there is a lot of good talent among handicapped people. They just need the facilities and they can do the job. They even are able to do a lot of things that you would not think they are able to do, once the facilities are given. So I am very much on track with Senator Shorey on that.

I think that the Government has been very concerned about praedial larceny. The Minister of Agri-

culture has upgraded the legislation and introduced heavier penalties, with the Attorney General's help. But that still has not met with the kind of success which we thought it would, and it appears to me that we will have to keep on to find some solution to this very endemic problem in our society.

It is almost ridiculous for a small farmer to even attempt to plant his land. It is frightening. You can plant half an acre of cabbages, and in the space of three months you care them, you nourish them away from the insects and pests, and when the time comes for reaping, in one night all the cabbage heads have gone.

People have lost whole acres of carrots overnight. You have these big raids going on at nights by people with vans and all the rest of it. It is all right if you have five or six acres, but when you have half an acre. You can lose your whole crop in one night and you have to go out and start to work again. I am a farmer, and I am afraid to plant now, because people know when the produce is ripe and they reap. So we have to work out some solution to that problem.

Sir, I would like to support the Minister of Finance for his foresight and his forthrightness when he delivered his Budgetary Proposals in explaining the whole history of the debt situation in this country. He has faced the facts. He tried in his presentation to wipe out the deficit and he is now seeking other funds to be in a position that Barbados would not find itself in the kind of situation in which our other neighbours have, from time to time, found themselves.

I have heard the word "devaluation" mentioned in here today. I would never like to see us get to that stage in this country, because it is my conviction that when you devalue once, you devalue twice, and then you devalue three times, and then that is the end of this poor little economy here. This economy has to adjust itself to what we have to put up with, and I would not like to see that happen in this country.

We had to face the facts as they were. I believe that the Minister of Finance has faced the problems facing this country. He has not gone too far overboard, he has not been extravagant, and I believe that in time to come we will see the results of these measures.

We have been told in his Budget that despite the increase in the price of petrol and things like that, and the consumption taxes on other items, inflation would not be more than one per cent, and I believe him. I believe that you have to have courage, and any Minister of Finance has to have courage to provide the medicine when he thinks appropriate.

Sir, with those remarks, I would like to support this Resolution.

Thank you.

SENATOR A. J. N. PHILLIPS: Mr. President, when the Honourable Minister of State in the Ministry of Finance introduced this Resolution, never did I envisage that the Chamber would have had such a long debate on the subject. As a matter of fact, Sir, the first Senator who spoke on the Resolution, Senator Blackman, did make favourable comment on the Minister's presentation of the Resolution, since he gave us some information which would have formed the background of the Resolution. He gave us, Sir, an annual breakdown of the Government of Barbados' foreign borrowings from 1976 – 1987.

1.05 p.m.

Most of all, I think what related particularly to the need for this loan was his explanation and the information which he gave towards the repayment of foreign debt, particularly between the years 1988 and 1992. In 1988 – the figures which I give, Sir, are capital plus interest – the repayment would be \$103 million; in 1989, \$114 million; in 1990, \$174 million; in 1991, \$195 million; in 1992, \$130 million. After the year 1992, the repayments will be reduced substantially from about \$80 million down to probably \$43 million.

Sir, I am a common sense person. I really am no economist, big accountant nor anything like that. But these figures indicate to me that the Government of Barbados will have need to borrow at least up to 1992. That is without any doubt.

I recall, Sir, that from the very first speech that Senator Tull made in this Chamber, he made it very clear to this Chamber that he had no problem with the Government borrowings because it was necessary in a country like ours that the Government pursue a course of borrowing on a systematic basis for projects which were necessary for the development of the country. Yet, Sir, the goodly Senator finds it necessary on every occasion to speak widely – I did not say wildly, but widely – on the subject of the Government's need to borrow.

I have one reservation as far as the Resolution is concerned which I share with the Senators on the other side. It concerns the strength of the Japanese Yen as it stands now, and it seems to be getting progressively stronger. However, Sir, on the converse side, one can find oneself very satisfied with the rate of interest charged on the loan.

Sir, going on in Barbados now is an enquiry into the operations of a company called Trade Confirmers Ltd. From that enquiry you could see that there was not only

a large amount of reckless lending, but one big problem about that was the rate of interest charged to borrowers. That, Sir, has to be a substantial consideration when borrowing money. So although I do share the concern about the strength of the yen as it is now, and maybe in the following years, yet I am satisfied, Sir, that the rate of interest on this loan is quite satisfactory.

I, Sir, have no problem in supporting this Resolution, because I can see the need for it, and as I said earlier, I envisage that the Government of Barbados will have need to continue on the path of foreign borrowing at least up to the year 1992.

Thank you very much, Mr. President.

Applause.

SENATOR THE REV. CANON I. McK. JONES: Mr. President, I have listened to quite a lot of debating in here this morning, and although I do not know much about money, I see we are asking for a loan now of \$160 million. But what exactly is this loan for? We are going to be called on to vote, and I would like to know what I am voting for. I hope that the Minister of State will tell us what proportion of the loan will be used on projects and what the projects are, and what amount of money will be going to the debt repayment. If we can be given that information, then I think we would be in a much better position to know how we should vote.

SENATOR THE HON. DR. C. D. CLARKE: Mr. President, in rising to wind up the debate on this Resolution, there are a few questions which have been raised, and I will try to address them.

I remember that at the time of the Estimates Debate, I said that available to Government there were three distinct policies for the management of the economy. One was monetary policy at that time, fiscal policy, of which the Estimates were part, followed recently by the Budget, and the other was debt management.

At that time, I pointed out quite clearly that the public debt was divided into two portions, the local debt and the foreign debt. Today, we are dealing with the foreign element of this debt.

What this Resolution seeks to do is to make available to the Minister of Finance, and to place at his disposal, the flexibility for managing the resources of this country to ensure that our standard of living is maintained, that there is equilibrium in our balance of payments, and that we maintain economic growth and development.

Senator Tull said that we could service the debt or pay off the Japanese loan out of current foreign earnings. That is true. However, what this will entail is a reduction in imports, and the imports would either be consumer goods, with a net result of reducing our standard of living, or capital goods, intermediate goods, which would affect our respective industries. The choice was quite clear to us.

Senator Wickham asked about the interest of Japan. Japan is beginning to get interested in developing countries now because of the adverse balance of trade between it and developing countries. To this end, the Japanese Export/Import Bank is making funds available to countries to assist them in their development drive.

Senator Ward voiced concern about the strengthening of the Japanese currency *vis-a-vis* the US currency. Although we generally tend to see disequilibria in the balance of payments when we consistently run a deficit on Current Account, a surplus, although pleasant in the short run, is also representative of disequilibria in the balance of payments. That is a situation that cannot be maintained consistently over time specifically.

The US market is the largest market for Japanese goods. If the Japanese yen continues to appreciate *vis-a-vis* the US dollar, to which the Barbados dollar is tied, the net result of this will make Japanese goods more expensive in the American market, allow American manufacturers to come back into the market, and then, of course, there will be less demand for Japanese goods, and the currencies will again begin to approach equilibrium.

I think that, over the long term, attempts would be made by the Japanese Government, since the US is not prepared to move in and support its currency, in the hope that it will force Japanese goods out of its markets, and the Japanese would have to take some corrective actions in this area. So over the long term, in Japan's own self-interest, I do not see it allowing its currency to appreciate to such an extent to force it out of the European and the USA markets.

Senator Blackman asked, what do we want the money for? You borrow and you have options, and these options give you a measure of flexibility. In this particular case, it would allow you to hedge against your

repayments and fluctuating currencies because of the two existing and outstanding loans that we now have with Japan. So it is a hedge. We have no foreign exchange insurance to insure against fluctuations in the currencies, so we are moving into the market at this point so that we will have Japanese yen to repay Japanese yen. We cannot repay them with Barbados dollars.

You say you want specifics. That is out of the question. You are saying to the Minister of Finance, tell me what you want to do. If he does that, of course, he forecloses his options. He can give you the areas in which the funds will be applied: (1) debt service, (2) possibility of retiring the two existing debts, and (3), to finance the capital works.
1.15 p.m.

The capital works will depend on what capital works we had when we included that in that document. So I would think that it is quite clear, and if you would take a little time to go through the Estimates, you will see. To ask us to give a specific item and a specific project for the Japanese yen as opposed to other expenditures is just a bit much.

The service rates are minimal. The interest rate is seven per cent, and I believe the arrangement fees are 0.85 per cent.

I am sorry for Senator Boxill that I do not have the detailed information as to the interest paid on the \$60 million loan, but I did have the aggregate over the period.

The question that the Resolution do now pass was put to the Senate and agreed to.

ADJOURNMENT

SENATOR THE HON. L. V. H. LEWIS: Mr. President, Government Business is completed, and I now move that this Senate be adjourned *sine die*.

The question that the Senate do now adjourn sine die was put to the Senate and agreed to.
1.25 p.m.

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