
THE SENATE DEBATES

(OFFICIAL REPORT)

FIRST SESSION 1991 – 96

SENATE

Wednesday, December 11, 1991

The Senate met in the Senate Chamber, Parliament Buildings, on Wednesday, December 11, 1991, at 11.15 a.m.

PRESENT

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

Senator the Honourable L. V. H. LEWIS (Minister of Agriculture, Food and Fisheries), (Leader of the Senate);

Senator Mrs. V. C. FRASER; B.S.S., J.P., M.C.F.A.;

Senator A. MORRISON;

Senator A. J. N. PHILLIPS;

Senator the Honourable Dr. C. D. CLARKE (Minister of Trade, Industry and Commerce);

Senator Dr. Frank W. ALLEYNE;

Senator Miss Y. V. WALKES;

Senator Mrs. M. BARKER-WELCH;

Senator Dr. E. A. SIMMONS;

Senator J. J. PAYNE;

Senator Mrs. Ada STRAUGHN, G.C.M.;

Senator Mrs. M. WALCOTT, S.C.M.;

Senator W. LeRoy INNISS;

Senator J. G. BELLAMY;

Senator J. A. F. COLE;

Senator T. E. BARKER.

Prayers were led by Rev. Errington Massiah.

Mr. DEPUTY PRESIDENT: The Senate is in session.

PRESENTATION OF PAPERS

SENATOR The HON. L. V. H. LEWIS: Mr. Deputy President, I am commanded to lay the following documents:

The Duties, Taxes and Other Payments (Exemption) (No. 4) Order, 1991;

The Twenty-second Annual Report and Audited Financial Statements of the Barbados Development Bank for the year ended 31st March, 1991.

MOTIONS RELATING TO THE BUSINESS OR SITTING OF THE SENATE AND MOVED BY A MINISTER

SENATOR The HON. L. V. H. LEWIS: Mr. Deputy President, I beg to move the suspension of Standing Order 45(2) for the duration of today's Sitting.

The question was put to the Senate and agreed to.

SENATOR The HON. L. V. H. LEWIS: Before we come to Introduction of Bills, Mr. Deputy President, I beg to move that Senator Joseph Payne be appointed to act as Deputy President for the duration of today's sitting.

The question was put to the Senate and agreed to.

INTRODUCTION OF BILLS

SENATOR The HON. L. V. H. LEWIS: Mr. Deputy President, I beg to move the First Reading of:-

A Bill to amend the Consumption Tax Act Cap. 63.

A Bill to amend the International Monetary Fund Act Cap.18A.

A Bill to revise the law governing the International Business Companies.

The question was put to the Senate and agreed to.

PUBLIC BUSINESS

ORDER NO. 1 – A BILL TO AMEND
THE CONSUMPTION TAX ACT

SENATOR THE HON. Dr. C. D. CLARKE: Mr. Deputy President, the amendments to the Consumption Tax Act was inadvertently omitted from discussion when we last met, when we discussed the Stabilisation Act. This is a companion bit of legislation which seeks to reduce the period of time during which consumption tax as collected by businesses is actually paid over to Government.

Perhaps some background here is necessary. The Prime Minister and Minister of Finance and Economic Affairs started as early as 1988, to have consultations at least on an annual basis with all members of the private sector in an effort to ascertain their concerns, weigh and measure their hopes and also, to the extent that is fiscally possible, to consider the concerns raised by them during the preparation of the Annual Financial Statement and Budgetary Proposals. In 1990, the business sector, especially the manufacturing sector, complained of an acute cash flow position and sought from the Minister of Finance some relief. At that time, companies were required to pay over consumption taxes collected within 21 days of receipt. In order to assist the companies, to alleviate the pressing cash flow problem at that time and to enhance the competitiveness of the business sector it was agreed and granted to extend the period to 60 days.

Today, Mr. Deputy President, the Government itself is confronted with a cash flow problem and as part of the overall stabilisation plan and restructuring it is necessary for Government to make more timely collection of funds due and owing to it. As a matter of fact, because of the unevenness of expenditure and revenue and the failure of the issuing of Treasury Bills to collect the necessary funds, these have had some adverse effects in other areas of financing and actually spilling into the monetary authorities. In order to rectify this as a first step and to ensure a more timely collection of revenue, Government is proposing through this amendment to revert to their earlier position and going back to the 21 days.

11.25 a.m.

Again, this is a temporary measure. As soon as conditions improve it is hoped that more favourable concessions will once again, as has been done in the past, be granted to the business sector.

I beg to move that this Bill be read a second time.

SENATOR J. A. F. COLE: Mr. Deputy President, I have spent a lot of time and we all have, looking at this Bill and the implications. We appreciate Government's point of view that it has a cash flow problem. All of us are aware of this. I think everybody has a cash flow problem

at the moment. Over the weekend I took some time to ring some people and feel them out. It is all right to pass laws but things really happen in the environment in which these laws are passed.

Some people, especially those people who deal with cash, could probably pay in to the Comptroller of Customs these taxes in this new amendment as their consumption tax the next day. It would mean a little additional accounting pressure but it would be there. But for those people involved in manufacturing or who charge out their goods it is another story. The kindest comment, and the only one really that I could repeat in this Honourable Chamber is the term "lunacy". I could not bring the others to bear here.

In introducing the Bill, Senator Dr. Clarke referred to this being a companion Bill to the Companies Stabilisation Tax Act. If a left and right combination is a companion this is a companion Bill because as far as people who manufacture are concerned this would be one combination. By itself I am saying that this has happened before and it is nothing new. But if it were to come at a different time I think those people who manufacture or who charge out their goods, that is to say, a fair sector of the mercantile community, would have handled it in their stride. Sometimes it is made out that the mercantile community is not as patriotic as it could be. I am not going along with that. They would put their hands out, they would put their best foot forward and they would try to come up with it.

I would just like to run through a few of the things that manufacturers have been faced with in recent times. First of all many manufacturers are in the midst of wage negotiations with the Barbados Workers' Union and other unions. These run for three years. I know on August 31 they paid an increase in wages across the board of 5%. More recently we have had, admittedly a temporary thing, a short-term companies stabilisation tax. That was another 5% not only on wages but salaries as well. That really added up to more than that. So here it is many companies have paid in the last six months, in difficult times, and extraordinarily difficult times, wage increases to staff of 10%.

We are now being asked from January 1 to pay 50% of the new legislated duties on inputs in the machinery and materials. For anything in the manufacturing sector we are going to pay 50% of the 30% legislated in duties. Now, Sir, we are asking those same manufacturers to finance for, maybe one month or two months, a 25% consumption tax which is, in fact, now in place. I remember when the consumption tax was 5%. It went to 10%, 12%, 15%, 18%, 22%, 23% and now 25%. Imagine that. Now it is 25% to have the effrontery to buy an object manufactured in Barbados you are talking about a cash flow problem. But there will be nothing to use the cash flow on. Added to

this the manufacturers until recently could lean on their bank manager.

The company I am associated with is my family company. If we had three divisions in the strength of the companies in Barbados, you had a first division, an intermediate division and a second division. My family company, I think, would be in the first division and not necessarily at No. 11. We have batted higher than that. I received a letter from my bank manager, two paragraphs, in which he repeated himself. In the first paragraph he said that I should pay special attention to the overdraft situation, observe the limit and personally monitor it. I have men there who should be monitoring it but I personally must monitor it.

The second paragraph he repeated himself. This is the letter a first division company has got. You can imagine the letter the other fellows have received. On top of all this, that is the atmosphere which is being introduced. It all brings me to wonder what is the purpose for which the thing is intended. Never mind it is supporting the short-term. I do not know how short it is. I just know what Senator Dr. Clarke has said, that it is a temporary measure. Again, how temporary? While the grass is growing?

The whole thing is, Sir, will these measures actually work? Will they produce the money to increase the cash flow or will they just put people out of work and desolate the manufacturing scheme in Barbados? We are talking about social partners working hand in hand. The manufacturing sector is feeling that they are like fish in a barrel. Pot shots are being taken at them. They cannot run away. They are conscientious people. My great fear is that many of these people who are honourable, patriotic citizens and business people will start to look for unconventional solutions to solve the situation they will be in. My great fear is that they will find unconventional solutions or approaches in their bookkeeping which will not in the long run be a good thing because when we do come out of this unusual situation, and I have every confidence that we will if everybody is going to do their part, it is going to be very difficult to get these fellows to come back on to the stream of their normal predictable method of doing business. We do not want a Guyana situation. We do not want a Jamaica situation. As a matter of fact, the Jamaica situation changed the whole concept of business in Jamaica from what was the norm.

We have immediate dangers. We have implications of further dangers to come. I would like to see the Government at this stage begin to send messages out to the mercantile community, messages which would take the form of more rapid payments to those businesses and areas where money is owing, bearing in mind that there are time limits in those areas. It would be nice for Government to say they are working towards paying some of these debts in certain times. I know the Treasury is short of money but

something must be accumulating. I also know that there are other things they can play with. We would know that. We are also in business. I think some message should be sent to say, "Look, we know we are asking a lot of you. We are mindful of the situation and we will start sending back some." Where can it go? It can only go back to the Treasury.

I know long-term policies cannot work in a situation which demands short-term solutions. Short-term solutions are really only just patchwork solutions. We have to send messages. I know it is a difficult time to send messages. I cannot tell Senator Dr. Clarke or anybody how to send messages but I think it is important that something be started to get the manufacturing sector back on their feet.

It is often thought, as I said, that the mercantile community is not aware of its responsibility but I think deep down we know better. They are aware of their responsibilities and when they help us to get out of this morass we find ourselves in I would like to think that they would be rewarded by way of: "Thank you, that was a good effort", that sort of thing, and not, what frequently happens, a blasting from the platforms. Let us give credit where it is due. If we really want to establish this social partners idea and pull it off and so on, two hands have got to clap and not one.

11.35 a.m.

To sum up, Sir, I am just going to say that, at this time, I cannot vote for this measure because of the combination of factors at the time that it arrived and the combination of factors over the last few months in which it has come about. I seriously wonder if it will produce the goods it is designed to produce.

Mr. DEPUTY PRESIDENT: Senator Barker.

SENATOR T. E. BARKER: Mr. Deputy President, I am on record over the past year as being vocal against these unnecessary impositions, not that I have any particular love for any particular sector but because I realize that if we are ever going to get out of the mess in which we have been placed then the business community acting with Government will have an increasingly important role to play in this regard.

Any measure which impacts negatively on the business community will set us back and delay the time when we get ourselves out of the clutches of the IMF. This measure must be taken in conjunction with all the other measures which are impacting negatively on the business community.

Last time we were here we discussed the Companies Stabilisation Tax Bill. We know of the various increases in National Insurance contributions the

business community has to pay. We know of the types of credit. We know of the 40% interest that is charged on overdraft. We know of all these things. One wonders if this is not the last straw on the poor camel's back, because you are asking the business community to pay basically what is two months consumption tax in one month. Admittedly, Sir, they have to pay it in any case. But they were planning that they would pay this money in 2 months. All of a sudden they are told that they have to pay it in 21 days. I wonder if this is not a little bit too much for some members of the business community, because we must make a distinction between those companies which are in the distributive sector and those which are in the manufacturing sector. This goes along with the other Bills that have been introduced across the board and will impact on certain sectors more heavily than on others. The manufacturing sector is the one of which I am most concerned because they are less able to bear the additional burden.

I, like the speaker before, cannot support this Bill. But there is another reason why I cannot support it. I do not think that it is necessary at this time. This Bill is unnecessary because Government's expenditure, in spite of the tax cuts, has not been brought in check. I mentioned last time I was here that figures indicate that Government's revenue for the first 6 months of this fiscal year was some 14% above that which obtained in the previous fiscal year. For the first six months Government was getting in a lot of money, 14% approximately above what they got in the previous year.

One has to ask oneself the question why Government, in spite of increasing revenues, has found itself in a position where, according to the admission of Senator Clarke they have gone past the overdraft limit? I am sure that a lot of members on his side

Mr. DEPUTY PRESIDENT: Are you on a point of order, Senator Clarke?

SENATOR The HON. Dr. C. D. CLARKE: Mr. Deputy President, on a point of order. I said nothing in this Chamber today about the overdraft limit. I do not want to be misquoted, please.

SENATOR T. E. BARKER: Mr. Deputy President, I never said that he said it today, but the last time he was in here he admitted that Government not only went above the overdraft limit but also words to the effect that the law was made for man and not man for the law which is an admission of the fact that they went over the limit and that he felt there were circumstances which would necessitate Government going beyond the limit. I never said he said it today.

Anyhow, Sir, the point is that Government has seriously to look at its expenditure. I note, Sir, that for the

first six months of this fiscal year, in spite of the fact that this is not an election year, Government's expenditure is 3% – for the first six months of the year – over that of the 1990-91 fiscal year.

One would have thought that, having run up a massive deficit in the 1990-91 fiscal year, that Government would have acted prudently and, realizing the difficulties of the situation, would have done everything in their power to ensure that their spending was within reasonable limits. But no. The only way in which they have curtailed spending is on the wages side. I have not seen the figures yet but information is showing that, whereas wages and salaries have come down because of the layoffs and the salary cut, Government's expenditure is not showing the sort of decline needed in the present situation. Government has still not sorted itself out on the non-wage component of its expenditure bill. That is, in my view, where a lot of the problem lies.

Last time I was here I mentioned the fact that Government must make sure it gets goods and services at the cheapest available price. It is important that, in issuing contracts and such matters, both for goods and services Government ensures the best traditions are upheld and if they can get something for ten cents not pay eleven cents, because they are telling the people of Barbados every time they talk that they are living above their means and that we are going for expensive cars and so on. I believe Government has got to set the lead in this matter by making sure that it is prudent in its housekeeping and not only feel that a cut in the wages bill is all that is needed to bring about a necessary and vital reduction in expenditure in these difficult times.

My contention is that if Government had been doing what it should have been doing, that there would be no need to be imposing a reduction in the time. The Minister did not mention this, but we know that, from this month, there has been another increase in the rate of consumption tax by another two percentage points on the base rate. So not only are you shortening the period but, in addition, you are also increasing the rate. I think it is now around 17 per cent.

11.45 a.m.

Sir, these two measures, again, would impact very heavily especially on the manufacturing sector who depend to a large extent on people buying their goods. Since, Sir, the external market in the short run is not too available to the manufacturers, because it would be difficult in the very short run to get your exports going, then, Sir, the local market must come into play in large measure to help the manufacturers.

We note, Sir, that furniture manufacturers are having a very, very hard time this Christmas because, not only are the consumption taxes going up but, in addition, spending

power available to the citizen is severely reduced because of increases in national insurance and other contributions because of cuts in salary and because of other stops in their wages, such as more national insurance and unemployment and so on. Sir, the manufacturer needs special help.

Now, I understand, Sir, the need to reduce demand in the country, although the degree is probably too much. We understand all of this. We understand there is a lot of difficulty in the manufacturing sector. Why then, every time you look around, you are imposing new things on them. If the demand were out there for their goods and services, then you can get away with it but there is no demand out there and you are putting on these extra things. Almost all manufactured goods and almost all the imports that they need are subject to this consumption tax. It is true they do not pay consumption tax on capital goods as well as intermediate goods but some of these manufacturers still, especially the small ones, are not in a position where they can buy a lot of their stuff wholesale and direct from the importer. Very often, Sir, they have to buy goods in a retail manner which means they will still be paying the additional consumption tax.

Sir, it is too much and probably Government should rethink this measure. By drawing up the limit to twenty days they are not going to get any more consumption tax, they are going to get it a little bit faster, so it would help their cash flow. At the same time, it is going to damage the cash flow of the manufacturers. In helping the Government's cash flow you are going to affect adversely the cash flow of the businesses at a time when the banks are not lending money, at a time when there are additional costs.

Sir, I urge Government to rethink this amendment. It is not going to serve, in my view, Sir, any useful purpose except to aggravate further the precarious position in which the manufacturing sector finds itself. Thank you, Sir.

SENATOR The HON. Dr. C. D. CLARKE: Perhaps the concerns raised by the other side are well taken but I think I need to explain one factor here about the consumption tax, which *vis-a-vis* the manufacturing sector, I do understand and we do appreciate on this side. That is why we took the action when we were in a position and when we were able to afford it last year of enhancing the cash flow of the manufacturers. However, consumption tax is paid when the good is actually sold. It is not a payment for manufacturing a product. The product is manufactured and then sold. It is at that point, 21 days at the end of the month in which the good was sold that the tax will be paid. So it is not a cost to production. It is a cost that is absorbed by the consumer and I think we have to make this abundantly clear because, in terms of the debate so far, the impression we have got is that it is a cost input to the manufacturing sector. It is not. After the manufacturing process has been completed, the good is sold and for 21

days the manufacturer has use of the money. He does not pay it over immediately.

SENATOR J. A. F. COLE: On a point of order, Sir. I am a manufacturer and I can tell you what happens in my operation. We finish a job on the 29th of the month, it is delivered and it is billed out. It is there in our books as a sale. In fact, I don't think 10 per cent of our customers will pay at the end of the next month, that is, in 30 days. 10 per cent are not going to pay. 50 per cent may pay in 60 days and the other 40 per cent are left over and you have to get it out of them however you can. What I am saying, Sir, is that by the 20th of the month we have to send the consumption tax, 25 per cent of what we billed out or an additional 25 per cent if it is built on to it, however it is done. We have to send that money to the Comptroller of Customs and we have not been paid for it yet, so that is what I am talking about financing the transaction.

SENATOR The HON. Dr. C. D. CLARKE: I think we are getting confused about two things here, that is why I sat through it and allowed you to make the presentation. You are dealing with the selling policies of an individual company. All companies do not sell the same way as your company does. What might be true for your company need not be true for a given industry as a whole. These are your sales policies and the point is well taken. To the extent that Government was in a position to afford you the opportunity of carrying the funds it was alright and we attempted to do this. What I said earlier was that it was a short term measure. As we are all aware every year in April or very early May a Budget comes before Parliament and at that time the overall economic position of review. I am sure and confident there is no attempt here to kill any one sector. As a matter of fact, as the Minister with responsibility for Trade, Industry and Commerce, I would want to see the manufacturing sector, which is now contributing less than 8 per cent of the gross domestic product, back in the position of contributing between 12 and 15 per cent and our efforts are in that direction. It is not an attempt to impose an additional hardship and I don't want it to be misunderstood that this is a cost in production because it is not. It is a cost that is absorbed by the consumer.

I think Senator Barker has made mention that Government's expenditure, while it is still growing compared with previous years, as it has been brought to my attention and I am here quoting from the November, 1991 Economic and Financial Statistics of the Central Bank, if we look at the First Quarter of 1989/90, there was a surplus of \$42 626 000 and in January – March 1991 the surplus was \$41 million (line 19). In April to June 1991 we had a deficit of \$22 058 000, which was reduced in April/June 1991 to \$2 872 000.

11.55 a.m.

The deficit has been reduced down from \$22,058,000 in 1990 in the April to June quarter to \$2,872,000 and in the third quarter there is a surplus.

SENATOR T. E. BARKER: One slight point of order, Mr. Deputy President, I would like to say that the expenditure in the first 6 months of this fiscal year was about 3 per cent above that. I am talking about the deficit.

Mr. DEPUTY PRESIDENT: Thank you.

SENATOR The HON. Dr. C. D. CLARKE: Sir, for people who understand these matters...

SENATOR The HON. L. V. H. LEWIS: Mr. Deputy President, on a point of order. I do not understand how Honourable Members can come in here and make statements from documents and the documents are contrary to what they are saying. Even if you took the current expenditure, Mr. Deputy President, from April to June it was \$216,896 and from April to June it was \$231,428. From July to September it was \$223,843. It is gone down to \$215,405. I mean if you are going to give part, give the whole story and this is my problem always. On the other side, they selectively cite the one which gives the black impression and omit the one which gives the right impression.

SENATOR The HON. Dr. C. D. CLARKE: Sir, this is at Page 56 of the November issue. What is being said here is that the total expenditure in the quarter July to September of 1991 stood at \$215,405,000. Just one other matter that I want to draw attention to and I touched on this before. We keep talking about cutting expenditure. If we cut expenditure, and I think Senator Barker was at pains to point out about cutting expenditure on Personnel Services...

SENATOR T. E. BARKER: On a point of order, Sir. I still am going to go by my original thing. I just checked the figures again and I hope that I am not wrong that expenditure for the first six months of this year increased by over 2 per cent from last year. I stand, Sir, by those figures. It is true that for the second quarter they declined. Sir, I am talking about the current expenditure which has increased. I would not like the Honourable Leader of the Senate to think that he can get away on that matter because the record is here that shows that it has increased.

Mr. DEPUTY PRESIDENT: Thank you.

SENATOR The HON. L. V. H. LEWIS: On a point of explanation, Mr. Deputy President. The very point that I am making is why selectively say the 6 months when you could take the 9 months position and it would be a different situation.

SENATOR T. E. BARKER: On a point of order, Sir.

Mr. DEPUTY PRESIDENT: You cannot speak on a point of order when somebody else is also speaking on a point of order. It would have to be a substantive speech.

SENATOR T. E. BARKER: On a point of elucidation, Sir.

Mr. DEPUTY PRESIDENT: You can only do that when you are elucidating something in the substantive speaker's speech. Okay.

SENATOR T. E. BARKER: Yes, Sir. I am saying that if he had the figures for 9 months that I only have them for 6 months. So to say that I am not using the figures for 9 months, I am saying that I only have figures for 6 months of the fiscal year. If he has other figures, he can tell me.

Mr. DEPUTY PRESIDENT: All right. Thank you. We take your point.

SENATOR Dr. F. W. ALLEYNE: Mr. Deputy President, on a point...

Mr. DEPUTY PRESIDENT: Yes, are you speaking on a point of order?

SENATOR Dr. F. W. ALLEYNE: No, on a point of explanation.

Mr. DEPUTY PRESIDENT: All right. That is permissible.

SENATOR Dr. F. W. ALLEYNE: Mr. Deputy President, I just want to say in response to the point made by Senator Barker that many figures are being thrown around and several of the points being made are not points of substance. I recall Senator Barker saying that over the first 6 months that expenditure rose by 3 per cent. There is a built-in inflation factor when prices rise and I would imagine that over the first 6 months of the year prices would have arisen by at least 3 per cent. More than that, Mr. Deputy President, there is a built-in wage increase in the Public Service pay bill which accounts for over 50 per cent of public expenditure. I do not understand what is the substance of the point Senator Barker is making.

Mr. DEPUTY PRESIDENT: Thank you. Senator Clarke, you may continue your speech.

SENATOR The HON. Dr. C. D. CLARKE: The point I want to touch upon is the concerns expressed by Senator Barker about the level of expenditure of whatever it is. He was suggesting that Government is not paying particular attention to other than Personnel Services. I was at pains at another time to point out, and I think that I will keep on

saying it until the goodly Senator understands, that there is a minimum level below which we cannot cut other than for Personnel Services and expect an individual working to be able to do his work. You can think of a chair and desk which is necessary for them to get their work done. When we look at that, we have to look at the relationship between non-Personnel Services costs and the cost for Personnel Services.

SENATOR T. E. BARKER: Sir, on a point of order.

Mr. DEPUTY PRESIDENT: Yes, on a point of order.

SENATOR T. E. BARKER: Sir, I appreciate the Senator's point about the chair and desk. But what I am talking about...

Mr. DEPUTY PRESIDENT: That is not a point of order, Senator Barker. You may continue, Senator Clarke.

SENATOR The HON. Dr. C. D. CLARKE: Thank you, Mr. Deputy President. I know that the goodly Senator has difficulty in basic concepts and I was just at pains to point out the facts. Just to sum up despite all of the interruptions, because I really want to get this over. The consumption tax is not a cost to production but is incurred and becomes due at the end of the month in which the goods were sold. That is, if the goods were sold on the first of the month, then it is my understanding 21 days after the 30th of the month the consumption tax is due. In this simple example, although exaggerated, on the first of the month you have 21 days on which you have sold the product. You have 29 more days – 31 days for easy arithmetic – if you have a month of 31 days you will have 30 days plus the 21 days will in effect give you 51 days on which you would have held those funds, if you sold the product on the first of the month. Most sales and all sales will not occur on the first of the month. The cost is borne by the consumer and not by the manufacturer or by the business. What we are doing here is just trying to collect it sooner within that period. Although Government did give the concession a year ago, it can no longer do so, given the problems we have *vis-a-vis* what Senator Barker touched on today, the question of the overdraft account.
12.05 p.m.

On the separate motions of SENATOR THE HON. Dr. C. D. CLARKE the Bill, a Money Bill, was read a second and third time and passed.

ORDER NO. 2 – TO MOVE THE SECOND READING OF A BILL TO AMEND THE INTERNATIONAL MONETARY FUND ACT, CAP. 18A

SENATOR The HON. Dr. C. D. CLARKE: Mr. Deputy President, this Bill seeks to amend the articles of agreement of the International Monetary Fund as contained

in the International Monetary Fund Act, Cap 18A. The Interim Committee of the Board of Governors of the International Monetary Fund, in considering the 9th General Review of Quotas, concluded that, as a condition for agreement to the increase of quotas of members of the Fund, the articles should be amended to authorise the Fund to suspend the voting and related rights of members who are in arrears with their obligations to the Fund. The Board of Governors of the IMF adopted the resolution by a vote of 45:3 and the Governor of the IMF for Barbados supported the resolution.

Much has been said in recent times about the IMF and perhaps we need to go back down memory lane and touch upon its conception and work. The IMF is the twin sister institution of the World Bank. Both of them, as is normal in the case of twins, were conceived at Bretton Woods in New Hampshire just at the end of hostilities in World War II. When the United Nations met in 1945 at Bretton Woods in New Hampshire they were concerned with ensuring that there was orderly growth within the world economy at the end of hostilities. To that end, these two institutions emerged, one of which concerned itself with infrastructural development, roads, schools and later some capital investment for investment purposes, and the other, the International Monetary Fund, concerned itself with balance of payments to facilitate international trade.

Bear in mind that when these two institutions were conceived, there were two things happening at that time. Shortly after hostilities, most of the countries started to gain independence from their colonial masters. While the Bretton Woods institutions of the World Bank and the International Monetary Fund were created for rehabilitation of Europe and to facilitate world trade, that is, to reduce any disruption in world trade, a new phenomenon was emerging. The former colonial countries now were gaining their independence. I believe it was India in 1947, moving into the African countries – Ghana in the mid-fifties – and then the flood gates were opened.

As a consequence, the provisions of these two institutions now had a new clientele to serve. Certainly, they were not designed primarily for developing countries but rather to facilitate the reconstruction of Europe and to facilitate trade within the developed world. The provisions, philosophies and principles they had then have been amended, refashioned and altered over time to accommodate the developing world and all the concomitant problems for developing countries that we encounter from time to time. I do believe that within the last couple of years these two institutions are beginning to recognise that the conditions which they considered optimum for a developing country or the under-developed world need not be such. As a consequence, we are beginning to get more and more adjustments with a human face.

The specific concern which this amendment will seek to address here is, and I quote:

Section 2

- (a) If a member fails to fulfil any of its obligations under this Agreement, the Fund may declare the member ineligible to use the general resources of the Fund. Nothing in this section shall be deemed to limit the provisions of Article V, Section 5 or Article VI, Section 1.
- (b) If after the expiration of a reasonable period ... the member persists in its failure to fulfil any of its obligations under this Agreement, that member may be required to withdraw from membership in the Fund by a decision of the Board of Governors carried by a majority of the Governors having eighty-five per cent of the total voting power.
- (c) Regulations shall be adopted to ensure that before action is taken against any member under (a) or (b) above, the member shall be informed in reasonable time of the complaint against it and given an adequate opportunity for stating its case, both orally and in writing.

I have been trying to get for this Honourable Chamber, and I hope I will get it before the debate winds up, a current contribution to the IMF in absolute dollars and what the proposed contribution will be under the quota. I hope I will get it for the Chamber before the debate and I did ask for it before I came in here.

I beg to move that his Bill be read a second time.

SENATOR Dr. E. A. SIMMONS: I rise for a short intervention to say that I had the privilege over the past week of attending a meeting held by the social and economic partners of Lomé to look primarily at the IMF and its conditionalities. At that meeting in Brussels papers were presented by the European side, Mr. Caris, and on the ACP side by Dr. Olumode from the University of Zimbabwe. There were also presentations from the International Monetary Fund and the World Bank. At the end of that meeting a joint communique was issued by the ACP and EEC which will go to the IMF.

12.15 p.m.

I entered the debate just to say that I do have copies of the statements made on behalf of the ACP and EEC. I think they make very good reading. It goes through the history of the developing countries over the past 10 years. I would very much like to make those documents a document of this House because I think we in Barbados would become more informed. As I listened to the debate on structural adjustment I thought we were not conversant

enough with the kinds of questions that come with structural adjustments. What is even more important is the need for unity when we are to fight and come out of structural adjustments.

I understand that whenever there is dislocation and hardship people would react and there is time for reaction. But there also comes a time for maturity when we must get together and fight because, in the final analysis, if we fail everybody fails. Although it is good to take political positions, it is our country and the future of our country that will be most important in the final analysis.

I want to make an appeal to all people that when we talk about structural adjustment it hurts everybody from the top to the bottom. You can argue whether the tourist industry or the people who are producing furniture were hit hardest but in the final analysis it hits everybody. This is something we have to understand. We can only overcome it if all of us work together. Unity is strength. We have to understand that we are undergoing serious economic problems.

Barbados is not unique. If you look at the developed world for which the structural adjustments were designed in the first place so as to reconstruct the economies of Europe after the Second World War, those economies are under stress. Companies in the United States that we thought were untouchable, companies like Pan America, Eastern Airlines, Maxwell Publishing, the paper magnate in England, the multi-billionaire whom they found dead in the sea only to find out a couple days later that the whole empire had been destroyed, all have been affected. You are talking about giant companies of great resilience with access to almost every banking system in the world. When we compare them to a place like Barbados, a fragile economy with a limited banking system, we have to understand that we must undergo painful adjustments and they will hurt. But we will not come out of it unless we work together.

I am making an appeal to all the social partners, the trade unions. I agree with Senator Cole when he said that the trade unions have an important role to play. I believe in the trade union movement but the trade union has to understand that if we are undergoing structural adjustment they have a social commitment to play. They cannot be demanding salary increases when they understand that the public coffers are hurting and the private coffers are hurting.

In some places like the United States you have nurses working in the hospitals 5 days a week and getting paid for 3 because they understand the importance of structural adjustment. That is the United States, the greatest economy in the world. We operate in a capitalist, open economy. The greatest capitalist economy in the world, with the world's largest budget, is having the greatest

lay-offs in the developed world. If we are copying that system and the system is failing we must understand that we must make adjustments. All the social partners have to play their part.

We will complain because whenever a child gets lashes it will cry. But while you are crying you understand that correction also has to take place. I am appealing to all, while we make complaints, to let us sit down together and try to iron things out. It is very interesting in talking to people who are knowledgeable in the international arena that everyone says that they are confident that Barbados can come out of it. If people have confidence in Barbados and we do not have confidence in ourselves then we are going to be truly lacking.

If there is one thing that frightens me about my country is this. When I grew up as a boy we used to be a people where Barbadians were proud of themselves. Every carpenter thought he was the best carpenter in the world. Every mason thought he was the best mason in the world. Every cricketer thought he was the best cricketer in the world. All of a sudden we have become a people where, from the time you wake up in the morning on the radio stations, you can hear Barbadians inflicting harm on themselves, talking about how inferior they are. I wonder what kind of images we are sending to our children when we keep telling them that they are inferior and they do not have the ability to fight. I only hope that this structural adjustment will not only restructure our economy, but will also restructure our thinking and our fortitude so that we can be a better people in the few years to come.

I just made that intervention, Mr. Deputy President, so that I could try to make available some of the latest documents on the thinking of the IMF, not only from the side of the EEC, but also from the side of the ACP. I thank you very much.

SENATOR Dr. F. W. ALLEYNE: Mr. Deputy President, I wish to make just a few observations on this Bill to amend the International Monetary Fund Act. It is interesting that this Bill should come before this House because it gives us a feeling, albeit a feeling without foundation, how important we are as far as the decision-making process of the International Monetary Fund is concerned.

The fact is that we are receivers. We do not initiate anything with the IMF and we must not fool ourselves about that. The Fund was not set up for nations like us. In the 1940's it was set up as a club for the Western industrialised nations. So we are looking in. In this Chamber we must not fool ourselves that we are important and, therefore, this is why we have to consider the amendment to this Bill. We are asked to do it. So we do it

because we want to be cooperative participants – I would not even say of the club because I am not sure of the status of the membership of Third World countries.

The important thing, Mr. Deputy President, from the point of view of this Bill, and I think it is fair for the public to ask is why is it at this time, with Barbados facing these foreign exchange difficulties, that the IMF quota to Barbados should be increased? I think it is a fair question to ask. The answer is not hard to find. You look back over the last 10 years. The real productive sector of the economy was expanding so that our real GDP in 1991 is substantially more than it was in 1981. In any review of quotas the allocation is based on economic performance, what has happened to GDP. That the real GDP of Barbados has grown over the last 10 to 15 years, is the reason why the Fund allocates a larger quota to us. But you cannot have your cake without eating it. Even if we object to a higher quota at this time, it is in our interest because our capacity to call upon the special facilities, the standby facilities of such a Fund, depends upon the size of our quota.

12.25 p.m.

So you cannot say: "Let us have a smaller quota", and at the same time say we want to have greater use of the resources of the special facilities provided by the Fund. I make that comment, Mr. Deputy President, because it seems to me that, in many of these international institutions, the thinking fails to take cognizance of the economic reality in countries like Barbados. When I say Barbados I include the countries which Dr. Simmons was speaking about earlier, those in Africa particularly, Central America and the Pacific.

The fact of the matter is that there is a lot of talk nowadays about structural adjustment and I keep asking myself structural adjustment for what, structural adjustment for whom? I think we need to ask these questions. It is very easy in a small country like Barbados to be inward looking. An important aspect of this inward looking syndrome is finger pointing and apportioning blame. That is to say that there is no way one could give a valid explanation.

What is happening in these small countries, these small economies across the world today is that, without recognizing what is happening, these small countries are inextricably linked up with the actions of the highly industrialized countries of the West. It is a pity, Mr. Deputy President, that the work of the United Nations Conference on Trade and Development which started in the 1970s – I refer to the search for the new international and economic order – should have come to naught because of the stiff-necked attitude of the highly industrialized countries, led by the United States of America. It is my understanding, Mr. Deputy President, that unless there is fundamental adjustment in the relations between countries

in the world with respect to trade and the terms which govern trade, countries like Barbados will always, from time to time, find themselves having to adjust and adjust.

I am saying, Mr. Deputy President, that the difficulties do not reside solely within our shores. We have to abandon some of this very myopic inward looking approach and recognize that, given our very dependent relations with the rest of the world, these structural problems will surface from time to time, if we do not manage our internal affairs well. I should hope that the kinds of changes which one is witnessing in the approach of the IMF today in dealing with several countries will be accelerated in years to come.

I recall there were times when the IMF technocrats went into countries with a bag of medicines without even examining the condition. History is replete with cases where countries were much worse off after an IMF intervention. A lot of that is changing and started to change since the early 1980s. But much of the change has been cosmetic. I would certainly hope that highly industrialized nations of the world who control the bulk of the resources in the International Monetary Fund would recognize that in the interest of exchange rate stability across the world and particularly in the Third World countries, it is important for the Fund to accommodate the views of Third World countries, not only those of the Caribbean but across the world to a greater extent in designing their policies. It is very important. We can meet here today and we can feel that we are important and say: "Yes, we have given assent to modify this Bill." What it really signifies is the importance of our unimportance.

With those few words, Mr. Deputy President, I want to indicate my support for this Bill.

Mr. DEPUTY PRESIDENT: Senator Barker.

SENATOR T. E. BARKER: Sir, we on this side have no problems in supporting the amendment to the IMF Bill. Indeed, I sincerely agree with Senator Alleyne that, the more you get in, the more you can expect to get out some time in the future. It is very important that we understand these things.

However, Sir, I want to talk a little bit about the IMF because the very word IMF conjures up certain images of a big stick. We have experiences where a lot of countries have entered into IMF programmes and do not seem able to get out. Jamaica is one case in point where I think they went in in the late seventies. I am not sure, but I wonder if they would not have been better off without the IMF support because 13 years afterwards there seems to be no end in sight.

Barbados is a little bit different because, if you can recall, Sir, we had a programme with the IMF in 1982 and,

from all indications, came out all right. We had some initial social and other dislocations but we came out all right. After we went in in 1982 for the next six years we managed to achieve economic growth. The result was that we managed to achieve what we set out to achieve by going to the IMF.

The IMF is not necessarily a bad thing because, in my view, a lot of Third World Countries suffer from fiscal indiscipline. I am a Third World man and I am specifically interested in the Third World Countries as they relate to the IMF. A lot of the Third World countries suffer from fiscal indiscipline and Barbados is a case in point where, Sir, we have allowed our fiscal deficit in the past year or two to reach alarming proportions and, partly, cause us to be in the balance of payments difficulties that we are in. Not only fiscal indiscipline but also the lack of proper monetary policy. For example, in Barbados now we can probably say that the lack of proper monetary policy in the last couple years has aggravated a problem which was already there. We live on the edge basically and anytime we do not adhere to proper monetary and fiscal policy we will go over the edge. We are a fragile economy and as such have to ensure that we manage our affairs according to the best knowledge and according to the best precepts available.

If there is one thing that the IMF programme is going to do it is to ensure that we do not do things like go over our overdraft limit and finance Government deficits by borrowings from the Central Bank and all that. Those of us who know those things will appreciate the point. There is no doubt that part of our balance of payments problem now is a result of last year and this year and the way we finance the fiscal deficit, that is, through borrowings from the Central Bank.

Mr. DEPUTY PRESIDENT: Senator Barker, I should like to draw to your attention that this amendment to the International Monetary Fund Act has absolutely nothing to do with what may have taken place and that the two are not really linked.

12.35 p.m.

SENATOR T. E. BARKER: Yes, Sir. I thank you very much for your guidance but I am just highlighting the fact that we in Barbados are in the midst of an IMF Programme. It is important that our leaders in the early seventies made sure that we joined the Fund and over the years made sure that our contributions to the Fund were always paid up in time so that now we are in these difficult times, we can draw on the resources available to us.

However, Sir, there are a lot of things about the IMF that probably are not palatable and I disagree with Senator Alleyne when he says that we are looking in... We note, Sir, that the IMF is the rich man's club but we in the Third World are members. We may be third cousins but we are

members. I think, Sir, there is a need for the Third World Countries to come together so that when they go to Governors' Meetings and so on they speak, as far as possible, with one voice, because altogether there may be twice as many third world countries as there are developed countries. If we use our weight of numbers, although it is not matched with weight of gold, we may be able, Sir, if we speak loudly enough and often enough, to cause some changes in IMF policies, especially as they relate to the Third World.

We must never, Sir, believe that we are impotent in this regard. We must believe, Sir – we may be over 100 members – that together we can make sure that we speak with one voice because, Sir, what I do not like is the way the IMF comes into a country and encourages the country to take policies which may be at variance with constitutional and other legal arrangements that are already in the country.

I believe, Sir, that the IMF must be made to respect the constitution and laws of the country. Sir, Barbados is not the only case where it has happened. It has happened in Trinidad and Tobago where, in spite of the law courts ruling, up to now the civil servants have not been paid the money that they are legally due.

Sir, I believe, the IMF must be told certain things up front. I, Sir, like most Barbadians came up poor, but we never, Sir, came up as beggars.

I do not believe that the Third World should be beggars in the international arena. We have to stand up with dignity and say, look, we are borrowing your money but we have to pay you back. You are not giving us the money. This money has been contributed by us too. Barbados itself has over the years contributed money to the IMF coffers. We have got to stand up with dignity and say, we demand to be treated as equals, that even though our GDP and our national economy may be less than yours we are still people and we demand to be treated as such.

I believe, Sir, that if enough Third World Countries adopt this attitude, not only to the Fund, but to the World Bank and to the other international agencies they can cause changes in these organisations.

I get the feeling, Sir, here today that we in the Third World are doomed to be perpetual beggars on the International scene. I am saying I do not believe in that. We must, Sir, stand up like men and confront the Americans, and the British and say: Look, we are not going to allow you to run our club for your benefit. It is known and documented that a lot of the IMF policies benefit the industrialised countries in the long run by taking resources from our Third World Countries and making sure that, whereas they could have given us a debt rescheduling they make sure we repay our debts to them up front. From the

little foreign exchange we earn we have to go and pay them and then we are forever doomed because we will forever be within their clutches.

I am saying, Sir, that when our Prime Minister and Ministers of Finance go to these Conferences they must use their voices to bring about changes, because without changes in the IMF ...

SENATOR Dr. F. W. ALLEYNE: On a point of order, Mr. Deputy President, Senator Barker made the point that in dealing with the IMF and these international institutions we should press for debt rescheduling. Mr. Deputy President, I would wish to tell Senator Barker that, to the best of my knowledge, I have never known that you can reschedule official debt. I hope I was hearing Senator Barker wrong.

Mr. DEPUTY PRESIDENT: Thank you.

SENATOR T. E. BARKER: But, Sir, there are provisions where a country can seek to have its debt rescheduled, especially if it is undergoing very harsh conditions. It is not unknown for countries to seek to reschedule debt. I am saying, Sir, that is an option which, maybe, Governments can use. You could say, yes, we are committed to repaying our debt but at the same time we are having severe foreign exchange problems. Therefore could you allow us, instead of repaying the debt in 2 years' time, let us pay in 4 or 5 years' time?

I am saying, Sir, that we have to use these options. It does not make sense that every cent you get from foreign exchange you have to repay your foreign debts so then nothing is left to revitalise the economic sector. If some of that money could have been used to revitalise the economic sector then, in the long run, you would be in a much better position to repay your debt obligations.

Sir, with those few words, at the point of repeating myself, I want to ensure that we, in the Third World, use whatever means are available to us to ensure that significant changes are made in the international organisations, especially as they relate to the Third World and its development. Other than that, Sir, we on this side will support the Bill.

SENATOR The HON. Dr. C. D. CLARKE: Sir, in winding up the debate there is much to be said but, just a point I would like to make, and that is that in the club called the IMF the 5 major industrial countries in the world account for well over 70 per cent of its contributions with the 100+ developing countries accounting for about the other 30 per cent. So, with all of the developing countries combined, they will still control the 30 per cent. I think my grandmother used to say something about a whole lot of poor things joining up and making poor things at the end of the day. I do not now remember how it goes.

On that note, Sir, I beg to move that this Bill be read a second time.

The question that the Bill be read a second time was put to the Senate and agree to.

On the motion of SENATOR The HON. Dr. C. D. CLARKE, Mr. DEPUTY PRESIDENT left the Chair and the Senate went into Committee on the Bill, SENATOR J. J. PAYNE in the Chair.
12.45 p.m.

COMMITTEE

Mr. CHAIRMAN: The Senate is in Committee.

Clauses 1 to 5 inclusive were called and passed.

On the motion of SENATOR The HON. L. V. H. LEWIS, Mr. CHAIRMAN reported the passing of one Bill in Committee, and Mr. DEPUTY PRESIDENT resumed the Chair and reported accordingly.

On the separate motions of SENATOR The HON. L. V. H. LEWIS, the Bill was read a third time and passed.

SUSPENSION OF SITTING

SENATOR The HON. L. V. H. LEWIS: Mr. Deputy President, I beg to move that this sitting be suspended until 2:00 p.m. today.

The question was put to the Senate and agreed to, and Mr. DEPUTY PRESIDENT suspended the sitting accordingly.
12.50 p.m.

ON RESUMPTION

Mr. DEPUTY PRESIDENT: This sitting is now resumed.

ORDER NO. 3 – THE INTERNATIONAL BUSINESS COMPANIES BILL

SENATOR The HON. Dr. C. D. CLARKE: Mr. Deputy President, the purposes of this Bill are to revise the law relating to international business companies carrying on the business of international manufacturing or international trade and commerce from within Barbados with a view to:

- (a) encouraging the development of Barbados as a responsible international financial centre;
- (b) provision of incentives by way of tax reduction, exemptions and benefits for international manufacturing and international trade and commerce from within Barbados.

Mr. Deputy President, much has been said about the restructuring of the Barbados economy and I do believe that, in restructuring an economy, there are 2 necessary conditions which first must be met. We must find new ways of doing old things, that is, a different combination of the factors of production to produce a product in a more efficient way and/or to find new products using the existing land and labour available to you. In Barbados, we have been experiencing over time a change within the economy in the 1960's and 1970's in tourism and in the 1980's in manufacturing. Now we have the international business companies in addition to offshore banks, captive insurance companies, and foreign sales corporations.

This Bill seeks to deal with international business companies distinct from offshore banks, captive insurance companies, and foreign sales corporations. Perhaps, just to give a feel for what has been happening in this country since 1987 *vis-a-vis* the offshore business sector and specifically with respect to international business companies, in 1987, 160 IBCs were approved, in 1988 an additional 219, in 1989 an additional 157, in 1990, 216, and January to date 192. So that from 1987 when there were about 532 international business companies operating in Barbados, today they stand now at about 1,400. This represents a significant restructuring and this is at a time when we have been losing certain manufacturing companies, especially enclave enterprises. We have witnessed the demise of such companies as those such as Intel and Playtex leave our shores and out of this we have seen international business companies making their appearance in not just picking up the slack but in changing the very nature of the economy in Barbados. There are some new companies which are here and making their presence felt. One is Caribbean Data Services which is engaging in new activities which are somewhat new to Barbados.

I will try to highlight the new features of the amendment to this Bill before us. In Clause 5(1) provision is made under this clause to enable a company which had been operating as an enclave enterprise under the Fiscal Incentives Act to continue its operations with similar concessions as an international business company after the expiration of its tax holiday. This proposal would be useful in retaining the business of such a corporation which might otherwise not find it advantageous to continue their operations in Barbados.

What has really been happening here is that, in the past, international business companies were considered to be companies operating in trade and commerce but not in manufacturing. It has been felt that, with our limited period of 10 years for the granting of fiscal incentives to enclave enterprises, indeed after the 10 year period, especially if such an enterprise is a foot loose enterprise operating in a foot loose industry – and is not bound to market raw material but is mainly attracted to a relatively inexpensive

source of labour, the enterprise is likely to move out at the time it would have exhausted or depreciated its capital. By granting it now favourable conditions under an International Business Companies Act, it is hoped to retain such enclave enterprises, manufacturing companies, which in the past might well have left us because they would have exhausted all the benefits the Fiscal Incentives Act would have afforded them in duty free importation of raw materials and tax holiday of up to 10 years.

2.10 p.m.

As I said earlier, it will attract some companies at the margin, but more enclave enterprises are attracted because of relatively low wage rates and not because of a tourist market or sources of raw material. You will hold some, but certainly this would be marginal. It is an effort when we consider that certain competing destinations, such as Puerto Rico can offer up to 30 years fiscal incentives and the LDC's can offer 15 years. It is a step in the right direction to attract companies to this area that we didn't have. At the time when we appear to be doing so little for the manufacturing sector, this is at least a ray of hope which is being held out.

Clause 6(1) extends the category of businesses that may be conducted from within Barbados by international business companies to include:

- (a) the business of being a broker, agent, dealer, seller, buyer or factor within Barbados of goods existing outside Barbados or of goods to be transhipped through or from Barbados.

This provision seeks to broaden the scope of companies that can be considered international business companies.

Clauses 7-9 establish licensing procedures. Licensing of international business companies will enable these entities to have their status clearly established from the start. In the past, what happened was that they had to operate for 12 months before their status was determined. At the end of a 12 month period they applied for status as an international business company. Now, at the very beginning a Company can apply and be granted the status of international business company. This will remove some of the uncertainty associated with an operation, especially when there are tax benefits to be gained within the home country of the operation in Barbados.

Clause 10. The taxing regime will be modified to make all companies subject to the same rates, whether investment companies or other. The applicable rate of tax will be in the range of 2.5 percent of 1 per cent of profits. This is the rate currently applicable to investment companies and a new feature in the tax regime will allow interested companies at their option to reduce their tax payable to a minimum of 1 per cent of profit. This would

be achieved by allowing such companies to elect to claim credit against tax in Barbados in respect of tax payable in another jurisdiction provided the rate payable in Barbados is not reduced below 1 per cent of the profit. What it does here is to ensure a uniform tax regime for all IBCs and to remove any and all existing anomalies within the same class of international business companies where you had different tax rates existing.

Clause 17(3). This provides for international business companies to keep the books and other records required of U.S. companies. The intent here is to facilitate record keeping of these companies and to make Barbados more of a locale to be desired.

Clause 18 would exempt international business companies from the Exchange Control Act and the Rate of Interest Act. This concession is currently consistent with that which is granted other offshore entities such as offshore banks, foreign sales corporations and also captive insurance companies.

Clause 20 would allow international business companies engaged in manufacture exemptions from stamp duty, customs duty and consumption tax on the same base as apply to enclave enterprises. This is an effort to prolong the tax advantage without violating the Fiscal Incentives legislation or running afoul of the Harmonisation of Fiscal Incentives legislation existing within CARICOM.

Clause 22. International business companies will no longer be required to file financial statements with the Registrar of Companies. The purpose here, since the tax is pretty well set, is to ensure that confidentiality is maintained.

In short, Mr. Deputy President, what Barbados is seeking to do is to make itself more competitive in the market for international business companies and other offshore businesses. This is the first step. It is hoped that, within the near future, additional legislation will be coming before this Chamber to improve the competitive climate for foreign sales corporations within Barbados in the light of the potential growth in this area, especially at a time when direct investments in manufacturing by offshore companies has been falling.

Although there has been a decline within the direct investment in manufacturing, there has been a significant increase and growth within the sector as pointed out by the information I gave earlier. Today there are well over 1,400 international business companies operating compared with just about 532 in 1987. Coupled with that we have, within the foreign sales corporations today, over 600 companies operating compared with just over 400 a year ago. So, we are noticing here a restructuring of the Barbados economy whereby we are able to see business operating in this

sector coming in, not to replace, but to take up some of the slack occasioned by the lack of competitiveness of Barbados as a location for the old enclave enterprises that came in because of the comparatively low wage regime at that time.

We do hope that, in this sector, with the new tax regime put in place by the State of New York and other states on the North Eastern seaboard of the United States we might benefit from additional companies operating out of such domiciles as the U.S. Virgin Islands and Puerto Rico. It might be somewhat premature to anticipate any particular benefit from those, but what we can do and what we are seeking to do now is to put our house in order and prepare the economic climate to make Barbados an attractive location for discovery.

I beg to move that this bill be read a second time.

The question was put to the Senate and agreed to.

COMMITTEE

On the motion of SENATOR The HON. Dr. C. D. CLARKE, Mr. DEPUTY PRESIDENT left the Chair and the Senate went into Committee on the Bill, SENATOR J. J. PAYNE in the Chair.

Mr. CHAIRMAN: The Senate is in Committee.

Clauses 1 – 33 were called.

SENATOR The HON. Dr. C. D. CLARKE: Mr. Chairman, since there has been no debate and there has been general acquiescence in the bill and agreement thereto, I beg to move that clauses 1 through 33 stand part.

The question was put to the Senate and agreed to.
2.20 p.m.

On motion of SENATOR The HON. Dr. C. D. CLARKE, Mr. CHAIRMAN reported to His Honour the DEPUTY PRESIDENT the passing of one Bill in Committee and Mr. DEPUTY PRESIDENT resumed the Chair and reported accordingly.

On the separate motions of SENATOR The HON. Dr. C. D. CLARKE, the Bill was read a third time and passed.

ADJOURNMENT

SENATOR The HON. L. V. H. LEWIS: Mr. Deputy President, we have completed the business of today. Peradventure the House of Assembly on its meeting next week passes a measure, we may wish to deal with it promptly next Wednesday. Although I am not adjourning until next Wednesday, I am signalling that it may be necessary for us to meet.

Mr. Deputy President, I beg to move that this Senate do now adjourn *sine die*.

The question that the Senate do now adjourn sine die was put to the Senate and agreed to and Mr. DEPUTY PRESIDENT adjourned the Senate accordingly.
2.25 p.m.

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