THE

SENATE DEBATES

(OFFICIAL REPORT)

FIRST SESSION 2003 – 2008

THE SENATE

Monday, August 29, 2005

The Senate met in the Senate Chamber, Parliament Buildings on Monday, August 29, 2005 at 11.22 a.m.

PRESENT

His Honour Senator Sir Fred GOLLOP, K.A., J.P. (President)

Her Honour Senator Dame Patricia SYMMONDS, D.B.E., G.C.M., B.A. (Hons.) (P.G.C.E.), J.P. (Deputy President)

Senator the Hon. Miss L. V. EASTMOND, LL.B. (Hons.), LL.M. (Minister of Commerce, Consumer Affairs and Business Development)

Senator the Hon. J. E. D. WILLIAMS, B.Sc. (Hons.), M.Sc., M.B.A., J.P. (Minister of State in the Prime Minister's Office and the Ministry of the Civil Service)

Senator T. E. BARKER, B.A. (Hons.), M.A. (Econ.), J.P. (Parliamentary Secretary in the Ministry of Finance and Economic Affairs)

Senator R. W. GRANT, B.A. (Econ.), G.Dip., M.A. (Parliamentary Secretary, Ministry of Tourism and International Transport)

Senator G. P. B. NICHOLLS, B.Sc. (Hons.), LL.B. (Hons.)

Senator Miss P. E. PARRIS, J.P.

Senator Miss S. C. V. HUSBANDS, B.A. (Hons.)

Senator A. C. FIELDS, K.C.M.G.

Senator Dr. F. L. CHANDLER, Ph.D., B.Sc. (Hons.)

Senator Sir Roy TROTMAN, K.A., M.A.

Senator the Hon. Mrs. V. E. NEWTON, S.C.M., B.A. (Spec. Hons.), M.A., LL.B. (Hons.) (U.W.I.), F.L.A. (Gt. Brit.), L.E.C.

Senator Sir John Stanley GODDARD, K.A., B.Com., F.C.A., LL.D. (Hon.) (U.W.I.)

Senator R. O. Marville, B.A. (Hons.), M.A. African Studies, M.B.A.

Senator the Very Reverend H. E. CRICHLOW, G.C.M., B.A. (Hons.) (Dunelm)

Senator I. St. C. LINTON

Senator G. P. I. GOODING-EDGHILL

Senator F. J. STUART, B.A., LL.M.

Senator Dr. D. S. LOWE, Ph.D., Dip. Theology, B.A., MED, ED.D.

Prayers were led by Father Errington Massiah.

Mr. PRESIDENT: This Senate is in session.

ANNOUNCEMENTS BY HIS HONOUR THE PRESIDENT

Mr. PRESIDENT: I have an apology for the absence of Senator Griffith who is out of the island on Government Business.

MOTIONS RELATING TO THE BUSINESS OR SITTING OF THE SENATE

SENATOR THE HON. Miss L. V. EASTMOND: Mr. President, I beg to move the Suspension of Standing Order No. 45(2).

The question was put to the Senate and agreed to.

PUBLIC BUSINESS

Mr. PRESIDENT: Public Business is the Order of the day.

ORDER NO. 4 – EXPORT PROMOTION AND MARKETING FUND BILL, 2005

Mr. PRESIDENT: Senator Eastmond.

SENATOR THE HON. Miss L. V. EASTMOND: Thank you, Mr. President.

The purpose of the Export Promotion and Marketing Fund Bill as stated in the Bill is for the establishment of a Fund known as the Export Promotion and Marketing Fund to assist in the development, promotion and marketing of the Barbados Export Sector.

Mr. President, I believe that it would be useful to pay some attention to how this particular Fund is going to be financed, how the Fund will operate and other matters relating to this particular Bill, so that we understand fully how it is meant to operate within the existing tax regime of Barbados.

This Fund will be financed by way of collection of a 3 per cent cess on extra regional imports into Barbados and extra regional means outside of the Caribbean community, which can be discerned from Article 87 of the Treaty of Chaguaramas. This cess, according to the Bill is proposed to be collected by the Comptroller of Customs. It is meant to take effect from September 1, 2005 and, very importantly, it is meant to be a temporary measure which will be in place for a period not exceeding 18 months.

The financing of this Fund therefore will come from the cess, monies collected through the Excise Rate of Tax Order, the Environmental Levy, other monies which Parliament may provide and any monies that might come to the Fund by way of a gift, grant, or otherwise.

Sir, with respect to this Bill also, there are certain items that are going to be exempted from the cess because we should remember that with respect to importation, we already have certain duties which are collected on those goods and this is a 3 per cent cess which will be levied in addition.

Therefore, certain items such as food will be excluded from the cess. Motor vehicles which are already subjected to an Excise Tax will be excluded from this cess and any goods with which CARICOM already has trade agreements will also be exempted.

Sir, that must be viewed within the context of the arrangements that we have entered into which are, I would say, preferential in nature. Therefore, with respect to Columbia, Costa Rica, Cuba and the Dominican Republic, CARICOM has already entered into arrangements with those countries and to some extent, one can regard them as an extension of what we do under the Treaty of Chaguaramas.

The type of hierarchy that you have is that with respect to the CARICOM countries under the Treaty of Chaguaramas, the most preferential and advantageous trade regime is found under the Treaty of Chaguaramas. Therefore, one would naturally expect that any cess imposed would not be on goods coming from CARICOM.

At the next level, you have agreements that have been entered into by Members of CARICOM with third countries and these are the countries that I listed previously, Columbia, Costa Rica, Cuba and the Dominican Republic. Therefore, the advantages given to those countries *vis-à-vis* their trade relationships between CARICOM are not as beneficial as those within CARICOM, but they are more beneficial than those extended to the wider World Trade Organisation (WTO) membership and that is allowed under the WTO agreements, where there are certain provisions which allow for subregional agreements to be put in place so that there is more preferential treatment given under those arrangements than are given under at the WTO level.

Therefore, logically speaking then, it would be expected that with respect to those agreements, Barbados would not seek to impose this cess on goods coming from those countries with which we have that special relationship. Of course, at the level of the WTO, these are the remaining countries from which we import goods that would to subjected of the additional cess.
11.30 a.m.

Mr. President, we believe that the imposition of this cess as a temporary measure is consistent with our trade obligations. It is logically within our expectations as well that a number of goods that are imported by certain companies, such as international business companies, companies formed under the International Financial Services Act, companies that benefit under the Small Business Act, companies that benefit from the International Insurance Act and all other entities that would normally benefit from the exemption of duties that are involved in some kind of special scheme under the current Barbados tax regimes would be excluded from tax.

Mr. President, normally currency notes imported by the Central Bank of Barbados are not the subject of duties and in the same vein it is proposed that they would not be subject to the cess involved.

Mr. President, while it is that the cess is meant to be imposed on extra-regional goods coming into Barbados, there are also a number of exemptions which have been provided under the Act. Mr. President, essentially what we are seeking to do is to ensure that the imposition of the cess does not disrupt our incentives regime for the businesses that we have identified as being important to the continuing development of the country.

Mr. President, I would now wish to turn to how the Fund will operate and those companies that will benefit. Grants will be made from the Fund to corporate entities including statutory corporations that are engaged in the development, promotion and marketing of products and services from Barbados. As one would expect, but it is stated expressly, the funds are meant to be engaged in those promotional activities.

Mr. President, it is proposed that the Fund will be managed by the Enterprise Growth Fund Limited. As one would know, the Enterprise Growth Fund Limited is already engaged in the management of a number of funds that have been established by this Administration, the focus of which is to ensure that Barbadian businesses have access to capital in a way that, I would argue, they have never had before in the history of Barbados.

Mr. President, there are a number of funds. At the moment, the Enterprise Growth Fund Limited is engaged in promoting a programme for innovation through the Innovation Awards. That particular programme is very important. Over the years the Enterprise Growth Fund Limited has developed a great deal of expertise in managing these funds.

Apart from the general management being under the Enterprise Growth Fund Limited, there is also a management committee which will be established to determine those companies that would benefit from the Fund. The Committee is comprised of the Chief Executive Officer of the Enterprise Growth Fund Limited as well as four other persons who are to be appointed by the Minister of Finance, so that the projects that come to the Fund will actually be evaluated for their effectiveness and appropriateness before the funds are granted.

Mr. President, in order to ensure that there is appropriate transparency and accountability, the Enterprise Growth Fund Limited is required to prepare quarterly reports not later than 21 days following each quarter. A copy of that report is to be laid in the House of Parliament, so there would be a great degree of transparency and accountability with respect to how these funds are disbursed.

In addition to that, the Fund is to be audited by the Auditor-General at least once a year. Mr. President, because of the nature of the Fund and since it falls under the Enterprise Growth Fund Limited, it will be subject to any considerations which the Public Accounts Committee might wish to raise with respect to this particular activity. Mr. President, in essence, those are the fundamentals of this particular Bill which is before us.

Mr. President, there are those that might ask the question why are we putting in place this cess at this time and why are we creating a fund. Mr. President, it is important for us to look at the context within which all of this is happening. With respect to our response to a number of initiatives that have been taken internationally, there are a number of things that this Administration has been engaged in.

Mr. President, part of the difficulty with all that we are doing is that it is often difficult for persons to actually see the full picture at any given point in time. Mr. President, at any point in time when we are discussing a Bill here or when any issue is raised for discussion usually the discussion is not within the broader context in which we are forced to operate as a country. Normally, our discussions are very narrow. A simple way by which this is seen is that often when individuals are making a claim or a call for an increase in expenditure in any given area, the individuals usually have the privilege of not having to look to see the other areas in which money needs to be expended by the Government. One usually has the privilege that if one is in the tourism sector that one can speak of increasing revenues or increasing expenditure in the area of tourism without at the same time looking to see what expenditure should be allocated to education or to health.

Mr. President, often these matters are discussed in a vacuum and very much on their own which, of course, when you are in Government or if you are the Minister of Finance, you tend not to have that kind of privilege which others do. Therefore, I would wish to put what we are doing here within the appropriate context.

Mr. President, the context of where we are in 2005, goes back to 1995, when Barbados became a member of the World Trade Organisation. Being a member of the World Trade Organisation has had a number of implications for Barbados. It is remarkable that the Barbados Labour Party Administration that came into power after the World Trade Organisation agreements had been negotiated by the Democratic Labour Party has never laboured on the fact that we did not negotiate them. Essentially, we accepted that was the hand that was dealt us and since then we have engaged in a number of initiatives to make sure that this country could respond properly to the obligations that we took on within the World Trade Organisation prior to 1995.

We became a member of the World Trade Organisation in January of 1995, but the negotiations were going on for more than 10 years prior to that. They did not start in 1995 when we became a member, as some people might think, and we have never belaboured the point that we did not negotiate the regime under which we are now working within Barbados and to which we have to respond. Mr. President, I think that it is only fair that the public recognises that.

11.40 a.m.

Therefore, the circumstances in which we find ourselves now have to do with agreements which were negotiated well before we came into office.

Mr. President, we have recognised that the issues dealing with trade liberalisation; the fact that Barbados is a Member of the World Trade Organisation; the fact that we are also involved in negotiations within the Free Trade Area of the Americas, even though they seem to be stalled at the moment, have had a considerable impact on Barbados, but not so much in terms of market access. We usually talk about market access and the fact that certain goods and services now have rights through certain countries, to come into Barbados, in a way that they did not have before. That is one of the implications of trade liberalisation but there are others as well. Therefore, in my view, these implications are even more fundamental because they considerably reduce the options that a Minister of Finance and Economic Affairs has, in terms of a developmental strategy for the country.

Sir, before Barbados became a Member of the World Trade Organisation, the options as to what we could have done, were very much opened. Therefore, in terms of developing our domestic infrastructure for the development of goods and services, we found ourselves in a situation before, where the options were unlimited in terms of what we could have done.

Mr. President, I make the point about developing a country's domestic infrastructure, I think it is important that a country should develop its domestic expertise, both in the production of goods and services before it could ever dream of going into the export market. In most instances that is the case.

Sir, the thesis years ago was that it was important to protect a country's domestic industries, not only for import substitution purposes, but also for the purpose of developing that country's expertise locally, before entering into the export market. Therefore, there were lots of protectionist mechanisms that were put in place. For example, there were very high tariffs on items that were considered to have potential within the domestic market or if we wanted to protect certain industries, the tariffs on the importation of those goods that we considered would be a challenge to our domestic production, were the subject of very high tariffs. We all know that within the context of the World Trade Organisation, there is a move towards the reduction of tariffs, as far as possible, or as low as possible.

Mr. President, in addition, we also used licences and the use of quotas, to make sure that our domestic production was protected, but we went through a process called clarification where, with respect to quotas and licences, many of these regimes were changed. Therefore, instead of having quotas and licences, we moved to a process where tariffs were put in place. There was also an agreement put in place as to how we would have gone about reducing these tariffs over time. Sir, therefore, we are now in an environment where we do not have the flexibility to raise tariffs at will, to impose high duties at will, to put quotas in place at will, or to put licences in place at will. There are licences that are still in place but for specific purposes.

Mr. President, years ago, for example, the Ministry of Commerce was considered to be one of the most important Ministries in Barbados, because it dealt with import licences. Unfortunately these days it is not that important. It does not carry as much weight as other Ministries but at that time it dealt with import licences, and with who would have been able to benefit from those quotas. Therefore, that Ministry was seen as an important ministry at the time.

Mr. President, the other area which has been impacted by this move towards trade liberalisation has to do with the utilisation of subsidies, which is a very critical area. Sir, in terms of the support which Government can provide for industries through certain incentives, those options are now limited. If any of these subsidies amount to Government foregoing tax revenue, for example, they would not be considered a legitimate subsidy under the World Trade Organisation regime. Therefore, in terms of the options that we now have in using tax measures as incentives to develop industrial activity, to promote the production of goods and services, it is critical for us to recognise that we are now limited considerably. Sir, that is where we are at the moment with respect to the ability to provide incentives in the manufacturing or agricultural sectors.

Mr. President, with respect to subsidies, that regime currently does not apply to the area of services, but it is certainly on the agenda at the World Trade Organisation, if they ever get moving again. The subsidies regime, however, with respect to services, the World Trade Organisation and other organisations, I believe the Organisation for Economic Cooperation and Development (OECD) have both taken an inventory as to the incentives which countries have, which might qualify as prohibitive subsidies at the World Trade Organisation's level, under the General Agreement of Trade and Services. Therefore, one would expect that at some time in the future, that because they would have done an inventory, it would mean that at some point in time they are also going to see a reduction in the incentives that we also now give in the services sector, and as we all know, tourism falls within the services sector.

Mr. President, with respect to options available to Ministers of Finance, in the future their options are going to be even more limited overall in the economy, with respect to the services sector, which we recognised as being critical to the continuing development of Barbados.

Mr. President, in terms of the future for Barbados, our circumstances will not become any less complex. They are going to become more complex as we go forward, as we seek to put in place measures and incentives that will assist with the continuing development of the country, while, at the same time, not falling short of our obligations at the World Trade Organisation, the Free Trade Area of the Americas, the Revised Treaty of Chaguaramas or the bilateral agreements which we have entered into with countries such as Costa Rica, Cuba and Columbia.

Mr. President, there are two other points which I would like to make with respect to the circumstances, which sometimes we fail to take into account. Sir, the Government's actions in these cases were preventative, and as human beings we tend to understand corrective measures more clearly than preventative measures. Sir, as I said before, there is often great difficulty recognising the whole. Often we only observe a part. I would start by suggesting to you that considerable work has been done by this Administration, in terms of putting a consumer protection regime in place, which is one of the significant responses to trade liberalisation, especially in circumstances where more goods and services entering Barbados from non-traditional sources. Barbados will be required to be competitive with their produce.
11.50 a.m.

Sir, there is also the potential of creating an environment where business people, not deliberately, may take advantage of the consumer. I wish to suggest that the comprehensive consumer protection regime, which this Administration has put in place, is one that recognises the importance of the ordinary people in the commercial environment. Therefore, one of the first things we sought to do is to make sure that those ordinary Barbadians are protected.

Sir, one of the issues that we have not heard much about, is the Office of the Public Counsel and the Consumer Claims Tribunal. These two organisations fall under the Ministry of Commerce, for which I am responsible. I would like to report that they are working well. Sir, you hear no discussion here or elsewhere about Government's involvement in consumer protection, because the system is functioning.

Mr. President, there are individuals who report their matters to the office of Public Counsel, the majority of these cases are resolved. They are resolved by the Office of the Public Counsel intervening on behalf of the consumer with a company, or with an individual providing goods or services. They are actually resolved without need for further action.

Sir, we have reached the stage where before the consumer comes to the Public Counsel to lodge a complaint, sometimes businesses will call the Public Counsel to report a particular difficulty; the consumer thinks that X is the case but we think that Y is the case. What do you think? The Public Counsel would advise the business person, until an agreement is reached. Sir, unfortunately, if the matter has to go further, it would be referred to the Consumer Claims Tribunal. This Tribunal is working very efficiently, publishing its decisions and building a body of case law with respect to consumer matters at the level of the Consumer Claims Tribunal.

Mr. President, that is just one of the initiatives in terms of the response to what has been happening with the World Trade Organisation. It was being suggested elsewhere that we knew this was happening, but what were we doing? Sir, you have to look at things as a whole. You cannot look at things in a vacuum.

Sir, the liberalisation of the telecommunications sector is another one, legislation was put in place to deal with that. It was very difficult and controversial but there is no telecommunication liberalisation that has happened in the world that has not been controversial. We have passed of the worst of it and we have achieved this Administration's goal.

Sir, new technologies are entering Barbados faster and at a lower price. That is what we wanted. This is not a 'cellphone thing'. It has to do with developing businesses, especially those supported by the service sectors or those which are fundamentally service-oriented; using a telecommunication infrastructure that is low in cost and one that we are able to utilise the best technologies possible. That is what we wanted and that is where we are at the moment. All of this comes from the telecommunication liberalisation.

Sir, the reduction in corporation tax is a major proposal by this Government to lower corporation tax rates from 40 per cent to 25 per cent by 2006. This is revolutionary in my view.

Mr. President, I heard commentators say that if you lower tax rates, what do you expect the people to do with the money. We expect the private sector to reinvest and to use the money for research, development and innovation. That is what we expect. We do not expect it to be pocketed.

Sir, around the world, the corporation tax rates have been falling. Barbados would certainly have put itself in an uncompetitive position if it continues with its high rates of tax while the rest of the world moved towards the reduction of corporation tax rates. Sir, at the end of the day, the tax rates and taxes collected, even though it is to be used for social services, will still be regarded by the businessman and investor as an additional cost of doing business. Mr. President, to move from 40 per cent to 25 per cent is one of

the responses to 1995 and trade liberalisation, to create an environment where business could operate profitably and effectively.

Sir, what about the intellectual property legislation that we put in place? Sir, this legislation was seen in a vacuum. It was seen as being related only to issues of copyright, with respect to calypsonians. It related to them from a commercial perspective but the Intellectual Property legislation is broader than that. The wide suite of legislation deals with all kinds of commercial interests, including copyrights, geographical indicators, patents, *et cetera*.

Sir, if we have an environment where Barbadian companies are to become innovative, they will be required to develop new products. We cannot do that in an environment where there is no intellectual property legislation to protect the new innovators and the research they might do. We have done this, recognising that it is also part of the response to trade liberalisation.

Mr. President, we had to do a lot of work to get Barbados ready for the new liberalised environment. A day has not gone by without thought for new initiatives to create the appropriate environment.

Sir, another point relates to the Bankruptcy and Insolvency Act. I make this point because we tend to see things in a vacuum, we do not look at the whole. The new Bankruptcy and Insolvency Act, is an Act that will also improve the environment for business in Barbados. As you are aware, the old Bankruptcy Act that existed had no provision for a company that ran into difficulties, therefore, the company closed its doors. That Act essentially presided over the demise of the company, prepared the funeral, buried it and that was the end of it.

Sir, the new Insolvency legislation seeks to ensure that when a company runs into difficulty, it can actually seek protection, creating circumstances where it can trade itself out of difficulties.

Recently, in our consultation on the Information Communication Technology policy, one of the young people participating in that particular forum made the point that we seem to trust others to fail but we do not seem to trust ourselves to fail. The only way you are going to get innovation and new businesses in Barbados is if we allow our own people to fail, and then return with a more successful business, because business failure, unfortunately, goes hand-in-hand with business success.

Sir, most of you would be aware that, for example, in the United States of America they have what is called Chapter 11 Bankruptcy.

12.10 p.m.

For example, if a person uses preventative measures to ensure that he is healthy, it would not amaze us if that person is slim but, on the other hand, if a person who has bad health, takes corrective measures and there is a remarkable change, we are more impressed by this. When the Administration of the Barbados Labour Party had to deal with the OECD initiatives on harmful competition and with the September 11, 2001 attacks within the United States of America, we took preventative measures which, within the context of where we are, were not taken into account in the way they should. If you are involved in preventative actions to safeguard industries, it may mean that during that period of time you are not going to register the type of growth you would if nothing was happening.

Sir, between 1998 and 2001, Barbados had to deal specifically with all the industrialised countries in the world which said that Barbados should no longer use tax incentives to attract investment or to encourage businesses in Barbados to export, that is what it was about broadly. Unfortunately, many commentators never quite understood what it was about because some of them felt it was about the offshore sector. Of course, Mr. President, it included the offshore sector because the offshore sector is largely engaged in the provision of services but it was not about the offshore sector or the international business sector but about the ability of Barbados to offer incentives to companies generally to come to Barbados and also our use of incentives for export especially in the services sector.

Mr. President, if persons had taken the time to read the first book published by the OECD about its initiatives, they would have seen that. Barbados was not only protecting the international business sector which still generates 40 per cent of our corporation tax but it meant that we did not have to step ahead of the game. Sir, I have said before with respect to sudsidies in the services sector, which can sometimes amount to tax incentives that they have not been negotiated at Word Trade Organisation (WTO). The OECD was on its own seeking to step outside the four corners of what was happening in WTO and because we were small vulnerable states, felt they could attack us first and that we would have to remove our subsidies in the area of services first. Sir, we felt this was unfair.

Mr. President, most of our resources in Government were utilised in dealing with this issue because it was not limited only to the Minister responsible for International Business but engaged the Ministry responsible for Trade, Finance and Economic Affairs, the Inland Revenue Department, the Minister of Foreign Affairs and in some instances the Ministry of Agriculture. Sir, all these agencies were brought into play to defend the interest of Barbados and lasted from 1998 to 2001.

Mr. President, when we thought that was behind us, we had the attacks of September 11, which we had to deal

with. We had a number of consultations where the Government came together with the private sector and the Democratic Labour Party and came up with a strategy to ensure that we protected our tourism industry which was under threat from the attacks. Sir, if you recall, individuals were afraid to fly and this is the way in which most tourists come to Barbados. Mr. President, countries advertise that in-country tourism was an option for those persons who normally travel to another country.

Mr. President, can you imagine the concerns that someone would have who is travelling from the United Kingdom for eight hours to come to Barbados because of the threat of being blown out of the sky. Sir, that is the reality with which this Government had to deal. I believe there was a consensus that no effort should be spared in making sure that we put the resources that we had at our disposal through the tourism sector and the international business sector because these were recognised as the two areas which should be strengthened in order to significantly support the economy of Barbados at that time.

Mr. President, Barbados engaged in a great deal of spending to make sure that we shore up these two industries. At the same time, in order for us to continue to develop as a country, a significant amount of money must be spent to make sure that we have the infrastructure in place to meet the requirements of a developing country which has to put infrastructure in place to service our international tourism market as well as our international financial business services. I am sure that most of you, if not all of you, are pleased with the work that we can now see emerging at the Grantley Adams International Airport. Fortunately, I am able to pass by the Grantley Adams International Airport every evening so I was actually able to see when they started putting up the lights and it is a wonderful sight. If you have not passed there recently, perhaps you may want to take a ride to St. Philip and see what the airport looks like.

Mr. President, I do not believe that I am biased but in my view, it is the most beautiful airport that I have seen anywhere in the world, not that I have travelled to all the countries but it is outstanding and we should be pleased with the work that has been done at the airport and, we should be pleased with this Administration as well for ensuring that we have such a lovely airport to welcome our guests to Barbados.

Mr. President, this is just a little bit of what we have had to do in terms of spending and infrastructure. I would challenge anybody to say to me that as a developing country you can develop your country without running some kind of deficit. I do not believe it is possible because when individuals are developing their homes, they put themselves in circumstances where they actually owe more than they actually have. There are not many Barbadians who can buy their homes cash and not many developing countries can develop their infrastructure cash either.

Mr. President, Barbados has been doing a number of things to deal with the circumstances in which we have found ourselves after becoming a member of the WTO and facing the effects of trade liberalisation which essentially required us to be more efficient and competitive. They recognise ages ago that when you have an environment where you are asking for creative innovation, entrepreneurship, *et cetera*, some businesses will fail and that the response by the State should not be to provide them with a nice burial but if there is something in the business that can survive and that eventually could be successful, that part of the business should be protected and that is what our legislation now seeks to do, Sir.

12.00 noon

There are many things that we have done in this Administration to make sure that this country is put in a position to respond to trade liberalisation. This Administration financed the "100 per cent Bajan" campaign to help to protect our domestic industry and to make sure that Barbadians recognise that it was important for them to choose local and, if it were important prior to 2003, it is even more important now in 2005 that we make a deliberate attempt to choose Barbadian goods and services.

Sir, this is done by the United States. The 'Made in America' means a lot to Americans. The made in America brand should never mean more to Barbadians than it does to them but in some instances, you feel that it does that the – 'Made in Barbados' brand, Barbadians themselves, despite the fact that you are talking about our own goods and services, somehow you feel them to be inferior to the 'Made in America', made in Europe, or made in Japan, goods and services. This is something that I think we need to make a deliberate shift on, Sir.

I will not seek to persuade you. I believe that there are some issues in life that you have to determine whether or not you are persuaded, you certainly have to take a stand and you have to say, I am going with the, 'Made in Barbados' product.

I heard some individuals seek to argue that somehow this is contrary to the notion of trade liberalisation or even to the notion of working within CARICOM. Sir, this is a joke. Within the European Union, the French will promote their wines, and it does not mean that they are part of the European Union. The Italians will promote their clothing and when you have an Italian tie or Italian shoes, it means something. The Germans will promote their automobiles and when you are driving a German car, it is meant to mean something. Sir, all of the revenue that comes in, comes to the benefit of the European Union as a whole.

Therefore, there is nothing wrong with promoting a Barbadian Brand. It is not contrary to anything that we have given an obligation to, Sir. There are other things I will speak about, for example, what we are doing in terms of information technology.

Sir, information communications technology is going to be the underpinning of everything that we do in Barbados in the future. I will say, specifically, with respect to the environment. We have been working on this very seriously, unfortunately, without as much support from the private sector as we should like, but they say that the Government must lead on these things. I do not think so, Sir. It does not happen necessarily in other countries, but this is where we are in Barbados.

Sir, on August 19, we put out a very comprehensive information communications technology strategy for Barbados, which we would like all stakeholders to have a look at and respond to. I have made a general statement about it being the underpinning but individuals must recognise that the rest of the world, certainly, is using technology to do a number of things.

Barbados, if it does not act quickly, and not only the Government but the private sector, it will find itself out of sync with what the rest of the developed world is doing. If your platform is not a technology platform, and the rest of the world has a technology platform, well you are not going to be able to talk to them for very long about anything, whether it is ordering goods from them, whether it is selling goods and services to them, whether it is getting advice from them, whatever it is. Sir, if our platform is different from theirs, if our focus is not on utilising technology, we will find very soon that we will be out of sync with what is happening in the rest of the world.

I will give just a small example. When I first started to negotiate within the Free Trade Area of the Americas (FTAA), there were many countries that said that they could not receive the documents by e-mail. As you know within the FTAA, most of the countries are developing countries, except for the United States of America and Canada.

Many of the delegates said that we could not receive the documents by e-mail. We found that we would have pages of documents, a document 160 pages and members expected that the secretariat would put them in an envelope and post them to their country.

The secretariat at one meeting decided that it was not going to do that anymore. You either get the e-mail or you would not get any documents. The truth of the matter is that after that, everybody got e-mail and that has to do partly with the lethargy that you have in the country with respect to move to ICT. It is not that it cannot be done. It is just that as long as we continue to facilitate the paper base transaction, nobody would move to ICT but changes can be made.

Sir, we have been doing this. We have put the Electronic Transactions Act in place. We have put the Computer Misuse Act in place. We are creating and facilitating environment for the use of ICTs and the use of Commerce, but we cannot force anybody to use them because they must come along as well.

One of the initiatives having to do with services is that we have paid quite a lot of attention to and this is also specifically in response to the trade liberalisation initiatives and the necessity for Barbados to be competitive.

We have created a Barbados Coalition of Services Industries. I would like to say a little about this and I also have to say this because there are individuals within the community who having no better, I believe issues to engage them, raise the issues as to whether or not you can have a services economy without having an industrial base.

Really, it is a non issue. The Barbados Labour Party Government has never said that it would not have an industrial base. We recognise that there is a need for Barbados to develop and promote all aspects of the economy that can earn foreign currency, create appropriate employment for our people so that our people can really reach the potential that we know they have, Sir.

The services versus industrial policy is a non argument for Barbados. I know that some people have read these things in books and they are really being much more generous to us than they should be because we have not read those books.

We just know that, because of our education we have a number of individuals in Barbados who have expertise in the services sector, such as education, medical care and law. All we are saying is that if we can do these things well, certainly we should seek to export them. We have not read any of the brilliant economists that have spent sleepless nights, pondering over whether you can have a services economy, without an economy that is based on manufacturing or agriculture.

Therefore, you are attributing us with an intellectual fervor that we actually do not have. It is just that we feel these things can make some money for Barbados and that they can be exported successfully. This is our objective where that is concerned.

We have established the Barbados Coalition of Services Industries to focus specifically on exports, setting standards and education but, fundamentally, that was about developing an export culture in the services sector.

Therefore, that is part of the process that has led us now to where we are, which is the creation of the Barbados Export Inc. which is to focus specifically on export and what the cess is about. The cess is to specifically look at funding that particular enterprise and other enterprises. Mr. President, the point that I am making is that it is a part of a continuum in terms of what we are doing.
12.20 p.m.

Mr. President, we have created the environment. However, I have not been able to outline all of the things that we have done. We are seeking to create a domestic environment that facilitates the development, promotion and the export of business. This particular initiative will take us now to the point where we are actually focussing on the exports for which we have created the facilitated environment.

Mr. President, I therefore wish to commend the Export Promotion and Marketing Fund Bill to my colleagues and ask that it be read a second time.

SENATOR F. J. STUART: Mr. President, I have had occasions in the past to praise the Honourable Minister of Commerce, Consumer Affairs and Business Development when she introduced Bills in this Chamber. Regrettably, I am not in a position to do that today because I sat for about one hour listening to hear the philosophical justification for the introduction of the Bill at this time and all I got was a long lesson in the Barbados Labour Party Government history.

Mr. President, not unnaturally and not surprisingly, occasion had to be found to blame the Democratic Labour Party for something, so once again an odyssey was taken back to 1994/95, when the World Trade Organisation agreements were negotiated and when Barbados acceded to membership of the World Trade Organisation.

Mr. President, the more I listened to spokesmen and publicists of the Barbados Labour Party on this issue, the more convinced I am becoming that had the Barbados Labour Party been in office in 1993/94, Barbados would not yet have become a member of the World Trade Organisation and that this was some reckless act committed by the Democratic Labour Party, for which this country is now paying dearly. The reality of course is quite different.

Mr. President, the Democratic Labour Party was not the Government of all the other countries in the world, developing and developed, small and large, that joined the World Trade Organisation. This joining the World Trade Organisation was part of the rhythm of international politics once the Uruguay Round was completed and the World Trade Organisation was established.

Mr. President, going back to the Democratic Labour Party dealing somebody a hand and they having to play the hand that they have been dealt, really does not advance the argument very far because every day we are forced in life to play hands that we have been dealt. Mr. President, the reality is that there is a World Trade Organisation. There is a changed world environment where now the market reigns supreme and a whole new vocabulary of international politics have developed. One of the catch phrases of this vocabulary is trade liberalisation. Sir, Barbados' economy has had to walk away from all the protection to which it was exposed during the Cold War period and to face, as all other countries in the world have to face, the stubborn realities of a new international economic order.

Mr. President, so far as the context in which Barbados is now forced to operate is concerned, there can be no dispute. Preferences are removed, markets fundamentalism is now the order of the day and issues like trade liberalisation are, for all practical purposes, part of the imperatives of economic life for countries across the world.

Mr. President, when I listened to Senator Eastmond, I got the impression that this piece of legislation was not brought to solve any problems as she has said coming on to the end of her speech that this is just part of a continuum. Presumably, there are no problems in Barbados and therefore we are just travelling smoothly, and without any kind of excitement, along an economic and political continuum about which nobody has to be concerned.

Mr. President, I think the realities are a little different and there is a reason why Barbados is today focussing on export promotion and marketing and is setting up an Export Promotion and Marketing Fund to facilitate its efforts in that regard.

Mr. President, some time in 1993, when the present Minister of Finance of Barbados became Leader of the Barbados Labour Party, I recall that one of the earlier statements he made was that he had brought no social background to politics, only his skills as an economist. Those words were spoken and published and attracted a lot of comment as we moved into the 1994 general election. Of course, in those days the Democratic Labour Party used to be accused of not being able to forecast anything in the economic sphere and that is why the country was having so many supplementaries, and if you allowed the great economist to sit in the Chair as it were, supplementaries would be a thing of the past, the forecasting skills of the Government would be considerably enhanced and all would be sweetness and light.

The reality, Mr. President, is that we now have 11 years to look back and to survey the performance of the Government in light of those claims.
12.30 p.m.

Mr. President, of course, at the time of the accession of the Barbados Labour Party to office in 1994, the economy was on a growth path, and it continued to grow consistently, I believe, for about seven years, until the aftermaths of 9th September, 2001 terrorists attack, when there was a slight reverse.

Mr. President, the country has to be reminded that having come to office in 1994 with a two-thirds majority, and having had two-third majorities in the two succeeding elections, the Barbados Labour Party being in Government, has not had to depend on the Opposition Democratic Labour Party for its support in trying to effect social transformation in this country. It has had a free run.

Mr. President, by happy coincidence as well, the VAT Act was passed in 1996 and came into effect, I believe, in January 1, 1997. This Government, of all the Governments of Barbados since universal suffrage, has had more revenue at its disposal than any other Government of Barbados could ever boast. Therefore, it has had the political power, the Parliamentary power and the economic resources to change, for all times, the quality of life of the people of Barbados.

Sir, the question which has to be asked today as we debate this Bill for the establishment of a fund, to be known as the Export Promotion and Marketing Fund, is where are we, with three two-third majorities and with the largest revenue yield 11 years later, in the light of these two very compelling political and economic realities? Are the people of the country substantially better off? Have the fundamental problems of the people of Barbados been effectively solved? Have the economic problems, which the skills of a great economist were expected to confront, been resolved?

Mr. President, the International Monetary Fund completed its Article IV Consultation in Barbados on August 5, 2005, and in its public information notice on August 15, 2005, made reference to possible obstacles to sustaining growth in the Barbados economy. It has identified three possible obstacles. It pointed to a high level of public debt; to large fiscal and external Current Account deficits; and to declining international reserves. Sir, these three obstacles are what the International Monetary Fund called macroeconomic imbalances that stand as possible threats to the sustaining of strong economic growth in Barbados.

Sir, we are not living in the year 1994, we are in 2005, 11 years after the Barbados Labour Party came to office; 11 years after the skills of the great economist have been applied to the problems of Barbados; and 11 years after Barbados' dream was crafted as having a car parked in every driveway. Of course, I believe that subsequent to the making of that statement, a Minister of the Crown went further and talked about every Barbadian having a BMW parked in every driveway.

Mr. President, we are talking about all of this 11 years later and today I sat in this Honourable Chamber and listened to Senator Eastmond speak. As she spoke, I got a sense that we were living in the best of all possible worlds, that nothing was wrong with Barbados, and that this Bill was only being brought to the Honourable Senate today, as it were, to usher us into recess and that it was just part of some kind of politico economic continuum and that there was nothing to worry about.

Mr. President, the reality is that all is not well, not because the Democratic Labour Party is saying so, but because the International Monetary Fund, Standard and Poor's and the Government itself, have said so. They have all said that the country faces a serious problem with the Current Accounts and Balance of Payments, as citizens are importing more than is desirable for an economy, an economy whose export sector is not performing and has not been performing satisfactorily for sometime. Sir, that is the *raison d'être* of this Bill. This Bill is intended to solve the problem of a leakage of foreign reserves, which we are not earning, but which we are borrowing, some of which, of course, is as a result of real estate speculation.

Mr. President, therefore, for the Honourable Senator to have stood here and to have given the impression that this is part of continuum and that all else is well, paints a picture that is quite unworthy of a distinguished product of a parish of St. Philip. We are not accustomed to this.

Mr. President, therefore, we come to the crux of the matter, that is that the export sector of Barbados is not performing and that credit from the commercial banks, which I believe has gone up by 18 per cent last year, is being used to purchase goods from outside of this region. Therefore, much damage is being done to our foreign reserves situation and has led to a declining international reserves situation, to which the International Monetary Fund has had to refer. That is why the Government is imposing a 3 per cent cess on all goods coming from outside of CARICOM countries.

12.40 p.m.

There is absolutely nothing wrong with discouraging the purchase of goods from outside of CARICOM. I genuinely believe and, it is the policy of the Democratic Labour Party, that goods produced in this region are as good as goods produced anywhere else. Sir, the Minister and I agree to this. We are as competent in this region to produce efficiency and produce high quality goods as people in any other part of the world and subscription to a brand-name culture does not help create jobs in Barbados but helps to create jobs in other parts of the world.

We have no quarrel with Government on this but at the level of motive, we accept that there should be some discouragement in the population against the purchase of

goods from extra-regional sources. Of course, the dream is that every Barbadian is to have a car outside of his house but Barbados does not produce cars. Mr. President, this dream is not as yet fulfilled although it is dangerously near to being fulfilled. Sir, last Friday evening, it took me exactly two hours and five minutes to get from my office in Roebuck Street to the Bussa Roundabout so we are dangerously near to getting that dream fulfilled.

Mr. President, we do not produce cars in Barbados or in this region. Therefore, if the dream of the Government for all Barbadians is that we should have a BMW parked outside of every house, the leakage of foreign exchange would have to continue and this is why we have to make sure that we begin to earn it. If we are going to have foreign exchange to spend, we either have to earn it or borrow it. Mr. President, we have not been earning it but borrowing it and the IMF has, therefore, quite appropriately, referred to the high level of the public debt.

Mr. President, I do not want to discuss a Bill, the Export Promotion and Marketing Fund as if it is a part of a continuum because all is not well with the economy of Barbados. Sir, Government, quite properly, is taking corrective actions to deal with it. This is not preventative action but corrective action because the problems have already been highlighted, they exist and Government is now taking corrective action to deal with the problems so highlighted.

Asides.

SENATOR F. J. STUART: Mr. President, I am not supposed to hear asides but I hear talk about the 1990s. Sir, we are talking 11 years and three two-third majorities later. The people of Barbados have dealt with the Democratic Labour Party on three separate occasions and we accept that but the Government of the Barbados Labour Party must accept full responsibility for where the economy of this country is today. The Democratic Labour Party cannot be blamed for that. The skills of the great economist were applied to the problem and we are here today in a country and economy hounded by debt and deficit. Sir, quite appropriately, corrective action is being taken.

Mr. President, the cess, according to Section 7 of the Bill is supposed to be collected by the Comptroller of Customs and is to take effect from September 1, 2005 and should apply for a period not exceeding 18 months. Sir, I usually try to be fair to the facts. In the Prime Minister's Economic and Policy Statement last September, the Minister of Finance indicated the coming of some kind of export entity to be responsible explicitly for the promotion of the exports of Barbados. In a sense, the coming of this Export Promotion and Marketing Fund is not by way of surprise since there was some indication in the last Economic and Policy Statement delivered some time in September that it was going to come. At that time, it was also indicated that the country's current account deficit was a source of concern for the Government. It was also indicated that the performance in the export sector was below what the Government expected.

Mr. President, let us not try to draw any red herrings across the trail. The reality that we face is, that since before December last year but, certainly, in December last year, the Government admitted that there was a slide taking place in the economy and that certain curative and corrective action has taken place. Sir, the question we have to ask is, what are these exports, which we are going to market and try to promote.

Mr. President, it has been conceded for the last few years that the tourism sector had not been getting the kind of allocation, which it needed to do its marketing work effectively and, of course, coming out of this Fund, it is hoped that monies would be available, I think the Government said some time last year that the Barbados Tourism Authority would need at least $70 million per year to do an effective marketing of Barbados tourist industry. It has not got that in recent times and it is hoped that, as a result of the imposition of this cess that the tourist industry would be able to benefit. Then, of course, there is the international business sector, which again, has not been performing as Government would have expected. The high hopes held out for the international business sector have been cheated of fulfilment as competition in the sector has tended to hobble the performance of the sector. Again, I imagine that it is contemplated that a greater export thrust would have to be undertaken to bring this to some level of acceptable performance.

Mr. President, it is conceded that the manufacturing sector has been on its death bed with a death rattle in its throat for some time. Sir, whether the imposition of a cess and the making available of funds, for the marketing of manufactured products from Barbados will be enough to breathe life into the sector, and to communicate the kind of confidence to the sector, that it needs so desperately at this time, we will have to wait to see.

12.50 p.m.

Mr. President, certainly, over the last eleven years, the manufacturing story has not necessarily been a success story. There has been no euphoria in Barbados about the sector, although operatives and actors in the sector have been trying very hard to keep their heads above water. I think that the country needs to be encouraged to respect what our manufacturers produce and to invest in the items which are produced locally, rather than preferring to shop

extra-regionally, to create jobs and profits elsewhere, when we so desperately need them here in Barbados.

Sir, of course, the other sector to which attention will have to be drawn would be the agriculture sector which has not been seeing the best of times. I said in this Chamber before and will say it again that I thoroughly believe that the present Minister of Agriculture has been making a gallant and certainly a very sincere effort to breathe new life into agriculture. I really applaud the efforts which he has been making in that regard. He has, in my view, conceptualised many of the problems in the sector very clearly, and one hopes that he could see some fruit borne by his splendid labours in this regard.

Mr. President, it will take much more than praise from me and certainly much more than talk from him to get the sector on its feet to the extent that it can be a proactive export-oriented sector. Sir, perhaps, the message needs to go home to Barbadians again that there should be an inseparable link between agriculture and food security. We all have a vested interest in ensuring that we have a vibrant agriculture sector. No matter which Party may be in office, this is a national issue. The issue of food security strikes at the very heart of what we are about as a nation, and if our palates are controlled from outside of this region or elsewhere, we could really lay no just claim in calling ourselves an independent country. Therefore, food security is very important if Barbados is to survive in the world. Sir, a food secure State cannot be reached by the utterance of any 'abracadabra', but by investing seriously in agriculture and taking the sector seriously.

Sir, if the Bill is to achieve these objectives, of course, a vexed problem confronting the country also has to be addressed. I believe reference was made elsewhere to problems relating to the collection of revenues in Barbados. I hope that all the machinery would have been put in place to ensure that problems of collection are properly harnessed and the cess paid can be collected, and the sectors that need this export promotion can get the money they so desperately need.

Mr. President, we live in a highly competitive and sometimes very cruel world. If the new economic order, as it is sometimes called, has taught us anything, it is the distinction between small and large countries and between developed and developing countries, is really no longer a tenable distinction. In a very real sense, the lion and the lamb are now forced to lie down together, and alas, the lion is not asleep and certainly his belly is not full. Therefore, the lamb now lives in a state of permanent danger. In this context, countries like Barbados have to work out a formula by which to survive. Sir, initiatives, like pushing our exports, encouraging production and frustrating consumption, because one of the economic challenges facing this country is that... I say this without fear of contradiction – over the last eleven years there has been a greater stimulus to consumption than there has been to production. Consumption has been encouraged, 'feel-good' culture has taken over in Barbados and because we had so much money at our disposal, the idea has somehow gone abroad that we have not needed to produce for ourselves anymore.

I think that the present state of our current account deficit and the leakage of our international reserve, these two economic occurrences are bringing us face-to-face with the fact that conspicuous consumption is a luxury if you are not producing to sustain it. The thrust of any enlightened government's policy has to be a focus on encouraging and rewarding production and trying to frustrate the kind of conspicuous consumption which one has been seeing in Barbados in the recent past.

Sir, I wish the efforts of the Government, in establishing this Export Promotion and Marketing Fund, every success. We are all in this together and I believe that there is a real problem to be corrected. I think the Government is wise in confronting it and trying to bring it under control.

Sir, what has not amused me in this Chamber today is that the Minister perorated around and glided past these unpleasant realities and basically gave us a long appetising lecture on the achievements of the Barbados Labour Party over the last eleven years but has not confronted the fact that there are macroeconomic imbalances in this country's economy at the moment, identified by the International Monetary Fund (IMF) ... as a high level of public debt, large fiscal and external current account deficits and declining international reserves.
1.00 p.m.

Sir, to the extent that this Export Promotion Marketing Fund Bill will make any contribution to the solution of those problems, it is to be commended but we cannot bury our heads in the sand and behave as though all is well in Barbados. All is not well and the worst thing we can do is to pretend that we do not have challenges of an economic nature to meet, eleven years and three two-third majorities, after the Barbados Labour Party has been in power.

Therefore, Mr. President, I do not need to detain the Chamber any longer on this issue. I think I have made the point I intended to make. The Minister, I believe, went through the Bill fairly comprehensively, highlighting most of its provisions and there is really no need for me to traverse that territory again.

With those few words, Mr. President, the Government is not going to have any objection from the Opposition in respect of this Bill. We wish the Government well and we

hope that the Bill achieves the objectives it is intended to achieve, which is to assist in Barbados' export promotion and marketing of its productive sectors.

Mr. President, I am obliged to you, Sir.

SUSPENSION OF SITTING

SENATOR THE HON. Miss L. V. EASTMOND: Mr. President, I beg to move that this Senate be suspended for one hour to resume at 2.07 p.m. today.

The question that the Senate be now suspended until 2.07 p.m. was put to the Senate and agreed to and Mr. PRESIDENT suspended the Senate accordingly.
1.03 p.m.

RESUMPTION

Mr. PRESIDENT: This Senate is now resumed.

ORDER NO. 4 – RESUMED

SENATOR Sir JOHN STANLEY GODDARD: Mr. President, I am very pleased that Senator Eastmond has indicated that the cess will not apply to food items. I did not notice that when the measures were first introduced in the Other Place, and I think that is reassuring.

Mr. President, I would like to refer to Section 2 (1) of the Bill, which speaks about the imposition of a 3 per cent cess on certain extra-regional imports. The Bill itself does not say 3 per cent on what, so I think we have to make an assumption, which is 3 per cent on the cost and freight (CF) value but it would have been easier or clearer if it had been spelt out in the Bill.

Mr. President, it means that this 3 per cent cess will tend to put the cost of living up, as it will be an additional burden on the consumer. At the moment, the consumer is very much aware that the cost of living is rising and is about to rise faster, because how much longer can we hold the price of petrol. Yesterday I am told that the price of oil went to US$70 per barrel.

Sir, by way of example, there is the Transport Board. The accounts for the Transport Board were tabled in this Honourable Chamber last week and show an operating loss of $25 million. I am not blaming the Chairman or the Board, but unless the price of bus fares can be adjusted, the Transport Board will probably lose in excess of $30 million this year. If the Government wants to consider subsidising public transport, so be it, but let that be an announced policy of Government, saying that it will subsidise public transport to the extent of $25 million, $30 million or $35 million per year. At the moment, it is still a secret. Sir, these figures reflect badly, and I think unfairly, on both the Board and members of the Transport Board.

Mr. President, with the price of fuel going up, not only will it affect gasoline, it will affect water, as we have to import the oil to pump the water. It will affect just about everything. Therefore, it is hard to imagine anything that would not be affected by the price of energy as most of our energy comes from oil.

We, therefore, have to balance this equation. We want to raise revenue to support this fund and, therefore, we are putting a cess of 3 per cent on a number of extra-regional imports, which will increase the price of those imports, which I think inevitably will lead to demands from the Trade Union Movement, who will be looking out for the interest of their membership.

Sir, increases in rates of pay will negate or tend to negate the advantages being sought by putting on this 3 per cent cess to encourage local exports. I do not blame the unions but we have to maintain a balance. We have to do something which is designed to help the economy, but we have to be careful that we do not have a sector of the economy taking counter measures that would wipe out the advantages that are being anticipated. Sir, I think that is something that the Social Partners have to watch very carefully because it is very important that we correct that Trading Account imbalance. We cannot sustain it for any extended length of time.

Mr. President, I now turn to the Fiscal Deficit. We have tried to keep it between 2 per cent and 3 per cent, and there is nothing wrong with that, as other countries have survived with higher rates of fiscal deficit but we have to correct our capacity to borrow. As I understand it, a fiscal deficit can only be dealt with in one or two ways. It can be done either by borrowing or by selling capital asset, or both, therefore, we need to protect that fiscal deficit. We need also not to get carried away with the demands that would be made on Government to do a number of things. Instead, fiscal prudence is demanded throughout the whole exercise.

Mr. President, while talking about the fiscal deficit, there is still too much waste in the Public Sector, and I am referring specifically to the Auditor-General's reports for the last three or four years, including last year's. The Auditor-General's Report at March, 2004, showed taxes in arrears in excess of $350 million, that includes land tax, income tax and customs duty, which are mainly VAT. I heard recently that those arrears are now $400 million. I know measures have been taken to reduce those amounts but those measures have not been effective. Sir, the fact that those arrears remain, means that the Inland Revenue Department has been robbed of funds which the Government could have been putting to use, to service Barbadians. Sir, I would, therefore, like to encourage Government to take new or stronger measures to deal with the tax arrears which now exceed $400 million.

Mr. President, before closing I would like to commend Senator Eastmond for doing a very good job in putting into context what this Bill is about, for putting it in the context of trade liberalisation. I would also like to commend the Opposition Leader of Government Business, because he very much focussed on the establishment of the Fund itself. I think we have been fortunate to have had two good contributions to this debate.

Mr. President, with those few remarks, I support this Bill, and I thank you.

SENATOR T. E. BARKER: Mr. President, I rise to give my wholehearted support to this Bill, which provides for the establishment of a fund, to be known as the Export Promotion and Marketing Fund, which will assist in the development, promotion and marketing of Barbados' export centre.

Mr. President, you would recall that mention of this Fund was first made last December, where the Minister of Finance, in the Other Place, mentioned that he was about to set up a fund, specifically geared towards increasing the level of domestic exports from this country.

Mr. President, this was necessary because over time there has been an erosion of the value of our domestic exports, which has become a problem for us, in the sense that we were depending too much on the export of services and not enough emphasis was being placed on the exports of goods from our economy. Sir, we believe that there are many goods, for which we have a peculiar advantage, that this country can market to the rest of the world. Sir, in the last few years we have seen the revival of the cotton industry.
2.20 p.m.

We believe that our sea island cotton is one of the best in the world. Sir, this is not my view only but the view of experts in the cotton industry and if this area is properly managed, it can bring some advantage to this country, notwithstanding CARSICOT.

Mr. President, we also have the ability to produce high quality meat from our black belly sheep. We are not realising that potential but every year we are faced with an ever increasing set of imports of lamb which we may consider not to be as superior as ours. Sir, even things like traditional pepper sauce. I believe that with the proper promotion and marketing of these products, we can make a dent in the trade imbalance because these are items for which we are known and which can bring us some advantage but we have to realise that the development of exports requires tremendous efforts. It is not a case of selling your goods from a suitcase but you have to make serious promotional efforts. We have to look at things like product development because we live in a world today where developed countries are using all sorts of measures to stymie the development of the LDCs. We have to make sure that we are always on the cutting edge and doing things to make our products even more acceptable. We know that at times they have introduced sanitary, phytosanitary and other measures which would impact negatively on the ability of small countries to effectively market their goods.

Mr. President, as a consequence, we always have to be in a position where we are doing things to make sure our products are acceptable. This is why we have to make sure our standards institution is up-to-date and doing the correct things. If we are to develop and export culture in all these things like designing and packaging, our marketing has to be seriously addressed.

Mr. President, this Bill which we are discussing relates to the setting up of this fund which would use money coming from the cess of imports and other measures in order for us to carry out this important work. Sir, all of us in here support the establishment of such a fund. It is coming at an opportune time where the level of our imports due primarily to an unprecedented growth in income is having a serious effect on our ability to pay our way through the world.

Mr. President, it is a fact that as income grows, as it has been doing for the past three years, our citizens are going to be demanding more and more goods from abroad. This is a natural consequence of development and something we can talk about as much as we like but there is nothing we can do to stop it. Hence, the key lies not necessarily in curtailing imports but in expanding the level of exports and this is what the Bill is doing. On one hand, we try to contain, a slight manner, the level of exports but, of more importance, we must make a concerted effort to increase the value of our exports if we are to survive.

Sir, let us not forget that we cannot stop the great demand for imported goods because as income rises people are going to demand more and more durable goods. For example, Mr. President, I was looking at import data as given in the Economic and Financial Statement of the Central Bank of Barbados. It shows that last year alone, the import of motor cars increased from just under $80 million to over $103 million, which is a 30 per cent increase in one year of the CIF value of cars which we import. We can think of the amount of money spent on computers and all sorts of goods.

Mr. President, a lot of them are productive. I will not gainsay that they are productive. They are highly productive but, at the same time, you have to expend foreign currency in order to pay for them and, Sir, that is the key. This is why, at the end of the day, we have to ensure that our exports are thoroughly and consistently worked on, in order to pay for the necessary imports.

Mr. President, when I look at the import data for last year I noticed that our import of fuel has gone up by over

$82 million in one year alone. The fact is that in the previous year, it went up by $70 million so, in two years, you have the import of fuel moving from $189 million to $342 million. Sir, most of that is a direct result of the tremendous increase in the price of oil on the oil market and there is nothing we can do because we are price-takers, we cannot control the price of oil.

Mr. President, the value of our fuel imports has caused a tremendous strain on our foreign reserves and it is something that we cannot gainsay. Sir, Senator Sir John Stanley said that the price of oil has reached $70 per barrel and we do not know where it is going to stop but it is going to have a serious effect on our foreign reserves and there is nothing much that we can do about it because we are price-takers. Therefore, the key is to ensure that the value of our exports rise and this is why I wholeheartedly support this Bill.

Mr. President, for the first time, we are making a serious effort. Sir, a mistake was made and obviously the Opposition will talk about it but the fact is that we can all acknowledge and move on that the decision to close down the export agency in 1991 was not the correct decision. Mr. President, from that time, for the past 14 years, we have not had a concerted effort made at marketing our exports. It was a decision based on expediency, it was the wrong decision, it sent the wrong signal and we have paid the price for that incorrect decision. Sir, we are now trying to correct it. I am reminded of an old calypso which says that mistakes can be corrected. Thankfully, this mistake can be corrected and this Bill seeks to correct that mistake. We have to develop an export culture and many of us in this Chamber believe there are things we can do to increase the value of our exports to the rest of the world.

Mr. President, the exports are to be paid for basically by a cess on imports. We also have an increase in the environmental levy on used cars among other things.
2.30 p.m.

Mr. President, I want to put in perspective that our economy is approximately $6 billion and the estimated taxes raised in any one year is just over $56 million, less than 1 per cent. Sir, of equal importance, the cess is not going to significantly impact the item poor people buy. For example, food is not to be taxed. Cars are not to be taxed except those with a value of $45 000 and over, 1800 cc.

Sir, if we look at the Bill, it is specifically mentioned in the Second Schedule that motor vehicles are exempted from the cess, so, the ability of Barbadians to buy cars would not be seriously affected. Sir, effectively, those persons who can afford to buy 'gas guzzlers', SUVs and so on, would pay more, because more gas consumption requires a greater use of foreign exchange. The basic items are not seriously affected by this cess.

Mr. President, a point must be made that a few years ago, the import duty was 45 per cent but because of our commitments to World Trade Organisation on the common external tariff, that has been reduced by 20 per cent. Over the years, almost unknown, the import duty had declined about half. If you are saying that the unions are going to look at this, then you can say with equal vigour, that when the import duty declined over the years, they should have given up some of their increases.

Sir, if you are saying that a 3 per cent cess on imports is going to reap havoc, then the decline from 45 per cent to 20 per cent now, which is a larger decline, the reverse should have existed. I do not think that the unions can use this as a justification. They can use other things, but to use the 3 per cent cess as justification for large increases, is not on. It cannot stand in the light of reason, especially when you have shielded a lot of the items from the imposition of the cess.

Mr. President, the cess will raise $56 million. All the measures, the increase in excise on large cars, plus the increase in the environmental levy, will raise the $56 million. Sir, the cess will raise $20 million and in a $6 billion economy, $20 million is not a very big issue.

Mr. President, we must be fair to ourselves and to those who listen to us that this is not going to be a significant issue. Sir, it is going to be significant in the sense that the export agencies will have a few million dollars to work with, but the impact on the spending power of the individual is not going to be that severe. Sir, at the same time, you are increasing the ability of Barbadians to get jobs and greater income, as you export more and so on, the effect on the economy would be very positive.

Mr. President, people have been saying at other fora that the imposition of the 3 per cent cess and this Bill indicate that the economy is in crisis. I beg to differ. We are doing what is called a mid-course correction. The ship of State is sailing very smoothly but there comes a point in time where we have to sit and say, let us take our coordinates to see where we are, whether on our present course we can meet our stated objectives. That is all this is, a mid-course correction. The engines are moving along quite nicely but we just have to make sure that on our present course, we will reach our intended destination.

Sir, if that procedure was adopted in the 1990s when my good friend, Senator Lowe, was large and in charge, if that had happened then, we may very well have been saved all the pain that was inflicted on the people of Barbados.

Mr. President, nothing is wrong when we pause to see where we are in relation to where we came from and where we are going.

Sir, it is noted that there has been a deterioration in our external position. This is not now noted, this was noted since last year. Sir, last year the rationale for this agency was articulated since December. We thought that it was time that we look at where we are. It must not be interpreted that our economy has gone sour.

Sir, how can an economy, where the level of unemployment is at the lowest that it has ever been, be in crisis? Our international reserves that are talked about, with justification, what are the facts? The fact is that it is at record levels. In spite of the fact that in the last year it fell by $281 million, it is still at record levels. Is that an economy in crisis? It may be in crisis if we did nothing about it.

Sir, I am happy to note that in the Central Bank's half-yearly report we notice that for the first six months the international reserves had deviated from the fall position and it has grown over the last six months of this year.

Mr. President, inflation is not a problem in Barbados. Sir, output grew last year by under 4 per cent and this year it is forecast to grow by 2 or 3 per cent. All of the fundamental indicators, such as output show that the economy is going along nicely. All we are doing is making a mid-course correction. We are ensuring that the difficulties ahead are circumvented. This can only be done if you take time to take stock of where you are.

I do not accept that the economy is in crisis. I would say that if we do not do our analysis of correcting, then we can put the economy in crisis. It is just as bad to exaggerate the problems than to underestimate them. Sometimes when we exaggerate the problems we take measures, which would put the economy at risk. For example, if we take too much spending out of the economy, we would have the effect of reducing output, laying off people and so on. If we get our arithmetic wrong and over-correct, we would be inflicting just as much pain, as if we did nothing and under-correct it. It is about balance.
2.40 p.m.

I believe, Sir, that the Minister of Finance and Prime Minister has his balance correct. He normally does, as we know to our benefit over the past eleven years. We believe that he has his arithmetic correct and this economy will respond to the effort.

Sir, the IMF and the other rating agencies have their own agenda and philosophy and their way of looking at things. We did not become independent in 1966 to make ourselves servants of any international organisation. We believe that we have the ability and knowledge to chart our own way in life.

This is why, Sir, in 2001 after the events of September 11, 2001, the conventional methodologies that would have been adopted by the international agencies were to cut spending, cut jobs and put the country in recession but we decided that we are not going to follow orthodoxy. We believe we know our economy better than those with their agendas. The result is that this economy came out of recession even quicker than anticipated and started to grow within a year or two.

If we had adopted the measures that they wanted, chances are that we would have limped along with our social cohesion in tatters, with unemployment running rampant, as it did after the IMF had their do in the early 1990s in Barbados. We were not elected to go that way. We were elected to ameliorate the conditions of ordinary people.

We are not going to follow slavishly, the orthodox and failed policies of the IMF, because all around the world, there are trails of broken bodies in the form of nations that have slavishly followed the IMF agenda. It means, Sir, that if we are going to stand on our own, we have to stand on our own. This is why, again, we have to make sure that we put things in place to keep our exports going because we can only defy them if we are doing the right things. The international agency would want us to follow another path and they have said that publicly.

They want us to slash the deficit. They even want us to carry a surplus in a fiscal position but noting, Sir, that about 40 per cent, maybe even more, of our spending is jobs, any radical attempt to run a fiscal surplus would result in the loss of thousands of jobs and that, in our view is not the price that we can pay for that type of temporary stability.

Sir, they are going to have their say. They have their masters to placate but in the final analysis, we must know what is best for our economy. We want the people of Barbados to know, yes, a correction is called for but what is also called for is for Barbadians to increase their efforts at being productive.

Sir, we can only get out of what is a little bit of a tricky situation with our foreign reserves falling, if every man, both in terms of decreasing the demand for imports, as well as working hard to increase the value of our exports.

Therefore, the IMF will have their say. The rating agencies because they have their own customers to satisfy and they must do things as they see fit. We have no quarrel with them so when the IMF comes down here to do their consultation again later this year, or next year, we will meet with them. We will be polite but firm. They will have a good

time vacationing in Barbados but in the final analysis, Sir, we believe in the ability of our people to solve any difficulty that they confront, so this Bill is necessary.

Sir, I am glad that the Opposition in here say that they are going to support the Bill but, knowing them, sometimes their support is double-edged. While some people argue that you should not look a gift horse in his mouth, it is prudence to know what you are getting into because even if it is a gift, it is prudent to know what sort of gift you are getting.

Sir, it reminds me of the old Trojan horse that I fear Greeks, especially when they bring gifts. Sir, we thank them for their support and hope they would transform the support into real effort but that might be a case of hoping for too much.

Mr. PRESIDENT: Senator, you have two minutes in which to conclude your speech.

SENATOR T. E. BARKER: Thank you, Sir.

Mr. President, the question of debt has been raised and we have to make a distinction between foreign debt and local debt. The fact of the matter is – again, I am quoting from the Statistics – that our foreign debt has declined over the past three years. Since 2001, when we took certain decisions on the economy, our foreign debt has declined and that is a fact.

Sir, this Government never had difficulty with our foreign debt so it is amazing to hear the Opposition say that we are hounded by debt. I do not know from whence they get their information but, in an economy where our external debt had declined over the past few years, without any significant distress to the economy, to talk about hounded by debt, will mean that the Honourable Member who made that statement, obviously did not take the time to examine the figures. Sir, a cursory glance at it, would show him that the statement was not based on fact but on a very fertile imagination, probably watered by something at George Street.

Mr. PRESIDENT: Senator, you are almost out of time.

SENATOR T. E. BARKER: Thank you, Sir.

Mr. President, with those few words, I want to commend this Bill to the Honourable Chamber and I want all Senators to treat it as a course of correction. The economy is on the correct path but every now and again, you have to make these adjustments to ensure that we reach our destination safe and sound.

I am obliged to you, Sir.

Mr. PRESIDENT: Senator Dr. Chandler.

SENATOR Dr. F. L. CHANDLER: Mr. President, although I support the Export Promotion and Marketing Fund Bill, which is important to our national interest, especially at this juncture of our development, I would like to address a few issues.

First of all, the reasons given by the Prime Minister for the proposed cess on imports, seem to be somewhat inconsistent, if the media reports are correct. The reason given in one report, is the curbing of excessive foreign exchange usage, which would indicate that our foreign reserves are at a less than acceptable level and that this needs to be corrected. I certainly agree that a lot of unnecessary products are imported into this country.

This is all part of the materialistic culture that has been developing in Barbados for some time. It also has to do with the quality of products which are imported. I think that part of the Fair Trading Commission's mandate should include enforcing quality standards for imports. Everything you buy these days is disposable. The refrigerator and sewing machine at my home belong to my mother who incidentally is still alive. They are 48 and 50 years old respectively and they are still working well. They have been repaired only once during that time. In fact, the bulb in the sewing machine has just been changed for the first time. My mother's hobby is sewing so the machine is well-used.
2.50 p.m.

Mr. President, let us compare that to what we have today. About eight years ago I brought in a doorbell from Canada which lasted six years. I have had four replacements in the last two years and these things cannot be repaired, so there is an additional cost of dealing with the garbage that they create.

Mr. President, in another report the Prime Minister has said that if people pay the $400 million in taxes which is owed, he would not have the need to raise money by means of a cess. Mr. President, is he saying that if everyone pay their taxes that the need to stabilise the foreign reserves would disappear and the importation could continue unabated? To my mind these are two different issues. Sir, even if the $400 million were paid up, we would still need to address the foreign exchange issue, so we need to find a sustainable solution.

Mr. President, if the Export Promotion and Marketing Fund is depending upon a large extent to funds raised from a cess on imports, then if this export fund is to succeed a considerable level of imports would have to continue which increases the foreign reserves problem. I suppose it could be argued that the foreign exchange expected to be earned from future imports will outweigh the foreign exchange used to raise the cess payment, but there would certainly be a lagged period, therefore the question is, can we afford this lagged period.

Mr. President, in my opinion, one of the major ways to curb foreign exchange usage is to enforce regulations on hire purchase companies and commercial credit strategies at commercial banks to prevent them from engaging in these "No Down Payment" and "Loans To Go" programmes, which encourage gullible consumers to live above their means. When consumers buy vehicles and appliances which they cannot afford and they have to be repossessed after six months or a year, the foreign exchange has already been spent on the items and cannot be recovered.

Mr. President, I do not think that anyone could deny the need for Barbados to increase its exports and engage in import substitution. Although the Honourable Minister mentioned in her presentation the number of measures that have been put in place to deal with trade liberalisation and competitiveness, we certainly have not paid as much attention to actual exports as we should have, but it is better late than never. Here is an example of an opportunity. I noted that Minister Symmonds in his contribution in the Other Place last week, stated that the time was right for the players in the electrical and solar energy sector to come together and find an alternative approach to producing energy.

Mr. PRESIDENT: Senator, I would ask you to desist from getting too much into the debates from the Other Place, it is against the best conventions of parliamentary practice. You can refer to a policy statement made by a Minister but in terms of detailed reference to speeches, that is not permitted.

SENATOR Dr. F. L. CHANDLER: I thank you. With regard to import substitution, I agree with Minister Eastmond that Barbadians do not appear to be as loyal to local products as they should be. We must find a way to convince them that this is in their best interest. This is also true of agriculture and food security as Senator Stuart mentioned. We need to support our local produce and ensure food security.

Mr. President, we must be careful to use the development funds in a constructive and effective way. Over the years I have seen vast sums of money given as grants by funding agencies but in many cases the benefits accruing from these grants are far from obvious to me.

Mr. President, in Section IV of the Bill, it is stated that the Fund is to provide a grant to those involved in the business of exporting and to assist with development, promotion and marketing of products and services. Mr. President, I do not think the solution is as simple as providing money alone. There are other elements besides money which are essential to the success of any business. We have seen this in the cotton project where both private sector and public sector money has been spent, but due, in my opinion, to a lack of foresight in the leadership and now another change in management, as I have been informed by the company recently, the company is not achieving the objectives which it was set.

Mr. President, Exclusive Cottons of the Caribbean Inc., was established to institute a change from the traditional practice of selling lint to spinners abroad, instead it was expected to benefit significantly from value added revenues from the sale of fabric and finished goods at the end of the value chain.

Mr. President, on my last visit to the cotton ginnery two weeks ago, when I had the honour of accompanying His Excellency the Governor-General, who kindly consented to visit with the children at the agricultural summer camp inspired by him, we were advised that not only the cotton lint from this year's crop but also last year's crop was still in storage. This explains why no revenue has been earned to date which undoubtedly will impact on the sustainability of the company. To put more money into it without a detailed and well-managed plan to bring in revenues does not make sense, in my opinion. I would think that those companies which have already established themselves as exporters would have more need for the removal of regulatory constraints than for money.

Mr. President, I think there is a issue now with margarine entering the European Market which could probably benefit from some removal of these constraints.

On the other hand, funding is essential to the development of emerging private sector businesses which are focussed on export. This is a process which involved identification of a business idea, providing it with a sound business plan, proper capitalisation and good management to make it sustainable. I would agree that grants would be necessary to produce the business plans and some developmental funds would be needed during the pilot phases to iron out any problems, but thereafter I think that equity investment should be the way to go.

Mr. President, I have been involved in a very hands-on way in at least two pilot export projects over the years and I am aware of the attention that must be paid to details. I remember planning the exact acreage and planting dates which would be necessary to produce the required quantities of produce, monitoring production practices to ensure quality, often helping to load the hole of the aircraft to demonstrate the correct handling of fresh produce and informing the airline captain of the presence of the produce so that the temperature of the hole could be correctly set *et cetera*, nothing can be left to chance.

Mr. President, the first shipment we made, we thought that by putting on the documents that it was fresh produce that would be enough. They did see the fact that it was fresh

produce but they equated that to horses and chickens, so they kept it at that temperature and almost cooked the produce.

In these projects we identified at least 60 activities which had to go right every week if success was to be achieved and sustained. In both instances, it was proven that the correct quality could be produced and the details of the export system were well-defined in a manual, but the management and persistence of those who would commercialize the activity was lacking and the projects plundered.
3.00 p.m.

Mr. President, we must not be misled into thinking that because we have an export fund that we will succeed. On the other hand, we must ensure that these new entrepreneurs have the proper guidance to steer them away from the many pitfalls that are out there. If we do not have adequately trained management, then we will need to bring this in, perhaps from the diaspora, and step up the training of local people.

Mr. President, I trust that politics and personalities would not feature in the allocation of these funds. It would, therefore, be advisable to put the funds into the hands of a private sector entity, such as the Barbados Investment and Promotion Fund, in an attempt to avoid such problems.

Mr. President, I support this Bill but in closing, I would like to reiterate that hire purchase regulation is, in my opinion, one of the most effective ways of curbing foreign exchange spending. I would also like to stress the necessity of ensuring that not only money but that all the other elements necessary for export business success are put in place, if we are to achieve the desired outcomes of increase foreign exchange earnings and savings.

I thank you, Mr. President.

SENATOR Miss S. C. V. HUSBANDS: Mr. President, I stand in support of this Bill which is before us, to promote export trade in Barbados, something that I believe is timely and extremely necessary for the economy of Barbados.

Mr. President, as we examine the rationale behind the formation of the Fund, to be able to invest money into our export trade, we hear so much in terms of the Barbadian response to the Standard and Poor's report. Sir, I am somewhat troubled by the reaction of Barbadians, because I recognise that because of some misinformation and lack of understanding, that it has caused some concerns and, therefore, some people feel that the economy is in such a bad shape, when, in truth and in fact, it is not, and that they are experiencing some level of distress, when it is not.

Sir, I hope that those who take the time to get information and to understand what is going on, would be able to appreciate why there is no need for this high level of anxiety but would rather understand the strategies and responsibility that each of us has, in responding to the programme. Sir, I find that lack of understanding is being generated to others, by the lack of understanding by others who are using the population's vulnerability to stir up that sense of anxiety. I know that at times it is unintentional because they themselves might be misled. I am, therefore, hoping that as people listen to the debate in this Honourable Chamber, that they would be able to understand and to appreciate better what are the facts of the situation.

Mr. President, this has led to some misperceptions concerning the economy being in crisis, with people believing that the money we are trying to put aside, is as a result of some knee-jerk reaction, and that some level of severe hardship would emerge from out of the situation of the high debt. Sir, sometimes it is not always appreciated how debt occurs and the function that it has. A person could fall into debt because his or her income has dropped and, therefore, would be unable to service their commitments, which would result in the deepening of those debts. One can also create debt because he or she would be looking at how they are going to increase their income in the future, where that person borrows money and invests it, in the hope of getting returns.

Sir, if we were to translate that analogy to the basic Bajan parlance and our basic understanding for the ordinary person, it would be like a farmer who decides that he wants to increase his revenue on his farm. As an example, he is a pig farmer with a stock of 20 pigs and wants to be able to expand that to about 30 or 60 pigs. What he may do is to borrow money and invest in that specific activity. Sir, having borrowed that money, it means that for the short term, he is going to be a little strapped for cash. It means that he would have to carefully watch his expenditure, until he begins to get returns from the additional pigs that he has added. Therefore, having added those pigs and gotten additional revenue, he now has additional money to spread into other activities.

Mr. President, I can appreciate why Barbadians would feel that things are in such a bad state, that is why we are in debt. Sir, nothing could be further from the case. Therefore, I would like to share my understanding of what has taken place and to look at what are some of the things that we need to do, in response to our situation.

Mr. President, a lot of noise has been made about the contents of the International Monetary Fund's report, which people have taken to mean that things are bad. Sir, I would like to focus our attention to the analysis that the International Monetary Fund has put forward, in relation to Barbados past and present, looking at the current situation in which we are in.

Mr. President, first of all, in the International Monetary Fund report at Page 5: BACKGROUND (3) says:

> "The solid economic performance of the 1990s, has given way to a microeconomic imbalance since 2001."

Mr. President, here is how they explain that imbalance:

> "The economy – especially the tourism and financial services sector – suffered a sharp decline in 2001-2002, following the September 11 attacks, and the global slowdown."

Mr. President, Barbados was faced with a challenge at that point but fortunately for our country, because of the foresight of the leadership, we had additional funds put aside, which we were seeking to use for a rainy day, and also to use for investment, to keep repositioning the economy. Therefore, in this regard, we then had a number of choices to make, and here is what the International Monetary Fund said:

> "In response to the deterioration in the external environment, the authorities implemented an expansionary public investment programme, to help revive economic activity. Combine with public sector wage increases, this contributed to a widening of the overall nonfinancial public sector fiscal deficit from about 2 per cent of Gross Domestic Product (GDP) in FY 2000/2001 to about 13 per cent of Gross Domestic Product (GDP) in FY 2002/2003. As a result, the public sector debt to Gross Domestic Product (GDP) rose from 74 per cent in March, 2001, to 87 per cent in March, 2003. The high fiscal deficit and public debt prompted a downgrade in Barbados' external credit rating in August 2004. The external current account deficit remained around 6 per cent of Gross Domestic Product (GDP) over 2001/2003 but international reserves rose, owing to inflows linked to privitisation and external borrowing by the Central Government."

Mr. President, where has that brought Barbados? September 11, 2001, resulted in a drop in the contribution to tourism to Gross Domestic Product (GDP), from 15 per cent to 10 per cent in 2001/2002. This meant that Barbados had to find a way to stop or to halt the natural consequences coming out of that deterioration. Therefore, the Government was faced with a number of options such as not to respond; not to put anything in place; and to allow the economic hardships to fall on the backs of Barbadians.

Sir, had we done that, we would have seen the kind of hardships that would have been experienced in other Caribbean territories which did not have the resources to respond. Barbados had those resources. Without those resources, what would have occurred would have been job losses and increases in taxation to raise Government's revenue, to find money to jump start the economy. Sir, this would have all led to a demise for small businesses, which are extremely vulnerable and sensitive to that tumbling in the economy, along with a contraction. This would have impacted very much on the lives of Barbadians. Those job losses would have affected them in their ability to continue paying rent, mortgages, *et cetera*. Some would have found themselves losing their cars, dipping into their savings in order to keep the level afloat, and the very poor and vulnerable at the bottom of society would have felt the impact of what happened in 2001/2002.

Mr. President, in this regard, Barbados had a good position in terms of its foreign reserves and its capacity to borrow. Therefore, Barbados opted to stimulate the economy, to ensure that the impact of the job losses and of having to raise taxes, would not have occurred, so that we could keep the hardships off the backs of the poor.

Sir, it, therefore, meant taking that money to invest in businesses that would create some level of earning, and investing in the key sectors to ensure that jobs were not lost in the Barbadian economy. As a result, businesses were able to continue earning. That meant that we were able to sustain jobs for our workers. That meant that workers were able to continue spending and because they were able to do that, they were able to give that necessary support through their spending, to our retail sector and to the various services such as auto-mechanics, hairdressers, cleaning services, construction, the small shops, *et cetera*, which all depend heavily on the individual still being able to earn.
3.10 p.m.

Sir, by Government taking the deliberate step and decision to use their position and the additional funds borrowed to put into the situation, it was able to stave-off the lash which other economies had to sustain in order to ensure that we did not experience that deprivation. When Barbadians went through the difficult period, we went through it without experiencing severe pain.

Mr. President, Barbados was not knee-jerking only to September 11, 2001. It was not only money which we borrowed to put up for a rainy day but money we were seeking to use to help reposition the economic sectors of Barbados that continued growth could occur.

What was the continued growth? We came out of 2001 and when we reached 2003, we found that the IMF had another comment to make on what was happening in 2004 and 2005. In their report they said that strong economic recovery seemed to have taken hold in 2004 which is expected to continue in 2005 but that real GDP growth in 2004 is estimated at 4.4 per cent led by a recovery in tourism, construction and communication. This means that the initiatives undertaken in 2001 to prop the economy when it came under that severe lash, not only stabilised it

but helped to fuel the growth we are seeing now in 2004 and 2005. Sir, you do not get growth when your economy is in a crisis.

Mr. President, in 2005, real GDP growth is projected to ease somewhat to 3.1 per cent as tourism activity expands at a more sustainable rate. Growth will be supported by public and private sector investment ahead of Cricket World Cup in 2007. This spending is going to create a demand for foreign exchange. Therefore, you cannot have the public and private sector needing the money for investment being consumed by the consumption of Barbadians.

Sir, in regular Barbadian parlance, it is like a family with mother, father and children. Children do not always know or understand the financial situation of their parents. They want to consume when they want to and they get upset when they cannot have what they want whether it be a nintendo, a bicycle or whatever. Sometimes parents have to slow down spending on those items because they may need to use that particular income to put into an activity to ensure that school uniforms can be bought in time for school because you are seeking to position the child for its own growth and development.

Mr. President, we need to be able to invest money in things that would bring back money for us. Therefore, we have to limit the amount of consumption of our valuable foreign exchange reserves so that you would have room to do your investment to get returns as you go on later.

Mr. President, the report continues to say that inflation has remained low although administrative steps to pass through higher international oil prices to domestic prices in 2005 are projected to raise inflation above 3 per cent for the year. Sir, again this is a small increase and, therefore, not expected to put a great deal of pressure on the population of Barbados.

Mr. President, the IMF is pointing to the fact that at the moment the economy of Barbados is in a growth mode and that the funds borrowed over the years are being used for investment purposes which would again sustain growth for the future.

What are some of the things we sought to put those funds in? The Government of Barbados continues to be proactive for positioning for growth. We have made investments in agriculture and those have already been outlined. We have made investments in tourism like the airport, the Barbados Hilton Hotel and the GEMS Project, the small business sector, financial social services and in non-traditional services as well. I am happy to report to the Senate that I have just returned from St. Lucia attending a meeting of the St. Lucia Industrial and Small Business Association. I was extremely heartened to hear the announcement that the Barbados Coalition of Service Industries would be coming to St. Lucia at the end of September with the view of exporting Barbadian services into St. Lucia. There was a great deal of interest stirred at the meeting to be able to interact with the service providers of Barbados when the Association comes here.

Mr. President, I was heartened to hear this because this means that there was a tangible outcome for part of our strategy for building our services sector through the work of the Barbados Coalition of Service Industries. What the Barbados Government has purposed is that through these positive and negative economic times, whatever comes in front of us the determination is not to have our economic strategy derailed. We know that from previous speeches that have been outlined in other places, how the programme would go forward, that there are three prongs to the Economy Strategic Programme of Barbados (1) to go forward, to keep building capacity, to keep building export, to keep building foreign exchange earnings (2) to honour commitments that we have made, that we need to follow through on and (3) to pay down the debt and balance the economy.

Mr. President, we have already outlined the investments, the things that Government has put money into, including World Cup, 2007, and the debt that has been created by borrowing for this investment is going to lead to growth. Mr. President, in terms of honouring the commitments, one of the commitments we had was the job evaluation exercise and, we have undertaken to honour our commitment to the union to follow through on the results.

Mr. President, we also want to honour our commitment in terms of our WTO obligations and in terms of reducing taxation. Sir, the Prime Minister has promised that he would keep on that stream in order to keep the economy repositioning itself to meet international commitments. We also made a promise to pay down our debt and we continue to do so. We have the capacity to pay it and this is what we do and, at the same time, we need to balance the economy by dampening the spending that is taking place within our economy that is eating up our foreign reserves and so, we did not wait for Standard & Poor's this year to tell us about needing to take measures to bring it under control.

Mr. President, over the past two presentations of the fiscal policies, the debt of Barbados has been spoken to and the fact that we are cutting back on certain levels of Government expenditure and that we are trying to keep things in check, all these things are an ongoing part of our programme and not something suddenly arriving out of a report by Standard & Poor's. Sir, one of the things we did last year was to increase the interest rates which was to have the desired effect of dampening consumption by our citizens. Sir, Barbadians seem to have so much disposal income in

their pockets that even the slight rise in the interest rate by 0.5 per cent did not seem to slow spending much because another $400 million was spent in addition to what we normally spend which necessitated another adjustment in 2005 to be able to see how we could keep our foreign exchange for more vital investment purposes.

Mr. President, with the part of the proposal for raising the funds to help us to promote export also included the 3 per cent cess on extra-regional exports. I recognise that when you hear things in bits and pieces and you do not have a foundation in economics, it is sometimes difficult to appreciate some things.

Mr. President, Government is seeking to do two things in terms of looking to rate revenue and control spending. If Government wanted simply to control spending, it would raise the interest rates which would hold consumption down and it would be adjusted until you get the desired effect. If you want to control spending and at the same time raise revenues, putting a tariff or tax on your imports would achieve a double objective. Sir, because the Barbados Government wants to do both, especially since Barbadians are having difficulty honouring their obligations to Government to the tune of $400 million, it meant that Government used the two-prong approach, a small increase in interest rates and a small increase on import duties, which will as a dual approach dampen spending and at the same time retrieve revenues needed to finance the export programme.

3.20 p.m.

Sir, what are the lightly achievements resulting from this strategy which dampens spending and at the same time raises revenue to invest in export development, as outlined? One, reduce spending by the population will decrease consumption for our foreign exchange, which will allow growth and recovery. Secondly, it will provide money to support tourism, international business and small business development. I must applaud Government, since the small business sector is the one that has the greatest potential for creating jobs and exports; a matter we have to address in a serious manner in the future. Sir, if we could provide the support to these critical sectors, foreign exchange would be earned for our medium term.

Sir, the policy will also have another impact. Not only does it support export development, the earnings of increased foreign exchange within the next few years will provide Barbadians with more stable consumption in the future. All we are saying to them is to hold consumption now, for greater and safer consumption later. There is nothing wrong with consumption. The only problem with consumption is consuming more than you are producing, at any given time.

Sir, the measures will stimulate the consumption of local products, which will save foreign exchange and put more money in the hands of local producers and allow small businesses a chance to earn disposable income that Barbadians have been spending on extra-regional imports.

It will provide the opportunity, not only to boost the consumption of local products but regional products, therefore, given more impetus to the Caribbean Single Market and Economy to impact positively on the economies around us, to build and produce growth within the Caribbean.

Mr. President, I want to point out a few things about the strategy. While there is a 3 per cent cess on extra regional imports and you have a 0.5 per cent in the interest rate, the structure shields the poor and vulnerable in our society. The Government must be commended for this.

Sir, very often, when countries do not have options, skillful guidance, when they do not have skillful guidance, when they do not take measures at the correct time and way, they put themselves in a position where they are unable to respond in a way that is humanely for their society. The Barbados Government has skillfully created a strategy that allows us to make choices in the best interest of our society. Mr. President, by applying the 3 per cent cess on extra-regional imports and not on inputs, and as a result businesses should not experience a rise in their cost of production.

Sir, it is not applied to the basic food items Barbadians use everyday; it is non-essential goods, consumed by people with high disposable incomes in Barbados. It means that pensioners and other poor persons can still get rice, macaroni, chicken, fish and toiletries at the prices that they currently enjoy – as long as there is no price gouging or opportunism in the private sector – and young couples can still provide the basics for their families. They can still obtain a car because the tax is applied to vehicles 1800 ccs and in excess of $45 000.

Mr. President, this means that people who need to change their cars will have access to vehicles without the experience of a hike in price resulting from a 3 per cent cess. Small businesses would also have their inputs protected to avoid an increase in the cost of business. The consumer will not experience an increase as a result of that cess.

Sir, I think this speaks well for the sensitivity of our Government. It creams the excess from our comfort spending. We are reducing that to utilise the benefits of a better future. We are talking about a programme for eighteen months; a programme that allows us to continue to make investments in our World Cup activities, which will give a tremendous boost to our tourism earnings.

Mr. President, what is our responsibility in all of this? One, I feel that it is to support the stated objectives for the export development strategies and promotion policies in Barbados.

Sir, my understanding of the vision and mission for the export development strategy is that it shall be the policy of Barbados to stimulate and facilitate a strong and effective national export development effort for the purposes of economic survival, to attain the objective of enhanced national incomes, employment and skills development.

Sir, while it is the Government's programme, it is a programme, which for success, requires the total participation of everyone in the society, rather than anxiety and fear, because of misinformation, political negativity or to be sitting paralysed in thought. It is important that we listen, learn and understand the situation and our response to the situation.

Sir, Government has taken the lead in investment. As outlined by Senator Eastmond, unfortunately, in small developing countries, very often Government has to take the lead. First of all the private sector may not be large or as wealthy, or it may not have the required foresight. As a result, very often private sector investment tends to lag behind Government's progress. Very often Government has to take the lead, not only to stimulate investment but to balance the economy. This is what our Government has done.

Sir, it also demands for a response from the private sector. In particular, I want to mention that it demands a response from the small business sector as well. Too often small businesses behave as though they have no part in the growth of the economy; we think of our small business as just a means of providing shelter, clothing, food, *et cetera*.

Mr. President, if small businesses are to grow and survive in the new environment, they must export. That export is going to allow us to play our part in foreign exchange earnings. One of the developments that the Small Business Association has focussed on this year is a strategy to help some of our small business members who have the potential and products of tremendous value, to create a mechanism for them to develop an export platform into the regional market.

Sir, preliminary discussions were held with some key players, such as the Barbados Industrial Development Corporation, to identify between 10 and 20 small businesses, for a pilot project, with technical assistance and support. We are currently having discussions with the Barbados Industrial Development Corporation initiating that programme.

Sir, we have also started discussions with a finance institution to provide additional finance for marketing and increased production capacity for our businesses. We trust that this combination will help.

Sir, Government has also been extremely helpful in this respect. When we presented our annual programme for development, we requested $250 000 to finance an export promotion type programme for members and to provide technical assistance.
3.30 p.m.

I am happy to say that we were able to receive this and we are in the process now of planning how we are going to utilise the funds to work together with our other partners so that we can develop an export thrust. It is not enough to sit here and plan an export thrust. We have to do work outside if we are going to be able to create the avenues through which trade will take place. One of the things we did in January of this year, was to form the Caribbean Association of SMCs with the focus of building trade promotion among the islands.

The trip that I just returned from in St. Lucia was in part a response to that activity where we were with the St. Lucia Industrial and Small Business Association, discussing what it is we need to do to help to build trade opportunities among the various SBAs across the region.

Therefore, we are looking at ideas of being able to get access to a trade database. We cannot trade unless we know what are the opportunities. Unfortunately for us in CARICOM, we trade only 12 per cent with each other. Eighty-eight per cent of all the other goods that we use in the Caribbean, come from outside of our borders. This means that as Caribbean people, we are competing against each other in the same businesses, when there is 88 per cent more business out there that we can get into and so, one of the things we want to do is to encourage diversification of what our small businesses get into, Sir. Then, we want to have Trade Fairs and we want to put educational and technical assistance programmes in for trade competitiveness.

What is the responsibility of workers? I talked about Government and the private sector with special emphasis on small businesses.

Mr. PRESIDENT: Senator Husbands, you have one minute left.

SENATOR Miss. S. C. V. HUSBANDS: Thank you very much, Sir.

Mr. President, we must as workers increase our productivity and profits. As consumers, we need to support by buying local wherever possible and purchasing regional

goods. These are the responsibilities that we have to work together to build a more productive economy and to build a stronger and a better nation.

I am obliged to you, Mr. President.

Mr. PRESIDENT: The Deputy President will take the Chair at this time.

Madam DEPUTY PRESIDENT: Senator Marville.

SENATOR R. O. MARVILLE: Thank you, Madam Deputy President.

As usual, I will be genuinely brief. I rise to support the Bill but there are several comments I would to make. It was particularly interesting to hear a Bill presented by a recognised expert in the area of the Bill. It made it possible anyway for me to ask questions which I hope to gain some explanations, and several of these have to do with the WTO.

I recognise that regional preferences are accepted by the WTO. The Minister assumed that the cess will be acceptable to the WTO, and I would like to believe that her assumption is correct. I would wish to know, however, whether a cess will not be considered a re-raising of tariffs and whether this will only be acceptable as a temporary measure and, if it is temporary, how temporary? This is important since we need to be sure that funding will be continuous in the near and long term for enhanced export promotion and marketing. I know the Minister will address this afterwards.

There were a few issues raised on the Floor of a partisan nature and I rather regret that we should consider this a partisan issue. We entered the WTO, not willy-nilly but as a group of CARICOM countries and we have no worse terms in going in than Trinidad and Tobago or Jamaica, who had full-fledged missions in Geneva.

We also entered at a time when it was necessary to do so or then enter in conditions that were less than satisfactory. I remember it was a time when, in fact, the big powers, meaning Europe and the United States, were still in what we might call a green-room mode. They were determining the rules and we had very little room for manoeuvre in any form of negotiations.

In fact, I remember being asked by a BBC correspondent what I thought of what was happening. There was an impasse between the Europeans and the Americans on agricultural issues and I just said that the only thing I could think of was the African proverb which said that when elephants fight, the grass suffers and in this context we, the developing small countries were the grass.

Asides.

SENATOR R. O. MARVILLE: The point here is that we did the best we could at the time and it was not a partisan/political thing.

Mr. President, export promotion is particularly important to me. In a previous incarnation, I set up within the ambit of the Industrial Development Corporation, the first Export Promotion Unit that effectively started the export promotion function, as a discrete area. I also wrote the first Export Promotion Manual. I talked to a number of small business people, one of whom I remember was a young man from St. John, who wanted to export fish who came to me and said, "I want to export fish."

I said to him, "Sit down, let us talk. What is your capitalisation?" He did not quite understand what capitalisation was but we got through the process of how much he had in monies to run this programme, what boats he had, what manpower he had on the boats and so on. It seemed satisfactory and I suggested to him that since he was talking primarily about flying fish, one of the first export markets he ought to look at would be the indigenous markets in New York and London.

I am happy to say that the young man is still in business today and is doing quite well. There were other incidences which were not so satisfactory. I remember ACME had the possibility of a $15 million export to Jamaica but in the nature of things, they could not find the funding because it was considered that their capitalisation of approximately $200 000 made it impossible for such a small company to do an export job of $15 million, that was that, and ACME, however, has survived as a local company.

The point I am making is that the Export Promotion Unit became an export promotion body which died. It died without the possibility of expanding into what it should have been and what we should have been looking merely to refund at this moment. Export promotion was considered possibly something new that could be dropped.

I am afraid, there is no point smiling about this, Senator Williams. I think this would have happened under any Government because of our attitudes to things that are new.

Madam DEPUTY PRESIDENT: Please address the Chair.

SENATOR R. O. MARVILLE: Thank you and that is irrelevant.

However, what I want to be perfectly sure of now, is that we are going to cover this area with the sort of precision

which is necessary. Export promotion is not only the business of going out there and saying that we have these goods to sell. Do you want to buy? We have to do proper marketing and research.

I also would wish to be sure that:

1. The new measures function properly in the sense that our exports will be assisted in order to find niches that have not yet been identified.

2. The transparency promised by quarterly reports be realised.

Transparency as it happens is not one of our strong points.

3. The Board would be forward looking in its decisions as to whom they should support.

We need to look for special support for innovative and environmentally friendly products. As well agricultural exports, both internally in the tourism sector and externally to the diaspora of the Caribbean and other similar countries.

I am constantly aware that if you go to the United States of America and you want Caribbean products, they invariably come out of Puerto Rico, or some place in central America. Even hot sauce will come from Costa Rica and it is called, Barbados-like Hot Sauce.
3.40 p.m.

This is really a lapse in our own promotion activities, that is of a serious nature. In the environmental area, we need to consider clearing some of the old iron from our gullies and exporting it. Recycled iron is a valuable resource to some other countries and we ought to do something like that in a systematic manner. Mr. President, I would like to see that the process is not encumbered by bureaucracy, I am interested in innovation and the ultimate success of this drive. When the Bill is passed I think that we really have to sit down and look at this process and make sure that it is a proper Export Promotion and Marketing Fund.

Madam Deputy President, we talked about paying for what we get. Our consumerist approach to growth has now been shown to be ultimately not altogether beneficial. If we wish all of these foreign goods, we need to produce and export, and we need to assist innovative measures to increase our output and productivity. We must export both our goods and services. This would ensure genuine growth and would fuel a growth rate of above three per cent but we need to have a revolution in our mindset and our attitudes to production *et cetera*. Some very serious work has to be done before we can even talk about exporting products or services.

Madam Deputy President, as promised, I will be brief. Governments like to pretend that they have control over small open economies. We ultimately realise that these are controlled by a global economy on which we make little or no impact. Where governments have been negligent is in their efforts to change popular attitudes. In Barbados we need to see a change in our attitudes to production, productivity and to our own goods. Young children will not eat eddoes or breadfruit, they have to eat imported potatoes and preferably from a fast food chain. There is something that says to me that something is very wrong here.

We also have a situation where we have become so comfortable that we do not any longer produce like we did in the 1960s and 1970s. If our productivity is low it means that our cost is going to be unrealistic and we are not going to be able to export. Basically, we need to mount a campaign both at the school level and at the popular level to get people to understand that in the new liberalised economy nobody is going to support us, so we have to pay our own way. We have to be productive to be able to export. This is not only going to be done by a cess, it has to be done by an attitude change from the base.

I thank you, Madam Deputy President.

SENATOR G. P. B. NICHOLLS: Madam Deputy President, I am grateful for another opportunity to lend my voice to the debate on the significant issues that affect our country. Indeed, the introduction or the reintroduction of an export agency in the economic framework of Barbados is a welcome measure by the Government. Therefore, I am happy to be part of this Administration whose efforts are to reposition our country in the context of a challenging economic dispensation at the level of the world economy while at the same time trying to assure Barbadians that the quality of social investment would continue.

Madam Deputy President, I believe that the export promotion strategy, outlined by the Government particularly by Senator Eastmond in her introduction to the Bill today, identifies a critical strategy in relation to an industrial policy that would assist in the creation of a globally competitive and dynamic Barbadian economy in the context of an international economy.

Madam Deputy President, I say that against the background of the Government's identified developmental strategies which suggest that we have a services sector economy led by tourism and international business but also with agriculture and manufacturing playing an important and supporting role in the context of the services led economy. Madam Deputy President, I do believe that true economic development in this country can only be achieved if we have an export-oriented industrial policy.

Madam Deputy President, almost 50 years ago, the lone Nobel laureate in economics that originated from the Caribbean, Sir Arthur Lewis, spoke to the industrialisation of the British West Indies. At that time he put forward a case for the rapid industrialisation of the West Indies on the basis of the over-population of the Caribbean countries. He suggested that the populations of the Caribbean were large and were growing at a 1.5 per cent and 2 per cent levels, and that therefore the carrying capacity of the land could not absorb the growing numbers, so a policy in agriculture should not be the chief strategy in terms of facilitating Caribbean development.

Madam Deputy President, the new world group in the 1970s tore into Sir Arthur Lewis' model. People like George Beckford, Lloyd Best, Norman Girvan and those of that school, looked at the structural weaknesses in the Lewis model, particularly the failure to remove the cycle of dependency in relation to the invitation of foreign entrepreneurs into the Caribbean economy at the level where they were given massive tax concessions and tax holidays.

Madam Deputy President, notwithstanding the criticisms of the new world school, I believe that we need to extricate the plantation economy out of the Caribbean economic experience in order for the Caribbean economic development to flourish and that we need to revisit our strategies in relation to economic development.

Madam Deputy President, I believe that this industrial policy specifically led by an export culture which we have to cultivate in Barbados should be designed to achieve our national economic and our non-economic goals and that the Government must play an important role in terms of intervening in the economy so that we would allocate resources among the industries and sectors that require resources and support. Madam Deputy President, I know that goes against some of the principal tenets of many of the international organisations like the International Monetary Fund and the World Trade Organisation.

Madam Deputy President, I think Senator Barker and Senator Husbands alluded to the fact that some of the development strategies that the Government has employed over the last couple of years have not met with the approval of some of those international institutions, but I would go on. There is a theoretical justification for export led strategy to development.

Madam Deputy President, if we look at our own market failure in relation to our national and international markets, we need to have a reinvigorated industry and industrial culture. However, historically, when you look at the correlation between the move to global competitiveness in all countries, there is the practice of some variant of industrial policy in relation to those countries.

3.50 p.m.

Madam Deputy President, there is no country, since World War II, that has achieved any level of satisfactory global competitiveness that has done so without the State paying an interventionist role and seeking to continue to augment national production and productivity. The British has done it very well during the Industrial Revolution. It was predicated on import substitution in relation to its cottage industries, despite the fact that the world knew better and more superior products originated in India.

Madam Deputy President, if we look at Switzerland, it is well-known that Switzerland is supposed to be one of the most sophisticated financial services sector domiciles. Its very large banks and financial services sectors are very known and the reputation for Switzerland as one of those countries worldwide is accepted by all. Sir, the Swiss too produce some of the best watches and chocolates that are known throughout the world. Therefore, when people laud Switzerland as being a sophisticated financial services domicile, they must also speak to the fact that country also practises a varying industrial policy.

Madam Deputy President, the macroeconomic profile of this country suggests that this export strategy is important. I have said before in this Honourable Chamber that I do not believe that the 20th Century, in economic terms, has been the Caribbean Century. When we look at the first half of the first decade of the 21st Century, we are seeing economic times that are proving to be more challenging, more predictable and more daunting, but what this Government has done and will continue to do, is to make the necessary interventions at the level of creative fiscal policies, to ensure that this country's desired goals, to which Senator Barker referred, are met by making Barbados a full-fledged developed society, by the end of the first decade or the first 25 years into this Century.

Madam Deputy President, our economic experiences over the last 50 to 60 years, have shown that when we look back at where we stood in the 1950s and 1960s, we recognised that we sat on the same rung of the economic ladder of several countries, which have gone on to become very successful and robust economies. For example, the Asian Tigers occupied the same economic profile as Barbados and other Caribbean countries in the 1950s and 1960s. Madam, what we in the Caribbean have done is to show a slowness to adjust in line with changing conditions.

Madam Deputy President, from as far back as the early 1990s, the European Union signalled their intention not to go along the lines of LOMÉ IV Conventions, yet some Caribbean countries, such as St. Kitts, are now presiding over the burial of the sugar industry, in the context where the banana industry is almost dead and buried in the Caribbean. These are not comforting things to speak about but that is the reality. Sir, the Government of Trinidad and

Tobago is now looking to close down Caroni (1975) Limited, the company that runs the sugar industry in Trinidad and Tobago. These are the realities of Caribbean experience and are not the fault of any one Government or political party.

Madam Deputy President, what must not be forgiven is that at the same time when the Democratic Labour Party led the country and presided over the worse economic period in the history of our country, they gave the most sweeping commitments to the liberalisation to our manufacturing and agriculture sectors, but still closed down the export promotion agency. Therefore, in a sense, they had guaranteed Barbadian manufacturers competition from outside and extra-regional sources, and at the same time, they closed down the only avenue for the very Barbadian manufacturers to market their products outside and in a liberalised environment.

Madam Deputy President, that has to be stated as the reason why our export strategies over the last 10 years have gone nowhere, and it is not to say that this Government has been sitting idly by and not doing anything. We inherited a Government and an economy that needed some kind of imagination. We also received much lashes in the early period for putting much emphasis on the tourism industry.

Madam Deputy President, the development of golf courses was spoken to, as if we were doing something horrendously wrong with the landscape of this country. The development in the tourism industry and the infrastructure that we have created by the creation of an imaginative act like that of the Tourism Development Act, which replaced the old 1950 Hotel Aids Act, were highly criticised, but we have continued to do the work that we know we have to do because if tourism is supposed to be the biggest industry, the Government must make sure that industry is well oiled and running full pistons ahead.

Madam Deputy President, that is the mission of the Barbados Labour Party, and the people of Barbados are now coming around to see that there could be horizontal and vertical linkages in relation to the development of the tourism sector and other sectors in the economy. Madam, sectors, for example, the cultural industries, have now recognised that they too can play a part, not only in their development but in the development of Barbados' tourism product. Therefore, an individual might not have done well academically at school but might have learnt to beat a drum and could earn a significant living from beating a drum, in terms of our cultural industries that we would have facilitated and fostered.

Madam Deputy President, the Caribbean countries have had to face difficult times over the last 10 years. The pace of trade liberalisation, globalisation and financial liberalisation and economic expansion in the 1990s, have sometimes literally caught us with our pants down. There are some developments in the international economy that our export strategies must take cognizance of them. The emergence of China, Brazil and India, as economic powers in the world today and over the last 10 years, have meant a number of things to the international economy, which persons such as Lou Dobbs and other financial commentators who dominate the airwaves on the America television stations, cannot understand and are, therefore, not putting it into proper perspective.

Madam Deputy President, we have to enter into the debate at the level of what is going on the world economy. We cannot continue to practise a foreign policy which says that we must be friends of all and satellites of none, and for us to sit on the fence and not make strategic interventions in relation to the debates that affect our economy at international levels. That was a foreign policy that could have been practised in the 1960s and 1970s, when there was a Cold War and there were two super powers. Now there are Brazil, China and India, which have doubled the world's labour force over the last 15 years and have also doubled the world's economic output. What it has, therefore, meant is that products, components and commodities are now cheaper because of cheaper labour. Therefore, there is the situation where there is a slow economic good worldwide, where there is low inflation and low unemployment, but with high fiscal deficits. This is what some new economic thinkers are saying is as a result of the influx of production coming out of India, China and Brazil, among others.

Madam Deputy President, we in the Caribbean sit and expect that what happens tomorrow would be as a result of something that was magnificently done in our past; that the state of Barbados' economy would remain stagnant; that we should ever be beholden to those benefactors who have led the country before; that nothing else should change and that anybody who tries to change the structure of the economy or the way in which we do business in this country, should be chased out.

Madam, we cannot continue to be diffident about restructuring the Barbados' economy, so that it can be more competitive in the context of an international economy, an economy which has now said that it will no longer give preferential treatment for our products but that it will allow us to trade on a reciprocal basis.
4.00 p.m.

Madam Deputy President, I believe that this neo-liberal ideology that Senator Marville and others spoke about must be challenged by Caribbean people. I do not think that the IMF is happy with this Bill which the Opposition is supporting because, quite obviously, it might offend some of the principles in the World Trade Organisation Treaty which

came into effect January 1, 1995. We are taxing extra-regional goods which come into our country so as to allow our own domestic suppliers the elbow room to compete.

Madam Deputy President, this is an important issue because since the IMF buried their philosophical underpinnings as elaborated by people like John Maynard Keynes in favour of David Ricardo and Milton Freidman and went back to the free market ideology that dominated the Reagan/Thatcher axis in 1980, we have seen a change in the philosophy of that institution whose principal objective was to stem macroeconomic imbalance in member countries. What the strategies of the IMF have done are to say that the state should get out of economic planning and that there should be a free market.

Madam Deputy President, people like John Maynard Keynes was the founder father of the IMF and those types of institutions and, at that time, he said that the economic growth and employment level were as a result of what he called aggregate demand in the economy. Sir, a Government could use its fiscal policy as we are doing in the export Bill to make adjustments in the economy so as to deliver the principal objective of full employment.

Sir, Senator Stuart found all the negative things to say about the IMF Article IV Consultation Report. They recommended that the Government of Barbados reduce the fiscal deficit on the current account from three per cent to one per cent. The authorities in Barbados said they would not savage the people of Barbados in so doing.

Madam Deputy President, if we reduced the fiscal deficit on the current account we would have to cut back employment as Senator Barker so rightly pointed out. Madam, a large part of the Government's expenditure every year is on wages. If we have to reduce the fiscal deficit just to meet the dictates of the IMF as set out in its Article IV Consultation, it would mean that the hard-working people in Barbados would be faced with an economic situation which mirrors that of an early period and, Madam, we are not going back there.

Madam Deputy President, we believe that we have the ability to run this economy with a deficit of three per cent. We will continue to do the best job and use the fiscal measure like the one being employed by this Bill in order to achieve the level of development that we believe our people deserve.

Madam Deputy President, in relation to the cess, I believe that not only do we need to develop strategies for targeting markets but also for targeting products. It is the responsibility not only of the Government but also of the private sector, the labour union, non-governmental organisations and even the university, to get onboard because we cannot do it alone.

Madam Deputy President, we must also develop strategies that must look at our existing framework. There are products in the context of the domestic economy of Barbados that we do well at producing. Madam, I do not want to single out any particular company but we make some of the best soft drinks in the Caribbean and in the world.

Asides.

SENATOR G. P. B. NICHOLLS: Madam Deputy President, as well as soft drinks, we produce ice cream and juices but I do not want to give the impression that I am singling out any particular company but we know the Barbadian products which have met world-class standards and which are the best products we could ever have. In fact, my grandmother says there is nothing better than a red JUC on a Christmas morning.

Madam Deputy President, the export agency must also look at the existing and potential framework for domestic value added. There are a number of products we can make even though there may be a secondary manufacturing line here in Barbados. Madam, I go back to Puerto Rico, which Sir Arthur Lewis thought was the gem of his model. Puerto Rico does not produce sugar or molasses in terms of the level it produced 100 years ago and is facing the same structural problems which we face yet it is the world's largest exporter of rum because they import molasses from all over the world, they are claimed to be one of the best rum refiners in the world.

Madam, in Barbados we make very good rum. I think that if we are talking about the potential for domestic value-added, our rum industry is a classical case in which we have perfected the art of making good rum. While we might not be getting molasses from our sugar yields because they are declining, the sugar industry is becoming more and more unprofitable, it is high time that we look towards expanding the rum industry in this country by supplementing our imports in molasses in that area.

Madam Deputy President, our export development strategy must also look at the potential for job creation and the State must play an important role in that regard. We also must continue to strengthen our competition framework and the Fair Trading Commission has been created to make sure that the industry is regulated on a free and competitive basis. The Government must continue to commit itself to the enhancing of our national technological strategies. I know the Minister who led the introduction of this Bill has adopted as her darling, the IT strategy, among other things for the country. Sir, when we speak about the IT Strategy for the country, I am not only talking about EduTech but also about the Community Technology Programme and all the other initiatives of the Ministry.

Madam Deputy President, we have to determine that we must embrace new technologies because new technologies are not the preserve of any one country specific in our region. Sir, technology is accessible for anyone and it allows us to exploit our own environment even more so, we have to embrace new technologies.

Madam Deputy President, I also believe that the continued protection of our domestic industries is vital if the export strategies, in relation to creating an industrial policy framework, are to continue. We must not necessarily get rid of what we produce here in Barbados or the specific sector within the industry just because we can import a cheaper alternative. Madam Deputy President, I will explain why this is so. There is a net foreign exchange impact in relation to the protection of the domestic industry that is positive or can be made positive. It might cause us less foreign exchange to protect a domestic sector or market which has already invested capital, equipment, technology and some costs in relation to the production of a particular good than to import a competitive product that we consider to have a competitive advantage.

Madam Deputy President, this is important because we have already invested capital, technology and equipment in relation to the production of soft drinks in Barbados. Sir, it might make more sense and be a net foreign exchange benefit if we continue to protect the soft drink industries, which have benefitted from the investment of capital and equipment over the last fifty years, rather than... say it is cheaper to import all beer, milk and everything because it saves more foreign exchange. It is not as simple as that.
4.10 p.m.

Madam Deputy President, there is also the aspect of employment, technical skills and the capacity that people have already acquired. Sir, when you net all of these assets, it might be more beneficial if you continue to protect your domestic industry because of the investment made in the sector, rather than import.

Madam, everybody speaks about the Buy Local Campaign. I want to say to all entrepreneurs, innovators and producers in Barbados that the Government would continue to give support to these industries but they must do two things. First, any benefit derived from protection of the domestic markets and industries, must go to reinvestment in the industrial and innovation capacity of the country. That is important. I believe that we should start thinking of rewarding businesses that make profit and reinvest capital in the industrial expansion of the Barbadian economy. I think that is an important strategy in the context of Barbados' development, that we should consider.

Madam DEPUTY PRESIDENT: Senator, you have three more minutes.

SENATOR G. P. B. NICHOLLS: Madam Deputy President, I also believe that our domestic producers and manufacturers must increase their sensitivity to the consumers' needs and demands of the people. Barbadians are most sophisticated in their taste, whether they believe they have the capital to acquire what they want, but that is another issue. They are exposed to television from North America and elsewhere; they see advertisements on televison and they travel more. Therefore, Barbadian producers cannot expect to package and bottle their products the same way they did fifty or sixty years ago, in the most unattractive ways and expect Barbadians will be loyal by buying local because that is the 'in thing'. They have to be more sensitive to the needs of the consumers.

Madam, people spoke of the death of the export culture in Barbados. The exports of Barbados, relative to what we always had, minus sugar, are not drastically low. That is despite the fact that we do not export the amount of sugar that we did twenty-five years ago. Sir, because the garment and furniture manufacturing industries are not exporting at the levels that they did twenty or thirty years ago, Barbadians must not feel that manufacturing is dead. Manufacturing in this country is more than garments and furniture.

Madam Deputy President, when people speak about manufacturing being dead, they refer largely to the garment and furniture industry. I think we need to sensitise our people more; create a national productive impulse that is an endemic part of the Barbadian spirit and culture. Unless we do that, we would be 'spinning top in mud'.

Madam Deputy President, I close by reaffirming my support to this Bill and all that it portends. To you, I am deeply obliged.

SUSPENSION

SENATOR THE HON. Miss L. V. EASTMOND: Madam Deputy President, I beg to move that this Sitting be suspended for fifteen minutes.

The question that the Sitting be now suspended for fifteen minutes was put to the Senate and agreed to, and Madam DEPUTY PRESIDENT suspended the Sitting accordingly.
4.15 p.m.

RESUMPTION

Mr. PRESIDENT: This Sitting is resumed. Senator Dr. Lowe.

SENATOR Dr. D. S. LOWE: Thank you, Mr. President.

Mr. President, I think we have enjoyed – in some cases endured – a somewhat full debate on this Bill, the Export Promotion and Marketing Fund, which has as its stated purpose is to assist in the development, promotion and marketing of the Barbados export sector.

Mr. President, I believe that the Minister and Leader of this Bill did a very expansive job, in terms of seeking to lay the parameters for the debate on this particular matter before us. Since the day is far spent, I do not intend to extend the day much longer on this particular issue but I thought that there might be a couple of things that I wanted to look at, in addition to many of the issues that have been raised.

Let me begin by saying, Mr. President, that the whole matter of export in Barbados, within the current context of Barbados' economy, is a very important question and the Government must be given credit for taking on this question at this time. It is imperative that as we move this country forward along that continuum of development, we try to bring some balance between what we import and what we export.

It is true, Sir, that we have to try to discourage the over consumption of importation of goods and we understand the rationale behind establishing the 3 per cent cess, as was discussed and debated earlier in this particular debate.

Mr. President, I believe the Government has to establish some kind of national vision for exportation. I also believe the Government needs to continue to extend itself, in terms of looking at how we are going to refashion the economy where export plays a bigger role in the business we do that comes in and goes out of this country.

Sir, in truth and in fact, we have to agree that in the last several years, the Government placed a very sturdy emphasis on tourism. Indeed, tourism has served this country well over the last several years but I believe that there are some elements, so critical to national wellness, that we have to begin to ask ourselves if we are balancing the consumption appetite of the country with our capacity to produce some of those consumption needs.

Mr. President, it is true that we are now in a situation in this country where people are more concerned about getting the better deals. If you go through several of the stores in Bridgetown, you will find that most of what they are selling are imports. You will also find that there are small business persons who have been given enablement by the Government through the various programmes and funding to establish small businesses, but they have not gone the next step to assist the Government in boosting its capacity to produce and manufacture the goods that they are selling.

For example, you will find that there are people who would leave and fly to Miami, Trinidad and Tobago or other destinations to collect goods to come back to Barbados to sell. There are persons in Barbados who are manufacturing goods at the same quality or higher who are not being able to get the same kind of patronage from these persons we are expecting to create that kind of activity within the bosom of the economy, that would suggest some balancing between what we send out and what we take in, Sir.

4.40 p.m.

Mr. President, I would want to agree with the Honourable Senators who suggested that it really comes down to an issue of the export culture and what obtains in that culture. I believe that we have to continue to teach our people how to live and how to adjust their lifestyles to meet the burden of the country as it relates to the country's capacity to become a player in the manufacturing sector.

Mr. President, Government has to do some things, I think we all agree with that. If we are going to talk about marketing, we have to establish what is it that we are going to market. If we are talking about creating a programme where we want to boost those things that we want to market in terms of exports, we have to be able to lay out, as I have noted, this vision for our people.

Mr. President, I do not believe that the generations of today fully understand what it means to be able to create within the domestic situation in Barbados the kind of environment where we invest more, not just more money, because this is one of the cases that I would suggest that if the Government is seeking to put an enablement fund in place to boost our exports, then we are going to have to be able to suggest or to teach the population the things that they need to do to play their part in this whole export culture.

Mr. President, like I said, a lot of things have been covered in this. However, I remember that years ago we used to export basic things, for example, tamarind. I remember that almost every year during the tamarind season, trucks would come and collect bags of tamarinds but if you go around any tamarind tree now, I am more familiar with the ones in St. Andrew, you would find mounds and mounds of tamarinds that have fallen and nothing has been done. Has that become an obsolete commodity, I do not think so? We are now importing tamarind balls.

Mr. President, if we are going to talk about the export culture, we have to be able to make specific markers as to those things that can become a part of it. I remember the days when the guava season was a big season in Barbados. Currently, the Government has acres of land in a place called Turners Hall, where there are tracks and tracks of guava trees where everybody from everywhere goes by and picks and move with. Is not that an opportunity for us to investigate whether or not this country can invest in

redirecting the interest of those persons involved in growing these things?

Mr. President, I remember when the Soil Conservation Unit had acres of land planted in cherry trees. I know that there is one outlet that takes advantage of cherries in creating a Bajan cherry drink that is outstanding. All I am saying is that I think we have what it takes to boost the export culture for Barbados in different areas but what we have not done well is to educate our people what and how they can contribute to the process.

Mr. President, I remember when any portion of land that did not have a house on it or rocks was tilled, there was a culture of the kitchen garden in Barbados that was very important to food consumption. People are now more concerned, maybe with the exception of Senator Barker, about planting flowers and having fabulous landscapes and they go out and buy some of the basic things from the supermarkets in tins. Once upon a time, we used to take string beans and clip them at the ends and make our own beans for dinner, now we are buying them in tins. We are also buying beets in tins and just about everything in tins.

Mr. President, that is not only hurting our capacity to boost our exports in those particular areas but it may well be contributing to the health of Barbadians or the poor health of Barbadians. That is something that we have to take a serious look at. Mr. President, if we want to create an export culture, we have to look at education, and at the opportunities that we provide for those persons who are investing in growing.

Mr. President, I continue to talk about the small farmer in this Chamber. The small farmer is not being given the kind of assistance necessary that he or she can become a contributor to the provision of food in this country. The food import bill was mentioned here. Mr. President, I am aware that the Ministry of Agriculture and Rural Development made some funds available for farmers that lost their crops during Hurricane Ivan, but to this day many of those farmers are still complaining that they have not been able to access those funds. Mr. President, I am saying that within the context of education, we have to be able to teach our people what they must do but there must be a twinning of efforts between the masses and the Government who must be able to give those resources.

Mr. President, that is important because I know for a fact that when there was the "Fish Kill" in Barbados that the Government rushed to the assistance of the fisher folks and compensated those who made legitimate claims for losses. I want to go on record as making the point that there are still a lot of individuals out there who can contribute to the provision of food.

Why are we importing limes? Mr. President, half of the time when you get an imported lime you have to roll it under your foot or in the palm of your hands to get juice. Why can we not grow limes in Barbados to the extent where we are supplying our people? We are even importing green peas from St. Vincent and other places when we can grow them here. Why are we having to import other types of food commodities in Barbados? Mr. President, we cannot be serious about talking about exporting goods if we are not prepared to create a vision where the people of this country can buy into.

Mr. President, somebody mentioned black belly sheep earlier. I know that there are a number of persons out there who would like to have access to land through the Government's land for the landless programme. Mr. President, I do not know if you are aware but ducks are becoming a big delicacy now and I know that there are few farmers who are struggling for space to rear ducks because they cannot supply the demand. Mr. President, if we are serious, we have to be able, as part of this education programme, to identify those persons who are prepared to invest their time and resources in those kinds of efforts and give them the kind of technical assistance and the enablement that is necessary for them to be able to make a decent living.

Mr. President, we have to give them incentives. If we want people to involve themselves in agriculture and so on, we have to provide incentives for those persons to get involved. It cannot just be in wishing people into activity. We have to provide a kind of incentive programme because we have to be able to protect our domestic commodities even if we cannot decide what the world market does in terms of protection. In other words, what we have to do here is to make sure that we give those persons who are prepared to be producers and growers the tools that they need so that they can make the best out of their efforts. We have to be able to come back to this whole matter of re-balancing.

Mr. President, if you go through the supermarkets you would see that most of the goods on the shelves are from some place else. I was drawing to one of my colleagues' attention that if they go through the supermarket now and look at the cereal shelves, it is amazing how much space they take up, no pun intended.

Mr. President, if you go through a clothing store you would hardly find anything in there that is Bajan. Mr. President, as a matter of fact, where one would find most Bajan clothes would be in places such as the Port, where there are a number of small vendors who make these clothes and sell them to tourists.

4.50 p.m.

Mr. President, there are places out there where people are committed to doing things, to help us with our industries and with our consumption in Barbados but we are not giving

them the kind of support they need to be able to take the advantages which they need to take, yet we are being asked to commit ourselves to reducing the food import bill, and to helping Barbadians to adjust their lifestyle choices, so that they could become a healthier society. Sir, I am convinced that the Church can assist in that regard because I do not believe the State has done enough.

Mr. President, people need to be guided along a path where there is a clear relationship between what are the country's ideals and what are the pursuits of these persons, and to be able to bring that marriage together. Sir, if we want to talk about exports, we have to create standards. We have to be able to teach our growers and manufacturers how to meet international standards, so that they could get their products from Barbados to wherever would be the intended destinations. Sir, there are numbers of Barbadians in Miami, Boston, New York and parts of Canada. Can we not find markets in which we can send our products and have those products consumed by those people? I think we can. But are we doing the kind of market research where we can put our products out on the international market?

Mr. President, I am not sure that we are doing that, and certainly the Bill does not give us a road map for how the Government is going to be able to accomplish this objective, neither does it demonstrate how the funds will reach where they are intended.

Mr. President, a constant worry in this Honourable Chamber, is that when the Government comes on a worthy cause such as this and asks us to support a Bill that generates funding for a purpose, I believe the Government has a responsibility to tell us how it will measure, and whether or not those funds are making maximum impact on those areas for which they are intended. Therefore, I think we need to look at that.

Mr. President, this culture I believe is important. I believe that we have to give kudos to the current Minister of Agriculture, whom I know, has been fighting hard and trying his best to create something out of a dying art. I believe that with the diversification of sugar products, with the enhancement of livestock efforts such as sheep, beef and poultry, with the new emphasis on growing domestic food which would be compatible with the consumption needs of the people, that we may be able to make a dent into this whole process.

Mr. President, all of us in here are the products of good eating habits that were driven by our grandparents and perhaps to a lesser extent by our parents. Maybe we would live a little longer because we were taught how to eat healthily. I have made an observation only today and was making the point that the fast food culture in this country has taken over and is driving our eating habits. Sir, I am not prepared to say that the fast food culture is generating the healthiest diet for our people. As we look at the concept of export, marketing and development, *et cetera*, we need to start teaching our people how to eat healthier and to do that, I believe we can start in our homes, by the choices of local foods that we produce from the land.

Mr. President, I will not tease your patience, but I am glad for the opportunity to have had an input on this particular Bill. I thank you, Sir.

SENATOR G. P. I. GOODING-EDGHILL: Mr. President, I too rise to support the Export Promotion and Marketing Fund Bill, 2005, which essentially is designed to assist in the development, promotion and marketing of Barbados' export sector.

Mr. President, it is timely that the Government should bring this Bill to the Honourable Chamber, as it seeks to create an export drive in Barbados and to promote export development, certainly with the entity announced during the Prime Minister's last Economic and Financial Policy Statement in the Other Place, the creation of Export Barbados Inc., to further promote export development.

Mr. President, it is absolutely necessary that any new entity created to promote the export development of Barbados, places and gives high priority to the promotion of branding, packaging, quality, promotion, technology and standards. It is true that we need to grow our export revenues and I believe that in 2004, Barbados would have exported approximately $467 million, while twinning to that would be the category known as re-exports. Sir, we need to review our export incentives, in the context of the World Trade Organisation and export subsidies, but to structure them in such a way that we could become more World Trade Organisation compliant, in any set of incentives that we have to offer for the export regime.

Mr. President, there is also an issue about cost reduction and the cost of doing business in Barbados. Time and time again we continue to hear about the nagging complaint that to do business in Barbados is very expensive. Therefore, there is the need for a review to be undertaken to assess the whole basis of inputs and cost reduction in Barbados. I believe that similar concessions have been given to the tourism sector. Already there have been some incentives given to the export market-led sectors but I believe the time has come for additional concessions to be given to the export development sector, in an attempt to help and to advance export promotion in Barbados.

Mr. President, marketing is also a significant feature in the export drive and, therefore, more emphasis has to be placed on branding, packaging and the development of market planning in Barbados. We have the infrastructure

available to create an export economy and to advance our exports in Barbados. Barbados has standard and certification criteria to meet, such as HACCP (Hazard Analysis Critical Control Point). There are also companies set up in Barbados that are ISO-9000 certified, which can compete on the international market, which are doing an extremely good job.

Mr. President, we also have to go a step further and create an opportunity to give those new and existing players on the market, the opportunity to brand their products in such a way that they not only appeal to domestic consumption but can also appeal to international consumption. There is no doubt this will happen with the Export (Barbados) Inc., with the assistance of entities such as the Barbados Investment and Development Corporation.

Mr. President, I believe it makes no sense in us continuing to condemn the habits of Barbadians. What we have to do is to position our products, to package and to market them in such a way that if we get it done correctly, the money that we would otherwise spend in tourism, for example, in importing food and beverage from abroad, we could use some of that money instead of sending it out of Barbados in the form of exports. To do this would be to help encourage further developments in Barbados.

Mr. President, in terms of technology, this can probably assist us with the reduction of what is perceived of Barbados as being a very costly place to do business. We, perhaps, need to utilise more technology and to enhance production processes, to lower production cost and to achieve greater efficiencies. If we do those things, we could ensure that we take our rightful place in the export market. There are some entities in Barbados that do a better job than others, in respect of technology, but we have to widen the use of technology in our production processes, as a counter to what is perceived as a high wage environment, and to use it in such a way that we can reorient our export market, so that we can achieve a greater slice of that export market.
5.00 p.m.

Sir, that is critical because we already have a situation where companies in Barbados benefit from regional and international distribution channels. Some do it better than others but we have to ensure that those who do it better than others that they start to assist others in the whole export marketing drive. They should start to assist other local entities in forming alliances and partnership and distribution channels outside of Barbados. Mr. President, if we do it successfully, I am convinced that we can move our exports earnings from where it is and achieved $800 million.

Mr. President, I am confident that the Bill before us would assist us in achieving all the things which I spoke about today. We have to ensure that technical skills are available to help domestic companies get into the export market. We must earn foreign exchange from exports, we are earning significant amounts from tourism and international services and businesses but in a changing global economy where every day there are incidences of terror happening on our landscape, we have to make sure that we do not put all our eggs in one market. We need to diversify and earn more foreign exchange from other sectors within the economy.

Mr. President, since this world has become a more complex environment, it would redound to our success and benefit if we were to diversify and go after that much needed foreign exchange through the export market.

Mr. President, it is true that the export culture would bring jobs. Sir, in reviewing the Barbados Economic and Social Report earlier, I recognised that in 2004, Barbados benefitted from an additional forty-five new companies and created 3 079 new jobs in 2004, as compared with 2 098 in 2003. This was due to investment in manufacturing and the services sector.

Mr. President, if you go further, you would recognise that 378 of the new jobs created by the establishment of new businesses – I am quoting from the Barbados Economic and Social Report, 2004 at page 61. Sir, if you go on to page 62, you would recognise that from the BIDC 2004 survey, that approximately 13 674 persons were employed in the manufacturing and related services sector, compared with 12 230 in 2003, representing an 11.8 per cent increase. Specifically, as it relates to manufacturing, in 2004 manufacturing accounted for 9 476 of those jobs. It is important that we recognise that there is growth in employment in the sector and that if we adopt the right set of policies that we can advance further growth in that sector.

Mr. President, the Bill will certainly give us and the Government an opportunity to further promote and develop the markets of Barbados. It is known that some of the funds must go to the Barbados Tourism Authority. Once again, we have a situation in Barbados where tourism continues to be the main engine of growth. It continues to perform well, it exceeds every performance indicator year on year, thanks to the outstanding job being done by the officials at the Ministry of Tourism, led by the Minister and his Parliamentary Secretary.

Mr. President, as the world becomes more competitive, as Asia becomes more competitive and start to use more tactics and initiatives in an attempt to get more visitors to their shores, we are going to have to be more competitive. Sir, at the moment the funds that we spend in tourism are not sufficient. The more funds that we can have to market tourism, the more sustainable and developed would be our tourism industry.

Mr. President, in terms of international business, the sector has been growing but we cannot stand still. We have to put more money into the efforts of marketing that sector. If we do so, no doubt we would encourage an environment which puts the name of Barbados out there in the market and would allow people to invest in Barbados.

Mr. President, whether you like it or not, we must continue to have direct foreign investment. If we look at what happened in China and other Asian countries, this is as a result of direct foreign investment and domestic consumption that they are able to grow their economies. Therefore, we must be in a position to continue to grow our economies and this must be done in a highly competitive and globally complex arena but we must allocate the important resources to the development of tourism, international business and the financial services sector. I am pleased that the funds as a result of the cess will go in a direction to further promote Barbados and sustain the economic progress of Barbados.

Mr. President, I want to speak about an area of craft where I believe we could also generate substantial foreign exchange and create a significant export market. Sir, craft has the potential to earn substantial foreign exchange. The sale of craft can inject millions into the local economy, create more jobs and can earn more foreign exchange but we have to dampen imports and support our local craft markets and retail outlets in this country.

Mr. President, not enough is being done, we are witnessing a situation where a lot of craft is being imported and we have to move to a position where we have to support the people at Pelican Village and all other people who are involved in the promotion of craft in this country in such a way that we can go forward and earn more foreign exchange.

Mr. President, manufacturers have a difficulty in accessing technology and incentives and it might be necessary for them to obtain grants, as the Bill makes provision for. I also believe that since craft is largely manual, there is an urgency on the part of those persons involved, who are responsible for assisting that sector to automate craft production. I am confident that if we automate craft production as obtains in China, along with some research, that we can sustain and expand the craft market in Barbados.

I believe we should give consideration to further concession to the craft market, raw materials, handicraft and manufacturing. Perhaps, like was done for the Small Business Association through the creation of a Technical Assistance Fund, it is probably necessary for a fund to be created to support product design, branding, packaging and marketing of sales to encourage craft persons of Barbados to get involved in the automated manufacturing of craft that can serve in excess of 551 000 tourists who stay over in Barbados. If every person who arrives in Barbados buys at least one, two or three pieces of craft, Sir, we would make millions.

The cruise ships arrivals are in excess of 700 000 and if we can create the framework in such a way to give further benefit to craft persons, we would earn a lot more exchange. Sir, a lot of work is being done in this area but I still believe that we need to create the right environment and give further assistance to persons involved in the promotion and expansion of craft in Barbados.

Mr. President, in winding up, I want to issue a caution. I believe that any time measures are implemented that often times people engage in random pricing. We have learnt one thing about the cess which is not levied on all items. I think that particular and careful attention would have to be given to ensure that we do not have a situation where random pricing would occur in Barbados.
5.10 p.m.

Sir, it is true that oil prices will rise and fall. It started this morning at US$70 a barrel and it ended at the close of the market at US$67.20. Sir, we have to enhance surveillance of prices to protect consumers. The Government will institute necessary measures to help fund the export market of Barbados and its application. Perhaps, there are going to be some who will engage in random prices and that they will be blamed. We have to make sure, through enhanced surveillance, that the poor in our society are protected from random pricing. Mr. President, I am not a diplomat but I will prefer to choose my words carefully when suggesting that we have enhanced surveillance of prices to protect consumers.

Sir, we generally recognise in this country that there is an opportunity for us to earn more foreign exchange. I am hopeful that the unions would not use these measures to create a situation for substantial increases. We still have to manage our payroll costs and other areas in the country, and certainly business. Therefore, I hope that commonsense would prevail in this respect.

Mr. President, I support the Bill before this Honourable Chamber. It is timely and absolutely necessary. I look forward, on our return, to measure the performance, and the assistance given to the fund. As stated, quarterly reports will be published through the Enterprise Growth Fund and I think it would be a wonderful opportunity for us to see the initiatives and grants given to help encourage further exports.

Sir, I have quoted from the 2004 Barbados Economic and Social Report and made the point that we have seen approximately 45 new businesses developed in the country in the last calendar year. Sir, new jobs were created. I only hope that with further assistance through this Fund, we can

create even more employment. Already, for the record, our unemployment is in single digits. I am confident that we will go further with these measures to reduce unemployment. We will continue to manage inflation. At the end of the day, when the people review the legislation before this Honourable Chamber, they will know that the Government has once again made the right decision in the interest of the masses of this country.

Sir, on this note I commend this Bill. I thank you.

Mr. PRESIDENT: Senator Grant.

SENATOR R. W. GRANT: Mr. President, I rise in support of this Bill, Export Promotion and Marketing Fund, which is to assist with the development, promotion and marketing of Barbados' export sector. First, I want to compliment the Minister of Commerce for her comprehensive presentation, detailed and justified, outlining the necessity for such a fund and the reasons for its institution to ensure further development of the export potential of Barbados.

Sir, yesterday I spent most my day at home. I decided, as Barbadians would say, "to let the house air." I opened all the windows and allowed air to pass through the house. After a few hours I looked outside and I saw some dark clouds and I correctly assumed that it was going to rain. I closed all the windows and when it rained, there was no water in the house and no damage to the carpet or furniture; it created no difficulties or problems.

Sir, on reflection, I consider it extremely important for us to recognise, that Government's creation of this Export Promotion and Marketing Fund, is to ensure that we provide growth through increased exports.

Sir, the introduction of this Fund has no relationship to any crisis in the Barbados economy. The introduction of this Fund is not dictated by the International Monetary Fund or any other international organisation, which is the experience of the past Administration. It has been introduced now to secure prosperity and for future generations of Barbadians to live in a stable environment.

Sir, these days we hear a lot about globalisation and trade liberalisation; the reality is, large countries with significant resources and small developing countries, are forced to compete in an environment, that is today significantly different than it was fifty years ago.

Mr. President, countries such as Barbados would have utilised protectionist measures to secure our domestic industries. As the Honourable Minister quite rightly pointed out, given the commitments under the World Trade Organisation and the requirement to remove barriers to trade at the level of tariffs, we now have a situation where foreign goods, because of the World Trade Organisation and trade liberalisation requirements... I should point out that while international organisations such as the World Trade Organisation have as an objective the removal of trade barriers, it is my opinion they are heavily influenced by multi-national corporations. Mr. President, I would use the terminology of Adam Smith, not in the context in which he used it, but I would wish to use his terminology, by saying that there is an invisible hand that is essentially working towards the removal of trade barriers.

Sir, in this new global economic environment, where small developing countries can no longer depend on protectionist measures, it is critical that we ensure we enhance the export capability for our goods and services. 5.20 p.m.

In this new global economic environment therefore, Mr. President, exporting of goods and services is far more important than it would have been previously. There are those, Sir, who argue that protectionist measures would have created inefficiencies and would have led to high cost of production, unfair practices or disadvantages to foreign entities.

The proponents for trade liberalisation have often argued that there are benefits to consumers through lower prices, the facility of investment and technology but let us, Mr. President, examine what has been happening not only to Barbados but to other economies within the CARICOM region.

Mr. President, the demand for imports has been exceeding the export growth. I think, Sir, that is an issue which we have to address and we are seeking to address through this Bill that is before this Honourable Chamber. Therefore, import demand exceeds the growth in the export earnings.

We have to ensure, Mr. President, that we create the right culture. I heard talk, Sir, about the consumption patterns of Barbadians. I do not agree with a statement which was attributed to a former head of the Trade Union that Barbadians have champagne taste and mauby pockets. I do not believe that Barbadians are living above their means.

Mr. President, I think what is necessary is that we do look at the level and the type of consumption that we have, because it is important. While in the past you may have been able to...I believe that Senator Dr. Chandler, even as she made reference to those items that would have lasted for 40 and 50 years, also would have recognised that they were items which now only last for a considerable less amount of time. I think that there are many goods which Barbadians utilise that are really essential for functioning properly in this new global dynamic environment.

What I do agree with as well, Mr. President, is that we cannot spend more than we earn. This certainly is not sustainable. If an individual earns $2 000 a month and has commitments of $2 500 a month that, Sir, is not sustainable. Therefore, you have to ensure that there is sustainability. You have to ensure that as an economy, as the Minister quite rightly indicated, you have to properly allocate your resources.

I believe, Sir, that this Export Promotion and Marketing Fund is important. It will ensure that when we utilise these funds for the development of our export sector, there is the potential for the increase in the level of foreign exchange.

Let us remember, Mr. President, that when we purchase goods and services from outside of Barbados, we do that with foreign currency. Comments have been made about the amount of consumption and the fact that consumption has been facilitated largely through credit over the last year. In my view, it reflects on the level of wealth of the nation, and that is why there is such a demand for imported goods.

The reality is that the majority of the goods which we consume, come from outside of Barbados. Therefore, the answer, Mr. President, to ensure that we build our foreign reserves and that we always have enough foreign reserves available to meet the requirements of our people, is not to seek only to have Barbadians consume more Barbadian products, but it is also in seeking to ensure that we export more and that is very important.

This Fund, as well, Mr. President, in my view will provide opportunities for our local businesses to achieve a level of global competitiveness. When I say that, I am not suggesting that we look at manufacturing goods of a similar type as goods manufactured in China.

I am saying, Sir, that there are areas, and some of them have been mentioned today, where there is the potential for niche market development for Barbadian firms, in the areas of condiments and pepper sauce. I think that this type of Fund will provide the assistance necessary for businesses to achieve the level of global competitiveness which is necessary. The Minister of Finance said that if you are competitive in the global environment, you will be competitive in the domestic environment as well.

I also believe that it is necessary that there will be greater diversification within the export services sector. When we speak about the export of services, very often we speak within the domain of financial services but there are other services as well.
5.30 p.m.

Sir, I think that we have to look beyond financial services to other services. The international business sector, as the previous speaker indicated, generates in the vicinity of $400 million in foreign exchange. It is an important sector, it is a sector which this Government has paid close attention to and it is a sector which, through various efforts, and this Bill represents one of these efforts, we will seek to stimulate and ensure that there is continued growth.

Mr. President, I did indicate that I would not be speaking very long but I would not want to finish without reflecting on some words that I heard in this Chamber today. I heard it said that all is not well. I heard it said that we are taking corrective action to deal with the problems and that the economy is bound by debt and deficit.

Mr. President, this economy is performing well. Mr. President, this economy continues to experience growth every year. As Senator Barker indicated, all of the economic indicators suggest that the economy is functioning well. The level of inflation is 2.1 per cent, unemployment is 9.74 per cent and the level of foreign reserves is within the vicinity of four months of imports, so the economy is performing well. However, we consider it necessary to introduce the Export and Promotion Marketing Fund at this time because we believe that we have to take the necessary action to further stimulate the export sector and to ensure that we safeguard Barbados for future generations. Sir, all is well, but we wish to ensure that we build on our successes and that we make Barbados an even better place.

Sir, given all the talk about doom and gloom, if there is one thing that we must always do is to think about things that are being said and ask why they are being said. Sir, I want to close by reflecting on the words of philosopher René Descartes. I believe he was writing in his meditations of the first philosophy when he sought to prove the existence of man. Having dispelled of all the senses, Descartes concluded that man existed because we are thinking beings and he coined the phrase *cogito, ergo sum*, I think, therefore I am.

Mr. President, when statements are made such as those which suggest that the Barbados economy is not doing well and that all is not good simply because the International Monetary Fund said so, I ask Barbadians to look at the reality of the situation, to look at the economic indicators and to look at the performance of the economy and to hold the words of René Descartes, *cogito, ergo sum*, and to continue to think.

Mr. President, I have the greatest of pleasure in supporting this Bill. I believe that this is the right approach to take. We should not wait, as I could have done in relation to my house, until the rain started to fall then to try to shut all the windows. I could not have got all of them shut if I

had allowed the rain to fall. Sir, I took the necessary preventative measure, and this Bill is certainly the correct approach which the Government is taking.

I am obliged to you, Sir.

SENATOR THE HON. Miss L. V. EASTMOND: Mr. President, first, I would like to thank all Honourable Senators for their contribution to this debate and for their support of this Bill. Mr. President, a number of issues have been raised but I do not think that it would be possible to respond to all of them because some of them do not fall within the narrow ambit of the Bill that we are debating and therefore I would seek to respond to those that I believe are pertinent to what we are discussing. A specific issue was raised by Senator Marville and I believe it was also alluded to by Senator Nicholls about whether or not the imposition of a cess would, in some way, be in breach of any of our international obligations.

Mr. President, as all Honourable Senators would recognise, this Government would not deliberately take any action that is in breach of any of our international agreements, but as you know with all of these matters there is always room for debate, argument and discussion as to whether or not any particular action is consistent with our obligations. Mr. President, that is why we have lawyers so that they can negotiate these issues for us. Of course, it is the lawyers who wrote the agreements, and I am sure wrote them with the intention that they should be able to get some work in the future.

Mr. President, Barbados has bound rates for agriculture and manufacturing set at 100 per cent and 70 per cent and currently they are at 20 per cent and 40 per cent, so there is a great deal of flexibility within there for us to increase our rates if we consider that to be necessary as long as we do not go over the bound rate. In my view, that is the answer to that question. With respect to what we are doing, we have no intention of breaching any of those obligations.

Mr. President, there is another rule that whatever it is that you are doing you should not measure access to the facility based on export performance in itself, and that is one of the things we would have to avoid doing, so companies are not meant to get incentives based on whether or not they export. We have to be very careful with these issues.

Mr. President, as I said before, the world is not going to become any less complex, it is going to become more complex as we go forward, therefore we have to be careful about what we are going to be asking the report to say when it comes to reporting on the activities of the Fund because depending on what you say you could be deemed to be in breach of your World Trade Organisation obligations if you cast your report in such a way that you are looking at export performance.

5.40 p.m.

Mr. President, other issues were raised about the Fund itself, and we accept all of the cautions that were issued about the utilisation of the Fund and making sure that these funds are targeted appropriately. That has always been the concern because there is often the temptation to throw money at issues and sometimes we do not effectively target where we are throwing those funds.

Sir, I would wish to assure all Honourable Senators that in terms of the utilisation of the Fund, a committee has been established that will look at the export companies, export facilities, *et cetera*, before we put any specific plans in place with respect to the utilisation of the Fund.

Mr. President, Section 12 of the Act says:

"The Minister may make regulations:

(a) for the establishing of criteria for determining the projects and programmes that are to benefit from the Fund; and

(b) generally for the proper administration of the Act."

Mr. President, as I have also said, there is a requirement to provide Minutes of meetings of the Management Committee. There is also an obligation to deliver reports to the Minister 21 days following the end of each quarter.

9(1) "The Enterprise Growth Fund Limited shall prepare quarterly reports of the accounts and economic activity of the Fund and shall deliver those reports to the Minister not later than 21 days following the end of each quarter."

Sir, I believe that quarterly reports would be sufficient, as monthly reports might be too many.

Mr. President, I think that within Barbados, we must not fall victim to the notion that we have to be suspicious about all of our institutions. I do not believe there is anything to suggest that the Enterprise Growth Fund Limited has been operating in a fashion other than above board. As I mentioned in my presentation, these entities can become the subject of the Public Accounts Committee, if there are any considerations of impropriety.

Mr. President, I believe that when a country and a Government have put the appropriate measures in place, that we only do a disservice to ourselves and within the context

of the wider community, if we give the impression that there is a need to be suspicious about every institution that is being established and that somehow, there would be political corruption.

Mr. President, I know that politicians are often very silent and that they engage in a great deal of posturing which the public tends to look at and believe, but I will say that from my personal knowledge, I know that there are investment funds in Barbados that are managed by individuals, who are not only supporters of the Democratic Labour Party, but are active canvassers. These people sit on these committees and Boards because we believe that in terms of their technical knowledge, they have a contribution to make. We believe that they are professionals who will do what they must, in terms of properly managing the funds and properly discharging their duties.

Mr. President, when questions are being raised about whether or not there are going to be political appointees, or whether or not the funds are going to be given to certain people because of their political affiliation, there is no need to be overly concerned about that. The posturing in which they are engaged, sometimes tends to be for their own amusements, but let us not take it too seriously. Sir, there are certain bodies, especially committees and Boards dealing with financial matters, that no politician on Either Side of the political fence fools around with, not when one is dealing with money. Therefore, in terms of the proper management of these funds, there is absolutely no doubt in my mind that the appropriate individuals will be chosen, who have the ability to deal with matters such as these.

Mr. President, I want to say that in a broader context, sometimes I think we are going down the road where we will start to distrust ourselves as a nation and believe that we cannot do anything right. Sir, I do not think that is appropriate.

Mr. President, in terms of the presentation and the issues that I have chosen to look at, there seems to have been a feeling by Senator Stuart that I should have come here today and started my presentation by referring to what the International Monetary Fund and Standard and Poor's have said. Sir, perhaps I am less colonial in my outlook and more American in how I feel about my country and about myself, but I certainly do not believe that we have to wait until the International Monetary Fund or Standards and Poor's puts out a report, for us to understand what is happening in our economy.

Sir, I find it rather amazing that the Democratic Labour Party would seek to hinge everything that it has to say on this issue with regards to those reports, as if those individuals who came to Barbados to look at our economies within a five-day period, somehow have some greater expertise, ability, knowledge or intellectual capacity than the Members of the Democratic Labour Party and that, therefore, we should hinge everything that we say on such reports.

Mr. President, the reason I could not have started off that way, to be quite honest, was that the issue of a cess was raised by the Prime Minister on December 7, 2004, before we had sight of a report, either from Standard and Poor's or the International Monetary Fund. Therefore, for the Opposition now to give the impression that suddenly the Prime Minister has imposed a cess because of those reports, is wrong. Sir, fortunately the evidence is here in the Economic and Financial Statement of the Government of Barbados, which were presented by the Prime Minister of Barbados.

Mr. President, therefore, the argument by the Democratic Labour Party, which suggests that we are looking at establishing an export company, that we are looking to impose a cess, and that the Barbados Labour Party has suddenly recognised that we are in crisis because of those reports, would be to hinge an entire argument, for an entire day, on a completely false premise, which, in my view, would be unfortunate.

Mr. President, in case individuals do not know, the IMF has also engaged in an Article IV Consultation with the United States of America, but would you believe that in Congress the Americans are discussing what the IMF has said? I do not think so. The IMF has said the same thing to Barbados, that they have said to the USA. They said to the USA that the outlook for 2005/2006 looks good, just as in 2004, they told us in their Report, that "growth has taken cold". Therefore, in their report for 2004, they said that we have done well but yet went on to say that we needed to reduce our fiscal deficit, and that is exactly what they said to the United States of America.

Sir, when the International Monetary Fund were looking at what the United States of America was doing, in terms of reducing its fiscal deficit, they said to the United States of America that they did not believe that the USA was doing enough, that they believe the USA's programmes could be more robust. Sir, the International Monetary Fund said the same thing to Barbados.

Sir, the Barbados officials said that they do agree with the International Monetary Fund, that Barbados should reduce its fiscal deficit but that Barbados could not put itself in a position where it removes the underpinnings of growth in the economy, which is through investment, neither can we reduce our public services such as health and education, and not at the speed at which the International Monetary Fund was suggesting.

Mr. President, therefore, the response to the International Monetary Fund's dictate was the same from Barbados as it was from the United States of America. Barbados has agreed that as a Member of the International Monetary Fund, the International Monetary Fund has to do its Article IV Consultations periodically; that we have acknowledged its report, but that we believe we understand our economy better than the officials of the IMF and, therefore, we believe this is what we must continue to do for Barbados.
5.50 p.m.

Sir, as an example of shortening your own course if you understand what you are doing, it was interesting for me to see that the IMF is now saying that it agrees with the Government of Barbados in terms of continuing to peg the Barbados dollar to the US dollar and to have a fixed exchange rate mechanism.

Mr. President, from the time I started to work in the Ministry of Economic Development, our Prime Minister has had raging battles with everyone in the international community about the fact that we needed to change back but now in 2005 they are saying that they agree. If we had changed back, they would now be on our case and we would have to change it again because this has happened with some other countries.

Sir, we are members of the IMF but when they do the Article IV Consultation, we listened to them but we do not necessarily follow everything they prescribe to us, which is unlike the Democratic Labour Party because it was interesting when you look at the Report of the IMF, it says that after an IMF supported adjustment programme in the early 1990s, Barbados grew at three per cent, inflation was less than two per cent *et cetera*. This is the good work which the Democratic Labour Party tries to take credit for. They are going around saying that growths started in 1990 but in this Report, the IMF takes credit for that growth. Sir, it has nothing to do with the Democratic Labour Party. They have not denied this Report and stand by it. It would seem to me that in 1990, the Democratic Labour Party did not make these reforms but they were made by the IMF. I was told that a man whose name I cannot remember, had an office in the Ministry of Finance.

Asides.

SENATOR THE HON. Miss L. V. EASTMOND: It is also possible that he was sitting in the chair of the Minister of Finance but I do not know because I was not there. We now recognise that it really was the IMF which engaged in these reforms back in 1990s and that it had nothing to do with the Democratic Labour Party.

Mr. President, I believe I have explained why I could not have come here as a Member of This Side to speak on IMF Reports, the reports of Standard & Poor's as if they are going to be able to guide us with how to deal with this economy. I have said before that people who come to visit us for five days do not understand this economy better than we on This Side. There are a few other issues which I would like to look at. It has to do with the issue of the export company and cess and small state issues.

Mr. President, the Commonwealth Secretariat and the World Bank had agreed that small states were a special group and that there should be a small State task force established. The Prime Minister was asked to head this group.

Sir, I do not believe that institutions like the IMF ever took the issues of the small states seriously. We had individuals writing thesis which said, "Small State, small issues or small States, small problems", and that it was no big problem at all. Nevertheless, the debate about small States continues and is being pushed by the Commonwealth Secretariat and they are going to have further discussion on small States issues.

Sir, in terms of looking at what we have to do, they recognise that in terms of the performance of small states...

Asides.

SENATOR THE HON. Miss L. V. EASTMOND: It was not my intention to simply present a litany of what was done by the Barbados Labour Party but if it comes across that way, it is factual, and there is nothing I can do about it. Sir, the group of experts at the World Bank and the corporation tax Secretariat said that we had to look at a number of issues in terms of modernising the economy. They said that in the recent past, that small states like ours have suffered from a faster than anticipated preference erosion. Sir, they are talking about erosion with respect to sugar, bananas and other commodities.

Mr. President, they speak about the fact that we have suffered from a rapid rise in a debt burden, about increased environmental susceptibility, security, crime and the HIV/AIDS pandemic. Sir, all of these are issues which the Government of Barbados is treating seriously to. In fact, in terms of HIV/AIDS Barbados is commended around the globe for the work done.

Mr. President, I made the point at the outset that one must look at the whole picture. If resources are put into HIV/AIDS prevention and treatment then the funds are not available to go to another area and those are some of the realities. The fundamental underpinning of any economy is going to have to be about human resources. Sir, at the end of the day, we have to make sure that our people are healthy and that they are educated.

Mr. President, in terms of the concerns about the cess and whether or not it would be effective, those are genuine and legitimate concerns. Sir, all of them would not be true incentives but I must say that I become a bit perturbed when I hear this constant reference to the fact that the Government must find incentives to encourage people to do the right thing and to do things that are their interest. This is exactly the same reason why we spend so much money on education so that Government does not have to pull everybody by the nose to do specific things. While my good colleague Senator Husbands might have some sympathy with the private sector, it is my view that with a small economy – I know the thesis is that Government must lead in a small economy but it is my view that in a small economy, especially in the times before us, the private sector must step up to the plate, shoulder to shoulder, with Government on every single issue.

Mr. President, there are 25 000 to 30 000 civil servants and I can tell you that in terms of all the issues we have to deal with now that it cannot continue to be the case that Government is relied upon to lead in every single instance. Sir, it cannot be. Sir, all of us, the Government, the private sector, NGOs, our institutions of learning, all of us must recognise that it must be a joint effort or otherwise, we would fail. Mr. President, we have allocated resources to negotiate complexed rules at WTO, FTAA, putting standards in place through BNSI, making sure there is consumer protection, monitoring prices of gas at the pump and focussing on security, terrorism and anti-money laundering methods. Sir, all these things are done in the Government service and are regulatory in nature...which are regulatory in nature. To ask the Government to take the lead within the productive sectors, I think is asking too much. Sir, whether or not the country does well depends on which Government you have in place.
6.00 p.m.

Sir, unlike countries like the United States of America, where the private sector manages to get the economy to tick over in spite of who is at the helm, we must work towards a position, where we are not so dependent on Government. Leaders must come from the private sector and other institutions to stand shoulder to shoulder to take the country forward.

Mr. President, I believe that this particular initiative by Government, which the Prime Minister and Minister of Finance spoke about in December 2004, is the appropriate initiative at this point in time to bolster exports. I wish to commend this Bill to colleagues and beg to move that this Bill be read a second time.

The question was put to the Senate and agreed to.

On the motion of SENATOR THE HON. Miss L. V. EASTMOND, the Senate resolved itself into Committee on the Bill, Madam DEPUTY PRESIDENT in the Chair.

COMMITTEE

Madam DEPUTY PRESIDENT: The Senate is now in Committee.

Clauses 1 to 12 inclusive were called and passed.

The First and Second Schedules became the Schedules to the Bill.

On the motion of SENATOR THE HON. Miss L. V. EASTMOND, Madam DEPUTY PRESIDENT reported to HIS HONOUR Mr. PRESIDENT the passing of one Bill in Committee and Mr. PRESIDENT resumed the Chair and reported accordingly.

On t he separate motions of SENATOR THE HON. Miss L. V. EASTMOND, the Bill was read a third time and cited as Export Promotion and Marketing Fund Act, 2005.

ORDER NO. 2 – SECOND READING OF THE VALUE ADDED TAX (AMENDMENT) BILL, 2005

SENATOR THE HON. Miss L. V. EASTMOND: Mr. President, this particular amendment to the Value Added Tax Act, stems from proposals made by the Minister of Finance in his policy statement, which was delivered in December 2004, where it was proposed that section 82 of the Value Added Tax Act be amended, to provide for the imposition of interest on the reassessment of output tax from the date of reassessment and not from the date of filing.

Sir, it was felt that this was somewhat of an anomaly, taking into account, that in terms of interest assessed for non-payment by the Value Added Tax Department, took effect after the non-payment had been outstanding for six months. It was felt that it was only fair that the penalty be imposed from the date of reassessment and not from the date of filing, which would be a longer period of time. It is felt that this measure would assist with the business of cash flow in the organisation.

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

Mr. PRESIDENT: Senator Sir Allan Fields.

SENATOR Sir ALLAN FIELDS: Mr. President, I could not let this opportunity pass without making a few comments on the Value Added Tax Department. I do not know how many people appreciate that although companies manufacturing for export, pay input Value Added Tax, they do not collect Value Added Tax on their exports. Therefore, traditionally, from month to month, they are owed money by the Value Added Tax Department. Sir, this creates a situation where Value Added Tax is owed these

manufacturing companies who are exporting. It often takes an unconscionable time for this Value Added Tax to be repaid by the Value Added Tax Department.
6.10 p.m.

Sir, when the VAT department was housed in cramped headquarters, it was claimed that they did not have the staff to properly process the paper work. Mr. President, it is some time since they were rehoused in more spacious accommodation and, I believe, had an increase of 23 persons working in the VAT department. There has been no noticeable improvement.

Mr. President, I happen to be the Chairman of two companies which collectively are currently owed more than $3 million in VAT, most of it going back to 2004. We earlier debated the need to support and encourage exports from Barbados, but this neither encourages nor facilitates exports. The Government must treat this as a priority.

We hear that the VAT department is owed millions of dollars but that is no argument for neglecting the companies that are legitimately due refund. Peter should not have to pay for Paul. I wonder how many small companies in the export arena would be able to have VAT outstanding for almost a whole year. How many companies would this situation drive into bankruptcy?

Mr. President, there are other anomalies associated with VAT, dating back to January 1997, that were explained at the time as anomalies and we were told they would be looked at, Sir. I understand that there is a great temptation not to tinker with VAT because there are several special interest groups which would want their special interests protected and probably have them zero rated.

However, one anomaly that is outstanding, and I was told it was an anomaly that would be corrected, is the difference between white milk and flavoured milk. Mr. President, flavoured milk is primarily produced to encourage children to drink milk so that they get the calcium which is necessary for their health. Yet, although white milk attracts no VAT, flavoured milk which is primarily focussed on children who have no disposable income attracts VAT.

In 1997, we were told that it was an anomaly because when the white milk was taken off the VAT list, it was not appreciated that the trade description number for white milk differed from that of flavoured milk, and it would be corrected. Sir, to this day, people pay no VAT on white milk but they pay VAT on flavoured milk, which I say is primarily targeted at children to aid in their health as they grow up.

Mr. President, I support this Bill. However, I would close by asking the relevant Ministry to investigate the repayment process of VAT office in particular, so that the companies which export can benefit from a quick return of money legitimately owed to them and thereby this Government can continue to facilitate companies which are geared for the export market.

Mr. President, I am much obliged to you.

SENATOR THE HON. Miss L. V. EASTMOND: Mr. President, I beg to move that this Bill be read a second time.

The question was put to the Senate and agreed to.

On the motion of SENATOR THE HON. Miss L.V. EASTMOND, the Senate resolved itself into Committee on the Bill, HER HONOUR SENATOR Dame Patricia SYMMONDS in the Chair.

COMMITTEE

Madam CHAIRMAN: The Senate is now in Committee.

Clauses 1 and 2 were called and passed.

On the motion of SENATOR THE HON. Miss L. V. EASTMOND, Madam CHAIRMAN reported to HIS HONOUR the PRESIDENT, the passing of one Bill in Committee and Mr. PRESIDENT resumed the Chair and reported accordingly.

On the separate motions of SENATOR THE HON. Miss L.V. EASTMOND, the Bill was read a third time and passed and cited as the Value Added Tax (Amendment) Act, 2005.

ORDER NO. 3 – THE INCOME TAX (AMENDMENT) BILL, 2005

Mr. PRESIDENT: Senator Eastmond.

SENATOR THE HON. Miss L. V. EASTMOND: Thank you, Mr. President. This particular Bill is an amendment to the Income Tax Act. There are essentially three amendments that are being made.

The first one is a simple amendment of one section within section 67 of the Income Tax Act, section 1.(a), and substituting it with a new section 1.(a) which essentially replaces the word, “under” by “in”.

The second provision has to do with section 83.(a) which is the inserting of a new section 83.(a) after section 83. This provision implements a new mechanism for the granting of general double taxation relief, which normally is found within Double Taxation Agreements, negotiated between two countries, or as in the case of CARICOM, a Multilateral Agreement.

This particular provision allows for the granting of a tax credit with respect to dividends, against tax payable in Barbados, even though there may not be a reciprocal agreement between Barbados and the other country. It is what is called a unilateral credit that is being given. The credit is also being extended to the tax payable on profits out of which the dividend has been paid, if the recipient company owns more than 10 per cent of the company paying the dividend.

There is also a provision included which seeks to limit the tax credit that can be given in Barbados by making a provision that the tax being given a credit for, cannot exceed the tax that would have been payable, if you had calculated it in Barbados without giving the credit. Therefore, it ensures that nobody would be in a refund position. The maximum position would only be the tax that would have been computed for the income derived which is attributable to Barbados.

The other amendment has to do with the Foreign Currency Tax Credit under section 12.(g) of the Income Tax Act, which seeks to amend the Second Schedule of the principal Act, where we are seeking to add additional services to the qualifying overseas professional services.

In this particular section what the Income Tax Act seeks to do is to give a 30 per cent Foreign Currency Tax Credit, where a person engages in these particular activities and foreign currency is remitted to Barbados, either by the transfer of the foreign currency to Barbados, or it is paid in a foreign currency outside Barbados and held in an account with the permission of the Central Bank, or paid with Barbados funds that would be legally remittable from Barbados. Clearly, if they are legally remittable, one would have to remit them using foreign currency. Therefore, it was felt that the foreign currency credit should also apply in those circumstances. It is being proposed that the services should now include information services, education services, investment management services and e-commerce services.
6.20 p.m.

Mr. President, I commend this Bill to my colleagues as being appropriate. Sir, in recognising that in expanding these overseas professional services that would benefit from the foreign currency credit, we are seeking to improve the investment climate in Barbados and also to reduce the cost of doing business in Barbados. It is also expected that this would help to generate further foreign currency and further export services within Barbados. This is all part of the ongoing effort that we are engaged in developing export services in Barbados.

Mr. President, I beg to move that the Bill be read a second time.

The question was put to the Senate and agreed to.

On the motion of SENATOR THE HON. Miss L. V. EASTMOND, the Bill was read a third time and passed and cited as the Income Tax (Amendment) Act, 2005.

ADJOURNMENT

SENATOR THE HON. Miss L. V. EASTMOND: Mr. President, I wish to thank all Honourable Senators for their contribution today and for their contributions over the past sessions. As all Honourable Senators would know, this is our last day in this session and I would like to take the opportunity to wish them a well-deserved, relaxing and refreshing break. It would be our intention to resume in the second half of October.

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

Mr. PRESIDENT: Before putting the question, let me join with the Acting Leader of the Senate in wishing all Honourable Senators an enjoyable respite from their Parliamentary duties.

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

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