

*Leave of Absence**Tuesday, May 16, 1995***SENATE***Tuesday, May 16, 1995*

The Senate met at 1.30 p.m.

PRAYERS[MR. PRESIDENT *in the Chair*]**LEAVE OF ABSENCE**

Mr. President: Hon. Senators, I have granted leave to Sen. Everard Dean and Sen. Rev. D. Teelucksingh to be absent from today's sitting of the Senate. I have also granted leave to Sen. The Hon. Gordon Draper to be absent from sittings of the Senate during the period May 11 to May 24, as he will be out of the country on Government business.

SENATOR'S APPOINTMENT

Mr. President: I also wish to advise that His Excellency the President has appointed Mrs. Jean Elder to be a temporary Senator with effect from May 16, 1995 and continuing during the absence from Trinidad and Tobago of Sen. Gordon Draper.

WELCOME**(Namibian Delegation)**

Mr. President: Before we continue with the proceedings, I would like to welcome the delegation from the Parliament of Namibia present in the distinguished visitors' gallery. They are here to observe the way that our Parliament functions and they are visiting the Senate today and have been meeting with different sections of the Parliament. I wish them a very successful and enjoyable stay in Trinidad and Tobago.

OATH OF ALLEGIANCE

Sen. Jean Elder took and subscribed the Oath of Allegiance as required by law.

PAPERS LAID

1. The Supreme Court of Judicature (Amendment) Rules, 1995. [*The Attorney General and Minister of Legal Affairs (Hon. Keith Sobion)*]
2. Report of the Auditor General on the Accounts of the Agricultural Society of Trinidad and Tobago for the year ended December 31, 1987. [*The Minister of Planning and Development (Sen. The Hon. Dr. Lenny Saith)*]

Papers Laid

Tuesday, May 16, 1995

3. Thirty-fourth Report of the Salaries Review Commission. (*Hon. Dr. L. Saith*)
4. Audited Financial Statements and Report of the National Flour Mills for the year ended December 31, 1991. (*Hon. Dr. L. Saith*)
5. Audited Financial Statements and Report of the National Flour Mills for the year ended December 31, 1992. (*Hon. Dr. L. Saith*)
6. Audited Financial Statements and Report of the National Flour Mills for the year ended December 31, 1993. (*Hon. Dr. L. Saith*)
7. The Immigration Amendment Regulations, 1995. [*The Minister of National Security (Sen. The Hon. Russell Huggins)*]
8. Annual Report and Annual Audited Statement of Accounts of the Central Bank of Trinidad and Tobago for the year ended December 31, 1994. (*Hon. Dr. L. Saith*)
9. Report of the Board of Directors of the former Eric Williams Medical Sciences Complex Authority for the financial year January 01 to December 31, 1992. (*Hon. Dr. L. Saith*)

ORAL ANSWER TO QUESTION

The Minister of National Security (Sen. The Hon. Russell Huggins): Mr. President, if I may jump the gun on Sen. Wade Mark's question. Question No. 23 is not ready for answer, I therefore ask that it be deferred for a period of two weeks.

The following question stood on the Order Paper in the name of Sen. Wade Mark.

**Mark, Castillo and Toney
(Contracts, Awards and/or Assignments)**

23. Could the Minister of Finance provide this Senate with the relevant information pertaining to the number of contracts, awards and/or assignments granted to the firm of Mark, Castillo and Toney for the period December 1992 to December 1994; the names of the companies involved in these assignments, the periods of time involved in these assignments; the fees paid to the firm of Mark, Castillo and Toney for each of the assignments over the same period, that is 1992—1994?

Question, by leave, deferred.

TRINIDAD AND TOBAGO FREE ZONES (AMDT.) BILL

Order for second reading read.

The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley): Mr. President, I beg to move,

That a Bill to amend the Trinidad and Tobago Free Zones Act, 1988, be now read a second time.

Mr. President, this is a Bill that seeks to amend existing legislation. The purpose of the amendment is to provide a streamlined, transparent legislative and administrative environment; to encourage and facilitate the establishment of new export projects in this radically transformed economic and political world environment of the 1990s, and getting ready for the 21st century.

I think it is known as a fact that the present Government, while in opposition, was not enthusiastic about the free zones legislation. On coming into office, given the Government's economic vision to position Trinidad and Tobago as a manufacturing, financial and distribution centre in this part of the world, the Government, working on that vision and attempting to put in place the environment to achieve that vision, had cause to review existing legislation especially existing incentive framework;

1.40 p. m.

More specifically, the non-oil sector committee, a committee which really was the forerunner of the current Cabinet committee on industry and services. In considering a report on the activities of the free zones company dated July 31, 1993, it examined the incentive regime for industries. In examining that incentive framework, of course, the committee examined the export allowance, which is available under the Corporation Tax Act, Chap. 75:02. The Fiscal Incentives Act, Chap. 85:01 of 1979 was also examined, and the Trinidad and Tobago Free Zones Act of 1988.

On a cursory examination of these pieces of incentive legislation, it became obvious that some enterprises could qualify for benefits under each of the above-mentioned Acts, and would therefore opt for the Free Zones Act which provides for exemption from income tax, corporation tax, custom duties and other duties and taxes, in perpetuity. In keeping with the objective for the establishment of the free zones which was stated in 1988, which was to attract, specifically, foreign companies which would not normally locate such operations in Trinidad and Tobago, the committee recognized the need to rationalize existing incentive

Free Zones (Amdt.) Bill
[HON. K. VALLEY]

Tuesday, May 16, 1995

legislation with a view to ensuring that only companies of that type could be accommodated in free zones.

Therefore, the committee took the decision to establish a committee, or a team, chaired by Mr. Randolph Kong who was then Chairman of the Board of Inland Revenue—as is known he is at present the Permanent Secretary in the Ministry of Finance—to review the existing incentive legislation. More specifically, the terms of reference of the committee were to review the Fiscal Incentives Act of 1979, the Free Zones Act of 1988, the provisions relating to export allowance under the Corporation Tax Act, Chap. 75:02 and to make recommendations for the streamlining of arrangements to improve efficiency in the administration of the legislation listed above.

Perhaps I should spend two minutes on that incentive legislation. I mentioned already that under the Free Zones Act a company is exempted from corporation tax, income tax, custom duties, and so on, in perpetuity. Under the Fiscal Incentives Act of 1979 a company may qualify for an exemption from corporation tax, income tax and custom duties for a period ranging from five to 10 years. Under the export allowance, a non-energy company which exports extra-Caricom—because Caricom is considered part of our domestic market—pays no tax on that portion of his export. So that conceptually, if such a company were to export 100 per cent of its output to Venezuela, that company would not be subject to corporation tax. That is the export allowance.

I remember being here some time ago and some Members were talking about the Fiscal Investment Advisory Service (FIAS) report. I think it was at the time of the TIDCO Bill, and the FIAS, when they advised, thought that was the most effective incentive because it was performance-oriented, the fact that one had to export to get the benefit. But that is just by the way.

So that the non-oil sector committee asked Mr. Kong's committee to undertake a review of these various pieces of legislation in an in-depth way, to rationalize, to streamline, and so forth. In undertaking the exercise, the team considered proposals which were already formulated by the Trinidad and Tobago Free Zones Company for amendment to the Trinidad and Tobago Free Zones Act. Those proposals had sought to address deficiencies observed in the administration of the Act. The Act was passed in 1988 and obviously with the administration of the Act there were certain anomalies that the administrators of the Free Zones Company suggested to this committee ought to be made. The Kong committee reported to the non-oil sector committee. Its proposals with respect to the Free Zones Act were as follows:

First of all, that petroleum, natural gas and certain petrochemical industries should not qualify for approval as free zones activities and that such activities be listed as prohibited activities in a new Part II to the First Schedule to the Free Zones Act.

That was obviously a loophole, in that our most important sector, the energy sector, the natural gas/oil sector, and so on, on a reading of the legislation, one could have qualified under the free zones legislation. As a matter of fact, there is at least one energy-based company in Trinidad which so qualified. There were others which we understood were gearing to apply to qualify under the free zones. So that is one area.

Of course, the legislation before the Senate today takes care of that. The first thing we are doing in the legislation is to exclude energy-based industries from qualifying under the free zones legislation. We are restricting the application of the free zones regime, to exclude energy-based companies.

Secondly, the Kong team recommended that the private sector should be allowed to participate in the development and management of free zones as approved activities. Again, under the current legislation it was envisaged that the Government would put in the infrastructure and so forth, for free zones. Looking at what obtained in different parts of the world, and especially near home, in the Dominican Republic where there was private sector participation, in the infrastructure for free zones, real estate developers, and so on, would set up free zones and then rent to companies, so that infrastructure cost would not have to be borne by government. Again, one sees that that is one of the amendments being made to the legislation.

Thirdly, the team recommended that in a quest for speedy decision-making, free zones should be designated by the Minister responsible for industry after receiving recommendations from the Free Zones Company instead of being designated by the President, as is at present prescribed in the Act. Again, we are taking that amendment on board, but we are going a bit further, of course, because we are setting clear guidelines under which the company can recommend a firm for approval status—clear transparent guidelines so all would know under what conditions a firm may be so approved.

1.50 p.m.

The team also recommended that for dividends paid by approved free zone enterprises to resident shareholders, the exemption from income tax should be for a period of 10 years, and that separate accounts should be maintained by approved free zone companies in respect of dividends and distributions.

The team also, of course, recommended some tidying up matters. For example, the deletion of all references to exchange control in light of the substantial amendments to the Exchange Control Act. Also, for clarification of all ambiguities and to remedy inadequacies in the Act.

The non-oil sector committee also considered what ought to be the major policy objective underlying the establishment of free zones. The committee agreed that really, the free zones' status should be restricted to firms where there was the promotion of employment, as well as the generation of foreign exchange. Or, where there was the establishment and stimulation of export-oriented industries and the generation of foreign exchange exist.

Thirdly, the attraction of industries that would not otherwise find it attractive to locate in Trinidad and Tobago.

Fourthly, to facilitate the transfer of technology by creating a conducive environment for firms that possess pioneer and other technology to locate in Trinidad and Tobago.

In other words, we wanted to use the free zone regime to try to attract firms at the cutting edge of technology which may require a special incentive regime to undertake some new technology.

Also, the following guidelines and conditions under which free zones may be designated by the Trinidad and Tobago Free Zones Company Limited were enunciated. They are;

- (i) The company should recommend to the Minister, for approval, an area where the free zone activity is to be carried on; and satisfy the policy objectives which were outlined.

In other words, the generation of employment, generation of foreign exchange, new technology and so forth.

- (ii) The President may, by order, prescribe areas in Trinidad and Tobago in which free zones may not be designated, but not so as to prejudice existing approved enterprises.

In other words, while the Minister, on the approval of the Free Zones Company has the right to approve or designate an area that is a free zone, the President has a right to designate any area as not being suitable for a free zone, or an area that may not be designated as a free zone. The concept is that any area not so restricted by the President, may, in fact, be designated by the Minister on the recommendation from the Free Zones Company.

- (iii) No area shall be designated a free zone except with the consent of the owners and anyone having a registered interest in the property.
- (iv) The Minister may, on the recommendation of the Free Zones Company also, by order, designate an area free zone, provided that notwithstanding section 15(ii)—

The Company may only grant approval to a single enterprise to undertake approval activities in the free zone.

The guidelines are all spelt out. They are clear and transparent.

I repeat, the single purpose of the legislation before us is to streamline this incentive regime; to restrict it to non-energy-based industries, first of all. Secondly, to allow the private sector the right to participate in development of the free zones estate. Thirdly, provide for transparency in the approval process.

Fourthly—the point I missed—to expand the range of activities that could be undertaken in the free zones. If one looks at Part A of the legislation, one sees that certain areas are added; while we are taking out the energy sector, we are adding one or two non-oil sectors.

Lastly, we are correcting some anomalies in the legislation. That is the simple purpose of the legislation.

In terms of perspective, while we do not believe that the free zone legislation would result in hundreds of investors coming to Trinidad, we know it is one item in our arsenal, as it were, in our quest to attract investors to Trinidad and Tobago.

Sen. Mansoor: Mr. President, before the Minister winds up, could he tell us whether or not the committee recommended any limit of the amount of goods manufactured in a free zone that could be shipped back to Trinidad and Tobago?

Hon. K. Valley: Mr. President, there is an existing limitation under the legislation, which is 20 per cent. There is no change to that.

Sen. Mansoor: Is it in the legislation?

Hon. K. Valley: Yes, it is. I am sure it is that, under the free zone. My understanding is that only a maximum of 20 per cent can come into the custom territory. That is my understanding of the legislation.

Sen. W. Mark: Could the Minister indicate when this Kong committee or team was established? When did it submit its report? Who comprised this committee? Can the Parliament have a copy of the report of the committee.

Hon. K. Valley: The team was appointed on August 5, 1993.

"4. The Committee, had in the circumstance therefore recommended and Cabinet by Minute No. ... dated August 05, 1993 had agreed to, the establishment of a team chaired by Mr. Randolph Kong, Chairman of the Board of Inland Revenue..."

It was established on August 5, 1993. I am reading from a document dated January 12, 1994 which reported on the work of the team and the recommendations of the team. This document approved the drafting of the legislation. The legislation took long in coming simply because of the backlog and the fact that the Government is moving so quickly and there is much legislation in the pipelines.

2.00 p.m.

I do not have it, but if I can get that specific Cabinet decision so that I can give him the names of the Members. If it is critical I can get it. It is an internal report and I will have to seek guidance on that matter. [*Interruption*] Mr. President, I do not think there will be any problem in making the report available. If the Member wants a report, I can say it is a very thick one which dealt not only with the free zones legislation, as I said, but also all the intensive legislation, such as the Fiscal Incentives Act, and the export allowance. I suggest that we could make a copy available in the library, but again subject to guidance.

I was making the point that we have to see all this within the context of where we want to go and how we want to position Trinidad and Tobago. While we feel certain that we are not going to get a hundred investors tomorrow, we know for a fact, that there is some psychological benefit. A domestic firm which is similarly placed, in other words, a domestic firm which is exporting that level, would already qualify for most of those benefits. The domestic firm which is export oriented could qualify for the export allowance under the duty free concession for zero customs duty on capital goods.

Even with respect to input into the manufacturing process, even though the firm may have to pay 5 per cent, there is export with great mechanism which is supposed to keep the firm whole. The one benefit that the firm in the Export Processing Zone obtained that is not now available to a domestic firm would be the fact that the firm in the export processing zone is exempt from the business levy, while the firm in the domestic economy would have to pay the business levy.

To a large extent, the benefit of the EPZ today, especially in this liberalized environment when there is no longer any exchange control is merely

psychological, but it is an extremely psychological benefit. If one is talking to a potential investor who may not even know where Trinidad and Tobago is and he asks whether the company can qualify for EPZ status, one can either go into a long explanation or simply say yes, because we have the EPZ legislation. That is another tick we can get instead of having to go into a long explanation that we do not have EPZ but we have export allowance which is similar. It is a major psychological advantage.

It is our quest to attract investors into Trinidad and Tobago so that they can use the market access that we are pursuing, not only in Latin America, but also in North America (NAFTA). I make the point again for those people who are not listening, that NAFTA is simply market access. Nobody seems to have any quarrel when we get market access to Colombia or Venezuela, but whenever we talk about NAFTA they see red herrings and they want to know why we want to get into NAFTA and if we believe that we could deal with NAFTA.

I know I am going on a tangent, but let me just make the point. When one looks at the duty paid on goods coming from the United States the average is 7.35 per cent, for the simple reason that at present, if any firm is getting involved in capital equipment, it would normally apply for duty exemption. If one is into manufacturing, the duty is almost 5 per cent and if one is listening to the manufacturers, it will go rather quickly. The duty protection to the local market is extremely low already. If that is so, why do we not get the benefit of being part of that bigger game? We will deal with that at another forum.

I just wanted to make the point that there were two strands to our current economic initiative. Firstly, it is the market access that we need and secondly, to find investors from all over the world, such as Asia, Europe and Canada to locate here and to access those markets. This is what we are doing. There is another area which is the distribution area concept. The EPZ is important in that context because some firms would want to locate here to perhaps repackage or relabel for the Latin American or Caribbean market. Obviously, they would bring in goods perhaps to the value that they would relabel, repackage and handle, but they would still be creating some employment. We want an environment where that could be done.

Even our strategic location sitting as we are at the mouth of the Orinoco which, if developed, can open the interior of Venezuela, in a way that the Rhine opens Germany to Rotterdam. That is what we are talking about. We are hearing that Venezuela now wants a free trade agreement with Trinidad and Tobago. We have to understand what that means. That is where we are going. The Orinoco

Free Zones (Amdt.) Bill
[HON. K. VALLEY]

Tuesday, May 16, 1995

goes into the Apure which leads us into Colombia. I want to take my colleagues on the other side of the Orinoco. I am waiting to do that and I will leave them there. [*Laughter*]

The distribution concept or the transshipment hub concept is also important for us. With the amendment to this legislation, we want to activate that sort of business in Trinidad and Tobago.

Sen. W. Mark: Mr. President, would the hon. Minister indicate to us whether there is a link between his recent Hong Kong visit and this present legislation which is before Parliament?

Secondly, at the rate of the elitist conversion that is taking place in this country under PNM, could he could explain to this Parliament what has brought about the change of heart in the PNM's approach to the EPZ having regard to the vehemence and hostility towards that concept in 1988?

2.10 p.m.

Hon. K. Valley: Mr. President, I made the point, first of all, that the Hong Kong trip had nothing to do with this legislation. This legislation is overdue. Cabinet approved the policy position with respect to this legislation since January, 1994, and it should have been before this Parliament months ago. Obviously, we had to do the Financial Institutions Bill, the TIDCO Bill, the BWIA Bill and, of course, the people at the Chief Parliamentary Counsel's Department are overworked, so we had to wait for this piece of legislation.

On the second point, I have to conclude that I have just wasted about 40 minutes. I attempted to make the point that we are restricting the application of the EPZ legislation. The legislation is on the books, but we do not believe that it will make the world spin any faster. We are saying, however, that it must not apply to our energy sector. That is the first and most important thing that we are saying.

Secondly, we are saying that the Government will not be developing the EPZs. We will allow the private sector to do that. So, the Government is holding back. It is saying, "You see the energy sector. Do not interfere with that!" Secondly, it is saying, "Our money is for other things. The private sector will develop the feasibility. We give them the right to do that." Thirdly, we are saying that some other non-oil sector can qualify for EPZs.

There has been no change in this Government's position. We said, in 1988, that the classical type EPZ will not spin the world. We say that again today, and

experience has borne that out. We are saying, however, that there is a psychological advantage in keeping the legislation on the books. It allows us a one-word answer rather than perhaps a two-page answer, and we prefer one-word answers.

I thank you, Mr. President.

Question proposed.

Sen. Muntaz Hosein: Mr. President, I had planned to welcome formally the new Minister of Foreign Affairs, but he is not here as yet. I will save it for later on in the debate. Hopefully, he will be here.

It is very instructive that in 1988, it was fire and brimstone against the free zone and, today, the very same gentleman, now a Minister, who went to Hong Kong and came back, seems to be converted to an advocate of the free zone. No amount of masking and brushing the question from my esteemed Leader in this Senate aside, will wash away what took place in 1988.

Mr. President, let us examine the world experience of EPZs and their relationship to world trade and the new economic order. There are some 86 EPZs now operating in 27 developing countries. Of these, some 40 to 50 per cent is described as successful, 20 to 30 per cent is described as partially successful and 30 per cent unsuccessful. EPZs in Sri Lanka, the Dominican Republic and Malaysia are often cited as examples of successful EPZs.

In 1990, EPZs worldwide accounted for about 530,000 persons, mostly low-skilled, female workers. Trade unions are very rare, often discouraged. For example, in Bangladesh and the Dominican Republic, trade unions are banned in these zones. The common reputation of EPZs are sweatshops where workers are forced to work long hours under poor conditions, for little pay. This is the pattern even in those countries where there is union representation, mainly due to the dehumanizing high unemployment rates, which act as a depressant to wage rates and other working conditions.

Even the World Bank encourages this behaviour pattern. A look at its important list of advice on this subject shows clearly that the minimal regulatory control of actions and transactions within the EPZ includes freedom to hire and fire at low transaction cost.

Let me give the Senate the benefit of my own experience in two of these countries which we see as success stories. In the Dominican Republic, to which I paid two visits, poverty is at a level one finds very hard to believe. In a drive

Free Zones (Amdt.) Bill
[SEN. HOSEIN]

Tuesday, May 16, 1995

through the cities and towns one can see squatter settlements and shacks all over the place. Beggars are so pronounced that it makes Port of Spain look good in comparison. Prostitution is at an extremely high level. Crime is also far in excess of what is the norm in our society. Street children in the Dominican Republic are so prevalent, it makes you cry with your heart and your mind. Coupled with that, one sees the filthy rich with armed guards. So, alongside 95 per cent of the population, there is the five per cent filthy rich. This is the state of affairs in one of the countries that is cited as an example of a country with a successful free zone.

2.20 p.m.

Mr. President, if we look at the example and the experience of the Mexicans—With your permission I would like to read from a paper by William Greider, who covers politics for the *Rolling Stone* and is the author of *Secrets of the Temple* and *Who Will Tell the People*. It is called the Global Marketplace: A Closet Dictator, from a book called *The Case Against Free Trade*. I quote from page 196:

"On the outskirts of Ciudad Juarez, across the river from El Paso, Texas, the sere hillsides are a vast spectacle of human congestion. A canopy of crude huts and cabins, made from industrial scraps, is spread across the landscape, jammed together like a junkyard for abandoned shipping crates. The houses are not much more than large boxes, with walls of cardboard and floors made from factory pallets or Styrofoam packing cases. The tar-paper roofs are held in place by loose bricks; an old blanket or sheet of blue plastic is wrapped around the outhouse in the yard. Very few homes have running water and many lack electricity. Streets are unpaved and guiled. There are no sewer systems. For mile after mile, these dwellings are visible across the countryside—dusty, treeless subdivisions of industrial poverty.

The *colonias* of Ciudad Juarez are like a demented caricature of suburban life in America, because the people who live in Lucio Blanco or Zaragoza or the other squatter villages actually work for some of America's premier companies—General Electric, Ford, GM, GTE Sylvania, RCA, Westinghouse, Honeywell and many others. They are paid as little as fifty-five cents an hour. No one can live on such wages, not even in Mexico. With the noblesse oblige of the feudal padrone, some U.S. companies dole out occasional *despensa* for their struggling employees—rations of flour, beans, rice, oil, sugar, salt—in lieu of a living wage.

In addition to the cheap labour, the U.S. companies who have moved production facilities to the Mexican border's *maquiladora* zone enjoy the privilege of paying no property taxes on their factories. As a result, Ciudad Juarez has been overwhelmed by a burgeoning population and is unable to keep up with the need for new roads, water and sewer lines and housing. The migrants who came from the Mexican interior in search of "American" jobs become resourceful squatters, scavenging materials to build shelters on the fast-developing hillsides. In time, some of these disappointed workers decide to slip across the border in the hope of becoming real Americans."

This gives us an idea of what happens when one tries to attract capital, with low wages and no laws to protect those people who work. Nowhere in this Bill is any reference to workers and conditions of employment. If one looks at the new economic order to which the Minister referred today, one would see right away that this Order is leading the entire world into ruin. Everywhere the rich is getting richer and the poor is getting poorer and more and more people are joining the ranks of the poor.

None of the economists touting the new economic order has been able to say what the answer would be. So far they have not been able to say that. The idea is that this new economic order will produce many jobs and each country would compete for these jobs. In time, these people who work in these factories will be able to afford a decent living. The history belies that, because that is not what is taking place. When one brings capital into a country and that investor is given all the concessions; tax free and so on, when their 10-year period is up, and the time has come for renewal, if they find another country where the labour is cheaper, with better conditions than we could offer, out they go, Mr. President. That is the pattern, and we have to be very careful about that.

The danger is also that if they are doing well and they do not wish to relocate to another country, after the 10-year period they can hold the Government to ransom for a renewal of another 10 years. I am saying that will go on into perpetuity. That 10-year period would never end, because they would hold the Government over a barrel and they would have to sit with them again and renew. That is the pattern. Make no mistake about it, by opening up the entire world, as this new economic order has done, one has to compete with every country on the face of the earth. There would always be someone who could produce something a little cheaper somewhere in the world. Where will it end?

I thought that the Minister might have addressed that question in-depth so that we could understand.

Hon. Valley: Mr. President, I really hate to interfere with the Senator's contribution but the Senator has been on the wrong premise from day one. He is really talking about the fiscal incentive regime which is—as I said—for a maximum period of 10 years, so that when they run out after 10 years one may have to negotiate. Under the EPZ these benefits are in perpetuity.

2.30 p.m.

Sen. M. Hosein: It is two different incentives, and I was talking about both of them, and I am saying both of them would become in perpetuity, each and every one of them. None of them is going to stop at 10 years and we know very well that that is going to be the pattern. Already in Trinidad and Tobago we are seeing signs of the Dominican Republic and Mexico.

For example, McDonald's, the American company that came here which sells hamburgers in Florida in the United States of America pays US \$5.00 per hour to their workers in the United States. Do you know what they are paying in Trinidad? US 62½ cents per hour in Trinidad and Tobago, and they are not in the free zone. A hamburger in Florida costs 69 cents plus 6 per cent tax and in Trinidad and Tobago that same hamburger, of a poorer quality, is sold for US \$1.66. The rent is cheaper here; taxes are also cheaper here; everything else is cheaper, and they still sell higher. They hire people at a higher cost in Florida and they sell cheaper.

Mr. President, you have to understand what is happening. Our unemployment rate in Trinidad and Tobago officially is 18.6 per cent, unofficially it is more like 22 per cent. Over 26 per cent of the population in Trinidad and Tobago is living under the poverty line. Seven hundred people sleep on the pavement and gutters and eat out of garbage bins in Trinidad and Tobago; over 50 children live on the streets of Port of Spain every day, notwithstanding the boast of a \$1 billion safety net by the present regime. We are fast becoming the Dominican Republic of this part of the Caribbean. The scene is set for the exploitation of our people, and to top it off, there is no national minimum wage or other working conditions to protect our people, especially the women of Trinidad and Tobago. This Government says it cares. It is the one which creates these conditions and the predecessor Governments. The women are the ones who will make up the majority of workers in the free zones. Mr. President, one of my colleagues will expand on this at a later stage in the debate.

This country is already suffering from starvation wages outside of the EPZ. Some shops in Port of Spain and other areas pay as little as \$125.00 per week;

domestic workers are making as little as \$85.00 per week in this country. Surely, you must have gone to the grocery in recent times. There is no way you could walk into the grocery and come back out with one week's supply, for you alone, with \$85.00. There is no way you could do it. This caring Government is encouraging this kind of behaviour because there is no minimum wage in the country, and it comes before us and brings this piece of legislation without attending to the minimum wage. What kind of father are you? I want to suggest that we should do a DNA test to make certain that the father and child have the same blood. I assure you the claim of fatherhood is false.

Mr. President, with your permission I want to read a quote from the *Daily Express* of Monday, May 15, 1995 at page 15, written by Camini Marajh. It is headlined:

"FOCUS ON PRICES AND THE SINGLE PARENT Making ends meet on \$85 weekly"

The quote says.

"Jennifer is a part time domestic. She cooks, irons, scrubs and cares for a toddler three days a week for a paltry \$85.

She has two children of her own, ages seven and four and lives in a tiny two-room apartment free of charge downstairs her sister's Morvant home. She is, however, required to contribute \$100 a month towards electricity and water costs.

It costs here \$6 taxi fare a day to get to and from her place of employment at Petit Bourg.

Jennifer is a single parent who gets no assistance from the State's social welfare programme. The father of her children disappeared from her life two years ago with the 20-inch television set her mother had given her as a birthday present."

Mr. President, do you understand what is happening in this country? I do not think that the gentlemen and the ladies understand what is happening in this country, and they do not understand what are their responsibilities. I do not think that they understand.

Our Government spends \$2 million on a trip to Hong Kong to woo investors into the EPZs and into other areas, and in the process debase the country's image internationally. But it seems that something went wrong on that trip which makes me fear for our Prime Minister's health. Mr. President, with the greatest respect to

Free Zones (Amdt.) Bill
[SEN. HOSEIN]

Tuesday, May 16, 1995

all concerned, I am very serious because the Prime Minister of this country holds a very important position. It would seem from the empirical evidence that the Prime Minister may well be suffering from "manic depressive psychosis" with the greatest of respect and concern to the Prime Minister. I believe that he should seek medical attention especially since full and complete recovery of that disease is rare.

I thought the Minister would make a case for EPZs, so that we may be in a position to be convinced, that notwithstanding the negative reports, we may be told of a model that would give us the injection of foreign exchange and well-paid jobs. But his presentation leaves me unconvinced.

Mr. President, can the Minister tell the Senate since the passage of the Free Zones Act in 1988, how many jobs were created, and how much foreign exchange did we realize? I hope in his winding up he will do that. Can the Minister tell us if he did a cost and benefit study on the EPZ?

2.40 p.m.

It is normal that when one is going into any venture that a cost-and-benefit study should be done. The Minister ought to have come to this House to tell us what it is going to cost the taxpayer by giving away all those benefits—on the one hand, how many jobs he expects to be created on the other hand, and how much foreign exchange he expects to earn out of the venture. This is normal.

I am disappointed because this Minister has a background that comes from the business sector. If a cost-and-benefit study was done, I ask the Minister in his winding up to tell us what was the conclusion, give us the benefits. Perhaps he can tell us why so few companies took advantage of the EPZ opportunity since 1988. He could also tell us what this amendment will do that will change the status quo. That is important.

Can the Minister tell the Senate what are the terms and conditions of the Nucor deal? What price are we charging Nucor for gas? Is he prepared to give the same deal to other investors, especially the local investors? Is he prepared to give it to Caribbean Tyre, Nestlé and Matouk International, and who else may be prepared to come in? Perhaps he might address the report of the 50,000 Hong Kong businessmen whom they say will be coming to Trinidad and Tobago. Is that really true? If so, are we prepared for them? Or is this an election ploy? Are they looking for votes? [Interruption] We are going to be looking at this with a hawk's eye. If they believe they are going to bring these people in here and give them voting status, they are making a mistake. They are up a gum tree now and they are looking for votes.

I wish to draw the Senate's attention to an article of April 12, 1995 in the *Daily Express*, entitled: "First Free Zone Complex Goes Up". In part, this is what this article says:

"Even before the Free Zone Act is amended, one private sector group has moved to set up a warehouse complex with free zone status in D'Abadie. It is called Intercontinental Business Park Ltd.

Michale Le Chaloupe, director of the Trinidad and Tobago Free Zone Company, which administers all local free zones, complimented Conrad Sabga of Beaver Construction who is leading the development, on his initiative."

It goes on further to say:

"It has already received Cabinet approval but will not enjoy the tax incentives due to it until the legislation is amended."

It is clear that there are interests who have more information than this Parliament. Cabinet is again taking the Parliament for granted, as happened with the BWIA deal, the T&TEC deal, and today they return with the same thing. The amendment has not yet been debated in the Parliament and Cabinet is taking decisions—if this is correct. Cabinet is anticipating.

Hon. Valley: Mr. President, before a Bill comes to the Parliament, the Cabinet must agree on the policy. What was referred to is simply that the Cabinet had approved the policy which results in the Bill today. As I said in my contribution, Cabinet approved that since January 1994. If Cabinet does not approve the policy, there would be no Bill coming to the Parliament.

Sen. M. Hosein: I will read this article again for you:

"It has already received Cabinet approval but will not enjoy the tax incentives due to it until the legislation is amended."

Cabinet is anticipating the Parliament. Suppose they get three or four "Marajs" again, everything will fall down, and they lose the vote. It may very well be that they would have a few more "Marajs" before the end of the term.

I take exception to being treated in this manner, that the Cabinet is anticipating the approval and giving approval to people well in advance. It may very well be insider trading going on here. We do not know whose partner is who and whether the individuals are partners with the Ministers and that is why they got the approval long before this came before Parliament. So they have a jump ahead of everybody else.

Free Zones (Amdt.) Bill
[SEN. HOSEIN]

Tuesday, May 16, 1995

He comes here and speaks about transparency and look at what is happening right here before his eyes. [Interruption]

If it is incorrect, why does he not correct the article?

Hon. Valley: I tried to correct you.

Sen. M. Hosein: No, no. Do not try to correct me. Try to correct the article. He cannot do that because the article is correct.

Let me take your attention to clause 3 of the Bill. The Minister tried to explain this in his presentation. If you read clause 3(1) it says:

"The President may, by Order, prescribe areas in which a free zone may not be designated."

In his attempt to explain he forgot that this is referring to the Cabinet, not the President. When one refers to the President in this way you mean the Cabinet. In clause 3(2) It says:

"The Minister may, by Order, on the recommendation of the Company designate an area a free zone, and the limits of the free zone shall be defined in the Order."

The question is, why is the Cabinet defining where free zones should not be, but the Minister has the power to say where it will be? Is it that they do not trust the Minister? Or are we now seeing that ministers are being given some leeway and all matters are not going before the Cabinet now? It is either of those two explanations. I would like to hear what the Minister has to say in his winding up regarding whether it is that the Cabinet does not trust him or any minister who holds that portfolio, or whether they intend to give the ministers some leeway and not everything will go before Cabinet.

Let us look at clause 3(5) which states:

"The Company shall cause a copy of any Order made under this section to be delivered, as soon as possible after its publication in the Gazette, to the Registrar General, who shall maintain a register of such Orders."

2.50 p.m.

I believe "as soon as possible" is a little too vague. In dealing with a Bill of this nature, I think we should specify. I am suggesting that the Minister consider a 30-day period. I think we should be specific because "as soon as possible" is not

something that can really be defined when matters of this nature are not dealt with in the proper manner.

Mr. President, I now take your attention to clause 22 which outlines all exemptions: corporation tax, land and building taxes and improvement taxes. I ask the question: Given the enormous tax incentives, whose responsibility would it be to maintain the roads, drains and sewerage in the free zone areas? If it is that the Government is going to allow people to set up free zone areas, rent, and do all infrastructural work, what happens—they are getting all that tax free; all their profits would be tax free—is that they pay nothing to the coffers of the exchequer.

Who would maintain the roads, water and lights? It is very important. The history shows that there were private developers all over Trinidad and Tobago who were involved in development processes and after they made their money, they left the roads and drains as is and the Government then had to repair the roads and drains.

If it is that we are not going to get any taxes out of this, I think we should be specific and make it mandatory that, in those estates, the developer is held responsible for the roads, drainage and all amenities. I do not think it is fair that the exchequer should take up the tab.

May I take you now to clause 27, penalty for false information

"40 (1) A person who—

(a) makes a false statement or representation;"

The penalty for false information and

"(b) declares any false returns;

(c) keeps or prepares false accounts in respect of any fiscal benefits created under this Act,

is guilty of an offence, and is liable on summary conviction to a fine of eight thousand dollars and to imprisonment for three years."

I find this extremely lenient. We are dealing with much money and with people who are given tax exemptions. When one finds that these people are cheating, I think the full force of the law should be made to come down upon them so that would be a deterrent to them not keeping the books right; to not giving the proper information and to behaving in an inappropriate manner. I am suggesting that the fine should go to \$50,000 and imprisonment for 10 years. We have too much crookedness in this country and we have to put a stop to it. Perhaps, that is one of the ways we can do it.

Free Zones (Amdt.) Bill
[SEN. HOSEIN]

Tuesday, May 16, 1995

This Government's attempts at job creation are quite dismal. It has achieved some growth, but so far, has been unable to achieve development. As the rest of the world, and the people who are involved in this new economic order, development is missing. Growth, yes, but development, no. There is no distribution of the assets, therefore, it does not get down to the people who need it.

The Government, so far, has not been able to achieve income distribution and this leaves the rich, richer and the poor, poorer. Its feeble attempts at job creation is limited to URP, service jobs in restaurants and an attempt is now being made to create sweat shop jobs.

We on this side would like to see an EPZ model which would allow our people jobs with dignity, with wages and conditions which would allow our people to afford the necessities of life in Trinidad and Tobago.

We demand that Government provide a national minimum wage tied to the index of inflation; maximum hours of work; sick and maternity leave and other conditions which would protect our people from exploitation by the new private sector governments of the world.

Mr. President: The speaking time of the hon. Senator has expired.

Motion made, That the hon. Senator's speaking time be extended by 15 minutes.

Question put and agreed to.

Sen. M. Hosein: Mr. President, like Brian Lara, I would hit my final six and cog not out. [*Interruption*] The Senator knows nothing about cricket so he should keep quiet.

In conclusion, I want to congratulate the Government for at least providing some employment, even though on a personal basis. It has come to my attention that every Government Member of Parliament hired six persons, working on three eight-hour shifts: three watching the fax machines and three watching the television sets in order that they may be informed of the termination of their ministerial portfolio.

Thank you, Mr. President.

Sen. John Rooks: Mr. President, free zones are designed to attract a portion of the flow of the international investment into the manufacture or production of goods and services for export and international trading in goods.

In almost all countries—with the exception of Pakistan, the Philippines and Mauritius, which have enacted favourable labour legislation to assist export enterprises to meet their objectives—including Trinidad and Tobago, the laws of the country including labour laws, apply in the EPZs.

3.00 p.m.

The elimination of exchange controls, simplification and speedy administration of customs procedures are a major rationale for establishment of EPZs. Efficiency of administration, government commitment to foreign investments and export have a lot to do with the success or failure of export free zone programmes.

The incentives given in most free zones are similar and well known. They are in fact costless insofar as they apply to new export activities which would not otherwise have taken place, and which do not compete with domestic taxpaying enterprises. This is more so in the case of programmes where the investment in infrastructure and facilities is provided by the private sector, as is the case of the programme in Trinidad and Tobago. EPZs do not pose a threat or represent unfair competition to firms operating in the domestic economy. Their production is for export, and where permission is granted for some modest access to the domestic market—usually not more than 20 per cent—such access is subject to licensing and duty restrictions as would apply to similar imports.

The growth of export free zones in developing countries is one of the most significant structural changes to have taken place in the world economy in the 1970s and 1980s. Between 1975 and 1986 the number of jobs in EPZs worldwide expanded at an average rate of more than 9 per cent per annum, and exports from EPZs have been growing at an annual rate in excess of 15 per cent, in spite of the slow growth of the world economy since the mid-1970s. It is estimated that free zone firms accounted for nearly two out of every three new manufacturing jobs created in the Caribbean and Central American region over the period 1975 to 1989. Domestic owned enterprises including joint ventures represented 44 per cent of investment in EPZs in 1988. That is from the ILO.

The number of developing countries with free zones has increased steadily over the years. In 1991, free zones were operating in about 60 countries with roughly 40 per cent being in Latin America and the Caribbean. Even the United States has a variation known as foreign trade zones. Recent studies by Johansson *The Economics of Export Processing Zones Revisited, 1994* have indicated that free zones can initiate a domestic export supply response to the catalyst effect of

Free Zones (Amdt.) Bill
[SEN. ROOKS]

Tuesday, May 16, 1995

bringing a critical mass of knowledge, and stimulating extended economic reforms when exports turn out to be successful. This effect is already being observed in the case of the free zones programme in Trinidad, in that the success of the Nestlé International Trading Free Zone which was relocated to Trinidad from Panama and Miami in 1993, has resulted in development of two other international trading enterprises by local conglomerates operating in the food processing sector.

Once an EPZ programme has got off the ground and proven itself as a viable alternative for foreign investors, the word gets around very quickly in the international countries concerned. This is when the real take-off occurs as the first investors tend to attract other investors from similar industries. Investment is attracted to free zones for various reasons. Price sensitive products such as garments might seek lower labour cost and quota access to major markets; international traders might seek a strategic location, an efficient port and customs procedures. Service enterprises might require a literate labour force and modern telecommunications. Around the world there are over 300 free zones in operation. Of course, not all of them are successful, but the majority are.

I will give some examples of regional free zone programmes. The rapid increase in job creation and exports which have been documented—

Sen. Hosein: Mr. President, on a point of order. Will the hon. Senator give us the basis of that last statement that the majority are successful? Can he tell us how he arrived at that?

Sen. J. Rooks: I have the information within this voluminous contribution. It is not within this particular part of my speech, but what I am saying here is from studies which have been done.

Sen. Hosein: Then withdraw it.

Sen. J. Rooks: I am not going to withdraw it.

Mr. President: Continue Senator. That is not a point of order.

Sen. J. Rooks: When the first team went down to Hong Kong in 1987, we found that it was not so important as to the location of an EPZ. In these days of good shipping and air freighting, an air freight company could be put up in any location even in Trinidad and Tobago.

Rapid increase in job creation and exports which have been documented through the free zones programmes of, for example, Mauritius, Dominican Republic, Mexico, Jamaica, Miami and Ireland came about as a result of

substantial commitment of resources in provision of free zone infrastructure and facilities, and in market research and marketing efforts in the countries identified as potential sources of investment.

The laws referring to the operation of free zones are very much the same around the world and because of this is the reasoning for making successful free zones everywhere. Take for instance a comparison of free zones programmes in Trinidad and Tobago and the Dominican Republic. Free zones defined as geographic areas may be established in any part of the country. The same applies for the Dominican Republic. Trinidad and Tobago free zone developers, managers and enterprises are entitled to all free zone duty and tax benefit. The same thing applies in the Dominican Republic. No fees are payable for work permits for non-nationals in Trinidad and Tobago, but it is not known if work permits are necessary in the Dominican Republic. All labour laws apply in both countries. The Customs Act applies except as specifically varied for free zones and the same thing applies to the Dominican Republic.

I now go on to the focuses on export. If any services are supplied to the customs territory from the free zone to the holder of the free zone authority, the corporation tax label and profit to the free zone would not apply. A hundred per cent of products and/or services not manufactured in the Dominican Republic, or products and/or services with not less than 25 per cent local component for raw materials may be exported into the customs territory. As much as 20 per cent of goods manufactured in the free zones or imported for re-export may be exported in the customs territory in Trinidad and Tobago, subject to payment of duties and restrictions. Again the same terms apply in the Dominican Republic.

There is 100 per cent exemption from corporate taxes in both countries. Both withholding taxes in Trinidad and Tobago and income tax on dividends (10 years) are not known in the Dominican Republic.

3.10 p.m.

Business levy on sales: Consumer tax on inventory or assets and on the transfer of goods. Capital gains taxes are not known in the Dominican Republic. The same applies to the land and building taxes, municipal taxes, and import and export duties and taxes.

The laws are very similar right down the line. The free zone idea is a policy instrument, which is an export free zone [*Inaudible*] which was used over 2000 years ago to promote trade. Until recently the free zone was mainly a warehousing and re-export centre, but since 1960 a new form of free trade zone has gained in

Free Zones (Amdt.) Bill
[SEN. ROOKS]

Tuesday, May 16, 1995

popularity. It is concerned, not so much with trade, but rather with the creation of an export industry/manufacturing sector, thus the term export processing zone. More than anything else the EPZ is a promotion instrument aimed at:

- (1) attracting a percentage of the flow of mobile international investment and producing goods for export;
- (2) encouraging local or indigenous manufacturers to focus on export development.

What the EPZ does is incorporate an attractive package of incentives which includes:

- (1) freedom to import raw materials and equipment free of duty and restrictions;
- (2) simplify procedures for export and import;
- (3) minimum bureaucracy and approval procedures prior to the establishment of minimum government interference while in operation;
- (4) tax incentives, usually by good infrastructure and production facilities.

This was the problem we encountered in 1967 when we visited Hong Kong. There was much interest in Hong Kong. As a matter of fact, there were 22 companies waiting to come here. One had committed itself to a specific date of arrival and did arrive on that date only to find that there was no free zone. He expected to find the EPZ in operation. Moreover, there were 10 local companies waiting to go in and 22 Hong Kong companies and there was nowhere to put them. The [*Inaudible*] which rather put them off. At that stage we had not yet visited China. The Chinese were coming in hordes, but they, primarily, were not interested in manufacture, they were interest in getting the people in the EPZ to sell their goods. That never went across either. It is unfortunate that the timing was bad in 1987, otherwise we would have been in a good position today.

Thank you, Mr. President.

Sen. Michael Mansoor: Mr. President, I am in indeed grateful for the opportunity to speak on this amendment Bill to the Trinidad and Tobago Free Zones Act, which we first debated in 1988. It was a very protracted debate and many of us, including Hon. K. Valley, had much to say about what was at that time the new boy on the block—something that very few of us knew very much about.

I was indeed very grateful to listen to Sen. Rooks, whom I believe was very involved with the Free Zone Company, to hear his comments about the many problems of that company, and the fact that what the Government of the time wanted to be a very quick economic measure, did not really get off the ground, basically because of a lack of commitment and resources.

My views on the amendment Bill, and indeed the parent Act are that, in principle, I am not opposed to the creation of free zones and, in principle, I am in agreement, not only with the parent Act, but also with the amendment Bill. However, I would like to make a few remarks about certain clauses of the parent Act and the amendment Bill, which I believe are relevant and worthy of consideration.

The first concern I have has to do with the creation of the Free Zone Company itself. There is very little in the parent Act which tells us about the procedures that govern the operations of this company. In fact, we are only told in clause 5 of the Parent Act that the company shall be managed by a board of directors. When one considers that the Free Zones Company would be carrying out several functions that are of a controlled nature; when one considers, for example, that this company will be making bye-laws that govern the importation of goods back into the customs territory; when one considers that this company will be approving enterprises that will be tax free, one has to ask the question: Are we creating a company which will be outside the control of the Minister and the Government? There are no requirements in this Bill that Directors be appointed according to certain criteria. We are just told that the company is to be managed by a board of directors.

Therefore, the first question I would like to ask is: Should not some consideration be given to setting up some fundamental rules and regulations for the establishment of this company, such that we can be assured that the board of directors would correctly and adequately reflect a cross-section of views that would be used and brought to bear on the very important economic decisions that this company would be making?

The fact that we are told that there would be a board, not specifically under the control of any Minister, causes me much concern. I am particularly concerned, having regard to what the Minister referred to as the need for transparency. He raised it because I am sure he is very concerned about the need for transparency. In fact, this Free Zones Company will have the ability, not only to designate approved enterprises and activities that would be tax free, it would also have much power in making recommendations in the creation of free zones.

I ask: Are there any provisions in the parent Act or anywhere that would address the issue of conflict of interest? If there is nothing in the parent Act and in the Bill that addresses that issue, I challenge the Minister to tell me how he has succeeded in making the operations of this company transparent. I also ask him to consider whether or not he should include a clause that would deal with conflict of interest—as we have put in clauses to deal with conflict of interest in several other situations. Secondly, should he not make it explicit as to what control this Minister has over this company, if any. As it stands right now, there is no clear indication to me whether this company, as a matter of statute, will have to follow the policy of the Government.

Here and there are comments in the parent Act that the company has to act with the approval of the Minister. I make the point that because the criteria for the qualifications of the directors of that board are not at all defined and I ask the Minister to assure this Senate that this company, with all the power that resides in it, will exercise that power in accordance with the dictates of the Government of the day, which is finally responsible to the people of Trinidad and Tobago.

3.20 p.m.

Mr. Valley: I just want to ask the Senator to take the point that the company recommends only, to the Minister. It is the Minister who approves the free zone or an approved enterprise.

Sen. M. Mansoor: Mr. President, there are instances in the Act where it is very clear that the company has to act with the approval of the Minister. There are several other powers that reside in this company where there is no clear indication that ministerial approval is necessary. I have not done an exhaustive analysis to prove or disprove but I would refer the Minister to the clause that was put into the ADB Act, where it says that Ministers of Government, because they are responsible, could give directions in writing to boards of companies. I see no such provision in the parent Act or the Bill. I ask the very fundamental question

- (a) Why are there no conflict of interest measures in the parent Act?
- (b) Can the Minister assure this Senate that we are not giving birth to another runaway horse that may do things that are not consonant with the policy of the Government and with the interest of the people of this country?

I make the point again, that not only does this company exercise certain statutory functions in terms of its interface with the customs authority, in terms of

its designation of tax-free operations; it is also in receipt of Government funding so that the taxpayers of this country—in part—would be supporting this company. Is there not a greater need for transparency? Is there not a greater need for assurances that the company's board reflects the broad interest that would be pertinent in this area? I would like to move to clause 9 which deals with a deletion in Section 16 of the Parent Act. Section 16 (1) of the Parent Act says that the Free Zone Company should not grant approval for any activity in the free zone under certain conditions. In subsection (2) there is a requirement that in instances where the ownership of a company operating in a free zone had changed, that the Free Zones Company of Trinidad and Tobago would need to be informed as to the change in ownership of the operators in the free zones. That section has been deleted and I believe that the Government should reconsider its re-introduction. I think it is important that we know who owns what within free zones, particularly as banking and insurance activities can be carried out in the free zones.

We have had much debate in this Senate about the need to determine whether people are satisfactory shareholders of financial institutions. Is it not as important when we are creating companies that operate in a free zone that may be somewhat outside the purview of the regulatory authorities, that we should know, who owns a bank that operates within a free zone? I therefore find as curious, the deletion of this particular section 16(2).

I want to talk about clause 14 of the Bill which basically requires that the Free Zones Company controls the inputs and outputs of free zone enterprises. Clause 14 of the Bill introduces a new section 22 which says:

"The Company and every approved enterprise which imports any materials, articles or manufactured goods into a free zone with any benefit in respect of customs duty under this Act shall—"

There is a long list of things that the company and the approved enterprise have to do. Essentially what the company, the approved enterprise, and in fact, the customs have to do, with respect to what goes into a free zone and comes out of a free zone, is to ensure that everything that goes in, comes out either as an export, or alternatively, it comes as an export that is imported into Trinidad and Tobago where the required duties and charges would be paid.

What we are in fact creating today, is the ability of this company to recommend to the Minister that a plot of land with a building on it becomes a free zone. That approved enterprise operating in that free zone has to record everything that comes into it by way of imports and there is a responsibility put

Free Zones (Amdt.) Bill
[SEN. MAHABIR-WYATT]

Tuesday, May 16, 1995

on the Free Zones Company and the approved enterprise to keep records, such that, the customs authority would be able to certify that what went in came out as exports, and if those exports came back into Trinidad and Tobago, duties would have been paid on those imports.

This is a very onerous requirement that we are putting on the customs authority, particularly as these free zones enterprises are going to spring up all over the place. I want to ask the Minister whether or not he has ensured that the people at customs have the machinery—staff, computer systems or whatever they would need—to ensure that goods that go in, come out in the way that we expect them to. This is perhaps more important because of the point that I raised earlier when I asked whether or not free zones companies would be able to export back into Trinidad and Tobago. The answer was, yes, that manufacturers in the free zones would be able to export into Trinidad and Tobago up to 20 per cent of their production.

I have not been able to see anywhere in the parent Act or the Bill where that 20 per cent is set as a ceiling for exports back into the Customs territory. It could very well be that somewhere in one of the bye-laws, I do not know, but if one looks at clause 16 which deals with section 24, it seems to give that authority to the customs. Subsection (3) of the Bill says:

"Notwithstanding section 23(3), an approved enterprise engaged in activities involving international trading in products may, with the written approval of the Company, sell the products which are the subject of such trading activities, into the customs territory, save that the approval shall be subject to such terms and conditions as the Company may impose and to such bye-laws as may be made pursuant to this Act."

The Free Zones Company will be determining what comes back into the customs territory. Where is the 20 per cent ceiling?

The question of the competence of the customs authority is very important because as soon as one allows free zones enterprises to manipulate products, where they could bring in raw products that could be converted by a manufacturing process into a finished product, one would have the question of wastage and accounting so as to ensure what goes in comes out in accordance with the criteria that we have set up.

I agree with the free zones, I think they are fantastic mechanisms, but I want to warn the Minister that in the absence of clear competence on the part of the

company and the customs, we could be getting ourselves into a situation where we may not be able to control, in a way that would satisfy everyone, the requirements of transparency, which the Minister identified. We may not be able to control these activities.

3.30 p.m.

I ask the question: Can the Minister persuade us? Or, is the Minister himself satisfied that we can do what this clause requires the customs to do? If we cannot, I would like to suggest to him that we ensure that we have the competence residing either in the company or in the customs to do what is a very difficult job.

Now, Mr. President, I remember back in 1988 when we debated this Bill, I was very concerned at that time about the harmonization of laws that would control entities in the free zone as opposed to tax laws and tax requirements that would affect companies that operated in Trinidad and Tobago. Indeed, when I read my contribution last night I noticed that I said very clearly that the Government should undertake a study to ensure that there was a proper harmonization between the two sets of laws. Therefore, I was very pleased to hear the Minister say this afternoon that a committee was set up to do just that. But, there are a few residual concerns.

I believe that the findings of this committee insofar as they relate to equity in taxation between manufacturing enterprises in the free zone and in Trinidad and Tobago should be published. I think a document should be put out that would very clearly show that what the Minister said here this afternoon is true. He has said that if a company is operating within Trinidad and Tobago exports, because of the export allowances, because of the duty rebates and the 5 per cent, because of those things, that company is as well off as if it had exported from a free zone. I am inclined to believe him. I believe it is very important that the Government should ensure that all of the taxes that are required in one place as opposed to all the requirements in the free zones are such that in fact, there is a level playing field. I believe it is important to demonstrate that. I do not know while I would like to share his view that there is equity, I am not at all absolutely certain that there is, and I think it is a very important point. Because while the purpose of the free zones is to create new jobs, we do not want a situation to arise where people feel they have to go pell mell into free zones simply because there are benefits there that are not somewhere else. So that I believe that the harmonization review should be properly documented and distributed, I do not think this should be a secret, so that this concern would in fact, be answered.

Free Zones (Amdt.) Bill
[SEN. MAHABIR-WYATT]

Tuesday, May 16, 1995

I would also like to ask the Minister, whether or not there are any time limits on the tax free status of these enterprises? I would remind him of his contribution back in 1988, when if I may quote: The Minister said:

"...of course, I agree with Sen. Mansoor that the fiscal incentives, especially the tax holidays, ought to be for a limited period."

Those are his words. While it is possible for him to change his mind about these things and perhaps, there is no need to put a limit on it, I would like to get the Minister's specific views on that particular matter.

To summarize, I would like to ask the Minister to reconsider the organization of this company with a view to being more specific as to the composition of the board and the way that the free zone company should operate. I do not believe that it is in the interest of this country to say that the company shall be managed by a board and say nothing else. I think that it is very clear that the free zone company will exercise a large amount of influence on the economic activities of this country. They have rule making-up powers, they can develop bye-laws that affect importation of goods into and exports out of Trinidad and Tobago. Because of this, I think that the country needs to know that this company is being managed in a way that would parallel that adopted by some of the statutory institutions in this country. Further, I would like to emphasize the need for ensuring that the customs and the company have the ability to control what happens in these free zones. Mr. President, I would like the Minister to consider very clearly the activities that could come under banking and insurance in the free zones. There is, for example, provision in the legislation that a retail trade can go on in the free zone. Would persons be able to go and do their retail banking in the free zones? Under what set of conditions?

Similarly, insurance companies. I am not so sure what the Minister has in mind when he is specifically earmarking insurance activities for the free zones. I would want to suggest that for both the areas of banking and insurance it is perhaps not good enough to say that they would be like everyone else, that we need to be much more specific as to how banks and insurance companies would in fact, operate in the free zones. Mr. President, these are my concerns in this matter.

I thank you.

Sen. Diana Mahabir-Wyatt: Mr. President, when Sen. M. Hosein was speaking he talked about some of the horrors of free zone companies, of the problems that have taken place in free zone companies, according to the figures in the research that he has done and according to much of the research that has been

presented, I am sure, to all of us, at one time or another in relation to free zones. Certainly, I remember it very clearly from the information that was available in 1988 when the first Bill went through.

I think that the last thing we want in Trinidad and Tobago is to have an economy such as Sen. Hosein has described exists in the Dominican Republic. The poverty levels that are there— and I too have visited the Dominican Republic and I have seen the "shanties", the "shacks" and the terribly low level of human life that exists in parts of the Dominican Republic. I accept entirely his feelings of horror over what exist there economically. I do not think human beings should have to live like that. Fortunately, in Trinidad and Tobago we have had an economy which has allowed us to rise considerably above that one, for which we are very fortunate.

There have been references to EPZs in the Dominican Republic and Mexico, I listened with a great deal of interest while he spoke about those, and I think that the problems that exist in the Dominican Republic and the economic conditions which we have known for a long time existed in Mexico. I have also been to Mexico and have seen those that are appalling.

Fortunately, at this point in our development, Trinidad and Tobago has been able to rise considerably above the levels of existence of the very poor in both of these countries, as it has above the very poor in many of the Latin American countries that surround us. I think that it is extremely important that we ensure that we do not allow ourselves to slip into those kinds of economic conditions.

I believe that one of the greatest social evils of our time is unemployment. Unemployment levels are growing in Trinidad and Tobago, they have grown over the last few years. In many instances the true levels of unemployment are not even being reported because some groups have just given up getting themselves on the register.

While I do not want to appear, once again, to be gender biased, I think that it is a fairly well recognized fact that the structural adjustment programmes that we, as well as those other countries are going through, in these programmes, the burdens have traditionally fallen most heavily on women and children. In Trinidad and Tobago, we have had a series of articles in a number of newspapers and the media outlying some of the conditions under which women and children have been living.

Free Zones (Amdt.) Bill
[SEN. MAHABIR-WYATT]

Tuesday, May 16, 1995

3.40 p.m.

Prices are going up. We had one report that since 1976 and 1977 there has been something like a 247 per cent increase in the price of basic food items. This is considerable, and these increases have to be abhorred. People have got to be able to feed their children. As stresses and strains have risen in Trinidad and Tobago and unemployment levels have risen, in many cases women who have been in stable relationships have been abandoned with their children. Women, very rarely, leave their children, or sell their children, as was recently reported—in fact, we have not been able to follow up even one instance where this had gone through. Women stay with their children, and they struggle. The situation with regard to women has been getting more and more serious. Women need jobs, not only to survive just like anybody else, but they also need jobs to support their children.

This Government has said that as a matter of policy it is a caring Government and it has the interest of women at heart. Insofar as building up employment for women is concerned, I have not seen any evidence of this happening. We have a number of road-building programmes; there are a number of construction programmes going on, but these are traditionally areas in which women do not work, or if they get work it is as a water carrier which is almost a joke in itself. I ask myself: Is there any hope for women in terms of employment when it comes to EPZs?

I realize that the purpose of today's debate is not to talk about EPZs themselves, but to deal with the amendments to the EPZ Act and I will come to that in a moment. But insofar as the EPZs themselves and the amendments are concerned, are the amendments going to help improve the position of women and increase employment among women who are at the bottom end of the barrel in Trinidad and Tobago?

I would like to quote from a document which was drawn up by a United Nations-(ECLAC) report dated April 1994. From what I could see so far in terms of Trinidad and Tobago in actuality, it is only with women who are skilled, women with skilled jobs who have benefited from the existing EPZs in Trinidad and Tobago. These are not the armies of unemployed women who have not had jobs or who have not been able to get jobs. These are educated women or women who have already had a certain level of skills development. Women like the ones that Sen. Hosein quoted, the woman with the part-time domestic job with three small children to take care of, have not been able to benefit, as far as I can see, directly in any way from the existing EPZs. Will the amendment change this position?

In trying to do some research about EPZs and about what actually did happen, I have tried to restrict my references to those bodies that I regard as being either academic or international organizations such as the United Nations—in this case, ECLAC—that I feel we can count on as being reasonably objective, not taking a side for EPZs, simply for the purpose of taking a side, or against EPZs, simply for the purpose of opposition.

Before I get into this quotation, I would like to echo the comments which had been made here and elsewhere that the majority of EPZs in the Caribbean have, in fact, employed women, and they have, in fact, been in the garment industry where conditions have been traditionally low, whether one is in an EPZ or outside an EPZ. Sen. Rooks made reference to the fact that the jobs in the EPZs are given higher wages in many of the countries, including the Dominican Republic than those outside. It does not say all that much because the workers outside the EPZs in the Dominican Republic get extremely low wages as well.

Our garment manufacturing industry in Trinidad and Tobago has gone down tremendously. If we take a base in terms of production of 100 in 1977, in 1992 it was down to 23.8. I do not believe that there were very many people left in 1992 that were actually employed in the garment industry in Trinidad and Tobago.

According to the ECLAC paper:

"In the late 1970s the garment industry provided employment for approximately 12,000 persons producing largely for the local market."

These were not in EPZs.

"This fell to 3,000 by the late 1980s..."

This was as a result of the oil boom. So the jobs which traditionally go to women under EPZs have been in the garment industry, the unemployed, unskilled women, the ones that I am particularly concerned about at this point. In fact, according to the ECLAC paper, in the 1980s the Government did try to protect this market by imposing limits on imports, although they say, and I quote:

"Precise figures are not available, but it is unlikely that employment in factories processing garments for export ever exceeded 300 persons, some 10 per cent of total employment in the garment industry."

The paper goes on to talk about what happened in 1987 when Government decided, as Sen. Rooks mentioned earlier, to start the whole EPZ thing.

I quote from the paper:

Free Zones (Amdt.) Bill
[SEN. MAHABIR-WYATT]

Tuesday, May 16, 1995

"In July of 1988, following long and bitter opposition first from the Women Against Free Trade Zones Action Committee and then from organized labour, Parliament enacted the Free Zones Act. One trade union leader, referring to free zones, stated 'the jobs created are low paying jobs, are best described as under-employment'...while another voiced the opinion that free zones are 'the most exploitative form of labour since the abolition of slavery.'"

According to the ECLAC paper, the actual facts were that in January 1990, phase I of the Point Lisas Free Zone project was completed and that the site was prepared and everybody was ready for this huge rush of businesses coming into free zones in Trinidad.

In 1991 phase II was completed where there were four lots and six warehouses and I quote:

"The first tenant of the free zone was a teleport: Textel Division of Telecommunications Services of Trinidad and Tobago Limited, the Government-owned telephone company. The intent was to stimulate development of data processing, much as the Government of Jamaica has done in Montego Bay."

Up to 1992 that teleport was the sole tenant of the free zone. In fact, the data processing jobs which could have come to Trinidad have gone largely to Barbados and to Jamaica, according to my research.

Finally, in 1993, a US company, Nucor, built a plant in the free zone area, but this company, according to the ECLAC paper, and I quote:

"It will employ 50 persons, four of whom will be high-level expatriate personnel from the parent company."

In fact, it probably employs about 80 local engineers and is looking to expand. That has, in fact, provided considerable employment, but not of the unskilled and the chronically under-employed. These jobs have gone to professional people. In addition, there have been other jobs for professionals in the community, people who provide goods and services to Nucor, and so forth. So the employment generation of that one plant has made a very small dent in the unemployment numbers in Trinidad and Tobago. It certainly has not made any dent in the unemployment amongst those who are on the lowest level of the employment market.

I would like to just go on to read one short passage from the ECLAC paper from which I have been partly guided with reference to labour. It states:

"The image many have of export processing plants is that of 'sweat shops' where workers are exploited with long hours, low pay and no job security. A researcher who visited 26 garment factories in the Dominican Republic reports—"

I was unable to get into these garment manufacturers. It goes on:

"...for example, that without exception managers 'are trying to squeeze salaries as much as possible, paying only the minimum wage, limiting the payment of bonuses and avoiding the cost of keeping workers beyond the three-month training period'"

(Another study has, in fact, supported this.) The ECLAC study goes on to say:

"Both studies refer, however, not to free zone plants, but rather to factories producing for the protected local market! To be consistent, reformers who want to protect workers by closing export processing plants ought to recommend that import substituting industries be closed as well."

3.50 p.m.

This recommendation, if it was accepted, would mean that there would be more women unemployed as well. I go on—

"Wages and benefits of workers are of course, much lower in Caribbean countries with export processing than they are in the United States or the European Communities; if this were not the case, none of the labour-intensive processes would be done there for the United States or European markets. But it is not true that wages, benefits and working conditions are worse in export processing plants than in plants producing for the domestic market. In fact, they tend to be much better."

Mr. President, this means that what we have to look at are the conditions, not so much in the EPZ companies—because there is one last comment here about those—but the conditions as they relate to people in the local sector, which is custom. We have many people who are working under substandard conditions in Trinidad and Tobago. I have not found any evidence that these are working in our local export processing zones because those zones are too carefully monitored.

Certainly, if we are going to take up the issue—as Sen. Hosein has, and as I hope Sen. Merritt is going to—about the conditions of workers in EPZs, I think we first have to look at the conditions of workers outside EPZs.

Free Zones (Amdt.) Bill
[SEN. MAHABIR-WYATT]

Tuesday, May 16, 1995

I would now quote one last paragraph—

"In the Caribbean, owners of export processing companies are subject to the same labour laws as any employer in the manufacturing sector. Labour unions are permitted to operate, but there has never been union activity in the free zones of the Dominican Republic, and few workers belong to unions in the export processing plants of Jamaica, Saint Lucia or Trinidad and Tobago."

My information is that in the Dominican Republic there are specific laws which state that they cannot be. Certainly, there are not the sorts of law that we have in Trinidad and Tobago. Our labour movement in Trinidad and Tobago would never allow it. They go on to talk about the conditions of the work week and so on.

Mr. President, my point is that although the actual facts are in relation to employment generation in Trinidad and Tobago, the amount of employment generated as a result of the EPZs has been negligible. It is possible that with our growing unemployment, and given the statistics we have, that we can get more employment, particularly, for women.

If it is at all possible for women in Trinidad and Tobago who have no jobs—who have no hope of getting any jobs, who have children to support and are, therefore, living lives which are hallmarks of unspeakable hardship and degradation—to get even entry level jobs—if they can attract economic development, whether it is via EPZs or any other way—then I am very much for it.

The issue is an economic development one. I would like to quote from the Macintyre report which reported to the Government in August 1993, dealing with Building National Consensus on Social Policy. Ever since we have had structural development in this country we have been told about the social safety which has to be built. We do not see a social safety net developing very rapidly, but the economic development angle, I think, which is one that the Macintyre group, which was composed of some of the best economists and people involved in social development in Trinidad and Tobago, said the following—

"We support the development of EPZs—not, as some would have it, as the unique solution of the country's problems, but rather as part of a multisectoral export development thrust. EPZs provide essentially a learning process, whereby a country acquires some of the basic disciplines and know-how associated with successful exporting.

There are anxieties that EPZs could be a new form of labour exploitation, utilizing non-unionized labour at very low wages, in industries such as

garments and footwear. Accordingly, some commentators stress the importance of attracting high value component manufacturing.

Efforts should certainly be made in that latter direction."

I have a comment to make about that as well.

"However, low wage labour intensive industries can be viewed as the first step on the ladder of export competitiveness. As an entry job,..."

I would like to emphasize this—

"As an entry job, or as supplementary household income, a low wage job is better than none at all."

In many instances, Mr. President, our educational system has failed young people in this country. It has certainly failed many women who are chronically unemployed with no skills to offer. An entry level job in a manufacturing concern would at least ensure them enough training to enable them to earn some kind of wages to support themselves and their children.

The Macintyre Report goes on—

"As the economy grows and becomes more sophisticated, vertical mobility towards better paying jobs can become the rule,..."

I believe we have many skills, talent and ability amongst our chronically unemployed who have not been taught those skills. If we can get that upward mobility through the introduction of EPZs then I am in favour of it.

The Macintyre report goes on to say that:

"Viewed in a dynamic context, EPZs can, despite their apparent disadvantages, prove to be a useful building block in a country's development as a competitive exporter of manufacturers."

Mr. President, insofar as the facts presented to us are concerned, and the evidence which has been developed from other countries, I think the whole question of EPZs deserves a second look. Conditions have changed considerably since the original Bill was introduced, and companies that, at one time, got away with unsafe practices, cannot now export unless they possess an ISO9000 certification, and one cannot get an ISO9000 certification unless one has stringent systems in place, which include systems of production.

I would like to quote one last reference from a paper done by a woman researcher, a professor in the Department of Economics, Lund University,

Free Zones (Amdt.) Bill
[SEN. MAHABIR-WYATT]

Tuesday, May 16, 1995

Sweden, her name is Helena Johansson. She said, in terms of looking for EPZs and what has happened throughout the world, that—

"However, the increasing weight attached to human capital development, along with the recognition of the difficulties of world market entry..."

which we certainly have.

"...for manufactured exports indicates that several potentially important explanatory variables may have been more or less overlooked..."

by people who have been examining EPZs. She goes on to say that:

"On-the-job training and spillovers in combination with the catalyst effect are features which may have a much larger significance than was previously thought..."

She says that although export orientation *per se* is proven to be beneficial, it is not just a matter of copying what has happened by the East Indian tigers, but that different available policy instruments need to be scrutinized and valued since the question is how to adopt this learning to transfer closed import substituting countries into prosperous exporters. EPZs may be one viable way to trigger this transformation.

I mention that because most of the other reports attributed to ECLAC, and in one case UNIDO, have not been done specifically from a female perspective. In fact—I think Sen. Merritt is going to get deeper into this, in relation to what has happened in other countries—my sole argument here is that the abuses that have happened in other countries in relation to EPZs must not be allowed to happen in Trinidad and Tobago and have not happened in Trinidad and Tobago.

4.00 p.m.

I am neither for EPZs nor against them. It is a matter of policy. I am for jobs for women and the unemployed and I always have been. To me the issues are very clear. If we can attract economic development in Trinidad and Tobago, the social situation will improve. We have seen it happen in the past and we can see it happen in the future. To have this supported by academic data from sources such as Hon. A. Macintyre, Prof. Johansson and from ECLAC is very comforting to me.

The ECLAC position, which has given the unbiased statistics, was particularly influential. I do not think our economic system is perfect and I do not think it will ever be. I would like to support a quotation made by Sen. Hosein. I do not know whom he was quoting when he said that what we need in this country are "jobs

with dignity". If we can ensure that our labour movement is strong and viable enough to ensure that our labour conditions and the principles and practices of good industrial relations in Trinidad are observed in the export processing zones—which I note is not going to be one single zone, but a number of zones—they are not going to be behind barbed wire fences which will not allow people to get in and examine them.

One of the recommendations from Prof. Johannson was that having a multitude of export zones means that they would be more open to public scrutiny. I have enough faith both in the labour movement in this country and in those organizations which guard the rights of women, to believe that Trinidadians and Tobagonians will not allow the Dominican Republic situation to happen here. It is not just the laws.

I support Sen. Mansoor in what he said in relation to government's policy because there are certain issues which have been left out of this legislation. I am particularly concerned with the deletion of section 16(2) in the legislation. I really cannot understand why this section in the existing legislation has been deleted. I hope the Minister will address this in his winding up statement because I think it is important.

I hope the Minister will also enlighten us further about the by-laws which are referred to in the existing legislation, and tell us what form they will take if we are going to take a look at them and if they would be passed with the Minister's consent or not.

Hon. Valley: Mr. President, I feel I owe the Senator a reply because the question of the deletion of section 16(2) was raised before. The information I have here is that section 16(2) requires the approval of the Central Bank. The reason for the amendment is simply that with the abolition of exchange control it is no longer required.

Section 16(2)(a) and (b) require the approval of the company for any purchase assignment or transfer of shares. The reason for the deletion of subsection 2(b) is that it is considered unnecessary in light of the abolition of exchange control.

Sen. D. Mahabir-Wyatt: I understand the logic of the removal of exchange control but not the reason for the purchase assignment in the transfer of shares in an approved enterprise not requiring in the case of a company or firm, the approval of the company which would be the export processing zone or company. I would have thought that this would have been under the direction of the Minister because he, surely as Sen. Mansoor mentioned, should have the right to lay down

Free Zones (Amdt.) Bill
[SEN. MAHABIR-WYATT]

Tuesday, May 16, 1995

written policy directions in relation to EPZs. The Government's overall policy in terms of economic development is going to be safeguarded.

I ask the Minister to take a look at the deletion of subsection 2(b) because it might be useful to keep it in there. I am very much in favour of any kind of employment and economic development that can come into this country to alleviate the situation which we are now experiencing in terms of unemployment and some of the horrendous conditions under which people are living. Forgive me, Mr. President, if I refer again to the fact that it is mainly women and children who have borne the brunt, although not entirely. I do accept that it is not entirely before my male colleagues give me too much—

In relation to the sort of advanced technology with EPZs it has been notable and I quote from a unido document which states:

"Wages and operating conditions in most zones, while low by developed country standards, compare favorably with employment conditions elsewhere in the country concerned".

This is an overall study of EPZs all over the world.

"The employment ratio is usually 85 per cent female—most of whom are in the 18/25 age group".

In Trinidad and Tobago this is the high unemployment group for females and it is also the high child production age for women who are therefore supporting children.

"In countries like Singapore and Ireland where

- (i) the operating conditions are good;
- (ii) the work force is skilled; and
- (iii) the education infrastructure is well developed and in tune with the needs of industry, the employment mix is very different."

This is something we have been aiming for. However,

Employment is 70 per cent male with a high percentage of workers in skilled and technical occupations.

I believe if one checks the statistics of Trinidad and Tobago one would find that it was in fact 70 per cent male because most of the EPZ employment has been in skilled and technical occupations. I come right back to my starting position. Is

the amendment of the Act in any way going to make it easier to attract economic investment and development to the country? Is there going to be any spill off in terms of the position of women and children in this country? So far it seems to me that most of our jobs are in technical areas.

That is one of the reasons why I would like the legislation to reflect what Sen. Mansoor said, that there should be direction from the Minister to ensure that Government's policy, which I am told is in favour of the development of women, but I have not yet seen much evidence is put in. Until we can get some assurance on that point, I would like to reserve my position.

Thank you.

Sen. Martin Daly, SC: Mr. President, like my colleagues I am not going to enter into the debate as to whether we should have free zones or not. I agree with the position taken by my colleague Sen. Diana Mahabir-Wyatt, that anything that may generate employment or exports is something that we should look at favourably. Like many of these things, it is a question of the condition under which the particular mechanism is introduced. I have some grave misgivings about the free zone company. I would explain what they are very shortly.

It is very remiss of the Government to have brought this Bill, however long it was in its gestation period, without someone among the Members of the Government, in the Senate at least, remembering, and if they remembered—paying some regard to the points which were made and the amendments that were accepted on the occasion when we debated the introduction of TIDCO. Some of those concerns have been already expressed concerning conflict of interests and making this body subject to the directions of the Government.

4.10 p.m.

All the Government has to do is to go back to the *Hansard* debate on TIDCO, and it will see the points that were made and the points that were accepted. It is either an oversight, laziness or some attempt to circumvent our normal constitutional arrangements that causes this Bill to come without those points having been taken on board, the Government having taken them on board in the context of TIDCO.

It always produces great mirth when we refer to the Constitution and our constitutional arrangements, but what is disturbing me about this is this creature, the Free-Zones Company. I detect a commercial philosophy running through much of this legislation, and that commercial philosophy is really to adopt

Free Zones (Amdt.) Bill
[SEN. DALY]

Tuesday, May 16, 1995

without much critical examination, the nostrums of free trade and other highfalutin economic theories that are practised in bigger countries. I have no particular ideology about this. I just want the country to work, I would like people to have jobs and I would like to be safe at home.

There is a commercial philosophy that is running through this legislation. I was trying to think about a way to depict it. We have lost sight of the humbler political objectives and maybe I can explain it this way. What is important is to get shoes to put on one's feet, not to get a pair of high-top sneakers. What is happening in this country, like all small countries, is that we are very vulnerable to pressures and influences from larger countries to do things their way. We sometimes follow fashion; we sometimes take a pill, metaphorically speaking, that causes us at one time or another to say that we must not be like ourselves, but like someone else. There need not be any tremors on the Government side because I am not going into any recent events in the Far East as to whether or not we should or should not be like the Chinese or the people who live in Hong Kong. I am quite comfortable being like me; I am quite comfortable being a Trinidadian.

I want to show that after years of state-controlled economics, after years of having an economic regime and a commercial philosophy that perhaps was as stringent as Romania or Albania or some of the far left countries, we are now flying violently into the other extreme. The new fashion that we are following, the new pill that we have swallowed—and I apologize for the fact that it has Chinese connotations—is we want to be Trinidad Inc. like Japan Inc., and we want to have a CEO instead of a Prime Minister. I do not make any reference to any particular incumbent in that office. We want to have to have an Inc. and a CEO and that is going as far to the other extreme as when we ran the economy with large sections being state controlled. It is because of that philosophy that we are now creating these new types of institutions which are companies that are not statutory authorities and exercising powers—

Hon. Valley: Mr. President, I would like to make the simple point that in the legislation, as passed in 1988, we did not set up any company with powers of a statutory authority without any control. What we are doing today is merely amending that legislation to restrict the application of that legislation. There might be a case for a total review of the legislation, but the Government does not think that is required at this time.

Sen. M. Daly: I am very grateful for the Minister's intervention. If he will look at clause 6, he will see the exact opposite of what he is saying about

restricting anything. I will come to that clause. I am merely, first of all, engaging, by way of prologue, the philosophy which I believe runs behind this legislation, where the Government is creating these new types of institutions, or, in this case, extending the fiefdom of these kinds of institutions.

So, Mr. President, it is against that background that I share the concerns of Sen. Mansoor about the lack of accountability of this body to the Government, and the fact that it is doing things that traditionally have been done by it. There is no need for frowning and interventions because these points were made in a debate on TIDCO.

When one looks at clause 6, and the introduction of the new clause 6(A)—and this is a clause in the amendment Bill to which I take objection.

"In furtherance of the functions given to the company under section 6(1), the company may authorise an approved enterprise to develop, operate and manage a free zone and exercise any of the functions in relation thereto detailed under section 6(2)(a), (b), (f), and (g)."

When one looks at the parent Act, one sees set out in section 6, the functions of the company and the things it may do in the exercise of these functions. Section 6(1)(a) provides, as a function for the company, "the administration, control, operation and management of free zones." But now we have a situation where the company will be able to authorize someone else to operate and manage a free zone and to exercise any of its specified functions. I have a very serious problem with that because an approved enterprise, as I understand it, is one which the Free Zones Company has approved as a business which should be conducted in the free zone. If I understand this clause, the company will now authorize a company which is approved as suitable and meeting all the criteria of carrying on business in the free zone to now itself develop, operate and manage a free zone, not develop, operate and manage its own business in respect of which it has been approved. It could be given the power to develop, operate and manage a free zone.

I have a problem with that because to me, conceptually, if there is a free zone, the enterprises there will carry on the businesses for which they have been authorized, but the regulatory authority, whether it is the Government or the company, will then deal with the question of how the free zone is run. How the company runs its business is one thing. How the free zone is run is something quite different. I do not accept that we should move yet another step away from our usual arrangements where a third party will be able to develop, manage and operate a free zone.

Hon. Valley: I am sorry. I do not want to leave you in mid-sentence. Would you like to finish?

Sen. M. Daly: Proceed.

Hon. Valley: The whole purpose of that clause is to allow the private sector to get involved in the free zone. The approved enterprise in that case would qualify under Part I of the First Schedule:

"(13) Sale, lease, rental or management of free zone land infrastructure,..."

That will be the business the approved enterprise will be carrying out—the management of a free zone. We said quite clearly that the purpose of the legislation is to allow for the private participation in free zones.

Sen. M. Daly: That is precisely the point to which I am objecting. Apparently, because I am using temperate language, it is not being understood. I do not have a problem with free zones in which the approved enterprise runs its business as it sees fit and the company or the government regulates the free zone in which it runs its business or enterprise as it thinks fit.

4.20 p.m.

If the Minister would stay still, I will explain to him as best as I can why I have a problem with that. [*Interruption*] The problem I have with it—there was an intervention when I was trying to explain why we have taken the pill of Japan Inc. too far—is that we cannot—and let me make it very clear, I work in the private sector, I do not have a problem with private sector activities, I am not a socialist. I have a problem with the Government giving away its normal regulatory powers.

I do not want anyone else operating and managing or administering a free zone other than the Free Zones Company or the Government. What are my reasons? Small countries are not only vulnerable to cultural influences and getting the sneakers mentality, small countries are vulnerable to fugitives, bandits, hustlers, judgment debtors coming in to small countries and establishing there personal fiefdoms. It has happened throughout the Caribbean.

As a matter of fact, I was reading an article very recently where there is now a huge irony—as people in America, regardless of the American Government's policy; are preparing to trade with Cuba; one of the hotshots in Cuba is a man called Robert Vesco, who fled from various proceedings all over the world and found a safe haven in Cuba. I want the Government to control all the companies—I would come to whether it is appropriate for the companies to do

it—to control the operations, development and management of the free zones. I do not want to give it to someone to do and then they turn out to be Vesco or—I have forgotten the names of the people who were involved in the arms business in Antigua, but throughout, small countries are vulnerable to that and I do not want to relinquish that control. We can attract as much business as we like, we can make the conditions as free as possible for the businesses to operate, but we must not relinquish that control, particularly in small countries.

I hope it is clear to the Minister now that I have not misunderstood the clause, I object to it. My objection to it is reinforced when I see that an approved enterprise cannot only operate and manage a free zone, but it can exercise any of the functions specified in 6(2)(a), (b), (f) and (g). Clause 6(2)(a) is the construction and operation of warehouses and the granting of concessions to do so. Clause 6(2)(b) is the selling and granting of leases and (f) and (g) is to provide water, lights, power and telecommunications and any other public utilities or services and enter into contracts with the suppling of the said utilities and services. To develop industrial areas for the manufacture, processing and transmission of products.

My philosophical point of view—I do not know whether the Minister agrees with it or not—is that in the case of the free zones, I want those controls, activities and functions to remain with the company and not be divested to anyone else. That is my position, they do not have to agree with it but that is my position. I do not want those things being divested by the company which is allegedly accountable to the Minister, to anyone else. That is my point, do not misunderstand it. I understand perfectly well what it is and I have a problem with it.

In the course—and I am one of the happiest people that we are freeing-up the economy. Nothing was more degrading than to have to beg the Central Bank for money to travel when one was only allowed TT \$2,500 for travel. One had to go and beg for the foreign exchange to pay school fees if one had children studying abroad and to be subject to being searched at the airport to see if one had a few travellers' cheques that one had forgotten from some other trip. The Government is to be congratulated for getting rid of all of that. But we cannot go to the other extreme and free-up everything so that we lost all regulatory control over our small country that is vulnerable to the influences—let me repeat them, fugitives, bandits, hustlers and judgment debtors. It is in that context that the removal of clause 16(2) is so important.

Free Zones (Amdt.) Bill
[SEN. DALY]

Tuesday, May 16, 1995

It is still important for the Government to know—not for exchange control purposes—whether the ownership of an enterprise changes hands; it is important to know whether someone, to whom an approved enterprise has been made is fronting for a "Vesco", or has fallen in hard times and is prepared to compromise its business integrity and pass on the ownership of the enterprise, with its approval, to someone we should not be letting in here. If they think that Japan Inc. is all that matters—when we do not control our borders and our countries properly, we get Simona Inc. instead. There is a price to be paid for freeing-up everything, I am not in favour of it.

I have been subjected to the humility and degradation of petty public servants nearly all my adult life until the Government freed-up the economy, for which I congratulate it. Now I can go about my business without having to get permission to do this, that or the other. I congratulate the Government for that but I want it to see the dangers of following the fashion blindly. Perhaps if it does not understand the dangers of following fashion blindly, then I should invite reflection on recent political events which have created such an atmosphere of instability in this country. That is what happens when one follows fashion blindly. Perhaps the Minister would like me to make the point in a less kind way I had not intended to be unkind because I recognize his troubles.

Hon. Valley: Mr. President, the Senator could be as unkind as he wishes but he is still completely wrong.

Sen. M. Daly: Mr. President, could the Minister deal with it in his winding up unless it is on a point of order? Is it a point of order, Mr. President?

Mr. President: Are you on a point of order, hon. Minister?

Hon. Valley: I thought the Senator had given way, if he has not given way—

Mr. President: Sen. Daly, have you given way?

Sen. M. Daly: Mr. President, not for the Minister to tell me I am wrong, he could do that in his winding up, especially as it is nearly tea time. [*Interruption*] I beg your pardon. [*Interruption*]

Happily, Mr. President, if a Minister gets vexed with me no one can send me any communication, I still have a job. That kind of behaviour just brings the Parliament into disrepute. If I am wrong, the Minister has a winding up period and he could explain it. I am objecting to clause 6(a) and popping up and down telling me that I am wrong and I know it—which is extremely offensive—does not solve the problem.

Free Zones (Amdt.) Bill

Tuesday, May 16, 1995

I have a problem with the *carte blanche* introduction of the free zones mechanism relinquishing, as we do, many of the important controls which we continue to reside in the Government. I have a problem with that.

Therefore, Mr. President, I would support the points raised by my colleagues, and would not repeat them. I would invite the Government to look at the points and safeguards that have been raised in relation to Tidco and ask them to consider bringing forward amendments to deal with some of those points. I do not accept, I repeat it, I do not accept that we must go to the other extreme of economic philosophy and say that we are only a facilitator. The Government may have a facilitative role but above all, it has a regulatory role in order to ensure that certain common abuses, of which there is an abundance of historical evidence, do not take place in this country.

Thank you, Mr. President.

Motion made and question proposed, That the Senate do now adjourn to Tuesday, May 23, 1995 at 1.30 p.m. [Sen. The Hon. R. Huggins]

Question put and agreed to.

Senate adjourned accordingly.

Adjourned at 4.30 p.m.