Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Barbados is attached.
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1 INTRODUCTION

1.1. Since its last Trade Policy Review in 2008, Barbados has sought to maintain and build on its growth and development programmes, through the implementation of targeted policy measures, as outlined in its Medium Term Growth and Development Strategy and the resourcefulness and dedication of a people whose ultimate goal is that of nation building.

1.2. For the past six years, Barbados and the rest of the world, has been gripped by the ravages of a global economic recession, the likes of which have not been seen since the great depression of the late 1930s. So destructive were the forces of this recession in Barbados that it sought to unravel many of the social and economic development programmes achieved by this country since independence in 1966. Barbados’ Social Partnership of the Government, the Private Sector and Labour were fully aware that immediate action was required as many of the key economic indicators were trending in the wrong direction.

1.3. Barbados’ response to this global catastrophe was the development of a Medium Term Growth and Development Strategy which sought to chart a clear direction for Barbados’ economic growth and development priorities from 2013 to 2020. The strategy defined Government’s plan to institute a sequence of managed structural adjustment and reform programmes which were critical to the country’s sustainable economic, human and social development over the 2013 to 2020 planning horizon.

1.4. The theme of Barbados’ Growth and Development Strategy is "Adjustment, Reform, Recovery and Sustainability".

1.5. An analysis of the theme is critical as it will provide a clear picture of what Government is seeking to achieve.

1.6. Adjustment is necessary in order that the fiscal deficit could be brought to more manageable levels thereby ensuring the continued parity of the fixed exchange rate; reform, through the implementation of policies and programmes, is necessary in order that the economic and social fundamentals of the country could be strengthened; it is envisaged that the positive economic impacts of the adjustment and reform activities will facilitate a recovery in the country illustrated by a return to economic growth and development; Barbados’ commitment to economic growth and development would be fuelled by the nation’s commitment to productivity, efficiency, competitiveness and service excellence.

1.7. Barbados sees its vision with regard to influencing this national agenda being indelibly linked to its export trade. The fulfilment of the national medium term agenda through international trade will therefore be achieved through the four (4) goals outlined below:

- Advancing of the economic and social well-being of Barbados and its people;
- Protection of regional integration and cooperation;
- Maintaining and elevating the image and profile of Barbados in the international arena; and
- Maintaining and enhancing operational capability.

1.8. Clearly, Barbados’ growth and development will also be inextricably linked to its rights and obligations in the World Trade Organization (WTO). The liberalization and globalization of trade have provided opportunities for small vulnerable economies to participate in the generation of increased trade which redounds to the growth and development of these economies.

1.9. Barbados’ growth and development is also linked to its rights and obligations under the Revised Treaty of Chaguaramas and Barbados therefore commits itself to abide by the provisions of the Revised Treaty.

1.10. Barbados therefore sees international trade as the engine for its growth and development and consequently, will seek to enter those bilateral trading arrangements which best suits its needs and from which it can derive the maximum benefits from new liberalised global trade and in the process fulfil the objectives under its Growth and Development Strategy. For this reason, Barbados continues to seek a conclusion to the bilateral trade arrangement with Canada.
1.11. It also pledges to do all which can possibly be done by a small vulnerable economy, with very limited resources, to ensure that the Doha Development Round, which has been on-going since 2001 be brought to a conclusion where all Members are satisfied with the outcome.

1.12. This report will outline the major challenges which confronted Barbados from 2008, its last Trade Policy Review. It will also outline the performance of its key economic indicators.

1.13. The report will also discuss the performance of Barbados’ major sectors, its trade policies, the trade relationship with other countries and Barbados’ participation in the WTO. It concludes with some of the measures being taken by Barbados to generate growth and spur economic development in the country. This is captured under The Way Forward.

2 MAJOR CHALLENGES

2.1. Since its last Trade Policy Review in 2008, Barbados has been adversely affected by the depredations of the global economic crisis. This crisis has been particularly severe on small vulnerable open economies which depend to a great degree on the economic stability of the developed world.

2.2. The United Kingdom (U.K.) and the United States of America (U.S.A.), Barbados’ main foreign exchange earners in the area of goods and services, were severely affected by this crisis, with the result that Barbados was also impacted.

2.3. The price of oil continues to be a major obstacle to the levels of development which Barbados can attain. Instability in the Gulf and surrounding areas played a major role in the elevated price which Barbados paid for oil since 2008 and this has dampened to some degree the level of development which could have been achieved during the period.

2.4. The issue of the Ebola virus has also been great concern to Barbados. Given the interconnectivity of the global market, the risk associated with the transmission of the virus became an issue as the focus of the Government was placed squarely on ensuring the continued stability of the economy and the protection of its citizens. All necessary precautions and the administration of the appropriate protocols were implemented to prevent transmission among the populace.

2.5. Barbados, nonetheless, ever mindful of the need never to restrict international trade unless there were no credible alternatives, never closed its borders to nationals from affected countries.

2.6. Barbados continues to battle the position taken by the Organisation for Economic Cooperation and Development (OECD) with regards to the nation being labelled a tax haven. Barbados has, on numerous occasions, indicated to the institutions overseeing these global tax matters that it is a low tax jurisdiction since all funds from off-shore businesses passing through its jurisdiction are subject to taxation, though not at the same rate as on-shore corporate entities.

2.7. The Government has sought to confront each of these problems with alacrity and has sought to put measures in place to either mitigate or eradicate the issues at hand.

3 MACROECONOMIC INDICATORS

3.1 Gross Domestic Product

3.1. Since 2008, the Barbados economy has been under an intense struggle to come to terms with the global economic recession. For the past six (6) years, Barbados’ economy has experienced mostly flat growth, a clear indication of the slowdown in economic activity in the major economies of Europe and North America which generate the majority of Barbados’ business.

3.2. In 2008, real growth in Barbados was 0.3%. However, in 2009, growth was negative 4.1%. During the years 2010 and 2013, growth hovered between 0.8 and - 0.1%.

3.3. Economic forecast predict that growth will remain flat throughout the remainder of 2014, increasing to approximately 1.5% in 2015.
3.2 Fiscal Policy

3.4. Barbados’ fiscal deficit increased between 2008 and 2010 from 4.8% of GDP to 8.8% of GDP and fell in 2011 to 4.5% of GDP. In 2012, it rose to 6.6% of GDP and continued to rise until it reached the highest level since 2008 of 11.8% of GDP in 2013.

3.5. Government has recognized the urgency in bringing the deficit to more manageable levels and has therefore embarked on programmes of structural reform which encompass expenditure reduction and revenue generation to achieve its target.

3.6. Government’s expenditure reduction programmes included the retrenchment of some public sector workers, the reduction of subsidies and transfers to statutory corporations and the cessation of the payment of tuition fees for students at the University of the West Indies, Cave Hill Campus. The consolidation tax and the solid waste municipal tax on property are new imposed measures to generate revenue.

3.3 National Debt

3.7. During the period under review, Barbados’ national debt has been increasing. This debt was necessary as Government sought to boost its foreign reserves in the face of a major economic slowdown and as they bought and also guaranteed investment in major projects which could redound to the economic recovery of the country.

3.8. At the beginning of 2008, Barbados’ national debt stood at 74.2% of GDP. The domestic component of this debt was 51.1% of GDP and the foreign component was 23.1% of GDP.

3.9. In 2012 and 2013, the national debt stood at 112.7% and 126.2% of GDP respectively. The domestic and foreign component of the debt for 2012 was 75.0% and 25.0% respectively, while for 2013 the domestic and foreign component of the debt was 95.1% and 31.1% respectively.

3.10. Government is however cognizant of the need to reduce this debt and is in the process of transferring projects, for which it initially covered the investment, to the control of the private sector.

3.11. Government has also indicated that they will not be returning to the capital market for additional loans given the high interest costs associated with repayment. Government’s main aim currently is the reduction of the deficit to approximately 6.6% of GDP by the end of fiscal year 2015.

3.4 Inflation

3.12. Inflation fluctuated in Barbados over the period of the last review. In 2008, the rate of inflation was approximately 8.1%. In 2009 and 2010, the rates of inflation were 3.6 and 9.8% respectively. In 2011 and 2012, the inflation rates were recorded at 9.4 and 4.5% respectively. In 2013, the inflation rate was estimated at 1.8%.

3.13. The increases in Barbados’ inflation rates can be attributed to some degree to the volatility of oil prices in the international market during the 6 year period. Notwithstanding that the price of oil had peaked in 2008 and subsequently fallen, it should be noted that there was an upward trend in oil prices thereafter, though not reaching US$147 per barrel which was recorded in July 2008. The upward trend has caused continued increases in the price of goods and services in Barbados.

3.5 Monetary Policy

3.14. During the period under review, the minimum deposit rates as set by the Central Bank of Barbados had trended downward. The rate stood at 4.5% at the beginning of 2008 and ended the year at 3.5%. The rate throughout 2013 was recorded at 2.5%.
3.15. The prime lending rate stood at 9.75% at the beginning of 2008 and was approximately 7.5% at the end of 2013.

3.16. The reserve requirement ratio stood at 5% for domestic accounts, 2% for foreign accounts and 10% for securities.

3.6 International Reserves

3.17. Barbados’ net international reserves have been steadily increasing since 2008. During 2008, Barbados’ net international reserve stood at approximately 903 million Barbados dollars. This increased to over a billion Barbados dollars from 2009 to 2012.

3.18. During 2013, international reserves fell to 983 million dollars, but were still adequate for all entities in the country to carry out their stated functions.

4 MAJOR SECTORS

4.1 Agriculture

4.1. The Government of Barbados continues to see the agriculture sector as of critical importance to the food security of Barbados. The sector, however, continues to undergo major challenges in both the domestic and external markets. Domestically, issues such as praedial larceny, the competition for scarce resources such as land, labour and capital and the need for improved marketing and agro processing continue to be areas where great focus must be placed if the industry is to survive.

4.2. The current external environment also continues to provide challenges to the industry. The high global energy cost and the high food import bill are just a few of the areas of concern.

4.3. In 2012, agriculture contributed approximately BDS$103.7 million to the Barbados economy. The sector’s contribution to GDP has been relatively constant over the period in review. It has averaged approximately 4.4% in 2008, 4.7% in 2009, 4.4% in 2010, 4.2% in 2011, 4% in 2012 and 4.1% in 2013.

4.4. Notwithstanding the challenging domestic and external environment, Government is seeking to ensure the viability of the sector given its importance not only in the area of food security, but also in the revenue which can accrue through exports.

4.5. An area of focus to the Government currently relates to the construction of a multi-purpose plant which will be used to process derivatives from the sugar-cane. To this end, the Government has ear-marked such a plant for construction to carry out these functions. The Government is cognizant that sugar, as an export commodity, is in decline and has therefore focused attention on deriving other products from the sugar cane which can generate far greater revenue than commodity sugar. To this end, attention will be focused on the development of specialty sugars, molasses for the production of branded rums and electricity from the sugar cane plant. It is anticipated that construction to this plant will commence in 2015.

4.2 Manufacturing

4.6. The manufacturing sector remains resilient during times of economic turmoil and is recognized as a critical sector which has the potential to contribute significantly to job creation and the generation of foreign exchange. During the period 2008 to 2012 the sector has maintained its relative contribution to real gross domestic production at 6% with the exception of the year 2011 when the sector’s contribution dropped marginally to 5%. Employment has been just over 9,000 or approximately 7% of the entire labour force. The major subsectors contributing towards employment are the food processing and beverage and tobacco subsectors.

4.7. Given its performance, the manufacturing sector remains a sector which the Government believes can play a critical role in realizing the economic fortunes of Barbados in the medium to long term. However there will be need for adjustments which can be achieved by creating an enabling framework that will propel the industrial sector to be innovation driven and export
oriented. In particular, this enabling framework may involve, *inter alia*, the following strategic initiatives:

i. the creation of a strategic road map to help Barbados achieve economic diversification, growing the business sector and promoting investment;

ii. promoting and encouraging inter-sectoral linkages with key sectors such as tourism, and agriculture;

iii. facilitating the availability and accessibility of necessary business support and expertise from local and regional and international sources;

iv. strengthening the legal and institutional framework for the development of the industrial sector;

v. providing support for industrial deepening strategies through the creation of backward and forward linkages within the industry and other related industries;

vi. providing and upgrading strategies which focus on existing manufacturing activities through capacity expansion, product upgrading, process upgrading and functional upgrading;

vii. negotiating trade agreements with the view of providing increased market access opportunities for export ready subsectors; and

viii. encouraging the formation of common production facilities through clustering, strategic alliances and mergers.

4.8. The successful development and implementation of these initiatives will depend largely on public sector and private sector cooperation. The Government of Barbados is therefore committed to placing the highest priority in engendering these purpose driven initiatives in its scheme of work.

4.3 Services

4.9. The services sector continues to be a driving force in the social and economic development of Barbados. The chief foreign exchange earners in the services sector are tourism and financial services. In the face of the challenges facing these key sectors, due in part to the world economic downturn, a number of development initiatives have been advanced in recent years.

4.4 Tourism

4.10. The Ministry of Tourism has prepared a white paper to boost the attractiveness and sustainability of Barbados’ tourism product. Among its manifold goals are the capturing of local innovation in service and product development and the creation of a green economy. The initiative once implemented would assist in the expansion of the revenue base for all tourism services.

4.11. Additionally, in 2014, an amendment was made to the Tourism Development Act to provide concessions to the sector. These special concessions include tax concessions for food and beverage inputs as well as supplies necessary for the particular tourism product.

4.12. In 2008, long stay visitors to Barbados totalled 567,667 and cruise ship arrivals were 597,523. In 2013, long stay arrivals stood at 508,520 and cruise ship arrivals totalled 570,263. Tourism receipts were estimated at BDS$2.4 billion in 2008 and in 2012, the figure had dropped to BDS$1.9 billion.

4.5 International Business

4.13. Although the industry has seen some challenges, new licences were issued to 481 international business companies in 2008 and 498 new licences were issued in 2013. A small
but steady increase in the number of renewals for such licences has also been characteristic of the sector.

4.14. Barbados continues to expand its network of Double Taxation Agreements (DTAs) and Bilateral Investment Treaties (BITs) to bolster its attractiveness to foreign investment in its International business sector. Since 2008, eleven (11) new DTAs have been signed, of which eight are presently in force. In addition, four (4) Tax Information Exchange Agreements have been signed with three (3) currently in force.

5 TRADE AND TRADE RELATED POLICIES

5.1. Barbados’ trade policy continues to be transparent with notifications being made where major changes in policy have occurred.

5.2. During the period under review, Barbados did not institute anti-dumping, countervailing or safeguard measures against any products entering its borders from WTO Members. Additionally, there have been no increases from applied rates to the bound tariffs on any products from WTO Members.

5.3. During the period under review, Barbados also removed a number of products from import licenses as authorized under the Miscellaneous Controls (General Open License) Regulations. These products include a number of oils (olive oil, palm and colza oils, among others); pasta; biscuits; nuts; doors and frames; paper; bars and rods; accumulators; powdered laundry detergent; dishwashing liquids; liquid bleaches.

5.4. It should be further noted that the import licensing system is applied for monitoring, security, health and environmental purposes as well as protection of public morals. No quantitative restrictions are employed.

6 TRADE RELATIONS

6.1 CARICOM Single Market and Economy

6.1. Barbados is a founding Member of the Caribbean Community (CARICOM) which was established in 1974. It fully implements the agreed duties in the Customs Union, which are currently set at 40% on agricultural goods and 20% on industrial goods imported from outside the region. Barbados, with the permission of CARICOM, imposes WTO bound rates on a number of sensitive products, particularly agriculture.

6.2. In 2006, Barbados joined other CARICOM countries in creating the CARICOM Single Market, which allowed for the free movement of some factors of production, as well as goods and services produced in the region. In preparation for this, it passed the CARICOM Single Market and Economy Act in 2004 which amended a number of pieces of legislation to make them compatible with the Revised Treaty of Chaguaramas.

6.3. The CARICOM Single Market and Economy was to be established by 2015. However, Heads of Government at their retreat in Georgetown, Guyana, in May 2011 pronounced on this issue. The Heads stated that with regards the Single Economy, it was recognized that the process towards full implementation would take longer than anticipated. It was agreed that the best option would be to pause and consolidate the gains of the Single Market before taking any further action on certain specific elements of the Single Economy, such as the creation of a single currency.

6.4. Barbados recognizes the Caribbean Court of Justice, which was established in 2001 in both its original and appellate jurisdiction. The Headquarters of the court are in Trinidad and Tobago.

6.5. Barbados also actively participates in other CSME institutions. These include the Caribbean Regional Organization on Standards and Quality (CROSQ) established in 2002 and the Caribbean Competition Commission which was inaugurated in January 2008 in Suriname.
6.2 CARICOM Bilaterals

6.6. Barbados, under the CARICOM rubric, has signed bilateral agreements with five (5) countries of the hemisphere. These countries are Venezuela, Colombia, the Dominican Republic, Cuba and Costa Rica. Negotiations with Canada are still on-going.

6.7. In April 2006, Barbados ratified these five Agreements. Barbados, through its membership in CARICOM, continues to seek further liberalization in the area of goods through the Joint Council or Joint Commission mechanism allowed for under the Agreements.

6.8. Meetings of the Joint Council between CARICOM and the Dominican Republic occurred in May-June 2012. The Parties were unable to agree on the goods to be liberalized at that meeting.

6.9. Meetings of the Joint Commission between CARICOM and Cuba on the further liberalization of goods under the Agreement occurred in September-October 2014. Discussions are continuing between the Parties.

6.10. Barbados, along with the other CARICOM Member States, has been in negotiations with Canada for a Trade and Development Agreement since 2007. The Parties have been able to arrive at consensus on a number of Chapters such as Transparency in Government Procurement, Sanitary and Phytosanitary (SPS) Measures, Technical Barriers to Trade (TBT), Customs Procedures, Intellectual Property, Institutional Arrangements, Rules of Origin, and Trade Facilitation. Outstanding areas relate to Market Access including National Treatment, Trade-related Co-operation, Labour and Trade in Services (including Financial Service and Temporary Entry) and Investment.

7 MULTILATERAL TRADE RELATIONS

7.1. Barbados continues to place high priority on the completion of the Doha Development Agenda. Barbados sees the negotiations in this area as critical to the successful completion of its Medium Term Growth and Development Strategy as well creating a fair and level environment for all developing countries in the global trade of their goods.

7.2. Barbados sees the WTO mechanism, especially the single undertaking regime and its dispute settlement mechanism as possibly the most impartial systems which can work to the benefit of developing countries. These two mechanisms allow developing economies to air their objections to proposals which are not in their favour and to appeal to the dispute settlement mechanism when aggrieved.

7.3. Barbados will continue to make its voice heard in this forum and will push for a speedy conclusion to all areas under negotiation.

7.1 Trade Facilitation

7.4. Trade Facilitation is an important issue for Barbados. Barbados pushed for Special and Differential Treatment provisions within the agreement that would acknowledge and accommodate the difficulties developing and least-developing country Members would have in implementing the terms of the Agreement. These provisions will allow developing countries like Barbados to delay implementation of the provisions of the Agreement until the implementation capacity has been acquired.

7.5. Barbados is currently in the process of scheduling its commitments into Categories as defined by the Agreement, based on the readiness and sensitivities of its competent authorities.

8 THE WAY FORWARD

8.1. Notwithstanding the challenges which currently face Barbados, the Government has sought to stabilize and position the economy to realize growth in the very short term and continue on its path of development. This process of stabilization began with ensuring that the foreign reserves remained adequate for future import needs of the country.
8.2. The main objectives of Government over the short to medium term is to ensure that measures are implemented in key sectors which will allow for the necessary foreign exchange to be generated or conserved through their operations. It is through these initiatives that Government foresees the growth and development of the country occurring.

8.3. In its main revenue generating sector, tourism, the Government has provided concessions to hoteliers. It is expected these will enhance the capacity of hoteliers to engage in significant improvement of their plant and facilities, undertake new marketing initiatives and generate on new employment opportunities.

8.4. Additionally, there has been significant foreign investment in the tourism sector with projects which have commenced this year or which will be commencing in mid-2015. The Sandals Hotel Chain has commenced work on one of its two properties on the island with the other to commence shortly. The Sam Lord’s Castle project and the Four Seasons projects will be commencing before or during the second quarter of 2015. Taken together these will serve to increase tourist arrivals.

8.5. The Government is also working assiduously to boost airlift out of the U.S.A. and the Canadian markets commencing from December 2014 and this airlift will continue well into the summer of 2015. This additional airlift will see new flights emerging from the U.S. cities of Atlanta and New York and the Canadian city of Toronto.

8.6. In its effort to reduce its fuel import bill, Government is committed to the construction of a waste to energy facility. Given Government’s commitment to a clean and sustainable environment, this investment is seen as one which will assist in reducing much of the country’s solid waste, while generating a significant portion of the island’s power requirements.

8.7. It is expected that the waste to energy project will assist Barbados in reaching its target of replacing 29% of its oil based electricity by the generation of renewable and alternative energy.

8.8. Government is also granting incentives to encourage the use of solar and photovoltaic systems in both commercial and residential sectors in its efforts to reduce the high fuel import bill of the country.

8.9. The Government is committed to introducing clean energy technologies and energy conservation techniques thereby minimizing its dependence on fossil fuel.

8.10. The Government has also conducted political and commercial missions to Brazil in 2013 and Panama and Costa Rica in 2011. The purpose of these missions was to seek new markets for exports of goods and services into these countries. The private sector accompanied Government on these missions and is in consultation with some importers for the exports of their goods and services.

8.11. Government has also secured an IDB loan to facilitate a Water and Sanitation System Upgrade in Barbados in the amount of US$50,000,000.

8.12. The goal of the Project is to improve water resources management in Barbados and sustainable water and wastewater service provision by the Barbados Water Authority (BWA). The Project will support the Government's efforts to modernize the institutional setting of the water and sanitation sector; improve water production infrastructure and the efficiency of the operations of BWA by reducing unaccounted-for-water and implementing adequate cost recovery mechanisms.

8.13. Government recognizes the critical importance of business facilitation to the achievement of its growth and development objectives. It has therefore established a Business Facilitation Unit which will seek to increase the ease and speed of doing business. The Unit is in the process of addressing a number of issues pertinent to the development of business activity within Barbados.
9 CONCLUSION

9.1. Barbados has previously experienced many economic challenges in prior years and has overcome these challenges through the creativity, dedication and resilience of its people. Barbados' sound institutional structure along with its good governance has enabled the country to weather these past crises putting it back on a trajectory of growth and development. The current crisis will be no different.

9.2. The trading arrangements to which Barbados is a signatory will also play a prominent role in ensuring that it returns to a path of growth and development. It will therefore continue to give its full support and commitment to the continued work in both the multilateral and regional fora.