

TRADE POLICY REVIEW

BARBADOS

Report by the Government

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 the Government of Barbados is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the meeting of the Trade Policy Review Body on Barbados.

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I. INTRODUCTION

1. Barbados is one of the small island developing states in the Caribbean. It is the most easterly of the Caribbean Islands, and is approximately 432 square kilometres (166 square miles), with a population of 264,000, thus making it one of the most densely populated countries in the world. Barbados is comparatively flat, rising gently from the west coast in a series of terraces to a ridge in the centre. The highest point, Mount Hillaby, is 340 metres (1,115 feet) above sea level.

2. Formerly a British colony, Barbados became an independent country within the Commonwealth on November 30, 1966. The Constitution of Barbados enshrines the parliamentary form of democracy based on the Westminster Model. Legislative power resides in the Parliament which comprises the House of Assembly, the Senate and the Governor General. Executive power is vested in the Cabinet, consisting of the Prime Minister and the other Ministers of Government. Judicial power is vested in the Supreme Court, which consists of the High Court of Justice and the Court of Appeal.

3. The two-party system is well established and Barbados, one of the oldest democracies in the world, is generally regarded as one of the most politically stable countries.

4. The island has no natural resources apart from small deposits of oil and natural gas which presently satisfy less than a third of its energy requirements. Barbados' main asset therefore lies in its human resources. Consequently, a high priority has been given to the development of those resources. Formal education is freely available at the primary, secondary and tertiary levels. The literacy rate is among the highest in the world. The general standard of public health is high, and free health care is available to all sections of the population. A significant percentage of the Government's annual budget is devoted to the provision of health, educational and social services.

5. Since the attainment of independence successive Governments have sought to diversify the production base of the economy. Given Barbados' soil, topography and rainfall patterns, sugar produced from the sugar cane, has emerged as the island's most significant agricultural product, both in terms of contribution to GDP and to foreign exchange earnings. An import substitution strategy together with fiscal incentives to industry enabled the rapid growth of the manufacturing sector which, in the 1970s, surpassed the contribution of sugar to GDP. The beauty of the island, its climate, social stability and hospitality services are mainly responsible for the establishment of a highly developed tourism sector. Today, this sector is by far, the largest earner of foreign exchange. Stable economic management has contributed to an attractive investment environment. This together with tax and investment incentives, has facilitated the development of the international business sector.

6. The development policies pursued by Barbados, over the years, can be considered as being relatively successful. This is evidenced by the achievement of a per capita income of over US\$7,000, making it a middle income developing country. The island has consistently been given a high ranking in the United Nations Human Development Index. Given its small size and very limited natural resources, Barbados' achievements are widely regarded as being rooted in its tradition of social, political and economic stability. However, Barbados has many of the classical features of a small economy which pose a constant challenge to the maintenance of its stability.

7. In the first place, Barbados is an open economy, given its very high dependence on imports and its need to export goods and services in order to finance its development. It is therefore very susceptible to the vagaries of the international economic environment, including the changing fortunes of its major trading partners.

8. Secondly, the economy is highly dependent on the successful performance of a very limited number of sectors. Today the tourism sector earns, in foreign exchange, three times that of what the agriculture and industrial sectors earn.

9. Thirdly, production in both agriculture and industry is relatively small, thus precluding firms from benefiting from economies of scale. In addition, export volumes are relatively small, resulting in high unit transportation costs. This makes Barbados' exports comparatively uncompetitive.

10. Fourthly, Barbados' narrow production base severely limits the opportunities for persons to gain re-employment during periods of economic downturn. This therefore can impact very quickly and severely on all of Barbados' 83,000 households.

11. There is also high susceptibility to natural disasters and environmental damage. Given its geographical location, Barbados is threatened yearly by adverse climatic conditions such as hurricanes on the one hand and droughts on the other. In addition, Barbados' high population density coupled with its high annual tourist population has placed pressure on its delicate ecosystem.

12. While Barbados recognises the potential benefits of trade liberalisation and globalisation, it is however, fully cognisant of the limitations of a small economy and the challenges which these pose as it seeks to capitalise on the opportunities presented by globalisation. Barbados therefore strongly believes that the new emerging global trade and economic architecture must recognise the vulnerability of small states and make adequate provision to avoid their marginalisation.

13. This report briefly outlines the historical and contemporary macroeconomic context within which Barbados' trade policies are fashioned, highlights some important issues facing its tradable sectors, and presents key elements of Barbados' trade policy. It also outlines the thrust of that policy.

II. MACROECONOMIC CONTEXT

14. In the post-Independence period 1966-1982, Barbados achieved remarkable progress in transforming its economy and raising the standard of living of its people. During this period, real GDP grew at an average of 3.2 percent per annum while per capita GDP rose at the relatively rapid rate of 2.7 percent. Associated with this growth in income was a steady improvement in social welfare – in education, health and housing standards – and in the distribution of income.

15. In the early 1980s, however, the export earning sectors declined rapidly, causing Government in 1982 to enter a standby arrangement with the International Monetary Fund (IMF). This crisis however, was short lived. An improved performance of the main tradable sectors in 1983 enabled the economy to expand during that year. Government successfully ended the IMF assistance programme in 1984, and the economy continued to expand, up to the end of that decade.

16. By the early 1990s, the economy was again faced with an even more serious economic crisis, as both internal and external factors contributed to recessionary conditions, high unemployment, and a depletion of foreign reserves. Government decided on a series of adjustment measures and, in 1992, sought the assistance of the IMF, first to stabilize the economy and then to restore the conditions for growth. As a condition for IMF support, Government agreed to undertake trade reform, restructure its taxation system and rationalise, streamline and reduce public sector spending. This included an 8% reduction in public sector salaries and wages for an eighteen month period. In addition, Government embarked on a programme of privatisation. These measures were taken with the aim of stabilising the Barbados economy in the short-run and to restore it, to a path of renewed growth and economic development, without having to devalue the Barbados dollar.

(1) ECONOMIC REFORMS

17. Growth of the economy from 1993, led by the tourism sector, enabled the Government to end IMF assistance. However, the speed and depth of the decline of the economy reconfirmed its vulnerability and also the fragility of its social, economic and political stability. Government was convinced of the need to continue economic reform. A National Productivity Board was established in 1993 to implement productivity enhancement programmes and to monitor the levels of productivity in both the public and private sectors. The first Prices and Incomes Protocol between the Government and the Social Partners came into effect in that same year. Even though its focus was somewhat limited – the maintenance of a wage freeze – it paved the way for subsequent Protocols, the implementation of which facilitated Government in achieving needed economic reforms. In 1994 Government initiated trade liberalisation through the removal of import restrictions on a number of manufactured goods, such as the traditional areas of garments and furniture, and applied a temporary surtax. In 1995, it lifted the wage freeze. In the following year Government instituted a public sector reform programme aimed at making this sector more efficient and cost effective. A Value Added Tax at a rate of 15% was introduced in January of 1997.

18. Economic indicators show that the present state of the economy is healthy although, like most other economies, it is experiencing the effects of the prevailing world recession. The table below provides some of the indicators of Barbados' economic performance. Gross Domestic Product (GDP) increased by some 51% between 1990 and 2000. However, in 2001 it declined for the first time since 1992. Government has been successful in substantially reducing unemployment from the 21.8% which existed in 1990. In 2001 the number of persons unemployed stood at 10%. The rate of inflation which has been relatively low over the last decade, was 3.2% at the end of 2001.

SOME MAJOR ECONOMIC INDICATORS

Economic Indicators	1990	1994	1998	1999	2000
GDP(Bds Millions)	3,440.1	3,485.1	4,747.1	4,970.0	5,200.9
GDP growth rate (%)	-3.30	4.50	4.20	2.80	3.10
Unemployment Rate (%)	--	21.80	12.30	10.40	9.25
International Reserves (Bds Millions)	120.6	359.6	600.3	656.7	882.5
Inflation rate (%)	3.10	0.70	-1.20	1.60	2.40
Debt Service Ratio (%)	17.10	18.20	18.70	20.60	18.20
	Percentage Contribution of sectors to GDP (Bds Millions)				
Tourism	9.84	11.76	10.16	9.20	9.38
Agriculture – Non-Sugar	2.94	2.87	2.03	2.94	2.44
Agriculture – Sugar	1.70	1.42	1.19	1.13	1.22
Manufacturing	6.91	5.97	5.13	5.25	5.17

Source: Barbados Statistical Service.

19. Barbados' net foreign reserves, which fell to a low of Barbados \$38 million during 1991, were approximately Bds \$1 billion at the end of 2000. The reserves increased in 2001 but at a slower rate, resulting from lower earnings from tourism, a contraction in domestic exports, and lower financial inflows. The import cover (the amount of foreign reserves needed to pay for imports) increased from less than one week in 1991 to about 40 weeks at the end of 2001.

(2) EXTERNAL TRADE

20. Since 1966, Barbados' visible external trade has shown an increasing trade deficit. In 1980, the deficit stood at Bds \$593.7 million. In 2001, it had more than tripled to reach a total of Bds \$1.6 billion. A negative visible trade balance has consistently been recorded with all trading partners, with the exception of the OECS countries. However, the widening of this deficit is more pronounced in Barbados' trade with the developed countries, in particular, the United States and Japan.

21. The range of goods exported by Barbados is narrow, with exports of agri-food products being the largest category, followed by exports of electrical components and chemical products. Barbados, as a member of CARICOM, benefits from the special trade arrangements within the Community. It also benefits from preferential access to the markets of some of the developed countries. These arrangements include CARIBCAN, CBI, GSP and the CARICOM-Venezuela and CARICOM-Colombia trade agreements. Over 80% of Barbados' domestic exports benefit from preferences.

(3) POLICY GOALS

22. The current objectives of Government's policies are to stimulate economic activity in the short term, so that Barbados can be restored to a path of growth; and to devise and implement assistance to the tradable sectors to enable them to become more competitive in the context of regional, hemispheric and global developments. Government's policies will seek to ensure that these developments do not precipitate the type of decline which Barbados experienced in the early 1980s and 1990s.

(4) PRIVATE SECTOR PARTICIPATION

23. Over the last two decades, Barbados' development strategies have emphasized the critical role of the private sector as the engine of growth. Indeed, Government has methodically pursued a programme of divestment of its commercial activities.

24. In order to achieve its policy goals, Government has sought to forge a partnership with the Social Partners (Trade Unions and Employers), formalised through a series of Protocols. In the current Protocol which is for a three year duration, the Parties have agreed to pursue the following objectives:

- Maintenance of the existing parity of the Barbados dollar;
- Maintenance of a stable industrial relations climate;
- Restructuring of the Barbados economy to achieve international competitiveness;
- Reduction of social disparities through the redistribution of income and the alleviation of poverty;
- National commitment to increased productivity;
- Achievement of a balance between prices and incomes;
- Adherence to international labour standards;
- Consolidation of the process of tripartite consultation.

25. The private sector actively participates in Government's consultations on trade policy matters. Private sector participation is also included in the Parliamentary Sub-Committee on Foreign Affairs and Foreign Trade.

III. SECTORAL PERFORMANCE

26. Barbados currently provides limited assistance to its services, manufacturing and agricultural sectors to foster their growth and development, and to enable them to overcome some of the constraints they face from operating in a small developing economy. Tax and duty concessions are offered to these sectors through the Hotel Aids Act, the Income Tax Act, the Fiscal Incentives Act and the Customs Act. To assist exporters, there are also a number of incentives packages, including the Export Credit and Insurance Guarantee Scheme, the Export Finance Guarantee Scheme, the Export Rediscount Scheme, and the Export Grant and Incentives Scheme.

27. Given the new challenges confronting these sectors, posed by liberalisation and globalisation, Government considers that continued assistance to these sectors is necessary.

(1) SERVICES

(i) Tourism

28. For almost two decades, tourism has been the main economic sector in Barbados. It contributed 11.5 percent of GDP in 2000 and employed 14,100 persons or 11.4 percent of the labour force directly. Tourist arrivals increased throughout the 1980s but fell during 1990 and 1991. Since 1992 tourist arrivals have increased every year from 385,472 to reach a record level of 544,696 at the end of 2000. During the same period, cruise passenger arrivals increased from 399,702 to 533,278. A combination of factors resulted in a 6.9% percent decline in tourist arrivals, a 1.1% decline in cruise arrivals, and a 3.3% decline in visitor expenditure for 2001. Before September 2001, tourist arrivals were already showing signs of decline as a result of global recession. The events of 11 September 2001 undoubtedly affected travel and tourism worldwide, to varying degrees depending on the reliance on the U.S. market and the distance from the main tourist generating markets. The effect on Barbados was not as severe as on some other Caribbean countries since Barbados was less dependent on the U.S. market and also because a large proportion of its business is "up market".

29. Barbados has embarked on a policy of sustainable tourism development that recognises the importance of sustainability from economic, social and environmental perspectives. During 2001 a Green Paper on the Sustainable Development of Tourism in Barbados was approved by Government. This Paper has formed the basic framework for the drafting of a new Tourism Development Bill which will be enacted in the first half of 2002. The Bill, which replaces the Hotel Aids Act Cap 72, seeks to facilitate the development of a quality tourism product.

30. There has been significant foreign investment in the tourism sector over the years and the employment of foreign nationals, particularly at the management levels, has been a characteristic of the industry. Barbados' tourism industry is being geared towards survival in the new global environment.

(ii) International Business and Financial Services

31. Over the last decade, the international business and financial services sector has developed into a credible and dynamic source for the earning of foreign exchange. Government has created a number of financial products in order to foster the development of the international business and financial services sector which operates in the face of serious competition from other jurisdictions.

32. Barbados' international business and financial services sector regime includes tax exemptions for Foreign Sales Corporations (FSCs) and a tax rate of 0% for Exempt Insurance Companies (EICs). International Business Companies (IBCs), Offshore Banks, and Societies with Restricted Liability are taxed on a sliding scale of 2.5% to 1% depending on the level of taxable income. Exemption from withholding tax on payments made to non-residents and exemption from import duties are also applicable.

33. International Business Companies (IBCs) cover a range of activities including manufacturing, administration, software development, data entry and other areas such as informatics, transshipment, licensing arrangements and financing. The number of IBCs that were licensed in 2001 fell sharply to 210 from 456 in 2000.

34. The purpose of the Societies with Restricted Liability (SRL) Act is to provide for a form of business association which is primarily a corporate entity that has limited liability and a fixed existence. This 1995 legislation provided a new product for Barbados' international business and financial services. The number of SRLs licensed for 2001 was 22 compared to 47 in 2000. This has brought the total number of licensed SRLs to 166.

35. At the end of 2000 the total number of licensed FSCs was 2,975. However, the recent ruling of the World Trade Organization that the FSC regime represents an illegal subsidy under the WTO rules, has brought an end to the use of this vehicle as at October 2001. Previously FSCs represented approximately 45% of the international business entities licensed in Barbados.

36. It is estimated that International Insurance Companies contribute US\$50 million in revenue to the Barbados economy annually. After licensing 46 captive insurance companies in 1983-1986, Barbados has now attracted more than 400 companies, and now ranks third among the countries hosting International Insurance Companies in the western hemisphere.

37. International banking is a critical part of the International Business and Financial Services sector. Over the last decade, the International Banking Sector has rapidly evolved from providing basic accounts and telegraphic transfers, mainly for corporate business, to much more sophisticated operations. This sector now caters to distinct market segments, each requiring special services and products. In 2001, five new banks were licensed, compared with seven in 2000. This has brought the total number to 55.

38. An objective of Government has always been to seek to negotiate a network of Double Taxation Agreements and Bilateral Investment Treaties with a number of its trading partners, in order to encourage and promote trade and investment. The Government intends to actively pursue this objective.

39. It should be noted that Barbados is not a tax haven but rather a low tax domicile for international business entities.

40. The Government has always demonstrated its commitment to high regulatory standards, and has taken the necessary action to meet internationally accepted standards in order to mitigate the occurrences of illegal activity, tax evasion, tax crimes and money laundering. The Government is highly conscious of the need to maintain the integrity of this sector. For example, in pursuit of these goals, Government enacted, between 1990 and 2000, several pieces of legislation aimed at preventing and detecting drug trafficking, money laundering and other serious crimes. These include the following:

- The Drug Abuse (Prevention and Control) Act, 1990;
- The Proceeds of Crime Act, 1990-13;
- The Mutual Assistance in Criminal Matters, 1992;
- The Money Laundering (Prevention and Control);
- Act, 1998-38.

41. Government, however, recognises the need to diversify the services sector from a dependence on tourism, and international business and financial services. Consequently, Government has begun a programme to develop a number of other services.

(2) MANUFACTURING

42. The local manufacturing sector is critical to the overall growth and development of a balanced Barbados economy. It is a major source of employment and foreign exchange earnings. The sector comprises 351 firms which are owned mainly by Barbadians. It currently provides direct employment for some 9,850 persons. The major manufacturing sub-sectors are: Food and Beverage, Electronic Products, Chemicals and Chemical Products and Paper Products. In the recent past, employment has been declining. In 2001 employment in the sector declined by 8.2% when compared with 2000.

43. The manufacturing sector is generally characterized by high production costs, relatively high excess capacity, obsolete technology and limited access to financing. These features have constrained the development of the sector, especially since it is forced to operate in a highly competitive environment.

44. In 2001, manufacturing exports stood at Bds \$269.4 million. This represented a decline of 1.8% when compared with the previous year's performance, valued at Bds \$274.5 million.

45. The outlook for the sector is one of continued challenge. The cost structure of the sector, in particular, will inhibit its development in the short term. The Government considers that the sector must be restructured to meet the new international competition with which it will be confronted.

46. Through market-based and production-based policies, it is anticipated that the manufacturing sector will stabilize and improve. However, Government is of the view that the timing and phasing of trade liberalisation, in particular, tariff reduction, will be critical to the long term survival of the sector.

(3) AGRICULTURE

47. The need to guarantee an acceptable level of food security, through an appropriate combination of imports and domestic production, as well as the need for a diversified economic base, has been the driving force behind Barbados' efforts at assisting its agricultural sector. Barbados is cognisant of the linkages that exist between agriculture and other sectors of the economy such as tourism, transportation and services. Government is also mindful of the critical contribution that sugar cane cultivation makes to the promotion of rural development and the maintenance of the rural landscape.

48. The average contribution of the agricultural sector to GDP over the period 1995 to 2000 was 6.4%. On average, sugar accounted for 39% of agricultural output during the 6 year period.

49. Annual employment for 1995-2000 averaged 5,500 persons, ranging from a high of 6,500 in 1996 to a low of 4,700 in 2000. Total agricultural imports amounted to \$331.4 million in 2000, while total agricultural exports were a mere \$132.4 million. This reflects Barbados' status as a net food importing developing country.

50. Sugar, which is Barbados' single most important agricultural product, has been on the decline over the years, due to both internal and external factors, including the high cost of production. The challenges facing the sugar industry will have serious implications for its viability, especially as Barbados is a relatively high-cost producer of sugar.

51. To capitalise on new opportunities in a cost effective and efficient manner, the Government has developed a comprehensive programme aimed at restructuring the industry in the short to medium term. Measures to be instituted include the diversified use of the sugar cane into other alternative products. In addition, in an effort to increase efficiency and reduce costs, at the factory level, Government will, from 2002, initiate the rationalization of sugar cane production in Barbados, with a view to eventually reducing the existing number of factories to one.

52. In light of the dynamics impacting on the sugar industry, the Government of Barbados has been seeking to develop and promote other commodities which have the potential to complement sugar cane production as well as to contribute to the diversity and viability of the agricultural sector. These include sea island cotton, Barbados black belly sheep and cut flowers.

53. Barbados' agricultural sector in general has faced increasing challenges with the liberalisation of trade. To ensure the continued viability of the sector, both traditional and non-traditional agricultural activities have to be re-oriented and modernised. This is in an effort to achieve increased productivity, improved costs and product quality, and differentiation of products. It is only through these efforts, and Barbados' ability to gain special and differential treatment within the multilateral trade system, as a small developing state, that the agricultural sector, and its invaluable contribution to the economy can be maintained.

(i) State Trading Enterprises

54. Barbados maintains one designated state trading enterprise – the Barbados Agricultural Development and Marketing Corporation (BADMC). Established in 1993 it performs a number of functions, including the provision of selected farm support services to the non-sugar agricultural sector, the collection and collation of agricultural statistical data and the provision of an irrigation service to small farmers in the rural community. The BADMC also administers the recently introduced Land for the Landless Programme, which seeks to make unused arable lands, in public or private ownership, available to needy farmers.

55. The Government of Barbados is committed to increasing the opportunities for private sector involvement in commercial activities. As such, the BADMC has divested its involvement in several activities, including ownership and management of abattoir facilities and the importation of refined sugar.

IV. TRADE AND TRADE-RELATED POLICIES

56. Barbados, given its narrow resource base, limited production structure, and the openness of the economy, has to participate actively in world trade in order to maintain and enhance its standard of living. This requires that it must produce goods and services which can be traded competitively in foreign markets. The heavy reliance on trade makes it necessary to develop policies which are responsive to the changing international environment. Since the early 1990s, Barbados' trade policy

has become more open as a result of its own liberalisation programme, and in response to regional and international developments.

(1) TRADE IN GOODS

(i) Import Licenses and Tariffs

57. Traditionally, Barbados' trade policy focused on trade in goods, and emphasis was placed on an import substitution strategy for promoting economic development. That strategy was implemented through a system of tariff and non-tariff barriers designed to protect producers in the manufacturing and agricultural sectors until they were internationally competitive. A licensing system restricted the importation of competing imports.

58. In 1994, prior to the creation of the WTO, Government embarked on a liberalisation programme. To give legal effect to that programme the Miscellaneous Controls (General Open Import License) Regulation, the Importation and Exportation of Goods (Prohibition) Amendment Regulations and the Customs Tariff (Amendment) Order, were passed. Licenses imposed on imports of most competing manufactured goods were removed and a surtax was applied on those imports for a 5 year period. During 1996 Government commenced the phase out of the surtax, and it was removed in April 2000.

59. In April 2000 also, Government removed restrictions by way of license on all imports except those which are in place for health or safety reasons or to protect public morals. Most products involved in this exercise were agricultural items. For all items on which restrictions were removed, Government applied the WTO bound rates. Barbados will shortly be implementing the special safeguard provision for agricultural products.

(ii) Other Charges and Duties

60. Prior to the introduction of the Value Added Tax (VAT) in January 1997, "other charges and duties" levied on imports included: Consumption Tax, Stamp Duty, Surcharge, Excise Tax and an Environmental Levy. When a 15% VAT was introduced it replaced all these taxes with the exception of the Environmental Levy, and the Excise Tax which were levied on certain products. The net effect of this action was a marked reduction in the price of imported goods.

(iii) Technical Standards

61. Government is aware that in order for Barbados to be internationally competitive, producers of goods and services must meet internationally recognised standards. Equally, it recognises the need to ensure that imports are of the highest quality and that the health and safety of all Barbadians are not compromised by the importation and use of inferior goods. It also has a duty to adequately protect the environment. Accordingly, Government, since the establishment of the Barbados National Standards Institution in 1973, has been seeking to ensure that both local and imported products adhere to international standards. There are currently over 200 domestic standards all of which are internationally compatible.

(iv) Sanitary and Phytosanitary Measures

62. Sanitary and phytosanitary (SPS) systems and measures in Barbados are, to a large extent, compatible with internationally accepted standards and practices. There is a need, however, for technical assistance in the area of legislation drafting, as well as in the strengthening of the surveillance systems and risk analysis to conform to international regulations.

63. The country already has equivalence agreements with some of its trading partners.
64. Barbados is implementing the provisions of the WTO SPS Agreement with the assistance of a number of international agencies.

(2) TRADE IN SERVICES

65. Under the Uruguay Round of trade negotiations, Barbados committed six areas of services activity for liberalisation. In 1996 it further committed itself to liberalise some aspects of basic telecommunication services. In keeping with its policy to encourage foreign investment, cross-border trade in virtually all areas of services activity including tourism, distribution, business and professional services, as well as financial services, is allowed. In the area of telecommunications services, Government has recently signed a Memorandum of Understanding with the sole service provider which legally held a monopoly in this area for many years. This Understanding will allow for the liberalisation of this sector.

(3) TRADE-RELATED INTELLECTUAL PROPERTY RIGHTS

66. Legislation governing intellectual property rights has existed in Barbados for much of the twentieth century. The Patents Act of 1903 and the Patents and Design Act 1907 of the United Kingdom, for example, were the earliest pieces of legislation governing the grant of patents in Barbados. Since joining the World Intellectual Property Organization in 1979, Barbados has embarked on a conscious policy of modernizing its intellectual property rights system in order to bring its legislative framework in line with international standards. Barbados is compliant with WTO requirements under the TRIPS Agreement. Barbados underwent a review of its intellectual property legislation and its implementation of the TRIPS Agreement in November 2001.

(4) REGIONAL DEVELOPMENTS

67. Barbados' trade policies have been informed by the provisions of the Treaty of Chaguaramas that established the Caribbean Common Market (CARICOM) in 1973. The main focus of this integration movement was initially trade in goods. The main instruments through which trade within the region was facilitated were the Common External Tariff (CET) and the Rules of Origin. Periodically these instruments have been revised with the view not only of ensuring the deepening of the integration process, but also ensuring that firms achieve international competitiveness.

68. In 1992 the CARICOM Conference of Heads of Government of the region took a decision to reduce the CET on manufactured goods to a range of 0-20% by 1998. Barbados fully complied with that decision. Also in keeping with the Heads of Government decision, Barbados applies a maximum rate of 40% on agricultural products.

69. During the 1990s, CARICOM Member States signed a number of non-reciprocal and reciprocal trade agreements with some Caribbean and Latin American countries; namely, Venezuela, Colombia, the Dominican Republic and Cuba. The reciprocal agreements with Colombia and the Dominican Republic are in force, while the agreement with Cuba will be implemented shortly. Negotiations to convert the agreement with Venezuela to a reciprocal one will soon be undertaken. Barbados actively participates in these arrangements.

70. In 1989 the CARICOM Conference of Heads of Government agreed to establish the Caribbean Single and Economy (CSME). The Treaty of Chaguaramas was accordingly amended, by way of Protocols, to give legal effect to the creation of the CSME.

71. The nine Protocols covered the following areas:

- The management of the integration process (Protocol I); dispute settlement (Protocol IX); and any disadvantage confronting sectors, regions and member states as a result of implementation of the CSME (Protocol VII).
- The movement of goods (Protocol IV) and services and factors of production (Protocol II).
- The conduct of relations in transport (Protocol VI); agriculture (Protocol V) and industry (Protocol III).
- The behaviour of businesses – competition policy, consumer protection, and dumping and subsidies (Protocol VIII).

72. Barbados has lead responsibility for ensuring the implementation of the CSME. It has signed all of the Protocols, a number of which is being provisionally applied in the Community. Barbados considers that the CSME is highly relevant, given liberalisation and globalisation. Indeed, Government sees the CSME as critical to the development of the region, especially as it seeks to integrate into the new global economy. Barbados will therefore work assiduously with its fellow CARICOM states to ensure that the CSME becomes a reality.

(5) HEMISPHERIC AND MULTILATERAL TRADE RELATIONS

(i) WTO Relations

73. Barbados is a founding member of the WTO, having joined that Organization from its inception on 1 January 1995. As a member, it has been diligently seeking to discharge its obligations, within the limits of its human, financial and technical resources, while being fully cognisant of the need to minimise transitional costs and maintain economic stability. As previously noted, Barbados, even prior to 1995, has permitted greater market access for goods and services. In addition, Barbados has enacted the necessary legislation to protect both local and foreign intellectual property rights. Given the importance which Barbados attaches to the WTO, it has, at considerable cost, established a Mission in Geneva, principally to deal with matters pertaining to the work of the WTO.

74. As a small developing country, Barbados fully supports the decision taken at the Fourth WTO Ministerial Conference in Doha to continue to address the implementation concerns of the developing countries. Barbados considers that there are genuine and real concerns which must be effectively addressed. Barbados also accords high importance to the establishment of a Work Programme on Small Economies, to the establishment of Working Groups on Trade, Debt and Finance and on Trade and Transfer of Technology and to the priority given in the Ministerial Declaration to special and differential treatment and technical assistance for developing countries.

(ii) International Trade Negotiations

75. Barbados is currently engaged in trade negotiations in a number of international fora. It is one of the 34 countries seeking to create the Free Trade Area of the Americas (FTAA) by 2005. As part of the African, Caribbean and Pacific Group of countries (ACP), Barbados will participate in negotiations between the ACP and the EU for the establishment of a new trade and economic relationship with Europe to be effective from 1 January 2008. Formal negotiations will commence in September 2002. In addition, Barbados is involved in negotiations within the context of the WTO.

76. The conclusion of all of these negotiations will have a significant impact on Barbados' trading relations, particularly in two areas. Firstly, the new trade arrangements will increase competition for the relatively small firms which provide goods and services in the domestic market. Secondly, the arrangements, while promising greater export opportunities for Barbados, will erode the

preferential access now enjoyed by Barbados under the CBI, CARIBCAN, Cotonou and GSP arrangements. This will undoubtedly increase competition in those markets. More fundamentally, the advantages which Barbados currently enjoys as a member of CARICOM will also be eroded as a result of the new negotiated arrangements.

77. If in negotiating these new arrangements, sufficient consideration is not given to small economies like Barbados, the economic outlook for these countries will be grim. From experience, Barbados is acutely aware of the possible speed and depth of economic decline, and the rapid effect which economic instability, especially by way of rising unemployment and rapid depletion of foreign reserves, can have on its social and political stability.

78. Given this possibility, Barbados has, in all negotiating fora, joined other small developing economies in requesting special and differential treatment for small economies. In this regard, the Doha Ministerial decision to establish a Work Programme on the treatment of the small economies within the multilateral trade context is especially propitious. The effective participation of these countries in the multilateral trading system should be a priority concern of the WTO.

79. The special and differential treatment which should be granted to small developing economies should include the following:

- The provision of technical assistance as well as financial resources to enable these countries and generally all developing countries to overcome some of the basic market constraints confronting them.
- The granting of adequate transitional periods for the commencement of the liberalisation process, and for the implementation of complex arrangements.
- Allowing Government flexibility to assist businesses and sectors, especially those considered to be strategically important to the development of their economies and which are facing difficulties as a result of trade liberalisation.
- Reducing the burden on these countries of having to cope with various non-tariff barriers imposed by developed countries. These include: onerous sanitary and phytosanitary measures and technical standards.
- Allowing for adequate thresholds that must be reached before action can be taken against the products of the small suppliers in these countries.

V. CONCLUSION

80. Barbados is committed to the process of trade liberalisation, as demonstrated by the reforms undertaken since 1993. It will continue to pursue its development objectives within the context of this paradigm. It is keenly aware that liberalisation will create new and significant challenges for firms, employees and, by extension, the entire economy. Barbados is of the view, that deeper integration among Caribbean economies will assist these countries to successfully make the transition into the new emerging competitive global economy. As a priority, it will therefore seek to faithfully implement the provisions of the CSME. Also, it will seek to honour all of its multilateral trade obligations. Barbados will continue to press for the recognition and effective resolution of the concerns of small economies, as they seek to integrate in the new global economy; and for trade rules that are not only free, but also fair to developing countries.
