

Trade Policy Review Body

TRADE POLICY REVIEW

BARBADOS

Report by the Secretariat

This report, prepared for the first Trade Policy Review of Barbados, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from the Government of Barbados on its trade policies and practices.

Any technical questions arising from this report may be addressed to Ms. C. Hennis-Pierre (tel. 739 5640) and Mr. R. Valdés (tel. 739 5346).

Document WT/TPR/G/101 contains the policy statement submitted by the Government of Barbados.

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.

CONTENTS

	<i>Page</i>
SUMMARY OBSERVATIONS	vii
(1) INTRODUCTION	vii
(2) ECONOMIC STRUCTURE AND DEVELOPMENTS	vii
(3) TRADE POLICY	viii
(4) MARKET ACCESS FOR GOODS	viii
(5) OTHER MEASURES AFFECTING TRADE	ix
(6) SECTORAL POLICIES	ix
I. THE ECONOMIC ENVIRONMENT	1
(1) INTRODUCTION	1
(2) STRUCTURE OF THE ECONOMY	1
(i) Recent economic developments	2
(ii) Public finances	5
(iii) Monetary policy	6
(3) BALANCE-OF-PAYMENTS AND TRADE AND INVESTMENT FLOWS	8
(i) Merchandise trade	8
(ii) Trade in services	12
(iii) Income and net transfers	14
(iv) Capital and financial flows	14
(4) OUTLOOK	14
Annex I.1: Barbados's Exchange policy and controls	16
II. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES	18
(1) INTRODUCTION	18
(2) THE BARBADOS LEGAL AND INSTITUTIONAL FRAMEWORK	18
(i) Form of government	18
(ii) Policy-making and administration	19
(iii) Laws and regulations affecting trade and international investment	20
(iv) Investment and tax treaties	22
(v) Foreign investment regime	22
(3) INTERNATIONAL RELATIONS	23
(i) Participation in the WTO	24
(ii) Participation in regional and bilateral agreements	26
(iii) Participation in unilateral preference programmes	28
(iv) Relationship with the OECD	28
III. TRADE POLICIES AND PRACTICES BY MEASURE	30
(1) INTRODUCTION	30
(2) MEASURES DIRECTLY AFFECTING IMPORTS	30
(i) Import procedures	30
(ii) Customs valuation	31
(iii) Rules of origin	31
(iv) Tariffs and other charges levied on imports	32
(v) Import licensing and prohibitions	41

	<i>Page</i>
(vi) Anti-dumping, countervailing, and safeguard measures	44
(vii) Government procurement	45
(viii) Standards and other technical requirements	46
(ix) Sanitary and phytosanitary measures	47
(3) MEASURES DIRECTLY AFFECTING EXPORTS	48
(i) Procedures and documentation	48
(ii) Export taxes, charges and levies	49
(iii) Export prohibitions, restrictions, and licensing	49
(iv) Export subsidies and other concessions in support of exports	49
(4) MEASURES AFFECTING PRODUCTION AND TRADE	51
(i) Business registration	51
(ii) Competition policy	53
(iii) Assistance to business	54
(iv) State trading enterprise, state-owned enterprises, and privatization	56
(v) Intellectual property rights	57
IV. TRADE POLICIES BY SECTOR	62
(1) INTRODUCTION	62
(2) AGRICULTURE AND FISHERIES	62
(i) Participation in the WTO	64
(ii) Main policy issues	64
(iii) Policy measures in selected sectors	65
(3) MINING ENERGY AND PRODUCTS	72
(4) MANUFACTURING	73
(5) SERVICES	76
(i) Commitments under international agreements	76
(ii) Utilities and energy distribution services	79
(iii) Construction	79
(iv) Wholesale and retail trade	79
(v) Tourism	80
(vi) Transport services	81
(vii) Telecommunications	84
(viii) Financial services	86
(ix) Professional services	90
REFERENCES	93
APPENDIX TABLES	95
CHARTS	
I. THE ECONOMIC ENVIRONMENT	
I.1 Annual changes in real GDP and tourist arrivals, 1979-01	2
I.2 Gross domestic product indicators, 1979-00	3
I.3 Merchandise trade balance, 1985-01	9
I.4 Trade trends, 1990-00	11
I.5 Current account balance and net foreign receipt from services, 1985-00	12

	<i>Page</i>
III. TRADE POLICIES AND PRACTICES BY MEASURE	
III.1 Distribution of MFN tariff rates, 2001	35
IV. TRADE POLICIES BY SECTOR	
IV.1 Sugar statistics, 1981-00	69
IV.2 Value added and export receipts from tourism services, 1991-00	81
IV.3 Trade in insurance services, 1985-00	89
TABLES	
I. THE ECONOMIC ENVIRONMENT	
I.1 Basic macroeconomic indicators, 1997-01	4
I.2 Central government operations, 1996-01	5
I.3 Balance of payments, 1997-01	9
I.4 Trade in non-factor services, 1997-01	13
II. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES	
II.1 Government agencies involved in the formulation or administration of trade or trade-related policies and area of responsibility	19
II.2 Notifications by Barbados to the WTO, December 2001	21
III. TRADE POLICIES AND PRACTICES BY MEASURE	
III.1 Selected taxes on goods and services as a share of total current government revenue, year ending March 1996-01	32
III.2 Summary analysis of Barbados's tariff, 2001	33
III.3 Structure of applied MFN tariffs, 1999 and 2001	36
III.4 Imports of products covered by tariff quotas	37
III.5 Products subject to import licensing, as at March 2002	42
III.6 Products and services subject to price control, March 2002	54
III.7 Barbados's membership in international agreements on intellectual property rights, December 2001	58
III.8 Intellectual property rights legislation in Barbados, March 2002	59
III.9 Overview of IPR protection in Barbados, 2001	60
III.10 Trade marks, patents, and industrial designs registered, 1994-01	61
IV. TRADE POLICIES BY SECTOR	
IV.1 Selected statistics on agricultural commodities	63
IV.2 Oil products, 1992-00	73
IV.3 Nominal and effective rates of protection, excluding surtax, selected locally manufactured products, 1996 and 2001	74
IV.4 Indices of industrial production, 1990-01	75
IV.5 Summary of Barbados's commitments under the GATS	77

Page

APPENDIX TABLES

I. THE ECONOMIC ENVIRONMENT

AI.1	Imports by region, 1995-00	97
AI.2	Exports and re-exports by region, 1995-00	98
AI.3	Imports by product, 1995-00	99
AI.4	Exports and re-exports by product, 1995-00	100

III. TRADE POLICIES AND PRACTICES BY MEASURE

AIII.1	Products subject to specific duty rates	101
AIII.2	Barbados's IPR enforcement regime	103

SUMMARY OBSERVATIONS**(1) INTRODUCTION**

1. Barbados has used foreign trade and investment opportunities deftly to maintain living standards well above those of most developing countries. Its trade and investment policies have fostered world-class suppliers in a few areas, particularly tourism and financial services. Based on Barbados's natural endowments and on niche activities created by government policy, these services have become the mainstay of the economy and the main source of foreign exchange. Of necessity, however, specialization and the small size of the economy have resulted in a narrow production base that makes Barbados vulnerable to external shocks.

2. Trade policy has also sought to protect a small number of domestic activities, mostly food production, from foreign competition, while recognizing that most domestic needs are best met by imports. This protection, and limited competition in certain domestic sectors have weighed on the competitiveness of the leading service activities by restricting their access to inputs at the lowest cost. Barbados's historically stable policy environment and wealth of human capital bode well for its ability to address this issue, adjust to new challenges and, thus, attain and sustain further welfare improvements.

(2) ECONOMIC STRUCTURE AND DEVELOPMENTS

3. Barbados ranks 31st in terms of the United Nations' Human Development Index; life expectancy at birth is 77 years, the adult literacy rate is 97%, and GDP per capita was US\$9,700 in 2000. Since the 1950s, the economy has become increasingly reliant on income from tourism. Buttressed by a low tax environment, financial services now contribute to a significant share of GDP. Simultaneously, there has been a falling share of agriculture, especially sugar, in GDP.

4. The Barbados economy performed well between 1993 and 2000, driven by domestic consumption. However, the economy remains vulnerable to external shocks, as witnessed by the depth and duration of the recessions experienced when worldwide economic decelerations have occurred, notably during the early 1990s and again in 2001. Real value added in tourism declined by an estimated 6% in 2001, and the economy contracted by 2.8% in real terms.

5. Sound monetary policy, underpinned by a fixed exchange rate, has ensured investor confidence and provided a framework of low inflation. Exchange controls on capital movements are designed to reduce the economy's vulnerability to speculative attacks against its currency. However, rather large fiscal deficits limit the room for counter-cyclical policies. Current account transactions have shown a persistent large deficit, as the surplus of the services account has not offset the merchandise trade deficit. The current account deficit has generally been compensated by public and private capital inflows.

6. Revenues from exports of merchandise have remained relatively small, at about one fifth of total exports of goods and services, and 11% of GDP. Merchandise exports consist mostly of sugar, rum, and crude petroleum and are not, apart from niche products, internationally competitive without government support or preferential access to foreign markets. The main export destinations are the CARICOM countries, the European Union, and the United States. Exports of services consist mostly of tourism and financial services. Imports of goods are diversified, with a relatively strong reliance on imported food. Fastest import growth has originated in the United States, which supplies 40% of imports, on an MFN basis. This concerns merchandise trade. The next largest suppliers are the CARICOM countries and the European Union. Imports of services consist mostly of transportation, insurance, and travel.

(3) **TRADE POLICY**

7. Barbados's trade policy formulation takes place within a stable overall policy environment, based on extensive consultation among social and economic partners. The Government considers that trade openness (with the exception of a small range of agri-food and service activities that are heavily protected) is crucial in order to overcome any constraints arising from the small size of the economy, its restricted capacity to diversify risk, and limited institutional capacity.

8. Barbados is an original Member of the WTO, and participates actively in its work. It grants at least MFN treatment to all its trading partners. Barbados has never been involved in multilateral dispute settlement procedures, either as a defendant or complainant. However, it reserved its rights to participate as third party in the dispute relating to U.S. provisions on Foreign Sales Corporations, as many such corporations are established under Barbados law.

9. In the Uruguay Round negotiations, Barbados bound all of its tariffs except on fish and fish products, albeit at ceiling rates. Agricultural products are bound at least at 100%, with some specific items bound at rates ranging to over 220%; manufactured goods are bound at rates of at least 70%, with certain items at considerably higher rates. Barbados also made specific commitments under the GATS in a few subsectors. Barbados undertook specific commitments in the WTO negotiations on basic telecommunications, but did not make new multilateral commitments on financial services within the context of the Fifth Protocol to the GATS.

10. Barbados's exports benefit from unilateral trade preferences granted by a number of trading partners; Barbados seeks to have these maintained. Its trade policy has been deeply influenced by its participation in the Caribbean Community and Common Market (CARICOM), where it is urging a rapid implementation of a single market. The

commitment to protect CARICOM industries partly explains Barbados's relatively high tariffs on goods not produced domestically.

(4) **MARKET ACCESS FOR GOODS**

11. Barbados has made important efforts in recent years to liberalize and simplify its import regime, which is all the more important given that most of domestic consumption is imported. In the context of the Common External Tariff (CET) reduction programme, tariffs were reduced between 1993 and 1999, as was reliance on quantitative import restrictions. A surtax of 100% on locally produced goods, introduced in 1994, was progressively reduced and abolished in April 2000. A VAT was introduced in 1997 to replace multiple taxes and levies. The Customs Act was amended in 1999 to implement the WTO Agreement on Customs Valuation. As a result of these reforms, Barbados's import procedures are now relatively simple and transparent.

12. The average MFN applied tariff is 16.5% and fulfils mainly a revenue generating function. Border protection for activities where there is domestic production is high, based on tariffs of 60% or more and import licensing. Domestic producers import most of their inputs duty free, under an array of waivers and exemptions, which adds to effective protection. Taken together, all taxes levied on imports amount to 22% of total tax revenue.

13. Import licences cover about 60 mainly food products. They have been used to monitor imports and to protect domestic production; licences can be made automatic or non-automatic by administrative decision. Information is not publicly available regarding applications for licences or the allocation of quotas.

14. Resort to anti-dumping and countervailing duties consists of a single measure. The Agreement on Article 6 of the GATT and the Agreement on Subsidies and Countervailing Duties have yet to be

incorporated into Barbados law on these matters. Barbados does not have safeguard legislation.

(5) OTHER MEASURES AFFECTING TRADE

15. Exports are not, in practice, taxed or restricted, and take place mostly under trade preferences. Exports are also promoted via various duty and tax concessions and financial assistance measures, several of which have been notified to the WTO as export subsidies. In general, most domestic production of goods and services benefits from tax breaks or other assistance, reflecting the Government's commitment to actively support businesses. There are no available estimates of the overall budgetary cost of this support.

16. Competition policy legislation was being put in place in early 2002 as part of the establishment of a comprehensive competition policy regime. Legislation was expected to eventually include provisions on fair competition, consumer guarantees, and consumer protection. The need for a comprehensive competition policy framework stems from the observed high levels of concentration and prices in the domestic market. Meanwhile, to limit the abuse of market power, price controls are in place on a number of goods and services.

17. The Government has shareholdings in a number of commercial entities in such sectors as utility services, transport services, hotels, and agri-food production. It is government policy not to be involved in new ventures, except when there is a lack of private-sector interest in an activity the Government wishes to promote. State trading is limited to poultry imports. Certain companies are de facto sole traders: one company is the sole exporter of crude petroleum and the sole importer of diesel, gasoline, and fuel oil. Public procurement, which represents approximately 10% of GDP, relies mostly on foreign goods and services given the small size of the economy. Small

contracts may be allocated without inviting tenders.

18. Barbados has recently taken steps to help ensure the protection of intellectual property rights, and its legislation covers all major areas referred to in the TRIPS Agreement. Barbados's IPR-related legislation was reviewed by the WTO TRIPS Council in November 2001.

(6) SECTORAL POLICIES

19. Barbados is a high-cost location for production of goods, and except for some niche products, is not competitive vis-à-vis foreign producers. Without stringent protection from import competition, most of the few existing activities in manufacturing and agriculture would likely contract strongly.

20. Border protection appears to be highest in the agri-food sector, notably for meat, dairy, and vegetables. As tariffs ranging to 240% have not been effective in deterring imports, the authorities reintroduced non-automatic import licensing on the most import-sensitive products in 2001, initially for three months. Special safeguards legislation was being drafted in early 2002 to support such measures. Imports of all poultry products are under government monopoly. A number of tariff quotas were bound in the Uruguay Round but were not being applied in early 2002. Barbados maintains a positive list of a few source countries for fresh meat; adding new countries would require a change of law.

21. Preferential access to the EU market has not prevented the decline of the sugar industry, which has suffered from high costs that in most years exceed guaranteed export prices well above world levels.

22. The services sector is the cornerstone of the economy, with tourism and financial services playing a particularly important role. Tourism services are provided mainly by private operators. The Government encourages production and investment in the

tourism industry mainly through tax incentives and concessionary loans. There are generally no restrictions on market access for foreign companies. On the other hand, barriers to food imports may have weighed on the international competitiveness of tourist catering and other service activities by restricting access to the best and most competitively priced inputs.

23. *Since the mid 1960s, legislation has been in place to encourage the development of "international" companies, which have enjoyed fiscal advantages not generally available to other firms. Such advantages have resulted in the establishment of offshore banks, exempt insurance companies, and subsidiaries of multinational companies. The different legislation that is applied to firms depending on whether they are supplying*

residents or overseas customers was the subject of frictions with certain OECD partners. In this context, the Government has campaigned for the right to fiscal sovereignty.

24. *Foreign firms provide both air and maritime transport services, notably passenger and cargo traffic. Telecommunications are under a private, foreign-owned monopoly, but full competition is to be established by November 2002 in cellular telephone services, and in the provision of telephone sets and equipment; by August 2003, competition should be extended to fixed telephone services. Domestic insurance services and legal services are protected from foreign competition by local purchase obligations and qualification requirements, respectively.*

I. THE ECONOMIC ENVIRONMENT**(1) INTRODUCTION**

1. The Barbados economy performed well between 1993 and 2000, driven by an expansion in domestic consumption. This expansion went hand in hand with rising standards of living; GDP per capita reached US\$9,700 in 2000. Private building activity has been particularly strong in recent years, reflecting the lack of restrictions on residential purchases by non-residents. Sound monetary policies, underpinned by a fixed exchange rate, have ensured investor confidence and provided a framework of low inflation. The Government's policy of extensive consultation has provided a stable policy environment.

2. However, the economy remains vulnerable to external shocks, as witnessed by the depth and duration of the recessions experienced by Barbados when the world economy slowed during the early 1990s, and again in 2001/02. Rather large fiscal deficits and the existence of a fixed exchange rate policy limit the room for counter-cyclical policies.

(2) STRUCTURE OF THE ECONOMY

3. Barbados is the most easterly island in the Caribbean chain of islands. At the end of 2001, its population was close to 270,000, and average annual growth rate was 0.4% over the 1981-00 period. Barbados is one of the world's most densely populated countries. In 1999, it ranked 31st in terms of the United Nations' Human Development Index, with a life expectancy at birth of 76.6 years, and an adult literacy rate of 97%.¹ It also ranked 31st worldwide in terms of GDP per capita in purchasing power terms. In constant 2000 prices, GDP per capita averaged US\$9,700 at the end of 2000, up from US\$8,700 in 1990.

4. Historically, the Barbados economy was developed on exports to the United Kingdom of cotton, tobacco, and subsequently sugar, but since the 1950s the economy has become increasingly services based, and in particular increasingly reliant on tourism exports. Simultaneously, there has been a falling share of agriculture, notably sugar, in GDP. The development of the "offshore" international business and financial services sector, which began around 1977, now also contributes to national income. The authorities have noted that Barbados's economic development has also been enhanced by the absence of restrictions on the acquisition of property by foreigners.

5. Over the past 20 years, real GDP growth in Barbados has averaged 1.2% annually. This average masks periods of relatively rapid growth interrupted by strong recessions, particularly in 1990-92 and 2001, when the world's economic slowdown considerably reduced the demand for tourism services. Changes in real GDP are closely associated to variations in tourist arrivals (Chart I.1). Indeed, this latter variable alone seems to explain a large proportion of the changes in Barbados's real GDP over the last 20 years.² This, in turn, points to an economy highly exposed to a narrow range of external factors over which Barbados's policy matters have little or no control.

6. Over the last two decades, the most dynamic sectors overall were tourism, and transport and communications. Negative overall growth rates were recorded for sugar production, while GDP in

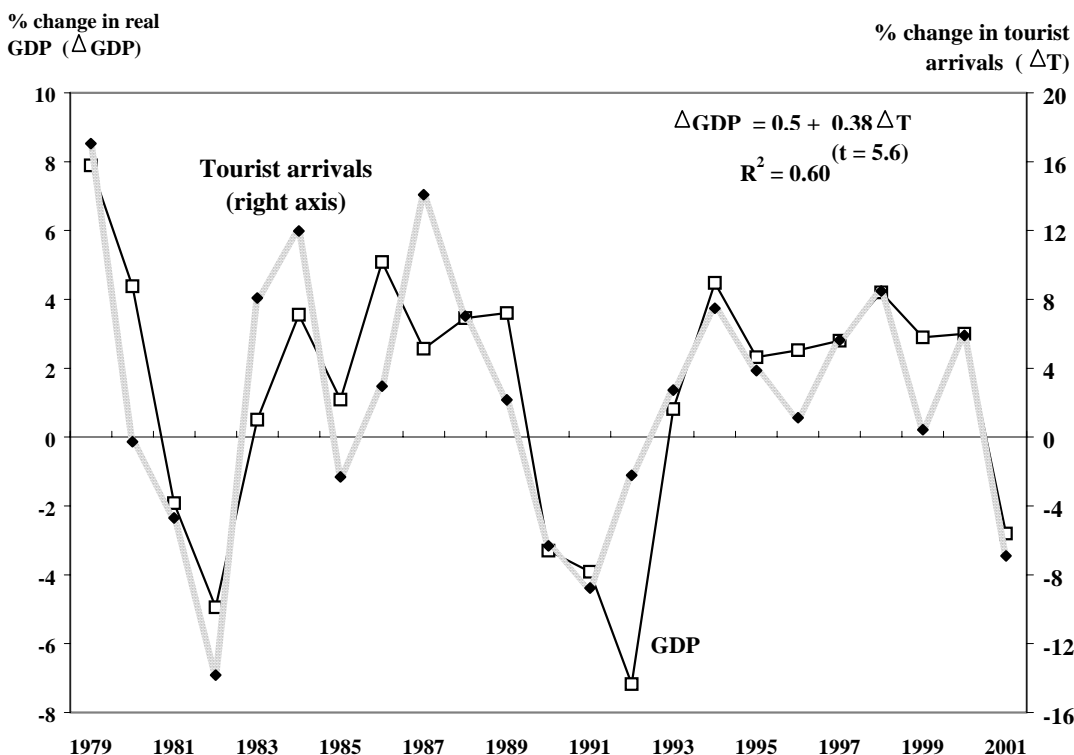
¹ These statistics are calculated by the United Nations and are available online at: <http://www.undp.org/hdr2001/indicator>.

² A simple regression analysis suggests that over 1979-01 some 60% of the variation in real GDP was explained by fluctuations in tourist arrivals. The analysis also suggests that a 10% variation in tourist arrivals leads to a 3.8% change in real GDP in the same direction.

manufacturing stagnated. In terms of national expenditure, personal and public consumption by far outpaced the expansion of trade and that of capital stock (Chart I.2).

Chart I.1

Annual changes in real GDP and tourist arrivals, 1979-01



Source: WTO Secretariat, based on Ministry of Finance and Economic Affairs, *Barbados Economic and Social Report, 2000*; and data provided by government authorities.

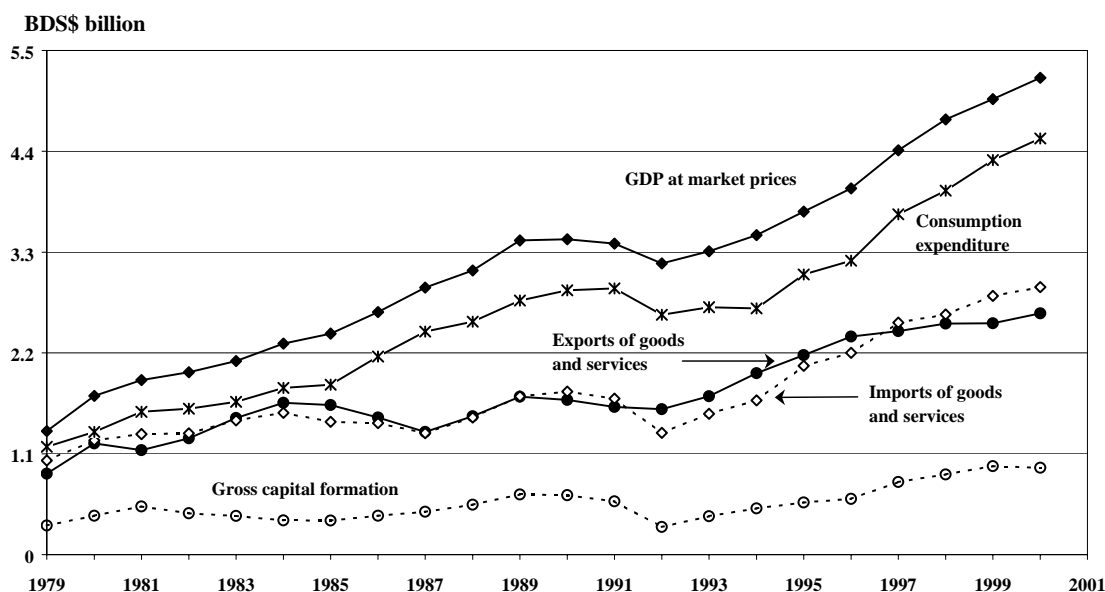
7. Private consumption continued to be the engine of economic growth over 1997-00, together with private building activity. This could be related to the growth in tourism, as well as the development of the residential property market, as an increasing number of foreigners purchased residences in Barbados.

(i) Recent economic developments

8. After a major recession during the three years from 1990 to 1992, Barbados recorded eight years of consecutive GDP growth, at an average pace of 3% annually in real terms over 1993-00. Growth was unchanged in 2000, at 3% (Table I.1), sustained by a strong performance of tourism that year. Economic growth translated into a large reduction in the unemployment rate, from 24.3% (1993) to 9.2% of the labour force in 2000. Unemployment was estimated to have increased again, to 10.3%, by September 2001³; it remains one of Barbados's main economic challenges.

³ Central Bank of Barbados (2002).

Chart I.2
Gross domestic product indicators, 1979-00



Source: Ministry of Finance and Economic Affairs (2001), *Barbados Economic and Social Report, 2000*.

9. The economy was estimated to have contracted by 2.6% in real terms in 2001.⁴ The economic slowdown that was already apparent in the first nine months of the year was compounded by the 11 September attacks on the United States, and their impact on the demand for tourism services in Barbados. Real value added in tourism declined by an estimated 5.9% in 2001. Some other sectors, especially manufacturing and agriculture, continued to contract as they tried to adjust to the recent removal of quantitative limits on imports (Chapter III(2)(v)). All the major subsectors of manufacturing registered decreases, with value added contracting by 3.3% in food processing, by 4.8% in beverages, by 30.3% in electronics, and by 5.5% in chemicals.

10. In October 2001, the Government announced the National Emergency Economic and Financial Programme to address the consequences of the recession.⁵ The programme was due to be implemented over a period of three months, and aimed to preserve employment, maintain a satisfactory level of economic activity, and ensure the viability of domestic producers. The programme included an "intervention package" of BDS\$32 million, most of which was to be provided to the tourism sector.⁶

⁴ Estimates from the Central Bank of Barbados online information. Available at: <http://www.centralbank.org.bb/cbb/cbb.nsf/index.htm?OpenPage>.

⁵ This Programme is available from the Ministry of Economic Development online information. Available at: http://www.barbadosbusiness.gov.bb/miib/Publications/Documents/economic_financial_programme.pdf.

⁶ Ministry of Economic Development online information. Available at: <http://www.barbadosbusiness.gov.bb/miib/Publications/publications.cfm>.

Table I.1
Basic macroeconomic indicators, 1997-01

	1997	1998	1999	2000	2001
I. Gross domestic product (GDP)					
GDP current (BDS\$ million)	4,412.6	4,747.1	4,970.0	5,200.8	..
Real GDP (1974 BDS\$ million)	890.0	927.4	954.2	982.5	954.8
Nominal GDP (US\$ million)	2,206.3	2,373.6	2,485.0	2,600.4	..
Nominal GDP per capita (US\$)	8,315	8,908	9,304	9,716	..
Sectoral breakdown (% of current GDP)					
Agriculture - sugar	1.9	1.4	1.4	1.5	..
Agriculture - non-sugar	3.4	2.5	3.5	2.9	..
Mining and quarrying	0.6	0.6	0.7	0.7	..
Manufacturing	6.2	6.2	6.3	6.2	..
Electricity, gas and water	3.2	3.3	3.2	3.2	..
Construction	5.6	5.7	5.8	5.8	..
Services – non-government	61.6	63.1	61.9	62.2	..
Services – government	17.5	17.2	17.2	17.4	..
Breakdown by expenditure (% of current GDP)					
Total consumption	84.1	83.7	86.6	87.3	..
Private	63.1	63.0	65.9	66.5	..
Public	21.0	20.7	20.7	20.8	..
Total investment ^a	17.9	18.4	19.4	18.2	..
Exports of goods and services	55.3	53.1	50.8	50.6	..
Imports of goods and services	-57.3	-55.2	-56.8	-56.1	..
Real rates of growth (%)					
Total GDP	2.8	4.2	2.9	3.0	-2.6
Agriculture - sugar	9.3	-25.7	10.9	9.7	-14.7
Agriculture - non-sugar	-7.6	-3.3	8.5	0.1	-3.5
Manufacturing	3.8	3.4	-2.4	-0.5	..
Electricity, gas and water	3.8	9.1	5.0	0.0	..
Construction	14.8	19.7	5.7	4.0	..
Services – non-government	2.6	5.2	2.3	4.7	..
Exports of goods and NFS	-0.7	3.2	0.3	5.5	..
Imports of goods and NFS	16.3	3.6	6.3	4.2	..
Nominal growth rates (%)					
Total consumption	15.8	7.0	8.4	5.5	..
Private	18.1	7.3	9.6	5.5	..
Public	9.4	5.8	4.6	5.6	..
Finished capital stock	27.0	9.4	8.2	-3.5	..
Private building activity ^b	19.2	18.1	4.4	5.1	..
Public building activity ^c	40.5	-15.6	25.0	-4.8	..
II. Employment and prices					
Rate of unemployment (%)	14.5	12.3	10.4	9.2	10.3
Consumer price index (% change)	7.7	-1.3	1.6	2.4	2.6

Table I.1 (cont'd)

	1997	1998	1999	2000	2001
III. Money and interest rates (end of period; annual change)					
M1	21.9	4.3	6.2	8.6	6.5
M2	10.8	5.7	9.9	10.1	5.4
Real effective exchange rate (12 month basis)	5.1	-1.1	4.1	6.0	..
Treasury bill rate (%; annual average)	4.91	5.70	6.05	3.85	..
Minimum savings rate (%; annual average)	4.0	4.0	5.0	4.5	3.0

.. Not available.

a Finished capital goods, change in stocks and building activities.

b Land development included.

c Central government only.

Source: Ministry of Finance and Economic Affairs (2001), *Barbados Economic and Social Report – 2000*, July; and data provided by the Government of Barbados.

(ii) Public finances

11. In the past, fiscal deficits have constituted a source of financial instability for the Barbados economy, resulting in structural adjustment measures being adopted in the early 1990s. In 2000/01, the Central Government ran an estimated overall fiscal deficit of BDS\$290 million, or over 5% of GDP at market prices (Table I.2). A large share of this deficit consists of amortization payments on domestic and foreign debt: net of amortization, the deficit stood at BDS\$92 million, or just over 2% of GDP. In early 2002, the authorities did not consider that the fiscal deficit was an immediate source of concern.

Table I.2
Central government operations, 1996-01
(BDS\$ million)

	1996/97	1997/98	1998/99	1999/00	2000/01 ^a
Current revenue	1,232.2	1,458.8	1,555.4	1,625.9	1,727.2
Tax	1,160.8	1,386.6	1,485.2	1,562.0	1,657.3
Non-tax	71.4	72.2	70.2	63.9	69.9
Current expenditure	1,308.0	1,447.5	1,561.3	1,675.9	1,701.0
Amortization	175.5	196.8	231.9	248.5	198.7
Other	1,132.5	1,250.7	1,329.4	1,427.4	1,502.3
Current surplus/deficit	-75.8	11.3	-5.9	-50.0	26.2
Capital expenditure	222.2	245.7	257.5	261.3	289.6
Net lending	3.4	11.7	0.0	4.5	12.7
Overall surplus/deficit	-301.4	-246.1	-263.4	-315.8	-290.0
Financing					
Domestic	216.5	199.2	154.6	176.7	223.9
Foreign	85.0	46.9	108.9	139.0	52.2
Overall deficit ^b as % of GDP	-7.5	-5.6	-5.5	-6.4	-5.3

a Provisional figures.

b Calendar year GDP corresponding to first year heading.

Source: Ministry of Finance and Economic Affairs (2001), *Barbados Economic and Social Report – 2000*, July.

12. One third of total expenditure was spending on wages and salaries in 2000/01. Payments towards pensions and other transfers amounted to another 26% of the total; and debt service, including interest and amortization, accounted for 23%. Capital expenditure amounted to 12% of

total public expenditure, and consisted mostly of the Public Sector Investment Programme. The latter currently includes an educational programme (EduTech 2000), a sewerage project, and road improvement schemes. Capital transfers to state enterprises amounted to BDS\$56 million, or 3% of total public expenditure and 1.1% of GDP in 2000/01.

13. Central Government revenue in 2000 relied mostly on taxes receipts (94% of total revenue in 2000/01). The largest share of tax revenue comes from indirect taxes on goods and services (45%), in particular VAT (29%). In addition, international trade taxes amount to 8% of revenues. Corporation taxes increased in 2000/01 as business profitability expanded; in 2001, they represented nearly 15% of total revenue, compared with 19% for personal income tax. Property taxes represent nearly 6% of total revenue.

14. The Budget for fiscal year 2001/02, which was approved by the Barbados Parliament in March 2001, was projected to increase the central government deficit to 3.5% of GDP excluding amortization. The Financial Statement of August 2001, however, planned for a lower central government deficit of 2.7% of GDP at market prices excluding amortization. The increase in the deficit relative to 2000/01 would be due to higher wages to compensate public-sector workers for salary cuts in 1991; to rising interest payments on external debt; to increased capital expenditure; and to an expected decline in income tax revenues following the economic slowdown. In addition to central government operations, public-sector accounts include large current and capital expenditure on public enterprises, and income from the National Insurance Scheme.

15. In December 2001, the level of public debt stood at US\$1,855 million, up from US\$1,635 million (43% of GDP) at December 2000. The domestic portion of the debt was US\$1,193 million. The stock of foreign debt was US\$662 million, up from US\$485 million (23% of GDP) at end December 2000. The rise resulted from increased external commercial borrowing destined to increase international reserves as a precautionary measure against balance-of-payment pressures. Barbados had a AA- long term credit rating in local currency from Standard & Poors in early 2002.⁷

(iii) Monetary policy

16. Monetary policy is carried out by the Central Bank of Barbados (CBB) under the framework of a fixed exchange rate system with the U.S. dollar. The Barbados dollar is pegged to the U.S. dollar at BDS\$2 per US\$1.⁸ The main objective of monetary policy is the maintenance of the exchange rate's fixed parity with the U.S. dollar, and thus the maintenance of a sufficient level of foreign exchange reserves. Other objectives include the promotion of monetary stability and of a sound financial structure, the development of money and capital markets, and the maintenance of credit and exchange conditions that foster economic development.

17. The inflation rate in Barbados is particularly sensitive to exogenous factors, such as variations in the oil price, and changes in the U.S. dollar exchange rate versus currencies of other major trading partners, as these cause changes in import prices. Efforts are made, however, to keep inflation low in harmony with Barbados's fixed exchange rate policy, so as to prevent an excessive appreciation of the real effective exchange rate, which would be detrimental to the export sector. The exception was a peak of 8% in 1997, the year of implementation of the value added tax (VAT). Inflation has been on a rising trend since early 1999. Retail prices rose at an annual average rate of 2.6% over the twelve

⁷ Standard & Poors online information. Available at: <http://www.standardandpoors.com/RatingsActions/RatingsLists/Sovereigns/SovereignsRatingsList.html>.

⁸ Commission charges of 0.125% and 1.75% apply when buying and selling the dollar. Higher commissions apply for the Canadian dollar, the euro, and the pound sterling.

months ending December 2001, compared with a rate of 2.4% for the corresponding period ending December 2000. Inflation in 2001 was anticipated to be in the region of 3.5%.⁹

18. The Government has a policy of linking wage increases to productivity increase. The Barbados National Productivity Council is responsible for measuring improvements in productivity, and determining appropriate wage levels in consultation with government trade unions and employers. This determination takes into account such factors as exchange rate stability, competitiveness, and the reduction of social disparities through increased employment.

19. The real effective exchange rate appreciated by an average 3.5% annually over 1997-2000 (Table I.1). This partly reflected the depreciation of the Canadian dollar, the euro, and the pound sterling against the U.S. dollar. The appreciation did not result from domestic price increases, as Barbados was able to keep inflation close to the levels of its main trading partners. While the appreciation has probably been detrimental to competitiveness in the goods sector, its effects on tourism are likely to be partly superseded by other factors, such as quality of service, or the evolution of hotel and restaurant prices vis-à-vis the CPI. According to data provided by the authorities, there are no signs of a loss in competitiveness in the tourism industry, as Barbados's share of arrivals to the region remained stable over the 1995-2000 period.

20. The Central Bank relies mainly on monetary instruments (rather than inflation targeting) for the monitoring of monetary conditions and the implementation of monetary policy. Its main instrument of intervention is the modification of short-term interest rates, and the setting of reserve requirements. In particular, banks are required to maintain a percentage of their commercial bank deposit liabilities in the form of a non-interest-bearing cash deposit with the Central Bank; they must also maintain a percentage of their total deposit liabilities in government securities (see Annex I.1).

21. The authorities indicated that because of the oligopolistic nature of the Barbados financial market environment, the Central Bank tends to focus more on commercial bank credit than the traditional money supply as the critical monetary control variable. It therefore uses the level of private sector credit as a short-term indicator of the warranted direction of monetary policy. The level of net international reserves is also used on a regular basis to monitor developments.

22. For example in 1999, the growth of domestic deposits at financial institutions outpaced the growth of private sector credit. To address the resulting excess liquidity, the Central Bank tightened monetary conditions by increasing the minimum deposit rate at which the commercial banks may remunerate customers, from 4% to 5%. Subsequently, as evidence mounted of an economic slowdown, the Central Bank reduced the minimum rate on several occasions. In early 2002, the minimum deposit rate was 3%.

23. The Central Bank's discount rate was also lowered from 10% prior to April 2001 to 7.5% by the end of 2001. According to the Central Bank, the discount window is seldom used by banks. Therefore the discount rate is used primarily as a signal of the direction in which the Central Bank would like rates to move.

24. The authorities have indicated that reducing the minimum cash reserve requirement is designed to provide commercial banks with more funds, which hopefully they will lend out. The authorities also noted that the focus is not to reduce excess liquidity, but to stimulate credit to the private sector.

⁹ Central Bank of Barbados (2002).

25. In 2001, the Central Bank also began to set compulsory weighted average lending rates for banks on selected categories of loans, which were to be no higher than 10% by August, 9.5% by September, and 8.5% by December 2001. This measure could constitute a step backwards from financial liberalization, and from the free movement of capital.

26. Over the years, the Government has gradually liberalized controls on foreign exchange transactions. In early 2002, rather extensive controls were in place on capital account transactions, while most current account transactions appeared to be, in practice, free of restrictions. These measures are administered by the Central Bank in order to ensure an adequate level of reserves to maintain the fixed exchange rate peg. They are summarized in Annex I.I.

(3) BALANCE-OF-PAYMENTS AND TRADE AND INVESTMENT FLOWS

27. Barbados is sensitive to external developments, with exports and imports of goods and services amounting together to just over half of GDP. In recent years, strong growth of domestic consumption has been concomitant with a sharp expansion of merchandise imports, and a deterioration of the merchandise trade balance (Chart I.3). On the export side, nearly 46% of all export revenues come from tourism receipts.

28. In contrast with most of the preceding twenty years, between 1997 and 2000 current account transactions showed a continuous and large deficit (Table I.3), which tripled during the period. The worsening current account deficit position observed between 1997 and 2000 was generally compensated by the capital and financial account surplus. The main source of capital inflows has been public and private sector borrowing for construction projects and reserve accumulation, rather than foreign direct investment.

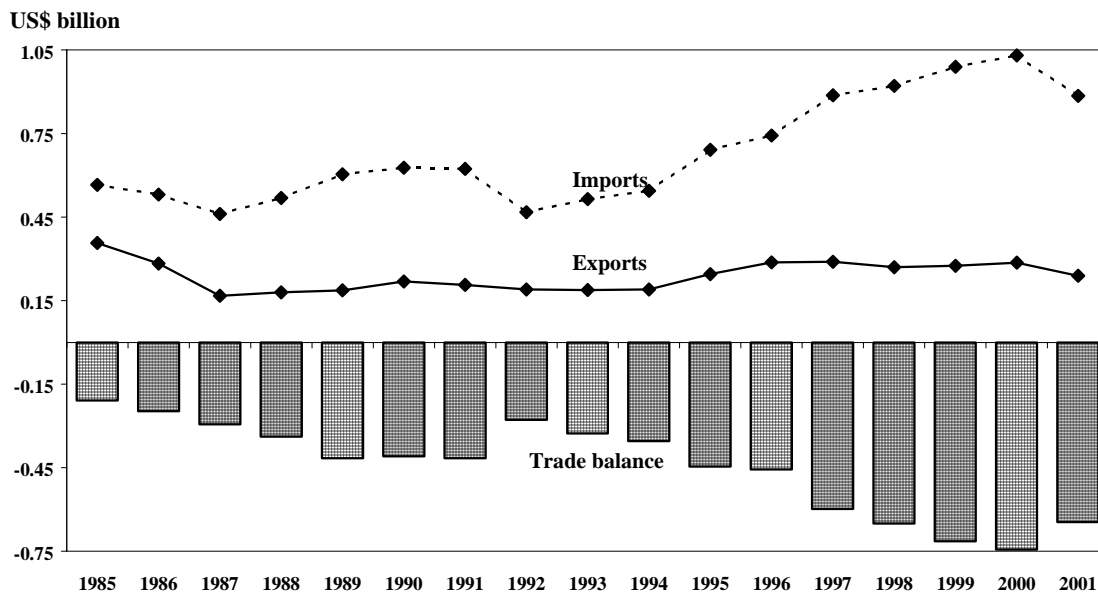
29. The September 2001 attacks on the United States, through their effect on tourism, were initially expected to worsen Barbados's current account deficit in 2001. In the event, the external current account deficit was reduced from 5.8% of GDP in 2000 to 3.5% of GDP in 2001, mainly because of a fall in merchandise imports (Table I.3).

(i) Merchandise trade

30. Revenues from exports of merchandise have remained relatively small, at about one fifth of total exports of goods and services, and 11% of GDP. Exports decreased strongly in 2001 (Table I.3). In contrast, imports expanded sizeably since the recession year of 1992. The result was a growing merchandise trade deficit until 2000. In 2001, imports of consumer goods were 4.4% lower; this was principally due to a contraction in motor car imports. Inflows of capital goods declined by 8% on account of a reduction in machinery imports; purchases of intermediate goods were down by 12.5%, reflecting lower imports of construction materials, and a fall in oil prices over the year, which significantly reduced outlays for fuel.¹⁰

¹⁰ Central Bank of Barbados (2002).

Chart I.3
Merchandise trade balance, 1985-01



Source: Central Bank of Barbados, *Balance of Payments 2001*; and data provided by Government of Barbados.

Table I.3
Balance of payments, 1997-01
(US\$ million)

	1997	1998	1999	2000	2001
Current account balance	-49.3	-62.5	-147.5	-150.2	-88.4
Merchandise trade balance	-598.7	-650.6	-714.2	-744.0	-694.6
Exports	289.0	270.1	275.3	286.3	190.1
Imports	887.7	920.7	989.4	1,030.3	884.7
Net income	-47.7	-56.1	-71.5	-82.3	-82.3
Revenues	60.4	63.4	66.7	70.2	..
Investment income	46.1	48.9	51.8	54.4	..
Compensation of employees	14.3	14.6	14.9	15.8	..
Expenditures	108.1	119.5	138.1	152.5	..
of which					
Equity	25.5	29.4	33.9	39.3	..
Payments on government debts	25.0	24.4	32.9	36.6	..
Payments on other debts	43.2	48.9	51.5	55.3	..
Services, net	549.8	591.4	571.1	602.9	604.7
Revenues	959.3	1,023.6	1,029.3	1,090.2	..
Travel	663.4	711.9	686.8	723.0	705.9
Transportation	20.6	21.1	23.1	24.8	..
Other non-factor services	275.3	290.7	319.4	342.5	..
Expenditures	409.5	432.2	458.2	487.4	..
Transportation	140.9	146.8	156.8	163.5	..
Travel	78.8	82.2	86.7	94.1	89.7

Table I.3 (cont'd)

	1997	1998	1999	2000	2001
Other non-factor services	189.8	203.3	214.7	229.8	..
Exports of goods and services	1,248.7	1,293.7	1,304.6	1,376.6	..
Imports of goods and services	1,297.1	1,352.9	1,447.6	1,517.7	..
Transfers	47.3	52.8	67.0	78.4	83.8
Revenues	72.3	78.9	94.7	109.4	..
Government transfers	1.2	1.2	2.4	3.4	..
Private transfers	71.2	77.8	92.4	106.0	..
Expenditures	25.1	26.2	27.7	31.0	..
Government transfers	4.1	5.2	4.6	6.1	..
Private transfers	21.0	21.0	23.1	25.0	..
Capital and financial account balance	39.4	24.1	137.7	324.5	244.1
Capital account	0	0.7	0.7	-1.8	..
Foreign direct investment	13.6	14.8	16.1	18.4	..
Portfolio investment	-18.7	-24.6	-24.3	-20.2	..
Other investment, net	44.6	33.3	145.3	328.1	..
of which					
Public sector borrowing	-30.2	-12.9	50.3	119.9	..
Private sector borrowing ^a	74.7	46.1	95.0	208.2	..
Errors and omissions	47.5	1.1	65.4	21.4	..
Valuation adjustments	-21.9	31.7	-18.6	-22.8	..
Change in net reserves (increase -)	-15.7	5.6	-36.9	-178.0	-223.2
Memorandum items:					
Current account (share of GDP, %)	-2.2	-2.6	-5.9	-5.8	-3.5
International reserves (months of imports)	3.4	3.1	3.4	5.5	9.1

.. Not available.

a Trade credits, deposits in overseas banks and others.

Source: Central Bank of Barbados, *Balance of Payments, 2001*; and information provided by the authorities.

(a) Geographical pattern of merchandise trade¹¹

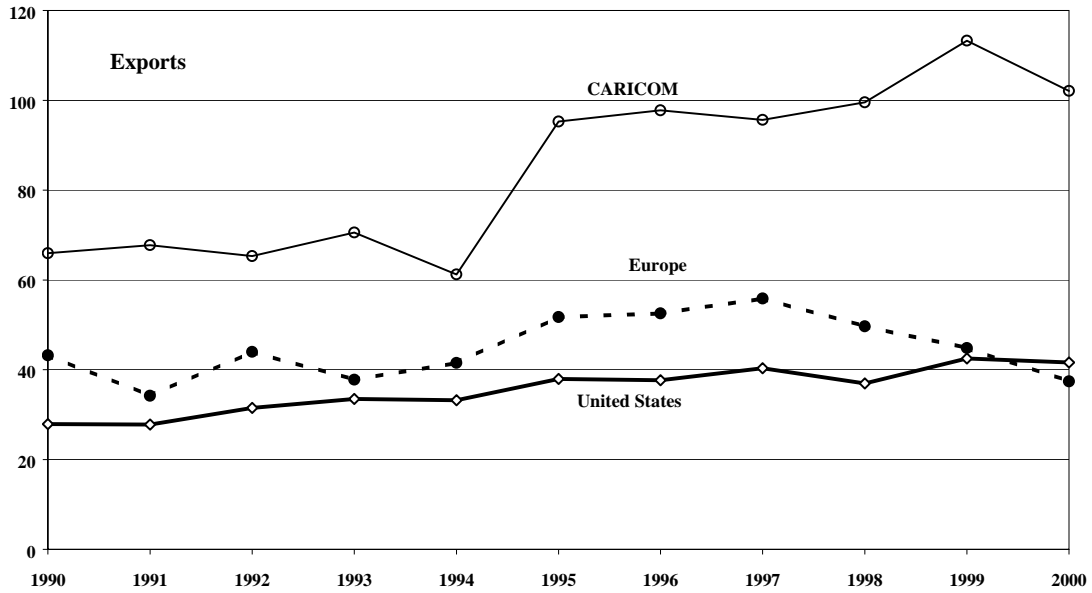
31. Over 40% of imports (Table AI.1) originate in the United States, up from 34% in 1990. Imports from the United States have increased particularly fast since 1992 (Chart I.4). Import growth from Europe exhibited no clear trend during the 1980s, and also accelerated after the recession of 1992, albeit at a slower pace. Imports from the CARICOM region have increased consistently since the mid-1980s, to represent 20% of total imports in 2000, coinciding with expanding tariff preferences. Among the other trading partners, exceptional import growth since 1995 has been recorded for China and Brazil. Imports from Brazil grew mainly for machinery and vehicles. Imports from China grew across a wide range of manufactured products.

32. The geographical pattern of merchandise trade shows a jump in exports to the CARICOM region in 1994, the year of implementation of the first phase of the CARICOM tariff reduction programme (Chart I.4). Meanwhile, exports to Europe have declined, reflecting the depreciation of the euro and the fall in sugar export revenues. Exports to the United States have followed a modestly increasing trend (Table AI.2).

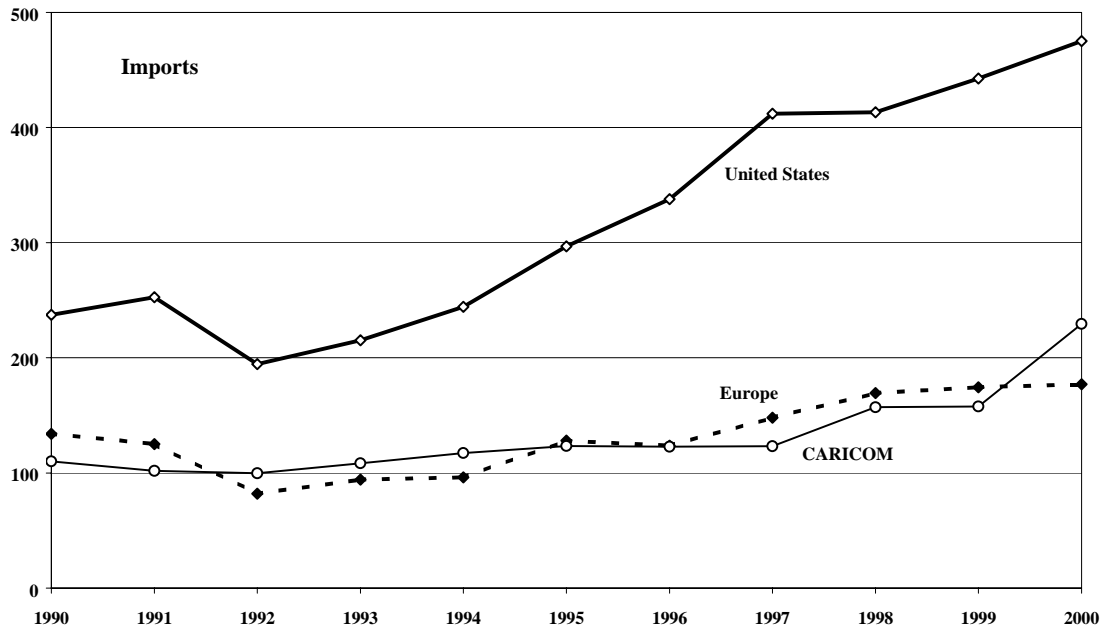
¹¹ This section and the following (product pattern of merchandise trade) are based on Customs rather than balance-of-payments data.

Chart I.4
Trade trends, 1990-00

US\$ million



US\$ million



Source: Central Bank of Barbados (2000), *Annual Statistical Digest*.

(b) Product pattern of merchandise trade

33. Import growth has been strong in machinery (Table AI.3), perhaps reflecting the demand for capital and intermediate goods for large infrastructure projects in hotels, roads, the port and the airport. Imports of refined oil products have also increased strongly, reflecting the closure of the domestic refinery. Imports of food have declined as a share of total imports. This in turn could partly be the result of the self-sufficiency policy adopted since the mid-1990s. Exports consist mostly of sugar, rum, crude petroleum, medicaments, insecticides, as well as electronic microcircuits and resistors, and stationery (Table AI.4).

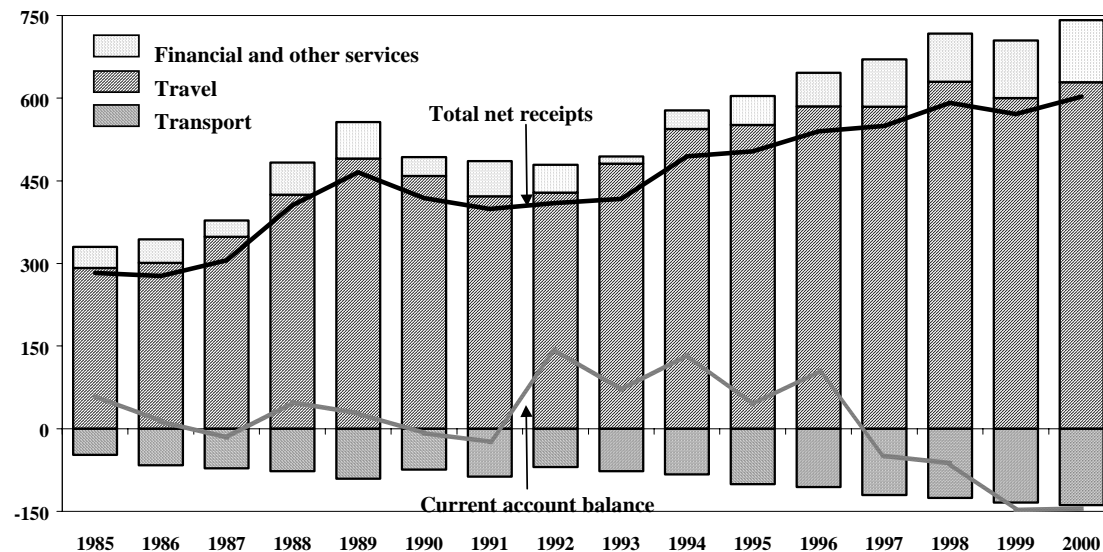
(ii) Trade in services

34. Until 1997, the merchandise trade deficit was more than counterbalanced by a large surplus of the services account. Net foreign receipts from non-factor services expanded substantially throughout the 1990s, although not as fast as merchandise imports. The majority of credits result from travel receipts (Chart I.5), reflecting the importance of tourism. Two types of traveller visit Barbados: long-stay tourists (who stay at least overnight and up to one year), and excursionists, who generally come for less than 24 hours aboard a cruise ship. Income from excursionists remains considerably smaller than tourist income (US\$55 million versus US\$656 million in 2000), but expanded at a brisk pace during the 1990s.

Chart I.5

Current account balance and net foreign receipt from services, 1985-00

US\$ million



Source: Central Bank of Barbados, *Balance of Payments, 2001*.

35. The second largest source of services export revenue is financial services, which in 2000 generated net foreign receipts of over US\$70 million (Table I.4). These receipts to a large extent reflect the foreign exchange transactions of offshore banks and other financial companies (excluding insurance). Exports of financial services are low in relation to value added in financial and business services, which reached US\$385 million in 2000.

Table I.4
Trade in non-factor services, 1997-00
(US\$ million)

	1997	1998	1999	2000
Non-factor services, balance	549.8	591.4	571.1	602.8
Credit	959.2	1,023.6	1,029.4	1,090.2
Travel	663.4	711.9	686.8	723.0
Business	2.9	3.1	3.5	3.8
Personal	660.6	708.9	683.4	719.2
Long-stay tourists	604.9	651.8	632.4	656.5
Excursionists	52.3	51.2	43.7	54.9
Others	3.3	5.9	7.3	7.9
Transportation	20.6	21.1	23.1	24.8
Insurance	65.2	68.3	75.0	79.5
Life insurance and pension funds	32.1	35.1	39.8	42.3
Freight insurance	2.8	3.1	3.8	4.2
Others	30.3	30.1	31.4	33.1
Communication	26.0	26.9	27.3	27.8
Management fees	12.2	13.4	15.9	17.3
Financial services	59.2	64.3	68.3	75.2
Computer and information	26.2	23.6	17.8	17.4
Merchandising and other trade-related business	25.5	26.5	33.2	34.8
Other miscellaneous business ^a	34.6	38.9	49.9	55.7
Government, n.i.e.	26.5	29.0	32.3	34.9
Debit	409.4	432.3	458.3	487.4
Travel	78.8	82.2	86.7	94.1
Business	29.4	30.6	31.5	32.7
Personal	49.4	51.6	55.3	61.4
Transportation	140.9	146.8	156.8	163.6
Air transport	61.2	64.6	68.0	70.9
Passenger fares	41.3	44.0	45.0	46.7
Freight and others	19.9	20.6	23.0	24.2
Sea transport	79.8	82.2	88.9	92.7
Freight	79.7	80.8	88.7	92.5
Others	0.1	1.4	0.2	0.2
Insurance	90.7	95.7	101.6	109.5
Life insurance and pension funds	26.4	30.3	33.2	34.2
Freight insurance	10.0	10.1	11.2	11.6
Others	54.4	55.3	57.2	63.8
Communication	4.7	5.1	6.8	7.9
Management fees	10.4	11.0	11.6	12.8
Financial services	3.2	4.4	4.9	5.1
Computer and information	4.4	4.9	5.2	5.2
Merchandising and other trade-related business	11.6	11.8	12.1	12.6
Other miscellaneous business ^a	44.5	47.6	47.5	49.6
Government, n.i.e.	20.4	23.1	25.3	27.4

.. Not available.

a Includes construction, royalties and license fees, operational leasing, and personal, cultural and recreational services.

Source: Central Bank of Barbados, *Balance of Payments 2001*.

36. Trade in insurance services is also substantial, and has been growing; the trade balance is negative (Chart IV.3). The expansion has come mostly from reinsurance. Debits have increased as domestic insurance companies have been encouraged to spread risks by purchasing reinsurance on international markets. Credits represent premiums received from regional branch offices of local insurance companies and commissions receivable on reinsurance placed on the international markets.

37. Trade in transportation services is also large, reflecting the importance of freight and passenger air transport. Most trade flows are debits, as Barbados does not possess a significant maritime fleet or airline.

38. In communications, the net surplus of US\$20 million in 2000 reflected the higher number of incoming international calls over calls abroad by residents. Because of the accounting rate system, the originating carrier bills the customer for international calls and compensates the carrier in the called country for terminating calls, based on the (fixed) settlement rate, which has traditionally been set as one half of the (theoretical) total cost of completing the call. The surplus mirrors this compensation. As competition has increased, commercial negotiations between carriers are progressively supplanting these regulations (Chapter IV(5)(vii)). In recent years, debits resulting from communications services have increased sharply.

(iii) Income and net transfers

39. Barbados's net income account has registered a growing deficit, reaching US\$82 million in 2000, as Barbados residents increased direct and portfolio income payments to non-residents. These payments include dividend income, and interest payments on foreign debt. On the other hand, net transfers have also expanded sizeably, to reach US\$78 million in 2000. These consist mostly of workers' remittances.

(iv) Capital and financial flows

40. The capital and financial account registered a sizeable surplus of US\$325 million in 2000, reflecting increased public-sector borrowing as well as long-term private-sector inflows. The private-sector inflows occurred mainly for hotel-related projects, including new construction, refurbishment, and expansion. The increased public-sector borrowing in 2000, which resulted in increased reserves, was designed as a precautionary build-up for trade and financial liberalization or unexpected external developments. Liquid foreign assets represented roughly 37 weeks of imports at the end of 2001, compared with 22 weeks at the end of 2000.

41. Foreign direct investment in Barbados reached over US\$18 million in 2000 (Table I.3), and has exceeded US\$10 million in each year since 1997. It consists of investment in existing branches of foreign companies, of undistributed and unrepatriated earnings, and of new capital.

(4) OUTLOOK

42. The outlook for the Barbados economy and trade will be significantly determined by the speed of recovery in the economies of Barbados's trading partners, especially the United States and the United Kingdom. Projections for 2002 suggested that real output in Barbados should remain relatively flat, and inflation at around 3.5%.¹² Real value added in the tourism subsector was projected to fall further, albeit by less than half that of 2001. Sugar production was forecast to contract by 15-20%, on account of a reduction in the acreage planted and lower yields. However, non-sugar agriculture and fishing, along with manufacturing, were expected by the Central Bank to

¹² Central Bank of Barbados (2002).

show marginal increases, attributable in part to the buy-local campaign and to the increase to 60% of the tariffs on domestically produced manufactured goods. The construction sector was expected to benefit from the public investment programme and other proposed private-sector ventures. Wholesale and retail trade were projected to be constrained by the fall in tourism output.

43. The current account deficit was expected to increase in 2002 relative to 2001, owing mainly to a moderate rise in imports as domestic demand picked up. The fiscal deficit before debt amortization was projected to be in the region of 3.5%-4% of GDP, primarily on account of the reduction in economic activity.

Annex I.1: Barbados's exchange policy and controls¹

1. In order to ensure an adequate level of reserves to maintain the parity with the U.S. dollar, controls are in place on the capacity of residents and non-residents to buy, sell, and generally transact in foreign exchange. Commission charges of 0.125% and 1.75% apply when buying and selling the dollar. Higher commissions apply for the Canadian dollar, the euro, and the pound sterling.

(a) Invisible transactions and current transfers

2. Exchange control applies for payments to all countries except the members of the Organization of Eastern Caribbean States (OECS). Exchange control is administered by the Central Bank of Barbados, which delegates to authorized dealers the authority to approve normal import payments. Further authority is delegated to commercial banks in respect of current account transactions up to BDS\$250,000. Foreign currency proceeds from invisibles must be sold to authorized dealers. Current account transactions and capital transactions with OECS members, denominated in Eastern Caribbean dollars, are free of controls, except for transactions in debt issues of OECS governments.

3. Subject to specific conditions under delegated authority, individuals and companies resident in Barbados may maintain foreign currency accounts with authorized dealers. Certain receipts and payments may be credited and debited to these accounts; others require the permission of the CBB. Foreign exchange accounts held abroad are also subject to Central Bank permission.

4. Non-residents may under certain conditions maintain domestic currency accounts. These accounts may be credited with the proceeds from sales of foreign currencies, transfers from other external accounts, bank interest, and payments by residents for which the CBB has given general or specific permission. The accounts may be debited for payments to residents of Barbados and for any other payment covered by delegated authority to authorized dealers. Other debits and any overdrafts require Central Bank approval.

5. Authorized dealers may release foreign exchange up to the equivalent of BDS\$250,000 (c.i.f.) for advance payments for imports into Barbados. Other advance payments and amounts above the quantitative limits require the prior approval of the CBB. For freight and insurance, the limit is also BDS\$250,000 per transaction, including insurance payments and premiums.

6. Approval is also required for payments of profits and dividends above BDS\$250,000, except for companies from CARICOM countries listed on the Barbados Stock Exchange, for which the limit is BDS\$3 million. However, in September 2001, dividend payments to non-resident beneficiaries in CARICOM countries were allowed remittance of the full amount due.

7. For personal payments, such as medical costs, studies abroad, and other expenses, approval was required for amounts above certain limits. In April 2001, however, commercial banks were permitted to approve all transactions in respect of payments outside of Barbados for education and medical treatment.

(b) Capital transactions

8. Purchases of all securities abroad by residents require exchange control approval. Earnings on these securities must be repatriated and surrendered to an authorized dealer. All credit operations, as well as direct investments, also require exchange control approval. Liquidation of proceeds of

¹ Based on information contained in IMF (2001), and information provided by the authorities.

direct investments is permitted, provided that evidence documenting the validity of the remittance is submitted, all liabilities related to the investment have been discharged, and the original investment was registered with the CBB.

9. All real estate transactions require exchange control approval. These include purchases abroad by residents, and purchases and sales locally by non-residents. Non-residents may acquire real estate in Barbados for private purposes with foreign currency funds; local currency financing is not ordinarily permitted. Proceeds from the realization of such investment equivalent to the amount of foreign currency brought in may be repatriated freely. Capital sums realized in excess of this amount may be repatriated on the basis of a predetermined rate of return on the original investment. Amounts in excess of the sum so derived are in principle restricted to remittances of BDS\$30,000 a year. According to the authorities, in practice significant amounts in excess of the sum may be repatriated over three years.

(c) Provisions specific to commercial banks and other credit institutions

10. Any borrowing abroad by authorized dealers to finance their domestic operations requires the approval of the CBB. Similarly, lending to non-residents (financial or commercial credits) requires exchange control permission.

II. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

(1) INTRODUCTION

1. Since independence in 1966, Barbados has formulated and implemented its trade policy within a stable institutional framework. Barbados is an original Member of the WTO, within which it has sought the binding of special and differential treatment for developing countries and the recognition of the special status and needs of small, vulnerable, developing economies. Barbados's trade policy has also been deeply influenced by its participation in the Caribbean Community and Common Market (CARICOM), where it is urging rapid implementation of a single market. Through its CARICOM membership, Barbados maintains preferential trade agreements with a number of Latin American countries. Barbados's exports benefit from unilateral trade preferences granted by a number of its trading partners.

2. Barbados gives national treatment to foreign investment, and offers a number of tax incentives for these investments. Barbados also grants fiscal and other advantages to entities engaged exclusively in "international" activities. In part as a result, Barbados was one of the WTO Members concerned by the Organisation for Economic Co-operation and Development Report on Harmful Tax Competition of 1998 and ensuing actions.

(2) THE BARBADOS LEGAL AND INSTITUTIONAL FRAMEWORK

(i) Form of government

3. Barbados gained independence in November 1966; it is a constitutional monarchy with a parliamentary system based on the Westminster model, and a member of the British Commonwealth of Nations. The Head of State is the British monarch who is represented in Barbados by the Governor General.

4. Under the Constitution, the Governor General appoints as Prime Minister the member of the House of Assembly who, in his judgement, is best able to command the confidence of a majority of members of the House. The Parliament is composed of a House of Assembly of 28 elected members and a Senate of 21 members appointed by the Governor General. Twelve Senators are appointed on the advice of the Prime Minister, two on the advice of the Leader of the Opposition and seven by the Governor General acting in his discretion to represent various interest groups. According to the Constitution, elections must be held every five years but may be called at any time by the Prime Minister.

5. The Constitution is Barbados's supreme law. Any law that is not consistent with the Constitution is void to the extent of its inconsistency. International agreements that have not been incorporated into domestic law cannot be invoked before the Courts and have no direct effect under Barbados law. WTO provisions may not, therefore, be invoked directly before national courts. The WTO Agreements have led to the enactment of legislation on customs valuation, bound tariffs, and intellectual property (see below).

6. The judicial system is based on the English common law; its independence is guaranteed by the Constitution. Magistrates Courts deal with civil and criminal cases. The Supreme Court of Judicature consists of the High Court and Court of Appeal and deals with the more serious criminal and civil cases and with issues related to the interpretation of the Constitution. The Privy Council in London is the final Court of Appeal for Barbados. However, within the Caribbean Community, efforts are under way to establish a Caribbean Court of Justice. This Court will replace the Privy Council as the final Court of Appeal for Barbados and the other member states that are parties to the

agreement establishing the Court. The Court will also be vested with an original jurisdiction in respect of the interpretation and application of the Treaty establishing the Caribbean Community.

(ii) Policy-making and administration

7. The Ministry of Foreign Affairs and Foreign Trade is responsible for advising the Government on all trade policy matters. It also has responsibility for negotiating trade agreements and coordinating their implementation. The Ministry of Commerce, Consumer Affairs and Business Development administers import licences. Changes in import or export duties can take place by Order of the Minister of Finance, or be voted by Parliament.

8. The Ministry of Economic Development, the Ministry of Tourism, the Barbados Investment Development Corporation (BIDC) and the Barbados Tourism Investment Incorporated (BTI) are collectively responsible for regulating, promoting and facilitating domestic and foreign investment (see below). Authority in the other main areas of WTO-related policy-making is summarized in Table II.1.

Table II.1
Government agencies involved in the formulation or administration of trade or trade-related policies and area of responsibility

Agencies (Internet site)	Responsibility
Prime Minister's Office	CARICOM Single Market & Single Economy
Ministry of Finance	
Inland Revenue Department	Collection of corporate income taxes
Customs Department	Administration of the Common External Tariff and rules of origin and procedures
Value-Added Tax Division	VAT administration
Barbados Stock Exchange	Trading and securities
Central Bank of Barbados (http://centralbank.org.bb)	Banking and currency regulation Formulation of monetary and fiscal policies Management of foreign exchange reserves
Ministry of Foreign Affairs and Foreign Trade (http://www.foreign.gov.bb)	Formulation of trade policies, international trade negotiations, coordination and implementation of all trade agreements Bilateral investment treaties Administration of anti-dumping and countervailing duties and safeguards
Attorney General's Office	Legislation, including law reform and law revision Coordination of overall economic policy framework
Ministry of Tourism and International Transport	
Barbados Tourism Authority (http://www.barbados.org/bta.htm)	Regulation and development of tourism
Air Transport Licensing Authority	Economic regulation of air transport
Barbados Port Authority (http://www.barbadosport.com)	Shipping, including port management, harbours and lighthouses
Ministry of Commerce, Consumer Affairs and Business Development	Internal trade, electronic commerce, cooperatives and friendly societies, science and technology, metrication, consumer affairs, small business
Barbados National Standards Institution	Implementation and development of standards
Price Control Division	Price control, import licensing
Fair Trading Commission	Utility regulation and fair competition

Table II.1 (cont'd)

Agencies (Internet site)	Responsibility
Ministry of Economic Development (http://www.barbadosbusiness.gov.bb)	
(i) Economic planning	Economic and social development, development planning statistical services, technical and financial assistance programme
(ii) Industry and international business	Corporate affairs, intellectual property, telecommunications and industry
Telecommunications Division	Telecommunications Agreement Administration of telecommunication policy and regulation of telecommunications sector
Barbados Investment and Development Corporation (http://www.bidc.com)	Investment promotion and facilitation Administration of rules of origin procedures
International Business and Financial Services Division (http://www.barbadosbusiness.gov.bb)	Formulation of policy framework for development of international business, establishing the legislative/supervisory framework for international business and financial services, advise on negotiation of double taxation agreements
Corporate Affairs and Intellectual Property Office (http://www.caipo.gov.bb)	Registration of trade marks, patents and industrial designs Incorporation and registration of companies (both domestic and external) and the regulation of the commercial activities of offshore companies
Ministry of Agriculture and Rural Development	
The Barbados Agricultural Development and Marketing Corporation	Marketing of agricultural products
Ministry of Physical Development and Environment (http://environment.gov.bb)	
Environment	Environmental conservation and engineering

Source: Government of Barbados.

9. The Government of Barbados consults with social partners in the course of the trade policy formulation process. The major consultative bodies are the Barbados Manufacturers' Association, the Barbados Chamber of Commerce and Industry, the Barbados Private Sector Agency, the Congress of Trade Unions and Staff Associations of Barbados, the Barbados Hotel and Tourism Association, the Barbados Agricultural Society, and the Barbados International Insurance Association. The Government also seeks the views of the public at large on trade and investment-related issues, for example through Town Hall meetings.

(iii) Laws and regulations affecting trade and international investment

10. The main trade-related laws are the Customs Act, Cap. 66 and related Regulations, and the Miscellaneous Controls Act, Cap. 329, which concerns import licensing regulations. All laws passed by Parliament are published in the Government's *Official Gazette*. Several trade and investment-related laws are posted by the authorities on the Internet website of the Ministry of Economic Development.¹

11. The WTO Agreements that have been implemented were incorporated by way of amendments in the Customs Act and the Customs Regulations, 1963, regarding tariff bindings and customs valuations; and in legislation on trade-related aspects of intellectual property rights (Chapter III(4)(v)). WTO provisions that have yet to be incorporated into Barbados law include the

¹ Ministry of Economic Development online information. Available at: http://www.barbadosbusiness.gov.bb/miib/Legislation/Acts/Investment_acts.cfm.

Agreement on Article 6 of the GATT and the Agreement on Subsidies and Countervailing Duties. The authorities expected the necessary legislation to be enacted during 2002. Notifications by Barbados to the WTO are contained in Table II.2.

Table II.2
Notifications by Barbados to the WTO, December 2001

Legal basis, instrument or provision	Periodicity	WTO documents	Comment
General Agreement on Trade in Goods 1994			
Art. XVII	Annual	G/STR/N/1/BRB, 29.05.96	No notification received since 1996
Decision on Notification Procedures for Quantitative Restrictions			
WTO document G/L/59	Bi-annually	..	No notification received
Agreement on Agriculture			
Art. 10 & 18.2	Annual	G/AG/N/BRB/3, 14.10.96, G/AG/N/BRB/4, 28.02.01, G/AG/N/BRB/10, 09.11.01	No export subsidies
Art. 5.7 & 18.2	Annual	G/AG/N/BRB/5, 04.10.01, G/AG/N/BRB/9, 09.11.01	No special safeguard measures taken
Art. 18.2	Annual	G/AG/N/BRB/6, 15.05.01, G/AG/N/BRB/8, 09.11.01	Volume of imports under tariff quotas
Art. 18.2	Annual	G/AG/N/BRB/7, 04.10.01, G/AG/N/BRB/11, 09.11.01	Domestic support measures
Agreement on the Application of Sanitary and Phytosanitary Measures			
Art. 7, Annex B	Ad hoc	..	No measures notified
Agreement on Textiles and Clothing			
Art. 3.1	Once	..	No quantitative restrictions notified
Art. 6.1	Once	..	No notification received to retain the use of safeguards
Agreement on Technical Barriers to Trade			
Art. 2.9	Ad hoc	G/TBT/NOTIF.00/396, 05.09.00	Notification in 2000
Art. 15.2	Once upon entry in force	G/TBT/2/A.48, 24.09.98	Laws and regulations
Annex 3C	Once	G/TBT/CS/N/77, 02.09.97	Acceptance of Code of Good Practice on voluntary standards
Agreement on Trade-Related Investment Measures			
Art. 5.1	Once	G/TRIMS/N/1/BRB/1, 31.03.95	Notification of non-conforming measures
Agreement on Implementation of Article VI of the GATT 1994 (Anti-Dumping)			
Art. 16.4	Ad hoc	G/ADP/N/16/Add.1/Rev.9, 17.04.01	No anti-dumping actions taken over the past six months
Art. 18.5	Once	G/ADP/N/1/BRB/1, 30/10/95	Laws and regulations
Agreement on Rules of Origin			
Art. 5.1	Once	G/RO/N/7, 12.02.96	Does not maintain any non-preferential rules
Annex II(4)	Once	G/RO/N/7, 12.02.96	Preferential rules (Treaty of Chaguaramas)
Agreement on Import Licensing Procedures			
Art. 7.3	Annual	G/LIC/N/3/BRB/1, 23.01.96	Replies to questionnaires on import licensing procedures
Agreement on Preshipment Inspection			
Art. 5	Once	..	No laws or regulations notified
Agreement on Subsidies and Countervailing Measures			
Art. 32.6	Once	G/SCM/N/1/1, 22.11.95; G/SCM/N/7/Add.1, 08.12.95	Notification of laws and regulations
Art. 25.1	Annual	G/SCM/N/3/, 09.01.96	No notification of subsidies received since 1996

Table II.2 (cont'd)

Legal basis, instrument or provision	Periodicity	WTO documents	Comment
Art. 25.11	Ad hoc	G/SCM/N/4/Add.1/Rev.2, 22.11.95; G/SCM/N/12/Add.1, 18.04.96	No notifications of countervailing duties since 1996
Agreement on Safeguards			
Art. 12.6	Once	..	No legislation communicated; no action notified
Agreement on Trade-Related Aspects of Intellectual Property Rights			
Art. 63.2	Once, then changes	IP/N/1/BRB/1, 09.05.96 IP/N/6/BRB/1, 06.07.01	Notification of legislation; checklist for issues of enforcement

.. Not available.

Source: WTO Central Registry of Notifications.

12. In the services sector, trade-related legislation relates mostly to investment incentives, and in particular fiscal incentives, designed to attract foreign investment into services industries located in Barbados. The main services industry is tourism, where tax reductions and concessionary loans are available for the operation and refurbishment of hotels and other tourist venues (Chapter IV).

13. Since 1960, Barbados has also passed several laws designed to attract foreign investment in the "international" or "offshore" sector. "International" companies are incorporated in Barbados, but must not sell goods or services in Barbados; most of them consist of subsidiaries of international companies set up in Barbados to benefit from low tax rates (see Chapter III(4)(i)(b)).

(iv) Investment and tax treaties

14. Double-taxation avoidance treaties (DTTs) have been signed with Canada (January 1980); CARICOM (July 1995); People's Republic of China (2000); Cuba (April 1999); Malta (December 2001); Norway (November 1990); Sweden (July 1991); Switzerland (1954); United Kingdom (March 1970); United States (December 1984); and Venezuela (November 1998).² The main differences among the treaties relate to the level of the rates of withholding tax on dividends, royalties, and interest. A CARICOM double taxation avoidance treaty is also in place among CARICOM members.

15. In case of dispute related to an investment, foreign investors can resort to the same procedures as national investors. Barbados is a member of the International Centre for Settlement of Investment Disputes, and of most of the conventions and model laws emanating from the work of the United Nations Commission on International Trade Law.³ Barbados is also a member of the Multilateral Investment Guarantee Agency. Bilateral investment promotion and protection treaties (BITs) are in place with the United Kingdom (1993); Venezuela (1994); Germany (1994); Switzerland (1995); Italy (1995); Canada (1996); People's Republic of China (1998); and Cuba (1996).⁴

(v) Foreign investment regime

16. A priority of the Barbados Government is to offer a favourable environment for investors. Foreign investment is generally not restricted. A foreign investor is defined as an individual who is

² Ministry of Economic Development online information. Available at: <http://www.barbadosbusiness.gov.bb/miib/Legislation/Treaties/bilateral.cfm>.

³ UNCITRAL online information. Available at: <http://www.un.or.at/uncitral>.

⁴ This information is from the Ministry of Economic Development online information. Available at: <http://www.barbadosbusiness.gov.bb/miib/Legislation/Treaties/bilateral.cfm>.

not a resident of Barbados, while a foreign company with both domestic and foreign capital is considered a foreign company if foreign ownership or control is in the majority. Foreigners may purchase movable and immovable property, assets, concessions, intellectual property, industrial property, leasing, and technology. Few sectors or economic activities are reserved exclusively for the State, or for nationals or residents. The supply of water, postal services, and trade in certain petroleum products is currently under government monopoly, as are most port and airport services (Chapter IV). Certain ground transport and food retail services are reserved for local suppliers, as are services from tour operators.

17. Transfers of investment and remittances of capital are regulated by the Central Bank under the Exchange Control Act (Chapter I, Annex I). A non-resident or foreign investor must register with the Central Bank those funds that are to be used to investment in shares or debt of companies incorporated in Barbados in order to be able to repatriate these funds. The authorities indicated that there are no restrictions on the remittances of capital, benefits, debt service, or other remittances derived from registered foreign investment. Although Central Bank permission is required for a non-resident to buy real estate in Barbados, permission is usually granted if the funds are foreign and if the money is received in Barbados.

18. A number of tax incentives are available for domestic and foreign investment under the Income Tax Act. Additional incentives cover capital allowances, dividend taxation, and loss carry-forwards.⁵ In addition, sector-specific legislation has been enacted for offshore banking, trusts, insurance and other financial companies, as well as for shipping companies and hotels (Chapter III(4)(iii)).⁶

19. Foreign investment incentives are administered by the Ministry of Finance and the Ministry of Tourism, in coordination with the Barbados Investment and Development Corporation (BIDC). The BIDC also provides advisory services and other assistance to companies looking to establish businesses in Barbados. Applications for investment incentives are evaluated on the basis of a number of criteria, including local value added, net foreign exchange, potential export sales, and environmental impact. Foreign investment is not, however, subject to performance requirements.

(3) INTERNATIONAL RELATIONS

20. The Barbados Government considers that an open-door policy to trade in goods and services (with the exception of a small range of agri-food and service activities that are heavily protected – see Chapter IV) is crucial in order to overcome any adverse effects arising from the small size of the economy, its restricted capacity to diversify risk, and a limited institutional capacity. The free flow of labour and capital is also viewed as important to enhance productivity. Barbados's foreign direct investment policy has been to offer foreign investors a system of generous tax incentives.

21. In international fora, Barbados has actively argued for the particular vulnerability of small economies to price and supply fluctuations, higher fixed costs of production and marketing, and susceptibility to natural disasters. In the WTO, Barbados supports further trade liberalization providing that its situation as a small vulnerable State is recognized in negotiations. In particular, Barbados seeks to secure the maintenance of "special and differential treatment" (S&D) provisions

⁵ Lowtax.net online information. Available at: <http://www.lowtax.net/lowtax/html/jbsnews.html>; and Ministry of Economic Development online information. Available at: http://www.barbadosbusiness.gov.bb/miib/Legislation/Acts/Investment_acts.cfm.

⁶ Ministry of Economic Development online information. Available at: http://www.barbadosbusiness.gov.bb/miib/Legislation/Acts/Investment_acts.cfm.

targeted at small vulnerable countries, maintaining that unilateral trade preferences (see below) play a vital role for these economies.⁷

(i) Participation in the WTO

22. Barbados became a contracting party to the GATT in 1967 and is an original Member of the WTO; the Agreement was signed by the Minister on 15 April 1994.⁸ Barbados grants at least MFN treatment to all its trading partners. In the Uruguay Round negotiations, Barbados bound all of its tariffs except on fish and fish products, albeit at ceiling rates: agricultural products are bound at least at 100%, with some specific items bound at rates ranging to over 220%, and manufactured goods are bound at rates of at least at 70%, with certain items at considerably higher rates (Chapter IV(2)). Barbados also made specific commitments under the General Agreement on Trade in Services (GATS) in certain subsectors, including certain professional services and computer services, business services, re-insurance, courier services, and entertainment services (Chapter IV(5)).

23. Barbados has never invoked the dispute settlement provision of the GATT or WTO, nor have any complaints been brought against it in these fora. However, Barbados reserved its rights to participate as third party in the dispute relating to U.S. provisions on foreign sales corporations (see Chapter III(4)(i)(b)).

24. In the Fourth Ministerial Conference at Doha, in November 2001, Barbados reaffirmed that globalization and the concomitant liberalization process had yielded significant benefits. Together with ACP Ministers, Barbados also reaffirmed its commitment to the rules-based multilateral trading system as an instrument for the promotion of economic development and eradication of poverty.⁹ Barbados also pointed out, however, that the benefits of this system have been unevenly distributed, with most developing countries benefiting only marginally and some even regressing. Barbados also called for flexibility in the rules and their application so that trade liberalization is compatible with the development objectives of all WTO Members. Barbados has placed particular emphasis on two main and related objectives in the WTO: the binding of special and differential treatment (S&D) for developing countries; and the recognition of the special status and needs of small vulnerable developing economies, including small island developing states (SIDS).¹⁰

(a) Agri-food trade policy objectives

25. Barbados, as a small island economy, has been integrally involved in the issue of non-trade concerns; within the WTO negotiations on agriculture, it co-sponsored a paper on this issue. In this regard, food security, rural development, and environmental considerations are critical non-trade concerns that Barbados wishes to be addressed within the on-going negotiations on Agriculture. Barbados also co-sponsored two further proposals in these negotiations: one as part of the small island developing states (SIDS) grouping, and the other with the CARICOM grouping.¹¹

26. Barbados is reliant on preferential access to the European Union and U.S. markets for its main products, sugar, rum and tropical fruits. In order to maintain its small share of world trade, Barbados seeks to have the trade preferences from which it currently benefits maintained, and to obtain improved access to these countries' markets. Barbados considers that small economies such as its

⁷ WTO document WT/GC/W/361, 12 October 1999.

⁸ WT/LET/1/Rev.2, 22 May 1995.

⁹ WTO document WT/MIN(01)/ST/82, 11 November 2001.

¹⁰ On this issue, Barbados endorsed the Ministerial Statement made by Mauritius at the Conference (WTO document WT/MIN(01)/ST/66, 11 November 2001).

¹¹ WTO documents G/AG/NG/W/97, 29 December 2000, and G/AG/NG/W/100, 15 January 2001.

own cannot achieve optimal participation in, and benefit from, increased multilateral liberalization unless special and differential treatment (S&D) forms an integral part of such liberalization.

27. In February 2002, Barbados and other CARICOM members submitted a number of proposals in the context of the WTO negotiations on agriculture. These proposals called on WTO Members to take into account the peculiar economic circumstances of small developing economies, and to take concrete action to ensure that S&D be extended to small developing economies in all areas of the negotiations. In the area of market access, existing margins of tariff preferences granted to small developing economies should be bound and maintained over a significantly long period to allow for measurable adjustments in these economies. Small developing economies should not be required to undertake further tariff reduction until tariff levels in other Member countries are commensurate with their tariff levels, and export subsidies and trade-distorting domestic support measure have been eliminated.

28. With respect to domestic support, CARICOM members consider that small developing economies should not be required to make any reduction commitment with respect to their expenditure to promote the development of their agricultural sector or to achieve their non-trade objectives, including food security, rural development, and poverty alleviation. Regarding export subsidies, CARICOM members have called for the provisions of Article 9.4 of the Agreement on Agriculture to be extended indefinitely for small developing economies and to be expanded to cover all activities undertaken to promote and market their exports. They also requested the establishment of a special agricultural safeguard mechanism for small developing economies, to address surges in imports or declines in import prices of products deemed critical to their food security.

29. With respect to technical assistance, Members should, in the view of CARICOM members, agree to the provision of technical and financial assistance to small developing economies to increase their level of productivity and their production capacity as well as to develop other requisite support systems to promote the diversification of products and markets. The provision of technical and financial assistance should entail legally binding commitments from the developed countries and not be simply "best endeavour" clauses.

(b) Objectives for trade in services

30. Barbados, in a collective CARICOM proposal in the WTO negotiations on services, considered that any revision of the GATS Agreement should take into account special and differential treatment for developing countries. In particular, such treatment should include longer transition periods for implementation; flexible timeframes; emergency safeguard clauses; the right to assist industries through the use of subsidies¹²; and the right to protect sensitive industries. CARICOM members have also called for the maintenance of existing programmes and the introduction of new ones to encourage the development of the domestic services capacity of those economies, as provided by Article IV of the GATS (on increasing participation of developing countries). A technical review of the provisions of the Agreement, in the view of Barbados, should focus only on ensuring the legal consistency and on improving the clarity of its provisions and does not require an alteration of its architecture and principles.¹³

31. A major objective of CARICOM members in the services negotiations is the further liberalization of the movement of natural persons (mode 4). This is seen as an essential step towards

¹² Article XV of the GATS mandates Members to enter into negotiations with a view to developing multilateral disciplines, which would avoid the distortive effects that subsidies in services may have on trade in services.

¹³ WTO document S/CSS/W/43/, 19 January 2001.

the full implementation of Article IV:1(c), which provides for the liberalization of market access in sectors and modes of supply of interest to developing countries.

(c) Other issues in the WTO

32. As an ACP Member, Barbados supports the ongoing work programme on the interface between trade and environment, and has reaffirmed commitment to sustainable development. While reaffirming their commitment to implementing environmental standards as defined by the relevant international conventions, ACP countries consider that issues such as environmental standards should not be incorporated into the multilateral trade negotiations as these can be used for protectionist purposes.¹⁴

33. Barbados has taken the position that labour issues ought not to be dealt within the WTO. Notwithstanding, Barbados firmly believes that all WTO Members should observe the appropriate international labour standards.¹⁵

(ii) **Participation in regional and bilateral agreements**

(a) CARICOM

34. Barbados is one of the founding members of the Caribbean Community and Common Market (CARICOM) Treaty signed in 1973. CARICOM currently comprises 15 member states.¹⁶ Barbados is one of the four "more developed countries" (MDCs) of CARICOM, with Guyana, Jamaica, and Trinidad and Tobago. All other member states, other than the Bahamas, which does not participate in the common market, are designated as "less developed countries" (LDCs). On 1 January 1991, the Single Market and Economy (CSME) project was launched, and a programme to revise the Common External Tariff (CET) approved (Chapter III(2)(iv)(a)).

35. In his 2001 Financial Statement, the Prime Minister of Barbados urged the rapid implementation of the Single Market and Economy (CSME) project, stressing that the CSME should be in place before the establishment of the FTAA (see below) in 2005 if it is to be relevant and effective. The CSME is planned to eventually allow CARICOM goods, services, people, and capital to move throughout the Caribbean Community without tariffs and without restrictions, to achieve a single large economic space, and to provide for a common economic and trade policy. Members would coordinate and harmonize their tax and incentives regimes, as well as their exchange rate and monetary policies, with a view to the convergence of economic performance and the sustainable development of the region.

36. To advance towards this goal, the CARICOM Treaty was amended in 1997 by Protocol I. The Protocol restructures the organs and institutions of CARICOM and sets the foundations for the single market and economy. Protocol II, concerning the right of establishment, provision of services, and movement of capital, was also signed in 1997. Barbados is among the CARICOM countries that have enacted most of the provisions of the two protocols. Seven other protocols have been established, but none has so far been implemented.

¹⁴ WTO document WT/L/430, 9 November 2001.

¹⁵ See also MTN.TNC/MIN(94)/ST/64, 13 April 1994.

¹⁶ The founding members were: Barbados, Guyana, Jamaica, and Trinidad and Tobago. Bahamas, Belize, Dominica, Grenada, Montserrat, St. Lucia, and St. Vincent and the Grenadines acceded in May 1974. Antigua and Barbuda and St. Kitts and Nevis joined in July 1974, while Suriname joined on 4 July 1995. Haiti is a provisional member pending its ratification of the Treaty.

37. Disputes amongst CARICOM members can be referred to dispute settlement procedures defined in Articles 11 and 12 of the Annex to the Treaty.¹⁷ CARICOM Protocol IX is intended to revise these articles. No disputes involving Barbados have been put to the CARICOM Council. CARICOM members may also, for trade disputes among themselves, use any other dispute settlement mechanism. In practice, however, Members are encouraged to find bilateral solutions to their disputes.

38. Through its membership of CARICOM, Barbados has signed preferential bilateral trade agreements with Venezuela (1992), Colombia (1994), the Dominican Republic (1998), and Cuba (2000). The specific provisions of the latter are still to be finalized.

39. The CARICOM-Venezuela Agreement is a one-way preferential agreement aimed at promoting CARICOM exports to Venezuela, by giving certain products duty-free access or phased reductions in tariffs when imported into Venezuela.¹⁸ Other CARICOM exports enter Venezuela under MFN conditions. Any change in CARICOM's tariff structure is subject to consultations with Venezuela. The agreement is also aimed at promoting investment in the region and facilitating the creation of joint ventures. The CARICOM-Venezuela Joint Council on Trade and Investment administers the agreement. Disputes may be resolved through the use of the Joint Council, whose recommendations are not binding.

40. The agreement with Colombia initially allowed for non-reciprocal access to the Colombian market for agreed products; since 1998, the MDC Members of CARICOM have been required to grant duty-free access to imports from Colombia of several agri-food, chemical, textile and clothing products, as well as machinery products, corresponding to several hundred tariff lines. A CARICOM-Colombia Joint Council on Trade, Economic and Business Cooperation is responsible for the administration of the agreement. There are also provisions for the parties to apply anti-dumping or countervailing measures.

41. The agreement with the Dominican Republic was amended in 2000 to provide for tariffs on certain goods (some 20 four-digit tariff headings or part thereof) to be phased out by January 2004; the phasing-out schedule was still to be determined as of early 2002. The agreement also contains commitments to maintain an "investment-friendly environment", to facilitate the temporary entry of business persons, and to negotiate future commitments in the areas of trade in services and government procurement.

(b) Participation in the Free Trade Area of the Americas (FTAA)

42. The authorities consider that the creation of the FTAA, expected in 2005, will expose Barbados to major new opportunities and challenges. Among the latter, the FTAA will entail the loss of import duties on imports from outside CARICOM, and require the opening of the Barbados market to competition from a larger collection of countries, and in areas such as government procurement, which may now be reserved for domestic suppliers (Chapter III(2)(vii)). It will also expose domestic producers to increased competition from larger and more technologically dynamic enterprises. For these reasons, Barbados seeks to negotiate a gradual phasing-in of FTAA provisions. Barbados has also called for special treatment to be accorded to small economies such as itself, to enable the country to maximize the benefits of the new integrating mechanism and minimize its potential dislocation.

¹⁷ For details, see WTO (1998).

¹⁸ These goods include fresh produce, confectionery, cosmetics, jams and jellies, medicines, wooden furniture, horticultural products, spices, processed foods, and toilet preparations.

(iii) Participation in unilateral preference programmes

43. As a developing country, Barbados is a beneficiary of the Generalized System of Preferences (GSP).¹⁹ Trading partners that grant GSP preferences to Barbados are: Australia, Bulgaria, Canada, the Czech Republic, the European Union, Hungary, Japan, New Zealand, Norway, Poland, Russia, the Slovak Republic, Switzerland, and the United States.²⁰

44. Barbados benefits from the unilateral preferential tariff treatment granted by the United States to countries qualifying under the Caribbean Basin Initiative (CBI), which encompasses the Caribbean Basin Economic Recovery Act (CBERA), the GSP, and the United States-Caribbean Basin Trade Partnership Act (CBTPA). Concessions granted under the CBERA provide reduced-duty or duty-free treatment to most imports from qualifying countries.²¹ Barbados does not expect to benefit more from the CBTPA than from the CBERA.

45. Under the Commonwealth Caribbean Country Tariff (CARIBCAN), in force since 1986, Canada grants exports from Barbados and other CARICOM countries duty-free treatment on eligible products (most products excluding textiles, clothing, footwear, luggage and other leather goods, lubricating oils, and methanol). To qualify for duty-free access, 60% of the ex-factory price of eligible products must originate in a beneficiary country or in Canada.²²

46. Exports from Barbados are granted preferential access to the European Union (EU) market under the ACP-EU Partnership Agreement signed at Cotonou, Benin, and the Fourth Lomé Convention. With the exception of rum and sugar, the Lomé agreement has not had a strong impact on Barbados's exports, and very few other products from Barbados are exported to the EU. Moreover, the authorities expect the recent Everything-But-Arms initiative in favour of least developed countries (LDCs) to have the side-effect of reducing the margin of preference for Barbados's exports. According to the authorities, some LDCs have the capacity to produce vast quantities of sugar at low prices, thus displacing Barbados's exports when duty-free and quota-free access is granted in 2006; this has led the Government to introduce adjustment measures "to avert disaster after 2006".²³ In 2002 Barbados, together with other ACP countries, will begin re-negotiating its partnership agreements with the EU under the Cotonou agreement.

(iv) Relationship with the OECD

47. Barbados has actively participated in the various working groups established in the aftermath of the OECD 1998 Report on Harmful Tax Competition. That report outlined the findings of the OECD's Fiscal Affairs Committee on the "damaging effects on international trade and the tax revenues of OECD member countries of harmful tax practices that exist world-wide".²⁴ The OECD subsequently conducted a review of the tax regimes of a number of countries, including that of Barbados, with a view to compiling a list of tax havens with harmful tax practices.

¹⁹ The functioning of the GSP, including the preferences provided by the Quad, is described in WTO document WT/COMTD/W/93, 5 October 2001.

²⁰ UNCTAD document, UNCTAD/ITCD/TSB/Misc.62, "Generalized System of Preferences – List of Beneficiary Countries", 22 June 2001.

²¹ For details see WTO (2001).

²² WTO document WT/L/414, 17 September 2001.

²³ Government of Barbados (2001), p. 38.

²⁴ OECD (1998).

48. In 2000, the OECD issued a report on the progress made in identifying and curtailing harmful tax practices both within and outside the OECD.²⁵ Some 47 preferential tax regimes of OECD countries were identified as potentially harmful, mostly in the insurance, banking, and other financial services industries. The 2000 report also identified 35 non-OECD jurisdictions, including Barbados, that met the technical tax-haven criteria and had not made a commitment at the time of the report to eliminate harmful tax practices. In July 2000, they were given the opportunity over the subsequent 12 months to determine whether they wished to work with OECD to eliminate harmful features of their regimes by the end of 2005. An OECD List of Uncooperative Tax Havens was to be published by November 2001. Meanwhile, possible measures against uncooperative tax havens were drafted.

49. A number of consultations took place between OECD member governments and the governments of the countries concerned, including a high-level consultation hosted by the Government of Barbados in January 2001. One of the issues discussed related to the obligation for countries to change their tax system so as to suppress differences between residents and non-residents (see Chapter III(4)(i)). Meanwhile, Barbados, together with other small and developing economies, set up the International Tax and Investment Organisation (ITIO) to respond to global tax and investment challenges.

50. Barbados has campaigned, in this context, for non-discrimination and for the right to "fiscal sovereignty", partly so as to preserve an environment conducive to the development of its services industry. The authorities consider that the listing of tax havens by the OECD and the counter-measures proposed by the OECD, in the event of non-cooperation, could have far-reaching effects on the services sector, and on the growth of the economy.²⁶

51. In November 2001, the OECD published another progress report in connection with the tax haven work.²⁷ In particular, the OECD modified the scope of harmful tax practices to exclude issues related to the provision of tax incentives to attract foreign investment. The OECD Initiative now focuses exclusively on the criteria of exchange of information and the transparency of tax systems, both met by Barbados according to the OECD. In this report, the OECD also announced that the potential framework of coordinated defensive measures would not apply to uncooperative tax havens any earlier than it would apply to OECD Member countries with harmful preferential regimes. On 31 January 2002, the OECD announced that Barbados would not appear on its forthcoming list of uncooperative havens.

52. A report on non-cooperative countries and territories was published in June 2001 by the OECD Financial Action Task Force (FATF).²⁸ Its mandate was to examine money laundering trends, and set out measures to be taken against money laundering. The updated list identified 20 countries but excluded Barbados. According to the report, this reflects Barbados's current review of its legislation aimed at meeting the standards set by the FATF. Three laws have reportedly been enacted and provisions have been introduced with the objective of meeting the recommendations of the FATF. A Financial Intelligence Unit has been set up, with the assistance of the United Nations, to deal with the prevention of money laundering.²⁹

²⁵ OECD (2000).

²⁶ Government of Barbados (2001).

²⁷ OECD online information. Available at: <http://www.oecd.org/pdf/M00021000/M00021182.pdf>.

²⁸ OECD (2001). See also Ministry of Economic Development global e-letter [online]. Available at: http://www.barbadosbusiness.gov.bb/miib/Newsletter/newsletter_current.cfm.

²⁹ Online information available at: <http://platinumoffshore.com/eletter-sep01.htm>.

III. TRADE POLICIES AND PRACTICES BY MEASURE

(1) INTRODUCTION

1. Barbados has made efforts in recent years to liberalize and simplify its import regime. Tariffs have been reduced, as has reliance on quantitative import restrictions; multiple indirect taxes and levies have been replaced by a value-added tax. As a result, Barbados's import regime is now relatively simple and transparent, although border protection of certain domestic activities remains high. While market-access restrictions, such as monopoly rights or obligations to purchase locally, are in place in certain services sectors, Barbados provides national treatment as a general rule.

2. Barbados relies on two main instruments of import protection: tariffs and import licensing. The average MFN applied tariff is 16.5%; MFN tariffs are high on most domestically produced goods, and have increased since 1999. Domestic producers import most of their inputs duty free under an array of waivers and exemptions. At the same time, imports from CARICOM partners are, without exception, free of duty or quantitative restrictions.

3. Barbados maintains numerous fiscal and other incentives for producers and exporters of most goods and services. The main instruments are tax holidays and grants, but support is also provided through concessional financing, public funds set up for particular purposes, or technical cooperation and training. There is no available estimate of the overall budgetary cost of these incentive schemes.

4. In general, Barbados does not rely on other common trade instruments for protective purposes: resort to anti-dumping and countervailing duties is quasi non-existent; due to the small size of the economy, public procurement relies mostly on foreign goods and services; state trading is limited; and the sole notified TRIM has been abolished. Barbados has recently taken steps to help ensure the protection of intellectual property rights.

(2) MEASURES DIRECTLY AFFECTING IMPORTS

(i) Import procedures

5. Import procedures appear to be relatively simple and transparent. This is important given that most of domestic consumption is imported. The main legislation governing customs procedures is the Customs Act (Cap. 66) of 1962 and the Customs Regulations of 1963, as amended. The Barbados Port Authority publishes guidelines on the Internet on how to import into Barbados

6. Imports can be cleared by the importer or by a broker. All imports must be accompanied by a commercial invoice documenting all items in the shipment; a bill of lading or airway bill; a certificate of origin for CARICOM goods; an import licence if required; and a health and sanitary certificate, if required. A packing list and an insurance certificate may also be requested to support the declaration.

7. Customs uses ASYCUDA to process customs documents electronically.¹ All commercial imports require an entry (customs declaration) on which the corresponding tariff numbers, the quantity imported, and the customs value of each imported good are stated. Each importer is given a registration number, and the contents of warrants are entered into the system to determine customs duties. Permission may be granted to take delivery of goods pending payment of duties and/or other

¹ Ministry of Economic Development online information. Available at: http://www.barbadosbusiness.gov.bb/miib/Investment/things_to_know.cfm.

taxes once a bond, guaranteed by a commercial bank or insurance company, is executed. Duties and taxes must be paid within ten days after the granting of the permission.

8. Barbados has expressed its support for the November 2001 Declaration by ACP Ministers, which, *inter alia*, expresses reservations with respect to proposals on trade facilitation in the WTO.² ACP Ministers considered that trade facilitation measures were necessary and beneficial to all countries, and that ongoing work within and outside the WTO (e.g. rules of origin, customs valuation) should continue. They also stated that improved trade facilitation measures should not constitute part of WTO disciplines, and remain the subject of domestic initiatives.

(ii) Customs valuation

9. The Customs Act was amended in 1999 to implement the WTO Agreement on Customs Valuation. Because of under-invoicing, the Customs and Excise Department has decided to verify the value of the following products before allowing importation: all used motor vehicles, as well as locally produced CDs, records, and tapes (sent overseas for pressing), motor vehicle parts, and marine and sea craft. These are subject to pre-clearance valuation verification by the Customs and Excise Department.³

10. In practice, according to the customs authorities, neither minimum import prices nor reference prices are in use. In cases of fraudulent under-invoicing, fines are imposed. Very serious cases can result in seizure of the relevant goods. Under-invoicing is usually detected in used vehicles and other high-duty items. Values are adjusted using the WTO valuation rules on transaction values.

11. Customs decisions may be appealed to the Comptroller of Customs. The Comptroller or the appellant may appeal to the High Court against any decision that involves a question of law or a question of mixed law and fact.⁴ In addition, either may appeal to the Court of Appeal against any decision of the High Court. To date, there have been no court cases but appeals have been made to the Comptroller, usually in respect of used motor cars and clothing; importers accepted the rulings of the Comptroller in these cases.

(iii) Rules of origin

12. Barbados does not have non-preferential rules of origin; it has not notified the WTO of its preferential rules of origin.⁵ In the context of this Review, Barbados indicated that the Caribbean Common Market (Origin of Goods) Regulations, 1992, are applied to determine whether goods imported into Barbados are of CARICOM origin, and thus liable for trade preferences. To qualify for CARICOM origin, products must meet one of the following conditions: wholly produced; substantial transformation; change of tariff heading. Further, extra-regional material must not account for more than 50-65% of the cost of the product. Under the free-trade agreements between CARICOM and Colombia, Cuba, the Dominican Republic, and Venezuela, the rules of origin are similar except that a maximum of 50% of extra-regional input is allowed.

² WTO documents WT/L/430, 9 November 2001, and WT/MIN(01)/ST/82, 11 November 2001.

³ Barbados Chamber of Commerce and Industry online information. Available at: http://www.bdscham.com/show_release.cfm?link=release24.htm.

⁴ Section 132 of the Customs Act.

⁵ Articles 5.1 and 5.2 of the WTO Agreement on Rules of Origin provides that each Member shall notify the Secretariat of its rules, and any changes thereto.

(iv) **Tariffs and other charges levied on imports**

13. Barbados's MFN tariffs are relatively high, averaging 16.5% in 2001. As a share of the value of imports, customs duties amounted to less than 6% in 2000; this partly reflects numerous duty concessions. In 2000/01, customs duties on imports represented 8% of total tax revenue (Table III.1). Taken together, customs duties, excise taxes and the value-added tax levied on imports amount to 22% of total tax revenue. Border taxation thus fulfils an important revenue generating function.

Table III.1
Selected taxes on goods and services as a share of total current government revenue, year ending March 1996-01
(BDS\$ million and per cent)

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01
Value added tax	0	74.9	451.9	455.1	461.4	491.6
<i>share of total revenue</i>	0%	6%	31%	29%	29%	29%
VAT on imports	..	..	..	..	..	152.3
Excise tax	3.3	22.4	166.4	189.2	164.1	160.2
<i>share of total revenue</i>	0%	2%	11%	12%	10%	9%
Excise tax on imports	..	..	..	..	..	93.1
Import duties	93.1	91.4	127.8	136.9	134.9	135.4
<i>share of total revenue</i>	8%	7%	9%	9%	8%	8%
Import value ^a	1,541.2	1,667.2	1,991.0	2,063.0	2,216.1	2,312.0
Total current tax revenue	1,165.8	1,231.1	1,458.3	1,545.3	1,604.2	1,717.3

.. Not available.

a Calendar year.

Source: Government of Barbados.

(a) **Developments under the Common External Tariff (CET)**

14. Since January 1991, CARICOM countries including Barbados have applied the CARICOM Common External Tariff (CET) to imports from non-CARICOM members. Imports originating in CARICOM states are duty free (section (e) below). A four-phase schedule of CET tariff reductions was established at the outset, starting in 1993. The final Phase IV of full implementation, with a tariff ceiling of 20% for non-exempt industrial goods, and 40% for non-exempt agricultural goods, was to have been reached by members on 1 January 1998. Whilst Barbados implemented Phase IV, on schedule, as at early 2001 several CARICOM countries had not reached Phase IV of the implementation process.⁶

15. CARICOM countries may also specify minimum rates of duty in List C of the CET, which contains products whose MFN (extra-CARICOM) duties are higher than CET rates and which may be modified at the national level. In the case of Barbados, List C covers mainly alcoholic beverages, tobacco, oil products, jewellery, tyres, watches and clocks, and motor vehicles. According to the authorities, some of these products provide the largest source of customs revenues.

16. Each country's tariff schedule also contains a List of Items Ineligible for Duty Exemptions, which includes goods that may not be exempted, wholly or in part, from MFN tariffs nor imported at a reduced MFN rate even if imported for approved uses. The list includes goods produced in the CARICOM market in quantities considered adequate to justify the application of tariff protection. Incentive programmes may not grant concessional access for these goods. Even if imported by

⁶ See for example WTO (2001b).

manufacturers, they cannot be imported duty-free. However, the Minister may grant a waiver if the goods are not available in sufficient quantity. In the case of Barbados, these goods include most agri-food and other manufactured products that are (or were in the past) domestically produced.

17. As a result of the CET, imports of many agri-food and industrial products not produced in Barbados are subject to relatively high tariffs designed to protect production in other CARICOM countries. On the other hand, the CET limits the ability of member countries to increase tariffs beyond commonly set rates, except for specifically excluded products. Members wishing to do so must request permission from the CARICOM Council for Trade and Economic Development (COTED). Barbados requested such permission for the first time in April 2000 when the Government removed quantitative restrictions on imports of agricultural products and increased tariffs (see below) under the tariffication process. Permission to increase tariffs was requested again in late 2001. In both cases it was granted.

(b) MFN applied tariffs

18. Barbados levies customs duties on imports on the basis of the c.i.f. value. The schedule is based on the Harmonized Commodity Description and Coding System.⁷ The tariff, as applied in December 2001, comprised approximately 6,500 tariff lines at the ten-digit level. The main features of the Barbados MFN tariff schedule are reported in Table III.2.

Table III.2
Summary analysis of Barbados's tariff, 2001

Analysis	No. of lines	Applied tariffs, 2001			CV
		Avg. applied tariff (%)	Range (%)	Std.-dev.(%)	
Total	6,469	16.5	0-243	28.0	1.6
By WTO category					
Agriculture	1,065	36.7	0-243	53.6	1.5
Live animals and products thereof	157	73.2	0-210	82.3	1.1
Dairy products	24	53.5	5-159	69.4	1.3
Fruit and vegetables	253	43.9	0-243	51.7	1.2
Beverages and spirits	110	72.7	5-161	62.7	0.9
WTO Non-agriculture (exc. petroleum)	5,360	12.6	0-145	17.3	1.3
Textiles and clothing	957	21.3	0-117	22.7	1.1
By ISIC sector^a					
Agriculture and fisheries	429	30.4	0-243	41.1	1.4
Mining	116	8.8	0-50	12.2	1.4
Manufacturing	5,923	16.4	0-210	26.7	1.6
By HS section					
01 Live animals and products	323	45.5	0-207	55.9	1.2
02 Vegetable products	400	28.5	0-243	41.4	1.5
03 Fats and oils	53	33.1	5-194	37.2	1.1
04 Prepared foods, etc.	365	47.2	0-210	62.3	1.3
05 Minerals	206	7.4	0-60	8.2	1.1
06 Chemicals and products	932	7.6	0-82	8.1	1.1
07 Plastics and rubber	235	9.8	0-60	7.8	0.8

Table III.2 (cont'd)

⁷ Barbados submitted its applied tariff for 2001 to the WTO Integrated Database.

Analysis	No. of lines	Applied tariffs, 2001			CV
		Avg. applied tariff (%)	Range (%)	Std.-dev.(%)	
08 Hides and skins	88	21.5	5-60	23.6	1.1
09 Wood and articles	120	10.9	0-20	6.6	0.6
10 Pulp, paper, etc.	177	17.6	0-60	22.7	1.3
11 Textile and articles	940	20.6	0-117	22.6	1.1
12 Footwear, headgear	68	16.1	0-20	6.3	0.4
13 Articles of stone	194	10.5	0-60	8.1	0.8
14 Precious stones, etc.	61	30.3	0-60	25.1	0.8
15 Base metals and products	710	9.3	0-60	11.2	1.2
16 Machinery	900	8.6	0-60	9.4	1.1
17 Transport equipment	243	12.1	0-45	13.4	1.1
18 Precision equipment	249	13.7	0-60	14.3	1.1
19 Arms and munitions	20	41.8	0-70	29.6	0.7
20 Miscellaneous manufactures	177	21.4	0-60	17.1	0.8
21 Works of art, etc.	8	20.0	20	0.0	0.0

a ISIC Classification (Rev.2), excluding electricity (1 line).

Source: WTO estimates, based on data provided by the Government of Barbados.

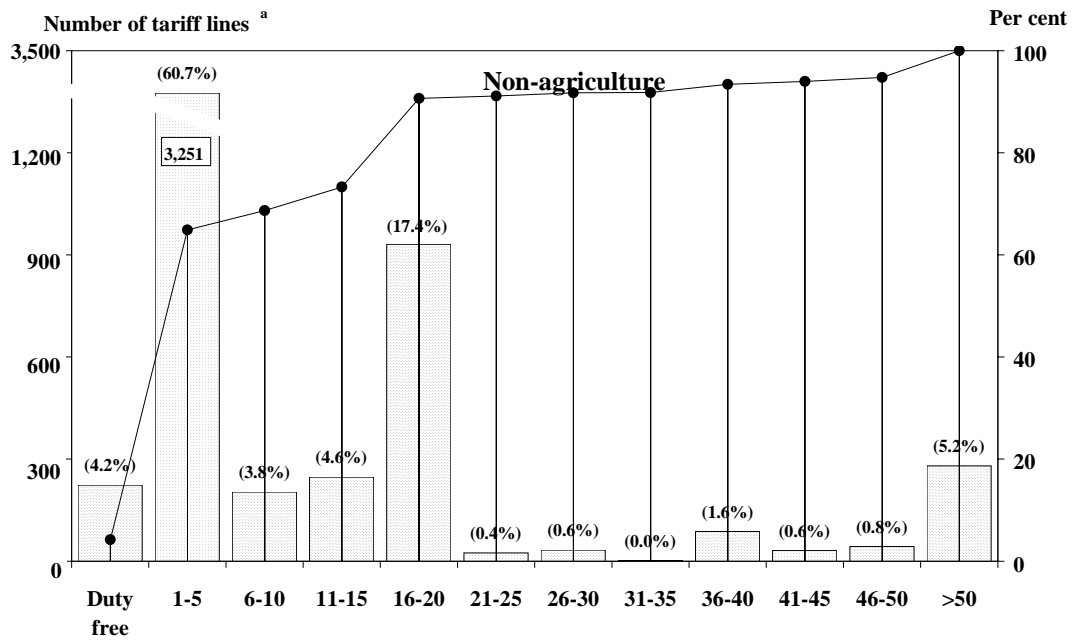
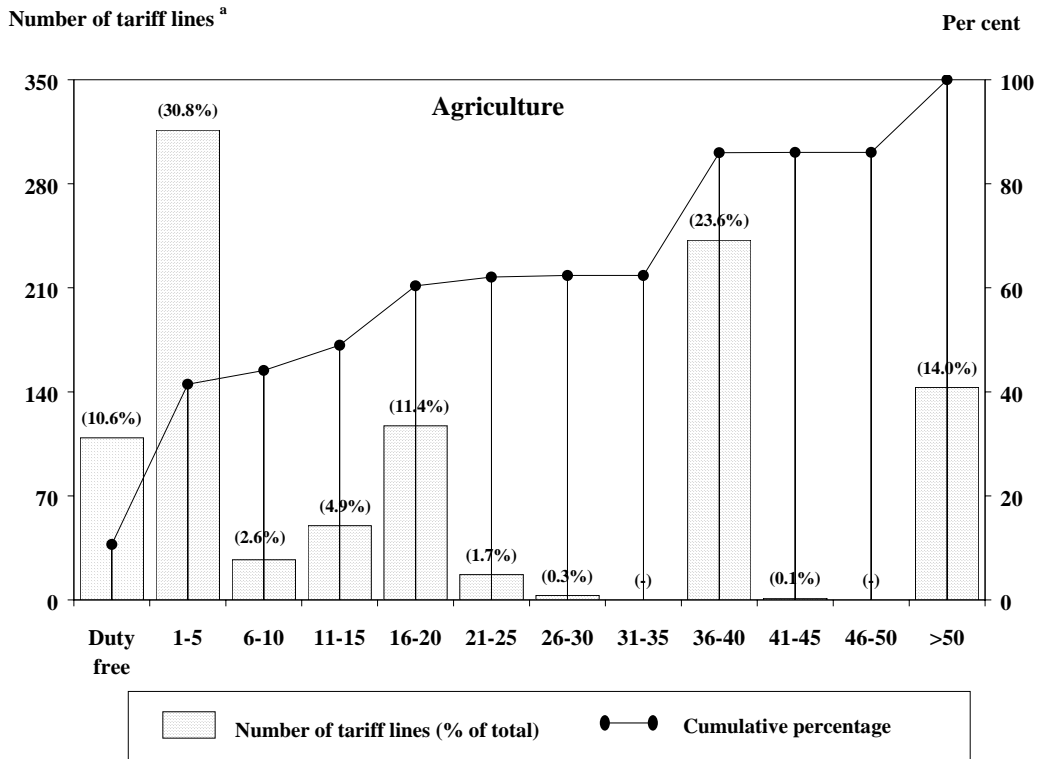
19. The vast majority of tariff rates are *ad valorem*; specific rates apply on 57 lines, which correspond mostly to alcoholic beverages (Table AIII.1). *Ad valorem* equivalents of non-*ad valorem* rates are not available; specific rates would appear to correspond to high tariff protection in the case of alcoholic beverages.

20. The simple average MFN tariff in 2001 was 16.5%. The average MFN tariff for agricultural products (WTO definition) was 36.7%, and 12.6% for non-agricultural products (Table III.2). Duty-free treatment is accorded on 10.6% of tariff lines for agricultural products, and on 4.2% of lines for non-agricultural products (Chart III.1). MFN tariffs exceeding 50% apply to 14.1% of agricultural product lines, and to over 5% of non-agricultural product lines. Reflecting this tariff rate distribution, tariff dispersion is higher for agricultural products than for other products.

21. Tariffs increased between 1999 and 2001, first on account of an increase in agri-food tariffs (Table III.3). The introduction of the Customs Tariff (Amendment) Order, of April 2000 in effect increased the applied tariff rates to the WTO bound rates on most agri-food products that were previously subject only to licensing; the simple average tariff on agricultural products nearly doubled. However, the level of actual border protection as a result of the higher rates probably did not increase, as non-tariff barriers were simply replaced by (more transparent) tariffs, which is the expected outcome of tariffication. Another factor was the subsequent Order of November 2001 increasing duties from 15-20% to 60% on most domestically manufactured products, including some agri-food products on which tariffs had not been increased in April 2000.⁸ As a result of this Order, the average tariff for non-agricultural products increased slightly, to 12.6%.

⁸ Statutory instrument 2001 No. 118, *Official Gazette No. 97*, 15 November 2001.

Chart III.1
Distribution of MFN tariff rates, 2001



^a The total number of ad valorem lines is 1,025 for agriculture and 5,356 for non-agriculture.
Source: WTO Secretariat estimates, based on data provided by the Government of Barbados.

Table III.3
Structure of applied MFN tariffs, 1999 and 2001
(Per cent)

Indicators	1999	2001
1. Bound tariff lines (share of all lines) ^a	98	98
2. Duty-free tariff lines (share of all lines)	7.8	5.4
3. Specific and compound tariffs (share of all lines)	1.1	0.9
4. Lines covered by tariff quotas (share of all lines)	..	2.1
5. Non- <i>ad valorem</i> tariff lines with no <i>ad valorem</i> equivalent (share of all lines)	1.1	0.9
6. Simple average bound tariff rate ^b	81.4	81.0
7. Simple average applied tariff rate ^c	13.6	16.5
Range	0-70	0-243
Agricultural products (WTO definition ^d)	19.0	36.7
Range	0-45	0-243
Non-agricultural products (WTO definition)	12.3	12.6
Range	0-70	0-145
8. Lines exceeding 15% (share of all lines) ^e	37.8	30.6
9. Overall standard deviation	12.4	28.0
10. Coefficient of variation (CV)	0.91	1.63

.. Not available.

a All fish and fish products (HS chapter 03) are not bound.

b Final bound rate.

c All *ad valorem* rates only.

d Covers HS chapters 1 to 24 less fish and fish products plus HS codes 2905.43, 2905.4, 3809.10, 3823.60 and HS headings 33.01, 35.01 to 35.05, 41.01 to 41.03, 43.01, 50.01 to 50.03, 51.01 to 51.03, 52.01 to 52.03, 53.01 and 53.02.

e Share based on all *ad valorem* rates only.

Source: WTO estimates, based on data submitted by the Government of Barbados to IDB.

(c) Bindings in the WTO

22. In the Uruguay Round, Barbados bound all its tariffs except on fish and fish products. Barbados's bound tariff in the WTO is the Consolidated Schedule of final bound rates resulting from WTO Agreements.⁹ The Schedule specifies the base and final rates, and the implementation periods.

23. Agricultural products (WTO definition) are bound at final rates of at least 100%, with other duties and charges bound at 70%, except for some 40 items for which final bound rates in 2004 will range from 110 to 223%, with other duties and charges bound at rates of over 170%. Tariffs on non-agricultural products are bound at rates of at least 70%, with other duties and charges bound at 200%, except for certain items bound at higher rates. These include petroleum products, soap and detergents, fireworks, film, tyres, precious stones, and motor vehicles. Tariffs on motor vehicles are bound at 247% (final rate in 2000), with other duties and charges bound at 346%.¹⁰

(d) Tariff quotas

24. In the Uruguay Round, Barbados bound tariff quotas on a number of agri-food items under the WTO Agreement on Agriculture (Table III.4). These products were also made subject to the

⁹ The Schedule was submitted on 19 September 2000 in the context of the Consolidated Tariff Schedule Database Project.

¹⁰ Although for grapefruit juice (HS 2009209000) the applied tariff (137%) appears to exceed the bound rate (155%), the authorities indicated that this was a typographical error.

special safeguard (SSG) provisions, which allow Barbados to apply additional tariffs on over-quota imports if import prices drop below a specified level, or if import volumes increase above a trigger level. Barbados has never reported resort to SSG provisions. In the context of this Review, the authorities noted that draft legislation had been prepared and Barbados would be implementing SSG provisions during 2002.

Table III.4
Imports of products covered by tariff quotas

HS Code	Description of products ^a	In-quota tariff 2001	Out-of-quota tariff 2001	Total imports 2000	Import quota 2000	Fill rate (%)
0105, 0207	Live poultry, meat and edible offal of poultry, fresh, chilled or frozen (kg.) ^b	184%	201%	2,724,859	340,953	799
0203	Meat of swine, fresh, chilled or frozen (kg.)	184%	201%	1,051,111	49,682	2,116
0401	Milk and cream, not concentrated nor containing added sugar or other sweetening matter (kg.)	141%	155%	227,555	477,731	48
0402	Milk and cream containing added sugar or other sweetening matter (kg.)	141%	155%	2,313,993	477,731	484
0407	Bird's eggs, in shell, fresh, excluding hatching eggs (kg.)	135%	147%	0	65,512	0
0702	Tomatoes, fresh or chilled (kg.)	160%	218%	298,070	22,134	1,347
0703.10.1	Onions, fresh or chilled (kg.)	216%	236%	1,490,525	1,533,385	97
0703.10.2	Shallot (eschallots), fresh or chilled (kg.)	216%	236%	1,410	545	259
0704.00.1	Cabbages, fresh or chilled (kg.)	110%	120%	325,946	33,866	962
0704.00.2	Cauliflowers, fresh or chilled (kg.)	110%	120%	29,933	92	32,536
0705.10	Lettuce, fresh or chilled (kg.)	110%	120%	551,495	167,707	329
0706.00.1	Carrots, fresh or chilled (kg.)	110%	120%	296,833	54,967	540
0706.00.2	Beets, fresh or chilled (kg.)	110%	120%	9,640	10,741	90
0707.00.1	Cucumbers, fresh or chilled (kg.)	110%	120%	16,017	16,046	100
0708.00.1	Pigeons peas, shelled or unshelled, fresh or chilled (kg.)	110%	120%	5,263	145,575	4
0708.00.2	String beans, shelled or unshelled, fresh or chilled (kg.)	110%	120%	633	21,439	3
0709.00.1	Aubergines (egg-plant), fresh or chilled (kg.)	160%	175%	1,477	3,931	38
0709.00.3	Okras, fresh or chilled (kg.)	160%	175%	0	20,370	0
0709.00.4	Pumpkins, fresh or chilled (kg.)	160%	175%	184,047	18,291	1,006
0709.00.5	Sweetcorn (corn-on-the-cob), fresh or chilled (kg.)	160%	175%	83,829	11,180	750
0709.00.6	Sweet peppers (kg.)	160%	175%	355,264	2,583	13,754
0709.00.8	Fruits of the genus capsicum or pimenta (kg.)	160%	175%	10,024	2,894	346
0714.20	Sweet potatoes, fresh or chilled (kg.)	160%	175%	1,264	115,477	1
0807.10	Melons (including watermelons) (kg.)	147%	161%	312,773	2,118	14,767
0807.20	Paw-paws (kg.)	103%	161%	1,664	23,100	7
1101	Wheat or meslin (kg.)	103%	113%	3,864,642	1,312,624	294
Ch 15	Animal/vegetable fats and oils and their products (l.)	0%	182%	5,380,880	3,000,000	179
1601	Sausages and similar products, of meat (kg.)	184%	201%	82,231	105,418	78
1602	Other prepared or preserved meat (kg.)	184%	201%	1,853,006	545	340,001
1701	Beet sugar and cane sugar, in solid form (kg.)	122%	133%	12,233,547	2,035	601,157
2007	Jams, jellies, marmalade, fruit puree and pastes (kg.)	141%	155%	469,466	93,700	501

Table III.4 (cont'd)

HS Code	Description of products ^a	In-quota tariff 2001	Out-of-quota tariff 2001	Total imports 2000	Import quota 2000	Fill rate (%)
2009.10.1	Orange juices concentrated (l.)	141%	155%	672,484	167,608	401
2009.10.9	Other orange juice (l.)	141%	155%	467,098	189,319	247
2009.20.1	Grapefruit juice concentrated (l.)	141%	155%	33,513	11,483	292
2009.20.9	Other grapefruit juice (l.)	125%	155%	112,251	84,566	133
2202.10.1	Aerated beverages (l.)	123%	155%	4,462,205	254,968	1,868

a The right to use special safeguards has been retained for all these products.

b This TRQ combines 02.03 and 02.07.

Source: WTO document G/AG/N/BRB/8, 9 November 2001; and Customs Tariff Amendment Order, 2001.

25. Tariff quotas were not being applied as at early 2002, but the authorities expected them to be introduced during the first quarter of the year. Until April 2000, border protection for the products subject to tariff quota bindings was provided mainly through non-automatic import licences. Since April 2000, Barbados increased applied tariffs on these products to the current bound rates. The administration of import licences for goods subject to tariff quota bindings is described in section (v) below. CARICOM partners are not subject to tariff quotas.

26. The Ministry of Commerce, Consumer Affairs and Business Development is the regulatory agency responsible for the administration of tariff quotas under the WTO Agreement on Agriculture. In the WTO Committee on Agriculture, it was noted by one Member that Barbados had not implemented its tariff quotas and information was sought on applied tariffs and levels of trade.¹¹ According to a recent notification, the majority of the tariff quotas were filled in 2000.¹²

27. By 2004, Barbados's tariff quota system will become redundant because by then the in-quota tariffs specified in the Schedule of Commitment (Table III.4) and the (final) out-of-quota tariffs will become the same.

28. In order to mitigate the effects of the tariff increases of April 2000 on agri-food products, the Government's October 2000 Financial Statement announced reductions in the tariffs applicable to sweet corn (from 180% to 40%). To assist the hospitality sectors (accommodation and restaurants), the Government also announced the opening of special tariff quotas to allow the importation of 11 food products at 40% for a period of 12 months. These special tariff quotas were not renewed, and in early 2002 the hospitality sector complained of shortages in these products.

(e) Preferential tariffs

29. Barbados allows duty-free imports from CARICOM members. However, the CET allows each member to impose import duties on imports of scheduled products from other members.¹³ In the case of Barbados, products scheduled are milk and cream, wheat flour, and millfeed (pollard).¹⁴ According to the authorities, no duties are, in practice, applied to intra-CARICOM imports of these products.

¹¹ WTO document G/AG/R/7, 26 November 1996.

¹² WTO document G/AG/N/BRB/8, 9 November 2001.

¹³ Annex to the Treaty Establishing the Caribbean Community, Chapter III, Article 13, Schedule I.

¹⁴ The products belong to HS headings: 04.02, 11.01, and 23.02.

30. Barbados also accords tariff preferences to certain products imported from Colombia, and the Dominican Republic, countries with which CARICOM has entered into free-trade agreements (Chapter II(3)(ii)(a)).

(f) Duty concessions and exemptions

31. Several tax incentives provide for total or partial exemptions of import duties and charges. These include the following:

- Under the Hotel Aids legislation of 1967, items needed for the construction or alteration and renovation of hotels may be imported duty free, including furniture, mattresses, linen, tableware, musical instruments, and sports equipment. Duty-free importation is allowed regardless of whether equivalent CARICOM products are available.
- Under the Hotel Refurbishment Programme, a wide range of items used in the refurbishment of hotels are exempt from import duties, the environmental levy, and the VAT.
- Under the Fiscal Incentives Act of 1974, plant, equipment, machinery, spare parts, raw materials or components not available within CARICOM at prices, quality and quantities available outside CARICOM, can be imported duty-free by an "approved" enterprise producing an "approved" product. The provisions of the Fiscal Incentives Act are described below (section (4)(iii)).
- Since 1994, all companies in the manufacturing, agricultural and fishing sectors have been granted a waiver of customs duties and taxes payable on inputs. For example, manufacturers of ham, do not pay the 184% in-quota duty on imported pork, unlike restaurants. Eligible inputs include raw materials, machinery, equipment, and spares but not motor vehicles.
- Under the Special Development Areas Act of 1996, relief from taxes including import duty (and VAT, see below) is provided for inputs for the construction and renovation of buildings in specified areas.
- Duty concessions for small manufacturers are contained in the Business Development Act of 1999. Approved small businesses are exempt from the payment of import duties on plant and equipment for use in their business, and of stamp duty (see below).

(g) Drawbacks and in-bond schemes

32. Under Barbados's drawback scheme, the duty paid by an enterprise on items sold to tourists or re-exported is refunded. For companies that qualify under the in-bond scheme, items are entered free of duty and duty is payable only on sales to residents. Under both schemes, the onus is on the distributor/manufacturer to declare whether the buyer is a resident or a non-resident. In April 2000, the Government increased the applied tariff on T-shirts to the bound rate of 117% when import licences were abolished on these products (Table III.5). However, as T-shirts are listed under the

drawbacks and in-bond schemes, importers have circumvented payment of this tariff by declaring that sales are made to tourists.¹⁵

(h) Customs surtax and other charges

33. A surtax regime was introduced in 1994 at the rate of 100%, and applied to the customs value of imports of about 70 locally produced agri-food and industrial products. Importers paid the surtax in addition to customs duties. The surtax was reduced to 75%, and then to 35% in 1999, and abolished in April 2000. Another customs surcharge, levied at 20% on certain luxury goods, such as motor vehicles and television sets, was abolished on 1 January 1997 upon the introduction of the VAT.

34. A stamp duty of 20% levied on imports from non-CARICOM members was abolished on 1 January 1997.

(i) Value-added tax

35. Since January 1997, domestic supplies and imports of most goods and services are subject to a 15% value added tax (VAT). It applies to the c.i.f. customs value plus the sum of import duties and taxes.¹⁶ The VAT provides 29% of government revenue; the VAT levied on imports contributes 9% (Table III.1).

36. Most domestically produced agri-food supplies are zero-rated, as are drugs and medical devices. Financial services, sales of property, ground transportation, water distribution, and sewerage services are exempt from VAT. In addition, investment incentives generally include VAT exemptions on inputs used in construction projects. Also, in order to assist local manufacturers, the VAT has been waived on their purchases of equipment, machinery and spare parts, fuel, diesel, and natural gas. This waiver avoids long delays before manufacturers obtain their refund. VAT refund procedures have been described as an impediment to business, and the authorities are working towards reducing delays.¹⁷

(j) The excise tax

37. An excise tax applies to four categories of goods: motor vehicles, tobacco products, alcoholic beverages, and petroleum products. These rates appear in the Second Schedule of the Excise Tax Order, and can be modified only by an Act of Parliament. Excise taxes apply to the customs value plus the customs duty and environmental levy. Revenues from excise taxes are shown in Table III.1.

(k) The environmental levy

38. Since 1996, sales of imported (but not domestic) goods from all countries are subject to an environmental levy for the purpose of defraying the cost of disposing of specific goods. The goods, which are specified in a schedule, include motor vehicles, tyres, refrigerators, stoves and ranges, washing machines, dishwashing machines, television sets, mattresses, and electric accumulators. The levy is charged on the c.i.f. value of the goods, in a similar manner to a customs duty; rates vary from

¹⁵ Government of Barbados (2000).

¹⁶ An example of how import duties and taxes are computed follows: one toaster (HS 8516.72), customs value BDS\$100.00; import duty 20% of customs value = BDS\$20.00; Environmental levy 1% of customs value = 1.00; value-added tax 15% of customs value plus sum of duties and taxes = BDS\$18.15. Total duties and taxes = BDS\$39.15.

¹⁷ Barbados Chamber of Commerce and Industry (2001).

BDS\$1.00 per item (for bicycle tyres) to BDS\$150 per item (for motor vehicles). The levy may be refunded on re-exported goods.

(v) **Import licensing and prohibitions**

39. Import licences have been used in general to monitor import flows and to protect domestic production from competition. Imports from CARICOM members are free of any quantitative restrictions (QRs). However, the CARICOM Treaty provided the possibility for each member to schedule lists of product exceptions at the national level, and impose QRs on imports of these products from other members.¹⁸

40. Other quantitative restrictions such as prohibitions and controls are in place to ensure national security, safeguard consumer health and morality, or to preserve domestic plant and animal life and the environment. For example in 2000, an import prohibition was implemented because of a risk of foot and mouth disease (section (ix)).

(a) Non-automatic licensing

41. Until April 2000, Barbados maintained a system of non-automatic import licensing intended to restrict imports of sensitive goods.¹⁹ Licences were required for 43 agricultural and fish products, and for beer, soap, fireworks, T-shirts, handcuffs, knives, and motor vehicles (Table III.5). According to the authorities, the import licensing system became automatic and exclusively for monitoring purposes on 1 April 2000. At the same time, tariffs on several products covered by licences were increased substantially to the maximum bound tariffs, ranging to over 200% (section (iv)(b) above).

42. In practice however, such tariffs did not suffice to deter imports. Import licences were reintroduced in November 2001 on several products, in principle for a period of three months. The authorities stated that these restrictions were introduced "in response to the fall out of September 11th and to ensure food security". Products under such licences were beef, pork, lamb, poultry, milk, tomatoes, onions, cabbages, lettuce, carrots, sweet peppers, and melons.²⁰ Import licences were not granted during this three-month period if the supply conditions were not considered to warrant the need for these products. The authorities have indicated that the non-automatic import licensing regime expired as scheduled; according to certain user industries, however, no such licences were available in February 2002. The decision to reintroduce non-automatic import licences was under review by the authorities at that time.

¹⁸ Annex to the Treaty Establishing the Caribbean Community Chapter III, Article 13, Schedule I; (see section (iv)(e) above) for the list of products contained in Barbados's schedule).

¹⁹ WTO document G/LIC/N/3/BRB/1, 23 January 1996.

²⁰ Ministry of Economic Development (2001).

Table III.5
Products subject to import licensing, as at March 2002

Tariff heading number ^a	Description of goods	Applied tariff range (%) ^b	
		1999	2001
01.05	Live Poultry	0-40	0-201
0201, 0202	Meat of bovine animals	40-40	40-40
02.03	Meat of swine, fresh, chilled or frozen	0	0-201
0204	Meat of sheep	40-40	40-40
Ex. 02.07	Meat of poultry of heading No. 01.05 fresh, chilled or frozen	0-15	40-201
0210.1100.00	Ham	25	201
0210.1210.00	Bacon	25	201
03.02	Fish, fresh or chilled excluding fish fillets and other fish meat of heading no. 03.04	0-40	0-145
03.03	Fish, frozen, excluding fish fillets and other fish meat of heading no. 03.04	0-40	0-145
03.04	Fish fillets and other fish meat, fresh, chilled or frozen	40	40-145
04.01	Milk and cream, not concentrated nor containing added sugar or other sweetening matter	0	155
04.02	Milk and cream concentrated or containing added sugar or other sweetening matter	0	20-155
Ex. 04.07	Bird's eggs in shell, fresh, excluding hatching eggs	0-40	0-147
0702.0000.00	Tomatoes, fresh or chilled	40	218
0703.1010.00	Onions, fresh or chilled	25	236
0703.1020.00	Shallots (eschallots) fresh or chilled	40	120
07.04	Cabbage	40	40-120
07.05	Lettuce and chicory, fresh or chilled	40	40-120
07.06	Carrots and turnips, beetroots, salsify, celeriac, radishes and similar edible roots fresh or chilled	40	40-120
07.07	Cucumbers and gherkins fresh or chilled	40	40-120
07.08	Leguminous vegetables, shelled or unshelled fresh or chilled	40	40-120
07.09	Other vegetables, fresh or chilled	40	40-175
07.10	Vegetables, uncooked or cooked, frozen	5-40	5-175
0714.2000.00	Sweet potatoes	40	175
Ex. 08.07	Melons	40	40-161
1501.0010.00	Lard	5	5
15.07	Soya bean oil and its fractions, whether or not refined, but not chemically modified	40	182
15.08	Ground nut oil and its fractions, whether or not refined, but not chemically modified	40	40
15.09	Olive oil and its fractions, whether or not refined, but not chemically modified	40	40
15.10	Other oils and their fractions, obtained solely from olives, whether or not refined but not chemically modified, including blends of these oils or fractions with oils or fractions of heading no.15.09	40	40
15.11	Palm oil and its fractions, whether or not refined, but not chemically modified	5-40	40
15.12	Sunflower seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified	40	40
15.13	Coconut (copra), palm kernel or babassu oil and fractions thereof, whether or not refined, but not chemically modified	40	40

Table III.5 (cont'd)

Tariff heading number ^a	Description of goods	Applied tariff range (%) ^b	
		1999	2001
15.14	Rape, colza or mustard oils and fractions thereof, whether not refined, but not chemically modified	40	40
15.15	Other fixed vegetable fats and oils and their fraction whether or not purified, but not chemically modified	5-40	5-40
16.01	Sausages and similar products of meat, meat offal or blood, food preparations based on these products	25	20-201
16.02	Other prepared or preserved meats, meat offal or blood (excluding corned beef)	5-25	5-201
Ex. 17.01	Beet sugar and cane sugar in solid form	25-40	25-40
19.02	Uncooked pasta	25	20-100
20.07	Jams, jellies, marmalades, fruit puree and fruit pastes	10-25	10-155
20.09	Fruit juices (including grape must) and vegetables juices, unfermented and not containing added spirit whether or not containing added sugar or other sweetening matter	5-40	5-155
22.02	Water, including mineral waters an aerated waters, containing added sugar or other sweetening matter or flavoured and other non-alcoholic beverages	25	20-135
22.03	Beer made from malt	\$2.64/l.	141
Ex. 22.06	Shandy	\$2.64/l.	141
Ex. 22.08	Shandy	\$1.10-\$15.63/l.	\$1.10-\$15.63/l.
34.01	Soap, organic surface active products and preparations for use as soap in bars, cakes, moulded pieces or shapes whether or not containing soap; paper, wadding; felt and non-woven, impregnated coated or covered with soap or detergent	5-25	5-20
34.02	Organic surface active agents; surface active preparations, washing preparations and cleaning preparations whether or not containing soap	5-25	5-82
Ex. 36.04	Fireworks	0-25	0-20
Ex. 38.23	Chemshield	5	5
Ex. 38.23	Mace and similar products	5	5
Ex. 39.26	Handcuffs of plastic	5-25	5-20
Ex. 61.09	T-shirts	25	20-117
Ex. 73.26	Handcuffs of iron or steel	5-25	5-20
Ex. 82.11	Ratchet knives, spring loaded knives including flick knives	5-25	5-20
Ex. 95.04	Coin operated amusement machines	25	5
Ex. 95.04	Equipment and accessories for gambling or parlour games (excluding gaming machines) for example, black jack tables, table counters, hand counters, roulette wheels, dice, dice boxes, croupiers' rakes, etc.	25	5

a Based on the 10-digit nomenclature used for the 2001 tariff. The 1999 schedule used a 7-digit nomenclature and the match between the two schedules was done based on the product description.

b For sub-headings not fully covered, i.e., 'Ex.' lines, the range for the whole subheading is given since the specific lines included are not identifiable.

Source: Miscellaneous Controls Act, Miscellaneous Controls (General Open Import Licence) (Amendment) (No. 3) Regulations, 1995; and information provided by the authorities of Barbados.

(b) Import licensing regulations

43. The import licensing legislation notified to the WTO in 1996 is the Miscellaneous Controls Act Chapter 329 – Miscellaneous Controls (General Open Import Licence) Regulations (1994) and its Amendment (1995).²¹ These regulations are still in force. In practice, licences for products listed

²¹ WTO documents G/LIC/N/1/BRB/1, 4 October 1996, and G/LIC/N/3/BRB/1, 23 January 1996.

under the Act (Table III.5), can be made non-automatic by administrative decision. A Ministerial Order must be issued for new products (such as beef and lamb in November 2001).

44. Barbados's replies to the questionnaire on import licensing procedures indicated that there was no publication of information concerning the allocation of quotas, or with respect to the filing of applications for licences.²² The overall amount of the quota and the amounts allocated to goods from each country are not published. Importers are notified individually of allocations. Quota allocation is usually determined on a first-come-first-served basis, but in some cases import licences are granted on the basis of past performance.

45. Barbados's licensing system generated as yet unanswered questions by Australia and by the United States.²³ They described the system as lacking transparency, making it difficult for exporters and importers to plan ahead when they did not know how much of the quota has been filled. They questioned whether the arrangements were fully WTO-consistent.

(vi) Anti-dumping, countervailing, and safeguard measures

46. Barbados notified the WTO of its legislation on anti-dumping (AD) and countervailing (CV) duties in 1995.²⁴ Barbados has no safeguard legislation. It has not notified the WTO of any actions taken under AD or CV provisions.

47. Under Chapter 67 of the Laws of Barbados – Customs Duties (Dumping and Subsidies) 1959, where it appears to the Minister that goods have been dumped into the Island, or that some government or other authority outside the Island has been giving a subsidy affecting goods that are being or have been imported into the Island, and that it would be in the interest of the Island, he may impose and vary customs duties as he thinks necessary to meet the dumping or the giving of the subsidy. He must not exercise that power "if it appears to him that to do so would conflict with the provisions for the time being in force of the General Agreement on Tariffs and Trade."

48. At the time of the notification in 1995, the authorities indicated that Chapter 67 was under review, and that the amended legislation would be forwarded to the WTO Committee on Anti-Dumping practices upon its completion. As yet, no new legislation has been introduced in Parliament.

49. Questions regarding Barbados's AD and CV legislation were asked by several countries.²⁵ To date, no responses have been received.²⁶ Barbados was asked when the WTO Agreement on Subsidies and Countervailing Measures would be implemented in national law.²⁷ In particular, the definition of a subsidy was described as differing from that contained in Article 1 of the WTO SCM Agreement; the legislation made no reference to specificity requirements (Article 2); and no rules defined the calculation of the amount of subsidy (Article 14).

50. With respect to anti-dumping provisions, several Members pointed out that numerous provisions of the WTO AD Agreement are not reflected in the Barbadian legislation and some

²² WTO document G/LIC/N/3/BRB/1, 23 January 1996.

²³ WTO documents G/LIC/Q/BRB/1, 28 January 1997, and G/LIC/Q/BRB/2, 3 February 1997.

²⁴ WTO document G/ADP/N/1/BRB/1, 30 October 1995.

²⁵ WTO document G/ADP/W/323, 12 April 1996, questions submitted by the European Union; WTO document G/ADP/W/342, 15 April 1996, questions submitted by Hong Kong; G/ADP/W/359, 17 April 1996 (Korea); G/ADP/W/371, 23 April 1996 (Venezuela); and G/ADP/W/387, 24 April 1996 (United States).

²⁶ WTO document G/ADP/M/8/Suppl.1 and G/SCM/M/10/Suppl.1, 17 January 1997.

²⁷ WTO document G/ADP/W/323, 12 April 1996.

Barbadian provisions may be at odds with WTO provisions. They therefore questioned the legal status of the WTO AD Agreement in Barbados, particularly in case of conflict with domestic provisions.²⁸

51. Article 19 of the CARICOM Treaty allows members to "take actions against dumped or subsidized imports that conform with international obligations." Article 29 of the CARICOM Treaty allows members to apply a safeguard for a maximum period of 18 months, with prior authorization from the CARICOM Council, when imports from other members cause a substantial drop in the demand of a domestically produced good.

52. In November 1996, an Order under the provisions of the Customs Duties (Dumping and Subsidies) Act imposed specific duties of BDS\$0.33 per kg. on imports of milk, cream, and other products of HS heading 0401-0404, if these originate in Trinidad and Tobago. While the order and the underlying legislation do not specify whether these are countervailing, or anti-dumping duties, the authorities have indicated that they are countervailing duties.²⁹

(vii) Government procurement

53. According to the authorities, government purchases represent approximately 10% of GDP.

54. Government procurement in Barbados is regulated by the Financial Administration and Audit Act Cap 5, the Financial Administration and Audit (Financial) Rules 1971, and the Financial Administration and Audit (Supplies) Rules 1971. The legislation sets out the procedures to be used with regard to government contracts depending on the amount involved. Guidelines state that contracts for less than BDS\$100,000 can be given without tenders being invited; for all works and services exceeding BDS\$100,000, tenders shall be invited.³⁰

55. According to the Financial Administration and Audit (Supplies) Rules, only suppliers included on a list of approved suppliers are invited to tender. According to the authorities, suppliers do not have to be resident in order to be approved, and any person may apply in writing to the Chief Supply Officer to become approved. Also according to these rules, "whenever it becomes necessary for any supplies to be imported", the Chief Supply Officer must obtain such supplies by ordering directly from overseas manufacturers or suppliers or through other persons appointed by the Government, or through local agents for overseas suppliers if it is in the public interest to do so.

56. In the August 2001 Financial Statement, the Government envisaged that participation in the Free Trade of the Americas (FTAA) would require the opening of Barbados's markets in areas that are "traditionally largely reserved for domestic suppliers"³¹, such as government procurement. The authorities have noted, however that government procurement legislation does not contain any margin of preference in favour of domestic suppliers, and that all contracts over BDS\$100,000 are subject to open tender. They also noted that suppliers for large projects are mainly determined by conditions stipulated by international lending agencies.

²⁸ WTO document G/ADP/W/342, 15 April 1996, questions submitted by Hong Kong. See also G/ADP/W/359, 17 April 1996 (Korea); G/ADP/W/371, 23 April 1996 (Venezuela); and G/ADP/W/387, 24 April 1996 (United States).

²⁹ Statutory Instrument 1996 No. 118, supplement to *Official Gazette* No. 93, 11 November 1996.

³⁰ Guidelines for the Use of Rule 137A of the Financial Administration and Audit (Financial) Rules 1971.

³¹ Government of Barbados (2000).

57. Barbados is not a party to the WTO Plurilateral Agreement on Government Procurement (GPA). Barbados seeks to reach an agreement on government procurement within CARICOM before participating in wider negotiations, such as the FTAA.

(viii) Standards and other technical requirements

58. The Barbados National Standards Institution (BNSI), established in 1973, formulates and implements national standards. The BNSI is a joint undertaking between the Government and the private sector. Aside from standardization, the BNSI is involved in quality control, quality systems implementation and facilitation, product certification, testing, and conformity assessment.

59. Since 1998, a Working Group on the WTO Agreement on Technical Barriers to Trade, established at the Ministry of Commerce, Consumer Affairs and Business Development, has been examining ways of facilitating the implementation of the Agreement in Barbados. According to commercial sources, importing goods that meet European or U.S. standards is rarely a problem.³²

(a) Membership in international standards organizations

60. The BNSI is a member of the International Organization for Standardization (ISO), the CODEX Alimentarius Commission (for food and food-related matters), a participant in the International Electrotechnical Commission (IEC) Affiliate Programme, and a member of the International Organization of Legal Metrology (OIML), the Caribbean Common Market Standards Council (CCMSC), and the Pan American Standards Commission (COPANT). Barbados was also selected as the location for the headquarters of the proposed CARICOM Regional Organization of Standards and Quality (CROSQ), the planned successor to the CCMSC. The CCMSC, established in 1973 as an association of all national standards bodies in the region, is charged with developing regional standards and advising the Common Market Council on related technical matters.

61. BNSI is the enquiry point for Barbados under Article 10 of the WTO Agreement on Technical Barriers to Trade (TBT). BNSI has adhered to the TBT Code of Good Practice for the Preparation, Adoption and Application of Standards.

(b) Standards

62. No new legislation had been enacted in Barbados in the area of standards and related activities since the establishment of the WTO. Existing legislation includes the Weights and Measures Act of 1977, and Regulations of 1985; the Control of Standards Act of 1981 and Regulations of 1983; and the BNSI (Certification Marks) Act 1981 and Regulations of 1983.

63. Standards may be proposed by any member of the BNSI, or by an authoritative body. A draft standard is prepared by a technical committee, and then circulated during at least three months for comments. Final standards are published in the *BNSI Standards Catalogue*. According to the authorities, standards are generally based on or are adopted international standards. Standards may also be adopted regionally.

64. There has been an attempt to harmonize standards across CARICOM members. For example, CARICOM regional standards for rice and safety matches were adopted as Barbados National Standards in 2000; there are currently 46 approved CARICOM standards. However, the CCMSC

³² See, for example, Tradeport online information. Available at: <http://www.tradeport.org/ts/countries/barbados/regs.html>.

mandate does not extend to the establishment of technical regulations; this activity remains fully under the control of national bodies.

(c) Technical regulations

65. Technical regulations (mandatory standards) are also generally established by the BNSI, and passed by Ministerial Order. They are published in the *Official Gazette*. According to the BNSI, some 44 technical regulations are in place under the Control of Standards Act. They cover mainly food items, as well as labelling requirements, building materials, chemicals, other consumer products, and petroleum products.³³ Nine of these are labelling standards. The BNSI has notified one new technical regulation to the WTO, relating to the labelling of brewery products.³⁴

66. Mandatory standards are enforced at the border by customs officials, with the assistance of standards inspectors appointed by the Ministry of Commerce.

67. BNSI adopted the British standard on carbon steel bars as a voluntary standard in 2000, apparently because of low quality imports.³⁵ According to the authorities, no further such imports have taken place since the new standard was adopted.

(d) Certification and accreditation

68. The BNSI is responsible for testing and certification, and administers the Certification Marking Scheme. Under the scheme, the BNSI carries out tests and quality assessments. Certification covers products and processes. Certification marks are issued based on national standards. BNSI also facilitates the implementation of ISO 9000 Quality Management systems for certification and registration. A technical assistance fund has been set up by the Government to assist companies with ISO 9000 certification.

69. BNSI has adopted the ISO/IEC Guides and standards on Conformity Assessment as national guides and standards. Barbados generally accepts certificates from internationally recognized accreditation laboratories. These include the certification bureaux of CARICOM countries. The BNSI accepts foreign certification in compliance with ISO 9000 or ISO 14000.

(ix) Sanitary and phytosanitary measures

70. Under legislation on plant pests and diseases, an import permit must be obtained for all imports of new plants and products thereof, including any machinery or equipment containing soil or a plant. Barbados is also currently formulating plant protection legislation, which will address issues of risk analysis and preshipment certification for all new imports into Barbados. Phytosanitary certificates are required from the exporting authorities for fresh fruit, vegetables, plants, and plant materials, and must accompany the goods declaration before customs processing is allowed.

71. Within CARICOM, agreements have been made to certify products, plantations and farms, as well as methods for products to be packaged, labelled, and transported. This is expected to facilitate the obtention of relevant permits and certificates, and increase trade.

72. Imports of animals and animal products are subject to a permit granted by the Senior Veterinary Officer. Importers of animal products for human or animal consumption must be

³³ BNSI Standards Catalogue, 2001.

³⁴ WTO document G/TBT/Notif.00/396, 5 September 2000.

³⁵ BNSI (2000), p. 12.

registered. Sanitary or health certificates based on the requirements of an import permit must be issued by the relevant exporting authorities for all animal and animal products including meat, dairy, skins, hair, hides, animal meal, etc.

73. Barbados maintains a positive list of countries allowed to export meat to Barbados. The list was established in 1961. Adding a new country would require a change of law; countries wishing to export to Barbados must approach the Government to that effect. In early 2002, the countries on the positive list from which fresh red meats or meat products could be imported were: Australia, Belize, Canada, Chile, New Zealand, and the United States. Ireland, the United Kingdom, and Uruguay are also approved countries, but imports were under restriction in early 2002 due to Foot and Mouth Disease outbreaks. In November 2001, Barbados notified the WTO, its only notification in this area, of a ban of imports from Uruguay of fresh meat, de-boned meat, other fresh meat and edible offal, because of concerns related to foot-and-mouth disease.³⁶

74. In early 2002, fresh poultry meat could be imported only from: Great Britain, Northern Ireland, the Republic of Ireland, Australia, Argentina, Canada, Denmark, New Zealand, Norway, Sweden, the Netherlands, and the United States. Commercially canned meats imported in hermetically sealed metal cans and fully processed in an approved manner, could be imported from any country.

75. Food products imported into Barbados must be labelled, showing the name of the item, quantity, the ingredients used in manufacturing the item, country of origin, percentage of ingredients, and expiry date. Juices should carry information showing the ingredients used in the mixture. The BNSI publishes technical regulations for labelling of food products, as well as other standards for various food products. In the past, U.S. standards were usually acceptable in Barbados. However, Barbados is progressively introducing the mandatory food labelling regulations as per the CODEX Alimentarius.

76. The Ministry of Agriculture and Rural Development is Barbados's enquiry point under the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS).³⁷ The Ministry of Foreign Affairs and Foreign Trade is the national notification authority foreseen in Annex B, Paragraph 10 of the SPS Agreement.³⁸ Barbados is a member of the three standard-setting bodies explicitly referred to in the SPS Agreement, namely the Codex Alimentarius, the Office International des Epizooties (OIE) and the International Plant Protection Convention (IPPC, Convention of 1991).

77. According to the authorities, new SPS-compliant legislation is being formulated which will provide for the introduction and application of internationally compliant standards, as well as acceptable food hygiene practices (e.g. hazard analysis and critical control point, HACCP) with respect to agricultural products. These will also ensure the protection of consumers through the control of veterinary drugs. New regulations on fisheries, markets, slaughterhouses, and food are also at an advanced stage.

(3) MEASURES DIRECTLY AFFECTING EXPORTS

(i) Procedures and documentation

78. Exporters do not need to be registered, except for those wishing to export under trade preferences. Export shipment documents are examined by Customs at the port of exit, particularly

³⁶ WTO document G/SPS/N/BRB/1, 14 November 2001.

³⁷ WTO document G/SPS/ENQ/10/Add.1, 14 June 2000.

³⁸ WTO document G/SPS/NNA/1, 1 November 2000.

when exportation takes place under a trade preference. The export documentation consists of: a customs declaration form; commercial invoice (only for exports under trade preferences); the certificate of origin (only for exports under trade preferences); a central bank form; a bill of lading; a shipping instruction form; and an export declaration form.

79. Barbados relies on preferential trade arrangements for its main merchandise exports, such as for sugar, rum, and most manufactured products. The Certification Service at the Barbados Investment and Development Corporation (BIDC) delivers certificates of origin that allow exporters to benefit from these preferences. The BIDC is the certifying authority for CARICOM, CBI, CARIBCAN, and exports to Colombia, Cuba, Dominican Republic, and Venezuela under CARICOM trade arrangements. The Customs Department provides certification under the ACP-EU Cotonou Agreement.

80. The Veterinary Office of the Ministry of Agriculture issues health certificates for the export of live animals. The Veterinary Office, if required by the recipient country, also issues certificates for the export of fresh and processed foods of animal origin. For these foods, the exporter must first obtain a certificate of wholesomeness from the Ministry of Health in order to secure the Veterinary Export Health Certificate.

(ii) Export taxes, charges and levies

81. Barbados applies no taxes, charges or levies on exports.

(iii) Export prohibitions, restrictions, and licensing

82. A List of Prohibited and Restricted Exports, contained in the third schedule of the Customs Act, sets out items for which exportation is subject to licences, granted by the Ministry of Commerce, Consumer Affairs and Business Development. The list includes live bovines, baby chicks, pork, poultry parts, certain fish, cheese, butter, eggs, tortoiseshell, black coral, sugar cane plants, various vegetables, rice, flour, peanuts, pasta, Portland cement, crude and other than crude petroleum oils, soap, sewing machines, certain furniture, and coin-operated betting machines.

(iv) Export subsidies and other concessions in support of exports

(a) Tax incentives for exports by domestic companies

83. The main export incentives available in Barbados consist of tax reductions under the Income Tax Act for companies exporting outside the CARICOM region. Upon expiry of the tax holiday on corporate profits, which is available under the Fiscal Incentives Act (section (iii)(a) below) for most investment irrespective of the export content, a tax credit is granted in proportion to the company's export sales. The reduction ranges from 35% to 93% of the tax normally payable on profits at the standard 40% rate.³⁹

84. Tax and duty concessions are also granted in support of exports of services under the Hotel Aids Act and other legislation in favour of the tourism industry (Chapter IV(5)(v)).

(b) Tax incentives for exports by international companies

85. "International" or "offshore" companies also benefit from substantial tax rebates. These companies are required to sell 100% of their goods or services to markets outside Barbados. In

³⁹ See also WTO document G/SCM/N/71/BRB, 1 March 2002.

particular, companies registered as Societies with Restricted Liabilities, Foreign Sales Corporations (FSC), or International Business Companies (IBC) pay minimal rates of corporate tax instead of the standard 40% rate.

86. An IBC is subject to a maximum 2.5% corporate tax rate on net profits. Taxes paid to a foreign country may be credited against tax payable in Barbados provided that it does not reduce the tax payable in Barbados to less than 1% of the profits or gains in any income year. There are no withholding taxes on dividends, royalties, management fees, interest payments, and other fees paid by an international business company to non-residents of Barbados or to another IBC. An IBC is exempt from otherwise applicable exchange control restrictions. An IBC may also import free of custom duty, VAT, and other like duties, all equipment, machinery, raw materials, goods, components and articles that are necessary to carry on its international business.

87. FSCs are exempt from all taxes on income from their FSC operations; and is granted duty-free importation of articles that are necessary for the corporation to conduct its foreign trade transactions from Barbados.

(c) Financial assistance for exports

88. The Government provides financial assistance to promote exports. For example in his 2001 Financial Statement, the Prime Minister announced a rebate of 30%, up to a maximum of BDS\$10,000 per exporter per year, on the cost of international transport and freight for agricultural exports. The authorities have stated that this subsidy is in conformity with Article 9.4 of the WTO Agreement on Agriculture. He also announced a technical assistance fund of BDS\$250,000 to assist producers and marketers to conduct feasibility studies, access new technology, and implement quality assurance schemes related to the export of fresh agricultural produce. Producers and marketers seeking to benefit from these funds will be required to meet 25% of the cost of the respective activities.⁴⁰

(d) Export promotion, finance, insurance and guarantees

89. The Barbados Investment and Development Corporation (BIDC), through its Export Promotion Division, attempts to improve the export marketing capability of local enterprises. Its efforts have been constrained because companies have a very limited range of products for export, and tend to be small and under-capitalized with uncompetitive export prices.⁴¹

90. The Central Bank of Barbados operates a number of export financing, insurance, and guarantee programmes. The Export Credit Insurance Scheme was established in 1978 to promote and facilitate the growth of Barbados's manufactured exports. The scheme provides insurance cover for losses arising out of non-payment by overseas buyers, and for commercial and political risks. In the event of a default, losses are covered to the extent of 90% in the case of political risk and 80% in the case of commercial risk. The Export Credit Insurance Scheme had two policies in force at the 2001 year-end, totalling BDS\$341,000 in insurance cover.

91. The Export Finance Guarantee Scheme offers both preshipment and post-shipment coverage. Preshipment coverage includes credits granted by a commercial bank to an exporter for the purpose of manufacturing, processing or packaging of goods for export against a firm contract or agreement of sale with a foreign buyer. Post-shipment coverage concerns credits granted by a commercial bank to an exporter through the purchase, negotiation or discount of export bills relating to the shipment of

⁴⁰ Government of Barbados (2001).

⁴¹ BIDC (1997).

goods out of Barbados under contract or agreement of sale with a foreign buyer. Working capital loans for the financing of services are also eligible for guarantee under this scheme. The guarantee covers 75-90% of the loss in case of failure of the exporter to repay the guaranteed debt. Two guarantees were in force at the end of 2001, amounting to BDS\$230,670.

(e) Commitments under international agreements

92. Under notification requirements of the WTO Agreement on Agriculture, Barbados has notified the WTO that no export subsidies were provided to agricultural products in 2000.⁴² The same notification has been made in all years since 1995 (Barbados did not made WTO agricultural export subsidy reduction commitments). In December 2001, Barbados notified an array of export subsidy measures and requested an extension of the transition period provided for in Article 27.4 of the WTO Agreement on Subsidies and Countervailing Measures (sections (a) to (d) above).⁴³

93. Export subsidies are not allowed to other CARICOM countries under the CARICOM Treaty, with the exception of subsidies on certain agricultural products.

(4) MEASURES AFFECTING PRODUCTION AND TRADE

(i) Business registration

(a) Registration of domestic companies

94. All companies (trading in goods or services) in Barbados are incorporated under the Companies Act. The use of an agent or distributor is not required to export to Barbados. However, forms of partnership involving trade typically consist of local agents, distributors, and manufacturers' representatives, as well as joint venture partners, licensees, and franchisees.

95. The Franchise (Registration and Control) Act of 1991 provides for the licensing, registration and control of businesses wishing to operate a franchise in Barbados. All franchises must be registered with the Ministry of Finance in order to operate legally and repatriate profits and capital. The Minister also has the right to impose licences on any non-national wishing to operate a business either under franchise, or using a foreign trade mark. Before approving such a franchise, the Minister evaluates the potential impact on local businesses. It has been government policy to reserve the fast-food industry, local tour operators, and ground transportation (car rentals) for local suppliers.

(b) Registration of international companies

96. Under Sections 327, 328 and 337 of the Companies Act, all "external" companies must also be registered. An external company is one that has been formed under the laws of another country. The minister responsible may order the registrar to refuse registration of an external company. The registrar has discretion to restrict the powers or activities relating to an external company; and the Minister may suspend or revoke the registration of an external company for failing to comply with a requirement.

97. There are five categories of companies that conduct "international" business and require specific licences: international business companies (IBCs), foreign sales corporations (FSCs), exempt societies with restricted liability (exempt SRLs), exempt insurance companies (EIs), and offshore

⁴² WTO document G/AG/N/BRB/10, 9 November 2001.

⁴³ WTO document G/SCM/N/74/BRB, 4 January 2002. Further details concerning these measures can be found in WTO document G/SCM/N/71/BRB, 1 March 2002.

banks (OBs).⁴⁴ In order to benefit from the tax incentives international companies must not trade in goods or services within Barbados.

International business companies

98. An international business company is a company licensed under the International Business Companies Act, 1991 to conduct "international manufacturing" from within Barbados, or to conduct "international trade and commerce" from within Barbados. After incorporation under the Companies Act, any company wishing to conduct international business is required to obtain a licence from the Ministry of Economic Development if they wish to benefit from the incentives offered to those companies. The licence must be renewed annually. There is no impediment to Barbados residents operating international business companies. International business may be conducted anywhere outside Barbados. The IBC must have a registered office in Barbados.

99. The IBC must provide the authorities with documentation containing, amongst other things, a list of shareholders and the names of the beneficial owners. Bearer shares and nominee shareholders are not allowed. The regulatory authorities, including the Commissioner of Inland Revenue, have access to the information. The financial statements of IBCs are filed with the Ministry of Economic Development.

Foreign sales corporations (FSC)

100. To qualify as an FSC under Barbados's Foreign Sales Corporation Act of 1984, a company must have been designated as an FSC in the United States.⁴⁵ An FSC is a foreign corporation established in an approved jurisdiction outside of the United States by a U.S. export-oriented corporation. According to the Barbados authorities, it typically acts as a commission agent on qualifying sales of the U.S. company. U.S. manufacturers involved in international trade are exempt from U.S. tax on a portion of their earnings from the sale of export property if certain "foreign presence", "foreign management" and "foreign economic processes" requirements are met. According to the International Business Division of the Ministry of Economic Development, if all the requirements are met, the savings are approximately 5% of the income attributable to export sales. The FSC must be incorporated in Barbados; have no Barbados residents as shareholders; and be engaged in foreign trade transactions as its principal activity. The FSC is required to file an annual return, keep a registered office, a register of shareholders, and books and records in Barbados. The regulatory authorities have access to this information.

101. Barbados reserved its rights to participate as a third party in the dispute relating to U.S. provisions on foreign sales corporations.⁴⁶ The Panel report, as amended by the Appellate Body report, found the U.S. FSC scheme to constitute prohibited export subsidies. As a response, the United States adopted the FSC Repeal and Extraterritorial Income Exclusion Act of November 2000, which was subsequently found by the original Panel to be in violation of the WTO Agreement.⁴⁷ The Appellate Body confirmed the finding in January 2002. Barbados has been affected by the legislative changes introduced in the United States following this dispute, as under the new U.S. FSC regime

⁴⁴ The regimes for exempt insurance companies and offshore banks are described in Chapter IV. Information on international company provisions is also available from the Ministry of Economic Development online information. Available at: http://www.barbadosbusiness.gov.bb/miib/Legislation/Acts/Investment_acts.cfm.

⁴⁵ Barbados Investment & Development Corporation online information. Available at: <http://www.bidc.com/finser.htm#inter>.

⁴⁶ WTO document WT/DS/108R, 8 October 1999.

⁴⁷ WTO document WT/DS108/14, 21 November 2000.

companies will not be required to set up FSCs overseas, thus eliminating the need for FSCs to be established in locations like Barbados.

102. Following the WTO Panel, the number of new FSCs declined to 118 in 2000, down from 384 licensed during 1997; no new FSC licences were issued for 2001. This was expected to result in a decline in the income received from licencing fees.⁴⁸ The authorities estimated that for about 2,500 FSCs in 1999, the contribution to government revenue in terms of licence fees was about BDS\$3.6 million. These developments have exposed the potential vulnerability of an industry developed on the basis of legal provisions implemented by third countries.

(ii) Competition policy

(a) Competition policy framework

103. The Fair Trading Commission (FTC) Act was enacted in 2001 as part of a comprehensive competition policy regime. The Act establishes the FTC under the responsibility of the Ministry of Commerce, Consumer Affairs and Business Development. The purpose of the FTC is to safeguard the interests of consumers, regulate utility services, monitor and investigate the conduct of service providers and business, and promote and maintain effective competition in the economy. The FTC has been granted wide investigative powers under the Act, including the right to seize documents and to summon and examine witnesses. In early 2002, implementing legislation was being drafted to allow the FTC to start its operations. Additional legislation was expected to include a Fair Competition Act, a Consumer Guarantees Act, and a Consumer Protection Act.

104. The need for a comprehensive competition policy framework partly reflects the high levels of concentration in the Barbados economy, and their possible implications for competition. A recent study of competition in Barbados made a number of unfavourable comparisons between prices in Barbados and those charged in the United States.⁴⁹ The study found that the top 10-20% of companies accounted for the bulk of sales in several sectors. The study also found that prices are higher than in the United States, noting that this could reflect many factors, including size of market, anti-competitive behaviour or border measures.

105. Protocol VIII of the CARICOM Treaty (which has yet to be implemented through domestic legislation) will provide the rules and standards by which enterprises must do business in the Caribbean Single Market Economy in order to ensure competition, and protect consumer welfare. It prohibits agreements and practices that prevent, restrict or distort competition, and give an unfair advantage to a dominant position in the market place.

106. In the WTO, Barbados has stated the view that competition policy must remain a matter for national policy.⁵⁰

(b) Price controls

107. A number of products are subject to price controls under the Miscellaneous Controls Regulations, 2000 administered by the Ministry of Commerce, Consumer Affairs and Business Development (Table III.6). In addition, the FTC is responsible for approving prices of several regulated services, such as telecommunications and utilities.

⁴⁸ Ministry of Finance and Economic Affairs (2001).

⁴⁹ Pelzman, Gordon and Langer (2000).

⁵⁰ WTO document WT/GC/W/441, 6 August 2001.

Table III.6
Products and services subject to price control, March 2002
(BDS\$)

Goods/services	Wholesale price	Retail price
Products		
Diesel fuel	0.82 per litre	1.07 per litre
Gasolene	1.01 per litre	1.33 per litre
Oil kerosene	0.5 per litre	0.63 per litre
Liquefied petroleum gas	89.9	103.4 per 20 lb cylinder
	22.5	28.4 per 25 lb cylinder
	18.0	103.4 per 100 lb cylinder
Chicken wings	4.3 per kg.	5.4 per kg.
Chicken backs and necks	1.8 per kg.	2.3 per kg.
Sugar		
Special	1.8 per kg.	1.9 per kg.
Regular	1.4 per kg	1.5 per kg
Cornmeal	20.44 per 20 x 680 g pkgs. 57.38 per 45 kg. or 100 lb	1.18 per 680 g pkg. 1.46 per kg.
Rice (not packaged)	1.4 per kg. 1.1 per kg.	1.6 per kg. 1.3 per kg.
Edible oil	64.3 per carton of 21 x 1 litre bottles 71.6 per carton of 24 x 500 ml. bottles	6.0 per 1 litre bottle 3.3 per 500 ml. bottle
Services		
Local telephone services	81.75 per month (business)	28 per month (residential)
International telecommunications services	0.45-4.00 per minute depending on country called	
Electricity	0.176-0.226/kWh depending on consumption and category of service	
Natural gas	1.14-1.29 per m ³ (depending on quantity)	
Water	2.12 per m ³ (commercial users)	1.5 per m ³ (domestic customers)
Sewerage services	2/3 of water expenses (commercial users)	1/3 of water expenses (domestic customers)

Source: Government of Barbados.

(iii) Assistance to business

108. The Government of Barbados is committed to actively supporting businesses, notably through the provision of tax incentives and, to a lesser extent, financial assistance. Assistance is available to companies in an array of sectors, ranging from agri-food and manufacturing to tourism and financial services. Proposals contained in the 2001 Financial Statement mentioned additional support for sugar and cotton producers, grants to improve technology, marketing and product quality in agri-food production, funding for hotels and restaurants and other tourism-related industries; and further financial assistance to the manufacturing sector. There are no available estimates of the overall budgetary cost of assistance to private and public commercial companies. According to the authorities, revenue loss from tax exemptions in 2000/01 amounted to BDS\$140 million or 2.7% of GDP.

109. The Government had not notified the WTO, as required under the WTO Agreement on Subsidies and Countervailing Measures, whether it maintains any specific subsidies within the

meaning of Articles 1 and 2 of that Agreement. However, in March 2002, Barbados made a New and Full Notification under Article 25 of the Agreement.⁵¹

110. The incentives described below may have to be reviewed in the future, in the context of the CARICOM single market. Under Protocol IV of the CARICOM Treaty, which has been incorporated into the revised Treaty and ratified by Barbados but is not currently implemented, members may refuse to grant preferential access to imports that benefit from government assistance in another member state.

(a) Tax incentives

111. This section focuses on tax incentives provided specifically to domestic companies supplying the domestic market. Those conditional on exports are described in section (3)(v) above, while exemptions from taxes on imports are described in section (2)(iv)(f).

112. Tax incentives in Barbados generally consist of income tax reductions provided for given periods of time under the Fiscal Incentives Act. Such reductions are provided to "approved" enterprises, or to manufacturers of an "approved product", as determined by the Government on a case-by-case basis. A list of approved enterprises is contained in the Fiscal Incentives Regulations. In March 2002, according to the authorities about 30 approved enterprises were operational; over 100 products were under Approved Products Orders. Industries that already supply more than 90% of the domestic market for any given product cannot be approved.⁵²

113. In 2001, the Fiscal Incentives (Amendment) Act extended the maximum tax holiday period from 10 to 15 years, and increased the length of time for which an approved enterprise may carry forward losses following the period of the tax holiday.⁵³ These measures were considered essential to match competition provided by foreign jurisdictions. According to the Act, as amended, an approved enterprise with over 50% local value added is granted a 15 year tax holiday; it decreases to 13 years when the value added ranges from 25% to 50%, and to 11 years for value added of 10-25%. There has been a marked decline in the number of applications for approval, reflecting the decline in the number of firms operating in the manufacturing sector.

114. Under the Small Business Development Act of 1999, companies whose business is deemed by the Minister to be of significant socioeconomic benefit to Barbados are entitled to a corporate tax of 25% instead of the standard rate of 40%. This regime also provides an exemption from withholding tax on dividends and interest earned on investment by small businesses.

115. Exemptions from VAT are also available in order to alleviate manufacturers' cash flow problems due to late refunds. In particular, the VAT is zero-rated on their expenditure on equipment, machinery and spare parts, fuel, diesel, and natural gas. In addition, under the Special Development Areas Act of 1996, relief from taxes including VAT is provided for inputs for the construction and renovation of buildings in specified areas.

(b) Debt relief and other financial support

116. The Government also provides debt relief to companies, notably in the form of rescheduling of arrears owed to government agencies or state-owned enterprises, such as the Land Tax Department,

⁵¹ WTO document G/SCM/N/71/BRB, 1 March 2002. See also WTO document G/SCM/N/74/BRB, 4 January 2002.

⁵² See also WTO document G/SCM/N/71/BRB, 1 March 2002.

⁵³ Government of Barbados (2001).

the Inland Revenue, or the Barbados Water Authority. Data are not available on the budgetary cost of this relief or on its main recipients.

117. Since 1998, the Government has provided financial outlays as technical assistance to the manufacturing sector with the aim of improving competitiveness. In 2000, a further commitment was made of BDS\$5 million over three years. Financial assistance was also extended to the tourism industry (see Chapter IV(5)(v)).

118. For 2001, the Government announced by way of further financial assistance a new BDS\$25 million Industrial, Investment and Employment Fund. The fund is designed to build international competitiveness in the local manufacturing sector. The Government's objective, as described in the 2001 Financial Statement, is to create at least 30 new competitive industrial firms in Barbados over the next few years. Implementing modalities were being worked out in early 2002.

(c) Concessional financing and guarantees

119. The Barbados Investment Fund is an equity fund established in July 1992 by the Central Bank of Barbados and the Caribbean Financial Services Corporation.⁵⁴ It provides equity financing for small and medium-sized businesses operating in Barbados, including funds for capital cost components, i.e. equipment and real estate, as well as working capital support for investee companies. Enterprises should be engaged in manufacturing, agri-industry, tourism and related services, or any other area that can make a "worthwhile" contribution to foreign exchange earnings and employment.

120. The Credit Guarantee Scheme for Small Businesses is also sponsored by the Central Bank of Barbados. The scheme is designed to offer protection to commercial banks and other credit institutions approved by the Central Bank against insolvency and other possible losses in respect of the credit granted to small enterprises. Commercial banks and approved credit institutions may apply to the Central Bank to provide credit facilities to eligible borrowers. The maximum is BDS\$80,000 for short-term guaranteed loans and BDS\$150,000 for medium-term guaranteed loans. The guarantee for loss varies between 66% and 90%.

121. Barbados companies may also benefit from concessionary credits funded or guaranteed by the Caribbean Development Bank (CDB).⁵⁵ The CDB may invest in the equity capital of an enterprise, make loans directly, or guarantee loans made to the Government, national development banks or other financial institutions to finance development projects. For the allocation of credit or guarantees, the CDB gives priority to nationals of CARICOM member countries and to companies effectively controlled by them.

(iv) State trading enterprise, state-owned enterprises, and privatization

122. In 1996, Barbados notified the existence of two state trading enterprises in compliance with GATT Article XVII.4 (a) and Paragraph 1 of the WTO Understanding on Article XVII⁵⁶: the Barbados Agricultural Development and Marketing Corporation (BADMC); and the Barbados Dairy

⁵⁴ For details, see Central Bank of Barbados online information. Available at: <http://www.centralbank.org>.

⁵⁵ WTO (2001b); and CDB online information. Available at: http://www.caribank.org/web_staging.nsf/pages/hp1.

⁵⁶ WTO document G/STR/N/1/BRB, 29 May 1996.

Industries Limited (BDIL). Barbados has not submitted written responses to questions posed by Members regarding the operations of these entities.⁵⁷

123. The BADMC currently holds a monopoly on the importation of all poultry products. It also has the privilege of duty-free imports of onions, raw sugar, and chicken wings. The BADMC was established by law in 1993 to regulate domestic markets and control prices, regulate imports of agricultural produce, and regulate and promote exports. According to the authorities, the BADMC's main activity is to deliver farm support services to the non-sugar farm sector. It also imports refined sugar, peanuts, and apples, and is de facto the sole exporter of cotton.

124. The BDIL, a semi-private company, was designated until 1994 as the sole importer and exporter of dairy products. The BDIL's commercial name is Pine Hill Diaries (see Chapter IV(2)(iii)(b)).

125. Certain other companies are de facto sole traders, although they do not have statutory rights. For example, the Barbados Agricultural Management Company (BAMC), a public company, is the sole exporter of raw sugar, and the Barbados National Oil Company is the sole importer of gasoline and fuel oil.

126. Generally, a number of commercial companies in Barbados remain publicly owned, and the State is involved in a number of commercial activities in such sectors as utility services, hotels, and agri-food production. According to a recent study this involvement has had implications for efficiency and economic growth in Barbados.⁵⁸ The Government's current policy is to take part in commercial activities only when the private sector does not initially wish to be involved. For example, the Government has recently invested in the refurbishment of the former oil refinery site into a hotel development, expected to be subsequently taken over by the private sector. Through its investment programme, the Government has also announced a number of other tourism projects to be sponsored and co-financed under the aegis of the public sector.⁵⁹ An overhaul of the Bridgetown Port in 2001 was to be financed by the Barbados Port Authority, which is also government-owned, before its expected commercialization (Chapter IV).

127. In October 2000, the Government announced a further divestiture of its shares in the Barbados National Bank and the Insurance Corporation of Barbados, with a view to reducing its ownership of the two companies to 20% of shares or less. This has yet to take place.

(v) Intellectual property rights

(a) Legal and institutional framework

128. Barbados is member of the World Intellectual Property Organization (WIPO) and a signatory to most major international agreements on intellectual property rights (Table III.7). Barbados is not a member of the International Union for the Protection of Industrial Property; nor of the International Union for the Protection of New Varieties of Plants (UPOV) Convention (1978).

⁵⁷ WTO documents G/STR/Q1/BRB/1, 26 June 1996, G/STR/Q1/BRB/2, 7 July 1996, G/STR/Q1/BRB/3, 20 September 1996, and G/STR/Q1/BRB/4, 25 September 1996.

⁵⁸ Williams (2001).

⁵⁹ Government of Barbados (2001).

Table III.7
Barbados's membership in international agreements on intellectual property rights, December 2001

Convention/Agreement	Date of membership
The Convention Establishing the World Intellectual Property Organization (1970)	5 October 1979
The Paris Convention for the Protection of Industrial Property, Stockholm Text (1883) as revised in 1967	12 March 1985
Nairobi Treaty on the Protection of the Olympic Symbol (1981)	28 February 1986
The Patent Cooperation Treaty (PCT), (1970)	12 March 1985
The Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of Registration of Marks (1967)	12 March 1985
The Berne Convention for the Protection of Literary and Artistic Works (1986)	30 July 1983
The Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (1961)	18 September 1983
The Geneva Convention for the Protection of Producers of Phonograms Against Unauthorised Duplication of their Phonograms (1971)	30 July 1983
Universal Copyright Convention (1952)	18 March 1983

Source: Corporate Affairs and Intellectual Property Office (CAIPO) online information. Available at: <http://www.caipo.org/>.

129. Barbados notified its IPR contact point to the WTO as the Ministry of International Trade and Business in 1998.⁶⁰ Following portfolio changes, the Ministry of Economic Development is responsible for intellectual property matters, and the Ministry of Foreign Affairs and Foreign Trade is the WTO-IPR contact point.

130. Under the requirements of Article 63.2 of the TRIPS Agreement, Barbados has notified to WTO members its IPR-related legislation. Based on these notifications, the TRIPS Council reviewed Barbados's IPR statutes in November 2001. Six delegations submitted questions; Barbados submitted responses in December 2001 to the questions posed by Canada and Switzerland, it has recently responded to questions from the four other countries.⁶¹ In 2001, Barbados enacted and amended several laws to make its IP legislation compliant with the WTO TRIPS Agreement, notably on geographical indications, integrated circuits, and undisclosed information (Table III.8). In addition, subsidiary legislation was scheduled to be enacted by the end of 2002: the Copyright (Amendment) Bill, 2001; the Copyright Tribunal Regulations, 2001; the Copyright (Prohibited Imports) Regulations, 2001; and the Copyright of Protected Works by Librarians) Regulations, 2001.

131. Barbados's legislation covers all major areas referred to in the TRIPS Agreement (Table III.9). IPR commitments are also contained in Article IX of Protocol III of the CARICOM agreement, although the protocol has yet to be ratified by members.⁶²

132. Intellectual property rights are administered by the Corporate Affairs and Intellectual Property Office (CAIPO) of the Ministry of Economic Development.⁶³ CAIPO also advises the Ministry of Economic Development on IP-related technical and policy issues. In order to obtain protection for any form of industrial property, the right holder must make an application to CAIPO. The Intellectual

⁶⁰ WTO document IP/N/3/Rev.3, 10 November 1998.

⁶¹ Questions addressed to Barbados, and some of the corresponding replies in the context of this review, are available in WTO documents IP/C/W/314, 18 October 2001, IP/C/W/315, 5 November 2001, IP/C/W/316, 8 November 2001, IP/C/W/320, 19 November 2001, IP/C/W/322, 21 November 2001, IP/C/W/325, 21 November 2001, IP/C/W/325/Add.1, 26 November 2001, Add.2, 14 March 2002, IP/C/W/328, 26 November 2001.

⁶² CARICOM online information. Available at: <http://www.caricom.org/expframes2.htm>.

⁶³ Ministry of Economic Development and CAIPO online information. Available at: <http://www.barbadosbusiness.gov.bb/>; and <http://www.caipo.org/>.

Property Section of CAIPO was strengthened by the creation of a number of new posts, and a project to reduce a backlog of trade mark applications was successfully completed in 1999. As a result, the average time for the registration of a trade mark in Barbados is now seven months. With assistance from the World Intellectual Property Organization (WIPO), staff of the CAIPO are receiving training in the area of patents, and technical assistance in the streamlining of patent processing procedures. This is expected to result in a similar reduction in the turn-around time for grant of patents in the near future (Table III.10). There have been no applications for geographical indications, integrated circuits or plant varieties.

Table III.8
Intellectual property rights legislation in Barbados, March 2002

Main dedicated intellectual property laws and regulations	Remarks/WTO documents	Coverage
Patents Act 2001, No. 18 (replacing The Patents Act, 1981)	IP/N/1/BRB/P/1, 3	Provides for protection of inventions and sets out the procedure for making patent applications and the grant of patents
Patents Regulations, 1984- S.I. 1984 No. 84	IP/N/1/BRB/P/2	Sets out application processes (e.g. procedures, fees, forms)
Protection of New Plant Varieties Act, 2001-17	IP/N/1/BRB/P/4	Protects plant breeders' rights
The Protection of New Plant Varieties Regulations, 2001 S.I. 2001, No. 133 gazetted on 7 January 2002		Sets out implementing regulations
The Protection of New Plant Varieties Order, 2001 S.I. 2001, No. 134 gazetted on 7 January 2002		Sets out plant varieties for which protection can be given
The Trade Marks Act, 1981-57 as amended by the Trade Marks Amendment Act No. 16 of 2001	IP/N/1/BRB/T/1, IP/N/1/BRB/T/1, Add.1	Protects trade names, logos, slogans, brands and other marks used in connection with goods and services
Trade Marks Regulations 1984- S.I. 1984 No. 85	IP/N/1/BRB/T/2	Sets out implementing regulations
Industrial Designs Act, Cap. 309A	IP/N/1/BRB/D/1	Protects designs of industry and handicraft
Industrial Designs Regulations, 1984- S.I. 1984 No. 83	IP/N/1/BRB/D/2	Sets out implementing regulations
Copyright Act, 1998-4 (replacing The Copyright Act, 1982-1)	IP/N/1/BRB/C/1	Protects literary, artistic, dramatic, and musical works and other protected works
Geographical Indications Act, 1998-22	IP/N/1/BRB/G/1	Protects geographical indications
The Geographical Indications Regulations, 2001		Sets out implementing regulations
Integrated Circuits Act, 1998-21, amended by ICA Amendment Act No. 15 of 2001	IP/N/1/BRB/L/1, IP/N/1/BRB/L/1/Add.1	Protects layout designs of integrated circuits
The Integrated Circuits Regulations, 2001		Sets out implementing regulations
Protection Against Unfair Competition Act, 1998-20	IP/N/1/BRB/I/1	Provides for protection against unfair competition within the context of Barbados's obligations under the TRIPS Agreement, Articles 39-40
National Emblems and National Anthem of Barbados (Regulations) Act - CAP. 300A.	Notified in 1996 under Article 63.2	Protects the national emblems

Source: WTO document IP/N/1/BRB/1, 9 May 1996 and information provided by the authorities.

133. In the context of the AIDS crisis, Barbados, together with more than 50 developing countries, sponsored a proposal to the TRIPS Council for a ministerial declaration on the TRIPS Agreement and public health.⁶⁴ The proposal resulted in the WTO Ministerial Declaration on the TRIPS Agreement and Public Health.⁶⁵

⁶⁴ WTO document IP/C/W/312, 4 October 2001.

⁶⁵ WTO document WT/MIN(01)/DEC/W/2, 14 November 2001.

Table III.9
Overview of IPR protection in Barbados, 2001^a

Subject	Coverage	Duration	Selected exclusions and limitations
Copyright and related rights	Literary works (including computer programs), dramatic, musical, and artistic works; sound recordings, films, broadcasts or cable programmes; typographical arrangements of published editions; and electronic databases. Neighbouring "mechanical" rights of producers of phonograms as well as performers are also protected. Related rights include moral rights as well as performers' and broadcasters' rights No registration is required for protection	Life of the author plus 50 years. For sound recordings, films, broadcasts or cable programmes, computer generated works, 50 years from the year of production. For typographical arrangements, 25 years	Protection is granted provided that such work is original and has been written down, recorded or otherwise expressed in some material form Copyrights may be transmitted by licencing Moral right to object to derogatory treatment
Patents	Any invention (legislation does not reflect the criteria for registration of universal novelty, inventive step and industrial applicability) Rights of plant breeders and developers of new plant varieties are specifically protected	20 years from the date of filing. Possible renewal except for vines, forest trees, fruit trees, and ornamental trees (25 years)	Inventions involving, discoveries, scientific theories and mathematical methods, diagnostic methods, methods for treatment by surgery or therapy, plant and animal varieties and biological processes for the production of plants other than microbiological processes and the products of those processes and inventions, the commercial exploitation of which would be contrary to public order or morality or which is prejudicial to human or animal health or to plant life or to the environment. Compulsory licences can be issued if the manner of exploitation by the patent owner is found to be anti-competitive
Industrial designs	Industry and handicraft	Five years, renewable twice for five years each	Protection is granted if the design has not yet been made available to the public through use or description or in any other manner except through display in an official exhibition. An industrial design cannot be registered if it provokes a breach of peace
Layout designs of integrated circuits	Three-dimensional disposition of elements, at least one of which is an active element of an integrated circuit	Ten years from the date of filing, non-renewable	Layout designs in commercial use for more than two years
Trade marks	Trade marks, service marks and collective marks that are "distinctive". The definition of trademark includes aspects of shape and packaging and also provides for certification trademarks	Ten years from the date of filing, renewable	Barbados's current trade mark legislation confers the right of assignment and transmission of a trade mark by the proprietor, but does not confer the right of assignment of the trade mark to a registered user other than the owner

Table III.9 (cont'd)

Subject	Coverage	Duration	Selected exclusions and limitations
Geographical indications	Indication identifying goods as originating in a territory or region or locality, when a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin No registration is required for protection		A trade mark that contains or consists of a geographical indication of goods not originating in the territory indicated can be refused or invalidated if this indication could mislead the public as to the true place of origin of the goods. Trade marks that contain or consist of a geographical indication identifying wines or spirits that do originate in the territory indicated can be refused
Undisclosed information	Actions or practices that amount to unfair competition, or can cause dilution of the goodwill or reputation of goods or services. Commercial activity designed to mislead the public in terms of the value of goods and services. The disclosure or acquisition of secret information relating to a commercial enterprise, without the consent of the rightful owner of the information	Indefinitely	
New plant varieties	New, distinctive, stable and homogeneous plant varieties Foreign applications from UPOV members will be accorded a one year priority right	18 years for perennial plants (including forest and fruit trees, vines); 15 years for others	No consent from the right holder is required for, among other uses, research or consumption for the benefit of the grower

a For a detailed description of IPR protection in Barbados, direct reference should be made to the relevant statutes.

Source: WTO Secretariat.

Table III.10
Trade marks, patents, and industrial designs registered, 1994-01

	1994	1995	1996	1997	1998	1999	2000	2001 ^a	Total (1994-01)
Trade marks									
Applications	739	777	998	982	1,041	1,284	1,332	1,051	8,204
Registrations	52	211	287	499	600	1,536	2,710	3,240	9,315
Renewals	141	480	750	692	617	374	232	151	3,437
Patents (U.K.)									
Applications	54	39	154	68	32	68	81	115	611
Renewals	90	105	95	106	132	187	268	348	1,331
Grants	0	0	0	0	3	8	17	17	45
Industrial designs									
Applications	1	4	6	10	11	7	8	6	53
Registrations	0	0	0	0	0	5	0	6	11

a Statistical information for 2001 compiled to 5 October 2001.

Source: Government of Barbados.

(b) IPR enforcement regime

134. Barbados has provided WTO Members with extensive information regarding IPR enforcement in the context of the Checklist of Issues on Enforcement.⁶⁶ This information is summarized in Table AIII.2. To date, there has been no civil action for injunctive relief.

⁶⁶ WTO document IP/N/6/BRB/1, 6 July 2001.

IV. TRADE POLICIES BY SECTOR

(1) INTRODUCTION

1. Sectoral developments in Barbados have been strongly influenced by international trade, the size of the economy, and government policy. International trade in goods and services has encouraged specialization and the development of world class service providers, and permitted these to acquire most of their inputs from foreign sources. Of necessity, however, the size of the economy has offered scope for only a small number of such industries to generate most value added and foreign exchange earnings. Government policy, in turn, has sought to support these leading activities, as well as lagging sectors.

2. Barbados is a high-cost location for goods production, both agricultural and other and, thus, except for some niche products, uncompetitive vis-à-vis foreign producers. The Government nevertheless has implemented an import-substitution strategy in order to develop infant industries that would become internationally competitive over time. As a result, trade policy has sought to protect domestic producers in certain activities from foreign competition, through a combination of border protection and government subsidies. This strategy highlights the choice between maintaining a minimum of self-sufficiency in areas like food production, and the need to maintain high specialization and productivity levels (and thus justify the high cost of labour and other inputs). Companies engaged in the production of goods are generally private, although some are state-owned.

3. The services sector is the cornerstone of the Barbados economy, with tourism playing a particularly important role. Government policy has significantly influenced the development of certain industries, such as "international" services, which have enjoyed advantages not generally available to other activities. Protecting the production of goods has weighed on the international competitiveness of service activities such as tourism, by restricting access to the best and most competitively priced inputs. Foreign firms compete in many business and financial services, in tourism, and in air and maritime transport services. Telecommunications are under a private, foreign-owned monopoly but change is under way.

(2) AGRICULTURE AND FISHERIES

4. The contribution of agri-food (agriculture and food processing) to the Barbados economy has been declining: value added averaged 7.4% of GDP in 2000, down from 9.7% in 1995 (Table IV.1). This relatively low share also reflects the reliance of the economy on services. The agriculture sector excluding food production employs about 4% of the labour force. Agri-food production for export consists mostly of raw cane sugar and rum; some meat and dairy, vegetables, animal feeds, and fish are produced mainly for domestic consumption. Over 70% of the value of food consumed domestically is imported.

5. The value of agri-food imports (WTO definition) has been relatively stable. The United States is the largest supplier of food products to Barbados (about 42% of the total agri-food import value). Members of CARICOM, and Trinidad and Tobago in particular, together supply 19% of agri-food imports. Other major suppliers include the European Union, Canada, and New Zealand. Most agri-food imports are subject to the CET 40% tariff, or are duty free from CARICOM members (Chapter III(2)(iv)(e)). Some products are also produced domestically under stringent border protection, which increases import costs considerably (see below).

Table IV.1
Selected statistics on agricultural commodities

Commodities	1991	1995	1997	1999 ^p	2000 ^p
1. Production					
Export crops					
Sugar ('000 t.)	65.7	38.5	64.6	53.2	58.4
Cotton ('000 kg.)	34.7	147.4	44.0	18.5	11.6
Root crop production ('000 kg.) ^a	6,079	10,045	4,870	6,247	1,978
Vegetable production ('000 kg.) ^b	4,802	10,930	6,510	7,626	6,922
Livestock and dairy products ('000 kg.)					
Beef & veal	924.0	873.9	683.8	606.2	765.6
Mutton	37.6	66.6	48.6	45.6	45.7
Pork	1,871.4	1,928.3	2,795.4	2,356.4	1,922.0
Poultry ^c	10,072.4	11,176.3	11,710.2	12,296.9	12,188.5
Eggs	1,390.9	1,065.0	792.1	1,309.9	1,607.6
Milk	14,252.9	7,869.4	8,531.4	7,630.0	7,929.7
2. GDP, current prices: (BD\$ million)					
Sugar	54.6	50.6	69.0	56.0	63.2
Food crops	56.3	87.7	58	83.9	51.4
Livestock	34.0	34.5	40.2	44.4	46.6
Fishing	16.6	24.6	23.5	17.9	28.7
Food, beverages and tobacco	116.7	108.0	114.6	128.4	130.3
Memo:					
Total GDP at factor cost	2,894	3,160	3,629	4,145	4,309
3. Trade in agricultural products (WTO definition, US\$ million)					
Imports	122.6	135.1	170.7	166.2	170.6
Exports (incl. reexp.)	52.8	67.3	97.7	76.2	75.1

a Cassava, eddoe, sweet potatoes, yams, onions, and peanuts.

b Beans (string), beets, cabbages, carrots, cucumbers, lettuces, melons, okra, peppers (hot), peppers (sweet), pumpkins, and tomatoes.

c Chicken and turkey.

p Provisional figures.

Source: Ministry of Agriculture and Rural Development.

6. The U.S. dollar value of exports declined markedly after reaching a peak in 1996 (Table AI.4). The decline has been widespread, affecting sugar exports as well as other edible products. In the case of sugar, this may be because sugar export revenues are mostly set in euros, which has been declining against the dollar. According to the authorities, production problems have also hampered exports of traditional products such as sweet potatoes, yams and hot pepper. Exports are directed mainly to markets offering preferential access to Barbados products: among these, sugar and rum exported to the European Union (EU) under the Lomé Protocol accounts for over half of total agri-food exports. The remainder is mostly exported to CARICOM partners, and to a lesser extent to other markets under the respective trade preference programmes (Chapter II).

7. Between 1995 and 1998, there was a clear shift in agri-food exports towards CARICOM markets (Table AI.2). CARICOM tariff reductions may have encouraged this shift, with firms taking steps to capitalize on the existence of the free-trade area and increase exports to other CARICOM markets. In addition, the authorities have noted that this growing export concentration may have resulted from increased technical barriers in traditional extra-regional markets.

(i) Participation in the WTO

8. Barbados has contributed a number of proposals and submissions to the WTO Committee on Agriculture, including during the ongoing negotiations. These include a proposal by small island developing states¹, and statements by CARICOM members regarding market access², non-trade concerns, food aid, green box subsidies, special agricultural safeguards, trade preferences and special and differential treatment, and domestic support and export competition (Chapter II).³ Barbados also notified the Committee that no export subsidies have been used since 1995. Members of the Committee questioned Barbados's implementation of its tariff quotas, and the operation of its state trading enterprises (Chapter III(4)(iv)). In addition, during the second phase of the ongoing negotiations, Barbados, as a member of CARICOM, submitted papers to the informal sessions of the WTO Committee on Agriculture on non-trade concerns.

9. In October 2001, Barbados notified the WTO for the first time of its domestic support measures to agriculture over the 1995-99 period; support for 1999-00 was notified in November 2001.⁴ Both notifications stated *inter alia* that domestic support to agricultural producers in all years was covered by the categories that are exempt from reduction commitments (either "green box" or special and differential treatment – "development programmes").

(ii) Main policy issues

10. Barbados's agriculture sector suffers from high costs, which reflect a number of climatic and ecological factors, as well as high labour costs and the small size of the island. In the face of these considerations, the agri-food sector is supported both through border measures and domestic assistance. The authorities have explained in the context of this Review that the need to secure some level of food security, through an appropriate combination of imports and domestic production, as well as the need for a diversified economic base, have been the driving forces behind efforts to safeguard the local agriculture sector. They also indicated that the Government is cognisant of the linkages that exist between agriculture and other sectors of the economy such as tourism, transportation, and services, and the critical contribution of sugar cane cultivation to the promotion of rural development and the maintenance of the rural landscape.

11. Agricultural trade policy has been driven by two main themes since the beginning of the 1990s. On the one hand, Barbados has attempted to diversify production for export in order to minimize vulnerability to price or production fluctuations. These efforts led to increased cultivation of cotton, vegetables and fruits, and cut flowers. The main instruments to encourage this diversification were agricultural incentive schemes, such as rebates on input costs, technical assistance, information, and training, provided by the Research and Development section of the Ministry of Agriculture and Rural Development. The Agricultural Development Fund was launched in November 2001 to provide financial support for investment, technical assistance, and concessionary financing to the sector. The policy guidelines, procedures, and administrative arrangements to govern the Fund were still being finalized in March 2002. The Barbados Agricultural Development and Management Company (BADMC), a state trading company with import rights on a number of products (Chapter III(4)(iv)), has an important role in promoting farm research and extension services.

¹ WTO document G/AG/NG/W/97/Corr.1, 29 December 2000.

² WTO document G/AG/NG/W/100, 15 January 2000.

³ WTO document G/AG/NG/W/36 and Rev.1, 22 September 2000 and 9 November 2000.

⁴ WTO documents G/AG/N/BRB/7, 4 October 2001, and G/AG/N/BRB/11, 9 November 2001.

12. The other main policy thrust has been the protection of certain agri-food sectors, in order to minimize the import bill and enhance food security.⁵ This policy seeks to address the inherent bias of local operators towards import sourcing, even where there are no substantial price differentials. This has been achieved mainly through non-automatic import licensing. According to the authorities, most of the local demand for chicken and eggs is supplied domestically, as is 75% of raw milk for the main milk producer. Also to expand the local market, the Government announced in 2001 that "60% of the requirements of the school feeding programme and other public institutions will be assigned to local fresh and processed products".⁶

13. The main instruments of border protection are high tariffs coupled with import licensing, which, for products listed in the corresponding legislation (Table III.5), can be made "automatic" or "non-automatic" by administrative decision. The authorities reported that the decision to rely only on tariffs and automatic licences in April 2000 put pressure on local producers. For example, imports of chicken legs increased massively in the two months following the removal of licences, despite a tariff of 207%.⁷ According to the authorities, these products entered at such low prices that tariffs alone were not effective in stemming the flow of imports.

14. The Government reintroduced non-automatic import licenses on a variety of locally produced agri-food products in October 2001, for an initial three-month period as part of Barbados's National Emergency Economic and Financial Programme (NEEFP). The authorities explained that the events of 11 September 2001 had raised serious concerns as to Barbados's food security position, and that the reintroduction of restrictive licences was a temporary abrogation from Barbados's normal trade policy.

15. Local production is protected by MFN tariffs of 40-236% on competing imports. All goods of CARICOM origin enter Barbados duty free; however, this does not pose significant competition to local agriculture, partly because of supply side constraints, inadequate marketing systems and logistical difficulties regarding intra-regional freight, transportation, and related issues (see also Chapter III(2)(ix)).

16. Aside from its budgetary cost, and the possible implications of barriers to food imports on the cost of food for lower income groups, the protection of agriculture may have an effect on the performance of the rest of the economy, notably the tourism industry. According to representatives of restaurants and hotels, food and beverage inputs are expensive. Caterers declared in February 2002 that they faced shortages of beef, lamb, pork, and various vegetables under import licences that were not being granted. Local production was not available to meet the tourist demand for various products in restaurants. According to these industry representatives, the high cost of food inputs has considerably increased the price of their restaurant meals, thus diminishing the competitiveness of Barbados as a tourist destination.

(iii) Policy measures in selected sectors

(a) Meat products

17. The Government intervenes in several ways to support meat production. This includes the granting of concessions, rebates on input costs and, recently, public investment in a slaughtering plant to ensure its survival. For example, the European Development Fund Livestock Loan Scheme, with initial counterpart funding from the Government of Barbados, provided concessional loans to sheep,

⁵ Barbados Government online information. Available at: <http://barbados.gov.bb/bgis/business/econ.htm>.

⁶ Ministry of Finance and Economic Affairs (2001).

⁷ Barbados Egg and Poultry Producers Association.

goat, and pig producers. According to the Association of Pig Farmers, many farmers who availed themselves from the facility are not repaying their loans. In 2000, the available balance under the EDF Livestock Loan Scheme was transferred to the Rural Enterprise Fund of the Rural Development Commission. The Government of Barbados has not provided any additional funding for this loan scheme. In addition, the BADMC, a state trading enterprise, purchases live bovines from farmers, and sells beef products.

18. Imports of meat may only enter Barbados if shipped from countries appearing on a list of approved meat exporting countries (Chapter III(2)(ix)). Tariffs of up to 200% are maintained on imports of meat products. Perhaps most importantly, an import licensing scheme allows the Government to limit import volumes of beef, pork, lamb, and poultry. This licensing can be either non-automatic or automatic depending on the circumstances.

19. The authorities and producer associations have developed a Buy Local Campaign to heighten consumer awareness and to promote the consumption of locally produced goods in the face of a liberalized market. The campaign seeks to address the inherent bias of consumers towards consumption of foreign goods, even in cases where there are no substantial price differentials. This campaign also emphasizes the hormone-free, organic, and disease-free characteristics of local production, its reliance on natural feeds, and the respect of quality standards of Barbados meat.

20. The largest suppliers of beef and lamb are New Zealand and the United States. Fresh and frozen bovine, ovine and caprine meat is generally subject to an MFN tariff of 40%. Pork imports originate mostly in Canada; imports are subject to a 201% MFN out-of-quota tariff. Restaurants are subject to this duty when importing pork. However, if the pork is imported by local manufacturers of pork products (sausages, ham), the duty is waived (Chapter III(2)(iv)(f)).

21. Under Article 5.1 of the WTO Agreement on Trade-Related Investment Measures, Barbados notified that permission was granted to pork processing enterprises to import pork from all sources provided that the said processors purchase a percentage of pork from local pig producers.⁸ The authorities indicated that the scheme had been discontinued and that the Government relied on "moral suasion" to encourage local purchases.

22. As part of its policy to support the sustained development of the poultry meat sector, Barbados aims to produce enough chicken to satisfy local demand and to become self-sufficient in the production of table eggs.⁹ Currently, domestic production of chicken satisfies over 80% of consumption needs. Imports of poultry products decreased from US\$2.2 million in 1995 to US\$1.3 million in 1996, but increased steadily thereafter, to US\$3 million in 2000. This increase may partly reflect the very large increase in imports of chicken legs after April 2000, when non-automatic import licences were replaced by tariffs albeit in excess of 200%. This was followed by a marked increase in imports of turkey wings, despite a tariff of 70%. Since October 2000, all poultry imports are under an import monopoly by the BADMC.

(b) Dairy products

23. Pine Hill Dairy exports and imports dairy products and is de facto the sole purchaser of fresh milk from farms in Barbados, and as such holds monopsony power. It also carries out the vast majority of milk and dairy product sales on the island. The retail price is some 60% higher than in

⁸ WTO document G/TRIMS/N/1/BRB/1, 25 April 1995.

⁹ Barbados Government online information. Available at: <http://barbados.gov.bb/bgis/business/econ.htm>.

neighbouring Trinidad and Tobago.¹⁰ Pine Hill also markets yoghurt and fruit juice. Pine Hill was formerly the state trading company notified to the WTO as exclusively responsible for dairy imports and exports.

24. About one quarter of milk requirements are imported. Total imports of dairy products amounted to approximately US\$13 million in 2000. They consisted mostly of condensed milk imported from the EU (approximately 85% of all dairy imports), which is subject to an MFN tariff of 20%. An MFN tariff of 155% applies to imports of powdered milk. These duties are not levied on imports used as inputs for the manufacture of dairy products. Powdered milk is, accordingly, imported duty free by Pine Hill Dairy. Cheese is subject to a duty of 5%. Imports of milk-based ice cream originate mostly in the United States, and are subject to a 75% MFN duty.

(c) Horticulture and processed products

25. Production includes fruit, flowers, and other horticultural products. Most exports are carried out by the private sector. The BADMC encourages the development of horticultural production. In his 2001 Financial Statement, the Prime Minister announced a number of new incentives to stimulate export agriculture, notably a rebate of 30%, up to a maximum of BDS\$10,000 per exporter per year, on the cost of international transport and freight for horticultural exports. This scheme was not yet operational in February 2002.

26. Domestic supplies of locally produced fruit and vegetables are not sufficient to meet domestic demand. Imports of all major fruit and vegetables have increased over the last five years. Domestic production of such products as tomatoes, onions, beans, peppers, and lettuce has been protected by import licensing, and by tariffs of 180-200%. These measures have not, according to the authorities, significantly increased price levels for consumers; they noted that even when conditions allow for duty-free importation of selected commodities, distributors maintain prices at levels that allow for major profit margins. A 40% tariff applies on most other fruit and vegetable imports not locally produced (e.g. citrus).

27. The import market for fruit juice is shared between MFN partners, such as the United States, New Zealand, Thailand, and Canada and preferential partners, such as Jamaica, Trinidad and Tobago, and Belize. Frozen orange and grapefruit juices are subject to duties of 143-155%, reflecting the existence of a plant in Barbados that transforms concentrated juice into fruit juice. Concentrated orange juice is subject to an import duty of 40%. These products are also subject to import licensing; the authorities have indicated that these licences are of the automatic type only and are maintained primarily for monitoring purposes.

(d) Sugar products

28. Sugar production has traditionally dominated the agriculture sector as one of the island's main crops and sources of foreign exchange. In 2000, over 8,600 hectares of land were harvested, yielding approximately 58,000 tonnes of raw sugar with an export value of BDS\$57.3 million (Chart IV.1). The area harvested in 2001 was 8,286 hectares, producing 49,796 tonnes of sugar, with an export value of BDS\$47.2 million.

29. Production levels have been declining. In 1998, production fell below 48,000 tonnes, mainly because of a drought. Generally, sugar production suffers high costs that in most years exceed the export prices (Chart IV.1). In the 2001 Financial Statement, the Government considered that "very

¹⁰ Pelzman, Gordon and Langer (2000).

far-reaching changes now have to be made to ensure that a sugar industry continues to survive in Barbados".

30. The Government provides subsidies to sugar producers by means of a payment per tonne of cane harvested. This price support was provided to producers for the 1999 and 2000 crops to offset declining revenues arising from the fall in the euro vis-à-vis the U.S. dollar and the resultant significant losses in revenue to domestic producers. The Government also provides a cane replanting incentive to the industry, which encourages planters to replant their fields so as to increase productivity. The scheme ran for the period 1994/95 to 1998/99, was discontinued in 1999/2000, and restarted in 2000/2001. Under the current cane replanting incentive scheme, plantations and small-scale farmers receive BDS\$450-550 per acre for replanting. Under this scheme, payments averaged BDS\$1.25 million per year for the period during which it was operated. Data are not available on the total annual cost of support to the sugar industry. However, certain amounts provided to the sector through the BAMC (see below) have been included in Barbados's Domestic Support notifications to the WTO.¹¹

31. The authorities have explained that government support to the sugar industry reflects the contribution this sector provides in terms of employment and foreign exchange earnings. In addition, it has been an intrinsic part of the development of Barbados, contributing to the environment, the development and stability of rural Barbados, and the maintenance of the Barbadian landscape. The sugar industry is also intrinsically linked to other activities in the economy such as tourism, transportation, and services. All of these factors have necessitated that the role of sugar be considered beyond its direct contribution to GDP.

32. The Barbados Agricultural Management Company (BAMC) is a state-owned enterprise responsible for exports of quota sugar to the European Union (see below). It also owns the sugar mills and therefore controls production. In order to rationalize the industry, the Government decided to close down two of the three factories in 2001 and upgrade the third. Projected demand and supply conditions led to the conclusion that by 2006 one factory, adequately sized and capable of producing direct-consumption sugars, will satisfy the needs of the industry.

33. Barbados imports refined sugar in sizeable quantities (11,500 tonnes in 1999). Sugar cane and beet are subject to a 10% tariff, and raw sugar is subject to a 40% tariff, while refined sugar is subject to a 25% duty. Refined sugar imports in 2000 were supplied mostly by the United Kingdom and the United States; raw sugar is mostly imported from Guyana.

34. Barbados sugar enjoys preferential access to the European Union market at fixed prices, and to a lesser extent to the U.S. market. Sugar exports are directed mainly to the United Kingdom, at a price (in euros) and quota set annually by the EU Commission in consultation with ACP partners under the preferential conditions of the Sugar Protocol annexed to the Cotonou Agreement. The export quota to the EU in 2001 was 54,000 tonnes.¹²

¹¹ WTO document G/AG/N/BRB/7, 4 October 2001.

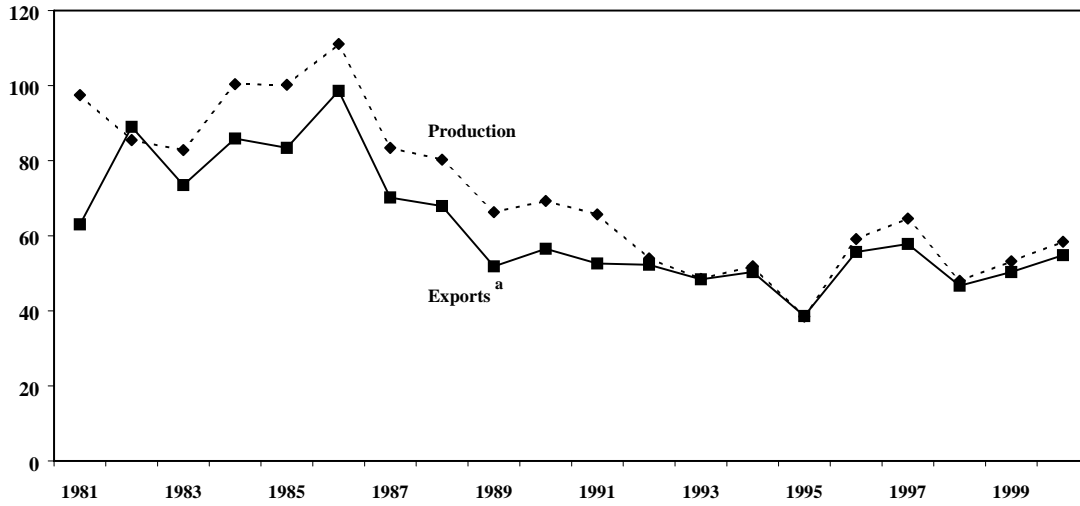
¹² The EU trade regime is described in the European Commission online information. Available at: http://europa.eu.int/comm/development/cotonou/pdf/agr03_en.pdf.

Chart IV.1

Sugar statistics. 1981-00

(a) Production and exports

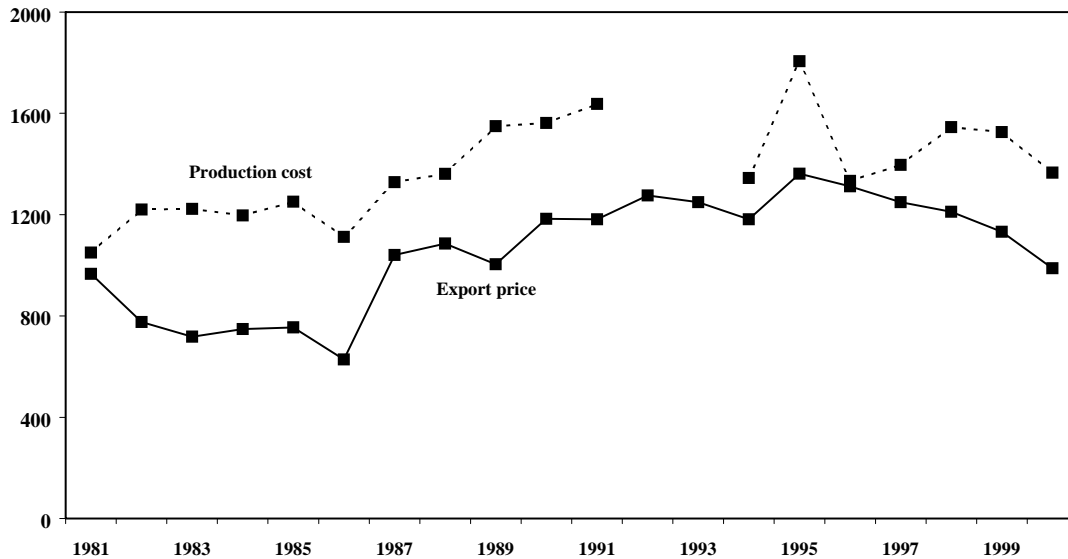
Mn tonnes



a Made up of sugar, molasses and vacuum pan.

(b) Production cost and export price

BDS\$/tonnes



Note: Data not available for years 1992-93.

Source: Ministry of Finance and Economic Affairs (2001), *Barbados Economic and Social Report -2000*.

35. In 1998, the EU price obtained by Barbados was BDS\$1,211 per tonne, substantially higher than the world price of BDS\$375; the price on the U.S. market, which is not government determined, was BDS\$890 per tonne. In 2001, the world market price had increased to BDS\$463, the EU price had fallen to BDS\$968, and the U.S. price was BDS\$873. The relative decline of the euro vis-à-vis the U.S. dollar, despite a fixed EU price for sugar to the European Union, has reduced earnings for sugar producers in Barbados dollars. The authorities expect the EU price to fall further as the EU reduces its domestic price support measures.¹³

36. Further, under the EU's new Everything But Arms Initiative, the group of least developed countries will be allowed duty-free and quota-free access to the EU market as of 2006. The extra quantities of sugar are likely to cause declines in internal EU prices, which might encourage the EU to negotiate lower prices with ACP partners; lower prices would erode the economic rent brought by Barbados's export quota.¹⁴

37. Barbados is also allocated a duty-free raw sugar quota to the U.S. market; the U.S. quota (7,371 tonnes for 2001/2002) is not currently being filled due to insufficient production.¹⁵

38. In 2000, the local price for sugar was 24% above the guaranteed EU price. The Government announced that in order to take advantage of this high price level, Barbados would stop importing sugar and reserve the first 10,000 tonnes of local production for local consumption.

(e) Alcoholic beverages

39. Barbados is a producer of beer and rum. Rum exports experienced relatively large swings over the 1990s, reaching a low of 1,800 tonnes in 1994, and a high of 8,400 tonnes in 1997. Rum accounted for 5.3% or approximately US\$12 million of Barbados's exports in 2000; the United Kingdom was the principal market.

40. Exports take place under the Rum Protocol tariff preferences laid down in the Lomé Convention. The Protocol gives duty-free access to the EU without quantitative limitation for rum produced in Barbados and other African, Caribbean and Pacific countries. The Cotonou Agreement abolished the Rum Protocol, although the current provisions are maintained until 31 December 2007; starting in 2008, a set of Economic Partnership Agreements (EPAs) will replace them.

41. According to the Barbados Investment Development Corporation, the rum producing industry was likely to suffer from a 1997 agreement between the United States and the European Union to

¹³ The main features of the Common Organisation of the Market for Sugar (CMO) are: (a) a production quota scheme applied to white sugar; (b) an intervention price for white sugar fixed annually by the European Council; (c) an import programme for cane sugar at preferential rates; (d) an export programme through which quota and refined preferential cane sugar not sold on the EU market is exported with export refunds; and (e) production levies to recover from the sugar producers the cost of the export refunds (less an amount equivalent to the preferential sugar imports) and storage levies to recover the payments made to companies storing sugar. (See Special Report No. 20/2000 concerning the management of the CMO, together with the Commission's replies, *Official Journal*, 15 February 2001, p. 1-30 [online]. Available at: http://europa.eu.int/eur-lex/en/lif/dat/2001/en_301Y0215_02.html). The export refunds are subject to reduction commitments under the WTO Agreement on Agriculture (WTO, 2000).

¹⁴ On this issue, see for example the Government Report for the Trade Policy Review of Mauritius (WT/TPR/G/90, 15 October 2001).

¹⁵ Information on the sugar tariff quota to the U.S. market can be found in the U.S. Department of Agriculture, Farm Service Agency online information. Available at: <http://www.fas.usda.gov/htp/sugar/2001/Nov/ustrq02.pdf>.

eliminate all duties on spirituous beverages, including white spirits by the year 2000.¹⁶ Following the intervention by some of the region's key producers, the United States and the European Union agreed that rum would not immediately be treated like other white spirits: the Agreement on Spirituous Beverages provides for the elimination by the EU of duties for a number of listed HS 96 headings by 1 January 2000, and for rum and taffia by 1 January 2003.¹⁷

42. The authorities noted that under the joint ACP-EU declaration on rum, agreed during the post-Lomé negotiations of the Cotonou Agreement, the EU agreed to provide €70 million in assistance to the Caribbean rum industry. The authorities also noted that, in their view, some €200 million would be required to address the needs of the industry over a four-year period, and that the full impact of this agreement has not yet been felt. During the transition period (1997 to 2003), imports from non-ACP countries continue to be regulated by quotas. With the full removal of tariffs and quotas by 2003, the authorities fear a surge of imports into the EU, further reducing preferential market access for Caribbean rum producers.

43. The Barbados import market for alcoholic beverages amounted to over US\$20 million in 2000, mostly from MFN sources. Sparkling wine is subject to a duty of BDS\$5.5 per litre; and other wines to BDS\$2.64 per litre. Spirits are protected by tariffs ranging to BDS\$16 per litre (Table AIII.1).

(f) Fish and seafood

44. With technical assistance from international agencies, several laws and accompanying regulations are being drafted in the fishing industry. These address the issues of food safety, resources management and vessel design, safety and inspection, and compliance with international fisheries conventions and agreements. A Fisheries Management Plan was introduced in June 1997. After consultation with stakeholders, a new Plan for the period 2001-2003, which contains schemes for the management of Barbados fisheries, was promulgated in 2001.

45. The authorities indicated that the Code of Conduct for Responsible Fishing guides fisheries management.¹⁸ Staff of the Fisheries Division have been trained in Hazard Analysis or Critical Control Points (HACCP) systems for seafood quality assurance, in order to gain access to foreign markets.

46. There are about 940 fishing boats in operation; fish landings amount to about 3,500 tonnes annually. Exports reach about US\$1 million. Imports of fresh and processed fish and seafood amounted to about US\$5.3 million in 2000. Most frozen shrimp and lobster imports originate in Guyana. Fresh fish and seafood is subject to a tariff of 40%, except for flying fish, tuna and "dolphin" (*coryphaena hippurus*, also known as mau mau), which are fished locally and subject to a 145% duty. Canned tuna and sardines are subject to MFN duties of 5-20%.

47. Barbados has a 200-mile marine exclusive economic zone (EEZ); however this overlaps with the EEZs of six other countries – Guyana, Martinique (France), St. Lucia, St. Vincent, Trinidad and Tobago, and Venezuela. Barbados has been negotiating a maritime boundary delimitation treaty, starting with Trinidad and Tobago; as part of the negotiations, Barbados and Trinidad and Tobago have also been discussing a new fisheries agreement; an earlier agreement expired in 1991. Under Barbados's Marine Boundaries and Jurisdiction Act of 1978, only a citizen of Barbados, or the holder

¹⁶ BIDC (1997).

¹⁷ WTO (2000).

¹⁸ Information on the Code of Conduct is available at the FAO online information. Available at: <http://www.fao.org/fi/agreem/codecond/ficonde.asp>.

of a valid permit delivered by the Government who has an agreement with the Government of Barbados, is permitted to fish in the EEZ. This has been described as an important restriction to the principles of free factor mobility embodied in the CARICOM Single Market and Economy.¹⁹

(3) MINING ENERGY AND PRODUCTS

48. The island's mineral resources include petroleum and natural gas; and the industrial minerals limestone, sand, and clays. Petroleum, mining, and quarrying are of limited economic importance, contributing less than 1% to GDP. The Energy Division, Ministry of Economic Development is responsible for energy policy formulation. Energy policy is geared toward promoting energy conservation practices and the use of renewable energy technologies, becoming self-sufficient in oil and gas production, and supplying energy to the consumer at the best possible prices.²⁰

49. Proven crude oil and gas reserves in the mid-1990s were estimated at 3.2 million barrels and 200 million cubic metres respectively. Some 560,000 barrels of domestic crude oil were produced in 2000, down from a peak of 708,000 in 1999 (Table IV.2). Oil production satisfied approximately 20% of local demand. The government-owned company Barbados National Oil Company Ltd (BNOC) has entered into a production sharing contract with a foreign company, Waggoner Barbados Ltd. The latter provides the funding and technology, and the Barbados National Oilfield Services Ltd (a subsidiary of BNOC) carries out the field operations to produce natural gas and liquefied petroleum gas (LPG). BNOC has experienced several unsuccessful attempts for privatization; there are no current privatization plans. BNOC planned to produce 1,800 barrels per day of crude petroleum in 2002

50. In 1998, Barbados's sole oil refinery, which was located on a prime beachfront property, was closed to make way for a tourist development project. Barbados crude oil is now refined in Trinidad and Tobago, and then returned for domestic consumption. Barbados imports only refined products. In 2000, total imports of refined petroleum products increased by 108.2%, to exceed US\$125 million; Trinidad and Tobago supplied 94% of these imports.

51. The Barbados National Terminal Company Ltd, a subsidiary of BNOC, is, in practice, the sole importer of diesel, gasoline, and fuel oil, which are sold to the subsidiaries of the multinational oil companies for distribution to retail customers. BNOC operates the terminals, receives imported products, and owns all storage facilities.

52. Barbados is party to the San Jose Agreement, under which Venezuela supplied the island until 1997 with crude oil on favourable terms.²¹ Under the agreement, Mexico and Venezuela sell 160,000 barrels of oil a day, divided equally between 11 Central American and Caribbean countries.²² Twenty percent of the bill for the oil is financed with long-term credits, which must go towards development projects. Since the closure of the refinery, Barbados no longer benefits from the agreement, although it remains a signatory.

¹⁹ Ministry of Foreign Affairs and Foreign Trade (2000).

²⁰ UN, Economic and Social Development online information. Available at: <http://www.un.org/esa/agenda21/natinfo/countr/barbados/natur.htm#agro>.

²¹ Barbados Energy online information. Available at: <http://www.barbadosenergy.com>.

²² See WTO (2002), Chapter II.

Table IV.2
Oil products, 1992-00

Year	Crude oil (barrels '000)		Refinery products ^a (barrels '000)		Natural gas (million cubic metres)		Liquid petroleum gas (barrels '000)	
	Production	Imports	Production	Imports	Production	Imports	Production	Imports
1992	471.6	773	..	1,120.2	30.6	0	18.9	101.2
1993	454.7	590.3	1,365.9	1,078.7	27.9	0	21.0	91.2
1994	453.4	865.3	1,667.1	979.5	28.9	0	20.6	90.7
1995	453.7	1,197.4	1,798.8	1,219.4	29.3	0	19.8	90.2
1996	362.9	1,155.0	1,865.6	1,247.8	28.9	0	16.8	94.7
1997	327.8	1,302.6	1,980.6	1,547.2	28.3	0	14.2	98.2
1998	576.6	0	0	3,487.1	37.5	0	21.9	118.7
1999	707.6	0	0	3,754.1	46.9	0	23.2	90.4
2000	560.2	0	0	3,563.5	38.0	0	13.8	94.8

.. Not available.

a Gasoline, kerosene, diesel, fuel oil.

Note: A significant portion of the imported products would have been re-exported in the form of aviation jet fuel and bunker C fuel oil.

Source: Ministry of Finance and Economic Affairs, Ministry of Environment, Energy and Natural Resources.

53. Retail prices of gasoline (BDS\$1.45 per litre in 2001) and diesel fuel are set by the Government. Since 1999, the Government has progressively reduced retail prices of energy products (gasoline and diesel), to bring them into line with regional levels. A tax on fuel oil, used mainly in the production of electricity, and on kerosene oil and diesel used by the agricultural, fisheries and manufacturing sectors, was abolished. As a result, users in these three sectors pay less for diesel than other users.

54. Some 38 million cubic metres (mcm) of natural gas were produced in 2000 (Table IV.2). The National Petroleum Corporation is responsible for its distribution. In 2000, households purchased 2.2 mcm of natural gas. Commercial and other industrials used 5.7 mcm, and special industrial customers bought 7.3 mcm.

55. Barbados receives large amounts of solar radiation estimated at approximately 500 calories per cm² day, one of the highest levels in the world. This represents an energy output level of 5.8 kWh per m² per day. Since 1974, it has been commercially available for water heating, reflecting the Government's policy to explore the use of alternative sources of energy. Tax rebates are provided on the purchase and installation of solar water heaters. These are part of the changes implemented under Agenda 21.²³ According to the authorities, these measures have been successful in developing the use of solar energy.

(4) MANUFACTURING

56. Barbados's manufacturing sector accounted for 9% of GDP in real terms in 2000, down from over 10% in 1995 and close to 12% at the beginning of the 1980s. The decline in value added in 2000 exceeded 6% in real terms, following a decline of 2.4% in 1999. The closure of a soft drinks factory and of the local production facilities of the Colgate Palmolive Company explained most of the decline. Value added in current prices stood at US\$135 million in 2000.²⁴ About 10,000 persons are

²³ UN, Economic and Social Development online information. Available at: <http://www.un.org/esa/agenda21/natlinfo/countr/barbados/natur.htm#energy>.

²⁴ Government of Barbados (2000).

employed by the sector. Main activities consist of food processing, cement production, and light manufacturing activities including clothing, handicrafts, furniture, paper products, ceramics and tiles, insecticides, batteries, and plastic bags.

57. Imports of manufactured products increased from US\$530 million in 1995 to over US\$800 million in 2000 (Table AI.3). The increase has been broadbased, reflecting the overall growth of the economy. Exports, in contrast, have stagnated since 1996 at around US\$135 million. Exports are relatively diversified, including food and mining products, chemicals, other semi-manufactures, and electronic components.

58. The overall performance of the manufacturing sector reflects a number of factors, primarily related to high domestic production costs. Given the small size of the market, most manufacturing activities tend to be small and do not benefit from economies of scale. A 1997 survey of enterprise competitiveness in the industrial sector showed that the most significant factors affecting it ranked in the following order: raw materials, labour, transport, capital, and the exchange rate. In particular, the appreciation of the Barbados dollar in real effective terms since the 1970s was found to be a long-term factor explaining the rising costs of production. This loss of competitiveness due to inflation and a fixed parity with the dollar did not appear to have been compensated by falls in real wages relative to competing economies.²⁵

59. The 1997 study also revealed that effective rates of protection were particularly high (Table IV.3). Border protection was progressively reduced over the 1990s in order to remove what was estimated to be an anti-export bias in Barbados's trade policy regime. Tariff declines and a gradual reduction in the recourse to quantitative restrictions took place in certain sectors. However, in November 2001, tariffs on several products were increased to 60%

60. Available indices of industrial production (Table IV.4) show striking differences in the long-term evolution of real output among sectors: clothing and furniture, which have not been effectively protected from import competition, contracted strongly. In contrast, food and beverage production, protected by quantitative restrictions on imports and high tariffs, recorded a 50% real increase in production over the 1982-00 period. In general, the lack of import competition resulting from high tariff protection may have discouraged improvements in productive efficiency.

Table IV.3
Nominal and effective rates of protection, excluding surtax, selected locally manufactured products, 1996 and 2001
(Per cent, unless specified)

Sectors	1996		2001	
	NRP ^a	ERP ^b	NRP ^a	NRP ^a after November increase
Bakery products	43.5	100.6	22.8	60
Cement	50.0	205.2	15	60
Ceramics and tiles	45.5	87.7	15	20
Fruit processing	50.3	218.4	31.5	31.5
Furniture and wood products	33.9	106.8	20	60
Clothing	50.0	183.9	20	60
Handicrafts	45.0	378.2	..	..
Margarines and oils	31.5	208.5	30.8	60
Meat products	50.1	340.1	66.3	66.3

Table IV.3 (cont'd)

²⁵ Maxwell and Stamp PLC (1997).

Sectors	1996		2001	
	NRP ^a	ERP ^b	NRP ^a	NRP ^a after November increase
Misc. foodstuffs	53.0	162.1	..	..
Misc. manufacturing (clocks and batteries)	50.0	107.0	35	35
Plastic goods	45.0	negative	13.4	60
Printing	53.0	191.8	..	..
Steel products	41.0	101.0	6	60
Textiles (sails)	25.0	48.3	15	15
Tobacco	45.0	71.7	..	..

.. Not available.

a Average nominal tariffs.

b Value added at domestic prices expressed as a percentage of value added at world prices.

Source: WTO Secretariat; and Maxwell Stamp PLC (1997).

Table IV.4
Indices of industrial production, 1990-01
1982 = 100

Year	Manuf. total	Food	Beverages and tobacco	Clothing	Chemicals	Wooden furniture	Other non-metallic mineral products	Other manufacturing industries	Electronic components
1990	118.7	125.1	118.8	57.7	77.7	108.4	157.4	154.0	61.3
1991	108.8	123.4	129.1	52.7	98.0	153.1	90.6	147.5	48.4
1992	98.7	121.1	139.7	29.6	87.5	135.1	74.5	124.9	52.6
1993	107.8	146.2	181.6	23.6	72.3	46.3	70.4	136.8	55.8
1994	108.4	137.4	155.1	5.1	69.3	58.4	103.4	163.6	55.1
1995	110.0	136.5	149.0	7.7	105.7	72.3	108.4	171.8	42.8
1996	115.9	143.1	133.3	7.1	121.5	84.4	93.5	182.4	45.5
1997	125.9	146.3	180.9	10.1	142.2	41.4	115.8	192.6	35.7
1998	128.2	164.6	173.5	6.9	130.5	43.3	137.5	216.1	24.8
Dec. 1999	119.7	154.9	179.5	7.0	110.2	21.5	155.5	185.3	41.4
Dec. 2000	110.7	150.5	154.0	4.2	105.7	17.5	160.1	171.9	34.1
Mar. 2001	111.5	145.8	151.2	9.8	79.4	16.8	212.0	172.9	36.1

Source: Central Bank of Barbados, *Economic and Financial Statistics*, July 2001.

61. Until April 2000, non-automatic import licences applied to a number of manufactured products, thus limiting foreign competition (Table III.5). Their replacement by an automatic system, together with the removal of a 35% import surcharge, resulted according to the authorities in a further loss of market share to both regional and extra-regional imports. In November 2001, tariffs were increased from 15-20% to 60% on most domestically manufactured products. Despite the recent tariff increases, import competition could intensify in the medium term, notably because of Barbados's potential commitments under current international trade negotiations.

62. Certain manufacturing industries, including non-metallic mineral products, performed relatively well despite the reduced tariff protection until 1999. Among them, one foreign-owned company produces and distributes cement from imported clinker. Production of 268,000 tonnes in

2000 exceeded local consumption of 134,000 tonnes. Exports of lime and cement recorded US\$9 million in 2000. Imports, consisting mostly of clinker and white cement, slightly exceeded US\$2 million. MFN tariffs on both cement clinker and locally produced grey cement were 15% until November 2001, when they were increased to 60%. The cement company imports its clinker and other inputs duty free.

(5) SERVICES

63. The services sector has been the main engine of growth in Barbados. Its share of GDP already exceeded 67% of GDP in 1981, and had increased to 71% of GDP in 2000 (Table I.1). The largest economic expansion has been in financial and business services. These recorded a value added in current terms of BDS\$770 million (US\$335 million) in 2000, equivalent to 18% of GDP.

64. According to IMF balance-of-payments statistics, total exports of services reached US\$995 million, or over US\$3,500 per capita, and 75% of the value added in the services sector that year.²⁶ The bulk of exports are in travel (US\$712 million), reflecting activity in the tourism sector. Exports of financial services reached US\$64 million in 2000; this included financial services supplied by "international" companies, which by law are not allowed to sell their services in Barbados (see below). Imports of services reached US\$487 million in 2000, up from US\$409 million in 1998, and consisted mostly of transport services (US\$163 million), insurance services, and travel services.

(i) Commitments under international agreements

(a) WTO commitments

65. Under the General Agreement on Trade in Services (GATS), Barbados scheduled in 1994 a number of commitments regarding trade in services. In doing so, Barbados specified two horizontal restrictions, on the presence of natural persons and on commercial presence, that apply to all sectors included in its Schedule. Firstly, the Immigration Act and regulations control the entry and residence of all foreign natural persons working in Barbados. Prior to a natural person working in Barbados, a work permit must be obtained. Labour market tests are conducted. Secondly, regarding commercial presence, the Property Transfer Tax Act was scheduled as a limitation to national treatment: it stipulates that purchase or sale of land or shares/stocks by a foreign investor is subject to a specific tax on the value of settlement. The authorities indicated in the context of this Review that the Property Transfer Tax Act was amended in 1999 to abolish any differentiation in the treatment of a local or foreign purchaser of land or shares.

66. Specific commitments were scheduled in a very limited number of sectors or subsectors listed (Table IV.5). Barbados committed to allow unlimited market access and national treatment to foreign suppliers of software implementation services, courier services, reinsurance, and many entertainment services. Despite the importance of the tourism sector, and contrary to nearly all other developing WTO Members²⁷, Barbados did not include the tourism sector in its WTO commitments.

²⁶ Trade statistics reported in WTO document S/C/27/Add.1, 30 October 2000.

²⁷ WTO document S/C/W/51, 23 September 1998.

Table IV.5
Summary of Barbados's commitments under the GATS^a

Modes of supply:	Market access				National treatment			
	1	2	3	4	1	2	3	4
Cross-border supply	1				1			
Consumption abroad		2				2		
Commercial presence			3				3	
Presence of natural persons				4				4
Commitments (■ full; ▣ partial; □ no commitment; – not appearing in Schedule)								
Horizontal^b	□	□	□	▣	□	□	▣	□
Commitments in specific sectors								
1. Services to companies								
A. Professional services	–	–	–	–	–	–	–	–
Legal Services	□	□	□	▣	□	□	–	▣
Medical and dental services (CPC93122)	□	□	□	▣	□	□	–	■
Other professional services	–	–	–	–	–	–	–	–
B. Computer and related services exclusively:								
Consultants installing equipment	–	–	–	–	–	–	–	–
Software implementation services (CPC842)	■	■	■	■	■	■	■	■
Data processing	■	■	■	□	■	■	■	□
Databases	–	–	–	–	–	–	–	–
C. Other services and companies	–	–	–	–	–	–	–	–
2. Communications services								
A. Postal services	–	–	–	–	–	–	–	–
B. Courier services (CPC 7152)	■	■	■	■	■	■	■	■
C. Telecommunication services								
Voice telephone services	▣	■	▣	□	■	■	■	□
Packet-switched data transmission services	▣	■	▣	□	■	■	■	□
Circuit-switched data transmission services	▣	■	▣	□	■	■	■	□
Telex services	▣	■	▣	□	■	■	■	□
Telegraph services	▣	■	▣	□	■	■	■	□
Facsimile services	▣	■	▣	□	■	■	■	□
Private leased circuit services	▣	■	▣	□	■	■	■	□
Electronic mail	■	■	■	□	■	■	■	□
Voice mail	■	■	■	□	■	■	■	□
On-line information and data base retrieval	■	■	■	□	■	■	■	□
3. Construction services	–	–	–	–	–	–	–	–
4. Distribution services	–	–	–	–	–	–	–	–
5. Education services	–	–	–	–	–	–	–	–
6. Services related to the environment	–	–	–	–	–	–	–	–
7. Financial services	–	–	–	–	–	–	–	–

Table IV.5 (cont'd)

Modes of supply:	Market access				National treatment			
	1	2	3	4	1	2	3	4
Cross-border supply	1				1			
Consumption abroad		2				2		
Commercial presence			3				3	
Presence of natural persons				4				4
A. Insurance and related services								
Life, accident and health insurance services	-	-	-	-	-	-	-	-
Non-life insurance services	-	-	-	-	-	-	-	-
Reinsurance and retrocession	■	■	■	■	■	■	■	■
B. Banking and other financial services, exclusively:								
C. Other	-	-	-	-	-	-	-	-
8. Social and health services								
9. Tourism and travel services								
10. Leisure and sports services								
A. Entertainment services (CPC96191)	■	■	■	■	■	■	■	■
B. Other services	-	-	-	-	-	-	-	-
11. Transport services								
12. Other services								

a The only authentic source of information on these commitments is Barbados's Schedule of Specific Commitments contained in documents GATS/SC/9 and GATS/SC/9/Suppl.1.

b Applicable only to services included in Barbados's Schedule of Commitments.

Source: WTO Secretariat.

67. In 1997, Barbados also undertook specific commitments in the negotiations on basic telecommunications (see below).²⁸ Barbados did not submit an offer in the negotiations on financial services that ended in 1998.

(b) Commitments under regional agreements

68. Under Protocol II for the consolidation of the Caribbean Single Market Economy, modifications were made to the CARICOM Treaty to remove restrictions on the right of establishment, the provision of services, and the movement of capital.²⁹ Regarding services, Protocol II includes standstill, national treatment, and rollback provisions. Barbados signed and ratified Protocol II in July 1997 and June 1998, respectively. Members were given one year from the date of entry into force of the Protocol to present a programme for the removal of existing restrictions on the provision of services. Barbados notified its restrictions to the CARICOM Secretariat in July 2000.

69. The main restrictions to the free movement of service providers are found in the Immigration Act. The Act places restrictions on the length of time foreigners can remain in Barbados, and requires non-residents seeking employment to obtain a work permit. Under the provisions of Protocol II, the following categories of workers have been accorded the right to seek employment in all CARICOM member states: university graduates; media workers; sports persons; artists; and musicians.

²⁸ WTO document GATS/SC/9/Suppl.1, 24 February 1998.

²⁹ There was no engagement regarding the free movement of natural persons.

(ii) Utilities and energy distribution services

70. Available data show that the electricity, gas, and water industries together grew in real terms at 6.5% over the 1982-00 period, considerably faster than the 1.65% annual growth recorded for total GDP. The sector represented some 3.2% of GDP in 2000. According to the authorities, this partly reflects improved gas drilling operations, and an increased demand for electricity and water services as standards of living improve.

71. Since 1997, the Government has been planning the modernization of utility regulation. The aim was to improve the monitoring of compliance with standards and rates, ensure the response to customer complaints, and provide improved customer service. Under the Utilities Regulation Act of December 2000, the Fair Trading Commission (Chapter III(4)(ii)(a)) has responsibility for rate setting and monitoring standards of service for the production and distribution of electricity, water distribution, sewerage services, local and international telecommunications services, and natural gas. In 2001, the FTC was regulating the Barbados Light & Power Company; Cable & Wireless BET; and Cable & Wireless BARTEL. However, as at early 2002, it was not regulating the Barbados Water Authority or the National Petroleum Corporation.

72. According to the authorities, with the exception of telecommunications, there is no cross-border trade in services currently under the Utilities Regulation Act. Foreign commercial presence is not restricted in any of these sectors. Distribution of automotive fuel is through some 48 service stations, owned for the most part by multinational companies.

(iii) Construction

73. Output in the construction sector expanded for the eighth consecutive year in 2000, underpinned by tourism activity, housing, and road projects. The sector represents just above 6% of GDP. Major infrastructure projects in 2001 included expansion projects for the airport and port, the construction of a landfill, and the installation of a major sewerage system. Other projects include a private marina under construction, and hotel refurbishment.

74. IMF statistics reported a value of US\$2 million for both cross-border exports and imports of construction services. Opportunities for foreign suppliers are mainly concentrated in the supply of equipment and products, and construction supervision of projects that are financed by international financial institutions. According to the authorities, the rules that apply to foreign construction companies wishing to supply public construction services do not differ whether the funding is international or domestic.

(iv) Wholesale and retail trade

75. Wholesale and retail trade accounts for the largest number of firms in Barbados, and for 18% of GDP in current terms. According to a recent study, both retail and wholesale trade are characterized by a high degree of market concentration, with the ten top firms accounting for over 80% of sales.³⁰ In particular, food, construction materials, household hardware, and electrical and electronic household appliances constitute the areas of highest concentration. The number of firms operating in these areas is small relative to the total number of firms. The study revealed several cases of restrictive business practices in the retail sector. Access to the sector by foreign firms seeking to establish a commercial presence is subject to government approval under the Franchise Act (Chapter III(4)(i)).

³⁰ Pelzman, Gordon, and Langer, (2000).

(v) **Tourism**

(a) Market developments

76. Tourism is one of the most important activities in Barbados. During 2000, Barbados attracted 1.1 million visitors, an increase of 14% over the previous year. In real terms, value added grew by 8%, and tourism accounted for 15.4% of GDP (11% in current price terms). The sector employed, as at the end of June 2001, some 12,800 persons, representing 10% of total employment. However, these shares probably underestimate the sector's importance through its links to other industries, such as wholesale and retail trade or construction. The tourism industry is particularly vulnerable to economic cycles in major consumer market, and other exogenous natural or man-made events: a decline in tourism GDP occurred in 1999, and a strong fall was expected for 2001 (Chart IV.2).

77. Trade in tourism services provided a surplus of nearly US\$700 million in 2000 (Table I.4). Tourism accounts for nearly one half of exports of goods and services. The sector has also generated, on average, half of Barbados's foreign exchange earnings each year since 1993.

78. According to the authorities, the attacks on the United States on 11 September 2001 have had a major impact on the Barbados economy through reduced tourism, as the number of U.S. tourists has fallen. Due to its linkages to many other areas of economic activity, an expected deterioration in tourism activity is likely to reverberate negatively across the entire economy.³¹

(b) Regulations

79. Tourism services are provided mainly by private operators, although the Government retains partial or full ownership of certain hotels. Government policy is to create an attractive environment for private investment. The Government also gets involved in the development of areas considered essential but unattractive to the private sector. For example, the Government has participated in the redevelopment of the former refinery site into a hotel project, and has also injected public funds in the rescue of small hotels.

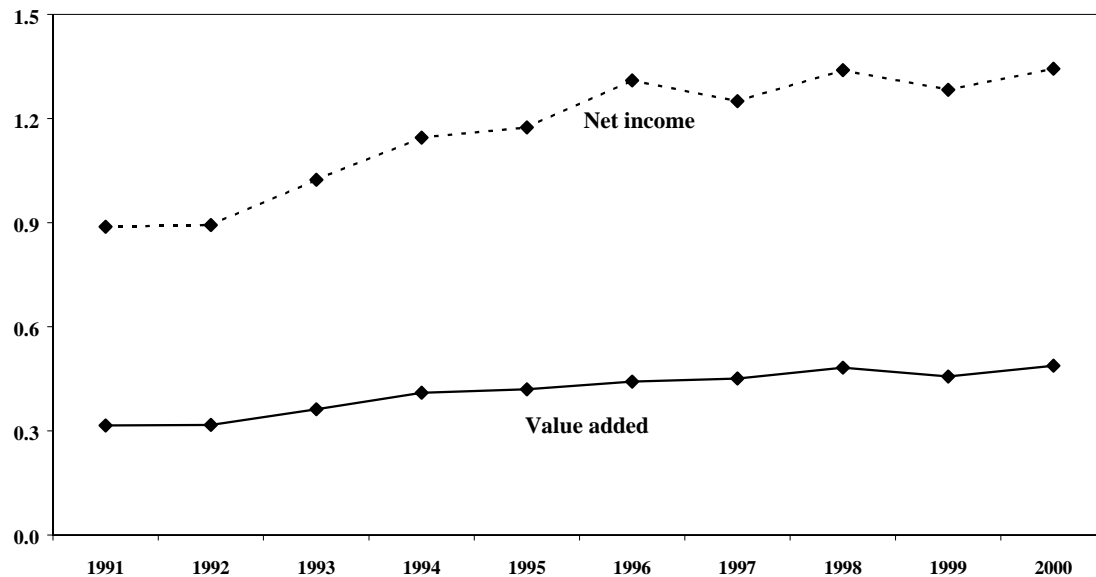
80. The Ministry of Tourism is in charge of formulating tourism policy. The Barbados Tourism Authority is a statutory board responsible for marketing Barbados as a tourist destination. The Ministry of Tourism administers the Hotel Aids Act, which provides concessions to hotels during the construction phase and allows for capital expenditure to be written off against revenue for nine years after the period of construction. Among other government support schemes, the Tourism Loan Fund of BDS\$30 million provides hotels with concessionary financing. The Small Hotels Investment Fund provides concessionary loans to properties with less than 75 rooms; some BDS\$500,000, or about 10% of the amount allocated to this fund, had been disbursed in February 2002.

81. The Ministry of Tourism announced a new bill in 2001 to stimulate investment in the tourism sector. The proposed legislation encompasses the entire hospitality industry, whereas the existing Hotel Aids Act 1967 focuses on concessions to hotels only. New provisions under the Draft Sustainable Tourism Bill include the right to import or purchase locally free of duties and taxes, building materials and a number of specified items. In addition, new concessions to qualifying tourism projects were to be added to the Income Tax Act. These differ from those currently made available under the Hotel Aids Act. They include a provision to allow investors to write off expenditure against revenue over a 15-year period, rather than the present ten years; the accelerated write-off of up to 150% of interest incurred on loans to invest in or upgrade inland hotels, historical, cultural or heritage assets.

³¹ Ministry of Economic Development (2001).

Chart IV.2**Value added and export receipts from tourism services, 1991-00**

BDS\$ billion



Source: Ministry of Finance and Economic Affairs (2001), *Economic and Social Report, 2000*; and Central Bank of Barbados, *Balance of Payments 2001*, Table 7 (net credits from tourists and excursionists).

82. To facilitate the opening of new air routes to Barbados, the Government announced in 2001 that it would make available an additional BDS\$20 million over the following three years; BDS\$6.5 million would be provided immediately. The funds were used to market Barbados as a destination in the cities that are the gateways to the recently established US Airways flight out of Philadelphia. In October 2001, as part of the National Emergency Programme, BDS\$30 million was released in support of the industry. Half of these funds were to be used in marketing support.

83. Although Barbados has not included tourism in its schedule of GATS commitments, market access conditions are relatively liberal for foreign suppliers wishing to establish a commercial presence in Barbados. Foreign investment policy does not preclude total foreign control of hotels, and the conditions for opening a hotel are the same for foreigners as for residents.

84. Business licences for travel agents and tour operators are reserved in priority for residents.

(vi) Transport services**(a) Maritime transport services**

85. The volume of exports carried by sea decreased consistently between 1997 and 2001, from 134,656 tonnes (general cargo) to 113,151 tonnes, reflecting the overall decrease in merchandise exports (Chapter I). Import tonnage carried by sea increased until 1999, to 844,000 tonnes, but decreased to 793,000 tonnes in 2001. Taking into account bulk cargo (mainly oil products and sugar), in 2001 the port handled a total of 2.0 million tonnes. It also accommodated 593,600 passengers.

Some 16 shipping lines, all foreign owned, provide services to and from Barbados. No shipbuilding is carried out in Barbados.

86. Maritime activities are governed by the Shipping Act, 1994-15, the Shipping Regulations, 1994, the Shipping Corporations Act, 1996-14, the Shipping Corporations Regulations, 1997, and the Shipping (Oil Pollution) Act, 1994-16. Barbados has also signed the International Maritime Organization Convention, the Convention on Code of Conduct for Liner Conferences, the Convention on the Carriage of goods at Sea, and a number of other international legal instruments governing maritime transport services.

Shipping services

87. Under the Shipping Incentives Act of 1982, shipping companies registered under the Barbados flag, when involved in the operation or leasing of ships, or in shipbuilding or repairs are entitled to a number of tax benefits. These include duty-free imports of ships and materials, exemption from tax for dividends paid to residents, reductions in taxes on dividends paid to non-residents and, at the Minister's discretion, full or partial exemption from taxes on profits. The Principal Registrar is based in London, with a subsidiary Registrar in Bridgetown. The Registry has had an ISO 9002-94 Quality certificate since March 1996.

88. To qualify for these benefits, ships must be registered under the Barbados Flag. Eligible ships must be: "foreign-owned", i.e. not owned by citizens of Barbados or by a company registered under the Companies Act; and either "foreign-going" vessels (see below) or pleasure yachts that do not carry passengers or cargo for hire or reward. There are currently 83 vessels registered under the Barbados flag. These include 35 cargo ships, 15 yachts, eight barges, and eight bulk carriers.

89. Foreign-going vessels are defined as plying to or from CARICOM destinations, or trading between ports outside of CARICOM, but not within CARICOM. Vessels less than 20 years old may join the Registry if they are 'foreign-owned'; older vessels may join at the Registrar's discretion, provided the ship meets the requirements of the Conventions to which Barbados is a party.

90. The existence of bilateral taxation agreements together with the provisions described above results in particularly favourable opportunities for ships owned and operated by nationals of partner countries, who can obtain domestic tax benefits by operating through a Barbados shipping company managed and controlled from Barbados.

Port and auxiliary services

91. The Bridgetown Harbour is Barbados's only port. There are approximately 1,531 m. of quay space; all berths are provided with bunking facilities. This port serves as a transshipment point for goods en route to the smaller Caribbean islands. The port also includes a large cruise-ship passenger terminal. An expansion of the port is under way.

92. The Barbados Port Authority, a statutory public company, has regulatory responsibility for all port operations. The authorities reported that the port is being reformed into a corporate entity. According to the authorities, private suppliers are present in the market in the following services: depot services; maritime agency services; maritime freight forwarding services; stevedoring; and maintenance and repair of vessels. The Barbados Port Authority is the exclusive supplier of container station services; onshore services; and storage and warehousing services within the Bridgetown port.

(b) Air transport services

93. Barbados has one international airport with a runway equipped to accommodate any type of aircraft. The airport is currently undergoing major expansion and renovation. In 2001, approximately 26% of total exports moved by air, up from 25% in 2000.

94. Barbados is a member state of the International Civil Aviation Organization (ICAO), and a participant in the Convention on International Civil Aviation, (the Chicago Convention) of 1944 and its annexes. Barbados has not included any commitments on air transport under the GATS.

95. The Ministry of Tourism and International Transport oversees the operations of air carriers operating in Barbados territory, and formulates international air transport policy. Under the Civil Aviation Act, the Air Transport Licensing Authority of Barbados is charged with the responsibility of approving all fares, rates and other charges and conditions with respect to travel on all scheduled air services into and out of Barbados except where those matters are regulated by agreements (international and bilateral) to which Barbados is a party. The Authority, in considering applications for licences, schedules or fares, may consult with the Minister with respect to policy issues and with the Technical Director (Aviation) with respect to technical issues.

96. Barbados has bilateral air services agreements with the following Governments: Belgium, Canada, Denmark, Luxembourg, the Netherlands, Nigeria, Norway, Sweden, the United Kingdom, and the United States. It has interim agreements with Germany and Switzerland. There are no fully liberalized tariff provisions in any of the bilateral or multilateral air services agreements to which Barbados is currently party. However, there are zonal tariff arrangements in force with respect to the air services agreements with Canada and the United States. In all other agreements double approval regimes are in force. According to the authorities, the level of competition is a major factor in determining the degree of regulation applied to the routes.

97. The Airport is served by nine scheduled operators carrying passengers on international routes (Air Canada, Air Jamaica, American Airlines, British Airways, BWIA, Condor, Lauda Air, US Airways, Virgin Atlantic Airways) as well as two scheduled cargo operators (Amerijet and Fine Air). The Government of Barbados has less than 10% shareholding in LIAT (Leeward Islands Air Transport); it does not have a significant shareholding in any other regional or international carrier. The entry of BWIA (British West Indian Airways) and Air Jamaica into various markets as Barbadian designated carriers has reportedly increased the level of competition on these markets, despite the absence of a Barbados-based international carrier.

98. Scheduled commercial flights landing for commercial purposes must obtain prior permission in the form of a licence or provisional licence from the Air Transport Licensing Authority. Inclusive tour charter flights landing for commercial purposes must obtain permission in the form of a permit from the Ministry. In granting licences the Authority considers the financial capacity of the applicant, the proposed routes, any restrictions imposed on the proposed operations by bilateral air services agreements, the level of capacity present on the route, the fares to be charged, and the technical abilities (safety) of the applicant.

99. A CARICOM multilateral air services agreement was signed by CARICOM members, except the Bahamas, Jamaica, and Montserrat.³² The agreement allows CARICOM-designated air carriers to offer all types of air services within the Community. Article 9 of the agreement, on air taxi operations, allows for bilateral discussions to take place among members with regard to air taxi

³² See CARICOM online information for the text of the agreement. Available at: <http://www.caricom.org/airservices.htm>.

operations, while Article 8, on cabotage, stipulates that a Member State must not be required to grant cabotage rights to a CARICOM air carrier of another member state.

100. In December 2001, the two largest regional carriers, LIAT and BWIA, announced a commercial agreement; they were to retain their respective identities. The agreement includes the use of each other's name and trade marks, passenger and baggage handling for connecting passengers, aircraft and cabin appearance and maintenance, combined routes and joint scheduling, code-sharing, and joint purchasing of insurance, fuel, and other inputs. The agreement also involves common reservations call handling and telephone answering services, and common ticketing facilities. The Barbados Government was not involved in this agreement.

101. The Barbados airport is fully owned by the Government. There are currently no management contracts or outsourcing for airport services.

(vii) Telecommunications

102. Barbados telecommunications are currently organized as a monopoly, with services supplied exclusively by a private foreign company, Cable & Wireless (C&W). Since 1997, the Government has been planning a reform of the telecommunications sector.

(a) Market structure and developments

103. In early 2000, Barbados had about 120,000 fixed main lines connected; 68.5% belonged to residential customers. There were 30,000 cellular service customers (over 8% of the population) and five known Internet providers servicing 12,000 subscribers (4% of the population). Over 12,000 individual telecommunications licences were issued to users in 2000, an 11.4% increase over the previous year; the greatest increases were in citizens band licences (voice radio service), satellite antenna licences (domestic satellite receive-only system), ship licences, land fixed mobile licences (permission for a station at a fixed location to communicate with other fixed stations), and cellular licences.

104. The telecommunications operators were initially constituted as joint ventures between a private firm and the Government. The Government sold its shareholdings to C&W in 1991 and granted the company exclusive national and international licences until 2011. As at early 2002, services were provided by C&W BARTEL Limited, which owns and operates the domestic network, and C&W BET Limited, the international carrier. Cellular services were provided by C&W Caribbean Cellular (Barbados) Limited (CWCC), a joint venture owned by BET and BARTEL.

105. As part of the Government's universal service policy, domestic telecommunications rates have traditionally been set at low levels and below cost to make the telecommunications service affordable and available to a wide cross-section of the population. A 1997 study, commissioned by the Government, determined that the domestic network incurred a loss of more than BDS\$52 million per year. Some 55% of international revenues has traditionally been used to finance domestic services.

106. This cross-subsidization was called into question by the introduction of the U.S. Federal Communications Commission Benchmark Settlement Rate Policy, which requires U.S. carriers to lower the international settlement rates paid to foreign carriers for terminating calls.³³ In January 2000, U.S. carriers were mandated to settle at a maximum rate of US\$0.19 cents per minute for traffic terminated in Barbados. This was estimated to result in a loss of approximately

³³ See WTO (2001a).

US\$10 million to C&W BET Limited. According to the authorities, this has so far had no noticeable impact on the provision of telecommunications services.

(b) Regulation

107. The Telecommunications Unit of the Ministry of Economic Development is responsible for policy and the management of the telecommunications sector. This includes the regulation of private and public mobile radio communications, and of satellite transmissions, as well as the selling and dealing in radio equipment, maritime radio communications, and radio frequency spectrum management. The functions and resources of the Telecommunications Unit have recently been strengthened to manage the award of licences to operators and service providers; to collect licence fees; and to manage the country's resources in telecommunications, such as radio frequency spectrum and the national numbering plan.

108. While the Minister has responsibility for the day-to-day management and operation of the sector, the Fair Trading Commission is the economic regulator with responsibility for issues of competition and consumer protection. Both domestic and international rates of telecommunications services are currently subject to the approval of the Fair Trading Commission. According to the authorities, the rates for paging and Internet services are market based.

109. In the 2000 Budget, the Prime Minister announced a timetable for the phased liberalization of the telecommunications sector by the end of 2002. A Green Paper on telecommunication reform was published in December 2000. The report also urged the establishment of a market-determined mechanism to replace Barbados's "unbalanced and distorted" pricing system; a change of pricing structure from flat rate to usage-based charges; and a change in the licensing structure.³⁴

110. New draft licences had been prepared for existing telecommunication providers and were expected to be issued by the end of April 2002. The Fair Trading Commission was reviewing an interim price mechanism, and an incentive scheme of control was being developed to facilitate competition. The Government has accepted that prices should be cost oriented, but has mandated that a flat-rate option for domestic telecommunication services must be available to consumers.

111. The Government concluded a Memorandum of Understanding with C&W in 2001. The liberalization process was expected to occur in three phases starting in December 2001 through to August 2003. Phase One of the plan was to be achieved by 31 October 2002; it would enable full competition in cellular telephone services, in the provision of telephone sets and equipment, and use of equipment by call centres. Phase Two, allowing competition in the provision of the local telephone services, was to be introduced at the latest by 31 July 2003.³⁵ Competition in international telephone services was due to commence in August 2003, the date on which the Government could issue additional licences for the provision of international telephone services.

112. In February 2002, the Government was preparing to circulate a Request for Proposals (RFP) for the criteria necessary to apply for a cellular licence. This RFP would be given local, regional, and international circulation. In addition, the Government was preparing a policy analysis on the optimal number of cellular operators in the Barbados market, as well as determining the spectrum that would be allocated to spectrum users.

³⁴ Ministry of Economic Development online information. Available at: http://www.barbadosbusiness.gov.bb/miib/Publications/Documents/Green_Paper.pdf.

³⁵ Ernst & Young (2001).

113. The new Telecommunications Act 2001, was to come into operation on a date fixed by proclamation, which was to take place no later than 15 March 2002. It replaces the Telecommunications Act of 1991 and the associated statutory instruments.

(c) Participation in the WTO negotiations on basic telecommunication

114. Following the initial WTO negotiations on basic telecommunication, Barbados presented an offer that was attached to its Schedule of GATS Commitments.³⁶ The WTO Schedule reflects the regulatory framework as at 1997, and commits to liberalize voice telephony, data transmission, and private leased circuit services offered to the general public in 2012, as planned under the initial monopoly arrangement with C&W. In addition, Barbados undertook to allow the unrestricted supply of terrestrial- and satellite-based mobile services (cellular, data, and paging) as of 1999. However, only the liberalization of paging services has so far been achieved in this group; no cellular licences have yet been issued, in contrast to what had been announced for 1999. Barbados also committed to liberalize market access on a variety of value-added services, including Internet access and V-SAT services.³⁷ The reform package currently envisaged by the Government would be a considerable acceleration of the timetable initially scheduled.

115. Like other WTO Members, Barbados has stated, in a reference paper attached to its WTO Schedule of commitments in basic telecommunications, the need for a number of competitive safeguards to be incorporated into its telecommunications system. In particular, appropriate measures are to be introduced to prevent suppliers who, alone or together, are a major supplier from engaging in or continuing anti-competitive practices, such as anti-competitive cross-subsidization. Provisions to ensure timely and non-discriminatory interconnection have also been included. The paper makes reference to the need for an independent regulatory body. In Barbados, the independent regulatory body will be the Fair Trading Commission. Fair competition legislation is in draft and will have to be passed in Parliament before the Fair Trading Commission can legally deal with competition issues (Chapter III(4)(ii)).

(viii) Financial services

116. The enactment of the International Business Companies Act in 1965, together with subsequent legislation, created a liberal environment in which foreign companies and professionals were encouraged to invest and establish a commercial presence in Barbados. This framework was completed by tax and bilateral investment treaties designed to ensure minimal taxation of these companies and individuals.

117. Different legislation applies to suppliers of financial services depending on whether they are supplying financial services to residents, or whether they are managing foreign funds for foreign persons ("offshore" services, as defined under the Offshore Banking Act or the Exempt Insurance Act, see below). This duality has been until recently the subject of frictions with the OECD (see also Chapter II). The authorities have no plans for the convergence of the two types of legislation.

118. Barbados's financial services industry is well developed, providing banking services, credit unions, insurance, securities services, and non-bank financial services (e.g. fund management). There are numerous foreign institutions operating in the domestic market; most banks operating domestically are foreign owned. Many firms operate under the offshore legislation and do not compete with domestic banks and other financial services providers.

³⁶ WTO document GATS/SC/9/Suppl.1, 24 February 1998.

³⁷ WTO online information. Available at: http://www.wto.org/english/tratop_e/serv_e/telecom_e/telecom_highlights_commit_exempt_e.htm.

119. The Government owns shareholdings in one local bank and one insurance company. The privatization of the Barbados National Bank (BNB) and of the Insurance Corporation of Barbados (ICB) were initiated in December 2000 with a public offering of shares. In early 2002 the Government owned 79% of the assets of the BNB, and 62% of the assets of the ICB.

(a) Banking services

120. The Bank Supervision Department of the Central Bank of Barbados is responsible for the regulatory and prudential oversight of both the domestic and the offshore banking sector. Domestic banks offer a full range of banking services while offshore banks are restricted to dealing with non-residents. Offshore banking is defined as receiving foreign funds through acceptance of foreign money deposits; and the sale or placement of foreign funds, certificates, notes or other debt obligations, or other foreign securities. Offshore banking also includes the acceptance in trust of money in foreign currencies, foreign securities, or both.

121. In 2000, there were 52 institutions licensed as offshore, including seven new offshore banks licensed in 2000. Total assets of offshore banks were US\$21.7 billion, up from US\$16.5 billion in 1997. There are 21 onshore institutions. Total assets of onshore institutions, including commercial banks, reached US\$2.2 billion in 1997, and US\$3 billion in 2000.

122. To obtain a licence as a bank (domestic or offshore), applicants are subject to minimum capital requirements and must pass prudential tests. A licence may be issued either to an eligible company or a qualified foreign bank. To qualify as an eligible company at least one of the directors should be a resident citizen of Barbados. Offshore banks, like domestic banks, are required to submit annual audited financial statements to the Central Bank within four months of the end of the financial year. Banks are also expected to display these statements in a conspicuous place at the bank's office in Barbados and publish them in the *Official Gazette*.

Domestic banking services

123. A bank may not accept deposits from residents unless licensed as a domestic bank under the Financial Institutions Act. In practice, market access appears to be liberal and four foreign banks are licensed to carry out domestic business. They may offer residents the full range of retail banking services, such as savings accounts, term deposit accounts, personal loans (including mortgages), and credit cards.

124. The Central Bank conducted an assessment in 2000 of the extent to which Barbados implements the Basle Committee Core Principles of Effective Banking Supervision.³⁸ This assessment was formed as part of a general prudential review, and found that compliance was achieved in most aspects, but changes were recommended to the proposed International Financial Services Act, in order to improve compliance with the Core Principles.

125. There is a statutory requirement for banks to invest in government securities, and deposit accounts in foreign exchange are treated differently from local currency accounts regarding both reserve requirements and liquid asset requirements. For domestic currency deposits in commercial banks, there is a 5% reserve requirement that must be kept in cash. There is no liquidity requirement on deposits in foreign exchange. Since February 2001, for domestic currency deposits in commercial banks, the liquid asset requirement is 19%, down from 25%. Furthermore, 11% of the funds must be placed in treasury bills, and 8% in government debentures. The current total reserve requirement is therefore 24%. There is no reserve requirement on deposits in foreign exchange.

³⁸ Central Bank of Barbados (2001), p. 43.

Offshore banking regulations

126. Both residents and non-residents may incorporate an offshore bank, but offshore banks cannot accept deposits from residents unless they are also licensed domestically. The Offshore Banking Act of 1979 provides incentives to offshore banks by way of tax incentives in the form of lower tax rates than those applied to domestic banks, and other exemptions and benefits. Offshore banks may use the foreign funds mentioned above to finance loans, and investments. Incentives include a maximum 2.5% rate of tax on net profits; the tax rate falls as profits increase.³⁹ Imports of equipment or fixtures are exempt from customs duties.

127. A draft International Financial Institutions Act of 2001 was expected to replace the Offshore Banking Act. The main thrust of the new act is to ensure greater compliance with the Basle Committee Core Principles of Effective Banking Supervision, in particular by facilitating on-site inspections of offshore banks, and convergence of onshore and offshore legislation. Market access will not be affected by changes in the new Act; it will, however, remove discrimination in capital requirements between resident-owned and non-resident-owned offshore banks.

(b) Insurance services

128. In a similar way to banking services, insurance services in Barbados are generally divided into international (exempt) and domestic insurance. There are 19 domestic insurance companies, six of them foreign-owned and one with majority public ownership. At the end of 2000, there were 376 exempt insurance companies licensed in Barbados; about 200 were active. Trade in insurance services has grown rapidly in recent years, with debits outpacing credits except in the provision of life insurance and pension funds (Chart IV.3).

129. In the WTO Barbados has fully bound market access for reinsurance services (Table IV.5).

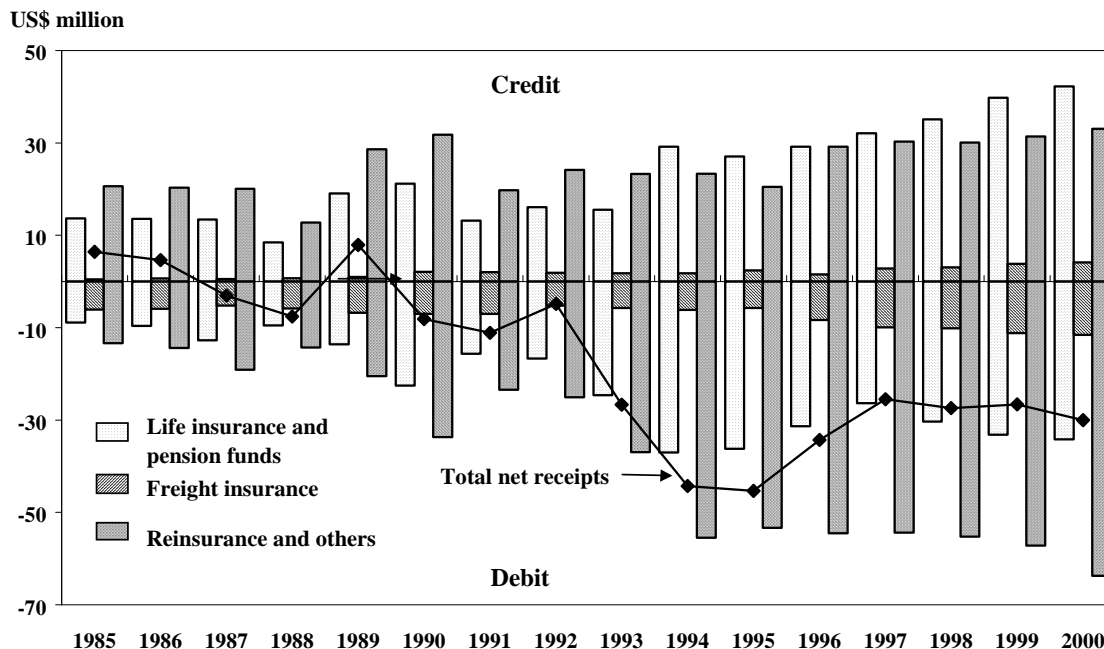
Domestic insurance services

130. The Insurance Act sets out the criteria for the registration and supervision of domestic insurance companies, under the Supervisor of Insurance. Companies must maintain deposits proportional to the level of premium income generated. Risks located in Barbados must be insured by local insurance companies registered with the Supervisor of Insurance. Risks for which coverage is not available locally may be insured by foreign insurance companies (cross-border trade), subject to the approval of the Supervisor of Insurance; however if the insurance is approved then a remittance tax amounting to 20% or 15% of the premium (for property insurance or life and health insurance respectively) may be levied. There are no special conditions for CARICOM members.

131. Amendments to the Insurance Act, on 27 August 2001, were designed to make it easier for companies to engage in variable life and annuity business, and to amend provisions relating to de-mutualization.

³⁹ Taxes apply at the following rates: 2.5% on all profits and gains up to BDS\$10,000; 2% on all profits and gains in amounts exceeding BDS\$10,000 but not exceeding BDS\$20,000; 1.5% on all profits and gains in amounts exceeding BDS\$20,000 but not exceeding BDS\$30,000; and 1% on all profits and capital gains exceeding BDS\$30,000 or on dividends or interest paid to non-residents.

Chart IV.3
Trade in insurance services, 1985-00



Source: Central Bank of Barbados, *Balance of Payments 2001*.

International insurance services

132. The Exempt Insurance Act was introduced in 1983 to encourage international insurance activities in Barbados, including reinsurance and the insurance of other foreign risks. The Act provides for the licensing of exempt (including captive) insurance companies and the registration of management companies and holding companies. Activities covered by the Act are the transaction of exempt insurance business, defined as the business of insuring risks located outside the Caribbean Community. Pure "captive" insurance companies are companies that are not normally in the business of insurance but are established to insure the risk of their owners. The licensee may be self-managed or managed by a licensed insurance management company.

133. An exempt insurance company must have at least one resident as a director. Exempt insurance companies, together with management companies, pay no income or capital gains tax on their profits or gains or on their transfers to persons who are not residents of Barbados. Residents cannot own exempt insurance companies.

134. In August 2001, the Exempt Insurance Act was amended so that branches of foreign insurance companies can be registered to insure risks located outside Barbados. The Amendment now allows all companies that can be registered under the Exempt Insurance Act to operate branches and carry on any of the insurance business permitted by the Act.

(c) Securities and other financial services

135. The Securities Exchange of Barbados (SEB) was established in 1987 under the Securities Exchange Act 1982. The 1982 Act was repealed by the Securities Act of 2001. The New Act provides for, among other things, the establishment of the Securities Commission and the re-incorporation of the Barbados Stock Exchange. In 2000, the Exchange's market capitalization was BDS\$3.4 billion. Some 22 companies are represented, mostly in the financial sector. There are eight registered brokers, including a number of foreign banks.

136. The Securities Commission is the regulatory authority for the entire Barbadian capital market, including the mutual funds industry. In order to become a registered broker and hence be allowed to conduct transactions on the floor of the Exchange, an individual must be affiliated with a member of the Barbados Stock Exchange.

137. The Mutual Funds Act 1998-45 specifies the requirements and the various categories of registration for Mutual Funds operating in Barbados. Exempt licences allow a Fund to be registered in Barbados but restrict the type of investors permitted (e.g. non-Barbadians or sophisticated investors). These Funds do not have to issue a prospectus to the general public but have to be registered with the Securities Commission. Funds marketed to the Barbadian public must meet higher levels of standards; funds registering as a General License Fund must issue a prospectus.

138. Approval is required for investment of pension funds abroad. A 6% tax is levied on portfolio investments of pension funds with foreign companies that are not registered with the Barbados Supervisor of Insurance. The tax on these remittances to foreign companies was implemented in order to promote and encourage the growth of local pension funds. In early 2002, new draft pension legislation was intended to promote pension funds as a vehicle of investment and as a means of reducing the dependence of the working population on the national pension fund.

139. In 2000, live electronic trading was introduced in Barbados.⁴⁰ General conditions of electronic trading were enacted in the Electronic Transactions Act of 2001. The Act specifies legal requirements for electronic records, defines electronic records and regulations for encryption, data protection, and privacy.

(ix) Professional services

(a) Accounting services

140. International accounting firms are represented in Barbados through local partnerships, and as such are all locally owned. They employ local and foreign accountants. In order to practise locally, foreign accountants holding a work permit must apply to the Institute of Chartered Accountants of Barbados (ICAB) for a certificate. The affairs of the Institute are managed by a Council of fifteen persons elected by the membership.⁴¹ ICAB is not an accreditation centre but accepts qualifications from approved institutions.

141. ICAB is a member of the Institute of Chartered Accountants of the Caribbean (ICAC). It is also affiliated to the accounting bodies of many English-speaking countries. The ICAB has adopted all of the International Accounting Standards Committee (IASC) standards, which are the local reporting standard.

⁴⁰ SEB online information. Available at: <http://www.seb.com.bb/>.

⁴¹ See Ministry of Economic Development online information. Available at: http://www.barbadosbusiness.gov.bb/miib/Associations/association_details.cfm?ID=8.

142. An ICAB member is entitled to engage in public practice if he or she holds a practising certificate, and may not do so other than as a sole practitioner or as a partner in a firm except with the consent of the Council. At least three years approved practical experience under the supervision of one or more members of a body recognized by the Council are required to hold a practising certificate.⁴²

(b) Legal services

143. The Barbados Bar Association (BBA) supports and protects the status and interests of the legal profession generally, and particularly attorneys-at-law practising in Barbados. There are approximately 400 attorneys at law on the roll of the BBA.

144. In its WTO Schedule, Barbados indicated, as a limitation to foreign commercial presence, that only a natural person can practise law. This suggests that no commercial presence can be established independently from conditions under mode 4 (presence of natural persons), and that commercial presence is not allowed for these services. Under mode 4, an attorney has to be admitted to the local Bar and registered under local conditions in order to practise.

145. Foreign licensed professionals wishing to practise law in Barbados must undergo six months training at the Sir Hugh Wooding Law School or the Norman Manley Law School, and register under the Legal Profession Act. Only nationals of Barbados or any of the CARICOM and British dependent countries in the First Schedule of the Legal Profession Act Cap. 370A – Antigua through to Turks and Caicos Islands – may practice law in Barbados. Citizens of other countries may be permitted to practise on the basis of reciprocity.⁴³

146. As described above, legal services must be supplied by a natural person (i.e. a qualified Barbados lawyer as opposed to a company); therefore restrictions on supply through mode 4 are particularly significant in this sector. No cross-border supply is permitted. Partnership in law firms is limited to persons licensed as lawyers. Foreign companies cannot establish subsidiaries in Barbados.

(c) Real estate services

147. Real estate services represent an important activity in Barbados, reflecting in large part the development of a sizeable residential property market for overseas investors. Overseas purchasers have tended to come from Britain and North America; a number of them are returning nationals.

148. While there are over 100 companies in the Barbados real estate market, their size and status varies considerably. A large number of listed agents operate part-time from their homes and there is a marked distinction between those operating at the lower, middle, and higher end of the market. Approximately five agents dominate the higher end of the market. The industry is very fragmented with most agents in the middle and lower end of the market operating solely in sales and rentals.

⁴² Such bodies include the Chartered Accountants of England and Wales; the Institute of Chartered Accountants of Scotland; the Institute of Chartered Accountants of Ireland; the Provincial Institutes of Chartered Accountants in Canada; the Institute of Certified Public Accountants of the United States of America; the Institute of Financial Accounting of England; Institute of Public Accountants of Ireland; the Society of Public Accountants of the United States; the Association of Certified General Accountants of Canada; the Institute of Chartered Accountants of Barbados; and the Association of International Accountants of the United States of America.

⁴³ The Minister (Attorney General) after consultation with the Chief Justice may make an Order to allow a foreigner to practise to the extent that a Barbadian is allowed to practise in the courts of the foreigner's country (Section 6(1) of Cap. 370A).

Some agents specialize in valuation and appraisal business, property rentals, property management, and development; only one agent effectively offers the complete one-stop shop facility embracing property purchase and all the associated services.

149. Barbados has not made any GATS commitments on real estate services, but the sector is largely open to foreign competition.⁴⁴ It is not regulated other than by the payment of a BDS\$250 government levy to register as an estate agent. The main professional body is the Barbados Estate Agents and Valuers Association, which has over fifty individual members representing approximately 30 of the principal firms in the business, and aims to exercise a code of good business ethic amongst its members. Membership is restricted to those in full-time employment with two years standing in the local real estate business; the membership fee is BDS\$150 per annum.

⁴⁴ Only a few countries, such as the Gambia and Moldova, have included such services in their Schedule of GATS Commitments (WTO documents GATS/SC/112 and 134).

REFERENCES

Barbados Chamber of Commerce and Industry (2001), "Encouraging Business and National Development through Taxation Reform", 2nd Annual Private Sector Forum.

BIDC (1997), *Annual Report*, Bridgetown.

BNSI (2000), *Annual Report and Financial Statements*, 1 April 1999 to 31 March 2000.

Central Bank of Barbados (2001), *Annual Report 2000*.

Central Bank of Barbados (2002), Press Release, *Review of the Economy for the Year 2001*, 29 January [Online]. Available at: <http://www.centralbank.org.bb/cbb/cbb.nsf/index.htm?OpenPage>.

Ernst & Young (2001), *Barbados Budget 2001 Overview, Changes & Commentary* [Online]. Available at: [http://www.ey.com/GLOBAL/vault.nsf/Barbados/Barbados_Budget_01_Part_1/\\$file/bb_budget01_Part1.pdf](http://www.ey.com/GLOBAL/vault.nsf/Barbados/Barbados_Budget_01_Part_1/$file/bb_budget01_Part1.pdf).

Government of Barbados (2000), "Financial Statement – Economic and Financial Policies of Government", presented by the Rt. Hon. Owen Arthur, Prime Minister and Minister of Finance and Economic Affairs, 24 October.

Government of Barbados (2001) "Financial Statement – Economic and Financial Policies of Government", presented by the Rt. Hon. Owen Arthur, Prime Minister and Minister of Finance and Economic Affairs, 8 August [Online]. Available at: <http://www.bgis.gov.bb/default.asp>.

IMF (2001), *Exchange Arrangements and Exchange Controls*, Washington, D.C.

Maxwell and Stamp PLC (1997), "Study on a Support Programme for the Industrial Sector", Report prepared for the Ministry of Industry, Commerce and Business Development.

Ministry of Economic Development (2001), *National Emergency Economic and Financial Programme* [Online]. Available at: http://barbadosbusiness.gov.bb/miib/Publications/Documents/economic_financial_programme.pdf.

Ministry of Finance and Economic Affairs (2001), *Economic and Social Report – 2000*, Bridgetown.

Ministry of Foreign Affairs and Foreign Trade (2000), "Implementation of Protocol II", paper prepared by Terry Somersall, Consultant, Division of Foreign Affairs.

OECD (1998), *Harmful Tax Competition: An Emerging Global Issue* (April 1998) [Online]. Available at: the OECD's website (<http://www.oecd.org/pdf/M00004000/M00004517.pdf>).

OECD (2000), *Progress in Identifying and Eliminating Harmful Tax Practices* [Online]. Available at: <http://www.oecd.org/pdf/M000014000/M00014130.pdf>.

OECD (2001), *FATF: Review to Identify Non-Cooperative Countries or Territories: Increasing the Worldwide Effectiveness of Anti-Money Laundering Measures* [Online]. Available at: <http://www.oecd.org>.

Pelzman, J., Gordon, G., and S. Langer (2000), "Establishment of a Fair Trade Commission in Barbados, Initial Diagnostic and Survey of Domestic Market Competitiveness", prepared for the Inter-American Development Bank and Barbados.

Williams, Marion (2001), *Managing Public Finances in a Small Developing Economy The Case of Barbados*, Praeger Publishers, February.

World Bank (2000), *Small States: Meeting Challenges in the Global Economy*, Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States, April [Online]. Available at: <http://www.worldbank.org/html/extdr/smallstates/final.pdf>.

WTO (1998), *Trade Policy Review – Jamaica*, Geneva.

WTO (2000), *Trade Policy Review – European Union*, Geneva.

WTO (2001a), *Trade Policy Review – United States*, Geneva.

WTO (2001b), *Trade Policy Review – OECS-WTO Members*, Geneva.

WTO (2002) *Trade Policy Review – Mexico*, Chapter II, Geneva, forthcoming.

APPENDIX TABLES

Table A.II
Imports by region, 1995-00

Description	1995	1996	1997	1998	1999	2000
	(US\$ '000)					
World	766,034	828,975	995,214	1,022,086	1,067,349	1,155,536
	Per cent share					
America	68.9	71.3	69.4	67.1	67.2	70.9
United States	40.7	43.5	45.4	41.8	42.5	41.6
Canada	5.0	5.1	3.9	4.1	4.3	4.1
Other America	23.2	22.7	20.1	21.2	20.4	25.2
CARICOM	16.1	14.9	12.4	15.9	15.3	19.9
Trinidad and Tobago	10.8	10.8	9.1	12.8	11.6	16.4
Brazil	1.0	0.8	1.7	1.0	1.0	1.6
Europe	18.8	18.1	17.1	18.6	17.6	17.3
EU(15)	17.1	16.3	14.9	16.9	16.4	15.4
United Kingdom	9.5	8.4	8.1	9.4	8.4	8.1
Germany	2.3	2.1	1.9	1.9	1.7	1.6
Other Europe	1.7	1.8	2.3	1.7	1.3	1.9
Asia	10.6	8.9	11.3	12.6	13.3	10.0
East Asia	10.4	8.7	11.1	12.3	12.9	9.5
Japan	6.7	5.1	6.8	7.3	7.9	5.2
China	1.1	0.7	1.2	1.1	1.2	1.4
Rest of the world	1.6	1.7	2.1	1.7	1.9	1.8
New Zealand	1.3	1.3	1.3	1.1	1.2	1.1

Source: UN, Comtrade database.

Table A1.2
Exports and re-exports by region, 1995-00

Description	1995	1996	1997	1998	1999	2000
	(US\$ 000)					
World	237,538	279,049	282,931	258,661	250,728	272,833
	Per cent share					
America	62.9	65.9	62.3	65.7	71.6	65.9
United States	16.0	14.1	14.7	16.1	17.6	15.8
Canada	5.3	4.4	3.5	2.8	2.7	2.0
Other America	41.6	47.5	44.1	46.8	51.3	48.0
CARICOM	38.1	36.7	36.0	43.4	47.5	44.2
Trinidad and Tobago	9.1	7.3	6.7	10.6	13.1	13.2
Jamaica	7.3	9.0	7.2	7.8	7.5	7.0
St Lucia	5.0	4.4	4.5	5.1	5.8	5.3
Europe	21.2	19.8	21.0	19.9	18.4	16.7
EU(15)	20.5	19.2	20.2	19.5	17.6	16.3
United Kingdom	16.4	16.6	17.1	16.0	13.8	13.2
Rest of the world	1.6	0.9	1.1	0.6	1.0	1.1
Bunkers	14.3	13.3	15.6	13.7	9.0	16.3

Source: UN, Comtrade database.

Table A1.3
Imports by product, 1995-00

Description	1995	1996	1997	1998	1999	2000
	(US\$ '000)					
Total	766,034	828,975	995,214	1,022,086	1,067,349	1,155,536
	Per cent share					
Total primary products	30.3	31.4	29.7	28.5	26.7	30.3
Agriculture	20.6	20.3	20.4	19.4	19.0	17.7
Food	18.3	17.7	17.7	16.7	16.3	15.4
0980 Edible products, preparations, n.e.s.	1.4	1.4	1.4	1.4	1.4	1.4
Agricultural raw material	2.4	2.7	2.7	2.7	2.7	2.3
2482 Lumber shaped conifer	1.4	1.3	1.7	1.7	1.6	1.4
Mining	9.6	11.0	9.3	9.1	7.6	12.5
Fuels	8.5	9.9	8.3	8.0	6.2	11.5
Manufactures	69.5	68.3	70.2	71.2	73.1	69.4
Iron and steel	2.3	2.0	2.2	2.1	2.0	2.0
Chemicals	11.8	11.8	10.5	10.2	10.3	9.1
5417 Medicaments	2.4	2.5	2.3	2.7	3.1	2.7
Other semi-manufacturers	11.9	11.2	12.1	11.9	11.9	13.0
Machinery and transport equipment	26.7	27.7	29.2	29.9	32.0	27.8
Power generating machines	0.4	1.4	0.3	0.3	1.3	0.5
Other non-electrical machinery	5.8	6.6	7.1	7.2	7.1	6.3
Office machines & telecommunication equipment	6.7	6.6	7.6	7.2	7.8	7.9
Other electrical machines	4.1	3.8	4.2	4.3	4.6	4.3
Automotive products	7.7	7.5	8.7	9.8	9.6	7.5
7810 Passenger motor vehicle except buses	4.8	4.9	4.8	5.9	5.9	4.3
Other transport equipment	2.1	1.7	1.2	1.1	1.5	1.2
Textiles	2.3	2.0	2.2	2.2	1.8	1.9
Clothing	1.8	1.6	1.6	1.9	1.8	1.9
Other consumer goods	12.6	12.1	12.4	13.0	13.4	13.9
8973 Precious jewellery, gold-silverware	1.8	2.0	1.6	1.7	1.9	1.8
8939 Miscellaneous plastic articles	1.2	1.3	1.4	1.4	1.7	1.7
Other products, not specified	0.3	0.3	0.2	0.3	0.2	0.3

Source: UN, Comtrade database.

Table AI.4
Exports and re-exports by product, 1995-00

Description	1995	1996	1997	1998	1999	2000
	(US\$ '000)					
Total	237,538	279,049	282,931	258,661	250,728	272,833
	Per cent share					
Total primary products	45.8	51.4	51.7	46.9	44.5	50.3
Agriculture	29.9	37.7	35.1	31.0	30.7	27.9
Food	29.0	37.2	34.7	30.8	30.5	27.8
0611 Raw beet and cane sugar	12.0	12.8	12.7	10.7	11.1	9.8
1124 Distilled alcoholic beverages	4.3	4.4	5.3	5.7	5.7	5.2
0980 Edible products, preparations, n.e.s.	3.7	11.4	7.4	3.9	4.8	4.8
Mining	15.9	13.7	16.6	15.9	13.8	22.3
Fuels	14.4	13.2	16.1	15.6	13.3	22.1
3342 Kerosene, other medium oils	10.7	11.2	13.3	11.1	7.9	13.8
3344 Fuel oils, n.e.s.	0.9	1.0	1.6	3.8	4.7	7.2
Manufactures	54.1	48.3	48.1	52.9	54.3	48.7
Iron and steel	0.2	0.3	0.6	0.3	0.2	0.1
Chemicals	13.5	12.2	13.0	13.5	14.8	13.6
5417 Medicaments	2.9	2.8	3.9	4.1	5.0	5.5
5911 Insecticides for retail	3.0	2.8	2.7	3.8	4.1	3.6
Other semi-manufactures	13.1	13.1	12.1	14.5	13.8	12.0
Machinery and transport equipment	19.8	14.0	13.9	13.1	16.0	14.0
Other non-electrical machinery	3.1	2.0	1.7	0.8	1.4	2.5
Office machines & telecommunication equipment	5.9	2.2	2.3	2.8	3.5	3.5
7764 Electronic microcircuits	2.6	1.5	1.0	1.1	1.2	1.3
Other electrical machines	9.1	8.2	8.2	7.9	8.5	5.8
7723 Fixed, variable resistors	5.6	5.2	4.5	4.4	5.5	4.3
Automotive products	0.7	0.7	0.8	0.9	2.1	1.2
Other transport equipment	0.8	0.8	0.8	0.6	0.4	1.1
Textiles	0.9	0.7	0.6	0.7	0.7	0.7
Clothing	1.5	1.4	1.3	1.6	1.2	1.1
Other consumer goods	5.1	6.6	6.5	9.2	7.6	7.2
8928 Printed matters, n.e.s.	2.3	2.4	2.5	4.1	1.8	1.6
Other products, not specified	0.1	0.3	0.2	0.3	1.1	1.0

Source: UN, Comtrade database.

Table AIII.1
Products subject to specific duty rates

HS ^a	Description	Specific duty rate 2001 (BDS\$ per unit)
2106908000	Preparations of types used in manufacture of beverages with alcohol > 0.5% volume	14.31/l.
2204100000	Sparkling wine	5.50/l.
2204210000	Other wine in containers holding two litres or less	2.64/l.
2204291000	Grape must with fermentation prevented or arrested by adding alcohol	1.32/l.
2204299000	Other wines	2.64/l.
2204300000	Other grape must	1.32/l.
2205100000	Vermouth and other wines of fresh grapes in containers holding two litres or less	2.64/l.
2205900000	Other vermouth and other wines of fresh grapes flavoured with plants	2.64/l.
2206009000	Other fermented beverages (eg. Cider, perry, mead); mixtures of ferm. Bev.	2.64/l.
2207100000	Undenatured ethyl alcohol of an alcohol strength by vol. of 80% or higher	14.31/l.
2207200000	Ethyl alcohol and other spirits, denatured, of any strength	1.32/l.
2208201010	Brandy in bottles n.e.46% vol. blended	11.45/l.
2208201090	Brandy in bottles n.e.46% vol. nes.	11.45/l.
2208209000	Other spirits obtained by distilling grape wine or grape marc.	13.43/l.
2208301010	Whisky in bottles n.e.46% vol. blended	11.67/l.
2208301090	Whisky in bottles n.e. 46% vol. nes.	11.67/l.
2208309000	Other whiskies	13.21/l.
2208401000	Rum and tafia in bottles of a strength not exceeding 46% volume	12.99/l.
2208409000	Other rum and tafia	15.63/l.
2208501000	Gin and geneva in bottles of a strength not exceeding 46% volume	12.53/l.
2208509000	Other gin and geneva	14.31/l.
2208600000	Vodka	14.31/l.
2208700010	Falernum	14.31/l.
2208700020	Rum creams	14.31/l.
2208700090	Liqueurs and cordials nes.	14.31/l.
2208901000	Aromatic bitters used as a flavouring agent for food and beverages	1.10/l.
2208902000	Other aromatic bitters	14.31/l.
2208909010	Rum punch	14.31/l.
2208909020	Gin tonic, dark and stormy and similar beverages cont'g >0.5% but =< 1% alcohol	14.31/l.
2208909030	Gin tonic, dark and stormy and similar beverages cont'g >1% but =< 5% alcohol	14.31/l.
2208909040	Gin tonic, dark and stormy and similar beverages cont'g >5% but =< 10% alcohol	14.31/l.
2208909050	Gin tonic, dark and stormy and similar beverages cont'g >10% but =<15% alcohol	14.31/l.
2208909090	Other spirituous beverages nes.	14.31/l.
2402100000	Cigars, cheroots and cigarillos containing tobacco	44.09/kg.
2402200000	Cigarettes containing tobacco	44.09/kg.
2402900000	Other cigars, cheroots, cigarillos and cigarettes of tobacco or substitute	33.07/kg.
2403100000	Smoking tobacco, whether or not containing tobacco substitute in any proportion	33.07/kg.
2403910000	Homogenized or reconstituted tobacco	33.07/kg.
2403991000	Snuff	26.46/kg.
2403999000	Other manufactured tobacco and manufactured tobacco substitutes	33.07/kg.
2710013110	Motor spirit exported under the processing agreement	109.99/m ³
2710013190	Motor spirit exported under the processing agreement (unleaded)	109.99/m ³
2710013910	Other motor spirit (gasoline)	109.99/m ³
2710013990	Other motor spirit (unleaded gasoline)	109.99/m ³

Table AIII.1 (cont'd)

HS ^a	Description	Specific duty rate 2001 (BDS\$ per unit)
2710022100	Illuminating kerosene exported under the processing agreement	65.99/m ³
2710022900	Illuminating kerosene, nes.	65.99/m ³
2710023100	Vapourizing oil exported under the processing agreement	65.99/m ³
2710023900	Other vapourizing oil or white spirit	65.99/m ³
2710031110	Automotive diesel (processing agreement) for road vehicles	65.99/m ³
2710031190	Automotive diesel (processing agreement) not for road vehicles	65.99/m ³
2710031910	Automotive diesel nes. for road vehicles	65.99/m ³
2710031990	Automotive diesel nes. not for road vehicles	65.99/m ³
2710042100	Bunker "c" grade fuel oil exported under the processing agreement	65.99/m ³
2710042900	Other bunker "c" grade fuel oil	65.99/m ³
2710049100	Fuel oils not elsewhere specified or included	65.99/m ³
2710049900	Other fuel oils not elsewhere specified or included	65.99/m ³
2710092000	Lubricating oils	11/l.

a Based on the 10-digit nomenclature used for the 2001 tariff. The 1999 schedule used a 7-digit nomenclature and the match between the two schedules was done based on the product description. The same 1999 rate was used for lines subdivided in the 2001 schedule.

Source: Tariff schedule provided by the Government of Barbados.

Table AIII.2
Barbados's IPR enforcement regime

Civil procedures	
Jurisdiction over cases	High Court and the Court of Appeal and Magistrates' Courts (minor civil matters), British Judicial Committee of the Privy Council (final appeal).
Persons with standing to assert rights	All IPR actions must be initiated by the right holders, the exclusive licensee or an authorised agent, or by the registered owner of the right, unless a right vested in the Crown is infringed.
Collection of evidence	The Royal Barbados Police Force is responsible for the investigation, detection and prevention of criminal offences. For civil procedures, the authorities may request any party, including third parties, to produce evidence.
Identification and protection of confidential information	There are no provisions for the treatment of confidential information arising from evidence given in court. The party claiming confidentiality of the information must notify the court of the nature of the information and request the court's ruling on the issue. The court retains discretion as to the treatment and security of such information.
Available remedies	Remedies available in civil procedures include the destruction of goods, imposition of fines, or the payment of damages and expenses.
Criminal Procedures	
Jurisdiction over cases	Magistrates' Courts (summary offences), the High Court (for matters triable on indictment). Appeals first go to the Barbados Court of Appeal, then to the Judicial Committee of the Privy Council, (United Kingdom) for final hearing.
IPRs for which procedures are available	Copyrights, trademarks, patents, plant varieties, geographical indications, secret data or information.
Authorities responsible for initiating proceedings	Director of Public Prosecutions.
Standing of private persons to initiate proceedings	Same as civil procedures.
Available remedies	Imprisonment and fines for infringements of patents and industrial designs, trademarks and geographical indications, and revealing trade secrets. For copyright and related rights, remedies also include the impounding of infringing copies of works, and for the forfeiture and seizure of the instruments or equipment used to make such copies.
Border Measures	
Suspension of release into free circulation	Legislation relating to trademarks and copyright contain provisions granting the Customs Department powers to seize and detain counterfeit trademark goods and pirated copyright goods at points of entry into Barbados, upon application by the right holder or another authorised person to the Comptroller of Customs. There are no special provisions applicable to ex officio action.
Available remedies	The judge may order fines, or the destruction of the infringing goods.

Source: WTO Secretariat, based on WTO document IP/N/6BRB/1, 6 July 2000; and information supplied by the Barbados authorities.