



BARBADOS

Bouncing Back Stronger

The forward-thinking country is changing both the tourism and the finance sectors in the Caribbean, using all the tools it has to beat the recession.

Prime Minister of Barbados Freundel J. Stuart says: "Let me use a Margaret Thatcher analogy and say that if the jockey, called the state, is too heavy for the horse, called the private sector, the horse cannot compete effectively in the stakes. We therefore have to create the kind of environment that makes investment attractive to the private sector."

If you talk about Barbados, many people immediately think of sun, sea, sand and possibly offshore banking or finance. But this Caribbean island is progressive, and boasts a firm democracy based upon the rule of law and the influence of the British who departed the island in 1966, but who still hold much sway in the thinking of the population and the government.

The British still play an important role in the *Bajan* economy, where taxes are low, through traditional tourism and investments in second homes, and by pouring capital into the country's world-class banking system. This is in strict adherence to the latest advice from the International Monetary Fund (IMF), the Financial Action Task Force on money laundering (FATF) and the Global Forum of the OECD, as Barbados is now one of the leading financial centers of the world.

As Sir Trevor Carmichael, one of the founding fathers of the Bajan finance sector says, there has always been a need for the country to

look beyond its borders for growth and economic prosperity, something it has managed to do so successfully after almost 50 years of independence.

"This is because we have never considered Barbados to be just Barbados—we see ourselves as part of a wider international community that is outward-looking in nature, and it has made us bigger."

Growth in Barbados is driven by the finance and tourism sectors, although recently the country has developed a strong and profitable manufacturing sector. The government's economic growth strategy is based on increased productivity, an enhancement of the quality and appeal of the country's products and services, and structural reform of the public sector, with the government making efforts to increase the nation's competitiveness and its attraction for foreign direct investment (FDI), a key driver of growth and jobs.

Barbados has an extremely strong tourism sector, representing almost 10% of GDP, which also provides a huge amount of employment. The structural reforms the recent administrations have undertaken rank the industry in good stead, with its reclassification as an export sector, bringing FDI into the country.

Not Unscathed, But Still Strong

However, even with all the bright spots in the economy, the nation did

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not escape the challenges of the recent global recession unscathed, and the country's finances still face many challenges in bringing about the solid long-term growth needed to instill confidence in investors. Prime Minister Freundel J. Stuart, elected in 2013 on a platform of economic reform and his promise to deliver growth for all sections of the population, understands this aspect of his mandate.

Stuart highlights that the resources of the government have to be put to use to promote growth for all sectors of the population, and that the country as a whole must acknowledge the need to trim the fat from government expenditures even if it involves some painful choices.

"We put a 19-month economic program in place," Stuart says, "and I am happy to say that we have brought the foreign-exchange challenges under some kind of control. The whole object of the program is to confront those two challenges: the foreign exchange challenge and the deficit challenge."

Barbados has great appeal to potential investors simply because it complies with all worldwide financial regulations, and has a specific network of double taxation treaties (DTAs) and tax information exchange agreements (TIEAs) in place with all of the major economies it trades with, such as the U.S., Canada and the U.K. This, combined with the duty-free access to North American and European markets for its goods, a 10-year tax holiday for new firms and a 2.5% tax rate thereafter, as well as exemption from import duties and full repatriation of capital, profits and dividends, and the reasons to invest quickly stack up to a very attractive package.

Diversifying Tourism and the Port

Richard L. Sealy, Minister of Tourism and International Transport, is tasked with continuing the modernization of the sector by building on



Freundel J. Stuart
Prime Minister



Donville O'N. Inniss
Minister of Industry



William Griffith
CEO, BTMI

its transformation into an export industry, an initiative that has already attracted substantial investment from Sandals, which will play to the respective strengths of Barbados as a fixture in the U.K. tourist industry and put it in a similar position in the U.S. To further this aim, the government created Barbados Tourism Marketing Inc. (BTMI), headed by William Griffith, with the aim of developing the Barbados brand into a truly global one, without an overreliance on any one market, such as the U.S. or the U.K.

As Griffith explains, BTMI has a specific role to play, not only in encouraging visitors to the country, but also in facilitating investment into the sector and promoting diversification.

"BTMI's main functions are to promote, assist and facilitate the efficient development of tourism; to design and implement suitable marketing strategies for the effective promotion of the tourism industry; to make provision for adequate and suitable air and sea passenger transport services to and from Barbados; to encourage the establishment of amenities and facilities necessary for the proper enjoyment of

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Barbados has some of the most pristine beaches in the world.

Barbados as a tourist destination; and finally, to carry out market intelligence in order to inform the needs of the tourism industry.”

Vital in this new vision of the tourism sector is the development of the Sugar Point port facility, which will allow for the separation of cargo and cruise vessels, increasing revenue through incoming and outgoing goods and passengers. David Jean-Marie, CEO of Barbados Port Inc., understands that the modernization of the port facilities is important in that the difference in revenue generated between home port departures and short stops during cruise itineraries is huge.

“Some 90% of the country’s imports and exports come through this port as it is the only sea port of entry in Barbados,” Jean-Marie says. “This port has served Barbados well for over 50 years, and we are now at the point where we believe we need to prepare the port for the next 50. We will reorganize the activities of the entire port to improve the efficiency and effectiveness of discharging and handling vessels so that we become the best in our class. Our intention in terms of cargo services is to try to develop Barbados Port as a regional transshipment hub so that we can accommodate ships for most of the Eastern Caribbean countries”

High Net Worth Individuals as Economic Drivers

The Stuart government is not solely focused on the finance and tourism sectors of the economy, however. Minister of Industry Donville O’N. Inniss sees the ultimate benefit of diversifying the economy into

new sectors that play to the country’s strengths, namely: its enviable climate and geographical positioning and the well-developed relationship it has with its major trading partners. A perfect example of this is the high amount of capital inflow Barbados has received from Canada, which amounts to some CAN \$63 billion, showing confidence in the country’s long-term stability.

As Inniss says: “London is the capital of the European region on that side of the world, and I firmly believe that Barbados can be the financial capital this side of the Western Hemisphere. People talk about New York and they will always have the advantage of market size and so on, but this little island can be the pivot upon which the financial world revolves, particularly those heavily involved in global business.

“My goal as minister of international business and commerce is to ensure we provide the most enabling environment, the most business-friendly climate and the kind of incentives that make investors and high-net-worth individuals want to do business in Barbados, and from Barbados, serving the world. With technology as it is today, you can be sitting in Barbados and controlling your billion dollars of assets from anywhere—and that’s what we want to emphasize.”

The influx of high-net-worth individuals is also important for the Bajan economy, as they bring not only their wealth into the country via the financial sector and its excellent management, but also for the desirable property that abounds across the island.

In many ways, “Little England” is a happier mirror of the U.K., with similar tastes in culture and sports, but with a better climate and a lower taxation system. The inward investment is seen in the rise in major property deals, which have climbed steadily over the past few years, and are closing in on pre-recession levels. “The market has been recovering” explains Suzanne Davis, managing director of Realtors Real Estate Ltd., a successful agency based on the island for over 60 years. “Over the past year there have been some extremely large property sales, particularly on the beaches, worth \$25 million and above. That is good for the island because it demonstrates confidence, and a lot of investors are coming back now.”

The Health of the Nation

John D. E. Boyce, Minister of Health, is well aware of the problems that many developed nations face, with aging populations and non-communicable diseases that are costly to treat. The solution, he feels, is to develop the health tourism industry, as investors can see the potential, but the cost of getting clients into Barbados can be challenging.

“Certainly our weather conditions are beautifully suited to the kind of aftercare and recuperation that is so necessary,” he says.

A further aspect of health tourism on which the island can focus, with its superbly developed health sector and returning highly skilled health diaspora, is that of in-vitro fertilization (IVF). The island already boasts a specialist, the Barbados Fertility Clinic, that has been at the cutting edge of the field since its inception in 2002, with “thousands

of babies born since,” as Dr. Juliet Skinner, medical director of the clinic, says.

The clinic focuses on individualizing each and every patient’s treatment plan, which can include acupuncture, reflexology and massage, and reducing the inevitable stress that the procedure can cause. Also, the turnaround rate for matching black donors with eggs is greatly reduced when

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compared with, say, the U.K., where the wait can be up to five years, but is only three months in Barbados.

Not only that, but the success rates for the clinic are second to none.

"When you compare our success rates to the U.K.

average, we are significantly better," Skinner explains. "In fact, in some of the age brackets, we might be better by twice as much. As for the U.S., we are very comparable in every age range."

Sustainable Energy Development

Another area where greater efficiency is needed is in the energy generation sector, and in the balancing act the country needs to play between exploiting its natural resources in the hydrocarbon field and preserving the natural beauty of the island. As Darcy Boyce, Minister in the Office of the Prime Minister, for Energy, Immigration, Telecommunications and Invest Barbados, explains, the key is to find the balance between tourism, with its sensitivity to aspects of the economy such as energy and oil, and the private sector and increasing revenue.

Barbados National Oil Company Limited is the country's vehicle for managing, extracting and exporting the oil wealth, and also for finding opportunities to diversify revenue streams. Winton Gibbs is the

company's general manager, and sees massive room for increased oil flows and revenue generation. He explains: "There is a lot of excitement about the offshore. In five years' time, I believe that onshore will be almost forgotten because of the activity offshore."

However, the company is also looking to diversify the country's energy mix, in light of the government target for renewable energy input, which will, of course, open up areas for FDI into the sector.

"The fastest developing power source is renewable energy, especially photovoltaics," Gibbs says. "The Fair Trading Commission capped the supply of solar energy at 7MW, and within a few months that cap was reached and they extended it to 9MW, which I believe will also soon be reached. So there will be great opportunities to form partnerships with the global players."

Also vital for the island nation is to end an overreliance on imported fossil fuels. Barbados has hydrocarbon deposits that can be exploited, and to this end, the government recently awarded two exploration blocks to BHP Billiton. The possible revenue fossil fuels could provide to the economy will allow for further deficit reduction and improvements in foreign exchanges, and provide the funding needed to implement some of the most progressive energy policies in the region and beyond, by tapping the sunshine that draws people to its beaches, but it needs to be managed sensitively and without disturbing the country's natural environment or biodiversity.

The positioning of Barbados as an international finance center of some repute is a vital one, as the ability of the Bajan sector to react quickly to any changes needed in, for example, capitalization of banks, or to new international guidelines on regulatory frameworks for taxation and domiciling profits, is key to holding the current status.

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BTI, making a better Barbados for everyone

In the competitive world of Caribbean tourism, visitor numbers mean revenue, investment and economic growth for the local population. With each nation trying to attract visitors away from its neighbours, and foreign direct investment becoming an increasingly important figure for encouraging further capital inflows, Barbados has hit upon a novel method of inspiring investors to see the island as more than just sandy beaches.

Barbados Tourism Investment (BTI) and the Bajan central government are redefining tourism by classifying the sector as an export industry, whereby all imports are duty-free, thus creating an ultra-competitive sector.

Stuart Layne, CEO of BTI, understands that the competitive edge the country now has for investment is only one aspect of the package.

"There is a need to diversify away from simple 'sun, sand and sea' holidays, and into cultural tourism. To this end we are transforming Sam Lords Castle into a 400-room hotel and developing the Carlisle Bay marina," he says. "I'm happy to say that we have \$1 billion worth of investment and are focused on its implementation. We are open for business and now is the right time to invest in Barbados."

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