



GOVERNMENT OF BARBADOS

INTRODUCTORY STATEMENT

BY

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AT THE

BARBADOS WTO TRADE POLICY REVIEW

GENEVA, SWITZERLAND – 17TH SEPTEMBER 2008

Chairman, Excellencies, Members of the Trade Policy Review Body,
Ladies and Gentlemen:

It is an honour to address you on behalf of the Government and people of Barbados on the occasion of our country's second Trade Policy Review and to formally introduce our report. As Minister of Foreign Affairs, Foreign Trade and International Business, this is the first occasion I will be participating in such an important exercise. At the outset, I wish to extend our appreciation to the staff of the Trade Policy Review Division for their tireless work and comprehensive report. I wish also to thank Ambassador Claudia Hernandez for agreeing to be our discussant at this review.

Mr. Chairman, I welcome this opportunity to enlighten Members of our efforts to integrate into the global trading system, whilst at the same time ensuring that we chart a path of sustainable development for Barbados.

Since our first Trade Policy Review in July 2002, the Barbados economy has continued to grow. In 2007, Barbados recorded its sixth

consecutive year of growth, expanding by 4.3% over the previous year. This allowed us to register an average annual growth rate of 3.1% during the period under review. Most of this growth was in the construction and tourism sectors. Improvements in the Balance of Payments and expansion in the net international reserves were also recorded.

This performance, however, has come at a cost – a marked increase in the country's national debt. At the end of 2007, the national debt stood at BDS\$5.3 billion or 68.9% of GDP. It is a challenge which Barbados has to face so as to ensure that we do not erode what we have achieved thus far and continue on a path of sound economic growth. I would hasten to add that projections for 2008, are that there will be a slowdown in the economy as a consequence of international economic developments.

Mr. Chairman, as you know, Barbados is a founding member of the WTO, we support the multilateral trading system and we have sought always to faithfully discharge our obligations under this Organization. But Barbados, being a small, vulnerable and highly open economy,

faces a number of serious constraints to its development. These constraints include our small size, limited resources, narrow export base, susceptibility to external economic and financial shocks, and vulnerability to natural disasters given our geographical location. These constraints are particularly acute in the area of our capacity to diversify our export base, attract necessary and adequate investment flows and earn foreign exchange. It is against this stark reality that we have to seek to fashion our trade and economic policies.

In this regard, the occasion could arise when WTO commitments may exacerbate the challenges I have just outlined. In such cases, I believe that the onus is on this Organization to provide the flexibility to ensure that small, vulnerable economies such as Barbados are not unduly disadvantaged.

Barbados' trade policy, as you may know, is not complex. We believe it is transparent. The basic tenets of that can be listed as follows:

- To promote and facilitate the development of Barbados' international trade, particularly its export trade, and to strategically position Barbados to operate in, and derive the

maximum trade benefits from, a new liberalized global economy.

- To secure for Barbados a strategic and viable place in the new global economy, on the basis of sustainable expansion in the production of internationally competitive goods and services, and the successful negotiation of beneficial international trade/economic agreements.
- To assist in establishing a framework, and to assist in developing a culture, in which goods and services are produced on an internationally competitive basis.
- To promote economic growth and development based on the stimulation of all of our productive sectors – agriculture, manufacturing, construction and services, among others.
- To allow imports of goods and services in a manner that will enhance our standard of living, while at the same time not precipitating economic difficulties.
- To complement other Government initiatives aimed at promoting economic growth and development.

Barbados recognises that we live in an age of liberalisation and globalisation. We are not sitting idly by and pretending that these forces are not at work. These forces are real and they are pervasive. They restrict policy space and limit options, making it more difficult for governments to design policies to assist vulnerable sectors of the economy.

Barbados has been trying desperately to adjust, in the light of these realities. We have played an active role in this Organization, and in its work especially in respect of multilateral trade negotiations to which you referred earlier Mr. Chairman. Equally, Barbados has engaged in hemispheric, regional and bilateral trade and economic negotiations. The main objective of all of these engagements is to liberalise our trade, thus seeking to further integrate our economies.

The challenges Barbados faces are both trade and non-trade related. Permit me to highlight just a few of these. As a small open economy, we face the loss of preferential access to the markets of the most developed countries in respect of the export of goods, such as sugar and rum.

In the European market, the WTO waiver for the ACP trade preferences under the ACP-EU Cotonou Partnership Agreement ended on December 31, 2007. Barbados, together with the other members of CARIFORUM i.e. CARICOM and the Dominican Republic, had to negotiate a comprehensive Economic Partnership Agreement (EPA) with our European partners, the trade provisions of which are to be WTO-compatible. Essentially, this Agreement calls for the phased liberalisation of goods, thus removing most of the protection afforded our small fledging industries.

I wish to highlight the fact that this would be the first time that we in CARICOM would be liberalising our trade vis-à-vis a group of developed countries. To date, our successful efforts at trade liberalisation have concentrated on neighbouring developing countries. These arrangements are of course outlined in our report to this Body.

The EPA which we are soon to sign also has a regime for the liberalisation of trade in services with the European Union (EU).

Barbados has committed to the liberalisation of 75% of its sectors within this arrangement and in the area of goods, the Caribbean as a whole has agreed to liberalise close to 90% of its trade with the EU.

In liberalising our trade regime, we are very much conscious of the adverse impact it can and probably will have on our economy, as we seek to foster and develop our productive sectors. We are also mindful of the implications of liberalisation for our efforts at assuring food security.

Colleagues, as a small open economy, Barbados is impacted on by a number of decisions taken in developed countries. For example, the substantial reduction in the guaranteed price for sugar exported to the EU market has already begun to have deleterious effects on us. We stand to lose annually over BDS\$46 million in export earnings. Sugar constitutes a critical component of Barbados' foreign exchange earnings.

The reduction in the price of this commodity has forced Barbados to seek to restructure the industry, relying less on the export of raw

sugar and developing commercially viable sugar-related products, such as branded sugars and ethanol. While this restructuring is desirable, it comes at a cost. It is estimated to cost Barbados over US \$200 million. Although this may be an insignificant sum for some countries, it is indeed a challenge for Barbados.

Mr. Chairman, notwithstanding our deliberate efforts at trade liberalisation, and the economic constraints which we face, there are some who would posit that we are not doing enough and indeed that we should go further. Some point to the per capita GDP statistic and draw misleading conclusions. Others would say that our average tariffs, which are calculated at 16.2%, are too high and that they should be reduced.

I would wish to emphatically state that Barbados, if it is to integrate into, and survive in, the new global economic system, needs to provide a certain level of support to its fledging industries and sectors. We cannot pull the rug from beneath these industries and sectors.

We must recognise that small countries, like ours, are being required to liberalise their trade regime within a considerably shorter period of time, as compared with the decades which large developed countries were afforded. While a number of developed economies can boast of having relatively low average tariffs, the reality is that they still maintain high tariffs in respect of goods which they consider need protection. This they ensured under the Uruguay Round. In addition, a number of them have substituted high tariffs with large-scale domestic supports and export subsidies. Our aim surely as a group within the WTO, is that when completed, the Doha Development Round would produce effective reductions in trade-distorting support.

While Barbados has a relatively high per capita GDP and is considered prosperous by some, the fact is that this 'prosperity' is indeed fragile. The tourism sector - our main foreign exchange earner - is itself highly susceptible to, among other things, the decisions of airlines, international security issues, and the changing tastes of tourists; and the success of our international business sector is largely dependent on decisions taken, and the mood of, major developed countries.

One of our most vital natural resources - land – faces fierce competition among sectors, including housing, thus driving land prices beyond the reach of the average citizen. And yet, the international financial institutions would frown upon any suggestion of an introduction of price controls in this area. Because of our need to attract foreign investment flows into the country, Barbados is equally constrained in our land use policy.

Some seven months or so before we came to Geneva in 2002 to defend our first trade policy review before this Organization, the Government of Barbados was forced to introduce a National Emergency Economic and Financial Programme (NEEFP) precipitated by the fallout from the 9/11 terrorist attack which produced negative external economic factors over which we had no control.

Similarly, last year, CARICOM Heads of Government had to meet in order to address the spiraling cost of living confronting our peoples. Again, this was caused by external factors over which we had and

have no control. I speak of the inexorable rise in the price of oil which affects all aspects of economic activity in Barbados, including: the price of food, inputs into the productive process and the provision of social services by the Government.

Our agricultural and manufacturing sectors are being hard hit by the series of price increases of raw materials and inputs. It is such factors that may constrain our ability to faithfully discharge, and at all times, our WTO obligations.

Mr. Chairman, Barbados has been an active participant in the Doha negotiations. Through its coordination of the Small, Vulnerable Economies (SVEs) Group, and in its membership in CARICOM, the ACP and other groupings, we will continue to work with all Members of the WTO towards a positive outcome in this Doha Development Round. It is in our interest to do so.

I can assure you Mr. Chairman, that Barbados, despite the many challenges that it faces, is committed to discharging its obligations under this Organization. We will continue to work within the tried,

tested and proven social partnership which we have established and nurtured almost two decades ago to achieve our objectives as I have outlined. But we invite the members of this Organization, one and all, to recognise and appreciate the difficulties we face and the efforts we are making. We will continue to work with you to ensure the attainment of the common goals which we have set as members of the WTO.

I am obliged to you Mr. Chairman.