



OPENING STATEMENT BY

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DEPUTY PRIME MINISTER & MINISTER OF FOREIGN
AFFAIRS AND FOREIGN TRADE OF BARBADOS**

ON THE OCCASION OF BARBADOS' WTO TRADE
POLICY REVIEW

GENEVA, SWITZERLAND

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INTRODUCTORY STATEMENT BY THE HON. BILLIE MILLER
DEPUTY PRIME MINISTER AND MINISTER OF FOREIGN AFFAIRS
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Madame Chairperson, Excellencies, Members of the Trade Policy Review Body, Ladies and Gentlemen:

I deem it a distinct honour and privilege to be able to address you, on behalf of the Government and people of Barbados, on this occasion when for the first time you are reviewing the trade policy of Barbados.

For a small island developing country like ours, with a very narrow resource base, we consider that the pursuit of an effective and dynamic trade policy by the Government is of critical importance to the economic development of Barbados. This is all the more so since we have to move and have our being in an international environment that is constantly changing. It is one that does present us with many challenges which we cannot afford to ignore.

Undoubtedly, member states would have had the opportunity to read the documentation on Barbados, including the Policy Statement by the Government in **WT/TPR/G/101**. I consider it necessary that this Body be made fully aware not only of the peculiar nature of the Barbados economy and the challenges which this poses for development, but also of the heroic effort that successive governments have made in seeking to provide and maintain a decent standard of living for the people of Barbados.

Madame Chairperson, Barbados is one of the small island developing countries in the Caribbean, with a land mass of approximately 432 square kilometres (166 square miles) and a population of 267,000 souls. Barbados continues to be one of the most densely populated countries in the world. Added to this fact, our country has no natural resources, apart from its physical environment and some small deposits of oil and natural gas that currently satisfy less than a third of our energy requirements. Barbados' main asset therefore lies in its human capital. Consequently, we have placed a high priority on the development of our human resources and it therefore follows that a significant percentage of the Government's annual budget is devoted to the provision of health, education and social services.

Since the attainment of independence in 1966, successive Governments have sought to diversify the productive base of the economy. Given the island's soil, topography and rainfall patterns, sugar produced from the sugar cane, has emerged as its most significant agricultural product, both in terms of contribution to GDP and to foreign exchange earnings. An import substitution strategy together with fiscal incentives to industry enabled rapid growth of the manufacturing sector which, in the 1970s, surpassed the contribution of sugar to GDP.

The exceptional beauty of the island, its climate, social stability and hospitality services are mainly responsible for the establishment of a highly developed tourism sector. Today, this sector is by far, the

largest earner of foreign exchange. Stable economic management has contributed to an attractive investment environment. This, together with tax and investment incentives, has facilitated the development of the international business sector.

Madame Chairperson, it is considered that the development policies pursued by Barbados, over the years, have been relatively successful. This is evidenced by the achievement of a reasonable per capita income, which causes international pundits to categorise our micro state as a middle income developing country. Further, Barbados has consistently been given a high ranking in the United Nations Human Development Index. Barbados' achievements are widely regarded as being rooted in its tradition of participatory parliamentary democracy and social and economic stability.

Notwithstanding the progress we have made, Barbados still has many of the classic features of a small developing economy, which pose a constant challenge to the maintenance of its stability. In the first place, Barbados is an open economy. Its very high dependence on imports and its need to export goods and services in order to finance its development readily confirm this fact. As a result of this openness, the country is very susceptible to the vagaries of the international economic environment, including the changing fortunes of its major trading partners.

Secondly, the economy is highly dependent on the successful performance of a very limited number of sectors. For example, the

tourism sector currently earns three times foreign exchange which the agriculture and industrial sectors earn together. In addition, firms in agriculture and industry are small, their production is small, and so they are unable to benefit from economies of scale. As a result, Barbados' exports are comparatively uncompetitive.

Thirdly, the country's narrow production base severely limits the opportunities for persons to gain reemployment during periods of economic downturn. This can impact very quickly and severely on all of Barbados' 83,000 households.

What is more, there is high susceptibility to natural disasters and environmental damage, not to mention the spectre of sea level rise as a consequence of climate change. Given its geographical location, Barbados is threatened yearly by adverse climatic conditions such as hurricanes and floods on the one hand, and droughts on the other. Furthermore, the high annual influx of tourists has the effect of almost doubling the Barbados population, placing pressure on its delicate ecosystem.

It must be emphasized that Barbados recognizes the potential benefits of trade liberalization and globalization. At the same time, we are fully cognizant of the limitations of a small economy and the challenges posed as we seek to capitalise on the opportunities presented by globalization. Barbados strongly believes that the new emerging global trade and economic architecture must recognize the vulnerability of small economies and make adequate provision to

avoid their marginalisation. It is incumbent on the Members of this Organisation to ensure that concrete measures are put in place to assist us in increasing our share of world trade from the present level of 0.00% as quantified, with the greatest difficulty, by the Committee on Subsidies and Countervailing Measures.

Madame Chairperson, despite the many negative impacts of various world economic shocks on the Barbados economy during the past twenty-five years, we have managed to steer the economy along a clearly defined path. But this has not been achieved without some considerable cost to the people of Barbados.

In the early 1990s Barbados experienced one of its most serious economic crises ever. It severely impacted our productive sectors, leading to exceedingly high unemployment rates and a depletion of our foreign reserves. The Government, in its attempt to effectively address the situation, sought the assistance of the IMF in 1992. Included in the agreed package of measures were trade reform, a restructuring of the taxation system, and a rationalisation and streamlining of public sector spending. This involved, among other things, an eight per cent reduction in public sector salaries and wages for an eighteen month period.

As part of its economic reform programme, the Government of Barbados, in 1994, initiated a process of trade liberalization, through the removal of import restrictions on a number of competing manufactured goods, including those in the traditional areas of

garments and furniture. This process was completed by April 2000. The only remaining restrictions are those for health or safety reasons or to protect public morals.

At a later date, the Government instituted a public sector reform programme aimed at making this sector more efficient and cost effective. A Value Added Tax with a rate of 15% was introduced in 1997, replacing a number of existing taxes which, to some observers, could have been deemed protective.

A National Productivity Board was also established in 1993 to implement productivity enhancement programmes and to monitor the levels of productivity in both the public and private sectors. The Government was also successful in effecting the first Prices and Incomes Protocol between itself and the Social Partners in that same year. This Protocol, though limited in scope, paved the way for subsequent Protocols, the implementation of which facilitated the Government in achieving needed economic reforms.

I would wish to distinguish the phenomenon of the social partnership of Barbados on which the protocols are founded. It is a unique consultative process among the Government, the private sector and the trades unions chaired by the Prime Minister himself. All major government policy and draft legislation is put before the social partnership for its consideration. In our experience so far, it has had the salutary effect of minimizing unnecessary and time-wasting

confrontation. You will wish to note that the International Labour Organisation proposes to use it as a model for other countries.

Madame Chairperson, Barbados fully recognizes that it has to operate in, and adjust to, a global environment that is dynamic in nature – it is changing rapidly, sometimes even overnight. Certainly we cannot be unmindful of the need to survive in such an environment. Given the country's narrow resource base and small size, the Government is hard pressed to find viable alternative economic activities to agriculture, manufacturing and services. And even in these areas, especially agriculture and manufacturing, Barbados finds it extremely difficult to compete.

The point that I am making, Madame, is that for our very survival, we need these sectors. And while we accept that they must be managed in such a way as to allow us to integrate into the global economy, we believe that the timing and phasing of trade liberalization will be critical to their long term survival. Put bluntly, the World Trade Organization has a duty to ensure that countries like ours do not become marginalised or, indeed, overwhelmed in the turbulence of globalization and liberalization.

The question of special and differential treatment for small economies like Barbados is of urgent and immediate extremely relevance. In this regard, the Doha Ministerial decision to establish a Work Programme on the treatment of the small economies within the multilateral trade context is greatly welcomed. Effective participation of our countries in

the multilateral trading system should be a priority concern of the WTO.

Countries like ours with a share of trade as small as 0.00% should be allowed to maintain incentive schemes to promote domestic production and exports and to continue to benefit from preferential or alternative trading arrangements in order to achieve economic development goals. Such a miniscule percentage of trade as ours cannot possibly distort global trade.

The special and differential treatment that Barbados considers should be afforded to small developing economies must be aimed at assisting them to acquire the capacity to effectively participate in, and derive maximum benefits from the multilateral trading system. Consequently, we believe that such treatment should include:

- ◆◆Permitting these states the necessary flexibility to assist businesses and sectors; especially those deemed to be strategically critical to their development, and which are facing difficulties as a result of trade liberalization,
- ◆◆The grant of adequate transitional periods for the commencement of the liberalization process, and for the implementation of complex arrangements,
- ◆◆Allowing for adequate thresholds that must be reached before action can be taken against the products of the small suppliers,

- ◆◆Provision of technical and other assistance to enable these countries to overcome the basic constraints confronting them.

Madame Chairperson, let me re-emphasize that the Government of Barbados is committed to the process of trade liberalization, as clearly demonstrated by the reforms undertaken since 1993. We are keenly aware that liberalization will create new and significant challenges for the country, given its size and the fragile nature of its economy. While Barbados will continue to face up to these challenges, we believe that the onus lies on this Organization to allow us the opportunity to participate with confidence in the multilateral trading system so that we may provide and maintain the quality of life to which our people aspire. Madame, in this house, it is often said that as we seek to restructure the global economy there will be winners and there will be losers. Barbados wishes to be a winner.

I thank you.