

Barbados Turns 40

A Celebration of Progress

The Eastern Caribbean Island of Barbados first became permanently inhabited in 1627, when the British landed on its western shore. Three and a half centuries later, and forty years after the nation gained independence, the island economy is flourishing through the devoted input of native Barbadians. It is now considered one of the best-managed economies both within the region and internationally, based on maximizing all available resources to benefit its citizens. Prime Minister Owen Arthur's government is tapping into some highly promising prospects, as well as leading the region's aspirations for a single market economy. Already a celebrated financial services and tourism destination, Barbados may well have even more reasons to rejoice in the years ahead.



Prime Minister Owen Arthur

When the first independent government of Barbados analyzed its potential for economic growth, free education for all Barbadians became the basis of development. Programs aimed at enhancing resourcefulness trained students to take on new markets in which Barbados could offer added value. New technologies were embraced in the Education

Sector Enhancement Program in 2000, popularly known as EduTech, and strategic investments were made in the island's communication and energy infrastructure.

The EduTech program was masterminded by Ms. Mia Mottley, the country's Deputy Prime Minister and Minister of Economic Affairs and Development. This core reform aims to increase the number of young people contributing to the island's sustainable social and economic development through the widespread use of information and communication technologies. "We recognized that the Barbadian economy, as it reaches the fortieth year of independence, needed to be able to develop some key aspects of modernization," says Ms. Mottley. "In the last five years the government has spent a considerable amount of time and investment in building out the new economy, particularly the infrastructure necessary to underpin it." Consecutive administrations made sure that the provision of jobs remained a primary objective.

Thus economic expansion has not only been exceptional, but also homegrown. It is through such policies that Barbados has maintained one of the lowest poverty rates in the region.

The time has now come to extend the scope of Barbados, and forward the prospects of the region as a whole through cooperation and integration. Prime Minister Owen Arthur has been chosen to lead the expedition of the Caribbean Community (CARICOM) Single Market and Economy (CSME). "The Caribbean Community was created to pro-

mote sustained and equitable regional development through three forms of integration," the Prime Minister explained in a speech at the Caricom Connect Symposium. "Economic integration, functional cooperation, and the coordination of our external economic relations and foreign policy. The move to build the CSME has galvanized our regional economic integration process." Essentially, the CSME will merge its member states in one large market where the free movement of goods, capital, and labor will make the Caribbean region a stronger player in the global sphere and a more attractive investment destination. Ultimately, it will create increased opportunities for employment and ensure the sustainable economic development of all participating nations. As a key member of CARICOM, Barbados stands to reap the benefits of the leadership role it is playing to further integrate the regional economy.

There is however still plenty that needs to be done to bring the individual nations together. Early evidence of interregional cooperation is indicated by the successful planning of the 2007 Cricket World Cup in the West Indies. Barbados will host a stage of the 'Super 8' round as well as the final on April 28, 2007 at the Kensington Oval in Bridgetown. Apart from being a major sporting event which will boost Barbados' profile as a destination, it may well constitute a milestone in the Caribbean push for progress.

Barbados At a Glance

Prime Minister.....	Owen Arthur
Area.....	166 sq miles
Population.....	270,000 (2006)
Capital.....	Bridgetown
Religion.....	Christianity
Life expectancy.....	71 years (men) 78 years (women)
GDP per capita.....	US\$8,471
Climate.....	Tropical
Languages.....	English
Currency.....	Barbados Dollar (BBD)
Exchange rates.....	2 dollars = 1 US dollar

Pride & Industry: Celebrating 40 Years of Independence

Despite its relatively small size, with a population of 270,000 living on 66 square miles, Barbados has managed to create a vibrant business environment with a large diversity of enterprises. Tourism has seen the greatest development and return, due to the island's magical settings. Manufacturing has also been part of the island's diversification process with a gradual development since the 1960's. This was followed by the offshore financial services sector in the 1980's which, under the guidance of the Central Bank, has earned a revered reputation as one of the most dependable in the world.

As Barbadians look back at 40 years of progress this year, they will raise their glasses to toast an industrious past and a prosperous future. Chances are such blessings will be accompanied by one of the island's most popular drinks, Mount Gay Rum. The choice could not be more significant, as the drink has been part of the island's history and identity for over 300 years. "Documented evidence shows that Mount Gay Rum was being produced in 1703," reveals Antoine Houdebine, Managing director of Mount Gay Distilleries Ltd. Barbados' Mount Gay can thus lay claim to the oldest rum in the world.

The country and the brand are so connected that it has also helped position Barbados on the world market. 18th century sailors used to prove their skills by bringing back a barrel of Barbados' finest, as the eastward winds made the voyage to the remotest of Caribbean isles a daring challenge. "Barbadians are extremely proud of Mount Gay," says Houdebine of the internationally acclaimed and award-winning rum. "Economically speaking we are important in terms of the country's foreign exchange reserves as we export more than 75 percent of our production. We are not the number one exporter, but I would think one of the most well-known." Although Mount Gay exports its Eclipse and Extra Old premium rums to 60 countries worldwide, the US is still its premier client, and the company sponsors many US regattas to this day.



Of the private sector's \$209 million in annual export earnings, a large part is taken up by foods. Like most Caribbean nations, sugar formed a mainstay of Barbados's agricultural exports. However, shifting trade measures by the WTO and the EU have upset the balance of most of the region's industry. However, this has not prevented some enterprises from forming strategic synergies. As part of the CSME, trade barriers between Caribbean nations have been removed and products from Barbados are entering new markets through the activities of local trading companies such as Barbados Shipping & Trading (BS&T). Having expanded its food production and distribution divisions, BS&T recently acquired a 40 percent share of a supermarket chain in the Bahamas, as well as setting up a procurement office in Florida.

It is the experience and aptitude of the country's entrepreneurial elite which has driven the economy's growth, and motivated a new generation of business-people. "The people of Barbados are now a force to be reckoned with," states Sir Allan Fields, Chairman of BS&T and an influential personality in the nation's

private sector. "There is nothing wrong with external investment in terms of bringing in expertise and finance but you do not want to develop your country to the benefit of foreign corporations if you can involve your local population and hire the right talent from where it resides."

If knowledge is the motor of development, then energy is certainly its lifeblood. One of only a few Caribbean nations to be blessed with oil, Barbados consumes all domestic production locally. Even though the country produces only 1/8th of its energy demand, a production of 1,100 barrels per day measured against a consumption of 8,000 barrels per day, the commodity's high price has renewed interest in expanded exploration, particularly with offshore wells. The Barbados National Oil Company Ltd. (BNOCL) is currently in talks with international bidders for drilling contracts. General Manager Ronald Hewitt says thanks to the industry's latest technologies, offshore production is expected to start by 2011. At the same time the company is entering into partnership with nearby Trinidad and Tobago for the distribution of natural gas through a \$200 million pipeline. It will feed Barbados' extensive gas system by 2009, and might be extended to supply Martinique and Guadeloupe. BNOCL is also actively researching renewable energy, with wind farms and bio fuels as catalysts. Furthermore, offshore exploration rights will only be awarded under strict consideration of environmental protection. As Hewitt points out, "when we leave this earth we have to make sure the Caribbean is left in the pristine condition we found it in."

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One of the most notable achievements in the recent history of Barbados is its sound economic and financial environment, which has successfully attracted acclaimed institutions from around the world. The country's solid economic management has spurred a banking system that is much revered in international circles, and has added cachet to the island's unique reputation.

There are 54 Central Bank-approved offshore banking institutions active in Barbados. For 25 years the Government has welcomed offshore business, and has consistently re-invented its legislative apparatus to stay abreast of the competition, while preserving its defenses against money laundering and other criminal activity. The state's economic stability has been maintained under the expert guidance of the Central Bank of Barbados. Established in 1972, it has actively advanced the pace of economic development and guaranteed sustainable growth. After 3 decades of advising the Government's Statutory Institutions and guiding the exchange rates and commission charges of commercial banks dealing with foreign currencies, the Central Bank is now playing an active role in promoting technological advances in transaction and clearing systems. Heading these developments is Dr. Marion Williams, the Central Bank's current governor. She is now overseeing Barbados's preparation for the Caribbean single market economy. "The country has invested a great deal of time and effort in making its legislation as modern and up-to-date as possible to maintain the confidence of businesses transacting here," Dr. Williams notes. She adds that implementing the New Capital Accord under the Basel II framework forms part of this modernization effort. "Barbados

offers itself to potential US investors as a great place to live, while at the same time offering cutting edge business transaction services just like any major US city."

Barbados has growing and successful communities in banking, insurance, shipping, and investment; mutual funds are a very recent addition to the Barbados product range. The country's stock exchange had capitalization of \$22 billion at the end of 2005, with 24 local companies listed and a number of international participants, including 7 banks. The Securities Commission, the regulatory body responsible for ensuring transparency and efficiency in the Barbadian capital markets, has been working hard to keep up with local developments. With Barbados fast becoming one of the most dynamic financial centers in the Caribbean, the Securities Commission has recently revised securities legislation to improve investor protections, and is actively promoting collective investment schemes. "An educated investor is a successful investor," says Virginia Mapp, the Commission's General Manager. "We not only supervise the activities of regulatory organizations and securities companies, but also brokers, dealers, traders, issuers and investment advisers while maintaining proper standards of conduct and professionalism in the business."

Upcoming regional developments have all eyes focused on both the Central Bank and the Securities Commission. "For a long time regional regulators and stock exchanges were expressing their desire for a single exchange or capital market. Which is integral to the CSME," says Virginia Mapp. Within only a few years, this desire may well become a reality, and Barbados' capable, experienced institutions will likely lead the way.

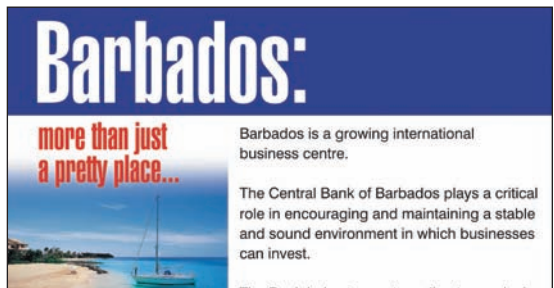


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A prime location for your business

Barbados: The Authentic Caribbean Experience

Barbados has always been attractive as a holiday destination, even as far back as 1751, when a certain young gentleman by the name of George Washington visited the island with his half brother Lawrence. Doctors had suggested a more salubrious climate would be advisable after Lawrence contracted tuberculosis. They stayed for almost a year before returning to the United States.

Nowadays, Americans tend to make shorter trips, but they are as enchanted with the island's splendors as America's first President was more than two centuries ago. Building up the sector early on in the 1970's, the island quickly gained a reputation as a high-end destination. The aim was to involve, as much as possible, the talent, valor, and vigor of the Barbadian population, and as the economy developed, so too did its human resources. Although management was initially hired from abroad, tourism growth has been indigenous. This strategy has been followed assiduously by Prime Minister Owen Arthur, who has been careful not to cede control of the tourism industry to multinationals, but rather to maintain Barbadian ownership of the island's many luxury hotels, restaurants, rental agencies, and villas.

Naturally, facilities and services are of world-class standard, and the number of annual visitors has increased considerably, though Tourism Minister Noel Lynch notes that the scale of development is carefully monitored to avoid overcrowding. "We want to develop a tourism industry that is based upon low volume and high value. In a modern era, what counts is the overall experience. Therefore, we created a Tourism Development Act two and a half years ago that mirrors all activities going on in Barbados." Having established Barbados as a world-class experience for visitors, the next step is to cover all seasons equally. "With a product based on a tropical environment, it happens that there are slow periods, for example in the summer where temperate climates experience warm weather and visitors feel less compelled to travel abroad. It is important to have activities that draw visitors during these periods, such as sports tourism, ecotourism, and educational tourism."

A major part of the government's strategy is event-based tourism. Barbados has 7 festivals throughout the year such as the Barbados Jazz Festival and the popular Crop Over carnival. Sports play a major role as the December 2006 World Cup Golf and the 2007 Cricket World Cup attest. Barbados has invested heavily in the infrastructural upgrading of facilities to host the expected influx of visitors to these events. The Grantley Adams International Airport, famous for having one of three Concorde on display worldwide, has received a new arrivals terminal. Since the airport has become relatively busy for a small island, and based on the fact that future air traffic to

the facilities is expected to increase, the government embarked on the \$100 million program to revamp the airport's current infrastructure. This included repaving the runway and renovating the current terminal. Roads on the island have been widened and repaved and Bridgetown's Kensington Oval stadium has also had a major refurbishment.

Yet much of the ongoing investment is not solely for the benefit of visitors. Mr. Darcy Boyce, Chief Executive of Barbados Tourism Investment Inc (BTI), a government agency, says that it assists investors in identifying opportunities in the sector. BTI facilitates investors' communication with government entities and closely cooperates with major hotel projects and resorts, guiding them through legislation and incentives such as taxation treaties and waivers. Several multi-million dollar initiatives are taking place on the island. Four Seasons is inaugurating a hotel and villa complex and Rosewood Hotels is in the planning stages of a \$400 million resort. Within 5 years, a grand yacht marina and the Sheraton at Pier Head will enhance Bridgetown Port, where visiting cruise ships generate the largest movement of tourists in Barbados.

Additionally, BTI has developed an Urban Renewal Program. "A lot of our work has been utilitarian. We have done infrastructural work in Speightstown as well as St. Lawrence Gap which is heavily visited by locals and tourists," says Darcy Boyce. "In Bridgetown we helped restore the Old Spirit Bond which is now used as a commercial centre." BTI thus improves the economy as well as the life of Barbadians through ameliorations that enhance the authentic identity of the island, and hence the exclusivity of the tourism experience.

"In the future a quality holiday will be known as Barbados"

Stuart Layne, President and CEO of the Barbados Tourism Authority

The Minister of Foreign Affairs, Dame Billie Miller, concludes that the visit of America's first President may well have been pivotal in the history of the United States. "He loved it here, he rode all over Barbados," Dame Miller says of George Washington's only trip abroad. "Then smallpox broke out among the crew of the garrison where he and his brother were staying, and so a British doctor inoculated them. Many years later, when George was leading the troops in the war of American Independence, the same disease broke out among his troops and men fell like flies. However, George was immune. If he had not been inoculated in Barbados, the United States might still have been a British colony and Mr. Blair might have been President."



Elusive Luxuries? Not on Boutique Barbados

The tourism industry is possibly the most dynamic of the productive sectors on which Barbados is dependent. Now that the global tourism market has become increasingly competitive, how is Barbados preparing to take on other destinations? Noel Lynch, the Minister of Tourism and International Transport, says that crucial research is needed focusing specifically on the different issues which have an ability to impact the industry, either positively or negatively. Tourism Planners and policy makers must make use of available management tools to analyze Barbados' performance and continue to position the product where it can compete most effectively.

"Segmentation is important," stresses Minister Lynch. "Barbados is not a mass destination. It will never be able to compete against such destinations as the Dominican Republic, to name an example. You need to be able to find the person who is willing to spend a little more in terms of exclusivity and their vacation experience." The Ministry focuses on the brand elements of friendliness, cleanliness, and the provision of a safe and secure environment while offering the highest possible value for money. "In marketing segmentation, you need to match yourself against someone with a similar development and geographical profile. Therefore, we are in competition with a more select group and this is ultimately more manageable."

One of the organizations under the Ministry's portfolio is the Barbados Tourism Authority (BTA), whose task is to promote and market the island nation to its target market. In its current campaign on the Authority's website

(www.visitbarbados.org), the slogan "It Doesn't Get Better Than Barbados" entices prospective visitors with the island's natural luxuries, as well as the excellent facilities it has built up over the years. Mr. Stuart Layne, President and CEO of BTA, is ensuring Barbados' uniqueness and history speak for themselves as the Authority brings Barbados up to international standards. Passionate about developing his country through tourism, Layne affirms that: "in the future a quality holiday will be known as Barbados." The aim is to capture a greater percentage of the American market, historically a little more challenging due to the island's relative distance. In order to become a preferred destination for US visitors, BTA needs to create a point of positioning that is not common to other destinations.

In Barbados' case this special ingredient is its authenticity, with Minister Lynch referring to the island as a "boutique destination." The way Barbados is branding itself in America is through its uniqueness and that it is, in fact, not branded. The only widely known hotel chain in the country is the Hilton, which the government paid for itself. Up until now however, there are no other corporate resorts which the U.S. tourist is usually accustomed to. "There are no Starbucks, McDonalds, or Subway here, and that is part of the charm. Of course you will have to open up and let in certain elements, but still guard the essentials that have made you what you are." Hence BTA entices US visitors with a much more direct approach in their campaigns: A little more remote...a little harder to get to. And a whole lot harder to leave.

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THROUGH ITS REHABILITATION PROGRAMME:

- Refurbishing heritage properties such as the Old City Hall
- Improving infrastructure
- Creating landscaped recreational green corridors
- Working in partnership with stakeholders

THROUGH INVESTMENT FACILITATION:

- Assisting investors to find the right project
- Linking project promoters with the right financial partners
- Helping investors to get the appropriate investment approvals
- Encouraging investment in the tourism and hospitality sector

THROUGH PROPERTY MANAGEMENT:

- Rehabilitating and commercialising properties vested in BTI by the Government
- Investing in the tourism and hospitality sector by participating in joint ventures with local, regional and international investors

Bridgetown Port Enters a New Generation

In the 1950's, ships only stopped at Caribbean ports to collect emigrants deserting their islands to pursue opportunities in the growing industrial economies of the United Kingdom, France, or the United States. The experiences of these West Indian émigrés are immortalized in songs like "Day-o" or the nostalgic "Island In The Sun," both written by the Barbadian-American songwriter Irving Burgess. Ports of the Caribbean were a point of departure, and irrevocably linked to the hopes and aspirations of a better life.

How times have changed. Vessels visiting the major harbors of the isles now come packed with people from abroad, who seek to indulge in the paradise once left behind by its inhabitants. Yet as cruise ships sail in, hope and ambition continue to characterize these same ports. Every visit elevates the country's status, bringing welcome interest and investment into the country's economy. The Port of Bridgetown, Barbados's capital city, has seen a great deal of development over the years, and its operators are now in the throngs of an impressive expansion project that will create one of the most facilities-rich, state-of-the-art, luxury ports in the West Indies.

Barbados Port Inc (BPI) is the commercial enterprise in charge of providing high-quality marine, cargo, and passenger handling services to seaport users locally and worldwide. It has been recognized as one of the most efficiently run ports in the Caribbean with multiple awards. The company's CEO, Everton Walters, has placed the port's long term development at the heart of BPI's strategy. "In addition to cargo and cruise services, we have added a third core business looking at property development," explains Walters. "It gives us an edge in the marketplace where we can be recognized as doing something beyond the ancillary services which we are developing."

Bridgetown Port is comprised of five berths totaling 1 mile in length. Maintenance dredging of the Port in May 2002 increased depths from 9.6 to 11.6 meters. Soil from this process was used to extend the cargo handling area in the main port, adding some 9 acres to the terminal. "This new reclaimed area will allow the port to handle cargo and cruise simultaneously," remarks Larry Tatem, Chairman of the Barbados Port Inc. CEO Everton Walters notes that the reclamation is part of a modernization program to remain competitive. "Container development rose from 10 percent in 1975 to 85 percent today. With such an exponential

growth in cargo trade as well as the cruise business, we saw the need to rehabilitate the existing infrastructure."

An important milestone in BPI's history was reached in December 2003, when the organization was converted from a statutory port authority into a corporatized company. This has given the BPI much more autonomy, enabling the company to manage and operate the Port of Bridgetown with a much greater focus on improved efficiency and cost-effectiveness. It is now also more open to the kind of investment strategy that creates opportunity for private sector participation. Several local banks raised an initial \$36 million of the total \$150 million of capital needed for the expansion. "The obvious way forward was to raise capital through divestment of shares in BPI," says CEO Everton Walters. At present, the government owns all equity shares of BPI, yet some 35 to 40 percent will be sold to institutional investors and the public, including a 5 to 10 percent share reserved for BPI employees. As a more autonomous and independent company, the BPI has the power to shape its own future and initiate various projects. This is good news for both stakeholders and customers, who can expect to see immediate benefits through more efficient cooperation and cost-effective services.

By far the biggest project in the works is a \$20 million joint venture to build a new cruise pier south of the breakwater. The new pier will accommodate two large cruise ships simultaneously and will provide extra capacity to handle the expected rise in cruise arrivals. Once the new cruise pier is completed, passenger arrivals could rise to one million per year, with parallel on-shore developments in terms of visitor facilities and amenities. It will also allow the port to continue to separate its cruise and cargo handling operations in the interests of passenger safety. Minister of Tourism and International Transport Noel Lynch believes that this enhancement of the country's port facilities will firmly establish Barbados as a marquis destination for cruise business in the region.

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The Port of Bridgetown was awarded the "PORT OF THE YEAR AWARD" in 1993, 1995, 1997, 1998, 2004 and 2005, as the most efficiently run port in the Caribbean. Again in 1995, the Port was awarded the Caribbean's "Most Dependable Port" as well as the "Dreamworld Cruise Destinations" award for the "Most Improved Port Facilities" and "Most Receptive Destination".



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