
SUMMARY

1. Barbados is a relatively small and open economy with a GDP per capita of some USD 14,619 in 2020. Barbados is highly dependent on imports of goods and on exports of services, particularly tourism, and was thus strongly affected by the COVID-19 pandemic. In 2020, real GDP declined by 14%, and grew by 0.7% in 2021. This came after a period of already weak economic performance: real GDP declined in four of the years of the review period. Limited economic diversification, strong reliance on imported consumer and investment goods, and persistent fiscal deficits left Barbados vulnerable to exogenous shocks, even before the outbreak of COVID-19.

2. Against the backdrop of large current account deficits and mounting public debt, the authorities embarked on a programme of structural changes in order to restore growth and macroeconomic stability in the medium term. The Barbados Economic Recovery and Transformation (BERT) Plan, introduced in 2018, focuses on improving productivity and diversifying the economy, as well as achieving fiscal consolidation and debt sustainability. The original BERT Plan included a number of measures, such as increases in personal income and corporate tax rates, which were later revised and lowered as a result of the pandemic. Corporate taxes are now paid based on a sliding scale, at much lower rates. Similarly, income tax rates were lowered in 2019 and 2020. Other measures in the BERT Plan, such as charging VAT on online transactions by residents and introducing an Airline Travel and Tourism Development Tax, became effective on 1 October 2018. A levy on hotel rooms, a Product Development Levy on direct tourism services, and a Fuel Tax were also introduced, effective 1 July 2018. To support implementation of the BERT Plan, the IMF approved on 1 October 2018 a four-year Extended Arrangement under the Extended Fund Facility for an amount initially equivalent to USD 290 million. Barbados has also undertaken structural reforms to transform its state-owned enterprises (SOEs).

3. Barbados has been registering structural fiscal deficits for the last two decades, which have resulted in rising public debt and reduced the Government's ability to respond to exogenous shocks. During the period under review, the authorities undertook substantial efforts to cut the deficit and enter a fiscal consolidation path to stop the increase in public debt. The fiscal deficit peaked at 10.9% of GDP in FY2013/14, and has since been on a downwards path, particularly after FY2015/16, partly reflecting the effects of the BERT Plan. However, due to the sharp decline in revenue and the increase in expenditure caused by the COVID-19 pandemic, the fiscal situation deteriorated in FY2020/21, when a deficit of 5.1% of GDP was registered. As a result of the need to finance fiscal deficits, public debt rose during the initial years of the period under review to some 155.2% of GDP in FY2015/16. In 2018, in the context of the BERT Plan, Barbados engaged in its first debt-reducing initiative, which resulted in a rescheduling of debt payments and in debt alleviation. As a result, the public debt to GDP ratio fell, but due to the COVID-19 pandemic, it rose again to 150.3% in FY2020/21.

4. Barbados pursued a targeted fiscal response to the COVID-19 pandemic, partly due to the lack of fiscal space. Initial investments in health equipment and quarantine facilities in early 2020 were followed by expanded welfare payments to protect vulnerable households. A 12-month COVID-19 relief jobs programme was also rolled out, while targeted cash transfers were extended to small businesses and vendors affected by the second lockdown in February 2021. To support tourism, the authorities created the Barbados Employment and Sustainable Transformation (BEST) Programme in October 2020, focused mainly on the re-engagement of workers in the sector.

5. The main objective of monetary policy in Barbados is to maintain the exchange rate's fixed parity with the US dollar; promoting monetary stability and a sound financial structure and maintaining credit and exchange conditions that foster development are also monetary policy objectives. In December 2020, a new Central Bank of Barbados (CBB) Act was passed, which broadened the scope of action and functions of the CBB. To counter the negative effects of the COVID-19 pandemic, the CBB implemented measures to support the domestic banking sector effective 1 April 2020, which resulted in a considerable easing of the monetary stance. The measures included, *inter alia*, a reduction from 7% to 2% of the CBB's discount rate, a reduction of the securities ratio for banks from 17.5% to 5%, and CBB readiness to make collateralized loans for up to six months as liquidity support for financial institutions. These measures were accompanied by others taken by commercial banks, including an up-to-six-month moratorium on loan payments for firms and individuals directly impacted by the pandemic, adjusted loan terms to reduce monthly payments, and additional credit to existing customers to address short-term liquidity challenges.

6. Measures to relax exchange and capital controls were introduced during the review period, some of them with effect on trade flows. Although there is still a requirement for authorized foreign exchange dealers to surrender 5% of their gross foreign exchange purchases to the CBB, effective 1 August 2019 exporters no longer have to surrender their proceeds to authorized foreign exchange dealers. Prior to that date, exporters had to surrender 70% of their proceeds to dealers within six months. At the same date, restrictions regarding foreign exchange accounts were removed: residents are now allowed to open and hold foreign exchange accounts without CBB approval. As of February 2020, authorized dealers can approve and execute larger foreign currency transactions, and the limit for dividends and profits that may be remitted without CBB approval was raised. However, the foreign exchange fee of 2% on the value of foreign currency transactions, introduced in 2017, remains in place. Also, purchases of all securities abroad by residents require exchange control approval. Amid the COVID-19 pandemic, support from international financial institutions in 2020 enabled gross international reserves to rise to USD 2.7 billion, or 10 months of imports.

7. Inflation was moderate during most of the review period. As Barbados maintains a fixed exchange rate and imports most consumer goods, prices are largely influenced by shifts in foreign markets. However, wage changes also play an important role, and agricultural sector conditions have an influence on the price of food. In this respect, the increase in inflation experienced in 2019 was mainly caused by an increase in the price of food influenced by a drought. In 2020 inflation declined again, to 3%, compared with 4.2% one year earlier. In the second half of 2021, however, and due to a large extent to increases in international prices of energy and food, inflation rose to a year-end rate of 5%.

8. Barbados' current account deficit declined between 2014 and 2019, partly reflecting the fiscal consolidation path. The deficit fell from 9.2% of GDP in 2014 to 2.8% in 2019. The COVID-19 pandemic led to a sharp increase in the current account deficit in 2020, to 5.9% of GDP, mainly due to a plummeting of tourism receipts and despite declining imports. Between 2014 and 2020, both merchandise exports and imports declined. The current account deficit reached USD 528.5 million in 2021, or 5.4% of GDP. In 2020, the share of merchandise exports in GDP was some 13.2%, down from nearly 16.9% in 2014. The share of merchandise imports also decreased, from 35.2% of GDP in 2014 to 30.3% in 2020 due primarily to weak domestic demand over the period. Barbados' main merchandise exports are fuels, food, and chemicals. Imports are dominated by manufactured products, which accounted for some 60% of the total in 2020. The main items are machinery and transport equipment, and chemical products. Fuels and food and vegetables accounted for some 40% of total merchandise imports in 2020. Barbados' main export destination in 2021 was the United States, followed by Jamaica, Guyana, Trinidad and Tobago, the EU-27, and Saint Lucia. The United States remains Barbados' largest import supplier, with 47% of total imports in 2021, followed by Trinidad and Tobago and the EU-27.

9. Services, in particular tourism, are of utmost importance to Barbados' economy. In 2019, before the disruption caused by the pandemic, travel-related inflows totalled USD 1,250 million, or some 24% of GDP. In 2020, inflows plummeted to USD 577.4 million, some 12.3% of GDP. The traditional surplus in the services balance fell from 17.1% of GDP in 2019 to 10.6% in 2020. Barbados is a net recipient of foreign direct investment (FDI). Flows are mostly directed to the tourism sector and other travel-related activities, and to financial services. In the period from 2014 to end-June 2021, net FDI inflows totalled USD 1,046.3 million.

10. Barbados became a republic on 30 November 2021, the 55th anniversary of its independence. Nevertheless, the institutional framework for economic and trade policy formulation remains largely unchanged. The Ministry of Foreign Affairs and Foreign Trade has the overall responsibility for the formulation and coordination of trade policies, in consultation with other Ministries and with inputs from the private sector and civil society.

11. The Medium-term Growth and Development Strategy 2013-2020 recognizes the need to sustain private-sector and investment-led productivity and export-driven growth. The BERT Plan, apart from restoring fiscal and debt sustainability, also aims to rebuild reserves and increase growth. With regard to trade policy, Barbados' objectives are to promote and facilitate the development of international trade, improve competitiveness, and pursue the Small Vulnerable Economies agenda in the WTO. Barbados also has the objective of achieving a fossil-fuel-free economy by 2030.

12. Barbados grants at least MFN treatment to all trading partners. Barbados has never invoked the WTO's dispute settlement provisions as a complainant, nor have any complaints been lodged

against Barbados. Although Barbados has submitted various notifications to the WTO since its last Review, numerous notifications remained outstanding as at June 2022.

13. Barbados is a member of the Caribbean Community and Common Market (CARICOM). CARICOM members have sought to implement a common external tariff (CET) since 1991. However, as at June 2022 tariff schedules across countries still differed considerably, both due to the exceptions allowed and to mechanisms permitting the suspension of the application of the CET under certain circumstances. No progress was made in tariff harmonization during the period under review. Through CARICOM, Barbados has reciprocal bilateral trade agreements with Colombia, Costa Rica, Cuba, and the Dominican Republic.

14. An Economic Partnership Agreement with the European Union has been in force since 2008. Under the Agreement, Barbados committed to gradual reductions in its tariffs over a period of up to 25 years, until 2033. Exclusions and lengthier implementation periods apply mainly to agricultural goods. The Agreement is replicated by an agreement with the United Kingdom, which entered into force in January 2021. Barbados also benefits from various non-reciprocal arrangements, such as the United States' Caribbean Basin Initiative (CBI), the Caribbean-Canada Trade Agreement (CARIBCAN), and the CARICOM-Venezuela Agreement.

15. Foreign investors are generally granted national treatment with very few exceptions mentioned in sector-specific legislation, such as telecommunications services, tour operators, and travel guides. Private investment in broadcasting, banking, and insurance is subject to prior government approval. Water and postal services are government monopolies.

16. Since its last Review in 2015, Barbados has successfully streamlined customs procedures, including the transition to ASYCUDA World in September 2019, the initiation of a trusted trader programme, and a considerable reduction of processing times for import licences. Also, the use of reference prices for the customs valuation of certain imports was abandoned during the period under review. The use of a customs broker is recommended.

17. Barbados ratified the WTO's Agreement on Trade Facilitation in January 2018 and has notified its Category A, B, and C commitments to the WTO. As at June 2022, Barbados had implemented 44.5% of its commitments under the Agreement.

18. Barbados applies the CARICOM CET with numerous country-specific exceptions. Overall, applied MFN tariff levels are relatively high, with an average of 16.8% in 2022. Tariffs range from zero to 216% levied on some fruit, vegetables, and plants. The average MFN tariff is 35.0% for agricultural products (WTO definition) and 12.8% for non-agricultural products; 5.7% of tariff lines are duty-free. The average tariff in 2022 is higher than in 2014, when it was 15.9%; the difference is mostly explained by the change of HS nomenclature from HS07 to HS17. Some 99.2% of tariff rates are *ad valorem*; specific rates are applied on 59 lines, mostly alcoholic beverages.

19. All imports from other CARICOM members are duty-free. Preferential tariffs are granted to imports from Colombia, Costa Rica, Cuba, the Dominican Republic, the European Union, the United Kingdom, and the Bolivarian Republic of Venezuela. Detailed information to calculate tariff averages and preferential margins is not available.

20. Barbados bound all of its import tariffs in the Uruguay Round, with the exception of fish and fish products. On 17 tariff lines, applied rates exceed bound rates. It appears that, in practice, tariff and tax concessions on imports are very important, although there is no information on their coverage and on the amount of revenue forgone.

21. VAT is applied at four rates (22%, 17.5%, 10%, and 0%). The standard rate of 17.5% applies on all goods and services unless otherwise specified. Excise taxes apply on sweetened beverages, motor vehicles, spirituous beverages, tobacco products, and petroleum products.

22. Import prohibitions and licences are applied for monitoring, security, health, and environmental purposes, as well as for the protection of public morals. Licences are considered on a case-by-case basis and are processed within one to two working days. Import licence applications and related documentation are submitted and processed through the ASYCUDA World customs portal. There are no licence fees. Barbados did not apply any anti-dumping or countervailing

measures during the period under review. However, it invoked the agricultural special safeguards (SSG) mechanism and initiated SSG measures on more than 30 products, most of which were vegetables and fruits, such as beets, cabbages, cauliflower, carrots, lettuce, tomatoes, onions, and melons.

23. Barbados has also used ASYCUDA World since 2019 for the customs clearance of exports. The requirement to submit a Central Bank Exchange Control Form was abandoned in the same year. With the exception of a levy on cotton, no export taxes are applied. The revenues collected from the levy are reportedly to be used for research and development in the cotton industry. Export restrictions are applied for public morals and safety reasons or for the implementation of international agreements. Export Barbados is the Government's export promotion agency. There are no export processing zones. An export credit guarantee operated by the Central Bank was suspended in 2019.

24. The development of technical regulations and standards is the responsibility of the Barbados National Standards Institution (BNSI). As at July 2022, there were 44 technical regulations, 160 BNSI Specifications, 75 adopted CARICOM standards, 80 ISO adoptions, and 20 BNSI Building Codes. The responsibility for the formulation and implementation of SPS measures is spread over several institutions. No specific trade concerns were raised against Barbados' TBT and SPS measures during the period under review.

25. The Fair Trading Commission has the task of safeguarding the interests of consumers, regulating utility services and prices, and promoting and maintaining effective competition in the economy. As at July 2022, price controls apply to various refined petroleum goods. The Barbados Agricultural Development and Marketing Corporation (BADMC) has been notified to the WTO as Barbados' only state trading enterprise. The BADMC engages in the importation of chicken meat, turkey meat, brown sugar, and onions; it has the right to import these goods duty-free. As at mid-2022, there were 54 SOEs, of which 33 are being classified as commercial SOEs. With a view to reducing the fiscal drain caused by implicit subsidization, many SOEs are currently undergoing reform.

26. Barbados is not party to the WTO plurilateral Agreement on Government Procurement. New legislation on public procurement was adopted in 2021, but it was not effective as at July 2022 since implementing regulations were still under preparation. According to the new Act, open tendering shall be used for all procurement of goods or services exceeding BBD 300,000 (USD 150,000) and works exceeding BBD 500,000. Restricted tendering can be used when the goods, works, or services to be procured are available from 10 suppliers or fewer, or when there are cases of urgent need. There are no restrictions on the participation of foreign suppliers. Currently, all procurement above BBD 200,000 is centralized. For procurement below this threshold, every institution has its own procuring entity.

27. No major changes have taken place in the legal system for the protection of intellectual property rights since Barbados' last Review. The legislation on copyrights and geographical indications is currently undergoing a review. Barbados' patent legislation includes provisions on compulsory licensing, which may be granted by the High Court four years from the date of filing the patent application or three years from the date the patent was granted, and there has been a failure to exploit or sufficiently exploit the patented invention. No compulsory licensing has been issued since 2014.

28. The agricultural sector in Barbados is small and faces challenges such as scarcity of land and water supplies. It accounts for just slightly over 1% of GDP and 3% of employment. Sugar has lost its traditional dominance in the sector, and production has shifted to fruits and vegetables, as well as herbs and spices. The average applied tariff on agricultural products was 35% in 2021; certain products are subject to tariff rates above 100% (e.g. edible vegetables and certain roots and tubers, meat and edible meat, and peel of citrus fruit or melons). Agricultural policy focuses on food and nutrition security, and on encouraging the participation of more farmers. In this regard, the Government has implemented a three-year Farmers' Empowerment and Enfranchisement Drive (FEED) programme, with the aim of facilitating the vulnerable population's entry into agricultural and livestock activities. The FEED programme provides assistance to farmers who want to establish agricultural enterprises through subsidies for land lease and irrigation. During the review period, retail price controls on chicken wings, chicken backs and necks, and turkey wings were abolished. Currently, no price controls are applied on agricultural goods.

29. There are no restrictions on foreign capital participation in the electricity sector. The power generation segment is fully liberalized. In 2019, the Barbados National Energy Policy 2019–2030, which sets out a target for reaching 100% renewable energy and carbon neutrality by 2030, was adopted. To this end, the Government provides incentives: in FY2020/21, it granted independent power producers using renewable energy a special premium on top of the feed-in tariff. Also, with the aim of encouraging a reduction in the use of fossil fuels for automobiles, the 2022 Budget provides fiscal incentives for the purchase of electric vehicles and hybrid vehicles. Barbados has a small oil reserve onshore. Though there are apparently no restrictions or exclusive rights reserved for any operator in the market, the state-owned Barbados National Oil Company Limited is in practice the sole importer of refined oil products such as gasoline and diesel.

30. The manufacturing sector is small and concentrates on food processing and beverages production. The sector accounted for 4.7% of GDP and 6% of employment in 2021. Major changes with respect to incentives to the sector took place during the review period. The Fiscal Incentives Act was repealed in January 2019. The Act provided for a 15-year tax holiday for businesses engaged in the manufacturing of products exclusively for export outside of CARICOM, or of products containing a specified percentage of local value added. On the same date, the International Business Companies (IBC) Act and the Societies with Restricted Liability Act, which provided for lower taxation on companies registered in Barbados but doing business solely abroad as compared to companies doing business in Barbados, were repealed. Although there was a transition period, tax preferences accorded to IBCs and international societies with restricted liability were discontinued on 30 June 2021.

31. Services is the main sector in Barbados, accounting for over two thirds of GDP. During the period under review, the legal framework for financial services was overhauled and the separate regulatory regimes for offshore financial services were abolished. In their place, omnibus supervisory frameworks were created for the banking and insurance sectors. On 1 January 2019, the amended Financial Institutions Act and the amended Insurance Act entered into force. Under the amended legal framework, offshore banks were converted into foreign currency earning banks, while offshore insurance companies became Class 1 licensees. Foreign currency earning banks pay taxes at the same rates as domestic commercial banks. Class 1 licensed insurance operators are subject to income tax at zero rate, while a rate of 2% is applicable to other classes of insurance licensees. Only Barbadian citizens or nationals of CARICOM member States may be registered as insurance intermediaries, such as insurance brokers, agents, subagents, and salespersons.

32. Barbados has a relatively open telecommunications sector. The legal and institutional framework for regulating the sector has remained largely unchanged. During the review period, Barbados upgraded its telecommunications infrastructure, including the deployment of Mobile 5G and Long-Term Evolution networks, as well as the replacement of copper cables with fibre optics. The authorities are in the process of revising the Telecom Universal Service Regulation, with the aim of including broadband data services as part of universal service. As of end-May 2022, there were three carriers in the country providing cellular mobile services, including Internet services; all have foreign capital participation.

33. The tourism sector is of vital importance to the economy; the sector and related activities contributed, directly and indirectly, to over 50% of valued added. The COVID-19 pandemic had a devastating impact on the tourism sector in particular, and on the economy in general. In response, the Government launched the BEST programme, with a total of BBD 300 million (around USD 150 million). Under the BEST programme, tourism firms were offered grants and an investment via preference shares issued by them to fund the re-engagement of their workers at a level of 80% of their normal pay and investments in the transformation of tourism plans. These shares are held initially by the Government, but are marketable and redeemable at face value at any time; they pay a coupon if there are profits. The programme aims at enhancing the cash flow of businesses so as to allow them to continue hiring employees and transform their business model. The policy objectives for the tourism sector have remained unchanged, focused on customer retention and brand loyalty enhancement. In the aftermath of the pandemic, the Government launched the Barbados Welcome Stamp Initiative, targeting long-stay and loyal visitors. Foreigners may own land in Barbados to develop tourism facilities. Fiscal incentives are available for qualified owners of tourism projects or products.

34. Aviation is the main mode of transportation for people and goods entering in and departing from the country. Barbados maintains 30 bilateral air service agreements (BASAs); they offer up to

fifth freedom, with restrictions on ownership. Due to the absence of a national carrier, Barbados in its BASAs designates any CARICOM-based carrier as its national carrier. In order to be a national carrier, the airline must have its principal address registered within the territory of any CARICOM member State, and be effectively controlled by Barbadian/CARICOM nationals. All aviation and maritime transport infrastructure is owned by the Government, and it is managed by government-owned enterprises. Operations regarding infrastructure may be carried out by private operators under agreements signed with the Government, but not under concessions. There are no legal restrictions on private-sector participation in transportation.