



Barbados: Trust and Resilience



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Prologue

Sir Henry A A Nicholls (1851–1926) like many gentlemen of that era kept a diary. As a physician and horticulturalist, and a failed political candidate, he wrote extensively about his travels throughout the West Indies. Among other things, he wrote in his 1891 diary: “What these islands wanted was capital; labour would inevitably follow capital; and the very thing to avert ... disaster ...”

Barbados in 2016, like its Caribbean neighbours, continued the relentless struggle of attempting to attract capital in the form of greater tourism receipts, more industrial enterprises and more internationally mobile capital through a greater use of its international financial services legislation. As an effort to attract that capital, the jurisdiction has been buttressed over the years by efforts to ensure trust and transparency to its international business.

The Inherent Strength of the International Sector

Barbados’ international business and financial services sector acknowledges its legislative start in 1965 with the passage of the International Business Companies Act; and secondly, acknowledges a wide use and recognition from the decades from 1980 with the passage of banking, captive insurance and other financial incentive legislation. These two periods – albeit one continuous period – have, to the benefit of Barbados, significantly facilitated the movement of internationally mobile capital.

While this success may be measurable in terms of the standard economic and financial indicators, emphasis must also be placed on the ongoing cumulative benefits which arise from jurisdictional trust and transparency, and which are engendered by a judicious mix of public private partnerships.

The jurisdiction’s homogeneity and relative social cohesion have allowed for inter-jurisdictional trust as regards policies and activities, which have been geared towards improving its international business and financial services sector. Very early in the 1980s, successful efforts were made by a group of professionals in the sector – along with co-operation from the Canadian High Commission to Barbados – in the formation of the Canada-Barbados Business Association (CBBA). It functioned along the lines of a flexible, yet firm organisation structure, and its *raison d’être* was an annual promotion to a major Canadian city. The advantages of the CBBA were many, but a few stand out. In the first place, it cemented Barbados’ relations with Canada at the important level of Ottawa policy making, through the presence and involvement of the Canadian High Commission. Second, it gave Barbados an additional advantage over Bermuda, which at that time was engaged in intensified lobbying efforts geared towards attracting more Canadian investment and investors to whom the relatively short airline connection from Toronto remained poised as a constant reminder. CBBA served its time and purpose, and it was the institutional and spiritual base on which the

Barbados International Business Association was formed. As Canada celebrates 150 years as a Dominion in 2017, Barbados gives due recognition to the importance of those formative years of Canadian involvement in the development of its international financial services sector.

The early marketing role of the Central Bank of Barbados, particularly as regards the captive insurance sector, was also invaluable. The essential feature of this partnership was that the Central Bank regulatory agency had taken on active marketing of the allied international insurance industry, through its rigorous and robust annual participation and leadership at the annual United States Risk and Insurance Managers conferences and the equivalent Canadian Risk and Insurance Managers conferences. It was a master stroke, because once again the jurisdiction’s private sector was able to engender global trust through its visible and clearly viable co-operation with a regulatory agency allied to, but not regulating, the promoted project.

Today, institutionally, the Joint Policy Working Group (JPWG) is comprised of a variety of sector professionals. They are appointed by the Minister of International Business, whom they advise on all aspects of the sector, including new and updated legislation, as well as appropriate policy on critical matters of relevance. The evolved JPWG has a long history, and it illustrates the trust which exists within the jurisdiction between government and its private sector professionals, which gives rise to a high

level of comfort to those within and outside of the jurisdiction who remain satisfied that there is a conduit for their voices to be heard. The JPWG, together with the other private-public actors, are today all combined in a message and meaning through Invest Barbados, the jurisdiction's official marketing and facilitation arm.

The Economy's Current Fiscal and Monetary Challenge

In 2016, Barbados continued to experience an inexorably spiralling cycle of interest costs ranging from BDS\$396 million (US\$1.00 being approximately BDS\$2.00) in Fiscal Year 2008/2009 to BDS\$673 million in Fiscal Year 2015/16. The increasing interest cost is directly related to the size of the deficit which has been financed by yearly government borrowing. With each year's new debt which is raised, there is the concomitant incurring of additional interest costs. The big burden of debt servicing has therefore become bigger in every single year since

fiscal year 2008/2009. It is recognised that the safest and well-trying method of reducing these recurring and spiralling interest costs is by way of an effective monetary policy together with a reduction in government spending. The year 2017 will, therefore, be one of challenges for Barbadian policymakers as bold steps are required, although such steps are made less difficult than would be the case in many other jurisdictions. For Barbados has a very skilled, innovative and proud population which is capable of peacefully and productively outperforming its Government, such as when the challenge has previously been thrown out in the years 1848, 1937, 1993 and at other less celebrated times.

Epilogue

Sir Henry Nicholls' diary records the early resilience of Barbados; and also the graceful courtesies of its peoples, their quaint sensibility and their well governed attitudes and manners. Writing about Saturday,

14 March 1891, and his presence at the Railway Station be notes:

"In the Railway Station I found on the wall a rack with a number of small local magazines in pink covers. And near the rack was the following remarkable printed placard -

*Excelsior for the current month
You may take a copy of this Magazine
And put its price, six cents, in the slit in the box.
Now don't be sparing of your cash
And o' your three pence fare;
For authors cannot live on trash
So buy 'Excelsior'.*

"I took two copies and dropped sixpence or twelve cents in the slit of a box below and later on I examined the mental pabulum provided by the authors who do not live on trash."

Today in 2017, Barbados also does not live on trash, and still needs the necessary capital referred to in our prologue – to support its experienced, expanding and excellent labour force. ■



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