

BARBADOS

Dawn of a new era

Barbados

has long been known as a paradise for tourists seeking luxury and unspoiled surroundings. But this year, as it celebrates the 40th anniversary of its independence, the Caribbean island wants to show that it is this and much more besides.



Owen Arthur
Prime Minister

"In the first 40 years of its independent existence, Barbados has exhibited extraordinary success in managing its affairs at all levels and in all spheres," says Prime Minister Owen Arthur. "Our nation has, with little to rely upon, risen to and consistently held the leading position among all developing countries for the strength and quality of its human development. The crucial developmental test that must be met in Barbados is that of building new production capacity to world standards from the very outset, one that is capable of generating hundreds of millions of dollars on a sustained basis. Now, the largest ever round of investment, both foreign and domestic, is being made to build new capacity that will significantly expand Barbados' foreign exchange earning ability."

The nation's most important industry, tourism, is being further diversified by hosting upcoming international sporting events, such as December's Golf World Cup and next year's ICC Cricket World Cup, for which Barbados, as a main location, expects 80,000 extra visitors. In addition to this, with the implementation of the CARICOM Single Market and Economy (CSME) in 2008, where the economies of 13 Caribbean nations comprise a free trade area, opportunities in other fields are being increasingly exploited.

"We are laying the foundations for a modern economy that is predominately based on services and one that will also play a major role in the CARICOM single economy," says Deputy Prime Minister and Minister of Economic Affairs and Development, Mia Mottley.

One of the government's priorities is the further development of the

country's burgeoning financial services sector, with one recent move being the creation of a financial services commission to regulate the industry. "We are not a tax haven," Mottley says, "but a low tax jurisdiction that simply seeks to make arrangements through a network of double taxation agreements and bilateral investment treaties. This enables us to be an attractive destination both for investment in our country but equally for foreign investment into a third country."

Clyde Mascoll, Minister of State in the Ministry of Finance, believes Barbados has become one of the most competitive countries in the financial arena within the Caribbean, due to its ability to adapt to new technology more quickly than other regional countries. He is pushing for further expansion of the financial services sector. "It is right for Barbadians to expand insurance and other financial services, but this is only going to effectively happen through ventures between people in the private sector overseas and local companies, because here, size really matters," he says.

"Our nation has consistently held the leading position among all developing countries for the strength and quality of its human development"

He adds: "I also believe Barbados will be seen as an area of opportunity for capital market development, where other countries in the region will look to us for opportunities to diversify investment. Trinidad, for example, with its oil surplus, sees Barbados as an opportunity for investment."

The establishment of the Securities Commission in 2003 has further strengthened Barbados as a transparent financial services jurisdiction. Prior to this, the stock exchange was both regulator and share issuer,



Cable & Wireless - Catching the World's Attention in 2007.





Mia Mottley
Deputy Prime Minister
and Minister of Economic
Affairs & Development

but due to the high amount of foreign exchange entering the country, the Commission was created to act as supervisor to the capital market.

The entity has since established compliance practices for the sector and forced local companies to report their activities to the regulator. The Commission is currently rectifying the current duplication of efforts by local regulating bodies in terms of overseeing and registering foreign

companies in order for them to enter the local market. "With the implementation of the CSME, the Securities Commission is taking a leading role in transnational regulation," says Commission chairman Sir Neville Nicholls.

To support the CSME, a new regional stock exchange, a private initiative involving the interconnection of stock exchanges of Jamaica, Trinidad and Tobago and Barbados, will be created. The Commission advocates the establishment of a regional regulator, created by the respective national bodies, to monitor compliance of the proposed regional stock market and the protection of investors. "It is expected that this regional stock market will attract and sustain greater foreign portfolio investment, give the nation the ability to speak with a stronger, single voice and compete at international level, with lower costs and reduced fragmentation and duplication," says Nicholls.

Destination of choice for discerning customers

The island continues to be a favorite with tourists, especially those from the U.K. Last year, Barbados attracted 552,000 visitors, the highest total of any West Indies island, and has pledged to continue to host one major sporting event annually to diversify its tourism offering and further increase visitor numbers.

The Barbados Tourism Authority (BTA) is at the forefront of marketing the island overseas through numerous overseas offices, including one in London, as well as promoting tourism investment. "Our mission is to position Barbados as a premier, globally competitive, year-round warm weather destination with world-class standards, and to contribute to a high and sustainable quality of life for all Barbadians," says BTA's senior vice president Cicely Walcott. "Barbados has an iconic appeal, especially in the U.K., and this is because of the quality of visitors that have been coming here. Tony Blair, for example, has been here on holiday the last three summers.

"We are also seeing people who want to retire or spend more time here, investing in condominiums and villas, and this is another area where we are successfully diversifying our industry."

BTA is now looking to receive 600,000 visitors and attract further big name hotels to the island, such as the recently established Hilton, to match demand, especially with the island's new world-class sporting agenda. BTA has identified the Needham area, located beside the capital Bridgetown, as being ripe for hotel development, "as it has one

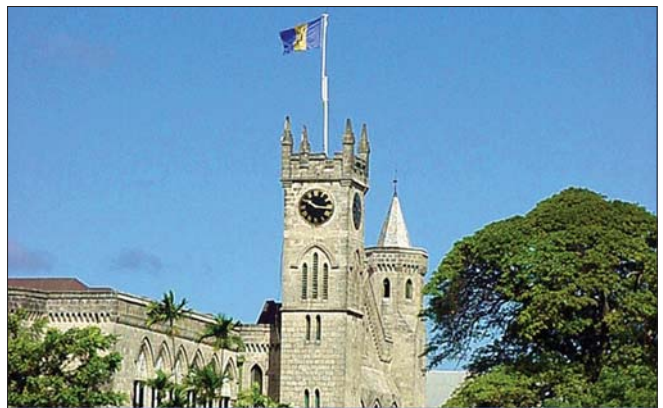
of the most fabulous coasts in the world," Walcott says. In addition, the rejuvenation of the south coast, focused on the upgrading of middle-market facilities, has contributed to tourism being the engine of growth in Barbados.

Although the island is constantly upgrading its tourism product, it is also highly experienced in the charter sector, which it entered to boost tourist numbers in the traditionally lighter summer season. This has made Barbados more affordable and raised the island's public profile. Achieving value for money is a chief aim of the tourism industry. BTA is now looking to work with airlines to maximize demand at different times of the year amongst various target groups such as older, wealthy couples and young, sport-loving, single professionals.

"Barbados has an iconic appeal, especially in the U.K., because of the quality of visitors that have been coming here over the years"

The island is also becoming a cruise hub, with many Caribbean cruises starting there and creating the potential of a hotel and cruise combination vacation. Barbados' credentials are assured with the construction of a new U.S.\$25 million cruise pier, situated away from the main harbor, with capacity for two mega cruise vessels.

Terra Caribbean has a 50-year history in real estate on the island, growing into a regional company with franchises and subsidiaries, mainly in the Eastern Caribbean, although it also has a presence in Jamaica, the Dominican Republic and Puerto Rico. The company offers



**Protecting your investment,
protecting Barbados**

The Securities Commission is an independent agency established by Statute in 2001 and commencing formal operations in 2003.

The Commission's mandate is to administer and enforce the securities legislation and to ensure that the Capital Market operates fairly, transparently and efficiently at all times.



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traditional real estate sales and rentals of properties, as well as property management, advisory, consultancy and brokerage services for any kind of development, from offices to residential properties.

Managing director Andrew Mallalieu says: "Our strategy is simple, in that we provide a comfortable environment where our clients have the information to make a decision. We are market experts in knowledge about real estate in the Caribbean and also work for developers who are looking for opportunities to build and sell on to individual buyers, as well as then finding the actual buyers."

Terra Caribbean works exclusively with Sir Charles Williams, one of the Caribbean's largest developers, and Barbadian construction specialists the Jada Group, and is a representative for UK-based realtor Hamptons International. The company is currently managing a new 300,000 sq. ft. shopping mall.

Promoting efficient and sustainable energy

Another sector that has a great deal of potential in Barbados is energy production, which comes within the auspices of the Ministry of Energy and the Environment and the state's flagship oil producer Barbados National Oil Company Limited (BNOCL).



Elizabeth Thompson
Minister of Energy
& the Environment

Under Elizabeth Thompson, the Minister of Energy and the Environment, the country is looking to utilize the island's abundant sugar cane supplies to produce energy. "In ten years I would like us to have developed from an economy that is powered entirely by fossil fuels to one with a greater dependence on



Parliament building in Bridgetown, Barbados

renewable technologies," she says. "We are now pursuing a project for the transition from the sugar cane industry to the fuel cane industry to produce ethanol as its demand on the international market is extremely high and sugar has been proven to be the best source for biofuel."

Barbados has already drilled one offshore well, under a concession of Conoco Phillips, while BNOCL has brought a consultant on board and is now accepting bids for the island's offshore acreage from companies with a strong environmental background. The company, led by general manager Ronald Hewitt, also sees the potential of using the CSME to develop further, and plans to be involved in production in nearby

Two prestigious World Cup tournaments in Barbados

World Golf Championships – Barbados World Cup

December 2006, Sandy Lane

ICC Cricket World Cup

Super Eight Series in Barbados: 11-21 April. Final in Barbados: 28th April 2007



Barbados is honoured to be the host country of the World Golf Championships - Barbados World Cup and the host country of key matches, including the Final, of the ICC Cricket World Cup. It is our pleasure to welcome the world's greatest sportsmen and their fans to Barbados during these prestigious World Cup tournaments.





Clyde Mascoll
Minister of State
in the Ministry of Finance

Trinidad and Surinam. Hewitt says: "We are looking for a long-term relationship with a company that can react on time, work immediately and one that considers Barbados a priority."

The island has one of the most efficient infrastructures for the delivery of natural gas in the developing world, with 70,000 of the 90,000 homes already using the fuel, while a U.S.\$500 million pipeline will also bring gas from Tobago by 2009. The Barbados National Terminal Company Limited (BNTCL) is a subsidiary of BNOCL and operates the world-class Fairy Valley terminal and a new one located at Holborn, which exports crude oil for refining and imports refined products such as gasoline, diesel and fuel oil. Managing director, Patricia Alleyne says: "The new terminal was built to world-class standards, so efficiency is now standard in terms of handling the product." It has allowed a tripling of national capacity. BNTCL also supplies the Texaco, Shell and Esso service stations on the island as well as the Barbados Light & Power Company Ltd. generating plant.

Barbados Light & Power is responsible for running an electricity system that is benchmarked in the Caribbean as being one of the region's best in terms of efficiency and reliability. Managing director Peter Williams says: "Our customers are becoming more sophisticated. We have a large offshore financial services sector and a large tourism sector in Barbados, so we need to move from comparisons with other utilities to being measured by international standards, in terms of reliability, environmental assessment, human resources, goals—all aspects of what we do in fact. That has some challenges, but we do have

very talented people working for us." Wind farms are also being looked into for the immediate future, as is a new power station in the more rural north of the island. Increased transmission capacity is now needed there due to a recent boom in luxury tourism and real estate.

Information and communications technology (ICT) is also achieving growth. Although the telecoms market is small, mobile penetration rates

"We have been focused on having the best possible network, the best coverage, the best prices overall and are considered the best innovators in the market"

are high with around 80% of the 260,000 inhabitants registered mobile users. According to the governmental chief telecommunications officer, Chelston Bourne, who oversees the sector and opened it to competition in 2005, there are still investment opportunities in this field, especially in the fixed-line market, and for fixed wireless, as well as for an additional mobile operator to join the two currently in the market.

Market leader in telecommunications

Following market liberalization, Cable & Wireless (Barbados) Ltd. has maintained its position as the number one provider of national domestic telephone, mobile, Internet and data services. "We have been very focused on having the best possible network, the best coverage, and the best prices overall, and are considered the best innovators in the



Noel Lynch
Minister of Tourism &
International Transport

BARBADOS: A mature international business jurisdiction exceeding every expectation

Barbados' vision is to become the business and financial services center of the Caribbean. Since 1969, when the country implemented its first International Business Companies Act, it has moved resolutely towards the fulfilment of that vision by progressively modifying its legislation to facilitate the establishment of high-end financial services companies.

Successive governments have understood that the business and financial services sector provides the country with a tremendous opportunity to transform the economy to 'first-world' status, thus improving the quality of life for all citizens. As such, Barbados has now developed into a leading jurisdiction of choice for international businesses. It is recognized as a sophisticated, mature, diverse international business center committed to integrity, whilst offering the expertise and experience prospective investors seek.

Most recently, in response to the complexities of global trade, the Barbados government rationalized its export, investment and business development structures to make the country even more responsive in a competitive international environment.

It has created a new agency, the Barbados International Business Promotion Corporation (BIBPC), to assume the investment functions previously carried out by the Barbados Investment and Development Corporation. The BIBPC is now the lead agency responsible for attracting all non-tourism related foreign direct investment into

Barbados, and the development of the international business and financial services sector, among other mandates.

Besides its vibrant economic growth and political stability, Barbados offers a business-friendly regulatory regime and the capacity to provide office and housing accommodations in an outstanding 'quality of life' environment. Its simplified corporate filing, incorporation and operation are complemented by the availability of local actuarial services, major accounting firms and international banks.

Among the advantages of establishing an operation in Barbados are its low corporate tax rate of 2.5% (maximum), no capital gains tax, full repatriation of capital, profits and dividends, and duty free access to the United States, Canada, the EU, and Caricom markets. Barbados also offers double taxation and investment protection agreements with a wide range of countries including China, exemption from exchange controls, with no withholding taxes on dividends, interest, management fees, and royalties paid.

The country is characterized by a legal system that respects property rights and contracts and has an enviable business and telecommunications infrastructure. Companies interested in investing in Barbados are encouraged to undertake an evaluation visit, where a schedule of meetings will be prearranged with key government officials, companies already established on the island and other relevant businesses and agencies. We look forward to your visit.

Barbados International Business Promotion Corporation

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BIBPC



Smooth rolling waves at Bottom Bay Beach on Barbados' south-east coast

market," says company president Donald Austin. "In addition, when Hurricane Ivan occurred two years ago, we were the only network that was up after it passed, with 58% of our mobile network still operating."

The company recently embarked on a mission to ensure that the most recent technologies are available to residential customers, meaning high growth in broadband services. Since December 2004, the number of broadband customers has increased from 1,200 to 21,000. "Our penetration level is actually higher than Belgium's and, by next March, we should have about 30,000 people using our broadband services," Austin says.

Broadband is the basis for launching a range of other services, such as NextSpeak, which allows unlimited calls to North America or Europe for a fixed fee, and Internet Protocol TV, where films and television are accessed through broadband. The new high-speed Internet Protocol network, Metro Ethernet, enables businesses to connect their internal network through an IP system, giving them access to unprecedented bandwidth, and allowing ten times the current capacity levels for the same rate.

Cable & Wireless has also managed to significantly cut rates while maintaining impressive financial performance, as it recorded profits of U.S.\$34.6 million last year.

International rates have fallen by 60% over the last two years, broadband by 70% over the same period and mobile rates are 67% cheaper. "We are also trying to bring the islands of the Caribbean closer through cheaper rates and reduced rates in other islands where we are present," says Austin. "Before our suggestion, no-one had brought up telecoms within the regional private trade body, the Caribbean Association of Industry and Commerce, and we think it is vital to bring the islands closer."

Rolling out more barrels

Barbados' best-known product is rum and recent subsidies for modernizing and marketing have ensured that the Barbadian

product can compete in the global marketplace. Mount Gay is arguably its most emblematic brand. "The first document guaranteeing that Mount Gay Rum was being produced dates back to 1703, making it the oldest rum produced in Barbados, or anywhere in the world," says Antoine Houdebine, managing director for Mount Gay Distilleries Ltd.'s Caribbean and Latin America Spirits Division. The brand, distributed since 1989 by Rémy-Cointreau, is now established in around 60 countries and is growing fast, both in terms of turnover, which stands at U.S.\$28 million, and the volume consumed.

Mount Gay is a premium dark rum prepared by blending aged rums, and benefits from the purity of water in Barbados. "One of our defining characteristics is that we use a double distillation process which gives more flavor to the rum," Houdebine says. "Most rum producers use continuous distillation, which is a faster and more economic process. Age is also a competitive factor of our product. For a long time, we knew that we could not compete with the big producers because of our cost levels, so we needed to find a niche, and that is the aged rum category."

Prime Minister Owen concludes: "It is often said that life begins at 40 and the fortieth year of our independence finds Barbados poised to show what it can accomplish on the global stage. This is most visibly shown by our hosting of two global sporting events and the number of foreign companies investing here."

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MOUNT GAY RUM
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