



BARBADOS
INVESTMENT CLIMATE STATEMENT
2015

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Executive Summary

Historically, Barbados' economy is seen as one of the more resilient in the region, with its Gross Domestic Product (GDP) estimated at USD 4.28 billion (2013). However, Barbados has been hard hit by the global economic recession, receiving a series of credit rating downgrades between 2013 and 2014. The economy contracted in 2014 with real growth calculated at 0.2 percent. Barbados' economy has shown some signs of improvement over the last twelve months. According to the Central Bank of Barbados, Barbados' economy is expected to grow by 2 percent in 2015. While not signaling the end of the recession, an increase in tourist arrivals and the decreased market price of oil has given the Barbadian economy some needed room. Despite the recession, the services sector holds the largest potential for investment growth, particularly in tourism and renewable energy services. Barbados is ranked 106th in the World Bank's Doing Business report.

The government offers special incentive packages for foreign investments in the hotel industry, manufacturing, and offshore business services. Foreign nationals receive the same legal protections as local citizens. Local enterprises generally welcome joint ventures with foreign investors to access technology, expertise, markets, and capital.

Companies can freely repatriate profits and capital from foreign direct investment. The Embassy is not aware of any outstanding expropriation claims or nationalization of foreign enterprises in Barbados. Barbados bases its legal system on the British common law system.

Barbados uses transparent policies and effective laws to foster competition and establish clear rules for foreign and domestic investors in the areas of tax, labor, environment, health, and safety. These rules are in keeping with international standards. The regulatory system can be slow and at times not forthcoming on information regarding the refusal of a license.

Barbados is a member of the Caribbean Basin Initiative, which permits duty free entry of many products manufactured or assembled in Barbados into markets of the United States. Barbados has no bilateral investment treaty with the United States, but has a double taxation treaty and tax information exchange agreement.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The Government of Barbados, through Invest Barbados, encourages foreign direct investment with the stated goals to create jobs and earn foreign currency. The services sector holds the largest potential for growth, especially in the areas of international financial services, tourism, information technology, education, health, and cultural services. In agriculture, the gradual decline of the sugar industry has opened up land for other agricultural uses, and investment opportunities exist in the areas of agro-processing, alternative and renewable energy, and hydroponics. In the financial services sector, the government has improved its regulatory oversight and the industry is thriving under better regulatory standards designed to prevent money laundering and tax evasion. The government offers special incentive packages for foreign investments in the hotel industry, manufacturing, and the international business and

financial services sector. For example, International Business Companies (IBCs) have a maximum tax rate of 2.5 percent on income and exemption from foreign exchange controls.

Foreign nationals receive the same legal protections as local citizens. The police and court systems are fairly unbiased in commercial matters, and the government operates in a mostly transparent manner, although the lack of adequate government staff and bureaucratic procedures can slow certain processes and limit access to information. There are no requirements for participation either by nationals or by the government in foreign investment projects. Local enterprises generally welcome joint ventures with foreign investors in order to access technology, expertise, markets, and capital.

Barbados' economy is small and was traditionally protective. New enterprises that might compete with entrenched local establishments, especially in the retail and restaurant sector, faced an objection to their license by local private interests. Licenses for importers of U.S. ice cream and poultry products, and some U.S. fast food franchises, were considerably delayed due to this objection process. Recently, however, there has been a relaxation on the use of this mechanism and an increase in the entry of franchises on the island.

Deregulation in the telecommunications industry has facilitated market access for new competitors. There are currently three service providers: Cable and Wireless (Lime), Digicel, and Columbus Communications (Flow). In November 2014, Cable and Wireless and Columbus Communications announced plans to merge. On March 27th 2015, the Barbados Fair Trading Commission (FTC) approved the USD 3.025 billion merger between the two entities in Barbados after its review under the Fair Competition Act. The FTC underlined a number of conditions highlighting that it hoped that this would foment additional competition in the sector.

Other Investment Policy Reviews

In 2014, Barbados conducted an investment policy review through the World Trade Organization. This report which speaks to the general investment climate in Barbados can be found at https://www.wto.org/english/tratop_e/tpr_e/s299-00_e.pdf.

Laws/Regulations of Foreign Direct Investment

Describe the country/economy's legal system as it relates to foreign investment.

All potential investors applying for government incentives must submit their proposals for review by Invest Barbados to ensure that the project is consistent with the national interests and provides economic benefits to the country. There are no limits on foreign ownership or control. Invest Barbados' foreign direct investment policy is to actively promote Barbados as a desirable investment location, to provide advice, and to assist prospective investors. The main laws concerning investment in Barbados are the Barbados International Business Promotion Act (2005), the Tourism Development Act (2005), the Companies Act, and the Fiscal Incentives Act. There is also a framework of legislation concerning International Business Companies, Financial Services, and Trusts.

Invest Barbados has a website that is useful to navigate the laws, rules, procedures and registration requirements for foreign investors. This can be found at <http://www.investbarbados.org>.

Industrial Promotion

Invest Barbados is the investment promotion arm of the government with identified key industries to attract investment into the country.

Limits on Foreign Control

There are no limits on foreign control in Barbados.

Privatization Program

Barbados currently does not have a targeted privatization program.

Screening of FDI

Invest Barbados has the authority to offer guidance and direction to new and established investors who are interested in pursuing investment opportunities in Barbados. The process is transparent and is contingent on the size of capital investment and the economic impact that it will have on the country.

Based on the type of business that the foreign investor wishes to set up, there are different steps that must be completed. Potential investors should contact Invest Barbados for guidance during this process.

Competition Law

Chapter 8 of the Revised Treaty of Chaguaramas provides the competition policy applicable to Caribbean Community (CARICOM) States. Member States are required to establish and maintain a national competition authority for facilitating the implementation of the rules of competition. At the CARICOM level, a regional Caribbean Competition Commission is established to apply the rules of competition in respect of anti-competitive cross-border business conduct. The CARICOM competition policy addresses anti-competitive business conduct, such as agreements between enterprises, decisions by associations of enterprises, and concerted practices by enterprises that have as their object or effect the prevention, restriction, or distortion of competition within the Community and actions by which an enterprise abuses its dominant position within the Community. The Fair Competition Act codified the establishment of the Fair Trading Commission in Barbados which is responsible for the promotion and maintenance of fair competition and participates in the Caribbean Competition Commission. Sectorial regulation of competition in the telecommunications field is provided for under the Telecommunications Act.

Investment Trends

Barbados' economy remains buoyant with a firm commitment to attracting foreign direct investments in critical niche areas. The country is ranked in 106th in the World Bank's ease of Doing Business Report for 2015. Concerns have been highlighted in the areas of the procedure of starting a business, obtaining credit, and paying taxes.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	17 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	106 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	47 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 15,080	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

The currency of exchange of Barbados is the Barbadian dollar and it is issued by the Central Bank of Barbados. Barbados' foreign exchange system is liberalized. The Barbadian dollar has been pegged to the United States dollar at a rate of BBD 2.00: USD 1.00. As a result, the Barbadian Dollar does not fluctuate, creating a stable currency environment for trade and investment in Barbados.

Remittance Policies

Companies can freely repatriate profits and capital from foreign direct investment if they are registered with the Central Bank of Barbados at the time of investment. The Central Bank has the right to limit or delay these conversions depending on the level of international reserves under the bank's control.

The Ministry of Finance and Economic Affairs controls the flow of foreign exchange and the Exchange Control Division of the Central Bank of Barbados executes fiscal policy under the Exchange Control Act. Individuals may apply through a local bank to convert the equivalent of USD 3,750 per year for personal travel and up to a maximum of USD 25,000 for business travel. To convert any amount over these limits one must apply to the Central Bank. International businesses, including Exempt Insurance and Qualifying Insurance Companies, are exempt from these exchange regulations.

Barbados is a member of the Caribbean Financial Action Task Force.

3. Expropriation and Compensation

The Barbados Constitution and Companies Act Cap 308 contain provisions that permit the government to compulsorily acquire property for public use upon prompt payment of compensation at fair market value. The Embassy is not aware of any outstanding expropriation claims or nationalization of foreign enterprises in Barbados.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Barbados bases its legal system on the British common law system. The Attorney General, the Chief Justice, Puisne Judges, and Magistrates administer justice in Barbados. The Caribbean Court of Justice (CCJ) is the highest court of appeal for Barbados. Modern corporate law is based on the Canada Business Corporations Act.

The United States and Barbados are both parties to the World Trade Organization (WTO). The WTO Dispute Settlement Panel and Appellate Body resolve disputes over WTO agreements, while courts of appropriate jurisdiction in both countries resolve private disputes.

Bankruptcy

Barbados is ranked number 26 for ease of “resolving insolvency” in the World Bank’s Doing Business Report. The Companies Act makes provision for the insolvency and/or liquidation of a company incorporated or continued under the Act. The Bankruptcy and Insolvency Act 2002 gives the Company three options: receivership, Bankruptcy (voluntary and involuntary), and reorganization of the company.

Investment Disputes

U.S. Embassy Bridgetown is not aware of any current investment disputes in Barbados.

International Arbitration

The Barbados Arbitration Act (1976) and the Foreign Arbitral Awards Act (1980), which recognizes the 1958 New York Convention on the Negotiation and Enforcement of Foreign Arbitral Awards, contain provisions for arbitration of investment disputes.

ICSID Convention and New York Convention

Parliament has written The New York Convention’s provisions into domestic law, but has not ratified the convention. Barbados is a member of the International Center for Settlement of Investment Disputes (ICSID), also known as the Washington Convention. Additionally, individual agreements between Barbados and multilateral lending agencies have provisions

calling on Barbados officials to accept recourse to binding international arbitration to resolve investment disputes between foreign investors and the state.

Duration of Dispute Resolution

According to the Doing Business Report 2015, dispute resolution generally took 1,340 days. However, this may vary. The slow court system and bureaucracy are widely seen as main hindrances to timely resolutions to commercial disputes. Barbados is ranked at number 160 of 189 in resolving contracts.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

As a member of the World Trade Organization, Barbados is party to the Agreement to the Trade Related Investment Measures. While there are no formal performance requirements, the government encourages investments that will create jobs, increase exports and foreign exchange earnings. There are no requirements for participation either by nationals or by the Government in foreign investment projects. There is no requirement that enterprises must purchase a fixed percentage of goods from local sources, but the government encourages local sourcing. Foreign investors receive national treatment.

Investment Incentives

Most investment incentives in Barbados are tax incentives, although there are some special programs for manufacturers. Potential investors should contact Invest Barbados, a licensed accountant, and/or an attorney in Barbados to find out which incentives fit best with their goals.

Invest Barbados may provide a training grant to qualifying manufacturing and information and communication technology enterprises during the initial operating period.

Companies must meet export performance requirements to take advantage of certain tax incentives. For example, “enclave enterprises” must produce goods exclusively for export outside the CARICOM region. Foreign investors must finance their investments from external sources or from income that the investment generates. When a foreign investment generates significant employment or other tangible benefits for the country, the authorities may allow the company to borrow locally for working capital.

There is no requirement that locals own shares of a foreign investor’s enterprise, but some restrictions may apply to share transfers. The Companies Act does not permit bearer shares. Foreign investors do not need to establish facilities in any specific location, although there are zoning restrictions. There is no requirement that enterprises must purchase a fixed percentage of goods from local sources. However, investors, particularly within the hospitality industry, are encouraged to use local products and produce wherever possible.

The Fiscal Incentives (Amendment) Act (2001) provides a maximum 15-year tax holiday to any manufacturer of an approved product, provided that it meets the definition of an enclave

enterprise: manufacturing exclusively for export outside of CARICOM; manufacturing approved products containing a specified percentage of local value added; or being highly capital intensive. Under the Fiscal Incentives Act, such enterprises may import duty-free equipment, spare parts, and raw materials from outside CARICOM. Dividends and other distributions to shareholders during the tax holiday are also exempt from the payment of income tax. Non-resident shareholders liable to tax in their country of residence are subject to Barbados withholding tax at a lower rate. To qualify for these incentives, the enterprise must apply to the Ministry of Industry.

Enterprises not obtaining benefits under the Fiscal Incentives (Amendment Act 2007) and generating export profits (other than from exports within CARICOM) may receive an export allowance expressed as a rebate of corporation tax on those profits. The maximum rebate of 93 percent applies if more than 81 percent of an enterprise's profits result from extra-regional exports. The Export Development Allowance permits a company to deduct from taxable income an additional 50 percent of what the company spends in developing export markets outside CARICOM.

Initial Allowances or Investment Allowances of up to 40 percent on capital expenditure are available for businesses making capital expenditures on machinery and plants, or on an industrial building or structure. Annual depreciation allowances on such expenditures are also available. Barbados' method of calculating export allowance is as follows:

(A) Export Profit as Percentage of Total Profit

(B) Rebate of Income Tax as Percentage of Income Tax on Export Profits

<u>(A)</u>	<u>(B)</u>
Up to 20%	35%
21%, but under 41%	45%
41%, but under 61%	64%
61%, but under 81%	79%
81% and over	93%

In the tourism sector, a Market Development Allowance allows a company to deduct an additional 50 percent of what it spends encouraging tourists to visit Barbados. Under the Tourism Development Act of 2002, businesses and individuals that invest in the tourism sector can write off capital expenditure and 150 percent of interest. Those same entities are also exempt from import duties; value added tax; and environmental levies on furniture, fixtures and equipment, building materials, supplies, and equity financing. The Act expands the definition of tourist sector to include not just accommodation, but restaurants, tourist recreational facilities, and tourism related services. The Act encourages the development of attractions that emphasize the island's natural, historic, and cultural heritage, and encourages construction of properties in non-coastal areas. The Ministry of Tourism must first be engaged on projects under this legislation.

Regarding taxation, Barbados has entered into double taxation treaties with the United States, Austria, Bahrain, Botswana, Canada, CARICOM, China, Cuba, Czech Republic, Finland, Iceland, Luxembourg, Malta, Mauritius, Mexico, Netherlands, Norway, Panama, Qatar, San

Marino, Seychelles, Singapore, Spain, Sweden, Switzerland, United Kingdom, and Venezuela. Accords awaiting ratification include treaties with Ghana, Portugal, Rwanda, and the United Arab Emirates. Barbados has signed 11 bilateral investment treaties, of which nine are in force, and include countries such as China, Canada, Cuba, Germany, and the United Kingdom. Tax Information Exchange Agreements with the United States, Denmark, the Faroe Islands, Greenland, and South Africa are also in force.

International businesses may operate either free of income tax (e.g., captive insurance) or with a tax rate from 0.25 to 2.5 percent. An International Business Company (IBC) must, by the terms of its license, export 100 percent of its services or products in order to enjoy the following tax rates on gains and profits:

<u>Gains and Net Profits</u>	<u>Corporate Tax Rate</u>
Up to USD 5 million	2.5%
USD 5-10 million	2.0%
USD 10-15 million	1.5%
Over USD 15 million	0.25%

The rate for income over USD 15 million was reduced to 0.25 percent effective income year 2013. In addition, there are no withholding taxes on dividends, interest, royalties, or management fees paid to non-residents.

An IBC may import machinery and equipment into Barbados free from certain taxes and customs duties. IBCs in the information services sector have the same maximum tax rate of 2.5 percent on profits mentioned above, full exemption from import duties on production-related equipment, including computers, full and unrestricted repatriation of capital, profits, dividends, rental of subsidized office space, and training grants to subsidize worker training.

International financial service companies also enjoy several tax incentives. Under the Exempt Insurance Act, a company incorporating with a minimum capital of USD 125,000 and at least one Barbadian director is eligible for taxation on profits at 0 percent for the first 15 years, and thereafter at 8 percent on the first USD 125,000 of taxable income, as well as an exemption from a withholding tax on royalties and exchange control restrictions. Its beneficial shareholders also must not be persons resident in CARICOM. In 1998, legislation allowed companies involved in the international insurance business to register as Qualifying Insurance Companies, entitled to a tax rate of 1.75 percent, after deducting a foreign currency earnings allowance, and exemption from withholding taxes and exchange controls.

The International Trust Act allows non-residents to create trusts for the benefit of non-residents, with no minimum capital requirements and no withholding taxes, but subject to 35 percent tax on profits earned in or remitted to Barbados. Exempt Societies of Restricted Liability, which may not acquire land in Barbados or transact business with CARICOM residents, enjoy certain concessions for up to 30 years, including exemption from exchange controls and withholding tax on dividends, royalties, interest, or other interest paid to non-residents.

Research and Development

Barbados does not currently have a government financed or subsidized research and development program.

Performance Requirements

Non-nationals seeking to work in Barbados must apply for work permits. This is also required for all managerial and technical staff brought into Barbados. The work permit is specific to the job and employer and the permit can be granted for a period of up to five years for long term permits. Short-term permits of up to six months are also available for staff that may be required to spend brief periods at the Barbados facility. One requirement for granting a work permit is that the expatriate must bring to the job special skills or knowledge not readily available in Barbados. While work permits are readily granted to senior management, the number of permits approved may be restricted depending on the amount of persons employed by the local company. No restrictions exist regarding foreign Directors of boards. Please visit the following site for further details: www.immigration.gov.bb/pages/WorkPermit.aspx.

Data Storage

There are no requirements for foreign IT providers to turn over source code and/or provide access to surveillance (e.g. backdoors into hardware and software, turn over keys for encryption, etc.).

6. Right to Private Ownership and Establishment

It is a constitutional right for nationals and non-nationals to establish and own private enterprises and private property in Barbados. These rights also pertain to the acquisition and disposition of interests in private enterprises.

No industries are closed officially to private enterprise, although the government reserves the right not to allow certain investments. Some activities, such as telecommunications, utilities, broadcasting, banking, and insurance require a license from the government. There are no quotas, or other restrictions, on foreign ownership of a local enterprise or participation in a joint venture.

7. Protection of Property Rights

Real Property

There are no restrictions on foreign ownership of property on Barbados. Foreign investors and locals are treated equally with regards to taxation on property. Civil law protects physical property and mortgage claims. The Central Bank must verify real property purchases for non-residents. If a non-resident uses foreign funds and pays for the property in Barbados, the Central Bank will normally endorse the transaction. The sale of property is subject to a 2.5 percent Property Transfer Tax in addition to a 1 percent stamp duty. Brokerage and legal fees are not

included in those levies. It is recommended that you work with an attorney during the purchase process.

The Commissioner of Land Tax charges an annual fee based on the assessed property value. The government taxes hotels on 50 percent of the improved value at 0.65 percent and residential properties on:

- 0% on the first USD 95,000
- 0.10% on next USD 155,000
- 0.45 % on next USD 375,000
- 0.75 % on excess of USD 625,000
- 0.6% on vacant land

Barbados is ranked 144th in the Doing Business report for ease of “registering property.” The report highlighted the length of time needed to register property in Barbados which on average takes a minimum of 118 days as a concern.

Intellectual Property Rights

Barbados has a legislative framework regarding their commitment to the protection of intellectual property rights. While the legal structures governing intellectual property (IP) could be considered strong, enforcement has been weak. Barbados signed the Paris Convention on Intellectual Property Rights (IPR), the Nice Agreement, and is a member of the United Nations World Intellectual Property Organization (WIPO). The Government of Barbados adopted a new Copyright Act in August 1998 and amended it in 2004 to provide for tougher penalties. In the early 2000s, the government also approved legislation for Integrated Circuits Topography, Geographical Indications, and Protection against Unfair Competition. In addition, the government revised The Trademark and Industrial Designs Acts to meet world standards.

Article 66 of the Revised Treaty of Chaguaramas (2001) establishing the Caribbean Single Market and Economy (CSME) commits all 15 members to implement stronger Intellectual Property protection and enforcement. The Economic Partnership Agreement (EPA) which was signed between the CARIFORUM States and the European Community in 2008 contains the most detailed obligations in respect of intellectual property in any trade agreement to which Barbados is a party. The EPA gives recognition to the protection and enforcement of intellectual property. Article 139 of the EPA requires parties to “ensure an adequate and effective implementation of the international treaties dealing with intellectual property to which they are parties and of the Agreement on Trade Related Aspects of Intellectual Property (TRIPS).”

The Office of the United States Trade Representative added Barbados to the Special 301 Report Watch List in 2014 for concerns over the interception and retransmission of programming by local cable operators without the consent of, and without adequately compensating, U.S. rights holders. Barbados’ slow legal system, inert state of enforcement, and lack of reform contribute to their inclusion.

It is the responsibility of the importer to pay and destroy counterfeit goods. There are certain standards that must be met with the Barbados National Standards Institute regarding the

importation of goods. If those standards are not met, the Institute will make the recommendation to the Comptroller of Barbados' Customs and Excise Department to have the goods destroyed. If the goods fall under the Ministry of Health, the goods are destroyed under the guidance of that Ministry. If the imported goods are prohibited goods and do not fall under the Ministry of Health, the Customs and Excise Department will destroy when appropriate. Information on the prevalence of counterfeit goods in the local market is not readily available as there is no tracking method in place to collect data. However, dependent on if the goods are imported by agreement with a particular distributor and the manufacturer; the Customs and Excise Department has the right to seize and destroy the unauthorized imported goods in question.

In most areas, IPR infringement is small-scale, although video stores sell and rent pirated DVDs and videos, and other stores sell illegal copies of computer software, designer items, and music. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Resources for Rights Holders

Contact at Mission:

U.S. Embassy Barbados and the Eastern Caribbean

Name: Michael Carver

Title: Economic/Commercial Officer

Telephone Number: (246) 227-4274

Email address: CarverMJ@state.gov

Country/Economy Resources:

American Chamber of Commerce for Barbados and the Eastern Caribbean

Name: Dustin Delany

Title: Chairman

Telephone: (246) 228-2260

Email: dd@amchambec.com

Local attorneys list: http://barbados.usembassy.gov/barbados_attorneys.html.

8. Transparency of the Regulatory System

Barbados uses transparent policies and effective laws to foster competition and establish clear rules for foreign and domestic investors in the areas of tax, labor, environment, health, and safety. These rules are in keeping with international standards. The regulatory system can be slow and not forthcoming on information regarding the refusal of a license.

The International Business Customer Charter provides for the processing of long (usually for no more than five years) and short-term (for six months or less) work permits in two to four weeks. To receive a work permit for senior management, the company must show that a Barbadian national or resident does not possess the skill set to fill the position.

The Ministry of Finance and Economic Affairs regulates the Exchange Control Authority of the Central Bank of Barbados, including inward investment, registration of foreign capital, currency

accounts, and repatriation of capital and earnings. While local on-shore companies must meet stringent exchange control requirements, government also welcomes investment by non-residents with external sources of financing.

The Financial Services Commission commenced operations in April 2011, under the provisions of the Financial Services Commission Act, and supervises the non-banking financial sector. It is responsible for the examination, supervision, and regulation of non-bank financial institutions such as the domestic and offshore insurance industries, the securities industry, credit unions, and pension plan funds.

The Corporate Affairs and Intellectual Property Office (CAIPO) is a department of the Ministry of Industry, International Business, Commerce and Small Business Development and is primarily responsible for keeping and maintaining a wide variety of business and commercial records. In particular, CAIPO administers the Companies Act and other statutes dealing with company affairs. The Companies Act is modeled on the Canada Business Corporations Act, and creates flexibility and simplicity for the incorporation and operation of companies in Barbados. Companies using or manufacturing chemicals must obtain approval of their environmental and health practices from the Barbados National Standards Institution and the Ministry of Health's Environmental Division.

On rare occasions, the Ministry of Commerce institutes price controls, listed in the Official Gazette. The government controls gasoline prices.

Barbados enacted legislation in 2000 to create the Fair Trading Commission (FTC) to provide consumer protection in telecommunication and utility services among other issues. There is no specific antitrust legislation in Barbados.

The Chief Town Planner must approve new construction or changes in land use. Zoning restrictions protect agricultural land and the government pursues policies to ensure environmental integrity.

9. Efficient Capital Markets and Portfolio Investment

Barbados has a small stock exchange, an active banking sector, and opportunities for portfolio investment. Local policies seek to facilitate the free flow of financial resources, unless there is a shortage of funds. The government has intervened in the local credit market to control interest rates, limit the volumes of funds available for borrowing, and borrow on the local market. However, the Central Bank has raised interest rates in the past without any government intervention. There are a variety of credit instruments in the commercial and public sectors that local and foreign investors may access.

The government has implemented a continuous review process for legislation in the financial sector in an effort to strengthen and improve the regulatory regime in order to attract and facilitate retention of foreign portfolio investments. During 2013, the Bank underwent a Financial Sector Assessment Program (FSAP) assessment by the International Monetary Fund and The World Bank, and the resulting Financial System Stability Assessment Report was published in February 2014. The Report noted that since the 2008 FSAP Update, Barbados had

substantially improved its legal, regulatory, and supervisory frameworks to support the banking system. The International Financial Services Act, which replaced the Offshore Banking Act in June 2002, incorporates the Basel standards, and provides for on-site examinations of offshore banks. This allows the Central Bank to augment its offsite surveillance system of reviewing anti-money laundering policy documents and analyzing prudential returns.

Under the authority of the Money Laundering and Financing of Terrorism Prevention and Control Act, Cap 129, the government established the Anti-Money Laundering Authority and its operating arm, the Financial Intelligence Unit, in 2000. The Bank Supervision Department of the Central Bank of Barbados, in conjunction with the Anti-Money Laundering Authority in 2001, issued in 2001 the Anti-Money Laundering Guidelines for Licensed Financial Institutions, which were revised in 2006, 2011, and most recently in October 2013.

The Securities Exchange Act of 1982 established the Securities Exchange of Barbados (SEB), which was re-incorporated as the Barbados Stock Exchange (BSE) in 2001. The 1982 Act was replaced by the Securities Act, Cap 318A, which removed regulatory responsibility for the securities market activity from the BSE. This Act helped to strengthen the regulatory framework and development of the capital market. In 1987, the BSE began trading corporate stocks and fixed income securities, including government bonds (not commercial paper). Activities on the BSE include regional cross-border trading arrangements for shares listed on the Trinidad and Tobago and Jamaica stock exchanges.

The BSE operates a two-tier electronic trading system comprised of a Regular Market and a Junior Market. Companies applying for listing on the Regular Market must observe and comply with certain requirements. Specifically they must inter alia have assets of not less than USD 500,000 and adequate working capital based on the last three years of their financial performance, as well as three-year projected performance. Companies must also demonstrate competent management and be incorporated under the laws of Barbados or other regulated jurisdiction approved by the Financial Services Commission. Applications for listing on the Junior Market are less onerous, requiring minimum equity of one million shares at a stated minimum value of USD 100,000. Reporting and disclosure requirements for all listed companies include interim financial statements, and an annual report and questionnaire. Non-nationals must obtain exchange control approval from the Central Bank of Barbados to trade securities on the BSE.

The BSE has stated its intent to fully immobilize traditional share certificates where clearance and settlement is computerized through the Barbados Central Securities Depository Inc., which is a wholly owned subsidiary of the Barbados Stock Exchange Inc. The Financial Services Commission under the Property Transfer Tax Act can accommodate investors requiring a traditional certificate for a small fee. The Financial Services Commission also regulates Mutual Funds in accordance with the Mutual Funds Act, Cap 320B.

The year 2014 proved to be another challenging year for the Barbados Stock Exchange. Overall trading volume and activity fell by 67 percent and 72 percent respectively over 2013. In January 2014, the BSE introduced new rules in accordance with International Organization of Securities Commission designed to protect investors, ensure a fair, efficient, and transparent market, and

reduce systemic risk. Public companies now have only 90 days from the close of their financial year to file audited financial statements with the BSE, 30 days fewer than before. Companies have 60 days to file quarterly statements. Additionally, a fine not exceeding USD 5,000 has been added to the list of possible penalties for any person under the jurisdiction of the BSE who contravenes or is not in compliance with any of the requirements.

Money and Banking System, Hostile Takeovers

The Barbados domestic financial sector consists of six commercial banks and twelve trust and finance companies and merchant banks. There are also 35 credit unions and two money remitters. The offshore sector includes 3,945 international business companies, 347 international societies with restricted liability, 189 exempt insurance companies, and 41 offshore banks. Starting in 2001, the government required Barbados institutions and legal entities to reveal the identity of beneficiaries receiving dividends and/or interest. The total assets for the banking system stood at USD 6.12 billion as of January 2015. The local cash reserve requirement was 5 percent, foreign cash reserve requirement was 2 percent, and the securities reserve requirement was 10 percent during the same period.

10. Competition from State-Owned Enterprises

Statutory or state owned enterprises in Barbados include the National Insurance Scheme and the recently established Barbados Revenue Authority. These companies do not generally pose a threat to investors as they are designed to support government programs such as the national pension plan and the collection of government revenue.

OECD Guidelines on Corporate Governance of SOEs

While Barbados recognizes the Organization of Economic Cooperation and Development (OECD) guidelines, SOEs in Barbados are not found in the key areas earmarked for investment.

Sovereign Wealth Funds

The Ministry of Finance and the Central Bank of Barbados have accountability for sovereign wealth funds.

11. Corporate Social Responsibility

In Barbados, producers and consumers alike demonstrate awareness of corporate social responsibility (CSR) principles. The private sector remains heavily involved in public service projects, including environmental, social, and cultural causes. Individuals benefit from business sponsored initiatives when local and foreign owned enterprises pursue volunteer opportunities and make monetary or in kind donations to local causes.

OECD Guidelines for Multinational Enterprises

The non-governmental organization (NGO) community, while comparatively small, is involved in fundraising and volunteerism in gender, health, environmental, and community projects. The

government at times partners with NGOs in activities. The government encourages philanthropy.

12. Political Violence

Barbados has not experienced political violence since the 1930s.

13. Corruption

Corruption is generally not a major problem in Barbados, but some U.S. companies have reported unfair treatment by Barbados' Customs and Excise Department. Other U.S. companies have reported efforts by political actors to trade political support for payment or partial project ownership.

In 2012, Barbados enacted the Prevention of Corruption Act (2010) which repealed an outdated law from the 1920s. The Prevention of Corruption Act (2010) which contains some provisions for Integrity in Public Life.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Barbados has not signed and ratified the Inter-American Convention on Mutual Assistance in Criminal Matters, but has signed but not ratified the UN Convention on Corruption and the Inter-American Convention against Corruption.

Resources to Report Corruption

14. Information not available. Bilateral Investment Agreements

Barbados has no bilateral investment treaty with the United States. Barbados has bilateral investment treaties with Canada, China, Cuba, Germany, Italy, Mauritius, Switzerland, the United Kingdom, and Venezuela. Bilateral investment treaties with Luxembourg and Ghana are awaiting ratification. Barbados is also party to the following:

Caribbean Community (CARICOM)

The Treaty of Chaguaramas established CARICOM in 1973 to promote economic integration among its fifteen Member States. Investors operating in Barbados are given preferential access to the entire CARICOM market. The Revised Treaty of Chaguaramas goes further to establish the CARICOM Single Market and Economy (CSME), by permitting the free movement of goods, capital, and labor within CARICOM States.

Economic Partnership Agreement (EPA)

The Economic Partnership Agreement (EPA) was concluded between the CARIFORUM States and the European Community and its Member States in 2008. The EPA replaced the now expired transitional trade regime of the Cotonou Agreement. The overarching objectives of the EPA are to alleviate poverty in CARIFORUM, to promote regional integration and economic

cooperation and to foster the gradual integration of the CARIFORUM states into the world economy by improving their trade capacity and creating an investment-conducive environment. The Agreement promotes trade related developments in areas such as competition, intellectual property, public procurement, the environment and protection of personal data.

Caribbean Basin Initiative (CBI)

The objective of the Caribbean Basin Initiative is to promote economic development through private sector initiative in Central America and the Caribbean islands by expanding foreign and domestic investment in non-traditional sectors, diversifying CBI country economies and expanding their exports. It permits duty free entry of products manufactured or assembled in Barbados into markets of the United States.

Caribbean/Canada Trade Agreement (CARIBCAN)

CARIBCAN is an economic and trade development assistance program for Commonwealth Caribbean countries in which Canada provides duty free access to its national market for the majority of products which originate in Commonwealth Caribbean countries.

Bilateral Taxation Treaties

Barbados has a double taxation treaty and a tax information exchange agreement with the United States.

15. OPIC and Other Investment Insurance Programs

OPIC provides financing and political risk insurance to viable private sector projects, helps U.S. businesses invest overseas, and fosters economic development in new and emerging markets.

16. Labor

Barbados' labor force was approximately 123, 500 people at the end of September 2014. The total average unemployment rate toward the end of September 2014 was approximately 12.9 percent.

Labor regulations in Barbados are guided by a framework of laws and accepted best practices. These include Holidays with Pay Act, Sick Leave Act, Public Holidays Act, Protection of Wages Act, Maternity leave, National Insurance contributions, unemployment benefits, and severance pay. Wages in Barbados are among the highest in the Caribbean. Minimum wages for only a few categories of workers are administratively established and enforced by law. The minimum wage for shop assistants, USD 3.13 per hour, is only marginally sufficient to meet minimum living standards. The Ministry of Labor recommended that companies use this as the de facto minimum wage and most employees earned more than the minimum wage. The Labor Department within that ministry was charged with enforcing the minimum wage.

The standard legal workweek is 40 hours in five days and the law requires overtime payment for hours worked in excess. The law prescribes that all overtime must be voluntary. Workers are

guaranteed a minimum of fifteen business days of holiday with pay and are covered by the unemployment benefits legislation and National Insurance (social security) legislation.

Trade unions, and the leaders of the trade union movement, enjoy a strong voice in the labor and economic affairs of the country through their participation in Barbados' Social Partnership, a tri-partite consultative mechanism. Approximately 25 to 30 percent of the labor force belongs to trade unions, but this small percentage belies the power and importance of unions in Barbados: all key sectors are unionized, with all private and public employees in agriculture, tourism, and at the airport and seaport belonging to a single union confederation.

The major unions recognize the advantages accruing to Barbados from foreign investment and foreign expertise and they are generally flexible and accommodating in their dealings with employers. However, local labor leadership is sensitive when it perceives a lack of respect for Barbadian laws and customs by large, visible foreign employers. It is generally cooperative with management in unionized shops.

Barbados does not have labor legislation that mandates a legal process necessary for unions to achieve status as bargaining agents. Employers have no legal obligation to recognize unions under the Trade Act of 1954, but most employers do so when a majority (usually 50 percent plus one) of their employees desire representation. While there is no specific law that prohibits discrimination against union activity, the courts provide a method of redress for employees who allege wrongful dismissal. The courts commonly awarded monetary compensation but rarely ordered reemployment.

The law provides for the right to strike and workers exercised this right in practice. All private and public sector employees are permitted to strike, but essential workers may strike only under certain circumstances and after following prescribed procedures. Early contact and rapport with Labor Ministry officials and union leaders by foreign investors may be helpful in terms of fostering labor harmony.

The law provides for a minimum working age of 16 and this provision generally was observed in practice. Compulsory primary and secondary education policies reinforced minimum age requirements. The Labor Department had a small cadre of labor inspectors who conducted spot investigations of enterprises and checked records to verify compliance with the law. These inspectors may take legal action against an employer who is found to have underage workers. Additionally, legislation to prohibit sexual harassment is pending.

In April 2013, the Employment Rights Act came into force which regulates the relationship between the employer and the employee particularly in such areas as a written statement of particulars of payment, the right to a written statement of employment particulars, and hiring and dismissal. The Act also establishes an Employment Rights Tribunal to adjudicate on disputes over the new rights, though complaints must first be referred to the Chief Labor Officer (CLO) for an opportunity for a settlement to be reached by conciliation. The CLO is also given more power under the new Act.

Implementing regulations for the 2005 Occupation Health at Work Act which replaced the Factories Act became effective in January 2013. This Act governs the general health and safety of workers in all workplaces except the military, armed forces, and private household domestic service. The law requires that in certain sectors and firms employing more than 50 workers create a safety committee that could challenge the decisions of management concerning the occupational safety and health environment. The Labor Department also enforces health and safety standards and follows up to ensure that management corrected problems cited. Trade union monitors can identify safety problems for government factory inspectors to ensure the enforcement of safety and health regulations and effective correction by management. The Labor Department's Inspections Unit conducts routine annual inspections of government-operated corporations and manufacturing plants. Workers have the right to remove themselves from dangerous or hazardous job situations without jeopardizing their continued employment.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

There are no foreign trade zones or free ports in Barbados.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2013	4280.9	2012	4224.85	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2013	305.6	2013	13,911	http://bea.gov/international/factsheet/factsheet.cfm?Area=251
Host country's FDI in the United States (\$M USD, stock positions)	2013	233.9	2013	839	http://bea.gov/international/factsheet/factsheet.cfm?Area=251
Total inbound stock of FDI as % host GDP	2013	111.7	2012	12.2%	http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS

*Central Bank of Barbados

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	N/A	100%	Total Outward	N/A	100%
Canada	1950.80	39.43%	Bahamas, The	1128.68	33.72%
Trinidad and Tobago	849.48	17.17%	Cayman Islands	625.64	18.69%
Luxembourg	826.47	16.70%	United States	233.91	6.99%
United Kingdom	467.08	9.44%	Norway	232.78	6.95%
United States	305.60	6.18%	Trinidad and Tobago	205.10	6.13%

"0" reflects amounts rounded to +/- USD 500,000.
Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	22,151	100%	All Countries	5,299	100%	All Countries	16,853	100%
United States	10,315	47%	Cayman Islands	1,188	22%	United States	9,424	56%
Canada	2,168	10%	United States	891	17%	Canada	1,422	8%
Cayman Islands	1,217	5%	Canada	746	14%	Australia	1,061	6%
Australia	1,071	5%	Ireland	475	9%	Jersey	588	3%
Jersey	878	4%	Bahamas, The	354	7%	Netherlands	498	3%

Source: IMF Coordinated Portfolio Investment Survey

19. Contact for More Information

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