



**GOVERNMENT OF BARBADOS**

**ADDRESS**

**BY**

**THE HON. DAVID THOMPSON  
PRIME MINISTER**

**AT THE  
BARBADOS CHAMBER OF COMMERCE  
LUNCHEON**

**HILTON HOTEL**

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In contemplating my remarks to you this afternoon, I couldn't help but draw the parallel between political and economic developments here at home in Barbados and those that stretch across the United States of America, at this particular hour.

Several of you, I am sure, had been following the political pendulum in Washington even before the historic Massachusetts loss by the Democratic Party late last week.

What I find particularly interesting, is the acknowledgement by many in Barbados that President Obama was dealt a very tough economic hand when he assumed the leadership of that country a year ago.

People of varying political persuasions here in Barbados have conceded that President Obama could not reasonably have been expected to do much more than he did, economically, within the framework of the socio-political and economic legacy that he inherited.

There is a consensus however, that in its first year, the Obama presidency has done much to change and influence how the United States is perceived around the world.

The significance of this should not be undervalued.

I am not about to write the biography of my first two years as Prime Minister, but I must confess that the parallels with that of President Obama and his circumstances are significant. For like me, President Obama is **caught between unloving critics and uncritical lovers.**

What is sometimes amazing, is the extent to which the very persons, here in Barbados, who understand and empathize with Obama for the hand he inherited, find it difficult to appreciate that the circumstances here in Barbados are essentially no different and that in several respects, we in this 166 square mile island fared better.

My intervention today will focus on the current state of the Barbados economy, making reference to the review of the economy in 2009 and projections for 2010.

When I was elected in 2008 I knew that Barbados faced many challenges. I committed to lead a government that would work with the private sector and the workers' representatives to achieve certain goals for our nation.

2008 was a tough year which ended in great uncertainty.

The story of what happened in that year has been told several times and in several places and I have little to add to it today, except to say shortly how events in the world have affected our economy.

I outlined my vision for Barbados in my party's Manifesto, "*I have a vision of Barbados in which our arts, architecture, industrial policy, economic policy and social policy promote the concept of island living that is socially empowering, highly productive and allows us to meet both our internal and external obligations.*

*I see a Barbados in which we use trademarks and inventions, which boast '**Made in Barbados**', as a reassurance of quality; and where we have a style of governance that is democratic in the true sense of the word.*

*In short, I see a new Barbados that can show the world that the size of our island nation presents no barrier to the attainment of a superior quality of life. To this end, I believe that there are five areas in which our Island should seek to be the very best:*

- **Information Technology Software Development**
- **Solar Technology goods and services**
- **Environmentally-friendly Building Materials (furniture, doors, fittings and frames)**
- **The Arts (fashion design, music, dance and theatre)**
- **Food and Beverage"**

Government sees these, and others, as niche opportunities that Barbados should pursue.

The daunting global economic conditions that have prevailed over the last two years have continued to impact the economic landscape of Barbados severely our ability to flex our muscles economically in the way I would have wished.

I am mindful though that **our finest moments have occurred when we are feeling deeply uncomfortable, unhappy, uncertain or unfulfilled.** For it is only in such moments, propelled by our discomfort, that we have stepped out of our ruts and started the search for something new and for new ways of doing something.

And the international climate provides the platform for such reawakening particularly if, according to the IMF World Economic Outlook, towards the end of 2009, the global economy was expanding again.

It is predicted that it will be pulled up by the strong performance of Asian economies and stabilization or modest recovery elsewhere. In the larger economies, unprecedented public intervention has stabilized activity and has even fostered a return to modest growth in several economies. Fortunately, emerging and developing economies are generally further ahead on the road to recovery, led by a resurgence in Asia.

The recent rebound in commodity prices and supportive policies are helping many of these economies. By the same token, countries in emerging Europe and the Commonwealth of Independent States have been hit particularly hard by the crisis and developments in these economies are generally lagging those elsewhere.

The contagion from the economic and financial crisis, especially in industrialized countries, has also led to broad-based contraction within Regional economies.

This contraction was accompanied by reductions of foreign exchange inflows and increases in unemployment levels.

Additionally, the fiscal deficits have widened as a result of a decline in tax revenue, despite efforts by regional governments to narrow the fiscal gap. The external shocks from the global financial crisis have posed different and significant challenges for the Barbados economy. GDP growth stagnated in 2008 while a significant contraction in GDP of around 5.3 percent is estimated for 2009. In essence, the crisis is estimated to have cost Barbados almost 10.0 percentage points in economic growth over the last two years.

Moreover, the depth and protracted duration of the crisis has led to broad-based contraction in output across virtually all sectors during 2009. There has been a severe downturn in tourism activity. Permit me to point out who our “tourists” are.

I get the impression from listening to some, who should know better, **that tourists are ‘Martians’ who land on earth three o’clock every morning with bags and bags of money and other riches.**

It is trite to say that the majority of visitors to Barbados come from those economies that are under great strain. Europe, Canada, the United States and the Caribbean are the places from where we receive visitors.

These are all also economies – except perhaps Canada - that are undergoing similar and in some instances worse shocks than those which we have encountered.

So a fall-off in arrivals or a decline in spending ought not to be viewed in isolation or from an absurd and illogical perspective. I just thought I should make that point because it is really amazing the type of submissions that emanate from certain quarters in this country.

Preliminary data suggest that the decline in tourism activity was due mainly to an estimated 11.0 percent fall in long-stay arrivals and this took place in spite of a brighter 6.0 percent increase in cruise ship passengers. Any contraction in tourism will have a knock-on effect on other traded sector activity in our economy and declines in manufacturing and non-sugar agriculture were therefore recorded at the end of 2009.

In addition, the crisis-related loss of foreign exchange from tourism is estimated to be \$170 million which, coupled with an estimated shortfall of \$465 million in private capital net inflows, were the main factors in a lower than anticipated Net International Reserves position.

Waning tourism-related projects coupled with the tight credit conditions being experienced internationally, brought a number of real-estate investment projects to a standstill, retarding activity in the construction and mining and quarrying sub-sectors.

In relation to unemployment and inflation, the position on these indicators during the reporting period was mixed.

I am happy to report that the inflation rate has moderated during 2009, falling from 8.6 percent at the end of 2008 to 3.1 percent at the end of 2009. Unemployment, in these very challenging times, has been contained to 10.0 percent. In some quarters, 15 per cent was forecast!

Following a similar trend in 2008, the fiscal deficit widened during 2009 to an estimated \$564.6 million or 8.4 percent of GDP. This fiscal outturn reflected a marked slowdown in revenue intake on account of the weakened domestic economy and increased government expenditure. Government expenditure rose by an estimated 3.4 percent in 2009, below the 14.1 percent increase in 2008.

This slower rate of expansion in Governments spending can be attributed to lower rates of growth in transfers and subsidies coupled with reduction in capital expenditure and interest payments.

### **Projections for 2010**

This Seminar is about the **Economic Outlook for 2010**.

Projections of the key macroeconomic indicators suggest that in 2010 the Barbadian economy is likely to register a marginal growth rate of 0.5 percent, driven largely by an anticipated improvement in the performance in both the traded and non-traded sectors.

These projections are in large measure determined by the kind of recovery that will occur in our major source markets.

As I stated earlier, the global financial markets are showing signs of stabilization, but one has to be cognizant that this recovery remains still fragile and thus warrants a carefully managed policy response.

While any signs of a global recovery are welcomed, government acknowledges that there are a number of policy initiatives that must be continued in order to reposition the Barbados economy.

The Ministries of Finance and Economic Affairs are in the process of rolling out a medium-term fiscal strategy (MTFS) for the period 2010 to 2014 which the Cabinet has already reviewed.

This strategy outlines very systematically the management our recovery during this financial and economic crisis and beyond.

The core strategic objectives of the strategy will be to **enable Barbados to make the critical transition from crisis to recovery; to turn the page on an era of expanding fiscal deficits; and to adopt a set of policies, parameters, regulations and reforms to meet the needs of the 21st century global economy.**

In essence, this will be a year that marks a new departure for our economy. The strategy is a medium term project that has long term benefits.

The specific objectives of the MTFS are to:

- i. Put Barbados's public finances back on a sustainable footing.
- ii. Ensure that a balanced budget is obtained by 2014/15 and a small fiscal surplus by 2015/16.
- iii. Reduce central government's debt to GDP ratio to near 70.0 per cent by 2017/18.
- iv. Maintain an investment grade rating for Barbados.
- v. Provide a stable fiscal framework that will enable the Government to better achieve national goals and development.
- vi. Maintain macroeconomic stability through sustainable management of the fiscal deficit and debt.
- vii. Increase productivity and international competitiveness.

- viii. Return real GDP growth to the sustainable annual average rate of approximately 3.0 per cent by 2012.
- ix. Ensure that Government's social policy enhances the social welfare and well-being and quality of life of citizens particularly the most vulnerable persons/sectors in the society.

It is important to note that the medium-term fiscal strategy will constitute only part of a much broader Medium Term Development Strategy for the similar period 2010 to 2014 which is now being considered by the Sub-Committee on Economic Policy.

This comprehensive Medium Term Development Framework will represent the blueprint for growth and development over the next five years.

This strategy comprises a series of reforms that signal change in the way we do business, the way we work, the way we think, the rewards we get and the effort we make.

As Barack Obama said during his campaign, *"Change will not come if we wait for some other person or some other time. **We are the one's we've been waiting for. We are the change that we seek.**"*

These reforms are needed now. And we are the ones who have to effect the change.

The reforms are not just about words. Edwin Friedman said, *"the colossal misunderstanding of our time is the assumption that insight will work with people who are unmotivated to change. Communication does not depend on syntax, or eloquence, or rhetoric, or articulation but on the emotional context in which the message is being heard. **People can only hear you when they are moving toward you, and they are not likely to when your words are pursuing them. Even the choicest words lose their power when they are used to overpower. Attitudes are the real figures of speech.**"*

There are words that swirl around our people like "competitiveness" and "productivity" and "efficiency" and "survival of the fittest" that have become like swords against the average man and woman. Barbados is not just an economy – we are a society where people enjoy living and coming here to work.

Not just because of tax concessions and competitiveness but because they can enjoy a harmonious, high standard of living here.

To change attitudes in Barbados, we must generate consensus, cooperation and the building of a team in which rewards and setbacks are shared.

Conscious of this caveat, I am proud to report that the Barbados Competitiveness Programme being funded by the IDB, will commence very soon.

This project will seek to create the appropriate enabling environment for business facilitation, through a thorough evaluation and design of new productive development frameworks and incentive systems.

One of the exciting features of the competitiveness project is that it will strengthen participatory democracy through a specially designed private-public partnership framework for sustained development.

Let me then reiterate the point that government will not waver in its commitment to re-balance the economy repositioning all sectors to benefit from growth prospects when the global economy returns to buoyancy.

What we are doing is:

- Identifying new areas of growth that will generate employment. For example, the Cultural Industries.
- Providing incentives to empower new and existing small and medium size enterprises. This initiative, which will be announced for next fiscal year, will ensure that 40 percent of government's procurement of goods and services is reserved for small and medium enterprises.
- Prioritizing a new and genuine production enterprise culture in Barbados and entrepreneurship to enhance the country's potential to be an export leader where we have some competitive advantage. I was pleasantly surprised by the positive news I read from the Barbados Manufacturers Association last week.
- Strengthen linkages between tourism and other sectors in an effort to bolster economic growth. I am very much looking forward to seeing the Tourism Plan that the BHTA has commissioned so that we can work more effectively with our Tourism Partners.

Government will also continue to provide support to the international business sector since this sector is critical in assisting our country through these challenging times.

As you are aware, my advisors and I are in the process of preparing this year's Estimates of Revenue and Expenditure and to follow will be the Financial Statement and Budgetary Proposals.

I have made it a point this year to meet with every Ministry and to clearly enunciate the rigorous fiscal programme that we will be pursuing but, more importantly, to get an overview of the way in which Ministries have prioritized their expenditures.

Today is not the time and this is certainly not the place for me to adumbrate the specific initiatives that we will take as a government to lighten your load and foster an environment for growth and expansion of your enterprises.

What I will say to you, nevertheless, is that what I see as most needed cannot be delivered by way of the proverbial 'black box'.

It requires much more.

I said two Sunday's ago and I said earlier that the number one challenge of Barbadians going forward is the adoption of the correct attitude.

Half of the mountain is climbed or, as this is the birthplace of Ryan Brathwaite, the high point of the hurdle is crossed when we adopt the correct attitude and aptitude to getting the job done.

As a government, we will hold consultations with the private sector and whatever we can do, within reason, to assist you through this period, we will do...but a lot will also depend on you.

**The weight of this global crisis must not determine the destiny of our nation.**

At all levels, we must start thinking without limits, and draw inspiration from those around who have succeeded against the odds and who, contrary to popular view, were not endowed with gold spoons.

Very often we speak of the achievements of our sportsmen, more recently of Ryan Brathwaite in athletics and of Rihanna in entertainment.

But this is also the country that has produced Sir Kyffin Simpson, Sir Charles Williams and other businessmen and industrialists who can hold their own at the any business meeting anywhere in the World.

Not because they are eloquent. What is the enduring quality of both of these men for example?

That, as Susan Anthony says, ***“Cautious, careful people, always casting about to preserve their reputations and social standing, never can bring about a reform. Those who are really in earnest must be willing to be anything or nothing in the world's estimation, and publicly and privately, in season and out, avow their sympathy with despised and persecuted ideas and their advocates, and bear the consequences.”***

This is the country that has produced Sir George Alleyne, Nobel Prize winner Dr. Leonard Nurse and many others. The first thing US Attorney General Eric Holder said when he went to his nomination hearings was that he is the son of proud Barbadians.

Whenever I meet President Obama, he says to me, *“Hey, how are things in Barbados? Then he turns to the person next to him and says, ‘This guy is the leader of a country where everybody is family to everyone else.’”*

Truer words could not have been spoken. We are all “family.” We all have to act as a family and pull ourselves up and out of this economic crisis together.

Simply put, size has never been a deterrent to where we can go or what we can achieve as a people. We must not constrain our achievements through fear of failure or by conservatism of thought.

Truth to tell, while I cannot say whether things will get better if we change; **I know that things must change if they are to get better.**

My job is to remember always that power comes from the Latin “*posse*” meaning to do, to be able, to change, to influence or effect. To have power is to possess the capacity to control or direct change. **The central issue in relation to power for me is to use power wisely and well.**

I would like to influence you to re-launch the Barbados label as ‘leader’ in most things in this hemisphere.

As businessmen, I want to influence you to put Barbados first in your boardroom deliberations.

Barbados’ welfare and well-being will determine the welfare and well-being of you and your enterprises.

We need business plans that are Barbados friendly; that are in the best interest of the medium and long term interest of this country.

We need also business practices that will create the enabling environment for us to foster and maintain an atmosphere of peace, harmony and tranquility.

I am comforted that for the most part we have maintained a relatively quiet industrial climate during the past 24 months.

There were a few skirmishes, as there will always be, but generally, I am satisfied that many years of respect for and adherence to healthy and positive industrial relation practices have stood us in good stead to weather this period of challenge and adversity.

We must be practical in our approach to business.

I saw an advertisement on television yesterday evening in which a well known pancake house of international standing is claiming that it has rolled back the prices of some basic meals to 2005 levels.

On the surface this sounds like a gimmick and you wonder if it could be true, but clearly, the marketing professionals here have determined that volume and rapid turnover is what is required to keep and grow market share in these difficult times.

If anyone in here could find a restaurant tomorrow that sold the same high quality lunch at 2005 prices, wouldn't you head in that direction?

The point I wish to make, in clear and pellucid terms, and I am told by some that they do not like my simple language, is that as businesspeople it does not pay - in this environment - to be greedy...you have to roll with the punches and do whatever is required to stay in business.

The horizon looks promising and I am sure Barbados will rebound from this economic downturn, but for the time being, you have to be practical and realistic in the growth targets you set yourself and your enterprises.

I want you to believe in Barbados and to love this country.

Hiding your money overseas – which we don't do because it's not part of our culture - and not reinvesting it in this country is one, not wise; given the turbulence that exists in the international financial community at this time, and second, it is not pro-Barbadian.

Many of us may have an option or two as to where else we can live, but I challenge anyone in this room or this country, for that matter, to tell me a country that they would chose to live in over Barbados at this moment.

Therefore, just as you are going to ask me as Minister of Finance to introduce measures to stimulate your business activity, I want to ask you as well, to wrap your business plans and your prospects for investment in the flag of this country.

I am familiar with several of your concerns and I intend to address them gradually over the course of the next two years. We will start with the Budget and we will also work with you outside of the budget cycle to effect meaningful change.

The object is to focus not on problems but on opportunities.

One lingering area of concern I know you have, pertains to planning permissions.

There have been improvements in the turnaround time on applications, but I am told by several of you, and I agree wholeheartedly, that the overall culture needs to change.

We have to foster and build a dynamic in Barbados where critically placed public officers view themselves and their work as partners in the process of development and not mere controllers or regulators.

I would like to see the stage reached in Barbados where the Planning Department could have input into large scale projects at the conceptualization stage, rather than at the point as currently practiced where tremendous effort and resources would already have been expended.

This will require a change in the law.

The critical challenge for us in Barbados is the procurement and retention of foreign exchange. Tremendous assistance must therefore be given to projects that are net foreign exchange earners and the planning department will be encouraged to see itself as a partner in the development of such projects rather than a controller. In this way, upfront costs are reduced and the incubatory period lessened, as all parties could, by the time the plans are formally submitted, be singing from the same hymn sheet.

This is but an example of the forward looking approaches we are contemplating as we seek to improve the environment for doing business in Barbados.

As I said earlier, this being a few weeks before the start of the estimates debate and the annual Budget, I do not propose to go into great detail as to the specific initiatives that will be taken.

I have asked the Chief Town Planner, The Comptroller of Customs and the Chief Immigration Officer to be here with me today to answer any questions you may have about reforms in those departments.

Suffice to say, nonetheless, that as a proud nation we must use this time wisely; to rebuild our institutions and confront boldly our challenges.

The economic challenges ahead will be difficult but I am confident that with astute leadership, good governance, creativity and co-operation by all, we will overcome this very challenging period and shall preserve Barbados' standing as a leader in this part of the hemisphere.

I thank you.