INTERNATIONAL MEETING ON SERVICES VALUE-ADDED IN EXPORTS
Services and trade policies for diversification and upgrading
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SERVICES VALUE ADDED IN EXPORTS: OPPORTUNITIES FOR BARBADOS

Presentation by

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Services Value Added in Exports: Opportunities for Barbados

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The Focus of the Presentation

• To provide a very preliminary scan of the environment in Barbados – challenges and opportunities;
• To highlight a few initiatives by Government and the Coalition which could advance the services agenda for the country
Value Chain Analysis

• Value chain represents all the internal activities a firm engages in to produce goods and services.

• Its goal is to recognize, which activities are the most valuable (i.e. are the source of cost or differentiation advantage) to the firm and which ones could be improved to provide **competitive advantage**.
“Barbados is a country that punches above its weight on the global stage” – Kofi Annan, late Former Secretary-General of the UN
Economy Profile of Barbados
World Bank Report 2017- Estimates in US$

- Services: 87.1%
- Agriculture: 1.6%
- Industry: 11.2%

- GDP: 4.9 Billion
- EXPORTS: 2.32 Billion
- IMPORTS: 2.38 Billion
- DEBT: 108.3% of GDP
• There’s a tendency within Small Island Developing States (SIDS) like Barbados for Service Providers to underestimate the economic value of the indigenous, the ordinary and the familiar. So it is perhaps reasonable to say that a renewed national consciousness and cultural shift in the way we as ‘small islanders’ think is necessary in order to see the inherent value in our people, organizations and ways of doing things (processes) that can add value to the products and services we produce.
Symbols of Success Motivate

A Star/ Global Brand Emerging from the Obscurity of Little Barbados
MOU with the Barbados Manufacturers Association (BMA)

With the goal of providing a framework for active collaboration between the parties to secure increased domestic value added amongst and between Barbadian enterprises. (i.e. through)

1. Collaborative conferences and seminars.
2. Collaborative training programs.
3. Joint publishing of articles on the importance of increasing domestic value added and the cross fertilization of industries.

BCSI and BMA signed an MOU March 2019
We are now beginning to realize that the STORY of rum in Barbados is as saleable as the product itself.

- The creation of a ‘Rum Trail’ for Barbados (similar to the Bourbon Trail which attracts 1 million tourist every year in Kentucky) is now under active consideration by the sector as a viable value-added component to the production of rum.

- There is also a view that a Geographical Indicator would assist in how the usage of services such as MARKETING and BRANDING by local rum producers can increase the value of the products and I believe a GI proposal is currently on the table for approval.
Rum Trail to 3 Local Distilleries
Cruise Conversion Scenario

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<thead>
<tr>
<th></th>
<th>Cruise Passengers</th>
<th>Share of Tourists Arrivals</th>
<th>Homereporting Passengers</th>
<th>Pass. Staying 1 Night or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cruise Passengers</td>
<td>711,400</td>
<td>54%</td>
<td>120,000</td>
<td>9,600 or 8%</td>
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<tr>
<td>Long Stay Passengers</td>
<td>606,007</td>
<td>46%</td>
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<tr>
<td>TOTAL</td>
<td>1,317,407</td>
<td>46%</td>
<td>120,000</td>
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<tr>
<td>Covert 20% to Stay 1 Extra Night</td>
<td>142,280</td>
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<td>Take in the Rum Trail @ Us$30 per Distillery</td>
<td>12.8 Million</td>
<td></td>
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<td>Plus transport, accommodation etc.</td>
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<td>= MORE FOREIGN EXCHANGE FOR BARBADOS</td>
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The Data Challenge

In 2018, a meeting of CARIFORUM Countries identified a number of challenges facing the region with respect to Trade in Services Statistics and Data Collection.

1. The lack of priority given to statistical reporting by SMMEs
2. SMMEs are hesitant to share any information which they perceive will incentivize new entrants into the market or result in increased taxation – (Cultural Challenge)
3. The lack of awareness of many SMMEs that are engaging in the export of services. Many small business owners in Barbados still hold the view that the only form of export is through goods which exit the country via the port.
Current Challenges

Barbados’ export performance over the last five years has been relatively modest, due in large measure to the perennial constraints such as:

- Reluctance by local producers to explore non-traditional markets;
- Language barriers in non-traditional markets (i.e. Latin America)
- Difficulty in meeting international standards;
- High costs of promoting individual brands/products in niche markets;
- Lack of adequate support in overseas markets; and
- Lack of consistent, reliable and affordable sources of market research.
Creating an Enabling Environment (1)

To address these issues the Government is seeking to introduce a bundle of forward-looking policies, strategies and transformational programs along with a road map which aims to address the economic, social and environmental challenges and which seeks to further diversify the export base and competitiveness of the economy.

• A committee has been set up by the Ministry of Industry and International Business and Industry to assist in developing this road map. BCSI sits on this Committee.

• The committee will offer suggestions on financial innovations to incentivize the financial industry in providing funding to private sector companies in order to invest in venture capital which will facilitate the development of a new industrial class of young people in Barbados.
Creating an Enabling Environment (2)

- Former Prime Minister Professor Owen Arthur has been appointed Industrial Transformation Advisor to help develop a new Industrial Policy for Barbados.
- This policy will be export oriented; however it will be built on the pillars of domestic value added particularly through the integration of services industries such as Renewable Energy and ICT platforms which are expected to increase the cost competitiveness of Barbadian products.
- **SKILLS FOR THE FUTURE PROGRAM** – With the aid of the IDB and in concert with its Human Resource Development (HRD) Strategy the government invested US$20 Million in a Competency-Based Fund in retraining its citizens for the changing world of work. Many private sector companies participated.
CONCLUSION

• Different economic indicators have highlighted decreasing financing for investment in Barbados relative to financing for consumption. This has resulted in a reduction in new business formation at the corporate registry. As a result a greater role by the financial services sector is needed to support improvement in industry performance.

• The enabling environment would be for the private sector to effectively perform its role as the engine of growth in a dynamic and competitive economy. In the circumstances, the following thematic areas will be considered:
  • Technology, innovation and entrepreneurship;
  • Incentives and a regulatory regime;
  • Cross-cutting issues.
BCSI’s Services Tracking Mechanism

• The Barbados Coalition is seeking to pilot this initiative for Barbados.
• Barbados as you know has a very narrow export base and negative balance of trade with regards to goods. Therefore, it is of high importance to understanding economic activity and international trade in Barbados that a means of recording the export of services is developed.
Thank You!!!

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