



BARBADOS
PRIVATE SECTOR
TRADE TEAM

The Manufacturing Sector in Barbados has shown signs of growth in recent times, and efforts are ongoing to aid in the further development of this important sector. However, ongoing developments, both domestically and within various arenas in international trade will no doubt present significant challenges to the competitiveness and viability of the local manufacturing industry.

Local manufacturing has benefited from a number of incentives and protective measures. At the level of our international trade policy, Barbados' position has been that the sector, given its small size, vulnerability and negligible contribution to world trade, should be shielded as far as practicable from extra-regional competition. One means of doing this has been through the imposition of protective tariffs, however, the ability to maintain some of these tariff levels will come under threat as international trade negotiations continue during the period 2007 – 2008.

At the level of our multilateral trade negotiations within the Doha Development Round, there is the possibility that negotiations, which were suspended in early 2006 may resume this year. A key item on the negotiating agenda is the determination of a tariff reduction formula under non-agricultural market access negotiations (NAMA). While it is expected that some flexibility will be afforded to developing countries, uncertainty remains as to whether the desired level of tariff protection for our domestic industries may be preserved under these multilateral negotiations.

Of more imminent concern are the ongoing negotiations of an Economic Partnership Agreement (EPA) between CARIFORUM (CARICOM plus the Dominican Republic) and the European Union, which are scheduled to be concluded by the end of this year. Under EPA negotiations, which seek to liberalise “substantially all trade” between the contracting parties, the manufacturing sector will be open to further liberalisation.

Under market access for industrial products, goods will be categorised in one of three baskets. Goods categorised as “sensitive” or requiring protection will be excluded from the liberalisation process under the EPA. The second basket will consist of those products proposed for phased liberalisation, which will apply to a significant proportion of products currently manufactured in Barbados. Finally, the third basket will consist of those products proposed for immediate liberalisation. Such products from the EU will be allowed access free of duty immediately upon the entry into force of the EPA in January 2008.

The EPA will be significant in that whereas Barbados' trading relationship with the EU has been based on a system of non-reciprocal preferences in favour of Barbadian goods seeking access to

the EU market, the local manufacturing sector will now be faced with greater competition from European products entering the domestic market on more favourable terms.

Apart from the CARICOM Common External Tariff (CET), the local manufacturing sector has also benefited from tariff protection in the form of a 60% surcharge which, according to the Prime Minister's Economic and Financial Policies presented in 2006, will be reviewed in 2008. The manufacturing sector therefore needs to ready itself to respond to a number of challenges it will face from 2007 onwards.

It is expected, for example, that analysis will be carried out in the near future to determine the extent to which the sector still requires the protection of the 60% surcharge. In addition, the sector will be forced to take stock of and enhance its level of competitiveness, given the imminent increase in competition from foreign goods, particularly those from the European market.

The manufacturing industry therefore needs to pay close attention to these developments both in the international trading arena and domestically and develop appropriate responses, if it is to continue along its path of growth.