

30/05/89

DEPARTMENT OF EXTERNAL AFFAIRS

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RPT81

TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

89/90 TRADE AND ECONOMIC OVERVIEW

Mission: BRIDGETOWN

Country: BARBADOS

BARBADOS IS EXPECTED TO ACHIEVE MODEST REAL GROWTH IN THE 2 TO 3 PERCENT RANGE IN 1988 - A LEVEL WHICH IS MAINTAINABLE INTO 1989. ON AVERAGE, THE ECONOMICS OF THE OTHER TEN SMALL COUNTRIES AND DEPENDENCIES IN THE TERRITORY ARE PERFORMING SOMEWHAT BETTER, ALBEIT WITH BASES EVEN MORE FRAGILE AND NARROW. ALL ARE SMALL AND OPEN ECONOMIES, VERY IMPORT ORIENTED AND MOST ARE HEAVILY RELIANT ON TOURISM AND TTH IN BARBADOS CONTINUES TO BE LED BY A TOURISM, CONSTRUCTION IMPORTS OF US \$600-650 MILLION ANTICIPATED. A FISCALLY CONSERVATIVE 88/89 BUDGET WHICH INCLUDED HEAVY DOSES OF NEW TAXATION PLUS EXPENDITURE RESTRICTIONS SHOULD IMPROVE THE GOVERNMENT'S CONTROL OF THE DEFICIT, BALANCE OF PAYMENTS AND FOREIGN RESERVES. THE PERFORMANCE OF THE AGRICULTURAL SECTOR HAS BEEN DISAPPOINTING, IN PARTICULAR SUGAR. DIVERSIFICATION EFFORTS IN NON-TRADITIONAL CROPS AND AGRO-PROCESSING, HOWEVER, CONTINUES TO OFFER POTENTIAL. IN THE WINDWARD AND LEEWARD ISLANDS OVERALL PERFORMANCE IN THE CRITICAL BUT OFTEN FICKLE TOURISM SECTOR LOOKS PROMISING, WITH SIGNIFICANT TOURISM RELATED CONSTRUCTION/REFURBISHMENT ACTIVITIES CONTINUING ON MANY OF THESE ISLANDS. AGRICULTURE HAS WEAKENED MARGINALLY BUT SHOULD IMPROVE PROVIDING QUALITY AND MARKET ACCESS PROBLEMS ARE OVERCOME AND THE REGION CONTINUES TO BE SPARED FROM NATURAL DISASTERS. TOTAL IMPORTS OF US \$550-600 MILLION ARE PREDICTED FOR 1989 ALTHOUGH BALANCE OF PAYMENT PROBLEMS ON MANY ISLANDS WILL INHIBIT IMPORT GROWTH. INTRA-REGIONAL TRADE HAS BOTTOMED OUT AND ENCOURAGED BY NEW INITIATIVES WITHIN THE CARICOM GROUP, REGIONAL TRADE LEVELS SHOULD IMPROVE. PROTECTIONIST PRESSURES ARE MOUNTING AND WITH INCREASING LEVELS OF LOCAL PRODUCTION, ASSEMBLY OR FINISHING, THERE IS LIKELY TO BE EVEN GREATER USE OF IMPORT RESTRICTIONS ON EXTRA-REGIONAL GOODS. TERRITORY EXPORTS TO MAJOR TRADING PARTNERS, "IN SPITE OF FACILITATIVE PROGRAMS SUCH AS CBI, LOME AND CARIBCAN, ARE UNLIKELY TO GROW" SUBSTANTIALLY WITHOUT GREATER PRIVATE SECTOR INVESTMENT AND THE FURTHER DEVELOPMENT OF ENTREPRENEURIAL SKILLS. CANADIAN SALES TO THE TERRITORY AND OUR MARKET SHARE SHOULD BOTH IMPROVE IN 1989, (DEPENDENT SOMEWHAT ON THE CAN-US DOLLAR EXCHANGE RATE) AND A LARGE TRADE SURPLUS IN OUR FAVOUR WILL BE MAINTAINED. THE MAJOR EXTRA-REGIONAL SUPPLIERS CONTINUE TO BE THE USA, UK AND THEN CANADA. TRADING HOUSES RETAIN AN IMPORTANT ROLE IN OUR TRADE DEVELOPMENT ACTIVITIES, OFTEN BEING THE MOST EFFECTIVE MEANS OF SERVING THE SMALL ISLAND MARKETS. MULTILATERAL AND BILATERAL FUNDING, PARTICULARLY TO THE WINDWARD AND LEEWARD ISLANDS, PROVIDE A MAJOR FOCUS FOR