

# Barbados: An IFC in a Recessionary Environment

BY DR. TREVOR A. CARMICHAEL, Q.C.

Barbara Tichman, writing about the fourteenth century, captured the non-competitive nature of the business culture in the following words: "To ensure that no one gained an advantage over anyone else, commercial law prohibited innovation in tools or techniques, underselling below a fixed price, working late by artificial light, employing extra apprentices or wife and under age children and advertising of wares or praising them to the detriment of others". In a recessionary environment, international business seeks to adopt the adverse of Tichman's description; rather, it strives to create niches and to build on historical comparative advantage. Barbados in 2010/2011 has accordingly sought to parlay and build on its legacy as a vibrant International Financial Centre (IFC).

The focus on the current international charitable philanthropy trend has been given particular emphasis, especially in the dovetailing of new local charities legislation with the setting up by Government of the Better Barbados Foundation. The new entity is geared to attract philanthropic capital and expertise from overseas and to tap into the Barbadians who live overseas and are both capable and willing to lend a financial hand to their mother country. The initiative has been complemented by the efforts of the Barbados Foreign Mission to Canada, which has spearheaded an important publication, exposing in print biographies of the many Barbadians who have contributed to the development of Canada over the past fifty years. The non profit company, as part of a charitable cross border revenue generating exercise, has taken on a more vibrant usage as the current small and large scale transborder philanthropy movement continues, with Barbados as a beneficiary. So too, has been the more recent and increased use of the Barbados/United States of America double taxation treaty. As a result of which, the favourable provisions in Article 22 (Limitation on Benefits) allow non profit companies to qualify for treaty benefits.

An IFC is measured more by the use of available products than by the number and type of such products. The new double tax treaty with Mexico provides a plethora of opportunities, many of which call for integrated planning techniques. Interestingly enough, the scope for channelling some of the Mexican wealth for Barbadian development through the route of the non profit company is clearly provided for within this new treaty. It does not present a quick fix, but true maximisation of the benefits of any double tax treaty is always a long range goal, rather than a short term option.

Tax treaties, therefore, also create opportunities in areas as diverse as medical tourism and shipping - two sectors in which Barbados currently seeks to recession-proof for the short term and create sustainability for the distant future. Indeed, in relation to tourism and medical tourism, the bilateral investment treaty creates the high level of comfort for large scale investors in sophisticated plant, equipment and machinery. On the other hand, the Double Tax Treaty creates discrete planning opportunities for investors who wish to minimise tax on profits, dividends and interest. In shipping, the groundwork is being laid, through legislative changes, to further use the treaty network as well as the professional and government connections.

Barbados, as an IFC in a recessionary environment, truly aims to build on its existing financial culture, profile and history. It seeks to free itself of the yolk of Tichman's fourteenth century description of commerce and ensure that it adopts a vision as a significant IFC for, as Kotta reminds us: "Without a vision, change can dissolve into a list of confusing, incompatible, time consuming projects that either go in the wrong direction or nowhere at all". \*

