

The Canada-Barbados Connection



"The Canada-Barbados Connection" Team:

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Foreward

Canada celebrates its 150th year of Confederation on July 1, 2017. Similarly, Barbados just celebrated its 50th Anniversary of Independence on November 30, 2016. On the occasion of these two great milestones we take a close look at a close friendship and partnership that has grown between these two former British colonies.

Trade and investment, as well as political and social alignment between Canada and Barbados had led to the development of a mutually beneficial partnership. With Canada's help, Barbados has grown a high quality International Business sector that started out as an idea in the mid-1960's and today has become the second largest contributor to the country's foreign exchange earnings. Similarly for Canada, by using Barbados as a hub for international business Canada's economy has grown globally, is now a net exporter of capital and has become a leading international business competitor with products and services distributed right around the world.

The development of this modern and synergistic relationship stems back to the 1700's with very humble beginnings in the trade of salt fish and lumber for rum, sugar and molasses.

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The Early Years Between Barbados and Canada

Government officials and International business leaders in Canada are well aware of the unique relationship that exists between Canada and Barbados. Similarly, the government and people of Barbados are keenly aware of the role this relationship has played in everyday life in Barbados. As Barbados turns a page on its first 50 years of Independence and its partner Canada prepares to celebrate its 150th anniversary of Confederation we take this opportunity to toast both countries and examine how their experiences in international trade and investment has generated a very special connection.

The economic and diplomatic ties between Barbados and Canada go back hundreds of years.

But could you imagine Barbados as the 11th province of Canada? In 1884, a short 8 years after Canada's Confederation, a letter was sent to Canada's Minister of Finance, Sir Francis Hicks, from the Barbados Agriculture Society asking:

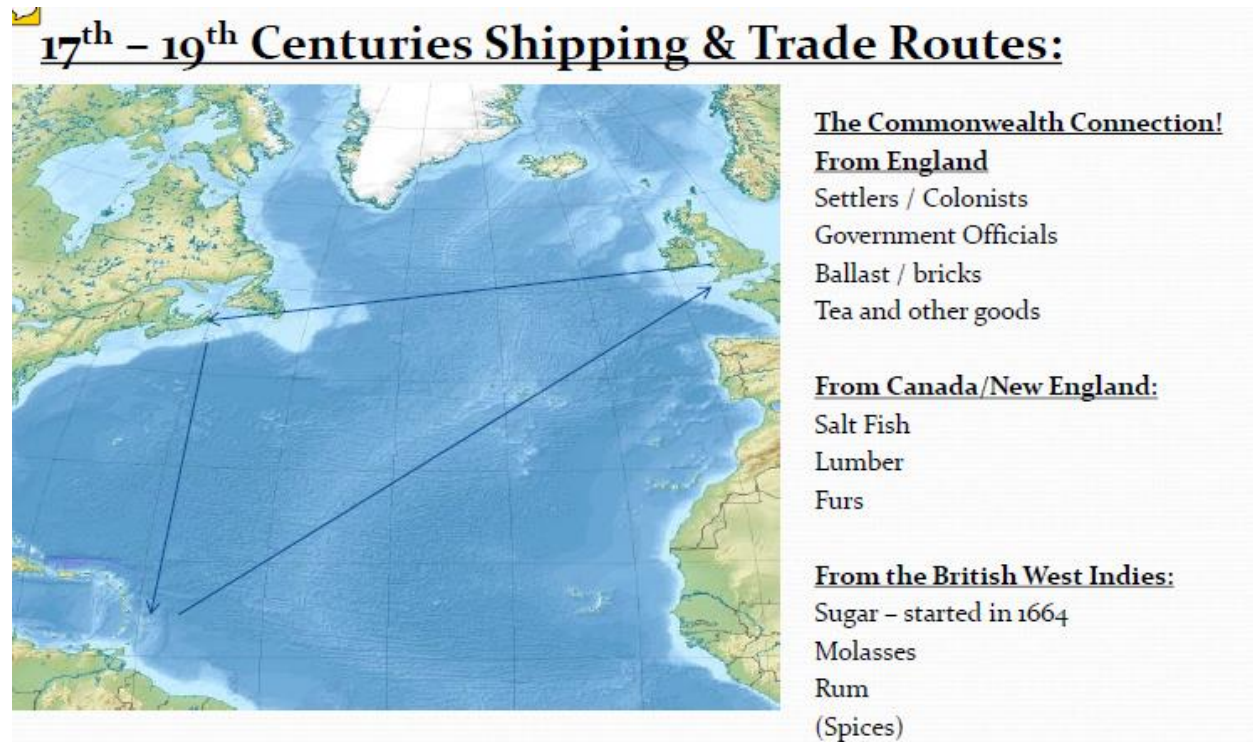
"Would the Dominion of Canada favourably entertain an application from Barbados to be admitted a member of their Confederation?"

At that time in the 19th century the borders of North America were changing. The US annexed Texas from Mexico in 1848. The US bought Alaska from Russia in 1867 and annexed Hawaii in 1893, to become the 49th and 50th states of the American union in 1959. Similarly, Puerto Rico was ceded from Spain in 1898. The North American map was evolving and the concept of a more formal political relationship between Canada and Barbados had precedence.

Even in the 1800's winter-bound Canadians might have thought that extending the Canadian Confederation to include a Caribbean climate would be a very appealing idea! How would life have been different had Barbados or the West Indies became politically joined with Canada? Though this may sound a bit unbelievable to us today, readers would be surprised to learn that proposals to merge with Barbados or the West Indies were considered three times by the Government of Canada over the past 150 years. Political union never occurred but these two geographies and political friends are so close that this union was given serious consideration ... more than once!

Of critical importance to its future was the introduction of sugar cane to Barbados in the 1630's. Sugar and sugar products would become the primary source of revenues to the country for over 300 years well into the 20th century. The demand for sugar drove an economic and trade relationship between Barbados and Canada during the early days of the British Commonwealth. Trading at that time was facilitated by merchant shipping. As ships were powered by wind, recurring trade typically followed well planned shipping routes that took advantage of the prevailing winds. These routes were highly efficient for regularly transferring goods and people between the New World and Europe.

Trade between Canada and Barbados followed a triangular route that started in England, sailed West to Canada; then South to the West Indies and finally returning on a North-easterly route to England. This allowed British settlers with goods such as tea to be transported to the colonies; it allowed for Canadian goods such as salt fish and lumber to be shipped to the West Indies; and other goods such as furs from Canada and sugar, rum and molasses from Barbados to be sent to England on the voyage's final leg.



This critically important yet budding trade “relationship” received an important boost in 1868, the year after Canada’s Confederation, when “Canada First” a political movement in Canada emerged. This movement that sought to avoid the threat of Canada being annexed by the United States advocated strongly in favour of exclusively trading with other members of the British Empire. One of their stronger policy statements encouraged closer trade relations and political connections with the British West Indies. Even though this political group was short lived, their ideas about trade survived. Trade between Canada and Barbados continued to grow, watchfully supported by England. So encouraging were these early beginnings that the Barbados Agriculture Society sent its letter to Canada’s Minister of Finance inquiring about amalgamation in 1884.

Commerce between these two countries continued to grow and take on increased importance for both countries. To support this increased trade, Canada opened a Trade Commission in Barbados in 1907. On the 100th anniversary of this opening (July 2007) Canada’s Prime Minister the Right Honorable Stephen Harper made an official visit to Barbados. PM Harper reinforced

the importance of the Barbados relationship to Canada. To an audience of 300 international business and government leaders Mr. Harper celebrated the 100 years of trade and diplomatic partnership and stressed that his Government was committed to “expanding Canadian political and economic engagement in the region”. He went on to differentiate Barbados as “a key partner in the region” for Canada, noting that “Canada and Barbados share objectives that include economic growth and security”.

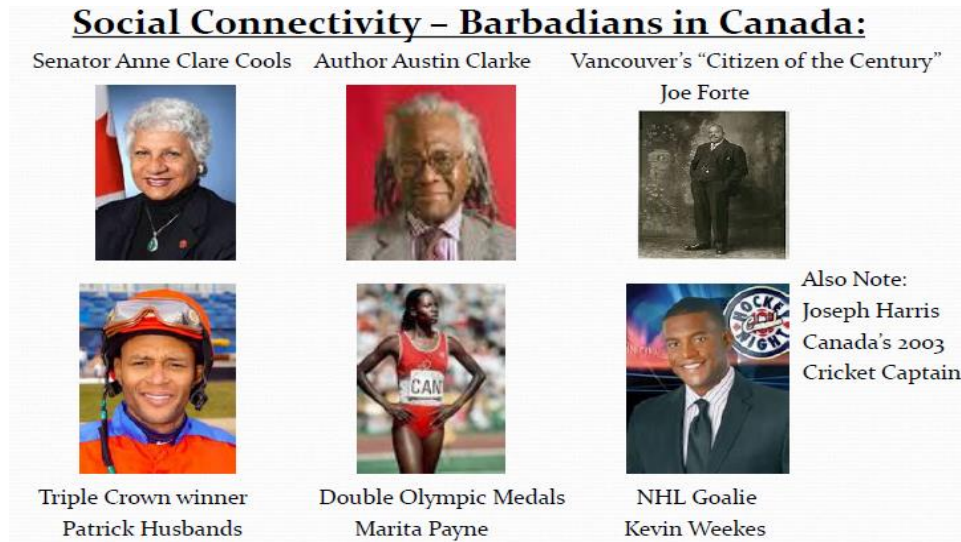


Former Prime Ministers Stephen Harper (Canada) and Owen Arthur (Barbados) in July 2007

The next year, in May 2008, the newly elected Prime Minister of Barbados, the Right Honourable David Thompson visited Canada to lend his support to the Barbados Charity Ball that occurs in Toronto each year in support of Barbados charities and scholarships. Prime Minister Thompson referenced the 100th Anniversary of Canada's Trade Commission in Barbados, and remarked: "This Trade Commission must have given the Canadian business sector some measure of confidence in the island, as financial institutions established themselves there, beginning with the Royal Bank of Canada that opened a branch in Barbados in 1911", creating the cornerstone of international business in Barbados. RBC, originated in Halifax Nova Scotia in 1864 as “The Merchant Bank”, focused on the highly active shipping and trading industries. RBC’s Barbados office opened in 1911 as a response to client demand for letters of credit for the growing maritime trade between the two countries. What is interesting to note is that the opening of RBC’s office in Barbados occurred a few short months before RBC acquired a presence in the city of Toronto, which today is Canada’s largest city and the operating headquarters of RBC. Today every major Canadian bank has a presence in Barbados.

In his remarks, Prime Minister Thompson further highlighted the contribution that Barbadians have made to life in Canada. Thompson said: “We’ve taught and learned a lot from Canada and Canada has taught and learned a lot from Barbados. A small island such as ours with limited resources has managed to do so much and has exceeded expectations.” He was referring to a

long list of notable Barbadians, among many who have contributed to life in Canada including: the renowned author, the late Austin Clarke; the Honorable Anne Clare Cools (Canadian Senator); Kevin Weekes (NHL goalie, whose parents were born in Barbados); Patrick Husbands (Jockey and 2003 Canadian Triple Crown winner) and Marita Payne (2 Olympic silver medals for Canada in 1984). Another notable “Barbadian” is Joe Fortes considered Barbadian by his Canadian friends and neighbors but whose father was born in Barbados. Forte was named Vancouver’s “Citizen of the Century”. In 1922, after his state funeral a statue of Joe Fortes was erected in Vancouver’s eminent Stanley Park and is still on display today.



The importance of social and political connectivity is as important as trade and other elements in building an effective working relationship between countries. When leaders know and like each other, resolutions for difficult issues seem to be found.

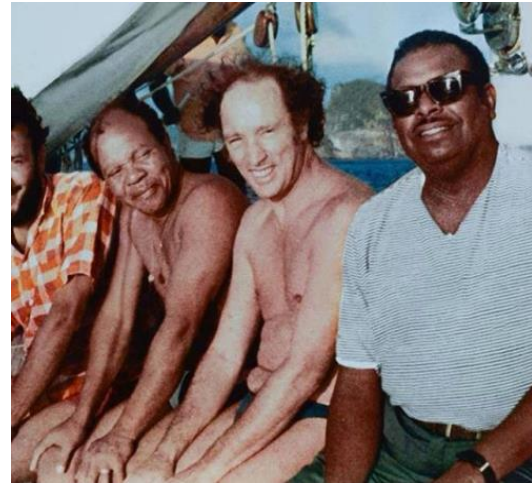
Canada and Barbados shared another unique connection. In 1949 with his British RAF World War II military service completed, future Barbados Prime Minister, Errol Barrow, then 29 years old attended the London School of Economics for his Masters in Economics. In his class was another 29-year-old foreign student, the future prime minister of Canada, Pierre Elliott Trudeau. With only three months between them in age these two bachelors spent years together forming a lifelong friendship that would later pay dividends for both of their countries.

Barrow became Prime Minister of Barbados in 1965 (through 1976 – first term) while Trudeau rose to the same political height in Canada in 1968 (through 1979 – first term) and both returned to that office for short periods in the 1980’s. Trudeau and his family visited the quiet sandy beaches on the South Coast of Barbados on regular occasions providing the opportunity for these two former student contemporaries to renew their friendship, now as Prime Ministers and young fathers. It is important to note that it was during this period that Canada provided Barbados, alone in the West Indies, the powerful foreign investment feature of Exempt Surplus.

Today Barbados is the second highest destination for Canadian corporate foreign investment, after the United States. Canadian firms have become the largest foreign investor group in Barbados creating thousands of direct and indirect jobs and helping to make international business the second largest contributor to the economy of Barbados after Tourism. The relationship between Barbados and Canada, both economic and social, is truly unique in the world.



Trudeau and Barrow at Commonwealth Conference



Prime Ministers James Mitchell (St. Vincent and the Grenadines); Sir John Compton (St. Lucia); Pierre Trudeau (Canada); and Errol Barrow (Barbados)

Building the Relationship – Political and Social Connectivity:

The cultures and values shared by Canada and Barbados grew out of their common British heritage, the common struggles colonies faced to sustain themselves and succeed, the comfort of a common language and parliamentary system, and a mutuality of entrepreneurialism and trust. These common themes and values have provided a comfort and the foundation for Barbados and Canada to build a long term successful relationship in trade that grew to include business investment, social affiliation and political connectivity.

From salt fish and sugar this relationship grew into the very serious and increasingly complex arena of International Business and Financial Services (IBFS).

Critical to building an IBFS sector in Barbados was the passage of key pieces of legislation and regulation (See: Appendix 1) that encouraged foreign investors to select Barbados over other jurisdictions. These enabling advancements were all created over the past 50 years.

Coming Together – Early Developments in Barbados

In the 1950s and 1960s there was a concerted effort in Barbados to diversify the country's economic dependence on sugar by offering incentives to attract foreign investment in manufacturing, tourism and later Information Communications and Technology (ICT) and

Financial Services. The production of sugar is no longer important as an earner of foreign exchange and its contribution to the economy is now surpassed by contributions from tourism and international business.

The passing of the International Business Companies (IBC) Act in 1965 was the first and most fundamental piece of legislation that opened Barbados' doors to foreign investors. This Act encouraged foreign companies and professionals in establishing a business in Barbados. The Right Excellent Errol Barrow, at that time Premier of Barbados, was the driving catalyst for developing and passing this new Act. He became Prime Minister of a newly Independent Barbados the following year. The IBC Act would allow lower tax rates to foreign companies that established a business in Barbados to operate their international operations. Many refinements were made to the Act in the 1970's and later, but it was the vision, the leadership and successful implementation by Errol Barrow that established the early platform and framework for a future IBFS sector.

Coming Together – Early Developments in Canada:

In Canada in 1971 the Canadian government introduced "Exempt Surplus" as a means to encourage Canadian companies to consider expansion and investment outside of Canada. This mechanism allows Canadian foreign subsidiaries to dividend their international profits back into Canada without paying any further taxes in Canada. It is important to note that in the 1970's the corporate tax rate in Canada was roughly 50%. The intention of Exempt Surplus was to avoid facing double taxation first in the host country and then again back in Canada. Exempt Surplus was initially extended to Commonwealth countries with domestic corporate tax systems were "responsible" and in line with Canada's corporate tax rates.

The economic theory for Exempt Surplus was to encourage Canadian companies to expand and compete internationally and to return their international earnings back to Canada without concern that these earnings would attract further taxation in Canada. At that time Canada had historically been a net importer of capital primarily from the UK and US, and Canada's Ministry of Finance wished to reverse this reality.

The Building Continues in Canada and Barbados

By the late 1970s Canada had extended Exempt Surplus into many countries of the Commonwealth as well as the United States through it growing list of Double Taxation Agreements.

Coincidentally at this time in Canada, an abuse in Canada's domestic tax system was discovered by the Ministry of Finance. A loophole referred to as "over integrative" was being used by individuals to obtain lower tax rates by structuring themselves as corporations when in fact this income was passive personal income. By creating shell companies these individuals could flow their personal income into the company and claim lower corporate tax rates. Passive income

would include the salaries or mortgage interest income or other “non-active” incomes. John Haag, a Canadian tax consultant who is well known in Barbados was at the time with Canada’s Ministry of Finance. Haag was asked to address this abuse by creating rules surrounding passive income and to create a definition of an “Active Business”. A new definition would evolve establishing “passive income” as ineligible for corporate tax treatment. It also set criteria for an “active business” including the hiring of more than 5 employees. These definitions become relevant to Barbados and other jurisdictions when in the 1980’s these same definitions were extended to foreign controlled affiliates of Canadian corporations. If Canadian subsidiaries operating in Barbados (or elsewhere) are deemed to be not an “Active Businesses” or the income earned is deemed to be “Passive Income” the Canadian Revenue Agency can declare these incomes ineligible for Exempt Surplus treatment and taxable in Canada to the parent organization under the “Foreign Accrual Property Income” rules. These incomes would be taxed at Canada’s prevailing corporate tax rates, and penalties could also apply.

In the late 1970’s the second great wave of IBFS development occurred in Barbados. Prime Minister Tom Adams (1976-1985) furthered the work of Errol Barrow by introducing legislative changes and new pieces of legislation (See: Appendix 1) that would make Barbados even more compelling for international investors. In 1977 came important amendments to the 1965 IBC Act. That change was quickly followed by other important pieces of new legislation including the Offshore Banking Act (1980), Companies Act (Amended) (1980), the Exempt Insurance Act (1983), Barbados Foreign Sales Corporation Act (1984), Shipping Incentive Act (1982), the Securities Exchange Act (1982) and other equally important pieces of supporting legislation. In less than 10 years the framework for an “offshore” business sector (as it was called then) was created. Tom Adams died while in office in 1985, but his vision and contribution, like Errol Barrow’s, lives on.

Thanks to the leadership of these two visionary Prime Ministers the stars in the sky started to align for Canada. The IBFS framework was now set and Barbados entered a period of rapid growth in their newly created the International Business and Financial Services (IBFS) sector. The majority of that initial growth came from highly respected and very sophisticated “Blue Chip” Canadian companies.

Rapid Development

By the early 1980’s Barbados had continued to develop a modest number of Double Taxation Agreement's (DTA’s). This was accomplished in part by Barbados leveraging its relationship with the United Kingdom and developing DTA's with European countries that were already aligned with the United Kingdom. This strategy differentiated Barbados from international jurisdictions and was critical for Canada’s global investors.

In Canada at that time interest in trade agreements with Commonwealth countries continued to grow. Focus eventually turned to the West Indies. Canada examined the Caribbean for possible treaty partners with the view to identify one country that offered features and benefits of interest to Canadian business. Barbados was seen to offer a more business friendly environment in part by already having important pieces of legislation in place to support an International Business industry plus its growing list of DTA's. In 1981 Canada signed its first DTA with Barbados. This Agreement included Exempt Surplus treatment for revenues earned by Canadian companies that invest in Barbados. The Canada-Barbados IBFS connection obtained the last missing piece.

Starting in the 1980's Barbados experienced explosive growth in the IBFS sector and in 2006, just before the global recession, 547 new international businesses opened in Barbados, bringing the total to over 3600 companies operating in the country. The sector now offers direct employment to over 4000 Barbadians (according to the Barbados International Business Association) and indirect employment to thousands more. By this time corporate taxes paid by the International Business sector had grown to 62.7% of all corporate taxes paid. The dream of an IBFS sector had become a reality.

The Barbados' "Ambassadors" of the IBFS Sector

As important as these various pieces of legislation were in creating a framework for the IBFS sector, Barbados must recognize the contribution of a handful of Barbadian pioneers who carried the message into Canada and convinced investors to open active subsidiaries in Barbados. Great ideas often fail during implementation; however these ambassadors delivered the message to Canada and brought investors to Barbados. These entrepreneurs were typically accountants or lawyers who understood the real value these pieces of legislation represented to Canadian companies under a DTA that included Exempt Surplus treatment. Canadian companies doing active international business in Barbados would be taxed at a low or nominal rates in Barbados and would not face any further taxation in Canada. This feature gave Barbados a very powerful feature to attract Canadian investors to join the IBFS sector in Barbados.

These important ambassadors for Barbados' fledgling IBFS sector include among many others: Senator Sir Trevor Carmichael, the late David King, Peter Boos, Peter Evelyn, Robert Bourque, Wayne Fields, Yolande Bannister, Jenny Smith, Dennis Brown, Martin Hole, Ben Arrindell, Robert Kirby, Colin Brewer, Ken Hewitt and Phil Young. These entrepreneurs understood the powerful dynamic of Exempt Surplus offered by Canada combined with the low tax treatment offered by Barbados.

Barbados' IBFS "Ambassadors" of the 80's



Among Others:

- Ben Arrindell
- Yolande Bannister
- Robert Bourque
- Peter Boos
- Colin Brewer
- Sir Trevor Carmichael
- Peter Evelyn
- Wayne Fields
- Teddy Griffiths
- Ken Hewitt
- Martin Hole
- David King
- Jenny Smith
- Phil Young



At their own costs and risk these pioneers travelled to Canada, marketed these available pieces of legislation ("products") to lawyers and accountants in Canada and worked with these Canadian professionals to convince their Canadian clients to expand international strategies to include a presence in Barbados. Many of these same individuals also spent considerable time and effort travelling to international tax conferences in other parts of the World and promoted Barbados as an effective jurisdiction to locate international business, explaining how to use Barbados' various pieces of legislation. Another important contribution came from Teddy Griffith who, while working for the Central Bank of Barbados, encouraged the private sector ambassadors to go overseas and promote Barbados for international business.

The Barbados government recognized that this growing foreign investment was becoming an increasingly important component of its economic and employment strategy. In the early 1990's the government issued a special mandate to the Barbados Investment and Development Corporation (BIDC) to seek new international business investors. The corporation's Toronto office began assisting the private sector "ambassadors" with a new Investment Promotion Programme. Among other initiatives, the BIDC provided marketing services in Canada including the Canada-Barbados Business Association's annual promotional seminars, to assist their efforts to attract new Canadian investors.

By the end of the 1990's the size and breadth of Canadian companies operating subsidiaries in Barbados was significant. Barbados had become the 5th largest destination for Canada's Direct Investment Abroad. All of Canada's major banks had established subsidiaries in Barbados as

well as London Life and Manulife among others. Scotia bank had become the largest retail banking network in Barbados. RBC, CIBC, BMO and TD had all established international banking, reinsurance or treasury operations. Many other Canadian blue-chip companies also followed establishing international subsidiaries in Barbados, including: Barrick Gold, Loblaw's, Gildan and Biovail.

Late 1990s to Present

In the 1990's Prime Minister, Owen Arthur further expanded on the vision of Barbados as an international headquarters for foreign companies. He described his vision this way: "The overall objective is the fashioning of Barbados into a center for international business and financial services and a regional hub for CARICOM commercial enterprise". In the 2005-2025 National Strategic Plan, the Government identified specific strategies committed to making this vision a reality. These proposed tools include preserving a strong reputation as well as providing incentives and legislation to improve the country's competitive stance relative to other international business domiciles.

However, recent events in late 2000's and early 2010's have complicated the relationship between Canada and Barbados. In early 2008 then Minister of Finance for Canada, Jim Flaherty, announced that "Exempt Surplus" would be offered to countries beyond Barbados, if that particular country signed a Tax Information Exchange Agreement (TIEA) with Canada. Today Exempt Surplus treatment exists for Canadian Companies, in Cayman Islands, Bahamas, Bermuda, Jersey, Guernsey and many other International financial jurisdictions. Barbados is no longer unique with Exempt Surplus.

Also complicating the Canada-Barbados relationship is the growing sense of misuse of international and offshore jurisdictions. In recent years we have seen the reputational damage created for Credit Suisse by their subsidiary in Miami (incurring a \$2.6 billion penalty), KPMG executives in Belfast being arrested (a fraudulent tax scheme in the Isle of Man), UBS in Belgium (accused of aiding and abetting money laundering and tax evasion), and HSBC providing banking services to Mexican drug cartels in the USA. In 2015 the "Panama Papers" scandal heightened global attention on international banking and investment. These scandals spill over to all nations that host international investors in their countries. These stories cast an unwarranted shadow over legitimate international investors. As a direct result the US Internal Revenue Service has increase administrative pressures on foreign companies that flow funds through the US.

Total # IB Entities Licensed for 2007- 2014

Entity	2007	2008	2009	2010	2011	2012	2013	2014
Foreign Sales Corporations*	54	33	18	18	21	19	10	15
Exempt Insurance Companies	164	164	158	166	156	163	179	182
Qualifying Insurance Companies	55	68	73	76	76	51	45	42
Exempt Insurance Management Cos.	24	21	26	23	20	23	22	22
International Societies with Restricted Liability	417	524	486	397	319	321	3160	268
Offshore Banks	49	48	50	45	45	45	45	36
International Business Companies	2,448	2,995	2,859	2,644	2,785	2,863	2,932	2,504

(Source: Invest Barbados)

Other sensitivities have grown that international companies should pay their “fair share” of taxes. This was highlighted in 2013 when companies like Starbucks, Google, Apple and Amazon, all using legitimate international structuring, were identified as not paying a “fair share” of taxes. It was reported that Starbucks had UK sales of £400 million in 2012 but paid no corporation tax. Starbucks was eventually fined £20 million by the UK’s Inland Revenue. These companies all faced extremely negative press. In an effort to address these aggressive tax avoidance schemes, the OECD in 2014 launched its BEPS Project (“Base Erosion Profit Shifting”), seeking to examine ways to ensure all corporations pay some fair amount of taxes to the jurisdictions in which they do business. Barbados and Canada have never been associated with any such scandals and must always stand apart as high-quality jurisdictions for international business.

Conclusion

What emerges from this review is the important role that strong vision and leadership of Prime Ministers such as Errol Barrow, Tom Adams and others who not only developed a vision for an International Business industry but then drove this ambition within Barbados. Today Barbados is a world class International Banking and Financial Services jurisdiction. International business has become the #2 contributor to the country’s economy after tourism and a highly stable source of jobs and revenues.

Equally important to growing this industry and reputation was the role played by the private sector taking the message to the world and convincing investors to choose Barbados. Building the relationship and building confidence that in the end the business plans of investors would be achieved.

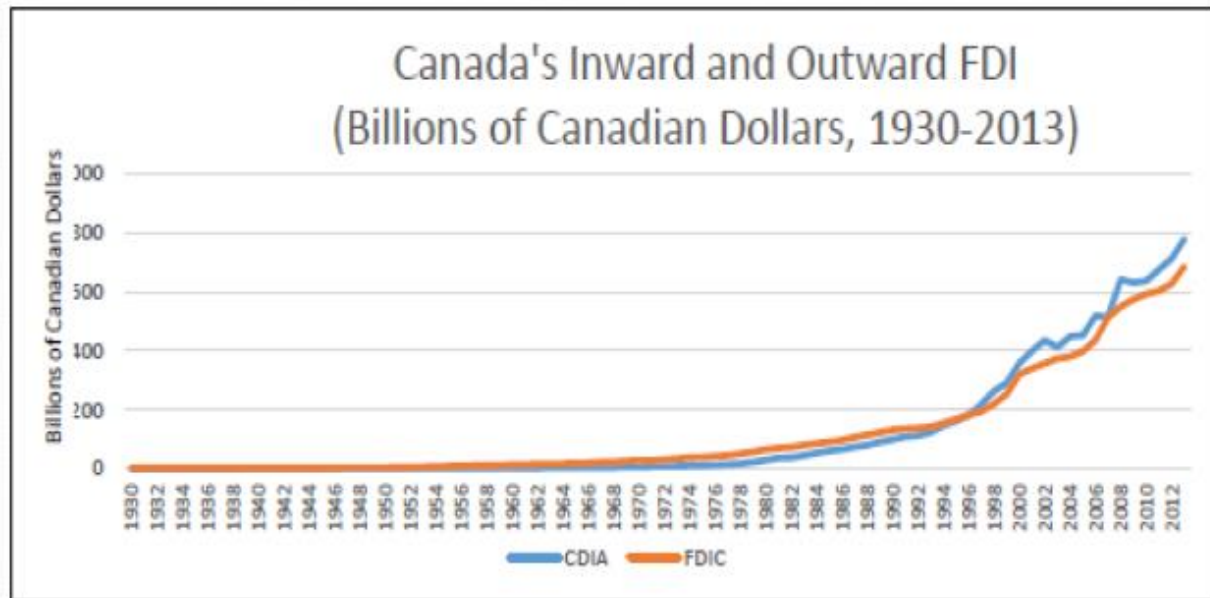
The third element to this success was in having Canada encourage Canadian companies to expand internationally. By aligning their energies and ideas and ensuring all of the necessary pieces of legislation were in place was the framework needed to convince investors to grow outside of Canada and in so doing, choosing Barbados over other jurisdictions.

Is this Concentration of Canadian Capital in Barbados “Good for Canada”?

In 2006 the Barbados Ministry of International Business commissioned a research study on the effects to Canada of this growing international investment in Barbados. Dr. Walid Hejazi a Professor and Economist at the University of Toronto’s Rotman School of Management took on this study. In February 2007 Professor Hejazi released his findings. Hejazi re-examined this question after the 2008 financial crisis. His conclusions in both studies were consistently clear.

Hejazi empirically demonstrated Canadian companies that invested in Barbados:

- Performed better financially than Canadian companies not invested in Barbados
- Were globally competitive and successful internationally (Barrick Gold is the largest gold mining company in the world; Gildan the #1 leisure wear manufacturer in North America, Canadian banks are the most stable banks in the world, etc.)
- Had stock prices and dividends that outperformed other listed Canadian companies benefiting Canadian shareholders and investors including Canadian pension plans;
- Created new international jobs in Canada (management, marketing, product development, legal, risk, audit) to oversee these international operations contributing to the personal income tax system in Canada
- Developed international strategies and products to operate and compete internationally
- Were inclined to further expand their international presence, products, marketing and businesses (e.g. Scotia Bank operates in over 60 countries) and compete internationally
- Paid higher corporate taxes in Canada in spite of lower effective tax rates in Barbados
- Canada, a historic net importer of foreign investment capital, became a net exporter of capital (investing outside of Canada) in 1997. The “theory” to encourage Canadian companies to expand and compete outside of Canada by offering Exempt Surplus treatment on foreign investment, worked!



Source: Data obtained from Statistics Canada.

The powerful combination of low tax international business legislation offered by Barbados combined with the treatment of Exempt Surplus offered by Canada to Canadian companies have resulted in continued growth through to 2017. Today with over \$70 CAD billion invested by Canadian firms, Barbados has become the 2nd highest destination for Canadian Direct (Corporate) Investment Abroad (CDIA. Canada has become the single largest segment of Barbados' IBFS industry – an industry that contributes over 73% of total corporate taxes. The sector generates stable and good paying jobs to over 4000 employees in Barbados. When we combine the benefits received by Barbados and the benefits received by Canada it is easy to conclude that this relationship is truly mutually beneficial for both partners.

Why Canadian International Business Investors Choose Barbados

In the above section we pointed to the legislative framework both in Barbados and in Canada that result in very compelling economic advantages to Canadian firms. But what if these benefits were offered by a country located in a war zone? Or investors could not find well-educated, honest and hard-working employees to conduct their business operations? Or if corruption was rampant, or political or economic instability made investors uncomfortable?

While economic incentives are important to build a business case, they are not the only criteria to consider in selecting the preferred jurisdiction. IBFS companies also require a long list of other attributes. These environmental factors relate to the ease of relocating and maintaining key employees and their families in that international jurisdiction and once there, the ease of doing business. Business leaders know that the risk of failure in any new business venture is

higher due to uncertainties and surprises. Reducing or eliminating these risks are the crucial final considerations in selecting Barbados over other jurisdictions.

Every foreign investor that has set up operations in Barbados went through this review process and Barbados passed the test each time. To be successful in hosting a successful IBFS sector requires more than good regulation and financial incentives. Criteria in Selecting an International Jurisdiction:

Infrastructure

- Barbados is an English language country – the international language of business;
- Stable economy – the Barbados dollar is pegged to the \$US at roughly \$US 0.50;
- Stable political environment – based on the British Parliamentary system, the Barbados government prides itself on transparency, integrity and accountability;
- Legal system – strong and active legal system based on the British common law system of laws, with an active judiciary and court system with a reputation for effective and fair dispute resolution. A strong network of legal firms and chambers very familiar with Canada, the Barbados legal and tax regimes and the needs of Canadian companies;
- Barbados' network of Double Taxation Agreements (DTA's) – These treaties provide access to 39 other countries (including 13 CARICOM countries) with 6 new treaties pending providing access to a total of 45 other markets. These agreements also provide incentives such as foreign currency tax credits, tax concessions and lower tax rates. Combined with the tax incentives in Barbados and the Exempt Surplus offered by Canada these DTA's make Barbados very attractive to Canadian companies.
- Low crime rate. Barbados is a safe and gentle place to raise families;
- Primary Education - Barbados celebrates a superior educational system. The primary and secondary system is founded on the British system of GCSE and A levels. As a result, Barbados also has one of the highest literacy rates in the world.
- Post-Secondary Education – Post-secondary and doctoral programs are all offered in Barbados through the highly regarded University of West Indies (Cave Hill). As well Barbados Community College, the Samuel Jackman Prescod Polytechnic and the Barbados Institute of Management and Productivity offer excellent educational programmes. These institutions produce a well-educated population and the ability to offer continuing educational programmes for employees;
- World's leading International Accountancy firms (Deloitte, E&Y, KPMG, PwC & BDO);
- Reliable and cost-effective electricity supply;
- Pure and safe supply of drinking water;
- Excellent medical care: the Queen Elizabeth Hospital supported by polyclinics and smaller private hospitals;
- Excellent housing for families and modern office complexes;

- Major hotels and international conference facilities;
- 166 square miles of land, showing room for growth and expansion;
- Good selection of high quality restaurants;
- A Commonwealth culture similar to Canada's.

Communications and Transportation

- Direct dialling to all parts of the world
- Competitive telecommunication industry – mobile, digital transmission, high speed wireless internet, high speed data transmission and leased circuits;
- Express mail and other courier services;
- Modern airport – Grantley Adams International Airport offers extensive daily scheduled flights to Canada, the USA, England, other Caribbean countries as well as Europe in addition to supporting private and chartered air services;
- Modern sea port operated by the Barbados Port Authority with deep water harbour designed to service container ships in addition to modern Passenger Terminal;
- Good public transportation and network of highways and roads.

Time Zones

Aligned with Eastern North American time zone (New York, Toronto, Boston, Miami).

Banking

International banks have set up retail and commercial divisions that cater to international individuals and companies, including, Royal Bank of Canada, First Caribbean International Bank (CIBC) and Bank of Nova Scotia.

Seasoned Regulatory Regime

Since the 1980's the regulatory environment in Barbados has stayed current and maintained its reputation as a "high quality jurisdiction" based on integrity of the industry supported by a modern and efficient set of regulatory bodies. The Central Bank of Barbados, the Financial Services Authority, the Ministry of International Business and the Ministry of Finance comprise the main regulatory bodies. As a group these regulators share the country's goal to be a modern and transparent jurisdiction and to ultimately retain its reputation as a top quartile jurisdiction for international investors.

International Business Community

Major international companies have established subsidiaries in Barbados. The Barbados International Business Association provides a 'community' to share business ideas and to lobby government for additional resources and legislation. On the personal side of life, several social groups exist such as the Canadian Women's Club, the British Women's Club, the American

Women's Club, The Canadian Ball Hockey Association and Saturday morning golf leagues for expats among other activities. These networks help employees and their families in transitioning to Barbados and experiencing an enjoyable lifestyle.

Conclusion

It is important to note that current investors when they chose Barbados had reviewed Barbados for all of the above attributes and Barbados passed every test. But individuals who are currently working in the IBFS Sector are aware that Barbados is not where it needs to be particularly in the area of Business Facilitation. Continued investment is needed to retain the business in Barbados that can easily move jurisdictions.

Advice to Barbados from a Friend

In researching the historic relationship between these two great nations the "Canada-Barbados" team conducted many interviews with senior members of the public and private sectors in both Canada and Barbados who we thank profoundly for their contribution. But the comments of one Canadian interviewee, a former Canadian parliamentarian, stood out and the team felt these comments resonated with us and might be best handled with a separate section in our research. We humbly share these words of advice from a friend, verbatim:

Many international relationships today are fragile. The more we can do to cement nation-nation relationships from the top, the better. We in the Western World are experiencing a tension between the politics of reason and the politics of emotion. And, now, the whole Western World seems to be transitioning from the politics of reason to populist politics. So, that may explain Brexit, Marine Le Pen, Trump and others and other changes in political regimes across the world, but what does it say of Canada-Barbados?

If a voter is asked how do you "feel" about the elites, through foreign direct investment and exempt surplus, putting billions through Barbados, etc., we all know the emotive response! The Canada-Barbados Connection paper stresses throughout the importance of creating an on-going program with Canadian investors. But, in my view, there is also need to have a substantial on-going strategic communications plan and other strategies for "the people" in both countries.

So to ensure that we, those who support this mutually beneficial vision of International Business, come up on top, I suggest the following:

I have recently retired from 22 years of Public Service in the Canadian Parliament. I have been privileged to have had several private hours with Presidents, Prime Ministers, senior Bureaucrats and other opinion leaders. I have been sensitized to know that a Leader to Leader personal relationship based on direct dialogue (where reason not emotion will prevail), is the surest way to make certain a deal stays together. Or could be changed or modified with ease, if mutually desired.

Throughout the long history of Canada-Barbados we have failed to promote the importance of these one-on-one Leader relationships. Yes, Trudeau and Barrow had it to some extent, as did others. But I would like to see it formalized so every two years the Prime Ministers of Canada-Barbados meet formally for a day and a half with their senior ministers and bureaucrats to analyze and discuss the importance of Barbados as the International Business hub for a lot of Canada's foreign direct investment. So each PM would be in the other's jurisdiction at least once in a four year mandate. I would like to see this started with a Barbados Prime Ministerial visit to Canada in 2017.

Secondly, Canada has an excellent Public Service. Countries around the globe have a lot to learn from our practices and procedures. I have spoken with Michael Horgan, (formerly) the Clerk of the Privy Council and many Deputy Ministers about ways we could develop stronger ties between our Senior Bureaucrats. An annual visit from Canada's Clerk of the Privy Council might be a great place to start, to discuss and debate recent changes and new challenges facing both nations. It should be a strong recommendation in order to promote a viable mutual secondary level of understanding and support for Barbados as a strong International Business hub.

Conclusions for Canada and Barbados:

In the 1970's Canada sought a trade and investment partner in the Caribbean and Barbados was determined to be the best partner. The experiment to encourage Canadian companies to take on risk by expanding their operations outside of Canada, worked! By 1997 Canada for the first time became a net exporter of Capital and today is a successful global competitor and boasts many Top Ten companies in the world. In a short 50 year Barbados has formed a world class International Business and Financial Services sector that is now the second biggest contributor to the country's GDP. This mutually beneficial relationship has worked!

But the connection between Canada and Barbados is wider than business and trade and includes the happy movement of our citizens between both countries. This 300-year history has proven to be beneficial to our nations, our companies, and our people. It is an often-misunderstood relationship by even some of the most sophisticated individuals in both countries and for that reason requires continued nurturing by the leaders in both countries for continued future success.

The authors extend their best wishes to both countries. This history has been a pleasure to research and to offer as we look to celebrate both countries!

Happy 50th Anniversary Barbados!

Happy 150th Birthday Canada!

May the partnership long continue!

Appendix 1: Barbados IBFS Legislation

NAME OF ACT	DATE OF ENACTMENT & AMENDMENTS
Pioneer Industries Act, Cap.83	1958-54 – Commencement 1961-41, 1963-32, L.N.168 1967, 1982-54
Industrial Development (Export Industries), Cap.74	1969-43, 1978-22
Industrial Incentives Act, Cap.75	1963-31, L.N.168 1967
Fiscal Incentives Act, Cap.71A	1974-12, 1982-38, 2001-6, 2007-52
International Business Companies (Exemption from Income tax) Act Cap.77	1965-50 - Commencement Amendments - 1977-60, 1979-23, 1981-58, 1985-16
International Business Companies Act , Cap.77	1985-35, 1991-24, 2001-29, 2004-7, 2005-17, 2007-7, 2007-26, 2011-26, 2012-23, 2014-9, 2015-12
Off-shore Banking (repealed)	1979-26 - Commencement 1980-23, 1981-7, 1982-54, 1983-16
International Financial Services Act, Cap. 325	2002-5 - Commencement 2004-7, 2004-24, 2005-15, 2007-7, 2012-14, 2012-24
Companies Act, Cap. 308	1910-7 - Commencement 1957-24, 1964-9, 1967-40, 1969-2, 1969-56, 1975-53, 1977-17, 1977-46, 1980-31, 1981-38, 1981-53,
Companies Act, Cap. 308	1982-54 Companies Act Cap.308 commencement 1983-47, 1984-7, 1986-4, 1986-11, 1987-9, 1988-11, 1990-1, 1990-20, 1990-28, 1991-2, 1995-9, 1997-14,

	2001-30, 2002-6, 2004-24, 2007-17, 2011-8(Not proclaimed), 2012-2, 2012-14, 2015-1
Income Tax Act, Cap.73	1968-51 - Commencement
Exempt Insurance Act, Cap.308A	1983-9 - Commencement 1985-6, 1986-10, 1988-13, 1994-12, 1995-22, 1998-31, 1998-47, 1999-27, 2000-32, 2001-27, 2001-29, 2002-23, 2004-7, 2004-22, 2006-16, 2007-7, 2011-23, 2012-4
Insurance	1996-32 - Commencement
Societies With Restricted Liability Act, Cap.318B	1995-7 - Commencement 2001-29, 2004-7, 2005-17, 2007-7, 2007-26, 2012-3, 2012-25, 2014-9, 2015-1, 2015-12
Barbados Foreign Sales Corporation Act, Cap.59C	1984-45 Commencement 1994-6, 2001-29, 2007-26
International Trusts Act, Cap.245	1995-14 - Commencement 1995-19, 1998-27, 2001-29, 2004-7, 2007-26, 2011-23
Securities Exchange Act, Cap.318A	1982-44 - Commencement
Securities, Cap 318A	2001-13 - Commencement 2011-23, 2012-14
Mutual Funds Act, Cap. 320B	2002-22 - Commencement 2011-23
Foundations, 2013-2	2013-2 (Not Proclaimed)

	2015-12 <i>Proclaimed January 7, 2016</i>
Private Trust Companies, 2012-22	2012-22 – Commencement: by Proclamation 2015-12 Proclaimed May 16, 2014 but required regulations under the Corporate and Trust Service Providers Act to give it effect. Registration and licensing of PTCs has begun.
International Corporate and Trust Service Providers , 2011-5	2011-5 - Commencement
Corporate Trust and Service Providers, 2015-12	2015-12 - Commencement
Companies (Amendment) Act, 2016-1	This amendment makes provision for the establishment of incorporated cell companies. The commencement date for this Act was February 18, 2016. The registration of ICCs has begun.

Appendix 2: Research and References

Interviews:

Mr. Len Farber – former Asst. Deputy Minister MoF Canada (& the Barbados file)

Mr. John Haag – former Director MoF, E&Y partner, Tax Planner

Dr. Walid Hejazi – Economist and Professor, Rotman School of Management

Mr. Michael Horgan – former Deputy Minister MoF Canada, the IMF & Clerk of the Privy Council

Senator Dr. Donald Oliver, QC – former Senator of Canada

Correspondence:

Mr. Michael Berry, former Head of BIBA and Canada-Barbados Association

Ms. Emeline Taitt, former CEO Invest Barbados

Mr. Robert Bourque, former MD Deloitte & Touche, Barbados

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