

As prepared for delivery



KEYNOTE ADDRESS

“EVOLVE AND ADAPT - FROM PERIPHERY TO CENTRE”

by

Dr. Hyginus ‘Gene’ Leon

President

Caribbean Development Bank

at the

**BARBADOS INTERNATIONAL BUSINESS ASSOCIATION
GLOBAL BUSINESS WEEK CONFERENCE**

HILTON BARBADOS RESORT

October 26, 2023

Ladies and gentlemen, distinguished members of the Barbados International Business Association (BIBA), it is an honour and a privilege to deliver this keynote address during your flagship event- the **Global Business Week** and from all accounts this year's event has been a resounding success.

Today, my address will centre on the theme **Evolve and Adapt - From Periphery to Centre**.

First for a bit of context, it is no secret that for the past four hundred years, Barbados and indeed the entire CARICOM Region has been part of an operational cog in the world trade system that has situated the Region as a logistics hub – BUT for all of the wrong reasons. The plantation economy premised on the institution of forced labour, coupled with the un-ceremonial acquisition of large plots of land from “natives” to grow cash crops for export, served as the catalyst for the development of a European north.

The proceeds from export, however, were not for the immediate economic or social development of our countries. The low-cost, low-investment environment of the plantation model resulted in large net gains, which served to fuel the emergent factory system in Europe and thus spurred its industrial revolution. **Adam Smith**, in his seminal work – ‘The Wealth of Nations’ noted, and I paraphrase: “The profits of a sugar plantation in West India colony were generally much larger than any other cultivation that is known either in Europe or America.” Barbados, in particular, served as the first and leading outer territory of the British Empire in the 16th and 17th centuries to the extent that it was worth much more than the total trade of the States of Virginia and Maryland. Barbados, therefore, existed as a periphery asset-state which aided in the development of the metropolis centre (Great Britain).

In the post-slavery post-colonial era, our economies are still organised in the context and construct of a plantation economy – minus of course the forced labour. Sustained colonial ties and the continued provision of goods and services to a centre (Europe) — even in the period before and after the Lomé Conventions that governed the trading relationship between the European Union and CARICOM — meant that the Region had become structurally dependent on that center, conforming to the rules and arrangements dictated by the center.

Ladies and gentlemen, let me assure that that brief history lesson was not a flight of frivolity, and I certainly am not about to advocate that we overthrow what we know to be a well-entrenched world order. Rather, I use it to suggest a lesson from this history — it is that centres grow by deploying inflowing inputs for the benefit of their systems. So, we must with urgency recast and recreate our economies as centres and deploy inflow inputs to develop our systems and rebalance the dual priorities of economic growth and human development while conforming to international rules, both written and unwritten.

Equally and even more so it is time to recraft the development agenda and re-establish the right of our countries to engage in the international economy on our own terms. As part of a global network, we are and should remain connected, but the integrity of our system has to be preserved in its own right for the integrity of the network (global system) to be sustained. Think of our solar system — the Sun (as center) dominates and commands attraction, but each of the planets need to maintain its own system integrity for the planetary system to hold. If one planet (as a system) is compromised, the whole of the planetary system is compromised. In fact, we can argue that the absence of stability of the global system (network) is a reflection of the lack of system integrity of some elements within the global system.

This reimagining is critical as we set the parameters of our engagement for the development of the International Business Sector – a sector whose evolution has precisely mirrored the historical picture I have just painted, but yet has infinite potential to be much more.

Undoubtedly, the international business sector has contributed significantly to Barbados' economy. Even as the sector's exact contribution to gross domestic product (GDP) is unknown (a state of affairs which must be rectified), it is believed to contribute substantially to the Finance and Insurance and Business Services sectors in Barbados, which combined account for an estimated 22% of economic activity. Importantly for Barbados, with its fixed exchange rate regime, the sector is also a major source of foreign exchange and accounts for approximately 3% of the country's labour force. International Business and Financial Services companies are also a majority source of government revenues, particularly corporate income tax – approximated at 67.8% for the fiscal year 2021/22, equivalent to 305.4 million Barbadian Dollars and 11.5% of total tax revenue. Moreover, the overall expenditure of the International Business Centre (IBC) (i.e., VAT, employment, housing, and accommodation) is estimated at around 8% of GDP.

Over the past three decades, Barbados strategically positioned itself as the preferred international business centre in the Caribbean and Western Hemisphere. Leveraging its longstanding political and economic stability and being home to a rich pool of skilled labour, complemented by world-class infrastructure, successive governments invited international businesses to the shores of Barbados by creating the legislative and administrative environment conducive to developing and nurturing a thriving IBC sector.

But the sector has not escaped the uneven application of the international norms. For instance, discussions surrounding levelling the playing field for equitable participation in the global market are still being led by the global centre, much to the detriment of regional economies. Under the guise of an inclusive framework on the Base Erosion and Profit Shifting (BEPS) initiative, solutions are being tailored to improve the transparency of incentives for investment facilitation. Ironically, however, despite the Government of Barbados's best effort to address the ills identified in the European Union's (EU) 2015 and 2018 reports by addressing: among other things, the relevant pieces of legislation, maintaining up to date records on beneficial ownership, and undertaking audits and reviews of the corporate and trust service providers, the island was still marred by the EU's decision to blacklist the country as a non-cooperative Jurisdiction in 2020.

As you are well aware, 20 months before the blacklisting Barbados made the bold and decisive move to converge its local and international tax rates on January 1, 2019, making it the first country to establish a globally competitive tax system while bringing the country in line with the BEPS initiative. Notwithstanding the EU's removal of the country from the blacklist of non-cooperative jurisdictions some four months after signals to me that our dialogue and model of development must change.

Recalling my theme Evolve and Adapt – from Periphery to Centre, the only option for the survival and what ultimately should be the resilience of the international business sector is for sector, its regulators, its policy partners to adapt. To be sustainable, that adaptation has to reflect the inherent nature of systems control alluded to earlier. Specifically, it has to create more opportunities for connectivity and interconnectivity with our domestic and regional economies, each as centres – i.e., environments over which we have better control. At the core, the adaptation for resilience of the sector must be propelled by innovation.

To be clear, innovation is the linchpin of resilience. It empowers countries and sectors to respond swiftly and effectively to change, adversity, and opportunity. It is the engine that drives evolution and propels societies forward.

Focusing on the topic of discussion, the international business sector plays a crucial role in enhancing the innovation capacity at the country level. It brings in new ideas, practices, and technologies from around the world. It fosters competition, which in turn encourages local businesses to innovate to stay competitive. Moreover, it contributes to the economy by creating jobs and generating revenue. For optimal

leverage, these benefits need to be structured and integrated in a systems approach to our development agenda — using inflow inputs for the benefit of the centre (system).

We often think of innovation as coming up with new ideas, but it is also about doing things differently and making those ideas work for the betterment of our society and economy. Innovation and the internationalisation of business have become the interconnected central drivers of development since the first industrial revolution, through to today's information age. The international business sector is the sector that brings the necessary interactions between culture, knowledge, and technology to develop new products and solutions to domestic challenges. The sector creates the space for international business networks to become knowledge-driven centres for industrial competence, creating necessary subsidiary activities at the local level to link to innovation systems within the production and value chains of the international business sector. This is the embodiment of Sustainable Development Goal (SDG) 8, which advocates for sustained, inclusive, and sustainable economic growth for all, and SDG 9 that promotes inclusive and sustainable industrialisation to foster innovation. To this end, the international development agenda should embrace policies that define and position Small Island Developing States (SIDS) to develop as centres with own-system integrity, thereby promoting these centres to contribute to and benefit from the consequent stability and integrity of the global network (system).

It is imperative therefore that in our claim to partake equally in the international economy, we ought to see to it that international law initiatives reflect the necessities of the 'way of life' based on our developmental needs. Just as the laws in the past legalised and justified enslavement, the dictates of international regimes ought to legalise and justify the drivers and facilitators of sustainable development for all, or as we prefer resilient prosperity for all. Development for prosperity is the essential element for the continued existence of our people and should be accepted as legal, especially in this current epoch of a global sustainable development agenda. We propose that the IBC sector should be recognised as having the potential to contribute significantly to that emerging scope for the development of SIDS.

While recognition of the role of the international business sector for development should feature prominently within international conventions, it is equally incumbent upon us to ensure the sector's role in the sustainable development of our economies. This shift recognises the sector's potential to drive economic growth, create high-value jobs, attract foreign investment, and contribute significantly to the nation's overall prosperity. It means that the international business sector ceases to view itself or be viewed as an ancillary, niche industry and becomes a fundamental pillar of the national economy, a critical partner in national development.

One area which I believe will likely be a new normal to fostering greater sustainable solutions for our region is the domain known as 'climate fintech.' I refer to the revolutionary composite of climate, financial, and digital solutions that is well framed within the context of a modern International Business Sector and one that holds promise to embedding resilience in the lives of all regional citizens. It is an agile framework that holds the ability to leverage resources from surplus sources through innovative digital modalities of the financial sector for catering to and managing climate change risks.

To explain further, for us in the Caribbean the expectation of facing extreme weather events year after year suggests that companies, governments, and citizens need to build climate risk into their day-to-day decision making. With this critical challenge at hand, I believe that the IBC sector is poised with the knowledge, resources, and skills to help us quantify and project climate risk and its impact. Driven by supportive policies, 'climate fintech' models can be developed and deployed to help build local awareness of climate intelligence. This will enable government and businesses to understand where the greatest impact will occur across industries and districts and provide the opportunity to minimise losses through appropriate climate-based insurance packages.

With the development of climate intelligence, a number of quick wins can be imminent, including the proliferation of a wide array of smart tools and climate finance solutions. Some examples include the development of Climate Crypto such as Switzerland's Toucan carbon credit, which tokenises credits on blockchain; the establishment of sustainable climate investment platforms where investors can put their money into sustainable projects, such as the UK's CLIM8 Investment Platform. These examples are illustrative of the ability to increase climate finance and generate new innovation-driven sectors and sub-sectors, which can facilitate economic growth and the permeation of sustainable and skilled employment.

Of course, ideas for pivoting can only take root and proliferate if we have the appropriate and enabling legal and regulatory framework. In this regard, it cannot just be about reforms for compliance – and here I do not suggest that we cede ground or jettison the quest for equity in the treatment of the sector — rather, we must with some urgency focus on setting up the platform that facilitates the innovation for this pivot.

In summary, there is a growing awareness that spillovers from the existence of an IBC in a nation-state will not occur or will not translate to knowledge transfer unless there is suitable interaction with local counterparts. Policy must therefore focus on strengthening suitable and sustainable business relationships among foreign and local business interests. In other words, sustainability is forged when the business strategies of international enterprises depend on the local network of knowledge and competence. What is clear is that this sustainability cannot be realised through the current structure that dominates our policy framework and which portends a unidirectional flow of knowledge from the parent company to subsidiary and then onto other actors. Our policies must evolve therefore to encourage the spillover of knowledge in either direction. The impact this will have on innovation is exponential.

As I close, I want to reiterate that the potential for the international business sector playing a key role in our sustainable development depends on recognising that we cannot continue with business as usual. We must continue to **evolve** and **adapt**. International businesses must continue to bring new technologies, expertise, and global best practices. They must continue to stimulate competition, which drives local businesses to innovate and improve. And by facilitating the flow of ideas, talents, and capital across borders, the international business sector will contribute to the diversification of our economy and enhance our ability to adapt to change.

Colleagues, I want to also take this opportunity to signal Caribbean Development Bank's (CDB) interest in building a stronger and strategic partnership with the private sector, including with IBCs, to assist our borrowing member countries like Barbados to promote sustainable development initiatives and transformative projects in the areas of fintech, renewable energy developments, climate resilience programmes (including green trade, food security, and sustainable agriculture initiatives), connectivity, and digitalisation. It is through these partnerships that the international business sector will fully integrate and align with national agendas and move our countries from the periphery to the center.

Let me thank you once again for allowing me the opportunity to be here with you today. You have the commitment of the CDB to support and foster a stronger partnership with organisations like BIBA and the IBCs.

It is time to reclaim the right to development and the right of nations to engage in the international economy on their own terms. Together, we shall evolve and adapt.

Thank you.