

## **DeLisle Worrell: IFCs in a borderless digital economy**

Opening remarks by Dr DeLisle Worrell, Governor of the Central Bank of Barbados, at the conference “IFC’s in a Borderless Digital Economy”, Bridgetown, 11 September 2014.

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Small international business and financial centres like Barbados make it possible for international firms to increase their competitiveness in international commerce and finance by locating aspects of their business in subsidiaries located in our international business centre. That is because Barbados offers financial, accounting, legal, trading, information, administrative, and other services that are up to international standards, at costs much lower than would be the case in the major financial centres of the world. In Barbados firms also find regulatory standards of a quality that are attested to by the IMF, World Bank, OECD and other international bodies. Other advantages that contribute to Barbados’ competitiveness include our institutional strength, social services, and technological readiness.

During the course of today’s seminar our speakers will demonstrate that small international financial centres such as Barbados provide internationally comparable financial and business services at competitive prices, when all the factors that affect the investment decision are taken into account. In this 21st century we live in a new world where production processes transcend national boundaries, even for the smallest of firms. The Chinese internet retail service company Alibaba, which is currently on a roadshow for what is expected to be among the largest Initial Public Offerings of its kind on international capital markets, advertises itself as a supplier to firms as much as to households. Because of telecommunications it is possible nowadays to provide the inputs into any firm’s production process from a variety of sources, in many different locations, anywhere in the world. As you would expect, this benefits everyone: producers are able to secure materials, skills, finance and other inputs in the most cost effective manner, and consumers benefit because firms are able to offer best value for money as a result.

Small IBFCs like Barbados enrich the options available to international companies in locating services for the global market, so they may offer more competitively priced goods and services. Every IBFC has a unique mixture of characteristics which defines its comparative advantage, and the activities it will attract as a result. In Barbados’ case, a strong network of double taxation treaties is a distinguishing feature, along with the advantages previously mentioned.

The globalisation of business therefore offers exciting possibilities for all nations to increase the competitiveness of firms, and to obtain goods and services at the best prices for their consumers. In this global mix, IBFCs like Barbados continue to play a vital role, for companies whose requirements match their skill sets and other sources of comparative advantage. However, the rapid change of tastes and technology does create challenges, dislocations and some losses. These must be taken care of, and the burdens of transition eased for persons affected. If not well managed, the disaffected may impede the progress of the international community.

Major international dislocations like the Great Recession of 2008, and its lingering effects, fuel opposition to the globalisation of commerce. Many international commentators see the backlash against outsourcing, the growth of anti-immigration sentiment in many countries, burdensome rules and prescriptions on international commerce and finance, and the growing competition among countries for a share of tax on the profits of international companies – as unfortunate setbacks to efficient global markets, and a loss to everyone, including the protagonists of the protectionist policies.

We must not be naïve. The globalisation process must be managed so that potential losers are compensated or helped to make a transition; the pace of change must be modulated so

that local cultures and traditions are respected and can evolve, and people must not feel overwhelmed. Fairness and justice must prevail, and outrageous extremes of wealth and poverty must be addressed. These initiatives must be restored to the global agenda, if we are to turn back the anti-globalisation forces. It's important to us, because IBFCs are suffering from that backlash.

But we know that the forces of nationalism and autarchy cannot prevail. Technology is against them and economics is against them. Globalisation is unstoppable, and in the global economy Barbados and other IBFCs are carving out our special niches. We have suffered our setbacks, but we are undeterred, because we are part of the future of the global economy, an economy where borders diminish in importance with every day that passes.