

Commerce Today

Electronic Commerce in Barbados

The introduction of the Internet and advancements in Information and Communications Technology (ICT), have significantly changed the way business is conducted globally today. Today, *electronic commerce* (EC) has become one of the principal means of doing business, largely because the Internet facilitates the quick and efficient movement of information among trading partners at a greatly reduced cost.

What is Electronic Commerce?

Narrowly defined, it is doing business online or selling and buying products and services through Web storefronts. The term *electronic commerce* has evolved from simply electronic shopping to encompass all aspects of business and market processes enabled by the Internet and the World Wide Web technologies. The value of global *electronic commerce* was estimated at US\$33 billion in 1994 and was expected to grow to US\$6.9 trillion in 2004. This increase can largely be attributed to the number of Internet users. Currently, there are approximately 46,500 Internet users in Barbados.

The commencement of EC applications can be traced to the 1970s, with such innovations as the electronic fund transfers (EDF). EDF was succeeded by electronic data interchange (EDI), with an expanded scope to include other transaction processing such as manufacturing, retailing, and services. With the commercialization of the Internet in the early 1990s, facilitating access to millions of potential customers, the term *electronic commerce* emerged and EC applications expanded rapidly.

Creating an E Commerce Environment in Barbados

The Government of Barbados remains cognizant of the importance of *Information and Communications Technology (ICT)* to national, regional and international competitiveness, and by extension this country's socio-economic development. This was clearly demonstrated by the Prime Minister and Minister of Finance in his 2000 Economic and Financial Policy Statement, where he made mention of the fact that *electronic commerce* is changing the way business is conducted across the world. He also stated that *electronic commerce* is not only creating opportunities for technology oriented businesses, but is also impacting on traditional business practices.



To this end, he underscored Government's intention to undertake a number of strategic initiatives specifically designed to capitalize on the benefits which can accrue from ICT.

In particular, the Prime Minister outlined the following elements of an *e-commerce* strategy upon which the Government would embark:

- ◆ a legislative framework which would promote and facilitate electronic commerce developments;
- ◆ a telecommunications environment which provides low cost high speed internet and other telecommunication services;
- ◆ an adequate framework for clearance,

| <i>Inside this issue:</i> | |
|---|---|
| <i>Electronic Commerce In Barbados</i> | 2 |
| <i>The Small Business Development Act</i> | 3 |
| <i>"Standardization For A Better Quality Of Life"</i> | 4 |
| <i>Legal Metrology</i> | 6 |
| <i>The Consumer Guarantees Act</i> | 7 |

Electronic Commerce in Barbados (cont'd)

through the banking system, of e-commerce transactions;

- ◆ and Government to become a model user of e-commerce.

The Ministry of Commerce, Consumer Affairs and Business Development has been assigned the responsibility of developing *electronic commerce* in Barbados and as a consequence, will oversee the implementation of Government's *e-commerce* strategy. In seeking to carry out this mandate, the Ministry considers that careful attention has to be given to the establishment of an enabling environment capable of facilitating the development and growth of e-commerce.

Several initiatives are being undertaken to give effect to the stated strategy. One such strategy is the development of a legal framework to which Government remains committed. This legal framework is being facilitated by the enactment of the following pieces of legislation:

- ◆ An Electronic Transactions Act;
- ◆ A Computer Misuse Act;
- ◆ A Data Protection Act; and
- ◆ A Freedom of Information Act.

The Electronic Transaction Act, already enacted, makes provision for the same legal recognition of business transactions conducted electronically as is the case for paper-based transactions. *The Data Protection Act* which is now being drafted will seek to protect the privacy of the individual. The policy framework is currently being formulated for the *Freedom of Information Act*. This legislation will among other things provide guidelines for the dissemination of information from the public sector to facilitate good governance.

The recently enacted *Computer Misuse Act* protects computer systems and the information

contained therein from unauthorized access by individuals, and from abuse by individuals with authorized access.

It must be noted that a reformed banking system is inevitable if *e-commerce* transactions are to be facilitated. To this end, the Central Bank of Barbados has authorized the commercial banking sector to issue merchant banking accounts.

Current Status

Of great importance are the results of a survey of five (5) local commercial banks which showed that only one commercial bank offered an *e-commerce* solution. Encouragingly however, two others have demonstrated plans to either introduce *e-commerce* solutions or allow customers to open merchant banking accounts.

Little research has been done on the retail sector in relation to its online transaction capabilities. It is noted, however, that a leading furniture distributor as well as a leading food chain operation offer such capabilities. At the other end of the spectrum, there is a group of small businesses that offer souvenirs and small gift items online. Quite interesting, is the fact that Barbadians seem more inclined to buy online as opposed to positioning themselves to offer goods and services online.



“The Computer Misuse Act protects computer systems and the information contained therein from unauthorized access by individuals, and from abuse by individuals with authorized access.”

The Small Business Development Act

The Government of Barbados, in its effort to position the small business sector as one of the leading sectors of the modern Barbadian economy and promote a culture of international competitiveness among SMEs, enacted the *Small Business Development Act, 1999-23* in December 1999.

This Act facilitates the granting of *Approved Small Business Status* to incorporated small businesses which carry out any activity that provides significant socio-economic benefits to Barbados.

Socio-economic benefits as defined under the Act means:

- i. the generation of new investment or the development of products or processes
- ii. an improvement in employment, production capacity through market research, technical invention or innovation; or
- iii. the enhancement of export potential, foreign exchange earnings of savings, or the general welfare of persons in Barbados.

Benefits Under the Act

The three major benefits which accrue to an *Approved Small Business* are:

1. the payment of corporation tax at the rate of 25% on the profits of the business
2. exemption from duty on plant and equipment imported for use in the business
3. Technical Assistance as it relates to:
 - a. the development of product design;
 - b. the development of package and label design;
 - c. the provision of assistance in the development and maintenance of quality control;
 - d. the provision of marketing assistance for the local and export market;
 - e. the provision of assistance to businesses seeking to participate in overseas trade shows;

- f. the preparation of business plans to facilitate the initial financing and management of the business;
- g. the financing of feasibility studies relating to the development of new businesses or products;
- h. the provision of assistance in managerial accounting or budgetary analysis; or
- i. the provision of assistance in general or production management.

How to Apply

Applications forms are available at the Ministry of Commerce Consumer Affairs and Business Development located on Reef Road, Fontabelle, St. Michael. The Business Development Unit will gladly provide information on how you can obtain *Approved Small Business Status*.

Approved Small Business of the Year-2004

The Minister and staff of the Ministry of Commerce, Consumer Affairs and Business Development proudly extend congratulations to G&A Communications Inc., recipient of the inaugural Minister's *National Approved Small Business of the Year Award* which was held on September 25, 2004 at The Grand Barbados Hotel.

G&A Communications Inc., is an *Approved Small Business*, whose Managing Director, Devin Griffith left the security of a well paying job to step into the world of entrepreneurship. Initially, limited resources restricted operations to his residence.

Today G & A Communications Inc. has an international reputation for integrity, and excellence. This innovative *Approved Small Business* has formed strategic alliances with international partners, allowing it to compete successfully for large contracts, thereby increasing the size and quality of its customer base.

Plans are already underway for the *2005 National Approved Small Business of the Year Award*.



“Under The Small Business Development Act, 1999-23, a company which is granted Approved Small Business Status can receive a refund of up to \$1700.00 on the cost of incorporation.”



“Standardization for a Better Quality of Life”

The following is the first in a series of articles on standardization.

Standardisation in the Food Industry

The food industry has long recognized the importance of standards. Along with an understanding of the criteria, which determined the safety and quality of foods came the development of methods of measurement of quality parameters and systems of grading, acceptance criteria, process and quality control. The modern food industry is a highly regulated industry in which the safety and suitability of foods for human consumption are the principal concerns. Food quality and the protection of consumers against fraudulent practices follow closely behind.

The first area of standardization to attract attention relates to the identification of products being traded. It is essential that consumers are able to have the confidence that all products designated by a common name have the same attributes. Products bearing common or trade names, such as margarine or butter, are defined on the basis of the principal characterizing features of the product so that consumers are not at risk of being duped by manufacturers who are able to produce similar products from alternative inputs of possibly inferior quality. For example, butter and margarine are required to have the same minimum fat content but no animal fat is allowed in margarine and no vegetable fat in butter.

Of equal significance to consumers is the quality of the product. Consumers exchange money for presumed value. Standardisation enables consumers to have the confidence that the product meets quantitative criteria for the ingredients which are claimed to be present, as well as the net contents of the package. Prescribed information on shelf life, storage instructions and methods of preparation enable consumers to make informed choices of products, and ensure optimum

value for money spent.

During the last decade, the World Health Organisation has assigned increasing priority to food safety. This has resulted from global concerns about the high incidence of food borne illnesses and the emergence of new and more virulent strains of microorganisms as pathogens in foods. The development of food standards has always treated codes of hygienic practice for the production of foods at the same level of priority as the elaboration of specifications for the composition of the food. Increasingly, the method of writing the codes has shifted from being arbitrary and prescriptive to being risk-based and focused on desired food safety outcomes. The assurance of adherence to a code of practice, with specified food safety outcomes, on the part of the producers provides consumers with greater assurance of the safety of the food in the market.

Arising out of this focus on assessing risks related to the use of food ingredients and the methods of production, is the current recommended food safety management system, *Hazard Analysis Critical Control Point (HACCP)*. This system, which has been formalized by the Barbados National Standards Institute (BNSI), requires the design and maintenance of a control system, which has as its outcome the elimination or reduction to safe levels of any identifiable chemical, physical or microbiological hazard associated with the production process.

Food is the most widely traded category of goods in international trade. The need for standardization of foods to be traded internationally is self evident. To this end, the World Health Organization and the Food and Agriculture Organization, both agencies of the United Nations, formed a Joint World Food Standards agency several decades ago. This agency, known as the *Codex Alimentarius Commission* is an inter-governmental body



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Standardization for a Better Quality of Life”

with the responsibility for elaborating standards, codes of practice and guidance to govern international trade in foods. The *Codex Alimentarius* (literally Food Law) is the reference used by the WTO in resolving disputes about trade in foods. As a result, this agency has taken on added importance since the establishment of the WTO.

The Importance of Standardisation in the Food Sector

The use of standards of identity to differentiate products in the marketplace may seem to be so fundamental as to not merit discussion. Yet there are major trade issues, with enormous economic implications, attendant on the use of this simple tool.

The case of rum is an excellent example. COTED has recently approved a regional standard on rum, which was developed through the CROSQ process, at the request of regional rum producers. This standard has as its foundation a definition of rum, which restricts the use of the name to products derived from sugar cane, or products derived there from. Alcohol used in beverages can be derived from many different sources. If the name “Rum”, with its strong traditions and marketing appeal, could be used for products derived from other alcohol sources, it would have a devastating effect on the local and regional rum industry. The standard, referenced in international trade agreements, would provide protection against unfair competition.

Another example worth considering is that of bottled water, a product which has had remarkable growth in the local market over the last few years. Both *Codex Alimentarius* and CROSQ have developed standards for this product category and Barbados is in the process of adopting one as well. The use of exotic sounding brand names is known to enhance

market appeal of consumer products in general, and this category is no exception.

Water for bottling can come from any approved source, including a natural geological resource and the public distribution system. In the absence of a standard, which governs the way these products may be designated, one could simply bottle “tap” water and assign an exotic name to it, suggestive of a natural source. This standard regulates the use of terms and requires adequate disclosure so that consumers can have accurate information on which to make their decisions.

Product labels, and labeling associated advertising, provide the information on which consumers rely to make purchasing decisions. Standardisation of the format and nature of the information is essential to ensure truthful declarations and to protect consumers from misrepresentations of product attributes. Of increasing concern is the use of claims which relate to health and nutrition and the use of foods to address real or perceived physiological needs.

A seemingly ever expanding range of dietary supplements such as “nutraceuticals” and herbal products, are appearing in the market and being aggressively promoted. The recently revised BNS 5:2 *Specification of Pre-Packaged Foods* seeks to address this area which is currently not regulated, and requires, *inter alia*, an acceptable level of scientific substantiation of claims as well as limits claims to specific areas identified in a (yet to be developed) national nutrition policy.



“The Codex Alimentarius Commission is an inter-governmental body with the responsibility for elaborating standards, codes of practice and guidance to govern international trade in foods, and in the reference used by the WTO in resolving disputes about trade in foods.”



Legal Metrology

The Department of Commerce and Consumer Affairs in the Ministry of Commerce, Consumer Affairs and Business Development was established in response to the exigencies induced by globalization and trade liberalization, and to have a functional arm within the Ministry to monitor and manage developments in the area of commerce and consumer affairs.

While the benefits of globalization are often publicized, it must be understood that the lack of preparation especially by small and developing countries can lead to their marginalization and consequently increased economic difficulties. For instance, small and developing countries including Barbados must focus on protecting domestic consumers and businesses from undesirable trade practices. Inefficient pricing policies, inferior product and service standards, and the inaccurate measurement of goods and services traded distort competitiveness and are detrimental to both local and international trading activity.

Responding to a Changing Environment

An augmented strategy is necessary if the Department is to fulfill its diversified mandate. A fundamental component of the new strategy is the revamping of the existing pieces of legislation governing the work of the Department in order to guarantee its continued relevance to modern developments. In particular, a review of the activities under the *Weights and Measures Act, Cap 331* enacted “to revise and consolidate the law relating to weights and measures and to provide for the introduction in Barbados of the international system of units (S.I) and for related matters”, the *Miscellaneous Controls Act, Cap 329* enacted “to make provision for the prohibition or restriction of the exportation and importation of goods and for the control and regulation of the production of vegetables and the keeping of livestock and of the price of goods generally” and the *Control of Standards Act, Cap*

326A enacted “to provide for the control of standards and the labeling of commodities” is currently being undertaken. Ultimately, the last two Acts will be updated while the *Weights and Measures Act* will be completely replaced by a new *Legal Metrology Act*.

What is Legal Metrology?

Metrology is the science of measurement. Research confirms that metrology dates back some 5000 years and co-developed with early civilizations that required measurement used in their everyday lives to be consistent. *Legal metrology* embraces all forms of measurements subject to judicial control. It is the entirety of the legislative, administrative and technical procedures engaged in to ensure quality and credibility of measurements related to official controls, trade, health, safety and the environment. *Legal Metrology* makes reference to the verification and calibration of instruments used for measurement. These usually include but are not limited to, meters that measure sound level, radiation level, vehicular speed, alcohol level, water, gas and electricity.

Currently, the existing *Weights and Measures* legislation in Barbados only addresses issues related to retail trade, for instance, consumer goods. However, as a signatory to, and affiliate of key international organizations that promote consumer protection and fair trade, Barbados considers the establishment and sustainability of a *legal metrology* infrastructure to be vital to the economic, social and environmental development of the country. To this end, the Department has the role of establishing a *Legal Metrology Laboratory* and a Trading Standards Unit, two entities that are becoming increasingly mandatory in global “commerce today”. This will be discussed in our next edition.



“Legal metrology covers the legislative, administrative and technical procedures engaged in to ensure quality and credibility of measurements related to official controls, trade, health, safety and the environment.”

The Consumer Guarantees Act Frequently Asked Questions

Q. Do I lose my rights under the Act where the defect in my item manifests itself after the manufacturer's warranty has expired?

A. No warranties are a matter of contract between you and the supplier, but the statutory guarantees in the Act impose a minimum standard that goods must meet even though the warranty period has passed.

Q. What are the rights if I have a number of problems with an item that was purchased?

A. If there is an accumulation of small defects such that the combined effect is sufficiently substantial, then the consumer may have a right to reject the goods and claim a refund or ask for a replacement.

Q. What rights do I have if I am given a gift and it is defective?

You have the same rights as the person who bought the gift. This is different from what normally obtains. Usually, only those persons who have made the contract can sue on that contract.

Q. If I have a problem with an item bought from my neighbor, will the Act provide me with a remedy?

A. If your neighbor does not sell those items as part of a business enterprise, then you will not have any remedies under the Act. The Act does not cover "one-off" sales, rather the item must be sold in trade.

Q. Can I bring a witness to say what a sales representative told me about an item or a service that I bought?

A. Yes and it is recommended that you take someone with you if you are making a major purchase. The Act permits witnesses to give evidence about statements made about goods by the supplier or his representative.

"The Consumer Guarantees Act, 2002-21 assures the consumer's right to products of good quality and to products which meet their expressed requirements."

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