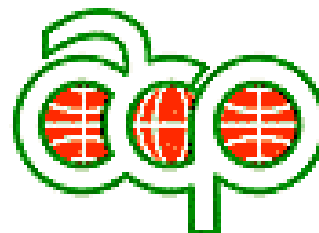


# Implications of EU-CARIFORUM Economic Partnership Agreement for Belize – *A Forward Assessment*

*David M. Gomez*  
(Launchpad Consulting)

Trade Capacity Building for Enhanced Private Sector Engagement  
Project (Project 123 – Belize)  
Belize Chamber of Commerce & Industry  
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## Abstract

For nearly three decades Belize benefited from preferential trade in particular commodities under the Lomé Agreements. The Cotonou Agreement came into effect in 2000, and while temporarily extended those preferences through the end of 2007 at the same time it committed the ACP and EU to move towards establishing trading arrangements which offered reciprocal preferences and were WTO compatible. The proposed Economic Partnership Agreements (EPAs) which are expected to succeed the Cotonou Agreement are also expected to have economic impact effects on the economies of the ACP countries party to the negotiating. In the case of Belize, a small preference dependent developing economy which is negotiating as part of the CARIFORUM (CARICOM + Dominican Republic) EPA regional grouping there are likely to be effects arising from reciprocity and regional integration. This paper has found that such impacts include loss of fiscal revenues as a result of having to liberalize substantially all trade (i.e. interpreted to mean at least 80% of current imports from the EU if the EU liberalizes 100% of imports from Belize), and the contraction of its two key export sectors (bananas and sugar) as a result of the continued erosion of preferences. More importantly however is that for sectors in which Belize has export potential – agriculture and agri-food including beef and fisheries, exports would face market access constraints including as it relates to rules of origin, and food safety (standards) issues. Finally, the paper has found that EPAs are likely to have import-source substitution effects that have differing welfare effects for the Member States of CARICOM...one of which will cause imports in CARICOM to be sources from the EU rather than non-EU countries, and the other will cause switching from regional to EU sources of supply. Although Belize is expected to suffer negatively from trade diversion it will likely do so in only a small way as CARICOM is not its most important trading partner. Moreover if the composition of EU imports to the region remain the same then it is unlikely that Belize would suffer competition from such imports for its primary agriculture and low-value added food products.

## List of Acronyms

<b>ACP</b>	African, Caribbean, Pacific
<b>ATPSM</b>	Agriculture Trade Policy Simulation Model
<b>BCCI</b>	Belize Chamber of Commerce & Industry
<b>CA</b>	Cotonou Agreement
<b>CAP</b>	Common Agricultural Policy
<b>CARICOM</b>	Caribbean Community
<b>CARIFORUM</b>	CARICOM + Dominican Republic
<b>CBI</b>	Caribbean Basin Initiative
<b>CCCT</b>	Commonwealth Caribbean Countries Tariff
<b>CET</b>	Common External Tariff
<b>COTED</b>	Council for Trade and Economic Development
<b>CRNM</b>	Caribbean Regional Negotiating Machinery
<b>CSME</b>	CARICOM Single Market & Economy
<b>DR</b>	Dominican Republic
<b>EBA</b>	Everything But Arms
<b>EPA</b>	Economic Partnership Agreement
<b>FTA</b>	Free Trade Agreement
<b>GPT</b>	Generalized Tariff Preference
<b>GSP</b>	Generalized System of Preferences
<b>GTAP</b>	Global Trade Analysis Project
<b>INTAL</b>	Institute for the Integration for Latin America and the Caribbean
<b>OECS</b>	Organization of Eastern Caribbean States
<b>PDE</b>	Preference-Dependent Economy
<b>S&amp;D</b>	Special and Differential Treatment
<b>SFA</b>	Special Framework of Assistance
<b>SME</b>	Small and Medium-Sized Enterprises
<b>SSA</b>	Special System of Assistance
<b>TRQ</b>	Tariff Rate Quota
<b>UR</b>	Uruguay Round
<b>URAA</b>	Uruguay Round Agreement on Agriculture
<b>WTO</b>	World Trade Organization

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# Introduction

On April 16, 2004 the CARIFORUM<sup>1</sup> regional group of countries launched negotiations for an Economic Partnership Agreement (EPA) with the European Union (EU). The negotiations are the result of built in commitments of the Cotonou Agreement (CA) signed in 2000 which established a comprehensive framework for African-Caribbean-Pacific (ACP)-EU relations, and which required pursuant to Article 36(1) that the two parties conclude by 2008, new trading arrangements which are World Trade Organization (WTO) compatible and which progressively remove "...barriers to trade between them..."<sup>2</sup> As such, EPAs are important for Belize, which, as a member of CARICOM, is party to the negotiations within the CARIFORUM regional grouping. This is because EPAs: signal a paradigm shift in the nature of ACP-EU trade relations – i.e. will be based on the principle of reciprocity; advocate for deeper regional integration as the mechanism for integrating ACP states into the global economy; potentially further erodes the preferences which have characterized the nature of ACP-EU trade relations for the past three decades; and are required by the Cotonou Agreement to be WTO compatible. The aim of this paper is to identify and assess what the likely implications of these are for Belize.

Preliminary evidence suggests two things: firstly, there are potential negative impacts which are likely to arise from issues associated with reciprocity and trade liberalization - Belize is highly susceptible to preference erosion shock, and is likely to suffer significant economic and social adjustment costs including loss of government revenues from trade taxes- as well as from the 'conflict' inherent between intra and inter-regional integration initiatives. Secondly, in the short to medium term Belize is unlikely to benefit significantly from any further liberalization whether at the regional or EPA level in terms of the value and or volume of its exports. This is in large part due to the structure of the Belizean economy – i.e. its narrow export base, export supply constraints, and homogeneity of export products and services with other Caribbean and ACP countries – and its historical trade performance, both within the CARICOM Single Market and Economy (CSME) and under the Lomé and Cotonou Agreements. In other words, as a small developing preference dependent economy Belize suffers from all the attendant challenges and is therefore severely constrained in its efforts at integrating itself into the wider region and the global economy.

Unavoidably then, the prospect of a CARIFORUM-EU EPA raises important policy questions and issues for CARIFORUM member states including as it relates to the impact on national development and economic competitiveness resulting from granting the EU reciprocal market access to CARICOM<sup>3</sup> (and hence also Belize's) market albeit within the context of a preferential trade agreement; of the maintenance and or erosion of the

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<sup>1</sup> CARIFORUM includes the fourteen members of CARICOM (Antigua and Barbuda; Bahamas; Barbados; Belize; Dominica; Grenada; Guyana; Haiti; Jamaica; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; Suriname; and Trinidad and Tobago) plus the Dominican Republic but excludes Cuba.

<sup>2</sup> ACP Guidelines for the Negotiations of Economic Partnership Agreements, ACP/61/056/02[Final], Brussels, 5 July 2002, page 1.

preferences extended to ACP countries under the various commodity protocols, and of the “complementarity of regionalism and multilateralism”<sup>3</sup>.

When introduced in 1976 the Lomé Agreement<sup>4</sup> provided, at the time, a new framework for cooperation between the European Communities and the group of developing countries referred to as the ACP (African, Caribbean, and Pacific) most of which were their former colonies. Lomé which ran between 1976 and 2000 was characterized by duty free access for most ACP agricultural exports and included a system of preferential access based on a system of quotas for particular commodities such as sugar, bananas, beef & veal, rice, and rum. These became known as the Commodity Protocols of the Lomé Agreements and to a large extent defined the nature and structure of export trade between ACP countries and the EC. Under Lomé, Belize was party to the Commodity Protocols for bananas and sugar and, like other ACP countries, benefited from preferential trade for these goods.

In 2000, Lomé IV was replaced by the Cotonou Agreement which also ushers in a new type of relationship between the EU and ACP countries. To be sure, while the Cotonou Agreement temporarily maintained the trade arrangements of Lomé IV (i.e. it ‘extended the existing non-reciprocal trade preferences’ for eight years through the end of December 2007) it also committed the ACP and EU to moving towards establishing reciprocal preferences but required that such trading arrangements within the context of a regional trading arrangement<sup>5</sup> and be WTO compatible.<sup>6</sup> The Cotonou Agreement also provided for “the coverage of standard market access issues for goods, commodities and services (with specific reference to maritime transport, information and communication technologies and the information society, as well as support to the tourism sector)...and envisages possible agreements on fisheries and food security.”<sup>7</sup> In addition, it extended the cooperation of ACP countries on trade related issues such as “...competition policy, IPRs, standardization and certification, SPS, trade and environment, and trade and labor standards...”<sup>8</sup> amongst others.

The rest of this paper is arranged as follows: Section 2 discusses the context and purpose of the assessment. It also briefly discusses the research methodology and the data collection and analysis processes employed for the assessment. Finally, it provides a brief overview of the structure of the CARIFORUM-EU EPA negotiations. Section 3 engages an assessment of the Belizean economy and examines its structure and historical trade performance in particular within the context of the CSME and under the Lomé arrangements. In doing so it attempts to illustrate how being a small developing economy serves to severely constrain

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<sup>3</sup> Greenaway & Milner, page 1. This is addressed to an extent however by EPAs themselves in that they are required to be WTO compatible, nonetheless it remains to be determined the extent to which deeper regional integration will in fact translate into successful integration of ACP states into the global economy.

<sup>4</sup> Between 1976 and 2000 Lomé was re-negotiated three times – Lomé II ran from 1981 to 1985; Lomé III from 1985 to 1989; and Lomé IV from 1990 to 1999.

<sup>5</sup> Article 37(5) of the Cotonou Agreement stipulated that “economic partnership agreements would be negotiated between September 2002 and 31 December 2007.” ACP Guidelines for the Negotiations of Economic Partnership Agreements, page 1.

<sup>6</sup> “*The Trade Provisions of the New Agreement*,” The New ACP-EU [Cotonou] Agreement: A Users Guide, Trade and Development Studies Issues No. 6, Trade & Development Studies Centre – Trust, October 2000, page 6.

<sup>7</sup> Bilal, Sanoussi, “Economic Partnership Agreements (EPAs): the ACP regions and their relations with the EU,” Paper prepared for the 3<sup>rd</sup> ECPR Conference, Budapest, 8-10 September 2005, page 4.

<sup>8</sup> Ibid., page 4.



Belize's export and productive structures and as a result presents limitations as it relates to its (Belize's) participation in an EPA. Section 4 builds on the previous section by illustrating how the constraints of the CARICOM region may be extrapolated from and reflect the character and composition of its membership – i.e. of small developing economies. This is useful for contextualizing and understanding the economic and trade performance of the wider region including for intra and inter-regional trade. More importantly though, it allows for the assessment to employ the framework proposed by the Cotonou Agreement for EPAs as its frame of reference for identifying the areas where impacts to the region are likely and then for extrapolating what those will be to Belize. This is possible for two reasons: firstly, any impacts are inherent to and likely to arise from changes to the ACP-EU trade relationship within the context of the key principles established Article 34 of the CA for EPAs (i.e. reciprocity, regionalism, and differentiation). As such these provide both appropriate axes and lens for identifying and examining any likely impacts and or implications of a CARIFORUM-EU EPA. Secondly, as mentioned before Belize is a part of CARICOM (and hence necessarily of CARIFORUM) and therefore negotiates trade agreements from that position. As a result any potential impacts of an EPA which may occur within at the regional level are expected to extend to the country level (i.e. be country specific). Although not all countries will be affected in the same way and to the same extent due to differences in their economies and trade and export structures, all economies within the region are expected to suffer effects. Section 5 then turns to assessing the impact effects of the key economic and trade issues that arise from the thematic areas above. In this regard the focus is on three areas, specifically: trade liberalization - inherent in granting reciprocity to the EU for the CARIFORUM market; market access barriers to the EU market for CARICOM exports and including the erosion of the value of preferences in particular for banana and sugar; and loss of fiscal revenues. This 'framework' is broadly consistent with the analytical framework for evaluating the impact effects of EPAs proposed by Greenaway and Milner<sup>9</sup> to the extent that it allows for examination of the potential economic effects of reciprocal trade liberalization and preference erosion, as well as of deeper and wider regionalism. Also, it finds support in the fact that EPAs are not expected to be just another set of free trade agreements but rather are envisaged as *development-oriented* (Article 34.1) between regional groups of ACP countries and the EU, and which will “foster the smooth and gradual integration of the ACP States into the world economy by ... enabling ACP states to play a full part in international trade.”<sup>10</sup> Consequently, it is possible for this assessment to draw on conclusions from the Greenaway and Milner study, as well as from others in deriving its own conclusions. This approach is different however, in that it goes further by touching on how differentiation – a mantra of CARICOM in all trade negotiations – impacts on negotiating outcomes in an EPA favorable to the development of small developing preference-dependent economies. Finally, Section 6 concludes and offers some recommendations for possible negotiating and policy responses for Belize and points for further consideration.

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<sup>9</sup> See Greenaway, David and Chirs Milner, “A Grim REPA?” Research Paper 2003/30, University of Nottingham Research Paper Series – Internationalization of Economic Policy.

<sup>10</sup> Article 34(2)

## Section 2: Background

### Section 2.1: Context & Purpose

This impact assessment is commissioned under the Business Advocacy for Trade Capacity Building Project (Project 123 – Belize) of the Belize Chamber of Commerce and Industry (BCCI) with funding from the EU-ACP Project Management Unit. The general objective of Project 123 – Belize is to develop institutional and negotiating capacity within the BCCI that will allow for more meaningful input and engagement in Belize's commercial and trade policy development and implementation processes by the private sector. The *specific objectives* include:

- (I) *Development of a strategic framework and a platform for identifying key commerce and trade related issues and priorities for Belize;*
- (II) *Development of commercial and trade analytical skills that will allow it to transform values, issues, and interests into specified objectives and policy recommendations*
- (III) *Development of general and specific trade related lobby and advocacy abilities and strengths;*
- (IV) *Development and implementation of a plan of action (including, amongst others, awareness and education campaigns and technical assistance and training) for working with BCCI Members in the areas of trade policy, international trade negotiations, and the delivery of related services to the BCCI's Membership;*

These objectives are consistent with the recommended ACP approach to the EPA Negotiations laid out in the Guidelines<sup>11</sup> for same. The Guidelines state that in order for ACP States to build capacity for the negotiations they would need to undertake

*...independent analysis of the implications of developments at the international and possible at the inter-regional, regional and national levels, that will have a bearing on the negotiations. Further in-depth studies would have to be carried out not only at the regional level, but also at the national level to determine the impact of trade liberalization on the economies of individual ACP States, including on various sectors of their economies, the type of adjustments they would have to make, the costs of those adjustments, and the measures they should take to benefit from EPAs.<sup>12</sup>*

This particular impact assessment is intended for use by the Belize Chamber of Commerce and Industry, its membership and the wider Belizean private sector as a basis for informing their engagement in the EPA negotiations. Such engagement takes place within Belize's trade policy cycle at the stages of (a) trade policy analysis and formulation, and (b) in the preparation of national negotiating positions and strategies.<sup>13</sup> As such, the results of the assessment may prove useful for informing defensive and offensive negotiating and policy positions for Belize, and for ensuring that stakeholders in the private sector are better positioned for identifying those policy and negotiating responses that may be acceptable to Belize and which yield the best possible outcome of a CARIFORUM-EU EPA. Accordingly,

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<sup>11</sup> ACP/61/056/02 [Final], Brussels, 5 July 2002

<sup>12</sup> Ibid, Section 1, para 11, page 3.

<sup>13</sup> The different stages were set out and discussed in Workshop #1 on Policy Development and Analysis conducted under Project 123 – Belize. For more on this see Solignac Lecomte, H.B., *Building Capacity to Trade: A Road Map for Development Partners – Insights from Africa and the Caribbean*, ECDPM Discussion Paper 33, Maastricht, 2001.

greater emphasis is placed on the trade policy and negotiation issues than on empirical verification of underlying economic propositions regarding EPAs. It is assumed however, that the assessment will also be accessed by the public sector, in particular the Directorate of Foreign Trade within the Ministry of Foreign Affairs and Foreign Trade. As a result economic data is utilized in the analyses process to determine the validity and appropriateness of trade policy and negotiating recommendations. In this regard the indicators used include mainly those for economic performance (i.e. GDP per capita, FDI, etc.) and trade (balance of trade in goods and services; volume of trade, volume of exports) at the country (i.e. Belize) and regional levels (CARICOM & CARIFORUM).

## **Section 2.2:      *Research Methodology***

The study is of the nature of a general impact assessment. Given this reality, the research methodology involved a combination of research approaches. In the first instance it involved a comprehensive literature review of previous studies, papers, and publications on EPAs in particular as it relates to their impact on the ACP. The literature review was useful in determining general trends, theories, and issues facing the ACP in general in negotiating EPAs and CARIFORUM more specifically where appropriate. This was followed by a series of consultations with the private and public sectors through small focus group settings to discuss specific economic sectors (i.e. fisheries, poultry and livestock, and information and communications technologies) and through the opportunities provided by the various training workshops held under the Project. In addition, there were opportunities for more broad based consultations in places where broader agriculture, services, or issue specific consultations were held jointly by the BCCI and the Directorate of Foreign Trade.

This study has benefited from the data and data sets developed by the Institute of Development Studies, as well as statistics from the Central Bank of Belize, Central Statistical Office – Belize, Euro-Trace, and the publication on CARICOM Statistics. However, it has also adopted data and statistics in the form of tables, charts and graphs where such data and statistics were useful in strengthening the relevant argument or for clarifying the point being made. The writer admits that this poses some challenges and problems arising from inconsistencies due to differences in the type of data utilized, and or the assessment period in consideration, or in the methodology employed by other authors. As a result, all efforts were taken to ensure that where possible the data used in this study reflected similarities in the reference period in consideration. It was not possible however to verify the reliability of the data in many instances. Notwithstanding these were interpreted to be indicative and as such proved useful in developing and articulating the arguments within this paper.

In designing the liberalization scenarios in Section 5, this paper builds on the methodology used and developed by the Institute of Development Studies (IDS), University of Sussex in Brighton. That exercise involved the completion of demonstration exercise conducted by the IDS using 2003 data and from different sources (i.e. EUORSTAT and Intra and Extra EU trade) and which covers Belize's imports from the EU and the applied tariffs to those imports. In an attempt to make the results more current the decision was taken to utilize data from a more recent period (e.g. 2004). To that end the dataset utilized in this assessment was constructed using data provided by the Caribbean Regional Negotiating Machinery and extracted from the ASYCUDA system in the Belize customs department. The data reflects the level of imports to Belize from the EU for 2004, disaggregated at the

National Tariff Line (NTL) level or HSC 8 digit level, along with the value and volume of imports and the value of import duties for the year in consideration. Where the NTL set a range the maximum *ad valorem* tariff was applied, resulting in some overstating of the value of total import duties for the base year by roughly BZ\$2 million. In addition, because the value (in Belize \$) of the import duty was supplied as opposed to the *ad valorem* rate or fixed sum/per unit, all the duties (including on those items carrying fixed sum/per unit tariffs), were converted into *ad valorem* equivalents.

### **Section 2.3: Structure of the Negotiations**

The ACP Guidelines for the Negotiations of Economic Partnership Agreements sets out the structure of the negotiations (Section IV – paras 36 to 42) and the timeline for the negotiations (Section V). These are according to para 12 of the Guidelines which state that negotiations should be conducted in two phases: Phase 1 which takes place at the all ACP level with a view to concluding an all ACP agreement on the objectives and principles of EPAs and issues of common interest to all ACP States. At this phase issues such as S&D, rules of origin, SPS, customs and administrative procedures, the framework for negotiating trade in services. In Phase 2 the issues will cover, inter alia, “tariff negotiations and any other specific Sectoral commitments at national or regional level as the case may be and issues of specific interest to ACP countries or regions.”<sup>14</sup>

In reality however there are four regional phases guiding the negotiations; namely:

- i) *Initial Phase*: Establishing the Priorities of EPA Negotiations (April 2004 to September 2004). The objective of this phase was to establish an understanding of the fundamental concerns and interests of EPA negotiations for both CARIFORUM and the EU;
- ii) *Second Phase*: Convergence on strategic approach to CARIFORUM regional integration (September 2004 to September 2005). The aim of EPA negotiations during this phase was to establish a common understanding on the priorities for support of Caribbean regional integration, and the targets to be attained by the time of the commencement of implementation on January 1, 2008 and beyond;
- iii) *Third Phase*: the current phase of negotiations, ending in December 2006;
- iv) *Final Phase*: Finalization (January 2007 to mid-2007) - negotiations during this final phase should concentrate on consolidating the results of the negotiations and completing them.

Phase III of the CARIFORUM-EU negotiations was launched in September 2005, and is intended to build on Phase II, which according to the regional negotiating machinery, garnered qualified success, as measured in terms of harnessing results on its two primary objectives specifically: (a) developing an understanding of the respective regional economic spaces that will assume commitments under an EPA; and, (b) identifying CARIFORUM regional integration priorities to be supported by an EPA. The focus of Phase III of the negotiations was on the substantive issues including “...forging an agreement on the structure of an EPA agreement; consolidation the outcome of discussions on the priority issues for CARIFORUM regional integration; and agreeing on an approach to trade

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<sup>14</sup> ACP/61/056/02 [Final], page 4.

liberalization;”<sup>15</sup> while Phase IV, the final phase, should have concentrated on drafting of the legal texts which would necessarily involve “clearing up issues of disagreement... and enumerating the precise commitments in all spheres of the agreement.”<sup>16</sup>

As Phase III drew to a close at the end of 2006 however, it became evident that Belize, as perhaps are other CARICOM countries, was not comfortable with the pace and or progress of the negotiations. Despite this, CARICOM Heads of Government in January/February 2007 decided to “make every effort to comply with the agreed schedule for the negotiations” and to proceed “largely on the basis of the existing positions developed by the CRNM...”<sup>17</sup>

Under the CARIFORUM-EU EPA negotiations three Technical Working Groups (TWG) have been convened consecutively all immediately prior to technical sessions with the EC, that mark the onset of substantive negotiations. The TWGs are on: i) *Market Access*, ii) *Services*; and, iii) *Trade Related Issues*. Negotiating sessions started in February, with encounters at Principal Negotiators level underway from March, culminating in a year-end Ministerial meeting.

### Section 3: Economic/Trade Analysis of Belize

Belize is a small developing country with a population of approximately 300,000 on 8,867 square miles (22,960 sq. km) of land, and with a GDP per capita income of around US\$3,807.00.<sup>18</sup> The country is bordered to the north by Mexico, the Caribbean Sea to the east, and to the West and South by Guatemala. Belize boasts a fairly high literacy rate but despite this unemployment hovers around 10% and more than 33% are living below the poverty line with some 10.8% indigent.

**Table 1: Social and Demographic Indicators - Belize**

Area (sq. km)	22,960	Access to safe drinking water (most recent year)	
Arable land (percent of land area, 2003)	3.1	Percent of Households	
		Urban (2002)	68.0
Population (most recent year)		Rural (2002)	26.9
Total (in thousands, end-2005)	292		
Annual rate of growth, (percent, 2005)	3.3	Education (most recent year)	
Density (per sq. km., 2005)	12.7	Adult literacy rate, in percent (1998)	75.5
GDP per capita in US\$ (2005)	3,807	Gross enrollment rates, in percent	
		Primary education (2004)	124
Population characteristics (most recent year)		Secondary education (2004)	85
Life expectancy at birth (in years, 2004)	72	Tertiary education (2004)	3
Crude birth rate (per thousand, 2004)	26		
Crude death rate (per thousand, 2004)	5	GDP (millions of Belize dollars, 2005)	2,221.8
Infant mortality (per thousand live births, 2004)	32.4	GDP (millions of U.S. dollars, 2005)	1,110.9
Under 5 mortality rate (per thousand, 2004)	38.6		
Health (most recent year)		Poverty (most recent year)	
Physician (per thousand people, 2000)	1.1	Percentage below poverty line (2002)	33.5
Hospital bed (per thousand people, 2003)	1.3	Percentage below indigent line (2002)	10.8
		Poverty gap (2002)	11.1
		Severity of poverty (2002)	6.1

(Source: IMF Article IV Report – Belize, 2006)

Over the last five to ten years the growth performance was better than the regional average but has fallen from the high of 13% in 2000 to 3.3% in 2005. Despite the declining rate of

<sup>15</sup> “Plan and Schedule for CARIFORUM-EC Negotiation of an Economic Partnership Agreement,” page 6.

<sup>16</sup> Ibid, page 7.

<sup>17</sup> Jessup, David, “The View from Europe,” email Brief, received 27 February, 2007.

<sup>18</sup> IMF Belize – Article IV Consultation.

growth, according to the Central Bank of Belize<sup>19</sup>, real GDP grew by 3.1% in 2005 to a high of BZ\$2.167 billion, the result of fiscal and economic tightening on the basis of home-grown measures, and was expected to remain around the same level for 2006 or to decline slightly (i.e. to between 2% and 3.0%). This is down from GDP growth in 2003 of 9.3% and 4.6% in 2004. Overall however, real GDP growth between 1997 and 2003 averaged around 7.2% per annum.

**Table 2: Major Economic Indicators 2000/05**

	2000	2001	2002	2003	2004	2005
<b>POPULATION AND EMPLOYMENT</b>						
Population (Thousands)	249.8	255.3	262.7	271.1	281.1	289.9
Employed Labor Force (Thousands)	83.7	85.9	84.7	89.2	95.9	98.6
Unemployment Rate (%)	11.1	9.1	10.0	12.9	11.6	11.0
<b>INCOME</b>						
GDP at Current Market Prices (\$mn)	1,663.5	1,742.7	1,864.3	1,975.2	2,110.4	2,209.9
Per Capita GDP (\$, Current Mkt. Prices)	6,659.3	6,826.1	7,096.7	7,285.9	7,507.6	7,623.0
Real GDP Growth (%)	13.0	4.9	5.1	9.3	4.6	3.3
Sectoral Distribution of Constant 2000 GDP (%)						
Primary Activities	15.2	14.5	13.9	17.5	18.2	17.9
Secondary Activities	18.1	17.3	16.9	14.9	15.3	14.5
Services	66.7	68.3	69.3	67.6	66.5	67.6
<b>CENTRAL GOVERNMENT FINANCES (\$mn)</b>						
Current Revenue	349.8	372.1	425.8	422.2	462.0	511.4
Current Expenditure	308.4	333.7	333.4	393.0	468.0	556.2
Current Account Surplus(+)/Deficit(-)	41.4	38.4	92.3	29.1	-6.0	-44.8
Capital Expenditure	247.5	267.4	260.3	276.4	180.9	117.6
Overall Surplus(+)/Deficit(-)	-139.9	-142.4	-68.8	-216.0	-125.3	-141.9
Ratio of Budget Deficit to GDP at mkt. Prices (%)	-8.4	-8.2	-3.7	-8.9	-5.9	-6.4
Domestic Financing (Net)	-74.0	72.7	-220.9	-62.4	-39.4	-24.1
External Financing (Net)	213.5	69.8	278.3	380.7	174.9	122.1
<b>BALANCE OF PAYMENTS (US \$mn)</b>						
Merchandise Exports (f.o.b.) <sup>1</sup>	281.8	269.1	309.7	315.5	306.2	318.4
Merchandise Imports (f.o.b.) <sup>2</sup>	478.4	477.7	496.9	522.4	480.7	556.2
Trade Balance	-196.6	-208.7	-187.2	-206.9	-174.6	-237.9
Remittances (Inflows)	27.3	26.4	24.3	29.3	30.9	40.9
Tourism (inflows)	110.7	110.5	121.5	149.7	168.1	213.7
Services (Net)	28.2	44.0	43.6	69.7	86.8	141.5
Current Account Balance	-161.6	-182.3	-165.6	-176.4	-149.9	-151.6
Capital and Financial Flows	202.9	173.5	151.6	174.5	110.2	157.4
Gross Change in Official International Reserves <sup>3</sup>	-51.7	2.7	5.4	30.1	31.4	-18.0
Gross Official International Reserves	122.8	120.1	114.7	84.6	53.3	71.3
Import Cover of Reserves (in months)	3.2	3.2	3.2	2.1	1.4	1.6
<b>PUBLIC SECTOR DEBT</b>						
Disbursed Outstanding External Debt (US \$mn) <sup>4</sup>	433.7	486.6	574.5	749.7	850.7	932.6
Ratio of Outstanding Debt to GDP at Mkt. Prices (%)	52.1	55.8	61.6	75.9	80.6	84.4
External Debt Service Payments (US \$mn)	43.1	68.0	75.2	72.0	88.5	220.7
External Debt Service Ratio (%) <sup>5</sup>	9.8	15.3	15.2	13.6	16.3	35.6
Disbursed Outstanding Domestic Debt (\$ mn)	176.0	210.8	174.2	257.8	278.6	279.5
Domestic Debt Service Payments (\$ mn)	22.6	17.7	19.2	13.7	18.8	23.1

Source: Central Bank of Belize Annual Report 2005

Since 1998/99 economic growth has been predicated on an expansionary fiscal policy stance augmented to some extent by export increases in particular for shrimp aquaculture. The

<sup>19</sup> Central Bank of Belize Annual Report 2005

expansionary fiscal policies have resulted in a very high fiscal deficit for the country, but between FY 2004/05 and FY2005/06 the authorities, on the strength of ‘home grown’ adjustment measures managed to reduce the overall fiscal deficit from 8.6% to 3.3% of GDP. Despite this, the recent 2006 IMF Article IV Consultation concluded that, given current policies, “Belize’s net balance of payments financing needs will reach about 10 percent of GDP in 2007, and remain high thereafter at about 6 percent of GDP during 2008-11 and more than 10 percent of GDP during 2012-2015.”<sup>20</sup>

Belize’s economy is essentially hybrid in structure, with services representing the biggest sector (i.e. about 59% of GDP)<sup>21</sup>. Services however have emerged as the leading economic sector led mainly by tourism which experienced robust growth between 2001 and 2005. This is attributable mainly to growth in the cruise tourism sector which exploded to over 800,000 arrivals in 2004. This declined by 6% in 2005 but this was balanced out to some extent by over-night tourism which increased over the same period by some 3%. Agriculture and forestry however remain important pillars of the Belizean economy and are the sectors on which export development and performance has historically been predicated. Together agriculture, forestry, and fisheries (along with mining) comprise primary activities and have remained for nearly five decades the mainstay of the Belizean economy.

In 2005, primary activities accounted for 12.7 percent or some BZ\$279.8 million of GDP by industrial origin at current prices in 2005, down slightly from 14.7 percent or BZ\$310.1 million in 2004.<sup>22</sup>

**Table 3: Sectoral Origin of Real GDP**

	2001	2002	2003	2004	2005
<b>GDP at constant factor cost</b>					
<b>Primary activities</b>	<b>252.2</b>	<b>252.9</b>	<b>348.0</b>	<b>380.7</b>	<b>392.4</b>
Agriculture and forestry	178.0	183.9	212.4	237.6	236.0
Fishing	64.9	60.3	126.8	133.8	146.9
Mining	9.3	8.8	8.8	9.3	9.5
<b>Secondary activities</b>	<b>299.3</b>	<b>306.3</b>	<b>295.0</b>	<b>316.7</b>	<b>314.0</b>
Manufacturing	156.7	159.0	158.2	177.7	178.0
Electricity and water supply	58.6	60.2	65.3	64.3	63.9
Construction	83.9	87.0	71.5	74.7	72.2
<b>Services</b>	<b>1,006.4</b>	<b>1,086.4</b>	<b>1,175.2</b>	<b>1,213.7</b>	<b>1,290.2</b>
Wholesale and retail trade, repairs	290.2	301.8	306.0	305.9	323.0
Hotels and restaurants	66.4	68.0	77.9	84.0	87.4
Transport and communication	158.5	176.4	191.5	201.1	216.7
Financial intermediation	103.8	131.1	172.5	181.8	205.3
Real estate, renting and business services	110.9	121.7	123.0	129.9	142.3
Community, social and personal services	102.2	106.2	111.5	115.8	117.8
General government services	174.4	181.2	192.7	195.3	197.7
Banking charges					
<b>Net indirect taxes</b>	<b>240.0</b>	<b>262.4</b>	<b>285.0</b>	<b>289.0</b>	<b>288.6</b>
<b>GDP at constant market prices</b>	<b>1,745.7</b>	<b>1,834.6</b>	<b>2,005.9</b>	<b>2,098.8</b>	<b>2,171.3</b>

(Source: IMF Article IV Report – Belize, 2006)

<sup>20</sup> Belize – 2006 Article IV Consultation, Preliminary Conclusions of the Mission, August 29, 2006, URL: <http://www.imf.org/external/np/ms/2006/082906.htm>, visited January 2007.

<sup>21</sup> WT/TPR/S/134, page 2.

<sup>22</sup> Table 2: Percentage Share of GDP by Industrial Sector at Current Prices, *Central Bank of Belize Annual Report 2005*, page 66

Within agriculture, there remains a heavy dependence on preferential trade in bananas and sugar particularly into the EU market. To be sure, estimates place banana and sugar exports, as a percentage of total exports, at around 25% of total exports value for Belize. The issue of dependence on agricultural preferences is dealt with in greater detail elsewhere in this paper but suffice it to say here that preferences are in essence a carry-over from the colonial era where, in the 1800s, logwood was the key export product and later replaced by mahogany. In the mid-1900s although the focus shifted from 'king mahogany' to agriculture the practice of trading into preferential markets remained and became institutionalized. Within that context, agriculture exports would soon evolve to include mainly bananas, sugar, and citrus. Fisheries also emerged as an important part of the national economy and fisheries export formed a critical part of Belize's export basket from around the 1950's to today. Within the fisheries sector, the exports of farmed shrimp have featured prominently and in 2003 reached an all time high of BZ\$91.77 million in exports out of total of \$110 million for marine exports.<sup>23</sup>

As is evident from the above, trade remains an important part of Belize's economy. For instance, between 1997 and 2003 exports of goods and services as a share of GDP increased from 52.8%, while imports also increased over the same period from 55% to 66.6% reaffirming that Belize remains a net-importing developing country. On the other hand, although exports "remain relatively diversified by regional standards...they are concentrated in traditional agricultural products [i.e. bananas, citrus, sugar, and shrimp, mostly] to preferential markets."<sup>24</sup> In 2002, Belize's export basket accounted from nearly 80% of total merchandise trade and remained concentrated in three traditional products, specifically: sugar (20.7%), crustaceans - of which a large percent was shrimp (14.6%), and bananas (12.4%). Other export products included orange juice (11%), other agriculture (11%), clothing (9%), fruits (5.7%), and fish -other than crustaceans (3.5%).<sup>25</sup>

**Table 4: Major Domestic Exports 2000-2005**

	BZ\$ million					
	2000	2001	2002	2003	2004r	2005p
<b>Bananas</b>						
tonne	63.73	50.14	41.83	73.02	79.43	76.08
value	65.82	42.8	33.5	52.58	52.99	51.08
<b>Garments</b>						
tonne	1.7	1.38	1.42	1.44	1.77	1.57
Value	39.58	31.01	30.44	30.91	37.1	34.56
<b>Grapefruit Concentrate</b>						
million gallon	0.89	0.81	0.73	0.77	1.81	1.24
Value	13.41	15.7	13.95	12.52	23.82	19.31
<b>Marine Products</b>						
Tonne	3.18	4.07	3.33	7.74	8.34	9.25
Value	70.44	66.42	70.36	110.16	107.33	85.74
<b>Orange Concentrate</b>						
million gallon	5.45	4.9	3.62	4.92	6.45	8.4
Value	95.25	68.85	53.49	66.24	55.49	87.81
<b>Papayas</b>						
Tonne	5.2	6.25	11.1	16.57	25.22	17.14
Value	11.45	10.26	15.51	16.75	22.82	26.87
<b>Sugar</b>						
Tonne	109.33	95.51	104.94	100.15	113.93	79.47
Value	74.39	59.37	65.98	73.75	81.53	69.9
<b>Other</b>						
Value	50.43	31.03	33.44	21.73	29.04	39.2
<b>Total</b>	<b>420.78</b>	<b>325.45</b>	<b>316.67</b>	<b>381.41</b>	<b>410.13</b>	<b>413.27</b>

Source: CSO, Belize

<sup>23</sup> CSO, Marine Exports 2000-2004

<sup>24</sup> WT/TPR/S/134, page 3

<sup>25</sup> Ibid, page 10.



Belize's major trading partners include Canada, CARICOM, Central America, the EU, Mexico, and the USA. In terms of importance for exports, in 2005 the CARICOM market was the third largest (BZ\$45.4 million) behind the EU – including the United Kingdom (BZ\$119.68 million) and the USA (BZ\$216.05 million). Mexico was a distant fourth with BZ\$17.63 million in exports – comprising mainly shrimp, re-exports, and steel. It is important to note that, according to CSO data, the real value of domestic exports to the EU (U.K. plus other EU) declined between 2000 and 2005 from 165.77 million to 119.68 million. At the same time, domestic exports to CARICOM increased from 19.59 million to 45.54 million over the same period. While this is not suggestive of trade divergence it indicates that the EU has declined in real and relative terms of importance for domestic exports from Belize while CARICOM has increased in real and relative terms.

**Table 5: Domestic Exports by Destination**

	BZ\$ million					
	2000	2001	2002	2003	2004r	2005p
Caricom	19.59	21.85	22.45	35.02	46.64	45.54
Canada	5.91	1.34	2.34	0.6	0.86	0.23
Central America	1.03	2.61	2.66	1.14	1.78	3.02
Mexico	2.72	2.04	3.81	5.54	5.55	17.63
United Kingdom	121.03	78.83	77.93	93.52	80.6	90.91
Other European Ur	44.74	22.57	29.65	20.59	41.41	28.77
United States of An	205.03	169.37	168.2	211.63	226.17	216.05
Other	20.73	26.84	9.63	13.37	7.12	11.12
<b>Total</b>	<b>420.78</b>	<b>325.45</b>	<b>316.67</b>	<b>381.41</b>	<b>410.13</b>	<b>413.27</b>

Source: CSO, Belize

On the import side, the USA is again the major trading partner with BZ\$463.85 million, followed by Central America (\$230.93 million), Mexico (BZ\$111.10 million), the European Union including the UK (BZ\$79.41 million). CARICOM and Canada fare relatively poorly and with BZ\$28.44 million and BZ\$15.81 million in imports respectively.

**Table 6: Gross Imports by Destination**

	BZ\$ million					
	2000	2001	2002	2003	2004	2005
United States of America	507.09	474.46	442.71	469.6	398.21	463.85
Mexico	88.12	86.71	82.13	87.3	106.00	111.10
United Kingdom	28.1	32.64	32.89	28.06	23.91	18.56
Other European Union	52.3	40.37	52.39	56.4	39.91	60.85
Central America	94.02	121.4	174.26	183.61	197.28	230.93
Caricom	29.4	43.75	32.16	30.13	26.27	28.44
Canada	16.11	13.48	17.16	13.68	12.47	15.81
Other	233.43	220.83	215.33	235.39	224.01	256.29
<b>Total</b>	<b>1,048.57</b>	<b>1,033.64</b>	<b>1,049.03</b>	<b>1,104.17</b>	<b>1,028.05</b>	<b>1,185.83</b>

Source: CSO, Belize

Imports include largely higher end value added products including machinery and farm equipment, petroleum and petroleum products, petro-chemicals, clothing, and shoes, etc., but also involve a number of medium level value added products such as ice-cream, brooms, paint and paint-brushes, etc.

**Table 7: Gross Imports by Products**

	BZ\$ million					
	2000	2001	2002	2003	2004	2005
Food and Live Animals	106.27	118.77	107.84	118.72	109.23	120.68
Beverages and Tobacco	7.54	7.65	8.33	8.94	9.85	17.44
Crude Materials	8.01	11.57	7.53	6.69	7.26	9.10
Mineral Fuels & Lub.	173.99	154.52	115.54	132.82	154.65	195.66
Oils and Fats	3.96	3.2	3.05	3.3	3.18	3.19
Chemical Products	84.79	71.69	85	82.66	76.31	88.75
Manufactured goods	143.83	136.2	128.19	128.67	136.85	138.85
Mach. & Transp. Eqpt	237.13	230.48	208.47	203.66	175.91	199.77
Oth. Manufactures	64.49	75.84	80.45	103.22	81.81	101.11
Commodities n.e.s	0.45	0.41	0.25	0.91	0.01	0.05
Export Processing Zones	100.56	87.02	80.01	130.7	113.91	124.71
Commercial Free Zone	114.49	132.03	221.17	180.5	156.62	183.80
Personal Goods	3.07	4.29	3.19	3.4	2.63	2.72
<b>Total</b>	<b>1,048.57</b>	<b>1,033.65</b>	<b>1,049.03</b>	<b>1,104.17</b>	<b>1,028.22</b>	<b>1,185.83</b>

(Source: CSO, Belize)

In terms of trade with the EU Belize's exports involves mostly primary agricultural products such as bananas (HS0803), cane sugar (1701), molasses (1703), and citrus fruit and juices (0805) while imports from the EU include intermediary to higher end value added products such as those mentioned above. (See Tables 8 and 9 below)

**Table 8: EU Main Imports from Belize**

EU25 import	rs4 fro Belize	% total of country	cumul. % total exp	1000 euro	Share of Extra-EU	tons
0803	BANANAS, INCL. PLANTAINS, FRESH OR DRIED	41,8%	41,8%	47.574	1,9%	74.189
1701	CANE OR BEET SUGAR AND CHEMICALLY PURE SUCROSE, IN	18,5%	60,3%	21.106	1,8%	40.500
8903	YACHTS AND OTHER VESSELS FOR PLEASURE OR SPORTS; R	11,5%	71,8%	13.076	0,4%	2.004
8901	CRUISE SHIPS, EXCURSION BOATS, FERRY-BOATS, CARGO SH	5,7%	77,5%	6.511	0,1%	14.887
0306	CRUSTACEANS, WHETHER IN SHELL OR NOT, LIVE, FRESH, C	5,2%	82,7%	5.912	0,2%	1.163
2304	OILCAKE AND OTHER SOLID RESIDUES, WHETHER OR NOT G	3,7%	86,4%	4.237	0,1%	19.719
2710	PETROLEUM OILS AND OILS OBTAINED FROM BITUMINOUS	3,7%	90,0%	4.179	0,0%	8.972
0805	CITRUS FRUIT, FRESH OR DRIED	3,2%	93,2%	3.629	0,3%	7.207
2009	FRUIT JUICES, INCL. GRAPE MUST, AND VEGETABLE JUICES,	1,8%	95,0%	2.061	0,2%	2.201
8517	ELECTRICAL APPARATUS FOR LINE TELEPHONY OR LINE TEL	1,1%	96,2%	1.308	0,0%	2
1703	MOLASSES RESULTING FROM THE EXTRACTION OR REFININ	0,8%	97,0%	878	0,6%	9.313
3301	ESSENTIAL OILS, WHETHER OR NOT TERPENELESS, INCL. CO	0,8%	97,7%	870	0,2%	49
<b>total import from Belize</b>		<b>100%</b>		<b>113.939</b>	<b>0,01%</b>	

Source:

The above mentioned features are reflective of Belize's status as a small developing economy and as such comprise its key constraints to its integration into the global economy. Kennes (2000) argues that small developing economies exhibit a series of important characteristics which together combine to constrain their attempts at economic integration. Kennes also believes that lack of economic diversification is the most important characteristic and argues that "very often, exports are dominated by a single sector or even a single product or company."<sup>26</sup> This he further argues results in extreme difficulties in responding to economic shocks and impact on their (small developing states) overall vulnerabilities. Indeed it is "generally recognized that small developing economies suffer specific handicaps arising from

<sup>26</sup> Kennes, Walter, *Small Developing Countries and Global Markets*, Macmillan Press Ltd. (2000) page 6.

the interplay of several factors related to their size”<sup>27</sup> including structural problems such as small populations and domestic markets; hyper-dependency on one or a few exports for foreign exchange earnings; fragile and often narrow resources bases prone to external shocks resulting from natural disasters; and low and limited levels of capital for investment.

With an overall economy of roughly US\$1 billion per year, a population of 300,000, significant reliance on government revenues from trade taxes, and export dependence on a few products facing preference erosion and concentrated mainly in primary agriculture and fisheries, Belize strongly exhibits all of the characteristics of being a small developing economy and assuming Kennes arguments as set out above to be true will therefore be faced with significant constraints in a CARIFORUM-EU EPA. This is already

**Box 1: Belize as a small developing economy:**

- Small open economy - heavily dependent on imports to support local production and satisfy consumer demands
- Narrow export basket – merchandise exports consist mainly of primary products such as agricultural commodities (e.g. banana, citrus, and sugar)
- Diversification into services exports (mainly tourism)
- Heavy reliance on trade preferences – Lomé and Cotonou Agreements, CARIBCAN, CBERA, Caribbean Basin Initiative

evident in its (Belize’s) heavy reliance on trade into preferential markets for two key commodities which are ‘exposed to risks from trade liberalization’, and by its lack of competitiveness and export product diversification. In short, the country remains vulnerable to a number of factors, including to changes in world markets, in particular because its prime economic activities agriculture, fisheries, and tourism are themselves highly sensitive to changes in world market conditions. Such vulnerabilities are key to understanding the challenges and potential impacts for Belize likely to arise from an EPA; as well as for understanding the policy choices and options with which it is currently faced.

### **Section 3.1 Key Trade Policy Issues**

Belize is currently faced with a number of trade policy issues and challenges. These include, amongst others:

- *External Trade Policy Coordination & Negotiation:* In general, Belize’s international trade policy objectives focus on “expanding and diversifying domestic production through greater access to world markets, to improve the country’s integration into international economy, and to continue efforts for enhanced regional integration within the Caribbean, Central America and wider American hemisphere.”<sup>28</sup> This seems broadly consistent with the EPA objective of achieving integration into the global economy through regional integration initiatives and processes. Moreover, Belize is already a member of the World Trade Organization (WTO), and is also a full member of the Caribbean Community (CARICOM) and the CARICOM Single Market and Economy (CSME).

<sup>27</sup> “Small developing economies: characteristics and vulnerability,” URL: <http://www.fao.org/DOCREP/005/Y3733e0e.htm>, visited December 2006.

<sup>28</sup> Medium Term Economic Strategy 2003-2005. This is also the finding in the Belize-European Community: Country Strategy Paper and National Indicative Program for the Period 2002-2007, page 12.

Belize's membership in the WTO and CARICOM/ CSME however means that its' external trade policy is, to an extent, influenced by its participation in those bodies or forums. The degree to which it is influenced is heightened by the fact that its participation, as it relates to negotiating trade agreements, necessarily takes place through a regional mechanism and within the regional context. For instance, as it relates to CARICOM with which it conducts a common external trade policy and negotiations two issues are of key importance, namely the structure for trade policy formulation and the framework for trade negotiations. As it relates to trade policy formulation, at the CARICOM level this is influenced by the College of Negotiators – which is coordinated by the CRNM and which plays “a representational and coordinating role in the negotiations and makes recommendations to trade officials and trade officials and COTED ministers;”<sup>29</sup> and Technical Working Groups the role of which is to provide “a broad platform for regional technical consultation among stakeholders on external trade policy.”<sup>30</sup> Regarding the framework of trade negotiations, CARICOM's trade agenda is negotiated by the Caribbean Regional Negotiating Machinery (CRNM). Created in 1997, the role of the CRNM is “to develop and execute a negotiating strategy for the various ongoing trade-related negotiations... and to coordinate the region's position in these fora.”<sup>31</sup> According to Dunlop *et al*, the CRNM's specific responsibilities include the following:

- a. To develop and execute an overall negotiating strategy for the various negotiations in which the region is involved;
- b. To lead the region's negotiating team and provide technical support to ministerial spokespersons;
- c. To develop and fin-tune the strategy for the various negotiations within the timetable set for the particular area; and
- d. To maintain regular contact with Sectoral negotiators and to work with them in identifying issues and developing appropriate responses.

The challenge to Belize here is ensuring that its national trade policy agenda is not externally driven (i.e. by the regional and or multilateral context and processes) and that it in fact represents its own national development priorities. This is particularly important in the context of the EPA negotiations. The *de facto* situation however, is that national trade policy issues are often influenced by the external agenda and this remains an area of concern in the context of deciding on the final text of a CARFORUM-EU EPA. The upshot to regional cooperation in negotiations is that it gives greater weight to Belize's position once there is consensus at the CARICOM level, and helps to address to some extent, the capacity constraint issues faced by the Directorate of Foreign Trade.

- *Regional Integration:* CARICOM which was established by the Treaty of Chaguaramas in 1973 focuses on deepening the integration process both within the region through establishment of the CARICOM Single Market & Economy (CSME) and through implementation of trade agreements with third parties (i.e. Dominican Republic, EU).

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<sup>29</sup> Dunlop, Alan, “Organizing Trade Negotiating Capacity at the Regional Level,” ECDPM Discussion Paper No. 54, September 2004.

<sup>30</sup> Ibid,

<sup>31</sup> Ibid,

The rationale for deepening integration rests on the need for institutional strengthening through allocation of scarce resources while enhancing capacity for regulatory and economic policy formulation, thereby promoting more efficient functioning of markets. Given the experience of the Caribbean in this area, it will be interesting to see if the current structures for regional integration within CARICOM and under the CSME lend to achievement of the EPA objective of deeper and wider regional integration as a means to achieving broader integration into the global economy. *Prima facie* the evidence suggests that the objectives for regional integration though broadly similar between that of CARICOM and EPA, are on deeper evaluation inherently different. For instance, the objective of CARICOM integration in the area of trade and economics is to realize a single market and economy within the region; whereas the objective of regional integration under the EPAs is for the purpose of realizing further integration into the global economy.

- *Multiple & simultaneous fora of negotiations:* Belize like other CARICOM member states is simultaneously engaged in negotiating a number of trade agreements including at the bilateral, regional, and multi-lateral levels including for the CSME, WTO, EU-ACP, and FTAA.
- *Tariffification:* Belize is required by WTO law to migrate from a system of import licenses to a tariff system. Trade liberalization will lead to a reduction of tariff levels and this will have implications for public sector revenues from trade taxes.
- *Erosion of Preferential Markets:* cases have been brought against the EU's banana and sugar regimes within the WTO that has led to consistent erosion of preferential market access for these products. In order to continue the granting of preferences the EU has had to seek approval of a waiver within the WTO and the preferential treatment granted under the Lomé Convention (1975-2000) has been extended under the Cotonou Agreement until 2008. EU, is in the process of reviewing its trade relationships. The EU intends subsequent relationships with the African, Caribbean and Pacific (ACP) states to be based, in much greater part, on reciprocity than on preferential treatment.

Concluding the FTAA negotiations would also lead to an erosion of the preferences granted in USA and Canada under the Caribbean Basing Initiative now CBERA and CARICAN

- *Trade Capacity Deficits* (including negotiations): Belize has limited ability to effectively administer the various trade agreements to which it is currently party. In this regard, the burden of negotiating and administering a growing number of preferential agreements is of particular concern to Belize because of its limited institutional capacity both in terms of participating in the negotiations and in terms of observing the commitments to be undertaken. In cognizance of this, the Government of Belize's strategy in recent years has been to build trade negotiating capacity to allow for more meaningful engagement in the various trade agreements and negotiations currently ongoing. To that end a Directorate of Foreign Trade has been established within the Ministry of Foreign Affairs and Foreign Trade, and within the Directorate there is a Trade Policy Unit comprising the key government officials concerned with international trade and negotiations. Also, in 2004/5 a public-private sector body was established (i.e. the National Trade



Negotiation Commission) which has overall responsibility for co-ordination of trade policy formulation and implementation. More recently, the Belize Commodities Secretariat – previously in charge of facilitating policy implementation in response to changing external markets for the three main commodities (citrus, sugar, and bananas)<sup>32</sup> and now also for the non-traditional agriculture sector (i.e. grains such as beans and corn) – transformed itself into a private sector organization known as the Belize Agro-productive Sector Group, but has retained responsibility for leading negotiations and the response to trade issues for the key commodities.

## Section 4: Economic/Trade Analysis of CARICOM

The Caribbean Community (CARICOM) is comprised of a group of fifteen, mainly English speaking, small developing economies. The region has approximately 15 million people on a total of 462,472 sq. km and with a combined GDP of US\$29.44 billion or a GDP per capita of US\$2,628. When the regions basic socio-economic indicators are considered at the country level however, their dispersion is significant. For example, population size ranges from 47,000 for St. Kitts & Nevis to Jamaica with 2.643 million, and eight of the countries in the region had population sizes of less than 300,000 in 2000. Regarding land area and GDP similar scenarios of severe constraints are evident. As it relates to the former total area (km sq) ranges from 270 for St. Kitts & Nevis to 215,000 for Guyana but with twelve countries having a total land area of less than 30,000 km sq. For GDP only three countries have an annual GDP greater than US\$1 billion per year, and four countries have annual GDPs of less than US\$.5 billion.

**Table 9: Basic Indicators for CARICOM, 2004**

Country	Population	Area	GDP		GDP Per Capita	
			Constant	AAGR %)	Current	AAGR %)
			US\$ mn	1984-2004	US\$	1994-2004
	(‘000)	(km sq)				
Antigua & Barbuda	79	440	676	4.4	11,482	4.4
Bahamas	317	14,000	4,385	1.8	17,432	3.2
Barbados	271	430	2,233	1.4	10,381	4.5
Belize	274	22,960	1,018	6.5	3,977	3.4
Dominica	71	750	225	2.1	3,643	1.9
Grenada	105	340	375	3.7	4,386	4.4
Guyana	769	215,000	747	2.3	1,034	3.6
Haiti	8,440	27,750	3,010	-0.4	557	6.0
Jamaica	2,643	10,990	5,471	1.4	2,986	0.2
Montserrat	9	102	38	---	4,111	---
St. Kitts & Nevis	47	270	316	4.5	8,195	4.8
St. Lucia	161	620	602	3.8	4,021	2.0
St. Vincent & Grenadines	109	390	327	3.9	3,512	4.8
Suriname	438	163,300	905	1.4	2,760	6.4
Trinidad & Tobago	1,313	5,130	9,111	2.3	9,545	9.6

<sup>32</sup> This was later expanded to include shrimps but this commodity has since withdrawn from representation by the BAS Group.

<b>CARICOM</b>	<b>15,044</b>	<b>462,472</b>	<b>29,440</b>	<b>1.8</b>	<b>2,628</b>	<b>4.1</b>
<b>OECS</b>	<b>580</b>	<b>2,912</b>	<b>2,558</b>	<b>3.8</b>	<b>5,248</b>	<b>3.5</b>

(Source: INTAL, 2005)

The above socio-economic indicators suggest that, arguably, the CARICOM region exhibits challenges and constraints similar to those associated with small developing economies, and because of this the regional economy should be considered on a similar basis (i.e. as small and developing). This would facilitate understanding some of the fundamental challenges of adjusting to the changing global economy present at both at the country and regional levels. For one, countries in the region tend to have a high export-GDP ratio with the 2001 average being about 118 percent. This suggests that most of the countries have fairly open economies, Haiti being an exception with a trade-GDP ratio of only 46 percent.<sup>33</sup> In contrast T&T and Suriname both have trade-GDP ratios of 171 and 96 percent respectively, and Guyana and other countries are above 130 percent.

Two, “most countries in the Caribbean have low average tariffs but high tariff dispersion...”<sup>34</sup> To give an example, although the CET for Live Animal/Product is 24.9%, the national applied tariffs for this product heading ranges from 11.5% in St. Kitts & Nevis to as high as 53.3% in Barbados. The same is true for a number of other product lines including vegetable products, processed foods and tobacco, wood and wood articles, and footwear to mention a few.

**Table 10: Composition of Exports, 2002**

<b>Country</b>	<b>Share of Total Exports (%)</b>	
	<b>Goods</b>	<b>Services</b>
CARICOM	52.8	47.2
CARICOM (-) T&T	38.3	61.7
OECS	20.3	79.7

(Source: INTAL, 2005)

Three is that the region has traditionally relied on trade in merchandise exports concentrated in a small number of products mainly agricultural but also including, in the last two decades or so, some mineral fuels and chemicals (the latter mainly from Trinidad). Indeed the data reveals that CARICOM is still largely dependent on trade in goods with merchandise exports estimated at 52.8% of total exports. In fact several studies have found that between 1993 and 2003 merchandise exports accounted for roughly half of CARICOM's total exports.<sup>35</sup> The region however has been slowly transitioning away from manufactures and merchandising and towards services, and today services are responsible for the largest share of exports in ten out of the fourteen countries in CARICOM. This has, to an extent, compensated for losses in the share of merchandise exports, and has reduced, for some countries the level of dependence on preferences, but the shift has merely resulted in shifting reliance on a single or few economic sectors from goods to services – i.e. tourism. In other words the shift in the structure of national economies seems to have resulted in a shift from a heavy reliance

<sup>33</sup> “A Time to Choose: Caribbean Development in the 21<sup>st</sup> Century,” World Bank Report No. 31725, page 22

<sup>34</sup> Ibid, page 22.

<sup>35</sup> See for example the CARICOM Report by INTAL.

on a few agricultural commodities to a similar level of reliance on one or a couple services sectors, the difference being that these services sectors do not function under preferences.

Four, is that there is a “persistently high and widening deficit on the current account of the balance of payments,” for the majority of the countries in the region. This is not surprising given the fact that most of the countries which comprise CARICOM, with the exception of perhaps Trinidad & Tobago, post annual external trade deficits. Estimates are that the region “in any given year, imports almost twice as much as it exports.”<sup>36</sup> In 2006 however, the Caribbean as a region experience mixed results in its fiscal performance mainly due to some countries undertaking a process of fiscal adjustment. In the case of Belize it was forced to undertake expenditure cutbacks in the face of a burgeoning debt servicing payments demands. Apparently Guyana and several OECS countries were also faced with fiscal deficit problems, but in the case of Trinidad and Tobago the situation is reversed and T&T posted a fiscal account surplus.

Despite the above challenges and constraints, the CARICOM region has experienced a short period of growth and in 2006 that growth reached 6.3%. This was however down from the previous year’s (i.e. 2005) growth of 6.5% of GDP. Within CARICOM the OECS countries – in particular Antigua & Barbuda – performed well posting GDP growth of 7.2%. Trinidad and Tobago also performed well and its economy was expected to post GDP growth of around 10% in 2006. Jamaica and Barbados were significantly lower at 2.5% and 4.5% respectively. According to ECLAC growth in 2006 was “due mainly to a commodity boom, unusual activity in response to preparations for Cricket World Cup (CWC), and tourism dynamism”<sup>37</sup> and was buoyed by Trinidad & Tobago due in part to its own strong performance in energy production and the petrochemicals industry, and by the favorable prices received for agricultural commodity exports. Projections for 2007 for the region are for continued growth but a lower level (i.e. 4.3%) than that realized for 2006.

To an extent, CARICOM’s growth is attributable to increases in intra-regional trade, with intra-regional exports increasing from 9 to 11 percent over recent years. Intra-CARICOM trade has experienced faster growth than has extra-regional trade – i.e. trade with third countries, accounting for “17 percent of exports in 2003, compared to 15 percent in 1993, and 11 percent of total imports, up from 9 percent a decade earlier.”<sup>38</sup> According to one study “from 1993-2003, intra-regional trade grew by an average 9 percent a year, compared to 7.4 percent annual growth in CARICOM’s extra-regional exports and 7 percent growth in extra-regional imports.”<sup>39</sup> Intra-regional trade performance has been buoyed by Trinidad & Tobago, from which most intra-CARICOM trade originates. When T&T intra-CARICOM exports is excluded from the wider intra-regional exports for the reference period above (i.e. 1993-2003) growth falls to only 5 percent.

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<sup>36</sup> Institute for the Integration of Latin America and the Caribbean (INTAL), CARICOM Report (August, 2005), page 58.

<sup>37</sup> “Preliminary Overview of Caribbean Economies,” ECLAC Studies and Perspective Series – Port of Spain, No. 1, page 9.

<sup>38</sup> Ibid, page 21.

<sup>39</sup> Ibid, page 21.



Among the CARICOM intra-regional trading partners it is evident that the MDCs are the major contributors to both exports and imports trade. T&T has the largest share of intra-regional exports with a market share of 69.3% between 1993 and 2003. This was followed by Barbados at 9.5% over the same period, then the OECS (7.2%), Guyana (5.8%), Jamaica (5.2%), Suriname (2.2%), and Belize (0.9%). As it relates to intra-regional imports the picture changes somewhat with Jamaica figuring as the intra-regional importer with a share of 31.7%, followed by Barbados (16.4%), Guyana (10.2%), T&T (9.2%), Suriname (7.2%), and then Haiti and Belize with 7.7% and 1.3% respectively.

As it relates to the composition of intra-regional trade, the major commodities traded intra-regionally include mineral fuels, lubricants, and related materials and food. This is supported by an INTAL CARICOM study wherein it was found that the composition of intra-regional merchandise trade indicates that over a ten year reference period (i.e. 1993-2003) fuels attracted the largest export market share with 39.2% followed by manufactured goods (34.5%), and food (24.4%). Both agricultural raw materials and ores and metals had nominal markets share of 0.4 each. When T&T is excluded from the calculations, manufactured goods emerges as the front-runner with a total share of 949.1%, followed by foods - 41.3%, and then fuels 6.6%.

**Table 11: Direction of Merchandise Exports by Country (2002)**

	FTAA	NAFTA	US	Caribbean	Latin Am.	EU	Other Carib	World	Others
Antigua and Barbuda	79.2	6.5	6.0	72.6	0.0	4.9	15.9	3.4	0.0
Bahamas	71.0	70.5	68.0	0.2	0.3	27.8	0.1	228.5	1.0
Barbados	74.2	20.3	18.0	52.9	0.9	20.1	2.9	161.3	2.8
Belize	45.7	38.4	36.9	6.9	0.4	31.6	0.0	164.5	22.7
Dominica	64.6	7.1	7.0	57.5	0.0	31.2	4.1	38.6	0.1
Dominican Republic	57.5	42.9	40.2	11.1	3.4	18.8	2.1	813.7	21.6
Grenada	59.8	28.6	27.4	28.3	2.9	39.6	0.0	32.9	0.6
Guyana	61.0	33.9	32.4	26.4	0.8	33.2	1.3	337.7	4.5
Haiti	87.6	87.2	86.4	0.2	0.1	7.8	0.3	60.7	4.3
Jamaica	48.2	43.3	28.1	4.4	0.5	30.8	1.4	1084.3	19.6
St. Kitts and Nevis	75.2	72.7	72.7	2.5	0.0	22.8	1.9	28.7	0.0
St. Lucia	45.2	11.7	11.6	33.2	0.2	53.7	0.9	42.9	0.3
St. Vincent and the Grenadines	53.3	1.7	1.6	51.6	0.0	42.3	4.4	36.2	0.0
Suriname	32.2	25.3	24.0	6.7	0.2	32.1	0.8	422.7	34.9
Trinidad and Tobago	84.1	54.2	50.4	23.4	6.5	11.2	2.6	3853.3	2.1
Simple Average	62.6	36.3	34.0	25.2	1.1	27.2	2.6	487.3	7.6

Source: COMTRADE database.  
Note: Most recent year available, Bahamas (2001), DR (2001), Haiti (1997), St. Kitts and Nevis (2001), Suriname (2000), Antigua and Barbuda (1999).  
Averages for region do not correspond to values found in Table 3.1 due to differences in country coverage.

CARICOM's trade with external or third countries is also significant and the key extra-regional trading partners include the EU, USA, Canada, and Latin America. In terms of extra-regional trade performance, "exports to the EU displayed the worst performance, growing at an average of only 3.9 percent: export to the US [on the other hand] grew much faster, at 8.7 percent per year,"<sup>40</sup> fueled primarily by exports of fuel from T&T. Interestingly, when the exports of T&T to the US are excluded "CARICOM's share in the US import

<sup>40</sup> INTAL, "CARICOM Report," page 58.

market declined every year since 1993, and now stands at only one half the share it held just a decade earlier.”<sup>41</sup>

A part of the problem with stagnating export performance with the EU, and poor performance with other export markets resides in the fact that the export basket to that market remains concentrated in a few products. However, diversifying CARICOM's economy has proven to be particularly challenging. An IMF study<sup>42</sup> found that the experience of diversification in the Caribbean stems from a number of factors including “the fall of commodities prices, the reduction in the availability of external financing, and the increase in the costs of some inputs resulting in ...a disruption of the region's economic structure and growth patterns.”<sup>43</sup> The result of this was mixed with different CARICOM member states pursuing different types of diversification initiatives. For example, Barbados entered into tourism, offshore financial services, and information and communications technologies services sectors; T&T developed their oil and petroleum industries, petrochemicals, and civil engineering services, marketing/advertising/design services amongst others; while the OECS countries engaged the tourism and offshore financial sectors, with Grenada focusing on non-traditional agriculture including for spices and avocado. In the case of Belize a recent study<sup>44</sup> found that where there were efforts at diversification such diversification were invariably horizontal in nature and involved engaging new agricultural sectors also traded under preferential market arrangements. This is as opposed to vertical diversification which would have involved entering into more value added industries within the same economic sector – for example in sugar or bananas. The net effects of such efforts at diversification “were changes in the level and structure of both intra-regional and extra-regional trade ... with the former corresponding to some deepening of regional integration.”<sup>45</sup> This pattern is repeated across the Caribbean and in the end the economies of the region remain relatively undiversified, relying (still) on only a few key export products and sectors.

The challenges of diversification faced by CARICOM countries have brought into sharp focus the issue of their international competitiveness and has led INTAL to state that “it is difficult to conclude that overall, CARICOM has improved its international competitiveness in merchandise trade or maintained any existing levels of competitiveness as a result of international economic integration or foreign policy coordination.”<sup>46</sup> On this score other studies have pointed to the decline in CARICOM shares of world markets, decreases in trade as a share of GDP, and deterioration of the current account as symptoms of declines in CARICOM's international competitiveness. Fortunately, the international competitiveness of the region has been helped somewhat by the provision of services, which in the 1990s grew for all countries in the region, and climbed for the region from 48 percent in 1990 to 55 percent in 2001.<sup>47</sup>

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<sup>41</sup> Ibid, page 59.

<sup>42</sup> Berezin, Peter, Ali Salehizadeh, and Elcior Santana, “The Challenge of Diversification in the Caribbean,” IMF Working Paper WP/02/196, November 2002.

<sup>43</sup> Ibid, page 21.

<sup>44</sup> Gomez, David, “Paradigms, Public Institutions, and Export Competitiveness,” January 2004.

<sup>45</sup> Berezin, *et al*, op cit, page 25.

<sup>46</sup> INTAL, CARICOM Report, page 59.

<sup>47</sup> World Bank Report No. 31725 – LAC, page 68.

## **Section 4.1      *Integration & Trade Frameworks***

The issue of trade integration in the Caribbean has in recent years emerged as an important policy issue for the region. In order to properly discuss any economic and trade integration processes involving the English speaking Caribbean it is first necessary to understand that such integration takes place at three levels or if you wish, within three different, though not necessarily mutually exclusive, frameworks, specifically: at the level of CARICOM region (i.e. the CSME) and within that at the level of the Organization of Eastern Caribbean States (OECS) sub-region; and at the level of CARICOM-Dominican Republic (i.e. CARIFORUM).

### *(a) CSME Integration & Trade*

Caribbean economic and trade integration is predicated on the Treaty of Chaguaramas which combined CARICOM with CARIFTA and came into effect in 1973 with the objective of “fostering economic integration among member states through the creation of a common market, involving the free movement of goods, services, people, and capital.”<sup>48</sup> The Treaty however fell short of its objectives in that in implementation it “focused only on the free flow of goods and the implementation of a common external tariff (CET) ... but did not set clear guidelines for the liberalization of services and movement of labor.”<sup>49</sup> As a result CARICOM Heads of Government decided in 1989 to commit to establishing a single market and economy.

The CARICOM Single Market and Economy (CSME), the concepts and objectives of which were set out in the Grand Anse Declaration of 1989 “...re-iterates the commitment of CARICOM members to establish the free movement of goods, services, labor and capital...”<sup>50</sup> in the Caribbean region. However, the CSME “... denotes a step further in [Caribbean regional] integration namely through the coordination of and or harmonization of macro-economic policies”<sup>51</sup> of the member states of CARICOM.

The CSME is predicated on a series of nine different protocols which were developed in the early 1990s and following their adoption and integration into the CARICOM Treaty, several of them were applied on a provisional basis. In 2002 the Revised Treaty entered into force and to date thirteen of the member states have signed on to the Revised Treaty and all except Haiti have ratified it. However, only seven of the member states, including Belize, have enacted the Treaty into their domestic legislation

Under the CSME, implementation of the free movement of goods has advanced well beyond that of its other facets. As a result intra-regional merchandise trade has been virtually free of tariff restrictions and many of the non-tariff barriers have also been removed. As it relates to the remaining restrictions, which

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<sup>48</sup> Egoume-Bossogo, Philippe and Chandima Mendis, “Trade and Integration in the Caribbean,” IMF Working Paper (WP/02/148), September 2002, page 6.

<sup>49</sup> Ibid, page 6.

<sup>50</sup> Jessen, Anneke and Ennio Rodriguez, “The Caribbean Community: Facing the Challenges of Regional and Global Integration,” INTAL-ITD, Occasional Paper 2, page 18.

<sup>51</sup> Ibid, page 18

include unauthorized import duties (as well as equivalent revenue replacement duties or import equalization taxes), export duties, discriminatory internal taxes and other fiscal charges (Such as environmental levies, taxes and surcharges, bottle deposit levies, inspection fees, consent fees, consumption taxes, and special produce import taxes), and unauthorized import licenses and quantitative restrictions on goods of Community origin<sup>52</sup>

a schedule has been put in place for their removal. At the same time, there are attempts to harmonize application of the authorized restrictions including customs surcharges, foreign exchange taxes, stamp duties, and automatic and non-automatic licensing.

The harmonization initiatives of the CARICOM under the CSME have involved most importantly the adoption of Common External Tariffs (CET). For the CET member states were allowed to schedule its implementation over four phases with some states, including Belize, being allowed derogations in the form of longer implementation periods (i.e. through 2002). This approach has raised a number of problems which, it is believed, are inherent to the CET and which, arguably, will persist beyond its full implementation. The first of these has to do with the derogations allowed under the CSME. The argument here is that the derogations and the broad scope allowed for tariff suspensions and reductions prevent the CSME from achieving true commonality. Moreover, these derogations and exceptions have become obstacles to trade negotiations with third countries and “given the implementation of the rules of origin to avoid trade deflection, create additional transaction costs and reduces transparency of market access for exporters targeting CARICOM.”<sup>53</sup> Secondly, the level of tariff dispersion in the CET remains high resulting in additional efficiency costs and further complicates the group’s market access negotiations with other countries and regions. Hence it is safe to assume that this will be an issue for the EPA negotiations. And finally, given CARICOM’s still relatively high tariffs, “...particularly in the food and manufacturing sectors where many products remain highly protected from external competition raises concerns about trade diversion and is not conducive to the development of internationally competitive local industries.”<sup>54</sup>

Notwithstanding, INTAL argues that the process of tariff harmonization and reduction, despite being difficult for some countries, has had the effect of “significantly reducing the region’s import tariffs from an un-weighted average of 20 percent in the early 1990s to 10 percent today.”<sup>55</sup> Member states are apparently now in the process of implementing the revised structure of the CET based on the 2002 Harmonized System.

As it relates to Chapter III of the Revised Treaty of Chaguaramas dealing with the Free Movement of Services, Capital and Labor, its implementation has lagged behind that of trade in goods even though the primary objective was to have had the main provisions of Chapter III implemented in all member states by the end of 2005. Of the fifteen CARICOM members states however only Barbados, Jamaica, and Trinidad & Tobago have substantially completed the process but significant restrictions, including in particular those related to ‘...the right of establishment, movement of natural persons, cross-border trade and

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<sup>52</sup> INTAL, CARICOM Report, page 18.

<sup>53</sup> Ibid, page 19.

<sup>54</sup> Ibid, page 19.

<sup>55</sup> Ibid, page 19.

consumer movement to supplier', have impede progress of implementation by the other member states. Of the group, Belize, Guyana and Suriname apparently have the largest number of restrictions and these are classified under a schedule for long term removal.

The right of establishment has to do with CARICOM nationals being able to "establish a business presence anywhere in the CSME for the purpose of engaging in any non-wage earning activity of a commercial, industrial, professional or artisanal nature, or create and manage economic enterprises, including any type of organization for the production of trade in goods and the provision of services (other than non-profit organizations) owned or controlled by them, in any member state participating in the CSME."<sup>56</sup> A number of problems have been identified with regards to the right of establishment and these could impact the negotiations under the CARIFORUM-EU EPA.

Regarding the free movement of services, the Revised Treaty of Chaguaramas has adopted modalities identical to those found under the WTO's General Agreements for Trade in Services (GATS). Under the CSME however a negative list approach (all sectors not listed will automatically be liberalized) has been adopted, and in this regard it differs from the GATS. CARICOM member states have also decided that air and maritime transport and financial services would be treated separately, reflecting in part the importance of these sectors to the economies of the region.

The liberalization of skills, seen as a central element of the CSME, has also not kept pace although CARICOM has "implemented skills legislation and the regulatory and administrative arrangements needed for the free movement of university graduates, artist, media workers, musicians, and sports persons."<sup>57</sup> Given the expressed importance of the free movement of persons to further the development of services sectors within CARICOM, the commitments in Mode 4 fall way short of providing member states with the frameworks through which to achieve this.

In summary, CSME integration initiatives have tended towards harmonization of the CARICOM region on the premise that "the free movement of goods, services and other factors of production across the region will facilitate..." this. At the same time however, it was found that the impact of integration initiatives under the CSME on intra-regional trade flows has been quite limited, and where growth in intra-regional trade has been realized this does not appear to be linked to the formal integration process.<sup>58</sup> This is interesting as it suggests that further eliminating remaining trade barriers to intra-regional trade are unlikely to lead to any sizeable gains in trade. If this is so, how then will CARICOM states benefit from any deeper integration under an EPA? Anneke Jessen and Ennio Rodríguez offer that part of the problem is that "integration was pursued within a context of protectionism and subsequent economic stagnation."<sup>59</sup> This they argue coupled with the persisting constraints

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<sup>56</sup> Ibid, page 27.

<sup>57</sup> Ibid, page 28.

<sup>58</sup> These are the points made by INTAL in the CARICOM Report.

<sup>59</sup> Jessen, Anneke and Ennio Rodríguez, "The Caribbean Community: Facing the Challenges of Regional and Global Integration," IADB INTAL, Integration, Trade and Hemispheric Issues Division (ITD), Occasional Paper 2, page 19.

to the free movement of goods, services, capital and labor have and continue to serve as real impediments to achieving regional integration at the level of the CSME.

Integration has also suffered from the failure to meet the deadlines set out in the Grand Anse Declaration of 1989 despite the fact that CARICOM Heads of Governments subsequently decided on different occasions to defer the deadlines for implementing the major elements of the CSME including by 2008 for implementing the single economy. This “accumulation of delays in implementing the Treaty of Chaguaramas and the CSME may have weakened the process...,”<sup>60</sup> and in this regard raises a number of factors for consideration.<sup>61</sup>

First is as it relates to economic disparity and divergence across the region. As is evident from Table 10 above, although all the member states of CARICOM are small developing economies, they all differ in size – i.e. some may be considered micro-economies – and ‘display highly dissimilar levels of economic development’. For example, population sizes are largest in Haiti (about 15 times) and Jamaica and least in the OECS countries; land area is smallest in the OECS (roughly 75 times smaller) than in Guyana, and GDP is disproportionately distributed across the region (i.e. T&T accounts for roughly 30 percent of regional GDP).<sup>62</sup> At the same time, per capita income ranges from US\$575 in Haiti to US\$17,432 in the Bahamas, roughly 31 times greater. Such disparities have led to varying degrees of development across the region and “in the last decade alone, in per capita terms, Trinidad and Tobago grew five times as fast as St. Lucia; Barbados grew more than twice as fast as Dominica, Suriname grew almost twice as fast as Belize, and Jamaica grew hardly at all.”<sup>63</sup>

Secondly, CARICOM countries exhibit difference in production and export structures. For example, agriculture is an important contributor to the economy in Belize and Guyana, services in Barbados and the Bahamas, mineral sectors for Jamaica and Suriname, and oil and natural gas in Trinidad and Tobago. The CARICOM Report argues that the differences in production structures results in different export structures and hence ‘make it difficult to agree on a common strategy for external trade’. Moreover, the different export structures result in differences in the direction and nature of exports and hence in export performance. Belize and Guyana for example remain dependent on preferences for sugar, Belize and the Windward Islands for bananas, the Bahamas on the US market for tourism and financial services, and T&T on the US market for its oil and natural gas exports. In addition, the differences in production and export structures have implications in terms of the importance of the regional markets for the different economies of CARICOM member states. As the CARICOM Report states, for ‘Barbados and Trinidad and Tobago, CARICOM over the past five years has been a significant market, absorbing 45 percent and 22 percent respectively of their total merchandise exports; while for Belize and Suriname it is not.’<sup>64</sup> At

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<sup>60</sup> INTAL, CARICOM Report, page 8.

<sup>61</sup> These are adopted from the ones set out in the INTAL CARICOM Report.

<sup>62</sup> Ibid, page 8.

<sup>63</sup> Ibid, page 9.

<sup>64</sup> Ibid, page 10.

the extreme end of the spectrum is the Bahamas which has “virtually no trade with any other CARICOM member.”<sup>65</sup>

Thirdly, the varying economic conditions and performance of countries in the region results in differences in macroeconomic policies and priorities which have made progress in the areas of macroeconomic policy coordination and macroeconomic convergence extremely challenging if not difficult. The net effect of this is that it has affected the ability of CARICOM to achieve its objective of creating a single economy.

One response by CARICOM to the above issues has been to ensure that the regional process provides for the differences inherent within the region. To be sure, “the CARICOM Treaty distinguishes between more developed and less developed countries within CARICOM with the latter receiving special treatment in terms of their obligations under the Treaty.”<sup>66</sup> This approach however is causing some problems in the negotiations because CARICOM classification of its member states into developed and less developed is inconsistent with the conventional criteria for ascribing LDC status on countries. INTAL argues however that CARICOM Members have always recognized that economic differences amongst their membership present stumbling blocks to integration and consequently they have devised “specific mechanisms to assist the weaker members of the community,” including:

- Distinguishing between the less developed (LDCs) and more developed (MDCs) countries in the region;
- Providing derogations and special and differential treatment for LDCs under the CARICOM Treaty; and
- Establishing, within the revised Treaty of Chaguaramas, provisions (Article 158 of Chapter VII) for the establishment of a Regional Development Fund for assisting LDCs with CSME-related adjustment costs.

*(b) OECS Integration & Trade*

Within CARICOM is a sub-regional grouping of countries formed in 1981 with the signing of the Treaty of Basseterre and known as the Organization of Eastern Caribbean States (OECS). It includes Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts & Nevis, St. Lucia, and St. Vincent and the Grenadines. The goal of the OECS is the promotion of sustainable development of the member states and the sub-region through regional integration initiatives. OECS member states are also members of the wider CARICOM group.

The OECS has a combined population of approximately 600,000 and a total land mass of 2,912 km sq. The combined GDP of the sub-region is calculated at US\$2.558 billion with per country GDPs of between US\$38 million (Montserrat) and US\$676 million (Antigua & Barbuda). This translates into a per capita GDP of between US\$3,512 (St. Vincent & Grenadines) and US\$11,482 (Antigua & Barbuda). (See Table 10 above for matrix of socio-economic indicators.)

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<sup>65</sup> Ibid, page 10.

<sup>66</sup> Ibid, page 12.

The OECS economy is based on services – primarily tourism – which account for some “...60-75 percent of [combined] GDP, while industry (including manufacturing) accounts for roughly 20-28 percent of output.”<sup>67</sup> Services therefore constitute the main exports from the sub-region accounting for nearly 80 percent of total sub-regional exports. On the other hand, the OECS imports include largely goods, and the sub-region is net food importing, with goods imports averaging roughly 70 percent.<sup>68</sup> As small island developing states (SIDS) the economies of the OECS member states are relatively very open and therefore trade plays an important role. This however means that exports are a significant source of foreign exchange earnings and trade taxes constitute a key source of government revenues. For example, according to Vignoles (2005), “revenue from international trade transactions accounts for just over 50 percent of total revenue in Antigua & Barbuda, Grenada and St. Lucia, 45 percent in Dominica and St. Vincent & the Grenadines, and 37 percent in St. Kitts & Nevis.”<sup>69</sup>

The high level of imports to satisfy basic food and other needs has resulted in worsening balance of payments for the sub-region, and in 2004 “six [of the member] countries were among the fifteen most indebted emerging economies, with St. Kitts ranking second with a public sector debt to GDP ratio of almost 180 percent.”<sup>70</sup>

The main trading partners for the OECS include the USA, CARICOM, and the EU – primarily the United Kingdom. For services exports, the main export markets include CARICOM and the USA. Tourism services ranks as the most important services export with travel accounting for some 73 percent of all services exports for a total value of US\$914 million in 2003. Remaining services exports are comprised of commercial (16 percent), transportation (10 percent), and government services. For goods exports the main export markets include CARICOM, Canada, the European Union, and the USA, all of which provide preferential terms of trade for major exports from the OECS. Together these destinations account for roughly 88 percent of exports of goods from the sub-region. Of that “CARICOM is the most important destination accounting for over one-third of exports...[with] the EU accounting for another one-third...and Canada and the USA a combined twenty five percent.”<sup>71</sup> Vignoles found that goods exports to the non-OECS CARICOM partners grew fastest, confirming the importance of the regional market for the OECS. In fact, relative to extra-regional partners OECS intra-regional exports to CARICOM increased to 31 percent between 1998 and 2003, up from 26 over the previous five years. Within CARICOM the main export markets for merchandise exports from the OECS are Trinidad & Tobago, Barbados, and Jamaica.<sup>72</sup> At the same time exports to Canada and the US had mixed results over the past ten years performing better in the latter half of the decade. The EU fared as the worst destination in terms of OECS export performance declining some 6 percent on average since 1993.<sup>73</sup>

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<sup>67</sup> Vignoles, Christopher, “An Assessment of Trade Performance and Competitiveness of OECS Countries,” Prepared for Caribbean Regional Negotiating Machinery (CRNM), October 28, 2005, page 2.

<sup>68</sup> Ibid, page 2

<sup>69</sup> Ibid, page 2

<sup>70</sup> Ibid, page 3

<sup>71</sup> Vignoles, page 19.

<sup>72</sup> Ibid, page 19

<sup>73</sup> Ibid, page 18



**Table 12: OECS Exports to CARICOM/ World 2000-2003**

World			CARICOM		
Code	Product Description	Share (%)	Code	Product Description	Share (%)
0573	Bananas, fresh or dried	17.8	5541	Soap; organic surface-active product	11.2
7721	Elect's such as switches & relays	9.1	04601	Flour of wheat or of meslin	10.3
07524	Nutmeg, mace and cardamoms	5.1	1123	Beer made from malt	8.4
5541	Soap; organic surface-active product	4.5	5530	Perfumery, cosmetics, etc	7.3
04601	Flour of wheat or of meslin	3.6	33421	Kerosene	4.9
1123	Beer made from malt	3.0	0573	Bananas, fresh or dried	3.5
5530	Perfumery, cosmetics, etc	2.5	11102	Lemonade & flavoured waters	3.0
77884	Elect. capacitors & condensers	2.2	04221	Rice, semi/wholly milled	3.0
7599	Parts for office machines	2.2	05481	Manioc, arrowroot, salep	2.8
77323	Electrical insulators of ceramic	2.1	08199	Sweetened forage	2.5
0611	Sugars, beet and cane	1.9	7810	Passenger motor cars, for transport	2.3
33421	Kerosene	1.8	64243	Toilet paper in rolls	2.2
05481	Manioc, arrowroot, salep	1.6	53342	Other paints & enamels	2.1
79321	Yachts & other vessels for pleasure	1.6	5542	Organic surface-active agents, n.e.s.	1.8
7810	Passenger motor cars, for transport	1.3	59141	Disinfectants packed for sale	1.8
11102	Lemonade & flavoured waters	1.2	67491	Other sheets & plates	1.8
7643	Radiotelegraphic & radiotelephonic	1.2	05797	Avocados, mangoes, guavas	1.4
04221	Rice, semi/wholly milled	1.2	04212	Rice, husked	1.1
7723	Resistors, fixed or variable	1.1	72346	Other excavating & extracting eq't	0.8
08199	Sweetened forage	0.9	81242	Lamps & lighting fittings	0.8
<b>Top 20 Exports</b>		<b>65.8</b>	<b>Top 20 Exports</b>		<b>73.2</b>
<b>Total (1,077 products)</b>		<b>100.0</b>	<b>Total (627 products)</b>		<b>100.0</b>

(Source: Anthony Vignoles, 2005)

In terms of the composition of merchandise exports, the OECS has lost significant market share for bananas and sugar both traded under preferential market arrangements with the EU. This has resulted in some diversification and between 1993 and 2003 merchandise exports grew by some 3 percent fueled by “sales of electrical machinery, telecommunications equipment, boats and floating structures, and cosmetics.”<sup>74</sup> Exports of ores and metals and raw agricultural materials however have remained relatively low but stable accounting for 0.8 and 0.3 percent respectively.<sup>75</sup>

**Table 13: Share of Imports Intra-CARICOM**

Imports (US\$ mn)		Shares (%)												Avg Ann Growth (%)		
Reporter	Partner	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	93-03	93-98	98-03	93-03
OECS	CARICOM	191.2	222.9	237.8	247.1	270.4	288.1	298.8	304.2	288.3	290.6	331.7	100.0	100.0	100.0	5.7
	Antigua & Barbuda	3.5	3.1	2.2	2.7	5.1	1.5	3.1	2.7	2.2	2.4	3.2	1.1	1.2	0.8	-0.8
	The Bahamas	1.7	0.1	0.1	0.2	2.4	0.4	0.3	0.4	0.4	0.5	0.6	0.2	0.3	0.2	-9.4
	Barbados	28.0	28.7	36.6	36.6	41.0	46.2	43.2	40.1	36.0	37.5	38.9	13.9	14.9	13.4	3.4
	Belize	0.2	0.4	0.5	0.5	0.6	0.4	0.5	0.5	0.6	0.6	0.7	0.2	0.2	0.2	11.8
	Dominica	6.3	7.3	7.1	7.8	7.9	10.1	8.9	8.0	6.9	7.4	8.2	2.9	3.2	2.7	2.6
	Grenada	4.0	3.7	4.1	4.3	6.7	4.8	5.8	8.0	8.7	7.9	10.4	2.3	1.9	2.5	10.0
	Guyana	7.6	9.6	10.8	8.5	11.0	12.6	13.5	16.6	15.6	15.2	16.0	4.6	4.1	5.0	7.8
	Jamaica	16.7	17.2	16.2	17.0	16.9	11.6	12.7	12.7	12.7	15.1	16.3	5.6	6.6	4.5	-0.2
	Montserrat	0.1	0.3	0.1	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	-15.7
	St. Kitts & Nevis	1.1	1.2	1.3	1.1	1.0	1.0	0.9	0.9	0.8	0.7	0.7	0.4	0.5	0.3	-3.9
	St. Lucia	5.4	7.1	9.3	5.3	4.8	4.5	6.5	7.3	7.8	10.1	11.7	2.7	2.5	2.7	8.1
	St. Vincent & Grens.	17.5	17.4	17.3	15.8	17.5	15.3	12.5	11.5	8.7	7.9	10.1	5.1	6.9	3.7	-5.3
	Suriname	0.0	0.0	0.0	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.1	0.1	0.1	82.5
	Trinidad & Tobago	99.1	126.7	132.2	146.6	155.2	179.7	190.6	195.2	187.5	184.9	214.4	61.0	57.6	64.0	8.0

(Source: Anthony Vignoles, 2005)

As it relates to merchandise imports, this as mentioned above, accounts for nearly 70 percent of total imports into the OECS. For imports the USA and Canada are the most important trading partners with roughly 40 percent of total imports being sourced from these

<sup>74</sup> Ibid, page 20

<sup>75</sup> Ibid, page 20

destinations. This is followed by the EU with 30 percent and then non-OECS with 15 percent. In other words, intra-CARICOM trade is not nearly as important to the OECS for imports as it is to it for exports. In fact, imports from CARICOM have decreased over the years down from 20 percent a decade ago to roughly 17 percent today.<sup>76</sup> Within CARICOM, Trinidad & Tobago at 64 percent has the largest market share of OECS imports, followed by Barbados with 14 percent. Other intra-regional exports from non-OECS CARICOM include Guyana and Jamaica each with 3 to 5 percent market shares.

In summary, as Vignoles rightly concludes, services exports are an important component of the economies of the OECS with the main service sector being tourism (i.e. travel), though some diversification has been realized within travel services itself, as well as within services in general and now include commercial services, transportation, information and communications technologies and internet gaming. At the same time however, merchandise imports are of an equivalent level of importance for the sub-region and imports over the last decade have seen an increasing trend. As it relates to merchandise exports there has been some level of diversification resulting in and some dilution of the export concentration suffered by the region, and today the export basket includes food and agricultural products, crude materials and manufactures. The traditional agricultural products of bananas and sugar have experienced worsening terms of trade while “come comparative advantages have been established, especially in electrical equipment and seafood products.”<sup>77</sup>

*(c) CARICOM-D.R. Integration & Trade*

CARICOM is also undergoing a process of integration between the region and the Dominican Republic (D.R.) within the context of the CARICOM-D.R. Free Trade Agreement. The CARICOM-D.R. configuration is often referred to as CARIFORUM and was “conceived as an entity that would promote regional integration between CARICOM and the non-CARICOM Caribbean countries.”<sup>78</sup> According to one source, acceptance of the D.R. into the framework of CARIFORUM dates back to the 1990s and involves accessing the Regional Development Fund (EDF) made available by the European Union.

In 1998 both parties signed an agreement establishing a Free Trade Area between them. The objective of the FTA is for the purpose of strengthening the commercial and economic relations between both parties through, amongst other things:

- the promotion and expansion of the sale of goods through free access to markets and elimination of non-tariff barriers to trade, and the establishment of a system of Rules of Origin, Customs Co-operation and the Harmonization of Technical, Sanitary and Phyto-Sanitary Procedures;
- the progressive liberalization of trade in services;
- the liberalization of the movement of capital, and the promotion and protection of investments;
- the promotion of the active participation of private economic agents with a view to deepening and broadening the economic relations between the Parties, including the promotion and establishment of joint ventures;

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<sup>76</sup> Ibid, page 20

<sup>77</sup> Ibid, page 32

<sup>78</sup> Evaluation of the European Commission’s Regional Strategy for the Caribbean, page 2/6

- the promotion and development of cooperative activities in the following areas: agriculture, mining, industry, construction, tourism, transportation, telecommunications, banking, insurance, capital markets, professional services and science and technology;

The FTA in effect provides the framework for integrating the development of bilateral trade relations. To that end then any trade integration between both parties will necessarily take place within the context of the FTA. The main principle of the CARICOM-D.R. FTA is one of reciprocity with both parties, as is evident above, striving for the reduction of tariffs in the exports of the other. Under the Agreement however, the OECS is granted some degree of special and differential treatment in that they are not required to lower their duties to imports from the D.R. In this sense then application of reciprocity may be understood to be asymmetrical.

**Table 14: Socio-Economic Indicators for the Dominica Republic 1998-2004**

In US\$ Millions	1998	1999	2000	2001	2002	2003	Jan-Sep 2004*
<b>DOMESTIC ECONOMY</b>							
Real GDP Growth	7.3%	8.0%	7.8%	4.0%	-4.3%	-0.4%	1.40%
Inflation Rate	7.8%	5.1%	5.02%	4.38%	10.51%	42.60%	31.11%
Unemployment Rate	14.4%	13.0%	13.9%	15.6%	16.1%	17.0%	
<b>EXTERNAL ECONOMY</b>							
Trade Balance	-2,616.8	-2,904.4	-3,741.8	-3,451.3	-3,672.7	-2,444.0	-1,385.5
Change	31.2%	11.0%	28.8%	-7.8%	6.4%	33.5%	18.8%
As Percent of GDP	-16.5%	-16.7%	-19.0%	-15.9%	-16.9%	-14.5%	c
Exports	4,981.0	5,136.7	5,736.7	5,332.9	5,165.0	5,439.4	4,291.4
Growth	8.0%	3.1%	11.7%	-7.0%	-2.8%	5.3%	3.9%
Imports	7,597.0	8,041.0	9,478.0	8,784.2	8,837.0	7,883.4	5,676.9
Growth	14.9%	5.8%	17.9%	-7.3%	1.1%	-10.8%	-2.8%
Service Balance	1,182.0	1,602.2	1,854.3	1,703.8	1,757.3	2,219.2	1,840.8
Tourism Receipts	2,153.0	2,483.3	2,860.2	2,688.8	2,730.4	3,110.4	2,471.4
Growth	2.6%	15.2%	15.2%	-6.0%	1.5%	13.9%	0.7%
Income Balance	(890.0)	(974.8)	(1,041.3)	(1,118.9)	(1,151.8)	(1,243.6)	(971.5)
Net Current Transfers	1,987.0	1,847.8	1,902.3	2,027.5	2,269.3	2,335.5	1,779.4
Family Remittances	1,326.0	1,518.7	1,689.0	1,807.9	1,959.6	2,060.5	1,588.5
Growth	21.8%	14.5%	11.2%	7.0%	8.4%	5.1%	6.5%
Current Account Balance	-338.0	-129.2	-106.5	-838.9	-797.9	867.1	1,263.2
As a Percent of GDP	-2.1%	-2.5%	-2.2%	-3.9%	-3.7%	5.1%	
Capital and Financial Account Balance	690.7	1,072.7	1,596.6	1,722.9	1,289.2	-852.4	-789.52
Direct Investment	700.6	1,317.8	952.9	1,198.4	961.1	305.9	403.2
Gross International Reserves	858.9	881.3	818.2	1,340.8	828.9	489	800.8
Import Months	1.8	0.8	1.0	1.8	1.1		
Net International Reserves	354.0	547.0	441.9	962.3	376.0	123.6	372.9
Exchange Rate (RD\$=1US\$)	15.27	16.03	16.42	16.82	20.75	34.95	30.69
Change in Nominal Rate	7.0%	5.0%	2.4%	3.3%	23.4%	68.4%	12.4% a
Change in Real Effective Rate	-0.9%	-1.8%	3.4%	0.2%	17.5%		
<b>EXTERNAL DEBT</b>							
Total Foreign Public Debt	3,537.0	3,656.0	3,684.7	4,137.3	4,459.0	5,094.1	6,297.6
As a percent of GDP	22.3%	21.0%	18.53%	19.10%	20.99%	33.80%	
<b>FINANCIAL INDICATORS</b>							
Fiscal Balance Central Government (IMF methodology)	70.7	(104.9)	181.8	50.0	(14.4)	112.7	
As a Percent of Current GDP	0.4%	-0.6%	2.7%	0.39%	-0.1%	0.7%	
Change in Money Supply (M1)	4.9%	21.4%	10.1%	24.7%	5.6%	77.42%	43.20%
Change in Broad Money (M2)	15.9%	24.0%	13.6%	29.7%	11.6%	64.75%	23.00%
Lending Rate (weighted average on loans)	25.6%	25.05%	26.8%	23.6%	26.1%	31.4%	31.85% a
Savings Rate (weighted average on CDs)	17.2%	16.07%	17.2%	15.4%	16.8%	20.5%	21.0% a
<b>MEMORANDUM</b>							
Current GDP	15,877.8	17,392.6	19,745.4	21,578.6	21,685.0	16,846.5	
GDP Per Capita	1,901.4	2,142.8	2,389.7	2,577.3	2,532.5	1,932.7	

\*Figures for the January-September 2004 period, unless otherwise indicated.  
 \*Percentages are comparing the January-June 2004 period with the same period of 2003.  
 SOURCE: Central Bank of the Dominican Republic, unless otherwise indicated. a=updated as of January 2005.  
 c=Economic Research Center for the Antilles (associated with the Wharton Econometric Forecasting Associates).  
 The indicator data sheet updated as of September, 2004. ... = not available or applicable; and p = projected.

(Source: Explanatory Document for CARICOM/DR FTA)

Essentially the FTA gives the D.R. access to the CARICOM market with a population of fifteen million and a regional GDP of US\$29.44 billion at the same time that it provides CARICOM with access to the D.R.'s market of eight million consumers. According to the CRNM, despite the prima facie differences the D.R.'s consumer base is "numerically larger than the entire CARICOM market (Haiti excluded)."<sup>79</sup> For CARICOM, the D.R. presented an attractive potential market given the economic performance of the latter – for example, the D.R. GDP was 8.3% and its average annual growth rate 6-7% at the time of the FTA entering into force.<sup>80</sup> Since then however the D.R.'s economic performance has slacked off somewhat and in 2003 posted a loss in real terms declining to -0.4%.

The FTA is also essentially one covering mainly trade in goods and includes special arrangements for trade in selected agricultural products. To that end the sensitive list (i.e. the list of excluded items from trade liberalization and including soft drinks, chocolate products, cosmetics, juices, and some agricultural products) presented by both parties and "comprising around 50 products/categories, of which about 19 were submitted by the DR"<sup>81</sup> became a point of contention. Moreover under the terms of the agreement items produced in free zones were to be ineligible for preferential treatment.

The FTA also provided for further liberalization of a second list of products, but through phased reductions to zero duties over a period of four years. That list included some twenty product headings such as "anthuriums, ginger lilies/orchids; coffee; sausage; bacon; pasta; biscuits; jams, jelly, passion fruit juice; essential oils, perfumes/toilet waters; boxes/containers; tableware/plastic items; certain footwear items; and mattresses."<sup>82</sup> All other items were subject to immediate elimination of tariffs with the exception of rum which was subject to a five year tariff reduction method.

**Table 15: CARICOM Exports to DR, 2004**

Product label	CARICOM's exports to DR	
	2004 in US\$'000	AGR 00-04, %
All products	27,523	59
Mineral fuels, oils etc	25,855	
Cereals	490	654
Beverages/spirits	485	47
Salt, sulphur, stone, lime and cement	204	-61
Sugars/sugar confectionery	139	-71
Misc chemical products	88	-56
Wood/articles of wood, wood charcoal	77	88
Paper/paperboard,	63	26
Animal, veg fats and oils	34	-82
Pharmaceutical products	25	
Commodities not elsewhere specified	14	

<sup>79</sup> "Trade Relations between CARICOM and the Dominican Republic," CRNM Private Sector Brief, Volume 11, May-June 2006.

<sup>80</sup> Ibid, page 1

<sup>81</sup> Ibid, page 2

<sup>82</sup> Ibid, page 2

In any case both CARICOM and the DR enjoy terms of trade with each other and in 2004 CARICOM exports to the DR totaled some US\$27.523 million, whereas CARICOM imports from the DR were to the value of US\$8.616 million. The CRNM estimates that in 2004 CARICOM exports to the DR increased by an average of 59% per annum with mineral fuels representing the main export products. Conversely, “CARICOM spending on imports from the DR grew by only 7% per annum since 2000”<sup>83</sup> with the main imports being fertilizers, iron/steel, and soaps.

**Table 16: CARICOM Imports from DR, 2004**

Product label	CARICOM's imports from Dominican Republic	
	Value 2004 in US\$ thousand	Annual growth in value between 2000-2004, %
All products	8,616	7
Fertilizers	3,374	46
Plastics and articles thereof	2,038	1
Soaps, lubricants, waxes, candles, modeling pastes	433	31
Furniture, lighting, signs, prefabricated buildings	380	-16
Iron and steel	306	2254
Vegetable, fruit, nut, etc food preparations	246	-21
Animal, vegetable fats and oils, cleavage products, etc	242	14
Ceramic products	217	-4
Nuclear reactors, boilers, machinery, etc	208	
Inorganic chemicals, precious metal compound, isotopes	142	-11
Articles of iron or steel	142	56
Cereal, flour, starch, milk preparations and products	110	-32
Wadding, felt, nonwovens, yarns, twine, cordage, etc	98	92

The main products traded between both parties include, from CARICOM: exports of mineral fuels, oils etc.; cereals; beverages and spirits; salt, sulphur, stone, line and cement; sugar and sugar confectionery; miscellaneous chemical products; wood and articles of wood including charcoal; paper and paperboard; animal and vegetable fats and oils; and pharmaceutical products. From the DR, they include exports of fertilizers; plastics and articles thereof; soaps, lubricants, waxes, candles; furniture, lighting, signs and pre-fabricated building; iron and steel; vegetable, fruit, and nut food preparations; ceramic products; inorganic chemicals, precious metal compounds, and isotopes; and cereal, flour, starch, milk preparations and products.

A recent assessment by the CRNM revealed that there are a number of unresolved issues within the CARICOM-DR FTA. These include:

- continued lack of access to the OECS by the DR;
- opposition from CARICOM for a request by the DR for CARICOM to provide duty free treatment for paints, solvents and thinners, as well as soaps and detergents;

<sup>83</sup> Ibid, page 4



- refusal by the DR to grant protected treatment to CARICOM for a list of products including mixtures of juices containing citrus, banana and plantain chips, biscuits, unsweetened, whether or not containing cocoa;
- opposition by the DR to CARICOM's request for duty free treatment of aerated beverages and glass bottles; and disagreement between both parties with respect to the "finalization of the Schedule of Products subject to phased reduction of duty set out in Appendix 1 of the Protocol implementing the agreement."<sup>84</sup>

## **Section 5: Impact Assessment of EPA – Key Issues**

This section focuses on the potential impacts effects from an EPA, specifically as it relates to those arising from the key principles of reciprocity and deeper regional integration. As indicated above, this involves issues such as the impact of trade liberalization (including on market access and loss of fiscal revenues from trade taxes) and trade creation/ trade diversion. Accordingly, these issues are discussed below.

### **Section 5.1 Reciprocity**

The defining principle of EPAs is that of reciprocity. This is because in contrast to the Lomé and Cotonou Agreements whereby the ACP was "not required to treat imports from the EU differently from those sourced in other industrialized countries...under EPAs...the ACP will be expected to..."<sup>85</sup> do so. Essentially, reciprocity involves two or more countries (in this case two regions) granting access to each other's markets in return for the same. As it relates to ACP exports to the EU's market, this has traditionally taken place under one of three regimes, namely the Generalized System of Preferences (GSP) - applied to all developing countries, the Lomé and Cotonou Agreement, and in the case of Least Developed Countries (LDCS) the Everything-but-Arms (EBA) initiative.<sup>86</sup> Conversely, the ACP was not required to extend similar considerations or preferential treatment to EU exports but EPAs are expected to change this. This has prompted one writer to state that the rationale underpinning reciprocity under EPAs is "the principle that liberalization of ACP (regional) markets will create larger markets and increase competition within ACP economies, thereby stimulating (EU) investment and the necessary economic adjustments processes, leading to growth and development."<sup>87</sup> The reality is that reciprocity is imperative if EPAs are to be considered WTO compatible. Undoubtedly though, it will have major implications for ACP states, and against this backdrop, the impact effects of reciprocity under EPAs may best be understood in terms of: how CARIFORUM states respond to the likely liberalization of tariffs for those products from the EU entering its market; and in terms of the market access conditions granted CARIFORUM for its exports, particularly agriculture exports, to the EU market. These are discussed below.

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<sup>84</sup> Ibid, page 5

<sup>85</sup> Stevens, Christopher and Jane Kennan, "EU-ACP Economic Partnership Agreements: The Effects of Reciprocity," Institute of Development Studies, page 1.

<sup>86</sup> "Market Access: Executive Brief," Agritrade, June 2006

<sup>87</sup> Bilal, op cit, page 5.

## 5.1(a) Tariff Liberalization and Related Issues

On one hand reciprocity under EPAs would involve, for Belize as part of CARIFORUM, issues related to the nature and extent of liberalization to be undertaken by CARIFORUM. It would also involve possible loss of fiscal revenues from trade taxes resulting from any tariff liberalization undertaken.

In order for the new trading arrangement (i.e. EPAs) to be compatible with Article XXIV of the GATT, both the group of ACP countries– in this case CARIFORUM – and the EU are required to remove tariffs on “substantially all trade” between them. This is because EPAs are essentially free trade agreements (FTAs). In this regard Article 37(7) of the Cotonou Agreement sets out that ‘EPAs ... will progressively abolish substantially all trade restrictions between the ACP and EU.’ The problem with the article is that it does not clarify or further elaborate on what constitutes essentially all trade and therefore it remains unclear how much trade the EPAs have to cover. Accordingly, “the EU has stated ... that the phrase should be interpreted quantitatively in relation to the proportion of trade that is covered”<sup>88</sup> between the two partners to the agreement.

Stevens and Kennan offer a few ‘alternative’ definitions of “substantially all trade” but these are based on the assumption that “current trade policy reflects government preferences over which sectors to protect, by how much, and [this is in turn] reflected in tariff levels.”<sup>89</sup> One alternative is referred to as the ‘base-line’ and is equivalent to terms for market access provided for under the EU’s EBA arrangement. To that end the ‘base-line’ approach assumes that 80% of ACP imports are liberalized while the EU liberalizes 100% of imports. Stevens & Kennan argue that “this provides for asymmetrical removal of tariffs over a transition period on a basket of goods that accounted for 90% of the value of trade between [the ACP and the EU] during the negotiating period.”<sup>90</sup> This option is attractive to Belize and CARIFORUM as it would allow for phased implementation of tariff liberalization over a period of twelve years or more. The second alternative is a variation of the first and is based on an extrapolation of a formula approach which estimates the proportion of trade for the CARIFORUM region required to achieve the ‘substantially all trade’ if the EU is assumed to liberalize less than 100% but on more than 90% of trade. Instead of assuming that each CARIFORUM country has to liberalize 8-% of total trade, this approach could involve different thresholds for different CARIFORUM states on the basis of each country’s “relative importance of trade with the EU”. Under this approach the proportions could range from about 75% to as high as 83%. A third option involves “...identifying how many high-tariff items could be excluded from liberalization on a predetermined threshold,” for example on goods with a current tariff of 20% or higher.<sup>91</sup> Depending on the option, the combination of inclusions and exclusions will produce different sectoral winners and losers.

In light of the EU’s expressed preferred approach to determining ‘substantially all trade’, this study adopted the ‘base-line’ definition (equivalent in terms of market access treatment under the EBA initiative) as the basis for calculating the amount of liberalization necessary

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<sup>88</sup> Stevens, Christopher and Jane Kennan, “Preparing for Economic Partnership Agreements,” Institute of Development Studies, University of Sussex, Brighton, U.K., March 2005, page 3.

<sup>89</sup> Stevens and Kennan, op cit, page 2.

<sup>90</sup> Ibid, page 2

<sup>91</sup> Ibid, page 2

by Belize and subsequently for attempting to identify which products from Belize should be included or excluded from liberalization under an EPA.

### Structure of Import Trade

Assessment of the structure of Belize import trade from all sources by S.I.T.C. sections reveal that such trade is dominated by imports of *machines and transportation equipment*, and *mineral fuels and lubricants*. These are followed by *manufactured goods, food and live animals*, and *other manufactures*. As it relates to the main imports from the EU these comprise primarily petroleum oils and oils obtained from bituminous materials (HS 2710) and yachts and other vessels for pleasure or sports (HS 8903); cruise ships, excursion boats, ferry boats, cargo ships (HS 8901), un-denatured alcohol (HS 2208), and casein, caseinates and other casein derivatives (HS 3501). There are also a number of other items including mostly manufactured goods, as well as some food stuffs (i.e. cheeses, milk & cream, and sauces and preparations thereof). Arguably then Belize's import trade from the EU reflects the patterns of its import trade from all sources.

**Table : Main Imports from EU**

EU25 export	rs4 to Belize	% total of country	cumul. % total exp	1000 euro	Share of Extra-EU	tons
2710	PETROLEUM OILS AND OILS OBTAINED FROM BITUMINOUS	23,3%	23,3%	23.174	0,1%	68.985
8903	YACHTS AND OTHER VESSELS FOR PLEASURE OR SPORTS; R	23,0%	46,4%	22.899	0,5%	1.442
8901	CRUISE SHIPS, EXCURSION BOATS, FERRY-BOATS, CARGO SH	8,8%	55,1%	8.699	0,2%	14.902
2208	UNDENATURED ETHYL ALCOHOL OF AN ALCOHOLIC STREN	5,1%	60,2%	5.063	0,1%	487
3501	CASEIN, CASEINATES AND OTHER CASEIN DERIVATIVES; CA	3,2%	63,4%	3.164	0,7%	502
0406	CHEESE AND CURD	2,1%	65,5%	2.090	0,1%	638
0402	MILK AND CREAM, CONCENTRATED OR CONTAINING ADDED	2,0%	67,5%	2.027	0,1%	869
8525	TRANSMISSION APPARATUS FOR RADIO-TELEPHONY, RADIO-	2,0%	69,5%	1.988	0,0%	4
8409	PARTS SUITABLE FOR USE SOLELY OR PRINCIPALLY WITH IN	1,6%	71,1%	1.572	0,0%	38
8459	MACHINE-TOOLS, INCL. WAY-TYPE UNIT HEAD MACHINES, F	1,2%	72,3%	1.175	0,2%	377
1602	PREPARED OR PRESERVED MEAT, OFFAL OR BLOOD (EXCL. S	1,2%	73,5%	1.154	0,3%	372
9504	ARTICLES FOR FUNFAIR, TABLE OR PARLOUR GAMES, INCL.	1,2%	74,6%	1.143	0,1%	19
99CC	TEMPORARY CORRECTIONS DUE TO ERRONEOUS CODES	1,0%	75,6%	957	0,0%	85
2103	SAUCE AND PREPARATIONS THEREFOR; MIXED CONDIMENT	0,9%	76,5%	923	0,2%	275
3004	MEDICAMENTS CONSISTING OF MIXED OR UNMIXED PRODU	0,9%	77,4%	847	0,0%	61
8529	PARTS SUITABLE FOR USE SOLELY OR PRINCIPALLY WITH TR	0,8%	78,2%	804	0,0%	8
8438	MACHINERY, NOT SPECIFIED OR INCLUDED ELSEWHERE IN T	0,7%	78,9%	694	0,0%	12
8517	ELECTRICAL APPARATUS FOR LINE TELEPHONY OR LINE TEL	0,7%	79,6%	683	0,0%	1
8902	FISHING VESSELS; FACTORY SHIPS AND OTHER VESSELS FOR	0,7%	80,2%	654	0,3%	1.000
8402	STEAM OR OTHER VAPOUR GENERATING BOILERS (EXCL. CE	0,6%	80,8%	580	0,1%	56
8537	BOARDS, PANELS, CONSOLES, DESKS, CABINETS AND OTHER	0,6%	81,4%	579	0,0%	9
8113	CERMETS AND ARTICLES THEREOF, N.E.S.; WASTE AND SCRA	0,6%	81,9%	554	1,1%	11
7113	ARTICLES OF JEWELLERY AND PARTS THEREOF, OF PRECIOU	0,5%	82,5%	538	0,0%	0
8479	MACHINES AND MECHANICAL APPLIANCES HAVING INDIVID	0,5%	83,0%	503	0,0%	14
<b>total export to Belize</b>		<b>100%</b>		<b>99.375</b>	<b>0,01%</b>	

In deciding which products Belize would like to exclude from liberalization it is assumed that the criterion for Belize's is one of exclusion on the basis of deciding to protect sensitive products.<sup>92</sup> Assuming that "the current pattern of applied tariffs reflects the government [of

<sup>92</sup> Adopted from Stevens, Chris and Jane Kennan, "Agricultural Reciprocity under Economic Partnership Agreements," IIS Discussion Paper No. 111, January 2006, page 7



Belize's] ranking of goods in terms of protection,"<sup>93</sup> then it is possible to use the baseline approach to determine what the marginal tariff would be in excluding the items – i.e. those with the highest applied tariffs. This requires some prior discussion of Belize's current tariffs.

#### Tariff - Belize

Belize's classification of goods traded is based on the Harmonized Commodity Description and Coding System (HS) 1996 nomenclature, but recently there were efforts on the part of the relevant public authorities to incorporate the necessary 2002 HS changes to the tariff schedule. Belize's tariff schedule is based on the Common External tariff (CET) of CARICOM which established a maximum of 20% for non-exempt industrial goods and 40% for non-exempt agricultural goods. The tariff for the country comprises 6,338 lines at the ten digit level [with] specific rates applied to roughly 46 tariff lines. Excluding the latter, the WTO found that "Belize's simple average applied MFN tariff rate is 11.3%"<sup>94</sup> and that (MFN treatment) is granted to imports from all countries with the exception of those that "qualify for preferential treatment [i.e. CARICOM states] under the Revised Treaty of Chaguaramas."<sup>95</sup> The goods from CARICOM which do not qualify for preferential treatment and which are therefore subject to the MFN tariff rates are contained in the Fifth Schedule of the Customs and Excise Duties Act and consists of, amongst others:

wheat flour, biscuits, beer, stout, ale, gin, rum, whisky, vodka, tobacco (except cigars), ... petroleum products, brushes made with plastic bristles (except paint and artists' brushes), preserved fruits and preparations (except frozen citrus concentrates and citrus segments), prepared paints, enamels, lacquer and wood containers, ... wooden and metal furniture, mattresses, underwear and shirts of knitted fabrics, underwear, shirts and nightwear ..., and footwear.<sup>96</sup>

Belize uses a combination of simple ad valorem as well as more complex tariff structures to generate tariff revenue. Ad Valorem rates applied to products considered "sensitive" range from 20 – 40%, although in 2004, tariffs as high as 80% were applied on imports from the EU. According to the WTO Trade Policy Review,

some 53% of tariff lines carry a rate of 5%, some 18% a rate of 20%, and some 10% a zero rate; [with] 10% of tariff lines above 20%. [However], tariff rates between 50% and 70% apply to a variety of products, including plywood, pearls, diamonds and other precious and semi-precious stones, articles of jewelry, watches, clocks, and firearms.<sup>97</sup>

Of the various tariff lines, the sector with the highest tariff protection is agriculture – including fishing, forestry, and hunting – with an average MFN tariff rate of 17.9% (WTO definition), whereas it is 10.6% on manufactures, and 8.5% on mining and quarrying.<sup>98</sup> This reflects to a large extent, Belize's pattern of bindings under the Uruguay Round where some 97% of the tariff schedule for Belize was bound, with agricultural products being bound at a general ceiling rate of 100%. Within agriculture there are some unbound tariff lines but this

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<sup>93</sup> Ibid, page 7

<sup>94</sup> WTO Trade Policy Review – Belize, (WT/TPR/S/134), page 29

<sup>95</sup> Ibid, page 29.

<sup>96</sup> Ibid, page 34

<sup>97</sup> Ibid, page 29.

<sup>98</sup> Ibid, page 29.

includes mainly fish and fish products. In addition, groupings such as whiskies, beer, wines and other spirits attract tariffs ranging from \$12 (beer) to \$90 (whiskies, rum, vodka) per imperial gallon; while tobacco attracts tariffs of \$20 per pound. For non-agricultural products the picture is somewhat different with the general ceiling bindings established at 50% except for some products which were bound at 70% and 110%. Some tariff escalation exists but this is mostly on “semi-finished and fully processed products such as wood and wood products including furniture, and non-metallic mineral products.”<sup>99</sup>

In addition to tariffs, imports to Belize are subject to other duties and charges including a General Sales Tax (10%), and an environmental tax (2%). Some goods are also levied a Revenue Replacement Duty (RRD) and/ or an excise tax (i.e. as in the case of beer, cigarettes, alcoholic beverages, and fuel). In the case of agricultural products the other duties and charges are bound except for beer, alcoholic beverages, and tobacco products. The other duties and charges are also bound for some non-agricultural products such as fertilizers and aviation spirit. Generally speaking however, “applied non-tariff rates are well below their bound rates.”<sup>100</sup>

When the imports to Belize are assessed in terms of gross imports by origin, the European Union (including the UK) is Belize’s fourth largest trading partner (See Table above). Counted at the HSC 4 digit level imports from the EU in the past five years have included roughly 20 to 25 tariff categories. When imports from the EU for 2004 are counted at the National Tariff Line (NTL) or HSC 8 level however, Belize was found to have imported 978 tariff line items from the various countries which comprise the EU, of which 613 or 63% attracted a tariff of 10% or less, and some 205 products (including tools, some pharmaceuticals, beans and some liquor) were imported duty free. Of the 978 tariff line items, the highest *ad valorem* applied was 80% (on Ice Cream, HSC 21050010). Generally though, there were very few product groups that attracted a high tariff, and which were also high-value imports. In fact, the 38 highest tariff groupings (attracting tariffs of 50 – 80%), cumulatively account for only 2.79% of the value of total imports in 2004 or 20% of total import duties (See Table below). From among the 38 mentioned, there are only four groupings which could be considered high tariff, high import value,<sup>101</sup> these are:

**Table 17: High Tariff, High Value Items in 2004**

NTL	Year	Description	Import Value	Import Duty	Tariff
22082010	2004	Other spirits obtained by distilling grape wine or grape marc	84,835	58,536	69%
95043000	2004	Articles and accessories for billiards	637,370	382,422	60%
48201000	2004	Registers, account books, note books, order books, receipt books, letter p	111,857	67,114	60%
22042100	2004	Grape must with fermentation prevented or arrested by adding alcohol	382,424	225,630	59%

<sup>99</sup> Ibid, page 29.

<sup>100</sup> Ibid, page 33.

<sup>101</sup> Measured by a contribution of 1% or more of the total revenue derived from import duty

In 2004, the tariff level frequency distribution across imported products was as follows:

**Table 18: Tariff Distribution – Imports from EU**

<b>Tariff Threshold</b>	<b>No. of Products</b>	<b>% distribution</b>
50 – 80%	38	4%
11-49%	327	33%
0-10%	613	63%
0% tariffs only	205	33%

In sum more than 50% of the products imported from the EU attract a lower level tariff of between 0 – 10%. At these levels and given the extreme dispersion of volumes between low to high tariff, reciprocity can be less costly than anticipated for Belize if the phase in period is sufficiently extended<sup>102</sup>.

#### *Determining How much to Liberalize*

In designing the EPA liberalization scenarios and conducting the calculations, two assumptions were held, specifically that:

1. *The optimum proportion of trade to be included for liberalization by Belize is 80% - this would allow for Belize to protect 20% taking into consideration the current levels of revenue from tariffs and Belize's current schedule of sensitive products,. Assuming the EU agrees to duty-free access for 100% of imports from CARIFORUM and adheres to is expressed position that "substantially all" requires an average of 90% to be liberalized between trading partners, then 80% liberalization on the part of Belize would satisfy the requirements under Article XXIV of the GATT.*
2. *The fall back or best alternative position is for protecting at least 17% of imports - beyond this threshold the country's vital interests would be prejudiced.*

On the basis of the first assumption, if 80% of imports from the EU must be liberalized and Belize chooses to protect the products with the highest tariffs, then all the products whose import value cumulatively account for under 20% of total imports can be excluded from liberalization. This would involve all products attracting tariffs of 14% (the marginal tariff) or lower plus more than half of the products attracting a 15% tariff. (See Annex 2 for the schedule of products that would be excluded from liberalization assuming an 80% inclusion threshold.) This is consistent with the findings of Stevens and Kennan whereby "if the 15 fifteen Caribbean countries were able to exclude 20% of their imports from any liberalization, most would liberalize only items with a tariff of 20% or less at present."<sup>103</sup> Under this scenario, 319 of the products attracting the highest tariffs (greater than 15% *ad valorem*) would be excluded from liberalization. The winners or products which could then be protected (i.e. retain their current tariff levels) by Belize would include:

<sup>102</sup> The recommendation from Grynberg and Silva (2004) is for a period of up to twenty years.

<sup>103</sup> Stevens, Christopher and Jane Kennan, "EU-ACP Economic Partnership Agreements: The Effects of Reciprocity," IDS, URL: <http://www.eldis.org/static/DOC18569.htm>, page 2.

Ice Cream and other edible ice, Wine, Whiskies, Statuettes and other ornaments, Edible Fruits and Nuts (Almonds, Mangoes, Apples, Strawberries), Cigarettes, Ham and cuts thereof and Luncheon Meat, Other White Rice, Ethyl Alcohol, Pepper Sauce, Malt Beverages and Beer, Toilet Paper, Vegetables in packages, Mineral Waters, Disinfectants, Fruit Juices.

Within the list of products that would be scheduled for liberalization using the base-line assumption however, are several products that also appear on Belize's list of sensitive products. These include: Beans, in packages not less than 50 kg. (HSC 20055190), Essential Oil of Orange (HSC 33011200), Citrus peel (HSC 20059090), other sauces and preparations (HSC 21039030), Shoulders and cuts thereof (HSC 16024200), other beer made from malt (HSC 22030020), and Citric Acid (HSC 29181400), Pine Oil (HSC 38052000), Maize (corn) starch (HSC 11081200), and Onions (HSC 07031010). If this list remains limited, then the argument could be stretched that liberalization achieves the 80% desired threshold for Belize.

Assuming that the complexion of imports from the EU has not changed drastically in the last three years (i.e. since the last available data set of 2004), then Belize would still be able to retain its tariff levels for and hence continue to 'protect' the majority of its sensitive products using the 'base-line' assumption (i.e. the 80% liberalization threshold). However, if pressed for a fall back position then Belize could decide on a liberalization of 83% of imports from the EU – meaning 17% exclusion (Option 2), with little additional impact on tariffs or competition for local protected industries. At 17% exclusion, the highest affected *ad valorem* tariff would remain more or less the same (15%) and only one high tariff product, Edible Fruits and Nuts (Strawberries) would further be subject to tariff reductions. This is because as mentioned above, 613 or 63% of the 978 imported products from the EU in 2004 attracted a tariff of 10% or less, while 33% or 205 items attracted no import duty.

#### Applying the Scenarios

Preparations for successfully concluding a CARIFORUM-EU EPA requires being able to forge consensus on regional positions in particular as it relates to what tariff items would need to be liberalized. As such the respective CARIFORUM states must first decide which products to exclude from and include in liberalization at the national level. Once these have been finalized then the region must collectively decide on a regional list for exclusion and inclusion under an EPA. This process is a lot more complex and tricky than it may seem *a priori* due to differences in national priorities and interests across the CARIFORUM group of countries, and hence of differences in their respective lists of 'sensitive' products for exclusion. In short, what are established as sensitive sectors for one country could be seen as having essential import interests for other countries, in particular from the perspective of food- security. The challenge of arriving at regional consensus is not made any easier by the likely differences that are likely to exist in the fiscal impact of liberalization on the different countries in the region given their differences in tariff structure and the importance of trade with the EU.<sup>104</sup> Stevens and Kennan believe however that there are three chances for dealing with any of the challenges and problems which may arise. These are as it relates to (i) the natural overlap of strategies and interests for exclusions and inclusions; (ii) the degree of

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<sup>104</sup> Stevens and Kennan make this point as well.

compromise attainable between the CARIFORUM countries; and (iii) accommodating other members within the grouping where compromise is not possible.

In terms of regional overlap Stevens and Kennan found that for the Caribbean (and this is also the case for the other regional groupings negotiating EPAs) “there is not a single product that would be in all the exclusion lists of all the members of ...the group.”<sup>105</sup> In fact, as Stevens and Kennan found, there would only be one product that would be common to half of the Caribbean group and 58 which would not overlap at all.

**Table 19 : Regional Differences**

Region	Proportion of exclusions (%):		
	<i>Common to all</i>	<i>Common to half</i>	<i>No overlap</i>
Caribbean	0	1	58
Central Africa	0	12	51
East and Southern Africa	0	2	43
SADC	0	3	64
West Africa	0	0.2	92
<i>Notes:</i> Shares calculated in relation to the items excluded by any member if 80% of imports are liberalized.			

(Source: Stevens and Kennan, 2005)

If we assume the argument that there is little or no overlap on products across the Caribbean to be true then it is imperative that Belize be clear about what products it wants to exclude from liberalization, and to know which items it can and or willing to compromise on in order to achieve regional consensus. This could be determined by reconciling Belize’s current list of sensitive products with the results of the above exercise conducted for determining exclusions. Regarding an exclusion list Belize has developed a preliminary list of sensitive agricultural products (see Annex 3). That list includes products of live bovine animals of tariff heading 01.02, meat and edible meat offal – of bovine animals fresh or chilled (TL 02.01); fish crustaceans, molluscs and other aquatic invertebrates (TL 03.02); crustaceans, whether in shell or not, live fresh, chilled, frozen, dried salted or in brine (TL 03.06); milk and cream, not concentrated not containing B2 sugar (TL 04.01); buttermilk, curdled milk & cream, yogurt (TL 04.03); cheese & curd (TL 04.06); and a variety of vegetables - including tomatoes (TL 0702.0000); dried leguminous vegetables (TL 07.03); edible fruits and nuts (TL 08) – juices, and other sauces and preparations.

Both livestock and poultry are listed as part of Belize’s list of sensitive agricultural products (See Annex 2 for more details). Livestock (bovine) and poultry imports under the tariff headings 01.02 and 02.01 to 02.07 respectively attract a 40% tariff. The tariffs for some imports of pig products including hams (0210.11.10) and other dried and smoked bovine meats of tariff headings 0210.20.20 and 0210.20.30 attract tariffs of 35%, while those salted in brine attract tariffs of 5%.

<sup>105</sup> Stevens, Christopher and Jane Kennan, “EU-ACP Economic Partnership Agreements: The Effects of Reciprocity,” Institute of Development Studies (IDS), May 2005, page 3.

**Table 20: Partial List of Sensitive Livestock Products - Belize**

Tariff Heading	Product Description	Sensitive	Tariff (%)
01.02	Live Bovine Animals		
0102.9060	Other cows (not for breeding or rearing)	X	40
02.01	Meat of Bovine Animals, fresh or chilled		
0201.10.00	Carcass & Half Carcass	X	40
0201.20.10	Brisket	X	40
0201.30.10	Tenderloin	X	40
0201.30.20	Sirloin	X	40
0201.30.30	Minced (Ground)	X	40
02.10	Meat and edible meat offal, salted in brine		
0210.11.10	Hams, shoulders and cuts thereof, with bone	X	35
0210.12.10	Bacon	X	45
0210.19.10	Salted in brine	X	5
0210.20.20	Dried	X	35
0210.20.30	Smoked	X	35

(Source: Belize's List of Sensitive Agricultural Products)

**Table 21: Partial List of Sensitive Fisheries Products - Belize**

Tariff Heading	Fish/crustaceans, molluscs & other Aquatic Invertebrates	Sensitive	Tariff (%)
<b>03.02</b>	<b>Fish, fresh or chilled, excluding fish fillets</b>		
	<b>&amp; other Fish meat of heading No. 03.04</b>		
0302.69.20	Snapper, croaker, grouper, dolphin, banga mary and sea trout	X	40
0302.69.90	Other (includes whole tilapia, fresh or chilled)		40
<b>03.03</b>	<b>Fish, frozen, excluding fish fillets and other fish meat of heading No. 03.04</b>		
0303.79.20	Snapper, croaker, grouper, dolphin, banga mary and sea trout	X	40
0303.79.90	Other (includes whole tilapia, frozen)	X	40
<b>03.04</b>	<b>Fish fillet and other fish meat (whether or not minced), fresh, chilled or frozen</b>		
0304.10	Fresh or Chilled:		
0304.10.90	Other files (includes tilapia but not flying fish)	X	40
0304.20	Frozen Fillets:		
0304.20.90	Other fillets (includes tilapia but not flying fish)	X	40
0304.90.00	Other	X	40
<b>03.05</b>	<b>Fish, dried, salted or in brine; smoked fish, whether or not cooked before or during the smoking process; flours, meals &amp; pellets of fish, fit for human consumption.</b>		
0305.30.00	Fish fillets, dried, salted or in brine but not smoked	X	20
<b>03.06</b>	<b>Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; crustaceans, in shell, cooked by steaming or by boiling in water, whether or not chilled, frozen, dried, salted or in brine; flours, meals and pellets of crustaceans, fit for human consumption</b>		
0306.10	Frozen:		
0306.11.00	Rock Lobster and other sea crawfish (palinurus spp, panulirus spp., Jasus spp.)	X	45
0306.12.00	Lobster (Homarus)	X	45
0306.13.00	Shrimp & Prawns	X	45
3006.14.00	Crabs	X	45

0306.19.10	Conch	X	45
0306.20	Not Frozen:		
0306.21	Rock Lobster and other sea crawfish (palinurus spp, panulirus spp., Jasus spp):		
0306.21.90	Other (not for breeding and rearing)	X	45
0306.22	Lobster (Homarus spp):		
0306.22.90	Other (not for breeding or rearing)	X	45
0306.23	Shrimp and Prawns:		
0306.23.20	Cultured	X	45
0306.23.30	Wild	X	45
0306.24.00	Crabs	X	45
0306.29	Others, including flours, meals and pellets of crustaceans, fit for human consumption:		
0306.29.20	Conch	X	45

As regard the latter, Annex 2 comprises a list of products which would be excluded from liberalization assuming Assumption 1 above which excludes from liberalization a basket of products with the highest tariffs that accounts for 20 percent of the value of Belize's imports from the EU. For this approach the marginal tariff is approximately 15%. In other words, on the basis of the results of calculations for Scenario 1 liberalization would be concentrated on products with a marginal tariff of 15% or less. When calculated for Scenario 2 (liberalization at 83%) the marginal tariff for Belize falls only slightly. The implications of the above results is that Belize could probably conduct liberalization in stages with items under a certain tariff level (a marginal tariff of 10% for example) being liberalized in the first Phase of liberalization.<sup>106</sup> This allows Belize to utilize the 'ambiguity' of "substantially all trade" requirement to protect key revenue earners and or domestic industries from import competition.

At the same time however, Belize must be in a position to understand what products or items the other members of CARIFORUM would wish to protect and which ones they would be willing to compromise on for liberalization. In other words what do other CARIFORUM states sensitive lists include and on what areas would it be possible to forge consensus? In the case of Trinidad a similar impact assessment as this one for that country has identified areas of defensive and offensive interests. The EPA Impact Assessment for Trinidad & Tobago<sup>107</sup> identifies sugar, rum and aromatic bitters, some categories of meats, and some categories of paper and paper products (mainly writing materials and stationery) as sectors it would like to protect.<sup>108</sup> On the other hand, it has identified "chemical products in the categories of ammonia, urea and methanol ... rum and aromatic bitters, cocoa, cashews and groundnuts, fruits, papayas, orange juice, ... and products in the category of meat (beef, pork, mutton, poultry)"<sup>109</sup> amongst sectors that it would like to develop offensive interests. The latter, in particular beef and pork, may present some future challenges for Belize if not

<sup>106</sup> Chris Stevens and Jane Kennan found the same to be true for six African countries from two different EPA groups.

<sup>107</sup> "Capacity building in Support of Preparation of Economic Partnership Agreement – Trinidad and Tobago," Final Report, Imani Development, October 2005.

<sup>108</sup> Ibid, page 71

<sup>109</sup> Ibid, page 70

protected as this represents one of the economic sectors that is currently touted as having credible export potential for the country.

As it relates to the other CARIFORUM states this study did not have the benefit of access to most other such studies and therefore it is not possible to determine what their areas of defensive and or offensive interests are conclusively. It is this writer's understanding however, that the CRNM is close to concluding efforts to this end and it is believed that a regional list should be concluded sometime around late April or May. Until then it is possible to estimate what such a list might include by examining the sectors in which CARIFORUM states hold export competitiveness or comparative advantages. Moreover existing similarities in export structure across small developing economies in the region should lend to this since Belize would likely seek to protect many of the same types of products (i.e. agricultural products such as rice, beans, juices, peppers and other sauces, meat and edible meat, fish and crustacean and edible fruits and nuts) as would those other countries in the grouping.

This only serves to illustrate the importance of why it is necessary to arrive at consensus on a regional list of products to be excluded or protected from liberalization. However, it is clear that Belize needs to ensure that the outcomes of any pre-EPA negotiations preserve its national development and trade interests, and that those are not compromised by the interests of other countries or group of countries in CARIFORUM. At the very least regional positions would need to reflect Belize's negotiating interests.

### **5.1(c) Fiscal Impacts**

An important and likely direct effect of the reduction of tariffs under a CARIFORUM-EU EPA is the loss of government revenues from trade taxes. This is because Belize's economy, like other small developing economies in CARIFORUM, is by all accounts extremely open meaning that the ratio of import expenditures to GDP is high. As a result, any further significant liberalization might generate welfare gains for consumers (lower prices, more choices) but it could also result in welfare losses for both producers and government (i.e. in the form of fiscal revenue losses). If we assume the argument that a "reduction in tariffs tends, *ceteris paribus*, to reduce government revenues"<sup>110</sup> to be true, then the logical question for Belize is what is the likely impact of tariff reductions under an EPA on the fiscal revenues of the country?

The exact extent to which such losses would occur to Belize is difficult to discern at this juncture given that the EPA is not yet concluded. Nonetheless, it is possible to draw some inferences from other assessments conducted for other trade integration scenarios involving countries in the CARICOM region. One such study by Nicholls, Christopher-Nicholls, and Colthrust (2001) found that the impact for the smaller economies in the regions (mainly the OECS states and Belize) were different than that of the more developed countries in the region. In other words, because the smaller countries exhibit a high dependence on trade taxes as a source of fiscal revenues, they are more likely to suffer adverse impacts from tariff reductions. The difference in impact between the less developed and more developed

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<sup>110</sup> Nicholls, Shelton, Janice Christopher-Nicholls, and Philip Colthrust, "Evaluating the Fiscal Impact of a Regional Economic Partnership Agreement (REPA) between the European Union and CARICOM," Paper presented at GLM Workshop, University of Nottingham, March 5, 2001



economies in the region may be explained by the fact that the CARICOM region as a whole is moderately dependent on trade taxes as a source of government revenues (see Table below) with countries' "revenues for trade taxes on imports rang[ing] between 8.4 and 52.7 percent of total tax revenue in 1999 and between 7.2 and 47.9 percent of total current revenue."<sup>111</sup> This difference aside, the import factor here is that as a small developing economy Belize stands to suffer adversely from the potential loss of fiscal revenues from trade taxes under an EPA. The extent of such impact would of course be contingent on the extent to which Belize is in fact dependent on trade taxes as a source of revenue. Considering that the recent WTO Trade Policy Review for Belize report states that "Belize has traditionally relied on tariffs for approximately 60% of government revenues"<sup>112</sup> the likely fiscal impact looks to be negative.

This negative effect is to be expected despite the fact that the EU ranks about fourth or fifth in terms of the value of imports to Belize for the simple reason that liberalization will take place under a free trade agreement and therefore is expected to involve marginal reductions in overall tariff rates. An IDB study (2004) on the fiscal impact of trade liberalization in the Americas helps to clarify why this may be the case. This study distinguishes between two types of tariff adjustments: one involving quite closed economies with high levels of tariff and non-tariff protection whereby liberalization may be distorted because of significant 'water in the tariffs'; and the other involving marginal reductions in rates or the conclusion of trade agreements with partners that are not important to the country's trade. "In this case, the reduction effect is less through rate level or import coverage and therefore its fiscal impact tends to be negative."<sup>113</sup> To explain, the latter involves countries which have moved towards lower levels of protection, reduced tariffs and non-tariff barriers, and where this is the case it "suggests that the fiscal effects of trade agreements will be a net loss in revenue."<sup>114</sup> With a simple average applied MFN tariff of 11.3%, not taking into account the specific rates applied to some 46 items,<sup>115</sup> and having reduced its tariff rates in order to base its tariff schedule on the CET Belize could, arguably, be understood as falling into this category of countries.

It is possible to glean from these different scenarios, as Nicholls *et al* (2001) argue, that the precise impact on the revenues of a state will depend on a number of things, including: "(a) the number of tariff line items that are above and below the maximum revenue tariff, (b) the level of the initial tariffs, (c) the nature of the tariff rate changes, (d) the share of those imports subject to high tariffs in total imports, and (e) the ... price elasticities of import demand."<sup>116</sup> The Nicholls *et al* study however while focusing on CARICOM, excludes Belize, and therefore did not provide any approximation of the extent of any fiscal impact. To that end, Stevens and Kennan's hypothesis, that the fiscal impact depends on the number of key-

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<sup>111</sup> Nicholls *et al*, page 10. Note however, that Belize was not included in the list of countries under consideration.

<sup>112</sup> WTO Trade Policy Review – Belize, WT/TPR/S/134, page 29. While the TPR does not indicate how the 60% figure is arrived at, such dependence may be "gauged from ... the ratio of import taxes to total current revenue ... and to GDP."

<sup>113</sup> "Fiscal Impact of Trade Liberalization in the Americas," Inter-American Development Bank, Periodic Note, January 2004, page 12.

<sup>114</sup> *Ibid*, page 13

<sup>115</sup> WT/TPR/S/134, page 26

<sup>116</sup> *Ibid*, page 9.

revenue generating items that would have to be liberalized, in this case by Belize, proves more useful and hence is the method used by this assessment for calculating possible revenue losses to Belize from an EPA.

By way of a context, in 2004 Belize imported some 978 products from the EU with import duties for these products ranging from < 5% to 80 %. The value of imports of those 978 products were estimated at BZ\$51,827,935.00 for the reference period for which total duties was BZ\$4.352 million. Estimated at the broadest level – i.e. using the base-line scenario of an 80% threshold and assuming that at entry into force of the EPA, all the items in the inclusion list (some 659 products) would be duty free (0%) – the fiscal impact to Belize looks to be a reduction of approximately BZ\$1.7M or about 38% of the total duties on imports from the EU using 2004 data. The reason for the relatively small amount is that the inclusion list of items for possible liberalization would include very few items which are considered key revenue generators (i.e. of both high tariff and value). If we are to assume that an aggregate import duty of BZ\$10,000 or higher represents an acceptable threshold for classification of an item as being a key revenue generator then at this level the number of items for which the tariffs would be affected is only 35 but losses would remain significant at BZ\$1,367,609. If the qualifying threshold is decreased to BZ\$5,000, then the number of items for which tariffs would be affected increases by 14 to 49 but the losses increases only marginally by 6.8% or BZ\$1,467,244. This suggests a concentration of the majority of products at the lower end of the tariff and value spectrum.

While on the surface these figures seem small, the trends are consistent with the Nicholls *et al* findings that the smaller economies of the Caribbean would suffer fiscal revenue losses from establishment of an EPA. When such losses are viewed in the context of the current fiscal deficit situation facing Belize however, then their significance takes on heightened importance and suggests that the net negative effect may be exacerbated. Not only that, but the potential exists for such loss of revenues to lead to politically unacceptable domestic tax increases or to an increase in the country's dependence on international aid and or financing programs.

Thus to mitigate the impact of reductions Belize could apply some sequencing and identify its “negotiable basket of products” for which liberalization is deferred until the end of the transition period. Since the majority of products scheduled for liberalization are low tariff, low volume, it would be easy to identify the products suitable for deferment and would likely include high volume, high tariff items such as HS48191000 (Cartons, boxes, cases, corrugated paper or paperboards) which carries a 15% tariff and in 2004 accounted for a respectable 7% of the total revenue from tariffs, Cheeses (processed) 6% and 3.5% of total revenues and Soups and Broths 13% and 2.19% of total revenue. The problem here is that these items are necessary as productive input for export and therefore maintaining high tariffs on them would keep Belize's export uncompetitive. A balance therefore has to be struck at some point.

**Table 22: Imports to be Liberalised using Baseline Method and Sorted by Highest to Lowest Revenue**

HS CODE NTL at 8 Digits	YEAR	DESCRIPTION	NET MASS	Import Value	ID	Applied Max Tariff based on ID reported	Cumulative Share of Total	% of Total Revenue
				<b>41,372,450</b>	<b>4,605,535</b>			
48191000	2004	Cartons, boxes & cases, of corrugated paper or paperboards	7,251,432	2,067,021	310,053	15%	5.00%	6.7322%
04063000	2004	Processed cheese, not grated or powdered	864,420	2,643,421	158,605	6%	11.39%	3.4438%
04069000	2004	Other cheese	431,450	2,055,120	113,712	6%	16.35%	2.4690%
85175000	2004	Telephonic or telegraphic switching apparatus	7,239	1,752,574	105,154	6%	20.59%	2.2832%
21039090	2004	Soups nd broths and preparations thereof in liquid form	479,893	747,803	95,491	13%	22.40%	2.0734%
85173000	2004	Facsimile machines and teleprinters: teleprinters	3,544	1,029,795	51,490	5%	24.89%	1.1180%
22087000	2004	Aromatic bitters used as a flavouring agent for food and beverages	44,502	369,005	47,971	13%	25.78%	1.0416%
85252090	2004	Transmission apparatus incorp. reception appara.: portable radio-telephone	2,866	685,645	41,646	6%	27.43%	0.9043%
84834090	2004	Gears and gearing pother than toothed wheels mill chain sprockets	5,669	358,867	25,121	7%	28.30%	0.5455%
20055190	2004	Beans (vigna spp., phaseolus spp.) in packages not less than 50 kg	160,793	230,962	23,897	10%	28.86%	0.5189%
73082000	2004	Bridges & bridge-sections	52,880	439,113	21,956	5%	29.92%	0.4767%
87089910	2004	Other steering wheels,steering coloumns & steering boxes	16,196	144,294	21,644	15%	30.27%	0.4700%
32091010	2004	Paints based on acrylic or vinyl polymers	61,836	143,032	21,454	15%	30.62%	0.4658%
85179000	2004	Other apparatus	500	414,757	20,738	5%	31.62%	0.4503%
16024200	2004	Shoulders and cuts thereof	72,631	273,514	19,277	7%	32.28%	0.4186%
32089090	2004	Otherpaints and varnishes (including enamels & lacquers)bas. on syn.polyme	51,675	123,125	18,469	15%	32.58%	0.4010%
69089000	2004	Other tiles cubes & similar articles whether or not rec. the large.area of	202,617	204,430	18,399	9%	33.07%	0.3995%

94060090	2004	Prefabricated buildings of steel	375,687	769,186	18,243	2%	34.93%	0.3961%
39174000	2004	Fittings	14,220	120,663	18,099	15%	35.22%	0.3930%
39173210	2004	Electrical conduits and other piping, or pvc	44,882	119,229	17,884	15%	35.51%	0.3883%
84139190	2004	Parts for pumps of subheading 8413.20	5,167	353,706	17,685	5%	36.37%	0.3840%
21021000	2004	Inactive yeasts	48,109	241,514	16,906	7%	36.95%	0.3671%
73089000	2004	Equipment for scaffolding, shuttering, propping or pitpropping	84,242	704,981	15,649	2%	38.65%	0.3398%
84831090	2004	Transmission shafts for aircraft engines	203,902	110,897	15,525	14%	38.92%	0.3371%
84069000	2004	Other turbines for marine propulsion of an output not exceeding 40mw	744	308,017	15,401	5%	39.67%	0.3344%
84833090	2004	Bearing housing not incor. ball/roller bearing plain shaft for aircraft en	7,308	197,547	13,828	7%	40.14%	0.3002%
21039030	2004	Other sauces and preparations	100,740	151,089	12,771	8%	40.51%	0.2773%
85445990	2004	Telephone drop wire or station wire	122,036	250,661	12,533	5%	41.11%	0.2721%
69081090	2004	Mosaic cubes and the like	559,209	159,971	12,163	8%	41.50%	0.2641%
39259090	2004	Other builders ware of plastics not elsewhere specified or included	6,321	80,701	12,105	15%	41.70%	0.2628%
18063100	2004	Filled in blocks, slabs or bars	12,892	87,224	11,220	13%	41.91%	0.2436%
73151100	2004	Expanded metal	20,668	223,545	11,177	5%	42.45%	0.2427%
84818000	2004	Taps cocks valves & similar appli. for pipes safety or relief valves	4,331	90,906	10,909	12%	42.67%	0.2369%
84138100	2004	Other centrifugal pumps	6,868	129,525	10,362	8%	42.98%	0.2250%
30045090	2004	Other vitamins	24,830	335,764	10,073	3%	43.79%	0.2187%
			<b>over 10K</b>	<b>1,367,609</b>	<b>35</b>			
84099990	2004	Other parts for marine craft	9,037	143,143	8,588	6%	44.14%	0.1865%

68052000	2004	Natur.or artificial abrasive power/grain on a base of woven textile frabic	13,690	171,010	8,550	5%	44.55%	0.1856%
20049090	2004	Homogenized vegetables in packages not less than 50 kg	38,916	67,343	8,039	12%	44.71%	0.1745%
30051000	2004	Adhesive dressings and other articles having an adhesive layer	3,559	78,864	7,864	10%	44.90%	0.1708%
40112000	2004	New pneumatic tyres of a kind used on buses or lorries	11,328	51,656	7,748	15%	45.03%	0.1682%
73142090	2004	Grill	26,156	50,963	7,644	15%	45.15%	0.1660%
73144190	2004	Grill plated or coated with zinc	24,240	47,760	7,164	15%	45.27%	0.1556%
07031010	2004	Onions	1,446,788	588,103	7,138	1%	46.69%	0.1550%
73181500	2004	Self-tapping screws	7,694	96,173	6,732	7%	46.92%	0.1462%
84219190	2004	Parts of centrifuges for clothe dryers of sub-head 8421.121	951	131,391	6,570	5%	47.24%	0.1427%
20059090	2004	Citrus peal	46,320	64,633	6,463	10%	47.40%	0.1403%
39204200	2004	Flexible plates	26,561	42,159	6,324	15%	47.50%	0.1373%
84389090	2004	Parts of the machines of sub-heading # 8438.301	13,942	110,333	5,517	5%	47.76%	0.1198%
87021020	2004	Coaches, buses & mini-buses, of a seating capacity not exceeding 21 person	10,226	105,876	5,294	5%	48.02%	0.1149%
<b>5 - 10K</b>			<b>99,635</b>		<b>14</b>			
<b>Combined</b>			<b>1,467,244</b>		<b>49</b>			

## **Section 5.2      Market Access**

The other side of the reciprocity coin regards the terms of the proposed EPA as it relates to market access conditions and potential for exports from CARICOM or CARIFORUM into the EU market (i.e. offensive positioning). In assessing market access issues for ACP exports - in this case specifically for Belize as part of CARIFORUM, it is important to on one hand understand the structure of Belize's and CARIFORUM export trade in particular to the EU (see Sections 3 and 4 above for more details); and on the other hand to understand the main trade policy instruments in place by the EU in particular as it relates to the main exports or potential exports from these countries.

To briefly recap the export structure of Belize as part of CARIFORUM, the small developing economies which comprise the regional grouping have traditionally been dependent on export trade in a few agriculture sectors, and within that on an even smaller number of products traded under preferential agreements. As one study found, "in approximately 23 ACP countries, agricultural exports make up more than 25 percent of their total exports of goods, and 10 ACP countries depend on agricultural exports for more than half of their total exports."<sup>117</sup> This is true for Belize with banana and sugar exports alone accounting for some 25 percent of total exports. When fisheries, including primarily farmed shrimp exports, is considered this figure increases to over 45 percent. The OECS countries similarly remain largely dependent on primary agriculture and commodity exports to the EU, though a few have realized limited success over the past five to ten years with diversifying their exports to include some manufactures and non-traditional agriculture. The dependence on agriculture is less for the CARICOM MDCs in particular Trinidad and Tobago whose exports are comprised of a larger share of manufactured goods and petrochemicals. In terms of CARICOM exports to the EU, the product composition is diversified and distributed across all product categories under S.I.T.C. Sections 0-9, but with a concentration in Section 0 (Food and Live animals) – 36% in 2001; Section 2 (Crude Material, inedible, except fuel) – 31.1%, and Section 5 (Chemicals and Related Products N.E.S.) – 17.1%. Compared to the wider ACP exports to the EU, the product composition is similar with exports concentrated more heavily in prepared foodstuff, vegetable products and products such as fruits and nuts, and with some exports in fish and articles of wood.

The market access conditions facing exports from Belize to the EU must necessarily be understood within the context of the preferences granted the wider ACP. This is because Belize is a part of the ACP and a member of CARICOM which forms part of the CARIFORUM EPA regional grouping. Exports from the ACP have traditionally entered the EU market under three different regimes, specifically: the Cotonou Agreement extended to ACP states (only); the Generalized System of Preferences (GSP) extended to all developing countries; and the Everything-but-Arms (EBA) arrangement covering trade with LDCs. Of the three, the Cotonou Agreement is of most significance for Belize in terms of trade and the majority of its exports have entered under this regime.

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<sup>117</sup> Kasteng, Jonas, "Agriculture and Development in the EPA Negotiations," Rapport 2006:32E, available at URL: [http://www.sjv.se/webda/files/SJV/trycksaker/Pdf\\_rapporter/ra06\\_32E.pdf](http://www.sjv.se/webda/files/SJV/trycksaker/Pdf_rapporter/ra06_32E.pdf), page 22

The underpinning principles of the CA are of “non-reciprocal duty and quota free access,”<sup>118</sup> and consequently its market access provisions may be divided into two types, namely:

- preferential treatment for qualifying products (which covers about 99%<sup>119</sup> of ACP exports); and
- special arrangements, including commodity protocols, for exempted products

Preferential access under the CA for some eligible products is not without qualification, and therefore several imports (including fish and fish products) to the EU are subject to “the application of detailed rules of origin, existence of safeguard clauses, and exceptions arising from application of the EU’s Common Agriculture Policy (CAP)”.<sup>120</sup> The last involve exemption of competing ACP agricultural exports from duty and quota free access, and consequently these are treated either under “special market access arrangements laid out in Annex V and Declaration XXII of the CA; ... or a series of commodity-specific protocols”<sup>121</sup> (including for bananas, beef, sugar). If they are not eligible for any form of preference then they are treated under the MFN provisions in place by EU under the GSP and EBA regimes.

Having said that, it is clear that while the provisions of the CA merely allow for duty and quota free access to the EU market they do not guarantee it. This is confirmed by fact that although the CA provides “... free access without quotas for all industrial products, including oil and mineral products (from HS Chapter 25 to 97), for fish products [these are]... subject to specific rules of origin requirements, [while] some agricultural products,”<sup>122</sup> face exceptions including those agricultural and processed products subject to the CMO. (Table 26 below provides a more detailed description of the product coverage under the CA.) The net result of such conditions and exceptions is that there are a number of ACP export products which are treated differently or which are excluded from preferential access to the EU market. To give an idea of what this involves, a recent study by UNCTAD analyzed these products at the 8-digit level and found that for 2000 MFN and CPA rates for Chapters 1 to 24 “only about 850 product lines were either totally excluded from preferential treatment or only enjoy a reduction of duty.”<sup>123</sup> Of that number there were roughly 36 products without any sort of preferences (though they accounted for a small overall share of total ACP trade), “...while the majority of remaining products face a combination of ad valorem and specific duties.”<sup>124</sup>

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<sup>118</sup> “Market access: Executive brief,” Agritrade page 2

<sup>119</sup> This has improved to roughly 99.9 percent as a result of the Cotonou Agreement extending preference coverage to an additional 31 products. See Inama *et al*, op cit.

<sup>120</sup> “Market access: Executive Brief,” Agritrade, page 2

<sup>121</sup> *Ibid*, page 3

<sup>122</sup> Inama, Stefano, Luca Monge Roffarello, and Margherita Musollino, “Opportunities and Limitations for Trade under the Cotonou Agreement: Issues to be Addressed and Options to be Considered,” in Trade Negotiation Issues in the Cotonou Agreement: Agriculture and Economic Partnership Agreements, UNCTAD, New York and Geneva, 2003, page 93.

<sup>123</sup> Inama *et al*, op cit, page 94

<sup>124</sup> *Ibid*, page 94

**Table 23: Coverage of the ACP-EU Cotonou Agreement**

Coverage of the ACP-EU Cotonou Partnership Agreement  
(ACP exports in 1998, tariffs 2000)

HS SECTION	DESCRIPTION	VALUE OF 1998 IMPORTS (in millions of USD)					
		Total from ACP's	Duty Free	Debt-free	Covered by GSP scheme	Covered by ACP scheme	Not covered by ACP scheme (2000)
01	Live animals & products	1,242	52	1,190	741	1,242	0
02	Vegetable products	3,216	477	2,739	2,156	3,215	0
03	Fats and oils	343	2	341	341	343	0
04	Prepared foodstuffs, beverages, etc.	4,612	65	4,547	2,685	4,611	1
05	Mineral products	939	814	125	0	939	0
06	Chemical products	760	238	522	4	760	0
07	Plastics & rubber	147	109	38	29	147	0
08	Hides and skins, leather, etc.	259	77	182	5	259	0
09	Wood & articles of wood	882	652	230	14	882	0
10	Pulp of wood, paper, books, etc.	9	5	4	1	9	0
11	Textile & textile articles	1,197	23	1,173	271	1,197	0
12	Footwear, headgear, umbrellas, etc.	42	0	42	35	42	0
13	Articles of stone, cement, etc.	5	1	5	3	5	0
14	Precious stones, etc.	2,415	2,385	30	1	2,415	0
15	Base metals & products	645	248	398	22	645	0
16	Machinery & electrical equipment	204	70	134	68	204	0
17	Transport equipment	1,441	1,416	25	1	1,441	0
18	Optical & precision instruments	75	16	58	31	75	0
19	Arms and ammunition	0	0	0	0	0	0
20	Miscellaneous manufactured articles	47	22	25	4	47	0
21	Works of art, etc.	6	6	0	0	6	0
TOTALS:		18,486	6,678	11,808	6,412	18,484	1

(Source: UNCTAD, 2003)

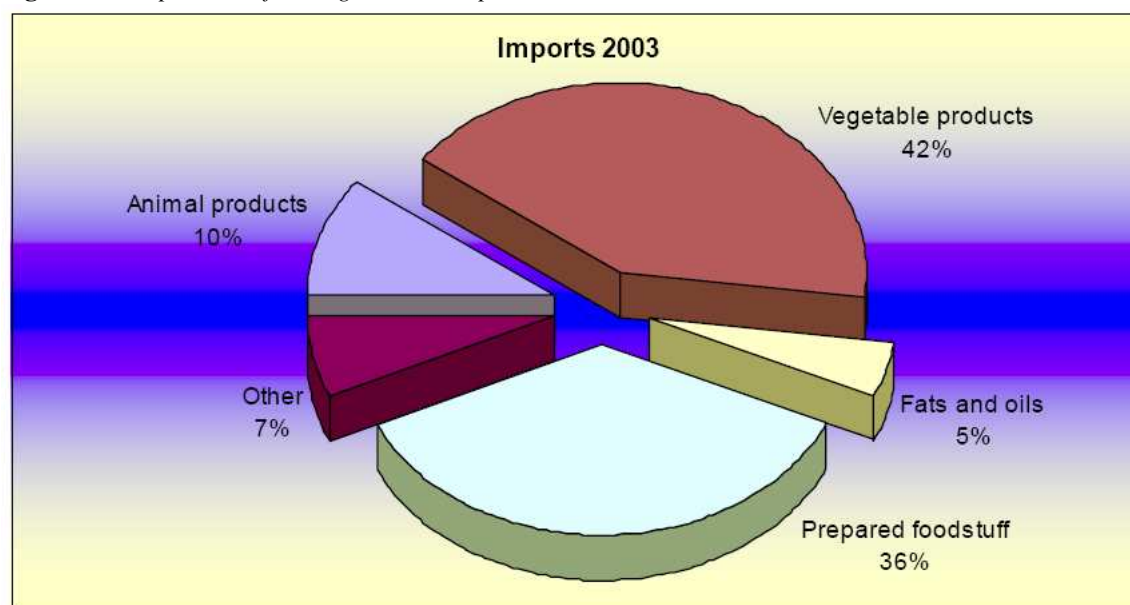
The above being the case, it follows that any market access constraints for exports from Belize (and from CARIFORUM, indeed the wider ACP) may be found within the provisions for those categories of products which do not enter the EU duty and quota free but instead do so under special arrangements (i.e. commodity protocols or special sectoral agreements, as is the case for fisheries). This is the focus of the rest of this section.

Before moving on to discussing the actual market access issues however it is worth noting that when the EU's agricultural and agri-food imports were analyzed by tariff regime, it was found (Jacques Gallezot, 2003) that MFN imports are estimated at 64% of the EU market



while those “enjoying a tariff preference account for more than a third of the market (i.e. 36%)”.<sup>125</sup> When further broken down by preference group GSP imports account for almost 45% of EU preferences, including for ACP (non-LDC) countries (10%).<sup>126</sup> Broken down by product groups EU imports from preference receiving countries, including those of the Caribbean, include primarily fruit and vegetables (24%), oilseed and cake (19%), and coffee, tea and chocolate (18%). Although the categories are somewhat different the trends are nonetheless consistent with the statement by DG Trade -EU that in 2004, “cumulated trade in agricultural raw products and products from the food processing industry accounted for some 6% of total EU trade of goods with non-EU countries”<sup>127</sup> or some €61.7 billion in value. Broken down by product groups, vegetable products, including HS 7-8, 06, 9-14) accounted for the largest share of agricultural imports with roughly 42% of total agricultural imports, followed by prepared foodstuffs (HS 16-24: meat preparation, cereal based food and vegetable preparations, sugar confectionary, beer, wine, spirits, tobacco) which accounted for more than 37%<sup>128</sup> of total imports up, from the 2003 (36%); animal products (10%); and fats and oils (5%).

**Figure 1: Composition of EU Agriculture Imports, 2003<sup>129</sup>**



(Source: Paul Verburgt, DG Trade – EU, 2004)

<sup>125</sup> Gallezot, Jacques, “Real access to the EU’s agricultural market,” INRA, 24 July 2003, page 6

<sup>126</sup> Ibid, page 6

<sup>127</sup> DG\_Trade\_EU\_agricultural\_trade[2], page 1

<sup>128</sup> Ibid, page 2

<sup>129</sup> The distribution for 2003 are almost identical to that of 2004 with the exception of prepared foodstuff (37%), and animal products (9%).

## 5.2(a) Residual Tariffs & Non-Tariff Barriers

Generally speaking, tariffs for agricultural imports to the EU derive from the provisions of the Common Agriculture Policy (CAP). Traditionally the CAP has allowed the EU to maintain high protective tariffs on products which potentially competed with those products covered by it, as a means to preventing disruption of the functioning of those markets.<sup>130</sup> Protection also “required the EU to establish a system of tariffs for value-added products produced from basic agricultural raw materials that fall under the CAP ... [and] involves both the tariff applied to the basic raw materials and the raw material content of the value-added product. Over the past few years the EU has undertaken reform of the CAP including for several products traded under commodity-specific or special arrangements. The changes realized by the CAP reform involve in some cases changes within the trade policy instruments in place by the EU. In other cases it involved a shift from quantitative to qualitative emphasis. The result of those changes is in some cases residual tariffs and non-tariff barriers. Those which currently face ACP exports “are contained in Annex V and Declaration XXII of the Cotonou Agreement; and the series of commodity-specific protocols.”<sup>131</sup>

For agricultural products the market access arrangements are set out in Declaration XXII and include “the establishment of duty free quotas for and of ceilings above which exports of certain agricultural products could face restrictions; and the regulation of duty-free access and quota restricted duty free access ... on a seasonal basis through the establishment of marketing calendars.”<sup>132</sup> Because Belize’s agricultural exports are concentrated in two or a few products (mainly bananas and sugar), the residual tariff barriers under Declaration XXII do not at this juncture present any reasons for concern. In the case of bananas the transition to a tariff-only system has effectively removed the restrictions related to quotas. For sugar however, the situation is different, and restrictions remain in the form of quota ceilings on duty free exports. As Belize looks towards diversifying its exports and moves towards non-traditional agricultural products Declaration XXII could take on some significance.<sup>133</sup> For instance, Belize currently produces rice and exporting this commodity could be a consideration in the future. However rice is currently subject to specific market access provisions for quotas which fall under Declaration XXII.

As another example, in the case of the fruits and vegetables sectors, which would be most likely for realizing export diversification for Belize, trade with the EU are governed under the CA by provisions within Declaration XXII and include full exemption from *ad valorem* duties and special duties, quota restrictions, quota restricted reductions in *ad valorem* and special duties, and seasonal quota-restrictions. In short, although these sectors benefit from preferences such preferences are “qualified by various types of quotas ... [and] partial duty rebates on the standard duty.”<sup>134</sup> More recently tariffs facing fruit and vegetable imports to the EU have realized some levels of reduction but in some cases such imports are still

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<sup>130</sup> “Market access: Executive brief,” Agritrade, page 2

<sup>131</sup> “EPA negotiations, Caribbean: Executive Brief,” Agritrade, October 2006, page 6

<sup>132</sup> Ibid, page 6

<sup>133</sup> This point is also made by Agritrade – see EPA negotiations, Caribbean: Executive Brief, supra 132.

<sup>134</sup> “Fruit and vegetable: Executive brief” agritrade, October 2006, page 9

subject to quota restrictions. Moreover where there are reductions these are “on the ad valorem tariffs, often leaving specific tariffs in effect.”<sup>135</sup>

Market access restrictions would also be of concern in other sectors which hold, still largely undeveloped, export potential for Belize. In the case of beef for example, as explained in the next sub-section, exports from the ACP are governed by the EU’s commodity-specific protocol which involves “preferential quotas for chilled and frozen –de-boned beef/ veal.”<sup>136</sup> Beyond the preferences for beef/veal exports from the ACP, the EU’s import regime for beef consists of a combination of an ad valorem duty and a specific amount of €1,768 per tonne.

Finally, market access constraints for exports from the ACP may be faced as a result of the “system of combined tariffs –i.e. of ad valorem and specific duties according to quantities of sugar, starches or glucose and milk fat or proteins contained in the products–” maintained for certain categories of processed products including “HS Chapter 4 (milk and milk products), 17 (sugar and sugar confectionery), 18 (cocoa and cocoa preparations), 19 (processed foodstuffs), 20 (beverages), and 21 miscellaneous edible preparations).”<sup>137</sup> These, as is evident from the above, directly affect value added products including those using raw agricultural materials produced in ACP countries such as Belize.

## **5.2(b) – Special Arrangements for Exempted Products**

As mentioned elsewhere in this paper, the EU maintains special arrangements for exports from the ACP not covered by preferences extended under the Cotonou Agreement. These are in the form of commodity-specific arrangements as in the case of bananas, beef, rum, and sugar, or special agreements as in the case of fisheries. For bananas and sugar these are dealt with in more detail under sub-section 5.2(d). This subsection therefore focuses on beef and fisheries specifically.

### **Beef:**

As discussed briefly above, beef is one of the products exempted from the general application of market access under the Cotonou Agreement and is instead dealt with under a special commodity protocol. This protocol provides for specific quotas of beef imports from select ACP countries (mostly LDCs in Africa). In general imports of beef into the EU market face a “combination of ad valorem duties and specific duties per tonne ... and in addition ... a safeguard clause allows customs duties to be increased in cases of import surges or a drop in import prices below a certain trigger threshold.”<sup>138</sup>

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<sup>135</sup> Ibid, page 10.

<sup>136</sup> “Beef: Executive Brief,” page 3

<sup>137</sup> Ibid, page 97

<sup>138</sup> Beef: Executive Brief, supra, page 3

**Table 24: EU BEEF IMPORT REGIME**

		Base rate	1995	2000	reduction
Live animals	<i>ad valorem</i>	18.0%	15.0%	10.2%	36%
	Specific ecu/t	1,454	1,367	931	36%
Beef Meat	<i>ad valorem</i>	20.0%	18.8%	12.8%	36%
	Specific ecu/t	2,763	2,597	1,768	36%
Preserve	<i>ad valorem</i>	26.0%	24.4%	16.6%	36%
Meat	Specific ecu/t				

(Adapted from Beef: Executive Brief, The basic regime and beyond. From source: "Situation and Outlook Beef Sector," CAP 2000 Working Document, DG Agriculture, April 1997, p.13)

Beyond the ACP, the EU also operates a tariff-rate quota for live animals and beef meat.<sup>139</sup>

**Table 25: Tariff-rate Quota Beef**

	Quota (head or tonnes)	In-quota tariff
<b>Current access</b>		
live animals (adults)	10,000	4-6%
live animals (calves)	169,000	16% + &euro;582/tonne
beef meat (tonnes)	144,000	20%
<b>Minimum access</b>		
beef meat	20,000	20%

(Source: Beef: Executive brief, Agritrade 2006)

The market access constraints for beef notwithstanding it is believed that the European Union may hold some potential for livestock (beef and pork) exports from Belize under an EPA arrangement. This is due to structural changes in the EU's internal market for beef, which reflects a growing trend towards "product differentiation, with a clear distinction emerging between high-quality beef and low quality beef, and labeled differentiated and non-labeled generic beef" the imports of beef into the EU is expected to rise to approximately 628,000 tonnes by 2012.<sup>140</sup> Despite the seeming opportunity, the reality may be very different. For instance, a number of ACP countries were beneficiaries of preferential market access to the EU for beef exports under the Cotonou Agreement's beef protocol. Those quotas, which constituted around 14% of total EU imports however, were never fully realized for a variety of reasons. Given the structure of Belize's beef production (i.e. for lower quality cuts in smaller volumes) exporting beef into the EU would be difficult as that market is for higher quality prime cuts into an increasingly differentiated market. To make matters more difficult, the recent major changes in the Common Agriculture Policy (CAP) of the EU and the structure of its internal market for beef are likely to pose additional challenges of a more competitive nature for Belize than it does opportunities for export entry. According to one source there is already "some evidence to suggest that the ACP is already becoming a more important market for EU meat exports generally, with a 65% expansion in the value of EU meat exports to the ACP over a six year period [i.e. between

<sup>139</sup> Ibid, page 4

<sup>140</sup> Beef: Executive Brief, *op cit*.

1997 and 2003] despite a 13.4% contraction in the value of overall EU meat exports.”<sup>141</sup> These issues are discussed in a bit more detail in the following section.

A second policy issue will be that of the food safety and quality regulations that countries desirous of exporting to the EU will have to meet. Belizean exporters would for instance have to first have the country recognized by the EU as eligible to export; for their establishments to be listed as eligible and then to be certified by the local competent authority that any consignment meets EU standards. The cost of compliance with these administrative standards will undoubtedly place significant additional costs on the potential exporter and as a result may serve as a disincentive for Belizean beef producers to export to the EU. The third policy issue results in large part from the changes in the EU’s support system (from price to direct support) coupled with a “shift in focus away from an emphasis on the quantity of production to an emphasis on the quality of production.”<sup>142</sup> It is expected that this will impact ACP suppliers in two major ways: “on prices received for beef imports into the EU; and as mentioned above, the emergence of a far more differentiated beef market with divergent price trends in different components of the market”<sup>143</sup>

### **Fisheries:**

In the case of imports of fish and fisheries products from ACP states, these are currently governed under the main provisions of the Cotonou Agreement subject of course to ROO requirements. Under the CA market access provisions are based on non-reciprocal trade preferences extended to ACP states by the EU which allow them to export their fish products to the EU market without paying any import duties or taxes. In other words, under the CA ACP countries can export their fish products to the EU “without having to pay the import taxes applied to fisheries exports from other countries.”<sup>144</sup> The CA also governs fisheries trade under provisions dealing with fisheries agreements, as set out in Part 3, Title II, Chapter 6, Article 53.

As it relates to the market access constraints for fish and fish products from the ACP attempting to enter the EU market some tariff escalation exists between raw fish and processed fish products. Non-tariff barriers include sanitary and phyto-sanitary standards including food safety standards. The restrictions arising from ROO are discussed under that section. Constraints to accessing the EU’s market for fish and fish products may also stem from the geographical proximity to the USA coupled with the limited extent of the fishery resources nationally and in the CARICOM region.<sup>145</sup>

Although the EU is not currently the main export market for fish and fish products from Belize (except for farmed shrimp) that market nonetheless remains important and holds some export potential. This is because Belize fish and fish products exports are mainly of primary unprocessed form similar to those from ACP countries (i.e. Fresh, chilled and frozen fishery products (Tariff heading 03.02); Canned fish; Canned or frozen shellfish (Crustaceans and molluscs) (Tariff heading – 03.06); and Dried, salted or smoked fish (Tariff

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<sup>141</sup> Beef: Executive Brief, Agritrade, URL: <http://agritrade.cta.int/en>

<sup>142</sup> Ibid.,

<sup>143</sup> Ibid.,

<sup>144</sup> “ACP-EU Partnership Agreements: Fisheries,” ECDPM Discussion Paper No. 69, page 7

<sup>145</sup> This is the point made in the ECDPM discussion paper.

heading 03.05)) with the exception of canned fish which Belize does not produce. For instance, Tilapia exports are exclusively fillets – fresh and frozen, while shrimps are exported as tails, peeled & de-veined (PD), peeled & un-deveined (PUD), butterfly shrimp, individually quick frozen (IQF), head-on and shell-on. As a result of this Belize remains attractive to the EU in terms of potential access to its fisheries resources in particular for its catching sector, which would provide it with tariff free supply of raw fish and certain value added fisheries products for its processing and trade sectors.

To explain, the EU's external policy on fisheries is driven in part by the issue of resource depletion in EU waters and increasing EU dependence on external fish supplies to meet the demands of both its market and fishing sectors. The result of this dependence is that within the context of EPAs the EU may be interested in negotiating agreements which provide it with direct access to fishing resources of ACP states, and has led to somewhat of a shift in other agreements between the EU and third countries where access for fishery resources for EU vessels and reciprocal arrangements for investment in fisheries enterprises are of priority. Even though the current provisions of the Cotonou Agreement for fisheries agreements are not tied to market access conditions for ACP states this means that the EU is at least amenable to providing reciprocal market access in its fisheries agreements with third countries. This is critical as given the nature of Belize fisheries sector which has transformed over the years to being mainly aquaculture based, access to export markets in the EU will be of interest in terms of export diversification. This will be true even for the fish products deriving from artisanal fishing – i.e. conch, lobster, snappers, groupers, etc. Resource sustainability however cannot be sacrificed for market access and therefore Belize will need to study and analyze the issue more carefully.

Finally, it is possible that exports of fish and fish products from Belize may be faced with market access constraints as a result of how they are treated under the WTO. To explain, under the WTO fish and fish exports are treated as industrial products and not as agricultural products. This means that fisheries and fish products are not subject to the provisions under the Agreement on Agriculture<sup>146</sup> and because Belize treats fisheries just the opposite - as an agricultural product (economic data on fisheries are usually dealt with under agriculture) it will therefore have to remain cognizant of this difference in treatment and ensure that in the EPA negotiations that any trade policy issues related to trade in fisheries are addressed to its acceptance.

### **5.2(c) Rules of Origin**

It is widely believed that even with conclusion of EPAs, ACP exporters are likely to continue to face stringent rules-of-origin (ROO) which will "...limit the number of exports which can receive preferential treatment,"<sup>147</sup> or which will further constrain their ability to access the

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<sup>146</sup> Instead fisheries are dealt with under the WTO at different levels including under: market access for non-agricultural goods; the Agreement on subsidies and countervailing measures – where the Doha Round calls for negotiations to clarify and improve disciplines on fisheries subsidies, taking into account the importance of the sector to developing countries; and the Trade and Environment, Dispute Settlement procedures, and Technical Assistance and capacity building measures.

<sup>147</sup> "Unequal Partners: *How EU-ACP Economic Partnership Agreements (EPAs) could harm the development prospects of the world's poorest countries*," Oxfam Briefing Note, September 2006, page 4

EU markets for their exports. The ROO requirements of EPAs are informed by the 2005 EC publication titled “The Rules of Origin in Preferential Trade Arrangements: Orientations for the Future.” This publication outlined a number of concrete proposals two of which are important for EPAs, specifically:<sup>148</sup>

- The conditions for a product to be considered as originating; and
- Issues around the implementation and control of trade preferences, and the development of instruments to ensure compliance with the obligations governing preferential trade.

According to Naumann (2003) the EC Communication also “specifically touches on three sectors, [including] the fisheries and textile sectors, while mention is also made of the agricultural sector in general.”<sup>149</sup> It is in the fisheries and agricultural sectors that the ROO for EPAs are likely to be of any importance for Belize and as such will be important determinants for exports of those sectors accessing the EU market. While textiles remain a feature of Belize’s exports, the sector has declined over recent years and is facing new challenges and constraints from the likely removal of preferences offered to the Caribbean by the USA.

For fisheries, the key issues will involve “onerous origin requirements for fish caught outside of Belize territorial waters but within its Exclusive Economic Zone (EEZ).”<sup>150</sup> Specifically, the ROO for the fisheries sector require that all fish caught within a country’s EEZ “must be caught by [its] own vessels, or those owned by EU stakeholders, [and where that vessel is considered to be of domestic origin, then it] must be registered in and sail under the flag of an ACP state or the EU, be at least half-owned by nationals of the ACP, ... and use the services of a crew at least half of which are nationals of the ACP.”<sup>151</sup> These requirements are unlikely to provide any significant barriers to fisheries exports from Belize for the simple reason that most fisheries exports to the EU are from farming and aquaculture operations. However they would need to be reconciled with current policy considerations by CARICOM for granting fishing access to third countries (i.e. exactly what the EU is looking for in fisheries agreements). In cases where there is vertical diversification of the fisheries sector resulting in value-added fisheries products, then there are other measures which would have to be overcome including any related to ‘cumulation’ – in particular from neighboring countries that are not ACP countries such as for example Central American countries and Mexico for Belize – and those related to possible administrative systems requiring pre-registration of any exporting firms and or companies, before they are allowed to enter the EU market.

Other ROO concerns for Belize under a CARIFORUM-EU EPA are as regards origin requirements within agriculture and agri-food processed products. This is because “for many agricultural categories [the ROO may be] ... based on products wholly produced in the

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<sup>148</sup> Naumann, Eckart, “Rules of Origin under EPAs: Key Issues and New Directions,” Paper for TRALAC Conference October 2005, page 12.

<sup>149</sup> Ibid, page 13.

<sup>150</sup> Ibid, page 13.

<sup>151</sup> Naumann, page 9

exporting country.”<sup>152</sup> At least that is as the regulations provide for under the CA. As one writer explains, this means that “livestock must be born and raised within the exporting country to be deemed originating there, fruit and vegetables must be grown there, ... and so forth.” This could present significant challenges for hot pepper sauces exports as sometimes the productive inputs in the form of hot peppers, onions, and carrots have to be sourced from neighboring Guatemala and Mexico when they are in short supply here in Belize. However, if the ‘cumulation’ systems which apply under the CA carry over to an EPA then Guatemala but not Mexico would be considered a ‘neighboring country’. This is because according to Article 6, paragraph 11, of Protocol 1, neighboring countries are considered those belonging to a specific geographical entity. As qualified by the Joint Declaration on cumulation (Annex XV, Protocol I) those neighboring countries for the Caribbean region would include: Colombia, Costa Rica, Cuba, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Venezuela.<sup>153</sup>

## 5.2(d) Erosion of Preferences:

Under the Lomé and Cotonou Agreements trade preferences served to mitigate the barriers to the EU market, in particular for agricultural products from the ACP, where the tariffs are among the highest the EU levies. By way of explanation, trade preferences exist when exporters from some countries enjoy competitive advantages in foreign markets as a result of preferential treatment. Such treatment may take different forms but generally includes lower or no tariffs for certain imports from the preferential exporter, larger import quotas, and or more lax rules of origin.<sup>154</sup>

According to Hoekman and Prowse, the granting of preferences is a long standing practice which may be tied to colonial trade linkages. However a recommendation by UNCTAD in 1968 expanded the scope of beneficiaries to include other countries in a “Generalized System of Preferences’ (GSP) under which industrialized

*Belize is one of the ACP and CARICOM countries that have hung its hat of trade performance and economic development on the ‘peg’ of trade preferences. Belize is the beneficiary of preferences received from the EU under Lomé for bananas and sugar; from the United States under CBERA for orange juice, sugar, and textiles; and from Canada under CARIBCAN for all exports from the Caribbean with the exception of textiles, clothing, footwear, some leather products, lubricating oils and methanol. With over 25% of exports earnings and export concentration in two products (bananas & sugar), Belize’s current economic pillars owe their success to the non reciprocal trade preferences of past trade co-operation protocols with the EU encapsulated under the Lomé Conventions.*

countries would grant trade preferences to all developing countries on a non-reciprocal basis.”<sup>155</sup> The EU, a member of the Quad group of countries (the others are Canada, Japan, and the USA) maintains a GSP scheme open to all developing countries and this is “characterized by quotas – since replaced by generalized tariff preferences – and ceilings for individual products and countries.”<sup>156</sup>

<sup>152</sup> Ibid, page 8

<sup>153</sup> Trade Negotiation Issues in the Cotonou Agreement, page 104

<sup>154</sup> Alexandraki, Katerina, “Preference Erosion: Cause for Alarm?” Finance & Development March 2005, page 27.

<sup>155</sup> Hoekman, Bernard and Susan Prowse, Economic Policy Responses to Preference Erosion: From Trade as Aid to Aid for Trade,” Revised 2005, Paper Presented at the international symposium Preference Erosion: Impacts and Policy Responses, Geneva, June 13-14, 2005, page 1.

<sup>156</sup> Grynberg, Dr. Roman and Sacha Silva, “Preference-Dependent Economies and Multilateral Liberalization: Impacts and Options,” Commonwealth Secretariat (2004), page 10.



The European Union also maintains a number of other trade preference schemes including for the ACP countries (under the Lomé & Cotonou Agreements), the Everything-but-Arms (EBA) initiative – which is an extension of the GSP, and in the form of bi-lateral Free Trade Agreements (FTAs). These differ in the nature and terms of preferences they offer to the various beneficiaries. The preferences extended to the ACP group of countries by the EU were done so under the Lomé Convention which spanned 1975 to 2000. These were non-reciprocal in nature, and involved a series of separate protocols for specific commodities namely bananas, beef and veal, rum, and sugar. The mechanics of the various protocols all differ and for sugar involved annual quotas at fixed prices while for bananas it involves a special duty-free import quota for ACP bananas, along with eligibility to supply that quota. The EBA initiative on the other hand was introduced in 2000 and granted “duty-free and quota-free access for all goods (except arms) exported from the Least Developed Countries (LDCs). While liberalization for most goods under the EBA was immediate, bananas, rice and sugar, all key export products for LDCs, had gradual phase in periods – i.e. 2006 for bananas and 2009 for rice and sugar. The EBA initiative was one of the first steps taken by the EU to ensure that its system of trade preferences were compatible with WTO rules, and was “...granted for an unlimited period and not subject to periodic review.”<sup>157</sup> Finally, the EU also maintains a system of preferences through the various bi-lateral FTAs to which it is party. Interestingly, conclusion of EPAs will effectively shift EU preferences from that provided to the ACP as a group to being provided to regional country groupings within the context of a bi-lateral FTA.

Over the years the stated *raison d’être* of preferences as being “for the purposes of encouraging export-driven economic development” has come under question as “there is little empirical evidence that they have been successful.”<sup>158</sup> To make the case and point, over the past decade developing countries which are the beneficiaries of preferences under the ACP have actually realized a decline in their share of total imports to the EU (despite the aggregate value of such trade having increased) while non-ACP developing countries have become more competitive and increased their share of imports to the EU over the same period. As Thorp argues “trade preferences have not prevented the continued decrease in the ACP’s share in total EU imports or have they overcome the high dependence of the ACP on a few commodities.”<sup>159</sup> In other words, “despite the provision of preferences ACP states [have] still faced difficulties in integrating into the world economy.”<sup>160</sup> Notwithstanding, the EU has come under pressure within the WTO by non-ACP developing countries for its preferences for banana and sugar resulting in several changes to the protocols for bananas and sugar which have in turn eroded the preferences received by the ACP beneficiaries, and eventually in its decision to forge EPAs.

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<sup>157</sup> Grynberg, Dr. Roman and Sacha Silva, “Preference-Dependent Economies and Multilateral Liberalization: Impacts and Options,” Commonwealth Secretariat (2004), page 10.

<sup>158</sup> Alexandraki, *op cit*, page 29.

<sup>159</sup> Thorp, Theresa, “Regional Implications for the ACP-EU Economic Partnership Agreements (EPAs),” page 3.

<sup>160</sup> Manchin, Miriam, “Preference Utilization and tariff reduction in European Union imports from Africa, Caribbean, and Pacific Countries,” World Bank Policy Research Working Paper (WPS3688), August 2005, page ii.

Preference erosion may be defined as the ‘decline in the competitive advantages which some exporters enjoy over others in foreign markets as a result of being granted more favorable or preferential treatment for their exports’.<sup>161</sup> More narrowly it refers to “the decrease in the average unit price of a preference beneficiary in the market of a given partner as a result of MFN-based import liberalization by that partner.”<sup>162</sup> According to Alexandraki<sup>163</sup> preferences may be eroded in several ways, including: as a result of the multilateral removal of trade barriers which would have the effect of eroding the price advantages conferred; and when, as in the case of bananas and sugar, the preferences are eliminated or the ‘MFN tariffs are lowered without lowering the preferential tariffs proportionately’.

The issue of preference erosion is a crucial one for Belize in part because preferences add around one fourth or more to total domestic exports and is a major source of export revenue earnings for the country. More critically however, it is important because Belize is considered to be highly vulnerable due to its heavy dependence on banana and sugar exports to the EU and the combined share of these products for export earnings. While the degree of vulnerability differs across different ACP countries and should necessarily be understood within the context of the broader country macro-economic framework, the sources of vulnerability to preference erosion arguably arise from a combination of factors, all of which are applicable to Belize, including: “the magnitude of preferences for which a country is eligible; the degree of utilization of those preferences; the degree of export dependence on and the extent to which export products are concentrated in those preferences; the macro-economic significance of those sectors dependent on the preferences; and the robustness of a country’s economic environment.”<sup>164</sup>

To be sure, in 2005 bananas and sugar accounted for 12.4% and 16.9% of the total value of domestic exports respectively with the EU representing 28.96% of the export market. Although this reflects a decrease in export market share of the EU from 2000 (39.40%) it nonetheless indicates a continued heavy reliance on preferences for exports. The degree of vulnerability is made more salient when one considers that Belize has a utilization rate of 76.0% under Cotonou and would stand to lose as much as 2.1% of GDP or some 9.1% of goods exports or US\$18 million from preference erosion in the banana and sugar sectors.

The issue for Belize really is one of a near hyper-dependence on two commodities both traded under preferential market arrangements. To be sure, several studies<sup>165</sup> point to the potential negative impact of preference erosion resulting from export concentration in a small number of products. One study in particular, by Alexandraki and Lankes, found that while “the impact of preference erosion is small overall, [it is nevertheless a] problem heavily concentrated in a few preference beneficiaries – primarily small island economies dependent on an even fewer number of products (sugar, bananas ... textiles).”<sup>166</sup> Put differently for a subset of economies their vulnerability is “determined overwhelmingly by [their] export

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<sup>161</sup> Alexandraki, Katerina and Hans Peter Lankes, “The Impact of Preference Erosion on Middle-Income Developing Countries,” IMF Working Paper (WP/04/169), September 2004, page 3.

<sup>162</sup> Alexandraki, Katerina, “Preference Erosion: Cause for Alarm?” Finance & Development March 2005, page 27

<sup>163</sup> Ibid, pages 26-29.

<sup>164</sup> Alexandraki and Lankes, op cit, pages 9-10.

<sup>165</sup> See, Grynberg and Silva (2004); and Hoekman and Prowse (2005).

<sup>166</sup> Ibid, pages 26- 27.

dependence on three products, namely: bananas, sugar, and textiles.”<sup>167</sup> Belize as a small developing country dependent on preferential trade of bananas and sugar for better than 25% of its exports, falls, unfortunately, into this subset of countries and therefore is at risk of suffering adversely from any further erosion of preferences. Grynberg and Silva’s study is useful in this regard as it helps to highlight the challenges to be faced.

**Table 26: Macroeconomic Context of Losses from Preference Erosion**

Country	Absolute Loss under e=0 (US\$ million)	As a percent of exports of goods	As a percent of exports of goods and services	As a percent of GDP	As a percent of government revenue
Mauritius	-201	-11.5	-7.2	-4.4	-24.4
St. Lucia	-4	-9.8	-1.1	-0.6	-1.9
Belize	-18	-9.1	-4.1	-2.1	-8.0
St. Kitts and Nevis	-3	-8.9	-1.8	-0.8	-1.9
Guyana	-41	-7.9	-6.2	-5.8	-17.7
Fiji	-41	-7.8	-3.8	-2.2	-9.1
Dominica	-2	-5.5	-1.9	-0.9	-2.3
Seychelles	-10	-4.2	-1.9	-1.6	-3.7
Jamaica	-46	-3.5	-1.4	-0.6	-2.2
St. Vincent and the Grenadines	-5	-3.4	-2.7	-1.3	-4.3
Albania	-10	-3.3	-1.2	-0.2	-1.0
Swaziland	-21	-3.0	-1.8	-1.6	-5.8
Serbia and Montenegro	-45	-2.9	-2.2	-0.4	-3.9
Tunisia	-146	-2.2	-1.5	-0.7	-2.5
Côte d’Ivoire	-69	-2.2	-1.6	-0.6	-3.7
Morocco	-152	-2.1	-1.4	-0.4	-1.8
Dominican Republic	-100	-2.1	-1.2	-0.5	-2.7

(Source: Alexandraki and Lankes, WP/04/169)

Understood against this backdrop, preference erosion presents an obstacle to trade liberalization for Belize, and hence to any offers of reciprocity by CARIFORUM, in large part because of the potential losses likely to arise. Such losses would be in the form of decreased quota rents in turn resulting in decreased export revenues but this is a trend that has been evident for some years now. For instance whereas 63.73 tonnes of banana fetched BZ\$65.82 million in 2000, 76.08 tonnes only fetched BZ\$51.08 million in 2005. Sugar reflects a slightly different pattern maintaining most of its export value and earning BZ\$69.9 million in 2005 for 79.47 tonnes as opposed to BZ\$74.39 million for 109.33 tonnes in 2000. Given the importance of these two sectors for export earnings and employment in Belize they are dealt with in more detail individually below.

### **Bananas:**

Banana remains an important economic sector within the broader agriculture sector for Belize. According to recent industry studies “banana [export] earnings averaged around 16.7% of total export earnings between 1995 and 2000”<sup>168</sup> and has remained consistently high since then. In 2000 the total value of exports reached BZ\$63.8 million (Around 16.1%), and over the past five years exports of bananas have increased consistently (with the exception of 2001 when the industry suffered major damages as a result of hurricane Iris).

<sup>167</sup> Alexandraki, *op cit*, page 3.

<sup>168</sup> Jarchow, Gerard, “Updated Banana Country Strategy – Belize,” The Government of Belize and the Banana Growers Association of Belize (November 2002), page 7

**Table 27: Bananas Export Earning – Actual & Projected 2001-05**

	2001 Actual	2002 <sup>169</sup>	2003	2004	2005
<b>Production (Thousand MT)</b>	48.1	50.0	72.2	85.0	85.0
<b>Banana Export Earning (BZ\$ mil)</b>	41.5	41.0	60.0	64.2	64.2
<b>Total Value of Domestic Export Earning (BZ\$ mil)</b>	322.7	350.0	400.0	420.0	450.0
<b>% Contribution bananas</b>	13.2	11.7	15.0	15.2	14.2

(Source: Banana Country Strategy – Belize)

Overall the banana sector involves some twelve communities mainly across southern Belize and employs around 6,000 people. Ownership is in the form of private farms and there are currently a total of twenty-one (21) farms producing within the country. As one study puts it, “Belize closely resembles the rest of Latin America (i.e. dollar banana zone) [with] large scale...plantations and generally favorable soils”<sup>170</sup> amongst other characteristics.

In 1998 the EU modified its banana regime as a result of charges brought against it in the WTO by the Latin American suppliers. The regime adopted in 1998 included a tariff quota of 2.55 million tons with quota specified quantities for Colombia, Costa Rica, Ecuador, and Panama; the removal of country specific allocations under the traditional ACP quotas, and the abolition of the operator categories set out in the original regime. However the Latin American suppliers were still unhappy with this arrangement and took the EU back to the WTO to have the arrangement remedied resulting in another change to the regime in 2001 on the basis of consultations held with relevant stakeholders including the USA. The new regime established three tariff quotas, specifically:

- Quota ‘A’: 2.2 million tons at a rate of €75/ton
- Quota ‘B’: 453,000 tons at a rate of €75/ton; and
- Quota ‘C’: 750,000 tons at a rate of €0/ton

Under the new regime the ‘C’ quota was reserved for ACP operators, with the ‘A’ and ‘B’ quotas remaining “nominally open bananas from any origin”. Any imports of bananas outside of these quotas would be subject to tariffs of €680/ ton, but ACP suppliers would receive a preferential tariff of €300/ton.

Following further consultations with the Latin American suppliers the EU again changed its regime and the EU opted to move for adopting a tariff only regime. In 2004 a tariff level of 230 was proposed but this met with opposition from both the ACP (who claimed that the tariff was too low) and the Latin American suppliers (who countered that it was too high). Nonetheless the EU announced it would be adopting the €230 tariff level but after further action by the Latin Producers revised the level downwards twice resulting in the introduction of a flat-tariff level of €176 on 1 January 2006.

A 2004 study by the NERA Consulting Group and Oxford Policy Management on behalf of the Department for International Development (DFiD) on the impact of preference erosion in bananas on Caribbean countries found that while the EU is “legally entitled to maintain a

<sup>169</sup> 2002 to 2005 represent projected amounts.

<sup>170</sup> NERA/ OPM, page vii.

tariff preference for ACP [banana] producers until 2008”<sup>171</sup> the actual level of preference maintained would be contingent on the outcomes of the reform of the internal market of the EU for bananas. When the study had earlier modeled the impact of the regime change considered for implementation in 2006 on the Caribbean suppliers it found that tariff level of €175 per ton would result in significant losses across the region, with revenue losses for Belize estimated around €8 million or a 30% decrease. At the EU adopted a tariff level of €176 per ton this would represent a fall in export earnings to around €18.3 or a decline of about 31%. The results of the modeling exercise as projected run fairly close to the trade pattern realities with which Belize may find itself<sup>9</sup> as it relates to the export of bananas to the EU market.

**Table 28: Projected Banana Export Earnings at Different EU Tariff Levels**

	Belize	Jamaica	Dominica	St. Lucia	St. Vincent	
Avg. exports 1989-1992/ €m	13.2	28.6	23.4	52.7	31.0	
Avg. exports 1999-2002/ €m	26.4	24.4	12.0	25.0	18.0	
Projected exports at tariff levels: /€m						
€250	27.8	22.9	11.7	28.9	18.7	
€250	26.7	21.1	9.3	26.0	16.4	
€225	23.7	16.5	2.9	18.5	10.3	
High tariff scenario	€200	20.8	12.2	0	11.7	4.7
	€175	18.2	8.3	0	5.4	0
	€150	15.7	4.8	0	0	0
Low tariff scenario	€125	13.4	1.7	0	0	0
	€100	11.2	0	0	0	0
	€75	9.3	0	0	0	0
	0	4.4	0	0	0	0

Source: NERA/ OPM)

Belize however is perhaps the only Caribbean country which as been identified as having the potential to maintain active in supplying the market even at the lower tariff levels, providing of course that it can increase its quota and improve on the competitiveness of production, but it would do so at reduced revenue and profit levels. Despite Belize’s higher level of competitiveness vis-à-vis other Caribbean banana producers, with a tariff level of €176 per ton contraction of Belize’s banana exports to the EU market is unavoidable in the short run, and this would be reflected in reduced levels of earnings.

### **Sugar:**

The sugar industry and sector continues to be important to Belize from the perspective of an economic activity in its own right contributing significantly to employment, export earnings (39%), and GDP (4%). A recent study estimates that it is the largest industry in Belize’s agricultural sector with production averaging around 111,000 long tons of sugar from 1.5

<sup>171</sup> NERA, page xiii

million long tons sugarcane.<sup>172</sup> Estimates indicate that the domestic market consumes around 8,500 to 9,000 long tons per year with exports averaging around 100,000 long tons split between the EU (49,000 long tons), USA (11,000 long tons), world market (37,000 long tons) and CARICOM (6,000 long tons).<sup>173</sup> In the case of both the EU and USA exports take place under preferential market arrangements.

**Table 29: Belize Sugar Exports by Destination**

	2001	2002	2003	2004	2005
<b>Total sugar exports</b>					
Value	29.7	33	35.6	40.8	34.9
Volume	95.5	103.5	98.6	107.1	88.1
Unit Value (U.S. cents/lb.)	13.9	14.2	16.1	17.0	17.7
<b>United States</b>					
Value	4.4	4.8	5.0	4.3	4.2
Volume	10.9	11.0	10.9	10.9	11.0
Unit Value (U.S. cents/lb.)	18.0	19.5	20.5	17.6	17.0
<b>European Union</b>					
Value	18.8	21.9	23.3	23.7	21.2
Volume	44.6	48.9	46.4	48	39.9
Unit Value (U.S. cents/lb.)	18.8	20.0	22.4	22.0	23.7
<b>Free market</b>					
Value	6.5	6.3	7.3	12.8	9.5
Volume	40.0	43.6	41.3	48.2	37.2
Unit Value (U.S. cents/lb.)	7.3	6.5	7.9	11.9	11.4
<b>Memorandum item:</b>					
Share of sugar exports in domestic exports (in percent)	18.5	22.6	19.8	21.8	18.0

As it relates to the formed, the export of sugar is determined by the Sugar Protocol laid down in the Lomé Convention and which 'guarantees prices [and] specific quantities of cane sugar...which originate in the ACP States and which those countries undertake to deliver to it'.<sup>174</sup> Given this obligation on the part of the EU to import specific quantities of ACP sugar at guaranteed prices which are derived from the EU's internal price it is worth examining the implications of the reform measures to the EU sugar regime undertaken in 2005.

The reform package agreed on by the European Agricultural Council involved a number of changes including, but not limited to:

- Cuts in the guaranteed prices paid for white sugar – i.e. 36% over four years from 2006/07;
- The level of compensation to be paid by the EU to its sugar beet farmers – to average 64.2% of the price cut;
- Payment of an additional coupled payment equivalent to 30% of the price cut for the transitional period of five years in countries which give up more than half of their production quota, plus the possible payment of 'limited national aid';

<sup>172</sup> Budhram, Dowlal, "Sugar Policy and Strategy: Strategic Actions for the Belize Sugar Industry," Belmopan, Belize, December 2002, page 1.

<sup>173</sup> Ibid, page 2.

<sup>174</sup> Article 1, § 1

- The establishment of a diversification fund for member states where quota is reduced by a minimum amount, which increases the more the quota is renounced;
- The merging of the 'A' and 'B' quotas;
- A provision for the use of non-quota sugar in the chemical and pharmaceutical industries and for the production of bio-ethanol; and
- The allocation of an additional quota of 1.1 million tons to sugar-producing countries against a one-off payment corresponding to the amount of the restructuring aid per ton in the first year

The reform package was structured to ensure that the EU's sugar regime is "brought in line with the WTO panel." More importantly for the ACP however is that, according to the EU Agriculture Commissioner Mariann Fischer Boel, "developing countries will continue to enjoy preferential access to the EU market at attractive prices, while those ACP countries which need it will be eligible for an assistance plan..."<sup>175</sup> Put differently, the reform measures do not formally affect the preferential import arrangements currently enjoyed by the ACP and other developing countries, and therefore the ACP "will continue to enjoy duty-free access for the tonnages agreed to under the Sugar Protocol." However the price decreases in the EU domestic market which took effect from 2006/07 will result in income losses in particular to the sugar-protocol beneficiaries, despite their remaining almost twice the level of world sugar prices. Exports under the Special (SPS) will not be affected until the 2008/09 and 2009/10 periods when the prices traditionally received here are expected to fall by 12.6% and 32.6% respectively.<sup>176</sup>

The Technical Center for Agriculture and Rural Cooperation (Agritrade) argues that despite the schedule of reductions indicated – i.e. 36% over four years, the reference price of sugar in fact "follows a different course...remaining at €613.9/ ton through the 2007/08 season before falling by 17.1% to €524 in 2008/09 and a total of 36% in 2009/10 to €404.4/ton."<sup>177</sup> This Agritrade argues, will leave an institutional price for ACP sugar as follows:

**Table 30: Changes in prices for ACP raw sugar**

Year	Price per tonne	% change (cumulative)
Current regime	€ 523.7	0
2006/07	€ 496.8	- 5.1%
2007/08	€ 496.8	- 5.1%
2008/09	€ 434.1	-17.1%
2009/10	€ 335.0	-36.0%

(Source: Agritrade, EU sugar reform)

The result of the above price changes will be income losses for ACP sugar protocol beneficiaries across the grouping. However "in the first two years of reform the only price

<sup>175</sup> "Sugar: Executive brief, The revised EU sugar Regime," Technical Center for Agricultural and Rural Cooperation (Agritrade), URL: [http://agritrade.cta.int/en/resources/eugar\\_executive\\_brief](http://agritrade.cta.int/en/resources/eugar_executive_brief)

<sup>176</sup> Ibid, page 5.

<sup>177</sup> "EU sugar reform: implication for ACP countries," Technical Center for Agriculture and Rural Development, URL: [http://agritrade.cta.int/en/resources/extended\\_comments/eu\\_sugar\\_sector\\_reform\\_implications\\_for\\_acp\\_countries](http://agritrade.cta.int/en/resources/extended_comments/eu_sugar_sector_reform_implications_for_acp_countries)

cut which ACP supplier face will be that equivalent to the loss of the refining aid formerly paid from the EU budget to EU cane refiners.”

**Table 201: Losses on ACP sugar-protocol earnings from final agreed EU sugar reforms**

Year	Raw price	Tonnage	Earnings (€)	Losses (€)
2005/06	523.7 €/t	1,294,700	678,034,390	0
2006/07	496.8 €/t	1,294,700	643,206,960	- 34,827,430
2007/08	496.8 €/t	1,294,700	643,206,960	- 34,827,430
2008/09	434.1 €/t	1,294,700	562,029,270	- 116,005,120
2009/10	335.0 €/t	1,294,700	433,724,500	- 244,309,800

(Source: Agritrade, EU Sugar Reform)

Although the losses from the EU sugar regime will affect ACP sugar-protocol beneficiary differently (see table below), this would represent income losses for Belize for its sugar exports to the EU of around €7.5 million between 2006 and 2010.

**Table 32: Losses by ACP sugar-protocol beneficiary countries**

Country	Sugar-protocol quota (tonnes)	Current earnings (€)	Earnings 2006-08 (€)	Earnings 2008/09 (€)	Earnings 2009/10 and after (€)
Barbados	50,312.4	26,348,603	24,995,200	21,840,612	16,854,654
Belize	40,348.8	21,130,666	20,045,283	17,515,414	13,516,848
Congo	10,186.1	5,334,461	5,060,454	4,421,786	3,412,344
Côte d'Ivoire	10,186.1	5,334,461	5,060,454	4,421,786	3,412,344
Fiji	165,348.3	86,592,904	82,145,035	71,777,610	55,391,680
Guyana	159,410.1	83,483,069	79,194,937	69,199,924	53,402,383
Jamaica	118,696.0	62,161,095	58,968,172	51,525,933	39,763,160
Kenya	0.0	0.0	0.0	0.0	0.0
Madagascar	10,760.0	5,635,012	5,345,568	4,670,916	3,604,600
Malawi	20,824.4	10,905,738	10,345,561	9,039,872	6,976,174
Mauritius	491,030.0	257,152,411	243,943,704	213,156,123	164,495,050
St Kitts & Nevis	15,590.9	8,164,954	7,745,559	6,768,010	5,222,952
Swaziland	117,844.5	61,715,164	58,545,147	51,156,297	39,477,907
Tanzania	10,186.1	5,334,461	5,060,454	4,421,786	3,412,344
Trinidad & Tobago	43,751.0	22,912,398	21,735,496	18,992,309	14,656,599
Zambia	0.0	0.0	0.0	0.0	0.0
Zimbabwe	30,224.8	15,828,727	15,015,680	13,120,585	10,125,308

Source: Technical Center for Agriculture and Rural Development , 2006

It is certain from the above that the projected decreases in the sugar intervention price in the EU market will eroded the value of Belize's sugar exports to that market. One way of offsetting such losses is to secure expanded market access but this is tricky as the terms of trade under the EPA remain to be determined. In this regard, the results of earlier studies



which examined the impact of preference erosion resulting from reform of the EU sugar regime are useful in providing a snapshot of potential outcomes for ACP sugar protocol beneficiaries including Belize, and hence of their possible options for appropriate policy responses.

**Table 33 : Sugar Quota Access to EU, 2000/02 ACP average**

(tons, raw value)

	Protocol	SPS	EBA	% Quota of Sugar Production <sup>1</sup>
Barbados	54,689	5,449	0	132%
Belize	43,859	4,370	0	39%
Congo	11,072	4,076	0	26%
Cote d'Ivoire	11,072	11,470	0	14%
Fiji	179,733	17,908	0	59%
Guyana	173,279	17,265	0	62%
Jamaica	129,023	12,855	0	80%
Madagascar	11,696	4,710	4,140	46%
Malawi	22,636	12,097	5,269	16%
Mauritius	533,751	53,180	0	96%
St. Kitts & Nevis	16,947	1,689	0	90%
Swaziland	128,098	39,551	0	29%
Tanzania	11,072	4,676	4,217	11%
Trinidad/Tobago	47,557	4,738	0	60%
Zambia	0	11,672	4,209	7%
Zimbabwe	32,855	28,955	0	11%

Note: 1. Average 2000-2002.

One such study is that completed by LMC International and Oxford Policy Management. This study considered four scenarios of policy inform including a Price Cut scenario which assumed a 38% EU market price cut for white sugar from €725 per ton to €450. The study assumed a similar percentage cut in the intervention price resulting in a estimated future price of €325 per ton. The actual reform of the sugar regime entailed a price cut of 36% and as discussed above this will result in a price of €335 per ton. Although this is marginally higher (i.e. by €10/ ton) than that estimated under the earlier Price Cut scenario, the price is sufficiently similar to suggest that Belize would nonetheless suffer the same impact envisaged – i.e. ‘unable to withstand such a cut on the basis of its current cost structure’<sup>178</sup> – if of course its market access remained limited. If however, it was granted the opportunity to increase its market access coupled with technical and financial assistance to improve the competitiveness of its sugar industry by significantly reducing the cost structure (i.e. of filed activities and transportation) and simultaneously improve yields then the possibility exists that Belize would be able to withstand the price decrease.

### *Policy Options*

Given the likely negative impact resulting from the price decrease in sugar prices under the EU regime Belize policy response should necessarily be targeted at three things: maintaining preferential terms of access; securing expanded market access; and agitating for building the competitiveness of the sugar industry.

<sup>178</sup> This is the conclusion of a study by LMC International and Oxford Policy Management. That study suggested that Belize’s sugar industry would only survive under the Status Quo scenario (i.e. the market will continue to be regulated & prices in EU project to fall to €600/ ton) and under the Fixed Quota scenario (i.e. quotas reduced to maintain EU price of €600/ ton)

Regarding the expansion of market access the LMC Study puts forward a few suggestions which are relevant here, and hence are adopted based on the principles they espouse. One, Belize should advocate for maintaining quotas at the aggregate level for the region. This quota could then be redistributed among those countries in the region (i.e. Belize, Guyana) which exhibit an opportunity to survive if they could build the competitiveness of their industries. At the least, Belize needs to ensure that a CARIFORUM-EU EPA does not lead to any loss of quota or preferential terms of trade as currently enjoyed under the Sugar Protocol. Belize may also want to examine opportunities for diverting its sugar exports into the regional markets. This could involve an opportunity for expanding access to CARICOM and the further opportunity of securing preferential access under the CSME should be explored concurrently.

This is a key issue because as pointed out elsewhere in this paper EPAs will effectively shift preferences from that provided at an all ACP level to those that may acceptably be provided within a FTA. The results of earlier studies by the European Commission to determine the broad range of impacts by reform of the sugar regime are useful in providing a cross analysis of potential future losses that may be faced by ACP sugar protocol beneficiaries.

### **Section 5.3      *Regional Trade Liberalization***

Apart from the issues already mentioned and associated with reciprocal quota and duty free access to markets between the EU and CARIFORUM, an EPA may also lead to trade diversion and or trade creation. In fact, a couple of studies (i.e. Greenaway and Milner, (2003); and Gasiorok and Winters (2004)) find that a CARIFORUM-EU EPA will have trade creation and trade diversionary effects, though these are expected to be less significant than that of different EPA regional groupings in Africa due to the EU being a less important source of imports for CARIFORUM countries. (See table below.) Specifically, Greenaway and Milner argue that a CARICOM-EU EPA “is likely to have import-source substitution effects that have differing welfare effects for the Member States of CARICOM...one of which will cause imports in CARICOM to be sources from the EU rather than non-EU countries, and the other will cause switching from regional to EU sources of supply.”<sup>179</sup> Gasiorok and Winters on their part suggests that future EPA arrangements are more likely to lead to significant trade diversion as opposed to trade creation or trade reorientation.<sup>180</sup>

Trade creation is understood to be welfare improving to the extent that it consumer’s welfare through lower prices following tariff eliminations; whereas trade diversion is understood to be welfare reducing when less efficiently produced imports substitute for cheaper imports because of the margins of preference resulting from the trade agreement.

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<sup>179</sup> Greenaway, D. and Chris Milner, “A Grim REPA?” Internationalization of Economic Policy Research Paper Series (Research Paper 2003/20), University of Nottingham, U.K.

<sup>180</sup> See Gasiorok, M. and Alan Winters, “What Role for the EPAs in the Caribbean?” *The World Economy*, pp: 1335 – 1362.

**Table 34: Economic Effects of EPAs on ACP Regions**

Region and source	Trade creation (TC) / Trade diversion (TD)	Fiscal effects (loss of tariff revenues)	Welfare effects	Major gainers and losers
Sub-Saharan Africa (as a whole) <sup>a</sup>			Negative (EPA with no regional integration) Positive (removal of intra-SSA barriers or EU-SSA Free Trade Area)	
West Africa	TC larger than TD	Negative	Positive	Nigeria and Ghana (gainers); Cape Verde and Gambia (losers)
Central Africa <sup>a</sup>	TC larger than TD	Negative	Positive	Cameroon, Gabon and DRC (gainers)
EAC <sup>c</sup>	TC smaller than TD for Tanzania and equal to TD for Uganda	Large negative	Small negative for Tanzania; Negligible for Uganda	Tanzania (loser)
COMESA <sup>a</sup>	TC larger than TD	Negative	Positive	Kenya, Mauritius, Sudan and Ethiopia (gainers)
SADC <sup>d</sup>	TC larger than TD	Large negative	Large positive (EPA with regional integration) Small positive (EPA with no regional integration)	South Africa, Zimbabwe and Mauritius (gainers); Zambia, Tanzania, Mozambique Swaziland (losers)
Caribbean <sup>e</sup>	TC smaller than TD (for simultaneous MFN tariff cuts < 50%) TC larger than TD (for simultaneous MFN tariff cuts > 50%)	Small negative	Small negative (for simultaneous MFN tariff cuts < 20%) Small positive (for simultaneous MFN tariff cuts > 20%)	
Pacific <sup>f</sup>	TC larger than TD	Small negative	Small positive	Papua New Guinea and Fiji (gainers)

(Source: Overseas Development Institute (ODI), Briefing Paper No. 5)

In the case of a CARIFORUM–EU EPA the trade creating trade diverting effects of stem from the fact that EPAs are Free Trade Agreements (FTAs) and hence will necessarily involve some degree of liberalization of tariffs between the parties to the FTA to the exclusion of other countries. To explain, if tariff liberalization results in an item from the EU becoming more cheaply than a similar item from a third-country then it is likely that imports from the EU for that item will replace imports of similar items where those were previously sourced from third countries. A review of the literature on regional integration initiatives reveal from the results of modeling exercises that trade liberalization within FTAs result in increases in imports in particular where the price and demand elasticities allow for this to happen. Where the level of tariff reduction provides for imports from the FTA partner to become more competitive than those of third countries or even of the domestic market's then trade would divert towards the cheaper goods. This of course assumes a certain elasticity of substitution between the two sources.

Although the considerations are made out here to be simple, the impact effects of regional trade agreements are dependent on a number of factors, including importantly the economic and trade structures and patterns of trade between the parties to the RTA.<sup>181</sup> In the case of a CARIFORUM EPA that would involve the economic structure and structure of trade between and among the two regions (inter-regional trade) and the countries which comprise CARIFORUM (intra-regional trade). In other words, the list of products which comprise trade between CARICOM and the EU and among the CARICOM member states are important in determining possible areas of impact.

Intra-CARICOM trade (see Section 4 of this paper) comprises mainly food, agricultural raw materials, ores and metals, fuels, and some manufactured goods; while CARICOM imports

<sup>181</sup> For a more detailed discussion of this see “Regional Trade Agreements: Effects on Trade,” Chapter 3, *Global Economic Prospects 2005*, pages 57-75.

from the involves largely machinery and transport equipment, heating and cooling equipment, manufactured goods, petroleum oils, and medicaments. While CARCIOM does trade in manufactured products these tend to be resource-based manufactures or low tech manufactures (i.e. agriculture, low value-added agri-food, textiles) whereas manufactures of the EU tend to be medium to high tech (i.e. automobiles, engineering industry, electronics, etc.) Consequently the level of competition in trade between main products at the intra-CARICOM level and those between CARICOM and the EU is minimized.

**Table 35**

**European Union, Exports to ... Caribbean**

Products (Sitr Sections) by order of importance	Mto euro	%
<b>TOTAL</b>	<b>8 594</b>	<b>100.0</b>
Machinery and transport equipment	5 673	66.0
Manuf goods classif. chiefly by material	585	6.8
Food and live animals	491	5.7
Chemicals and related prod., n.e.s.	460	5.4
Miscell. manuf. Articles	457	5.3
Mineral fuels, lubricants and rel. Materials	379	4.4
Commodit. and transactions n.e.o.	172	2.0
Beverages and tobacco	171	2.0
Crude materials inedible, except fuels	27	0.3
Animal and vegetable oils, fats and waxes	18	0.2

The obvious asymmetries in the trade structures between CARICOM and the EU as manifested in the patterns and composition of trade intra-CARICOM and CARICOM-EU as pointed out above may explain why Greenaway and Milner's analysis suggest that for a CARICOM-EU EPA trade diversion would tend to occur between extra-regional sources. To be sure, there will be source substitution effects but "they are much larger for extra-regional substitution."<sup>182</sup> Greenaway and Milner estimate that trade creation on existing EU imports to the CARICOM region will average between 14 and 15 percent. This represents total increases in imports from the EU for CARICOM countries ranging from EC\$144.39 million for Dominica (an increase of 259.3%) to EC\$3.906 billion for Jamaica (a 508.1% increase). (See Table below for more details.)

While at face value the diversion effects seem to be focused extra-regionally it must be recalled that the EU is a global producer of food and agri-food products and therefore a likely competitor of intra-CARICOM exports of food and agri-food products. As one study predicts, the sectors which will face the greatest competition are those that are most highly protected by CARICOM countries, namely light industry and primary sectors (agriculture and food).<sup>183</sup> This presents some concerns for Belize which is already operating in the margins of CARICOM as it relates to trade and export performance with the region, due to the nature and composition of exports from Belize to the CARICOM region (i.e. agriculture

<sup>182</sup> Greenaway and Milber, op cit, page 11.

<sup>183</sup> The Cotonou Agreement: Selected Issues, Effects and Implications for Caribbean Economies, LC/CAR/L.66, 14 December 2005, page 56.

and primary food products). Moreover over the years the importance of the CARICOM regional market to Belize has not improved significantly despite the formation of the CSME and this has resulted in a general failure on the part of Belize to achieve deeper and wider integration in the region.

It is likely therefore that Belize will suffer negatively from trade diversion but only in a small way as CARICOM is not its most important trading partner for exports. If the composition of EU imports to the region remain the same then it is unlikely that Belize would suffer competition from such imports for its primary agriculture and low-value added food products. In the final analysis as the table below shows trade diversion will dominate trade creation leading effects but such effects are more pronounced for extra-regional substitution. When the country level adjustment impact of the estimated declines in imports of CARICOM countries from the region the results tend to support the expected negative but relatively small impact on Belize but this is because exports from Belize to CARICOM as a share of total exports for the region is on average for the period 1993-2003 only 0.9%.

**Table 36: Import Effects of Reciprocity by Country (EU Only)**

	(a) Trade creation on existing EU imports		(b) Change in imports from Region		(c) Non-EU ROW		(d) Total Increase in Imports from EU		(e) Increase in Extra-regional Imports		(f) Increase in imports from all sources	
	m EC\$	%	m EC\$	%	m EC\$	%	m EC\$	%	m EC\$	%	m EC\$	%
Barbados	71.70	15.5	-92.36	-21.0	-841.14	-45.5	1005.19	217.8	164.05	7.1	71.69	2.6
Belize	11.61	15.7	-7.39	-25.8	-328.88	-48.2	347.88	471.7	19.00	2.5	11.61	1.5
Dominica	8.60	15.4	-23.96	-25.6	-111.83	-52.2	144.39	259.3	32.56	12.1	8.60	2.4
Grenada	12.01	15.5	-37.69	-25.1	-169.66	-54.3	219.37	283.6	49.71	12.8	12.02	2.2
Jamaica	121.42	15.8	-242.52	-28.9	-3542.26	-56.9	3906.21	508.1	363.95	5.2	121.43	1.6
Kitts&Nevis	6.94	15.0	-17.70	-23.6	-149.28	-54.2	173.92	376.6	24.64	7.7	6.94	1.8
St. Lucia	21.33	15.3	-49.51	-26.0	-305.09	-54.9	375.94	269.2	70.85	10.2	21.34	2.4
Trinidad	160.85	12.2	-69.08	-24.4	-2619.31	-39.9	2849.24	215.8	229.93	2.9	160.85	2.0
St. Vincent	16.30	14.7	-33.11	-26.0	-135.84	-48.4	185.25	167.1	49.41	12.6	16.30	3.1

<sup>(1)</sup> based on 1998 trade values (million East Caribbean dollars), except for 1997 in the case of Dominica and St Kitts and Nevis

(Source: Greenaway & Milner, 2003)

Table 37

## CARICOM: TOP 20 INTRA-REGIONAL MERCHANDISE EXPORTS, 1990-1992 AND 2000-2002

SITC Code	1990-1992 Product	US\$ mn	Share (%)	Acc. (%)	SITC Code	2000-2002 Product	US\$ mn	Share (%)	Acc. (%)
3343	Gas oils	109.3	7.5	7.5	3344	Fuel oils, n.e.s.	735.5	18.8	18.8
33411	Motor spirit, including aviation spirits	102.0	7.0	14.5	33411	Motor spirit, including aviation spirits	484.8	12.4	31.2
3344	Fuel oils, n.e.s.	93.9	6.5	21.0	33421	Kerosene	265.8	6.8	38.0
33421	Kerosene	72.2	5.0	26.0	11102	Lemonade, flavoured spa waters	132.0	3.4	41.4
6612	Portland cement, ciment fondu, slag	41.4	2.9	28.8	34139	Liquefied gaseous hydrocarbons, n.e.s.	95.8	2.4	43.8
5542	Organic surface-active agents, n.e.s.	37.9	2.6	31.4	6612	Portland cement, ciment fondu, slag	70.5	1.8	45.6
11102	Lemonade, flavoured spa waters	32.5	2.2	33.7	34131	Liquefied propane and butane	62.3	1.6	47.2
1123	Beer made from malt (inc. ale, stout)	31.3	2.2	35.8	11249	Spirits and distilled alcoholic bevs	61.8	1.6	48.8
66511	Carboys, bottles, jars, pots	23.9	1.6	37.5	5542	Organic surface-active agents, n.e.s.	61.7	1.6	50.4
33451	Lubricating petrol.oils	23.8	1.6	39.1	04212	Rice, husked but not further prep.	57.8	1.5	51.8
54179	Medicaments containing other subs	22.9	1.6	40.7	09809	Food preparations, n.e.s.	54.9	1.4	53.2
09809	Food preparations, n.e.s.	22.2	1.5	42.2	0611	Sugars, beet and cane, raw, solid	54.9	1.4	54.6
89399	Other articles, n.e.s. of mat.	19.7	1.4	43.6	64285	Sanitary towels & tampons of paper	51.1	1.3	56.0
11249	Spirits and distilled alcoholic bevs	18.9	1.3	44.9	33451	Lubricating petrol. oils	47.5	1.2	57.2
53342	Other paints & enamels; varnishes	18.5	1.3	46.2	04601	Flour of wheat or of meslin	42.8	1.1	58.3
5911	Insecticides packed for sale etc.	17.2	1.2	47.3	5541	Soap; organic surface-active product	40.8	1.0	59.3
5541	Soap; organic surface-active product	14.1	1.0	48.3	54179	Medicaments containing other subs	40.6	1.0	60.3
64285	Sanitary towels & tampons of paper	13.8	1.0	49.3	04842	Pastry, biscuits, cakes	37.5	1.0	61.3
89283	Unused postage, revenue	13.0	0.9	50.2	8931	Art. for the conveyance or packing	36.7	0.9	62.2
56216	Urea	12.4	0.9	51.0	66511	Carboys, bottles, jars, pots	33.6	0.9	63.1
Top 20 Exports		741	51.0		Top 20 Exports		2,469	63.1	
Total Exports (1,269 products)		1,452			Total Exports (1,347 products)		3,912		

Source: IDB Integration and Regional Programs Department using UN-COMTRADE data.

## **Section 5.4      *Services Trade Liberalization***

Beyond trade in goods, the Cotonou Partnership Agreement also provides for EPAs to extend to services trade. Where this is the case, “the liberalization of services should be in accordance with the provisions of [the General Agreement for Trade in Services] GATS”<sup>184</sup> and as such inclusion of services in the EPAs would be covered by GATS Article V having to do with economic integration. Accordingly, GATS Article V requires that where parties enter into an agreement liberalizing trade in services such an agreement should have substantial sectoral coverage (understood in terms of number of sectors, volume of trade affected and modes of supply) and provide for elimination of substantially all discrimination in the sectors covered by the agreement (Art. V(b)).

In terms of services negotiations in EPAs several things are important. Firstly, the Cotonou Agreement provides for specific services sectors to be covered by EPAs, including tourism, information and communication technologies (ICTs), and maritime transport services. As such these form the basis of Belize’s considerations for sectoral coverage within the negotiations. Because services, particularly tourism are of significance to Belize and other CARIFORUM economies as reflected in the ratios of services exports to GDP this helps to facilitate their inclusion. Secondly, there is a regional context for services liberalization under the CSME under the implementation of Protocol II of the Revised Treaty of Chaguaramas dealing with the Right of Establishment and Free Movement of Services and Capital. Consequently, where services are a part of the CARIFORUM-EU EPA negotiations, they are negotiated at the regional level and therefore Belize is necessarily negotiating within that context. In other words the broader region provides the context for services negotiations within the CARIFORUM-EU EPA negotiations. In this regard, the CRNM is responsible for coordinating services offers across CARICOM and for leading the negotiations in the sectors included. Thirdly, inclusion of services in the negotiations must give recognition to the fact that the EU is one of the world’s leading services exporters. And finally, services negotiations within the context of EPAs assume a positive list approach, meaning that only those sectors and modalities for which market access and national treatment restrictions are specifically scheduled will form part of and be covered by any final agreement.

Having discussed the above, the rest of this section focuses on discussing the services sectors being considered at the regional level, and then on the details of those services sectors of importance to Belize.

Generally speaking Belize made only a few commitments under the Uruguay Round agreements and these are limited to telecommunications, and some professional services (including one sub-sector for health). As it relates to Mode 4 (free movement of persons) Belize’s commitments are for the most part unbound and “the only foreign workers who enjoy national treatment and are allowed market access in Belize are senior staff and technical staff not available to the local market.”<sup>185</sup> Within CRICOM coverage of Mode 4 include five categories of persons namely artisans, musicians, persons with college education etc.

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<sup>184</sup> Jansen, Marion, “Services Trade Liberalization at the Regional Level: Does Southern and Eastern Africa Stand to Gain from EPA Negotiations?”, WTO Staff Working Paper ERSD-2006-06, May 2006, page 2

<sup>185</sup> WT/TPR/S/134, page 78



## 5.4 (a) Tourism

Belize's current tourism strategy is guided by a policy that stresses the need for responsible tourism. Such an approach embraces the ethics of eco-tourism but more, it calls for a proactive approach by all relevant stakeholders to develop, market and manage the industry with a view to creating a competitive advantage, maintaining environmentally sound tourism, cultural promotion and developing respect for local cultures, involvement by local people through community tourism and by developing strong linkages with other sectors. This focus has positioned Belize to satisfy some of the fastest growing segments of the global tourism market i.e. experiential tourism including nature, heritage, cultural and soft adventure experiences, and provides a significant opportunity for the country to strengthen its economy. Key characteristics of the industry are:

- Tourism has evolved as one of the most import sectors in the economy and is considered a priority sector with considerable potential for poverty alleviation and national development.
- There are essentially two significant business lines in the tourism industry i.e. cruise and stay-over. Although Cruise tourism accounts for the majority of visitors to Belize, it generates significantly less revenue than the stay-over segment;
- Belize's tourism sector is dominated by the US market;
- The hotel sector is dominated by small to medium size establishments. There were approximately 5,593 rooms in the hotel industry with 9,327 beds in 2005. At an average of 40 percent occupancy rate, Belize is below the Caribbean average and thus there is significant room for improvement<sup>186</sup>.

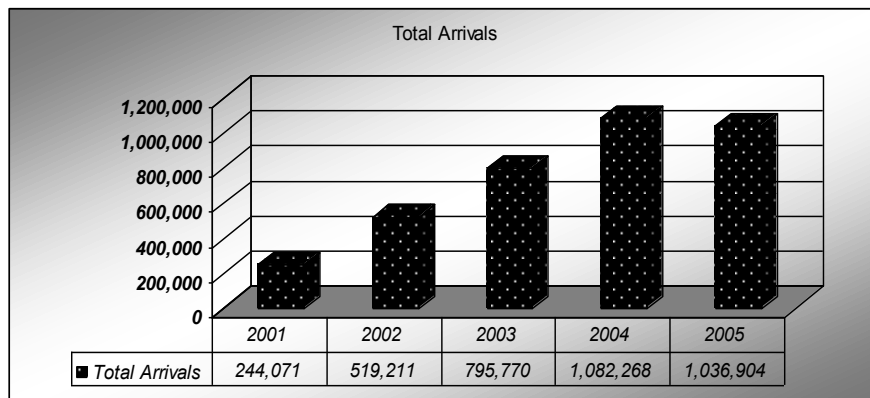
**Table 38: Key Trade Statistics 2001-2005**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Stay-over Arrivals	195,955	199,521	220,574	230,832	236,573
Cruise arrivals	48,116	319,690	575,196	851,436	800,331
Total Tourism arrivals	244,071	519,211	795,770	1,082,268	1,036,904
% Stay-over arrivals	80%	38%	28%	27%	29.5%
Arrivals by Nationality (top 3)	American European (UK) Canadian	American European (UK) Canadian	American European (UK) Canadian	American European (UK) Canadian	American European (UK) Canadian
No of Tour Guides	907	1,098	1,005	1,127	1,113
No of Tour Operators	130	171	200	204	209

(Courtesy of Belize Tourism Board)

<sup>186</sup> Caribbean average for small to medium size hotels is between 50 – 55%

**Figure 2 - Total Arrivals**

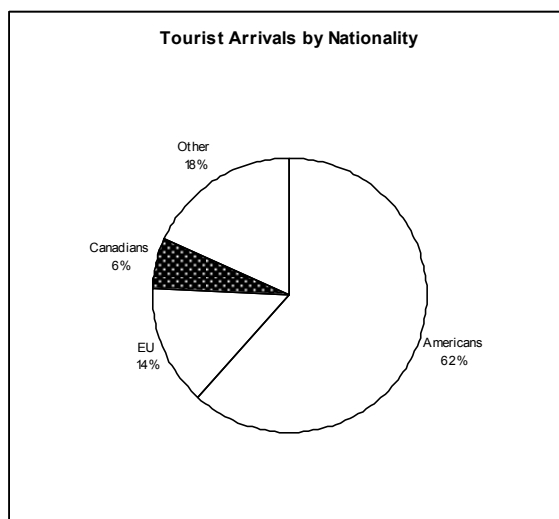


The supply of tourism services is characterized primarily by the cross-border movement of consumers; meaning that the consumer comes to the supplier. Thus, the industry is composed of a significant number of services sectors which essentially defines the tourism services sector and describes the main exporters in the industry. These sectors are listed under key export products below. However according to the World Tourism Organization, the main items exported in the worldwide tourism services sector and which would also apply to Belize are accommodation, meals, local transport, entertainment and shopping.

Belize's top three export markets (based on Nationality Statistics) for tourism and related services between 2001 and 2005 are (1) the United States, (2) European Union ((top five countries are UK, Germany, Italy, Netherlands, France) and (3) Canada.

Despite the distance and the relatively high air fares, the European Union remains a **viable tourist generating centre for Belize**. Average annual visitation statistics for the last five years was a modest (but growing), 31.5k persons. Since there is significant opportunity for growth

**Figure 3: Tourism Arrivals by Nationality – 2005**  
(Courtesy of the Belize Tourism Board)



in this market, the current EPA negotiations present some opportunity for Belize and the rest of CARIFORUM to improve exposure and access. However since Belize made no specific offensive offers, it relies on the broad CARIFORUM offensive which involves the successful negotiation of market access concessions in tourism services with high export potential (such as accommodation and meals) and on concession on current anticompetitive practices which disadvantage the Caribbean industry. Even if additional access and exposure are achieved, Belize will also have to continue to work on its development issues (see above), if it expects to benefit significantly from increased access to

European Markets.

*Main competitors across CARICOM and ACP*

As a nature destination, Belize faces considerable competition from other global destinations but especially within the Caribbean and Central America. Because of its eco-tourism posture, it does not compete to a great extent with those islands whose main product is designed to appeal to the sand and sea, all inclusive tourists, such as those that are attracted to the Bahamas, Barbados and the like. However countries such as Dominica and the Dominican Republic in the Caribbean and Costa Rica and Mexico in Central America, which offer a similar eco-tourism product and which natural endowments are similar to Belize's, present significant competition for Belize. Across the ACP Belize has to compete with the islands of the Pacific and those African nations such as South Africa, Botswana, Namibia, Zambia and Zimbabwe which offer and market Safari and other types of experiential tourism activities.

*Trade Policy Issues within CARICOM, EPA*

According to Adam Dunlop of the Caribbean Council who prepared the study for the CARICOM Regional Negotiating Machinery entitled Tourism Services Negotiation Issues: Implications for CARIFORUM Countries "The trading challenges facing the CARIFORUM tourism sector are numerous." They include lack of adequate incoming air service due to low traffic density; the high operating costs in most CARIFORUM states; variable levels of product quality and the reliance on foreign direct investment (FDI) to improve this; low rates of return on investment which discourages new FDI; the high cost of marketing in tourism generating countries; lack of control over the product distribution channels for CARIFORUM tourism products which are nearly all foreign-owned; and lack of access to affordable financing.

Based on the findings of the research and discussions with the tourism industry, the CRNM recommended the following regional trade strategy to the COTED. It proposed a balance between offensive and defensive approaches towards tourism services in international trade negotiations. The offensive strategy is three-fold:

- a) Secure concessions for tourism services from trading partners in all trade negotiations (WTO, FTAA, EU, Canada);
- b) Encourage a pro-competitive international trading environment for Caribbean tourism;
- c) Use trade negotiations to lower the cost of goods and services that are tourism inputs.

The defensive strategy consists of the following:

- a) The preservation of some tourism activities for regional services suppliers;
- b) Ensuring that any new GATS rules or rules developed in any regional or bilateral context do not reduce the policy flexibility for Caribbean governments to regulate and support their tourism sectors (e.g., subsidies).

In the EPA negotiations, the importance of the tourism sector in the Caribbean is expected to be stressed by CARIFORUM negotiators who have been directed to place special

emphasis on this sector in the negotiations with the EU. In principle, this may require treatment in an Annex or special chapter or section of the EPA.

CARIFORUM negotiators' approach to market access requests and offers in discussions with the EU will be based on the following criteria<sup>187</sup>:

1. For CARIFORUM services with high export potential, the focus will be on requests to open EU import markets; CARIFORUM market access liberalization will only be granted when a regulatory framework is in place;
2. For CARIFORUM services with high potential but needing foreign investment, the focus will be on opening Mode 3 (Commercial Presence);
3. Non-sensitive CARIFORUM services with relatively low export potential can be liberalized in exchange for concessions from trading partners.
4. Sensitive CARIFORUM services will be reserved for domestic suppliers, either because they are essential government-supplied services, they are critical to national development goals, they include many small operators who would otherwise be unemployed, or they need further strengthening before being opened to international competition.

In seeking market access for Caribbean service suppliers in the EU, negotiators will need to ensure that appropriate provisions are made for recognition of professional and other credentials of Caribbean service suppliers. With regard to tourism related professionals and credentials, the CRNM has developed a list of accreditations for the tourism qualifications available within the Caribbean and negotiators will seek to get some kind of formal acceptance of these in the EPA negotiations.

Additionally, negotiators are expected to highlight apparent anticompetitive practices in the tourism industry which disadvantage Caribbean tourism businesses. Perceived anticompetitive practices include the market power wielded by large and vertically integrated European tour companies over small Caribbean hotel operators which depend on the European tour companies and essentially are at their mercy. CARIFORUM is also expected to highlight problems with the control of computer reservation (CRS) systems, where the bias for business is against non-member Caribbean suppliers.

Belize's submission to the CRNM regarding the treatment of tourism services in the EPA followed the guidelines recommended by Belizean tourism stakeholders in a series of consultations in 2005/06. These were for the most part defensive offers which pursued a cautious approach to market access. As a result, Belize's offers include market access concessions in mode 3 in sectors where investment is needed, such as the Hotel and Restaurants (CPC 641-643). Market access here is restricted only by economic test requirements and joint venture requirements in 4 and 5 star hotels. Recognizing the limitations of the existing passenger transportation infrastructure and its impact on tourism, Belize made market access (mode 3) offers in passenger transportation (CPC 7211). No

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<sup>187</sup> Courtesy Caribbean Regional Negotiating Machinery

offers were made in sectors recommended to be reserved for local/regional investment such as travel agent, tour operator and tour guide services.

Belize made no services offers in several key tourism related services which given its developmental issues, could have been extremely beneficial in addressing these issues and developing the sector. These include Educational Services, specifically hotel schools and tourism degree programs, Business Services (tourism architecture and engineering), Environmental Services (sewage, refuse disposal, sanitation), and Health-related and Social Services (physical fitness, travel clubs). Belize made no specific offensive offers and will gain only if its' high export potential sectors coincide with those across CARIFORUM and concessions are achieved in market access in these areas.

### **5.4(b) Information and Communication Technnnology**

Even though Belize has not articulated a strategy, it is widely accepted that all countries can benefit from using ICT as an enabler of development. Thus for Belize with a small size economy and relatively adequate to low technological capabilities, the IT strategy may focus on building out the national information infrastructure that would support ubiquity of access and the basic modernization of infrastructure to improve competitiveness and eventually, facilitate the export of services. To support this strategy, offers in Telecoms should indicate a willingness to open all sub-sectors of import to the strategy and across all relevant modes, but particularly mode 3, offers in areas identified for accelerated development (back office operations, software development) should be liberal, with few limitations on market access, except for adherence to licensing and registration and joint venture requirements under Mode 3, in the relevant sub-sectors. Conditions and limitations to market access and national treatment should only be employed if it is established that support is necessary for the development of localized entrepreneurial efforts. In addition, the country should identify and request from the EU the technical assistance that it needs, for instance technical assistance and institutional strengthening to bolster regulatory deficiencies. As well Belize should construct offensive offers and insist on reciprocity in market access, in all relevant modes to ensure its technical base has access to the EU market. If it has export aspirations, given its challenges and lag behind its main competitors (see below) in infrastructure readiness, Belize will have to develop an export ready national ICT infrastructure and framework fast. Committing to high levels of market access under ICT related sub-sectors in the EPA process will signal the invitation of investment in the sector.

#### *Main exporters*

The main exporters on record in Belize's ICT sector at the end of 2006 were: Belize Telecommunications Ltd, Ready Call Center (Customer Services) and Fulton Ltd (Online Gaming). Since the activities in the sector are not organized and the focus of the majority of the current practitioners is not on export markets there is a dearth of reliable information on Trade and Export Performances in the Belize ICT Sector.

#### *Key export products/ Classification of products*

The GATS Services Sectoral Classification List (MTN.GNS/W/120) includes computer services (the closest classification to ICTs) as a sub-sector of business and professional services. This sub-sector, designated 1B in the List, includes 5 sub-categories: a)

consultancy services related to the installation of computer hardware, b) software implementation services, c) data processing services, d) data base services, and e) other.

#### *Key Export Markets*

The United States, and the European Union are the current key and potential export markets for Belize. In this regard the current ongoing EPA negotiations with the European Union present a number of prospects for further development of Belize's ICT sector.

#### *Main competitors across CARICOM and ACP*

The CARICOM alliance has as a group embraced the potential of ICTs and has developed a regional policy to pursue ICT development in member states. In this regard member states have considered both an export led strategy as well as a strategy that uses ICTs as an enabler of social and economic development. Thus among its own regional grouping, whose members possess the same or better endowments for an export led ICT strategy like Belize, there is significant competition. Depending on the thrust of its export led strategy, within CARIFORUM alone for example, Belize would face significant competition in virtually all the sub-sectors under Computer and Related Supplies but especially in CPC 841, 842 and 843. Primary competitors within these areas include Barbados, Trinidad and Tobago, Dominican Republic, Jamaica and Antigua and Barbuda. Within the wider ACP groupings, the competitive configuration is even more severe since Belize would have to compete with countries such as Mauritius which has since the mid 1990s been encouraging growth in the IT based services sector and which has embraced the value-added IT-based services sector as a growth industry of the future.

To effectively compete, Belize has a significant amount of work to do. To put this in some perspective, according to UNCTAD's ICT Diffusion Index which measures connectivity in a nation and the people's ability to access and utilize it, out of 180 countries studied, Barbados ranked 33rd, Antigua and Barbuda ranked 36, St. Lucia 50, St Kitts and Nevis 54, Jamaica 57, Trinidad and Tobago 65 and the Dominican Republic 80. Belize ranked 88.

#### *Trade Policy Issues within CARICOM, EPA*

Success in pursuing an ICT sector in the region will depend on (1) the recognition for a balanced approach to the issues as it will inevitably result in an economic paradigm shift with far reaching implications for many if not all of the CARICOM states; (2) the need to address the considerable supply side constraints which are critical to the ICT industry (for example skilled labor, free movement of persons, regulatory structures, etc.); (3) adopting the right strategic approach for facilitating public-private sector collaboration as it relates to ICT services, training and capacity development, and trade negotiations; and (4) tailoring such approaches to the economic and development realities of the constituent countries of CARICOM<sup>188</sup>. To achieve a vibrant ICT sector there are a number of national and regional issues that would need to be considered by the policymakers in Belize and the wider region as they navigate the EPA negotiations, specifically:

At the national level Belize has to:

- *Determine national development objectives and develop a related country ICT Strategy that focuses on:*

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<sup>188</sup> Prospects for CARICOM Services Exports In ICT's, Launchpad Consulting, April 2003, pg. 59

- *building out the national information infrastructure and making it as accessible as possible to user industries;*
- *Determine ICT sectors for export development. Focus on developing skills in the high end of ICT services continuum such as software development and design, online management and consultancy services in the long term but capitalize on the low to medium end in the shorter term;*
- *Develop an e-commerce strategy, the overall goal of which is to create an Internet-based gateway to serve entrepreneurs as well as to educate on the importance of using e-commerce services; strategic components should therefore address the issues of networks, e-transactions, training, and wider access to information;*
- *Determine reforms and complementary investments necessary such as: Additional Telecom Reform initiatives, Competition Policies, Technical Standards, Customs Harmonization Issues, Human Capacity Development Issues, Security Legislation, Investment Incentives and tax treatment, Consumer Protection Legislation, Intellectual Property Rights, E-Commerce facilitation;*
- *Commit to an environment of transparency and predictability;*
- *Determine country approach to E-commerce negotiations;*
- *Ensure representation in ICT related CARICOM programs and forums based on consultation with the private sector and the wider ICT strategy.*

Despite the lack of a strategic national response to ICTs, Belize's EPA offers under Computer and Related Services is a refreshing departure from the country's usual defensive, protectionist posture. Belize made offers in four out of the five sub-categories in the sector (CPC 841, 842, 843 and 844) and in three of the four offered unrestricted mode 3 market access. In modes 1 and 2 however, Belize remains unbound on market access offers in all sub-categories, essentially reserving the right to institute market access restrictions on internet (cross border) and consumption abroad transactions.

In computer services however and especially in the software related sub-categories, modes 1 and 2 are decidedly less of a market access issue because according to the WTO's background paper on the subject, proximity to the customer, created through a commercial presence is valued above any other mode because it is the best way to clearly identify market opportunities through familiarity with cultural, administrative and regulatory issues which clients need to address. Given the importance of the sector, removing restrictions in all modes (where applicable) and perhaps with the exception of mode 4 (in strategic areas only) might have been a better strategic option for Belize. It is unclear why modes 1 and 2 are reserved, especially since activities under these modes are currently part of Belize's ICT landscape and there is very little Belize can do, given the limitations in resources and regulation to enforce restrictions in these supply modes.

The current telecoms offers suggest a relatively open market, with restrictions mostly in mode 1 for voice and data related services to protect agreements made with the incumbent provider. Cellular, paging, email (internet and related services) and teleconference services are virtually unrestricted in mode 3 (joint venture requirements apply in a few cases). In the telecoms sector, as indicated above, the challenges lie not in providing access but in adequately and transparently regulating investment and competition in the sector. Belize made no offensive requests in either the Computer or Telecoms service sectors.

## **5.4 (c) Maritime Transport**

Maritime transport is the other services sector which the CA explicitly calls to be included in the EPA negotiations. The CA (Part 3, Title II, Chapter 4, Article 42) states that

the parties undertake to promote the liberalization of maritime transport and to this end apply effectively the principle of unrestricted access to the international maritime transport market on a non-discriminatory and commercial basis ...and that each Party shall grant, inter alia a treatment no less favorable than that accorded to its own ships for ships operated by nationals or companies of the other Party, and for ships operated by nationals or companies of the other Party, and for ships registered in the territory of either party, with respect to the access to ports, the use of infrastructure and auxiliary maritime services of those ports as well as related fees and charges, custom facilities and the assignment of berths and facilities for loading and unloading

Although the CA calls for inclusion of maritime transport services to be included within the EPA negotiations it is not clear that this is a priority at the CARIFORUM level, and certainly in the case of Belize, no consideration has been given to developing offers for this services sector for EPAs. Notwithstanding given the importance of trade in both goods and services (tourism) for Belize it is imperative that this sector be looked at more closely.

By way of a brief background, the sector maritime transport services in Belize are divided along the three types of activities which characterize the international maritime transportation industry, namely international transport services (freight and passengers); auxiliary services related to cargo manipulation in ports and on ships; and port services. In the case of the first type of activities these services are provided mainly by international cruise (passenger) and freight shipping lines. There are however local components of the cruise shipping but these are related to internal waterway transportation and involve tendering from the cruise ships from the point of anchoring (some five miles offshore from Belize City) to the tourism village located within Belize City. In terms of the second type of activity these are provided the Port of Belize Limited, a limited liability company, which provides all cargo handling services, storage and warehousing services, container station and depot services, and stevedoring services. While for the third type of activity, port services, this is provided by the Belize Port Authority (BPA) and includes pilotage, towing and tug assistance, port Captain's services, navigation aids, and anchorage, berth and berthing services.

## **5.4 (d) Architectural/ Engineering Services**

Architectural and engineering services although not one of the areas fingered by the CA is one to which Belize and CARICOM is giving some attention and draft schedule of offers have been developed by the CRNM in consultation with countries in the region. Belize is currently holding consultations with the local architects and engineering associations and it is expected that an offer from Belize would be reflected in the wider regional offering for this services sector.



## Section 6: Conclusions

The introduction of reciprocity into the framework for EU-ACP trade relations is not only expected to usher in a new type of relationship between the two regions but is also expected to have implications for the countries which comprise the different regional groupings negotiating EPAs. CARIFORUM which includes the fifteen CARICOM states plus the Dominican Republic is one of the regions negotiating EPAs. Because Belize is engaged in the negotiations through the regional framework and mechanisms the impacts to its economy will to an extent be influenced by that of the wider region. Nonetheless, the economic effects are not straight-forward and are not necessarily homogenous across the region. This is due to the fact that CARICOM is comprised of mostly small developing economies all reflecting significant areas of economic disparity and divergence including in their production and export structures. They all however exhibit the constraints faced by small developing economies attempting to integrate into the world economy. Interestingly and to some degree CARICOM as a region exhibits these same constraints.

This paper has attempted to put the issue of economic impact arising from EPAs into perspective as it relates to Belize. More specifically, it has attempted to identify what the likely impacts are for a small developing economy also a member of CARICOM and engaged in EPA negotiations. The research turns up a number of not so surprising results. First, Belize would be able to liberalize substantially all trade assuming a base-line approach which sees the EU liberalizing 100% of imports and Belize 80% of imports. This is the equivalent to the market access terms extended LDCs under the Everything-but-Arms initiative. Even if requested to increase its level of liberalization to 83% Belize could do so with significantly extending the impact to its economy. Challenges would come however from attempts at arriving at consensus at the regional level on a regional list of items to be excluded. Belize has drafted its own list of sensitive products and is now at the looking to finalize on that list which includes mostly agricultural and food products such as from the livestock and poultry sectors, fisheries, vegetables, fruits and juices and some grains. In negotiating regional consensus Belize has to ensure that its negotiating and development interests are not subject to those of other Caribbean countries or to the wider region. At the least it must ensure that any final agreement under an EPA reflects its economic and trade interests. Secondly, tariff liberalization is expected to have a negative but relatively small impact on fiscal revenues as Belize would be able to exclude the majority of key revenue generating items from its list of items to be liberalized. If liberalization requirements could be implemented over a twelve to twenty year period then this would help to mitigate any negative impacts. The current fiscal deficit position of the country however could serve to exacerbate losses and lead to politically unacceptable domestic tax increases or to an increase in the country's dependence on foreign aid and or financing. Thirdly, if current market access conditions persist, Belize would likely face constraints in accessing the EU market for its (Belize's) most important export sectors, namely agricultural and agri-food exports. These market access constraints arise from residual tariffs and non-tariff barriers including stringent rules of origin and new EU food safety rules and regulations. Agricultural and agri-food exports from Belize excludes of course exports for sugar and bananas which are traded under their respective commodity protocols but even here these are subject to the continuing erosion of preferences. In the case of bananas the recent EU tariff level of €176 per ton would represent a shortfall in export earnings of around €18.3 million or a decline of about 31% from current levels for Belize. In the case of sugar the 36% price cut will result in

a price of €335 per ton. This is only marginally higher than the threshold of €325 at which point it is estimated that Belize sugar industry would be unable to withstand such cuts on the basis of current cost structures in the industry. While it seems that contraction is unavoidable in the long run, in the short run Belize has taken steps at securing access for its sugar exports to the CARICOM market and given the likelihood of different CARICOM countries ceasing their production of sugar opportunities may present themselves for supplying that market on more preferential terms under the CSME than world market prices. Moreover if Belize is granted the opportunity to increase its access to the EU market for sugar through a redistribution of un-accessed quotas from other CARICOM sugar exporters, then coupled with technical and financial assistance it would be able to improve the competitiveness of its sugar industry and simultaneously improve production yields. Given these realities an appropriate policy response would be one targeted at maintaining preferential terms of access, securing expanded market access, and agitating for building the competitiveness of the sugar industry. Fourthly, EPAs are likely to have import-source substitution effects that have differing welfare effects for CARICOM member states, one of which will cause imports by CARICOM to be sourced from the EU rather than from non-EU countries. Another would cause switching from regional to EU sources of supply. Finally, Belize also has opportunities for enhancing its services trade under EPAs. To this end the important services sector is primarily tourism but there are untapped opportunities in other services sectors including in education services, maritime transport services, transportation services, and business services. Information and Communication Technology services while it holds some opportunities remain limited in its development due to lack of investment in the relevant infrastructure for telecommunications services.

This paper has not touched on the issue of subsidies or of subsidized exports in the EU market, in particular in agricultural products. That however does not preclude such analysis taking place and in fact it would be worth some attention by CARICOM. It also does not address the issue of development assistance for Belize under EPAs. Undoubtedly there will be adjustment costs to the economy and Belize may find it particularly constraining to address those from within its existing resources. This issue takes on increasing importance given the likely political costs of any increases in domestic taxation. The recommendation therefore is to seek, within the broader CARIFORUM, aid for trade type assistance from the EU and other international partners for addressing the impact effects expected to arise. Perhaps in this regard the recommendation by Grynberg and Silva for a 12 to 20 year transition period over which tariffs would be liberalized needs to be examined further to determine what products would be included in what tranche for liberalization. This requires that Belize articulate and clarify its national development and trade negotiation priorities. Preparing for concluding an EPA seems a good time to do so.

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## Annex 1: Items Attracting Tariffs of 50 -80% in 2004

HS CODE NTL AT 8 Digits	YE AR	DESCRIPTION	NET MAS S	IMPOR T Value	ID	APPLI ED Max Tariff	CUMULA TIVE Share of Total	% OF TOTA L Reven ue
disaggregated at the 8 digit level				51,710, 083	4,352, 724			
210500 10	200 4	Other ice cream and other edible ice, whether or not containing cocoa	1,695	6,973	5,556	80%	0.01%	0.1276 %
392099 00	200 4	Other plates of other plastics	98	445	334	75%	0.01%	0.0077 %
760421 00	200 4	Aluminum bars, rods and profiles, not alloyed	1,458	8,848	6,636	75%	0.03%	0.1525 %
392112 00	200 4	Cellular of polymers of vinyl chloride	25	302	227	75%	0.03%	0.0052 %
930590 00	200 4	Parts and accessories of other shotguns and rifles	49	1,447	1,013	70%	0.03%	0.0233 %
930400 00	200 4	Other firearms and similar devices which operate by firing; other	298	8,756	6,129	70%	0.05%	0.1408 %
220820 10	200 4	Other spirits obtained by distilling grape wine or grape marc	4,705	84,835	58,536	69%	0.22%	1.3448 %
842123 20	200 4	Oil filters	280	3,022	1,995	66%	0.22%	0.0458 %
620453 00	200 4	Skirts and divided skirts of synthetic fibers	3	132	79	60%	0.22%	0.0018 %
330710 00	200 4	Pre-shave, shaving or after-shave preparations	1,723	6,293	3,776	60%	0.23%	0.0868 %
481960 00	200 4	Box files, letter trays, storage boxes & similar articles, of a kind used	42	255	153	60%	0.23%	0.0035 %
330620 00	200 4	Yarn used to clean between the teeth (dental floss)	68	628	377	60%	0.24%	0.0087 %
950430 00	200 4	Articles and accessories for billiards	10,702	637,370	382,422	60%	1.47%	8.7858 %
330590 00	200 4	Other preparations for use on hair	9,739	4,965	2,979	60%	1.48%	0.0684 %
330530 00	200 4	Hair lacquers	5,660	3,517	2,110	60%	1.48%	0.0485 %
330499 10	200 4	Sunscreen or sun tan preparations	1,800	1,365	819	60%	1.49%	0.0188 %
940520 00	200 4	Chandeliers and other electric ceiling or wall lightening fittings	159	320	192	60%	1.49%	0.0044 %
392640 00	200 4	Statuettes and other ornamental articles	15	280	168	60%	1.49%	0.0039 %
940490 00	200 4	Sleeping bags	77	125	75	60%	1.49%	0.0017 %
482010 00	200 4	Registers, account books, note books, order books, receipt books,	13,93	111,85	67,11	60%	1.71%	1.5419 %

		letter p	0	7	4			
620349	200							0.0036
90	4	Other textile materials	4	261	157	60%	1.71%	%
650590	200							0.1557
00	4	Hairnets of other materials	91	11,296	6,777	60%	1.73%	%
330430	200							0.0397
00	4	Manicure or pedicure preparations	7,300	2,877	1,726	60%	1.73%	%
940171	200							0.0771
00	4	Other seats	247	5,594	3,356	60%	1.74%	%
620463	200	Trousers and shorts of synthetic fibers	1	79	47	60%	1.74%	0.0011
10	4	Other pre-shave shaving or after shave preparations, personal deodorants	7,101	3,861	2,312	60%	1.75%	%
330790	200							0.0531
00	4	Grape must with fermentation prevented or arrested by adding alcohol	81,938	382,424	225,630	59%	2.49%	%
220421	200	Personal deodorants and antiperspirants	3,474	14,337	8,315	58%	2.52%	0.1910
00	4	Other parts of slide fasteners	239	7,110	4,103	58%	2.53%	%
960810	200							0.0943
00	4	Shampoos	7,233	10,527	6,000	57%	2.55%	%
330510	200	Other preparations for oral or dental hygiene, including denture fixative	9,340	11,984	6,640	55%	2.58%	0.1378
00	4	Thyme	544	1,513	838	55%	2.58%	%
091040	200							0.0192
10	4	Microphones and stands thereof	45	288	156	54%	2.58%	%
851821	200							0.0036
00	4	Statutes of porcelain or china	284	573	304	53%	2.58%	%
691390	200							0.0070
00	4	Whiskies in bottles of a strength not exceeding 46% volume	6,846	25,544	13,210	52%	2.63%	%
220820	200	Other toys and models, incorporating a motor	7,659	1,789	912	51%	2.63%	0.3035
950390	200	Alarm clocks; electrically operated	75	2,596	1,298	50%	2.64%	%
00	4	Wrist watches with opto electronic display only	77	80,540	40,270	50%	2.79%	0.0210
910519	200							%
00	4							0.0298
910219	200							%
00	4							0.9252
								%

## Annex 2: Exclusion List - Belize at 80% Liberalization

HS Code at NTL	YR.	DESCRIPTION	NET MASS	Import Value	ID	Applied Max Tariff	Cumulative Share of Total	% of Total Revenue
				51,710,083	4,352,724			
21050010	2004	Other ice cream and other edible ice, whether or not containing cocoa	1,695	6,973	5,556	80%	0.01%	0.1276%
39209900	2004	Other plates of other plastics	98	445	334	75%	0.01%	0.0077%
76042100	2004	Aluminium bars, rods and profiles, not alloyed	1,458	8,848	6,636	75%	0.03%	0.1525%
39211200	2004	Cellular of polymers of vinyl chloride	25	302	227	75%	0.03%	0.0052%
93059000	2004	Parts and accessories of other shotguns and rifles	49	1,447	1,013	70%	0.03%	0.0233%
93040000	2004	Other firearms and similar devices which operate by firing; other	298	8,756	6,129	70%	0.05%	0.1408%
22082010	2004	Other spirits obtained by distilling grape wine or grape marc	4,705	84,835	58,536	69%	0.22%	1.3448%
84212320	2004	Oil filters	280	3,022	1,995	66%	0.22%	0.0458%
62045300	2004	Skirts and divided skirts of synthetic fibres	3	132	79	60%	0.22%	0.0018%
33071000	2004	Pre-shave, shaving or after-shave preparations	1,723	6,293	3,776	60%	0.23%	0.0868%
48196000	2004	Box files, letter trays, storage boxes & similar articles, of a kind used	42	255	153	60%	0.23%	0.0035%
33062000	2004	Yarn used to clean between the teeth (dental floss)	68	628	377	60%	0.24%	0.0087%
95043000	2004	Articles and accessories for billiards	10,702	637,370	382,422	60%	1.47%	8.7858%
33059000	2004	Other preparations for use on hair	9,739	4,965	2,979	60%	1.48%	0.0684%
33053000	2004	Hair lacquers	5,660	3,517	2,110	60%	1.48%	0.0485%
33049910	2004	Sunscreen or sun tan preparations	1,800	1,365	819	60%	1.49%	0.0188%
94052000	2004	Chandeliers and other electric ceiling or wall lightening fittings	159	320	192	60%	1.49%	0.0044%
39264000	2004	Statuettes and other ornamental articles	15	280	168	60%	1.49%	0.0039%
94049000	2004	Sleeping bags	77	125	75	60%	1.49%	0.0017%
48201000	2004	Registers, account books, note books, order books, receipt books, letter p	13,930	111,857	67,114	60%	1.71%	1.5419%
62034990	2004	Other textile materials	4	261	157	60%	1.71%	0.0036%
65059000	2004	Hairnets of other materials	91	11,296	6,777	60%	1.73%	0.1557%
33043000	2004	Manicure or pedicure preparations	7,300	2,877	1,726	60%	1.73%	0.0397%
94017100	2004	Other seats	247	5,594	3,356	60%	1.74%	0.0771%
62046310	2004	Trousers and shorts of synthetic fibres	1	79	47	60%	1.74%	0.0011%
33079000	2004	Other pre-shave shaving or after shave preparations, personal deodorants	7,101	3,861	2,312	60%	1.75%	0.0531%
22042100	2004	Grape must with fermentation prevented or arrested by adding alcohol	81,938	382,424	225,630	59%	2.49%	5.1837%
33072000	2004	Personal deodorants and anti-perspirants	3,474	14,337	8,315	58%	2.52%	0.1910%

9608100 0	2004	Other parts of slide fasteners	239	7,110	4,103	58%	2.53%	0.0943%
3305100 0	2004	Shampoos	7,233	10,527	6,000	57%	2.55%	0.1378%
3306900 0	2004	Other preparations for oral or dental hygiene,including denture fixative	9,340	11,984	6,640	55%	2.58%	0.1525%
0910401 0	2004	Thyme	544	1,513	838	55%	2.58%	0.0192%
8518210 0	2004	Microphones and stands therefor	45	288	156	54%	2.58%	0.0036%
6913900 0	2004	Statuttes of porcelain or china	284	573	304	53%	2.58%	0.0070%
2208209 0	2004	Whiskies in bottles of a strength not exceeding 46% volume	6,846	25,544	13,210	52%	2.63%	0.3035%
9503900 0	2004	Other toys and models, incorporating a motor	7,659	1,789	912	51%	2.63%	0.0210%
9105190 0	2004	Alarm clocks; electrically operated	75	2,596	1,298	50%	2.64%	0.0298%
9102190 0	2004	Wrist watches with opto electronic display only	77	80,540	40,270	50%	2.79%	0.9252%
2105009 0	2004	Protein hydrolysates	2,657	11,208	5,292	47%	2.82%	0.1216%
9403500 0	2004	Wooden furniture of a kind used in the kitchen	11,604	7,903	3,714	47%	2.83%	0.0853%
8703324 0	2004	Cylinder capacity > 2000cc but <= 2500cc, down for assembly in plants	38,162	82,322	37,145	45%	2.99%	0.8534%
8703233 0	2004	Of a cylinder capacity exceeding 1500cc but not exceeding 1800cc	11,325	3,008	1,354	45%	3.00%	0.0311%
8703234 0	2004	Of a cylinder capacity exceeding 1800cc but not exceeding 2000cc	41,217	29,068	13,081	45%	3.05%	0.3005%
8703232 0	2004	Completely knocked down for assembly in plants approved for the authority	25,277	13,362	6,013	45%	3.08%	0.1381%
8450111 0	2004	Machinery for the manufacture or finishing of felt or nonwovens	60	109	49	45%	3.08%	0.0011%
8703322 0	2004	Cylinder capacity exceeding 1500cc but <= 2000cc knocked down for plants	31,332	107,700	48,465	45%	3.29%	1.1134%
8703339 0	2004	Cylinder capacity exceed. 2500cc: knocked down for assembly in plants, etc	91,703	47,185	21,233	45%	3.38%	0.4878%
7009910 0	2004	Rear-view mirrors for vehicles	3	83	37	45%	3.38%	0.0009%
3304999 0	2004	Other beauty or make-up preparations	18,824	31,661	14,247	45%	3.44%	0.3273%
8539100 0	2004	Other parts suitable for use solely for princ. with the apparatus	704	7,027	3,162	45%	3.45%	0.0726%
9401200 0	2004	Seats of a kind used for aircraft	890	8,254	3,384	41%	3.47%	0.0777%
1509100 0	2004	Virgin	4,313	11,289	4,516	40%	3.49%	0.1038%
1515900 0	2004	Other other fixed vegetable fats and oils (incl. jojoba oil)	102	622	249	40%	3.49%	0.0057%
0802120 0	2004	Shelled almonds	14	161	65	40%	3.49%	0.0015%
1515500 0	2004	Sesame oil and its fractions	138	681	272	40%	3.49%	0.0063%
1702902 0	2004	Caramel	23	257	103	40%	3.49%	0.0024%
0808100 0	2004	Apples	149	30	12	40%	3.49%	0.0003%
1902190 0	2004	Other pasta whether or not cooked or stuffed (with meat or other substan.)	1,006	1,282	449	35%	3.50%	0.0103%
9401610 0	2004	Seats of cane, osier, bamboo or similar materials	5,404	4,862	1,702	35%	3.51%	0.0391%
1905901 0	2004	Biscuits, unsweetened	7,346	20,905	7,317	35%	3.55%	0.1681%
1902400 0	2004	Couscous	625	1,179	413	35%	3.55%	0.0095%
1905301 0	2004	Sweet biscuits	66,883	186,159	65,156	35%	3.91%	1.4969%
1902300	2004	Other pasta				35%	3.95%	0.1671%

0			20,947	20,776	7,271			
1905309		Other bread, pastry, cakes, biscuits and						
0	2004	other bakers wares, whether or no	33	484	169	35%	3.95%	0.0039%
4420109		Other statuettes and othe ornaments of						
0	2004	wood	48	87	30	35%	3.95%	0.0007%
9403400		Wooden furniture of a kind used in						
0	2004	offices	125	347	122	35%	3.95%	0.0028%
4818200		Handkerchiefs, cleaning or facial tissues						
0	2004	& towels	75	134	47	35%	3.95%	0.0011%
9404210		Mattress supports						
0	2004		72	130	46	35%	3.95%	0.0010%
3304910		Powders, wether or not compressed						
0	2004		1,765	3,192	1,021	32%	3.96%	0.0235%
8708290		Safety seat belts						
0	2004		53	542	163	30%	3.96%	0.0037%
8708399		Other parts for tractors						
0	2004		58	913	274	30%	3.96%	0.0063%
8708919		Radiators for tractors						
0	2004		4	22	7	30%	3.96%	0.0002%
8421310		Other filtering or purifying machinery						
0	2004	and apparatus for liquids	5	96	29	30%	3.96%	0.0007%
8708609		Non-driving axcles for tractors						
0	2004		6	47	14	30%	3.96%	0.0003%
8708809		Suspension shock-absorbes for tractors						
0	2004		1,973	13,523	4,057	30%	3.99%	0.0932%
8708929		Silencers & exhaust pipes for tractors						
0	2004		121	882	265	30%	3.99%	0.0061%
8450191		Other machines, with built-in centrifugal						
0	2004	drier	359	1,190	357	30%	3.99%	0.0082%
8421231		Filter. or purify. machin. for filter. or						
0	2004	purify beverages other thn water	657	8,040	2,412	30%	4.01%	0.0554%
8708949		Steering wheels for tractors						
0	2004		17	378	113	30%	4.01%	0.0026%
8521100		Other magnetic tape recorders & other						
0	2004	sound reproducing apparayus	24	43	13	30%	4.01%	0.0003%
8708509		Drive axles with differential for tractors						
0	2004		121	1,239	372	30%	4.01%	0.0085%
8708409		Gear boxes: for tractors						
0	2004		344	13,934	4,180	30%	4.04%	0.0960%
3926100		Office or school supplies						
0	2004		2,239	17,308	5,192	30%	4.07%	0.1193%
8708319		Mounted brake linings for tractors						
0	2004		413	7,894	2,368	30%	4.09%	0.0544%
8421310		Other filtering or purifying machinery						
0	2004	and apparatus for liquids	1,467	15,338	4,601	30%	4.11%	0.1057%
8708999		Other parts for tractors						
0	2004		340	4,921	1,476	30%	4.12%	0.0339%
4011100		New pneumatic tyres of a kind used on						
0	2004	motor car (incl. station wagons	1,545	7,295	2,188	30%	4.14%	0.0503%
8708939		Clutches & parts thereof						
0	2004		266	3,058	917	30%	4.14%	0.0211%
3004902		Paracetamol aspirin caffeine codeine						
0	2004	ibuprofen and indomethacin	2,314	56,417	15,233	27%	4.25%	0.3500%
2204100		Other wine in containers holding 2 litres						
0	2004	or less	7,091	60,848	16,429	27%	4.37%	0.3774%
2402200		Cigarettes containing tobacco						
0	2004		10,322	180,127	48,634	27%	4.72%	1.1173%
1602410		Ham and cuts thereof						
0	2004		50,968	129,655	33,298	26%	4.97%	0.7650%
2710930		Lubricating greases						
0	2004		38	603	151	25%	4.97%	0.0035%
1006202		Other white rice						
0	2004		135	338	84	25%	4.97%	0.0019%
8301400		Locks of a kind used for furniture						
0	2004		324	17,840	4,460	25%	5.01%	0.1025%
4202290		Other handbags						
0	2004		31	952	238	25%	5.01%	0.0055%
2306500		Oil-cake of palm nuts or kernels						
0	2004		53	647	162	25%	5.01%	0.0037%

9006400		Cameras specially designed for						
0	2004	underwater use for aerial	3	318	80	25%	5.01%	0.0018%
3304200		survey/medical						
0	2004	Eye make-up preparations	0	0	0	25%	5.01%	0.0000%
8302600		Hat-racks, hat-pegs, brackets and						
0	2004	similar fixtures	3	240	60	25%	5.01%	0.0014%
2206009		Undenatured ethyl alcohol of an alcohol						
0	2004	strength by vol of 80% or higher	8,110	17,999	4,178	23%	5.05%	0.0960%
4911999		Other printed matter, including printed						
0	2004	pictures and photographs.	1,793	16,080	3,538	22%	5.08%	0.0813%
3004906		Salbutamol ephedrine theophylline						
0	2004	ephedrine hcl phenobarbitone	4,463	78,945	17,368	22%	5.23%	0.3990%
4016930		Gasket, washers & other seals						
0	2004	Matresses of cellular rubber or plastics	1,378	30,119	6,325	21%	5.29%	0.1453%
9404290		whether or not covered						
0	2004		4,075	2,663	548	21%	5.29%	0.0126%
6208999		Other women's or girls' singlets and						
0	2004	other vests slips petticoats briefs	0	1	0	20%	5.29%	0.0000%
3808103		Other, insecticides put up in forms or						
0	2004	packings for retail sale or as prep	0	1	0	20%	5.29%	0.0000%
7615193		Baking, stew and frying pans						
0	2004		76	129	26	20%	5.29%	0.0006%
4202390		Other articles of a kind normally carried						
0	2004	in the pocket or in the handbag	230	268	54	20%	5.29%	0.0012%
4911100		Trade advertising material, commercial						
0	2004	catalogues & the like	236	398	80	20%	5.29%	0.0018%
8215990		Other spoons, forks etc. plated with						
0	2004	precious metal	4,565	463	93	20%	5.30%	0.0021%
9505900		Other artificial christmas trees						
0	2004		2,408	633	127	20%	5.30%	0.0029%
3924109		Other tableware and kitchenware						
0	2004		36	394	79	20%	5.30%	0.0018%
3405300		Polishes and similar preparations for the						
0	2004	coachwork,oth. than metal polish	5	9	2	20%	5.30%	0.0000%
9004900		Sunglasses						
0	2004		77	1,043	209	20%	5.30%	0.0048%
8310000		Stoppers, caps and lids etc.; other						
0	2004		18	614	123	20%	5.30%	0.0028%
4818401		Sanitary towels & tampons						
0	2004		10	22	4	20%	5.30%	0.0001%
9504909		Draught and chess boards						
0	2004		269	2,578	516	20%	5.31%	0.0119%
3926300		Fittings for furniture, coachwork or the						
0	2004	like	18	43	9	20%	5.31%	0.0002%
8509801		Fruit or vegetable juice extractors						
0	2004		17	30	6	20%	5.31%	0.0001%
9403609		Other wooden furniture used in schools,						
0	2004	churches and laboratories	2,130	4,883	977	20%	5.31%	0.0224%
8205510		Screwdrivers						
0	2004		158	3,924	785	20%	5.32%	0.0180%
3926200		Articles of apparel and clothing						
0	2004	accessories (including gloves)	1,491	8,063	1,613	20%	5.34%	0.0371%
6912001		Other tableware & kitchenware, other						
0	2004	house-hold articles & toilet article	5	83	17	20%	5.34%	0.0004%
4421909		Other articles of wood						
0	2004		16	139	28	20%	5.34%	0.0006%
8414519		Ceiling or roof fans						
0	2004		26	62	12	20%	5.34%	0.0003%
4202990		Other trunks, suit-cases, vanity-cases,						
0	2004	executive-cases, brief-cases, ...	5	78	16	20%	5.34%	0.0004%
4602900		Other basketwork, wickerwork & oth.						
0	2004	articles made directly to shape fr.pla	39	93	19	20%	5.34%	0.0004%
6302210		Other bed linen of cotton						
0	2004		81	224	45	20%	5.34%	0.0010%
6203399		Other textile materials						
0	2004		8	278	56	20%	5.34%	0.0013%
6217100		Accessories						
0	2004		4	154	31	20%	5.34%	0.0007%
4823600		Trays, dishes, plates, cups & the like of				20%	5.34%	0.0015%

0		paper or paperboard	369	317	63			
8476210		Parts of machines for assembling						
0	2004	electric or electronic lamps	4	326	65	20%	5.34%	0.0015%
2001209		Veg.fruit, nuts and other edible parts of						
0	2004	plant in packages not < 50 kg	82	201	40	20%	5.34%	0.0009%
2209000		Flours, meals, and pellets of meat or						
0	2004	meat offal: greaves	127	216	43	20%	5.34%	0.0010%
4016999		Other other articles of vulcanised rubber						
0	2004	other than hard rubber	748	43,798	8,760	20%	5.43%	0.2013%
9403709		Furniture of plastics of a kind used in						
0	2004	schools, churches and laboratories	15,163	22,279	4,456	20%	5.47%	0.1024%
3924909		Other other tableware, kitchenware,						
0	2004	other household articles and toilet...	177	951	190	20%	5.47%	0.0044%
		Other ceramic tableware,						
6913100		kitchenware,oth,household articles &						
0	2004	toilet artic	47	245	49	20%	5.47%	0.0011%
9405100								
0	2004	Other mattresses	1	546	109	20%	5.47%	0.0025%
2103302								
0	2004	Pepper sauce	103	275	55	20%	5.47%	0.0013%
9608310		Felt tipped and other porous-tipped						
0	2004	pens and markers	38	705	141	20%	5.48%	0.0032%
8531801		Indicator panels incorp. liquid crystal						
0	2004	devices or light emitting diodes	14	1,124	225	20%	5.48%	0.0052%
9405500								
0	2004	Other electric lamps and lighting fittings	148	801	160	20%	5.48%	0.0037%
6402991								
0	2004	Sandals and slippers	960	808	162	20%	5.48%	0.0037%
7323939								
0	2004	Parts of stainless steel	67	446	89	20%	5.48%	0.0020%
1704100		Chewing gum, whether or not sugar						
0	2004	coated	30	449	90	20%	5.48%	0.0021%
2202901								
0	2004	Malt beverages	72,454	93,738	18,748	20%	5.66%	0.4307%
1806200		Other preparations in blocks, slabs or						
0	2004	bars weighing more than 2kg or in	61	471	94	20%	5.66%	0.0022%
8539310		Other filament lamps, excluding ultra-						
0	2004	violet or infra-red lamps: other	75	1,224	245	20%	5.67%	0.0056%
3405909		Other polishes and creams , for						
0	2004	footwear, furni.floors coachwork glass or	333	1,229	246	20%	5.67%	0.0056%
5609000		Articles of yarn, strip or the like of head						
0	2004	#54.04 or 5405.00 twine cord	146	1,309	262	20%	5.67%	0.0060%
3405400		Scouring pastes & powders & other						
0	2004	scouring preparations	1,042	4,051	810	20%	5.68%	0.0186%
8210009		Hand-operated mechanical appliances -						
0	2004	ice cream freezers	317	1,838	368	20%	5.68%	0.0084%
2104101		Soups and broths and preparations						
0	2004	thereof in solid or powder form	1,269	1,878	376	20%	5.69%	0.0086%
7615192								
0	2004	Saucepans	673	4,243	849	20%	5.70%	0.0195%
8539320		Discharge lamps, other than ultra-violet						
0	2004	lamps: fluorescent, hot cathode	153	7,604	1,521	20%	5.71%	0.0349%
1806900		Other chocolate and other food						
0	2004	preparations containing cocoa	2,754	7,843	1,569	20%	5.72%	0.0360%
1602499								
0	2004	Other ham and cuts thereof	158,510	481,389	96,278	20%	6.66%	2.2119%
9501000								
0	2004	Other prefabricated buildings	3,754	6,139	1,228	20%	6.67%	0.0282%
7323102								
0	2004	Iron or steel or wool	1,362	6,394	1,279	20%	6.68%	0.0294%
1904100		Prepared foods obtained by the swelling						
0	2004	or roasting of cereals or cer. pro	19,016	30,440	6,088	20%	6.74%	0.1399%
4907009		Other unused postage, revenue or						
0	2004	similar stamps of current or new issue	171	7,788	1,558	20%	6.75%	0.0358%
8711409		For transport of goods piston engin. not						
0	2004	exceeding 800cc but excee. 500cc	519	11,145	2,229	20%	6.78%	0.0512%
9306210		Cartridges for riveting or similar tools or						
0	2004	for captive-bolt humane killer	11,223	62,917	12,583	20%	6.90%	0.2891%
2208301								
0	2004	Other whiskies	143,619	931,950	186,390	20%	8.70%	4.2821%



39269090	2004	Other other articles of plastics/articles of other materials heading 39.01	780,356	334,915	66,983	20%	9.35%	1.5389%
70132900	2004	Glassware of lead crystal	9,991	53,265	10,653	20%	9.45%	0.2447%
73251000	2004	Other sanitary ware & parts thereof of iron or steel	592	22,693	4,539	20%	9.49%	0.1043%
90041000	2004	Frames & mountings for spectacles parts	144	14,273	2,855	20%	9.52%	0.0656%
63090000	2004	Worn clothing and other worn articles	18,537	10,505	2,101	20%	9.54%	0.0483%
94054000	2004	Lighting sets of a kind used for christmas trees	185	7,620	1,524	20%	9.56%	0.0350%
49070030	2004	Cheque forms	53	6,538	1,308	20%	9.57%	0.0300%
34021910	2004	Organic surface active agents (other than soap)put up for retail sale	5,332	4,885	977	20%	9.58%	0.0224%
22029090	2004	Beer	1	3,344	669	20%	9.59%	0.0154%
42021190	2004	Other suit-cases and brief-cases with outer surface of leather	651	3,026	605	20%	9.59%	0.0139%
20089200	2004	Mangoes	1,679	3,003	601	20%	9.60%	0.0138%
94032090	2004	Other metal furniture of a kind used in schools, churches and laboratories	1,438	2,945	589	20%	9.60%	0.0135%
49090090	2004	Other printed or illustrated postcards; printed cards	207	2,801	560	20%	9.61%	0.0129%
85392900	2004	Other filament lamps: other, of power <= 200 w & for a voltage > 100 v	580	2,590	518	20%	9.61%	0.0119%
62102000	2004	Other garments of the type described in subheadings 6201.11 to 6201.19	29	2,506	501	20%	9.62%	0.0115%
74181100	2004	Cooking or heating apparatus of a kind used for domestic purposes non-elec	16	2,213	443	20%	9.62%	0.0102%
70133900	2004	Glassware of glass having a linear coefficient of expansion not exceeding	338	2,030	406	20%	9.63%	0.0093%
89031000	2004	Other fishing vessels; factory ships and other vessels for processig fish	500	2,000	400	20%	9.63%	0.0092%
42023210	2004	Purses, spectacle cases & wallets with outer surface of plastic or textile	130	1,251	250	20%	9.63%	0.0057%
82119100	2004	Knives with cutting blades - sets of assorted articles	134	848	170	20%	9.63%	0.0039%
94039000	2004	Other furniture of other materials (cane, osier, bamboo)	365	603	121	20%	9.64%	0.0028%
64041120	2004	Tennis shoes basketball shoes gym shoes training shoes and the like	68	555	111	20%	9.64%	0.0026%
42022290	2004	Other: with outer surface of plastic sheeting or of textile materials	238	495	99	20%	9.64%	0.0023%
82119590	2004	Handles of base metal for table and other household knives	530	202	40	20%	9.64%	0.0009%
64039100	2004	Covering the ankle	4	202	40	20%	9.64%	0.0009%
48235900	2004	Other paper & paperboards, of a kind used for writing,printing or oth. gra	223	192	38	20%	9.64%	0.0009%
42023110	2004	Purses, spectacle cases and wallets with outer surface of leather	10	160	32	20%	9.64%	0.0007%
63069900	2004	Tarpaulins awnings and sunblinds tents sails for boats of oth. text. mat.	57	159	32	20%	9.64%	0.0007%
94019000	2004	Other seats with wooden frames	6	130	26	20%	9.64%	0.0006%
63062200	2004	Tents of synthetic fibres	48	87	17	20%	9.64%	0.0004%
63022100	2004	Other bed linen of cotton	48	87	17	20%	9.64%	0.0004%
82152000	2004	Spoons, forks, etc. - set of assorted plated with precious metal	30	72	14	20%	9.64%	0.0003%
40169910	2004	Rubber bands	2	71	14	20%	9.64%	0.0003%
85281200	2004	Radio-broadcast receivers including apparatus capable of receiving: other	36	65	13	20%	9.64%	0.0003%
85098090	2004	Other appliances: blenders	36	65	13	20%	9.64%	0.0003%

6504000 0	2004	Felt hats and other felt headgear made from the hat bodies	22	49	10	20%	9.64%	0.0002%
9505101 0	2004	Other playing cards	24	43	9	20%	9.64%	0.0002%
8516500 0	2004	Electric smoothing irons	24	43	9	20%	9.64%	0.0002%
6303121 0	2004	Curtains (incl. drapes) of synthetic fibres	24	43	9	20%	9.64%	0.0002%
4202221 0	2004	Travelling bags with outer surface of plastic sheeting or of textile mat.	24	43	9	20%	9.64%	0.0002%
4202121 0	2004	Suit-cases with outer surface of plastics or of textile materials	19	42	8	20%	9.64%	0.0002%
9401790 0	2004	Other upholstered seats with metal frames	126	40	8	20%	9.64%	0.0002%
9503410 0	2004	Other construction sets and constructional toys	14	31	6	20%	9.64%	0.0001%
6211490 0	2004	Other garments women's or girls of other textile materials	23	31	6	20%	9.64%	0.0001%
6506990 0	2004	Safety headgear of fur skin	3	30	6	20%	9.64%	0.0001%
7321133 0	2004	Cookers for solid fuel	12	22	4	20%	9.64%	0.0001%
5705000 0	2004	Other carpers & other textile floor coverings whether/not made up	12	22	4	20%	9.64%	0.0001%
9603902 0	2004	Feather dusters	902	6,732	1,346	20%	9.65%	0.0309%
9608200 0	2004	Ball point pens	164	3,071	614	20%	9.66%	0.0141%
8527130 0	2004	Pocket-size radio cassette-players	322	893	179	20%	9.66%	0.0041%
4203300 0	2004	Belts and bandoliers	2	202	40	20%	9.66%	0.0009%
4818900 0	2004	Other toilet paper & similar paper, cellulose wadding or webs of cellulose	47	187	37	20%	9.66%	0.0009%
6115999 0	2004	Other textile materials	2	177	35	20%	9.66%	0.0008%
3924909 0	2004	Other other tableware, kitchenware, other household articles and toilet...	15	86	17	20%	9.66%	0.0004%
8513100 0	2004	Parts	24	63	13	20%	9.66%	0.0003%
6114200 0	2004	Other garments knitted or crocheted of cotton	16	38	8	20%	9.66%	0.0002%
6307903 0	2004	Flags pennants and banners	5	13	3	20%	9.66%	0.0001%
3304100 0	2004	Lip make-up preparations	0	0	0	20%	9.66%	0.0000%
2004109 0	2004	Vegetables in packages not less than 50 kg	197,544	143,528	28,706	20%	9.94%	0.6595%
2106905 0	2004	Preparations consisting of saccharin and a foodstuff, used for sweetening	1,598	15,627	3,125	20%	9.97%	0.0718%
8418400 0	2004	Freezers of the chest type, not exceeding 800 litre capacity	9,433	46,551	9,310	20%	10.06%	0.2139%
4820300 0	2004	Binders (other book covers), folders & file covers	5,188	28,653	5,731	20%	10.12%	0.1317%
7610100 0	2004	Aluminium tube or pipe fittings (couplings, elbows, sleeves)	551	9,321	1,864	20%	10.13%	0.0428%
1602491 0	2004	Luncheon meat	307,598	785,977	157,195	20%	11.65%	3.6114%
7615199 0	2004	Parts of saacepans, baking, stew and frying pans	924	7,170	1,434	20%	11.67%	0.0329%
3406001 0	2004	Candles, of tallow	1,261	10,447	2,089	20%	11.69%	0.0480%
2007999 0	2004	Ground nuts	1,478	3,219	644	20%	11.69%	0.0148%
2106909 0	2004	Mineral waters	191,506	1,095,304	219,060	20%	13.81%	5.0327%
8214100 0	2004	Scissors, tailors' shears and similar shears, and blades thereof; other	641	4,644	929	20%	13.82%	0.0213%
2005709 0	2004	Sweet corn (zea mays var.saccharata)in packages not less than 50 kg	835	2,800	560	20%	13.83%	0.0129%

38084010	2004	Disinfectants put up in fors or packings for retail sale or as preparation	85,793	91,811	18,362	20%	14.00%	0.4219%
19042000	2004	Prepared foods obtained from unroasted cereal flakes or from mixtures of	231	898	180	20%	14.01%	0.0041%
85392200	2004	Other filament lamps: tungsten halogen	68	2,487	497	20%	14.01%	0.0114%
20052090	2004	Peas (pisum sativum) in packages not less than 50 kg	49,194	38,631	7,726	20%	14.09%	0.1775%
63026000	2004	Toilet linen and kitchen linen of terry towelling or similar terry fabrics	14	350	70	20%	14.09%	0.0016%
42023290	2004	Other articles normally carried in pocket with out. surf. of plast or tex.	62	669	134	20%	14.09%	0.0031%
84185000	2004	Freezers of the upright type, not exceeding 900litre capacity	3,303	27,846	5,569	20%	14.14%	0.1279%
18063200	2004	Not filled in blocks, slabs or bars	2,897	25,396	5,079	20%	14.19%	0.1167%
85393900	2004	Discharge lamps: mercury or sodium vapour lamps; metal halide lamps	18	233	47	20%	14.19%	0.0011%
82142000	2004	Paper knives, letter openers, erasing knives, pencil sharpeners and blades	86	459	92	20%	14.19%	0.0021%
62064010	2004	Blouses and shirt-blouses of man-made fibres	360	202	40	20%	14.19%	0.0009%
21061090	2004	Mauby syrup	5	391	78	20%	14.19%	0.0018%
39249010	2004	Ashtrays, buckets, coat-hangers and dustbins	66	379	76	20%	14.19%	0.0017%
73269090	2004	Handcuffs of iron or steel wire	3,110	32,947	6,589	20%	14.26%	0.1514%
64051000	2004	Foot-ware with upper of leather or composition leather	45	125	25	20%	14.26%	0.0006%
62033390	2004	Other shirt-jacs of synthetic fibres	9	233	47	20%	14.26%	0.0011%
84221100	2004	Other parts of centrifuges	60	109	22	20%	14.26%	0.0005%
62034290	2004	Other cotton	10	106	21	20%	14.26%	0.0005%
56012130	2004	articles of wadding	1,709	16,117	3,223	20%	14.29%	0.0740%
21069020	2004	Flavouring powders for making beverages	8,532	23,118	4,623	20%	14.33%	0.1062%
20097090	2004	Passion fruit juice concentrated not in retail packages	143	153	31	20%	14.34%	0.0007%
65030000	2004	Hat-shapes plaited or made by assembling strips of any material	2	120	24	20%	14.34%	0.0006%
96032900	2004	Tooth brushes, including dental plate brushes	7	105	21	20%	14.34%	0.0005%
96039030	2004	Scrubbing brushes	679	4,896	979	20%	14.35%	0.0225%
49119100	2004	Pictures, designs and photographs	804	7,177	1,435	20%	14.36%	0.0330%
62059000	2004	Men's or boys' shirts of other textile materials	25	32	6	20%	14.36%	0.0001%
70139900	2004	Other glassware of lead crystal	19	35	7	20%	14.36%	0.0002%
34021110	2004	Anionic put up for retail sale	4,632	10,293	2,057	20%	14.38%	0.0473%
63029100	2004	Toilet linen and kitchen linen of cotton	17	34	7	20%	14.38%	0.0002%
96039040	2004	Brooms and mops for sweeping roads and floors	357	1,912	382	20%	14.38%	0.0088%
62052000	2004	Men's or boys' shirts of cotton	432	2,709	541	20%	14.39%	0.0124%
96050000	2004	Hand riddles	7	13	3	20%	14.39%	0.0001%
85183000	2004	Loudspeakers: other	7	13	3	20%	14.39%	0.0001%
94036010	2004	Wooden furniture of a kind used in the bedroom	948	1,097	219	20%	14.39%	0.0050%
20088000	2004	Palm hearts	452	962	192	20%	14.39%	0.0044%

62044300	2004	Dresses of synthetic fibres	1,526	912	182	20%	14.39%	0.0042%
85091000	2004	Parts	70	497	99	20%	14.39%	0.0023%
69111010	2004	Other ceramic sinks, wash basins, wash basin pedestals, baths, bidets, water c	222	231	46	20%	14.40%	0.0011%
63071000	2004	Floor-cloths dish-cloths dusters and similar cleaning cloths	1	4	1	20%	14.40%	0.0000%
63079090	2004	Other made up articles including dress patterns	75	352	70	20%	14.40%	0.0016%
84099910	2004	Other parts suitable for use with spark-ignition intern combust pis engin	100	6,597	1,297	20%	14.41%	0.0298%
74181900	2004	Pot scourers & scouring or polishing pads, gloves & the like	116	2,334	443	19%	14.41%	0.0102%
17049000	2004	Other sugar confectionery	3,053	20,760	3,894	19%	14.45%	0.0895%
85114000	2004	Distributors; ignition coils	2,533	29,792	5,363	18%	14.51%	0.1232%
48171000	2004	Envelopes	2,473	18,192	3,141	17%	14.55%	0.0722%
19019020	2004	Preparations of malt extract	41,552	110,543	18,904	17%	14.76%	0.4343%
69071020	2004	Clay tiles	3,920	2,694	455	17%	14.77%	0.0104%
30049090	2004	Other medicaments (excl. goods of heading no. 30.02; 30.05 or 30.06)	61,463	1,267,963	202,874	16%	17.22%	4.6609%
56074910	2004	Other twine & ropes of polyethylene/poypropylene twine cordage ropes	1	4	1	15%	17.22%	0.0000%
48219000	2004	Other paper or paperboard labels of all kinds, whether or not printed	1	10	1	15%	17.22%	0.0000%
73144900	2004	Other grill coated with plastics	12	22	3	15%	17.22%	0.0001%
68022190	2004	Articles of marble, travertine & alabaster	12	22	3	15%	17.22%	0.0001%
32081060	2004	Other varnishes (including lacquers) based on polyesters	7	20	3	15%	17.22%	0.0001%
48119000	2004	Other paper, paperboard, cellulose wadding & webs of cellulose fibres	6	54	8	15%	17.22%	0.0002%
32089020	2004	Marine paints based on acrylic or vinyl polymers	5	47	7	15%	17.22%	0.0002%
39191000	2004	Self-adhesive plates in rools of a width not exceeding 20 cm	1	12	2	15%	17.22%	0.0000%
30039050	2004	Other analgesics	4	62	9	15%	17.22%	0.0002%
84212900	2004	Petrol filters	49	2,133	320	15%	17.22%	0.0074%
85381000	2004	For a voltage exceeding 1,000 v	30	115	17	15%	17.22%	0.0004%
33012920	2004	Essential oils of clove	82	610	91	15%	17.22%	0.0021%
39173290	2004	Other tubes pipes and hoses	14	282	42	15%	17.22%	0.0010%
08110090	2004	Strawberries	13	436	65	15%	17.22%	0.0015%
56079010	2004	Other twine and ropes	65	612	92	15%	17.23%	0.0021%
32082090	2004	Other paints & varnishes (inc.lacquers & enamels ) based on synthetic poly	80	817	122	15%	17.23%	0.0028%
73170020	2004	Masonry & roofing nails	20,281	67,058	10,059	15%	17.36%	0.2311%
28112100	2004	Carbon dioxide	10	1,137	171	15%	17.36%	0.0039%
32151100	2004	Printing ink black	230	2,225	334	15%	17.36%	0.0077%
39235010	2004	Lids and caps	22,937	63,246	9,487	15%	17.49%	0.2180%
30049030	2004	Other analgesics	6,703	188,225	28,234	15%	17.85%	0.6487%
40082100	2004	Plates, sheets and strip of non-cellular				15%	17.86%	0.0105%

0		rubber	43	3,049	457			
8302100		Padlocks and locks; keys presented						
0	2004	separately	842	5,907	886	15%	17.87%	0.0204%
7312102								
0	2004	Stranded wire	517	2,751	413	15%	17.87%	0.0095%
8443900								
0	2004	Machines for uses ancillary to printing	13	4,363	654	15%	17.88%	0.0150%
3923290			23,614,64					
0	2004	Sacks & bags of other plastics	7	882,064	132,310	15%	19.59%	3.0397%
3215190								
0	2004	Other printing ink	177	4,980	747	15%	19.60%	0.0172%
8529900		Aerials & aerial reflectors of all kinds;						
0	2004	parts suitable for use therewith	524	27,112	4,067	15%	19.65%	0.0934%
8544591		Other electric conductors voltage > 80v						
0	2004	but <= 1000v fitted with connector	25,145	78,606	11,791	15%	19.80%	0.2709%
3209901		Other paints based on acrylic or vinyl						
0	2004	polymers	5,872	13,812	2,072	15%	19.83%	0.0476%
6807100		Other slag wool, rock wool & similar						
0	2004	mineral wool; exfoliated vermiculite	4,017	17,092	2,564	15%	19.86%	0.0589%
3919909		Other self-adhesive plates sheets, film,						
0	2004	foil, tape, strip & other.	1,749	14,366	2,155	15%	19.89%	0.0495%
7312101		Containers for compressed or liquefied						
0	2004	gas, of iron or steel	5,314	15,224	2,284	15%	19.92%	0.0525%
3209103		Varnishes (including lacquers) based on						
0	2004	acrylic or vinyl polymers	6,756	22,632	3,395	15%	19.96%	0.0780%
8311300		Cored wire of base metal, for electric						
0	2004	arc-welding	11,081	15,529	2,329	15%	19.99%	0.0535%

### Annex 3 – Belize’s Sensitive Agricultural Products

Tariff Heading	Product Description	Sensitive (S)	Tariff (%)
<b>Heading*</b>	<b>Live Animals:</b>		
<b>01.02</b>	<b>Live Bovine Animals</b>		
0102.90	Other (not purebred breeding animals):		
0102.90.30	Other bulls (not for breeding or rearing)	X	40
0102.90.60	Other cows (not for breeding or rearing)	X	40
<b>01.03</b>	<b>Live Swine</b>		
0103.90	Other (not purebred breeding animals):		
0103.91.90	Other (not for breeding and weighing less than 50 kg)	X	40
0103.92.90	Other (not for breeding and weighing 50 kg or more)	X	40
<b>01.05</b>	<b>Live Poultry, that is to say, fowls of the species Gallus</b>		
	<b>Domesticus, ducks, turkeys &amp; guinea fowls</b>		
0105.11	Fowls of the species Gallus domesticus (weighing no more than 185g):		
0105.11.20	For rearing	X	40
0105.12	Turkeys:		
0105.12.20	For Rearing	X	40
0105.92	Fowls of the species Gallus domesticus weighing no more than 2.000 g:		
0105.93.20	Cocks for Rearing	X	40
0105.93.40	Hens for Rearing	X	40
	<b>Meat &amp; Edible Meat Offal</b>		
<b>02.01</b>	<b>Meat of Bovine Animals, fresh or chilled</b>		
0201.10.00	Carcass & Half-Carcass	X	40
0201.20	Other cuts with bone in:		
0201.20.10	Brisket	X	40
0201.20.90	Other	X	40
0201.30	Boneless:		
0201.30.10	Tenderloin	X	40
0201.30.20	Sirloin	X	40
0201.30.30	Minced (Ground)	X	40
0201.30.90	Other	X	40
<b>02.02</b>	<b>Meat of Bovine, Animals, Frozen</b>		
0202.10.00	Carcass & Half-Carcass	X	40
0202.20	Other cuts with bone in:		
0202.20.10	Brisket	X	40
0202.20.90	Other	X	40
0202.30	Boneless:		
0202.30.10	Tenderloin	X	40
0202.30.20	Sirloin	X	40

0202.30.30	Mince (ground)	X	40
0202.30.90	Other	X	40
<b>02.03</b>	<b>Meat of Swine, fresh, chilled or frozen</b>		
0203.10	Fresh or Chilled:		
0203.11.00	Carcass & Half-Carcass	X	40
0203.12.00	Hams, shoulders & cuts thereof, with bone in	X	40
0203.19.00	Other	X	40
0203.20.00	Frozen:		
0203.21.00	Carcass & Half-Carcass	X	40
0203.22.00	Hams, shoulders and cuts therfor, with bone in	X	40
0203.29.00	Other	X	40
<b>02.04</b>	<b>Meat of Sheep or goat, fresh, chilled or frozen</b>		
0204.40	Other meat of sheep frozen:		
0204.41.00	Carcass & Half-Carcass	X	40
0204.42.00	Other cuts with bone in	X	40
0204.43.00	Boneless	X	40
0204.50.00	Meat of goat	X	40
<b>02.07</b>	<b>Meat and edible offal , of the poultry of heading 01.05, (fresh, chilled or frozen)</b>		
0207.10	Of fowls of the species gallus domesticus:		
0207.11.00	Not cut in pieces, fresh or chilled	X	40
0207.12.00	Not cut in pieces, frozen	X	40
0207.13.00	Cuts and offal, fresh or chilled	X	40
0207.14.00	Cuts & offal, frozen:		
0207.14.10	Backs and Necks	X	40
0207.14.20	Wings	X	40
0207.14.30	Livers	X	40
0207.14.90	Other (assuming that it includes seasoned poultry)	X	40
0207.20.00	Of Turkeys:		
0207.24.00	Not cut in pieces, fresh or chilled	X	40
0207.25.00	Not cut in pieces, frozen	X	40
0207.26.00	Cuts and offal, fresh or chilled	X	40
0207.27	Cuts and offal, frozen:		
0207.27.10	Backs, Necks and wings	X	40
0207.27.90	Other	X	40
<b>02.10</b>	<b>Meat and edible meat offal, salted in brine, dried or smoked; edible flours and meals of meat or meat offal.</b>		
0210.11	Meat of Swine:		
0210.11.10	Hams, shoulders and cuts thereof, with bone in	X	35
0210.12	Bellies (streaky) and cuts thereof:		
0210.12.10	Bacon	X	45
0210.12.90	Other	X	45
0210.19	Other:		
0210.19.10	Salted in brine	X	5

0210.19.90	Other	X	35
0210.20	Meat of bovine Animals:		
0210.20.10	Salted or in brine	X	5
0210.20.20	Dried	X	35
0210.20.30	Smoked	X	35
	<b>Fish/crustaceans, molluscs &amp; other Aquatic Invertebrates</b>		
<b>03.02</b>	<b>Fish, fresh or chilled, excluding fish fillets &amp; other Fish meat of heading No. 03.04</b>		
0302.69.20	Snapper, croaker, grouper, dolphin, banga mary and sea trout	X	40
0302.69.90	Other (includes whole tilapia, fresh or chilled)		40
<b>03.03</b>	<b>Fish, frozen, excluding fish fillets and other fish meat of heading No. 03.04</b>		
0303.79.20	Snapper, croaker, grouper, dolphin, banga mary and sea trout	X	40
0303.79.90	Other (includes whole tilapia, frozen)	X	40
<b>03.04</b>	<b>Fish fillet and other fish meat (whether or not minced), fresh, chilled or frozen</b>		
0304.10	Fresh or Chilled:		
0304.10.90	Other files (includes tilapia but not flying fish)	X	40
0304.20	Frozen Fillets:		
0304.20.90	Other fillets (includes tilapia but not flying fish)	X	40
0304.90.00	Other	X	40
<b>03.05</b>	<b>Fish, dried, salted or in brine; smoked fish, whether or not cooked before or during the smoking process; flours, meals &amp; pellets of fish, fit for human consumption.</b>		
0305.30.00	Fish fillets, dried, salted or in brine but not smoked	X	20
<b>03.06</b>	<b>Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; crustaceans, in shell, cooked by steaming or by boiling in water, whether or not chilled, frozen, dried, salted or in brine; flours, meals and pellets of crustaceans, fit for human consumption</b>		
0306.10	Frozen:		
0306.11.00	Rock Lobster and other sea crawfish (palinurus spp, panulirus spp., Jasus spp.)	X	45
0306.12.00	Lobster (Homarus)	X	45
0306.13.00	Shrimp & Prawns	X	45
3006.14.00	Crabs	X	45
0306.19.10	Conch	X	45
0306.20	Not Frozen:		
0306.21	Rock Lobster and other sea crawfish (palinurus spp, panulirus spp., Jasus spp):		
0306.21.90	Other (not for breeding and rearing)	X	45



0306.22	Lobster (Homarus spp):		
0306.22.90	Other (not for breeding or rearing)	X	45
0306.23	Shrimp and Prawns:		
0306.23.20	Cultured	X	45
0306.23.30	Wild	X	45
0306.24.00	Crabs	X	45
0306.29	Others, including flours, meals and pellets of crustaceans, fit for human consumption:		
0306.29.20	Conch	X	45
	<b>Other Livestock</b>		
<b>04.01</b>	<b>Milk and Cream, not concentrated not containing B2 added sugar or other sweetening matter</b>		
0401.10.00	Of a fat content, by weight, not exceeding 1%	X	Free
0401.20.00	Of a fat content, by weight, not exceeding 1% but not exceeding 6%	X	Free
0401.30.00	Of a fat content, by weight, exceeding 6%	X	Free
<b>04.03</b>	<b>Buttermilk, curdled milk &amp; cream, yogurt, kephir &amp; other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa</b>		
0403.10.00	Yogurt	X	20
0403.90.00	Other	X	10
<b>04.06</b>	<b>Cheese &amp; Curd</b>		
0406.10.00	Fresh (unripened or uncured) cheese, including whey cheese and curd	X	5
0406.20.00	Grated or powdered cheese, of all kinds	X	5
0406.30.00	Processed cheese, not grated or powdered	X	5
0406.90.00	Other cheese	X	5
<b>04.07</b>	<b>Birds' eggs, in shell, fresh, preserved or cooked</b>		
0407.00.20	Hatching eggs, not for breeder flock	X	Free
0407.00.30	Other fresh eggs (not for hatching or breeder stock)	X	40
<b>0409.0000</b>	<b>Natural Honey</b>	X	40
<b>07</b>	<b>Edible Vegetables, Roots &amp; Tubers</b>		
<b>07.01</b>	<b>Potatoes, fresh or chilled</b>		
0701.90.00	Other (not seeds)	X	\$0.42/100lbs
	<b>Fresh or Chilled</b>		
<b>0702.0000</b>	<b>Tomatoes, fresh or chilled</b>	X	40
0703.10.10	Onions	X	40
0703.20.00	Garlic	X	Free
<b>07.04</b>	<b>Cabbages, cauliflowers, kohlrab, kale and similar edible brassicas, fresh or chilled.</b>		
0704.10.10	Cauliflowers	X	40
0704.90.10	Cabbages	X	40
0706.10.10	Carrots	X	40

0707.00.10	Cucumbers	X	40
0708.10	Peas (Pisum sativum):		
0708.10.20	Blackeye Peas	X	40
0708.20	Beans of the species Vigna mungo (L.) Hepper or Vigna radiata (L.) Wiczek:		
0708.20.10	String Beans	X	40
0708.20.20	Bora (bodi) beans (vigna spp)	X	40
0708.20.90	Other	X	40
0709.60.10	Sweet Pepper	X	40
0709.90.10	Zucchini	X	40
0709.90.20	Ochroes	X	40
0709.90.30	Pumpkins	X	40
0709.90.40	Sweet Corn (corn in cob)	X	40
<b>07.13</b>	<b>Dried Leguminous Vegetables, shelled, whether B134 or not skinned or split</b>		
0713.10.30	Blackeye Peas	X	15
0713.31.00	Beans of the species Vigna mungo (L.) Hepper or Vigna radiata (L.) Wiczek	X	5
0713.32.00	Small red (adzuki) beans (Phaseolus or Vigna anagularis)	X	5
0713.33	Kidney beans, incl. white pea beans (Phaseolu vulgaris):		
0713.33.10	Red Kidney Beans	X	40
0713.33.90	Other	X	5
	<b>Fresh, chilled, frozen or dried</b>		
0714.10.00	Cassava (Manioc)	X	40
0714.90.30	Eddoes (coco-yam)	X	40%
<b>08</b>	<b>Eddible Fruits &amp; Nuts</b>		
<b>08.01</b>	<b>Fresh or dried whether or not shelled or peeled</b>		
0801.10	Coconuts:		
0801.11.00	Dessicated	X	40%
0801.19	Other:		
0801.19.10	In shell	X	40%
0801.19.90	Other	X	
0801.30	Cashew Nuts:		40%
0801.31.00	In shells	X	40%
0801.32.00	Shelled	X	40%
	<b>Fresh or dried</b>		
0803.00.10	Bananas, fresh	X	40%
0803.00.20	Plantains, fresh	X	40%
0803.00.30	Bananas & Plantains, dried	X	40%
0804.30.00	Pineapples	X	40%
0804.40.00	Avocadoes	X	40%
0804.50.10	Guavas	X	40%
0804.50.20	Mangoes	X	40%
<b>08.05</b>	<b>Citrus fruit, fresh or dried</b>		
0805.10.00	Oranges	X	40%

0805.20	Mandarins (including tangarines & satsumas): Clementines, wilkings and similar citrus hybrids:		
0805.20.10	Ugli Fruit	X	40%
0805.20.20	Ortaniques	X	40%
0805.20.90	Other	X	40%
0805.40.00	Grapefruit	X	40%
0805.50	Lemons (citrus limon, citrus limonium) and lime( citrus aurantifolia):		
0805.50.10	Lemons	X	40
0805.50.20	Limes	X	40%
0805.90.00	Other	X	40%
<b>08.07</b>	<b>Melons (incl. watermelons) &amp; papaws (papyas) fresh:</b>		
0807.10	Melons (including watermelons):		
0807.11.00	Watermelons	X	40%
0807.19	Other:		
0807.19.10	Cantaloupes	X	40%
0807.20.00	Papayas	X	40%
0810.90.40	Soursop	X	40
<b>09</b>	<b>Coffee &amp; Spices</b>		
0904.10	Pepper:		
0904.11.00	Neither crushed nor ground	X	40%
0904.12.00	Crushed or ground	X	40%
0910.10.00	Ginger	X	40%
<b>10</b>	<b>Cereals</b>		
<b>10.05</b>	<b>Maize (corn)</b>		
1005.90.00	Other (Not Seeds)	X	40%
<b>10.06</b>	<b>Rice</b>		
1006.10	Rice in the husk (paddy or rough)		
1006.10.90	Other (not for sowing)	X	25%
1006.20	Husked (brown rice):		
1006.20.10	White rice, in packages for retail sale	X	25%
1006.20.20	Other White Rice	X	25%
1006.30	Semi-milled or wholly milled rice, whether or not polished or glazed:		
1006.30.10	Semi-milled white rice in packages or not more than 10K	X	25%
1006.30.20	Other semi-milled white rice	X	25%
1006.30.30	Semi-milled parboiled rice, in packages of not more than 10kg	X	25%
1006.30.40	Other semi-milled parboiled rice	X	25%
1006.30.50	Wholly white rice, in packages for not more than 10kg	X	25%
1006.30.60	Other wholly milled white rice	X	25%
1006.40	Broken rice:		
1006.40.10	In packages for retail	X	25%
1006.40.90	Other broken rice	X	25%
<b>10.07</b>	<b>Grain Sorghum</b>		

1007.00.90	Other (not seeds)	X	40%
<b>11</b>	<b>Products of the Milling Industry</b>		
<b>11.01</b>	<b>Wheat or meslin flour</b>		
1101.00.90	Other (not of durum wheat)	X	25%
1102.20.00	Maize (corn) flour	X	5%
<b>12</b>	<b>Oilseeds</b>		
<b>12.01</b>	<b>Soyabeans, whether or not broken</b>		
1201.00.90	Other (not for sowing)	X	
<b>12.02</b>	<b>Ground nuts, not roasted or otherwise cooked, whether or not shelled or broken</b>		
1202.10.00	In shell	X	40%
1202.20.90	Shelled, whether or not broken		
1202.20.90	Other	X	40%
<b>12.08</b>	<b>Flour &amp; meals of oil seeds or oleaginous fruits other than those of mustard</b>		
1208.10.00	Of soyabeans	X	15%
<b>12.12</b>	<b>Locust beans, seaweed and other algae, sugar beet and sugar cane, fresh, chilled, frozen or dried whether or not ground</b>		
1212.20.00	Seaweeds and other algae	X	
1212.90	Other:		
1212.92.00	Sugar Cane	X	
	<b>Other Vegetable Products:</b>		
1404.10.30	Annatto	X	
<b>15</b>	<b>Oils/Fats</b>		
<b>15.07</b>	<b>Soya-bean oil &amp; its fraction, whether or not refined, but not chemically modified</b>		
1507.10.00	Crude (Soya-bean) oil, whether or not degummed	X	40%
1507.90.00	Other	X	25%
	<b>Industry/Agroprocessing</b>		
<b>16</b>	<b>Meat Preparation</b>		
<b>16.01</b>	<b>Sausages &amp; similar products, of meat, meat offal or blood; food preparation based on these products</b>		
1601.00.20	Other chicken sausages (not canned)	X	20%
1601.00.30	Salami Sausages	X	20%
1601.00.90	Other sausages (not canned) - assuming that it includes balony & pastrami		20%
<b>16.02</b>	<b>Other prepared or preserved meat; meat offal or blood</b>		
1602.30	Poultry of heading No. 01.05:		
1602.31	Turkeys:		
1602.31.10	Cured or smoked	X	20%
1602.31.90	Other	X	20%
1602.32.00	Of fowls of the species gallus domesticus	X	20%
1602.39.00	Other	X	20%
1602.40	Of Swine:		
1602.41.00	Hams & Cuts thereof	X	45%

1602.42.00	Shoulders & cuts thereof	X	45%
1602.50	Of bovine animals:		
1602.50.90	Other (not corned beef)	X	20%
<b>17</b>	<b>Sugar &amp; Sugar confectionary</b>		
1701.10	Raw sugar not containing added flavouring or colouring matter:		
1701.11.00	Cane Sugar	X	40%
1701.90	Other:		
1701.91.00	Containing added flavouring or colouring matter	X	40%
1703.10.00	Cane Molasses		
1703.10.10	Inedible	X	15%
1703.20.00	Edible	X	15%
1703.90.00	Other	X	15%
<b>18</b>	<b>Cocoa &amp; cocoa preparations</b>		
<b>18.01</b>	<b>Cocoa beans, whole or broken, raw or roasted</b>		
1801.00.10	Raw sugar not containing added flavouring or colouring matter:	X	5%
1801.00.20	Roasted	X	5%
<b>19</b>	<b>Preparation of cereals, flour, starch or milk; pastrycooks' produce</b>		
1901.90.10	Malt Extract		5
1902.10	Uncooked pasta, stuffed or otherwise prepared:		
1902.11.00	Containing eggs	X	35
1902.19.00	Other	X	35
1902.20.00	Stuffed pasta, whether or not cooked or otherwise prepared	X	35
1902.30.00	Other pasta	X	35
1902.40.00	Couscous	X	35
<b>20</b>	<b>Preparations of vegetables, fruits, nuts or other parts of plants</b>		
2008.19.10	Peanut Butter	X	20
<b>2009.10</b>	<b>Orange Juice:</b>		
2009.11.10	Concentrated	X	40
2009.11.20	Other	X	40
2009.20	Grapefruit Juice:		
2009.21.30	Concentrated	X	40
2009.21.90	Other	X	40
<b>2009.90</b>	<b>Mixture of Juices:</b>		
2009.90.20	Other mixtures of grapefruit & orange juices (not for infant use)	X	40
<b>21</b>	<b>Miscellaneous Edible Preparations</b>		
2103.20	Tomato ketchup & other tomato sauces:		
2103.20.10	Tomato Ketchup	X	20
2103.20.20	Other tomato sauces (not ketchup)	X	20
2103.90.10	Pepper sauce	X	45
2103.90.90	Other sauces and preparations	X	20

<b>21.05</b>	<b>Ice cream &amp; other edible ice, whether or not containing cocoa</b>		
2105.00.90	Other	X	20
<b>22</b>	<b>Beverages, Spirit &amp; Vinegar</b>		
<b>22.01</b>	<b>Waters, including natural or artificial mineral waters &amp; aerated water, containing added sugar or other sweetening matter nor flavoured; ice and snow</b>		
2201.10	Mineral waters & aerated waters:		
2201.10.10	Mineral Waters	X	20
2201.10.20	Aerated waters	X	20
2201.90	Other:		
2201.90.10	Ordinary natural waters	X	20
2201.90.90	Other	X	20
2202.10	Waters, incl. mineral waters & aerated water, containing added sugar or other sweetening matter or flavoured:		
2202.10.10	Aerated beverages	X	20
2202.10.90	Other	X	20
2209.90	Other:		
2202.90.10	Beverages containing cocoa	X	20
2202.90.20	Malt Beverages	X	20
2202.90.90	Other	X	20
22.03	Beer made from Malt		
2203.00.10	Beer	X	\$12/lmp.gal
2203.00.20	Stout	X	\$12/lmp.gal
2203.00.90	Other	X	\$12/lmp.gal
2204.10.00	Sparkling wine	X	\$51/lmp.gal
2204.20	Other wine; grape must with fermentation prevented or arrested by the addition of alcohol:		
2204.21.00	In containers holding 2 litres of less	X	\$37/lmp.gal
2204.29	Other:		
2205.29.10	Grape must with fermentation prevented or arrested by the add. Of alcohol	X	\$32/lmp.gal
2204.29.90	Other	X	\$37/lmp.gal
2204.30	Other grape must	X	\$30/lmp.gal
<b>22.05</b>	<b>Vermont &amp; other wine of fresh grapes flavoured with plants or aromatic substances</b>		
2205.10.00	In containers holding 2 litres or less	X	\$36/lmp.gal
2205.90.00	Other	X	\$36/lmp.gal
<b>22.06</b>	<b>Other fermented beverages, mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included</b>		
2206.00.10	Shandy	X	\$30/lmp.gal
2206.00.90	Other	X	\$30/lmp.gal

2207.10.00	Undenatured ethyl alcohol or an alcoholic strength by vol. of 80% or higher	X	\$12/lmp.gal
2207.20.00	Ethyl alcohol and other spirits, denatured, of any strength	X	\$6/lmp.gal
2208.20	Spirits obtained by distilling grape marc:		
2208.20.10	Brandy, in bottles of a strength not exceeding 46% vol.	X	\$91/lmp.gal
2208.20.90	Other	X	\$91/lmp.gal
2208.30	Whiskies:		
2208.30.10	In bottles of a strength not exceeding 46% vol	X	\$90/lmp.gal
2208.30.90	Other	X	\$90/lmp.gal
2208.40	Rum & Tafia:		
2208.40.10	In bottles of a strength not exceeding 46% vol	X	\$90/lmp.gal
2208.40.90	Other	X	\$90/lmp.gal
2208.50	Gin & Geneva:		
2208.50.10	In bottles of a strength not exceeding 46% vol	X	\$90/lmp.gal
2208.50.90	Other	X	\$90/lmp.gal
2208.60.00	Vodka	X	\$91/lmp.gal
2208.70.00	Liquers & cordials	X	\$91/lmp.gal
2208.90	Other:		
2208.90.10	Aromatic bitters used as a flavouring agent for food and beverages	X	\$4.71/lmp.gal
2208.90.20	Other aromatic bitters	X	\$91/lmp.gal
2208.90.90	Other	X	\$91/lmp.gal
<b>22.09.0000</b>	<b>Vinegar &amp; substitutes for vinegar obtained from acetic acid</b>	X	20
<b>23</b>	<b>Residues &amp; Waste from the food industries; prepared animal fodder</b>		
<b>23.04.0000</b>	<b>Oil cakes &amp; other solid residues, whether or not ground or in the form of pellets, resulting from extraction of soybean oil</b>		Free
<b>23.09</b>	<b>Preparation of a kind used in animal feed</b>		
2309.90.30	Prepared complete poultry feed	X	15
2309.90.40	Prepared complete cattle feed	X	15
2309.90.50	Prepared complete pig feed	X	15
2309.90.60	Other complete animal feed	X	15
<b>24**</b>	<b>Tobacco &amp; manufactured tobacco substitutes</b>		
<b>2401.10.00</b>	<b>Tobacco, not stemmed/stripped</b>	X	5
<b>24.02</b>	<b>Cigars/cheroots/cigarillos/cigarettes, of tobacco or or tobacco subst.</b>		
2402.10.00	Cigars, cherots, & cigarillos, containing tobacco	X	\$26.67/lb
2402.20.00	Cigarettes containing tobacco	X	\$34.40/lb
2409.90.00	Other	X	\$20.00/lb
<b>24.03</b>	<b>Other manufactured tobacco &amp; manufactured tobacco substitutes; homogenized or reconstituted tobacco extracts and essences;</b>		

2403.10	Smoking tobacco, whether or not containing tobacco subst. in any proportion	X	\$20.00/lb
2403.90	Other:		
2403.91.00	Homogenized or reconstituted tobacco	X	\$20.00 lb
2403.99	Other:		
2403.99.10	Snuff	X	\$24.80 lb
2403.99.90	Other	X	\$33.07 lb
2918.14.00	Citric acid	X	5
3301.10	Essential Oils of Citrusfruit:	X	
3301.11.00	of bergamot	X	
3301.12.00	of orange	X	
3301.13.00	of lemon	X	
3301.14.00	of lime	X	
3301.19	Other:		
3301.19.10	of grapefruit	X	
3301.19.90	Other	X	
3808.40.10	Disinfectants put up in forms or packings for retail sale or as preparations or articles	X	20
3808.40.90	Other disinfectants	X	5
4417.00.90	Other tools, tool bodies, handles, brooms or brush bodies & handles of wood	X	5
4420.10.90	Other statuettes and other ornaments of wood	X	35
4421.90.90	Other articles of wood	X	20
4602.90.00	Other basketwork, wickerwork & other, articles made directly to shape from plaiting materials or made from goods of heading 46.01; articles of loofah.	X	20
4818.10.00	Toilet paper	X	35
7307.29.00	Other of stainless steel	X	5
7308.10.00	Bridges and bridge-sections	X	5
7308.90.00	Equipment for scaffolding, shuttering, propping or pitpropping	X	5
Total			



## Annex 4: Sectoral Recommendations<sup>189</sup>

Recommendations have been put forward under Project 123 – Belize for four key sectors (2 merchandise and 2 services) for consideration in trade policy development. Those recommendations are repeated here for the benefit of the private sector readership of this paper.

### Livestock & Poultry Exports

Agriculture is the sector likely to suffer the biggest impact by an EU-CARIFORUM EPA. Given this reality it is therefore necessary for Belize to ensure that its' national and sector specific interests are properly addressed in the negotiation process. More specifically, Belize needs to:

- *Review and revise its national agriculture policy in light of the EU-CARIFORUM EPA taking into consideration any regional issues;*
- *Identify the negotiating interests of the other CARIFORUM countries for the livestock and poultry sectors;*
- *Identify the livestock (i.e. beef & pork) products that could competitively be exported from CARIFORUM into the EU;*
- *Identify the poultry products which currently hold favourable tariff lines for importation into the EU and explore possibilities for increased production and export in these areas;*
- *Assess the trade measures and regulations (i.e. tariffs and or safeguard measures) established by CARICOM to regulate livestock and poultry product imports into the region to determine what type of trade arrangements would be acceptable under a EU-CARIFORUM EPA to regulate any possible beef/ meat imports from the EU;*
- 7. *Support a request from CARIFORUM for the removal of residual tariff barriers and export restrictions on livestock (i.e. beef) and poultry exports from the ACP;*
- *If tariffs are part of the EPA for livestock and poultry then determine what the optimum applied tariff level should be to protect local industries and establish a threshold for imports that would trigger safeguard measures;*
- *Assess the implications of a quota-based regime for competitive import of poultry and poultry products into the EU on CARIFORUM countries;*
- *Participate in CARICOM's efforts to develop and enact harmonized SPS and TBT legislation in particular as it relates to the livestock and poultry sectors;*
- *Strengthen the food safety and animal health institutions including BAHIA and the Bureau of Standards;*
- *Closely scrutinize the operationalization of public commitments by the EU on provisions of assistance to ACP countries in meeting the EU food safety standards and regulations; and*
- *Organize the livestock and poultry sectors and build capacity for trade and trade related issues in particular as it relates to the EPAs.*

### Fisheries Sector

Fisheries as a part of the EU-CARIFORUM EPAs will be important for Belize despite the fact that Belize does not currently share or have a fisheries partnership or cooperation

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<sup>189</sup> Some recommendations adopted in part from those discussed in the Executive Brief on the Beef Sector, <http://agritrade.cta.int/en>

agreement with the EU. This is because as a part of CARICOM which is seeking to establish a common fisheries policy there is a possibility that EU fleets could be granted third country access to CARICOM waters. Given this possibility Belize has to

- Review, define, and strengthen its national fisheries policy to take into consideration the regional issues;
- Strengthen the institutional capacities of the Fisheries Department and of the various fisheries cooperatives to provide effective enforcement of laws and regulations, and support in marketing and trade;
- Provide institutional capacity building for BAHA and the Bureau of Standards to ensure support for compliance with food safety and health standards;
- Improve the processing infrastructure for fisheries and increase the efficiency, profitability and competitiveness of the fisheries sector;
- Develop, implement, and maintain policies that improve and sustain the natural and productive resource base to ensure long-term sustainable productivity and viability; and
- Improve packaging and marketing capacity across the fisheries industry.

In the context of the EU-CARIFORUM EPA negotiations, Belize should

- Support the establishment of a Common Fisheries Policy and which includes (a) guidelines for granting fisheries licenses for distant-water fleets; and (b) CARIFORUM wide standards and criteria to guide the establishment of joint ventures and investment in the fisheries sector;
- Support the ACP proposal for changing the Rule of Origin (ROO) to ensure that all catches done within their respective waters (i.e. within their national jurisdictions) should enjoy originating status;
- Assess what type of fisheries' agreement with the EU would be of most long-term benefit to Belize within a CARIFORUM arrangement;
- Seek financial compensation packages within the EU-CARIFORUM EPA for developing and expanding the fisheries sector, in particular aquaculture;
- Support a request for re-instating under section 3.2 of the Directives for the negotiation of Economic Partnership Agreements the Commission's initially proposed commitment to "*grant duty free access to its markets to all products originating in the ACP countries, as from entry into force of EPAs.*"

### **Recommendations for Services Trade**

With regards to services exports under the EU-CARIFORUM EPA negotiations Belize should for:

#### Tourism:

- *Support the CRNM recommended regional trade strategy for tourism, including for the offensive and defensive approaches; including for the offensive and defensive approaches;*
- *Support the CRNM recommendations for tourism services, including for the liberalization of non-sensitive services sectors with low export potential but which can be exchanged for concessions from the EU trading partners;*
- *Support the protection of services which should be reserved for domestic suppliers, either because they are essential government supplied services, are critical to national development goals such as*

*employment, enhanced rural livelihood, and poverty alleviation, or they need further strengthening before being opened to international competition;*

- *Support the derogation of liberalization measures for tourism and related services giving due cognizance to the development needs of Belize and other CARIFORUM countries and asymmetries in development between CARIFORUM countries and the EU;*
- *Support the establishment of mechanisms for accreditation and recognition of professionals and other credentials available within the Caribbean in particular Belize;*
- *Consider offensive offers for supporting services sectors including education, and health services, and defensive offers for environmental services (sewage, refuse disposal, sanitation);*
- *Support the development of backward and forward linkages with other economic sectors (i.e. with agriculture, fisheries, environmental goods & services, archaeology, etc.) to improve and enhance opportunities for local input into the tourism product;*
- *Improve the local enforcement mechanisms for standards within the tourism and related industries; and*

*Complete the Tourism Master Plan and secure funding for improving the road and transportation (air, sea and land) infrastructure in the country to facilitate increased tourism utilization and safety.*

#### ICTs:

- *Support the development of a regional strategy on ICT services;*
- *Support CARIFORUM initiatives to create market access to ICT services providers and products from CARIFORUM countries, in particular from CARICOM;*
- *Support further liberalization of the telecommunication sector across CARICOM and in particular in Belize;*
- *Assess opportunities for joint venture investments and initiatives in the ICT sector;*
- *Build the backward and forward linkages between ICTs and other services sectors as a way of strategically enhancing those other services sectors including education, health and related services, architectural and engineering services, etc.; and*
- *Address the regulatory and competition issues plaguing the Belizean telecommunications sector and create an enabling environment for enhanced investments in ICTs in Belize.*