SUMMARY

1. The WTO Members of the Organization of Eastern Caribbean States (OECS WTO Members) consist of six independent states located in the Lesser Antilles: Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. The OECS WTO Members are small vulnerable economies with GDP per capita ranging from about US$6,300 (St. Vincent and the Grenadines) to over US$13,000 (Antigua and Barbuda). They are located in a region prone to natural disasters, mainly hurricanes. The economies of the OECS-WTO Members are highly dependent on tourism services, with the sector's contribution to GDP varying from 24.2% in Grenada to nearly 75% in Antigua and Barbuda. To a lesser extent, and varying degrees, the financial services sector is also a significant contributor to GDP and employment, as well as construction. For most OECS-WTO Members, the share of agriculture and manufacturing in GDP is small; the main exceptions are Dominica as regards agriculture and St. Kitts and Nevis with respect to manufacturing.

2. Their narrow economic base, exposure to natural disasters and a high reliance on imports make the OECS-WTO Members vulnerable to exogenous shocks. In fact, during the period under review, the global financial crisis coupled with natural disasters in the region adversely impacted their economies. Consequently, real GDP for the OECS contracted by nearly 10% between 2009 and 2010 before recovering slightly in 2011, and contracting again in 2012. The contraction in GDP was due mainly to a decline in the tourist arrivals from North America and Europe, as well as lower per capita expenditure. Furthermore, the OECS WTO Members were affected by financial sector problems in the region, including the collapse of the CL Financial Group (Trinidad and Tobago), which had a contagion effect on the OECS through its subsidiaries CLICO and BAICO. Antigua and Barbuda's financial sector was particularly hit by the collapse of two local banks and a large offshore banking institution. Mainly supported by increased services exports GDP growth rebounded somewhat in 2013, when an estimated collective real growth rate of 1.2% was posted. All in all, the economies of the OECS-WTO stagnated during 2007-13.

3. The OECS WTO Members have a common monetary policy and central bank, the Eastern Caribbean Central Bank, or ECCB, and the EC dollar continues to be pegged to the US dollar. The ECCB also operates a regional market for government securities. The ECCB is tasked with keeping inflation under control. Inflation as measured by the consumer price index fell from 6.5% in 2008 to below 1% in 2009, reflecting falling demand, picked up in 2010 and 2011 but declined in 2012 and 2013 due mainly to lower prices for commodities and reflecting subdued aggregate demand.

4. The Revised Treaty of Basseterre Establishing the OECS Economic Union calls for the progressive harmonization of fiscal policies at the OECS level. However, to date, each OECS WTO Member continues, by and large, to conduct fiscal policy in an independent manner. Although all OECS WTO Members saw their overall fiscal deficit increase in 2009 as a consequence of the global crisis, fiscal performance varied considerably across the OECS. The worsening fiscal situation was due mainly to a fall in revenue and continued high levels of expenditure. In response to the crisis, the OECS WTO Members initiated programmes of fiscal reform and consolidation. With regards to tax reform, measures included the elimination of the consumption tax and its replacement by a value-added tax (VAT) (St Kitts and Nevis, St Lucia, and Dominica), a rationalization of fuel prices (St Lucia, and Antigua and Barbuda), and a reform of excise taxes (St Kitts and Nevis, Antigua and Barbuda, Dominica, and St Vincent and the Grenadines). In parallel, debt restructuring strategies have been pursued to seek debt relief. The measures adopted so far seem to have been effective: the overall fiscal deficit of the OECS WTO Members fell from 4.6% of GDP in 2009 to 2.4% of GDP in 2012. Public debt as a percentage of GDP has declined to 83% from over 100% at the time of the last review.

5. The OECS WTO Members continue to be characterized by a recurrent shortage of savings over investment, which requires substantial capital inflows to finance deficits in the external current accounts. The combined deficit in the current account of the balance of payments reached a peak of nearly 30% of GDP in 2008, but has been declining since to 17% of GDP in 2012, mainly on account of a decline in imports and a recovery in tourism receipts. The OECS WTO Members have a structurally large deficit in merchandise trade and an important surplus in their services balance. The overall deficit in the merchandise trade balance reached 32% of GDP in 2012 and the surplus in services 14% of GDP.

6. Trade plays a main role in the OECS WTO Members, representing some 100% of their aggregate GDP; they are net importers of goods and net exporters of services. During the period under review, the value of exports remained relatively stable, but the value of imports declined substantially and currently stands of some 80% of its pre-crisis level. The OECS WTO Members' main trading partners are the United States, the European Union, Trinidad and Tobago, Barbados, and Canada.

7. A significant development since the last review has been the signing of the Revised Treaty of Basseterre Establishing the OECS Economic Union in June 2010. The Treaty calls for the free movement of goods, people, capital and services. Although the Economic Union was launched in January 2011, it has not been fully implemented as considerable work needs to be done to harmonize legislation, institutions and tariff schedules.

8. Through the signature of the CARIFORUM-EU Economic Partnership Agreement (EPA) in October 2008, the OECS WTO Members entered into a reciprocal free-trade agreement with the European Union for the first time whereby the OECS WTO Members are committed to a scheduled, gradual reduction of tariffs on a substantial portion of their trade with the EU. The main challenges for the OECS WTO Members relate to the implementation of the agreement, in particular addressing the reforms needed to ensure that domestic legislation complies with the requirements of the EPA. In doing this, the OECS WTO Members might be addressing several of the issues raised by Members in their previous Trade Policy Review.

9. As a result of the events during the period under review, the OECS Members' international trade commitments now move around four concentric circles: a) the OECS Economic Union; b) CARICOM and the CARICOM Single Market and Economy (CSME); c) the CARIFORUM-EU Economic Partnership (EPA) (and other such future agreements); d) and the multilateral trading system.

10. Through their participation in CARICOM, the OECS WTO Members have bilateral trade agreements with Canada, Colombia, Cuba, Costa Rica, Dominican Republic, and Venezuela.

11. Since their last Review in 2007, trade policy coordination among OECS-WTO Members has increased, including in areas such as contingency measures, competition policy and fiscal policy. The similarities of the OECS WTO Members' legal systems facilitate the use of model legislation. The use of model laws has helped to increase transparency and comparability across countries. This has been especially the case in certain services areas, such as telecommunications, where national laws follow the Eastern Caribbean Telecommunications Authority (ECTEL) model, and banking, where uniform banking acts devised by the ECCB have been implemented. However, domestic laws must still be drafted and adopted by national legislatures, even when based on a common model law. Moreover, frequently, the incorporation of changes decided at the regional or multilateral level is slow, as apart from ratification and issue of a new law, regulations for implementation must be prepared in each country. As a result, sometimes implementation is not effective, because this whole process is not completed. This is the case with respect to the provisions of some WTO Agreements. This is expected to change with the full consolidation of the OECS Economic Union, where legal drafting and implementation competences on five specific areas have been devolved to the OECS.

12. In their participation in the multilateral trading system, the OECS WTO Members have repeatedly stated their position with respect to the flexibilities needed in the WTO to take account of their development needs as "small vulnerable economies". They have also advocated for reinforcement of the support mechanisms, including technical cooperation, to help them fulfil their WTO commitments and conduct the institutional, legal, and economic adjustment required as a result of trade liberalization.

13. Compliance with notification obligations remains a challenge for OECS WTO Members. Although an effort has been made to keep up to date notifications in some areas, such as subsidies, there is an overall lack of notifications on agriculture and sanitary and phytosanitary measures. This partly reflects the significant human resource limitations and underscores the importance of continuing to pursue a higher degree of cooperation among the OECS WTO Members in the formulation and implementation of trade policy.

14. The OECS WTO Members' investment regime is generally open, and, with the main exception of the requirements for obtaining alien landholding licences, foreign investment receives national treatment. During the period under review, Antigua and Barbuda, Grenada, and St. Lucia, repealed their Fiscal Incentives Acts and replaced them by broader incentives legislation that does not provide explicit export subsidies and does not impose local-content requirements. In the other three OECS countries, the process is ongoing.

15. During the period under review, OECS-WTO Members have continued to introduce measures to facilitate trade. Dominica, Grenada, St Lucia and St Vincent and the Grenadines use different versions of ASYCUDA for customs processing and clearance, while Antigua and Barbuda and St Kitts and Nevis are in the process of migrating to ASYCUDA World. Customs clearance varies from about five hours (Antigua and Barbuda) to about two days (St. Vincent and the Grenadines). The OECS WTO Members use the transaction value for customs valuation except for Grenada, which continues to use minimum import prices.

16. To a lesser degree than in the past review, the OECS-WTO Members continue to rely on taxes on foreign trade, mainly tariffs, customs service charges, excise taxes and environmental charges. In 2012, taxes collected on international trade represented some 33% of tax revenue in the OECS WTO Members as a whole. Most OECS WTO Members undertook reforms aimed at decreasing dependence on trade taxes during the period under review, mainly with the introduction of the VAT, which applied to both goods and services. VAT rates vary across countries, ranging from 10 to 17%. The implementation of the VAT was one of the recommendations stemming from the past Trade Policy Review.

17. The OECS-WTO Members apply CARICOM's Common External Tariff (CET) with exceptions. Nearly all tariff lines are bound in each country and the average applied MFN tariff remains at 11%. The OECS average import duty for agricultural products (WTO definition) is 19.1%, considerably higher than that for non-agricultural products (9.4%). During the review period all the OECS WTO Members moved towards the application of the HS2007 tariff nomenclature. However, a major harmonization still needs to be carried out as regards the tariff structure and levels, which, although based on the CARICOM CET, continue to vary considerably across countries. Specific duties apply to a very small number of lines and none of the countries apply tariff rate quotas. Customs service charges (CSC) range from 3% in Dominica to up to 10% in Antigua and Barbuda. The only OECS country to have recorded the CSC in its WTO Tariff Schedule is St. Kitts and Nevis. The CSC is applied on all imports, including those from other OECS WTO Members.

18. OECS WTO Members use import licensing for their trade with third parties. Most licences are granted automatically; however, non-automatic licences are also still used. These impact mainly agricultural and agri-business goods. In some OECS WTO Members, and for some specific products, the concession of a non-automatic licence is linked to domestic purchases of the product.

19. Independent standards bodies function in each of the OECS WTO Members. In terms of their structure, mandate, and procedures required for the adoption of standards and technical requirements, the OECS WTO Members are quite similar. Technical regulations are developed in essentially the same manner as standards. Technical regulations and standards are generally adapted from international standards. Grenada, St Kitts and Nevis, and St Lucia undertake certification. During the period under review, Antigua and Barbuda and Grenada passed legislation on metrology.

20. None of the OECS WTO Members notified any measures to the WTO SPS Committee during the review period. The OECS WTO Members do not have an inventory of SPS measures that have been adopted. Since the last Review, new legislation pertaining to SPS measures has been enacted in Antigua and Barbuda and St Kitts and Nevis.

21. With a few exceptions, the OECS WTO Members do not use export-licensing. Only Antigua and Barbuda applies export taxes, on a limited number of products.

22. Traditionally, production for export has benefitted from tax incentives. All six OECS WTO Members have notified the WTO Committee on Subsidies and Countervailing Measures of their Fiscal Incentives Acts as providing export subsidies. The Fiscal Incentives Acts provide relief from

customs duty and income tax waivers for a certain length of time depending on the size of the investment and on export content. Antigua and Barbuda, Grenada and St. Lucia have already repealed these Acts, the other three OECS WTO Members are in the process of doing so before the end-2015 deadline granted by the WTO's General Council. Antigua and Barbuda, St Lucia, and St Vincent and the Grenadines (not operational) also provide for free zones where enterprises are exempt from customs duty and other taxes on imports.

23. OECS WTO Members do not have national programmes for export credit, insurance or guarantees. The export insurance facility provided by the Eastern Caribbean Central Bank (ECCB) for manufacturing exports, covering political and commercial risks was terminated in 2009.

24. The OECS WTO Members operate a number of incentives schemes to encourage and promote both domestic and foreign investment. During the period under review, Antigua and Barbuda and Grenada enacted new legislation on incentives to replace their Fiscal Incentives Acts. The main change modified the export subsidy element, present in the previous legislation, so as to meet the export subsidy phase-out by 2015. The remaining OECS Members are in the process of modifying their fiscal incentives laws accordingly. In addition, sector-specific incentives are in place. For example, a number of countries offer incentives to the tourism sector through the Hotels Aid Act. Agriculture and small businesses also receive incentives.

25. None of the OECS WTO Members has functional competition policy legislation in place. However, the CARICOM Competition Commission, inaugurated in January 2008 and headquartered in Suriname, is in charge of competition issues and enforcement at CARICOM level. Additionally, the OECS countries have agreed to establish an Eastern Caribbean Competition Authority by 2015.

26. All the OECS WTO Members apply price controls in the form of maximum prices and maximum mark-ups to a limited number of products, which vary from five in Dominica to about 100 items in St Vincent and the Grenadines. Products covered include essential food items, fuel and natural gas, fertilizer, and certain building materials. Marketing boards are in operation in all OECS-WTO Members, primarily in the agricultural field.

27. None of the OECS WTO Members are parties to the WTO Agreement on Government Procurement. During the period under review, Antigua and Barbuda, Dominica, and St Kitts and Nevis passed new legislation on government procurement; the legislation has not yet entered into force in Antigua and Barbuda. OECS WTO Members generally provide for both public and selective tendering. Public tendering is generally used for larger projects and when required by a donor's rules. Local or regional suppliers are not granted any preferences, except in Dominica.

28. Significant progress has been made on IPRs across the OECS WTO Members. Dominica had enacted IPR-related legislation at the time of the last review, but the laws were not in force; they entered into force during the current review period. Grenada introduced copyright, patents and trade mark legislation in 2011 and 2012; draft legislation on geographical indications, layout designs of integrated circuits, protection of plant varieties, and undisclosed information is under consideration. However, although progress has been made further efforts are required to fully reflect the TRIPS Agreement in national legislation.

29. Agriculture plays in general a smaller role in the economy of the OECS WTO Members than in the past. The sector has been affected by diminishing banana production, natural disasters (for example with the respect to nutmeg production in Grenada), and the demise of the sugar industry in St. Kitts and Nevis. The relative importance of the sector varies widely across OECS states, from virtually nil in Antigua and Barbuda, to moderately high in Dominica. The level of protection also varies, with some countries resorting to non-tariff barriers to shield their producers. Manufacturing activities in most OECS countries are limited to the production of beverages and detergents, and some other lights industries; the exception is St. Kitts and Nevis, where there is a growing electronic components industry.

30. Services, in particular tourism and related activities are, by large, the main contributors of GDP. The services subsectors of the OECS WTO Members are generally open to trade and foreign investment. All OECS WTO Members have both domestic and off-shore financial service activities. During the period under review, the financial sector of OECS WTO Members has been affected by the global financial crisis. The effect was the greatest in Antigua and Barbuda, where the demise of

Stanford International Bank is estimated to have cost the economy an estimated 20% of GDP. During the period under review and under the effect of the global crisis, OECS WTO Members have consolidated regulations of their onshore and offshore sectors under a single unit (excluding domestic banks, which are regulated by the Eastern Caribbean Central Bank (ECCB)).

31. Five of the six OECS countries (the exception is Antigua and Barbuda) have a common telecommunications policy. The Eastern Caribbean Telecommunications Authority (ECTEL) is their regulatory body; it coordinates with five National Telecommunications Regulatory Commissions (NTRCs). Despite liberalization, the market continues to be dominated by a few players and telecommunications charges are still high by international comparison. In Antigua and Barbuda, a state monopoly provides domestic fixed line services, while one private operator provides domestic long distance fixed line services.

32. In maritime transport, all OECS WTO Members set conditions to foreign ownership of domestically flagged vessels. None of the OECS WTO Members applies restrictions on international passenger and cargo maritime transport services. No government or other cargos are reserved for domestically flagged vessels or for ships owned or operated by the Government. Commercial ports are government-owned and are generally managed by a state-owned port authority in each country. Air transport policy is formulated at the OECS level by the Civil Aviation Regulatory Board. All the main airports and seaports in OECS WTO Members are owned by their respective governments and managed by government-owned authorities.

33. In most OECS WTO Members, tourism accounts, directly and indirectly, for a large percentage of GDP. There are important spill over effects from tourism on construction, distribution services, electricity, agriculture and manufacturing. The main sources of stay-over tourists to the OECS remain Caribbean countries, the United States, the United Kingdom, and Canada. Tourism policy is formulated at the country level. All OECS WTO Members offer fiscal incentives for hotel development, including customs duty and corporate income tax exemptions.