SUMMARY

1. Belize is a small economy with the lowest population density in Central America (377,968 people in 2016 in a total land area of 22,966 km^2). It is an upper-middle-income country with GDP per capita at US$4,757 in 2015. Given its limited domestic market, trade is particularly important for the economy (imports and exports combined amounted to 129% of GDP in 2015).

2. Belize's economy is vulnerable to internal and external shocks, including natural hazards and diseases affecting the agricultural and aquaculture industries. As a result, GDP growth has been volatile – it rose from 0.7% in 2013 to 4.1% in 2014, and then fell to 2.9% in 2015 – reflecting a sharp drop in agricultural production and petroleum extraction and exports. The main driver of growth was the services sector, particularly the tourism sector, which is the biggest export and foreign exchange earner and a major source of employment. The Central Bank of Belize projected a contraction of real GDP by 2.4% in 2016.

3. The current account deficit widened significantly during the review period, reflecting mainly the notable expansion in the merchandise trade deficit, while the positive inflows from trade in services were insufficient to cover the shortfalls in the current account balance. Imports increased much faster than exports – more than doubling the trade-in-goods deficit. Low population density prevents scale economies, while poor infrastructure adds to the costs of transporting goods to the domestic and international markets. Belize's main export destination remains the United States, while the share of Europe went up during the review period. The United States is also the biggest source of Belize's imports.

4. The Government's ability to address these challenges is constrained by, *inter alia,* high debt levels and limited fiscal space (external debt accounted for 67% of GDP while domestic debt was 14% of GDP in 2015), the high cost of finance (the weighted average lending rate by commercial banks is 10%), and distortions in the trade and tax policy regimes. Large expenditure related to the nationalization of Belize Telemedia Limited (BTL) and Belize Electricity Limited (BEL) also increased Government expenditure. In addition, the legislative process has been slow and there have not been any major changes since the previous Review in 2010; the authorities expect that a number of new laws will be promulgated in 2017.

5. Belize's involvement in the WTO is relatively limited. It does not have a representative in Geneva responsible for WTO affairs. However, Belize was among the first Members to ratify the WTO Trade Facilitation Agreement. It has submitted some notifications to the WTO but no notifications have ever been made in some areas such as agriculture (domestic support and export subsidies), government procurement, import licensing, and state trading enterprises.

6. Belize is a member of the Caribbean Community and Common Market (CARICOM), and applies the CARICOM common external tariff with several exceptions. CARICOM has signed bilateral trade agreements with five Latin American countries: Colombia, the Bolivarian Republic of Venezuela, Dominican Republic, Costa Rica, and Cuba, under which Belize is entitled to preferential duty-free treatment for goods on a non-reciprocal basis. However, only the agreements with Costa Rica and Cuba have been ratified. Belize also has a partial scope agreement with Guatemala, and is engaged in negotiations for similar agreements with El Salvador and Mexico. It is also a member of the Central American Integration System (SICA). Belize, through CARICOM, signed the European Partnership Agreement (EPA) which gives it quota-free and duty-free access to the EU. In addition, Belize has preferential access to the United States through the Caribbean Basin Initiative (CBI), to Canada under CARIBCAN, and qualifies for GSP treatment from a number of other countries.

7. Since 2011, ASYCUDA World has been implemented throughout Belizean customs. Belize is developing, together with other CARICOM members, legislation on government procurement, and competition policy. Currently there is no investment legislation or policy and no laws on contingency measures. Belize's foreign investment regime is generally open, with 100% foreign ownership permitted in most sectors.

8. Since the previous review, Belize has adopted a number of changes to its trade policy. The number of products subject to import licences was halved in 2012, although this was followed by "tariffication" which resulted in some applied MFN tariffs exceeding their bound rates. In addition

to tariffs, revenue replacement duties (RRDs) and environmental taxes are applied to imports from non-CARICOM countries. From April 2016, RRDs have been collected on 109 items at the HS 8-digit level, including meats, flour, jam and jellies, fruit juices, ice cream, water, beer and other fermented beverages, cigarettes, building blocks, jewellery, pearls, and aluminium structures. Most items carry *ad valorem* RRDs, with rates ranging from 5% to 50%. Furthermore, the general sales tax (GST) is not applied equally to locally produced and imported goods.

9. In 2016, Belize's tariff comprised 6,472 tariff lines at the HS eight-digit level. Most lines (99.3%) carry *ad valorem* rates, with 17 rates applied (from zero to 100%), and the highest tariff rate increase was from 70% in 2010 to 100% in 2016. Specific rates are applied on 0.7% of all tariff lines (total of 43 tariff lines), covering potatoes, onions, certain alcoholic beverages, tobacco products, fuels, ethyl alcohol, and food preparations. The simple average MFN tariff (excluding specific rates) went up from 11.6% in 2010 to 12.6% in 2016, partly attributed to the change in tariff nomenclature from HS2007 to HS2012, and partly because of the increase in the highest tariff rate from 70% to 100%. The average applied tariff for agriculture (WTO definition) was 23.3% (up from 20.5% in 2010), while that for non-agriculture products was 10.5% (up from 9.9%). Belize bound 97.7% of its tariff lines (in HS2007 nomenclature), with a simple average binding rate at 58.5%.

10. Belize provides three incentive programmes with export contingent requirements: the export processing zone programme, the free zone programme, and the fiscal incentive programme. Despite the decision by the General Council that export subsidies were to be removed by the end of 2015, Belize notified the WTO in October 2016 that it had not yet removed export contingent requirements from these programmes although it had set up an action plan and a working group to do so.

11. Agriculture represents 10% of GDP, and agricultural products account for 40% of total merchandise exports. Agriculture faces a number of challenges: disease outbreaks have reduced production of citrus fruits, papaya, and shrimp; tropical storms caused wind and flood damage; and poor infrastructure added to the cost and time of getting products to markets. Belize has been preparing a National Agricultural Policy 2015-2030. Some policies also seem to have conflicting objectives, thus, while border measures are used to protect domestic producers from international competition and to raise domestic prices, the Government also applies price controls on some basic commodities.

12. Fishing and aquaculture, contributing 3% to GDP, contracted significantly in 2015 as farmed shrimp output declined by 42% due to a disease outbreak, while total catch has declined since 2010. Belize has a large trade surplus in fish and fish products. Fishing policy is focused on stock management, including through the Caribbean Community Common Fisheries Policy.

13. Petroleum production, which is an important sector for the economy and a main contributor to government revenue, declined as reserves became depleted and world prices remained low. Crude oil is exported mainly to the United States for refining; exports have declined over the past few years. Imports of petroleum oils have increased in general. The contribution to government revenue from royalties, production sharing, and other fees and duties from oil and minerals has declined significantly since fiscal year 2011/12 when it was over BZ$38 million to an estimated BZ$11 million in FY2015/16.

14. Tourism is important to the economy, accounting for nearly 15% of GDP and over a third of total employment, and is the main foreign exchange earner. However, it faces several challenges including insufficient international-standard tourism facilities, lack of technical and marketing skills, and poor land, air and sea connectivity. Encouraging overnight stays by cruise ship tourists would help increase tourist expenditure in the country. With the Belize Barrier Reef, many archeologically interesting sites, and large unspoilt land areas, there is considerable potential for further expansion in tourism.

15. Belize's financial sector is characterized by a strong foreign presence and a distinct separation between domestic and international (offshore) financial institutions, each being subject to different laws and regulators. During the review period, important changes were made to the legislation on domestic banks in order to align it with international standards and best practices. The framework for anti-money laundering and combating the financing of terrorism (AML/CFT) was

also strengthened. Nonetheless, the loss of correspondent banking relationships by several local banks in recent times – due to the "de-risking" measures adopted by global banks to comply with AML/CFT regulations – has resulted in a significant increase in transaction costs in Belize and a winding down of deposits in international banks.

16. In the telecommunications sector, competition is still incipient and prices remain high by regional standards, adding to the costs of doing business. A positive development for the sector was, however, the establishment of Belize's first Internet Exchange Point (IXP) in April 2016, which is expected to reduce the cost of local Internet traffic. Improving the country's transport infrastructure, particularly the road network and ports, and establishing direct air links with European and other countries, would help reduce trading costs and delays, improve connectivity and help boost the tourism industry.

17. During the period under review, Belize was hit by several shocks which have affected the economy generally and agriculture and fisheries in particular. In addition, the lack of institutional resources and the slow pace of domestic reform may have hampered the economy's ability to adjust to such shocks. The small size of the country and poor infrastructure have also contributed to the weak economic and trade performance. On the other hand, the growth in tourism has benefitted the country. Furthermore, with a low population density, agriculture has considerable potential and Belize has had some success both in maintaining production and exports of sugar and bananas and in developing new products.