WORLD TRADE ORGANIZATION

WT/TPR/G/299/Rev.1

18 September 2014

(14-5245)

Page: 1/115

Trade Policy Review Body

Original: English

TRADE POLICY REVIEW

REPORT BY

OECS-WTO MEMBERS

Revision

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by OECS is attached.

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COMMON REPORT

1 INTRODUCTION

1.1. The Organization of the Eastern Caribbean States (OECS), established via the Treaty of Basseterre, is a grouping of nine small island developing States in the Eastern Caribbean with a history of economic integration and functional cooperation spanning over three decades. Full membership comprises the independent States of Antigua & Barbuda, Dominica, Grenada, St. Kitts & Nevis, Saint Lucia and St. Vincent & the Grenadines, and the non-independent State of Montserrat. Anguilla and the British Virgin Islands are associate members of the OECS. The six independent members of the OECS are also Members of the World Trade Organization (WTO). On 18 June 2010, the OECS Member States signed the Revised Treaty of Basseterre (RTB) establishing the OECS Economic Union in an effort to deepen the existing level of integration among themselves. The RTB entered into force on 21 January 2011.

1.2. The OECS Member States, with a combined population of approximately 639,331 (UNDP: 2009 MDG Report) are small, vulnerable, open economies, which are heavily trade dependent. These countries are very volatile and prone to external shocks. Their main developmental challenges are their exposure to changes in terms of trade, tourism and foreign investment flows, as well as natural hazards and impact from climate change. In addition to their small size; high debt levels and limited fiscal space also pose significant constraints on governments' ability to address development needs.[1]

1.3. Like most small economies, the OECS Member States are net importers of goods and net exporters of services. Their small domestic production bases and markets mandate that these countries trade with one another and with third-party countries. Therefore, the competitiveness of these countries is linked to the efficiency with which they are able to trade.

1.4. In light of this, the trade-related development goals and priorities for the OECS are driven by the need to bridge supply capacity gaps in the productive sectors, including trade-related infrastructure such as transport, and information communication technology; spurring private sector development and investment, increasing productive efficiency and expanding production, increasing market access and securing commercial presence, thereby setting the OECS along a path towards achieving export-led growth. Important core areas that will receive attention in the short term include: implementation of provisions and measures relating to the free circulation of goods, completion of ongoing trade negotiations, services trade development, trade and business facilitation, competition law and intellectual property.

1.5. During the second trade policy review for the OECS which took place in June 2007, Member States announced their commitment to engaging in the process of trade liberalization through multilateral and bilateral processes and also acknowledged the move away from unilateral preferential arrangements to negotiated reciprocal agreements consistent with WTO principles. Thus, this report on the third trade policy review will seek to capture the steps taken within the OECS to actively participate in the trade liberalization process at the multilateral level with a focus on safeguarding sensitive domestic sectors and providing more access to markets of export interest. Additionally, the report will highlight the region's involvement in the conclusion of a reciprocal trade agreement (Economic Partnership Agreement) between the CARIFORUM members of the African Caribbean & Pacific Grouping (ACP) and the European Union and the implementation of policies and procedures to enhance the economic growth and development of their economies. Finally, a major focus of this report will be the articulation of the deepening of regional integration as the underpinning of national and regional trade policy within the OECS. It is envisioned that, the implementation of the OECS Economic Union will result in the merging of national and regional policy as member States move to execute common trade policies as provided for in the RTB (Article 18 - Protocol to the RTB).

[1] http://www.worldbank.org/en/country/oecs/overview.

2 MAIN ECONOMIC DEVELOPMENTS

2.1 Macro-Economic Performance and Outlook

2.1. The production and trade structures of OECS countries demonstrate that they are predominantly service-based economies. Services-related sectors contribute between 60-75% of GDP, including Travel, Insurance, Transportation and Other Business Services (e.g. Construction, Engineering and Management Consultancy). Industry (including manufacturing) accounts for roughly 20-28% of output, with agriculture contributing 8-12%. In terms of trade structure, OECS Member States export mostly services and import mostly goods. Services exports account for almost 80% of the region's total exports, up from a 66% share in the early 1990s.

2.2. All of the OECS countries have healthy trade surpluses in travel and tourism services, while they typically run trade deficits in other business services such as construction, accounting and management consulting. However, the positive performance in services trade has not generally been sufficient to offset the deteriorating merchandise trade deficit. The region is heavily reliant on tourism services exports. The critical need to diversify the services portfolio and significantly increase exports is well known as the deficit on the goods account of most OECS economies increases.

2.3. The OECS was deeply impacted by the global financial crisis in 2008, as tourism and foreign investments flows contracted significantly in the region. GDP growth in the region severely contracted for two consecutive years (2009-2010), with unusually high disparities across the Member States. These disparities ranged from a cumulative 20% contraction in Antigua & Barbuda to a contraction of approximately 6% in St. Kitts & Nevis for the same period.[2]

2.4. During this review period, the OECS Member States faced some of their most formidable economic and social challenges since attaining political independence. Recent macroeconomic trends in the wake of the global financial crisis indicate that:

- every OECS country has experienced a significant fall in the rate of growth during 2000-2010 compared with the previous two decades;

- rapid declines in export competitiveness resulted in collapsed foreign exchange commodity earnings: e.g. banana exports from Dominica collapsed to just 1.5% of GDP in 2008 from almost 25% in 1988;

- real GDP contracted annually by 1.1% on average over the period 2008-2012, in sharp contrast to an average expansion of 5.1% in the five years prior; but even that pre-crisis expansion masked weak underlying conditions, in particular the worsening of the fiscal accounts associated with decades of high budget and trade deficits, financed by domestic and external borrowing.[3]

2.5. Economic recovery in the OECS has been sluggish, following the global financial crisis. Consequently, the aggregate OECS economy is not estimated to return to pre-crisis growth levels before 2016-2017, according to predictions at the time of writing.

2.6. The projected weak economic recovery in the OECS reflects the fact that initial conditions prior to the crisis were weak, in particular the build-up of debt, which reflected an underlying worsening of the fiscal accounts. That is apart from the growth spurt of 2003–2007, which was driven mainly by tourism, construction activity and foreign direct investment linked to preparations for the hosting of Cricket World Cup 2007.

2.7. While the OECS economies have made notable progress on many aspects of development, including some of the Millennium Development Goals (MDGs), the current juncture of low growth and a high debt overhang threatens the region's developmental progress. Of concern is the apparent secular decline in economic growth over the past two decades – in sharp contrast to comparable small States.

[2] http://www.worldbank.org/en/country/oecs/overview.
[3] ODGS 2014.

2.8. The peculiarities of the OECS Member States make pursuit of growth and development objectives particularly challenging. These small island states of the OECS region are plagued by: (a) small domestic markets that pose inherent constraints to private sector efficiency and growth; (b) limited product diversification, increasing both the risk and the return that can be derived from economic activity and (c) diseconomies of scale in the provision of public services. Moreover, the OECS States are particularly vulnerable to natural disasters, such as hurricanes and other extreme weather events including droughts, which are now being exacerbated by the adverse impacts of global climate change. These disasters effectively reduce the domestic capital stock, lead to an increase in the cost of capital through high replacement rates, and force States to resort to additional borrowing to aid recovery efforts.

2.9. The investment ratio (gross investment as a share of output) averaged 28.0% in the OECS Eastern Caribbean Currency Union (ECCU) over the review period, compared to the period average for small States of 25.3%. The investment ratio declined post-crisis however, and has yet to return to its pre-crisis average. Foreign direct investment has grown in importance over the review period, and has contributed greatly to growth and development in the ECCU as well as to external sustainability. FDI inflows to the ECCU increased to approximately 15% of GDP from 2006-2008, reflecting the easy availability of foreign financing at the time.

2.10. Long swings in economic activity, and unsustainable fiscal and debt burdens contribute to heightened macroeconomic volatility and uncertainty across the OECS Member States; an environment from which it is quite difficult to generate sustained increases in living standards. Despite this situation, an attractive return on investment is possible, though difficult, to capture as a result of macroeconomic risks, excessive taxation, an inefficient tax structure, weak institutions and infrastructure, and macroeconomic instability.

2.11. The quasi-currency board arrangement in the ECCU has served the region well, anchoring inflation expectations, engendering macroeconomic stability, and thus assuring investors that returns on investment will not be eroded. Inflation in the OECS averaged 3.7% over the review period, in comparison to the Small States average of 9.7%.

2.12. Recovery remains fragile, as average growth for the region was estimated to have reached only slightly above 1% in 2012. The global slowdown also revealed vulnerabilities in the financial sector, and made more evident the need for diversifying economic sources of growth and increasing regional integration.[4]

2.2 The External Environment

2.13. In the OECS Growth and Development Strategy, it is noted that the growth trends in the OECS, when contrasted with recent economic performance in the wider Latin America and Caribbean region, also strongly suggest the need for the OECS to explore growth opportunities through closer engagement with emerging economies in Latin America, even while efforts continue to consolidate trading relations and improve export performance in traditional markets in Europe and North America.

2.14. It is also noted that external shocks, such as those that occurred with the global financial and economic crisis, have the effect of accentuating existing human and social vulnerabilities in OECS Member States. These jolts to the social and economic system bring into sharp acknowledgment the need for greater cost-effectiveness in the implementation of measures geared to improve the efficiency and coverage of social safety nets. However, even under more normal circumstances, in order to address the many cross-cutting social issues common to most Member States, more efficient and effective strategies need to be employed.

2.3 Strategic Responses

2.15. OECS Member States have noted that the uncertainty and turbulence which characterize the external environment require a range of responses, including those which are both immediate in their effect, as well as those which will result in change and transformation of OECS economies, over time. Immediate tactical and short to medium term strategic responses geared towards

[4] http://www.worldbank.org/en/country/oecs/overview.

securing higher and sustained levels of economic growth and development need to be part of the arsenal going forward. It is in this regard, as a concerted and consolidated policy response to current and anticipated global trends and challenges, that the vital importance of the decision of OECS Member States to establish the OECS Economic Union in January 2011 is underscored. This deeper form of integration serves as the platform for enhanced growth and development prospects for the OECS region. These pursuits are the principle purposes underlying the OECS Growth and Development Strategy (OGDS).

2.16. Rooted within the new reality of the Economic Union, for the medium to longer term, but with critical actions identified for implementation in the short term, the OGDS sets out a growth and development path for the OECS that takes full advantage of the economic leverage inherent in the creation of the single economic and financial space. Importantly, it should be noted that this global strategy embraces the well-placed emphasis on the need for structural reforms geared towards boosting private investment and productivity, as expressed in the IMF's Regional Economic Outlook for the Western Hemisphere. These include: improving the effectiveness of public investment; improving the ease of doing business and the overall investment environment; increasing efficiency and reducing costs in the product, labour and financial markets; and pursuing deeper regional integration to help overcome size-related disadvantages.

2.17. Consistent with the broad growth and development thrust for the OECS, and in response to pressing fiscal and debt challenges, the member governments of the ECCU have articulated a set of consistent policies and approaches in the form of a comprehensive plan of action, referred to as the ECCU Eight Point Stabilisation and Growth Programme. The objective of the programme is to stabilise and transform the OECS countries, with the stabilization and adjustment period identified as 2012–2014; and a transformation period from 2015–2020. One arm of the programme, termed the Macroeconomic Stability package, seeks to address the fiscal and debt overhang through an inter-related set of policies. These include financial programmes – which specify a quantitative list of fiscal targets – fiscal reform programmes, and debt management programmes. Taken as a whole, the macroeconomic stability package seeks to widen and further entrench the stability gains derived from the quasi-currency board arrangement, enhancing the credibility of member governments, and encouraging foreign investment.

2.18. In addition to the Macroeconomic Stability package, the Eight Point Stabilization and Growth Programme includes a Financial Sector Stability Component. This component seeks to address vulnerabilities in the financial sector exacerbated by the financial and economic crisis, and proposes financial safety net programmes, the amalgamation of indigenous commercial banks, and the rationalization, development, and regulation of the insurance sector. These financial sector interventions are deemed necessary for achieving high, sustainable growth in the OECS. Overall therefore, the Eight Point Stabilization and Growth Programme provides the means toward further entrenching stability in the main macroeconomic aggregates.

2.4 The Strategy in the Context of the Revised Treaty of Basseterre

2.19. As provided for in Articles 13.1 and 13.2 of the Protocol of the RTB, each Protocol Member State has undertaken to "participate in the setting of both general and specific developmental objectives which arise from the OECS Development Strategy and OECS Development Charter". These cited general developmental objectives cover five areas previously identified by the Authority of Heads of Government of the OECS, namely; i) economic transformation; ii) growth; iii) employment; iv) poverty reduction; and v) attainment of the appropriate levels measured by Human Development Indices as set by the United Nations.

2.20. The above parameters, set within the context of the more recently formulated 8-point Growth and Stabilisation Programme and the OGDS itself, essentially define the broad scope within which the OECS Commission and other regional institutions, notably the Eastern Caribbean Central Bank, need to collaborate closely with OECS Member States in defining and agreeing on the necessary and most practical or feasible approaches to advancing growth and development in the OECS Economic Union.

2.21. By providing several avenues for stimulating renewed economic growth while strengthening fiscal discipline and social stability, the OGDS can facilitate and trigger the resilience needed to ensure that the OECS economies effectively integrate these facets, pursue new possibilities and revive new opportunities for wealth creation. Greater inclusion of the OECS Diaspora in these plans is a key strategic shift alongside several creative solutions for the short, medium, long term.

2.5 Sectoral Developments & Strategies

2.5.1 Tourism

2.22. Since 2007, tourism's performance as a major economic driver in the OECS region has been severely impacted by a number of crises, most notably the global economic and financial crisis which was in full effect by the second half of 2008. As the single most important economic sector in the OECS, tourism was identified as a prime indirect channel for transmission of the impact of global economic conditions to the OECS region. This was largely due to reduced inflows of foreign direct investment resulting in large measure from the credit crunch in the United States; and a decline in visitor arrivals and tourism receipts due to recessions in major tourist generating markets for the OECS, particularly the United States and Europe. These effects continued into 2013.

2.23. Nonetheless, OECS Member States still hold tourism as the lead transformative sector for the region by virtue of its significant direct impact on GDP, employment levels and foreign exchange earnings in most Member States, and given its untapped opportunities for generating economic activity in other sectors. To this end, the OECS has developed a regional Tourism Sector Strategy, to help address the impact of the global crisis and chart the way forward to tapping into new opportunities.

2.24. The major thrust of the Tourism Sector Strategy is to harmonize border management systems and to reduce cumbersome procedures that frustrate the ease of access to and travel through the OECS, by visitors from traditional and new tourism source markets. This will be complemented by implementing a joint approach to the development of key niche products amongst countries that either have common interests or possess comparative advantages in particular niches (e.g. diving, sailing, community-based products and events). This will support national product development and marketing efforts as well as strengthen the base for multi-destination tourism.

2.25. Joint approaches will also be adopted to support domestic airlines and attract international ones, including the sharing of market intelligence and commitment to transparency and adoption of good practices in providing marketing support and incentives. Enforcement and strengthening of regional civil aviation regulations will be geared towards progressive liberalization of air transport and intensification of efforts to create a single regional air space within the OECS.

2.26. Parallel initiatives will be implemented to establish a common maritime space in the OECS, which will include facilitating the seamless travel of yachts across the single space, and the development of guidelines for environmental compliance and enforcement, so that territorial waste and marine pollution by commercial and pleasure vessels, are traceable and minimized.

2.27. Strategies will also be implemented to significantly expand and strengthen linkages between tourism and other sectors, including food and beverage/culinary arts, agriculture and crafts, and SMEs in other productive goods and services sectors. Simultaneously, the quality of the skills base will be significantly strengthened through the implementation of an integrated network of tourism and hospitality training institutions, each specialising in a particular niche area of internationally accredited certification programmes for tourism and hospitality workers, offering a comparative advantage for the OECS.

2.5.2 Agriculture

2.28. The dramatic decline in agriculture's contribution to less than 5% of GDP in the OECS since the Year 2000 is well documented. This is largely due to the decline in the production and export of sugar and bananas – traditional agricultural commodities – from the Windward Islands and St. Kitts-Nevis. Data gathered by the ECCB reveals a modestly upward trend in the sector's contribution to regional GDP, from 2.93% in 2007 to 3.2% in 2011, with a stable contribution of 3.5% projected into 2014.

2.29. During the five year period 2007–2011, non-traditional crops recorded an increased contribution to agriculture GDP from 1.77% in 2007 to 2.01% in 2011 - an indication of some effort by Member States to respond to the issues of food and nutrition security.

2.30. Current agricultural activity in OECS Member States reflects a diverse set of activities undertaken by commercial, semi-commercial and subsistence producers in collaboration (to varying extents) with their respective ministries of agriculture. The intensity and effectiveness of the delivery of each national programme relies heavily on public sector budgetary allocations, funding and technical support from regional and international development institutions and donor agencies, and the capacity to attract private sector investments.

2.31. The priority strategic actions for Agriculture will revolve around Promotion of a Market-Oriented Agribusiness approach to alleviating poverty in the rural milieu and achieving Food and Nutrition Security, while developing and promoting export-oriented and agro-tourism services value chains, supported by the strengthening of Agricultural Health and Food Safety Systems (AHFS). An incentives regime will be established to encourage compliance with land use management policies, while steps will be taken to establish dedicated value chain financing facilities for the agribusiness sector.

2.5.3 Manufacturing

2.32. The manufacturing sector contributes to the economy as a source of employment and consumer spending, and generates part of the tax revenues paid by businesses to central governments. It is an important source of demand for and supply of products and services from other industries (spin-off effect), from primary resources and energy production, to transportation, financial, and communication services, to legal, health and accounting professionals, to business management, design, engineering, and IT support.

2.33. The manufacturing sector in the OECS is important to the economic health of the region. However, it has underperformed in recent years. The contribution of the industry to the economy as a whole deteriorated significantly through the decade of the 2000s, from a peak of 3.2% in 2001 to a low of 2.5% in 2008. Since the global economic crisis the sector has not recovered to its earlier relative level of importance. However, the ECCB does project a recovery through the next two years to the end of 2014. Given the challenges the sector faces, any recovery will not be easy to achieve without thoughtful, concerted, sustained action.

2.34. The top priority for Manufacturing is to approve and implement a comprehensive Manufacturing Policy, Strategy, and Action Plan for the OECS. This will be pursued in concert with a regional export strategy geared towards penetrating target markets in the Caribbean, North and South America and Europe. This export strategy will be guided by a systematic approach to export readiness, branding, marketing and penetration of high-potential target market segments for OECS producers. Key strategic outcomes include:

- economies of scale exploited within the single production space;
- industrial performance benchmarks fully developed and adopted;
- implementation of a Total Quality Management programme for the sector; and
- firm-level technical assistance extended to OECS manufacturers to improve their quality performance.

2.5.4 Construction

2.35. According to the Eastern Caribbean Central Bank, the OECS region experienced Foreign Direct Investment inflows of EC$3.3 billion in the period 2003–07 but this figure dropped to EC$1.7 billion in the period 2008 to 2012. This 50% falloff is largely a result of the current global financial situation, which has significantly hurt the economies in the OECS including the construction sector as a major beneficiary of FDI inflows.

2.36. There is need to strategically position the construction sector and build its resilience in the face of the protracted global financial and economic crisis. The World Bank Doing Business Survey (2012) reflects the continuing downward trend in global rankings by the OECS Member States, largely due to significant reforms being done by other countries. It includes Construction Permits as one of its metrics for the state of the regulatory environment in which domestic firms operate, with special focus on development planning approval legislation.

2.37. In the wake of the global economic and financial crisis of the late 2000s which triggered the significant drop in FDI inflows, it was widely perceived that the Construction sector had a vital role to play in leading the region's economic recovery effort. Four OECS governments implemented some form of Construction Stimulus package:

- Grenada offered a 50% reduction in VAT on selected items;

- St. Lucia provided generous tax refunds to hardware stores for construction materials sold for residential and commercial activities, based on an inventory taken of stock before implementation of the programme; and

- Incentives were provided in Antigua and Barbuda and St. Kitts and Nevis limited to home construction, where qualified participants were registered to obtain the benefits extended.

2.38. It is suggested that elements in each package can be extracted to develop a more robust and sound integrated approach than that which currently obtains in any one jurisdiction. The Sector Analysis details ways and means for greater impact through an amalgamated OECS construction stimulus package, including registration for eligible participants, removal of Stamp Duty on mortgages and a parallel land development stimulus package.

2.5.5 Other services

2.39. Articles 13.4 and 26 of the Protocol to the Revised Treaty of Basseterre mandate the progressive harmonization of policies on the services sector and the adoption of a common policy towards the development and regulation of the services sector. Recognising that global trade in services is large and growing rapidly, particularly in knowledge-based activities, to the extent that Services related sectors contribute on average between 60-75% of GDP, and mindful that individual Member States have developed varying policy initiatives and strategies to propel non-tourism service exports as a stepping stone to expanding their export bases through increased trade in new sectors: the OGDS proposes several interventions for the Services sector. These will result in invaluable outcomes such as:

- A harmonised OECS Services Policy and Incentives Regime legislated to encourage growth of export-oriented Services Industries consistent with the CARICOM Regional Strategic Action Plan for Services and including harmonization of laws and administrative practices in respect of companies and other entities, intellectual property rights, standards and competition policy;

- A coherent regionalized mechanism for data collection established to provide improved trade in services statistics and analyses, and to better inform trade negotiations;

- Strengthened and improved funding for national Coalitions of Services Industries and the OECS Competitive Business Unit (CBU) - as a Focal agency for services enterprises seeking to penetrate foreign markets and for foreign trade missions and companies seeking joint ventures/partnerships in the OECS Economic Union;

- A stable cadre of trade policy officers trained in services trade issues within each Member country to formulate, negotiate, implement, and monitor services trade issues as well as assess the impact of services trade liberalization at regular intervals and ensure compliance with commitments made in services trade agreements; and

- A special regional regime for Microenterprise Development created to support the development of the institutional capabilities of small and medium-sized services enterprises including capacity for quality assurance and innovation.

2.5.6 Creative industries

2.40. Research confirms that cultural industries experienced exponential growth in the last two decades, with global earnings valued at close to US$1.3 trillion in 2005. The small-island developing States of the Caribbean are well poised to take advantage of this trade in cultural goods and services because it offers opportunities to link critical development imperatives - namely cultural citizenship and identity, spatial culture, media and communication - within a framework of sustainable economic growth.

2.41. In this regard, this growth driver seeks to position the region's cultural or copyrights-based industries to take maximum advantage of the new trading opportunities available within the OECS Economic Union, the CSME and further afield, particularly in Europe under the CARIFORUM-EU EPA. Concurrently, accelerated steps will be taken to better define and measure the commercial activity involved in each creative subsector to better inform the targeting of product development support and marketing of OECS cultural services.

2.42. Fundamental to the medium to long term growth of the cultural industries is the need to align the copyright laws of Member States with European Union and US practice, thereby protecting the region's trading and investment interests. This will be complemented by public awareness and advocacy in Member States to support enforcement of the laws against IP infringement, in particular to prevent rampant piracy.

2.43. Against this backdrop, the specific growth and developmental potential of the creative industries sector also has to be catered to in the ongoing harmonization and rationalization of OECS investment and tax regimes. Local production capabilities, especially in music, audio-visuals, and handicraft, will be strengthened through the provision of quality training, assistance in marketing and facilitation of market access.

2.5.7 Information and Communications Technologies (ICT)

2.44. The state of the ICT sector and ICT services in the OECS and the wider Caribbean Region has improved in recent years. The telecommunications markets in most Caribbean countries have been liberalised, with operators in these markets able to offer a full range of telecom services. Telecommunications remains one of the Caribbean's major growth industries, particularly in the mobile telephony and data sub-sectors.

2.45. Since 1998, OECS Member States have been making concerted efforts to ensure the modernization of the ICT sector. Their liberalization efforts led to the removal of exclusivity and introduction of modern telecommunications legislation and regulations. It has also resulted in an improved degree of market competition in mobile telephony, the reduction of telephone tariffs and the introduction of cable companies capable of providing voice, video and data services. It is widely recognised that more needs to be done to make the sector more competitive and interconnected, mindful of the changing environment expected in the years ahead.

2.46. The Caribbean region has a range of small markets with limited potential for growth, yet the main telecommunication companies – LIME and Digicel – have shown considerable confidence in the sector, reflected in their willingness to invest in their fixed-line and mobile networks and so encourage consumer use of high-end data services. As such, their expectation is for future revenue streams to be derived from the migration of customers from 2G to 3G and 4G networks, and from basic broadband services to comprehensive bundled offers.

2.47. The rate of internet usage per capita is one useful broad measure of the rate of technology adaptation. Penetration of internet usage in the region averages 32.4% of the population. This is the lowest rate for any region in the Western Hemisphere. Clearly, further development in this sector is required in order to bring regional usage closer to world levels.

3 TRADE POLICY AND INSTITUTIONAL FRAMEWORK

3.1 Trade Policy

3.1. The OECS is committed to pursuing economic policy aimed at liberalizing trade, market penetration, building more nimble economic structures and more efficient business facilitation. All of the Member States have embarked on a phased reduction of customs tariffs and programmes toward the removal of quantitative restrictions. The majority of OECS Member States have de-monopolized the telecommunications sector, and established a coherent regional regulatory framework.

3.2. At the same time, the OECS has placed the factor of vulnerability on their trade agenda by arguing for special and differential treatment in regional, bilateral and multilateral trade arrangements. This special and differential treatment may take the form of longer periods for compliance with specific regulations and easier access to markets, exemption from certain obligations and lower levels of commitments.

3.3. Implementation of trade policy is an area where OECS Member States have been tackling collaboratively with the aim of achieving maximum results in a more efficient manner. The OECS Member States are also party to the wider Caribbean Community (CARICOM) regional integration arrangement, which has pursued and concluded several trade agreements with countries and regions based on historical relations and geographical proximity. Through the administrative and technical work of the OECS and CARICOM Secretariats, OECS Member States have utilized regional integration as the underpinning of national and regional trade policy.

3.4. The OECS has also been able to secure technical and financial support from development partners to negotiate trade arrangements and assist with implementing the required institutional and legislative reforms associated with these arrangements.

3.5. With respect to the development of the services sector, initiatives have been undertaken by the OECS, the CARICOM Secretariat and other agencies to improve the administrative and regulatory environment, and development assistance to establish Coalition of Services Industries in each OECS Member States.

3.6. Issues relating to competition policy and law have also been addressed by the OECS and CARICOM Secretariats through consultations and the preparation of model laws. It has been agreed that an OECS Competition Authority will be established by 2015 to act as the national authority of individual Member States.

3.2 Trade Facilitation

3.7. One of the key policy objectives of the OECS is to improve the competiveness of the region. Among other things, trade facilitation and logistics costs are important determinants of the competitiveness of these trade-dependent economies. Trade facilitation has the potential to reduce the time and cost of moving goods across borders.

3.8. One of the indicators of the gap in competitiveness is the World Bank Doing Business Report. On average, all of the OECS countries' overall ranking has fallen over the review period while there has been some fluctuation across Member States in the rankings for trading across borders. All in all, little improvement has been observed in the past half-decade.

3.9. Regional initiatives on trade facilitation in the WTO and free circulation of goods in the OECS Economic Union are expected to yield benefits that will lead to an improved business environment. At a minimum, these actions are expected to contribute to minimizing trade transaction costs. Two major initiatives contributing to enhancement of the environment for doing business are the OECS E-Government for Regional Integration Project (EGRIP), and the IFC project on the Investment Climate.

3.10. EGRIP started in 2009, with original beneficiaries Dominica, Grenada, St. Vincent and the Grenadines and Saint Lucia. Antigua and Barbuda and St. Kitts and Nevis joined the project in January 2012. EGRIP helped to reform and modernize the public sector in beneficiary countries through automation and pooling of resources to deliver regionally integrated e-government applications that take advantage of economies of scale. In the process the project is helping to improve the efficiency of government operations that relate to doing business. The project benefits accrue in the areas of public sector reform, empowerment of citizens and businesses, and efficiency gains for institutions and end-users.

3.11. Improvements to the environment for Doing Business are being effected through the IFC project on the Investment Climate, which was initiated in 2009. For the most part, OECS economies are quite open to foreign investment. With the exceptions of (a) requirements to obtain an Alien Landholders Licence for non-national investors seeking to purchase property and (b) a trade licence for foreigners establishing a company.

3.12. With respect to shipping constraints in and with OECS countries, the response is to implement a programme of support to the OECS small vessels transportation and logistics cluster. The establishment of OECS Distribution & Transportation Company (ODTC) is another initiative to address this challenging situation.

3.3 Institutional Framework

3.13. In 2003 the OECS Secretariat established the Trade Policy Unit (TPU) within the Economic Affairs Division to assist Member States to formulate and implement trade policies and negotiate trade rules and arrangements which will facilitate sustainable development. The Trade Policy Unit, which currently staffs three (3) programme officers, plays a key role in facilitating high-level discussions on trade issues through such fora as the OECS Trade Negotiations Group (TNG), OECS Trade Ministers Meeting and the OECS/WTO Trade Policy Review. The Unit's core objectives are to:

- promote cooperation and harmonization of trade policy among the Member States;

- assist Member States, to adopt a common trade policy in their relations with third states;

- assist Member States to meet their obligations and responsibilities under international trade arrangements; and

- provide technical support to the OECS TNG.

3.14. The OECS Trade Negotiations Group (TNG) comprises trade officials and private sector representatives from each Member State and the OECS Secretariat. The TNG's main task is to facilitate the formulation of OECS positions on issues being negotiated and to enhance Member States' participation in the various negotiating theatres. It provides a formal mechanism for engagement of national public and private sector representatives on trade-related matters.

3.15. The deliberations of the TNG are submitted to Ministers of Trade and decisions from this forum are sent to the OECS Authority (Heads of Government) for ratification. The OECS perspective on trade matters are tabled at meetings of the CARICOM Council for Trade and Economic Development (COTED) and at meetings of the CARICOM Conference of Heads of Government.

3.16. The decisions of COTED and the CARICOM Heads are used to guide the Office of Trade Negotiations (OTN), the negotiating arm of CARICOM, in formulating regional negotiating positions and strategies for their bilateral and multilateral negotiations with third party countries and groupings.

3.17. Other institutional arrangements that are integral to the work of the Trade Policy Unit are:

- The Geneva Mission – established to address the lack of effective presence in the WTO. The Mission monitors, analyses and reports on developments in the WTO negotiations and submits proposals to Geneva-based Committees/Councils. It has strengthened the OECS' capacity to deal with issues relating to their membership in the WTO. The TPU is the liaison between the Mission and capital-based trade officials.

- The Hub and Spokes Project – promotes the effective participation of Member States in international trade negotiations and re-enforces their capacity to formulate and implement trade policies consistent with their overall development strategies. The Project's staff works along with the TPU to undertake technical work and convene trade related activities to assist trade officials to prepare their positions for negotiations on trade rules and tariff reduction for agriculture and non-agricultural products in negotiating. The H & S Project is managed by the COMSEC and is funded by the EU.

3.18. At the national level, responsibility for trade policy development and implementation lies in different ministries and agencies but are usually coordinated by ministries with responsibility for trade and commerce. The mainstreaming of trade into national economic policy continues to be driven by national trade policy committees and trade facilitation task forces whose compositions include both public and private sector participation. This has resulted in greater organization and coordination at the national level on matters of trade policy.

4 REGIONAL INTEGRATION

4.1 The CARICOM Single Market & Economy (CSME)

4.1. Prior to the establishment of the OECS, the countries of the sub-region had also been part of a larger regional integration arrangement known as the Caribbean Community & Common Market (CARICOM) since 1973. In 2001, the Revised Treaty of Chaguaramas was signed by the CARICOM Heads of Government, which includes Heads of the OECS Authority, establishing the CARICOM Single Market & Economy (CSME). The CSME is intended to develop the region's competitiveness by creating a single economic space for the free movement of labour, goods, services, capital and the establishment of businesses across CARICOM Member States. The expected benefits include higher levels of employment, improved production efficiency, greater investment and increased intra-regional trade.

4.2. The CARICOM Single Market was operationalized on 1st July 2006 with the signing of the Declaration of participation by CARICOM Heads of Government. It was subsequently agreed that the implementation of the Single Economy would be undertaken by 2015. During this review period, steps toward meeting this deadline have been hindered by capacity constraints and the effects of the recent global financial crisis.

4.3. Because of the discernible economic and geographic disparities between some of the larger countries of CARICOM and the smaller countries of the OECS as well as Belize, provisions have been made in the Revised Treaty of Chaguaramas (RTC) to categorise the OECS countries and Belize as Less Developed Countries (LDCs) and the others as More Developed Countries (MDCs) within the CARICOM grouping. Because of the vulnerabilities inherent to the small economies of the OECS, Chapter 7 also grants the LDCs special and differential treatment with regard to implementing the Single Market and adjusting to the effects of regional and global trade liberalization and competition.

4.4. Free movement of goods within the CARICOM Single Market has achieved significant grounds. The OECS-WTO Members apply the CARICOM rules of origin provisions in order to facilitate the tariff-free entry of goods originating in CARICOM. However, a few barriers still exist with regard to the movement of certain agricultural produce and specific goods which are impacted by standards and technical regulations. With regard to the importation of goods into the Single Market from third-party territories, the OECS-WTO Members apply the CARICOM Common External Tariff (CET) on these third-party goods.

4.5. In 2006, the 20th and 21st Meetings of the COTED took the decision to suspend CARICOM Origin Treatment on a list of specified products and granted a suspension of the CET for these products to OECS Member States along with Belize (LDCs) in accordance with the provisions of Article 164 of the RTC. This suspension was granted for a period of five (5) years in order to allow LDCS to (i) charge tariffs on specified products imported from CARICOM MDCs and (ii) charge tariffs in excess of the CET on specified products imported from third-party countries. The Article 164 regime was geared toward assisting LDCs in promoting the development and competitiveness of specified products being produced within their territories. However, since the last trade policy review, the effectiveness of the regime was hindered by some of the limitations in the business and trade environment across the OECS. As a result, the COTED took a decision at the end of 2012 to extend the application of the Article 164 Regime with a view to establish a number of supportive measures (e.g. regional standards, harmonized competition policy legislation, trade financing, investment in energy sector and transportation logistics) in accordance with paragraph 2 of this Article that are considered indispensable to the success of the regime. The OECS and CARICOM Secretariats are currently collaborating to assist OECS Member States to obtain technical and financial assistance to implement these support measures in order to improve the effectiveness of the Regime.

4.6. Article 46 of the RTC initially allowed for the freely movement (no work permit requirements) of five (5) categories[5] of skilled CARICOM Nationals throughout the Single Market to seek employment. Over the course of this review period, an additional five (5) categories[6] of skilled CARICOM Nationals have been phased in as CARICOM strives to achieve its goal of free movement of all CARICOM Nationals in accordance with Article 45 of the RTC.

4.7. During the period under review, the CARICOM Competition Commission was established on 18 January 2008, in accordance with the provisions of Article 171 of the RTC. The Commission is mandated to; (a) apply rules of competition in respect of anti–competitive cross-border business conduct; (b) promote and protect competition in the CSME and co-ordinate the implementation of the CARICOM Competition Policy; (c) monitor anti–competitive practices of enterprises operating in the CSME; (d) investigate and arbitrate cross–border disputes; (e) periodically review the CARICOM Competition Policy and advise and make recommendations to enhance its effectiveness; (f) provide support to Member States in promoting and protecting consumer welfare; (g) develop and disseminate information on competition and consumer protection policies; and (h) facilitate the exchange of relevant information and expertise. The RTC also mandates that each Member State establish and maintain national competition authorities for the purpose of facilitating the implementation of the rules of competition. However, due to resource constraints within the OECS and the thrust toward developing a common commercial policy at the sub-regional level, a decision was taken to establish an Eastern Caribbean Competition Commission which will function as a national competition authority for each OECS Member States. The preparatory work has begun and this sub-regional commission is scheduled to be launched in 2015.

4.2 OECS Economic Union

4.8. The decision to establish an Economic Union which would deepen the regional integration arrangement of the OECS Member States was first taken by OECS Heads of Government at the 34th Meeting of the OECS Authority, in Dominica, July 2001. Following years of consultative and legislative preparatory work, the revision of the OECS Treaty was finally completed and the Revised Treaty of Basseterre Establishing the Organization of Eastern Caribbean States Economic Union was signed on 18 June 2010, and entered into force on 21 January 2011.

4.9. The OECS Economic Union seeks to foster deeper integration among the six (6) independent states and Montserrat by establishing new institutional arrangements to facilitate a single financial and economic space, which allows for free movement of labour and free circulation of goods and trade in services; the harmonization of monetary policy; the coordination of fiscal policy to achieve sound management of the economic space; the harmonization of trade policies; and the establishment of rules to regulate and promote competition within the shared economic space geared to complement efforts already taken at the CARICOM level.

4.10. The historical success of the OECS has been premised on the strong institutional arrangements of the (a) Eastern Caribbean Supreme Court (ECSC), (b) Eastern Caribbean Central Bank (ECCB), and the (c) Eastern Caribbean Civil Aviation Authority (ECCAA); which have helped to foster functional cooperation, economic integration, foreign policy coordination and security cooperation in order to address the many nuances of small vulnerable economies operating in an ever-changing global arena. Steps are also being taken to establish two (2) additional institutions by early 2015, namely; (i) the Eastern Caribbean Energy Authority (ECERA) and (ii) the Eastern Caribbean Competition Commission (ECCC). During the review period, the enactment of the Revised Treaty of Basseterre (RTB) helped to restructure the principal organs of the Economic

[5] (i) University Graduates, (ii) Media Workers, (iii) Sportspersons, (iv) Artistes, (v) Musicians.
[6] (vi) Associate Degree Holders, (vii) Nurses, (viii) Teachers, (ix) Artisans and (x) Household Domestics.

Union to better serve the citizens of the Economic Union. In addition to (a) the OECS Authority of Heads of Government and (b) the Council of Ministers, three (3) new principal organs were introduced:

- The OECS Assembly – Members of National Parliaments (est. 10 August 2012)
- The Economic Affairs Council – responsible for supervising and reviewing the activities of the OECS Economic Union
- The OECS Commission – Director-General & staff and OECS Commissioners.

4.11. The RTB has established a new approach to trade policy formulation within the OECS Economic Union. Article 5.3 of this Treaty is geared toward transferring legislative competence from national parliaments to the OECS Authority with respect to trade policy and the common market including Customs Union as outlined in Article 14. Additionally, Member States shall implement Treaty decisions taken by the Organization and endeavour to coordinate and harmonize joint policies for international trade agreements and other external shocks as outlined in Article 4.2 (d) of the RTB. This will allow Member States to act in concert to develop and enact legislation in certain areas which can foster a more enabling trading environment in the Economic Union.

4.12. The main provisions of the RTB geared toward enhancing trade and economic development include:

- The free circulation of goods and trade in services within the OECS
- Full free movement of persons
- The free movement of capital (via support of the capital market programme of the ECCB)
- A Common Customs Tariff (CCT).

4.13. Some elements of these provisions are already being undertaken within the context of the CSME. While some of these provisions would appear to duplicate the efforts of the CSME, the OECS Authority's Declaration of Intent to form the OECS Economic Union acknowledged the CSME and gave assurance that the OECS Economic Union would not run counter to CARICOM integration process but that it would become seamlessly integrated into the CSME. Furthermore, the 34th Meeting of the CARICOM Conference of Heads of Government, July 2012, accepted the principle that OECS Member States which are able to proceed with integration at a faster rate are allowed to do so provided that the other Member States may seek to join when they are able to. To this end, the OECS Authority agreed that steps should be taken to ensure that the provisions of the RTB establishing the OECS Economic Union would be recognised within the RTC.

4.14. At the 27th Inter-Sessional Meeting of the CARICOM Conference, 18–19 February 2013, CARICOM Heads agreed to the development of a carve out for the OECS Economic Union and the deeper integration by the CARICOM members of the OECS Economic Union within the RTC. In order to achieve this, the 34th Regular Meeting of the Conference, July 2013, agreed to amend the RTC by way of a Protocol which would allow the OECS Members of CARICOM to pursue integration at a faster rate than the rest of CARICOM and that the recognition of the OECS Economic Union within the RTC should not prejudice or remove settled rights and obligations of other members pursuant to the RTC. A draft Protocol has been developed by members of the CARICOM Legal Affairs Committee in collaboration with the OECS Commission and a decision should be taken at the next Meeting of the CARICOM Conference of Heads of Government.

4.15. In accordance with Article 6 of the Protocol to the Revised Treaty of Basseterre, provisions are being made for the establishment of a Common Customs Tariff (CCT) to be levied on goods imported from outside of the Economic Union. The intention is for the CCT to be based off of the CARICOM CET and that following its establishment; OECS Member States may not impose higher tariffs than the CCT. This CCT will help to support the provisions of Article 10 of the Protocol to the RTB which seeks to establish a regime for the free circulation of goods within the Economic Union. The OECS Commission has recently launched a project to establish a framework for the

Free Circulation of Goods Regime which will seek to (a) establish a coordinating and monitoring mechanism for the free circulation of goods, (b) address revenue and taxation implications for goods in free circulation, (c) develop a legal and regulatory framework for customs management, sanitary and phytosanitary measures, technical requirements, environmental health and food safety, (d) develop ICT connectivity for various customs and border control authorities across the Member States, (e) build capacity of border control agencies and increase awareness across the OECS citizenry.

4.16. The full free movement of OECS citizens within the Economic Union commenced in August 2011. This undertaking allows for OECS citizens to enter the participating Member States without work permits and remain for an indefinite period in order to live, work, establish businesses, and provide services. The free movement of OECS citizens throughout the Economic Union is underpinned by the requisite legislation and facilitated by necessary administrative mechanisms.

5 BI-LATERAL & PREFERENTIAL TRADE AGREEMENTS

5.1 CARICOM Bilateral Arrangements

5.1. As members of CARICOM, the OECS is party to a number of bilateral trade agreements with Venezuela (1992), Colombia (1994, amended in 1998), Dominican Republic (1998), Cuba (2000) and Costa Rica (2004). As CARICOM LDCs, the OECS Member States were not required to extend reciprocal market access treatment under the terms of these agreements in accordance with the GATT Article 24. During this review period, there have been new developments in the Agreements with Venezuela, the D.R. and Cuba that have warranted OECS Member States to undertake analytical work to explore the possibility of opening up their markets to these trading partners.

5.1.1 CARICOM-Venezuela Agreement on Trade & Investment

5.2. This is a non-reciprocal preferential agreement, signed on 13 October 1992, favouring CARICOM exports to Venezuela through tariff liberalization and phased tariff reductions for a list of specified products. The agreement also seeks to promote investment and facilitate joint ventures between both parties. Furthermore, it allows for the use of measures to counter dumping and subsidies applied by either party and provide a Joint Council to resolve disputes between the two parties.

5.3. Currently, Venezuela is seeking preferential market access to the markets of the CARICOM MDCs. Preparations have been made for the convening of a CARICOM-Venezuela Joint Council Meeting in early 2014 to discuss Venezuela's request. Also on the agenda are issues relating to tariff and non-tariff barriers encountered by CARICOM exporters, the overall decline in merchandise trade to Venezuela between 1992-2008, and the possible inclusion of CARICOM's main exports to Venezuela which are not covered by the Agreement (including alcoholic beverages and animal feed from the OECS-CARICOM Members).

5.1.2 CARICOM-Dominican Republic Free Trade Agreement

5.4. This is an FTA signed in August 1998 and provisionally entered into force on 1 December 2001. The Agreement grants the OECS Member States and Belize (LDCs) non-reciprocal preferential market access to the Dominican Republic, while market access for MDCs of CARICOM is reciprocal.

5.5. During this review period, the Dominican Republic has made a request for additional preferential market access for a specified list of products which would include the markets of the OECS. To this effect, the OECS Member States agreed to undertake the necessary analytical work to determine the possibility of opening up their markets to the D.R. especially for the products of sensitivity included in the list. These considerations would also take into account the treatment of LDCs as required in Article III (4) of the Agreement which highlight the relative size of the productive sectors of LDCs in comparison to that of MDCs and differences in levels of development which are critical in seeking agreement on the asymmetrical application of the reciprocity principle under the Agreement.

5.1.3 CARICOM-Cuba Trade & Economic Cooperation Agreement

5.6. This Agreement was signed in 2000 with an additional protocol enabling provisional application signed on 8 December 2002. The Agreement also seeks to cover matters pertaining to taxation, trade promotion and facilitation, services, investment and intellectual property.

5.7. In December 2012, Member States were apprised of the proposal by the Cuban Government for a meeting of the Joint Commission, to review the Agreement and to identify areas which might contribute to the expansion of trade. A list of products for preferential market access was submitted by Cuba for CARICOM's consideration. To this end, the preparatory work for the Meeting of the Joint Commission will be undertaken by the CARICOM Technical Working Group; where OECS Member States considerations will again be based on the asymmetrical application of the reciprocity principle as well as the extent of coverage for Rules of Origin.

5.1.4 Brazil-Guyana-St. Kitts & Nevis Partial Scope Agreement

5.8. It is also worth mentioning here that St. Kitts & Nevis acceded to the Brazil-Guyana Partial Scope Agreement (PSA) in May 2012. Upon St. Kitts & Nevis' accession to the agreement, the same goods which Guyana has granted preferential market access to Brazil will now be granted by St. Kitts & Nevis. Similarly, the same goods which Brazil allows preferential market access from Guyana will now be granted to St. Kitts & Nevis. St. Kitts & Nevis is currently in the process of finalizing the rules of origin criteria for a list of electronic components manufactured in the Federation, which will also be allowed preferential market access into Brazil.

5.9. This 'Goods-Only' Trade Agreement will allow for manufacturers from St. Kitts & Nevis to export their products to Brazil at almost zero-rated tariffs, giving St. Kitts &Nevis a competitive edge in that market. It is expected that St. Kitts & Nevis will experience an overall increase in exports over the next ten (10) years to more than US$35million. Consumers in St. Kitts and Nevis are likely to benefit from greater access to a broader range of products at more competitive prices. Additionally, the PSA can lead to increased and more sustainable employment, in particular for women.

5.2 CARIFORUM-EU Economic Partnership Agreement

5.10. The OECS-WTO Member States are part of the ACP grouping, and party to the ACP-EU Cotonou Agreement which was signed in 2000 and revised in 2005 to provide unilateral trade preferences and development assistance to the ACP grouping. A number of OECS agricultural products benefited from secure and stable market access under these arrangements for several decades. However, it was mandated that new WTO-compatible arrangements be negotiated in light of the expiring waiver for allowing non-reciprocal preferential market access under the Cotonou Agreement.

5.11. As a result, an Economic Partnership Agreement (EPA) between the EU and fifteen (15) CARIFORUM States of the ACP (CARICOM and the Dominican Republic) was signed on 15 October 2008. In contrast to the Cotonou Agreement, the CARIFORUM-EU EPA has been deemed WTO-compatible, as it was negotiated on the principle of reciprocity, albeit asymmetric reciprocity; particularly for the OECS Member States. This asymmetry of commitments is reflected in the Market access, MFN provisions, Trade Defence Measures and Development Cooperation outlined in the Agreement.

5.12. The objectives of the EPA are to (a) contribute to the reduction and eradication of poverty; (b) promote regional integration and economic cooperation; (c) promote the gradual integration of CARIFORUM States into the world economy; (d) improve the capacity of CARIFORUM States in trade policy and trade related issues; (e) support conditions for increasing investment and private sector initiative and enhancing supply capacity; and (f) enhance the competitiveness and economic growth of CARIFORUM States.

5.13. Five (5) years after the signing of the EPA, the implementation of the Agreement in the OECS region has occurred at a slow rate due to resource and capacity constraints at the national level and a focus on recovery measures in light of the global and financial crisis. Nonetheless, there have been some achievements thus far with regard to OECS Members' EPA implementation process:

- Member States have established National EPA Implementation Units and/or EPA desks to spearhead the execution of the provisions of the EPA;

- Member States have completed the establishment of national EPA implementation plans;

- Antigua & Barbuda, Grenada and St. Vincent & the Grenadines have set up websites/weblinks dedicated to providing information on the EPA implementation process and the opportunities available for traders;

- Dominica, Grenada, St. Kitts & Nevis, and St. Vincent & the Grenadines have already applied the requisite tariff reductions within their tariff liberalization schedules.

5.14. Going forward, the OECS Member States have identified the following areas as common priorities for proper implementation of the CARIFORUM-EU EPA and necessary to be able to reap the benefits of this agreement:

- Completion of ratification/enactment into domestic law;

- Tariff Liberalization;

- HS Conversion;

- Seek and Secure technical and financial assistance to aid in the implementation process;

- Development of Export Capabilities;

- Development of Policy Framework for Market Access & National Treatment for Trade in Services;

- Identification of Market Opportunities for Trade in Services (Especially under Mode 4);

- Development of areas under Competition, Innovation and IP;

- Development of a Communication Strategy;

- Launch of National Website/link;

- Establishment of an M&E Committee in collaboration with the CARIFORUM Directorate.

5.3 Non-reciprocal Trade Agreements

5.3.1 OECS trading arrangement with USA under the Caribbean Basin Initiative (CBI)

5.15. Initially launched in 1984, through the Caribbean Basin Economic Recovery Act (CBERA), and substantially expanded in 2000 through the US-Caribbean Basin Trade Partnership Act (CBTPA), the Caribbean Basin Initiative (CBI) currently provides seventeen (17) beneficiary countries, including the OECS, with duty-free access to the US market for a number of goods including specified tuna; petroleum products; specified electronic assembly; specified apparel and footwear; hand-made, hand-loomed or folklore articles; as well as textile assembled from U.S. formed fabric, thread and yarns.

5.16. The CBI was also intended to facilitate the economic development and export diversification of the Caribbean Basin economies. It has also provided important benefits to the US, as well as the beneficiary countries. For instance, in 2005 U.S. imports from CBI countries peaked at US$32 billion which, when combined, constituted the 12th largest supplier of U.S. imports. Because of this, the US made numerous attempts to secure additional waivers of this programme which was scheduled to expire at the end of September 2008. On March 24 2009, a consensus was reached and the WTO Council for Trade in Goods extended the CBERA waiver to 31 December 2014. Subsequently, the signing of the Haitian Economic Lift Program (HELP) Act of 2010 extended the CBTPA to 30 September 2020.

5.17. Among the beneficiary countries, the US Congress identified all seven (7) full Members of the OECS Economic Union for benefits under CBERA in 1984 and CBTPA in 2000. However, only St. Lucia is utilizing the benefits under the CBTPA. In 2012, following the US's annual solicitation of comments on the programme, the other OECS countries (with the exception of Antigua & Barbuda), through a join submission from CARICOM, indicated that they were interested in seeking CBPTA benefits.

5.18. In January 2013, the US Trade Representative Office indicated that all of the submitted requests were being reviewed, including gathering information from stakeholders and US embassies. In considering the eligibility of countries for CBPTA beneficiary status, the CBPTA requires the President to take into account certain eligibility criteria in addition to those normally required for CBERA eligibility, including, *inter alia,* the extent to which the country has (a) implemented its WTO commitments; (b) protected intellectual property rights; (c) provided internationally recognized workers' rights; (d) implemented its commitments to eliminate the worst forms of child labour; (e) cooperated with the US on counter-narcotic initiatives; (f) implemented an international anti-corruption convention and applied transparent, non-discriminatory and competitive procedures in government procurement. All OECS countries have demonstrated earnest commitment to undertaking action and adopting best practices in respect of the stipulated criteria.

5.19. The existing preference arrangements (CBERA and CBTPA) are fundamental to enhancing the export potential and fostering of economic growth and development of the OECS Economic Union**.** The non-reciprocal nature of these arrangements has provided market access opportunities for both traditional and non-traditional products thereby advancing economic diversification while at the same time, promoting economic stability, and in some instances recovery, of many beneficiary OECS countries. The programmes have served to generate private sector participation in trade and have contributed to increased production in many beneficiary countries.

5.3.2 CARIB-CAN Agreement

5.20. Trade and economic relations between the OECS Member States and Canada date back to the early 18th century when the British Northern Atlantic colonies exchanged fish, lumber and other staples for West Indian rum, molasses and spices. Today, the current trade and economic co-operation relations are covered under a number of instruments, namely, the 1979 CARICOM-Canada Trade and Economic Co-operation Agreement and its Protocols, including the CARICOM-Canada 1998 Protocol on Rum; and the CARIBCAN Agreement which is a non-reciprocal preferential trade agreement that grants unilateral duty free access to eligible goods from beneficiary countries up to 2011.

5.21. The objectives of CARIBCAN were to enhance Commonwealth Caribbean trade and export earnings, improve the trade and economic development prospects of the region, promote new investment opportunities, and encourage enhanced economic integration and co-operation. Items excluded from the arrangement include some textiles, clothing and footwear.

5.22. The eighteen (18) countries and British-dependent territories which are eligible to receive the duty-free benefits accorded under CARIBCAN include: the nine (9) Members of the OECS, the Bahamas, Barbados, Belize, Bermuda, the Cayman Islands, Guyana, Jamaica, Trinidad & Tobago, and the Turks & Caicos Islands. However, with the imminent expiration of the WTO waiver of this one-way preferential arrangement originally scheduled for 31 December 2011, Canada commenced negotiations for a Trade Agreement between the CARICOM-Commonwealth countries only, in 2009.

5.4 CARICOM-Canada Trade Negotiations

5.23. CARICOM and Canada are currently engaged in negotiations for a Trade & Development Agreement, which will replace the current non-reciprocal Caribbean-Canada Trade Agreement known as CARIBCAN. The WTO waiver, which allows Canada to grant such non-reciprocal preferences, expired on 31 December 2013.

5.24. CARICOM and Canada have held six rounds of negotiations to date towards a possible CARICOM-Canada Trade Agreement. The first and second rounds took place in Bridgetown, Barbados, in November 2009 and March 2010. A third round of negotiations was held in April 2011 in Ottawa. Negotiations continued with a fourth round held in Barbados in July 2012. A fifth round was held in Barbados the week of 20 January 2014. The sixth and latest round of negotiations included a week of discussions in Kingston, Jamaica from 3 March, followed by a second week in Ottawa the week of 31 March. Progress was made on market access for goods, cross border trade in services, investment, temporary entry, labour, rules of origin, information and communications technologies, customs procedures, competition, monopolies and state enterprises.

5.25. A CARICOM-Canada Free Trade Agreement would create new opportunities for OECS businesses in sectors including light-manufacturing, agro-processing as well as financial and professional services. The OECS Member States and the rest of CARICOM are committed to negotiating a modern trade agreement with Canada that will take into account differing levels of development, vulnerabilities associated with small island States, and trade-related capacity challenges.

6 MULTILATERAL TRADING SYSTEM - THE WTO

6.1. The Member States of the Organization of Eastern Caribbean States remain committed to a fair and equitable and rules-based multilateral trading system that meets the needs of all its members and in particular developing countries, and more so SVEs and LDCs.

6.2. As small economies with little political and economic sway in the global trade and economic environment, the OECS relies on a functioning and relevant multilateral trading system with a World Trade Organization that is transparent and inclusive.

6.3. The instability and unpredictability of the global economic environment and its impact on small island developing States like the OECS-WTO Member States, dictate that these countries actively participate in the decision-making process of the multilateral trading system in order to ensure that trade liberalization and enforcement of trade regulations and standards are designed and implemented in a manner that is beneficial to the social and economic welfare of these countries. The OECS-WTO Member States maintain the position that the premise on which trade negotiations between developed and developing countries must be rooted in asymmetry and special and differential treatment for the latter of the two parties. Such principles require that a special consideration be given to the needs of developing countries whose capacity and resource constraints have created significant disabilities and development gaps relative to their more developed counterparts.

6.4. Since the last trade policy review, the multilateral trade agenda has expanded beyond the traditional trade issues (e.g. tariffs, trade in services, barriers to trade, etc.) to address issues such as climate change, value-added trade, food security, environmental goods, among others. However, the limited human and technical capacity across these OECS-WTO Member States have hindered their ability to effectively cover these negotiations, develop effective policy formation with cross-cutting sectoral issues, and fulfil all the requisite notifications within each negotiating sphere.

6.5. Furthermore, in the area of services where the OECS has some competitive advantage, there still exist a number of market access barriers within other WTO Member States of interest which has prevented OECS service providers from penetrating their markets. These barriers entail lack of equivalency and mutual recognition of qualifications, residency requirements, and some mandatory requirements to establish commercial presence.

6.6. Nonetheless, the OECS Member States remain committed to the successful conclusion of the Doha Development Agenda negotiations in accordance with the mandates and Members decision to place development at the core of the outcomes. For this reason the OECS remains concerned at the ongoing impasse in the DDA. The limited outcomes at Bali provided a welcome impetus to the negotiations.

6.7. The OECS reiterates the importance it attaches to the work of the Committee on Trade and Development and particularly the work programme on small States as contained in Paragraph 35 of the Doha Declaration and re-enforced in Paragraph 41 of the Hong Kong Declaration.

6.8. In the area of intellectual property, the OECS is in full support of a global system for the promotion and protection of intellectual property rights; particularly in their region where innovation, creativity and value-added must be substituted for volume and economies of scale. To this end, most OECS-WTO Member States have taken steps toward becoming fully TRIPS compliant, by updating and enacting intellectual property legislations in the areas of copyright, patents and trademarks.

6.9. In the area of dispute settlement, the OECS believes there is need for more innovative solutions to resolving disputes that involve small developing countries and a larger member. The significant and welcomed rulings of the Panel and Appellate Bodies in the favour of Antigua and Barbuda in the cross border supply of gambling and betting services has not been translated yet into an implementation of those rulings and the decision of the DSB or into a mutually satisfactory resolution. It is therefore imperative that the dispute settlement procedures address the inadequacies of the current multilateral system.

6.10. In the area of WTO notifications, the OECS-WTO Member States are fully committed to fulfilling their transparency obligations and to improving their record of notifications and continue to make regular notifications in a number of areas. However it must be recognised that small countries like the OECS face capacity constraints and continues to need and seek technical assistance to aid in the notification process.

6.11. The OECS-WTO Member States are also taking steps to implement legislations in the areas of competition, antidumping and subsidies. As mentioned earlier, plans are in place to establish an OECS Competition Commission. The Commission and the requisite legislation are expected to be implemented by 2015.

6.12. In the area of trade facilitation, the OECS-WTO Member States undertook national trade facilitation needs assessments in 2008, with the assistance of the WTO, and again between 2012 and 2013, with the assistance of UNCTAD, in order to aid in advancing their negotiating positions during the multiple meetings of the WTO Negotiation Group on Trade Facilitation (NGTF). It is for this reason that the OECS welcomed the conclusion of the trade facilitation negotiations and the adoption of the Trade Facilitation Agreement at Ninth WTO Ministerial Conference in December 2013, where the OECS had made representation through its St. Lucian and Dominican delegations which were party to a number of decisions under the Doha Development Agenda.

6.13. The OECS strongly believes that this trade facilitation agreement stands to benefit traders in region, who continually face systemic challenges in the clearance and processing of goods at their respective borders. It provides a framework of rights and obligations that should see the global reform of border procedures and more importantly, make available the required technical assistance for developing countries to meet its obligations. The OECS attached significant importance to the negotiations of Section II and the eventual outcome which was shaped mainly by the ACP proposal and reflects the interests and concerns of developing countries.

6.14. As part of the global economic governance infrastructure, the OECS WTO Member States believes that the WTO must remain current and relevant as a key player in addressing global trade and economic challenges. There are a number of issues confronting the global economy both old and new The WTO must be a forum where all trade related issues including new ones can be discussed towards finding and contributing to solutions, while at the same time not neglecting fundamental trade and development goals.

6.1 Aid for Trade

6.15. All OECS-WTO Members remain fully committed and supportive of the Aid for Trade initiative which is geared toward assisting developing countries in their efforts to build supply-side capacity and the physical and regulatory infrastructure needed to expand their trade and derive greater benefits from trade agreements.

6.16. The designation of OECS Members States as high middle income developing countries however can make access to many aid for trade channels increasingly challenging even though the region remains vulnerable and faces structural economic challenges not captured by per capital economic indicators.

6.17. A Regional Aid for Trade Strategy was developed by CARICOM in 2013 and all OECS-WTO Member States were actively involved in the development process. As a result of the strong thrust toward deepening regional integration through the Economic Union, a number of projects were identified with a sub-regional focus. They include projects to (a) upgrade key economic infrastructure, (b) enhance competitiveness of the private sector and facilitate trade expansion and diversification as well as (c) deepen regional integration and maximise grains from external trade agreements.

6.18. The proper and timely execution of this strategy should create the enabling conditions for sustainable development across the OECS-WTO Member States. The premise of this strategy is geared toward developing a modernized trade policy framework with a broad focus on sectoral issues and cross cutting measures such as information technology and renewable energy initiatives. Additionally, Aid for Trade should target the private sectors' need to increase its competitive edge, including the utilization of the latest technological methods of production, increasing access to trade financing, ensuring compliance with international standards, trade facilitation and increasing market intelligence. The efficient utilization of such aid will be dependent on whether it is unconditional, demand driven, and not tied on to any previous trade negotiations or existing programs.

7 CONCLUSION

7.1. This period of review of the OECS-WTO Member States' trade policies and procedures was plagued by the effects of global economic and financial crisis and a series of natural disasters in the region. This helped to further strain the already limited human and financial resource capacities of these economies. Nonetheless, the OECS remained resilient and committed to the process of meeting its obligations under the multilateral trading system.

7.2. The OECS-WTO Members are party to a number of regional and bilateral trade agreements and arrangements that has enabled them to achieve modest levels of improved market access and technical assistance. However, the sub-region has seen its trade policy space increasingly compromised by these same trade agreements that it has become signatory to. As a result, the OECS-WTO Member States must continuously aim to acquire more trade-related technical assistance to enhance their capacities in matters relating to regional and international trade.

7.3. Moreover, as small and vulnerable economies (SVEs), the countries of the OECS Economic Union are insistent that special and differential treatment is necessary in order to facilitate their effective participation in the international trading arena. This will require the cooperation and assistance of the WTOs' developed countries as well as donor agencies and development partners if the benefits of trade liberalization are to be recognized and enjoyed by these OECS-WTO Members.

7.4. As with their last trade policy review, the OECS strategy for strengthening its involvement in the multilateral trading system remains deepening its regional integration process through the mechanisms of the Economic Union. As the implementation process of the Economic Union continues to gain momentum, so will the economic growth, development and international competitiveness of these countries forge forward.

ANTIGUA AND BARBUDA

1 ECONOMIC AND TRADE POLICY ENVIRONMENT

1.1 Macro-Economic Environment and Outlook

1.1. Antigua and Barbuda is a two-island State in the heart of the Caribbean. The islands together measure approximately 170 square miles with a population of approximately 90,000.[1] The country characteristically a small, open, vulnerable economy: high level of imports, narrow production base, and vulnerability to natural disasters and other exogenous shocks.

1.2. Merchandise imports accounted for approximately 40% of GDP in 2012. Conversely, the share of merchandise exports was only 5% of GDP.

1.3. The historic global financial crisis of 2008 had an adverse impact on Antigua and Barbuda's economic environment. During this period of review, real GDP contracted by nearly 11% in 2009, 8.6% in 2010 and over 2% in 2011. The severe contraction in Antigua and Barbuda's economy during 2008-13 is attributed to the global financial crisis, which adversely impacted tourism source markets, resulting in a significant decline in stay over tourist arrivals.

1.4. Services, including construction, dominate the small vulnerable economy of Antigua and Barbuda contributing to more than 90% to the country's GDP. More specifically the three services areas which dominate Antigua and Barbuda's economy are: tourism, financial services (banking, offshore services and insurance) and professional services (legal, engineering, accounting, architectural services). Other service areas are maritime transport services.

1.5. Antigua and Barbuda has a parliamentary system of government. The Cabinet, which is headed by the Prime Minister, is responsible for the general direction and control of the Government and the Prime Minister is directly accountable to Parliament. Once approved by the Cabinet of Ministers, trade treaties and related agreements (bilateral, regional and multilateral) are usually signed by the Prime Minister or any other Minister vested with authority given by the Prime Minister to sign on behalf of the Government. Cabinet also authorizes ratification of and accession to all types of trade agreements (whether bilateral, regional and multilateral). Parliamentary involvement is required for enactment of all legislation[2] including adopting all types of trade agreements.

1.6. The Constitution is the supreme law of the jurisdiction of Antigua and Barbuda. As a result, Antigua and Barbuda cannot provisionally apply any legislation or international trade agreements.[3] All international trade agreements (whether bilateral, regional or multilateral in scope) must be ratified by Parliament as laid out in the Ratification of Treaties Act, CAP 364 of 1987.

1.7. The Barbuda Council is the principal organ of local government for the island of Barbuda and was established in 1967 by the Barbuda Local Government Act. The Council runs the internal affairs of Barbuda but despite this the Barbuda Council must obtain the approval and is subject to the administration of the Central Government of Antigua.

1.8. In addition to membership in the World Trade Organization since 1995, Antigua and Barbuda is a member of the Caribbean Community (CARICOM) whose members are presently in the process of concretizing and strengthening this regional integration grouping into a single economic market. Antigua and Barbuda is also a member of the sub-group of smaller islands, the Organization of Eastern Caribbean States (OECS) with one currency and a common monetary policy administered by the Eastern Caribbean Central Bank. More recently under this period of review, the OECS has integrated even further by establishing the OECS Economic Union on 18 June 2010.

[1] Eastern Caribbean Central Bank Accounts Statistics, www.eccb-centralbank.org.
[2] See Ratification of Treaties Act (Antigua and Barbuda), www.ab.gov.ag.
[3] See Ratification of Treaties Act (Antigua and Barbuda), www.ab.gov.ag.

1.1.1 Financial Sector Reform

1.9. The historic global financial crisis of 2008 had an adverse impact on Antigua and Barbuda's economic environment. During this period of review, real GDP contracted by nearly 11% in 2009, 8.6% in 2010 and over 2% in 2011. The Ministry of Finance, Economy and Public Administration sought to address the impact the global financial crisis had on the financial sector by strengthening this sector. Thus, legislation was passed which ensured that the Financial Services Regulatory Commission be transformed into a single regulatory unit for offshore banks and domestic non-banks. FSRC would apply international best practice and be in line with regional agreements and international financial standards.

1.10. As a result, the new FSRC Act came into force in June 2013. The FSRC Act (2013) seeks to restructure the authority and to repeal and replace the International Business Corporations Act under which the commission was established. The Act also makes up one of three outstanding items on a 14-point government plan designed to bring Antigua & Barbuda into compliance with the Financial Action Task Force (FATF). Another key component of the new ACT allows the FSRC to share information with law enforcement outside of Antigua & Barbuda and to cooperate with various investigations. Lastly, clause five of the new Act outlines the three main functions of the commission as regulatory, collaborative and advisory.

1.11. During this period of review, the IMF was present to assist Antigua and Barbuda in its financial sector reform following the 2008 global financial crisis. As a result, the IMF continues to impress on the Ministry of Finance in Antigua and Barbuda the need for more frequent, ongoing risk based consolidated supervision (offshore and domestic banks) and also the IMF stress the need to have a revision of regulations pertaining to asset classification and loan loss provisioning. In turn, during the period of review, the Ministry of Finance, Economy and Public Administration signaled that these recommendations from the IMF need to be implemented on an ECCB basis, that is, throughout all OECS Member States, and this would require significant mobilized effort and coordination across OECS Member States, mounted by the ECCB Headquarters in St. Kitts and Nevis.

1.1.2 Public Sector Reform

1.12. In the jurisdiction of Antigua and Barbuda, the public sector is the largest employer and the civil service employment is the benchmark for employment in other sectors of the economy; during the period under review, the Public Sector Transformation Unit was established to address improving the productivity of public sector workers. To achieve this, the Government is drafting a new Public Service Act, which would provide for the unification of the civil service.

1.13. Unfortunately, the new Public Service Act is being re-constructed and stakeholders are still inputting information into the document. It is expected that the new draft Act will be in force in June 2015.

1.2 Trade and Investment Policy

1.2.1 Trade policy framework

1.14. Antigua and Barbuda formulates and implements trade policy within a multi-layered structure balancing domestic, Organization of Eastern Caribbean States, Caribbean Community and multilateral considerations.

1.2.2 Government procurement

1.15. Antigua and Barbuda is not party to the plurilateral WTO Agreement on Government Procurement.

1.16. However, during the period under review, Antigua and Barbuda introduced new legislation on government procurement. The Government passed the new Procurement Administration Act in 2011. In spite of this development, by the end of the first quarter of 2014, this new Act is still not yet in force. The best feature of this new Act is that it is more transparent than its predecessor and this new Act encourages broad public participation in the procurement process by persons in Antigua and Barbuda and overseas. Also, in this new Act, competitive sealed bids are the preferred method of procurement.

1.17. Until the new Act enters into force, the current Tenders Board under the Ministry of Finance, the Economy and Public Administration continues to be responsible for government procurement matters in Antigua and Barbuda. As a result, the current Tenders Board Act that is the predecessor Act of the new Procurement Administration Act of 2011, allow agencies to establish their own procurement departments for small amounts as well as exempting the Government or any statutory body from the tender procedure if it is satisfied that it is expedient and desirable to do so.

1.18. Antigua and Barbuda continues to not apply any national or regional preferences in the procurement process.

1.2.3 Standards and technical regulations

1.19. Under the period of review, no notifications were made to the TBT Committee. In addition, no notifications were made to the TBT Committee during the period of 2001-06 either.

1.20. Antigua and Barbuda has notified to the WTO that the Antigua and Barbuda Bureau of Standards is the national standards body, enquiry point and national notification authority under the WTO Technical Barriers to Trade Agreement. Under this period of review, the Antigua and Barbuda Bureau of Standards launched its own website.[4]

1.21. The Antigua and Barbuda Bureau of Standards[5] is a division of the Ministry of Finance, the Economy and Public Administration, and as such the Bureau is responsible national authority for the preparation and promulgation of technical regulations and standards, for dealing with standards-related matters, such as metrology and quality.

1.22. During the period of review, the Metrology Act was passed by Parliament in 2007; however, the corresponding regulations are still not in place.

1.23. A total of forty-three (43) declared standards have been made in Antigua and Barbuda under the period of review.[6]

1.2.4 Sanitary and phytosanitary measures

1.24. The Ministry of Agriculture, Lands, Fisheries, Housing and Environment[7] is the enquiry point responsible for SPS matters in Antigua and Barbuda, with the Plant Protection Unit of this Ministry serving as the national focal point for the IPPC. During the period under review, there were notable changes to Antigua and Barbuda's national SPS regime which included the passing of the Plant Protection Act of 2012 and the Pesticides and Toxic Chemicals Act of 2008.

1.25. In addition, Antigua and Barbuda has also established a list of prohibited and permitted commodities with respect to specific trading partners. By 31st December 2014, the Plant Protection Unit will have its own website that will include bilateral agreements, the list of quarantined pests, national legislation, entry requirements, and other related material.

1.26. Imports of meat, poultry, livestock and poultry products are addressed under the Animal (Diseases and Importation) Act of 1953, and the Animals (International Movement and Disease) Act, Cap 19 of 1986, which provides coverage for quarantine and the species subject to it. These products must be accompanied by a certificate of origin from the veterinary authority of the exporting country. Inspection in Antigua and Barbuda is still the responsibility of the Veterinary Division of the Ministry of Agriculture.

[4] See: http://www.abbs.gov.ag/.
[5] The Bureau was established under the Standards Act (1987) Cap. 411, see: www.antigua.gov.ag.
[6] See: http://www.abbs.gov.ag/detail_page.php?item=standards.php.
[7] See website: http://agricultureantiguabarbuda.com/regulations/laws-and-regulation-ministry-of-agriculture-lands-housing-the-environment/.

1.2.5 Import licenses and quantitative restrictions

1.27. Antigua and Barbuda maintains an import licensing regime governed by the External Trade Act, under the revised laws of Antigua and Barbuda, of 1992.[8] The law requires that a license be acquired prior to the importation and arrival of certain items into Antigua and Barbuda. License forms must be completed in triplicate at a cost of XCD$0.10 per sheet from the Licensing Section of the Department of Trade, Industry and Commerce.

1.28. There are three licensing schedules that govern the import of selected items. They are licences for:

- (i) Goods which originate from countries which have not acceded to the WTO.
- (ii) Goods which are from any country not being a member State of OECS or CARICOM.
- (iii) Goods from any country not being a member of the OECS.

1.29. The Ministries which recommend licenses are required for importation are the Ministry of Agriculture, Lands, Fisheries, Housing and Environment (fresh produce, meat, poultry, eggs, fish and honey), the Ministry of Public Works (satellite dishes and related equipment); the Ministry of Health (medicinal drugs); and the Commissioner of Police (firearms and ammunitions). While initial applications are made to these Ministries, the final approval for importation is given by the Permanent Secretary in the Ministry of Finance, the Economy and Public Administration.

1.30. For specific goods such as refrigerators, motor vehicles, air conditioning units and other equipment which can operate using Ozone Depleting Substances (ODS), a Refrigerant Form must be completed in addition to the Import License Form. The Refrigerant Forms are obtained from the Ozone Unit, which is a unit that is in the Department of Trade, Industry and Commerce.

1.31. Approved importation licenses have a life span of one month and if this period of validity expires and no importation occurred, these licenses are not renewable, so new applications for new importation licenses will have to be made. Licenses for five agricultural products are regulated on a seasonal basis in Antigua and Barbuda, depending on supply and sufficient to satisfy domestic demand and needs. Regulations are monitored by the Department of Trade, Industry and Commerce in consultation and collaboration with the Central Marketing Corporation (CMC).

1.32. Meanwhile, for commercial shipments of fruits, vegetables, plants, flowers, meat and fish the import must secure a valid import permit first before making an application for the importation license.

1.2.6 Customs valuation and rules of origin

1.33. In Antigua and Barbuda, customs valuation is based on the second schedule of the Customs (Control and Management) Act of 2013. During the period of review, the new Customs (Control and Management) Act of 2013 was passed in Parliament and as a result, the valuation methodology set out in this domestic legislation is now consistent with the WTO's Custom Valuation Agreement.

1.34. However, in spite of this development, Antigua and Barbuda has not yet notified the change in the valuation methodology to the WTO. The Antigua and Barbuda Customs and Excise Division intends to ensure that the Department of Trade, Industry and Commerce notifies the WTO of the valuation methodology before 31 December 2014.

1.2.7 State trading enterprises

1.35. Since becoming a developing Member of the WTO in 1995, Antigua and Barbuda has notified no state trading enterprise to the WTO.

1.36. The Central Marketing Corporation (CMC), a statutory body established in 1973, is mandated to provide a market for locally grown produce, secure markets for them, and ensure that prices of basic food commodities remain stable. The goals of the CMC were originally achieved

[8] See: www.ab.gov.ag.

through the import licensing regime, which restricts imports of an assortment of vegetables that local farmers could produce. The CMC has sole responsibility for the importation and marketing of carrots, cabbage, onions, sweet peppers, and tomatoes. The CMC's monopoly is not enforced and private importation of these commodities is unrestricted.

1.37. The CMC is not obligated to purchase produce from local farmers and the CMC does not subsidise agriculture in any form.

1.2.8 Safeguards

1.38. Under the period of review, Antigua and Barbuda did not impose any safeguard measure. No safeguard legislation has been enacted and no authority has been established to undertake investigations in this regard. Under certain stipulated conditions, the CARICOM Revised Treaty of Chaguaramas permits the use of safeguard measures by the less developed countries, including Antigua and Barbuda. To date, Antigua and Barbuda has never availed itself of these provisions nor of the safeguard provisions in the WTO Agreement on Agriculture and the WTO Agreement on Textiles and Clothing.

1.39. Antigua and Barbuda under the CARICOM Revised Treaty of Chaguaramas (RTC) may invoke special provisions in Chapter 7 in particular Articles 150 (Safeguard Measures) and 164. Meanwhile Article 164 (Promotion of Industrial Development) of the RTC allows less developed CARICOM countries to petition COTED to suspend CARICOM community-rules of origin treatment to certain products as a temporary measure in order to promote the development of an industry, and apply tariff rates higher than the CET. During the period under review, Antigua and Barbuda has not limited imports nor applied suspensions under Articles 150 and 164 of the CARICOM RTC.

1.40. In addition, Antigua and Barbuda is also privy to apply safeguards for balance of payments reasons under Article 84 of the CARICOM RTC, though it has never done so. Enactment of the CARICOM Community (Movement of Factors) Act of 2006, which was enacted in 2006 provides for the use of safeguards in Antigua and Barbuda where the Minister is satisfied that there are serious balance of payments and external financial difficulties or the threat thereof.

1.2.9 Anti-dumping and countervailing measures

1.41. Under the period of review, Antigua and Barbuda has not imposed any anti-dumping or countervailing measure and there is no entity appointed in the country to execute anti-dumping or countervailing laws. The WTO Committee on Subsidies and Countervailing Measures has been notified that Antigua and Barbuda maintains no measures requiring notification. The national laws of Antigua and Barbuda have not yet been amended to incorporate the Uruguay Round WTO Agreements.

1.2.10 Competition policy and price controls

1.42. During the period of review, there still is no competition legislation in Antigua and Barbuda. At the time of the last review, proposals were being developed to be sent to Parliament but due to Antigua and Barbuda's membership with CARICOM, and in the interest of the CSME, these proposals were set aside. In the interest of the CSME and the CARICOM grouping, there needs to be a harmonized law in all CARICOM Member States on competition law to operationalize and not undermine the functional cooperation of the CSME. With that said, Antigua and Barbuda is preparing to incorporate the model competition law prepared by CARICOM. Once it enters into force in this country, it is expected that Antigua and Barbuda will create a national competition authority to deal with domestic competition issues, while the CARICOM authority will deal with issues at the regional level.

1.43. Antigua and Barbuda applies price controls on a list of products which are entrenched in the Price Control Order of 11 October 1967. The said list covers some 41 items and specifies wholesale and retail margins allowed for each item. While the wholesale margin is 10% in most cases, 12.5% in some instances and in one instance 15%. Usually, the retail margin is 15% or 20%, but can be higher for some goods such as frozen goods (22.5%).

1.44. In the jurisdiction of Antigua and Barbuda, products that are subjected to fixed prices include bread and petroleum products (gasoline, kerosene, etc.). Such prices are determined by the Ministry of Finance, Economy and Public Administration.

1.45. On the enforcement side of price controls, in the case of imported goods, the Prices and Consumers Affairs Division of the Ministry of Legal Affairs surveys the landed cost for each product at the port of entry, and subsequently adds the relevant margins.

1.2.11 Intellectual property rights

1.46. Under this period of review, there have been no changes to the intellectual property regime in Antigua and Barbuda. Specifically under the Intellectual Property Office Act of 2003, the Registrar of Intellectual Property is responsible for all functions and duties relating to the granting of patents and utility model certificates; the registration of industrial designs, marks, collective marks and geographical indications; supervising and performing other duties conferred by the intellectual property legislation or its regulations; and carrying out studies, programmes or exchanges of items or services on domestic and international Intellectual property issues, and on the use of patent documents as a source of information. During this period of review, the office is now under the Ministry of Legal Affairs; it is no longer under the Ministry of Justice.

1.47. Antigua and Barbuda is a member of the World Intellectual Property Organization and the country is a contracting party to a number of intellectual property conventions as well.

1.48. The enforcement regime of intellectual property rights in the jurisdiction of Antigua and Barbuda is based on a combination of national legislation and common law. Intellectual property rights in Antigua and Barbuda are treated as private rights and therefore the matter of enforcement lies with the private right holder. In addition, jurisdiction over IPR infringement cases lie with the High Court and the Courts of Appeal, with the final appeal to the Judicial Committee of the Privy Council.

1.2.12 Investment

1.49. Antigua and Barbuda's foreign investment regime is the responsibility of the Antigua and Barbuda Investment Authority, which was established in 2007 during the last period of review. The functions of the Antigua and Barbuda Investment Authority are captured under the Antigua and Barbuda Investment Authority Act of 2006.

1.50. Under the provisions of this Act, Antigua and Barbuda offers a number of incentives. These are based on the size of capital investment and the number of employees that will be employed as a result of the specific investment.[9]

1.51. Since the last period of review continues to maintain an open and non-restrictive foreign investment regime, with foreign investors being subject to national treatment as locals. Despite this, foreign investors who are desirous of purchasing real estate for residential or commercial purposes are required to acquire an alien landholders license. All licenses are subject to Cabinet approval and payment of the requisite fee is required, which accounts for approximately 5% of the purchase price of the property. In addition, certain sectors are reserved for domestic or local investors; these sectors include fishing and fisheries and agriculture.

1.52. One new development in this review period for Antigua and Barbuda's foreign investment regime is the addition of economic citizenship, which is known as the Citizenship by Investment. Citizenship by Investment is the granting of citizenship status to an individual and immediate family members contingent upon a specified and quantifiable investment in Antigua and Barbuda. The usual grounds for the granting of citizenship is birth within a certain territory, descent from a parent who is a citizen, marriage to a citizen, and naturalization. While residence is granted to investors and wealthy individuals in most countries, there are only very few countries now which have laws to grant citizenship by way of investment for economic considerations and without any lengthy residence requirements. Antigua and Barbuda is now one of them.

[9] ABIA Incentives, http://www.investantiguabarbuda.org/investors/incentives.html.

1.53. The Antigua and Barbuda Citizenship by Investment program was introduced in late December 2013 by the passing of the Citizenship by Investment Act of 2013[10] in Parliament and this program is managed by the Citizenship by Investment Unit[11] which was in operation since September 2013. The CIP in Antigua and Barbuda provides applicants with the ability to obtain citizenship while having the opportunity to invest into the development of Antigua and Barbuda. The administration and benefits of the Antigua Citizenship by Investment program can be found on its website.[12] In addition, there are three (3) ways in which an investor can invest in Antigua and Barbuda to obtain economic citizenship: (a) capital investment through the National Development Fund; (b) purchasing real estate in Antigua and Barbuda[13]; and (c) by way of business investment.[14] Under the option of business investment, there are two ways business investment can be done: (a) where a person proposes to make an investment in an approved business of at least US$1,500,000 on their own behalf, and (b) at least two persons propose to make a joint investment in such an approved business totaling at least US$5,000,000, and each of those persons individually propose to contribute at least US$400,000 to the joint investment or an application for Citizenship by Investment may be submitted on his, her or their behalf through an agent.

1.54. Once citizenship by investment is acquired, the Antiguan and Barbudan passport is issued to the applicant. A list of countries (118 countries) to which the applicant now has access to after obtaining the Antiguan passport and time allotted of stay is located on the website.[15] The fees[16] and application process can be found on the website for the CIP Unit.[17]

2 SECTORAL DEVELOPMENT

2.1 Agriculture and Fisheries

2.1. Antigua and Barbuda traditionally has always had a small agriculture and fisheries sectors. Under this period of review, both sectors' contribution to the GDP has remained below 2% respectively and both sectors employs between 10% and 12% of the local populace. Most production in both sectors is heavily focused to domestic consumption presently. There is a small percentage of fisheries exports (fish and lobster) that are already entering the EU market through Guadeloupe and Martinique, but the quantifiable figure is quite small. The intention is to build capacity and foster entrepreneurial capability to get the local population self-employed in these sectors to start to heavily export both in the CSME and globally to the EU market.

2.2. During the period under review, with diversification in mind, the Government has indicated intentions to diversify agriculture. This process has already started with the Backyard garden programme of 2010. The goal of this programme is to not only reduce the food import bill but also to get locals to engage in food production for export. In 2013, the Ministry of Agriculture, Lands, Fisheries, Housing and Environment indicated that 2,000 households are registered with the Ministry of Agriculture and are involved in this initiative.

2.3. The Fisheries Act was passed in Parliament in 2006. However, the requisite regulations for implementation of this Act's provisions have not been constructed yet. It is envisioned that these regulations will be completed before 31 December 2014. For the fisheries sector in Antigua and Barbuda, employment and investment in reserved for the local population.

2.4. The fisheries sector in Antigua and Barbuda provides important supplement to the rural poor, and acts as a cushion in times of economic dislocation. Further, the fisheries sector is a significant source of income to the small population in Barbuda, with many families having one or more persons employed in the sector.

[10] See: the Citizenship by Investment Act of 2013, http://cip.gov.ag/how-to-apply/caution/.
[11] Citizenship by Investment Unit, see: http://cip.gov.ag/contact-us/.
[12] See: http://cip.gov.ag/.
[13] See list of approved areas and projects, http://cip.gov.ag/investment-options/real-estate/.
[14] See list of approved projects so far, http://cip.gov.ag/investment-options/business-investment/.
[15] See list of countries here, http://www.antiguacitizenship.com/citizenship/v.
[16] See list of fees, http://cip.gov.ag/fees-applicable/.
[17] See application process, http://cip.gov.ag/how-to-apply/.

2.2 Services

2.5. Services, including construction, dominate the small vulnerable economy of Antigua and Barbuda contributing to more than 90% to the country's GDP. More specifically the three services areas that dominate Antigua and Barbuda's economy are: tourism, financial services (banking, offshore services and insurance) and professional services (legal, engineering, accounting, architectural services). Other service areas are maritime transport services.

2.6. An important domestic milestone in the area of services in the jurisdiction of Antigua and Barbuda during the period of review, was the successful launch of Antigua and Barbuda's Coalition of Service Industries in 2011.[18] The Antigua and Barbuda Coalition of Service Industries (ABCSI) is a private sector driven, trade-in-services organization launched in February 2011 by the Government of Antigua and Barbuda. The organization's primary aim is to advance trade opportunities in the services industry by identifying and promoting market intelligence and technological innovation.[19]

2.2.1 Tourism

2.7. Tourism is one of the key service and revenue earning sectors for Antigua and Barbuda. It is also one of the most important areas driving foreign direct investment in the country. The Ministry of Tourism estimates that the sector accounts for some 28% of overall employment in the economy, 48% of export earnings and 51% of total investments in Antigua and Barbuda.

2.8. In Antigua and Barbuda, the legislation governing the provision of services and investment in the tourism sector includes the Hotels Aid Act CAP 204 of 1952, the Income Tax Act CAP 212 of 1957, the Income Tax Amendment Act, No. 4 of 2003. Tourism development in the area of real state development is now a priority area under the Citizenship by Investment Program and it is still an area of priority for the Antigua and Barbuda Investment Authority.

2.2.2 International financial services

2.9. During the period under review, specifically in March 2013, the financial sector in Antigua and Barbuda comprised of 8 domestic or commercial banks, 13 offshore banks, 23 insurance companies and agents and 6 credit unions. In this country, the domestic or commercial banks are regulated by the Eastern Caribbean Central Bank (ECCB), and the other financial facilities mentioned here are regulated by the Financial Services Regulatory Commission (FSRC). The international financial services sector contributes about 8% to the GDP. However, the international financial services sector next to tourism is a key sector that heavily influences the success of Antigua and Barbuda's small, open, vulnerable economy.

2.10. The Ministry of Finance, Economy and Public Administration sought to address the impact the global financial crisis had on the financial sector by strengthening this sector. Thus, legislation was passed which ensured that the Financial Services Regulatory Commission be transformed into a single regulatory unit for offshore banks and domestic non-banks. FSRC would apply international best practice and be in line with regional agreements and international financial standards.

2.11. As a result, the new FSRC Act came into force in June 2013. The FSRC Act (2013) seeks to restructure the authority and to repeal and replace the International Business Corporations Act under which the commission was established. The Act also makes up one of three outstanding items on a 14-point government plan designed to bring Antigua & Barbuda into compliance with the Financial Action Task Force (FATF). Another key component of the new ACT allows the FSRC to share information with law enforcement outside of Antigua & Barbuda and to cooperate with various investigations. Lastly, clause five of the new Act outlines the three main functions of the commission as regulatory, collaborative and advisory.

[18] http://www.antiguaobserver.com/ministry-of-trade-launches-coalition-of-service-industries/.
[19] https://www.facebook.com/pages/Antigua-and-Barbuda-Coalition-of-Service-Industries-Inc/159228514140661.

2.2.3 Insurance services

2.12. At the close of 2013, Antigua and Barbuda's jurisdiction has 23 domestic insurance companies registered and providing insurance services. Of the 23, 8 are locally owned and locally operated limited liability companies; meanwhile the remaining 15 are agents or subsidiaries of parent company foreign insurers.

2.13. Specifically, the Insurance (Amendment) Act of 2007 governs all operations of all 23 registered companies in the domestic insurance sector of Antigua and Barbuda. One key feature of this 2007 Act is that all insurance companies operating in Antigua and Barbuda must be registered by the Superintendant of International and Domestic Insurance, who is part of the FSRC.

2.14. Domestic insurance companies in Antigua and Barbuda offer general and life insurance but not reinsurance.

2.2.4 Telecommunications

2.15. In Antigua and Barbuda, currently, the Telecommunications sector is governed by the Telecommunications Division of the Ministry of Telecommunications, Science and Technology. The telecommunications sector in Antigua and Barbuda contributes slightly over 3% to Antigua and Barbuda's annual GDP figure and employs approximately 400 nationals.

2.16. The key legislation governing this sector is the Telecommunications Act of 1951. However, there will be a new Telecommunications Act to replace the 1951; it is anticipated that this Act will be passed in Parliament before 31 January 2015. It is envisioned that the new Telecommunications Act will standardize licensing procedures and allow the granting of licenses for international fixed-line services.

2.17. To date, Antigua and Barbuda is still the only OECS-WTO Member that is not a member of the Eastern Caribbean Telecommunications Authority (ECTEL).

2.2.5 Maritime transport services

2.18. The main legislation governing maritime transport is the Merchant Shipping Act No. 1 of 2006.[20] The 2006 Act consolidates and modernizes the previous legislation and provides for the implementation of international conventions and agreements to which Antigua and Barbuda is a party. Merchant shipping activities are administered by the Department of Marine Services and Marine Shipping (ADOMS).[21] ADOMS is under the responsibility of the Ministry of Foreign Affairs. The Prime Minister of Antigua and Barbuda has ultimate responsibility for merchant shipping and ship registration.

2.19. Under the Aliens Restriction Act, Cap 16, the masters, chief officers and chief engineers of merchant ships registered in Antigua and Barbuda must be citizens of Antigua and Barbuda, except on vessels employed mainly in voyages between ports outside Antigua and Barbuda.[22]

2.20. Cabotage may be carried out only by Antigua and Barbuda ships.[23] An Antigua and Barbuda registered ship must be either: owned or effectively controlled by citizens of Antigua and Barbuda; or owned by CARICOM citizens or by a company registered either under the International Business Corporations Act or the Companies Act. These criteria may be waived with ministerial approval.[24] The Antigua and Barbuda register of ships comprises an international ships register, a register for mega-yachts, and a local register. Various fees and charges are levied on ships registered under the Antigua and Barbuda flag. Registration fees, and annual charges vary according to gross tonnage. As at January 2013 there were 1,322 ships registered on the international register and

[20] Merchant Shipping Act No. 1 of 2006: http://www.laws.gov.ag/acts/2006/a2006-1.pdf.
[21] ADOMS website, http://www/antiguamarine.com.
[22] See: http://www.laws.gov.ag/acts/chapters/cap-16.pdf.
[23] Antigua and Barbuda Merchant Shipping Act, Art 3(1), http://www.laws.gov.ag/acts/a2006-1.pdf.
[24] Antigua and Barbuda Merchant Shipping Act, Part III, Chapter 1, http://www.laws.gov.ag/acts/2006/a2006-1.pdf.

290 ships registered on the local register. The authorities noted that the main users of the international register are located in Germany and other European countries, and the United States.

2.21. Antigua and Barbuda's main commercial seaport is St. Johns. In addition, bulk cement arrives at Crabbes Port, and bulk petroleum products enter through High Point Port (Texaco) and Fort James Port (West Indies Oil). Sea ports are owned and controlled by the Government. Figures were not available on the volume or value of cargo or passenger arrivals by maritime transport, nor estimates of the costs of transport as a percentage of imports.

2.22. The Antigua Port Authority is responsible for developing the harbours of Antigua and Barbuda; operating and managing port services; and collecting dues and charges as authorized by the Port Authority Act.[25] Some port services are provided by the private sector, for example, stevedore activities are privately owned and operated, and port security is provided by private firms.

2.23. A travel tax, an embarkation tax, and a cruise passenger tax are levied on passengers travelling to and from Antigua and Barbuda by maritime transportation.

3 INSTITUTIONAL FRAMEWORK

3.1. During the period under review and more specifically since 2010, the Ministry of Foreign Affairs delegated responsibility for trade policy formulation and implementation to the Department of Trade, Industry and Commerce which is a Department in the Ministry of Finance, the Economy and Public Administration. This Department, in collaboration and consultation with various departments in the same Ministry of Finance, the Economy and Public Administration, including the Customs and Excise Division, the Budget Office, and a number of related agencies, including the Antigua and Barbuda Investment Authority and the Bureau of Standards, function to cohesively map and create trade policy in Antigua and Barbuda. In addition, the Ministry of Agriculture, Lands, Fisheries, Housing and Environment, the Ministry of Legal Affairs, and the Office of Patents, Copyrights and Intellectual Property, all play an integral part in influencing trade policy.

4 TRADING ARRANGEMENTS

4.1 Regional Integration

4.1.1 OECS Economic Union

4.1. A major milestone in the process of further integration among OECS States is the signature and implementation of the OECS Economic Union. The Revised Treaty of Basseterre Establishing the OECS Economic Union was signed on 18 June 2010 in St. Lucia, during the 51th Meeting of the Authority of Heads of Government of OECS Member States. The Treaty establishes the OECS Economic Union, a single financial and economic space within which goods, people and capital move freely, monetary and fiscal policies are harmonized and countries continue to adopt a common approach to trade, health, education and environment, as well as to sectoral development in agriculture, tourism and energy. The Revised Treaty of Basseterre has been ratified by all OECS WTO Members; it came into force in January 2011 and replaces the original OECS Treaty of 1981.[26]

4.2. The Revised Treaty of Basseterre established the Economic Union's organs and institutions. The principal Organs are: (a) the OECS Authority of Heads of Government of the Member States; (b) the Council of Ministers; (c) the OECS Assembly; (d) the Economic Affairs Council; and (e) the OECS Commission.

[25] Port Authority Act, Article 5, http://www.laws.gov.ag/acts/chapters/cap-333.pdf.

[26] The Treaty of Basseterre has been ratified by all OECS Members. The deposit of instruments of ratification by Antigua and Barbuda took place in December, 2010; it was followed by St. Vincent and the Grenadines, St. Kitts and Nevis, Grenada, Dominica and St. Lucia, in that order, in January 2011. See more at: http://www.oecs.org/economic-union-press/290-oecs-economic-union-launch#sthash.26JpA7wM.dpuf.

4.1.2 CSME

4.3. A CSME UNIT has been established nationally in the Department of Trade, Industry and Commerce of the Ministry of Finance, Economy and Public Administration. The UNIT is tasked with the responsibility to consult with and provide assistance to all stakeholders in Antigua and Barbuda on the mechanisms entrenched within the Treaty and to also advise public sector agencies on their obligations under the Revised Treaty of Chaguaramas (RTC). In turn, the CSME UNIT in Antigua and Barbuda channels the results of national consultations on operationalizing the various mechanisms of the RTC back to the CARICOM Secretariat, based in Guyana.

4.4. The following Treaty Enactments have been passed into Antigua and Barbuda's national legal regime: (a) The Revised Treaty of Chaguaramas establishing the Caribbean Community including the CARICOM Single Market and Economy (The CARICOM Community Act 2004 No. 9 of 2004); (b) The Caribbean Court of Justice, in its original jurisdiction, was enacted into Domestic Law (The Caribbean Court of Justice Act No. 10 of 2004 and The Caribbean Court of Justice (Amendment) Act No. 10 of 2005).

4.5. During the period under review, the following national pieces of legislation were enacted: (a) The Accreditation Act 2006 No. 4 of 2006; (b) The Caribbean Community (Movement of Factors) Act No. 3 of 2006, formerly known as the Free Movement of Factors Bill of 2006; and (c) Establishment of administrative arrangements for the Caribbean Community Skills National Act No. 3 of 1997.

4.6. Since 1997, CARICOM has worked through the Caribbean Regional Negotiating Machinery (CRNM) to coordinate information and strategy in external trade negotiations, including in the WTO. In 2009, the CRNM was incorporated into the CARICOM Secretariat as a Specialized Department. Subsequently, a decision was taken to rename the CRNM as the Office of Trade Negotiations (OTN). Nationally, the CSME UNIT in the Department of Trade, Industry and Commerce assists the OTN by informing Antigua and Barbuda's national positions and strategies so that the OTN is able to undertake and lead negotiations where appropriate.

4.7. An important feature that will be addressed by the next review of Antigua and Barbuda is the harmonization of laws in the CSME. The CSME UNIT at the national level works on a collaborative level with the OECS Secretariat and the CARICOM Secretariat to ensure that national laws passed in Antigua and Barbuda are in harmony with the other member States of these two regional groupings. Specific to this, the laws identified for harmonization include: customs legislation, regulations and forms; legal regime for establishment, services and capital; competition law; consumer protection; anti-Dumping and countervailing measures; standards and technical regulations; labelling; sanitary and phytosanitary measures.

4.1.3 CARIFORUM – EU Economic Partnership Agreement (EPA)

4.8. A comprehensive Economic Partnership Agreement between (EPA) between the EU and 15 Caribbean States in the CARIFORUM group, including the OECS Members, was signed in 2008. This agreement replaced the expired preferences under the Africa, Caribbean, and Pacific (ACP)-EU Cotonou Agreement. In contrast to the Cotonou Agreement, which was unilateral, the EPA is based on the principle of reciprocity, albeit asymmetric reciprocity. This asymmetry of commitments is reflected in market access, the MFN provisions, trade defence measures and development cooperation.

4.9. The EPA was ratified by the parliament of Antigua & Barbuda on 15th December 2008. In order to fulfil the decision by the Conference of the Heads of Government to ensure the implementation of the EPA at national level, the Cabinet agreed to establish a dedicated Unit for the implementation of the EPA within the Office of the National Authorizing Officer (NAO) within the Ministry of Finance, Economy and Public Administration on 15th October 2009.

4.10. With financial support secured from the Caribbean Aid for Trade and Regional Integration Trust Fund (CARTFund) managed by the Caribbean Development Bank (CDB), The Antigua & Barbuda EPA Implementation Unit commenced operations on 2 November 2010 with the overall responsibility of managing and coordinating the implementation of the CARIFORUM-EU EPA at the national level.[27]

4.11. The main objectives of the EPA Implementation Unit are: (a) To coordinate activities designed to fulfil national obligations from the EPA; (b) To facilitate the private sector in accessing development assistance to build capacity to take advantage of the increased market access into the EU market as well as compete with the European firms in their own market; (c) To heighten awareness amongst key stakeholders of the benefits, opportunities and challenges of the Agreement; (d) To monitor and report on accomplishments and gaps in implementation to provide meaningful policy guidance on national and regional level, as well as joint institutional bodies under the Agreement; and (e) To facilitate the building and upgrading of the regulatory framework to support the socio-economic activities and aid implementation of the Agreement.

4.2 Preferential Trading Arrangements

4.2.1 CARICOM bilateral trade arrangements

4.12. As a member of the Caribbean Community (CARICOM), Antigua and Barbuda is party to five special trading arrangements that have been negotiated by the regional trading bloc – CARICOM – with third parties. These CARICOM bilateral trading arrangements with third parties are:

(a) Agreement on Trade, Economic and Technical Cooperation between CARICOM and Venezuela;

(b) Agreement on Trade, Economic and Technical Cooperation between CARICOM and Colombia;

(c) CARICOM – Dominican Republic Free Trade Agreement

(d) Partial Scope Agreement between the Republic of Cuba and the Caribbean Community; and

(e) CARICOM-Costa Rica Free Trade Agreement.

4.13. CARICOM's trade relations with the Western hemisphere have undergone significant changes over the last decade. At the time, that each of these agreements were undertaken and completed, the focus was heavily on goods trade. During the period under review, the CARICOM Secretariat has signaled to its member States like Antigua and Barbuda that each of these agreements will have to be amended to capture services trade for which member States like Antigua and Barbuda is predominantly known for.

4.2.2 CARIBCAN

4.14. CARIBCAN which came into effect in June 1986, is a unilateral preferential scheme between Canada and several Caribbean States, including Antigua and Barbuda. This non-reciprocal preferential trade agreement that grants unilateral duty free access to eligible goods from beneficiary countries in the English-speaking Caribbean and ended in 2011.

4.15. The main feature of CARIBCAN is duty-free access to the Canadian market for most goods originating in Antigua and Barbuda. Duty-free access, however, does not apply to textiles, clothing, footwear, luggage, handbags, methanol, lubricating oil, and leather garments.

4.16. It is recognised, however, that current non-reciprocal preferential programmes such as CARIBCAN do not provide an adequate and secure foundation on which to anchor the Region's future trade and economic relations with Canada and for bringing dynamism to CARICOM export performance vis-à-vis Canada. In addition, CARIBCAN's relative value to CARICOM has been reduced since it was first introduced in 1986 due to progressive market liberalization by Canada as a result of bilateral trade agreements and/or unilateral initiatives. Additionally, market liberalization undertaken in the context of the Doha Development Agenda (DDA) negotiations will

[27] The official website of the Antigua and Barbuda EPA UNIT (http://abepa.gov.ag/).

erode whatever residual preferential margin exists under CARIBCAN for CARICOM merchandise exports. In addition to the progressive erosion of the CARIBCAN preferences, the coverage of the arrangement is limited to trade in goods and does not extend to trade in services, which accounts for a growing proportion of CARICOM-Canada trade during the period under review. Thus, during the period under review, negotiations with CANADA for a new trading arrangement with CARICOM formally commenced in 2009 and this was before the ending CARIBCAN's unilateral preferential arrangement on 30 December 2011.

4.2.3 CBI, Antigua and Barbuda, and the future of trade with US

4.17. The Caribbean Basin Initiative (CBI), initially launched in 1983 through the Caribbean Basin Economic Recovery Act (CBERA), was expanded in 2000 through the US-Caribbean Basin Trade Partnership Act (CBTPA). However, under US legislation the termination of the effect of CBTPA was scheduled 30 September 2008.

4.18. To operate legally under the World Trade Organization (WTO), the CBERA and CBTPA require a waiver approved by all other WTO Members. The waiver on CBERA expired on 31 December 2005 and the request by the US for the continuation of the waiver is still not being agreed to by Paraguay. The US is therefore unilaterally implementing CBERA in the absence of the waiver, which also covers CBTPA procedures.

4.19. On 8 February 2008, Congressman Rangel introduced a Bill for the *extension* of the CBTPA and other US unilateral preferential trade arrangements, namely, the Andean Trade Preference Act (ATPA) and the Generalised System of Preferences (GSP). The proposed extension was to 30 September 2010 for all three arrangements. The ATPA was due to expire on 29 February 2008. The CBTPA expiration was scheduled 30 September 2008 and the GSP on 31 December 2008.

4.20. On 14 February 2008 however, the Committee on Ways and Means approved an extension for the Andean Trade Preferences Act (ATPA) only; and only until 31 December 2008, instead of 30 September 2010 as had been proposed by Congressman Rangel. It is understood that Congressman Rangel had agreed to drop from his Bill an extension and modification of the GSP and CBTPA, under pressure from Republican members. An extension of the ATPA to 31 December 2008 was signed by President Bush on 29 February 2008, which benefitted Bolivia, Colombia and Peru.

4.21. However, without the approval of an extension of the CBTPA by 30 September 2008, it was unclear whether beyond that date, the Region's exports to the US would continue to benefit from the same preferential access by an administrative arrangement. In the end given the history of the US' President veto and the role of Congress in passing its laws in their system, it was the WTO who managed to provide some stability on the matter of access of Caribbean exports to the US market. Specifically, on 24 March 2009, the World Trade Organization (WTO) Council for Trade in Goods approved the longstanding waiver request from the US on the Caribbean Basin Economic Recovery Act (CBERA). The approval of the waiver which will remain valid until 2014, provides the legal authorization for CARICOM to export goods covered under CBERA to the US duty-free. This in effect for Antigua and Barbuda means that most goods (except textiles, and clothing, footwear, leather goods, canned tuna, and petroleum and petroleum products) will continue to enjoy duty-free access to the US market.

4.22. Following the completion of the negotiation of a Trade and Development Agreement with Canada in late 2014, further refinement and progressive development of CARICOM-US trade negotiations will be addressed. As a member of the regional grouping – CARICOM – Antigua and Barbuda looks forward to this future development to concretize trade relations even more with the United States.

4.3 Multilateral

4.3.1 WTO – Doha Round

4.23. Antigua and Barbuda, like its other developing countries counterparts, remains committed to the process and progress in the advancement of the Doha Round of negotiations and the Doha Development Agenda.

4.24. Since membership in 1995 and following the first WTO Trade Policy Review in 2001, Antigua and Barbuda continues to be committed to actively participating in the multilateral process. Through the OECS Technical Mission in Geneva, Antigua and Barbuda has managed to increasingly participate and meaningfully engage with its other counterparts of the ACP members in the multilateral process.

4.25. A unique example of Antigua and Barbuda being committed to the multilateral process was experienced during 9-13 June 2008, when Antigua and Barbuda completed its first WTO National Trade Facilitation Needs Assessment with the assistance and collaboration of the Trade Facilitation section of the WTO. Antigua and Barbuda was the second OECS country to have achieved this feat.

4.26. Antigua and Barbuda is pleased that a WTO Agreement on Trade Facilitation was arrived at in Bali during the Bali WTO Ministerial Conference of December 2013. As a result, Antigua and Barbuda presently is working with its OECS counterparts on the implementation and fulfilment of the provisions of this landmark agreement on Trade Facilitation which was concluded at the multilateral level.

5 TRADE DEVELOPMENT NEEDS ASSESSMENT

5.1 Vulnerabilities

5.1. During the period under review Antigua and Barbuda's economy is ranked as having an annual per capita GDP of approximately US$18,300 and Human Development Index ranking of 67 for 2012 that places the country in the high development category. The 2012 HDI figure moves Antigua and Barbuda from the 47th position HDI ranking it had back in 2009. This indicates that there is need for urgent and specific interventions and targeted resources for addressing this decline in global HDI ranking to its 2012 figure.

5.2. In addition, Antigua and Barbuda's economy during the period under review, that is, 2008-13, is highly dependent on government activity and due to the 2008 global financial crisis, the country continues to be one of the most indebted developing Member States of the WTO. At the same time, the Government is still historically the largest employer in spite of incorporating IMF recommendations since 2009.

5.3. Antigua and Barbuda a small, open, developing Member State of the WTO with its high trade to GDP ratio, and the country's small percentage of global trade which is still less than 1% in 2013, there are vulnerabilities to exogenous shocks experienced from the markets that Antigua and Barbuda continues to do business such as the US and EU markets.

5.4. Furthermore, although Antigua and Barbuda enjoys a high standard of living, its economy like many small vulnerable economies, is fragile and vulnerable to social and environmental issues which includes the impacts of natural disasters, in particular hurricanes and more recently in this period of review, the incidence of drought.

5.2 Challenges

5.5. During this period of review, Antigua and Barbuda continues to be challenged having to actively engage in parallel and simultaneous negotiations that are ongoing at the multilateral, hemispheric, regional and bilateral levels. In addition, the trade agenda has expanded even more addressing issues such as climate change, value added trade, food security, environment technologies to name a few, which are beyond the traditional trade agenda issues such as barriers to trade, tariffs, and trade in services. Antigua and Barbuda still has problems of lack of human and technical capacity to cover these negotiations, achieve effective policy synthesis with cross-cutting sectoral issues, and fulfil its notification requirements with its international obligations at each negotiation level.

5.6. Yet another challenge for Antigua and Barbuda is its lack of training to fulfil its multilateral notification obligations for the various WTO Agreements of the Uruguay Round to which Antigua and Barbuda is party to. In addition, Antigua and Barbuda already envisions that it will be a challenge to implement the Bali WTO Trade Facilitation Agreement, but Antigua and Barbuda remains committed in fulfilling its obligations as a developing Member State of the WTO.

5.7. Finally, in the area of services where Antigua and Barbuda has some competitive advantage, there still exists under the period of this review, trade impediments existing in market access of other WTO Member States which prevents service providers from Antigua and Barbuda gaining entry to these markets. Such service trade impediments include lack of equivalency and mutual recognition of qualifications, residency requirements, and requirements that service providers establish in-state offices.

5.3 Aid for Trade (Trade Assistance Required)

5.8. Antigua and Barbuda is of the view that trade should be utilized and made accessible for promoting sustainable growth, development and eliminating poverty levels. With this in mind, Antigua and Barbuda remains hopeful that post this review more trade assistance, that is aid for improving its trade and value added trade, becomes accessible and available since in the development negotiations of the Doha Development Round, the WTO recognizes that Antigua and Barbuda is a small vulnerable economy.

5.9. Antigua and Barbuda needs assistance following this period of review to cover the following areas: (a) policy support; (b) infrastructural support; (c) trade adjustment support for the loss of service sectors and industries such as Antigua's gaming industry which employed over 2,000 nationals and generated over US$7 million in license fees; (d) implementation assistance to assist Antigua and Barbuda implementing and incorporating WTO Agreements like the Bali WTO Trade Facilitation Agreement into its domestic legal regime and fulfilling other obligations associated with implementation, and (e) technical assistance from the WTO Secretariat in the matter of training of requisite and appropriate government personnel in Antigua and Barbuda to submit and fulfil notification expectations for the WTO Agreements to which Antigua and Barbuda is party to.

DOMINICA

1 INTRODUCTION

1.1. Dominica's Second Trade Policy Review (TPR) was a clear indication that this WTO Member State, which is also a Member State of the Caribbean Community (CARICOM) and the Organization of Eastern Caribbean States (OECS), was on a path set on realising full integration into the regional and international trading arena. The years preceding the TPR continued to embrace this agenda with the completion of the negotiations of the Economic Partnership Agreement (EPA) in 2008 and the ongoing CARICOM – Canada Negotiations which are set to be complete by the first half of 2014.

1.2. There continues to be efforts geared at deepening the regional integration process at CARICOM. Dominica, through a number of legislative amendments, implemented its programme for the removal of restrictions on the free movement of capital, services and certain categories of labour and investment. Dominica declared its compliance with the creation of the CARICOM Single Market and Economy (CSME) in June 2006. The Member States of the OECS have embarked on a road to embrace deeper integration through the creation of an Economic Union; an initiative, which holds a lot of, benefits for Dominica and by extension the OECS Region.

1.3. Dominica's trade policy continues to focus on the development of the institutional and legislative framework to reposition Dominica's trade sector to reap the benefits of globalization and to overcome the numerous challenges that will be faced as a small developing country.

1.4. Dominica has articulated a growth and development strategy that provides an overarching and strategic perspective on the management of Dominica's economy into the future. It is a perspective that is informed by fiscal and debt parameters and considerations of prudential national economic management. A National Export Strategy that was launched in 2009 guides enhancement of its trade performance.

2 RECENT ECONOMIC PERFORMANCE

2.1. Dominica has managed to keep up with prudent fiscal management coming out of the Economic Stabilization and Adjustment Programme. This strong performance in the fiscal area permitted the removal of adjustment measures that were causing the most hardship to the country. Improved macro-economic conditions and stronger tax administration, including the administration of the Value Added Tax (VAT), resulted in higher than anticipated revenue collection. Greater financial discipline and increased attention to cash flow management continues to allow for more effective control of current expenditure. Therefore debt-restructuring efforts has reduced public debt from 120% in 2002 to 72% in 2012/13.[1]

2.2. Between 2007 and 2012, Dominica's merchandise trade was relatively stable. Exports stood at US$35.3 million in 2012 (compared to US$36.3 million in 2007), while imports reached a peak of US$246 million in 2008 before declining to US$194.7 million in 2012. This resulted in an overall merchandise trade deficit of US$165 million. Dominica exports mainly to other CARICOM countries.

2.3. Dominica's trade in services profile is in contrast with its goods counterpart: the trade balance was in surplus over the past decade. Between 2007 and 2011, imports of services increased by 6% to US$67.5 million, while exports increased by 62.6% to US$162.8 million. The trade in services balance recorded a surplus of US$95.3 million. Travel services account for the bulk of this surplus. Dominica is also a net exporter of telecommunications, computer and information services.

2.4. The global downturn of 2009 affected Dominica through lower FDI; this can be seen in the drop in FDI flows from EC$116.187 million in 2009 to EC$62.607 million in 2012.

[1] Debt Unit, Ministry of Finance, Commonwealth of Dominica, 2014.

2.5. According to IMF estimates[2] growth is projected at 1.6% in 2014, supported by new public infrastructure projects and recovery in the Agricultural and Tourism sectors.

3 CHALLENGES FACING DOMINICA

3.1. The Growth and Social Protection Strategy (GSPS) identifies the challenges facing Dominica as those related to accelerating growth in the economy that can be sustainable. The challenges are economic, social, political, and environmental, some of which are beyond the control of Dominica. Dominica continues to be challenged by the global economic crisis, weather systems, and setbacks in foreign investments flows.

3.2. Dominica realizes that dealing with the unemployment challenge will require job creation that will engage the unemployed in the rural areas, where poverty is most pronounced and absorb the youth who experience the highest rate of unemployment. Investment in agriculture, community tourism, and human resource development and improving environment for private sector activity offer best prospects in this endeavour.

3.3. While the problem of youth unemployment continues to be a challenge, the Government has, in an effort to create direct employment and to enhance employability of the youth through internship and other initiatives, launched a National Employment Programme, coordinated by the Employment and Small Business Support Unit, within the Ministry of Employment, Trade, Industry and Diaspora Affairs, on 2 December 2013. This initiative is geared at placing qualified young people across the length and breadth of the country into employment opportunities both in the Public and Private Sectors. It is expected to last between six months to a year in the first instance. The number of persons employed as of February 2014 is 281.

3.4. As it relates to improving the law and order apparatus, including the effectiveness of the judicial and land administration system, the Government Reform Management Unit has embarked on a three phase project to manifest the same. Phase 1 involved legislative review; the Title by Registration Act, The Land Surveys Act and the Land Tenancies Act were reviewed and drafting instructions were developed for amendments to be made in 2012. Phase 2 dealt with the design and establishment of a unified land information system; this commenced in 2008.This system was developed in an effort to process State and private lands electronically and was funded by the World Bank. Phase 3 involved the digital conversion of the land title achieves; this project is expected to take two years.

3.5. There still exists challenges which the country has to continue to deal with; they include:

- Continuing sound fiscal management to consolidate progress towards reducing the government's financing requirements to sustainable levels and reducing public sector indebtedness;

- Reducing poverty levels through growth and employment generation, and improving the effectiveness of the social services and social assistance programmes;

- Improving the efficiency of institutions and simplifying procedures that make the enabling environment for private enterprise with a view to shortening the process and reducing the cost of establishing new and expanding existing businesses.

4 GOVERNMENT'S MEDIUM TERM DEVELOPMENT STRATEGY

4.1. In 2006 the Government of Dominica completed its medium term strategy for growth and poverty reduction over the next five years; the current Strategy is for the term 2012-14. The Growth and Social Protection Strategy document provides the framework for Dominica's economic and social policies over the medium term. It sets out the macro-economic framework; the growth strategy including the enabling environment for private enterprise and sectoral strategies; poverty reduction and social protection programmes. It also provides for the monitoring and evaluation of the progress made in implementing the strategy on an annual basis.

[2] IMF, 2013.

4.2. Priorities set in this document make poverty reduction the direct focus of the Government's economic and social policy. Government regards the pursuit of sustained strong economic growth to be the main strategy to alleviate poverty.

The GSPS seeks to foster growth in the economy by building on four pillars:

1. Fiscal policy and administrative reform;
2. Enhancing the investment climate for private enterprise development;
3. Sectoral strategies for growth; and
4. Strategies for poverty reduction and social protection.

The main objectives of the GSPS include:

- Reduction in unemployment and underemployment.
- The attainment of sustainable growth and development.
- A reduction in vulnerability to shocks – economic and natural disasters.
- An improvement in international competitiveness and export performance.
- An improvement in the effectiveness of social protection programmes.

5 SECTORAL DEVELOPMENTS AND PROGRAMMES

5.1. The attainment of sustained economic growth over the medium term continues to be based on increased levels of activities in all sectors, in particular tourism, agriculture, manufacturing and energy. Improving export performance is critical for growth and increasing international competitiveness is a major challenge if Dominica is to succeed in the global economic environment. Eco-tourism, agro-industries, niche-focused agriculture, water, and the quarrying of sand and aggregate are some of the natural resource based industries which Dominica enjoys some comparative advantage and have great potential to generate employment and income growth opportunities. The sectors will now be expounded upon hereunder:

5.1 Agriculture

5.2. Agriculture, and specifically crops, continues to play a dominant role in the Dominican economy. The sector's contribution to GDP has been increasing and reached 10.5% in 2013; Dominica's non-banana crops include plantains, citrus fruits, root crops, vegetables, herbs and spices. The sector employs approximately a third of the labour force and is an important source of foreign exchange earnings. The sector still continues to operate in a very challenging local and global climate. Locally challenges include relatively high cost of production; low labour productivity resulting in "supply-side" constraints and an aging farmer population. Globally the sector faces preference erosion and increased competition in traditional markets.

5.3. Division of Agriculture is the primary institution responsible for the agriculture sector. It provides technical, regulatory and support services in areas such as crop and animal husbandry, animal and plant health, agricultural engineering and land use, farm management, agricultural information, pre and post-harvest technology, agro processing and agro-tourism support, laboratory diagnostic support and research.

5.4. The objectives for the agricultural sector for the medium term have not changed significantly; they can be summarised as follows: (a) to achieve sustained growth in production and exports; (b) to further diversification of the sector; and (c) to increase employment and incomes. To achieve these objectives Government has provided significant investment in infrastructure such as access roads, irrigation, packing houses, testing facilities and plant tissue cultivation. The capacity to provide critical extension services to the farmers has been significantly improved. There have also been activities to facilitate new investment in the sector; to infuse a more business oriented approach among farmers; and to attract young persons into the agricultural business.

5.5. The Agricultural Investment Unit, for example, provides financial and technical assistance to farmers and fishermen. The objective is to increase food security, reduce the food import bill and manifest job creation. Government has provided a total of EC$2 million to the unit which is being administered through the Agricultural and Industrial Development (AID) Bank; some of the initiatives undertaken by the Unit are 1. The construction of a Multipurpose Abattoir for the increased production of chicken and pork and to ensure that these meats are processed in a central hygienic location; and 2. the construction of a coffee processing plant under the Coffee Development Programme.

5.6. Since the previous review, the Government has improved the quality management system through the construction of modernised infrastructure such as a Banana Inland Reception and Distribution Centre, two Packing Houses, and a Centre for Testing Excellence. New legislation related to the exportation of fresh produce was enacted in 2009. The Animals Act, the Plant Protection and Quarantine Act, and the Pesticides Act have also been revised and the revisions were pending enactment in 2014.

5.7. The Government of Dominica also plans to launch an Agricultural Festival, affectionately referred to as "Agri Fess"; the purpose of this initiative is to bring to the fore new developments in agriculture with a view to stimulate interest and bring new ideas in agriculture. The goal: sustainability in agriculture and agricultural practices. The Festival is carded for the week of the 12 day of May 2014.

5.2 Tourism

5.8. The Government sees the tourism sector as a driver of economic activity and diversification. This is reflected in the Discover Dominica Authority's (DDA) Mission Statement which is "to increase the share of tourism's contribution to national economic development". The implementation of the Tourism Master Plan 2005-15 has been impacted by a context marked by the global financial crisis, and the outcomes are quite limited.

5.9. In the interest of providing a credible tourism product the Government has enacted the Tourism (Regulations and Standards) Act (No. 19, 2005) which provides for the creation of a Quality Assurance Unit to develop and monitor standards for the tourist industry and to ensure compliance with standards, classifications and ratings established under the said Act and Regulations. A licensing committee is also established under the Act to assess applications for tourism services for submission to the Minister for approval. The following sectors require certification from the Unit: Vendors, Tour Guides, Taxi Operators and Drivers, Hair Braiders, Accommodation, Food and Beverage, Water Sport Operators, Tour Guides, Vehicle Rentals and Travel Agents.

5.10. A number of tourism related taxes and charges are levied by the Government including an embarkation of EC$55.00 on passengers leaving by air or sea with a lower rate of EC$45.00 for nationals. A cruise passenger head tax of US$5.00, a value added tax of 10% on accommodation services by a hotel, guest house inn or similar establishment; and a Travel Tax of 7% on tickets (for travel by air and sea) purchased or issued anywhere in respect of a journey commencing in Dominica (Travel Tax Act 2003).

5.11. Under the Hotels Aid Act (1991) and the Fiscal Incentives Act, the Minister responsible for tourism may grant licences to investors constructing hotels (of not less than five bedrooms) to import duty-free building materials and articles of hotel equipment. Customs duties already paid may also be drawn back. Imports for capital investment, up until the commencement of the hotel's operations may also be exempt from the VAT. Income tax exemptions are available to property developers for the construction and extension of hotels, for a maximum of 20 years. At present there is a consultation in progress geared at reviewing the Hotel Aids Act.

5.12. It is empirical to note however that during the review period, Dominica's current account widened to EC$210.8 million in 2012, reflecting higher transportation receipts. However, the overall trade in goods and services deficit widened due to lower export of travel services. This was as a result of a drop caused by a decline in average daily tourist expenditures and average length of stay. Dominica, while battling the economic downturn remains vigilant and continues to engage initiatives geared and improving the chances of success in this fragile sector.

5.3 Manufacturing

5.13. Dominica's manufactured goods revolve mainly around agro-processing, some assembly of plastic and metal goods, and textile production. The agro-industry includes the production of beverages using a variety of raw materials, such as coconut, citrus, and other fruits. Dominica also produces some chemicals, including dental cream, as well as soaps and lotions, mainly through a subsidiary of Procter and Gamble. The main markets for Dominica's manufacturing exports are the other OECS countries, Martinique and Guadeloupe.

5.14. The Dominica Manufacturer's Associations (DMA) was revived in 2010, with the aim of promoting the manufacturing sector and proposing policies. Since this revival they have been very active advocating for their members. One of their most notable initiatives in collaboration with the Dominica Export Import Agency (DEXIA) is the "Buy Dominica" initiative. This initiative was launched in 2012, its main objective being to provide local producers with the opportunity to sell and showcase quality, genuine local products. A few days therefore were set aside for locals to come and patronize their Dominican producing counterparts.

5.15. The development of agro-industries remains therefore a major part of the development of the manufacturing sector. An Agro-Processing Sector Policy was formulated in July 2002 and a number of specific measures were identified for boosting agro-processing output. Agro-processing provides good opportunities for employment generation during the medium-term since it is a natural resource based industry that can be internationally competitive, and there are good market prospects for agro-industry products (tropical fruits and vegetables) in North America, Europe and in the CARICOM region. Agro-processing can play an important role in reducing post-harvest losses in agriculture that are very significant for fruit and vegetables and which adversely affect returns and incomes in agriculture. Agro-industries are also amenable to small-scale cottage type industrial development. Despite these advantages, agro-processors face many difficulties; these include the high cost of sourcing agricultural raw materials in Dominica; transportation and marketing problems, including lack of market intelligence. The Government has extended an "olive branch" to small and medium sized agro-processors by the establishment of the Small Business Support Unit. This Unit, housed within the Ministry of Employment, Trade, Industry and Diaspora Affairs, proffers financial support upon receipt of an application indicating a feasible business enterprise.

5.4 Energy

5.16. In 2005 Dominica signed the Energy Cooperation Agreement Petro Caribe with Venezuela. The fundamental objective of Petro Caribe is to contribute to energy security. The construction of a 5.3-acre Oil Derivative Terminal, a Marine Docking Base and piping distribution network for refined petroleum import is complete and operational at present. The project is estimated to cost approximately US$18.0 million, with the bulk of the financing provided by the Bolivarian Republic of Venezuela.

5.17. Dominica's long term goals in this sector, however, are to explore and utilize renewable and alternative energy potential. Several options have been and are being explored. This includes the generation of hydroelectricity. Dominica's rugged terrain, high rainfall and many rivers makes it well endowed for harnessing hydroelectric energy. A hydroelectric plant already exists on the island while several studies have been conducted on the expansion of hydroelectric generation.

5.18. Another option is geo-thermal energy. A significant investment of EC$12,475,987 was made by the Government of Dominica between January and June 2013 for the undertaking of geothermal development works in the Roseau Valley. This included drilling and site preparation works. The Government has already invested over EC$31 million for the exploratory phase of the geothermal project. Government is currently pursuing the construction of a small power plant which will concentrate of local consumption.

5.19. Plans are also in place to construct a large power plant which will facilitate the export of electricity generated through geothermal energy sources to the neighbouring French territories of Guadeloupe and Martinique. This is all as a result of the Government's drive to ensure that Dominica becomes the first carbon negative economy in the hemisphere.

5.20. From 26 to 27 September 2013, the Ministry of Public Works, Energy and Ports of the Government of the Commonwealth of Dominica with support from the World Bank (SIDS DOCK) convened a Geothermal Development Partners Forum in Roseau, Dominica. The purpose of the Forum is to bring together technical and financial public and private sector partners and potential partners who have an interest in furthering the development of Dominica's geothermal energy programme, and specifically, the commercialization of the geothermal resource to provide clean, low cost renewable electricity to local consumers in the first instance, and to export electricity to regional markets in a subsequent development phase.

5.21. This is a precursor to the construction of a small geothermal plant of 15 to 20 megawatts, for supplying electricity to the local market. The plant is expected to be operational by the end of 2015, and consumers can expect to see an initial drop of about 30% in their electricity bills.

5.22. The Government of Dominica has also looked at wind and solar energy as other alternative sources. Government has facilitated the electricity company with feasibility studies for the development of a wind farm, with funding from the OAS. The use of solar power in housing and commercial building has also been explored.

6 THE ENABLING ENVIRONMENT AND THE CLIMATE FOR INVESTMENT

6.1. The Government of Dominica has made improving the investment climate a priority of its medium term Growth and Social Protection Strategy. Administrative transparency and efficiency that affect the time and cost of doing business have been identified as the essential aspects of investment climate that need to be addressed. The Ministry of Employment, Trade, Industry and Diaspora Affairs is responsible for the administration of Dominica's incentives schemes.

6.2. The Invest Dominica Authority Act was enacted in 2007 and provided for the establishment of the Invest Dominica Authority (IDA), responsible for promotion and stimulation of foreign investment. The IDA is in charge of the administration of incentives schemes. It receives applications for incentive benefits and makes recommendations to the Government on the level and types of concessions to be granted. The Cabinet makes the ultimate decision.

6.3. As notified to the WTO, the Government of Dominica considers it a priority to create the necessary conditions for encouraging investment of national and foreign capital. This has been and continues to be a critical part of the economic diversification thrust. The aim is to achieve a transition and reorientation of the economy away from dependence on one agricultural crop and preferential access to market. Dominica has notified the Fiscal.

6.4. A citizenship by Investment Unit was also established in accordance with the Citizen by Investment Act No. 43 of 2013. This Unit is responsible for processing all applications for Citizenship by Investment. The Act provides for applicants to qualify for citizenship through a cash investment, a minimum contribution of "…US$100,000 for a single applicant; US$175,000 for an applicant and spouse; US$200,000 for an applicant plus spouse and two children below the age of eighteen years…".

6.5. The annual investments flows for the period of review are: 2007: EC$1,494,517; 2008: EC$2,802,802; 2009: EC$9,978,534; 2010: EC$12,798,616; 2011: EC$29,491,809; 2012: EC$40,500,812; 2013: EC$38,495,599; monies received from this investment scheme has been used to finance the ongoing Geothermal Energy Project.

6.6. Efforts to improve the investment climate include the reform of the Customs and Excise Division. The reform of Customs hinges on the introduction and use of trade facilitation software, ASYCUDA World. The entire system includes software, hardware, specialised technical assistance from UNCTAD, training of staff, employment of new staff with IT specialised skills and upgrading of existing infrastructure.

6.7. A key objective of Dominica's national development strategy is to improve the enabling environment for private enterprise. To improve the environment for private enterprise, the Government has:

- Streamlined regulations and procedures relating to private sector activity;
- Strengthened the public service delivery mechanism;
- Improved the judicial and land administration systems; and
- Encouraged the private sector to identify and articulate issues and proposals for other improvements in business environment.

7 TRADE POLICY AND NATIONAL ECONOMIC DEVELOPMENT

7.1 Goals and Objectives

7.1. The main goal of Dominica's trade policy is to transform Dominica's economy into an export oriented economy that is open, resilient and competitive and that is fully integrated into the global economy.

Some of the key objectives which are continuous pursuits are:

- Increased efficiency, productivity and competitiveness of local production;
- Diversification of the range of export-oriented products to encompass traditional and non-traditional manufactured and agricultural goods;
- Diversification of the range of markets to which Dominica's goods are exported;
- Increased output and exports from the services sector in Dominica.

7.2 Export Development

7.2. Export development is a key objective of Dominica's trade policy. To achieve this objective a National Export Strategy (NES) was developed and launched in 2009. The NES covers the international competitiveness of the business community, export development and performance, and specialized needs of sectors with high export potential.

7.3. A National Export Council (NEC) and Secretariat was established to provide guidance on export development priorities and programmes. This was established using Aid for Trade Funds via CARTFUND. Under the CARTFUND project, DEXIA is currently operationalizing two Multi-Purpose Packhouses which will assist in the improved quality and management of exports of agricultural produce. This project will be managed by the Ministry of Employment, Trade, Industry and Diaspora Affairs and DEXIA.

7.4. Under the NES the Dublanc Juicing Plant was operationalized on the 1st day of November 2012; this served beneficial to Western citrus farmers. All the available citrus is purchased from the farmers, processed into juice and sold under the "JACKO" brand.

7.5. The NES was also responsible for enabling the travelling of Dominican artisans/artists to the French island of Guadeloupe in December 2013. The purpose of this visit was to showcase/highlight Dominica's culture, music and cuisine thereby triggering and expanding a market in those products in that country.

7.6. In the budget address of 2013/14, the Government of Dominica articulated plans to transform DEXIA to Export Dominica to provide increased focus on export development and promotion. The policy position of the Government includes the following components (a) A new thrust on economic performance based on facilitating export (b) Price competiveness (c) Diverting all resources of DEXIA (d) Supporting the livelihood of workers in the agriculture and non-agriculture Sectors (e) Collaboration with all stakeholders including those in agriculture manufacturing, cultural industries, with potential for export.

8 REGIONAL INTEGRATION

8.1 The OECS Economic Union

8.1. For Dominica, the OECS integration process is the foundation on which the wider regional integration process is based.

8.2. The OECS Member States have more in common in terms of the structure of their economies, the constraints and limitations faced and the opportunities and challenges that are laid before them.

8.3. Dominica remains committed to the goals and ideals of the OECS which includes the building of institutions at the OECS level, the provision of shared services, and the growth in functional cooperation.

8.4. OECS Heads of Government have agreed and an OECS Economic Union has been manifest. This will allow for deeper harmonization of policies and measures. The Revised Treaty of Basseterre was signed in 2010.

8.5. The Government of Dominica has established a Regional Integration and Diaspora Affairs Unit (RIDU) to facilitate the implementation of policies and programmes of the OECS and CARICOM. The Government has also appointed an OECS Commissioner who also serves as Ambassador to CARICOM and head of the Regional Integration and Diaspora Affairs Unit. The Unit has been actively involved in consultations and advocacy on matters related to the OECS Economic Union.

8.2 The CARICOM Single Market and Economy (CSME)

8.6. As a small island developing State facing monumental challenges in the international economic environment, the CSME together with the OECS Economic Union offers the best option for Dominica and the region for the consolidation of limited resources, productive capacity and negotiating capital. Dominica's policy towards the CSME is to use it first as a catalyst for the growth and development of the productive sectors particularly the services sectors and secondly as a springboard for launching exports beyond the region and therefore further the integration of Dominica into the global economy.

8.7. Since the last review CARICOM has made significant advancements in the establishment of the CSME and Dominica has actively participated in the process and continues to do so.

8.8. Dominica has removed all unauthorized restrictions on the free movement of goods, services, capital, the rights of establishment and the free movement of approved categories of CARICOM nationals. In December 2005 Dominica amended seven pieces of legislation to remove restrictions in accordance with the programme for removal of restrictions. Dominica also enacted the Revised Treaty of CARICOM into domestic law. Dominica declared CARICOM Single Market compliance on 30 June 2006 at the last CARICOM Heads of Government Meeting.

8.9. As one of the Less Developed Countries (LDCs) of CARICOM, Dominica attaches significant importance to Chapter VII of the Revised Treaty of Chaguaramas. Chapter Seven establishes a regime for disadvantaged countries regions and sectors. It is critically important for the success of the CSME project that the implications of varying levels of economic development among the CARICOM member States are recognised and measures are taken to address any negative consequences that could arise from the removal of restrictions among those countries. The operationalization of Chapter Seven of the Treaty is therefore a vital requirement if Dominica is to benefit from participation in the CSME. A key component of the operationalization of Chapter VII is the creation the Regional Development Fund.

9 BILATERAL/HEMISPHERIC AND PREFERENTIAL TRADE ARRANGEMENTS

9.1 CARICOM Bilateral Arrangements

9.1. As a CARICOM less developed country Dominica has not had to reciprocate trade preferences in the various CARICOM bilateral trade agreements. Dominica has however sought to ensure that regional markets for Dominican exports are preserved in these bilateral agreements.

9.2 CARIFORUM-EU Economic Partnership Agreement (EPA)

9.2. The negotiations between CARIFORUM and the EU for an Economic Partnership Agreement have been concluded and the Agreement was signed in 2008.

9.3. Dominica ratified the EPA in June 2009 and an EPA Implementation Unit has since been established within the Ministry of Employment, Trade, Industry and Diaspora Affairs for the coordination and implementation of the Agreement.

9.4. The Cabinet has also approved the EPA National Implementation plan and all line ministries and organizations have been directed on their role and functions in effective implementation of the EPA Agreement.

9.3 CARICOM Canada Negotiations

9.5. The first Round of the CARICOM-Canada Trade Negotiations commenced on 10 November 2009; to date there have been Five (5) successive rounds of negotiations; the Sixth Round is now in progress. This Agreement when concluded will by all indications be very comprehensive indeed since it will embrace Services, Investment, Labour and Environment issues and Market Access and Agriculture to include the following areas: Tariff Liberalization; National Treatment and Market Access; Agriculture and Fisheries; Alcoholic Beverages; Rules of Origin; Customs Procedures and Trade Facilitation; Sanitary and Phytosanitary (SPS) Measures; Technical Barriers to Trade (TBT); Trade Defence Measures; and Exchange of Information.

9.6. The intension of CARICOM is to find convergence with the Canadians and to develop Chapters which reflect the interests and intent of the Parties to the Agreement. CARICOM also wants to ensure that the issue of development is enshrined throughout the vein of this Agreement.

9.7. The Commonwealth of Dominica is committed to working with its sister Member States from CARICOM towards the finalization of a comprehensive "CARIBCAN – plus" Agreement which embraces within its ambit a legally binding Chapter on Development with Canada. In an effort to manifest the same and allow for Dominica's unique positions and interests to be tabled in the ongoing negotiations there is a need for information to be fed to the Office of Trade Negotiation (OTN) staff in a timely manner. This has its challenges since line Ministries and the private sector has to be committed to transmitting information when requested; persistence is the key.

9.8. Dominica anticipates a show of flexibility by the Canadians and a clear and distinct understanding of the economic divergences existent between CARICOM and Canada and among CARICOM member States. It is hoped that the negotiations are concluded in a timely manner by the indicated date of June 2014.

9.4 Multilateral Trading System - The WTO

9.9. Dominica's participation in the multilateral process of the World Trade Organization both in its normal ongoing work and in the Doha negotiations has been constrained by lack of physical presence in Geneva and a limited human resource base in capital. The OECS Technical Mission established in Geneva has enabled a significant improvement in the level of participation by providing Dominica with documentation, reports and first hand information on the developments taking place in Geneva. It has provided Dominica with a means to voice its concerns in the negotiations.

9.10. As a small developing State Dominica faces many constraints and disadvantages which make it very difficult and sometimes almost impossible to effectively trade. For this reason it is imperative that if the development dimension is to have any real meaning in this round of negotiations, specific, concrete, workable responses must be developed and implemented to address the special vulnerabilities and disadvantages of such countries to ensure that they are fully integrated into the multilateral trading system.

9.11. The Ministerial concluded in Bali, Indonesia, in December of 2013 seems to indicate a flicker of hope for Developing countries that the objectives of this negotiation round may be achievable.

10 DOMINICA AND THE AID FOR TRADE INITIATIVE

10.1. Paragraph 57 of the Hong Kong Ministerial Declaration lays down the broad framework for the new Aid for Trade mechanism under the WTO.

> "………. *Aid for Trade should aim to help developing countries, particularly LDCs, to build the supply-side capacity and trade related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade. Aid for Trade cannot be a substitute for the development benefits that will result from a successful conclusion to the DDA, particularly on market access. However, it can be a valuable complement to the DDA"*

10.2. As a small vulnerable economy Dominica is particularly interested in the prospects of potential benefits to be derived from the new AFT initiative in the WTO. Technical and financial assistance for trade related capacity building could play a very critical role in assisting small developing countries in participating in the global economy. Dominica sees the AFT Initiative as an avenue to obtain necessary assistance to build its capacity to produce and export internationally competitive goods and services. This will contribute to the goals of greater insertion into the global economy and increased national wealth and development.

10.3. Dominica still supports the view that there should be at least four components to Aid for Trade:

(a) Policy support, such that agencies including the IMF/World Bank can provide advice to governments upon request, for the mainstreaming of trade into their domestic policies such that export in their competitive areas can be enhanced;

(b) Infrastructural financing and support ("hard" technical assistance), such as improving roads, ports, airports, public utilities, trade-related laws, and regulations (all "hard" infrastructure that can be used to enhance trade);

(c) Trade Adjustment financing for severance of workers in industries that close due to trade liberalization. Donors could also help developing countries that so request it to set-up unemployment insurance programmes;

(d) Supply side support, such as assistance (financial and technical) to firms and small industries to build the capacity to become globally competitive. This should include technical and financial assistance to set up programmes that increase investment in research, education, and worker training.

10.4. In addition to the above the Aid for Trade initiative should be aligned with Dominica's priority areas as identified in the Medium Term Growth and Social Protection Strategy (GSPS) to be effective.

10.5. There also needs to be a pragmatic and concrete legal and institutional framework to ensure that the AFT agenda has a strong institutional back bone. This should include an effective monitoring and enforcement mechanism in order to ensure that AFT plays a complementary role in the development of beneficiary countries and will not be used to compromise on the real developmental issues of the Doha Round, such as preference erosion, effective special and differential treatment provisions and adequate flexibility for small developing countries.

11 CONCLUSION

11.1. The current international economic environment poses many threats to the economic survival of Dominica. It is characterised by an expanding and increasingly complex trade agenda, increasing emphasis on trade liberalization and strengthening the multilateral trading systems, arrangements and disciplines. It is also characterised by increasing globalization of the world economy and configuration into large regional economic groupings or blocs.

11.2. Dominica however remains vigilant and has been taking the precautionary measures necessary to mitigate the ill effects of the economic down turn. The programmes and initiatives which have been embarked upon by the Government are sure to bring about decreased poverty levels, food security and a population ready to take this country to new levels of economic prosperity; the next level.

11.3. Dominica continues to support a multilateral trading system that is rules based and transparent. However Dominica also continues to remain insistent that the World Trade Organization needs to acknowledge and recognise the reality of the landscape that is its Membership. It is not a plain. There are mountains, hills and valleys signifying the varying levels of development. Rules therefore do not affect all in the same way. Hence there is need for variable geometry in the approach to trade liberalization. And for Dominica that means that the interest of the smallest and weakest members of the system should be placed at the centre of ongoing and future reform processes. It is hoped that the conclusion of the Doha Negotiations brings to bear this "level playing field" on which the WTO prides itself.

GRENADA

1 INTRODUCTION

1.1. The Government of Grenada welcomes this third Trade Policy Review (TPR) by the Trade Policy Review Body having engaged in substantial and fruitful consultation with the WTO Secretariat staff over the past year.

1.2. The State of Grenada consists of the islands of Grenada, Carriacou, and Petit Martinique and has a land area of three hundred and forty-five square kilometers (or 133 square miles). The population was estimated at 104,890 in 2011.

1.3. As a Small, Open, Vulnerable Economy, Grenada is constrained in its development by a number of factors, which taken together challenge the country in implementing its WTO obligations, particularly as it relates to the creation of new institutions and in competing effectively in a liberalized trade environment. These include: susceptibility to natural disasters; limited diversification due to a very narrow resource base and small domestic market; limited domestic and export production on a narrow range of products; inadequate infrastructure; and low productivity on the part of the labour force. Additionally, the country faces structural disadvantages relative to larger economies as it is unable to benefit from economies of scale which would be essential in achieving regional and international competitiveness in the production of goods and services. Grenada is ranked 107 in 2014 based on the World Bank Doing Business report.

1.4. During the review period, Grenada struggled with a narrow production structure and vulnerability to external climatic and economic shocks. These shortcomings were exposed starkly during the 2008 global economic slowdown, which severely impacted the Grenadian economy.

1.5. As a result, economic growth has stagnated, unemployment and poverty have risen, and effective policy implementation has been hampered.

1.6. Since the 1980's, Grenada's economy has continued to shift away from primary activities. Traditional agricultural exports account for 2.3% of GDP in 2013 while manufacturing accounts for 1.6% of GDP and services 19.6% of GDP, led by the Tourism and other business services. The shift in the traditional agricultural exports was as a result of the removal of the preferential agreement on banana in Europe which affected the industry significantly.

1.7. Given the small size of the economy and the population, there may not be enough critical mass to make it practical to create all the various recommended structures in order to fulfil WTO obligations. Notwithstanding, Grenada will continue to strive to be fully compliant within the limits of its physical and financial resources and will pursue a macroeconomic strategy aimed at creating a more resilient economy.

1.1 Transforming Grenada-Building the New Economy

1.8. Among the top priorities of the Government of Grenada is the creation of a New Economy, which will be premised upon fiscal and debt sustainability.

1.9. The "New Economy" constitutes the Government's response to the "twin horn" dilemma of unprecedented unemployment and low economic growth, manifested by deteriorating competitiveness and rising manufacturing and services costs at the firm level, misaligned expansionary fiscal policy stance, need for pro-business and pro-investor reforms and an urgent focus on education and vocational training.

1.10. The characteristics of the "New Economy" are in direct contrast to those which drive the "Old Economy". For instance, while the 'Old Economy' emphasizes stable markets, in the 'New Economy, markets are dynamic. The scope of competition in the "Old Economy" is local; however, competition in the new economy is regional and ultimately global. Hierarchal and bureaucratic forms are associated with the 'Old Economy' while the 'New Economy' is based on networking. The drivers of growth in the "Old Economy" are capital and labour, while the "New Economy" is driven by innovation and knowledge. While the "Old Economy" is based on lowering the cost of production, the new economy is based on innovation, quality, time to market and costs.

1.11. The importance of research and innovation in the "Old Economy" is low to moderate, while research and development are high in importance in the new economy. The relationships among firms in the "Old Economy" are based on "going it alone", while collaboration and alliances drive the new economy. Contrastingly, skills within the "Old Economy" are job-specific while skills in the "New economy" are broad-based and founded on cross training, particularly vocational training. Industrial relations in the "Old Economy" are adversarial but those relationships in the "New Economy" are based on cooperation and collaboration. The nature of employment in the 'Old Economy' is stable; however, employment in the "New Economy" is marked by risk and opportunity. In its relationship with Government, the "Old Economy" is based on "command and control" even where there is a perception of consultations, while the "New Economy" is distinguished by the promotion of growth opportunities.

1.12. The Government of Grenada envisions that the "New Economy" will comprise *inter alia* a world class tourism, yachting and marina destination, complemented by efficient business, finance and information technology services, an efficient light manufacturing sector, a well-diversified agricultural sector focused on "value added" products, a dynamic oil and gas and renewable energy sector, and a highly efficient agro-industrial sector cluster dedicated to oils and flavour extraction for health, food, cosmetic and pharmaceutical applications.

1.2 Fiscal Policy

1.13. Fiscal policy is the main policy variable available to government to pursue its macroeconomic objectives. As a consequence prudential fiscal targets in conjunction with growth prospects are foremost amongst government's core macroeconomic targets.

1.14. For this reason, in March of 2013, the Government announced Grenada's intention to comprehensively restructure the Public Debt which stood at EC$2.41 billion. Subsequently, Government embarked on the design of a Homegrown Programme of fiscal adjustment and structural reforms.

1.15. Among the key objective of the Programme, which will cover the period 2014–16 are:

- Economic growth and employment creation;
- Fiscal sustainability; and
- Debt sustainability.

1.16. The key performance indicators identified in this regard are:

- For Growth and Job creation: stronger economic growth; higher employment especially among the country's youth and an improved ranking on Ease of Doing Business Index.
- For Fiscal Sustainability: higher tax effort; lower non-personnel expenditure compared to 2012; and lower monthly financing shortfall.
- For Debt Sustainability: lower interest payments as a proportion of GDP and lower Debt to GDP ratio.

1.17. In the coming years, the country's fiscal strategy will focus on:

- Returning to sustained growth in the shortest possible time as well as advancing the Government's agenda on building the "New Economy". Raising the revenue effort from its current level (20.1% of GDP) to 27.0% of GDP over the medium term.
- Restricting current expenditure effort to no more than 22% of GDP.

- Government will generate a current account surplus of 5% of GDP to finance core capital expenditure and meet counterpart financing requirements.

- Adopting sustainable wage bill management practices which means, inter alia, avoiding retroactive salary negotiations to minimize large retroactive payments and adequate budgeting for agreed increases.

- Elaborating a strategy to reduce debt serving and putting the debt to GDP ratio on a downward trajectory.

1.3 Macroeconomic Environment and Trade Performance

1.18. Gross Domestic Product is provisionally estimated to have grown by 2.7% in 2013, following declines of 1.2% in prior year.

Table 1

Year	Real growth rate
2007	6.28
2008	1.69
2009	(5.65)
2010	(1.99)
2011	0.14
2012	(1.22)
2013	2.74
2014	1.67*

* Projections.

Source: CSO & ECCB.

1.19. The leading sector contributing to this growth performance is Construction which recorded 20% growth in 2013 after six consecutive years of decline. The output of the construction sector compensated for a 4% decline in the tourism sector. Tourism output fell as a result of a reduction in total arrivals of 12.7% in 2013.

1.20. Positive growth has been registered in the fishing sector (22%); wholesale and retail sector (7%); education (5%) and manufacturing sector (3%).

1.21. The economy is expected to experience an improvement in activity over the next fiscal year and continuing into the medium term. Real GDP is anticipated to grow by 1.67% in 2014.

1.22. This growth is premised on the continued recovery in the Construction Sector with the implementation of major public sector investment projects, an increase in stay-over visitors on account of the marketing efforts of the Sandals La Source Resort, and an expansion in agricultural production. These developments combined with positive performances in the agricultural, manufacturing and retail and wholesale trade sectors are expected to generate positive momentum in the Grenadian economy in 2014.

1.23. Downside risks to the country's growth projections include external shocks such as; natural disasters, escalating fuel and oil prices and moderate increases in food prices.

1.24. Additionally, a fiscal consolidation programme will require major adjustment to public sector expenditures, becoming a major drag on growth prospects in 2014. The introduction of tax hikes in the new fiscal year will further constrain consumption and output growth.

1.3.1 Inflation

1.25. Unlike in 2012 when inflation accelerated as the year progressed, the inflation rate measured by the CPI in 2013 fell by 0.05% from an increase of 2.41% in 2012. The decline in the inflation rate can be attributed to a steady fall in food price inflation reflecting increased domestic production of agricultural supplies, more favourable weather conditions and an easing of global food prices.

1.3.2 Trade and payments

1.26. In respect of trade, Imports increased by 2.7% but Exports increased by 13.5%. The increase in Exports was primarily due to increases in Agricultural Exports such as Nutmeg, Mace, Fresh Fruits, Vegetables and Fish.

1.4 Balance of Payment and Trade

1.27. During the period 2007–12, Grenada's Balance of Payment position showed varying proportions of deficits and surpluses. In 2007, a surplus of EC$29.02 million was recorded. In the subsequent years however, 2008, 2010 and 2012, deficits of EC$21.25 million, EC$25.99 million and EC$5.40 million respectively were recorded. For 2013, preliminary data point to a balance of payments surplus of EC$50.19 million.

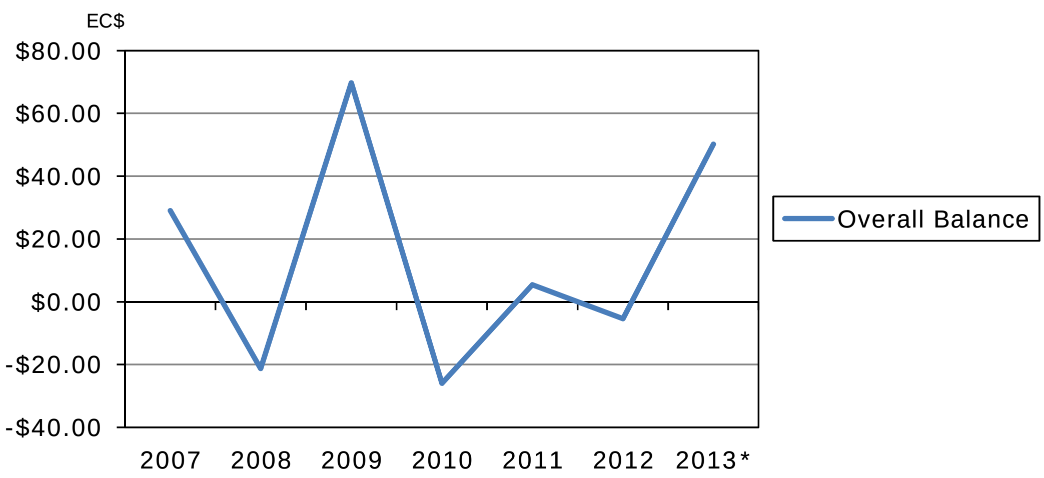
Table 2 Summary of balance of payments, 2007-13

	2007	2008	2009	2010	2011	2012	2013*
Current account	**$(652.60)**	**$(680.26)**	**$(532.34)**	**$(550.54)**	**$(558.92)**	**$(521.65)**	**$(533.35)**
Goods	(775.32)	(805.39)	(614.48)	(687.00)	(696.98)	(695.25)	(701.12)
Services	162.86	146.77	145.37	158.32	158.84	184.43	171.04
Income	(110.95)	(115.32)	(170.22)	(107.67)	(85.79)	(92.56)	(74.67)
Transfers	70.81	93.68	106.98	85.81	65.01	81.74	71.40
Capital account	**104.84**	**110.70**	**104.42**	**160.20**	**140.49**	**158.31**	**159.43**
Financial account	**607.08**	**566.50**	**533.70**	**355.64**	**423.13**	**308.43**	**396.94**
Net errors & omission	**(30.30)**	**(18.19)**	**(36.04)**	**8.71**	**0.71**	**49.51**	**27.18**
Overall balance	**29.02**	**(21.25)**	**69.75**	**(25.99)**	**5.41**	**(5.40)**	**50.19**

* Estimates.

Source: ECCB.

Chart 1 Balance of payment for the period 2007-13



* Estimates.

Source: ECCB, CSO.

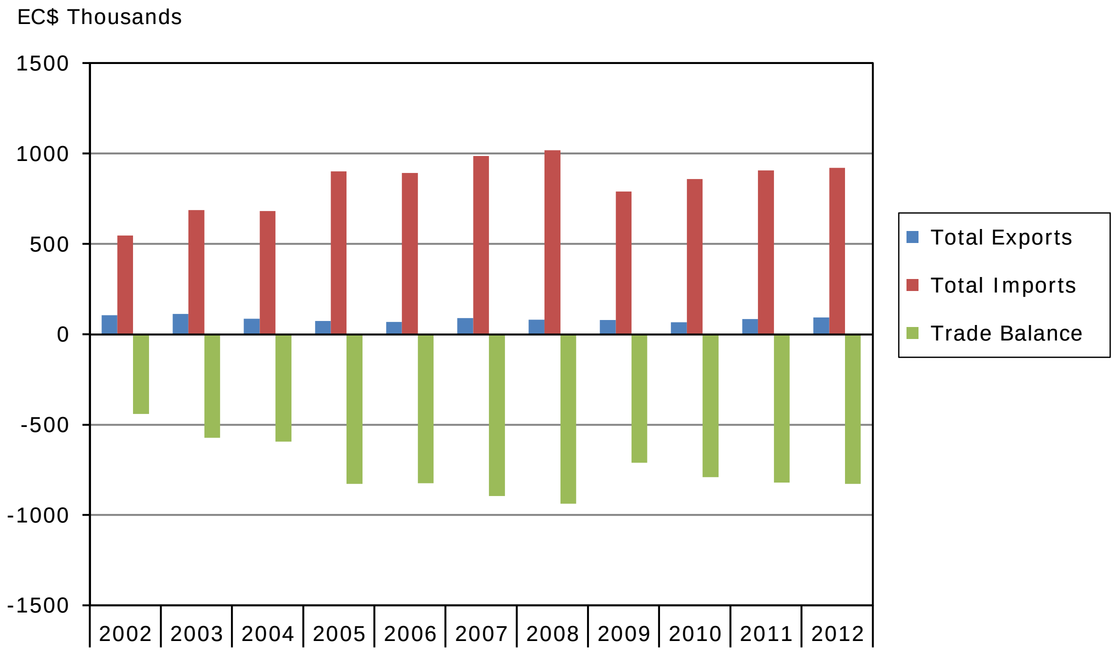
1.28. The external current account which is a significant component of Grenada's Balance of Payment, has consistently been in deficit over the period under review. There has been a 20.07% improvement in the amount from 2007–12.

1.29. The country's current account deficit increased to 24.8% of GDP in 2012, with much of the increase attributable to a surge in goods imports that pushed the shortfall to EC$701.12. Weaker domestic demand and smaller outflows on the income balance widened the current account deficit to EC$521.65 in 2012.

1.30. The latest ECCB estimates suggest that in 2013 the current account deficit widened by 2.2% to stand at EC$533.35 or 23.7% of GDP. Imports increased by $18.1m or 2.70% attributable in part to an expansion in construction-related imports, while exports increased by $9.9m or 13.5%. The increase in exports was due mainly to increases in Agricultural exports of $7.4m. Among the products recording increasing in receipts are; Nutmeg 9.9%, Mace 71.4%, Fresh Fruits and Vegetables 8.5%, Fish 37.5%.

1.31. Throughout the period to 2012, there have been surpluses on the Capital and Financial Accounts. However, the amount on the Financial Accounts section for 2012 is EC$298.65 million less than the 2007 amount. The surplus on the Capital and Financial Accounts combined in 2013 is expected to increase by 19.2%, from EC$466.74 million to EC$556.36. This is primarily due to increases on the Financial Account by 10.1% and the capital account by 0.71%.

Chart 2 Grenada visible trade, 2002-12



Source: ECCB, CSO.

1.4.1 Central Government Operations

1.32. At the close of 2013, the total Public Sector Debt was estimated at EC$2.41 billion or 107% of GDP comprising:

- Central Government debt – EC$1.99 billion
- Government Guarantees – EC$127.6 million
- Other Public Sector Debt – EC$292.5 million
- Total Public Sector Debt – EC$2.41 billion.

1.33. In March 2013, Government announced its intention to undertake a collaborative and comprehensive debt restructuring, and in support of this goal, has commenced dialogue with its creditors and Debt Restructuring Advisors.

1.34. Based on the performance for the year 2013, the estimated outturn of total revenue and grants was $473.9 million, 86% of the approved estimates but 5.5% higher than 2012. Total recurrent revenue was estimated to be $443.0 million; this represents 92.9% of the approved estimates and 4.1% above the 2012 outturn. Collections at Customs and Excise were estimated at $203.2 million, representing 95.9% of its target and 45.9% of recurrent revenue. The Inland Revenue Division collections were estimated to be $216.2 million, 2.1% higher than its target and 47.8% of current revenue. The overall result is a $34 million shortfall in revenue. VAT collections totalled $157.4 million, $5.5 million short of target.

1.35. For 2013, Total expenditure was estimated at $608.1 million, 85.6% of the estimates. Current expenditures were estimated at $456.8 million, 1.9% higher than the approved estimates 0.1% less than the current expenditure of 2012.

1.5 Sectoral Review

1.5.1 Manufacturing

1.36. The manufacturing sector accounts for 6% of Grenada's Gross Domestic Product (GDP); employs 4.5% of the employed labour force and contributes nearly 60% of total domestic exports. This sector comprises small to medium size businesses with linkages to agriculture, construction, tourism, and other productive sectors.

1.37. The Government is taking a number of steps for the development of the Manufacturing Sector that aims to lift productivity across the domestic economy, and that would help the sector respond to an increasingly competitive marketplace, including those for boosting employment/enhanced productivity, increased contribution to GDP. In addition, the Government has established a small business loan under the Grenada Development Bank to assist new and existing manufacturers with finances to start-up or expand their business.

1.5.2 Services

1.38. The Grenadian economy has been gradually moving from a cash crop economy (bananas, cocoa, and nutmeg) to a more services oriented economy with services accounting for over 80% of the economy. In 2008, export of commercial services amounted to 17.8% and tourism 12.4%.

1.39. Exports of services amounted to US$148 million in 2011. Average growth in services exports from Grenada has been 3.9% over the period 2006-10.

1.40. The services sector is projected to grow by 5.9% in 2014, which is an increase from 2013 which was at -6.0%. This performance reflects positive growth projections for all services sub-sectors, but notably, the strongest growth is expected in the largest services sub-sector tourism and hospitality at 6.6%. Outside of the tourism sector, nascent level of commercial service exports are being found in the communications services, including computer and information and telecommunications, construction services, insurance services, financial services, other business services, comprising trade-related services, professional and technical services such as legal, accounting, management consulting, public relations services, advertising, market research and public opinion polling, research and development services, architectural, engineering, and other technical services.

1.41. In support of the holistic development of the services sector, the Grenada Coalition of Services Industries was established in May 2011 and as the umbrella organization for the services industry, is responsible for developing and diversifying the local services sector.

1.5.3 Agriculture and fishing

1.42. The agriculture sector experienced negative growth of 0.19% in 2013, and it is expected to increase in 2014 by 2.02%. Although there was gains in banana and nutmeg production of 18.00% and 30.00% respectively in 2013, the increases was insufficient to offset the decline in the overall agriculture sector. Other crops, including Cocoa, which accounts for a large portion of the sector, declined by 6.00%.

1.43. The Fishing industry continues to be a striving sub sector in the Grenadian economy. In 2012, the industry grew by 6.33% compared to negative growth of 11.42% in 2011. The sector is expected to achieve overall growth of 22.0% at the end of 2013. In 2014, the sector is expected to grow by 1.92%.

1.5.4 Wholesale and retail trade

1.44. The wholesale and retail sector is expected to grow by 7.0%. This rise is triggered by increases recorded for both sales of construction materials and other sales. Incidentally, the improvement in construction material sales is hinged directly to the expansion experienced in the production output in the construction industry. Often used as a proxy for domestic consumption, the retail sales index for the first quarter of 2011 showed a slight increase of 1.6% as retail sales increased to $27.3 million in 2013, up from $26.9 million in the same period in 2012.

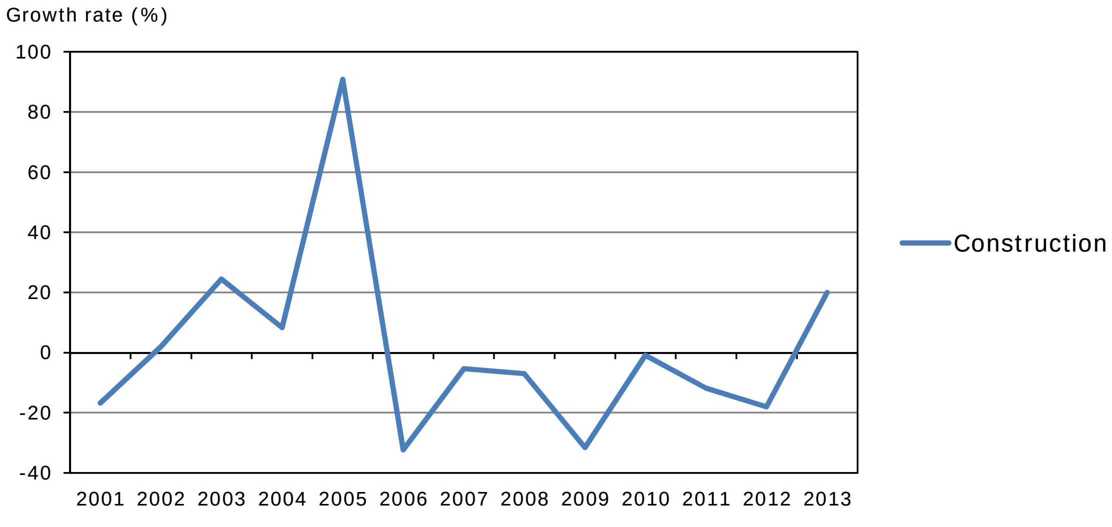
1.5.5 Construction sector

1.45. After six consecutive years of negative growth, the construction sector, has achieved positive growth of 20% in 2013.

1.46. The sector contributes significantly to the growth of the Grenadian economy. At present this sector is one of the main drivers of the economy. The boost in the construction sector was primarily due to the major construction work that was undertaken on the Sandals La Source project, feeder road project, NIS Complex, Bacolete Bay and small projects throughout the island.

1.47. Significant housing construction in both the public and private sectors, and major infrastructure development projects in 2014 will continue to fuel this growth. The delivery of major construction projects in 2014 will increased levels of investment, especially by the Government, like the building of a new hospital, the building of the Kirani James Mini Stadium and the Fort George development project. In the private sector, growth will be experience due to the expansion of the Clarkes Court Bay marina, the Port Louis Development project and the Silver Sand hotel and Villas.

Chart 3 Growth rate for the construction industry for 2001-13



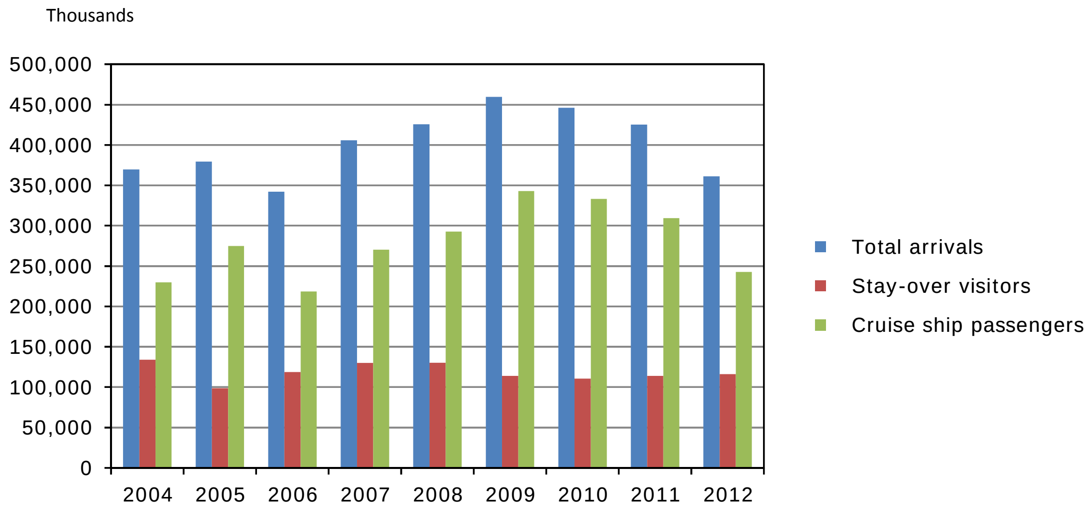
Source: ECCB, CSO.

1.5.6 Tourism

1.48. The overall tourism sector experienced a decline of 4.0%. Total visitor arrivals for the period January to September 2013 were 223,588. This represented a decrease of 38,759 or 14.77% compared to the corresponding period in 2012. Cruise passenger arrivals declined by 37,536 or 22.0% due primarily to a reduction experienced in the total number of cruise ship calls from 206 in 2012 to 198 in 2013. Additionally, a reduction was also realized in the number of stay over visitors from 89,752 in 2012 to 89,070 in 2013 or a percentage reduction of 0.80%.

1.49. The Government of Grenada has established the Grenada Tourism Authority (GTA). The enabling law has been passed and the new Authority, whose mandate is to improve Grenada's competitiveness as an international tourism destination, commenced operations in January of 2014.

Chart 4 Visitor arrivals, 2004-12

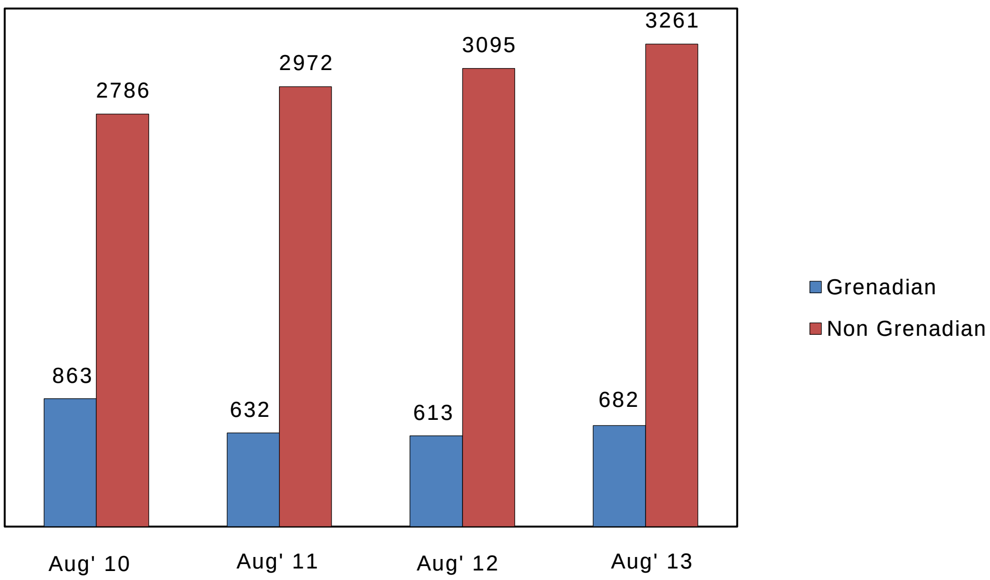


Source: CSO.

1.5.7 Education sector

1.50. The Education sector ranks among the highest performing services categories, having registered 4.98% growth in 2013., The private component of the Education sector is the main contributor to its improvement having regard to a quantum increase in international enrolments in the St. George's University from 2,786 in 2010 to 3,261 in 2013.

Chart 5 Number of students attending SGU, 2010-13



Source: SGU.

1.5.8 Investment

1.51. The country experienced a downturn in investment (local and foreign) during the period 2007–12, owing to the international financial crisis where total investments fell from EC$454.8 million in 2008 to just over EC$25 million in 2012. This represented a significant reduction of 94% during the period 2008–12. Notably, during the period, Investments from foreign sources declined by 92.3%, while from local sources declined by 83.7%.

1.52. The growth pillars of the Grenadian economy depended on investment in the traditional industries – agriculture and tourism. However, the traditional economic industries alone cannot provide a sufficient number of jobs and rapidly increase per capita income, which will be necessary for Grenada to achieve the Millennium Development Goals (MDGs) while reducing the country's vulnerability to external shocks.

1.53. The Government thus places high priority on broadening the investment sectors of the economy. In this regard, agribusiness, health education and wellness services, information communication technology, tourism and energy are among future growth poles.

1.54. Grenada's Investment Generation Strategy which was approved in 2011 seeks to increase private capital investment and ultimately job creation in these growth sectors of the economy over a five (5) year period. The strategy would use a process of targeting best bets investment opportunities within each of growth sectors identified wherein specific investors will be identified to match investment opportunities identified.

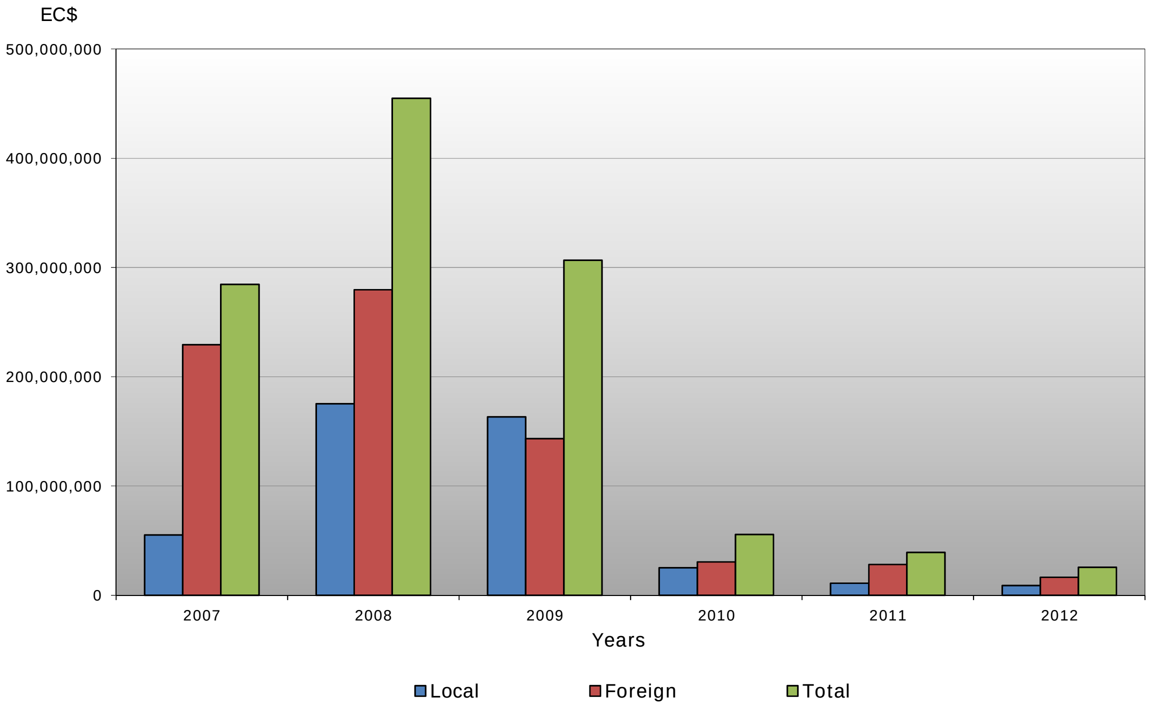
1.55. Grenada's Investment Generation Strategy is to secure an investor for an identified investment opportunity and to create at least 1,500 jobs within the growth sectors by 2016.

Table 3 Investment flows, 2007-12

	2007	2008	2009	2010	2011	2012
Local	$55,105,953	$175,183,369	$163,288,683	$25,101,961	$11,006,000	$8,985,000
Foreign	$229,378,153	$279,628,992	$143,339,498	$30,570,000	$28,130,501	$16,490,798
Total	**$284,484,106**	**$454,812,361**	**$306,628,181**	**$55,671,961**	**$39,136,501**	**$25,475,798**

Source: GIDC.

Chart 6 Investment flows, 2007-12



Source: GIDC.

2 TRADE POLICY AND INSTITUTIONAL FRAMEWORK

2.1 Grenada Trade Policy

2.1. Grenada considers trade policy as an instrument to attain its overall economic policy objectives of growth, industrialization, development, and self-sufficiency. In the context and aftermath of the global economic and financial crisis, Grenada has sought to arrest and reverse the declining trend of exports, and to provide additional support especially to sectors hit badly by the global recession.

2.2. The fundamental principle underlying the Trade Policy is that the private sector is the engine of growth, with Government providing a trade enabling environment to actively stimulate private sector initiatives.

2.3. The objectives of Grenada's Trade Policy are:

- To improve competitiveness in the manufacturing sector;
- Diversification of the agriculture sector;
- Development of the services sector to be internationally competitive;
- To gain greater market access for non-traditional sectors;
- Export led growth; use trade expansion as an effective instrument of economic growth and employment generation;
- To generate sustained economic growth and reduction of poverty.

2.4. In order to meet these objectives, Grenada implements a mix of policies including tax incentives and export promotion. The Government is attempting to improve the infrastructure to enhance exports, reduce transaction costs and improve productivity and competitiveness.

2.5. As a member of the Caribbean Community (CARICOM), Grenada's trade policy is underpinned by the country's rights and obligations under the Revised Treaty of Chaguaramas. Additionally, the country's external trade policy is coordinated within CARICOM, including external trade negotiations with third countries.

2.6. Participation in regional trade agreements is an element of Grenada's overall trade policy objective of enhanced market access. Accordingly, the country is actively engaged in the negotiation of multilateral, regional and bilateral trade agreements.

2.7. Grenada is a signatory to the World Trade Organization (WTO), CARIFORUM-EC-Economic Partnership Agreement, CARICOM Single Market and Economy, OECS Economic Union, Bilateral and preferential trading agreements.

2.2 Institutional Framework

2.8. The Ministry of Economic Development, Planning, Trade and Cooperatives has responsibility for the formulation of trade policy as it relates to foreign trade and for the negotiation of trade agreements. A number of other Ministries and agencies are also engaged in the formulation and implementation of trade policy namely, the Ministries of Finance, Agriculture and Fisheries; Tourism; Transport and Works; Legal Affairs, Ministry of labour, Grenada Bureau of Standards, Grenada Industrial Development Corporation and the Office of the Prime Minister.

2.9. The Ministry of Economic Development, Planning Trade and Cooperatives also coordinates the work of the Cabinet appointed National Trade Policy Coordinating Committee (NTPCC), which comprises representatives of Ministries and Departments with a bearing on trade policy, as well as representatives of the Private Sector and Civil Society. The NTPCC informs the development of trade policy and adopts positions for trade negotiations with respect to market access for goods and services, government procurement, intellectual property rights, investment, labour market mobility, trade and labour, trade and environment, trade facilitation, dispute settlement, among others. The NTPCC is tasked with analyzing, developing strategies and approaches and making recommendations to the Cabinet on policy direction, consistent with the market access interests of the Government of Grenada.

2.10. The Region's trade position is collectively represented at external fora by the Office of Trade Negotiations, CARICOM Secretariat. The Office of Trade Negotiations (OTN) was created by the Caribbean Community (CARICOM) Governments to develop, coordinate and execute an overall negotiating strategy for various external trade negotiations in which the Region is involved. The OTN is responsible for developing and maintaining a cohesive and effective framework for the coordination and management of the Caribbean Region's negotiating resources and expertise.

3 OECS ECONOMIC UNION, CARICOM SINGLE MARKET AND ECONOMY, BILATERAL AND PREFERENTIAL TRADING ARRANGEMENTS

3.1 OECS Economic Union

3.1. Grenada is a member of the Organization of Eastern Caribbean States (OECS) having signed the Revised Treaty of Basseterre establishing the OECS Economic Union in June 2010. The Revised Treaty of Basseterre was enacted into domestic legislation in 2011.

3.2. The Treaty establishes the OECS economic union, making possible the creation of a single financial and economic space within which goods, people and capital move freely, monetary and fiscal policies are harmonized and countries continue to adopt a common approach to trade, health, education and environment, as well as to the development of such critical sectors as agriculture, tourism and energy.

3.3. Significantly, the Treaty paves the way for the introduction of legislative competence at the regional level, such that Member States of the OECS act in concert to develop and enact legislation in certain areas specified in the Treaty.

3.2 CARICOM Single Market and Economy

3.4. The Revised Treaty of Chaguaramas was passed into law in Grenada under the Revised Treaty of Chaguaramas Act 10 of 2006. The CARICOM Single Market (CSM) was implemented in 2006.

3.5. Grenada also passed into law the Caribbean Community (Movement of Factors) Act 17 of 2006. The Movement of Factors Act provides for non-discrimination among Community nationals in the operation of the five core CSME free movement regimes, namely: the right of establishment; the free movement of goods; the free movement of services; free movement of persons, including the free movement of skilled Community nationals, and the free movement of Capital.

3.6. CARICOM member States have established the following regional institutions to support the implementation and operation of the CARICOM Single Market: the Caribbean Court of Justice (CCJ), the CARICOM Regional Organisation for Standards and Quality (CROSQ), the CARICOM Competition Commission, the Caribbean Agricultural Health and Food Safety Agency (CAHFSA) and the CARICOM Development Fund (CDF).

3.3 Bilateral/Preferential Trade Arrangements

3.3.1 Bilateral Trade Agreements

3.7. Grenada, together with its CARICOM partners, has negotiated Bilateral Trade Agreements with Colombia, Venezuela, the Dominican Republic, Cuba and Costa Rica.

3.3.2 CARICOM-Canada Trade and Development Agreement.

3.8. Grenada and other CARICOM partners are now involved in the negotiation of a CARICOM-Canada Trade and Development Agreement. It is anticipated that the negotiations will be concluded in 2014.

3.3.3 CARIFORUM-EU Economic Partnership Agreement (EPA)

3.9. The CARIFORUM-EU Economic Partnership Agreement (EPA) was signed by Grenada and other CARIFORUM Countries on 15 October 2008. The agreement is a permanent arrangement which provides exporters of nearly all CARIFORUM products with duty free and quota free access to the EU market for originating goods. The Agreement is being provisionally applied by Grenada since 2008. It has been notified to the WTO under GATT Article XXIV.

3.3.4 Caribbean/Canada Trade Agreement (CARIBCAN)

3.10. The 1986 Caribbean/Canada Trade Agreement (CARIBCAN) continues to provide non-reciprocal duty free access to the Canadian market for a range of goods from participating CARICOM countries. The WTO General Council, at the request of Canada, extended the MFN waiver for CARIBCAN to 2013. CARICOM and Canada have embarked on negotiations for a reciprocal trade and development agreement.

3.3.5 The Caribbean Basin Initiative (CBI)

3.11. The Caribbean Basin Initiative (CBI) comprises the Caribbean Basin Economic Recovery Act (CBERA) and the Caribbean Basin Trade Partnership Act (CBTPA). The CBTPA was recently extended until 30 September 2020, through the HELP Act (May 2010). In addition, the WTO General Council approved a further MFN waiver for the CBERA up to 2014.

4 MULTILATERAL FRAMEWORK

4.1 Implementation of the Uruguay Round Agreements

4.1. Grenada became a WTO Member in February 1996. Under the GATS, Grenada made initial commitments on tourism (hotel development), recreational (entertainment and sporting services), communications (telecommunications and courier services) and financial services (reinsurance). Grenada presented an offer in the extended WTO negotiations on telecommunications, but did not participate in the continued negotiations on financial services. Grenada subscribed to the Fourth Protocol on basic telecommunications on 4 December 1997, and the Agreement entered into force on 5 February 1998.

4.2. Grenada bound all tariff lines upon its accession to the WTO in 1996. Tariffs on products classified under HS headings 25-97, other than those included in Annex I of the WTO Agreement in Agriculture, were bound at a uniform rate of 50%. Agricultural products (WTO definition) were bound at a ceiling level of 100%, with an implementation period of six years. Some exceptions were bound at lower rates (i.e., boneless meat, soybean oil, potato chips, breakfast cereals, cocoa butter, food preparations). Some products were bound at zero rates, generally for products used as inputs (e.g. some seeds, inedible tallow, and soybean meal). A number of fruits (e.g., bananas, pineapples, citrus fruit, etc.), as well as spices (e.g. cloves, nutmeg, mace, ginger, saffron, turmeric) were bound at 200%.

4.3. Grenada fully supports the development and maintenance of an international regime for the promotion and protection of intellectual property rights. In this regard, the Government of Grenada established the Corporate and Intellectual Property Office in October 2009 by Act No. 19 of 2009.

4.4. Through the work of the Corporate and Intellectual Property Office Grenada has updated its intellectual property legislations in copyright, patents and trademarks. There is also a draft bill on geographical indication which will go before Parliament in 2014. The Corporate and Intellectual Property Office has also commenced work on implementing new WTO compatible legislation on industrial designs. As a result the country is on its way to achieving full compliance with the TRIPS Agreement.

4.5. In the area of Trade Facilitation, the Government of Grenada has undertaken a major project to reform and modernize the Customs Department.

4.6. The objective of the project was to improve the efficiency and effectiveness of Customs through modernizing the administration. The focus of the project was: (a) improving customs systems and procedures; (b) upgrading information technology; and (c) capacity building of management and staff in Customs through technical and customer service training.

4.7. To improve efficiency and reduce the time for processing imports and exports, the Customs Department has upgrade to the ASYCUDA World version. This Automated System for Customs Data will allow the Customs and their clients to handle most of their transactions, from Customs Declarations to Cargo Manifests and Transit documents, via the internet. Import and Export licence are now also been issued online.

4.8. The improvement of the Customs systems and procedures including the strengthening of the risk management and enforcement systems in Customs is critical to reducing the time taken for the clearance of exports and imports while minimizing the leakage of revenues.

4.9. Grenada maintains a licensing system to regulate the importation of certain goods. The import licensing system is applied for regulating and monitoring purposes and security purposes. Its objective is in no way to restrict the quantity or value of imports.

4.10. Grenada's import-licensing regime has been notified to the WTO. Grenada replied to the questionnaire on import licensing procedures. The licensing regime is regulated by the Supplies Control Act CAP. 314 and the Supplies Control Regulations (Section 3). The regime is administered by the Ministry of Economic Development, Planning and Trade.

4.11. Grenada has notified the WTO that the Grenada Bureau of Standards is its enquiry point and national notification authority as foreseen in the Agreement on Technical Barriers to Trade. Grenada adopted the WTO Code of Good Practice for the preparation, adoption and application of standards in 1997. During the period under review, Grenada also notified a number of technical regulations to the Committee on Technical Barriers to Trade (TBT) before their adoption: Specification for ready-mix concrete, specification for fruits and vegetable juices and drinks and fruit nectars and specification for labelling of retail packages of aerosol insecticides. At the end of 2013 there were one hundred and seventy-eight (178) Grenadian national standards, twenty seven (27) of which were technical regulations.

4.12. During the period 2009-2012 with funding from the European Union and the World Bank the technical capabilities of the Grenada Bureau of Standards was strengthened to deliver higher quality services. Assistance received involved both training of staff and the supply of new laboratory equipment.

4.13. The Pest Management Division in the Ministry of Agriculture is Grenada's enquiry point under the WTO Agreement on Sanitary and Phyto-sanitary Measures. However, the administration of Grenada's SPS regime also involves the Ministry of Health, Veterinary Division, Ministry of Agriculture and the Grenada Bureau of Standards. A National Agricultural Health and Food Safety Coordinating Committee have been established to allow for more effective coordination among the various Ministries/Organizations.

4.14. Grenada together with the other OECS Member States is taking steps to implement legislations in the areas of competition, antidumping and subsidies. Plans are also in place to establish an OECS Competition Commission. The OECS Competition Authority and legislation will be implemented in 2015.

4.15. On WTO notifications, Grenada continues to make notifications under the WTO Agreement as required.

4.2 Doha Development Agenda

4.16. Despite the delay in the Doha Round negotiations, Grenada is committed to achieving an outcome for the benefit of all WTO Members.

4.17. Under the Doha Round, Grenada continues to support efforts to better integrate developing Countries, small and vulnerable economies and least developed countries in the global economy.

4.18. The adoption of the Ministerial Declaration at the Ninth Ministerial Conference of the WTO in Bali is a valuable opportunity to boost confidence and revitalize the role of the WTO as a negotiating forum.

4.19. While Grenada welcomes the agreement on Trade Facilitation agreed to at the Ninth WTO Ministerial Conference, we firmly believe that the commitments on trade facilitation must go hand-in-hand with assistance to enable developing countries to acquire the requisite capability to implement their commitments.

4.20. With the assistance of UNCTAD, Grenada has completed its National Implementation Plan for Trade Facilitation Measures.

4.21. Grenada continues to advocate for special and differential treatment and the recognition of small vulnerable economies in the multilateral trading system. As a small vulnerable economy, Grenada has co-sponsored a number of proposals submitted to the various WTO Negotiating Groups.

4.3 Aid for Trade

4.22. The Government of Grenada welcomes the efforts of the international community to further support Grenada in improving its capacity in trade. We believe that it is crucial that Aid for Trade resources are provided in addition to existing aid programmes and remain flexible enough to meet the needs of recipient countries.

4.23. Grenada appreciates the work done by the WTO in relation with its Aid for Trade initiative, as an essential instrument for use by developing countries such as Grenada in its efforts to build supply-side capacity and the physical and regulatory infrastructure needed to expand its trade and derive greater benefits from trade agreements.

4.24. The ability to benefit from a predictable and effective program of Aid for Trade financing is critical to Grenada's integration into the global economy. We impress upon our development partners and WTO Members to deliver on the assistance pledged particularly at this time as the pressures of an increasingly competitive multilateral trading environment would in the short to medium term, not only impact severely on the capacity of the public sector to respond but also on the private sector to adjust to new market demands.

4.25. AFT emphasis should be placed on addressing supply-side constraints, including assistance in implementing strategies, such as the National Export Strategy and the Growth and Poverty Reduction Strategy. Intervention through AFT should target the private sectors need to increase its competitive edge, including the utilization of the latest technological methods of production, increasing access to trade financing, ensuring compliance with international standards, trade facilitation and increasing market intelligence.

4.26. Positively, with the assistance of the Inter-American Development Bank the Caribbean Community developed a Regional Aid for Trade Strategy 2013-15.

4.27. The Strategy highlights the following key areas for Aid for Trade interventions at the CARICOM level:

1) *Modernisation of Caribbean Freight Logistics, Maritime Transport and Trade Facilitation*: Upgrading port infrastructure and services, establishing innovative maritime transport networks, and implementing customs and trade facilitation reforms;

2) *Modernisation of Maritime Cargo and Passenger Services in the OECS*: Establishing Fast Ferry services in the Southern Caribbean, developing a common shipping policy, and modernising the fleet;

3) *Caribbean Broadband Transformation Strategy*: Creating a single ICT space, developing a broadband strategy and a roadmap for analog switchover, and creating a mechanism for public-private partnerships in the telecom sector;

4) *Caribbean Renewable and Alternative Energy Roadmap*: Developing a regional bio-energy strategy, implementing a strategy for promoting solar cooling technology, and establishing a financing mechanism for micro, small and medium sized enterprises;

5) *Private Sector Innovation in the Caribbean*: Promoting and financing innovation, and establishing a trade financing mechanism.

5 CONCLUSION

5.1. Grenada is facing a difficult economic situation brought about by the global financial and economic crisis, which wrought deleterious effects on our economy beginning in 2008.

5.2. Grenada needs technical assistance to help build supply-side capacity and trade-related infrastructure to expand trade. Without external support it would be difficult for the country to benefit from international trade.

5.3. Grenada is committed to the multilateral trading system. However, as a Small Vulnerable Economy we need special and differential treatment to participate in the international trading system.

5.4. Since its last trade policy review, Grenada continues to fulfil its obligations under the various WTO Agreements.

SAINT KITTS AND NEVIS

1 INTRODUCTION

1.1. Since the conclusion of the last Trade Policy Review, by the WTO in 2007, St. Kitts and Nevis like most countries across the globe experienced one of the worse economic and financial recessions since the 1930s. The depression began to impact on the economy of the Federation from 2008 and had negative impact on the local economy until 2012 when slow economic growth to etch its way back into the economic system of the country.

1.2. The structure of the economy has remained largely unchanged over the 2007-12 periods with the service sectors continuing to dominate economic activity with their share in GDP[1] increasing from 71.3% to 78.4%. With net inflows equivalent to about 7% of GDP, the service sectors also play a critical role in containing the country's external current account deficit.

1.3. The sectors most affected over the period were Services, Construction, Tourism, Manufacturing and Agriculture sectors, which are the key economic drivers of the Federation. However at the time when this report was prepared, the economic situation has turned around and the Federation is experiencing economic growth of more estimated at more than 2.5% in 2013 triggered by investment projects in the areas of tourism and to a lesser extent energy sector. Over the last two years, fiscal consolidation and strengthening the financial sector has been at the cornerstone of St. Kitts and Nevis' policy agenda.

1.4. Trade policy is seen as a tool for bringing about economic and social development for St. Kitts and Nevis. The Ministry of International Trade, Industry, Commerce and Consumer affairs is responsible for all WTO and International and regional Trade Issues. It is also the main agency for coordinating trade policy discussions and formulation. St. Kitts and Nevis is fully supportive of the WTO and is committed to implementation of the Uruguay Round Agreement and actively participates in the ongoing Doha Round of Negotiations, despite its severe limited human and financial resource capacity and the other challenges faced as a Small Island Developing State (SIDS).

1.5. The United States remained the country's main trading partner throughout the 2007-12 period. In 2012, the US accounted for 64.4% of imports and 86.3% of exports. Trinidad and Tobago and the United Kingdom accounted for 6.3% and 4.1% of 2012 imports respectively.

2 SECTORS

2.1 Agriculture

2.1. Agriculture's contribution to GDP has continued to decline falling to 1% of GDP over the review period from 3% in 2005 Corporation (SSMC) closed. The sector has not recovered from the closure of the sugar industry, although the agricultural diversification programme of the Department of Agriculture has resulted in the increased production of other crops and livestock. The programme also includes the promotion of lager farms and agro-processing. The Department's stated mission is "to be a high quality provider of leadership and support in non-sugar agriculture; to secure food self-sufficiency and satisfy export markets towards sustainable development in St. Kitts and Nevis".

2.2. The agricultural diversification programme is expected to facilitate growth within the sector and must be sustainable through the integration of techniques and processes used in crop cultivation, livestock farming and marine resource management. This would ensure that output in the sector is enhanced while reducing the real risks of land degradation, depletion of water

[1] The national accounts of the Eastern Caribbean Currency Union member States have been rebased with a base year of 2006. For St. Kitts and Nevis, use of the rebased series results in an increase in increase nominal GDP by 21% on average for the period 2000-09, mainly reflecting a broader coverage of financial, communication and offshore education services.

resources and soil nutrients, contamination of the soil, potable and coastal waters, destruction of terrestrial and marine ecosystems and food loss.

2.3. The Livestock Sub-Sector has faced many challenges which have resulted in a decline in the overall production of the sub-sector by 27.6% in 2012. However, despite these setbacks, the Government is confident that St. Kitts and Nevis can produce quality meat products without placing undue pressure on the environs. Emphasis has been placed on the sourcing of livestock varieties that can enhance yield without farmers making huge financial outlays for the purchase of commercial feed or employing poor husbandry practices.

2.4. In 2013, the applied MFN tariff on imports of agricultural products (WTO definition) averaged 15.5%. Fruit and vegetables, animals and products thereof, beverages and spirits, coffee and tobacco are subject to higher tariff rates than the average for agriculture. The supply of locally produced agricultural products grown in St. Kitts and Nevis, are exempt from the VAT. Tariff quotas are not used. Import licenses are required for vegetables, eggs, and meat from non-CARICOM countries. Import restrictions in the form of quantitative limits are applied to some agricultural products from non-CARICOM countries, such as eggs, which may be imported only by domestic egg producers when domestic production is insufficient. Also, imports of some vegetables (cabbages, carrots, onions, sweet peppers, tomatoes, and white potatoes) are subject to seasonal import restrictions.

2.2 Services

2.5. The services sector continued to dominate economic activity with their share in GDP increasing from 71.3% to 78.4%. With net inflows equivalent to about 7% of GDP (over the review period), the sectors also play a critical role in containing the country's external current account deficit.

2.2.1 Tourism

2.6. The tourism sector's share in GDP averaged 6.2% over the 2008-2012 year period–down from the 7.7% average in the previous 5 year period. To some extent, the reduction of tourism's share of GDP over the period is explained by the sharp 26.7% contraction in the sector's output that was experienced in 2009 at the onset the global economic crisis as demand weakened in the major source markets and hurricane damage resulted in the closure of a major resort hotel in Nevis which employed 500 workers.

2.7. The tourism sector has been recovering steadily from this sharp decline with a notable improvement being observed in the first half of 2013 during which stayover arrivals increased by an estimated 6% increase over the comparable period in 2012. This trend is in line with the recovery of household incomes in the US which accounts for about 60% of stay-over visitor arrivals. Steadily increasing cruise visitor arrivals are also playing an important role in the recent performance of the tourism sector.

2.8. Despite the challenging economic environment, St. Kitts and Nevis has been fortunate enough to continue to attract the interest of the regional and international traveller justifying significant investment in both public and private infrastructure. The local and foreign investors continue to have confidence in the destination of St. Kitts and Nevis which is evidenced by the number of resort and tourist related projects that have been rolled out during 2013.

2.9. Over the last 5 years, St. Kitts and Nevis has been emerging as the leading cruise destination in the Eastern Caribbean with annual visitor arrivals consistently exceeding 550,000 and projected to reach 750,000 by 2015. Tourism is the largest single private sector employer of labour-accounting for an estimated 10% of the employed labour force.

2.10. The real estate, renting and business services sector increased its share of GDP, accounting for 18% in 2008 and averaging 17.5% over the five year period 2008 to 2012 as opposed to the 15.7% averaged in the previous 5 year period. The transport, storage and communications sector increased its share of GDP from 10.3% in 2008 to 13.2% in 2012–largely attributed to the growth in the share of the telecommunications sub-sector which increased from 4.2% to 6.2%.

2.2.2 Financial services

2.11. The financial services sector has been identified as an area for development and continued with that level of importance and prominence during the review period. Local commercial banks continue to be sound and well capitalized ensuring their readiness to be a major facilitator in the continued development of St. Kitts and Nevis. Liquidity and profitability ratios consistently exceed the prudential requirements of both the ECCU and the ECCB in spite of the challenges associated with the level of public sector exposure.

2.12. When the Government entered into the Stand-By Arrangement (SBA) with the International Monetary Fund (IMF) in 2011 a Banking Sector Reserve Fund was established (BSRF). This mechanism was put in place as a type of insurance to provide stability to the domestic financial system in the event of adverse effects of external shocks. The Eastern Caribbean Central Bank (ECCB) continues to undertake quarterly stress tests of the sector and have determined that it remains resilient to a range of shocks.

2.13. The Eastern Caribbean Central Bank (ECCB) is responsible for monetary policy for St. Kitts and Nevis and the rest of the Eastern Caribbean Currency Union (ECCU. The ECCB has kept the EC dollar pegged to the U.S. dollar at a rate of EC$2.70 per US$1. As a result of the passage of enabling legislation in 2009, the Financial Services Regulatory Commission (FSRC) is now fully operational as the Single Regulatory Unit with oversight responsibility for credit unions, insurance companies, private pension funds trust companies and other non-bank financial sector entities.

2.2.3 Telecommunications

2.14. St. Kitts and Nevis' telecommunications sector is open to foreign investment. There are no limits on foreign ownership of telecom companies, nor are there citizenship requirements for directors. However, telecom licensees must be domestically registered and established as local companies.

2.15. St. Kitts and Nevis did not participate in the extended WTO negotiations on basic telecommunications services, but made commitments with respect to the provision of some value-added telecommunications services in its GATS Schedule. These commitments cover electronic mail, voice mail, and online information and data processing all of which were bound without limitations, except as regards the presence of natural persons. There are no sector-specific fiscal incentives.

2.16. Telecommunications policy formulation is the responsibility of the Ministry of Information Technology and Telecommunications. The National Telecommunications Regulatory Commission (St. Kitts and Nevis) (NTRC) is the body responsible for regulation of the sector. It is responsible for issuing of licenses and frequency authorizations and for monitoring the use of radio frequencies in the Federation. At the regional level, the Eastern Caribbean Telecommunications Authority (ECTEL) plays an important advisory and policy-coordinating role.

2.2.4 Manufacturing

2.17. The manufacturing sector is the major contributor to domestic exports. The sector accounted for about 8% of GDP in 2012 and averaged 7.5% over the 5 year period 2008-12 - reflecting a marginal decline from the 7.8% averaged over the previous 5 year period.

2.18. The production of electronic components for export to the US dominates manufacturing activity – accounting for an estimated 65% of the sector's output. St. Kitts and Nevis continues to be the leading OECS exporter of electronics components to the US market – a position that the country has consistently maintained for more than a decade. Food and beverage production (beer, malt and aerated beverages) accounts for about 17% of manufacturing output with export activity largely concentrated in the CARICOM market. Masonry products (mainly destined for the domestic construction industry) accounts for about 9%.

2.19. Manufacturing activity accounts for an estimated 8% of the employed labour force. During the review period, exporters and manufacturers have increased their efforts at expanding their market and have therefore begun exporting to the EU, using the facilities of the CARIFORUM-EU Economic Partnership Agreement (EPA).

3 TRADE RELATIONS

3.1. Since becoming a Member of the WTO in 1996, the Federation has participated and signed several other trade agreements. They include the following:

- The World Trade Organization (WTO) – Doha Round Negotiations
- The CSME
- The OECS Economic Union
- CARIFORUM-EU/Economic Partnership Agreement
- The Brazil-Guyana Partial Scope Agreement (PSA)
- CARICOM Bilateral Trade Agreements:
  - CARICOM/Costa Rica
  - CARICOM/Venezuela
  - CARICOM/Cuba
  - CARICOM/Dominican Republic
  - CARICOM/Colombia
- Caribbean-Canada Trade Agreement - "CARIBCAN"[2]
- The Caribbean Basin Trade Partnership Act (CBTPA).

4 TRADE POLICY AND IMPLEMENTATION

4.1. The Ministry of International Trade, Industry, Commerce and Consumer Affairs is charged with the responsibility to developing, implementing and managing trade policy. It is also responsible for coordinating trade policy discussions and ensuring that the country meets its obligations to all trade agreements St. Kitts and Nevis is party to.

4.2. Trade policy is seen as a tool for bringing about economic and social development for St. Kitts and Nevis. The Ministry of International Trade, Industry, Commerce and Consumer affairs is responsible for all WTO and International and regional Trade issues. It is also the main agency for coordinating trade policy discussions and formulation, and is responsible for matters related to anti-dumping, subsidies, and competition policy.

4.3. The structure of the Ministry reflects the multiple role it plays as a developer, implementer and manager of trade policy whilst concurrently, it is the voice of consumer protection; manage and enforce trade rules related to Technical Barriers to Trade (TBT) and at the same time, creating and ensuring a local business environment that will encourage and foster investment in the Federation, in particular; for the continued enhancement and expansion of the critical local manufacturing and industry sector.

4.4. The Ministry has three main departments responsible for trade policy development, implementation and management. They are the St. Kitts and Nevis Bureau of Standards, the Consumer Affairs Department and the Trade Policy Division.

4.5. The Federation's the Trade Policy is based on an approach where there is extensive involvement of stake holders throughout the process from identification stage through development, negotiations, education and implementation stage.

4.6. St. Kitts and Nevis' trade policy is not developed in isolation. It is developed within a regional and global context. i.e. within CARICOM as required under Article 80 of the Revised Treaty of Chaguaramas – Coordination of External Trade Policy, and the OECS under the Revised Treaty of Basseterre – the OECS Economic Union. As a result, positions advanced by St. Kitts and Nevis in various trade negotiations fora as well as commitments made in international trade agreements (it is partied to), such as the WTO and the ACP-EU Economic Partnership Agreements (EPA), are subsumed in the CARICOM positions. Similar approaches were taken in the bilateral trade agreements between CARICOM and Costa Rica, CARICOM–Dominican Republic,

[2] CARIBCAN ended in December 2013. It is expected to be replaced by the CARICOM-Canada Trade and Development Agreement which is currently being negotiated between Canada and CARICOM.

CARICOM-Venezuela, CARICOM–Colombia and CARICOM-Cuba. St. Kitts and Nevis joins the other CARICOM countries in negotiating international or bilateral trade agreements as part of the CARICOM group where positions are advanced taking into consideration the interest of the region as a whole. For example, the ongoing CARICOM-Canada Trade Negotiations ensures that the interests of all CARICOM countries are advanced and the issues are advanced through the Office of Trade Negotiations (OTN) of the CARICOM Secretariat. The OTN provides technical support to member States including St. Kitts and Nevis.

4.7. St. Kitts and Nevis's trade policy has not changed significantly over the past decade. Trade policy is seen and used as one of the main facilities by which the country seeks to achieve economic diversification and economic development.

4.8. Trade policy management in St. Kitts and Nevis is conducted through the following approaches:

- Technical: which is the process whereby positions are defined and approaches suggested following thorough analysis of all issues (trade, legal, etc.), that are to the maximum benefit of St. Kitts and Nevis.

- Administrative: this involves the actual management of the process i.e. operationalizing the process, through strategic planning, effective allocation and deployment of scarce resources, as well as scheduling and sequencing of all activities needed for a successful trade policy development and implementation of the country's trade policy.

- Representational: the process of inserting the interests and position of St. Kitts into any trade negotiations, through meetings, documents, prepared by agencies and institutions representing the region (Office of Trade Negotiations, OECS Secretariat, and CARICOM Secretariat) or in the multilateral trade negotiations process.

4.9. The difficulty of meeting implementation obligations under the various agreements of the multilateral trading system St. Kitts and Nevis is still concerned about the. Human and financial resource constraints in the Ministry of International Trade, Industry, Commerce and Consumer Affairs persist. These constraints continue to affect the proper implementation especially of TRIPS, SPS and TBT Agreements. St. Kitts and Nevis continues to need technical assistance for implementation of its WTO obligations. The WTO Aid for trade initiative can be a facility to provide some of the technical assistance and other capacity building support.

4.10. The Ministry of International Trade recently established "the St. Kitts and Nevis National Trade Policy Advisory Committee (NTPAC)". This Committee will further improve trade policy formulation and implementation as well as assist the Ministry in building capacity at the national level and ensuring greater participation of a wider cross-section of stake holders in all trade policy matters.

4.1 Technical Standards

4.1.1 The St. Kitts and Nevis Bureau of Standards

4.11. The Bureau of Standards plays a major role in Trade Policy development and implementation. The Bureau of Standards performs the following added but extremely important functions:

- Enquiry and Notification
- The National Codex Contact Point
- The enquiry point for (WTO) TBT Agreement
- The National Contact Authority for CARICOM Regional Organisation for Standards and Quality (CROSQ)
- The National Contact Authority for the Inter-American Metrology System (SIM)
- The notification and distribution point for voluntary and mandatory standards and regulations.

4.12. The Bureau has key responsibilities for protecting the health and safety of consumers, preventing deception of consumers in the purchase of goods and services, facilitating local, regional, and international trade and assisting the development of industry and commerce locally. Through its supporting unit – the Multi-Purpose Laboratory, the Bureau provides testing and analytical services to the Ministries of Agriculture, Health and the Environment, Trade, Consumer Affairs as well as industries and private entities including farmers and agro-processors.

4.13. Technical assistance would be required for both TBT and SPS measures to be effective to promote trade. Laboratory accreditation and a certification system would greatly facilitate trade.

4.1.2 The Consumer Affairs Department

4.14. Consumer Affairs Department seeks to ensure fair trade competition and the free flow of truthful information in the marketplace, moreover to act as a deterrent from businesses engaging in fraudulent or unspecified practices and gaining a disadvantage over competitors. St. Kitts and Nevis has made a commitment under Article 185 of Part Two of Chapter Eight of the revised Treaty of Chaguaramas to enact harmonized legislation on Consumer Protection. A commitment was also made under Article 170: to take appropriate legislative measures to establish and maintain national competition authorities. The Department provides public education and conducts regular outreach campaigns on various issues of consumer's rights, responsibilities and protection.

4.2 Sanitary and Phytosanitary Measures (SPS)

4.15. St. Kitts and Nevis implements sanitary and phytosanitary measures for the protection of agriculture and for the safety of human and animal life. Capacity constraints exist in the modernization of legislation and for risk analysis. SPS Measures are implemented by the Ministry of Agriculture.

4.16. The enquiry point under the WTO Agreement on Sanitary and Phytosanitary (SPS) Measures is the Department of Agriculture in the Ministry of Agriculture, Marine Resources and Constituency Empowerment. St. Kitts and Nevis is a contracting party to the International Plant Protection Convention (IPPC), but is not a member of the Codex Alimentarius Commission or the World Organisation for Animal Health (OIE).

4.17. The Plant Protection Act, Cap 97 of the Laws of St. Kitts and Nevis sets up the phytosanitary conditions for imports of plants. In accordance with the Act, all plants, plant products, plant pests, live beneficial organisms, and soils imported into St. Kitts and Nevis must be accompanied by a phytosanitary certificate issued by the appropriate agricultural authority of the exporting country.

4.18. The Animals (National and International Movement and Prescribed Diseases Prevention) Act, 2012 (Act No. 7 of 2012) provides for the control of the movement of animals and animal related items into and within St. Kitts and Nevis.

4.19. The Pesticides and Toxic Chemicals Control Act of 1999 provides for the regulation and control of the importation, storage, manufacture, sale, transportation, disposal, and use of pesticides and toxic chemicals.

5 FISCAL POLICY

5.1. The Constitution provides the legal foundation for public financial management and vests the Minister of Finance with the lead responsibility for formulating and monitoring fiscal policy. The Finance Administration Act of 2007 introduced new and amended provisions for the management of public revenue, expenditure, treasury management operations, public debt, public accounts and the oversight of statutory bodies. Within the framework of the Federation's internal self-government arrangements, the Constitution provides the Nevis Island Assembly with exclusive powers to make laws relating to the mobilization of loan and grant financing and economic planning and development in Nevis. The Ministry of Sustainable Development is responsible for national development planning and its specific responsibilities include collection and compilation of economic statistics, coordinating relationships with external development lending and donor agencies; monitoring the implementation of the national development plan; preparation and monitoring of the Public Sector Investment Programme (PSIP) and physical planning.

5.2. The global recession of 2008-09 resulted in a sharp deterioration of fiscal outturns. Whereas in the preceding 5 year period, the effects of the already high public sector debt burden were partially mitigated by positive real growth trends (averaging 5% a year over the period 2004-08), the 3.8% contraction of the economy in 2009 exposed the underlying fragility of the country's macroeconomic fundamentals.

5.3. Increasing debt service requirements limited fiscal flexibility and the primary balance, which had averaged a positive 3.2% of GDP in the period 2005-09, turned negative in 2010. In addition, the overall deficit increased by about 5% of GDP as tax revenue declined and capital outlays increased. Moreover, with domestic debt comprising an estimated 68% of the debt stock, the relatively high exposure of the financial system to sovereign risk emerged as a matter of policy concern.

5.4. In 2010, in response to these challenges, the Federal Government mounted a fiscal consolidation effort with the overall objective of strengthening public finances, significantly reducing public debt levels and supporting the return to a sustainable growth path. The specific objective of the fiscal adjustment effort, coupled with a comprehensive debt restructuring programme, is to significantly reduce the debt service burden and help set the public debt-to-GDP ratio firmly on a downward path toward the ECCU debt target of 60% of GDP by 2020.

5.5. The design of the reform program featured a front-loading of fiscal adjustment measures with a focus on achieving a large and sustainable reduction in the public debt. In this context, the program targeted the achievement of average primary fiscal surpluses of about 5.6% of GDP during the 2011–13 period (compared with the -0.8% primary deficit of GDP in 2010). The projected improvements in the fiscal position rely upon a combination of revenue and expenditure measures which are supported by institutional strengthening measures. The reform program is being supported and monitored by the IMF under the terms of a Stand-By Arrangement which was approved in July 2011 and is scheduled to end in July 2014.

5.6. The revenue enhancement agenda involves a mix of tax policy and administration initiatives designed to expand the tax base, promote compliance and enhance equity. The policy reforms include: (i) the introduction of a value added tax (VAT) which replaced the consumption tax and a number of other indirect taxes on imports and domestic production; (ii) the restructuring of the excise tax system; (iii) the introduction of an unincorporated business tax to replace the traders' tax and (iv) the restructuring of the housing and social development levy. These measures were formally approved and implemented over the period November 2010 to January 2011 ahead of the negotiation and approval of the IMF Stand-By Arrangement.

5.7. Expenditure containment measures focused on the reduction of the share of non-discretionary expenditure in total spending, the strengthening of control systems and the prioritization of capital expenditure. In pursuit of these objectives, the Federal Government implemented a wage freeze covering the period 2010-12, suspended the payment of increments for the same period and froze the hiring of new personnel. These measures were complemented by the strict enforcement of the retirement age regulations.

5.8. The performance of the adjustment programme is being formally monitored by the IMF on the basis of a set of quarterly targets which cover the period 2011-14. The results of the formal performance assessments conducted over the period 2011-13 have been positive with all quantitative fiscal performance targets being comfortably exceeded. Specifically, the primary balance reached 8.3% of GDP in 2011 and 11% in 2012. Positive overall balances of 1.8% and 5% of GDP were recorded in 2011 in 2012 respectively as compared to the deficits of 2.9% and 7.8% recorded in 2009 and 2010. Based on currently available information, a primary surplus of 15% of GDP is projected for the 2013 fiscal year as compared with the target of 6.3% of GDP. The overall balance is projected to be 11.7% of GDP as compared with the target of 2.4% of GDP. In addition to the impact of the tax reform initiative and the expenditure containment measures, the achievement of these results was supported by strong non-tax revenue flows in 2012 and 2013.

5.9. On the debt management front, in 2012 Government successfully concluded a debt exchange programme with external commercial creditors and negotiated a restructuring arrangement on bilateral debt held with Paris Club creditors. Negotiations with non-Paris Club bilateral creditors are continuing. Government also concluded a debt-for-land restructuring programme with its major domestic creditor in 2012. As a result of these measures, the debt stock is projected to decline to just above 100% of GDP by the end of 2013. There has also been some easing of interest payment commitments which are projected to average 2% of GDP over the medium term as compared to the average of 6.7% of GDP over the period 2009-12.

5.10. Alongside the fiscal consolidation agenda, the Government is implementing a series of structural reforms aimed at sustaining the growth effort by strengthening the public financial management system, improving public sector efficiency and addressing the constraints to growth. The key components of the institutional reform programme are: (i) the strengthening of public financial management systems; (ii) civil service reform; (iii) restructuring of the social safety net delivery arrangements and (iv) reform of the social security and pension systems.

6 MONETARY POLICY

6.1. The Eastern Caribbean Central Bank (ECCB) is responsible for monetary policy for St. Kitts and Nevis and the rest of the Eastern Caribbean Currency Union (ECCU). The ECCB has kept the EC dollar pegged to the U.S. dollar at a rate of EC$2.70 per US$1. As a result of the passage of enabling legislation in 2009, the Financial Services Regulatory Commission (FSRC) is now fully operational as the Single Regulatory Unit with oversight responsibility for credit unions, insurance companies, private pension funds trust companies and other non-bank financial sector entities.

6.2. Conditions in the banking system are stable. Liquidity and profitability ratios consistently exceed the prudential requirements of both the ECCU and the ECCB in spite of the challenges associated with the level of public sector exposure.

6.3. The growth in monetary aggregates remained high throughout the 2007-12 period. Broad money supply (M2) expanded at an annual average rate of 7.1% between 2007 and 2012 as compared with the 12% increase that was averaged in the period 2003-06. Traditionally high exposure of the domestic banking system to the public sector have now begun to moderate - initially in response to the fiscal correction initiatives being implemented and, more recently in response to the implementation of the first stage of the Government's land for debt swap arrangement.

6.4. After growing by an annual average of 5.4% over the period 2008-2010, the Government's net credit position contracted by 14.6% and 36.8% in 2011 and 2012 respectively – mainly in response to expenditure containment measures and associated efforts to restrict the growth of public sector debt. Credit to the private sector, which recorded an annual average growth rate of 4.6% over the 2008-10 period, grew by less than 1% in 2012. Residents' deposits increased steadily, driven in the main, by an improving public sector cash position. The most recent stress tests confirmed the capacity of the banking system to withstand any shocks associated with the implementation of Government's debt restructuring initiative.

6.5. Due to the small size of the economy and its narrow resource, population and skill base, imports consistently exceed exports, resulting in a structural visible trade deficit which has averaged 28% of GDP over the 2007-12 period. Surpluses on the services account, particularly tourism receipts, are instrumental in containing the current account deficit which has averaged 19% of GDP over the same period. Current account deficits are also contained by regular surpluses on the capital and financial account, which reflect direct investment and monetary flows.

7 CONCLUSION

7.1. St. Kitts and Nevis remains fully committed to the process of trade liberalization, including implementing its obligations under the WTO Uruguay Round Agreement and obligations following the successful completion of the ongoing Doha Round of negotiations. It is however confronted by the challenges of its limited human and financial resources. In that regard, St. Kitts and Nevis will support the premise that small vulnerable economies like its own, require special and differential treatment to participate in the international trading system taking advantage of better access to markets through trade liberalization. The benefits of market liberalization require the cooperation and assistance of developed countries within the WTO. Specific attention and consideration must be given to the special circumstances of small, open vulnerable economies like St. Kitts and Nevis in the World Trading System.

7.2. It should again be noted that St. Kitts and Nevis's trade policy is not a "stand alone", but is part of a wider regional and international agenda.

SAINT LUCIA

1 INTRODUCTION

1.1. Saint Lucia is a small island developing State with a population of approximately 170,000 people with a relatively small open economy. After experiencing annual economic growth of about 3.6% from 2003 up to 2007, developments in the global economic environment have significantly impacted Saint Lucia's economy particularly since the steady decline of banana export earnings and to some certain extent tourism, the two primary pillars of the Island's economy. These realities have been further compounded by natural disasters and other adverse weather conditions experienced during the period under review. In its recent regional economic outlook for the western hemisphere, the International Monetary Fund says that Caribbean countries like Saint Lucia will experience modest economic growth for the next two years because of stronger external demand and more favourable financing conditions. However, there is much concern on the part of Government that high debt and weak competitiveness will constrain such growth which is already challenged by a high budget deficit. To address this, policies to build stronger fiscal buffers and to generally improve policy frameworks have been pursued in order to increase productivity.

1.2. The loss of preferential access to the UK on Banana exports has inevitably caused St. Lucia to diversify and rely heavily on other trade preferences to support its export base. However, increasingly high trade transaction costs and logistical challenges have been rendered a major obstacle in the development of the islands export capacity. It is for this reason that Saint Lucia welcomes the Agreement on Trade Facilitation which was adopted at the World Trade Organization's 9th Ministerial Conference in Bali, Indonesia, in December 2013, as a major instrument to control the cost of clearing goods for import and export. Saint Lucia is of the firm belief that the agreement will ultimately benefit traders who continually face lengthy and costly delays in the goods clearance process and looks forward to the built in development agenda in this regard.

1.3. Over the last six years, Saint Lucia has become more of a services-oriented economy through the growth of the Tourism sector relative to agriculture and manufacturing. Notwithstanding its apparent comparative advantage in the area of tourism services, Saint Lucia's trade policy has sought to create a more diversified and thus more resilient economy based on a tripod of services, manufacturing as well as agriculture and has prioritized these areas in its investment policy. Within the confines of the trade agreements, the Government of Saint Lucia has designed various fiscal and other incentives to provide the necessary support for the business sector to complement development cooperation and other support mechanisms provided under these arrangements.

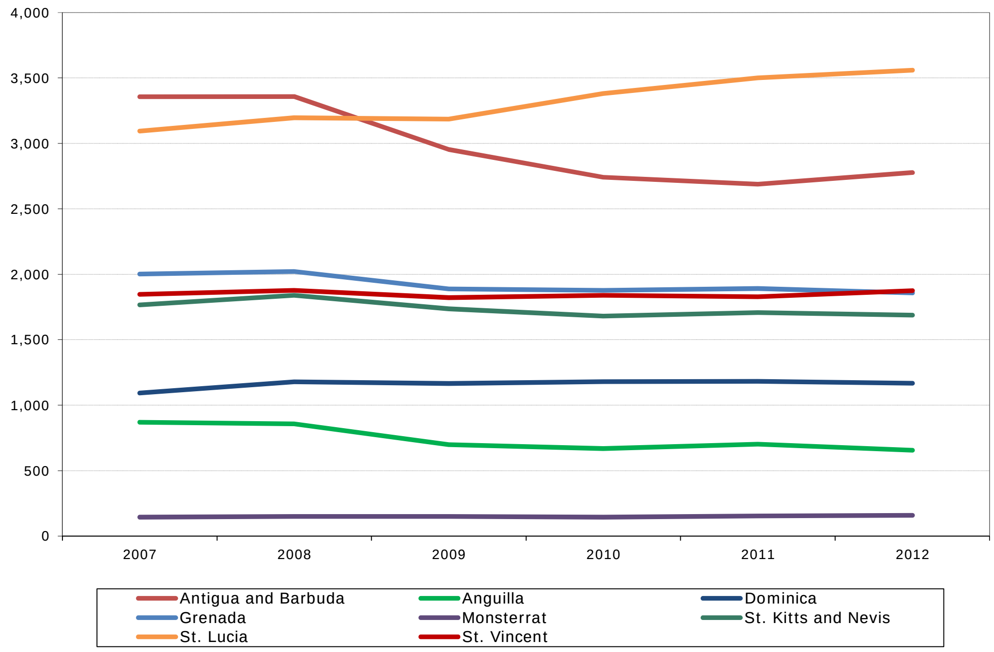
1.4. Notwithstanding the fact that Saint Lucia is constrained in its ability to take full advantage of the various international trade agreements, to which it is a signatory, Saint Lucia remains resolute in its desire to subscribe to its obligations, as it strives to become competitive in the production of goods and services, to facilitate integration into the global supply chain.

2 MACROECONOMIC DEVELOPMENTS AND TRADE PERFORMANCE

2.1 Economic Performance

2.1. Saint Lucia became the largest economy in the Eastern Caribbean Currency Union (ECCU) over the review period 2007 to 2012 notwithstanding anaemic growth averaging 0.89% annually.

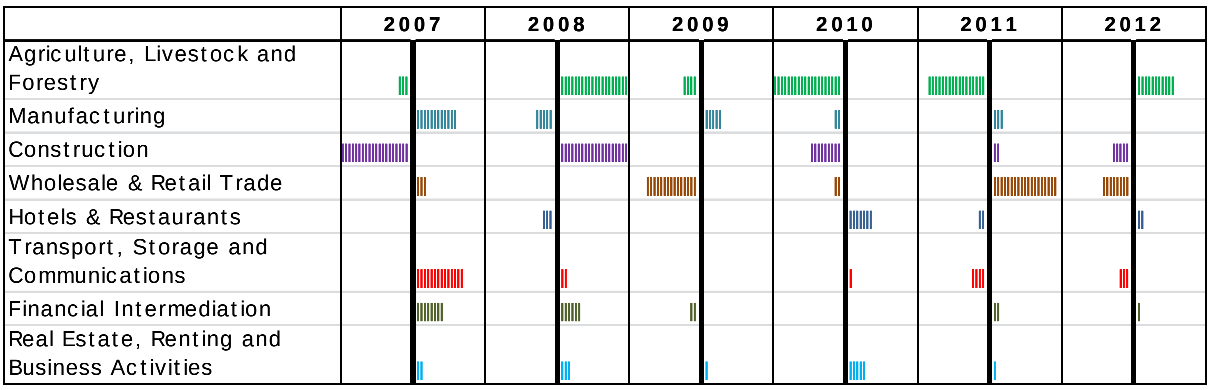
Chart 1 ECCU GDP at Market Prices (EC$M)



Source: Eastern Caribbean Central Bank (ECCB).

2.2. External vulnerabilities and a weak global environment, particularly from weaker tourism demand combined with domestic supply shocks contributed in part to the sluggish performance. Natural disasters, as in the case of Hurricane Tomas in 2010 and a major outbreak of a banana leaf disease posed serious challenges towards greater output growth. During that period, unemployment increased sharply from 14.0% in 2007 to 21.4% in 2012.

Chart 2 Real GDP growth (%), main sectors

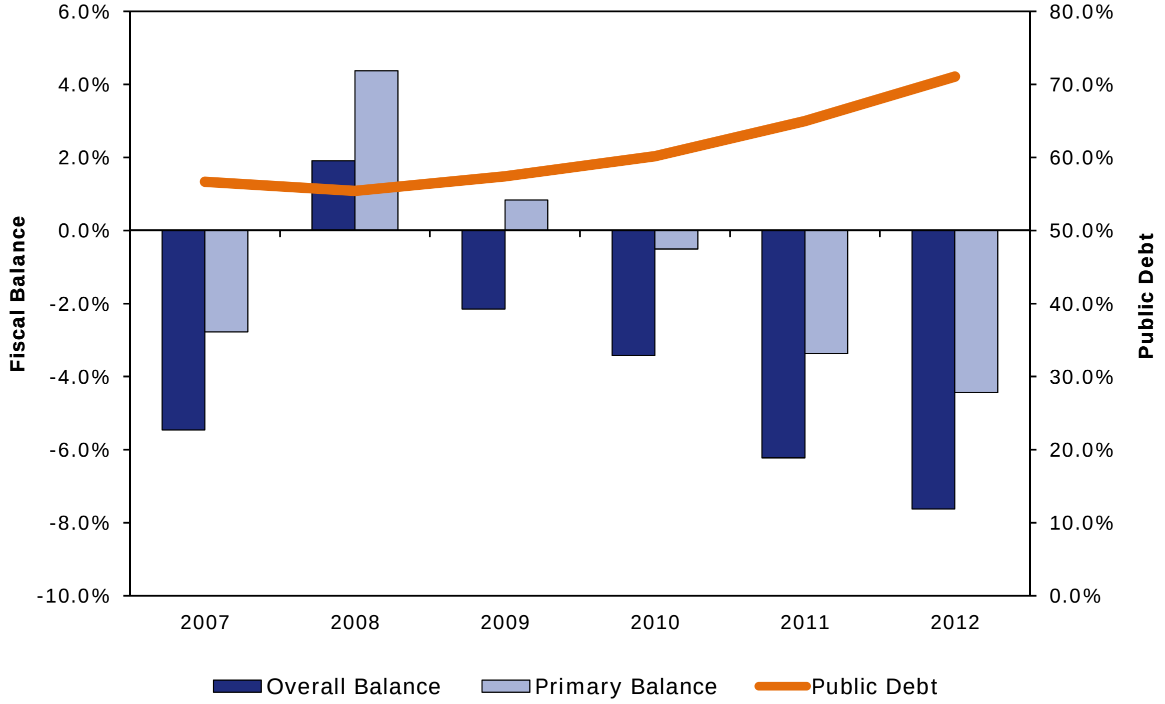


Source: Eastern Caribbean Central Bank (ECCB).

2.2 Fiscal Performance

2.3. Fiscal policy responses to the sluggish economic performance contributed in part to the widening of the central government's overall fiscal deficit to an estimated 7.6% of Gross Domestic Product (GDP) by 2012, and an increase in public debt to approximately 71.0% of GDP. Current expenditure in 2012 increased by 49.1% over 2007, juxtaposed against a 15.6% increase in revenue, due mainly to increases in transfers (79.7%), wages and salaries (41.4%) and interest payments (38.0%). The Value Added Tax was introduced in October 2012 in response to tax reform measures and in the midst of declining revenues and mounting expenditures emanating from greater fiscal stimulus and increasing subsidies and transfers.

Chart 3 Fiscal and debt indicators (% of GDP)

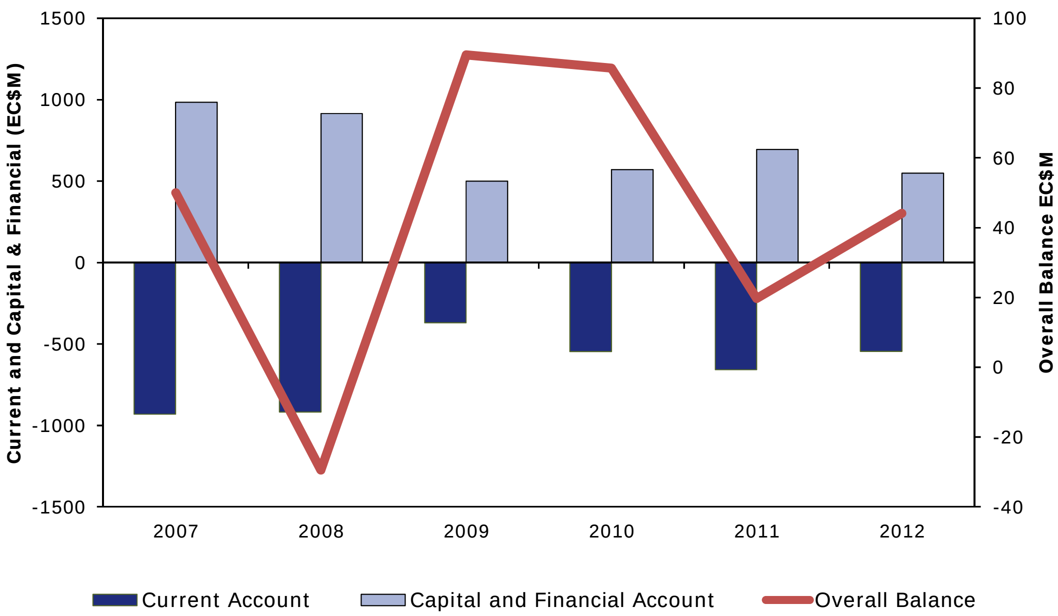


Source: Ministry of Finance, Saint Lucia.

2.3 Balance of Payments

2.4. Over the review period, the external gap contracted as the current account deficit on the balance of payments decreased from EC$930.6 million or 30.1% of GDP in 2007 to an estimated EC$545.2 million in 2012 (or approximately 15.3% of GDP). This improvement in the current account balance is reflective of sluggish economic activity which has resulted in a fall in demand for imported goods. The balance on the capital and financial accounts also narrowed due mainly to a significant decline in inflows of foreign direct invest. The lower FDI flows would have also influenced the decline in imports on the current account, thus resulting in an improvement in the overall balance.

Chart 4 External balance



Source: Ministry of Finance, Saint Lucia.

3 INSTITUTIONAL FRAMEWORK

3.1 Ministry of External Affairs, International Trade and Civil Aviation

3.1. The Ministry of External Affairs, International Trade and Civil Aviation is the governmental agency responsible for negotiating and formulating Saint Lucia's International trade policy. In addition to acting as a liaison between External and internal trading institutions, the Ministry monitors developments in the International Trading environment that may impact on domestic industry and by extension, the local economy. The Ministry is also responsible for notifying and updating the WTO on Saint Lucia's various obligations in accordance with commitments under the Marrakesh Agreement.

3.2 The Inter-ministerial Committee

3.2. The Inter-Ministerial Trade Committee (IMTC) was re-established by the Ministry of External Affairs, International Trade and Civil Aviation, as a response to the demand for a more dynamic, inclusive and integrated government wide process in the formulation and implementation of Saint Lucia's trade policy. The composition of this committee includes Government Ministries, Statutory Agencies and Private Sector interests in Trade and Commerce. In keeping with this coordinated approach, the committee serves as a forum for inter-agency dialogue and consultation on trade issues of strategic interest.

3.3. The key roles and functions of the IMTC are:

i. To provide guidance, advice, and make recommendations on various trade matters;

ii. To assist with the development of national positions on regional and international trade issues e.g. CSME & WTO matters;

iii. To review matters of international trade and commerce on the regional and international agenda and make policy recommendations for the consideration of decision makers;

iv. To review documentation relating to regional and international meetings and make recommendations for Saint Lucia's participation in these meetings;

v. To review the outcome of regional and international meetings for the purposes of coordinating follow up action by Saint Lucia.

3.4. The broad based responsibilities of the IMTC have rendered the role of the Saint Lucia Council on External trade superfluous and therefore no longer operational.

3.3 Trade Facilitation Task Force

3.5. Saint Lucia's Trade Facilitation Task force is an inter-agency committee comprising representatives of various stakeholder interests responsible for matters arising from trade facilitation negotiations and other issues. The core mandate of the task force is to monitor and evaluate trade facilitation activities and make appropriate recommendations to meet relevant obligations. Essentially, the task force serves as a forum for dialogue between public and private sector stakeholders through intra-agency policy coordination that ensures a high level of trade policy coherence that feeds into the Bilateral and Multilateral negotiating process.

3.6. The coordinating agency for the national trade facilitation task force is the Ministry of Commerce, Business Developments, Investments and Consumer Affairs assisted by the Customs and Excise Department. The Roles and Functions of the Task Force include:

- Responding to requests from negotiators including allocation of responsibility to specific agencies where more than one agency is capable of responding;
- Facilitating the execution of TF the needs assessment;

- Following trade facilitation issues at the WTO and in other fora where work on trade facilitation is being undertaken for example EPA, Canada-CARICOM trade negotiations;

- Submitting position papers through the negotiators on proposals of relevance to Saint Lucia in the trade facilitation negotiations;

- Ensuring coherence with and seeking support from the OECS Technical Mission in Switzerland, OECS Secretariat, CRNM, CARICOM and other regional and international institutions;

- Educating the public (including public and private sector agencies) on the negotiations as they relate to trade facilitation.

3.4 OECS Technical Mission

3.7. The permanent presence of the OECS Technical Mission in Geneva has enabled and ensured that Saint Lucia and the other OECS Member States have greater and more visible representation at WTO meetings. The Government of Saint Lucia has observed an improved working relationship allowing for sustained dissemination of information and interaction between capital and Geneva. This has enabled improved policy dialogue allowing Saint Lucia to better table its positions on important matters leading to active engagement in the negotiations process along with other alliance groupings on multilateral issues.

3.8. Although the Government of Saint Lucia's ultimate goal is to thrive for full representation in Geneva despite being handicapped by limited resources, the Government is satisfied to date with the consistent assistance and advice passed on by the OECS Technical Mission.

4 SAINT LUCIA'S TRADE RELATIONS

4.1 OECS Economic Union

4.1. The Revised Treaty of Basseterre which established the Organization of Eastern Caribbean States Economic Union was signed by Saint Lucia and the other five independent OECS Member States on 18 June 2010. The OECS is an inter-governmental organization dedicated to economic harmonization and integration, protection of human and legal rights, and the encouragement of good governance between countries and dependencies in the Eastern Caribbean.

4.2. The Revised Treaty establishes a departure from the usual approach to trade policy formulation within the OECS Economic Union as it accords legislative competence to the Organization with respect to trade policy (Article 14.1). Other areas from the Revised Treaty that deal with trade and trade-related issues include the following: Article 4.2: identifies harmonization and joint policies of inter alia international trade agreements and other external economic relations as a goal of the Treaty. Article 4.2 (d): sets the role of the Organization of OECS States in matters related to international trade in particular. Article 5.3: outlines the commitment of each Member State to enact domestic legislation to delegate to the Organization, authority to legislate in the area of competences outlined in Article 14 or receive Acts of the Organization in those areas which are to have direct effect in each Member State. Article 14.1 (a): identifies the common market including the customs union as a specific area of legislative competence of the Organization.

4.2 CARICOM Single Market and Economy (CSME)

4.3. Saint Lucia is a member of the Caribbean Community and remains committed to the development of the CARICOM Single Market and Economy, CSME. The implementation of the CARICOM Single Market and Economy (CSME) continues to be a work in progress in the region. Based on the findings of studies commissioned by the CARICOM Secretariat, the five core CSME regimes are not functioning at 100% efficiency. Under CARICOM, Saint Lucia is designated as a Least Developed Country within the grouping and is accorded certain privileges including non-reciprocal status in most trade agreements signed to date except the CARIFORUM-EU Economic Partnership Agreement.

4.3 CARICOM Bilateral Trade Agreements

4.4. Saint Lucia is a full member of CARICOM, which has to date concluded five bilateral Trade agreements. Saint Lucia and the other LDCs of CARICOM all benefit from non-reciprocal preferential market access to the Bilateral Trading Agreement partner countries.

4.5. The Government of Saint Lucia recently established the Trade Export Promotion Agency (TEPA), to provide support to Saint Lucian firms with export potential. The Government views BTAs as opportunities for national firms to increase their export potential while remaining acutely aware of the need to build capacity among participants.

1. Caricom-Colombia: a Trade, Economic and Technical Cooperation agreement signed 24 July 1994, was originally a non-reciprocal preferential agreement. In 1998, four CARICOM More Developed Countries (MDCs) granted reciprocal preferential market access to a negotiated list of Colombian exports, while CARICOM LDCs which includes Saint Lucia, still benefit from preferential access to Colombia.

2. Caricom-Venezuela: A non-reciprocal preferential agreement in favour of Caricom, signed 13 October 1992. Venezuelan exporters do not benefit from preferential access to the CARICOM market. Preferential access for CARICOM exporters is restricted to certain product groups, while others including coconut oil, white rice, broken rice or frozen orange juice, do not benefit.

3. Caricom-Dominican Republic: A free Trade Agreement signed in August 1998 and provisionally entered into force 1 December 2001. The Agreement grants CARICOM LDCs which includes Saint Lucia non-reciprocal preferential market access to the Dominican Republic, while market access for MDCs of CARICOM is reciprocal;

4. Caricom-Cuba: A Trade and Economic Cooperation Agreement signed in 2000 with an additional protocol enabling provisional application signed on 8 December 2002. Negotiations for the expansion of products subject to preferential treatment under the agreement commenced in 2006 but have not been concluded thus far.

5. Caricom-Costa Rica: A Free Trade Agreement signed March 2004 provides for duty free treatment for all goods except for a list of products on which MFN treatment is maintained. Market access for CARICOM's MDC is based on reciprocity, however CARICOM's LDCs including Saint Lucia are not required to provide reciprocity.

4.4 CARIFORUM-EU Economic Partnership Agreement

4.6. In accordance with the provisions of Article 37 of the 2000 Cotonou Partnership Agreement, Saint Lucia as a member of the CARIFORUM Region of the ACP Group, participated in the negotiation of new formal trading arrangements with the European Community. These negotiations were completed and an Economic Partnership Agreement (EPA) was signed with the European Community by Saint Lucia and other CARIFORUM Countries, on 15 October 2008.

4.7. The duration of the EPA is indefinite, and it provides exporters of nearly all CARIFORUM originated goods with duty-free and quota-free access to the EU market. The Agreement was ratified by Saint Lucia on 12 June 2012 and is being provisionally applied. It was notified to the WTO under GATT Article XXIV.

4.8. The objectives of the EPA are:

- Contributing to the reduction and eventual eradication of poverty;
- Promoting regional integration and economic cooperation;
- Promoting the gradual integration of CARIFORUM States into the world economy;
- Improving the capacity of CARIFORUM States in trade policy and trade related issues;
- Supporting conditions for increasing investment and private sector initiative and enhancing supply capacity; and
- Competitiveness and economic growth of CARIFORUM States.

4.5 CARIBCAN

4.9. CARICOM, through its negotiating machinery is nearing completion of a Trade Agreement with Canada, which will be WTO compatible. Under the CARIBCAN agreement, CARICOM exports benefited from duty free treatment, including the top 25 exports to Canada. It is envisaged that the new Trade Agreement will provide a broader coverage for goods and services than previously existed. The agreement will be long term and is anticipated to be supported by a wide range of collateral benefits to assist the region in overcoming its capacity constraints. Also asymmetries and flexibilities already preserved in the Revised Treaty of Chaguaramas will not be compromised. The OECS Economic Union, which is sacrosanct to the wider CARICOM integration process, must not be hindered by obligations under the proposed new arrangements. The integrity of both the Revised Treaty of Chaguaramas and the OECS Economic Union must be preserved as well as flexibilities afforded to CARICOM LDCs such as those enshrined in Chapter 7 of the Revised Treaty.

5 MULTILATERAL FORUM

5.1 Implementation of the Uruguay Round Agreements

5.1. As a small Island developing State straddled by high employment and a growing budgetary deficit, Saint Lucia has seen the need to participate more effectively in the Multi-Lateral Trading system in seeking to ensure that the benefits of trade liberalization can be fully secured by States that are constrained by capacity and resources. Saint Lucia is of the firm view that the core of any Trade agreement entered into by developing countries with its more developed trading partners must be based on the principles of asymmetry and special and differential treatment. Such principles require that a special consideration be given to the needs of developing countries like Saint Lucia whose particular circumstances and position within the global economy have created significant disabilities and development gaps relative to its more developed counterparts.

5.2. Saint Lucia has been active in the WTO in the context of the Doha Development Round, (DDA) and in the negotiations has strongly advanced the argument that special and differential is integral to the process. It has joined with other members of CARICOM in advocating non-reciprocity in NAMA and for flexibilities for small and vulnerable economies in the negotiation process. It is for this reason that the Government of Saint Lucia welcomed the conclusion of the negotiations and the adoption of the Trade Facilitation Agreement at Ninth WTO Ministerial Conference, where its Minister was party to a number of decisions including one on an agreement on trade facilitation as contained in document numbers WT/MIN(13)/36 and WT/L/911. The Government of Saint Lucia believes that the agreement reached in Bali in December 2013 stands to benefit traders in developing countries, who continually face systemic challenges in the goods clearance process. It provides a framework of rights and obligations that should see the global reform of border procedures and more importantly, make available the required technical assistance for developing countries to meet its obligations. The OECS including Saint Lucia attached significant importance to the negotiations on Section II and the eventual outcome which was shaped mainly by the ACP proposal and reflects the interests and concerns of developing countries.

5.3. Therefore as part of the OECS, Saint Lucia will seek to actively engage in the Preparatory Committee process to monitor the legal review and the development of the protocol to ensure that the Ministerial Decision reflects the decision which concluded the negotiations and limit the scope of the legal review process to rectifications of a purely formal nature. Notwithstanding the procedural mandate of the WTO towards full ratification, Saint Lucia will continue to work at the national level on public education, awareness building and sensitization of all stakeholders in the various obligations under the Trade Facilitation agreement.

5.4. Saint Lucia has no specific Uruguay Round legislation, but many of the WTO Agreements have been incorporated into domestic law in a number of Acts of Parliament and various Regulations. Since 2001, the trade policy of Saint Lucia has undergone substantial changes, in response to regional and international developments, and as a result has become more open and transparent and WTO compliant.

5.2 Aid for Trade

5.5. The Government of Saint Lucia supports the Aid for Trade initiative as its objective is to help developing countries like Saint Lucia develop the trade-related skills and infrastructure for implementing the WTO agreement thereby benefiting from enhanced market access.

5.6. A Regional Aid for Trade Strategy was developed by CARICOM in 2013 and Saint Lucia as a member of CARICOM was actively involved in the development of this strategy. A number of National Projects were identified with national and regional implications. They include projects to upgrade key economic infrastructure, projects to enhance competitiveness and facilitate trade expansion and diversification and projects aimed at deepening regional integration and maximising grains from external trade agreements.

6 SECTORAL DEVELOPMENTS

6.1 Tourism Sector

6.1. The tourism industry is one of the main economic drivers in Saint Lucia's economy. In the year 2012, there was a projected EC$209,472,412 investment in tourism development projects. The projected employment from these ventures was eight hundred and twenty five (825) persons in full and part time capacities. The multiplier effect associated with the capital investment and employment has implications for the socio-economic development of the country.

6.2. Government's policy intent is driven by a vision that positions Saint Lucia as an internationally competitive destination offering high-value products and services. In order to facilitate the sustainable development of the industry some key strategy priorities have been identified to include inter alia stimulating demand and leveraging the uniqueness of Saint Lucia, enhancing the enabling environment for tourism; developing human resource capacity and quality; addressing quality issues through standards adoption and enforcement across the value chain; attracting key international brands which add value to the product offering and revising the incentives regime to stimulate great local and foreign investment. The overall policy of the Government is to facilitate coordinated action by the public and private sector to promote the viability and competiveness of the tourism industry.

6.2 Manufacturing Sector

6.3. Saint Lucia's manufacturing sector continues to be seriously affected by external shocks far beyond the control of national agencies. The energy crisis towards the end of the last decade along with the collapse of the financial sectors in the developed world served to exacerbate the situation.

6.4. Spirals in the price of raw material as a consequence of high fuel cost, increases in transportation and shipping along with declining exports became insurmountable barriers to many independent small businesses, shrinking them into obscurity. Weather conditions over the period under review has had near catastrophic effects on infrastructure and labour, preliminary data is showing that over the past year there has been further contraction in this sector, with GDP contribution estimated around 2.9%. This has resulted in an increase in focus on part of the public sector to establish a concerted plan for revival. Performance driven incentives and the establishment of a Trade Enterprise Promotion Agency to assist with marketing initiatives are some of the measures in various stages of development.

6.3 Information Communication Technology ICT

6.5. The Government of Saint Lucia established the Division of Public Sector Modernisation (DPSM) in the Ministry of the Public Service, Information and Broadcasting from April 2012. The Ministerial portfolios of Information and Communications Technology (ICT), E-Government and Telecommunications are also assigned to this Ministry, under the DPSM. The DPSM was established to provide leadership, coordination and cohesion to the implementation and monitoring of several key aspects of the modernization agenda: i.e. strategic human resource management, information and communications technology, e-government, telecommunications, legal and regulatory frameworks, structures, policies and processes.

6.6. The vision is that of a "modernised Public Service delivering quality, equitable, efficient and responsive services, capable of enabling and facilitating the achievement of the national goals and aspirations".

6.7. The strategic objectives include better public service delivery through the improved management of data, information and communications, better management of critical resources (human, technological, vehicle fleet, etc.) and increased levels of connectivity and use of ICT Island wide.

6.8. Of significant note in the area of ICT is the successful implementation of ASYCUDA World by the Saint Lucia Customs and Excise Department for processing import and export transactions electronically. However, the full potential of the system in the broad management of trade information is yet to be realized due to the unavailability of necessary resources to do so.

6.4 Financial Sector

6.9. The financial services sector contracted by 18.3% over the period 2007 to 2012 as the financial system weathered the downturn in economic activity. Following the pre-crisis boom recorded between 2007 and 2008, financial institutions remain exposed to a high ratio of non-performing loans. Notwithstanding, capital adequacy remains high, backed by continued deposit growth and strong liquidity.

6.5 Other Services

6.10. There has been a steady increase in new economic sectors, the Government has given priority to four sectors, i.e. Information and Communication Technology, Health and wellness, Professional Services, and Creative Industries as key areas with the strongest potential for development. The Saint Lucia Coalition of Services was established in 2009 to provide representation and support to the services sector as the economy transitions from being predominately goods oriented to one of services based.

6.6 Agriculture Sector

6.11. The Agriculture Sector showed signs of recovery by recording growth of 8.4%, following significant declines over the 2010/11 period. The increased performance within the sector was mainly attributed to recovery efforts within the banana industry. Government's assistance in management of diseases contributed to the upturn of the industry. Thus, the sector's contribution to total Gross Domestic Product (GDP) moved from 2.8% in 2011 to 3.10% in 2012.

6.12. Saint Lucia's National Agriculture Policy plan (2009-15) main focus is on the potential market access capabilities of the sector. The declining preference in the traditional markets and the continuous threat to the country's principal export crop (bananas) signals an urgent need to broaden the country's production and export base. Under the Special Framework of Assistance program (SFA), financial support has been provided by the EU to help the country transition and make the necessary adjustments. In addition, Government will adopt a market led approach to Saint Lucia's participation in new global economy and increase market access for the country's agricultural goods and services.

6.13. With respect to Agricultural health and food safety, to increase consumer confidence in the safety and quality of Saint Lucian agricultural products Government will build on existing food safety measures while undertaking new measures such as (a) product training throughout agri-food continuum and to adopt Hazard Analysis and Critical Control Point (HACCP) practices; (b) enable tracing of food products back to the farm; (c) improve food quality; (d) Invest to educate producers about on farm food safety systems and help them implement those systems and (e) strengthen the capacity of plant and animal quarantine services.

7 CONCLUSION

7.1. Saint Lucia's external position has been greatly influenced by the increasing trade deficits created by capacity constraints. As a small vulnerable economy (SVE), Saint Lucia recognises the importance of the multilateral trading system and the need to be responsive to the vagaries of a hostile economic environment that small economies consistently face in maintaining sustainable economic growth. The challenges of climate change, external shocks, high debt to GDP ratios, inflationary pressures and volatile food prices are real and have all contributed to an extended period of economic pressure. Consequently, it is Saint Lucia's view that the multilateral trading system must focus on a more equitable framework for trade and greater sensitivity for the circumstances of SVEs.

7.2. As a party to various trade agreements, the Island has benefited modestly through increased market access and technical assistance. Notwithstanding, it has seen that its trade policy space increasingly compromised through many of the Bilaterals and Multilaterals it has become signatory to. It is for this reason that Saint Lucia consistently seeks more trade related technical assistance to enhance capacity in matters relating to international trade. On the domestic level, Saint Lucia will continue to revise its various incentives regimes towards ensuring that increased productivity becomes a basic requirement for granting concessions. These regimes will be monitored to ensure that they are achieving their intended purpose and that the cost is proportionate to the benefits to the economy. Other incentives aimed at attracting FDI, will also be developed as a means of helping Saint Lucian businesses integrate into global value chains.

SAINT VINCENT AND THE GRENADINES

1 INTRODUCTION

1.1. St. Vincent and the Grenadines is an archipelago of 32 islands and cays that are situated in the Eastern Caribbean, and form part of the Windward Islands. St. Vincent, 18 miles long from North to South, and 11 miles at its widest, has an area of 133 square miles, and the largest of the group.

1.2. The chain of smaller Grenadine islands, most of which are no longer than a few miles, lies south west of St. Vincent. The largest include Bequia, Mustique, Canouan, Palm, Petit St. Vincent, Mayreau and Union. The population is estimated at 108,570 (2012 Est.), 72.8% of whom are of African descent, while the remaining 27.2% are a mix of descendants of East Indians, European and indigenous people.

1.3. St. Vincent and the Grenadines attained political independence from Great Britain on 27 October 1979 and inherited a Westminster Parliamentary Democracy System of government. It holds membership in a number of regional and international organizations and is a founding member of the Organization of Eastern Caribbean States (OECS). The OECS comprises six (6) independent Member States: Antigua and Barbuda, the Commonwealth of Dominica, Grenada, the Federation of St. Christopher and Nevis, St. Lucia and St. Vincent and the Grenadines; and three (3) British dependencies: Montserrat, Anguilla and British Virgin Islands. The eight (8) Member countries of the OECS share a common currency, the EC dollar.

1.4. SVG is a small open economy susceptible to external economic shocks and natural disasters and dependence on international trade. The susceptibility of SVG to a variety of natural disasters, principally hurricanes and flooding is well known. The limited availability of social safety nets for rapid responses to economic adjustments has contributed to economic and social dislocations, particularly within rural communities. Due to both external and internal challenges, the GoSVG has to continuously, redefined developmental policies. The downturn of the economy was partly due to a declining productive sector, rising import bill and a trade deficit ratio of 8:1. This situation was further exacerbated as a result of the exigencies of international trade, the reduction of trade preferences in the agricultural sector and the impact of natural disasters. This has led to high public sector debt, fiscal imbalances and persistent unemployment and poverty.

1.5. The overall development agenda of St. Vincent and the Grenadines as defined in the *National Economic and Social Development Plan (NESDP) 2013-2025*, has been built around five (5) strategic goals: (i) Re-engineering economic growth; (ii) Enabling increased human and social development; (iii) Promoting good governance and increasing the effectiveness of public administration; (iv) Improving physical infrastructure, preserving the environment and building resilience to climate change; and (v) Building national pride, identity and culture.

1.6. During the medium term (2013-15) Government's over-arching focus will be to stabilize the economy while at the same time address issues of poverty reduction and promote social participation. Government will seek to achieve these goals through the following: Maintaining strong macroeconomic fundamentals; Promoting entrepreneurship and conservation of the natural environment; Improving the general health of the population; Creating an adaptable, functional and literate population; Maximizing the benefits afforded through integration into the OECS Economic union, CSME and the Global Economy; Enhancing effectiveness and efficiency in the provision of public goods and services; Creating an energy sector that ensures sustainable supply and efficient use of energy; Developing the telecommunications sector; Enhancing the road network; and Reducing the adverse impact of climate change and other natural disasters. These measures are deemed as critical elements in facilitating Government's vision of not only a modern competitive post-colonial economy but more importantly, improving the quality of living for all Vincentians.

2 MACROECONOMIC AND TRADE PERFORMANCE

2.1 Overview of Macroeconomic Performance in the 2000s

2.1. The economy of St. Vincent and the Grenadines has been negatively affected by the effects of the 2008 global financial and economic crisis. Prior to the crisis, St. Vincent and the Grenadines registered robust growth at an average annual rate of 5.0% (2001-06). Subsequently, the average annual growth slowed to 0.2%, with declines recorded in 2009 and 2010 of 2.1 and 3.3%, respectively. Acceleration in the rate of growth since 2011, nevertheless, suggests that the economy is rebounding, albeit at a slow pace. The 2008 global financial and economic crisis affected almost all sectors in the economy and has deteriorated the fiscal sustainability of the nation.

Table 1 GDP growth per annum at (constant) market prices, 2001-12

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012(P)
Growth rate	1.8	6.3	7.7	4.2	2.5	7.7	3.3	1.6	-2.1	-3.3	0.4	1.5
6 year av.						**5.0**					**0.2**	

p Preliminary.

Source: Statistical Office, Ministry of Finance and Economic Planning.

2.2. Whilst the economy continues to strengthen, downside risks linger, as the Euro Area, one of its prime trading partners and source markets for tourists, continues to be affected by fiscal imbalances, overwhelmingly high sovereign debt and low to no growth. In addition, austerity measures continue to put pressure on the Euro currency and also reduce confidence and trade competitiveness in the Euro Area.

2.2 Trade and Sectoral Patterns

2.3. Services continued to account for the majority of economic activity, after surpassing activity in the agriculture and manufacturing sectors, two or so decades ago. In 2012, the main economic services, as measured by contribution to GDP at market prices, were: (i) real estate, renting and business services (15.3%), (ii) wholesale and retail trade (14.3%) and (iii) transport, storage and communications (13.8%). Since 2008, however, the economic contribution of most of the service related activity has followed a downward path as the contribution of the agriculture sector and government activity have increased to cushion the economy from the spill-over effects of the crisis. Table 1.2 shows the contribution to GDP of the major economic sectors over the period 2002 to 2012.

Table 2 Contribution to GDP (%) by level of economic activity (market prices), 2002-12

(Two decimal places)

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012P
Banana	2.2	1.3	1.3	1.1	0.9	0.8	0.6	0.5	0.3	0.0	0.0
Other crops	3.7	3.6	3.2	3.6	3.5	3.7	4.4	4.7	5.3	5.6	5.5
Manufacturing	5.4	5.6	5.9	5.9	5.1	5.5	4.9	5.3	5.7	5.6	5.0
Construction	7.6	8.3	8.7	8.4	9.8	10.7	10.0	9.5	9.0	8.8	8.4
Wholesale & retail trade	14.2	14.8	14.8	15.1	15.3	14.9	16.2	14.9	14.3	14.1	14.3
Hotels & restaurants	3.0	2.8	2.9	2.8	3.5	3.5	3.2	2.3	2.0	2.4	2.4
Transportation & communication	15.1	15.3	15.7	15.1	15.4	14.9	14.9	14.6	14.0	13.9	13.8
Financial intermediation	5.8	6.7	6.8	7.9	7.8	7.7	7.6	7.3	7.3	6.1	6.6
Real estate & business activities	19.1	18.6	17.7	17.2	16.1	14.8	15.0	15.1	15.1	15.6	15.3

p Preliminary.

Source: Statistical Office, Ministry of Finance and Planning.

2.4. Tourism impact on the economy is not explicitly apparent from the classification in Table 2. This sector is very unique, as it precipitates expansion in other productive sectors including construction, transport, wholesale and retail trade and even the agriculture sector. For these reasons, capturing the net contribution of this sector remains a statistical challenge. Nevertheless, activity in the hotels and restaurants sector is used to proxy value added in the tourism sector. Based on the proxy, tourism's contribution to GDP remained on average about 2.4% during the decade. As it regards stay over visitors; there has been a steady decline in this category since the 2008 global financial and economic crisis. After rising fairly consistent from 70,686 in 2001 to a peak of 97,432 in 2006, stay over visitors declined to 74,364 in 2012. A similar trend has been recorded for tourism receipts which accelerated from EC$112.2 million in 2001 to EC$305.8 million in 2006 but then contracted, albeit with fluctuations, to EC$254.2 million in 2012.

2.5. The development of several major resorts including the *Buccament Bay, Mayreau, Canouan, Palm Island, and Petit St. Vincent resorts* as well as the opening of an International Airport[1] are the activities that have been noted to induce visitors to the nation's shores over the medium to long term. In addition, the *Hospitality and Maritime Training Institute* that is expected to be completed early 2014 is anticipated to bring major improvements in the quality of delivery of tourism related services.

2.6. In St. Vincent and the Grenadines, manufacturing, mining and quarrying, and construction are the main industry related activities. These economic undertakings, particularly manufacturing, have suffered from a lack of competitiveness due to the large disparity in energy costs across the region and steady rise in the price of fossil fuels on the global market (US$24.46 per barrel[2] in 2001 to US$111.63 per barrel in 2012). In 2012, manufacturing, mining and quarrying, and construction, collectively, contributed 13.6% to GDP at market prices, the second lowest contribution during the review period. Of the 13.6%, 8.4% represented activity in the construction sector, implicative that construction is the largest industry related activity. Export earnings from industry related activities are, however, mainly derived from manufacturing. In 2012, export of manufactured goods and articles amounted to EC$17.8 million, representing 15.5% of total export earnings.

2.7. The agricultural sector in 2012 contributed 7.2% of GDP at market prices, marginally higher than the 6.9% in 2001. Traditionally, banana was the main crop produced. However, efforts aimed at diversifying the sector around 'bananas' have resulted in an increased production of other crops. In 2012, value added in the other crops subsector, estimated at EC$63.2 million, accounted for 98.1% of value added in crops and 76.3% in agriculture. Production of crops, particularly bananas, have suffered several challenges over the past five years including: the presence of Moko, and Black Sigatoka diseases, the passage of Hurricane Tomas in October 2010 and the freak storm in April 2011. To combat these challenges, the Government launched two main initiatives in 2012: (i) "Operations Cut Back" to destroy all fields that were affected by the Black Sigatoka disease and (ii) "Operations Plant Back" using disease-free and disease-resistant plantlets to replant bananas and other crops. As a result, value added in the banana industry appreciated by 31.9% in 2012, after five consecutive years of accelerated rates of decline up to a peak of 85.2% in 2011. Banana production moved from 3,909 tonnes in 2011 to 4,169 tonnes in 2012, representing an increase of 6.7%. Increase in banana production was also reflected in exports. Banana exports moved from 1,750 tonnes, valued at EC$2.1million in 2011 to 1,996 tonnes, at a value of EC$2.7 million in 2012. This accounts for an improvement of 14.1% and 30.6% in volume and value, respectively. Representing a 16.1% increase in value, other crops, valued EC$17.8 million, were exported to external markets.

2.8. The Government, in collaboration with the European Union (EU) and other stakeholders, has designed a programme to ensure the modernization and development of the agriculture sector. This programme, titled the *Banana Accompanying Measures (BAM*), is expected to run for five years, up to 18 March 2018. The implementation of the BAM is expected to result in improved agricultural infrastructure; improved access to credit facilities; good environmental management systems and land use practices; development of agribusinesses; improved feeder roads; increased institutional capacity; and the strengthening of Public-Private Partnership in the value chain.

[1] The International Airport is anticipated to be completed in the second half of 2014.
[2] Brent Crude Oil.

2.9. The Current Account of the Balance of Payments has consistently shown a deficit, reflecting largely the deficit in merchandise trade (Tables 3 and 4). Export levels have remained unchanged throughout the last decade with the highest ever amount seen in 2008 at a value of EC$154.4 million. Import levels have generally increased leading to the further deterioration in the balance of trade in goods. A strong service sector, derived largely from tourism, helps to offset this variance by reducing the current account deficit.

Table 3 Balance of payments current account EC$M (2002-12)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012p
Exports of goods (f.o.b.)	106.1	108.3	106.1	114.9	111.1	138.7	154.4	144.1	121.5	117.3	129.0
Imports of goods (f.o.b.)	424.2	477.4	537.2	573.5	641.7	777.4	887.4	793.3	803.8	789.2	850.6
Balance of trade in goods	370.1	(369.1)	(431.1)	(458.5)	(530.6)	(638.7)	(733.2)	(649.1)	(682.3)	(671.9)	(721.5)
Balance of trade in services	154.0	184.1	194.4	213.8	223.2	125.99	137.3	120.7	126.2	148.6	228.0
Income payments (net)	(47.5)	(66.4)	(79.9)	(79.9)	(69.4)	(59.4)	(61.7)	(35.1)	(33.2)	(34.9)	(11.0)
Current transfers (net)	32.8	34.8	38.1	48.7	54.5	54.4	35.5	30.8	26.9	21.3	60.3
BOP current account	113.3	(216.7)	(278.5)	(275.9)	(322.4)	(517.7)	(621.9)	(532.8)	(562.5)	(537.0)	(521.7)

p Preliminary.

Source: The Statistical Office – Ministry of Finance & Planning.

2.10. Most of St. Vincent and the Grenadines' external trade takes place under preferential conditions. Exports of food and live animals, comprising mainly agricultural produce, account for some 65.0% of total exports. Agricultural exports include sweet potatoes, eddoes, dasheen, arrowroot, coconuts and plantains. Exports of manufacturers accounted for 15.6% of total exports in 2012; the main items were machinery and equipment and iron and steel products. Re-exports, mainly of equipment and machinery, closely tied to the completion of large investment projects, represented some 10.2% of total exports in 2012.

2.11. The value of the top ten domestic exports has remained fairly steady throughout the past five years. In 2012, the top ten domestic exports generated EC$76.3 million, compared to EC$77.9 million in 2008. The value in 2012 represents 66.3% of total exports. Flour, an Article 164 product of the Revised CARICOM Treaty of Chaguaramas, continue to be the most significant product at 27.0% of the total value of the top ten domestic exports in 2012, notwithstanding the challenges to this industry. This is followed by rice, which makes up 5.2% of the value of the top ten domestic exports and then dasheens, at 4.73%. Overall exports in 2012 improved by 11.2% from EC$103.5 million in 2011 to EC$115.0 million in 2012 (see Table 4).

Table 4 Trade balance 2002-12 SVG goods EC$000

	Imports	Domestic exports	Re-exports	Total exports	Balance of trade
2002	481,128	97,864	8,234	106,098	(375,030)
2003	542,127	83,094	19,755	102,849	(439,278)
2004	601,620	89,364	9,485	98,849	(502,771)
2005	647,781	91,602	16,075	107,677	(540,104)
2006	725,484	91,177	11,712	102,889	(622,595)
2007	881,304	98,239	30,588	128,827	(752,477)
2008	1,008,396	103,559	37,397	140,956	(867,440)
2009	900,663	106,241	28,998	135,239	(765,424)
2010	912,309	93,804	17,136	110,941	(801,368)
2011	894,726	89,037	14,469	103,507	(791,220)
2012	961,531	103,096	11,963	115,059	(846,471)

Source: Statistical department, Ministry of Finance and Planning, 2013.

2.12. Merchandise Imports expanded by 50.0% over 2002-12, or at an average annual rate of 7.5%. The strong construction activity linked to the tourism industry and other infrastructure projects have been in a great part behind this growth. The main imports are food, manufactured goods and machinery and transport equipment. Over 25% of imports in 2012 were manufactured goods and articles, and 16.4% machinery and transport equipment. Food and beverage accounted for 26.7% of total imports and the rest was accounted for by, fuels, crude materials, chemicals, oils and fats. At the end of 2012, the ratio of imports to exports stood at (8:1) with import values soaring at EC$961.5 million in 2012, an increase of 7.7% over EC$894.7 million in 2011.

2.13. The main trading partners are the United Kingdom, the United States, and other CARICOM member countries, which accounted for more than 96% of exports and 74% of imports in 2012. Over 85% of total exports are destined for the CARICOM area. The United States is the main supplier, with 39.2% of the total; other important individual suppliers are Trinidad and Tobago (22.6%) and the United Kingdom (5.2%) in 2012. The remaining suppliers accounted for less than five (5%) each.

2.14. Since 2008, the trade shares of SVG's main trading partners have remained unchanged on the import side; imports from the United Kingdom peaked at EC$59.8 million in 2008 and currently stands at EC$50.8 million in 2012. The import figures for the United States have been fluctuating and stood at EC$376.5M in 2012. Imports between SVG and other CARICOM States have risen considerable over the years to approximately EC$283.3 million in 2012. In 2012, Trinidad and Tobago accounted for approximately 76.8% of total CARICOM exports into SVG, followed by Barbados in second place with 8.2% and Jamaica 4.8%.

2.15. Exports to Europe and the United Kingdom in particular have contracted by over 80.0% over the period 2008-12. For the North American region, SVG continues to run a substantial and widening trade deficit: Between 2008 and 2012, imports have remained around an average EC$336.4 million, while exports have decreased from the already low value of EC$2.1 million to EC$1.7 million (198:1), respectively. Exports from SVG to other CARICOM States amounted to EC$104.6 million in 2012 to reflect a trade deficit ratio of 3:1 (imports to exports). Exports/import ratios from Guyana (9:1), Trinidad and Tobago (12:1) and Jamaica (8:1) are significant. However, SVG trade with the OECS shows a positive trade balance, where exports from SVG have consistently exceeded imports from the OECS during the period.

2.16. The export sector in SVG faces increasingly fierce competition from other regional and international exporters. For bananas the dismantling of preferential market access arrangements in Europe has led to increasing competition from Latin American banana producers and an erosion of the share of SVG/WIBDECO banana exports. SVG also faces competition for flour, malt beverages and poultry feeds from Grenada, Trinidad and Barbados, Guyana and Jamaica. Competition for packaging materials is mainly from St. Lucia and Trinidad and Tobago. Competition for Dasheen, eddoes and plantains comes from Grenada, Dominica and St. Lucia. The competition for zinc-coated roofing comes mainly from Grenada, Trinidad, Antigua and St. Lucia.

2.17. Monetary and exchange rate policy is determined by the Monetary Council of the Eastern Caribbean Central Bank which has responsibility for monetary policy for the OECS area since 1976. During the period under review the EC dollar continued to be pegged to the US dollar at a rate of EC$2.70/US$1. This has remained stable for the last 30 years. Total monetary liabilities (M2) have expanded during the period 2007–12, from EC$1.1billion to EC$1.2 billion as a result of increases in quasi money which outpaced a slowdown in narrow money (M1). The rise in quasi money was associated with expansions in savings deposits and time deposits. Domestic credit has fluctuated throughout 2007-12, but is showing signs of expansion in line with the recovery in the domestic economy. Credit to the private sector has risen from EC$899.2 million in 2007 to EC$1,038.0 million in 2012. Liquidity in the commercial banking sector remained at high levels 2011/12. Evidence of this can be seen in the ratio of loans and advances to total deposits which stood at 75.2% in 2012. Commercial interest rates remained unchanged: i) Savings deposits (3.0-4.5%); ii) Time deposits (2.5-3.8%) and iii) Prime lending rates (9.0-11.00%).

2.18. In relation to government finances, during the period 2007 to 2012, the overall balance (after grants) stood at EC$35.4 million (deficit), higher than the deficit of EC$27.4 million in 2007 reflecting higher levels of locally financed capital spending and increased spending to stimulate the economy following the 2008 global financial and economic crisis. The cost of servicing the public sector debt continues to grow and has begun to crowd out other areas of spending. Debt servicing cost in 2012 stood at 24.8% of the total current revenue, compared to 21.6% in 2007.

2.19. Inflation has been relatively low, averaging 4.0% per annum during the period 2007-12. However, consumer prices rose by 7.0% in 2007 and 10.1% in 2008. The faster rate of growth reflected price increases in the group "food", particularly for vegetables, fruits and baby formula. Hikes in the international price for fuel were also a contributing factor.

2.20. Outlook: The effects of the contracting growth rates, widening trade deficits coupled with the response of expansionary fiscal policies have led to unfavourable macroeconomic outcomes in the current period compared with a decade ago. The current challenge facing St. Vincent and the Grenadines is how to stimulate economic activity and re-engineer growth in export to reverse the high import propensity and external dependency of the country; thereby restoring fiscal and debt sustainability in a more competitive global environment. Over the medium term, real economic activity is forecasted to continue on a path of recovery, expanding by an estimated 1.7% as most of the productive sectors are predicted to post gains of varying degrees. Economic growth is anticipated to come mainly from an increase of activity in agriculture, construction, retail and wholesale trade, and real estate. Growth in the agriculture sector is forecasted to be fuelled mainly by the on-going replanting drive following plant diseases and natural disasters and activities under the Banana Accompanying Measures (BAM). Works pertaining to the completion of the International Airport Project as well as anticipated activity on a number of projects, including tourism and hospitality facilities, infrastructural projects, including the rehabilitation of the South Leeward highway and other residential and commercial construction projects are the activities noted to drive positive growth in the construction over the medium term. In line with the forecast of modest growth in domestic economic activity, the wholesale and retail sector and the real estate sector are also projected to grow steadily over the medium term.

3 TRADE POLICY AND INSTITUTIONAL FRAMEWORK

3.1. During the period under review, the country remained an independent parliamentary democracy within the Commonwealth of Nations. The political system continues to follow the Westminster model of parliamentary government. The executive branch of government comprises the Prime Minister and his Cabinet of Ministers, who are responsible for concluding and signing international treaties and agreements, including trade-related agreements. The Cabinet is however collectively responsible to the House of Assembly for its decisions. The minority leader and senators form the other component of the National Assembly while the Judiciary is guaranteed constitutional independence. St. Vincent and the Grenadines is a full member of the United Nations, the Organization of American States, the International Labor Organization, CARICOM, and the Organization of Eastern Caribbean States.

3.2. On 14 December 2010 the political mandate of the ruling government was renewed, following success at the poll for a second term of office. This renewed mandate set the stage for the continuity of policies and programmes to strategically transform the productive sectors of the economy. Despite the lack of coherence between the investment strategies and the policy framework, Government has continued to strengthen and enhance the regulatory environment in conformity with its 2020 vision enshrined in a National Economic & Social Development Plan. These efforts are complementary to the accelerated efforts to create a service - led economy.

3.1 Trade Policy Formulation and Implementation

3.3. The Ministries of Foreign Affairs, Trade & Commerce was merged with Information Technology in 2013 and this has placed responsibilities for the co-ordination and formulation of Trade and Commerce and Information technology policies within the ambit of a single government entity. The department of Trade has primary responsibility for WTO affairs and trade–related policies, strategies and negotiations.

3.4. The Telecommunications, Science, Technology Unit has responsibility for the development of the ICT and oversight for the regulatory framework through the operations of the National Telecommunications Regulatory Commission (NTRC) and the Eastern Caribbean Telecommunications (ECTEL): The Telecommunications Act No. 1 of 2001, and the Telecommunications (Tariff) Regulations, No. 23 of 2004 are key legislations governing the operations of this industry.

3.5. The Ministry of Legal Affairs is responsible for matters pertaining to intellectual property rights and the legislative drafting of trade agreements. The Commerce and Intellectual Property Office (CIPO), under this Ministry, is responsible for granting commercial rights to the ownership of intellectual property.

3.6. The Ministry of Finance and Planning has responsibilities for tariff policy, fiscal policy and tender procedures. This ministry also regulates the on–shore and off-shore banking and insurance services sector, in collaboration with the Eastern Caribbean Central Bank.

3.7. The Ministry of Agriculture, Rural Transformation, Forestry, Fisheries & Industry has responsibilities for the administration of the phytosanitary and sanitary measures in agriculture, livestock and crops, including import and export regulations and inspections, under the Plant Protection Act, No. 15 of 2005; the implementation of fiscal incentives for the manufacturing and trades sub–sectors; and in addition, the approval of and the declaration of compulsory Industry Standards as proposed by the St. Vincent Bureau of Standards (SVBS).

3.8. The Ministry of Health, Wellness and the Environment is responsible for matters as it relates to general health and food safety standards in the country.

3.9. The St. Vincent and the Grenadines Bureau of Standards is the entry point for the adaptation and development of standards, technical regulations, certifications and conformity assessment procedures and metrological services in the country; in keeping with the Standards Act No. 70 of 1992 (amended by Act No. 28 of 2001). The SVGBS is entitled to declare and review internationally recognized standards, ensures that imports are of the highest quality and that the health and safety of consumers are not compromised. It also has a duty to adequately protect the environment.

3.10. The Ministry of Tourism, Sports and Culture formulates policy guidelines and monitors the regulatory authorities for industry standard setting within the tourism sector for the various service providers.

3.11. Economic policy formulation, including trade policy, begins in the various Government Ministries. These policies are presented as corporate plans for which expenditures are approved, before they are incorporated in the National Annual Budget. Details of these plans are found in national policy planning instruments in the respective Ministries and in the Medium Term Economic Strategy Plan.

3.12. In addition, these economic and trade policies are also informed by agreed obligations ratified by Heads of Government at CARICOM and OECS Council Meetings. The integration of trade policy into overall economic policy at national level is achieved through these processes.

3.13. To complement the normal Cabinet and Parliamentary oversight on trade policy harmonization, the above–named statutory bodies and institutions, within the trade policy and support network framework, have been playing a pivotal role in promoting and regulating trade policy interventions.

3.14. Prior to 2007, the Tripartite Committee on the Economy(TCE),the National Economic and Social Development Council (NESDEC) and the Cabinet Committee on the Economy (CCE) provided a more broad based overall direction to trade policy formulation, however during the period under consideration, the role of these committees were less direct. Given the decline in export performance and rise in the services sector, the proposed National Export Council (NEC) remains in the pipeline. The SVG Coalition of Services Industries (SVG CSI) is expected to take the lead to further advance the collaborative process.

3.15. The engagement of civil society through specific forums and committees has been less than impactful over the past few years. It is also the case where the role of these bodies is still evolving and the long term impact on trade policy development and implementation is yet to be realised. While this institutional framework would allow for greater private sector participation, initiative and innovativeness in the national effort, the need for continuous education on WTO related matters cannot be overstated to achieve civil society buy–in. This policy/planning deficiency shall be accorded the highest priority for special attention.

3.1.1 The Inter-ministerial Committee

3.16. On 11 March 2005 by Act No. 5 of 2005, St. Vincent and the Grenadines enacted the Revised Treaty of Chaguaramas into domestic law, establishing the ground work for the creation of the Caricom Single Market and Economy (CSME), signifying St. Vincent and the Grenadines firm commitment to regional integration and the Caribbean Community. In July 2006, the country made an official declaration of CARICOM Single Market (CSM) readiness.

3.17. The Inter-ministerial Council discusses all important trade issues from all negotiating spheres and meetings of the CARICOM Council on Trade and Economic Development (COTED) as well as implementation issues related to the CARICOM Single Market and Economy (CSME). The composition of the Inter-ministerial Council includes Government Ministries and Statutory Agencies and Private Sector Trade and Commerce related organizations.

3.1.2 The OECS Technical Mission

3.18. The establishment of the OECS Technical Mission and its permanent presence in Geneva has enabled and ensured that St. Vincent and the Grenadines and the other OECS Member States have greater and more visible representation at WTO meetings. The critical role of this mission cannot be overstated. Since its inception, GoSVG have observed a significant improvement in the dissemination of information, networking between capital and Geneva has been enhanced, enabling the country to better table national positions on important matters and to actively engage in the negotiations process along with other alliance groupings on multilateral issues.

3.2 Elements of Trade and Foreign Investment Developments

3.19. During the period under review the GoSVG endeavoured to create the enabling environment for a services economy. To complement this policy direction, measures were taken to provide parity in the incentives offered for the development of services sector.

3.20. The regulatory environment for trade and investment were enhanced by undertaking the second WTO Trade Policy Review in 2007. This was coupled with a national programme for compliance with WTO and CARICOM obligations. With respect to the Free Movement of Goods, the country has implemented Phase 4 of the Common External Tariff (CET) Harmonization schedule. The Customs and Excise Department has migrated to ASYCUDA World as of 14th October, 2013.

3.21. Prior to 2007, the changes in foreign investment regulations, both in policy direction and institutional arrangements, were facilitated by three(3) regulatory arms:

i) Financial Intelligence Unit(FIU) established by Act No. 38 of 2001 to regulate the international financial sector by collecting, analyzing and disseminating information of suspicious transactions to competent authorities;

ii) International Financial Services Authority (IFSA), established by Act No. 28 of 2003 to supervise, examines and issue licenses to offshore banks. This function is executed in collaboration with the Eastern Caribbean Central Bank which serves to provide technical support and acts in an advisory capacity in the supervision and licensing of offshore banks; and

iii) National Investment Promotions Inc. (NIPI) established by decree in October of 2003 as the central institutional pillar in the state administration to promote and attract direct private foreign investment to St. Vincent and the Grenadines.

3.22. After 2007, further reforms were made to the above named bodies of the international financial services sector jurisdiction in keeping with international best practices. These new measures included:

i) Rebranding the International Financial Services Authority (IFSA), an arm of the Ministry of Finance, as the Financial Services Authority (FSA) (Act # 33 of 2011) as of November 2012. This newly independent body supervises both the International finances services sector, the non–bank financial institutions (NBFI), domestic insurance companies, credit unions, building societies and money services businesses.

ii) Reaffirming regulations by the Central bank (ECCB) to guide Domestic (on-shore) commercial banks;

iii) Centralising the operations of the Financial Intelligence Unit, a statutory body reporting to the Ministry of Finance, to be directly in charge of money laundering, terrorism financing, collecting and analyzing information on suspicious activity. The FIU is at the fore in combating crimes under the Proceeds of Crime and Money Laundering (Prevention) Act, Cap 181 of the Revised Law of 2009 (PCMPA) and the United Nations (Anti-Terrorism Measures) Act, Cap 183 of the Revised Laws of 2009 (UNATMA).

iv) Rebranding the National Investment Promotions Inc (NIPI) in 2009 as Invest SVG (linking host country and investor)to attract Foreign Direct Investments in priority sectors such as the creative sector, agro–processing, light manufacturing, tourism, Information technology and the search renewable energy solutions were major steps forward towards the stimulation of the economy.

3.23. At present, there is no official export development policy. The existing working draft needs to be updated. The EPA Unit is conducting negotiations for a consultant to elaborate a new strategy aimed towards enhancing the opportunities available under the EPA. Renewable energy and international financial services are the new additions to the priority areas for investment promotion.

3.24. Further, the GoSVG recognises that the service delivery network in the traded sector continues to be challenged by limited human, financial and technical resources. The Ministry of Foreign Affairs, Trade, Commerce & Information Technology, The Ministry of Legal Affairs (CIPO) and the Bureau of Standards are key institutions within the trade support network to be strengthened to take on the urgent task of transforming the export sector into a dynamic, diversified and sustainable contributor to national development. The competitiveness constraints in the development of the national export strategy framework will therefore be accorded the highest priority, as part of an OECS strategic approach.

3.25. During the period under review, the GoSVG has commenced action to remove the export subsidy aspects of the Fiscal Incentives Act (# 5 of 1982, as amended by Act # 20 of 1987 & Act # 16 of 1991) and provided regular notifications to the Committee on Subsidies and Countervailing Measures. The GoSVG envisaged to be in compliance by the 2015 deadline. Accordingly, enterprises producing exclusively for export (enclave enterprise) remained eligible for exemptions from import duties and in certain cases VAT (with Cabinet approval) for up to 15 years. In addition, companies that had exhausted their tax holiday period (granted on export, local value added or investment size grounds) could still qualify for income tax relief (for non-traditional exports), calculated as an increasing function of their profits and the share of exports in their total sales. These measures should be phased out by 31 December 2015. Most beneficiaries have been notified that export subsidies will have to be terminated by 2015. There were no enclave enterprises between 2008 and 2012.

3.26. Generally, there has been no legislative changes nor any Export Free Zone in operation (Act # 15 of 1999) , but efforts are being made to amend the Fiscal Incentives Act and for Cabinet to approve a Small Business Development bill. Currently, incentives are being harmonized at the OECS level. While there are no risk mitigation facilities for exporters at the national level, Exporters could benefit from support through the OECS Export Development Unit (EDU).

3.27. Other export incentive programmes include consumption tax credit for SMEs that are export ready, the corporate tax rebates for exporters to the OECS, the wider CARICOM and to third country markets. Reduced corporate tax rates continue to apply to the profits derived from the export sales of manufacturing enterprises.

3.28. In addition to the above–mentioned export–related incentives, GoSVG continues to offer tax and tariff concessions to enterprises that meet certain local value added or investment size criteria in the hotel industry and to farmers. Incentives are granted by Cabinet on recommendation by the relevant subject Ministries: namely, Ministry of Agriculture, Fisheries and Industry or the Ministry of Tourism, Sports and Culture which reviews application and decides on the level and type of concessions to be granted. Between 2008 and 2012, incentives under the Fiscal Incentive Act were granted to twenty–five (25) manufacturing enterprises, new and expanding, across a range of household, office, construction related and agro processing products. These were in the form of tax waivers or import duty waiver or both.

3.29. Concessionary funding and guarantee facilities can be accessed through the Caribbean Development Bank. The National Development Foundation (NDF), a non-governmental organization provides technical assistance and funding to start–up companies, including exporters. In February 2013, COMFI was launched by the cooperative microfinance institutions partnering to set up a microfinance agency that provided microfinance to small businesses. Outside of these arrangements, there are no government initiatives to provide credit or guarantee facilities.

3.30. During the period under review, no major changes took place in the legal and institutional framework governing foreign investment in the country. Overseas investment inflows remain unrestricted and foreign investors receive national treatment, except for transactions involving the holding of land. Non OECS nationals and alien controlled companies must obtain a licence to hold land and land linked to mortgages. Applications for a land holding licence must be submitted through a lawyer to the Office of the Prime Minister for approval. Landholding licences are granted for a specific property and do not require renewal or payment of annual fees. Fees are linked to the transaction value of the plot being acquired and both purchaser and vendor must each pay 5% stamp duty on the value of the property being transferred.

3.31. Investment incentives are offered through a range of tax concessions. Offshore entities incorporated under the International Business Companies Act (# 34 of 31st December 2007) are exempted from taxes in St. Vincent and the Grenadines. These entities may irrevocably opt to pay income tax at a rate of 1% in order to benefit from the Caricom Double Taxation Agreement. There are presently no restrictions on repatriation of capital.

3.32. During the review period, the country has not entered into any new double taxation treaties and investment agreements. However since 2009, it has concluded twenty–two (22) Tax Information Exchange Agreements (TIEA), Thirteen (13) of which have entered into force with the following partners: Aruba, Austria, Canada, Curacao, Denmark, Finland, France, Ireland, Netherland, St. Maarten, Norway, Sweden, and the United Kingdom. TIEAs have also been signed with: Australia, Belgium, Faroe Islands, Germany, Greenland, Iceland, Liechtenstein, and New Zealand.

3.3 Trade Policy Negotiations and Agreements

3.33. St. Vincent and the Grenadines fully recognizes the importance of the WTO trade policy and negotiation process, however, the country is severely constrained by the limited human, technical and financial resources. While concrete steps have been taken by the UWI, EU, USAID to train and expose a cadre of local trade officers in the various negotiating theatres, it is premature to evaluate the impact of these measures taken consistently over the last five years.

3.34. In the interest of regional harmonization, GOSVG's administration of trade policy is on three main levels: national, sub–regional (OECS) and regional i.e., the Caribbean Common Market (CARICOM). During the period under consideration, GoSVG further advanced the thrust of regional integration within the ambit of the OECS Economic Union, which was put in place in January 2011. Liberalised processes at both the sub–regional and regional levels are now the pillars of the national trade policy formulation.

3.35. In terms of its trade agreements GoSVG through its membership in the Organization of Eastern Caribbean States (OECS), Caribbean Common Market (CARICOM) and the ACP group of countries participates in a number of bilateral and multilateral agreements. More specifically, St. Vincent and the Grenadines currently participates in four (4) preferential trade agreements one with each of its principal trading partners:

i) CARIBCAN with Canada

ii) The Caribbean Basin Trade Partnership Act (CBTPA) which replaced the CBI agreement with the United States of America

iii) The Economic Partnership Agreement with EU (UK)

iv) CARICOM.

3.36. Given that the Cotonou agreement allows for the negotiation and establishment of WTO-compatible trade arrangements, Saint Vincent and the Grenadines is currently a beneficiary of the Economic Partnership Agreement (EPA) with the EU in conjunction with the other CARIFORUM Member States. Generally, most of the country's trade negotiations are facilitated through CARICOM (COTED) and through the Office of Trade Negotiations (OTN).

3.37. In its participation in the multilateral trading system, St. Vincent and the Grenadines, like its OECS counterparts have been reiterating its position with respect to the flexibilites needed in the WTO to take account of their development needs as "small vulnerable economies." These flexibilities should take into consideration the direct support measures covering both development assistance and technical cooperation, given that vulnerable economies will need (financial and non-financial) resources/support measures to carry out the required institutional, legal and economic adjustments for trade liberalization. This negotiating position has been enforced with the signing of the EPA in 2008, where the OECS Member States have entered for the first time a reciprocal trade agreement, moving away from the system of unilateral preferences that existed before, while guaranteeing a more stable preferential market access for their products.

3.38. The EPA while offering flexibility to the OECS Members also requires a substantial effort to fulfil the commitment made in another area such as modifying laws and institutions and pending WTO implementation gaps. The main thrusts of the country's international trade commitments are now centred around the following scenarios:

i) OECS partners' duty free treatment to achieve further integration to consolidate the Economic union;

ii) CARICOM trade with its members, duty free with some exceptions and trade with third countries subject to the Caricom Common Market and Common External Tariff (CET);

iii) EPA, where OECS Members are committed to a scheduled and gradual reduction of tariffs on a substantial portion of their trade with the EU;

iv) MFN, comprised Multilateral commitments including tariff bindings and other obligations covered by the WTO.

4 REGIONAL INTEGRATION: THE ESTABLISHMENT OF THE CARICOM SINGLE MARKET AND ECONOMY

4.1. On 11 March 2005 by Act No. 5 of 2005, St. Vincent and the Grenadines enacted the Revised Treaty of Chaguaramas into domestic law, establishing the ground work for the creation of the CSME, signifying GoSVG's firm commitment to regional integration and the Caribbean Community, i.e, a single economic space with the free movement of goods, services, capital and Caricom nationals between Member States.

4.2. As at 1 July 2006, the CARICOM Single Market (CSM) became fully operational, however, the realization of the Common Economy is still pending. As a result, Member States have agreed to focus only on the Single Market aspect of the CSME and this is evident in the abbreviation which now reads CSM. Article 45 of the Revised Treaty of Chaguaramas declares that Member States commit themselves to the goal of free movement of their nationals within the Community.

4.3. Since 1991, all CARICOM member States have sought to implement a Common External Tariff (CET), through a phased process. As at February 2014, however, tariff schedules across countries still differed considerably, partly due to the exceptions allowed when applying the CET and partly because of mechanisms permitting the non–application of the CET under certain circumstances.

4.4. CARICOM's highest decision–making and final authority is the Conference of Heads of Government of the Caribbean Community. At the second decision level, several Ministerial Councils deal with policy issues in different areas. The Council for Trade and Economic Development (COTED), composed of trade and development ministers from all Member States, is responsible for the promotion of trade and economic development in CARICOM, and is one of the most influential institutions. Any change in tariffs by a CARICOM member must first be approved by COTED. The Council for Foreign and Community Relations (COFOR) is responsible for relations between CARICOM, international organizations and third countries, while the Council for Finance and Planning (COFAP) is responsible for monetary policy coordination.

4.5. Safeguard Measures (Chapter 7 of Revised Treaty, Article 150) contains special provisions for the less developed countries of CARICOM (OECS) to limit goods from other CARICOM members, for up to three (3) years and to take such other measures as COTED may authorize in the event of serious balance of payments and external financial difficulties. However, Members may not apply safeguard measures against the products of a disadvantaged country where such products do not exceed 20% of the markets of the importing member.

4.6. The Caribbean Court of Justice (CCJ) started to function in April 2005 as a Regional Judicial Tribunal; established to ensure that there is a single unified interpretation of the Revised Treaty of Chaguaramas, including the CSME. This body has both original and appellate jurisdictions and all decisions are final. Apart from having exclusive jurisdictions in contentious proceedings, other functions in the CCJ include issuing advisory opinions concerning the interpretation or application of the Treaty. Member States are obligated by Treaty to recognize and give effect to the jurisdiction of the Court. The CCJ also functions as an appellate jurisdiction in determining appeals in both civil and criminal matters from common law courts of Member States party to the agreement. CARICOM Member States may choose to substitute the jurisdiction of the London based Privy Council with that of the CCJ, however, OECS Member States do not qualify as this would require further amendments to their Constitutions.

4.7. Among the main changes brought about by the CSME are the abolition of the work permit; the introduction of the CARICOM Certificate of Recognition of Skills Qualification (CARICOM Skills Certificate); Definite entry for six (6) months; Indefinite stay in a member State; and the right to transfer one's Social Security benefits from one CARICOM State to another.

4.8. GoSVG has double taxation arrangement with CARICOM Member countries, through provisions of the Revised Treaty of Chaguaramas. In addition, the country has an investment agreement with Germany, to encourage the reciprocal protection of investments. Apart from these two (2) arrangements, the GoSVG does not have any other double taxation or bilateral agreement with other countries.

4.9. During the period under review, the CARICOM Competition Commission was established under Article 171 of the revised Treaty of Chaguaramas; and was inaugurated on 18 January 2008. GoSVG has already enacted national competition laws. The functions of the Commission are:

i) To apply rules of competition in respect of anti–competitive cross–border business conduct;

ii) To promote and protect competition in the Community;

iii) To monitor anti–competitive practices of enterprises operating in the CSME;

iv) To investigate and arbitrate cross–border disputes;

v) To keep the Community Competition Policy under review and advise and make recommendations to COTED to enhance its effectiveness;

vi) To provide support to Member States in promoting and protecting consumer welfare; and

vii) To develop and disseminate information about Competition Policy and Consumer Protection Policy.

4.10. Article 172 of the Revised Treaty of Chaguaramas mandates each member State establish and maintain a National competition Authority for the purpose of facilitating the implementation of the rules of competition. However, Article 4 of the Revised Treaty of Basseterre provides for the adoption of joint policies in the external economic relations of the OECS Member States, thus Member States have agreed to establish a body known as the Eastern Caribbean Competition Commission which shall enjoy international status.

4.11. The CARICOM Regional Organisation for Standards and Quality (CROSQ) was established to deepen trade–related cooperation at a technical level. GoSVG has enacted the agreement establishing CROSQ into domestic law.

4.12. The Caribbean Health and Food Safety Agency was launched in March 2010 in Suriname with the goal of establishing an effective regional SPS regime. This agency is not fully functional.

4.13. The Caricom Regional Negotiating Machinery (CRNM), an independent body, established in 1997 to coordinate information and strategy in external trade negotiations, including the WTO, was 2009 incorporated into the Caricom Secretariat as a specialised department, rebranded as the Office of Trade Negotiations (OTN). The OTN works to develop a cohesive framework for the coordination and management of CARICOM's negotiating resources. Assistance is given to Member States in preparing national positions, unified strategies for the region and undertakes and lead negotiations where appropriate.

4.14. The Association of Caribbean States (ACS), a forum for economic and trade policy coordination at the regional level comprised twenty–five (25) Caribbean Basin countries, including all OECS countries as members.

4.1 Organization of Eastern Caribbean States (OECS) Economic Union

4.15. With the signing of the Treaty of Basseterre in 1981, OECS Member States have been able to collectively pool resources and work in the interest of citizens on several fronts, evidenced by a common judiciary, a regional central bank, a regional civil aviation authority, a pharmaceutical procurement body, an electrical and a telecommunications authority. Member countries include six independent States and Montserrat while Anguilla and the British Virgin Islands are Associate Members. In January 2014, discussions were being held with respect to Martinique's accession as an Associate Member to the OECS.

4.16. After the signing of the Treaty of Basseterre in 1981, plans came to fruition to forge a closer relationship through an Economic Union between the member States. The OECS Economic Union, established by the Revised Treaty of Basseterre, entered into force on 21 January 2011: seeks to foster integration between member States by establishing new institutional organization, geared to complement efforts already taken at the CARICOM level. The OECS Economic Union allows the OECS sub-region to function and operate as a single financial and economic space. These six (6) independent States and Montserrat have committed to establishing and operating a common market particularly allowing free movement of labour and free circulation of goods; the harmonization of monetary policy among themselves; the coordination of fiscal policy to achieve sound management of the economic space; the harmonization of trade policies; and the establishment of rules to regulate and promote competition within the shared economic space.

4.17. Prior to the establishment of the OECS Economic Union in 2011, the OECS Secretariat, based in St. Lucia, provided support and coordination services to help member States identify scope for joint action and further integration. The Secretariat also was charged with conducting research and the implementation of specific projects. The Secretariat supervised the operation of the OECS Technical Mission in Geneva, which was set up in 2004. This team is widely recognised as the representative of the OECS Members to the WTO.

4.18. The Structure of Governance or Principal Organs of the OECS Economic Union are the OECS Authority (Heads of Government), the Economic Affairs Council, the Council of Ministers (Education, Health, etc.), the OECS Assembly and the OECS Commission which is a strengthened secretariat.

i) The OECS Authority is the highest policy making organ of the OECS. The Authority has power to make decisions on all matters within its capability and to grant final approval for the conclusion of Treaties or other international agreements. The Chairmanship of the Authority will annual, rotating alphabetically by country. The Authority will meet twice yearly and from time to time in Special Session as may be necessary.

ii) The Council of Ministers comprises appointed Ministers of Government from each Member State and is responsible to the OECS Authority. The Council has responsibility for considering on recommendations of the OECS Commission for the drafting of Acts; including considering and enacting into OECS law regulations and other implementing instruments to give effect to the Acts enacted by the Authority. In short, the Council takes action on any matters referred to by the Authority and makes recommendations on it.

iii) The OECS Assembly (inaugural meeting took place 10 August 2012) comprises five (5) members of Parliament of each Independent Member State and three (3) from the Legislature of each non independent Member State. Member States' representation in the Assembly reflects the proportionate representation of the Government and Opposition members of each Parliament/Legislature, including the Head of Government and the Leader of the Opposition. The Assembly does not have power to enact legislation, which remains the prerogative of the Parliaments of the Member States; its primary function is to support the legislative work of the OECS by reporting to the OECS Authority and the OECS Council of Ministers on legislation developed by the OECS Members. Meetings are held twice per year. Although the Assembly cannot legislate, the Revised Treaty has devised mechanisms to ensure that common decisions are binding and automatically enforceable in Member States in agreed areas listed in the Revised Treaty. There are five (5) main areas agreed for the exercise of exclusive power by the Authority; common market and customs union, monetary policy, trade policy; maritime jurisdiction and maritime boundaries and civil aviation. The Assemble can also legislate on environmental policy and immigration policy.

iv) The Economic Affairs Council has responsibility for supervising and keeping under review the OECS Economic Union.

v) The OECS Commission is the principal Organ responsible for the general administration of the Organization. The Commission comprises of the Director-General, who is responsible for the day to day administration of the OECS, and a Commissioner of Ambassadorial rank named by each Member State, who represents the OECS Commission in his/her Member States. The function of the Commission is to provide secretarial services to the OECS organs, including coordination of meetings and acting on decisions, recommendations or directives approved at such meetings. In addition, the Commission has responsibility for preparing model legislation and for making recommendations to the OECS Authority and the Council of Ministers regarding Acts and Regulations.

4.2 OECS Institutions

4.19. There are three (3) OECS institutions: Eastern Caribbean Central Bank (ECCB); Eastern Caribbean Supreme Court (ECSC) and the Eastern Caribbean Civil Aviation Authority (ECCAA). Discussions are underway for the establishment of two (2) more OECS institutions, namely, the Eastern Caribbean Energy Regulatory Authority (ECERA) and the OECS Competition Commission.

4.20. During the review period, the OECS has further strengthened the enabling environment to overcome severe human resource, economic and financial challenges by binding resources together and this is evident in the signing of the Protocol of Eastern Caribbean Economic Union and the resultant new initiatives:

i) Establishment of an OECS Competition Commission which will deal with matter of Consumer Protection, expected to become operational in 2014;

ii) Launching of the Eastern Caribbean Energy Regulatory Authority (ECERA) Project in Grenada on November 2013. The broad objective of this project is to establish and operationalise a sub-regional approach to the development of electricity sector;

iii) Implementation of the Juvenile Justice Reform Project which seeks to harmonize the approach to Juvenile Justice within the OECS through legislative reform, capacity building and civil society strengthening;

iv) Launching of the OECS Climate Change Project on 13 July 2011 in St. Lucia. The Reducing Risk to Human and Natural Assets Resulting from Climate Change (RRACC) is funded by the USAID and seeks to enhance the overall, long term capacity of the OECS region to respond to climate change impacts through concrete and adaptation measures;

v) Declaration of free movement of people in the OECS throughout the economic union in August 2011. However in 2014 OECS Member States were at different stages of implementation of the legislative and administrative requirements.

5 BILATERAL/HEMISPHERIC AND PREFERENTIAL TRADE ARRANGEMENTS

5.1. St. Vincent and the Grenadines is a member of the Caribbean Community and Common Market and has been the beneficiary to six (6) Bilateral Trade Agreements: i) Canada (1979); ii) Colombia (1994); iii) Venezuela (1992); iv) Dominican Republic (1998); v) Cuba (2000); and Costa Rica (2004).

5.1 CARICOM–Canada

5.2. The Trade and Economic Cooperation Agreement between Caricom and Canada was signed in 1979. The objective of this agreement is to foster trade between the partners, lowering market access barriers. Under this agreement the Caricom States are allowed to enter into preferential trade agreements with other developing countries and are not obligated to extend the same treatment to Canada. The agreement also covers trade consultations among the parties, cooperation to promote CARICOM's programs aimed at furthering its regional integration and industrial cooperation. This agreement remained in force for five (5) years after it was signed, and thereafter, it is to remain in force unless denounced by either Caricom or Canada. A Joint Trade and Economic Committee was set up which was expected to meet annually.

5.3. Through the CARICOM–Canada Rum Protocol (1998), Canada agreed to give rum from CARICOM the same treatment as similar products produced in Canada, through measures which affect the listing, delisting, distribution and mark–up of these products. This protocol was also to remain in force for five (5) years after it was signed, and thereafter unless denounced by either CARICOM or Canada.

5.2 CARICOM–Colombia

5.4. A Trade, Economic and Technical Cooperation agreement signed 24 July 1994 and renegotiated in 1997. A Caricom–Colombia Joint Council on Trade, Economic and Business Cooperation administers the agreement. Through the renegotiated agreement, Colombia granted unilateral preferential access to its market for four (4) years to a group of products originating in Caricom. After the four - year period, the preferential trade scheme became reciprocal, taking into account development differences. The agreement is reciprocal only for Caricom MDCs.[3] OECS countries, as less developed countries within CARICOM, are not obliged to grant any concessions under this agreement. The elimination of tariffs does not apply to used goods.

5.5. The agreement has its own rules of origin regime. The parties have agreed to review their technical, industrial, commercial and public health standards, as well as their sanitary and phytosanitary measures through the Joint Council. The agreement allows the use of safeguard

[3] The agreement phased in tariff reductions on a list of selected products. Its Annex II contains a list of products on which tariffs were eliminated in mid-1999, and Annex III a list for possible phased reduction of duties, but these have not been implemented.

measures if imports from their counterpart in the agreement are in such quantities that they can damage local industries. Safeguards must take the form of a suspension of preferential treatment. Safeguard measures for balance-of-payments purposes can also be used. The length of the measures may be initially no longer than a year with the possibility of renewal for a following year. The application of anti-dumping measures is allowed. The Colombia agreement provides reciprocal duty free treatment for select products. As currently structured, these agreements are not comprehensive in their coverage of services trade. Additionally, exporters complain of excessive product registration requirements which prohibit market penetration.

5.3 CARICOM-Venezuela

5.6. This Trade and Investment Agreement is a one way partial scope agreement in favour of CARICOM; signed 13 October 1992 and entered into force on 1 January 1993. This preferential agreement aimed at promoting CARICOM exports to Venezuela through duty-free access for some products or phased reduction in tariffs. The agreement also seeks to promote investment and to facilitate joint ventures between the two parties. The signatories are allowed to apply measures to counter dumping and subsidies. Disputes may be resolved through the Joint Council, but its recommendations are not binding.

5.7. Through this agreement, most CARICOM exports to the Bolivarian Republic of Venezuela are granted preferential or duty-free access. Tariffs were eliminated on 22% of products (mostly fresh produce, confectionery, cosmetics, jams and jellies, medicines, wooden furniture, horticultural products, spices, processed foods, and toilet preparations), while 67% of products benefit from tariff reductions. As a result, the Bolivarian Republic of Venezuela's average applied tariff on imports from CARICOM is about one third lower than its MFN tariff.

5.8. In 1998, Venezuela requested CARICOM to provide reciprocal preferential access similar to that granted to Colombia. While the two-sides continue to discuss problems encountered by CARICOM exporters, consultation continues between the parties on possible products from Venezuela for which it would be prepared to grant reciprocal preferential access. St. Vincent and the Grenadines is due to ratify this agreement by December 2014.

5.4 CARICOM-Dominican Republic

5.9. The CARICOM-Dominican Republic Free Trade Agreement which came into force in 1999, grants bilateral duty-free access for a number of products from 1 January 2004. The Caricom-Dominican Republic Free Trade Agreement allows for the mutual granting of tariff concessions by Caricom MDCs and the Dominican Republic. However, exports from the Dominican Republic to the Caricom Less Developed Countries, which include the OECS countries, continue to attract duties.

5.10. The agreement aims to establish a Free Trade Area (FTA) between Caricom and the Dominican Republic through the freeing up of market access, the elimination of non-tariff barriers to trade, establishing a system of rules of origin, engaging in customs cooperation and harmonizing the technical, sanitary and phytosanitary (SPS) procedures of the CARICOM and the Dominican Republic. The liberalization calendar is comprehensive and the agreement provides for the duty-free access for all goods other than those set out in Appendices II and III to the agreement; the phased reduction of the MFN rate of duty on goods in Appendix II; and the agreement; the phased reduction of the MFN rate of duty on goods in Appendix II; and the application of the MFN rate of duty to goods in Appendix III.

5.11. This agreement established a Joint Council made up of representatives of Caricom and the Dominican Republic which meets once per year or at special sessions. The Council supervises the implementation and administration of the agreement, resolves disputes, and presides over specific committees on Trade in Goods; Technical Barriers to Trade; SPS Measures; Rules of Origin; Trade in Services; Investment; Intellectual Property Rights; Anti-Competitive Business Practices. The two Parties have established a CARICOM-Dominican Republic Business Forum to analyze trade and investment opportunities, exchange business information and organise business engagements. The aim of the Forum is to encourage the private sectors of the two Parties to participate in the FTA toward fulfilling the objectives of this agreement.

5.12. CARICOM and the Dominican Republic have also agreed on procedures for settling disputes emerging from trade in the FTA. This involves initial informal consultations to arrive at a mutually satisfying solution. In the event that the consultations fail to reach settlement within 30 days, or in the case of perishable goods, in 10 days, the case may be referred to the Joint Council. The Council can seek compromise among the parties or make a ruling.

5.5 CARICOM-Cuba

5.13. A Trade and Economic Agreement was signed on 3rd July 2002 and which was entered into force in 2006, provides for duty–free access on a list of goods agreed by both sides. The concession on the CARICOM side are only limited to MDCs. The OECS Members do not grant preferences to Cuba under this agreement.

5.14. The agreement provides for duty-free treatment on specified goods. Cuba's list of concessions to CARICOM is included in Annex I, while Annexe II includes Caricom MDC's preferences to Cuba. Tariffs on a specialized list of products are to be eliminated by Cuba through four annual reductions (Annexes III and IV). Preferential market access for certain agricultural products is dealt with on a seasonal and specific basis. In addition, the agreement deals with taxation, trade promotion and facilitation, services, tourism, investment, intellectual property rights, and other topics. Goods produced in free zones are exempted from preferences.

5.15. The 7th Meeting of the CARICOM-Cuba Joint Commission held on 3-4 March 2005, approved the consolidated text of Annexes I-V of the CARICOM-Cuba Agreement, reflecting amendments set out in the protocol implementing the agreement and thereby giving them legal effect as the list of products in Article V of the Agreement. The *Revised Product Lists* dated August 2001 therefore replace Annexes I-V of the Agreement signed in July 2000. St. Vincent and the Grenadines is expected to ratify this agreement by December 2014.

5.6 CARICOM-Costa Rica

5.16. A Free Trade Agreement was signed on March 2004.The agreement provides for free trade or preferential access for a wide range of products. A *Caricom - Costa Rica Joint Council* was established to implement this agreement as well as "free trade coordinators" (Ministry of Foreign Trade in Costa Rica and Caricom Secretariat) to monitor the implementation of the agreement.

5.17. The agreement is reciprocal with respect to Caricom's MDCs, but not with respect to the OECS Members. The agreement provides for free trade or preferential access for a wide range of products, excluding sensitive products. Tariffs on 95% of products have been phased out. Products that will continue to attract duty include, for CARICOM, meat, dairy products, fruit, and vegetables, and a few manufactured goods, such as furniture, some paints, bottles, and candles. A list of agricultural products is subject to seasonal MFN duties but duty free for the rest of the year. The FTA contains anti-dumping and sanitary and phytosanitary provisions and dispute settlement dispositions, and provides for a review of developments in relation to trade in services, investment, competition policy, and government procurement within two years of its entry into force. The agreement excludes goods produced in or shipped from Export Processing Zones from preferential treatment. A system of rules of origin was established for this agreement.

5.18. In keeping with the 1995 decision of the CARICOM Heads of Government (16th Conference), the GoSVG being a Caricom LDC, does not have to reciprocate.

5.19. These BTAs are "traditional", i.e. essentially focused on: i) Trade in goods; ii) Elimination of tariff; and iii) Soft provisions on non-tariff measures, trade promotions, investment, etc. All BTAs except Venezuela are reciprocal for Caricom MDCs and non–reciprocal for Caricom LDCs, i.e., no liberalization (tariff elimination) by LDCs required for imports from BTA partners. In the case of Dominican Republic, there was a special review clause for LDCs. Last but not least, the BTAs are focused on Rules of Origin.

5.20. A review of the BTAs in 2012 revealed that i) Bilateral trade volumes, in particular exports from CARICOM to BTA partners, did not markedly increased since the agreement were signed; ii) Exports from Caricom were highly concentrated on the MDCs, with little participation in exports by LDCs; iii) Bilateral trade balances were largely negative. The share of St. Vincent and the

Grenadines exports to all BTA partners combined on total Caricom member exports is less than 1% during the period 2009–12 (Source: UN Comtrade Export Data from Caricom Members).

5.21. Generally, the share of LDCs members in non–oil exports to the BTA partner countries stood at 0.16% in 2012. Recent evaluation studies showed that most exports are opportunistic rather than strategic or guided by comparative advantages. In short, Caricom exporters have not used or benefited from the BTAs, while the exporters from Colombia, Costa Rica and the Dominican Republic have been taking full advantage of the agreement.

5.7 Non Reciprocal Agreements

5.7.1 CARICOM-Canada (CARIBCAN)

5.22. The OECS Members have benefited from the Caribbean Basin Initiative (CBI) and CARIBCAN, both of which are non–reciprocal and unilateral. Under, the CBI which came into effect since 1984 as part of the Caribbean Basin Economic Recovery Act (CBERA), OECS countries are eligible for duty–free access to the U.S.A market subject to rules of origin. Preferences were expanded in 2000 by the United States-Caribbean Basin Trade Partnership Act (CBTPA), which, for a specified period, accorded the same preferential tariff and quota treatment granted to certain textile and apparel articles imported into the United Sates from NAFTA countries, subject to conditions. The CBTPA expires on 30 September 2020. In 2009, the United States requested, and was granted, an extension of the WTO waiver for CBERA (as amended) up to end-December 2014.[4]

5.23. Under CARIBCAN, implemented in 1986, exports originating in the OECS and other CARICOM countries are granted duty-free treatment by Canada: the eligible products exclude textiles, clothing, footwear, luggage and other leather goods, lubricating oils, and methanol. To qualify for duty-free access, 60% of the ex-factory price of eligible products must originate in a beneficiary country or in Canada. CARIBCAN was set to expire on 31 December 2011, but since negotiations between Canada and CARICOM towards and FTA were ongoing, an extension was requested by Canada of the waiver of its obligations under paragraph 1 of Article I of the GATT, allowing it to extend duty-free treatment to imports from Commonwealth Caribbean countries, until 31 December 2013.[5]

5.24. Canada and CARICOM are currently negotiating a reciprocal Canada-CARICOM Trade Agreement set to replace the unilateral preferences granted under CARIBCAN.[6] Discussions towards the negotiation of a possible Canada-CARICOM FTA were announced at the Canada-CARICOM Summit in January 2001, in Jamaica. However negotiations did not start until 2009. Discussions towards the negotiation of a Free Trade Agreement between Canada and CARICOM have been ongoing since 2001. Five (5) Rounds of negotiations have been completed as of January 2014. Discussions during the rounds have covered market access in goods, trade defence and safeguards measures, rules of origin, trade facilitation, customs procedures, government procurement, technical barriers to trade, sanitary and phytosanitary measures, services, labour and environment. Both Parties agreed that with respect to market access, the conclusions on financial services should go beyond Canada's and CARICOM's respective GATS commitments.

5.25. At present, uncertainty surrounds preferential access to Caricom manufactured exports into Canada, flexibility in relation to Investment and Services liberalization modalities (dispute over negative list vs positive list approach to the rescheduling of liberalization commitments in Services) and Alcoholic Beverages. In addition, Canada had previously indicated that the country could not undertake binding commitments on trade-related technical co-operation in an international agreement. Thereby, proposing to nullify any negotiations binding commitments on development assistance, and/or institutionalise CIDA programming procedures.

[4] WTO document WT/L/753, 29 May 2009. United States-Caribbean Basin Economic Recovery Act, Renewal of Waiver, Decision of 27 May 2009. The waiver allows the United States to provide duty-free treatment for eligible products of the Caribbean Basin countries without having to extend the same treatment to like products of any other WTO Member.

[5] WTO document G/C/W/657, 27 October 2011.

[6] Government of Canada online information. Consulted at: www.international.gc.ca/trade-agreements-accords.

5.26. It is noteworthy to mention that while the preferential access under *Caribcan* expired in December 2013, Caricom manufacturers can still enjoy some level of duty free access and preferential access under the GSP. Further, Canada has expressed willingness to continue negotiations with CARICOM and to conclude a high quality 21st century agreement by June 2014.

5.7.2 Cotonou Agreement

5.27. St. Vincent and the Grenadines is a beneficiary to the commitments of the Lomé convention and its subsequent updates and modifications. Lomé expired in February 2000 but was replaced with the Cotonou Agreement (CA) which was ratified by GoSVG in January 2000. The CA has a life span of twenty years and contains a clause for revision every 5 years. The trade preferences under the *African, Caribbean and Pacific (ACP)–EU Cotonou Agreement* were however contingent on a WTO waiver which expired 31 December 2007. The *Cotonou Agreement* provided for the entry into force between the EU communities and 15 Caribbean States in the CARIFORUM group, including the OECS Members, for a comprehensive *Economic Partnership Agreement* (EPA) as of 1 January 2008.

5.28. While the Cotonou was unilateral, the EPA is based on the principle of reciprocity, albeit, asymmetric reciprocity. This asymmetry of commitments is reflected in market access, the MFN provisions, trade defence measures and development cooperation.

5.29. In the EPA, the EU committed to immediately removing all tariffs and quotas on CARIFORUM exports with the exception of sugar and rice, which gained full duty and quota-free access at the end of 2009. For their part, CARIFORUM States committed to more gradual reductions in their tariffs over a period of up to 25 years.

5.30. The EPA guarantees the OECS Members and other CARIFORUM countries MFN treatment in trade in goods.

5.31. In accordance with Article 17 (Modification of tariff commitments), the OECS Members are granted preferential treatment with respect to their tariff commitments. Art. 17 explicitly states that the OECS countries, Belize, Guyana, and Haiti, may, upon decision in the CARIFORUM-EC Trade and Development Committee, modify the level of customs duties stipulated in Annex III, applied to a product originating in the EC Party upon its importation into the CARIFORUM States. The Parties must ensure that any such modification does not result in an incompatibility of this Agreement with the requirements of Article XXIV of the GATT 1994.

5.32. With respect to the programme of liberalization, all products originating in CARIFORUM countries and exported to the EU (other than rice and sugar), entered into a Duty and Quota Free Access (DFQF) regime as from 1 January 2008.

5.33. Under the gradual liberalization schedule for imports from CARIFORUM countries into the EU, it is estimated that some 85% of tariff lines would be duty-free over 15 years and 90% over 25 years.[7] In the case of agriculture, most products have been either excluded from liberalization or subject to long transition periods of 20 or 25 years.

5.34. The EPA provides for a standstill of other duties and charges applied on imports, leading to a phase-out starting seven (7) years after signature with a complete elimination within 10 years. This will be a sensitive reform in most OECS countries, since they depend heavily on the Customs Service Charge (CSC) on imports as a source of revenue, given that due to their CARICOM commitments, they cannot incorporate the CSC into their applied MFN tariff rate. Moreover, the CSC is also applied on all imports from preferential partners, including other OECS countries. OECS Member States apply a number of other duties and charges on imports, such as the environmental levy, and excise tax, and would have to remove the CSC and these taxes and charges by 2018.

5.35. All export duties were eliminated immediately upon entry into force of the EPA; however a few OECS Members still applied taxes on a reduced number of products in late 2013.

[7] This is based on the original HS nomenclature (HS 2007); the shares could differ considering the current HS 2012 nomenclature.

5.36. With respect to rules of origin, there is a separate Protocol attached to EPA. This Protocol is based on the Cotonou Agreement's Protocol on rules of origin, with some main amendments. The Agreement calls for the review and further simplification of the Protocol on the Rules of Origin within five years after the implementation of the EPA.

5.37. The EPA addresses administrative cooperation in matters relating to fraud or other irregularities, giving the parties the right to suspend the application of the preferential rate of duty for the product concerned for a period not exceeding six months, renewable. This clause is of limited relevance to OECS WTO Members given the lack of appropriate legal and institutional instruments to carry out such investigations.

5.38. The use of safeguards is allowed for a period not exceeding two years. Where the circumstances warranting the imposition of safeguard measures continue to exist, such measures may be extended for a further period of no more than two years. Under the EPA, the EU committed not to include products from CARIFORUM on any GATT Art. XIX investigations for a period of five years. CARIFORUM countries are allowed to impose safeguards to protect infant industries for a period of ten years after signing of the EPA, only based on an increase in quantities imported (there are no price triggers).

5.39. *Annex IV to the EPA* contains commitments with respect to services and investment. The OECS Members made market access and commercial presence commitment in a broad number of sub-sectors. In some cases, conditions were attached. St. Vincent and the Grenadines attached as condition for guaranteeing market access for foreign investment in the sector, that the investment be larger than US$1 million; investment of lower amounts can be reserved for nationals. Commitments were generally not made with respect to Mode 4.

5.40. CARIFORUM countries took a negative list approach with respect to their commitments on investment. In terms of investment in services, most OECS Members scheduled limitations on investments under a certain value, generally to protect SMEs. The coverage of commitments on investment by OECS Members is wide, and generally excludes only small-scale mining and quarrying, manufacture of wood and products of wood, furniture and the production of weapons.

5.41. The SVG is also beneficiaries of the (EDF).[8] Funds allocated under the EDF have been used to support mostly projects in education and in health. Under the 10th EDF (2008-13), St. Vincent and the Grenadines is earmarked to be allocated EC$33.0 million approximately for the Health sub sector. Annex 1 provides a summary of the financial breakdown of the 10th EDF contributions for the Economic Partnership Agreement implementation.

5.42. The OECS Members' products are eligible for the *Generalized System of Preferences (GSP*) schemes of Australia, Canada, the European Union, Japan, New Zealand, Russia, Switzerland and the United States.

5.43. OECS Members are still lagging in several cases, by not yet adjusting domestic legislation to be able to fully implement some WTO agreements. Given that most EPA provisions and non-tariff commitments require the application of the apposite WTO agreement, or are WTO plus, major legislative changes will be required in the OECS Member States. The effort to comply with the EPA provisions will therefore be challenging. On the other hand, it may act as an incentive to accelerate the needed changes in legislation required to comply with multilateral commitments.

[8] The EDF supports actions in the ACP countries and overseas countries and territories (OCTs) in the following key areas for cooperation: economic development, social and human development, and regional cooperation and integration. The EDF consists of several instruments: grants managed by the European Commission; risk capital and loans to the private sector, managed by the European Investment Bank under the Investment Facility; and the FLEX mechanism, aiming at remedying the adverse effects of instability of export earnings. The 10th EDf had a budget of €22.68 billion. More information on the EDF may be found on: http://ec.europa.eu/europeaid/how/finance/edf_en.htm.

6 MULTILATERAL FRAMEWORK – THE WTO AND THE URUGUAY ROUND

6.1 Implementation of the Uruguay Round Agreements

6.1. St. Vincent and the Grenadines has no specific Uruguay Round legislation, but some of the WTO Agreements have been incorporated into domestic law in a number of Acts of Parliament and various Regulations. Since 2001, the trade policy of St. Vincent and the Grenadines has undergone substantial changes, in response to regional and international developments, and as a result has become more open and transparent and WTO compliant.

6.2. St. Vincent and the Grenadines has been active in the WTO in the context of the Doha Development Round, (DDA) and more recently, the 9th Ministerial Conference held in Bali, Indonesia, 3rd-8th December 2013. In the negotiations, the GoSVG has strongly advanced the argument that special and differential is integral to the negotiating process. It has also joined with other members of the CARICOM in advocating non-reciprocity in NAMA and for flexibilities for small and vulnerable economies in the negotiation process. The GoSVG has also highlighted the need for the negotiations to take account of the consequences of preference erosion for developing and particularly Small Vulnerable Economies. St. Vincent and the Grenadines has supported a request by a number of developing Members of the WTO for an extension of time for providing export subsidies until 2015, with the scheduling of the phasing out to commence in 2010.

6.3. St. Vincent and the Grenadines regards these subsidies as important to help it fuller integrate into the multilateral system, given what it views as weaknesses associated with its status as a "small and vulnerable economy". St. Vincent and the Grenadines has also attempted to advance the DDA agenda generally, in the context of its UN membership.

6.4. During the period under review, St. Vincent and the Grenadines has made sector–specific commitments in five (5) of the twelve (12) areas under the General Agreement of Trade and Services (GATS) but did not participate in extended negotiations on telecommunications or on financial services. An initial offer was made in the DDA negotiations on services; however, no revised offer was made.

6.5. With respect to Dispute Settlement cases, the country was not involved in any dispute, however, a few notifications were made to the WTO since 2007 in the areas of i) Agriculture (export subsidies 1995–2011 & domestic support (1995–2011); ii) Customs Valuation (issues on implementation, laws & regulations); iii) Trade–Related Aspects of Intellectual Property Rights (issues on enforcement, law and regulations); iv) Subsidies and Countervailing Measures (Subsidy notification and extension of transition period for the elimination of export subsidies), and v) Technical Barriers to Trade (Brown raw sugar, carbonated beverages, fruits and vegetable juices, drinks and fruit nectars; pre-packaged foods, water, white sugar, evaporated milk, wheat flour, milk powders and cream powders; spices and sauces, sweetened condensed milk; wet seasoning). See Annex 2, WTO Notifications 2007-12.

6.1.1 Trade in goods

6.6. Prior to 2001, the GoSVG trade policy placed much effort on trade in goods as part of an import substitution strategy and policy prescription of the World Bank for promoting economic development. The strategy was implemented through a system of tariffs and non–tariff barriers designed to enable the manufacturing and agricultural sectors to become internationally competitive.

6.7. SVG has applied the Common External Tariff (CET) since February, 1991, and implemented phase IV of the CET on 1st January 1998. While tariff levels and changes are agreed at the CARICOM level, the final authority to tariff changes rests with Parliament. Derogations to agreed rates are approved by the Council on Trade and Economic Development (COTED) of CARICOM.

6.8. St. Vincent's schedule (tariff), as applied in 2013, is based on the 2007 version of the Harmonised Commodity Description and Coding System(HS) and comprised 6,333 lines at the 13-digit level (compared to 6,274 Tariff lines at the ten–digit level in 2007). There are no tariff lines that carry rates higher or lower than the CET. Some 99.8% of all tariff lines, including duty free ones, have *ad–valorem* rates. The remaining 0.2% (13 lines) carries specific rates. The non-*ad valorem* duties apply to imports of alcoholic beverages, such as wine (HS 2204), vermouth (HS 2205), and distilled spirits (HS 2208).

6.9. The computed average tariff rates for SVG is biased downwards (due to lack of data on *ad valorem* equivalents of non–*ad valorem* duties) and the exclusion of 4% customs service charge, which continues to boost the overall level of border protection. The average applied MFN tariff remains at 10.9%. Some 8.8% of tariff lines are duty free (up from 7.2% in 2006) and 7.6% of all lines carry rates of over 25%. Overall tariff dispersion remains unchanged, with *ad valorem* rates ranging from zero to 40%; some 53.7% of tariff lines carry rates in the 4-5% range. Tariff protection remains more pronounced in agriculture: the average applied rate on agricultural products (WTO definition) is 17% (down from 18% in 2006), whereas the corresponding average for non- agricultural products stands at 9.6%. It is noteworthy to mention that about 50% of the tariff lines on agricultural products carry rates greater than 25%. Semi–processed products are subject to a lower average applied rate than fully processed products, whereas raw materials attract the highest average rate.

6.10. In terms of tariff binding, customs duties for approx 99.7% all tariff lines were bound during the Uruguay Round. Tariffs on agricultural products are mostly bound at a ceiling rate of 100%, with some exceptions that range between 107% and 250%. The predominant bound rate for tariffs on non–agricultural products is 50%, although there are over 200 exceptions and bound rates as high as 140% (certain motor vehicles). The column "other duties and charges" in the schedule was left blank, and this is equivalent to having entered "zero".

6.11. During the period under consideration, waiver of import duties collectively amounted to EC$171.9 M in forgone tariff revenues during 2008–12. The country grants duty-free access to goods originating from other Caricom countries, in accordance with the relevant rules of origin.

6.12. In October 2007 Customs and Excise department implemented the ASYCUDA++ which required all importers, with the exception of importers of small non–commercial consignments, to submit declarations electronically. A migration to ASYCUDA World system was completed in October 2013 with a view to achieving full automation of all customs related processes and improved accessibility. Importers are not formally required to engage the services of customs brokers. Legislations governing the operations of Brokers are in draft form for consideration. Currently the fees charged by brokers are unregulated. An annual fee must be paid to the Inland Revenue Department for one to operate as a professional broker.

6.13. As from April 2013, VAT-registered legal entities with an importation history of at least 3 years may qualify for expedited customs clearance under a new Gold Card programme. The first approved Gold Card Holders were granted certificates on 4 December 2013. Other prerequisites for participation include: membership of a reputable trade association, such as the St. Vincent and the Grenadines Chamber of Industry and Commerce; and a favourable business practice review by Customs.

6.14. The Act # 4 of 2007 governing Pre-arrival processing was further amended and consolidated into a single piece of legislation Cap 422 of 2009 (available at www.custom.gov.vc), allowing for the advance submission of the manifest and if that is done by the carrier prior to the goods arrival, importers can also submit relevant documentation in advance.

6.15. A dedicated Customs and Excise website (www.customs.gov.vc) with information on legislation, import procedures and related requirements, duties and charges have been operational since mid-October 2013. By January 2015, the Customs and Excise Department is expected to further upgrade to HS 2012.

6.16. The import–licensing regime of St. Vincent and the Grenadines are guided by Customs procedures and regulations found in the Customs (Control and Management) Act No. 14 of 1999, and the Customs (Control and Management) Amendment Act of 2007.

6.17. The Ministry of Foreign Affairs, Foreign Trade and Commerce is responsible for the enforcement of price controls. There are about 100 items under price control, covering food products (e.g., milk, flour, rice), pharmaceuticals, stationery, hardware products, petrol and motor vehicles. During the review period the GoSVG has reviewed the Import and Export (Control)

Regulations # 10 of 1992, as it relates to minimising the List. A draft amending the Listing has been prepared and is expected to be approved by the end of 2014. This List is expected to decrease in size while retaining the essential items.

6.18. The WTO Customs Valuation Agreement has, in principle, been in effect in St. Vincent and the Grenadines since 2000. Notifications containing the relevant national legislation and responses to the checklist of issues were submitted to the WTO in 2009.

6.1.2 Other levies and charges

6.19. The Customs Service Charge (CSC), at a rate of 4% on the (c.i.f) value of imports remains in place. Statutory exemptions for imports of non–food items have been granted to two (2) companies that operate resorts, namely the Mustique Company and the Canouan Development Company. Goods originating from Caricom countries are not exempted from this charge.

6.20. The introduction of the Value–Added Tax (Act No. 25 of 2006) in May 2007 replaced seven (7) different taxes (local & import consumption duty, domestic and international telecommunications surcharges, hotel tax, stamp duty on receipts and entertainment tax). VAT is charged at a 15% on the supply of services and goods, including imports. A reduced rate of 10% applies to hotel and holiday accommodation. Some essential items, international financial services and exports are zero rated. Certain goods and services are exempted. In cases of concessions, VAT is calculated only on c.i.f. value; however, VAT on imports is levies on c.i.f. value plus customs duties and all other duties and charges payable upon importation.

6.21. Excise taxes was instituted at the same time as VAT in 2007 on 15 types of goods, These taxes apply to various types of alcohol, tobacco, fuels, vehicles, used tyres, and in candescent bulbs.

6.22. The Trade (Bottle Deposit Levy or Environmental tax) Act # 13 of 1991 (amended by Act # 3 of 1993 and Act # 4 of 1993, Act # 3 of 1998 and # 8 of 2002) provides for a refundable levy on beer, malt, stout, ale, aerated beverages and juices in non-returnable bottles or cans at a rate of EC$0.50 cents per bottle or can.

6.23. A vehicle surcharge is levied on all imported motor vehicles over four (4) years old, except motorcycles. The surcharges vary depending on the passenger capacity, engine capacity and/or fuel type.

6.24. Customs (restriction of exportation) (metals) Order no. 8 of 2014 revoked the customs (restriction of exportation) order 2012. The minister with responsibility for trade is empowered to authorize the exportation of copper and scrap metals subject to the conditions outlined by the minister. The need for such conditions is pivotal in proffering protection to business owners and other members of the private sector from pilferage. The said condition precedents are reflective of a new policy which establishes the procedural steps to be followed in obtaining permission to export copper and scrap metals.

6.1.3 Technical regulations and standards

6.25. The GoSVG is aware that in order to promote a competitive development policy for the economy, the adoption and promotion of internationally recognized standards and best practices are imperative. During the period under review, the SVGBS began operating under the aegis of the Caricom Regional Organisation for Standards and Quality (CROSQ) Inter-governmental Agreement. In addition, the Regional Bureau and CROSQ are putting in place an MOU for mutual recognition of Certification and Accreditation entities.

6.26. While, there are no certification bodies in St. Vincent and the Grenadines, the SVGBS is authorized to certify products and services by providing certificates for conformity with labeling standards (these include: labeling of domestic electrical appliances, pre-packaged foods/goods and brewery products). The SVGBS may also grant license to use the SVG Standard Mark where there is a domestic standard for the product. The Standard Mark is the property of the Bureau.

6.27. During the period under review, the SVGBS has developed an additional thirty four (34) SVG National Standards, of which twenty seven (27) were adapted and seven (7) were adopted. To-date seventy–five (75) standards have been declared; sixty-two (62) have been adopted/ adapted from the region. The SVGBS abides with the WTO/TBT agreement, (Annex 33) and seeks to declare the standards as soon as possible after preparation. Thirteen (13) standards were internationally sourced from Codex; while since 2007, thirteen (13) notifications have been made to the WTO.

6.28. Generally, SVGBS accepts and recognizes supplier's declaration of conformity for products imported in the country. The SVGBS also recognizes and accepts conformity certifications from other regional and/or international competent authorities. However, with respect to the modality, the SVGBS reserves the right to conduct random inspection/conformity assessment of these products. The Bureau classifies baby foods, milk and milk products, meat and meat products and electric appliances as high risk products which must meet the requirements for conformity assessment.

6.1.4 Sanitary and phytosanitary measures

6.29. During the period under review, no notifications were made to the Committee on Sanitary and Phytosanitary Measures (SPS). Both the Plant Protection (Quarantine Pest) Order 2009 and the Plant Protection Act No. 15 of 2005 superseded the Plant Protection Bill of 1988, which was introduced in 2004. These Acts were designed to prevent the introduction, and, control the spread of plant pest, to protect plant resources, facilitate trade in plants and plant products and to regulate matters. This further advanced administrative changes for the establishment and implementation of Sanitary and Phytosanitary measures.

6.30. Under present arrangement, the Ministry and Agriculture, Forestry and Fisheries addresses issues of phytosanitary and sanitary measures in agriculture, livestock and crops. The Ministry of Health and the Environment has responsibility for sanitary measures as it relates to health and food safety. In this new arrangement, and in keeping with the WTO's International Commission on Phytosanitary and Sanitary Measures, the focal point for St. Vincent and the Grenadines on Phytosanitary measures is the contact person or designated head of the newly established National Plant Protection Organisation (NPPO). The Plant Protection Act of 2005 delegates the Ministry with responsibility for Agriculture as the designated National Plant Protection Organisation.

6.31. Two (2) draft Bills are still pending for reading in Parliament, one pertains to "Agriculture Health and Food Safety" and "SVG Animal (National and International) Movement and Diseases" relating to anti-mortem and post-mortem inspections.

6.32. St. Vincent and the Grenadines continues to note with grave concern the proliferation of standards developed by private interest groups without reference to SPS Agreements or consultation with national authorities.

6.1.5 Trade in services

6.33. Under the Uruguay Round of trade negotiations, St. Vincent and the Grenadines committed five (5) areas of service activity: tourism and tourism–related services, recreational and sporting services, financial (re-insurance), and marine transport services for liberalization. St. Vincent and the Grenadines did not participate in the continued WTO negotiations on telecommunications neither in the continued negotiation on financial services.

6.1.6 Trade–related intellectual property rights

6.34. There have been no institutional changes in the administration and processing of intellectual property in the country since its previous Review. The TRIPS Council reviewed the legislation in 2009 and enforcement related issues in 2011. It should be noted that legislations on the protection of plant varieties or on undisclosed information are yet to be put in place. Legislation governing intellectual property rights existed since 1998. The Commerce and Intellectual Property Office (CIPO) became operational in March 2004, as a statutory agency formally established in December 2003, under Act No. 43 of 2003. CIPO functions as regulator of trade names, unincorporated associations, and domestic and external companies. Domestic legislations, regarding copyright, trademarks, geographical indications, industrial designs, undisclosed information, and layout designs are continually being updated.

6.35. St. Vincent and the Grenadines is a member of the World Intellectual Property Organization (WIPO) and a party to a number of intellectual property conventions. In August 2002, SVG signed on to the patent Cooperation Treaty (1970).

6.36. The Legal Affairs Ministry and the Commerce and Property Rights Office continue to experience institutional capacity challenges in meeting the legislative needs of the country.

6.2 Technical Assistance

6.37. St. Vincent and the Grenadines proposes that any initiative towards the development of Aid for Trade within the context of multilateral negotiations must assist in building an environment where Small Island Developing States can improve their competitive position through enhanced supply-side capacity and trade-related infrastructure.

6.38. Trade liberalization and the decline of the Agricultural sectors have reversed the gains that were achieved in the decades leading up to the period under review. Export of goods has rapidly declined and a heavy dependency has been placed on trade in services as a main contributor to GDP.

6.39. Manufacturing continues to be plagued by the high cost of electricity and overhead charges. The price for electricity is non competitive as it soars at US$0.50 cents per KWh. compared to US$0.6 cents in Trinidad and Tobago. This price is amongst the highest in the region and does not favour export–oriented enterprise. Identifying and promoting affordable renewable sources of energy is critical to the survival of small businesses. Another major challenge is the lack of readily available marine transport within the sub–region that will facilitate the affordable movement of goods and people.

6.40. The development of a regional maritime infrastructure is deemed critical to intra-regional trade. Developing the logistical framework could be supported under an aid for trade program. Simultaneously environmental (tourism) and renewable energy supply issues would greatly enhance competitiveness of the small productive sector which has emerged as a replacement to our declining agro sector.

6.41. Other constraints within the domestic operating environment, has to do with the high cost of obtaining certification, such as ISO or HACCP standards for small enterprises. There is also limited access to export credit guarantee schemes and low interest finances for production activities. Venture capital for businesses incubation would also help entrepreneurs diversify their production base and re-engineer their operations. Seed Capital Funds that invest in innovative smaller companies with strong growth and employment potential would also go a long way to addressing poverty alleviation while creating employment particularly in rural communities.

6.3 Trade Facilitation Agreement

6.42. Lastly, the implementation of the WTO Trade Facilitation Agreement by developing countries will necessitate legally binding commitments by Member States in terms of financial and technical assistance to effectively implement the agreed commitments at the WTO 9th Ministerial Conference in Bali.

6.4 Aid for Trade

6.43. The Government of St. Vincent and the Grenadines remains fully committed and supportive of the Aid for Trade objectives under the WTO. We recognise that without Aid for trade, small vulnerable countries like those of the Eastern Caribbean cannot begin to realise their goals of sustainable development

6.44. The Government of St. Vincent and the Grenadines recognizes that Aid for Trade should create the enabling conditions for sustainable development among small Member States. This should take into account a modernised trade policy framework through a broader focus on sectoral issues and cross cutting measures such as information technology and renewable energy initiatives. A sustainable trade model should therefore be accompanied by a development aid package designed to positively impact multilateral trade liberalization while maximizing the benefits of production synergies through:

- Capacity-Building in Export Strategy Design and Management
- Capacity-Building in Trade Information Management and Market Analysis
- Capacity-Building in Quality Management and
- Standards for Trade and Services Development.

6.45. Trade related assistance should therefore be unconditional, demand driven, not related to any previous trade negotiations and incremental to existing programs. In this regard, such arrangements would mean non-reciprocity with developed countries. The Government of St. Vincent and the Grenadines remains committed to the process of liberalization, however, given its classification as a middle income country, development assistance under the Aid for Trade regime would continue to be miniscule. This technical barrier would therefore need to be overcome if vulnerable island Member States are to realise worthwhile objectives of sustainable development. In short, the limited progress Small Developing Island States have made in realizing true benefits from trade liberalization have been stymied by the unequal relationships and classifications with developed countries.

7 CONCLUSION

7.1. Of paramount importance to St. Vincent and the Grenadines (SVG) is its successful integration into the multilateral trading system. SVG's continuing commitment to this process can most easily be seen in the nation's obligation to progressive trade liberalization through its numerous reform efforts to date. While we are fully cognizant of the challenges that are associated with trade liberalization and globalization, SVG remains resolute in its pursuit for development within the context of these economic paradigms.

7.2. Pursuant to the aforementioned, we do believe that the OECS Economic Union and CSME are pivotal for facilitating SVG's smooth transition into the world economy. Towards this end, SVG will maintain its adoption and robust implementation of the provisions of the CSME. In a similar vein, we will also continue to bolster its commitments and obligations within the context of the multilateral trading system. Against this backdrop, SVG will keep on advocating the need for a more democratic global trading regime, on the part of developing countries, based on the principle of special and differential treatment. Doing so will help compliance with any obligations in economic transition into the vibrant and competitive global economy.

ANNEX 1

10TH EDF SUPPORT FOR ECONOMIC PARTNERSHIP AGREEMENT (EPA) IMPLEMENTATION

Background

In April 2012, the Secretary-General signed a Financing Agreement with the European Commission for the provision of "Support to the Forum of Caribbean States in the implementation of the commitments undertaken under the Economic Partnership Agreement (EPA)". The Agreement is valued at Euro 46.5 million. Its overall objective is to support the beneficial integration of the Caribbean Forum of ACP States (CARIFORUM) into the world economy. Its specific objectives are to provide support to CARIFORUM in the following areas:

1. **Fiscal Reform and Adjustment:** to enhance CARIFORUM revenue mobilization efforts and strengthen public finance management.

2. **Statistics:** to improve the production and dissemination of timely high quality economic statistics (including trade statistics) in the Dominican Republic.

3. **Sanitary and Phyto-Sanitary Measures (SPS):** to increase production and trade in agriculture and fisheries which meet the international standards while protecting plant, animal and human health and life and the environment.

4. **Technical Barriers to Trade (TBT):** to increase the use of services of internationally recognised Regional Quality Infrastructure Institutions in the CARIFORUM States.

5. **Services:** to increase trade in CARIFORUM services.

6. **Rum Sector:** to build the economic and financial strength of the CARIFORUM rum sector as a significant source of employment, tax revenues and foreign exchange.

7. **Institutional Support**: effective overall implementation of EU-CARIFORUM co-operation, including the Economic Parternship Agreement.

ANNEX 1 (Continued)

10TH EDF/EPA BUDGET FOR THE FINANCING AGREEMENT

The Budget for the Agreement is summarised as follows:

	EDF contribution (EUR)	CARICOM contribution (EUR)	Total (EUR)
1. Fiscal Reform and Adjustment – Contribution Agreement with International Monetary Fund (IMF), (indicative amount)	4,000,000	0	**4,000,000**
2. Statistics in Dominican Republic – Contribution Agreement with IMF (indicative amount)	500,000	0	**500,000**
3. Sanitary and Phyto-Sanitary (SPS) Programme – Contribution Agreement with IICA (indicative amount)	11,700,000	0	**11,700,000**
4. Technical Barriers to Trade (TBT) Grant in direct award with Physikalisch Technische Bundesanstalt (PTB), (indicative amount)	7,800,000	0	**7,800,000**
5. Service Sector – Contribution Agreement with Caribbean Export (indicative amount)	3,200,000	0	**3,200,000**
6. Rum Sector – International Service Contract and Programme Estimate (indicative amount)	7,700,000	0	**7,700,000**
7. Institutional and Implementation Capacity	10,800,000	0	**10,800,000**
- *Support for national EPA focal points (of which EUR 500,000 for Haiti) – Contribution Agreement with the Caribbean Development Bank (CDB) (indicative amount)*	*3,500,000*	*0*	***3,500,000***
- *Institutional support CARIFORUM Directorate (including EPA Unit) grant to CARIFORUM Directorate (indicative amount)*	*3,000,000*	*0*	***3,000,000***
- *Participation in joint institutions (EPA Joint Parliamentary Assembly and Consultative Committee) (indicative amount)*	*1,200,000*	*0*	***1,200,000***
- *Training programmes – International Service Contract (indicative amount)*	*3,100,000*	*0*	***3,100,000***
	0	210,000	**210,000**
Evaluation & audit	400,000	0	**400,000**
Contingencies*	400,000	0	**400,000**
Total	**46,500,000**	**210,000**	**46,710,000**

* The European Union's contribution to the "Contingencies" heading may be used only with prior agreement of the Commission.

Source: Economic Partnership Agreement Implementation Unit, CARIFORUM Directorate, CARICOM Secretariat.

ANNEX 2

Table: Selected SVG Notifications to the WTO, 2007-13

WTO Agreement	Description	Document Symbol
Agriculture	Export subsidies, 1995-2011; domestic support, 1995-2011	G/AG/N/VCT/1 (27 June 2011) and G/AG/N/VCT/4 (30 July 2013); G/AG/N/VCT/2 (09 January 2012) and G/AG/N/VCT/3 (30 July 2013)
Customs Valuation	Checklist of issues on implementation; laws and regulations	G/VAL/N/2/VCT/1 (29 January 2009); G/VAL/N/1/VCT/1 (3 April 2009)
Trade-Related Aspects of Intellectual Property Rights	Checklist of issues on enforcement; laws and regulations	IP/N/6/VCT/1 (6 June 2011); IP/N/1/VCT/1/Rev.1 (16 December 2009), IP/N/1/VCT/C/1, IP/N/1/VCT/D/1, IP/N/1/VCT/T/1, IP/N/1/VCT/T/2 (30 November 2009), and IP/N/1/VCT/1 (24 November 2009)
Subsidies and Countervailing Measures	Subsidy notification and extension of transition period for the elimination of export subsidies	G/SCM/N/253/VCT, G/SCM/N/260/VCT (7 October 2013), G/SCM/N/243/VCT (9 October 2012), G/SCM/N/226/VCT (21 September 2011), G/SCM/N/211/VCT (8 July 2010), G/SCM/N/186/VCT (21 June 2010), G/SCM/N/192/VCT (11 August 2009), G/SCM/N/163/VCT (16 November 2007), and G/SCM/N/155/VCT, G/SCM/N/160/VCT (November 2007)
Technical Barriers to Trade	Brown (raw) sugar; carbonated beverages; fruit and vegetable juices and drinks, and fruit nectars; pre-packaged foods; packaged water; white sugar; evaporated milk; wheat flour; milk powders and cream powders; spices and sauces; sweetened condensed milks; wet seasoning	G/TBT/N/VCT/7, G/TBT/N/VCT/8, G/TBT/N/VCT/9, G/TBT/N/VCT/10, G/TBT/N/VCT/11, G/TBT/N/VCT/12, G/TBT/N/VCT/13 (2 July 2010); G/TBT/N/VCT/1, G/TBT/N/VCT/2, G/TBT/N/VCT/3, G/TBT/N/VCT/4, G/TBT/N/VCT/5, G/TBT/N/VCT/6 (28 January 2009)

Source: WTO Secretariat.

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