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**TRADE POLICY REVIEW**

REPORT BY

BELIZE

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 Belize is attached.

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Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Belize.

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## 1 INTRODUCTION

1.1. Belize's economy remains rooted in the performance of the services sector and the resilience of the agro-productive sector, which contribute significantly to the country's foreign exchange earnings. The focus remains on developing a strategic approach to trade policy and attainment of the Global Sustainable Development Goals, which have resulted in a National Trade Policy Framework (NTPF) and a Growth and Sustainable Development Strategy (GSDS). The Cabinet of Belize has also recently endorsed in principle the development of the National Investment Policy and Strategy (NIPS).

1.2. Belize is faced with serious challenges and constraints emanating from: the need to become climate resilient in the marine and agro-productive sectors; correspondent bank de-risking impacting the Latin America and Caribbean (LAC) region stemming from tightening of controls in the international financial regulatory environment to promote Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF). In addition to pre-existing supply capacity constraints faced by small economies, these new challenges have negatively impacted trade growth and financing. Despite these constraints, Belize continues to take advantage of unique opportunities with respect to its economic sustainability. Significant investments have been made in the diversification of exports in the primary, secondary, and tertiary economic sectors. Over the last five years, the tourism sector in particular has seen consistently strong growth in the cruise and overnight tourism subsectors. There was also significant expansion in the agro-productive and light manufacturing sectors particularly in sugar, grains, cornmeal, sauces, spices, poultry, live cattle, and dairy products.

1.3. This document highlights the National Trade Policy Framework approved in 2015, which provides a set of policy commitments for both the Government and the private sector and which will lead to the development of Belize's first comprehensive National Trade Policy. It will look at the macroeconomic context, such as the expansion in the GDP, fiscal performance, national debt, international trade and remittances. It addresses the state of play and the corresponding advancements in the key productive sectors of the economy as well as the development of new sectors. It looks at Belize's commitments under the WTO agreements such as the Agreement on Sanitary and Phytosanitary (SPS) Measures, and the Agreement on Technical Barriers to Trade (TBT). It concludes with an overview of the investment climate and policy developments to mainstream trade.

## 2 MACROECONOMIC CONTEXT

### 2.1 Gross Domestic Product

2.1. Belize's real gross domestic product (GDP) expanded by 16.8% between 2010 and 2015, reflecting modest average annual growth of 2.6% over the six-year period. Economic expansion was driven primarily by the continued expansion in service industries, buoyed particularly by sustained growth in merchandising, tourism and government services, while financial services weakened. Contributions from the primary sector varied with the inconsistent production of agricultural crops and farmed shrimp. Output in the secondary sector contracted due to the steady decline in oil extraction. Despite the oil sector decline, the construction industry experienced growth. Although there was a slump in food manufacturing and an uneven supply of electricity, GDP per capita increased by 8.7% to US\$4,704 in 2015.

### 2.2 Fiscal Performance

2.2. After undergoing some measure of fiscal consolidation during 2010-2012, Central Government expanded its fiscal operations from 2013 to 2015 notwithstanding a heavy debt overhang. Fiscal operations produced, on average, a primary surplus of 2.2% of GDP and an overall deficit of 1.1% of GDP during 2010 to 2012. Central Government's revenue rose at an annual average rate of 6.0%, driven by increases in receipts from the oil industry and several revenue enhancing measures, such as increased rates for the gross sales tax and business tax from 10.0% to 12.5% and from 1.5% to 6.0%, respectively in April 2010. In March 2013, the Government restructured US\$547.5 million in debt with external creditors, but the external public sector debt still expanded that year to 78.5% of GDP, fueled by borrowings under the Venezuela PetroCaribe Agreement (VPCA) initiative. Inflows from the VPCA, coupled with increased borrowing

from domestic sources, financed the growth in Government spending that ensued. Central Government's overall deficits rose from 2.9% of GDP in 2014 to 7.9% in 2015, as expenditure outpaced increases in revenue by an average of almost ten percentage points. This surge in spending was due to the hike in emoluments to public officers, heightened capital spending amidst several local and general elections, and compensation payments for nationalization of two utility companies.

### 2.3 National Debt

2.3. From 2010 to 2015, the total public sector debt stock rose from US\$1.2 billion to US\$1.4 billion, but fell as a share of GDP from 88.0% at the end 2009 to 82.7% at the end of 2015. The share of foreign loans in the total outstanding debt stock decreased from 86.4% to 82.6%, while the domestic debt share increased from 15.7% to 21.0%. This trend pointed to the heightened dependence on financing from domestic sources, principally through the issuance of debt securities, to fund budgetary shortfalls, given Central Government's limited access to international financial markets. Venezuela became Central Government's second largest creditor with disbursements of \$338.8 million over the six-year period.

2.4. The external debt service ratio fell from 9.4% at the end of 2010 to 5.9% at the end of 2013 due to the second restructuring of the bond during that year. Thereafter, the ratio climbed steadily, reaching 11.7% at the end of 2015 on account of Government's one-off settlement of the British Caribbean Bank loan to the Belize Telemedia Ltd. (BTL), which had been the subject of an extended dispute. As at 31st December 2015, the maturity structure of the external public sector debt showed that US\$1.3 million is expected to mature in less than one year, while 10.3% will be fully amortized in the next one to ten years, leaving 89.6% (or US\$1.1 billion) with maturity greater than ten years. At the end of 2015, Central Government accounted for 96.6% of the outstanding external public sector debt.

### 2.4 International Trade

2.5. The trade imbalance worsened significantly over the review period, as the trade deficit widened from US\$174.8 million in 2010 to US\$423.4 million in 2015. This outcome resulted as the annual growth in imports outpaced that of exports for most of the review period. Merchandise exports, which include sales from the Commercial Free Zone (CFZ), peaked at US\$621.6 million in 2012 then contracted for three consecutive years to US\$537.9 million in 2015. While from 2010 to 2012 exports grew largely due to increased CFZ sales and petroleum exports, thereafter, exports contracted largely due to reductions in the same. On the other hand, imports grew at an average annual pace of 7.6%, rising from US\$653.0 million in 2010 to US\$961.3 million in 2015.

2.6. Net earnings from trade in services were more buoyant, as it expanded at an average annual pace of 7.9% over the review period. Net receipts amounted to US\$277.4 million in 2015, reflecting a 3.0% drop from the high of US\$285.6 million attained in 2014. The marginal contraction was attributed to an increase in spending on international freight, owing to the rise in imports, and lower revenue from tourism. From 2010 to 2015, inflows from services averaged US\$419.7 million with earnings from tourism and other miscellaneous services accounting for approximately 75.0% and 20.0%, respectively, of total service receipts. Receipts for other miscellaneous services mainly included inflows from foreign embassies, military agencies and a wide range of other professional services. Payments for international services averaged US\$189.7 million over the six-year period. On average, 55.8% of the total expenditure on services was associated with payments for international transportation services and travel abroad. Additional outlays included payments for telecommunication, miscellaneous business services and Belizean embassies and military units stationed abroad.

2.7. The United States remained Belize's second largest export market, even though the share of trade narrowed significantly from 31.5% in 2010 to 20.5% in 2015. In contrast, the share of imports from the United States grew from 27.4% in 2010 to 33.7% in 2015, driven largely by increased purchases of manufactured goods, machinery and transport equipment. Mexico maintained its position as Belize's largest export market, as its share expanded from 34.0% in 2010 to 47.8% in 2015 with increased sales of food and live animal products and re-exports from the CFZ to that country. However, the share of imports from Mexico decreased from 28.3% in 2010 to 10.6% at the end of the period, while the share of goods purchased from other markets

such as Central America and China rose. While the share of exports to Central America fell from 5.5% in 2010 to less than one percentage point over the rest of the review period as petroleum sales to that market waned, the share of imports inched up and averaged 14.7%, mostly due to increased purchases of goods from Panama. The share of exports to China remained miniscule, however the share of imports from that country rose from 1.1% in 2010 to 10.8% in 2015 with increased purchases by commercial free zone businesses. Trade with the member states of the Caribbean Community (CARICOM) picked up too, as the export and import shares with CARICOM rose to an average of 5.8% and 2.7%, respectively, between 2010 and 2015.

## 2.5 Net Foreign Remittances & Other Inflows – The Diaspora

2.8. Against the backdrop of tepid growth in developing countries, remittance inflows grew at a modest annual average growth rate of 1.7% from 2010 to 2015 and reached US\$82.4 million in 2015. Remittance inflows as a share of GDP fell from 5.4% in 2010 to 4.4% in 2013, but has inched up since then to 4.8% in 2015, largely on account of the economic recovery in the United States. The United States remained the main source country for remittance flows to Belize and accounted for more than half of total inflows. Remittance outflows grew at a faster pace, however, with the United States being the major country of destination, followed by China and Central America, particularly Honduras, Guatemala and El Salvador.

## 3 KEY SECTORS

### 3.1 Agriculture

3.1. The Agriculture and Food Sector continues to be one of the main pillars of the Belizean economy. It contributes significantly to Gross Domestic Product (GDP) (13.06%), employment (17.9%)<sup>1</sup>, income generation, and food and nutrition security. In addition agriculture contributes to the macroeconomic growth of the country and its development as a major earner/saver of foreign exchange.<sup>2</sup> Moreover, it is a key contributor to solutions of the major national challenges which includes low economic growth, high debt to GDP ratio, and the high level of unemployment.<sup>3</sup>

3.2. Belize's primary agricultural outputs include citrus, banana, sugar, fruits, legumes, grains, vegetables, livestock and marine products. In 2015, the sector contributed US\$321.5 million to the economy of Belize. Overall the economic output of the agricultural sector is growing steadily. During 2000 to 2005 the contribution of agricultural outputs increased by 22%. For the following five years, from 2006 to 2010, outputs increased slightly by 7%, however from 2011 to 2015 output grew by 22%. Even though the agricultural sector is steadily growing it is constantly being threatened by disease and natural disasters. For the year 2016 for example, Hurricane Earl damages resulted in a total loss of approximately US\$38.35 million for the agricultural sector.

3.3. Sugar output for the period 2011 to 2015 increased by 32%. Production for the period of 2011 to 2013 increased by 21% and export income values increased by more than 100%. From 2014 to 2015 production decreased by 11% however world prices for the commodity were high and as a consequence income earned by the industry increased by 10%. On the upside, total sugarcane production will increase, as the Santander Sugar Mill commences operations in western Belize. As of May 2016, 165,146 long tons of sugar cane (3,600 hectares) were harvested and 6,311 tons of molasses were produced. For the year 2017 Santander intends to plant 5,100 hectares (12,750 acres). The 2017 estimated figures however may change due to the effects of hurricane Earl in August of 2016. The company suffered losses estimated at 50,000 tons in sugar cane production which equate to a total of US\$1 million in export losses. The sugar industry as of 2015 employs approximately 5,402 farmers, most of which are in the northern sugar belt; western Belize welcomed a huge investment in the sugar growing and manufacturing. The investment is expected to boost domestic exports of raw sugar and molasses, and also has potential to increase energy production from sugar waste. There are good prospects for more employment, export earnings and saving of foreign exchange from this source.

3.4. Banana output during the period of 2011 to 2015 increased by 27%. Production from 2008 to 2016 has increased by 20% and export income value by 31%. The Banana Industry for the past

<sup>1</sup> World Bank, 2011.

<sup>2</sup> Statistical Institute of Belize LFS, 2014.

<sup>3</sup> National Agricultural Food Policy, 2015-2030.

three years has been encountering several challenges with the exiting of a major farm from the industry and the prevalence of natural disasters including disease. The company, Meridian, which accounted for 12.9% of production, was closed in October 2016. In addition, during mid-2015-mid 2016, the Banana growers of Belize had to overcome the harsh dry conditions of El Niño, the flood conditions of La Niña, hurricane Earl in August 2016 and the negative impacts of the Black Sigatoka - banana disease. The economic effect of Hurricane Earl impacted negatively on banana's contribution to this year's agriculture GDP. It resulted in a value loss of US\$7.45 million, equivalent to a 17% reduction in the 2012-2015 average of US\$44 million per year. The banana industry as of 2015 employs approximately 2,399 people.

3.5. Citrus output during the period 2011 to 2015 increased 2 %. Exports during the period of 2011 to 2015 decreased by 29%. Citrus exports have been relatively unstable as the Huanglongbing (HLB or Citrus Greening) disease and the aged trees have caused a drastic reduction in fruit production. Even so the industry is responsible for 15% or more of the exported domestic income and by extension responsible for approximately 15% of the country's foreign exchange. The Citrus industry suffered a total loss of US\$5.2 million due to Hurricane Earl primarily from fruit drop. The citrus industry as of 2015 employs approximately 1,609 people. The industry has commenced the necessary task of replanting its orchards, and with the introduction of disease-resistant plants, with technical inputs from the Citrus Research and Education Institute (CREI).

3.6. The papaya industry experienced the lowest levels of production and export income during the year 2016. Export value contribution of papaya for the year 2011 was US\$13 million as compared to the 2016 export value of approximately US\$3 million. This was due to the fact that the largest domestic producer of papaya, reduced acreage under cultivation in the second half of the year. The company decided to cease operations in Belize in 2017

3.7. Other agricultural commodities that experienced a growth in output during the period of 2011 to 2015 were marine products (43%), fruits, grains, legumes, vegetables (7%) and livestock (22%).

## **3.2 Fisheries**

3.8. The Belize fishing industry is still characterized as small-scale but contributes significantly to the socio-economic well-being of the country, employing almost 2,500 fishers and benefitting approximately 15,000 Belizeans in 2015.

3.9. The Caribbean Spiny Lobster and Queen Conch continue to be the main export commodities generating BZ\$32.3 million in export earnings in 2015, which is an increase of 17.9% compared to 2014. Significant increases were observed in Spiny Lobster tail landings (536,863 lbs – an increase of 18.3% compared to 2015) and whole Spiny Lobster landings (306,447 lbs – an increase of 393% compared to 2014).

3.10. Recent results of field research on Queen Conch and Sea Cucumber stocks have helped Belize to develop and implement improved management strategies for these fisheries to ensure sound management and sustainable use. The full implementation of Managed Access Program and implementation of an Adaptive Management Framework (AMF) to all fishing areas in Belize is designed to address the need for assessment and management of data-limited fisheries. The expansion of marine protected areas to 21.7% of the territorial sea, coupled with a planned expansion of replenishment area (no-take zones) from 3.15% to 10% will undoubtedly place Belize in an advantageous position to better manage its fishery resources and contribute to the sustainable growth and development of the sector.

3.11. The national implementation of the Belize Electronic License and Permit System (BELAPS), will help to improve customer satisfaction through an easy and simple online application and granting of licenses and permits which aims to increase effectiveness and improve fisheries export data collection and monitoring.

3.12. Belize continues to identify ways to use its fishery resources in a sustainable manner and fight illegal and unreported fishing activities through continued development and implementation of adequate fisheries legislation. Training of enforcement personnel and continued cooperation

with collaborators and partners in co-management and compliance with sub-regional and regional fisheries is ongoing.

3.13. The aquaculture sector in Belize is primarily focused on shrimp farming, with small-scale tilapia production. For 2014, the contribution from shrimp aquaculture was US\$43 million. Overall, the fisheries sector, including capture fisheries and aquaculture, contributed to 4.7% GDP in 2014.

### 3.3 Manufacturing

#### 3.14. Sugar and Molasses

- a. Although sugarcane deliveries were down by 2.3% for the 2014/2015 crop year, output of sugar rose by 15.6% to 140,051 long tons, a record high that reflected a 15.3% improvement in the cane/sugar ratio. At 8.35, the latter was the lowest yet Production 34 recorded in Belize. The exceptional performance resulted from a 2.8% increase in factory time efficiency, adherence to delivery schedules that minimised the “kill-to-mill” time during which sugars deteriorate in the cut sugarcane, and the extended dry weather, which helped to concentrate the sucrose in the sugarcane and raised the average sugar content from the 11.82% recorded for the previous crop to 13.54%. Due to its inverse relationship with sugar output, molasses production fell by 12.3% to 37,567 long tons.
- b. Reflecting development and expansion of the sugar industry over the review period, it should be noted that cane sugar production was also boosted significantly by production from a new company – Santander – which commenced production of raw sugar and made its first export shipment in 2015. This new production has led to an increase in exports to the EU (Spain) where the raw sugar is to be refined. The production of molasses also increased with operation by the new company. In a related understanding, the new company will now be generating an additional volume of cane waste (bagasse) which it intends to convert to electricity for the national grid.

#### 3.15. Citrus Juices, Citrus Oil and Pulp

- a. Improvements in husbandry and factory efficiency boosted the average citrus juice out-turns by 5.1% to 6.4 ps per box of orange and by 6.5% to 4.3 ps per box of grapefruit. Consequently, even with the 1.0% slippage in fruit deliveries, citrus juice production rose by 3.0% to 28.5 million ps with output of grapefruit concentrate surging by 31.9% to 3.1 million ps, while orange concentrate edged up by 0.9% to 25.3 million ps. In contrast, juices produced not-from concentrates which accounted for only 0.5% of juice output, plummeted by 47.8% for the fourth consecutive year of decline. Production of pulp increased by 18.3%, but that of citrus oils was down by 9.5%.

#### 3.16. Other Manufactured Products

- a. The outturn was mixed for the rest of the manufacturing sector, as growth in soft drinks, beer, and fertilizer coincided with declines in flour and crude oil. Factory upgrade and expansion of capacity facilitated increases of 8.9% in soft drinks and 1.3% in beer, while heightened demand by bean and corn farmers, especially during the first half of the year, supported a 5.7% growth in fertilizer output. For a third consecutive year, domestic production of wheat flour declined. Among the reasons cited for the 5.8% decrease in 2015 were competition from lower-priced flour imported from Mexico through informal trade and increasing domestic consumption of corn substitutes.

#### 3.17. Petroleum

- a. Petroleum extraction declined by a further 17.9% to 527,741 barrels with output from the Spanish Lookout and Never Delay fields down by 17.6% and 82.2%, respectively. Operation at the Never Delay Field was limited to field testing that produced only 468 barrels in 2015. At the Spanish Lookout field, the daily average extraction rate fell by 18.7% to 1,445 barrels per day. After ten years of operation, cumulative production

from the field amounted to 10.1 million of the 18.0 million barrels of extractable reserves.

### 3.4 Services

3.18. Services contribution to overall growth and development in Belize is reflected through its 61.3% contribution to GDP in 2015. Over the past five years, tourism has seen a significant rise in its economic impact, representing over 38% of total GDP, employing approximately 25,000, providing for over US\$150 million in Investments, and enjoying annual growth rates in arrival of 6% and above. The Tourism and International Financial Service subsectors continue to be highly promoted and advanced. However, Financial Services have experienced challenges due to Corresponding Bank Relationships with U.S. Banks.

#### 3.19. Tourism and Travel

- a. Tourism is a key economic driver and contributor to Belize's growth and development. In 2015, total contribution of travel and tourism to GDP was 38.6% from which 14.7% accounts for direct contribution of travel and tourism to GDP. Proportionally, direct contribution of travel and tourism to employment was 13.1% of total employment. Overall, the total contribution of Travel and Tourism to employment was 34.8% of total employment in 2015 which is representative of the sector's significant indirect and induced impacts. In an effort to ensure a sustainable and profitable tourism sector, the Government has supported a value of US\$93.35 million in travel and tourism capital investment.
- b. Complimentary to the growth of Belize's tourism sector, according to UNWTTTC Travel & Tourism Economic Impact 2016 Belize Report, visitor export has exponentially increased since 2010 to arrive at peak of US\$396.45 million total exports in 2015. Furthermore, visitor export (or foreign visitor spending) continues to generate the greatest share of direct contribution to GDP while domestic travel spending generated 15.3% of direct travel and tourism GDP in 2015. Although it is projected that business travel spending should have grown in 2016, leisure travel spending accounted for 83.4% of travel and tourism direct contribution to GDP in 2015. More so, accounting for all subsectors of the Tourism industry, total annual tourism expenditure in 2015 peaked at US\$385.45 million. The economic contribution of Travel and Tourism sector is paramount to Belize's socio-economic development and prosperity.
- c. The Government has embarked on a series of efforts aimed at promoting the sustainable growth of the industry. In 2012, the Government of Belize launched its National Sustainable Tourism Master Plan (NSTMP) 2012-2030, which serves as a long-term strategic framework for sustainable development of Belize's tourism sector. As a result of the implementation of NSTMP, the Government has invested over US\$40 million in capital investments that have served to enhance the tourism product and services offered by Belize with the goal of ensuring tourism's contribution to national economic growth and giving full consideration for environmental and social developmental needs.
- d. Over the past five years, the overnight sector has experienced constant growth in tourist arrivals of which the US holds the greatest market share. This is as a direct effect of an increase in airlifts leading to a consistent growth in air passengers. International air arrivals peaked at a little over 255,000 passengers in 2015, boasting a 48% increase over 2010. Total overnight arrivals in 2015 were 341,126 visitors, representing an increase of 41% since 2010. In terms of Cruise Tourism, cruise arrivals have experienced a 25% increase since 2010, with 2015 reporting 957,975 cruise visitors to Belizean shores. As a result, overall the total growth over the last three years has maintained well above the regional growth numbers and above projections provided within the National Sustainable Tourism Master Plan. Continued growth is expected albeit at a more conservative rate, but within the national projection of a Compound Annual Growth Rate of 4% established in the National Sustainable Tourism Master Plan.
- e. In 2015-2016, Belize added three new airlines to the national number of airlifts namely, West Jet Airline Ltd, South West Airlines Co., and Copa Airlines. This allows Belize to

extend its marketing efforts more northward to Canada and further southward to South America to increase our number of tourist arrivals and meet slated targets set out in the NSTMP by 2030. Other accomplishments within the civil aviation sector over the past five years include expansion of regional flights to Guatemala, Honduras, and Mexico via a domestic airline. This development gives Belize a cutting edge as one of the countries that effectively connects the Munda Maya area. The government's due diligence in the opening discussions to establish Air Transport Agreements with Mexico, Panama, Guatemala as well as the proposal to establish Open Skies Agreements with Canada and USA has added to the competitiveness of the air travel market.

- f. The inauguration of the Sir Barry Bowen Municipal Airport in Belize City as the main domestic hub for air travel occurred on November 11th of 2016. This investment creates a viable financial opportunity to realign key areas that are support structures (facilities, services, concessions programs) through Public-Private Partnerships. Other areas of interest for the Belize Airport Authority are the development of key strategic aerodromes, namely the Basil Jones and Douglas D'Silva airstrip in Ambergris Caye and Mountain Pine Ridge respectively, to serve as added catalyst to development in both these critical tourism corridors for the Country. Future development for the domestic airport network and the diversification of services through potential airport development concession programs, provide a strategic path to develop and enhance the air connectivity services for the travel and trade sector.

### 3.20. Financial Services

- a. In 2016, the portion of Belize's financial system that is regulated by the Central Bank of Belize comprised of five domestic banks, five international (offshore) banks, and 12 credit unions (see Table 3.1). These three sectors represent the sources of formal credit in the Belizean economy.
- b. Traditionally, domestic banks hold the largest share of assets in the financial system, with credit unions offering similar services such as loans, checking accounts, and access to Automated Teller Machines (ATM) and other electronic services. International banks can only conduct banking transactions with non-residents, the Government of Belize (GOB), domestic banks, public corporations wholly-owned by GOB, export processing zone and commercial free zone companies. They are primarily engaged in traditional banking activities and, in recent years, have become significant intermediaries for the financing of non-resident investments into the tourism and real estate sectors of Belize.

**Table 3.1 Financial Institutions Regulated by Central Bank of Belize**

	No. of Institutions			Asset Size (BZ\$ million)			% of Total		
	Dec-14	Dec-15	Sept-16	Dec-14	Dec-15	Sept-16	Dec-14	Dec-15	Sept-16
<b>Depository Institutions</b>									
Domestic Banks	6	6	5	2,997	3,249	3,337	52.8	57.6	59.1
International Banks	5	5	5	1,573	1,204	1,065	27.7	21.4	18.9
Credit Unions	12	12	12	765	873	886	13.5	14.7	15.7

Source: Central Bank of Belize.

- c. Domestic banks assets grew by 8% in 2015 and 3% in first three quarters of 2016 (see Table 3.1). Despite a bank voluntarily exiting the market via divestment of its assets and deposit liabilities to another bank in early 2016, this sector of the financial system grew to account for 59% of total financial system assets in September 2016. Conversely, assets of the international banks contracted by 32.3% between December 2014 and September 2016 reflecting the impact of the de-risking phenomena imposed by foreign correspondent banks against Belize. Nevertheless, despite the fall in this sector's share of the system's assets from 27.7% in 2014 to 18.9% in September 2016, it represents the second largest share of assets in the Belizean financial system. At 1.5%, growth in credit unions' asset base slowed in the first nine months of 2016, after growing by 14.0% in 2015. Nonetheless, the asset share for the credit union sector rose to 15.7% of total financial system assets in September 2016.

- d. Since 2014, several measures were taken to strengthen the country's legal and regulatory architecture. These measures included several amendments to the Money Laundering and Terrorism (Prevention) Act, with a view to bringing Belize's legal framework further in line with international standards. The Central Bank recognizes the importance of minimizing reputational risks and other threats to the system that may arise from money laundering. As such, its anti-money laundering unit is staffed with Certified Anti Money Laundering Specialists and on-site AML examinations are undertaken using a Risk Based Approach (RBA) tool that was promoted by the IMF. A Memorandum of Understanding between the Central Bank and the Financial Intelligence Unit (FIU) was signed in July 2014. This allows for increased collaboration and the sharing of information between the Central Bank and the FIU.
- e. The Domestic Banks & Financial Institutions Act (DBFIA) which was revised in 2012 and came into effect in January 2013, introduced a number of new legislative arrangements. In particular, it reinforced improvement of the resolution structure by allowing for a Statutory Administrator with sufficient legal powers to undertake restructuring transactions and implement a mechanism for an orderly liquidation. In addition, the Central Bank drafted a detailed bank resolution policy in 2014, including a tool or framework for responding to a bank in distress. The latter contains a plan of action that allows for a distressed bank to remain fully or partly operational while an appropriate long-term solution to its failure is identified.
- f. The Central Bank also took decisive action to enhance the consolidated supervision of banks affiliated with institutions involved in cross-border activity so as to better contain and minimise the risk of contagion in banking. Assisted by Caribbean Regional Technical Assistance Centre, the Central Bank completed a consolidated supervision framework for Belize in April 2014 that is in line with global international standards, particularly the Basel Committee of Banking Supervision Core Principles for Effective Banking supervision. The framework is aimed at empowering the Central Bank to practice consolidated supervision in a manner that enables the effective monitoring of group risk, group capital adequacy, group governance and regulatory arbitrage.
- g. Given the significant negative ramifications of the global financial crisis and the CL Financial/CLICO affair at the regional level, the Central Bank has taken steps to prepare an appropriate contingency framework known as the "Financial System Management Plan for Banks and Financial Institutions" to aid in strengthening the resilience of the Belizean financial sector to unanticipated shocks.
- h. In response to the significant growth in adversely classified loans between June 2008 and November 2011, the Central Bank had issued revised circulars to all banking institutions mandating an improvement in loan classification procedures and requiring increases in the level of loan loss reserves. The revised circulars were implemented on 1 December 2011. Since the implementation of the new provisioning regime, Non-Performing Loans (NPL) ratio (net of specific loan loss provisions) in the domestic banking sector have reduced significantly from 15.68% to 2.69% at September 2016. Similar NPL reductions were experienced in the international banking sector as the NPL ratio decreased from 25.67% to 7.01%. Additionally, revised requirements for credit unions governing loan classification and provisioning were introduced in March 2013.
- i. In April 2015, the Central Bank introduced guidelines on Corporate Governance that were applicable to all banks and financial institutions (and the groups to which they belong) which carry on activities in Belize and are supervised by the Central Bank. This guideline aims to promote international best practice in corporate governance which encompasses the role of the Central Bank, the conduct and compensation of boards, risk management, senior management, internal controls, disclosure and transparency.

### 3.21. Health and Wellness

- a. This sector is quickly expanding in Belize as more Massage Therapists, Yoga Professionals and Dietitians become trained and offer a healthier way of life for Belizeans and visitors alike. The Belize Spa and Wellness Association (BS&WA) remains very active

in creating a brand for the industry and for Belize through its ongoing Standards Development. Recently, the Spa Product Development Initiative is assisting industry stakeholders with Quality Assurance Training and creating a unique spa product brand for Belize including techniques. As a member of the Caribbean Spa and Wellness Association (CSWA), this unique brand can be exported to CARICOM Member States as a Belizean product. The BS&WA continues to export its services as tourists visit our shores and take advantage of our various spa resorts and day spas around the country.

### 3.22. Medical Tourism

- a. Certification and Accreditation of medical institutions, practitioners and service providers remain a challenge because of the high cost involved to become certified or accredited in this very competitive industry. These are no doubt important components to moving this sector forward. Certification and accreditation in medical tourism sector would undoubtedly attract investments which would help to strengthen the industry. Currently, there are a select number of services available including dental and minor surgeries. The Belize Medical Tourism Association (BMTA) is actively working with stakeholders to formulate a strategy for the development and strengthening of the industry to be able to compete within the region.

### 3.23. Cultural Services

- a. In March, 2016, the Government of Belize launched its first National Culture Policy. This Policy provides a framework for safeguarding Belize's tangible heritage promoting cultural expression and creativity, developing culture and the creative industries and ensuring the sustainable management of Belize's cultural resources.
- b. This Policy recognizes that Belize's tourism product is nature and culture based and that investments in culture (Mayan archeological sites and cave systems as well as in the performing arts) contribute to sustainable social and economic development.
- c. The Ministry with responsibility for Culture and the National Institute of Culture and History worked closely with the Ministry of Trade and Investment to activate Protocol III of the European Union Economic Partnership Agreement (EPA) and to establish a Services Sector sub-committee of the Trade Technical Team (TTT).
- d. Priorities for implementation under the EPA and other Regional (CARICOM and SICA) as well as Bi-lateral Agreements include:
  - facilitating the free movement of registered culture service providers within CARICOM and into the EU;
  - enhancing the quality of Belize's culture products (archeological sites and cave systems, heritage buildings, arts and craft, the performing arts) for tourism development and export readiness;
  - conducting research to determine the contribution of culture and creative industries to the national economy;
  - creating enabling conditions for the development of Private Public Partnerships for the effective and viable development, marketing and distribution of cultural goods and services within Belize and internationally;
  - promoting culture-based small businesses particularly among women and youth;
  - developing a calendar of major local fairs and festivals to enhance the promotion of local cultural products;
  - Ensuring the development and passage of a Culture Heritage Legislation and laws for the film industry, amend the NICH Act and ensure that the new Intellectual Property Rights legislation supports the culture industry.
- e. These priorities will be implemented with technical and financial support from the Government of Belize as well as through investments from the private sector and

international partners, in particular the European Union through the European Development Fund (EDF) facility. In this regard, two major projects, "Sustainable Tourism Project II" and the "House of Culture and Downtown Rejuvenation Project" are providing significant investment in culture development in Belize. The Ministry of Tourism manages these two Projects in collaboration with the Ministry of Education, Youth, Sports and Culture and other stakeholders.

### 3.24. Professional Services

- a. This sector continues to expand rapidly and work continues on amendment to existing legislation, standards development, training and regulation of these services. Roadmaps have been developed for priority services to promote and increase exports in the services sector. Improving the regulatory framework for movement of professionals continues to be a priority for the Government of Belize.

### 3.25. Belize Coalition of Services Providers

- a. The Belize Coalition of Service Providers (BCSP) officially opened its offices in May 2013 under a grant from the Caribbean Development Bank (CDB) and acts as the umbrella organization for lobbying on behalf of the services sector associations. The BCSP works in partnerships with Belize Trade and Investment Development Services (BELTRAIDE) and the Belize Chamber of Commerce and Industry (BCCI) in identifying investment opportunities, networking and training on behalf of its members. The BCSP in collaboration with the Caribbean Network of Services Coalitions (CNSC) continues to build capacity within its membership to promote the export of services regionally and internationally. The BCSP was established under the auspices of the Directorate General for Foreign Trade (DGFT), which facilitated its establishment as part of a regional initiative to boost supply capacity for export of services.

## **4 SANITARY AND PHYTOSANITARY MEASURES AND TECHNICAL BARRIERS TO TRADE**

### **4.1 Sanitary and Phytosanitary Measures**

4.1. The Government of Belize takes its commitments under the the WTO Agreement on Application of Sanitary and Phytosanitary (SPS) Measures very seriously and to that effect continues to take initiatives to strengthen its SPS capacity. A loan agreement was signed in 2010 with the Inter-American Development Bank (IDB) to strengthen the capacity of the Belize Agricultural Health Authority (BAHA), the competent authority for SPS matters in agricultural health and food safety.

4.2. The project was implemented during the period 2011-2015, and had several significant outputs. All five laboratories under BAHA were improved: two in the Animal Health Department of which one is for veterinary diagnostics and another specifically for diagnosis of animal diseases using Polymerase Chain Reaction; the laboratory in the Plant Health Department for pest diagnosis (all plant pest); and the Food Laboratory in the Food Safety Department with capacity for both microbiological (Food Microbiology Laboratory) and chemical (residues) analysis in food (the Chemistry Laboratory). In collaboration with other regional and international initiatives programmes were also implemented to work toward the laboratories attaining ISO 17025 accreditation by 2017.

4.3. Under the IDB Project, quarantine stations were established in an effort to reduce pest incursions through unofficial points of entry along Belize's borders. Also, with the acquisition of surveillance and other equipment, and training of technical staff in respective areas of competence, BAHA's quarantine capacity has been enhanced.

4.4. BAHA conducted a number of educational campaigns to sensitize the general public on its roles and functions. To strengthen BAHA's public/private dialogue, a customer service survey was also launched with the objective of this feeding directly into a communication strategy for the organization.

4.5. Three additional outputs of the IDB Project included a five years strategic plan (2016-2020) for BAHA, a Monitoring and Evaluation plan for the implementation of the strategic plan and a Communications Strategy. Additional initiatives are still on stream through technical cooperation programmes and initiatives.

## **4.2 Technical Barriers to Trade**

4.6. In 2015, the Belize Bureau of Standards (BBS) finalized and commenced the implementation of Belize's first National Standardization Programme (NSP), 2015-2020 using the International Organization for Standardization's (ISO) methodology for setting national standardization priorities. The programme focused on key economic sectors for the development of a five (5) year standards development plan which includes: contribution to Gross Domestic Product (GDP) and/or volume of trade, contribution to national export earnings, assessment of important non-economic priorities, national development policies, strategies and action plans for key sectors, and contribution of stakeholders. A total of 110 work items (standards) were identified across priority sectors such as Tourism, Agriculture, Manufacturing, among others. To date, the Bureau is approximately 12.0% into the implementation of the programme which has led to the establishment of new technical committees (TCs) in order to meet the expected target. With this development, the Bureau anticipates that it will serve as a trigger to meet its wider obligations as prescribed under Annex 3: Code of Good Practice for the Preparation and Application of Standards of the TBT Agreement.

4.7. Over the last five (5) years BBS has, through national and regional initiatives been arduously working towards elevating its institutional capacity to meet regional and international trade obligations. At the national level the Bureau, with funds from the European Union, has recently constructed a state of the art facility to meet the country's metrological needs for traceable measurements in various basic quantities (mass, volume, temperature, length and pressure). Despite the significant advances in Metrology, the Bureau embarked on a more holistic approach to accelerate the development of all pillars of a functional National Quality Infrastructure, such as Standardization and Conformity Assessment. This it pursued through a successful grant from the Caribbean Development Bank which is aimed at Enhancing the National Quality Infrastructure of Belize.

4.8. These national and regional initiatives will place the Bureau among key institutions in meeting the GOB's development policy and programmes. At the same time, it will allow Belize to actively and effectively participate in regional and international multilateral trading system through institutions that remain ever so cognizant of the need to meet trade obligations within this framework.

## **5 INVESTMENT**

### **5.1 The Investment Climate**

5.1. Belize recognizes the importance of investment oriented national policies that help to create employment, that generate business incomes and foreign exchange earnings through continual efforts to attain value addition, and facilitate technological transfers towards ensuring export diversification and economic growth. Key public goods and services remains a substantial portion of the investments made by the public sector. Given Belize's high level of debt servicing burden much of the Government's capacity to inject financial resources into the economy to enhance the investment climate has been limited in the period under review.

5.2. The Government of Belize's efforts to promote private investments continue to target Foreign Direct Investment (FDI) as well as facilitating domestic investments. These investments are reflected in the performance of the goods sectors mainly in aquaculture (Tilapia, shrimp and cobia), grains (mainly corn, rice and beans), livestock (poultry, pork and beef), traditional export commodities (sugar, bananas and citrus) and non-traditional exports (cacao beans and chocolate, rums, coffee beans). New investments in petroleum exploration did not result in viable commercial finds during the period under review.

5.3. Global downturn contributed substantially to attractiveness of the macroeconomic climate, and thereby impacted the level of FDI negatively. However the services sector continues to attract

new investments, consistent with the new reality that the contribution of services to the country's GDP and foreign exchange earnings now far exceeds that of the traditional merchandise exports. Not surprisingly, most new investments were directed at the tourism sector, in particular tourist accommodation and entertainment and supporting amenities and ventures.

5.4. The country investment strategy with augmented emphasis encompassing the expansion of Micro, Small, and Medium Enterprises (MSMEs) to achieve continued growth of its established and traditional sectors is currently in place. It is now aligned with the regional MSME strategy that was approved at the 43rd Meeting of the CARICOM Council for Trade and Economic Development (COTED).

5.5. Belize recognises that investments should be directed to areas where there is competitive and comparative advantages and where potential for growth is strong. Such priority areas for investment have been identified in: Tourism (Mayan ruins/sites, sports tourism, and education tourism) and Medical Tourism, Agribusiness (non-traditional agriculture and aquaculture), environmental goods and services (light manufacturing of wood products; bio-fuels, sustainable energy generation), and ICTs (Offshore Outsourcing, inclusive of Business Process Outsourcing (BPO), Informational Technology Outsourcing (ITO), and Knowledge Process Outsourcing (KPO)).

## **5.2 Belize Investment Programmes: EPZ, CFZ, and FI**

5.6. The three incentive programs grant combinations of duty and tax concessions via the Fiscal Incentive Act, the Export Processing Zone Act and the Commercial Free Zones Act. These programmes have, as their ultimate objective, promoting investment to increase production of non-traditional crops and value-added products, to improve the manufacturing and processing activities and to create employment for Belizeans. These programmes have contributed substantially to the economic growth of the country and are partly responsible for successful development of a more diverse export service sector.

5.7. Some adjustments in the incentives programs currently in place are necessary to ensure that they are consistent with World Trade Organization (WTO) agreements, and in particular the Agreement on Subsidies and Countervailing Measures (ASCM). This will include adjustments to criteria for approval and the incentives in the Export Processing Zones (EPZs), Free Zones (FZs) and Fiscal Incentive programmes. The Ministry with responsibility for Trade and Investment will lead efforts to establish new criteria that are WTO compliant.

5.8. The Ministry of Finance and the Ministry responsible for Investment, Trade and Commerce (MITC) are in the process of preparing a comprehensive review of the tax incentive regime, and the range of non-tax incentives that are currently available or that can be enhanced. These may include incentives related to access to financing, technical assistance and training. The result of this exercise will maximise on Government's revenue generating potential while maintaining a tax system that is equitable and a regulatory regime that encourages productive investment by the private sector.

5.9. The National Sustainable Tourism Master Plan, the Economic Partnership Agreement (EPA) Implementation Plan which have been approved and the National Export Strategy (NES) which is to be approved, are integral elements of the Growth and Sustainable Development Strategy (GSDS). The GSDS proposes to strategically prioritize sectors for development, improve access to development finance, make existing markets more efficient and penetrate new markets among other objectives. This will involve promoting investment in agriculture, local manufacturing, agro-processing and other productive activities with tax and incentives policies.

5.10. Between 2010 and 2016, the services sector continued strong growth while agriculture has remained steady even in the face of erosion of preferences in European markets for the traditional exports of sugar and banana. Citrus, papayas and shrimp have done well but, of recent, major challenges with production have occurred in these industries. However, there has been growth in the exportation of corn, beans, and live cattle and there is room for incentivising these new high growth industries to maximize on the potential.

5.11. The services sector continues to be the sector that has attracted the majority of the foreign direct investment with several flagship tourism brands calling on or establishing in Belize over the

past five years. Investments have included high-end resorts as well as tour operations and a new cruise port, most of which benefited from investment attraction and incentivization. The Business Process Outsourcing Sector has also shown steady growth over the past four years. There are currently 23 call centres which employ 2,500 agents. Of these 23 businesses, the larger which number 9 are EPZ beneficiaries.

5.12. Belize has upheld its commitment to complying with the WTO Agreement on Subsidies and Countervailing Measures (ASCM). Work towards this goal has been systematic with the formation of a Working Group and the entrance of a consultant expert on WTO issues. Data from the study of Belize's three incentive programmes has shown that where the local comparative advantage is utilized, Belize is a competitive producer. Higher levels of subsidization were noted when raw materials are not sourced locally.

5.13. The three incentive programs remain related to the granting of combinations of duty and tax concessions. These programmes have as their ultimate objective: the promotion of investment to increase production of non-traditional crops and value-added products, the improvement of manufacturing and processing activities; and generation of employment for Belizeans. These programmes have contributed substantially to the economic growth of the country and are partly responsible for successful development of the service sector.

5.14. Refinements in the Fiscal Incentive Act have given additional attention to the streamlining of the process of granting an incentive taking consideration of the difficulties faced by SMEs and the need for integration of novel business ideas into the traditional supply chain. The EPZ act is being repealed and replaced and Free Zones Act will be amended – both to comply with the ASCM.

## **6 TRADE POLICY FORMULATION**

### **6.1 Multilateral Dimension: Belize's Approach to general compliance with WTO Obligations**

6.1. Belize continues to be constrained by not having a presence in Geneva, resulting in reactive positions on the rules making process aspect of the WTO and in the trade liberalization negotiations. Currently, the Belize Mission in Brussels is accredited to the WTO. Primary responsibility for implementation of WTO rules rests with the Ministry of Trade, mostly through the DGFT as the WTO Focal Point for implementation matters; the DGFT is also responsible for implementation of Community trade policy under the RTC. The DGFT works in close collaboration with other departments within the ministry, including the Investment Policy and Compliance Unit (IPCU) and the Belize Bureau of Standards (BBS). The IPCU is the national Inquiry Point for matters relating to Investment and implementation of the Agreement on Subsidies and Countervailing Measures (ASCM), while the BBS is responsible as Inquiry Point to the WTO under the Agreement on Standards and Technical Regulations. Other agencies notified as Focal Points in relation to specific WTO agreements include: the Ministry of Agriculture (Agreement on Agriculture); the Customs and Excise Department (Agreement on Rules of Origin); and the Belize Agricultural Health Authority (BAHA) under the Agreement on the Application of Sanitary and Phyto-Sanitary Measures. The mechanism for interaction between the DGFT and public agencies is the inter-ministerial Trade Technical Team (TTT) and the Trade Negotiating Team (TNT). The DGFT functions as Secretariat to both bodies and provide guidance and advice on all trade related matters.

6.2. Belize had participated in the GATT-Uruguay Round of multilateral trade negotiations as a small developing country with ties to the regional economic integration initiative of the Commonwealth Caribbean states, and became a founding member of the World Trade Organization in 1995. Under the Uruguay Round commitments Belize made commitments in the three core areas, i.e. trade in goods, trade in services and the protection of intellectual property rights. Belize is bound under the WTO Agreement to observe the elements of multilateral trade policy, and this obligation is addressed from both an individual country perspective and from a regional perspective in light of the regional integration commitments under the Revised Treaty of Chaguaramas (RTC) including the Community Trade Policy. It is to be noted that member states of the Caribbean Community (CARICOM) participated in the negotiations and undertook commitments as individuals rather than CARICOM as a single group.

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## **6.2 The Regional Dimension: The Revised Treaty of Chaguaramas including the CSME, and Related Decisions of the COTED and Conference of Heads of Government**

6.3. At the regional level, Belize has been participating in the ongoing regional economic integration process of the Commonwealth Caribbean countries. The integration process was boosted by the Declaration of Grand Anse, made by the Conference of Heads of Government in Grenada in 1989, to establish a CARICOM Single Market and Economy (CSME). The Conference appointed an Independent West Indian Commission with a mandate to examine the concept of a single market and economy as it would pertain to the Caribbean. The Commission recommended that the Community should seek to both broaden and deepen the regional integration process, with the deepening focused on establishment and operation of the CSME. The region then launched its process of reaching CSME-readiness at all levels, and the regional focus shifted to establishment of the legal and institutional framework through a revision of the Treaty of Chaguaramas. The result was the Revised Treaty of Chaguaramas (RTC) including the CARICOM Single Market and Economy (2001).

6.4. The RTC provides for a comprehensive trade policy (Chapter 5) to be applied within an expanded economic space, and for a coordinated approach to relations with third countries and groups of countries. The move to this new level of integration took effect on 1st January 2006 when the CARICOM Single Market (CSM) was officially entered into force. A ten-year moratorium was placed on the effective date of entry into force of the CARICOM Single Economy, which should complete the integration process in an environment wherein no sovereign power would have been ceded to a regional authority. The CSM is currently comprised of five free-movement regimes including the free movement of goods and services. Belize remains committed under the RTC which was incorporated into national law under the Caribbean Community Act 2004. The effective liberalization of the domestic market to other CARICOM nationals was also legally established under the Free Movement of Factors Act 2004. Perhaps not unfortunately, the Single Economy timeline of 2016 has passed without either movement or fanfare.

## **6.3 The National Dimension of Trade Policy: Belize's Trade Policy Framework**

6.5. Since the last TPR Belize has taken some important strides towards the consolidation of its legal regime, and its attendant administrative practices and procedures, into a coherent and unified national trade policy framework to be used as the foundation for defining and consolidating in law a legitimate national trade policy for Belize in conformity with requirements of the CSME trade policy established mainly under the provisions of Chapter 5 of the RTC. A basic understanding is that the Community Trade Policy is automatically Belize's national trade policy, as the RTC is already empowered under national law through the Caribbean Community Act of 2004. The definition of an individual trade policy must therefore seek to address national requirements in a context of regional and multilateral rules of trade and economic integration.

6.6. In seeking to establish a national trade policy for Belize, assistance was secured from the European Union through the EDF facility in 2014 leading to the initial draft and extensive review and finalization of the Belize's first Trade Policy Framework (TPF) by the DGFT. The Cabinet-approved TPF Belize was instrumental in securing technical assistance from the Commonwealth Secretariat under its Enhancing Trade Capacity Development in ACP Programme (Hub & Spokes II). The Trade Adviser provided to the DGFT is engaged in the crafting of a national trade policy for Belize, based on the TPF, as one of the major deliverables.

6.7. The National Trade Policy Framework provides the impetus for the formulation of a comprehensive National Trade Policy. The Framework guides both the Government and the private sector in identifying policy needs to support policy development and accountability. The framework will be achieved under three guiding principles: promoting competitiveness for the productive sector, special and differential treatment, and support for regionalism. These principles are underpinned by four pillars: Institutional Capacity, Supply Capacity, Market Access and Trade Facilitation. These pillars will be implemented through ten defined policy commitments, thirty policy instruments, and seventy-three specific government actions. The TPF is intended to stimulate and grow Belize's trade domestically and internationally.

## **6.4 Competition Policy**

6.8. Belize currently has no established legislative framework for competition. However, it has legal obligations to establish competition infrastructure under the RTC (Chapter 8) and under the CARIFORUM-EU Economic Partnership Agreement (EPA). In addition, Belize's prospects for attracting investment both domestically and internationally would be enhanced with the establishment of a competition law framework.

6.9. Under the CSME and Integration Financing Agreement signed between the CARICOM Secretariat and the European Commission, Belize was allocated funding to develop and enforce an effective national fair competition regime consistent with its treaty obligations through the Belize Competition Project (BCP).

6.10. The BCP, under Programme Estimate 2 (PE2), focuses on the actions that will contribute to the establishment of a national competition law framework. Two studies of Belize's prevailing market and market regulatory environment were commissioned under PE2 - Economic Mapping Study and a Legal Inventory study/Legal Mapping- have been completed and serve as the foundation for a regulatory impact assessment. The Economic Mapping study informs as to the type of rules defined under competition law while the Legal mapping study assesses whether Belize's current laws and policies act as regulatory barriers, preventing the realization of more competitive market structures. Secondly, they are in line with the RTC mandate to review all laws to ensure they are consistent with competition law and policy. The findings regarding the impact of competition law and policy in Belize are guided by these studies. A draft national competition policy and draft competition legislation have been developed, and a legislative consultation process was completed in January 2017. The stage is now being set for the legislative process to be completed, after which the focus will shift to the institutional requirements – the establishment of a national competition authority of Belize.

## **7 TRADE RELATIONS**

### **7.1 World Trade Organization**

7.1. Belize continues to be constrained with respect to not having a presence in Geneva, resulting in a reactive position on the rules making process of the WTO and in the trade liberalization negotiations. Currently, the Belize Mission in Brussels is accredited to the WTO but is constrained by the need to handle matters from Brussels as Belize has no office in Geneva.

7.2. Belize recognizes the urgent need to address compliance issues identified in the WTO Secretariat report, and commits to work assiduously towards rectifying outstanding non-compliance in the areas of taxes and tariffs.

### **7.2 U.S.-Belize Trade Relations under the Caribbean Basin Initiative**

7.3. Belize imports a significant quantity of goods from the USA which is also the second largest market for its merchandise exports after Mexico. There is no trade agreement between Belize (or CARICOM) and the USA. However, Belize and other countries in the Caribbean continue to benefit from preferential market access for goods into the U.S. market under the Caribbean Basin Initiative (CBI). The CBI did not cover a few high value goods including jewellery, watches, etc. nor did it cover trade in textile and clothing products, which were not yet under the WTO but was governed by the Multi-Fibre Arrangement (MFA) for eventual transition to the WTO. Shortly after the MFA expired and textiles and clothing came under the umbrella of the WTO, the USA immediately took action to expand market access to the Caribbean under the Caribbean Basin Trade Partnership Act (CBTPA). This expansion was mostly in clothing and textile products and unfortunately did not provide any new export opportunities for Belize which had already lost its clothing industry to more attractive investment locations including the Mexican "maquiladora" on the U.S.-Mexico border. However, the CBI-CBTPA still remains the most important preferential trade arrangement from which Belize continues to benefit in its export merchandise trade. The main exports are in agricultural commodities including cane sugar, citrus concentrates.

7.4. Most Caribbean beneficiaries under the CBI-CBTPA have locked-in these preferences by negotiating trade agreements with the USA. The most significant was the U.S.-Central America

Free Trade Agreement (USCAFTA) which liberalized trade between the USA and Central American countries other than Belize – the Dominican Republic subsequently signed onto the FTA making it the U.S.-CA-DR FTA. However, the CARICOM group of beneficiaries continue to enjoy the trade preferences but without long-term security. The trade preferences can be withdrawn at any time from any beneficiary by a unilateral decision of the USA. Also relevant is that the CBI-CBTPA is dependent on a WTO waiver without which the USA cannot legally operate the regime. This regime is similar to the unilateral country programme of Canada - the CARIBCAN - which has provided market access concessions to countries of the Commonwealth Caribbean and which is also subject to a WTO waiver. It was in an attempt to lock-in CARIBCAN trade preferences that CARICOM actually launched negotiations with Canada for a Trade and Development Agreement. The negotiations have unfortunately not been concluded after almost one decade and were finally suspended in 2014. Unlike Canada the USA has not indicated any interest in a trade agreement with CARICOM. However there is engagement through a CARICOM-USA Trade and Investment Council (TIC) which remains active. The TIC meets on a regular basis.

### **7.3 Regional Integration and implementation of the CARICOM Single Market and Economy**

7.5. At the regional level, Belize has been participating in the ongoing regional economic integration process of the Commonwealth Caribbean countries. In 2001, the treaty-revision process was completed and the Revised Treaty of Chaguaramas published in 2001. After an extended period dedicated to "CSME-readiness", The CARICOM Single Market (CSM) took was finally entered into force on 1<sup>st</sup> January 2006 - and the Single Economy component was deferred to 2016. Belize was one of the first signatories to that first phase of the CARICOM Single Market and Economy (CSME) The revised legal and institutional framework of the CSME provided 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 to some extent. Since the last review, the region has been engaged in the implementation of a number of harmonized administrative online systems such as, Online Companies Registry, Single Jurisdiction Policy, CSME Application Processing System for the Free Movement of Skills Regime.

7.6. The CSME initiative includes an on-going process of "establishment" (of organs and functional institutions, etc.) and the element of "operation" – i.e. the operation of those elements already in place. Belize continues to be negatively affected by the extent of its geographic separation from the other member states and near-absence of all modes of transportation. Work continues on the establishment of two key institutional arrangements – the establishment of a national authority with responsibility for competition, and completion of a national accreditation authority. Belize continues to participate actively in the establishment and implementation of the CSME.

### **7.4 CARICOM Bi-Laterals**

7.7. The CARICOM has negotiated and signed a number of trade agreements with countries in the region, all reflecting the internal policy of special and differential treatment to the Less Developed Countries (LDCs) who are not required to grant market access concessions to any party with whom CARICOM signs a trade agreement – only the More Developed Countries (MDCs) grant such concessions. The existing Agreements are:

- The CARICOM-Venezuela Trade & Investment Agreement - October 1992.
- The CARICOM-Colombia Agreement on Trade, Economic and Technical Cooperation - July 1994.
- The CARICOM-Cuba Agreement on Trade and Economic Cooperation 5<sup>th</sup> July 2000.
- The CARICOM Dominican Republic Free Trade Agreement - December 2001.
- The CARICOM-Costa Rica Free Trade Agreement March 9<sup>th</sup>, 2004.

7.8. The administrative bodies under the CARICOM-DR and CARICOM-Cuba agreements have been recently activated with the objective of expanding the scope of product coverage.

## 7.5 Economic Partnership Agreement

7.9. Belize as a part of CARIFORUM signed the CARIFORUM-EU Economic Partnership Agreement (EPA) in 2008. Belize ratified the agreement in late 2011 and has been progressively implementing its liberalization commitments under the agreement.

7.10. Belize benefited from the British-financed Caribbean Aid for Trade Regional Integration Trust Fund (CARTFUND). The project was aimed at enhancing the capacity of the DGFT to promote and implement the CSME and the EPA. The project saw the development of a national EPA Implementation Plan and a legal review of existing legislation. The National Implementation Plan, upon validation by the stakeholders, was approved by the Cabinet in 2014. The legal review identified legislation gaps and resulted in draft legislations in the areas of consumer protection, metrology, and geographical indication – however, these still await passage into law. EPA National Implementation Unit was established in the DGFT in March 2015 to lead in executing the implementation plan.

7.11. The Objectives of the national EPA Implementation Unit are to:

- Communicate and disseminate the Contents of the Agreement;
- Assist line ministries in developing the required institutional capacities for implementation of the Agreement;
- Review existing policies, legislation and regulations for consistency with Treaty obligations under the RTC;
- Assist the public and private sector to develop capacity to reap the economic and trade benefits of the agreement;
- Provide advice to the Government of Belize on EPA implementation at the Regional and National Level and to advise on constraints impacting the progress of implementation;
- Assist in coordination and monitoring the impact of the Agreement.

## 7.6 Belize-Guatemala Partial Scope Agreement

7.12. Belize and Guatemala signed a Partial Scope Agreement in 2006; Belize ratified in 2009 and Guatemala in 2010. Eight years later in 2014, Belize hosted the first meeting of the Administrative Commission established under the agreement and subsequently the second meeting in 2015. In both these meetings, Belize and Guatemala activated subject specific committees established under the agreement in areas of SPS, TBT, Customs Procedures of Rules of Origin and Land Transportation and an additional committee was formed for Market Access. The Commission has mandated the Market Access Technical Group to pursue these negotiations and report to the Technical Coordinating Group, which will then transmit the results to the Commission for final vetting and decision.

## 8 CONCLUSION

8.1. Belize has sought to put the necessary strategic policies in place that would assist in modernizing its economy. This Trade Policy Review has occurred at an opportune time, where the results would be used as benchmarks to be leveraged within the development of the national trade policy, with the intention of bridging the compliance gap. Considerable challenges emerging from the financial services sector in relation to its correspondent banking relationships, low resilience to the adverse effects of climate change and vulnerability to external trade factors affecting the productive sector need to be overcome. Belize will have to work closely with its regional partners in CARICOM, the Americas, Europe and the wider donor and trade development community to be able to find solutions to the many impediments to trade growth and expansion.

8.2. As a result of global economic downturn, Belize's economic expansion decreased but its economy remained resilient over the review period. According to the Central Bank of Belize, the economy expanded by 16.8% from 2010 – 2015 reflecting a modest average annual growth of 2.60%. However, the medium term outlook is challenging and growth is projected to be 1.6% for the period 2016-2021, below the average of the past five years. According the Central Bank of

Belize, the Government's fiscal policy initiatives seek to balance the need for fiscal consolidation and the equally important consideration of maintaining the stability of the economy. The government has calibrated its program to ensure that the policy package does not push the economy into a recession. Additional key structural initiatives enshrined in its national sustainable development, and trade and investment strategies that would drive the economy, including restoration of exports, attraction of Foreign Direct Investments (FDI), improvement of industrial policies, enhancement of market efficiencies, enhanced infrastructure, and the increased investments in human capital are underway. Belize remains committed to the principles of the multilateral trading system and continues to strive for trade and economic development within the context of an increasingly globalizing world.

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