



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

OECS-WTO MEMBERS

This report, prepared for the third Trade Policy Review of OECS-WTO Members, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from OECS-WTO Members on its trade policies and practices.

Any technical questions arising from this report may be addressed to Angelo Silvy (tel: 022 739 5249), Usman Ali Khilji (tel: 022 739 6936), Rosen Marinov (tel: 022 739 6391), and Nelnan Koumtingue (tel: 022 739 6252).

Document WT/TPR/G/299 contains the policy statement submitted by OECS-WTO Members.

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 OECS-WTO Members. This report was drafted in English.

CONTENTS

SUMMARY	5
1 ECONOMIC ENVIRONMENT	10
1.1 Real Economy	10
1.2 Monetary and exchange policy.....	12
1.2.1 Fiscal policy	13
1.2.2 Balance of payments	14
1.3 Trade flows.....	15
2 TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES	18
2.1 General Constitutional and Legal Framework	18
2.2 Development and Administration of Trade Policy	18
2.3 Trade Agreements and Arrangements International Relations.....	19
2.3.1 WTO	19
2.3.2 Foreign investment regime.....	21
2.3.3 Regional agreements.....	22
2.3.3.1 OECS	22
2.3.3.1.1 Overview	22
2.3.3.1.2 OECS Economic Union.....	22
2.3.3.1.3 OECS institutions	24
2.3.3.2 CARICOM.....	24
2.3.3.3 CARIFORUM-EU Economic Partnership Agreement (EPA)	27
2.3.3.4 Bilateral agreements	32
2.3.3.4.1 CARICOM-Colombia	32
2.3.3.4.2 CARICOM-Costa Rica	32
2.3.3.4.3 CARICOM-Cuba	32
2.3.3.4.4 CARICOM-Dominican Republic Free Trade Agreement	33
2.3.3.4.5 CARICOM-Venezuela.....	33
2.3.3.5 Non-reciprocal agreements.....	33
3 TRADE POLICIES AND PRACTICES BY MEASURE.....	35
3.1 Measures Directly Affecting Imports	35
3.1.1 Procedures, customs valuation and rules of origin.....	35
3.1.2 Tariffs	35
3.1.2.1 Structure	35
3.1.2.2 Tariff bindings	35
3.1.2.3 MFN applied tariff.....	36
3.1.3 Tariff and tax concessions	38
3.1.4 Tariff preferences	38
3.1.5 Other charges affecting imports	38
3.1.6 Import prohibitions, restrictions and licensing	39
3.1.7 Contingency measures	39

3.1.8	Technical regulations and standards	40
3.1.9	Sanitary and phytosanitary measures	41
3.2	Measures Directly Affecting Exports.....	42
3.2.1	Export procedures, export prohibitions and export taxes.....	42
3.2.2	Export subsidies, financing support, and promotion	42
3.3	Measures Affecting Production and Trade	43
3.3.1	Incentives	43
3.3.2	Competition policy and price controls.....	43
3.3.3	State-owned enterprises and marketing boards.....	43
3.3.4	Government procurement	45
3.3.5	Intellectual property rights.....	45
4	TRADE POLICIES BY SECTOR.....	47
4.1	Agriculture	47
4.2	Manufacturing.....	47
4.3	Services	48
4.3.1	GATS commitments	48
4.3.2	Telecommunications.....	49
4.3.3	Banking, finance, and insurance.....	53
4.3.3.1	Overview	53
4.3.3.2	Banking.....	54
4.3.3.2.1	Onshore banking.....	54
4.3.3.2.2	Offshore banking.....	55
4.3.3.3	Insurance	56
4.3.3.4	Securities	57
4.3.4	Transport	58
4.3.4.1	Air transport.....	58
4.3.4.2	Maritime transport	59
4.3.5	Tourism.....	59
4.3.6	Professional services	60
4.3.7	Other offshore services.....	61
	REFERENCES	62
	ANNEX 1: ANTIGUA AND BARBUDA.....	63
	ANNEX 2: DOMINICA.....	114
	ANNEX 3: GRENADA	163
	ANNEX 4: SAINT KITTS AND NEVIS.....	224
	ANNEX 5: SAINT LUCIA	293
	ANNEX 6: SAINT VINCENT AND THE GRENADINES.....	337

CHARTS

Chart 1.1 OECS-WTO Members' merchandise trade by SITC section, 2007 and 2012	16
Chart 1.2 Total exports of OECS-WTO Members by selected partners, latest available year	17
Chart 1.3 Total imports of OECS-WTO Members by selected partners, latest available year	17

TABLES

Table 1.1 OECS GDP, 2007-13	10
Table 1.2 Central government fiscal accounts, 2007-12	13
Table 1.3 Balance of payments, 2007-13	14
Table 2.1 Main areas where legal or regulatory amendments are needed to comply with WTO provisions	19
Table 2.2 Notifications to the WTO, January 2007 to February 2014	20
Table 2.3 Summary analysis of EPA preferential tariffs scheduled for imports from the EU, 2013.	30
Table 3.1 OECS summary tariff analysis, 2013	36
Table 3.2 OECS WTO Members' standards bureaux	40
Table 3.3 Marketing boards or similar arrangements in place over 2007-13	44
Table 3.4 Intellectual property rights legislation enacted since the Uruguay Round	45
Table 4.1 Sectors in which GATS specific commitments were made	48
Table 4.2 Key telecommunications service indicators in the ECTEL Member States, 2008-13	50
Table 4.3 OECS ECTEL members, status of approved regulations	51
Table 4.4 Telecoms operators in the ECTEL area	53
Table 4.5 Institutions licensed under the Banking Act in the OECS Members, 2013	55
Table 4.6 Other financial institutions in the OECS-WTO Members	56

BOXES

Box 1.1 The collapse of CL Financial Group, CLICO and BAICO	11
-------------------------------------------------------------------	----

SUMMARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 ECONOMIC ENVIRONMENT

1.1 Real Economy

1.1. The WTO Members of the Organization of Eastern Caribbean States (OECS) consist of six island states located in the Lesser Antilles¹. All the islands are small vulnerable economies with populations ranging from about 50,000 (Saint Kitts and Nevis) to about 170,000 (Saint Lucia), and GDP per capita ranging from about US\$6,300 (Saint Vincent and the Grenadines) to over US\$13,000 (Antigua and Barbuda). The GDP of the entire OECS is around US\$5.7 billion.

1.2. The islands all have a similar economic structure. Services and particularly tourism is a major contributor to both GDP and employment. To a lesser extent, and varying degrees across the islands, the financial sector and government services are also significant contributors to GDP and employment (Table 1.1). Furthermore in certain islands the role of the construction sector is significant. For most of the islands, the share of agriculture and manufacturing in GDP is small and declining. The islands are also located in a region prone to natural disasters (mainly hurricanes).

1.3. The narrow economic base, susceptibility to natural disasters, and a high reliance on imports makes the OECS particularly vulnerable to exogenous shocks. The global economic crisis affected all the islands. Real GDP for the OECS contracted by nearly 10% between 2009 and 2010 before recovering negligibly in 2011. The contraction in GDP was due mainly to a decline in the tourism sector as the source markets (North America and Europe) felt the impact of the crisis, and to a lesser degree to higher prices of commodities and fuel, which affected output in other sectors. As a result, the number of stay-over visitors to the region, as well as their per capita expenditure, declined between 2007 and 2011. Furthermore, the collapse of CL Financial Group had a contagion effect on the region through its subsidiaries CLICO and BAICO (Box 1.1). The collapse of two indigenous banks in Antigua and Barbuda hit that country particularly hard, while other OECS countries were not as strongly affected. For example, real GDP contracted by over 20% between 2009 and 2011 in Antigua and Barbuda, while it grew by a modest 1.4% in Saint Lucia.

Table 1.1 OECS GDP, 2007-13

	2007	2008	2009	2010	2011	2012	2013
GDP in constant 2006 prices (EC\$ million)	13,821.2	14,157.2	13,305.6	12,929.3	12,996.9	12,962.0	13,121.0
GDP in constant 2006 prices (US\$ million)	5,119.0	5,243.4	4,928.0	4,788.6	4,813.7	4,800.7	4,859.6
GDP at current prices (EC\$ million)	14,536.4	15,258.4	14,487.7	14,395.8	14,733.1	15,075.2	15,525.2
Real GDP growth rate (%)	5.47	2.43	-6.01	-2.83	0.52	-0.27	1.23
Share of sector in GDP (%)							
Agriculture, livestock and forestry	2.95	3.39	3.76	3.60	3.66	3.80	3.83
Crops	2.34	2.78	3.12	2.95	2.97	3.16	3.18
Fishing	0.88	0.87	0.85	0.82	0.84	0.87	0.90
Mining & quarrying	0.77	0.75	0.63	0.53	0.48	0.44	0.46
Manufacturing	4.28	3.89	4.28	4.50	4.59	4.61	4.58
Electricity & water	3.46	3.60	3.69	4.03	4.07	3.90	3.89
Construction	12.89	13.04	11.37	9.49	8.43	8.04	8.45
Wholesale & retail trade	11.62	12.18	10.81	10.79	10.86	11.00	10.88
Hotels & restaurants	9.55	8.38	8.01	9.16	9.43	9.47	9.44
Transport, storage and communications	14.73	14.28	14.50	14.36	14.31	14.24	14.20
Transport and storage	9.24	9.05	9.05	9.35	9.44	9.47	9.47
Communications	5.48	5.23	5.46	5.01	4.86	4.77	4.73
Financial intermediation	8.98	8.76	8.69	7.98	7.78	7.69	7.61
Real estate, renting and business activities	13.19	13.16	13.93	14.62	14.98	14.89	14.80

¹ The six OECS-WTO Members are Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

	2007	2008	2009	2010	2011	2012	2013
Public administration, defence & compulsory Social security	7.54	7.91	8.61	8.96	9.16	9.21	9.12
Education	6.52	6.92	7.62	7.83	7.90	8.18	8.25
Health and social work	2.37	2.48	2.63	2.72	2.75	2.77	2.74
Other community, social & personal services	2.25	2.36	2.65	2.70	2.79	2.79	2.78
Activities of private households as employers	0.39	0.39	0.44	0.45	0.45	0.44	0.43
Less: FISIM	2.37	2.36	2.46	2.55	2.49	2.33	2.38
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: CSO, ECCU, and ECCB.

1.4. As the impact of the global economic crisis subsides in the tourism source markets, the tourism sector is expected to pick up, which would drive growth in the future. The islands are also seeking to diversify their economies. For example the education services sector is responsible for over 16% of GDP in Grenada, while agriculture and niche medical tourism services are focus sectors for other islands. It would also appear that the financial sector issues are also being resolved, albeit slower than expected, and their resolution should provide an impetus to growth in the region.

Box 1.1 The collapse of CL Financial Group, CLICO and BAICO

In addition to traditional insurance and pension products, CLICO took in funds through a product called the Executive Flexible Premium Annuity, a deferred annuity that could be sold by life insurance companies so long as it contained a mortality clause, implying a guaranteed rate of return at the forecast retirement age of the contract holder. However, the product functioned as a term deposit. It was sold for a fixed term of 3-5 years with guaranteed returns in excess of 8% per annum, well above the ordinary savings deposit rate in the region of approximately 2% at the time.

Despite functioning as deposits, the funds solicited from this product were not subject to the stricter banking regulation and supervision applied to ordinary deposits. As a result, the CL Financial Group was able to channel the deposits to fund illiquid assets such as real estate in Florida and plant and equipment for petrochemical production. Consequently, between 2005-07 CL Financial's assets grew by 32%. The global economic crisis of 2008 triggered the collapse as many of CL Financial's subsidiaries faced liquidity and solvency pressures. This included BAICO, which was a fully owned subsidiary of CL Financial and faced significant liquidity shortages.

According to the authorities, the key factors in the collapse were:

- Excessive related-party transactions, which carried high contagion risks;
- An aggressive high interest rate resource mobilization strategy to finance high risk and illiquid investments; and
- Very high leveraging of CL Financial's assets.

Despite being aware of these issues, the regulator (Central Bank) was unable to implement corrective measures due to the inadequacies of the legislative framework. At the time of the collapse, CL Financial's total assets were equivalent to 30% of the Caribbean region's GDP. The ECCU member countries monitored developments within BAICO for several months and, in August 2009, regulators from the ECCB intervened in BAICO's operations. Governments of the ECCU applied to the courts in all of the jurisdictions requesting the appointment of a judicial manager to facilitate financial recovery of the ailing entities. A judicial manager was appointed in every ECCU country except Dominica, where the legislation does not allow for such an appointment.

In resolving the operations of BAICO, the judicial managers sought to compartmentalize various aspects of the business and implement measures to improve operations in each of the major

business lines; property insurance; medical/health insurance, the traditional life insurance business; and short-term investment business. The member governments of ECCU also established a Medical Insurance Support Fund for BAICO policyholders. Resolution of the traditional life business was more complex than the property and health portfolios. In October 2011, the ECCU governments along with the judicial managers announced that they had reached an agreement to sell the BAICO traditional life portfolio and group pensions to Sagikor Life, Inc. As a condition to the sale, the governments of the ECCU agreed to provide funding to a maximum of US\$38 million to facilitate restoration of value to the life portfolio, which would be transferred.

The Resolution of the non-traditional or short-term deposit portfolio for BAICO within the ECCU has been even more challenging. In this respect, the judicial managers have yet to make any announcements regarding the resolution of the short-term deposit portfolio for BAICO within the ECCU.

The judicial managers filed a restructuring plan for CIL in September 2011. After consultations with stakeholders, the judicial managers recommended to the court that action commence to find a suitable investor in order to establish a new company, which will gain the credibility and trust of regulators and policyholders. As per newspaper reports, the judicial manager for CIL Barbados proposed the formation of a special purpose entity to hold the assets of CIL and CLICO holdings Barbados, as well as the assets (real estate, land, etc.) of CIL in the ECCU member countries. The judicial managers propose that this special purpose entity will issue a bond to facilitate the acquisition of assets to support the transfer of the traditional life insurance liabilities to potential buyers. However, it is not clear whether Caribbean governments, and more specifically the Government of Trinidad and Tobago, have reached any agreement regarding financial commitments to resolve the operations of CLICO Barbados and the ECCU.

Exposures to CLICO and BAICO combined are significant in nominal terms, ranging from US\$187 million in Antigua and Barbuda to US\$68 million in St. Lucia. In terms of percentage of GDP, country exposures of 25% (St. Vincent and the Grenadines); 24.4% (Grenada); 19.9% (Dominica); 16.3% (Antigua and Barbuda); 17.1% (St. Kitts and Nevis); and 7.2% (St. Lucia) will, in part, determine the relative obligations associated with any resolution option.

Source: IMF (various documents) and DaCosta, Michael, Kari Grenade, and Tracy Polius (2012), *The Caribbean: Rethinking Policy Frameworks in the wake of the Recent Financial Failures*.

1.2 Monetary and exchange policy

1.5. All OECS-WTO Members are members of the Eastern Caribbean Currency Union (ECCU). The Eastern Caribbean Central Bank (ECCB), based in St. Kitts, is the monetary authority for the ECCU. The ECCB is responsible for OECS monetary, credit, and exchange rate policies. The ECCB's Monetary Council, comprising Ministers of Finance from each of the OECS countries, is the main decision-making body. The ECCB Agreement Act states that monetary stability, money and capital market development, and real sector development are objectives to be attained, in that order of preference. The Act stipulates that foreign exchange must cover at least 60% of monetary liabilities, however, the ECCB uses an operation benchmark of 80% and has been keeping cover well in excess of the stipulated ratio. Over the past 6-7 years the backing ratio has averaged approximately 95% and the stock of foreign reserves has provided six-month coverage for imports.

1.6. Monetary stability has been pursued through a fixed exchange rate regime, which pegs the EC dollar to the U.S. dollar at a rate of EC\$2.70 per US\$1. Movements in the EC dollar real effective exchange rate are related largely to changes in the value of the U.S. dollar vis-à-vis other major currencies. During the period under review, the REER has been depreciating, however, in 2008, it appreciated rapidly as there was a flight to quality, i.e. people started buying the U.S. Dollar. Since 2008/09, the REER has resumed the secular downward trend established pre-crisis.

1.7. The money supply is virtually endogenous due to the existence of a quasi-currency board. Limits are imposed on credits to member governments: at any given time, the ECCB's holding of treasury bills of a particular country shall not exceed 10% of the estimated recurrent revenue of that government as determined by the ECCB for the current year. Holdings of other government securities maturing in no more than 15 years from the date of acquisition shall not exceed 15% of

the currency in circulation and other demand liabilities. The ECCB also extends temporary advances to a member government, which, in any financial year cannot exceed 5% of that government's average annual current revenue in the preceding three years, and holdings of bonds issued by development finance corporations may not exceed 2.5% of the average annual government current revenue over the preceding three years. The ECCB operates a regional market for government securities of the ECCU member states. These limits were not breached as the ECCB is very strict with maintaining these rules so as to safeguard the fixed exchange rate regime.

1.8. Inflation as measured by the consumer price index was slightly more than 3% in 2007 and nearly 6.5% in 2008. However, the global financial crisis resulted in subdued demand in the OECS, causing inflation to fall below 1% in 2009. It picked up in 2010 and 2011, before falling again in 2012. Inflation has been fuelled by higher food prices since 2010. However prices declined in 2013 due mainly to a fall in clothing and footwear and fuel and light prices.

1.2.1 Fiscal policy

1.9. Fiscal policy is conducted independently by each OECS country, under the responsibilities of their respective Ministries of Finance. However, under the Revised Treaty of Basseterre Establishing the OECS Economic Union, member states agreed to the progressive harmonization of their fiscal policies. Given that monetary policy is under the purview of the ECCB, fiscal policy is the only macroeconomic policy instrument available to the national authorities to influence output and employment.

1.10. During the period under review, the OECS economies displayed a varied fiscal performance. As mentioned, the global financial crisis affected all the OECS countries, but the impact varied across the countries; the fiscal position was no different. All the islands registered a deficit in 2009, ranging from 1% of GDP (St Kitts and Nevis) to 11% of GDP (Antigua and Barbuda). The worsening fiscal situation was due mainly to a fall in revenue and continued high levels of expenditure, notwithstanding the adjustments made since the crisis through the implementation of a number of home-grown programmes. These adjustment initiatives were undertaken in accordance with the ECCU Eight Point Stabilisation and Growth Programme, which was approved by the Monetary Council as the region's strategic response to the challenges posed by the crisis and to address other long-term structural issues.

1.11. In response to the deteriorating fiscal situation, the OECS countries initiated a programme of fiscal reform and consolidation. Reform measures included replacing consumption tax by VAT (St Kitts and Nevis, St Lucia, and Dominica), rationalizing fuel prices (St Lucia, and Antigua and Barbuda), reform and increased coverage of excise taxes (St Kitts and Nevis, Antigua and Barbuda, Dominica, and St Vincent and the Grenadines). In addition, the islands have pursued a debt restructuring strategy involving *inter alia*: debt relief through write-offs, lengthening of maturity, debt swaps, and lower interest rates. Debt restructuring should also ease the fiscal burden by reducing interest and amortization payments.

1.12. It would appear that these measures were successful to a certain degree. The overall fiscal deficits of the OECS countries improved from a deficit of US\$245 million in 2009 (4.6% of GDP) to US\$135 million in 2012 (2.4% of GDP) (Table 1.2).

Table 1.2 Central government fiscal accounts, 2007-12

(US\$ million)

	2007	2008	2009	2010	2011	2012
Current revenue	1,246	1,332	1,226	1,248	1,317	1,323
Tax revenue	1,125	1,192	1,101	1,088	1,136	1,138
Taxes on income and profits ^a	237	276	275	248	249	248
Taxes on property	24	23	23	23	22	25
Taxes on domestic goods and services	361	409	362	400	466	490
Taxes on international trade and transactions	503	484	442	418	400	375
of which: Import duties	172	177	149	155	157	155
Non-tax revenue	122	141	125	160	180	185

	2007	2008	2009	2010	2011	2012
Current expenditure	1,107	1,249	1,283	1,260	1,321	1,337
Personal emoluments	490	538	554	560	573	586
Goods and services	257	300	283	262	277	264
Interest payments	154	157	158	157	161	181
Transfers and subsidies	206	255	288	281	310	306
Current account balance	140	83	-57	-12	-4	-15
Capital revenue	17	37	8	10	9	9
Grants	89	127	134	129	128	136
Capital expenditure and net lending	397	399	330	259	307	265
of which: Capital expenditure	392	394	328	258	297	265
Primary balance before grants	-86	-123	-220	-105	-141	-90
Primary balance after grants	3	4	-87	24	-12	47
Overall balance before grants	-240	-280	-379	-262	-302	-271
Overall balance after grants	-151	-153	-245	-133	-173	-135
Financing	151	153	245	133	173	135
Domestic	98	116	142	-91	79	61
External	14	20	65	212	101	54
Arrears ^b	38	18	38	-431	-7	-18
Other Financing	..	..	..	443	..	37

.. Not available.

a Taxes on income and profits are not collected in Anguilla.

b Includes Antigua and Barbuda, and Dominica.

Source: WTO Secretariat, based on data provided by the governments of the ECCU and ECCB.

1.2.2 Balance of payments

1.13. The OECS members all post current account deficits. This is due to the nature of their economies, which are highly dependent on merchandise imports, while goods exports are relatively low. In contrast, the islands post a services account surplus, fuelled by tourism-related receipts. However, the services and income account surpluses only partially offset the deficit accrued on the merchandise trade account.

1.14. During the period under review, the current account deficit declined from a high of US\$1.73 billion in 2008 (nearly 30% of GDP) to US\$1 billion in 2013 (approximately 17% of GDP) (Table 1.3).

Table 1.3 Balance of payments, 2007-13

(US\$ million)

	2007	2008	2009	2010	2011	2012	2013
Current account	-1,556	-1,739	-1,098	-1,074	-990	-952	-999
Goods and services	-1,465	-1,637	-1,037	-1,074	-1,020	-939	-1,007
Goods	-2,104	-2,280	-1,701	-1,761	-1,797	-1,739	-1,804
Merchandise	-2,174	-2,345	-1,746	-1,801	-1,861	-1,801	-1,868
Exports	282	381	376	413	360	380	380
Imports	-2,456	-2,725	-2,122	-2,214	-2,221	-2,181	-2,249
Repair on goods	0	0	0	0	0	0	0
Goods procured in ports by carriers	70	64	45	40	64	62	64
Services	640	643	663	687	778	800	797
Transportation	-237	-241	-140	-161	-170	-167	-174
Travel	1,029	991	895	927	993	1,002	1,018
Insurance services	-80	-92	-79	-70	-65	-63	-70
Other business services	-59	-8	-12	-23	-18	-27	-32
Government Services	-14	-8	0	14	37	55	55
Income	-234	-264	-230	-163	-148	-171	-145

	2007	2008	2009	2010	2011	2012	2013
Compensation of employees	14	16	19	19	17	17	17
Investment income	-249	-279	-249	-182	-165	-188	-162
Direct investment	-187	-191	-185	-137	-105	-119	-120
Portfolio investment	3	-9	2	0	5	-8	10
Other investment	-64	-79	-66	-45	-66	-61	-53
Current transfers	144	163	169	163	178	158	154
General government	47	59	65	60	72	55	52
Other sectors	96	104	104	104	106	103	102
Capital and financial account	1,593	1,636	1,297	1,269	1,076	1,005	1,083
Capital account	229	231	223	299	253	342	304
Capital transfers	229	231	223	299	253	342	304
Financial account	1,363	1,405	1,074	970	823	663	779
Direct investment	1,187	960	659	531	440	514	568
Portfolio investment	-27	10	-18	2	32	52	26
Other investment	203	435	433	437	351	97	185
Net errors and omissions	9	83	-42	-75	-28	55	-2
Overall balance	46	-20	157	120	59	108	82
Financing	-46	20	-157	-120	-59	-108	-82
Change in SDR holding			-98	10	14	-6	
Change in government foreign assets	10	-1	1	-3	1	16	
Change in ECCU's net foreign assets	-56	20	-59	-128	-75	-119	-82

Source: WTO Secretariat, based on data provided by the Eastern Caribbean Central Bank.

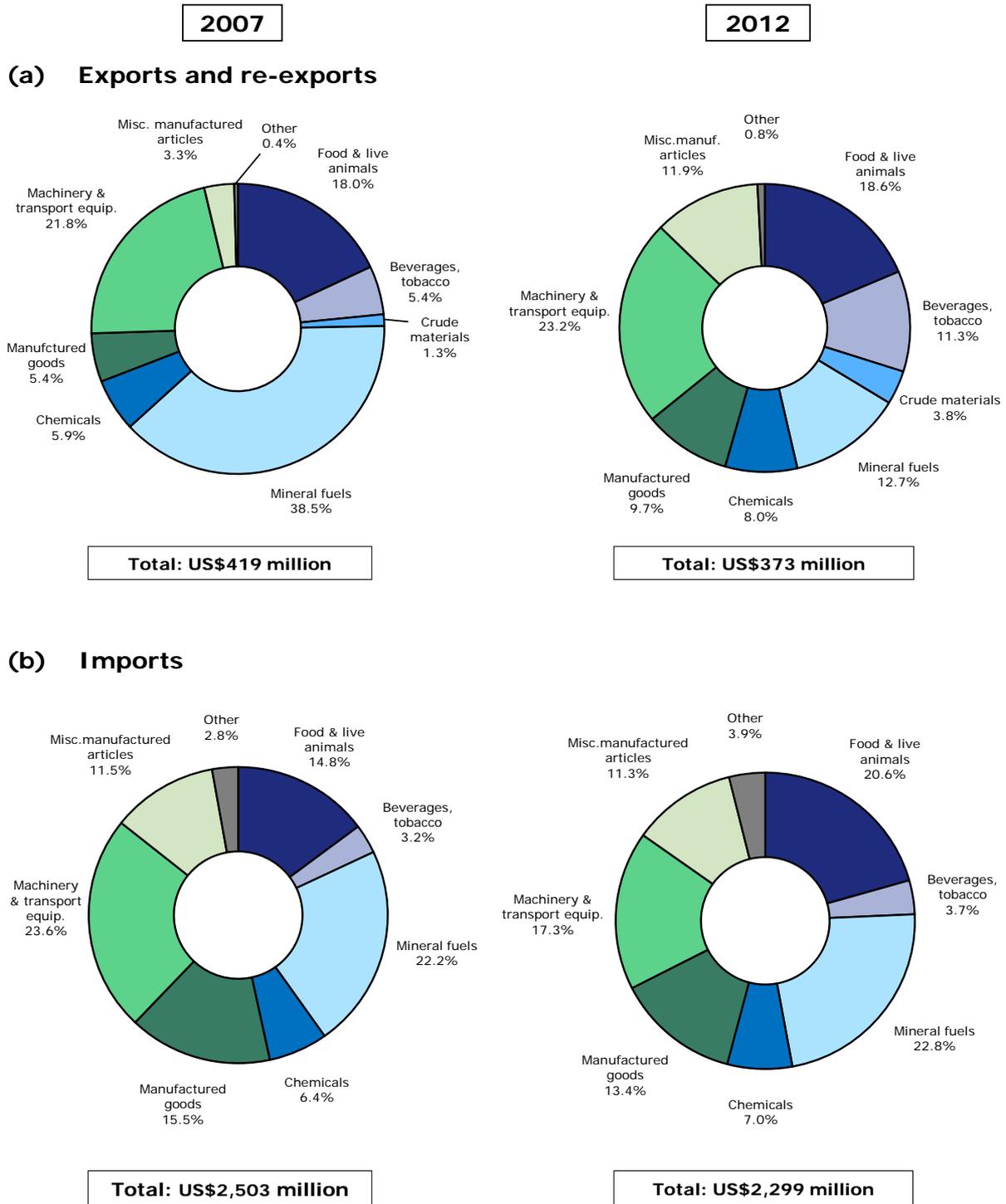
1.15. The improvement in the current account was due in part to a decline in imports, which was brought about by a dampening of demand due to the post-2008 recession. On the other hand, travel receipts picked up post-2009 as the tourism sector recovered.

1.16. In the past, the current account deficit was financed to a large extent by foreign direct investment inflows. However, in the aftermath of the crisis, FDI inflows declined considerably. Nevertheless, capital transfers rose during the review period. The overall balance of payments for the OECS countries improved from US\$46 million in 2007 to US\$82 million in 2013.

1.3 Trade flows

1.17. The OECS countries have similar trade patterns. Exports comprise mainly food and live animals, machinery and transport equipment, and mineral fuels (Chart 1.1 and Table A1.1). Due to the economic structure of the OECS members, most goods need to be imported, and this is reflected in the OECS import mix. Mineral fuels, food and live animals, and machinery and transport equipment are the main import categories.

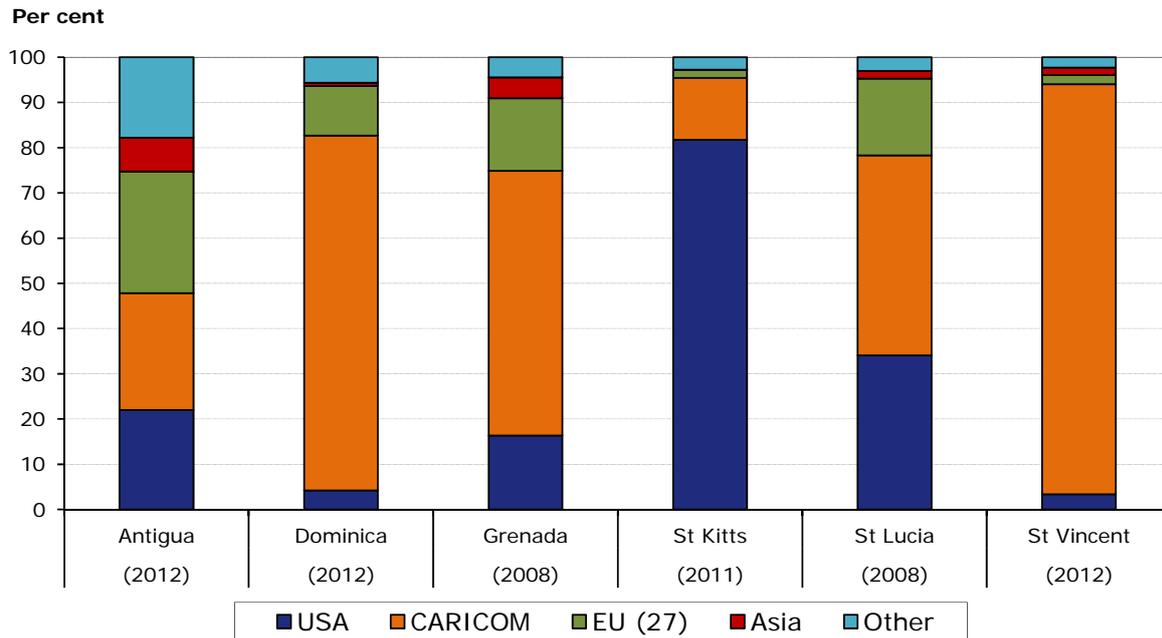
Chart 1.1 OECS-WTO Members' merchandise trade by SITC section, 2007 and 2012



Source: Eastern Caribbean Central Bank.

1.18. The main export destinations of OECS countries are the United States and CARICOM countries, which are responsible for over 70% of exports from all OECS countries except Antigua and Barbuda (Chart 1.2), whose main export destination is the EU27.

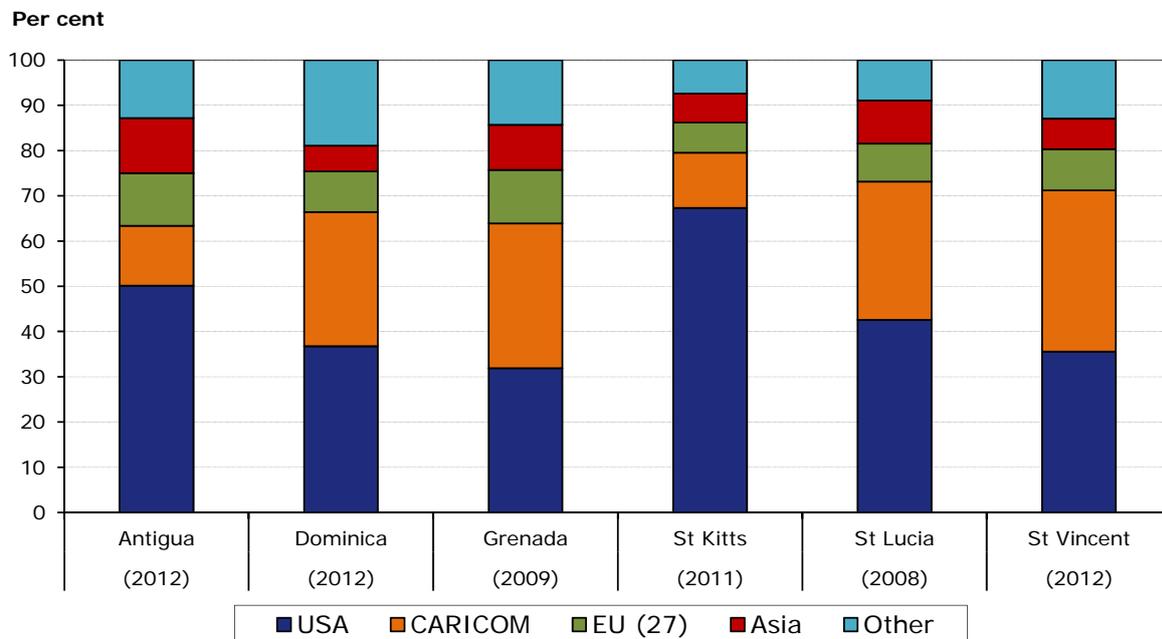
Chart 1.2 Total exports of OECS-WTO Members by selected partners, latest available year



Source: WTO calculations, based on UNSD Comtrade database.

1.19. The United States and the CARICOM countries together supply over 60% of each OECS members imports (Chart 1.3).

Chart 1.3 Total imports of OECS-WTO Members by selected partners, latest available year



Source: WTO calculations, based on UNSD Comtrade database.

2 TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

2.1 General Constitutional and Legal Framework

2.1. The six OECS-WTO Members (the OECS Members) have similar, but not identical, constitutional and legal systems. They all are parliamentary democracies in the "Westminster style" and have similar legislative and judicial arrangements (Chapter 2 of the national reports). With the exception of Dominica, they all have the same Head of State (the Queen of England). The six countries are members of the Commonwealth of Nations, and have constitutions that grant essentially identical powers to their largely ceremonial Head of State. There are some differences, however, in their parliamentary systems: while Antigua and Barbuda, Grenada, and St. Lucia, have bi-cameral legislatures, Dominica, St. Kitts and Nevis, and St. Vincent and the Grenadines have unicameral legislatures.

2.2. The similarities of the OECS Members' legal systems facilitate the use of model legislation. The use of model laws in the past has helped to increase transparency and comparability across countries. This has been especially the case in certain services areas, such as telecommunications, where national laws follow the Eastern Caribbean Telecommunications Authority (ECTEL) model, and banking, where uniform banking acts devised by the Eastern Caribbean Central Bank (ECCB) have been implemented. However, domestic laws must still be drafted and adopted by national legislatures, even when based on a common model law. This will change with the implementation of the OECS Economic Union, where legal drafting and implementation competences on five specific areas have been devolved to the OECS and are exercisable through the Authority and the Council of Ministers (see below).

2.2 Development and Administration of Trade Policy

2.3. The core administration of OECS Members' trade policy is on three main levels: national, sub-regional (OECS), and regional (CARICOM). The Revised Treaty of Basseterre provides for the establishment of institutional arrangements at the member states level to pursue common trade policies.

2.4. During the period under review, the OECS Members increased the thrust of regional integration by establishing the OECS Economic Union, which was put in place in January 2011. Liberalization processes at the sub-regional and regional levels are considered the pillars of the OECS Members' trade policy and are expected to facilitate their participation in the multilateral trading system by eliminating barriers to trade and pooling resources.

2.5. In their participation in the multilateral trading system, the OECS-WTO Members have repeatedly stated their position with respect to the flexibilities needed in the WTO to take account of their development needs as "small vulnerable economies". They have also advocated for reinforcement of the support mechanisms, including technical cooperation, to help them fulfil their WTO commitments and to support them in the institutional, legal, and economic adjustment required as a result of trade liberalization. This position was reinforced after the signature of the CARIFORUM-EU Economic Partnership Agreement (EPA) with the European Union in 2008, where the OECS Members entered into a reciprocal free-trade agreement for the first time, moving away from the system of unilateral preferences that existed before, but also guaranteeing more stable preferential market access for their products. The EPA offers flexibility to the OECS Members (see below), but also requires a substantial effort to fulfil commitments in a number of areas. This will require modifying laws and institutions, and will help the OECS WTO-Members fill the pending WTO-implementation gaps, as the EPA follows the WTO agreements in several areas, and is WTO plus in others.

2.6. The OECS Members' international trade commitments now move around four concentric circles. Tariff-free treatment among OECS partners remains at the core, reinforced now by the need to achieve further integration by consolidating the Common Market, with the establishment of a Regime for the Free Circulation of Goods. The next circle is represented by CARICOM and the CARICOM Single Market and Economy (CSME), where trade with its members is duty-free, with some exceptions, and trade with third countries is subject to the use of the CARICOM Common

Market and Common External Tariff.¹ The third circle is now represented by the CARIFORUM-EU Economic Partnership (EPA), where the OECS Members are committed to a scheduled, gradual reduction of tariffs on a substantial portion of their trade with the EU. The fourth and outer ring (the MFN ring) comprises multilateral commitments including tariff bindings and other obligations covered by the WTO Agreements.

2.3 Trade Agreements and Arrangements International Relations

2.3.1 WTO

2.7. OECS Members applied GATT de facto before independence, as part of the metropolitan territory of the United Kingdom. After independence, each OECS Member became a GATT contracting party under Article XXVI:5(c) with their rights and obligations under GATT retroactive to the date of independence.

2.8. With respect to WTO accession, Antigua and Barbuda, Dominica, St. Lucia, and St. Vincent and the Grenadines are original members of the WTO. Grenada and St. Kitts and Nevis became WTO Members in 1996. They all apply at least MFN treatment to all their trading partners.

2.9. During the period under review, the OECS Members continued their efforts to amend legislation to allow them to fully implement the WTO Agreements. For instance, Grenada implemented new legislation on patents, copyright, and trade marks; Dominica enacted new legislation on trade marks and layouts of industrial designs, while its 1999 Patents Act entered into force in 2008; and Antigua and Barbuda, Grenada, and St. Lucia repealed their Fiscal Incentives Act, which granted subsidies contingent upon exportation. However, there is still work to be done in the area of implementation. Table 2.1 summarizes areas by country where legislation needs to be drafted or enacted to implement the provisions of WTO Agreements. It also shows areas where laws have been passed but have not entered into effect, due to lack of enacting legislation or of regulations to implement them. The authorities indicated that this situation is due to resource constraints.

Table 2.1 Main areas where legal or regulatory amendments are needed to comply with WTO provisions

Agreement	Antigua & Barbuda	Dominica	Grenada	St. Kitts and Nevis	St. Lucia	St. Vincent & the Grenadines
Customs Valuation	None	None	Non-application of CVA	None	None	None
Anti-dumping	No enacting legislation	No enacting legislation	No enacting legislation	No enacting legislation	No enacting legislation	No enacting legislation ^a
SCM	No legislation	No legislation	No legislation	No legislation	No legislation	No legislation ^a
SCM Article 27	None	Need to reform legislation	None	Need to reform legislation	None	Need to reform legislation
GATT 1994, Article XI, Agreement on Agriculture	None	None	None	QRs allowed (not used in practice)	QRs allowed	QRs allowed

¹ The preferential trade agreements signed by CARICOM with third trading partners, mostly in Latin America, exclude the OECS Members, as CARICOM Less-Developed members, from tariff preference obligations.

Agreement	Antigua & Barbuda	Dominica	Grenada	St. Kitts and Nevis	St. Lucia	St. Vincent & the Grenadines
Article 63.2	None	None	None	None	None ^b	Yes
Agreement on Trade-Related Investment Measures						
Article 5.1	None	None	None	None	None	None
General Agreement on Trade in Services						
GATS	None	None	None	None	None	None
Article III:4, GATS	Yes	Yes	Yes	None	Yes	Yes
Article V:7 (a)						

Note: Yes = At least one notification has been made; None = No notification has been made.

- a Legislation in force has not been amended to comply with the requirements of the respective WTO Agreement
- b Legislation in force has not been amended to comply with the requirements of the TRIPS Agreement with respect to patents.

Source: WTO Secretariat.

2.11. The OECS-WTO Members have entered limited commitments in their GATS Schedules. Antigua and Barbuda, Dominica, and Grenada participated and presented offers in the WTO extended negotiations on telecommunications, and have ratified the Fourth Protocol. None of the OECS Members participated in the extended negotiations on financial services.

2.12. Antigua and Barbuda is the only OECS-WTO Member that has been a complainant in a case before the WTO Dispute Settlement Body (DSB). The case concerned various U.S. measures that affected the cross-border supply of gambling and betting services (Chapter 2, national report of Antigua and Barbuda). However, all of the other OECS Members have been third parties to disputes: St. Kitts and Nevis participated as a third party in the EC - Export Subsidies on Sugar² case; the other countries were all third parties in European Communities – Regime for the Importation, Sale and Distribution of Bananas.³

2.13. The OECS Members belong to the following negotiating groups: ACP, G-90, Small, vulnerable economies (SVEs) — NAMA, G-33, "W52" sponsors, and SVEs—rules (Dominica, St. Lucia and St. Vincent and the Grenadines). As members of the SVEs group, the OECS countries have pushed for flexibilities in the DDA and the recognition of principles of non-reciprocity in NAMA. They have also highlighted the need for the negotiations to take account of the consequences of preference erosion for the region.

2.3.2 Foreign investment regime

2.14. The OECS Members' foreign investment regime was not changed during the review period, although the general investment regime was modified in Antigua and Barbuda, Grenada, and St. Lucia, which was repealed their Fiscal Incentives Act, ahead of the WTO-agreed deadline. These laws have been replaced by broader incentives legislation that does not provide explicit export subsidies and does not impose local-content requirements. In the other three OECS countries, the process is ongoing, and in some cases negotiations are being carried out with the remaining beneficiaries of the Act (e.g., Dominica).

2.15. With the main exception of the requirements for obtaining alien landholding licences, foreign investment receives national treatment in all OECS Members. The rationale for the land licensing restriction is related to limitations in land availability for commercial purposes, as well as to the need to rationalize land use and enable nationals to afford property while avoiding speculation by foreigners. Licences are subject to satisfactory applications to the national Cabinet of Ministers and payment of the required fees. However, licences are not required for investment in sectors considered of priority for the country, or where the purchase does not exceed a certain threshold.

² WTO documents WT/DS265/28, WT/DS266/28, WT/DS283/9, 28 April 2005.

³ WTO online information. Viewed at:

http://www.wto.org/English/tratop_e/dispu_e/cases_e/ds27_e.htm.

2.3.3 Regional agreements

2.3.3.1 OECS

2.3.3.1.1 Overview

2.16. The Treaty of Basseterre created the Organisation of Eastern Caribbean States with the goal of promoting cooperation and economic integration in the Eastern Caribbean. The OECS came into being in 1981, with Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines as members, and Anguilla and the British Virgin Islands as associate members. As at the beginning of 2014, discussions were held with respect to Martinique's accession as an Associate Member.⁴

2.17. The OECS reinforced its move towards integration through the signature of the Revised Treaty of Basseterre Establishing the OECS Economic Union in June 2010. The Revised Treaty of Basseterre seeks to foster integration between member states by establishing new institutional arrangements. This integration is expressly geared to complement efforts already taking place at the CARICOM level. In a selected number of areas, legislative decision-making powers have been vested in the OECS, exercisable through the Authority and the Council of Ministers (see below).

2.18. The OECS Secretariat, based in St. Lucia, provides support and coordination services to help member states identify scope for joint action and further integration. The Secretariat also conducts research, and executes specific projects. Through the Office of the Director General, it oversees the operations of the OECS Technical Mission in Geneva, which was set up in 2005 and acts as the OECS-WTO Members' representative to the WTO.

2.19. As pointed out in the previous Review, trade policy implementation within and among OECS Members is still subject to severe human resource limitations. This is partly reflected in the lack of WTO notifications in certain areas. In general, the limitation of human resources contributes to the slow implementation of WTO commitments among OECS Members, and constitutes a challenge for the implementation of commitments under the EPA.

2.3.3.1.2 OECS Economic Union

2.20. A major milestone in the process of further integration among OECS states is the signature of the OECS Economic Union. The Revised Treaty of Basseterre (RTB) Establishing the OECS Economic Union was signed on 18 June 2010 in St. Lucia, during the 51st Meeting of the Authority of Heads of Government of OECS Members States. The RTB establishes the OECS Economic Union, a single financial and economic space within which goods, services, 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 entered into force on 21 January 2011, when five of six Members States completed ratification, and replaces the original OECS Treaty of 1981.⁵

2.21. 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.

2.22. The *OECS Authority* is the highest policy-making organ of the OECS. It has the 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 changes every year,

⁴ OECS online information. Viewed at: <http://www.oecs.org/media-center/press-releases/oecs-authority/795-communiqué-58th-meeting-of-the-oecs-authority#sthash.9NBXvYvh.dpuf>.

⁵ The Treaty of Basseterre has been ratified by all OECS Members. The deposit of instruments of ratification by Antigua and Barbuda took place on 30 December 2010, St. Vincent and the Grenadines on 12 January 2011, St. Kitts and Nevis on 20 January 2011, Grenada on 20 January 2011 and Dominica on 21 January 2011. For further details, see at: <http://www.oecs.org/economic-union-press/290-oecs-economic-union-launch#sthash.26JpA7wM.dpuf>.

rotating alphabetically by country. The OECS Authority meets twice yearly, and in Special Session as and when required.

2.23. The *Council of Ministers* comprises appointed Ministers of Government from each member state and is responsible to the OECS Authority. The Council meets in various configurations based upon the subject matter under consideration. It takes action on any matters referred to it by the OECS Authority and makes recommendations to it. The Council also has responsibility for considering and reporting on recommendations of the OECS Commission for the drafting of laws, including considering and enacting regulations and other implementing instruments to give effect to the laws enacted by the OECS Authority.

2.24. The *OECS Assembly* comprises five members of the Parliament of each independent Member State and three members 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 Leader of the Opposition. The Assembly does not have power to enact legislation, which remains the prerogative of the parliaments of the member states or the OECS Authority and the Council of Ministers in the case of the organization's legislation. The Assembly's 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. However, it is intended to quicken the process of enacting legislation. Meetings are held at least twice per year. The inaugural meeting of the OECS Assembly took place on 10 August 2012. The OECS Assembly held its first working session in Antigua and Barbuda (the headquarters of the OECS Assembly) on 26 March 2013. At that sitting, the Assembly adopted *Rules of Procedure* to govern its proceedings, debated a motion on the free movement of persons within the OECS Economic Union, and on amendments to the Civil Aviation Regulations.

2.25. The RTB has devised mechanisms to ensure that the OECS can legislate and common decisions are binding and automatically enforceable in member states in agreed areas listed in the Revised Treaty. This is done by transferring power from national parliaments to the OECS Authority and the Council of Ministers, through the passing, by each OECS member state, of common legislation transferring such power. No amendments to the national constitutions are required.⁶ There are five 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 OECS can also legislate on common commercial, environmental and immigration policies.

2.26. The *Economic Affairs Council* is responsible for supervising and keeping under review the OECS Economic Union.

2.27. The *OECS Commission* is the principal organ responsible for the general administration of the organization. It has integrated the former OECS Secretariat as the administrative arm of the organization. The Secretariat consists of divisions, which continue the implementation and oversight of the work of a number of specialized institutions, work units, and projects of the OECS. As the administrative arm of the OECS, the Commission provides Secretariat services to the OECS organs, including by coordinating meetings and acting on decisions, recommendations or directives approved at such meetings. The OECS Commission is also responsible for preparing model legislation and making recommendations to the OECS Authority and the Council of Ministers regarding acts and regulations. The OECS Commission comprises 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 her/his member state.

2.28. The OECS Heads of Government declared 1 August 2011 as the commencement date for the free movement of people of the OECS region throughout the OECS Economic Union. However, as at early 2014, OECS Members were at different stages of implementation of the legislative and administrative requirements regarding the free movement of OECS nationals, with three Member

⁶ OECS Secretariat (2008).

States namely Dominica, Montserrat and St. Kitts and Nevis having completed their legislative and administrative work in its entirety.⁷

2.3.3.1.3 OECS institutions

2.29. There are three OECS institutions as per the RTB: the Eastern Caribbean Supreme Court, the Eastern Caribbean Central Bank, and the Eastern Caribbean Civil Aviation Authority. Discussions are ongoing for the establishment of a fourth OECS institution, the Eastern Caribbean Energy Regulatory Authority.

2.30. The *Eastern Caribbean Supreme Court (ECSC)*, was established in 1967 by the West Indies Associated States Supreme Court Order No. 223 of 1967. It is a superior court of record for the OECS Members as well as Anguilla, the British Virgin Islands, and Montserrat. The ECSC is composed of the Chief Justice, three justices of appeal, 13 high court judges and two masters. Judicial appointments are made by the Judicial and Legal Services Commission, except in the case of the Chief Justice, who is appointed by the Queen of England. The Court sits in two divisions: the Court of Appeal and the High Court of Justice – Trial Division. The four-member Court of Appeal hears appeals from the decisions of the High Court and magistrates' courts in civil and criminal matters; the Court is itinerant and sits in each member state to hear appeals. The trial courts sit throughout the year. Criminal assizes convene in each jurisdiction on dates specified by statute. Each member territory has its own High Court.⁸ The Court has unlimited jurisdiction in the member states; national legislation in the OECS countries confers rule-making authority on the Chief Justice in presiding the ECSC in relation to matters within the Court of Appeal and the High Court.

2.31. *The Eastern Caribbean Civil Aviation Authority (ECCAA)*, which became an institution of the OECS through the Treaty of Basseterre, regulates civil aviation activities within OECS member states. The body was granted more independence and responsibilities in 2002 and it was decided that it should be self-financed. In October 2003, in St. Georges, Grenada, the OECS Ministers responsible for civil aviation signed the Agreement Establishing the ECCAA; this agreement had to be given legal effect through an Act of Parliament in each member state. By October 2004, five member states had passed the Eastern Caribbean Civil Aviation Authority Agreement Act.⁹

2.32. The *Eastern Caribbean Central Bank (ECCB)*, based in St. Kitts, is the Monetary Authority for the OECS-WTO Members and Anguilla and Montserrat. The ECCB issues the Eastern Caribbean dollar, and is charge of maintaining the peg to the U.S. dollar. The ECCB oversees the domestic banking system in all OECS states. The Bank is governed by a Monetary Council and a Board of Directors and is managed by a Governor. Established in 1983, it replaced the Eastern Caribbean Currency Authority.¹⁰

2.33. The OECS Members have agreed on the need to a harmonized regulatory framework within the OECS for the energy sector. To this end, they have agreed to the establishment of the *Eastern Caribbean Energy Regulatory Authority (ECERA)*. The ECERA, when and if established, will provide arms-length regulation and oversight of the electricity utilities sector. It is expected that this will achieve cost efficiency in electricity supply and lower electricity rates to consumers in the medium to long term. In 2011, it was agreed to give the go-ahead for the OECS Secretariat to act as Implementing Agency for the ECERA Project.¹¹

2.3.3.2 CARICOM

2.34. The six OECS-WTO Members are founding members of the Caribbean Community and Common Market, established in 1973 through the Treaty of Chaguaramas. The Treaty was revised

⁷ OECS Online information. Viewed at: <http://www.oecs.org/economic-union-press/761-oecs-region-achieves-two-years-of-the-free-movement-of-persons-throughout-the-oecs-economic-union#sthash.po0z6xU0.dpuf>.

⁸ OECS online information. Viewed at: <http://www.oecs.org/about-the-oecs/institutions/eastern-caribbean-supreme-court-ecsc#sthash.7G0CHXiS.dpuf>.

⁹ For more information see: <http://www.oecs.org/about-the-oecs/institutions/eastern-caribbean-civil-aviation-authority-eccaa#sthash.bfjqvjuu.dpuf>.

¹⁰ OECS online information. Viewed at: <http://www.oecs.org/about-the-oecs/institutions/eastern-caribbean-central-bank-eccb#sthash.aG4P2bou.dpuf>.

¹¹ OECS online information. Viewed at: <http://www.oecs.org/our-work/projects/ecera#sthash.CDTfiQWb.dpuf>.

in 1989 to allow for the creation of the CARICOM Single Market and Economy (CSME), a single economic space with free movement of goods, services, capital, and CARICOM nationals between member states; the revision was completed in 2000.¹² The OECS-WTO Members enacted domestic legislation giving effect to the CSME.¹³ To facilitate the consolidation of the CSME the original Treaty of Chaguaramas was revised, and nine Protocols were established; these form the legal basis for the establishment and operation of the CSME and were incorporated into the revised treaty.¹⁴ Protocol II added the free movement of services and capital, as well as selected categories of skills and the right of CARICOM nationals to set up business in any CARICOM country (the right of establishment).¹⁵

2.35. A total of 15 countries and territories participate in CARICOM: Antigua and Barbuda; the Bahamas; Barbados; Belize; Dominica; Grenada; Guyana; Haiti; Jamaica; Montserrat; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; Suriname; Trinidad and Tobago. The Bahamas is a full member of the Community but not of the CSME; Turks and Caicos Islands, the British Virgin Islands, and Bermuda are associate members. The more developed countries (MDCs) of the Community are Bahamas, Barbados, Guyana, Jamaica, Suriname and Trinidad and Tobago. The OECS member states along with Belize and Haiti make up the less developed countries (LDCs).

2.36. Since 1991, CARICOM member states have sought to implement a common external tariff (CET), through a phased process. However, as at March 2014 tariff schedules across countries still differed considerably, due partly to the exceptions allowed and partly to mechanisms permitting the non-application of the CET under certain circumstances.

2.37. CARICOM's highest decision-making body and final authority is the Conference of Heads of Government. 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 the trade and development ministers from all member states participating in the CSME, is responsible for promoting trade and economic development in CARICOM, and is one of CARICOM's most influential institutions. Any change in tariffs by a CARICOM member must first be approved by COTED. The Council for Foreign and Community Relations (COFCOR) 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.

2.38. The Revised Treaty of Chaguaramas contains safeguard provisions. In the event of serious balance of payments and external financial difficulties, it allows for the adoption of restrictions on the right to establishment, to provide services and to move capital, as well as using quantitative restrictions on imports. These restrictions must not discriminate among member states, must seek to minimize damage to the commercial, economic or financial interest of any other member state, must not exceed those necessary to deal with the circumstances, and must be applied for no longer than 18 months.

¹² With respect to the free movement of goods, the Revised Treaty of Chaguaramas prohibits imposing export or import duties to other CARICOM members, but not "charges commensurate with the cost of services rendered". The OECS Members have interpreted this as the right to apply Customs Services Charges, which are ad valorem, to all imports, including those of CARICOM origin. The revised treaty also prohibits the application of quantitative restrictions on the importation of goods of CARICOM origin, and of export subsidies or subsidies contingent upon the use of domestic over imported goods. However, the OECS members have maintained such subsidies under their Fiscal Incentives Acts. Dominica, St. Kitts and Nevis, and St. Lucia still have these Acts in place.

¹³ The objectives of the CSME, as set out in the Revised Treaty of Chaguaramas are: to improve the standards of living and work; full employment of labour and other factors of production; accelerated, coordinated and sustained economic development and convergence; expansion of trade and economic relations with third states; enhanced levels of international competitiveness; organization for increased production and productivity; the achievement of a greater measure of economic leverage and effectiveness of member states in dealing with third states, groups of states and entities of any description; enhanced coordination of member states foreign and economic policies; and enhanced functional cooperation.

¹⁴ The Protocols are: I Restructuring of the Organs and Institutions of the Community; II Establishment, Services and Capital; III Industrial Policy; IV Trade Policy; V Agricultural Policy; VI Transport Policy; VII Disadvantaged countries, Regions and Sectors; VIII Dispute Settlement; and IX Competition Policy, Consumer Protection and Dumping and Subsidies.

¹⁵ In the case of provision of services, the revised treaty allows for unrestricted provision of services by members within the region by the four modes of trade in services.

2.39. Under special provisions, the less developed countries of CARICOM, including all OECS members, may invoke Chapter 7 of the Revised Treaty of Chaguaramas, in particular Article 150 (Safeguard Measures). A country classified as less developed may limit imports of goods from other CARICOM members, for up to three years, and may take other COTED-authorized measures. Members may not apply safeguard measures against the products of a disadvantaged country where the products do not exceed 20% of the market of the importing member.

2.40. The Caribbean Court of Justice (CCJ), based in Trinidad and Tobago, started to function as the Regional Judicial Court in April 2005. The CCJ was established to ensure a single unified interpretation of the Revised Treaty of Chaguaramas; it has both original and appellate jurisdiction and all its decisions are final. The CCJ's original jurisdiction regards the interpretation and application of the Treaty Establishing the Caribbean Community, including the CARICOM Single Market and Economy. In its original jurisdiction, the Court has exclusive jurisdiction in contentious proceedings on a number of issues¹⁶, and issues advisory opinions on the interpretation or application of the Treaty. With respect to the CCJ's original jurisdiction, all Member States are obligated by Treaty to recognize and give effect to the jurisdiction of the Court.

2.41. The CCJ also functions as an appellate jurisdiction, considering and determining appeals in both civil and criminal matters from common law courts of member states party its establishment. In the exercise of its appellate jurisdiction, the Court is a superior Court of record in relation to national courts.¹⁷ CARICOM states may choose to substitute the jurisdiction of the London based Privy Council with that of the CCJ. In the case of the OECS Members, this has not occurred, since it would imply a change in their Constitutions.

2.42. An important task lying ahead relates to the harmonization of laws. Several such laws have been identified, including: 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. In the area of competition, a CARICOM Competition Commission (CCC) was launched in 18 January 2008. The Revised Treaty of Chaguaramas requires CARICOM members states to establish their own national competition authority. At the OECS level, a Competition Treaty and model Competition Bill were drafted creating a single OECS Competition Authority, which will serve as the national competition body for each member state. As at March 2014, only St. Vincent and the Grenadines had enacted a national competition law, which would need to be amended to comply with the OECS model legislation. The Eastern Caribbean Competition Authority is expected to be established by 2015. It is expected to deal with OECS national and sub-regional issues, while the CCC deals with issues at a CARICOM regional level.

2.43. Trade-related cooperation has also deepened at a technical level with the establishment of the CARICOM Regional Organization for Standards and Quality (CROSQ). Of the six OECS-WTO Members, only St. Lucia and St. Vincent and the Grenadines have enacted the agreement establishing the CROSQ into domestic law.

2.44. The Caribbean Health and Food Safety Agency (CAHFSA) was launched on 12 March 2010 in Suriname, when the legal instrument Establishing the Caribbean Agricultural Health and Food Safety Agency entered into force upon signature by the CARICOM Heads of Government. The CAHFSA was established to coordinate SPS measures and strengthen the agricultural health and food safety systems and infrastructure related to agricultural trade in CARICOM. As at March 2014, the CAHFSA was not yet operational.

2.45. 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, it was renamed the Office of Trade Negotiations (OTN). The OTN works

¹⁶ This includes: disputes between contracting parties to the Agreement Establishing the CCJ; disputes between any contracting parties to the Agreement and CARICOM; referrals from national courts or tribunals of contracting parties; and applications by national courts and the Eastern Caribbean Supreme Court concerning the interpretation and application of the Treaty of Chaguaramas.

¹⁷ Appeals of decisions by a Court of Appeal may be presented where a final decision in civil proceedings involves a dispute with a value of not less than EC\$25,000 and for final decisions in proceedings that involve a question regarding the interpretation of the Constitution of the contracting party.

to develop a cohesive framework for the coordination and management of CARICOM's negotiating resources. It also assists member states in preparing national positions, coordinates the formulation of unified strategies for the region, and undertakes and leads negotiations where appropriate.¹⁸

2.46. All OECS countries are members of the Association of Caribbean States (ACS), a forum for economic and trade policy coordination at the regional level, comprising 25 Caribbean Basin countries.

2.3.3.3 CARIFORUM-EU Economic Partnership Agreement (EPA)

2.47. A comprehensive Economic Partnership Agreement (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 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 is reflected in market access, the MFN provisions, trade defence measures, and development cooperation.

2.48. As a result of the EPA, five new joint CARIFORUM-EU institutions were established: (a) the Joint Council is tasked with giving political direction, and reviewing main EPA implementation issues, and is composed of the CARIFORUM Ministers, the EU Trade Commissioner and European High Representatives; it meets at least every two years; (b) the Trade and Development Committee (T&DC), in charge of reviewing EPA implementation in detail, is composed of senior officials, and meets at least once a year; (c) the Parliamentary, tasked with reviewing EPA implementation and advising the T&DC and the Joint Council, and composed of Caribbean MPs, and Members of the European Parliament (MEPs); it meets when it decides to do so; (d) the Consultative Committee, also responsible for reviewing EPA implementation, and advising the T&DC and the Joint Council, is composed of business and civil society representatives; and (e) the Special Committee on Customs Cooperation and Trade Facilitation, reviews technical issues concerning customs and trade facilitation, and is composed of Customs and trade officials.¹⁹

2.49. The Trade and Development Committee held its third meeting in Grenada in November 2013. It reviewed progress and issues so far in applying the EPA, and agreed on next steps.

2.50. In the EPA, the EU committed to immediate removal of 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. Certain sensitive products are excluded (see below). It was agreed that there would be a three-year moratorium before the reduction of tariffs started and the reductions would be from a harmonized base.²⁰ The agreement also covers trade in services, public procurement, intellectual property rights and environmental protection.

2.51. The EPA guarantees the OECS Members and other CARIFORUM countries MFN treatment in trade in goods. CARIFORUM states were guaranteed the right to any more favourable concession or improvement or relaxation of rules of origin offered to any third country by the EU by way of an FTA. CARIFORUM, on the other hand, must only provide MFN treatment to EU products in cases of FTAs signed with major trading economies.²¹ The EU and CARIFORUM states must enter into consultations where any signatory CARIFORUM State enters into an FTA with a major trading economy that offers better concessions than those offered in the EPA.

2.52. In accordance with Article 17, the OECS Members are granted preferential treatment with respect to their tariff commitments. Article 17 explicitly states that the OECS countries, Belize, Guyana, and Haiti, may, upon decision in the CARIFORUM-EC Trade and Development Committee,

¹⁸ Office of Trade Negotiations online information. Viewed at: http://www.crn.org/index.php?option=com_content&view=article&id=45&Itemid=69&0872a8d70c6252b77261d45b4779477d=207f7b7ec587.

¹⁹ European Commission (2012).

²⁰ Base rates are calculated using a basic average of the applied rates across CARIFORUM per tariff line.

²¹ Under the EPA, a major trading economy is defined as a country or group of countries with a share of world merchandise trade exceeding 1% or 1.5%, respectively.

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 incompatibility with the requirements of Article XXIV of the GATT 1994.

2.53. The EPA encourages deeper integration among CARIFORUM states and introduces a regional preference principle by which any more favourable treatment or advantage offered by any CARIFORUM State to the EC must be granted to each CARIFORUM State.

2.54. 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. For rice, DFQF has applied since 1 January 2010, as it was granted a transition period of two years ending on 31 December 2009. In 2008 and 2009, rice quotas were 187,000 tonnes and 250,000 tonnes, compared with the former quota of 125,000 tonnes. For sugar, DFQF has applied since 1 October 2009, subject to a transitional automatic safeguard mechanism until 30 September 2015.²² Imports of CARIFORUM sugar were subject to a minimum price (not lower than 90% of the EU reference price) between 1 October 2009 and 30 September 2012.

2.55. Under the gradual liberalization schedule for imports from the EU into CARIFORUM countries, it is estimated that some 61% of tariff lines would be duty-free over 10 years, 83% of over 15 years, and 87% over 25 years.²³ The main exclusions and lengthier implementation periods apply to sensitive products, including poultry and other meat; dairy products; certain fruits and vegetables; fishery products; sauces; ice cream; syrup; beverages; ethanol; rum; vegetable oils; paints and varnishes; perfumes; cosmetics; soaps; shoe polish; glass or metal polishes; candles; disinfectants; furniture and parts; and some apparel, such as cotton pullovers/jerseys/cardigans. Most agricultural products have been either excluded from liberalization or subject to long transition periods of 20 or 25 years.

2.56. The EPA provides for a standstill of other duties and charges applied on imports, leading to a phase-out starting seven years after signature with a complete elimination within ten years. This will be a sensitive reform in most OECS countries, since they depend heavily on revenue from the Customs Service Charge (CSC) on imports, given that their CARICOM commitments do not allow them to 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. Some OECS Members are already addressing the situation, and, in Antigua and Barbuda, the CSC has been turned into a Revenue Recovery Charge, which applies to imports and domestic goods.

2.57. A separate Protocol attached to EPA concerns rules of origin. This Protocol is based on the Cotonou Agreement's Protocol on rules of origin, with some major amendments. These include: specific provisions regarding sugar, rice, and high-sugar-content products in order to avoid possible circumvention of the provisions in force during the transition period; amended provisions on cumulation with neighbouring countries; and the addition of Mexico to the list of countries. The agreement calls for the review and further simplification of the Protocol on the Rules of Origin within five years after implementation of the EPA.

2.58. 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. The parties may make use of anti-dumping and countervailing measures in intra-party trade in accordance with WTO rules. This is of relevance mostly for the EU, since OECS-WTO Members lack the appropriate legal and institutional instruments to carry out such investigations. In this respect, the EU agreed to notify CARIFORUM states of formal complaints before commencing investigations.

²² Certain products with high sugar content were subject to a special surveillance mechanism from 1 January 2008 to 30 September 2015 to avoid trade circumvention: if imports of these products increase by 20% in volume during 12 consecutive months, the EC Commission may analyse trade patterns and, in case of circumvention, suspend preferential treatment for these products (CARICOM Secretariat, 2008).

²³ This is based on the original HS nomenclature (HS 2007); the shares could differ considering the current HS 2012 nomenclature. European Commission (2008).

2.59. The use of safeguards is allowed for a maximum of 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. Where a signatory CARIFORUM State applies a safeguard measure, or where the EC party applies a measure limited to the territory of one or more of its outermost regions, such measures may be applied for a maximum of four years and, where the circumstances warranting the safeguard measures continue to exist, for a further four years. Under the EPA, the EU committed not to include products from CARIFORUM on any GATT Article XIX investigations for a period of five years. Permitted safeguard remedies are all price-based measures, including the suspension of the rate of tariff reductions, the application of MFN applied rates (at a maximum), and the introduction of tariff quotas. CARIFORUM countries are allowed to impose safeguards to protect infant industries for ten years after signing the EPA, only based on an increase in imported quantities (there are no price triggers).

2.60. Annex IV to the EPA contains commitments on services and investment. The OECS Members made market access and commercial presence commitments in a large number of sub-sectors. In some cases, conditions were attached. For example, in transport, Dominica made its commitments available only as from 2018, while Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines attached as condition for guaranteeing market access for foreign investment in the sector, that the investment be over US\$1 million; investment of lower amounts may be reserved for nationals. Dominica, and to a lesser extent Antigua and Barbuda and Grenada, also left market access unbound on some banking services. Dominica put market access limitations on insurance. Commitments were generally not made with respect to mode 4.

2.61. CARIFORUM countries took a negative-list approach with respect to their commitments on investment. Pertaining to 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 and ammunition. The coverage of the commitments on investment allows the inclusion of non-conforming measures, (existing at the time of signature of the Agreement), in a party's schedule within two years of the date of entry of the Agreement. Unlike CARIFORUM, the EU utilized a positive listing approach to investment, listing all the sectors liberalized.

2.62. The EPA has a chapter on government procurement, which aims at promoting transparency and predictability. The chapter sets out some basic principles and minimum transparency rules that procuring entities should respect when tendering. These rules apply to contracts over a US\$200,000 threshold tendered by central authorities. In practice, most OECS government procurement is not covered by these provisions. Moreover, the chapter does not guarantee OECS market access for EU suppliers; the choice of suppliers remains a prerogative of each OECS Member. However, when selective tendering procedures are employed, procuring entities must publish a notice of intended procurement inviting eligible suppliers to submit a request for participation; select the suppliers to participate in the selective tendering procedure in a fair manner; and indicate the time limit for submitting requests for participation.

2.63. The EPA also contains a competition policy chapter, which identifies the types of anti-competitive conduct that are prohibited, mainly restrictive agreements and abuse of a dominant position. The chapter does not cover mergers or state aid. The chapter also contains provisions on enforcement cooperation. Under the chapter, the CARIFORUM states committed to ensure that within five years of the entry into force of the EPA, they would have laws in force addressing restrictions on competition within their jurisdiction, and have established the appropriate competition bodies. As at March 2014, this was not the case in the OECS Members States; however, the Competition Authority for the OECS is expected to be established by 2015.

2.64. The EPA contains provisions on public enterprises and enterprises with special rights, including monopolies. Public enterprises must be made subject to competition laws, but only to the extent that the application of these laws does not obstruct the execution of the special task assigned to them. Moreover, in the light of the specific development needs of CARIFORUM countries, certain sectors were excluded from this provision.

2.65. With respect to IPR protection, the CARIFORUM states must ensure adequate and effective implementation of the international treaties dealing with intellectual property to which they are parties and of the TRIPS Agreement. The provisions of the IPR section were in principle to be

implemented effectively no later than 1 January 2014 unless the CARIFORUM-EC Trade and Development Committee determined otherwise. As of that date, some OECS Members were lagging behind on the adoption of appropriate national legislation to allow full implementation of the TRIPS Agreement (e.g. St. Lucia with respect to patents).

2.66. Four OECS-WTO Members have begun implementation of the tariff reductions scheduled under the EPA, while the two others are still finalizing the necessary legislative and administrative work.²⁴ Table 2.3 provides a summary of the preferential tariffs to be applied by the OECS Members to EU products in 2013, if the Schedule of tariff cuts had been followed. Only St. Kitts and Nevis was applying the 2013 rates in the corresponding year, while Dominica, Grenada, and St. Vincent and the Grenadines were applying the initial cuts corresponding to 2011, and Antigua and Barbuda and St. Lucia had not implemented any cuts. These rates have been calculated by the WTO Secretariat and are an approximation. In general, rates to be applied to EU imports were, on average, between 2 and 2.3 percentage points lower than the MFN in all OECS Members except Dominica, where the preferential average was 1.6 percentage points lower than the MFN. The reduction is most pronounced for non-agricultural products (WTO definition).

Table 2.3 Summary analysis of EPA preferential tariffs scheduled for imports from the EU, 2013.

Description	Preferential EPA tariff (%)					
	Antigua & Barbuda (N)	Dominica (F)	Grenada (F)	St Kitts & Nevis (I)	St Lucia (N)	St Vincent & the Grenadines (F)
Total	9.1	10.7	9.1	7.9	7.7	8.7
HS 01-24	17.8	26.5	19.5	13.5	16.7	17.9
HS 25-97	7.0	7.3	6.8	6.7	5.7	6.8
By WTO category						
WTO Agriculture	16.4	24.9	17.2	13.4	14.2	15.5
- Animals and products thereof	16.4	15.3	19.3	11.6	7.6	12.0
- Dairy products	6.1	6.1	6.5	6.3	5.5	5.3
- Fruit, vegetables and plants	21.9	26.7	21.1	15.0	18.4	21.3
- Coffee and tea	17.7	29.2	16.3	13.4	15.3	16.5
- Cereals and preparations	14.7	17.3	15.2	15.0	12.4	14.5
- Oil seeds, fats and oils and their Products	13.6	14.6	14.1	11.8	14.2	12.9
- Sugars and confectionary	21.9	21.9	22.2	22.7	18.8	18.1
- Beverages, spirits and tobacco	18.0	77.8	25.0	22.1	25.8	23.8
- Cotton	3.0	0.0	3.0	0.0	0.0	3.0
- Other agricultural products n.e.s.	5.9	6.3	6.6	6.3	4.6	6.4
WTO Non-agriculture (including petroleum)	7.5	8.0	7.5	6.8	6.4	7.4
- WTO Non-agriculture (excluding petroleum)	7.5	8.0	7.5	6.8	6.4	7.4
- Fish and fishery products	19.7	25.4	25.3	9.3	24.6	25.0
- Minerals and metals	5.7	5.7	6.0	5.4	4.5	5.9
- Chemicals and photographic supplies	5.2	8.7	5.4	5.0	4.6	5.2
- Wood, pulp, paper and furniture	7.6	8.0	7.9	7.9	6.5	8.0
- Textiles	5.2	4.8	5.2	4.7	4.1	5.2
- Clothing	16.7	16.6	16.7	17.3	16.6	16.7
- Leather, rubber, footwear and travel goods	7.0	7.1	7.4	6.6	6.8	7.4
- Non-electric machinery	3.4	3.1	3.2	3.3	2.2	3.1
- Electric machinery	7.8	7.1	7.7	7.8	5.9	7.9

²⁴ According to information provided by the different national authorities, and by the OECS Secretariat, as at March 2014, the implementation situation was as follows: (a) in Dominica, the 2011 tariff reductions had been completed both administratively and legislatively. The issue of an SRO to give effect to the Schedule of reductions permanently is pending; (b) in Grenada, the 2011 tariff reductions had been completed both administratively and legislatively. The issue of an SRO to give effect to the Schedule of reductions permanently is pending; (c) in St. Kitts and Nevis the 2011 and 2013 tariff reductions had been completed administratively. The issue of an SRO to give effect to the Schedule of reductions permanently is pending; (d) in St. Vincent and the Grenadines, the 2011 tariff reductions had been completed both administratively and legislatively. The issue of an SRO to give effect to the Schedule of reductions permanently is pending; (e) in Antigua and Barbuda and St. Lucia, no administrative or legal action had been taken, and the reductions had not yet started.

Description	Preferential EPA tariff (%)					
	Antigua & Barbuda (N)	Dominica (F)	Grenada (F)	St Kitts & Nevis (I)	St Lucia (N)	St Vincent & the Grenadines (F)
- - Transport equipment	11.7	9.7	9.1	11.4	7.5	9.3
- - Non-agriculture articles n.e.s.	11.3	10.4	10.7	11.3	9.9	10.7
- Petroleum	6.8	5.5	7.0	7.4	6.0	7.0
By ISIC sector^a						
Agriculture and fisheries	19.1	21.2	19.0	11.7	16.7	18.9
Mining	2.9	4.4	4.7	1.9	3.5	4.3
Manufacturing	8.4	10.1	8.4	7.7	7.2	8.1
By HS section						
01 Live animals & animal products	17.6	20.7	21.8	10.1	15.6	17.9
02 Vegetable products	19.1	20.7	18.3	12.9	15.5	18.3
03 Fats & oils	20.9	23.8	21.8	18.3	21.5	19.6
04 Prepared food etc.	16.1	38.8	18.1	16.8	18.2	17.1
05 Minerals	3.2	4.3	4.7	3.0	3.5	4.6
06 Chemical & products	4.8	8.7	5.0	4.7	4.3	4.9
07 Plastics & rubber	6.8	6.5	7.0	6.2	6.2	6.5
08 Hides & skins	6.8	6.9	7.2	6.6	5.3	7.0
09 Wood & wood articles	8.2	8.0	8.3	8.3	6.9	8.2
10 Pulp, paper etc.	5.6	5.8	6.1	5.7	4.5	6.3
11 Textile & apparel	8.3	8.0	8.3	8.1	7.6	8.3
12 Footwear, headgear	13.3	13.1	13.3	12.7	12.7	13.3
13 Articles of stone	8.6	8.1	8.4	8.4	7.3	8.4
14 Precious stones, etc.	16.6	14.6	17.0	14.3	15.2	15.9
15 Base metals & products	5.1	5.1	5.2	5.0	3.6	5.1
16 Machinery	4.8	4.4	4.6	4.8	3.1	4.6
17 Transport equipment	11.4	9.4	8.9	11.0	7.2	9.1
18 Precision equipment	7.9	7.0	8.1	7.5	6.7	8.1
19 Arms and ammunition	40.2	29.4	24.2	41.9	39.6	24.2
20 Miscellaneous manufactures	13.3	14.0	13.3	13.1	12.8	13.3
21 Works of art, etc.	15.0	15.0	15.0	15.0	15.0	15.0
By stage of processing						
First stage of processing	14.5	16.4	15.0	9.0	13.2	14.8
Semi-processed products	3.6	3.6	3.8	3.2	2.6	3.7
Fully-processed products	10.4	13.1	10.4	10.1	9.1	10.0
Preferential rates range (%)	0-70	0-165	0-40	0-70	0-101.1	0-40
Share of duty-free lines (% of total number of lines)	20.3	23.7	17.5	28.6	46.8	18.7
Memorandum item						
MFN duty rate, total (%)	11.3	12.3	11.4	10.1	9.7	10.9
MFN rates range (%. Min - Max)	0-70	0-165	0-40	0-70	0-101.1	0-40
Share of duty-free lines (% of total number of lines)	9.5	22.4	5.4	24.0	39.6	8.8

Notes: F: First reductions (2011) implemented
I: 2013 reductions implemented
N: No reduction implemented

a ISIC (Rev.2) classification, excluding electricity (1 line).

Source: WTO Secretariat estimates, based on data provided by the authorities of St Kitts and Nevis.

2.67. Implementation of the EPA in other areas is still lagging, as it will require major legislative changes in the OECS Members. Most EPA provisions and non-tariff commitments require the application of the apposite WTO Agreement, or are WTO plus. Since, in several cases, OECS Members have not yet adjusted domestic legislation to be able to fully implement some WTO agreements, the effort to comply with the EPA provisions will be onerous. However, it may act as an incentive to accelerate the changes in legislation required to comply with multilateral commitments.

2.3.3.4 Bilateral agreements

2.68. CARICOM has bilateral trade agreements with Canada, Colombia, Cuba, Costa Rica, Dominican Republic, and Venezuela.

2.3.3.4.1 CARICOM-Colombia

2.69. The CARICOM-Colombia Agreement on Trade, Economic and Technical Cooperation, was signed in 1994 and re-negotiated in 1997. A CARICOM-Colombia Joint Council on Trade, Economic and Business Cooperation administers the agreement. Through the re-negotiated agreement, Colombia granted unilateral preferential access to its market for four 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.²⁵ OECS countries, as less developed countries within CARICOM, are not obliged to grant any concessions under the agreement. The elimination of tariffs does not apply to used goods.

2.70. 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 measures if imports from their counterpart in the agreement are in such quantities that they may damage local industries. Safeguards must take the form of a suspension of preferential treatment. Safeguard measures may also be used for balance-of-payments purposes. The measures may be initially for no longer than a year, with the possibility of renewal for a further year. The application of anti-dumping measures is permitted.

2.3.3.4.2 CARICOM-Costa Rica

2.71. The Free Trade Area agreement with Costa Rica entered into force on 1 March 2004. A CARICOM-Costa Rica Joint Council was established to implement the agreement as well as "free trade coordinators" (Ministry of Foreign Trade in Costa Rica and CARICOM Secretariat) to monitor the implementation of the agreement.

2.72. The agreement is reciprocal with respect to CARICOM's MDCs, but not the OECS Members. The agreement provides for free trade or preferential access for a wide range of products, excluding sensitive goods. Tariffs on 95% of products have been phased out. Duty will continue to apply for CARICOM, on 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.

2.3.3.4.3 CARICOM-Cuba

2.73. The CARICOM-Cuba Trade and Economic Agreement, which entered into force in 2006, provides for duty-free access for a list of goods agreed by both sides. However, as is the case with other CARICOM agreements, the concessions on the CARICOM side are limited to MDCs. The OECS Members do not grant preferences to Cuba under this agreement.

2.74. The agreement provides for duty-free treatment on specified goods. Cuba's list of concessions to CARICOM is included in Annex I, while Annex 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 (Annex 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

²⁵ 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.

taxation, trade promotion and facilitation, services, tourism, investment, intellectual property rights, and other topics. Goods produced in free zones are exempted from preferences.

2.3.3.4.4 CARICOM-Dominican Republic Free Trade Agreement

2.75. The CARICOM-Dominican Republic Free Trade Agreement, which entered into force in 1999, granted bilateral duty-free access for a number of products from 1 January 2004. The FTA 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.

2.76. The agreement aims to free up market access, eliminate non-tariff barriers to trade, establish a system of rules of origin, engage in customs cooperation, and harmonize the technical, sanitary, and phytosanitary (SPS) procedures of the CARICOM and the Dominican Republic. The liberalization calendar is comprehensive and the agreement provides for 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 application of the MFN rate of duty to goods in Appendix III.

2.77. This agreement established a Joint Council, made up of representatives of CARICOM and 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 analyse trade and investment opportunities, exchange business information and organize business engagements. The aim of the Forum is to encourage the private sectors of the two parties to participate in the FTA.

2.78. CARICOM and the Dominican Republic have also agreed on procedures for settling disputes emerging from trade under the FTA. This involves initial informal consultations to arrive at a mutually satisfactory 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 may seek compromise among the parties or make a ruling.

2.3.3.4.5 CARICOM-Venezuela

2.79. The CARICOM-Venezuela Agreement on Trade and Investment entered into force on 1 January 1993. It is a one-way preferential agreement aimed at promoting CARICOM exports to Venezuela through duty-free access for some products or phased reductions in tariffs. The agreement also seeks to promote investment and 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.

2.80. 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.

2.3.3.5 Non-reciprocal agreements

2.81. The OECS Members also benefit from the Caribbean Basin Initiative, and CARIBCAN, both of which are non-reciprocal and unilateral.

2.82. Under the Caribbean Basin Initiative (CBI), in 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. 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 States 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 2014.²⁶

2.83. 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 an 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 2013.²⁷

2.84. Canada and CARICOM are currently negotiating a reciprocal Canada-CARICOM Trade Agreement set to replace the unilateral preferences granted under CARIBCAN.²⁸ The negotiation of a possible Canada-CARICOM FTA was announced at the Canada-CARICOM Summit in January 2001, in Jamaica. However, negotiations did not start until 2009. Canada and CARICOM have held five rounds of negotiations to date (February 2014): in November 2009, March 2010, April 2011, July 2012, and January 2014. Discussions 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 chapter on financial services should go beyond Canada's and CARICOM's respective GATS commitments.²⁹

2.85. The OECS Members are also beneficiaries of the European Development Fund (EDF).³⁰ Funds allocated under the EDF have been used to support mostly projects in education and in health. The programme is two-pronged: member states are allocated funds under national indicative programmes and at the regional level. The authorities indicated that €12.6 million were allocated to the OECS Secretariat for economic integration and trade programmes in 2008-13.

2.86. 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.

²⁶ 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.

²⁷ WTO document G/C/W/657, 27 October 2011.

²⁸ Government of Canada online information. Viewed at: www.international.gc.ca/trade-agreements-accords.

²⁹ CARICOM online information. Viewed at: http://www.crnw.org/index.php?option=com_content&view=article&id=51&Itemid=121.

³⁰ 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 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. For more information on the EDF, see: http://ec.europa.eu/europeaid/how/finance/edf_en.htm.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Procedures, customs valuation and rules of origin

3.1. Customs procedures vary slightly across the OECS countries. All the OECS-WTO members require a customs declaration form, an invoice, a bill of lading or an airway bill, a certificate of origin for imports from CARICOM countries and, when needed, import licences and SPS certificates. Grenada and St Lucia also require a value declaration for goods whose value is above a certain threshold. The use of a customs broker is not mandatory in any OECS-WTO member, except Dominica.

3.2. Dominica, Grenada, St Lucia and St Vincent and the Grenadines use different versions of the ASYCUDA system for customs processing and clearance. To access the system importers need to register with the customs authorities. Antigua and Barbuda uses CASE, while St Kitts and Nevis uses TRIPS. Importers in Antigua and Barbuda are required to register with the Internal Revenue Service, while those in St Kitts and Nevis are not required to register. Both Antigua and Barbuda and St Kitts and Nevis are in the process of migrating to ASYCUDA World.

3.3. Customs clearance varies from about five hours (Antigua and Barbuda) to about two days (St Vincent and the Grenadines). Except for Grenada, the customs legislation of all OECS-WTO members has a provision for appeals; in Grenada an appeal against customs decisions may be lodged directly with the courts.

3.4. All the OECS-WTO members except Grenada use the hierarchy of valuation methodology set out in the WTO Customs Valuation Agreement. Grenada uses the Brussels definition of valuation, although the authorities in Grenada indicated that the transaction value is used in many cases. According to authorities in other OECS-WTO Members, the transaction value is used for valuation of over 80% of imports.

3.5. None of the OECS-WTO Members has any non-preferential rules of origin. All the countries apply the CARICOM preferential rules of origin. To comply with these rules, goods are deemed to be from the Common Market if they have been: (a) completely produced within CARICOM; or (b) produced within CARICOM wholly or partly from materials imported from third countries, provided a substantial transformation has taken place within CARICOM. Substantial transformation may be achieved by change of tariff heading, or by complying with the requirements defined specifically for each tariff heading in Part A of the List in Schedule II of the CARICOM Treaty. Furthermore, under a "safeguard" mechanism, a manufacturer may use materials from outside the region when they are not available in a CARICOM State. However, the Council for Trade and Economic Development needs to provide a waiver to authorize such imports. Additionally, a certificate of origin from the exporting country is required with verification taking place at the importing end. CARICOM member states, are expected to implement the rules of origin contained in the Amended Schedule I of the Revised Treaty of Chaguaramas, based on the 2007 HS from 1 January 2007. Presently all OECS-WTO Members apply the HS2007 nomenclature.

3.1.2 Tariffs

3.1.2.1 Structure

3.6. In 2013, the OECS-WTO Members' tariff was based on the HS07 nomenclature and comprised between 6,282 tariff lines (St Kitts and Nevis) and 6,686 tariff lines (Antigua and Barbuda). Across all countries, nearly all tariffs are applied on an *ad valorem* basis.¹

3.1.2.2 Tariff bindings

3.7. The OECS countries do not have unified tariff bindings in the WTO. While the separate national schedules are broadly similar, they vary considerably at the level of individual items and

¹ In St Kitts and Nevis, 99.7% of the tariffs are applied on an *ad valorem* basis, in St Lucia, 99.9%, and in St Vincent and the Grenadines, 99.8%.

sectors. That variance is demonstrated both by the wide range in average bound tariffs (58.2-77.4%), and the differences on some individual products and sectors. Grenada is the only OECS Member to have bound all its tariff lines; the others have bound between 92.7% (Dominica) and 99.7% (St. Vincent and the Grenadines).

3.8. All six countries bound agricultural tariffs at a ceiling rate of 100%, with some exceptions. Exceptions were generally bound higher than 100% in Antigua and Barbuda, Dominica, St. Lucia, and St. Vincent and the Grenadines, but in Grenada some tariff lines were bound at zero. Non-agricultural goods were bound at a ceiling rate of 50% except in St. Kitts and Nevis, where they were bound at 70%; in all cases there are a number of exceptions, including bound rates as high as 250% in agriculture, and unbound tariff lines in non-agricultural goods in Antigua and Barbuda, Dominica, and St. Lucia. Products bound above the 50% or 100% rates include motor vehicles, cement, alcohol, margarine, and fruit. Although each OECS country applies other duties and charges to imports, only St. Kitts and Nevis bound other duties and charges in the WTO, at a general rate of 18% (3% CSC and 15% consumption tax), with a number of exceptions.

3.9. The applied rates for a few products in Grenada and Antigua and Barbuda exceed the rates bound in the WTO. However, the authorities indicated that this would be rectified in the 2014 tariff.

3.1.2.3 MFN applied tariff

3.10. As members of CARICOM all OECS-WTO Members apply the CARICOM Common External Tariff (CET). National exceptions to the CET are detailed in List A (items in respect of which member states wish to encourage national production) and List C (items for which minimum rates have been agreed, but may be increased up to bound levels). Applied tariff rates for List C products are determined by the different CARICOM member countries. Common rates are determined by all members, but only for reference purposes. Products contained in List C are generally subject to a minimum rate.²

3.11. The average unweighted applied tariff rate for OECS-WTO Members is 11%, a negligible increase since the previous Review. The individual national applied MFN rate ranges between 9.6% (St Lucia) and 12.3% (Dominica) (Table 3.1). The average applied MFN rate across all countries is significantly higher for agricultural products than for non-agricultural products.

3.12. The difference between average bound rates and the average applied MFN rate across the OECS-WTO Members varies between 46.8% (Grenada) and 67.3% (St Kitts and Nevis), which is significant and gives the authorities considerable scope to increase tariffs, creating some unpredictability for importers. However, the authorities stated that changing the tariff was a long process that had to be done through and required approval of CARICOM's COTED and thus they felt the tariff was predictable.

3.13. Seasonal tariffs are applied by Dominica on Irish potatoes. Grenada (1 line), St Kitts and Nevis (19 lines), St Lucia (8 lines) and St Vincent and the Grenadines (13 lines) apply specific duties to a small number of tariff lines. No tariff-rate quotas are imposed.

Table 3.1 OECS summary tariff analysis, 2013

Description	MFN average	Antigua & Barbuda	Dominica	Grenada	St Kitts & Nevis	St Lucia	St Vincent & the Grenadines
Total	11.0	11.3	12.3	11.4	10.1	9.6	10.9
HS 01-24	20.7	19.4	28.6	21.4	15.1	20.2	19.8
HS 25-97	8.8	9.4	8.8	9.2	9.1	7.3	9.0
By WTO category							
WTO Agriculture	19.1	18.1	26.9	19.2	15.0	17.8	17.6
- Animals and products thereof	18.3	20.5	19.3	23.3	15.6	15.4	15.7
- Dairy products	6.2	6.3	6.3	6.7	6.5	5.8	5.5

² Exceptions to the CET are included in Lists A, C, and D, annexed to the CET. Rates vary by country and product.

Description	MFN average	Antigua & Barbuda	Dominica	Grenada	St Kitts & Nevis	St Lucia	St Vincent & the Grenadines
- Fruit, vegetables and plants	23.0	23.7	29.0	23.0	16.1	22.8	23.3
- Coffee and tea	19.4	18.8	30.2	17.4	15.2	17.4	17.7
- Cereals and preparations	16.0	15.6	18.3	15.9	16.1	14.8	15.4
- Oil seeds, fats and oils and their Products	16.3	16.6	17.1	17.3	13.8	17.3	15.7
- Sugars and confectionary	21.1	21.9	21.9	22.2	22.7	19.8	18.1
- Beverages, spirits and tobacco	32.2	18.1	77.9	25.2	22.2	25.8	23.9
- Cotton	2.5	5.0	0.0	5.0	0.0	0.0	5.0
- Other agricultural products n.e.s.	8.6	7.7	8.2	9.4	8.3	8.2	9.6
WTO Non-agriculture (including petroleum)	9.4	9.9	9.5	9.9	9.2	8.0	9.6
- WTO Non-agriculture (excluding petroleum)	9.4	9.9	9.6	9.9	9.2	8.0	9.6
- - Fish and fishery products	23.2	20.9	27.4	27.1	10.3	26.9	26.8
- - Minerals and metals	7.2	7.5	7.2	8.1	7.3	5.5	7.6
- - Chemicals and photographic supplies	7.4	7.2	10.1	7.3	6.4	6.3	6.9
- - Wood, pulp, paper and furniture	9.7	9.5	9.6	9.9	10.3	8.7	10.1
- - Textiles	7.0	7.6	6.4	7.7	6.8	6.0	7.7
- - Clothing	20.5	19.9	19.6	19.9	24.3	19.9	19.9
- - Leather, rubber, footwear and travel goods	9.7	9.6	8.9	10.2	9.6	9.4	10.2
- - Non-electric machinery	5.3	7.0	3.9	6.6	5.5	2.8	6.2
- - Electric machinery	10.1	10.7	9.3	10.7	11.6	7.6	10.5
- - Transport equipment	11.0	14.0	10.4	10.1	12.5	8.6	10.2
- - Non-agriculture articles n.e.s.	13.3	13.8	12.6	13.4	14.5	12.2	13.4
- Petroleum	7.8	7.5	5.7	9.8	8.3	7.3	8.1
By ISIC sector^a							
Agriculture and fisheries	21.3	22.0	24.8	22.4	14.1	22.1	22.3
Mining	4.9	3.4	6.2	7.0	2.1	4.9	6.2
Manufacturing	10.3	10.6	11.6	10.7	10.0	8.9	10.2
By HS section							
01 Live animals & products	20.3	20.0	23.5	24.6	12.4	20.7	20.5
02 Vegetable products	20.1	21.3	23.4	20.6	14.4	20.2	20.9
03 Fats & oils	25.3	25.3	28.2	26.6	21.3	26.4	23.8
04 Prepared food etc.	21.2	16.4	39.0	18.4	17.5	18.7	17.4
05 Minerals	5.3	4.0	5.7	6.8	3.6	5.1	6.4
06 Chemicals & products	7.2	6.8	10.2	6.9	6.3	6.1	6.8
07 Plastics & rubber	7.8	8.5	7.3	8.9	7.4	7.4	7.6
08 Hides & skins	9.5	9.8	8.3	10.7	9.6	8.3	10.5
09 Wood & articles	10.8	10.8	10.4	10.9	11.2	10.5	10.8
10 Pulp, paper etc.	7.4	7.2	7.0	7.9	7.8	5.9	8.4
11 Textile & articles	10.7	10.9	9.9	11.1	11.5	9.8	11.1
12 Footwear, headgear	16.4	16.1	15.8	16.1	18.6	15.8	16.1
13 Articles of stone	10.0	10.4	9.4	10.1	11.2	9.0	10.1
14 Precious stones, etc.	17.0	17.7	17.4	19.8	15.1	15.5	16.6
15 Base metals & products	6.6	7.2	6.5	7.5	7.2	4.4	6.8
16 Machinery	7.0	8.3	5.8	8.0	7.5	4.4	7.8

Description	MFN average	Antigua & Barbuda	Dominica	Grenada	St Kitts & Nevis	St Lucia	St Vincent & the Grenadines
17 Transport equipment	10.7	13.6	10.1	9.9	12.0	8.3	10.1
18 Precision equipment	10.1	10.6	9.2	11.3	10.2	8.2	11.3
19 Arms and ammunition	33.2	40.2	29.4	24.2	41.9	39.6	24.2
20 Miscellaneous manufactures	15.2	15.0	15.7	14.9	16.5	14.3	15.0
21 Works of art, etc.	21.0	20.0	20.0	20.0	25.0	20.6	20.6
By stage of processing							
First stage of processing	16.6	16.6	18.9	18.2	10.4	17.2	18.0
Semi-processed products	5.2	5.8	5.0	6.0	4.7	4.0	5.5
Fully-processed products	12.6	12.7	14.6	12.6	12.8	10.8	12.1

a ISIC (Rev.2) classification, excluding electricity (1 line).

Source: WTO Secretariat estimates, based on data provided by the authorities of Saint Kitts and Nevis.

3.1.3 Tariff and tax concessions

3.14. The Fiscal Incentives Acts and other incentive schemes in place across OECS-WTO Members provide for duty-free imports and tax relief. Imports destined for government institutions; diplomatic missions and international organizations; hospitals, relief organizations, and other charitable institutions are also accorded duty-free treatment.

3.15. Furthermore, individual countries also allow duty-free imports for specific reasons. For example: in Dominica imports of raw materials and inputs, materials, tools, plant, machinery, and building materials used in a variety of construction and manufacturing activities are duty free.

3.16. Concessions may also be designed to meet specific, temporary needs such as post-hurricane reconstruction activity in certain countries.

3.1.4 Tariff preferences

3.17. Duty-free access is granted by OECS Members, to imports from other CARICOM countries, provided these imports meet the CARICOM rules of origin criteria. Under the EPA with the European Union, the OECS countries are scheduled to grant preferential access to most EU products. Implementation of preferences started on 1 January 2011, and is expected to be completed by 1 January 2033. By then, all products originating in the EU, with the exception of the exempted products, which mostly relate to agricultural and agri-industry products, are expected to be granted duty-free access to OECS countries. The pace of implementation varies sometimes by country (see section 2.3.3.3 and Table 2.3).

3.1.5 Other charges affecting imports

3.18. In addition to the customs tariff, the OECS-WTO Members impose myriad taxes and levies. Five of the countries apply a customs service tax (CST), which varies from 3% (Dominica) to 6% (St Kitts and Nevis). The CST is charged on all imports including those from other CARICOM countries. However, all countries have exempted certain goods from the CST. In 2010, Antigua and Barbuda replaced the CST with the revenue recovery charge (RRC). The RRC is charged at a rate of 10% on all imports as well as on domestically produced goods.

3.19. Other than Antigua and Barbuda, all the OECS-WTO members levy a VAT on goods and services; the general rate is 15%, with St Kitts and Nevis applying VAT at 17%. All countries have goods and services which are VAT exempt, while others are charged at a lower rate. For example, for hotels the VAT rate is 10%. Grenada, St Kitts and Nevis, and St Lucia introduced VAT during the period under review. Antigua and Barbuda continues to apply sales tax at a rate of 15% on goods and services. Like the other OECS countries, it has certain goods and services that are exempt and others that are charged the tax at a lower rate.

3.20. With the exclusion of Antigua and Barbuda, all the OECS-WTO members charge an excise tax. The tax is applied, *inter alia*, on tobacco products, alcoholic beverages, automobiles, and petroleum products. It is *ad valorem* basis and as a specific tax, depending on the country and the product.

3.21. Four of the countries apply an environmental levy, mainly on used cars and other goods that the authorities deem detrimental to the environment. The coverage of the levy both in terms of products and the rate charged differs across countries. St Vincent and the Grenadines applies a vehicle surcharge and a deposit on bottles, while St Lucia introduced and subsequently discontinued a 1% levy during the period under review.

3.1.6 Import prohibitions, restrictions and licensing

3.22. All of the OECS-WTO Members have import prohibitions and licensing in place. The authorities stated that prohibitions are for health, safety, and security concerns. Import licensing requirements for certain products are also in place for the same reasons.

3.23. Furthermore, licences are in place for entirely economic reasons, such as the protection of infant industries or for balance-of-payments purposes. Import licensing schemes may be tied to regional integration (for example products covered by Article 164 of the Revised CARICOM Treaty), such that some products are subject to licensing only when imported from outside the CARICOM region or, in some cases, from outside the OECS sub-region.

3.24. Despite new custom's legislation being passed in Antigua and Barbuda and Dominica, there have been no changes to the import prohibitions or the import licensing regime in OECS countries. All the OECS-WTO Members, except St Vincent and the Grenadines, have notified their import licensing regime to the WTO. The authorities of St Vincent and the Grenadines indicated that they were in the process of completing a draft of the notification.

3.25. At the time of their last Review, the OECS countries applied non-automatic licensing on products subject to quantitative restrictions under Article 56 of the CARICOM Treaty. In 2006, CARICOM took a decision, pursuant to Article 164 (Promotion of Industrial Development) of the Revised CARICOM Treaty, to replace non-automatic import licensing with tariffs. The main intended beneficiaries under the decision were OECS Members who qualify as LDCs in the CARICOM context. Article 164 also allows less developed CARICOM countries to petition COTED to suspend community origin treatment on certain products and to apply tariff rates higher than the CET. In January 2006, COTED agreed that tariff rates could be increased on goods for which Article 164 may be applied. It was further agreed that this decision would be reviewed in the first instance, after a period of five years. In Antigua and Barbuda and in St. Vincent and the Grenadines, the items subject to tariffication remain subject to non-automatic import licensing.

3.26. The authorities in OECS countries state that most licences, other than those imposed for health and safety reasons, are granted automatically, and in many cases are applied for and received at the time of importation. Non-automatic licences are used in every OECS country, except Dominica; the coverage varies by country, but generally includes agricultural and agri-business goods, as well as goods where there are safety concerns. Non-automatic licensing, is in principle, used extensively in St. Lucia, but the authorities indicate that, in practice, applications for a licence are rejected only if they are not made in proper form. While the rules vary from country to country, the licences are generally valid for a month or six weeks, are not transferable, and do not provide for penalties in the case of non-use. In St Kitts and Nevis, a health and safety permit is required for agricultural imports.

3.1.7 Contingency measures

3.27. During the period under review, there were no changes to the anti-dumping and countervailing legislation in any of the OECS-WTO members. Antigua and Barbuda, Dominica, Grenada, and St Lucia have notified their anti-dumping and countervailing legislation to the WTO. None of the OECS-WTO Members has a competent authority to initiate and conduct an investigation, and thus none has taken anti-dumping actions during the review period.

3.28. Anti-dumping and countervailing duty laws in force in the OECS-WTO Members date from 1959-64 and have not been amended to reflect the Uruguay Round Agreements. The Revised CARICOM Treaty provides the basis for adopting anti-dumping measures but only against imports from other CARICOM member states. A model CARICOM anti-dumping and countervailing measures law is being considered within the context of the proposed Eastern Caribbean Competition Authority (see below) for all OECS countries and is expected to be in place by 2015.

3.29. None of the OECS-WTO Members has national safeguards legislation. However, under CARICOM rules, OECS-WTO Members, as less developed countries, may invoke the special provisions in Chapter 7 of the Revised Treaty of Chaguaramas, in particular Articles 150 and 164. Article 150 (safeguard measures) of the Revised Treaty of Chaguaramas entitles a disadvantaged country to limit imports of goods from other member states for up to three years, and to take other COTED-authorized measures. Article 164 (promotion of industrial development) of the revised Treaty allows less developed CARICOM countries to petition COTED to suspend community-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. These rules have not been invoked by any of the countries.

3.1.8 Technical regulations and standards

3.30. All the OECS-WTO Members have a bureau of standards (Table 3.2). During the period under review, Dominica, Grenada, St Lucia and St Vincent and the Grenadines made notifications to the TBT committee.

Table 3.2 OECS WTO Members' standards bureaux

	Bureau of Standards					
	Antigua and Barbuda	Dominica	Grenada	St. Kitts and Nevis	St. Lucia	St. Vincent and the Grenadines
Year established	1987	2000	1989	1998	1990	1998
Standards adopted	43	26	178	..	104	69
Technical regulations adopted	0	11	27	..	42	..
WTO notifications	0	11	16	0	..	13
Functions						
Develop standards	Yes	Yes	Yes	Yes	Yes	Yes
Certification	No	No	Yes	Yes	Yes	No
Conformity assessment	No	No	Yes	Yes	Yes	..
Market surveillance	No	No	Yes	..	Yes	..
Metrology	Yes	No	Yes	Yes	Yes	..

.. Not available.

Source: Information provided by authorities.

3.31. In terms of their structure, mandate, and procedures required for the adoption of standards and technical requirements, the OECS countries are quite similar. Technical regulations are referred to as either compulsory or mandatory standards, and are developed in essentially the same manner as standards. The process begins when a need is identified, and a proposal is developed. OECS countries generally favour the use of international standards (preferably CARICOM standards) as the basis for their technical regulations. A draft specification is developed and discussed by a technical committee, then submitted to the Standards Council; a period of public comments (e.g., 60 days) is allowed. Following receipt and review of comments, the standard may be amended and reconsidered by the Standards Council. Technical regulations, are notified to the WTO prior to implementation of the measure, with 60 days for circulation and comments. In some countries, the Ministry of Legal Affairs may also be asked to comment on legal matters. The relevant minister publishes the technical regulation or standard in the *Government Gazette*.

3.32. Grenada, St Kitts and Nevis, and St Lucia undertake certification. The Grenada Bureau of Standards conducts batch, product, and quality certification. In St. Lucia, certification is done only against an existing standard, and is generally based on 100% testing. Other OECS countries stated

that due to resource constraints, they did not have fully functional certification bodies and that certification activities are undertaken on a regional basis.

3.33. During the period under review, Antigua and Barbuda and Grenada passed legislation on metrology, but implementing regulations have not been issued in the former.

3.1.9 Sanitary and phytosanitary measures

3.34. None of the OECS-WTO Members notified any measures to the WTO SPS Committee during the review period. Furthermore, there are no formal procedures in place to notify trading partners of SPS measures or any changes to the SPS regime. Instead, information is shared on an ad-hoc and peer-to-peer basis with counterpart agencies. The OECS countries do not have an inventory of SPS measures that have been adopted.

3.35. Document inspection as well as any product sampling is generally carried out at the border. However, there are few or no domestic facilities available to conduct tests of samples. These often need to be sent for testing to another country in the region (e.g., Barbados), or outside the region (e.g., the United States). Their lack of laboratory facilities may make it difficult for the OECS countries to ensure that any SPS measures they adopt are based on an evaluation of actual risks.

3.36. In general, imports of plants and unprocessed products must be accompanied by a phytosanitary certificate issued by the exporting country. Imports of live plants and all unprocessed plant products and commodities, and non-commercial untreated seeds are generally subject to quarantine regulations, and imports of soil or products containing soil are prohibited. Import licences may be required for imports of live animals or their products.

3.37. Since the last Review of the OECS Members, new legislation pertaining to SPS measures has been enacted in Antigua and Barbuda and St Kitts and Nevis.

3.38. Antigua and Barbuda enacted the Plant Protection Act of 2012 and the Pesticides and Toxic Chemicals Act of 2008. Under the provisions of the Act, a government agency will be designated as the National Plant Protection Organization (NPPO). The NPPO would be responsible for the implementation of the International Plant Protection Convention (IPPC) and SPS Agreements. The NPPO would be responsible for, *inter alia*: issuing SPS certificates; inspection and surveillance pertaining to plant and plant products; disinfecting consignments of plant and plant products; conducting pest risk analysis; providing information to other countries concerning SPS measures applied; notifying trading partners of non-compliance with import requirements; notifying SPS measures to the national enquiry point for SPS and the IPPC focal point; and providing information regarding import and export regulations in force. Imports of plants and plant products are governed by the 2012 Act. The Pesticides and Toxic Chemicals Act of 2008 contain the main provisions with respect to the registration, import, sale, transport, disposal, control, and inspection of pesticides. The Act establishes the Pesticides and Toxic Chemicals Control Board (under the Ministry of Agriculture), which is in charge of implementing the Act. The Board is responsible for, *inter alia* considering applications for registration; granting or revoking licences; approving research permits; and certifying pest-control operators.

3.39. St Kitts and Nevis has introduced the Animals (National and International Movement and Prescribed Diseases Prevention) Act of 2012 (Act No. 7 of 2012) and the Biosafety Act of 2012. Act No. 7 of 2012 controls the movement of animals and animal-related items into and within St. Kitts and Nevis. The new Act which repealed the Animal (Disease and Importation) Act, Cap 107 of the Laws of St. Kitts and Nevis, contains regulations to prevent the introduction and spread of prescribed animal diseases and to ensure the safe and humane movement of animals to and from St. Kitts and Nevis. The Act is administered by the Chief Veterinary Officer, and establishes the Veterinary Authority. The authorities have noted that the Act enhances the scope for decisions to be based on risk assessment. The Biosafety Act, 2012 regulates the registration and licensing of GMOs. There are licences for intentional introduction of GMOs in the environment, for domestic use, for contained use, for imports, and for exports. A Biosafety Board was established to implement the provisions of the Act. A new Plant Act was being discussed in Parliament in late 2013.

3.40. The OECS-WTO Members are members of Codex Alimentarius, but not of the World Organization for Animal Health. They are all contracting parties to the International Plant Protection Convention (IPPC).

3.2 Measures Directly Affecting Exports

3.2.1 Export procedures, export prohibitions and export taxes

3.41. Export procedures across OECS-WTO Members are similar. In each country the export procedure mirrors the corresponding import procedure. Documents required include: an export declaration; a bill of lading or airway bill; an invoice; a certificate of origin (for preferential trade as needed); and an SPS certificate (when required). Exports are inspected especially to detect smuggling and tax avoidance.

3.42. Export restrictions are based on CITES standards: all OECS-WTO Members ban exports of wild birds and wildlife. Exports of narcotics and drugs are prohibited or subject to licensing in several countries, as are exports of goods bearing the country's coat of arms or flag. Grenada bans exports of unfermented cocoa.

3.43. The OECS-WTO Members generally do not use export-licensing. The exceptions include vegetables, monkeys, and several types of seafood in St. Kitts and Nevis; and swine, sheep, goats, lobsters, and conchs in St. Vincent and the Grenadines. St. Lucia's export-licensing requirement on ginger and dry coconut is not enforced. Grenada allows cocoa exports only with the written approval of the Grenada Cocoa Association, and bananas may be exported only by the Grenada Banana Co-operative Society or persons licensed by the Society.

3.44. Export taxes are applied by Antigua and Barbuda on lobsters and fish, while Dominica imposes export royalties on sand and stone, and St. Kitts and Nevis taxes exports of live animals, cotton, and some other products.

3.2.2 Export subsidies, financing support, and promotion

3.45. All the OECS-WTO Members have notified their export subsidy schemes to the WTO. These include fiscal incentive laws³, which provide for *inter alia*: relief from customs duty and income tax waivers for a certain length of time depending on the size of the investment. In addition, Antigua and Barbuda, St Lucia, and St Vincent and the Grenadines (not operational) also provide for free-zones. Enterprises operating in free zones are exempt from customs duty and other taxes on imports of goods used to construct and operate enterprises within the zone. Enterprises also benefit from tax benefits for a certain period, depending on the size of the investment and the number of employees. However, export subsidy schemes need to end by 2015.

3.46. In a decision taken on 27 October 2006, the Committee on Subsidies and Countervailing Measures agreed to continue until 31 December 2007 the extension and continuation of the transition period, under Article 27.2(b) of the SCM Agreement, for the elimination of export subsidies that take the form of full or partial exemptions from import duties and internal taxes and were in existence under the programme on 1 September 2001. In July 2007, the General Council decided to extend the date to end 2015. On 23 October 2012, the Committee on Subsidies and Countervailing Measures approved the final extension of the transition period until end 2013 for export subsidy programmes of 19 developing countries including OECS countries.

3.47. OECS Members do not have national programmes for export credit, insurance or guarantees. During part of the period under review, manufacturing exporters could make use of the export insurance facility provided by the Eastern Caribbean Central Bank (ECCB), covering political and commercial risks. This facility was terminated in 2009. The ECCB also provided pre-shipment and post-shipment financing. The ECCB had, alternatively, provided guarantees to commercial banks for advances made to exporters of non-traditional manufactured goods through the ECCB Export Credit Guarantee Scheme. The authorities noted that this scheme was unattractive to and under-utilized by manufacturers in OECS member states.

³ In 2013 Antigua and Barbuda repealed its Fiscal Incentives Act.

3.48. Exporters may receive export promotion support from the OECS Export Development Unit. In addition, some OECS countries have individual investment-promotion agencies. For example, the Dominica Export and Import Agency (DEXIA) provides support to exporters of agricultural, agri-processed, and manufactured goods for: market research and market entry requirements; product identification and development; participation in trade fairs, exhibitions, and promotions; organization of trade missions; organizational development; financial risk development; and training. To meet market entry requirements, DEXIA runs quality assurance programmes. In St Lucia, the Trade Export Promotion Agency provides information and support to local businesses and international buyers, it also coordinates and evaluates the national export development strategy.

3.3 Measures Affecting Production and Trade

3.3.1 Incentives

3.49. The OECS-WTO members encourage and promote both domestic and foreign investment with a view to fostering, *inter alia*: private sector development, job creation, poverty reduction, and economic diversification. To achieve these objectives, the OECS countries operate similar incentive schemes under their fiscal incentives laws, which provide for, *inter alia*, duty-free imports, tax exemptions, and preferential tax rates.

3.50. In addition, sector-specific incentives are in place. For example, a number of countries offer incentives to the tourism sector through the Hotels Aid Act. Agriculture and small businesses also receive incentives.

3.51. During the period under review, Antigua and Barbuda and Grenada enacted new legislation on incentives. The main change modified the export subsidy element, present in the previous legislation, so as to meet the export subsidy phase-out by 2015. The remaining OECS Members are in the process of modifying their fiscal incentives laws accordingly.

3.52. Antigua and Barbuda, Dominica, and St Kitts and Nevis set-up investment promotion agencies during the review period. These serve as one-stop shops for investors. Invest St. Lucia, under the Ministry of Commerce, started acting as a one-stop shop in 2013. Invest St Vincent and the Grenadines was also rebranded in 2009 and functions as a one-stop shop.

3.3.2 Competition policy and price controls

3.53. None of the OECS-WTO Members has functional competition policy legislation in place. However, Chapter VIII of the revised CARICOM Treaty deals with competition policy and provides for the enactment and harmonization of legislation in CARICOM member states. The CARICOM Competition Commission, inaugurated in January 2008 and headquartered in Suriname, is in charge of competition issues and enforcement in the CSME. Additionally, the OECS countries have agreed to establish a supra-national competition agency to handle competition matters within its single market. The Eastern Caribbean Competition Authority is expected to be established by 2015. Draft model legislation has been prepared by the CARICOM Secretariat and is with the respective authorities for consideration.

3.54. All the OECS-WTO Members apply price controls. Coverages varies from 5 products in Dominica to about 100 items in St Vincent and the Grenadines; these apply *de jure*. Products covered are *inter alia*: essential food items, fuel and natural gas, fertilizer, and certain building materials. Price controls are applied both as maximum prices and maximum mark-ups allowed on import or wholesale prices.

3.3.3 State-owned enterprises and marketing boards

3.55. Grenada submitted a new and full notification in July 2010, in which it identified the Grenada Cocoa Association (GCA) as a state trading enterprise.⁴ Dominica is the only other OECS member to have notified a state trading enterprise to the WTO. In 2001, it notified the Dominica Import Export Agency (DEXIA) and Dominica Banana and Marketing Corporation. The latter has

⁴ WTO document/STR/N/13/GRD, 24 August 2010.

been replaced by the Dominica Banana Producers Limited, which does not have a monopoly on the export of bananas. DEXIA still has the exclusive right to import most sugar, as well as bulk rice.

3.56. Marketing boards in operation in all OECS-WTO Members, exercise exclusive powers, primarily in the agricultural field (Table 3.3). Some institutions went out of business during the review period. In St Kitts and Nevis, the Supply Office of the Ministry of International Trade, Industry, Commerce and Consumer Affairs, which had an import monopoly on wheat flour in bulk (packages bigger than 5 lbs), rice in bulk (packages bigger than 10 lbs), and evaporated milk, ceased operations in 2013. In St Vincent and the Grenadines, the Banana Growers Association (BGA), a quasi-governmental organization with exclusive rights on the marketing (including exports) of domestically produced bananas, was dissolved in 2009.

Table 3.3 Marketing boards or similar arrangements in place over 2007-13

Country	Marketing board	Products marketed exclusively by board
Antigua and Barbuda		
	Central Marketing Corporation (CMC), established in 1973	CMC no longer enforces its monopoly on imports of carrots, cabbages, onions, sweet peppers, and tomatoes; system of import licensing is being phased out
Dominica		
	Dominica Export and Import Agency (DEXIA), established in 1986	DEXIA has exclusive right to import sugar (brown and white sugar, except EEC No. 1 used by bottlers, and icing sugar) and bulk rice (white and parboiled)
Grenada		
	Marketing and National Importing Board (MNIB), established in 1973	Exclusive importation of bulk rice and sugar in 50 kg polypropylene bags; centralized importer of rice in bulk, full cream powdered milk in bags, refined sugar in bags, and unrefined sugar in bulk
	Grenada Banana Co-operative Society (GBCS); Grenada Cocoa Association (GCA); Grenada Co-operative Nutmeg Association (GCNA); Grenada Minor Spices Co-operative Marketing Society Limited (GMSCMS)	GBCS is the sole authorized purchaser of bananas for export to countries outside the Caribbean area; bananas may be exported only by this group or persons they license. Exportation of cocoa is only allowed with the written approval of the GCA. GCNA is the sole authorized exporter of nutmeg. GMSCMS has exclusive right to export cloves, cinnamon, pimento, and all other spices except nutmeg and mace.
St. Kitts and Nevis		
	Central Marketing Corporation (CEMACO)	Marketing agent for non-sugar agricultural produce; its monopoly rights on the non-sugar sector abolished; CEMACO closed in 2009
	Ministry of Trade and Industry	Monopoly on importation of bulk rice, wheat flour, and evaporated milk; St. Kitts' Supply Office closed in 2013
St. Lucia		
	Ministry of Commerce, Business Development, Investment & Consumer Affairs.	Monopoly on importation of bulk rice, wheat flour, and sugar
	St. Lucia Marketing Board (SLMB)	Imports out-of-season goods (cabbages, lettuce, tomatoes, carrots, and sweet potatoes) but does not have a monopoly
St. Vincent and the Grenadines		
	Agricultural Input Warehouse	Has de facto monopoly on importation of dry fertilizers, and legal monopoly on importation of sugar; also imports other inputs, e.g. tools, seeds, and pesticides, but does not have a monopoly
	National Properties Limited	Produce Division is responsible for domestic sales and exports of fresh produce, but does not have a monopoly over either

Source: Information provided by the national authorities.

3.3.4 Government procurement

3.57. None of the OECS-WTO Members is a party to the WTO Agreement on Government Procurement. Data on government procurement was not available from any OECS Members for this Review.

3.58. During the period under review, Antigua and Barbuda, Dominica, and St Kitts and Nevis passed new legislation on government procurement; the legislation has not yet entered into force in Antigua and Barbuda.

3.59. Dominica's Procurement and Contract Administration Act of 2012 created the Central Procurement Board, which will approve and review procurements above a certain threshold. The Act also created a Central Procurement Unit in the Ministry of Finance for monitoring and compliance purposes. The Act provides a 20% preference margin for domestic suppliers.

3.60. St Kitts and Nevis enacted the Procurement and Contract Administration Act in 2012. The law mandates public competition by companies bidding for government contracts and contains conditions for the use of the various procurement methods. The Act also sets out, *inter alia*, principles guiding the selection among bids, typical periods involved in the procurement process, publication and other transparency requirements, appeal and review procedures, and sanctions.

3.61. OECS Members generally provide for both public and selective tendering. Public tendering is generally used for larger projects and when required by a donor's rules. Tenders boards generally choose the bid with the lowest price, but other issues may be taken into consideration (e.g., qualitative issues and the credibility of a bidder). Other than in Dominica, local suppliers or those from CARICOM are not granted any preferences.

3.62. In the Revised CARICOM Treaty, government procurement is part of a built-in agenda for future negotiations aimed at developing disciplines. The COTED has nevertheless launched an action plan to create a central regional information coordinating agency, and a promotional programme has been put in place to increase procurement of regional goods and services, within CARICOM.

3.63. Furthermore, the CARIFORUM-EU EPA, signed in October 2008, contains public procurement conditions that require transparency and the use of agreed international standards in all government procurement above a threshold of approximately €164,000. The main provisions include the obligation not to discriminate against EU companies, and the publication of all laws, regulations, decisions, and administrative rulings related to the procurement. However, the CARIFORUM-EU EPA recognizes preferences provided in lieu of regional integration.

3.3.5 Intellectual property rights

3.64. Significant progress has been made on IPRs across the OECS-WTO Members (Table 3.4). Dominica had enacted IPR-related legislation at the time of the last review, but the laws were not in force; they entered into force during the current review period. Grenada introduced copyright, patents and trade mark legislation in 2011 and 2012; draft legislation on geographical indications, layout designs of integrated circuits, protection of plant varieties, and undisclosed information is under consideration.

Table 3.4 Intellectual property rights legislation enacted since the Uruguay Round

Field	Antigua and Barbuda	Dominica	Grenada	St. Kitts and Nevis	St. Lucia	St. Vincent and the Grenadines
Copyright Enacted: In force:	2003 2006	2003 2003	2011 2011	2000 2002	1995 2000	2003 2004
Patents Enacted: In force:	2003 2006	1999 2008	2011 n.a.	2000 2002	2001 n.a.	2004 2009

Field	Antigua and Barbuda	Dominica	Grenada	St. Kitts and Nevis	St. Lucia	St. Vincent and the Grenadines
Industrial designs Enacted: In force:	2003 2006	1998 2008	n.a. n.a.	n.a. n.a.	2001 2003	2005 2009
Layout designs Enacted: In force:	2003 2006	1999 2008	n.a. n.a.	n.a. n.a.	2000 2003	2004 2009
Plant varieties Enacted: In force:	n.a. n.a.	1999 2008	n.a. n.a.	n.a. n.a.	n.a. n.a.	n.a. n.a.
Trade marks Enacted: In force:	2003 2006	1999 2009	2012 2012	2000 2002	2001 2003	2003 2004
Geographical indications Enacted: In force:	2003 2006	1999 2008	n.a. n.a.	2007 2013	2003 2003	2004 2009

n.a. Not applicable. (No legislation or not in force)

Source: Information provided by the authorities.

3.65. Legislation enacted in St Kitts and Nevis at the time of the last review, also entered into force during the review period. Other than Grenada and St Kitts and Nevis, all the other OECS-WTO Members have notified their legislation to the WTO.

3.66. IPR legislation across OECS-WTO Members contains provisions with respect to infringement of rights. Penalties include prison terms, fines, and seizures of goods. However data on enforcement were not available.

3.67. Under the 2002 Cooperation Agreement between the OECS and WIPO, the two parties agreed to act in close cooperation on matters of mutual interest, with a view to harmonizing their efforts towards greater effectiveness.⁵ The agreement identifies nine fields for cooperation, including updating information on IPR laws and regulations in the OECS member states through mutual exchange of data and information.

⁵ For the full text of the agreement, see WIPO document WO/CC/48/2, 24 July 2002. Viewed at: http://www.wipo.int/documents/en/document/govbody/wo_gb_cc/pdf/cc48_2.pdf.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture

4.1. The importance of the agriculture sector varies across the OECS-WTO Members. Agricultural is more important to the economies of the Windward Islands (Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines), than to the Leeward Islands (Antigua and Barbuda, and St. Kitts and Nevis). During the period under review, in contrast to the previous review period, the agriculture sector gained GDP share in the OECS countries as a group, increasing from 2.9% of GDP in 2007 to 3.9% in 2012. The increase partly reflects the decline of services and construction as a result of the global economic crisis. However, it also reflects the increase in the production of some commodities, in particular non-traditional crops. The sector has had a positive development in all OECS countries, but the increase was the highest in Dominica and Grenada, and smaller in St. Kitts and Nevis.

4.2. The banana industry continued to shrink during the review period; it accounted for just 0.4% of nominal GDP and 10.7% of agricultural production in 2012, compared with some 0.5% and 16.6%, respectively, in 2007. In 2010-11, the industry was severely affected by plant disease, resulting in a substantial reduction in production. This was compounded by the effect of natural disasters. Hurricane Thomas eradicated all banana plantations in St. Lucia in November 2010, causing a significant setback in agricultural production.

4.3. National agricultural policies in the OECS Members are formulated mainly at the domestic level by the respective Ministries of Agriculture, but there is a trend to harmonize policies, and there is a regional OECS Agriculture Policy endorsed by the OECS Authority. Presently, efforts are directed to operationalize the food and nutrition security policy in each OECS country, consistent with the agricultural plan of action. Agricultural products receive higher tariff protection than non-agricultural goods in all OECS Members (19.1% WTO definition, 21.3% ISIC, Table 3.1). Generally speaking, tariff protection is higher than average for fruit and vegetables, animals and products thereof, coffee, and tobacco. Most OECS-WTO Members also use non-automatic import licences for a number of agricultural products, when imported from non-CARICOM countries. The exception to this policy is Dominica, where, due to tariffication, the use of licensing is limited. Import restrictions to encourage self-sufficiency are also applied on some agricultural products, including poultry parts, eggs, and vegetables in St. Lucia, and St. Vincent and the Grenadines. During the review process, the authorities of some of the OECS Members noted that the measures were in place partly to offset unfair trading practices from trading partners. A revision of these restrictions had been considered, but it was decided to leave them in place, due to the lack of possibilities for contingency measures to counter them, as well as the absence of legislation related to food safety and of laboratory testing and diagnostic facilities.

4.4. OECS support to agriculture is very limited. Banana producers in the OECS Members may benefit from subsidies for fertilizers and other key inputs, and income tax exemptions; and farmers have benefited from duty-free importation of tractors and other agricultural machinery. Fiscal incentives in most OECS Members include partial or complete waiver of import duties and VAT exemption (or zero rates) on most inputs for the production of primary or processed agricultural commodities. Under the CARIFORUM-EU EPA, OECS agricultural producers benefit for all originating products exported to the EU (other than rice and sugar), from a duty and quota free access (DFQF) regime as from 1 January 2008. This is considered to be a major improvement compared with the preferential treatment under the Cotonou Agreement for some agricultural products, in particular bananas.

4.5. Most OECS Members (except St. Kitts and Nevis) continue to maintain marketing boards for some agricultural imports (section 3.3.3).

4.2 Manufacturing

4.6. The manufacturing sector, including food processing, accounted for 4.7% of current GDP in 2012, up from 4.2% in 2000. The sector, although small and very concentrated in a few products and markets, performed relatively well during the global crisis, experiencing small declines in 2008 and 2011, but expanding in all the other years of the 2007-13 period. The main value-added industries are food and beverages, soaps and detergents, paper and paperboard, and the

production of some electrical parts and components, which has been a significant industry in St. Kitts and Nevis, in terms of exports to the U.S. market.

4.7. The performance of the sector has been partly supported by an increase of exports, mainly to the United States and the EU, of some niche manufactured goods, such as electrical products (St. Lucia); switches, relays, fuses, and electrical capacitors (St. Kitts and Nevis); soaps and toothpaste (Dominica); and various manufactures (St. Vincent and the Grenadines).

4.8. The 2013 average MFN tariff on imports of industrial products (ISIC-2 definition) was 10.3%, the same at the time of the previous review. The highest average tariffs are applied on food, beverages and tobacco, clothing and apparel articles, and footwear. Licensing requirements apply to a number of manufactured goods (e.g. oxygen in cylinder, acetylene, bleach, candles, PVC pipes, tyres, wooden doors, galvanized sheets, aluminium windows and doors) in most OECS countries, with the exception of Dominica.

4.9. Incentive schemes for manufacturers, including relief from corporate tax and customs duties for approved manufacturing enterprises for up to 15 years, under the various Fiscal Incentives Acts, have been reviewed (Antigua and Barbuda, Grenada and St. Lucia) or are in the process of being reviewed to comply with the end-2015 WTO deadline for the removal of subsidies notified under Article 27.4 of the SCM Agreement (Section 3.4.3). Free zones have been established in St. Lucia to encourage the development of export-oriented manufacturing.

4.3 Services

4.3.1 GATS commitments

4.10. The OECS-WTO Members made GATS commitments in 4 to 6 of the 12 main service areas, and in 8 to 32 of the 160 subsectors (Table 4.1). There are common elements in the schedules: all OECS Members made commitments in: financial services; tourism and travel-related services; and recreational and sporting services. Most scheduled commitments for communications services and transport services, but Antigua and Barbuda, Dominica, and Grenada were the only OECS Members to make commitments in the extended WTO Negotiations on Telecommunications and to have signed the Fourth Protocol. None of the OECS Members participated in the extended WTO Negotiations on Financial Services.

4.11. In their GATS Schedules, the OECS Members included horizontal commitments on the movement of natural persons and the provision of services through commercial presence. The latter generally requires local incorporation of the foreign provider. Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines included reservation of certain small business opportunities for nationals (now understood as OECS nationals). Employment of foreign natural persons is subject to work permit regulations and labour and immigration laws.

Table 4.1 Sectors in which GATS specific commitments were made

Sector-specific commitments	Antigua and Barbuda	Dominica	Grenada	St. Kitts and Nevis	St. Lucia	St. Vincent and the Grenadines
Number of sectors	6	4	4	5	5	5
Number of subsectors	32	20	19	8	9	8
1. Business services	■	..	..	..	..	..
A. Professional services	■	..	..	..	..	..
B. Computer and related services	■	..	..	..	..	..
C. Research and development services	■	..	..	..	..	..
2. Communications services	■	■	■	■	..	..
B. Courier services	..	■	■	...	..	..
C. Telecommunication services	■	■	■	■	..	..
7. Financial services	■	■	■	■	■	■
A. All insurance and insurance-related services	■	■	■	..	■	■
C. Other financial services	..	..	..	■	..	..

Sector-specific commitments	Antigua and Barbuda	Dominica	Grenada	St. Kitts and Nevis	St. Lucia	St. Vincent and the Grenadines
8. Health and related social services	■	■
A. Hospital services	■	■
9. Tourism and travel related services	■	■	■	■	■	■
A. Hotels and restaurants (including catering)	■	■	■	■	■ ^a	■
B. Travel agencies and tour operators
C. Tourist guides services
10. Recreational and sporting services	■	■	■	■	■	■
A. Entertainment services	■	■	■	■	■	■
D. Sporting and other recreational	..	■	■	■	■	■
11. Transport services	■	■	■	■
A. Maritime transport services	■	■	■	■
H. Auxiliary services	■	■

- Part of sector/subsector has been scheduled.
- All of sector/subsector has been scheduled.
- .. No commitments scheduled.

a The commitment includes CPC 5126, which is within the scope of general construction work for buildings.

Note Maximum number of sectors = 12; subsectors = 160. The table reflects commitments with respect to market access or national treatment, and in any mode of supply. Only sectors and subsectors where commitments have been made are presented in the table.

Source: WTO GATS Schedules.

4.3.2 Telecommunications

4.12. The Eastern Caribbean Telecommunications Authority (ECTEL) is the regulatory body for telecommunications in the ECTEL contracting states. ECTEL was established in May 2000 by the governments of Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines to promote market liberalization and competition in telecommunications. National Telecommunications Regulatory Commissions (NTRCs) are established in each state to complement the work of ECTEL.

4.13. ECTEL has an advisory and coordinating role with respect to NTRCs on telecom regulation, and is charged with ensuring a competitive, efficient, universally available service to OECS member states. ECTEL is made up of a Council of Ministers, the Board of Directors, and the ECTEL Directorate. The Council of Ministers comprises the ministers responsible for telecommunications in the ECTEL states, and of the Director General of the OECS as an ex-officio member. Its responsibilities include giving directives to the Board of Directors and ensuring that the Board is responsive to the needs of the member states in the implementation of telecommunications policy. The Board of Directors comprises one member and an alternate from each ECTEL contracting state and the Managing Director of ECTEL as an ex-officio member. The Board's responsibilities include making recommendations to the Council on any matter relating to telecommunications, and establishing rules and procedures. The national NTRCs are responsible for regulation of the telecoms sector in each contracting state. They are required by law to liaise and consult with ECTEL on various regulatory issues, including licensing, interconnection, spectrum management, pricing and tariffs, numbering, and dispute resolution. Individual licences may only be granted by the respective national ministers on recommendation by ECTEL.

4.14. The telecommunications market continued to develop in the ECTEL contracting states during the period under review, albeit at a more moderate pace. Mobile service penetration increased from 111% in 2008 to 129% in March 2013 (650,000 mobile subscriptions or 1.24 mobile

subscriptions per inhabitant).¹ Although this shows an increase in penetration, it is partly because users have more than one mobile phone, as calls among users of the same operator are cheaper than calls across operators. Fixed-line penetration declined somewhat during the period under review, to 23% in 2013 (a total of 115,200 fixed lines were in service in March 2013), as did investment (Table 4.2). There were 80,500 broadband internet subscriptions in March 2013, with a 15.9% penetration rate.

Table 4.2 Key telecommunications service indicators in the ECTEL Member States, 2008-13

Key Indicator	2008	2009	2010	2011	2012	2013
Revenue (EC\$ million)	772	728	776	732	735	711
Investment (EC\$ million)	175	150	99	81	83	86
Employment	1,612	1,472	1,379	1,346	1,369	1,194
Fixed voice service penetration (%)	26	26	25	24	24	23
Mobile service penetration (%)	111	122	126	128	130	129
Broadband internet service penetration (%)	11.2	12.6	13.7	14.4	15.0	15.9
Local traffic (million minutes)	1,247	1,285	1,376	1,284	1,331	1,268
International outgoing traffic (million minutes)	121	125	137	141	136	114

Note: Information is for year ending 31 March.

Source: ECTEL (2014), *Annual Sector Review 2012-13*. Viewed at: <http://www.ectel.int/index.php/resources/publications?download=93:ectel-2013-annual-sector-review>.

4.15. At the end of March 2012, it was estimated that roughly 100 broadcast radio stations were licensed to operate in the ECTEL contracting states. There were 99 free-to-air television stations; only Dominica did not have a free-to-air television station in operation. At the same date, there were some 85,000 subscriptions to cable TV services offered by nine cable TV operators.

4.16. Antigua and Barbuda, Dominica, and Grenada participated and presented an offer in the WTO Negotiations on Basic Telecommunications Services; the other OECS WTO Members did not present an offer. The OECS commitments made during the Uruguay Round reserved commercial presence in voice telephony and other services for the incumbent, Cable and Wireless, during the period of its original exclusive licensing arrangement. After this period, the offers give unrestricted market access for all services, with the exception of Antigua and Barbuda. In practice, liberalization took place in some countries before the scheduled date. The five ECTEL contracting states participated in the OECS Telecommunications Reform Project funded by the World Bank and, in May 2000, signed a Treaty Establishing the Eastern Caribbean Telecommunications Authority (ECTEL) and agreed to liberalize within a minimum of 12 months and a maximum of 18 months beginning 1 April 2001. New national telecommunications laws were promulgated in 2000 and 2001, and national telecommunications regulatory commissions (NTRCs) were established. These are still the main laws regulating Telecoms in the five ECTEL countries; regulations have been introduced at the national level to implement or complement these laws (Table 4.3). The national telecommunication laws of the OECS ECTEL contracting states follow the same pattern, as do the various implementing regulations. During the period under review, regulations on interconnection, numbering, and universal service funds were put in place in all ECTEL contracting states. Regulations on quality of services and wholesale provisions were put in place in all members, except St. Vincent and the Grenadines.

¹ ECTEL (2014).

Table 4.3 OECS ECTEL members, status of approved regulations

Telecommunication regulations	Dominica	Grenada	St. Kitts and Nevis	Saint Lucia	St. Vincent and the Grenadines
Dispute Resolution	SRO No.34 23/8/07	Outstanding	Outstanding	SRO No.122 29/12/09	SRO No.2 3/1/07
Licensing and Authorisation	SRO No.7 26/3/02	Outstanding	SRO No.2 21/2/02	SRO No.121 29/12/08	SRO No.1 3/1/07
Fees	SRO No.15 8/3/07	SRO No.46 19/12/06	SRO No.13 6/2/07	SRO No.96 30/9/02	SRO No.3 3/1/07
Spectrum Management	SRO No.26 29/7/11	SRO No.18 30/3/09	SRO No.25 17/10/06	SRO No.119, 29/12/09	SRO No.4 3/1/07
Interconnection	SRO No.17 23/4/09	SRO No.14 23/3/09	SRO No.44 13/11/08	SRO No.72 22/6/09	SRO No.60 5/11/08
Numbering	SRO No.32 4/9/08	SRO No.15 17/4/09	SRO No.29 30/10/08	SRO No.139 6/8/07	SRO No.11 9/4/08
Quality of Service	SRO No.13 29/5/08	SRO No.16 17/4/09	SRO No.28 30/11/08	SRO No.148 27/8/07	Outstanding
Wholesale	SRO No.12 29/5/08	SRO No.17 17/4/09	SRO No.31 30/10/08	SRO No.168 17/9/07	Outstanding
Universal Service Fund	SRO No.34 17/7/09	SRO No.21 30/3/09	SRO No.2 18/2/08	SRO No.120 15/12/08	SR & O No.45 15/9/08
Universal Service Fund Contribution	SRO No.45 20/10/09	SRO No.20 17/4/09	SRO No.4 18/2/08	SRO No.45 6/4/09	SRO No.9 9/4/08

Source: ECTEL online information. Viewed at: <http://www.ectel.int/statusofapprovedreg.htm>.

4.17. The telecommunications markets of the OECS ECTEL contracting states are open to foreign investment. There are no limits on foreign ownership of telecommunications companies, or citizenship requirements for directors. However, all telecommunications licensees must be established or registered as local companies. Cross-subsidization is not permitted. ECTEL contracting states applied specific telecommunication taxes, which have now been replaced by the VAT.

4.18. The respective national telecommunication laws contain the general provisions that regulate the allocation of telecommunications services and network licences. The latter may be individual or class licences, and their terms and conditions are determined by the Minister in charge of telecommunications in consultation with ECTEL. To this end, ECTEL has developed a number of licence classes, according to the service; they are technology neutral.² This means that the determining factor for licence classification is the service that will be provided, and not the state of technology. Four licence categories have been developed: (a) Individual Licence, generally covering infrastructure-oriented services and often those that provide the network/foundation upon which other services can be supported³; (b) Class Licence: Type A, for providers of telecoms services; Type B, for users of telecoms services; Type C, for support services (type approval, terminal equipment dealer's certification, customer premises wiring); (c) Frequency Authorization Licence: ancillary licence, required in addition to the Individual or Class Licence for wireless applications or services that require use of the spectrum; and (d) Special Licence: emergency licence issued at the discretion of the Minister and not exceeding 10 days.

4.19. ECTEL provides written criteria to make a recommendation for the allocation of an individual licence, which is granted by the Telecommunications Minister in the specific ECTEL contracting state. The system is based on maximum points granted to applicants on three criteria: legal (5 points); financial (60 points); and technical (35 points). Class licences are granted by the respective NTRC.

4.20. In general, an application for frequency authorization must be submitted when the proposed service requires exclusive use of specific frequencies. This application needs to be made in addition to the individual, class licence or special licence applications to provide service. An exception now exists for services under class licence (type B), as those application forms have been designed to

² Eastern Caribbean Telecommunications Authority (ECTEL), Application for a Telecommunications Licence, *Guidance Notes*, Revised 11 September 2002.

³ Services that require an individual licence include mobile/cellular telephony; fixed public telephony; submarine cable; public radio paging; and Internet networks and services.

incorporate the requirements to support the authorization and assignment of specific frequencies for the exclusive use of the applicant in this category. ECTEL grants frequency authorizations, but government approval is also required.

4.21. In accordance with the OECS standard legislation, when there is enough competition in the market, tariffs are freely determined by the suppliers. In segments where there is not enough competition to determine tariffs by market forces, and where services are provided by a major supplier, tariffs are regulated by the NTRCs and ECTEL through a price cap plan (PCP) under the Retail Tariff Regulations. Currently the price cap plan applies only to the services provided by the operator LIME (Cable & Wireless).

4.22. In 2010, ECTEL recommended a new PCP to the NTRCs. The recommended price cap was for three years, with the possible extension of one year, at the sole discretion of the NTRCs, on recommendation from ECTEL. The PCP was scheduled to expire on 31 March 2013. The authorities noted that, although the extension was possible until 31 March 2014, the PCP will remain in place until a new plan comes to effect. Also from 1 April 2010, all access deficit charges (ADCs) were terminated, and LIME could no longer request consideration or approval of any tariff containing an ADC component. Under the PCP, LIME must continue to provide a minimum of 80 free minutes per month of residential fixed-to-fixed night and weekend calls. The PCP also contains price harmonization rules to ensure that prices for various services between the ECTEL member states remain relatively consistent and do not vary by a significant amount. For instance, the lowest monthly rate for a metered residence (business) access line must be equal to or more than 75% (82%) of the highest corresponding monthly rate in any other ECTEL member state.⁴ Fixed international direct dialled (IDD) prices must be equal to or less than the corresponding mobile IDD price charged by LIME.

4.23. A price cap formula is applicable to retail services provided by LIME under the PCP. LIME must calculate an Actual Price Index (API), which represents changes in its prices for a specific basket of services over a specific period/time; the API must always be less than or equal to the Price Cap Index (PCI) according to an annually calculated formula. The PCI changes annually subject to the price cap formula for each basket.

4.24. Despite the openness of the market, it remains highly concentrated and costs of services are relatively high. This reflects in part the small size of the market. The incumbent, LIME (ex-Cable and Wireless), remains the main provider of fixed-lined services in the ECTEL member states, and has a strong presence in mobile telephony, Internet services, and submarine cable services (Table 4.4). As a result of the 2010 PCP, the rate offered by LIME for fixed to fixed on-net calling has remained unchanged at EC\$0.07 per minute in all ECTEL members states. In line with the PCP, the rate for fixed to mobile calling was reduced in March 2010 to EC\$0.40, from EC\$0.71 and remained flat thereafter. The average calling rates per minute for mobile to mobile calls in 2012 were: EC\$0.55 for an on-net call (same supplier) and EC\$0.83 for an off-net call in Dominica; EC\$0.60 on-net and EC\$0.90 off-net in Grenada; EC\$0.58 and EC\$0.92 in St. Kitts and Nevis; EC\$0.72 and EC\$0.82 in St. Lucia; and EC\$0.70 and EC\$0.77 in St. Vincent and the Grenadines. Mobile to fixed calls, which accounted for just 5% of local mobile calls, was on average EC\$0.75 per minute in Dominica; EC\$0.67 in St. Kitts and Nevis; EC\$0.80 in St. Lucia; and EC\$0.73 in St. Vincent and the Grenadines. The calculation method will be revised to reflect ITU format (reflective of the cost associated with bundling services).

⁴ The percentage for fixed-to-fixed and fixed-to-mobile is 65%. For bundles, LIME may deviate from the price harmonization rules if the difference in prices among various ECTEL member states can be explained and documented by LIME as a difference in the "cost" of the bundled services in the various countries.

Table 4.4 Telecoms operators in the ECTEL area

Dominica	Grenada	St. Kitts and Nevis	St. Lucia	St. Vincent and the Grenadines
Fixed-line operators				
Cable & Wireless (LIME)	Cable & Wireless (LIME)	Cable & Wireless (LIME)	Cable & Wireless (LIME)	Cable & Wireless (LIME)
Marpin 2K4	FLOW	Caribbean Cable Communications	Karib Cable (FLOW)	Karib Cable (FLOW)
SAT Telecommunications				
Mobile operators				
Cable & Wireless (LIME)	Cable & Wireless (LIME)	Cable & Wireless (LIME)	Cable & Wireless (LIME)	Cable & Wireless (LIME)
DIGICEL	DIGICEL	DIGICEL	DIGICEL	DIGICEL
		UTS - CariGlobe		
Internet network operators				
Cable & Wireless (LIME)	Cable & Wireless (LIME)	Cable & Wireless (LIME)	Cable & Wireless (LIME)	Cable & Wireless (LIME)
Marpin 2K4	FLOW	The Cable	Karib Cable (FLOW)	Karib Cable (FLOW)
SAT Telecommunications	GRENCOMM AISLECOM	Caribbean Cable Communications	Spectra	
Submarine cable operators				
Cable & Wireless (LIME)	Cable & Wireless (LIME)	Cable & Wireless (LIME)	Cable & Wireless (LIME)	Cable & Wireless (LIME)
Middle Caribbean Network	Southern Caribbean Fibre	Southern Caribbean Fibre	Southern Caribbean Fibre	Southern Caribbean Fibre

Source: ECTEL (2014), *Annual Sector Review 2012-2013*. Viewed at: <http://www.ectel.int/index.php/resources/publications?download=93:ectel-2013-annual-sector-review>.

4.25. Antigua and Barbuda is the only OECS-WTO Member that did not sign the ECTEL Treaty. The state-owned Antigua and Barbuda Public Utilities Authority (APUA) continues to have a monopoly on all domestic services. It is the only provider of domestic fixed-line services, but competition has been introduced in the mobile market, as it has sublicensed two companies (Digicel and Cable and Wireless) to provide mobile services, as well as providing these services itself. Cable and Wireless still has a monopoly in international fixed-line services. Eleven licences have been granted for the provision of internet networks and services; four of the companies are operational.

4.26. The authorities noted that Antigua and Barbuda has no immediate plans to participate in the ECTEL Treaty, since the Government owns APUA, which also provides water and electricity; APUA provides cross-subsidies from the telecoms sector to electricity and water utility sectors. The Government of Antigua and Barbuda does not pay APUA for its telephone calls.

4.3.3 Banking, finance, and insurance

4.3.3.1 Overview

4.27. The financial system in the Eastern Caribbean Currency Union (ECCU) (the OECS-WTO Members plus Anguilla and Montserrat) comprises domestic banks, international financial services sector banks, credit unions, insurance companies, national development foundations, development finance institutions, building and loan associations and finance companies.

4.28. During the period under review, the financial sector was affected by the global financial crisis and by the collapse of two regional insurance companies. The effect was greatest in Antigua and Barbuda, where the ECCB intervened in two local banks, and the Stanford International Bank is estimated to have cost the economy some 20% of GDP. All OECS Members separate their financial sector into on-shore (domestic) and off-shore (international) financial services. A different set of laws and regulations applies to each type of institution. However, during the period under review, and under the effect of the global crisis, OECS Members consolidated regulation of their onshore and offshore sectors under a single unit (excluding domestic banks, which are regulated

by the Eastern Caribbean Central Bank (ECCB)).⁵ The ECCB provides support and actively monitors developments, primarily in the credit unions and insurance subsectors.

4.29. OECS Members made limited financial sector commitments during the Uruguay Round, mostly on reinsurance services. No OECS WTO Member participated in the WTO extended Negotiations on Financial Services.

4.30. The ECCB manages an interbank market to help commercial banks to manage their liquidity, and to facilitate the lending and borrowing of available reserve balances between commercial banks.

4.31. The ECCB also manages the Regional Governments Securities Market (RGSM), established in November 2002 for the trading of debt instruments of the member states of the ECCU and which operates on a fully electronic platform. The instruments on the RGSM take the form of Treasury-bills and bonds and have varying maturities, ranging from 91 days to 10 years. These securities are backed by the governments of the issuing member states. The RGSM uses the platform of the Eastern Caribbean Securities Exchange (ECSE) for its primary market activity. The ECSE and its subsidiaries, the Eastern Caribbean Central Securities Registry (ECCSR) and the Eastern Caribbean Central Securities Depository (ECCSD) provide the infrastructure for the trading, clearance, and settlement of securities on the RGSM. Government securities are issued on the market via auctions held according to the Regional Issuance Calendar, which outlines the upcoming auctions of participating governments, and is usually updated monthly. The auctions use a uniform price format; they are open to all potential investors. However, only licensed brokers are allowed to bid in the RGSM auctions. The Regional Debt Coordinating Committee (RDCC), established by the ECCB Monetary Council, has direct oversight for the RGSM. The RDCC comprises financial secretaries and/or directors of finance from each of the eight participating governments of the ECCU, as well as the Governor of the ECCB. The ECCB acts as fiscal agent to participating governments, advising them on the most appropriate instruments and timing for issuing securities on the primary market. The ECCB also undertakes some of the administrative duties associated with issuing the titles.

4.32. The RGSM has become more active in recent years. In 2012/13, 54 securities were auctioned on the regional market, compared with 39 the previous year. This partly reflects increasing government reliance on the regional market to secure funding in a difficult international context. The number of bonds issued on the market increased from four in 2011/12 to nine in 2012/13, with the value rising from EC\$130 million to EC\$282 million. Three governments were responsible for the increase in the number of long-term securities: St. Lucia, St. Vincent and the Grenadines and Dominica. The number of Treasury-bills increased from 35 to 45, due mainly to the policy of the governments to favour market financing over the use of bank overdrafts.⁶

4.33. In an effort to foster the development of the private sector, and money and capital markets in the ECCU, the ECCB established the Eastern Caribbean Enterprise Fund (ECEEF) in October 2009. The ECEEF's role is to attract investment capital and channel those resources to promote the development of private sector enterprises in the region, complementing existing financial intermediation services. The ECEEF became operational in March 2012.

4.3.3.2 Banking

4.3.3.2.1 Onshore banking

4.34. Onshore banking is regulated by the ECCB across the ECCU, including the OECS: the ECCB Agreement Act (1983) gives the ECCB the authority to regulate banking businesses on behalf of, and in collaboration with, participating governments. The regulatory framework of the domestic banking system in each OECS country has two main legislative components: the ECCB Agreement

⁵ These authorities are: the Financial Services Commission (Antigua and Barbuda); the Financial Services Unit, in the Ministry of Finance and Planning (Dominica); the Grenada Authority for the Regulation of Financial Institutions (GARFIN); the Financial Services Department in the Ministry of Finance (St. Kitts and Nevis); the Financial Sector Supervision Unit in the Ministry of Finance (St. Lucia); and the Financial Services Authority (St. Vincent and the Grenadines). These authorities are also the insurance regulatory bodies in their respective countries.

⁶ ECCB (2013).

Act and the national banking law. National legislation is harmonized: between 1988 and 1992, new banking legislation was enacted in each of the OECS member states. These laws are collectively referred to as the Uniform Banking Act. Over the period 2004 to 2006, the banking laws, in the territories of the participating governments were revised and upgraded in relation to the Basle core principles.

4.35. The harmonized banking acts recognize the ECCB's primary responsibility for the supervision of domestic banks. Ultimate authority for regulating institutions covered by these acts is jointly vested in the Minister of Finance and the ECCB. The Minister of Finance is normally required to act in consultation with, and on the recommendation of, the ECCB with respect to areas where the Minister of Finance has ultimate responsibility.

4.36. All commercial banks and other institutions wishing to carry on banking business in the OECS are required to be licensed under the Banking Act and are regulated by the ECCB. Banks must be licensed by the Ministry of Finance of their respective country. Applications are assessed by the ECCB, which makes a recommendation to the Ministry of Finance in the respective Member. As part of the ongoing supervision, licensed financial institutions are required to submit monthly, quarterly, and annual returns to the ECCB. In addition, periodic visits are made to the institutions to verify the information submitted.

4.37. Domestic banking across the OECS is open to foreign investment. There are no limitations on foreign investment and foreign-owned banks may establish subsidiaries or branches in each of the OECS Members. Licences are specific to the country where they are granted: a different licence is required for each jurisdiction. Banks (local and foreign financial institutions) must have a place of business within the member state in which they are licensed. A foreign financial institution intending to open a branch or affiliate is also required to provide certification that the banking supervisor in the jurisdiction in which it was incorporated has no objection to its application for a licence, and evidence that it is subject to comprehensive supervision on a consolidated basis by the authorities in its home jurisdiction. There are no residency or citizenship requirements for bank managers or directors.

4.38. There are no foreign exchange controls: none of the OCES Members has legislation that prevents borrowing or placing deposits with banks located abroad. Credit unions play an important role in the domestic financial sector in a number of the OECS Members.

4.39. There were 34 domestic banks licensed in the OECS-WTO Members under the Uniform Banking Act at end 2013. There were also 15 non-bank financial institutions. (Table 4.5). Of the 34 domestic banks, 17 were locally incorporated, of which 11 were locally owned and 6 foreign owned, and 17 were foreign incorporated.

Table 4.5 Institutions licensed under the Banking Act in the OECS Members, 2013

	Banks	Non-bank financial institutions
Member territories		
Antigua And Barbuda	8	2
Dominica	4	1
Grenada	5	2
St. Kitts And Nevis	7	1
St. Lucia	6	7
St. Vincent And The Grenadines	4	2
Total	34	15

Source: ECCB online information. Viewed at: http://www.eccb-centralbank.org/Financial/fin_structure.asp.

4.3.3.2.2 Offshore banking

4.40. The offshore (international) financial services sector is governed by the offshore banking laws in the respective countries, and is primarily the responsibility of the national regulators. Offshore banks may conduct banking business only in currencies other than the EC dollar and, are generally precluded from conducting business with citizens in the country in which they are registered. Offshore companies benefit from various tax exemptions (e.g. corporate tax and stamp

duty). In some jurisdictions, there are citizenship requirements for directors of offshore companies.

4.41. In 2013, there were 29 international banks in the WTO Members. Of these, more than half (16) were incorporated in Antigua and Barbuda (Table 4.6).

4.42. Overall, the regulation and supervision of the financial sector in the ECCU is being enhanced, the ultimate objective being the establishment of harmonized laws that are consistent with international best practices and a regulatory and supervisory unit for financial services in each member state. During the period under review, the offshore banking sector was severely shaken by the bankruptcy and intervention of the Stanford International Bank (SIB), based in Antigua and Barbuda, the largest offshore bank in the OECS area (see Antigua and Barbuda report).

Table 4.6 Other financial institutions in the OECS-WTO Members

Financial Institutions	Development banks	Credit unions	Insurance companies/agencies	National development foundations	Building and loan associations	International financial banks
Member Territories						
Antigua and Barbuda	1	6	26	1	-	16
Dominica	1	15	17	1	1	3
Grenada	1	16	24	1	1	-
St. Kitts and Nevis	1	3	17	1	-	1
St. Lucia	1	16	26	1	-	4
St. Vincent and the Grenadines	-	9	22	1	1	5
TOTAL	5	65	132	5	3	29

Source: ECCB.

4.3.3.3 Insurance

4.43. As with banking, insurance business is divided into onshore and offshore activities in the OECS. Regarding onshore insurance, there are no limitations on foreign investment in any of the OECS countries, and in most jurisdictions insurance companies are foreign-owned. However, foreign insurance companies must maintain a principal office locally and must appoint, by power of attorney, a citizen of one of the OECS countries as its principal representative. Foreign insurance companies (parent or subsidiary) are allowed to establish as a branch. There are no citizenship requirements for managers or directors of insurance companies. There is no legal restriction on companies located abroad from offering insurance coverage to locals. Capital requirements vary according to the origin of the insurance company and are higher for foreign companies.

4.44. During the period under review, new legislation on insurance was introduced in the OECS-WTO Members. These new insurance laws and their amendments redefined the legal framework to make it uniform across the OECS Members. They apply to: (a) all local insurance companies; (b) all other insurance companies whether or not locally incorporated, which carry on any class of insurance business locally; (c) all associations of underwriters registered to carry on insurance business; (d) all insurance intermediaries whether or not locally incorporated; and (e) privately administered pension fund plans. The laws also apply to re-insurance.

4.45. Separate registries must be maintained for local, and foreign insurance companies, and for associations of underwriters. Registration as one of these three types of entities is a pre-requisite for the provision of insurance services.

4.3.3.4 Securities

4.46. The Eastern Caribbean Securities Regulatory Commission Agreement was signed by all OECS-WTO Members, Barbados, and Montserrat, in November 2000. The agreement gained force of law with the passage of the Eastern Caribbean Securities Act, 2001, effective 8 October 2001.⁷ It led to the launch, in October 2001, of the Eastern Caribbean Securities Market (ECSM) with the opening of the Eastern Caribbean Securities Exchange Ltd (ECSE) and its affiliated institutions. The Eastern Caribbean Securities Regulatory Commission (ECSRC) is the regulatory body of the ECSM. The function of the ECSM is to facilitate securities dealing in the OECS and to enact legislation, establish an appropriate regulatory structure, and train, certify, licence, and regulate market participants. To this end, the ECSRC is responsible for making and amending rules and proposing legislation for the regulation of the securities market and for applying and interpreting the Securities Regulations, 2001, and the Securities Act, 2001.⁸ The ECSRC's highest decision-making authority is the Monetary Council of the Eastern Caribbean Currency Union.

4.47. There are 12 licensees under the Act, 7 of which from the OECS-WTO Members.⁹ The other licensees are from Anguilla, Barbados, and Trinidad and Tobago. Since the ECSM's creation in 2001, there have been 37 reporting issuers.¹⁰ Of these, 22 are public companies of OECS-WTO Members: 7 from St. Kitts and Nevis; 5 from Grenada; 4 from St. Lucia; 4 from Dominica; and 1 each from Antigua and Barbuda and St. Vincent and the Grenadines. However, there were only 13 equity securities listed in the ECSE as at January 2014: 11 of them from OECS-WTO Members.¹¹ There were also 75 debt securities traded, of which 33 from the Government of St. Lucia, 11 each from Antigua and Barbuda and St. Vincent and the Grenadines, 9 from St. Kitts and Nevis; 6 from Grenada; and 5 from Dominica. The securities traded were mostly medium- and long-term bonds, but also Treasury-Bills with maturities between 91 and 365 days.

4.48. The Eastern Caribbean Central Securities Depository (ECCSD) is a wholly owned subsidiary of the ECSE. The ECCSD provides clearance and settlement of trades transacted on the ECSE. The main participants on the Depository are broker/dealers, limited service brokers, and custodians. It provides services to participant intermediaries and processes transactions for trades reported by the Exchange or other markets. Custody services are provided to entities that wish to hold securities at the Depository for safekeeping on behalf of customers. Another supporting institution

⁷ Apart from the Securities Act, 2001 and its 2004 amendment, the securities industry is governed by a number of regulations, including the Securities (Foreign Securities and Intermediaries) Regulations 2004; the Securities (Accounting and Financial Statements) Regulations; the Securities (Advertisements) Regulations; the Securities (Collective Investment Schemes) Regulations; the Securities (Conduct of Business) Regulations; the Securities (Discipline) Regulations; the Securities (Licences and Fees) Regulations; the Securities (Prospectus) Regulations; the Securities (Continuing Disclosure Obligations of Issuers) Regulations; and the Securities (Uncertificated) Regulations 2004. There are also ECSRC Rules, such as the Securities (Registration Statement) Rules No. 2 of 2008, and the Securities (Accounting & Financial Reports) Rules No. 1 of 2008, as well as Statutory Orders at the national level.

⁸ ECSRC online information. Viewed at: <http://www.ecsrc.com/>.

⁹ ABI Bank Ltd (Antigua and Barbuda); the Bank of Nevis; St. Kitts Nevis Anguilla National Bank Ltd.; ECFH Global Investment Solutions Limited, Financial Investment and Consultancy Services Ltd, First Citizens Investment Services Ltd, St Lucia, all from St. Lucia; and the Bank of St. Vincent and the Grenadines Ltd.

¹⁰ The OECS-WTO Members reporting issues are: Antigua Printing & Publishing Ltd.; Antigua Commercial Bank; Antigua Brewery Ltd.; Dominica Coconut Products Ltd.; Dominica Electricity Services Ltd.; Dominica Brewery & Beverages Ltd.; National Bank of Dominica Ltd.; Grenada Electricity Services Limited (GRENLEC); RBTT Bank Grenada Limited; Jonas Browne & Hubbard Limited (Grenada); Grenada Property Corporation Ltd.; Grenada Breweries Limited; Republic Bank (Grenada) Ltd.; Grenada Co-operative Bank Ltd.; S L Horsford & Company Ltd. (St. Kitts and Nevis); St. Kitts-Nevis-Anguilla Trading & Development Company Ltd.; Eastern Caribbean Securities Exchange Limited (ECCB); Eastern Caribbean Central Securities Registry Limited; Eastern Caribbean Central Securities Depository Limited; Cable & Wireless St Kitts & Nevis Ltd.; St. Kitts-Nevis-Anguilla National Bank Ltd.; Carib Brewery (St Kitts & Nevis Limited); Bank of Nevis; RBTT Bank (SKN) Ltd.; Eastern Caribbean Home Mortgage Bank (ECHMB) (St. Kitts and Nevis); East Caribbean Financial Holding Company Ltd. (St. Lucia); 1st National Bank St. Lucia Ltd.; Windward and Leeward Breweries Ltd. (St. Lucia); St Lucia Electricity Services Ltd (LUCELEC); St Vincent Brewery Ltd.; and Campden Park Container Port Ltd. (St. Vincent and the Grenadines). ECSRC online information. Viewed at: <http://www.ecsrc.com/>.

¹¹ Dominica Electricity Services Ltd.; Grenada Electricity Services Limited; Grenreal Property Corporation Ltd. (Grenada); Republic Bank (Grenada) Limited; The Bank of Nevis Ltd; Cable & Wireless St. Kitts & Nevis; St Kitts Nevis Anguilla Trading and Development Company Ltd.; St. Kitts Nevis Anguilla National Bank Ltd; S. L. Horsford and Company Ltd; East Caribbean Financial Holding Co. Ltd (Holding Company for Bank of St. Lucia); and St. Lucia Electricity Services Ltd.

is the Eastern Caribbean Central Securities Registry (ECCSR). Its responsibilities include: facilitating share transfers; recording the issuance of shares; maintaining the records of the owners of securities on behalf of issuers; processing corporate actions; and issuing proxy announcements/voting on corporate issues.

4.49. To buy or sell securities in the ECSE, it is necessary to establish an account with a licensed intermediary, also termed as a broker-dealer firm. Potential investors may also access the ECSE through other market intermediaries, including limited service brokers, financial advisers, and custodians.¹² All except financial advisors must be licensed as firms. The financial adviser may be an individual. To participate on the ECSE, broker/dealers must satisfy a minimum total capital requirement of EC\$1 million. In addition, the intermediary must meet a net capital requirement of at least EC\$250,000 in cash or readily marketable securities. The net capital requirement is directly proportional to the volume of securities activity. Limited service brokers must satisfy a minimum total capital requirement of EC\$250,000 as well as a net capital requirement of at least EC\$125,000. The net capital requirement is also directly proportional to the volume of securities activity. As at January 2014, there were six authorized broker dealers: ABI Bank (Antigua and Barbuda); Bank of St Vincent and the Grenadines Ltd.; Bank of Nevis; St. Kitts Nevis Anguilla National Bank; ECFH Global Investment Solutions Limited; and First Citizens Investment Services Limited (both from St. Lucia). In case of purchase, it is necessary to give the broker dealer the whole amount of the transaction.

4.3.4 Transport

4.3.4.1 Air transport

4.50. Air transport is a vital sector for the economies of the OECS WTO members, both because it is the main communication channel between islands and because it is crucial in supporting the tourism sector, on which most OECS Members rely. All OECS-WTO Members have international airports, and four of them (Antigua and Barbuda, Grenada, St. Kitts and Nevis, and St. Lucia) have regular intercontinental flights. The main hub in the OECS is the V.C. Bird International Airport in Antigua, and its expansion is expected to reinforce Antigua's role as a hub. The completion of Argyle International Airport in St. Vincent, currently under construction, is expected to greatly improve its international air links.

4.51. Air transport policy is coordinated and set at the regional level by the OECS Civil Aviation Regulatory Board, comprising the respective OECS Ministers responsible for civil aviation. The Board formulates and manages aviation policy and reviews aviation laws and regulations within the OECS. The Directorate of Civil Aviation of the Eastern Caribbean States, which operates under the direction of the Regulatory Board, provides safety and security oversight. The Directorate is in charge of ensuring that all civil aviation activities in OECS-ICAO contracting parties (all OECS countries except for Dominica) are in accordance with the applicable ICAO annexes.

4.52. Civil aviation legislation is standardized across the OECS. The legislation in each OECS Member is its respective civil aviation law and the corresponding regulations; the current laws were promulgated between 2003 and 2005. Despite regional policy coordination, air transport licences are granted at the national level. The domestic authorities responsible for air transport are in charge of granting these licences. Each Civil Aviation Act specifies the criteria to be considered in the granting of an air transport licence: the existence of other air services; the need/demand for the proposed service; and any unfair advantage of the applicant over other operators by reason of the terms of employment of persons employed. Consideration is given to whether the airline is fit, willing, and able to operate the service, as well to its safety, continuity, regularity, and efficiency record, its financial resources, and the type of aircraft to be used.

¹² Limited service brokers are authorized to handle all the functions necessary for securities trading, including: funds collection; securities ownership verification; order placement and settlement for securities transactions. Limited service brokers facilitate transactions for investors but are not allowed to give advice or hold money on their behalf, except for settling transactions. Broker/dealers provide the following additional services: study market fluctuations; evaluate new products; provide investment advice; conduct trading services; keep records of their clients' holdings; set up and maintain accounts on behalf of their clients; help companies go public; and determine the best method and time to issue securities.

4.53. LIAT, the main regional carrier, is incorporated in Antigua and Barbuda. St. Vincent and the Grenadines has two domestically incorporated airlines: SVG Air and Mustique Air, while in St. Lucia one airline, Inter-Caribbean Express, offers charter flights to the Grenadines. There are no domestically incorporated airlines in Dominica, Grenada, or St. Kitts and Nevis.

4.54. Foreign investment in domestically incorporated - carriers is unrestricted in all OECS countries. Cabotage is not restricted in Antigua and Barbuda. In St. Vincent and the Grenadines and Grenada, cabotage is restricted to local carriers, which is now understood to be OECS carriers.

4.55. All commercial airports in OECS Members are government-owned and there are no plans to privatize them. Local authorities provide all airport management and auxiliary services in each country, with the exception of ground-handling services, which are provided by private local companies.

4.56. Aviation agreements with third parties are negotiated through bilateral and regional channels. Several OECS Members have bilateral agreements. CARICOM has a Multilateral Transport Agreement.

4.3.4.2 Maritime transport

4.57. Maritime transport is also of major importance to the OECS-WTO Members, since the vast majority of OECS cargo trade is transported by sea. Even after the formation of the Economic Union, maritime transport policy continues to be formulated and implemented at the national level. Antigua and Barbuda, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines made commitments in maritime transport under the GATS, while no commitments were made by other OECS Members.

4.58. All OECS Members set conditions to foreign ownership of domestically flagged vessels. In St. Lucia and Antigua and Barbuda, St. Kitts and Nevis, and St. Vincent and the Grenadines, a locally incorporated company must be established to be eligible to fly the domestic flag. In St. Vincent and the Grenadines the companies' main office must also be in the country. In Grenada, a foreign company wishing to register a vessel under the national flag must establish a company with its head office in Grenada and the majority ownership of the company must be in the hands of Grenadian/OECS citizens. No information is available on the situation in Dominica.

4.59. None of the OECS Members applies restrictions on international passenger and cargo maritime transport services. However, all except St. Kitts and Nevis restrict cabotage to domestically (OECS) flagged ships. In St. Vincent and the Grenadines, it is also necessary to obtain a trading licence. No government or other cargos are reserved for domestically flagged vessels or for ships owned or operated by the Government.

4.60. Commercial ports are government-owned and are generally managed by a state-owned port authority in each country. The authorities in St. Lucia, St. Kitts and Nevis, and Dominica have responsibility for air and sea ports. Domestic legislation does not forbid contracting out port services to the private sector, including to foreign companies. In practice, however, private sector participation is limited.

4.61. All OECS-WTO Members, with the exception of St. Lucia and Grenada, maintain an international ships' registry. Ships registered under the respective national flags are subject to a number of fees, some of which vary according to the size of the vessel.

4.3.5 Tourism

4.62. All OECS Members made commitments in their GATS Schedule of Specific Commitments with respect to hotel development. The schedules generally bound market access for the development of hotels in excess of 50 rooms, subject to alien landholding and exchange control regulations. Hotel developments of less than 50 rooms (100 in St. Lucia) remained unbound and access is subject to an economic needs test. In all OECS countries, national treatment was bound for commercial presence, but subject to the payment of a withholding tax. In some cases, other restrictions were scheduled: in St. Kitts and Nevis, for example, ownership of non-ethnic

restaurants was reserved for nationals. St. Vincent and the Grenadines made commitments with respect to travel agencies and tour operators, and tourist guide services.

4.63. In most OECS-WTO Members, tourism accounts for a large percentage of GDP, directly and indirectly. Although hotels and restaurants generally represent around 5-6% of GDP, there are important spill-over effects from tourism on construction, distribution services, electricity, agriculture, and manufacturing. Tourism arrivals and receipts were severely affected by the global economic crisis. The main sources of stay-over tourists to the OECS remain Caribbean countries, the United States, the United Kingdom, and Canada. In the context of this Review, several OECS countries expressed their wish to diversify the sector, away from the cruise industry, and more towards developing higher value-added activities, including the higher end of market stay-overs and development of the yachting industry.

4.64. Tourism policy is formulated at the country level. Overall responsibility for the formulation and implementation of tourism policy lies with the respective minister in charge of tourism. Marketing and promotion activities are generally carried out by tourism authorities or boards. Licences to run hotels and guest houses are granted by the minister responsible for finance or tourism, depending on the country. Private sector associations are also active in each country.

4.65. The Government of St. Kitts and Nevis offers fiscal incentives to encourage the construction or renovation of hotels. The Hotels Aid (Amendment) Act (1998) provides for the granting of licences to import building materials and hotel equipment free of customs duties or benefiting from duty drawback for the construction or renovation of a hotel. St. Kitts and Nevis also provides corporate income tax breaks for the construction or extension of hotels, as included in the Income Tax Act No. 17 of 1966.

4.66. All OECS Members offer fiscal incentives for hotel development. These incentives include exemptions from customs duties and other taxes on imports, generally under the respective Hotels Aid Acts, as well as corporate income tax exemptions. Some of these laws are currently in the process of being reviewed. The maximum period for corporate income tax exemptions varies from 10 to 25 years depending on the country, and longer tax breaks are generally available for larger projects. No information was available on the revenue forgone as a result of these benefits.

4.67. Apart from applying the VAT to tourism services, all OECS Members raise a number of tourism-related taxes, including on hotels and restaurants, on airline carriers, cruise-ship passengers, and passengers leaving the country.

4.3.6 Professional services

4.68. Only Antigua and Barbuda undertook specific commitments under the GATS on professional services. These were: legal services (only for consulting in the home law of the service provider, and international law); accounting, auditing and book-keeping services; taxation services; architectural services; engineering services; and medical services.

4.69. The OECS countries have different regimes for professional services. In some, certain professions or professional services are regulated by specific laws while in others, most professional services are unregulated and professions are either auto-regulated or unregulated. There are no provisions that reserve the exercise of a particular professional service exclusively for nationals. None of the OECS Members have signed mutual recognition agreements on professional services.

4.70. During the period under review, the CARICOM Secretariat continued efforts towards regional service sector development, to give effect to requirements of Chapter III of the Revised Treaty of Chaguaramas. Six versions of a draft model professionals bill have been developed at the CARICOM level since 2003, the lastest in 2010. The model bill is intended to serve as a basis for the member states to enact legislation for the various professions and make amendments where legislation already exists. The bill consists of six parts dealing with: (a) interpretation and definitions, in which the concept of CARICOM national is defined; (b) the establishment of a council; (c) the requirements and procedures for registration and licensing; (d) discipline; (e) offences and penalties; and (f) miscellaneous provisions. The legislation once enacted should: (a) facilitate the free movement of professionals across CARICOM; (b) maintain high standards of

service delivery in the CSME; and (c) enhance the international competitiveness of regional professionals. Consultations have been undertaken on the draft bill with representatives of medical practitioners, pharmacists, veterinarians, nurses and midwives, engineers, architects, and management consultants, both at the national and regional level. However, no agreement has been reached at the regional level, mainly on account of some contentious issues, such as the movement of service providers.

4.71. Under the Caribbean Community Skilled Nationals Act, No. 12, 1997, a regional initiative to enhance the free movement of skilled persons, CARICOM nationals who are university graduates may enter and work in another CARICOM State without the need for a work permit. All OECS Members have enacted the law. All OECS Members are also contracting parties to the CARICOM Agreement Establishing the Council of Legal Education, by which any person holding a Legal Education Certificate from one CARICOM country/territory is considered to fulfil the training requirements for practice in another.

4.3.7 Other offshore services

4.72. Most OECS Members have legislation regulating the operation of international business companies (IBCs). However, as reported in the previous Review of the OECS Members, there is only limited information on the number of registered IBCs and the contribution of their activities to employment, investment, and government revenue.

4.73. The registration and licensing of IBCs is generally regulated by an International Business Corporation Act (with the exception of St. Kitts and Nevis, where it is regulated by the Companies Act, 1996 in St. Kitts, and by the Nevis Business Corporation Ordinance, 1984 in Nevis). The IBC Act, in the countries where it is implemented, is distinct from the Companies Act, which applies to on-shore enterprises.

4.74. In general terms, IBCs are free to invest in the local economy only to the extent that the investment relates to the development of their business and the delivery of the services offered. Their officers and directors may be of any nationality and may reside anywhere; the identity of their shareholders is not required to be filed in any public record. Corporate records may be kept anywhere in the world. IBCs are granted a wide range of benefits, including exemption from all local taxes, duties, and other similar charges.

REFERENCES

CARICOM Secretariat (2008), *CARIFORUM-EU Economic Partnership Agreement: An Overview*, Information Paper, July. Viewed at: http://ec.europa.eu/development/icenter/repository/cariforum_eu_epa_information_paper_overview.pdf.

DaCosta, Michael, Kari Grenade, and Tracy Polius (2012), *The Caribbean: Rethinking Policy Frameworks in the wake of the Recent Financial Failures*. Viewed at: http://www.cbvs.sr/ccmf/index_files/ccmf_papers/Rethinking%20policy%20frameworks%20in%20the%20wake%20of%20financial%20failures_DaCosta%20Grenade%20&%20Polius.pdf.

ECCB (2013), *Annual Report 2012-2013*. Viewed at: http://www.eccb-centralbank.org/PDF/ar_2013.pdf.

ECTEL (2014), *Annual Sector Review 2012-2013*. Viewed at: <http://www.ectel.int/index.php/resources/publications?download=93:ectel-2013-annual-sector-review>.

European Commission (2008), *CARIFORUM-EC EPA: Trade in Goods*, October. Viewed at: http://trade.ec.europa.eu/doclib/docs/2008/october/tradoc_140975.pdf.

European Commission (2012), *The CARIFORUM-EU Economic Partnership Agreement (EPA) - A new partnership for trade and development Factsheet: How the EU is putting the EPA into practice*, April. Viewed at: http://trade.ec.europa.eu/doclib/docs/2012/april/tradoc_149286.pdf.

OECS Secretariat (2008), *The OECS: Deepening and Strengthening Integration Through an Economic Union. Frequently Asked Questions (FAQs)*. Viewed at: http://www.oecs.org/publications/cat_view/136-economic-union.