Belize: Trade Brief*

Trade Policy

As a member of the Caribbean Community and Common Market (CARICOM), Belize applies its Common External Tariff (CET). However, CARICOM heads of state agreed in March 2008 to a temporary suspension of the CET with immediate effect for a period of two years so that member governments can drop duties as needed to counteract rising food prices and in general the cost of living. The country's MFN applied simple and import-weighted tariff averages increased between the early 2000s and 2007, from 10.5 percent to 11.4 percent, and from 11.2 percent to 13 percent, respectively; both are slightly higher than the Latin America and Caribbean (LAC) regional and lower-middle-income group averages. Taking into account preferential rates, the applied (weighted) tariff average of 12.9 percent is higher than for its comparators. MFN duty-free imports were just 18.1 percent of total imports in 2006, much lower than the LAC regional (25.6 percent) and lower-middle-income (31 percent) averages. The maximum tariff rate of 772 (applied on some tobacco products) percent is the highest in the CARICOM. The services trade regime is restrictive and the very low overall GATS commitments index leaves ample room for greater future multilateral commitments to services trade liberalization.

Market Access

The rest-of-the-world tariff (weighted) average of 3.3 percent on Belize's exports is one of the highest among CARICOM members, though only slightly higher than the LAC regional (3 percent) and lower-middle-income (2.5 percent) group averages. MFN duty-free exports were 14.5 percent of total in 2006, and are low compared to the LAC regional (28 percent) and lower-middle-income (35.3 percent) averages. A Generalized System of Preferences (GSP) beneficiary with a number of industrialized countries, exports from the country enjoy additional trade preferences with the United States and Canada under the Caribbean Basin Initiative (CBI) and Canada's Programs for Commonwealth Caribbean Trade Investment and Industrial Cooperation (CARIBCAN). With the trade section of the Africa, Caribbean, Pacific (ACP)-EU Cotonou Agreement having expired in 2007, an agreement on a comprehensive Economic Partnership Agreement (EPA) between the European Union and 15 Caribbean states (Cariforum), including Belize, was reached in December 2007 and is expected to be signed into force on June 30, 2008, after reviews of the agreement have been completed by regional governments.. This EPA grants immediate duty-free and quota-free access to Caribbean goods and services to EU markets. However, unlike the previous Cotonou agreement, this EPA entails reciprocal preferences that require a switch from reliance on import tariffs as a major source of fiscal revenue to reliance on domestic taxation. Although the country's sugar and banana industries have benefited from preferential access to European and U.S. markets, recent reforms to the EU trade regime will result in declining preferences for Belize and other ACP states. However, Belize's production costs and productivity in both sectors compare favorably with those of other Caribbean sugar- and banana-exporting countries and thus the country should remain competitive in a more liberalized global market. The country's utilization of EU and U.S. preferences in 2006 was very high (almost 100 percent), as was the value of such preferences at 27 percent of bilateral exports. Regionally, besides CARICOM, Belize is also a member of the Association of Caribbean States (ACS). However, exports to custom union partners were just 5.4 percent of total exports in 2006. Real effective exchange rate has been depreciating in recent years.

*As of April 2008. See the World Trade Indicators 2008 database at http://www.worldbank.org/wti2008

Behind the Border Constraints

Belize's overall Doing Business Rank is a relatively high 59th (out of 178), reflecting the generally positive business environment in the CARICOM. However, the business environment has been adversely affected by an increasing crime wave in urban areas and the rising prevalence of HIV/AIDS. The country is ranked a low 170th in the subcategory Enforcing Contracts. Governance indicators are poorer than most CARICOM countries. Regarding trade facilitation, the operations of the country's main harbors and international airport were transferred to the private sector in the early 2000s, increasing efficiency levels. Although Belize has been investing in transportation infrastructure, the state of roads is often inadequate, especially during the rainy season. On another trade facilitation indicator, the Doing Business—Trading Across Borders subcategory, Belize is ranked a relatively low 116th, due to very high (per container) export and import costs. Its 2006 per capita rates for telephones and mobile phones (51 percent) and Internet users (11.4 percent) are low by the LAC regional standards, while its secondary school enrollment rate of 79 percent is similar to its regional and income group comparators'.

Trade Outcomes

The real growth of trade of 6.8 percent in 2007 represents a decline from the high average growth of 10.7 percent in 2005–06 that followed a much modest average growth of 5.4 percent in the early 2000s. Belize's exports have grown much faster than imports since the early 2000s. Like most CARICOM members, the country's integration is a high 129 percent, substantially above the LAC regional and lower-middle-income group averages. The country's main exports are centered around agriculture and aquaculture, and while bananas and sugar are traditional export commodities, new sectors such as shrimp farming, tilapia, and citrus production have emerged in recent years. Its main merchandise exports were bananas, seafood, and raw sugars. Excluding agricultural production, Belize's manufacturing industry remains small and fairly concentrated; the main nonagricultural merchandise export is garments. Like most CARICOM states, the services' share in total exports was a high 43 percent in 2007, and tourism was the biggest export sector, contributing about 32.3 percent of the total. The country's main destination markets are the United States and the EU, while its imports are primarily obtained from the United States, Cuba, Mexico, the EU, and Guatemala. Oil discoveries in 2006 have bolstered hopes of a hydrocarbon-based export sector and foreign direct investment (FDI) inflows at 6.2 percent of GDP in 2007 reflect the interest in the country's potential hydrocarbon industry.

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