



**TRADE POLICY REVIEW**

REPORT BY THE SECRETARIAT

OECS-WTO MEMBERS

This report, prepared for the fourth Trade Policy Review of the 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 the OECS-WTO Members on its trade policies and practices.

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Document WT/TPR/G/437 contains the policy statement submitted by the OECS-WTO Members.

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## SUMMARY

1. The six Organisation of Eastern Caribbean States (OECS)-WTO Members (Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines) are small and vulnerable economies with a narrow economic base. Per capita GDP ranges from about USD 8,000 in Dominica to nearly USD 20,000 in Antigua and Barbuda, and Saint Kitts and Nevis. The combined GDP of the OECS-WTO Members was around USD 6.6 billion in 2021. All six OECS-WTO Members are highly reliant on merchandise imports, and are frequently affected by natural disasters, especially hurricanes. Services, particularly tourism, and to a lesser extent financial and government services, are a major contributor to both GDP and employment. Construction also plays a significant role as a contributor to GDP. Several of the OECS-WTO Members have become increasingly dependent on income from their Citizenship by Investment Programs (CBI), which grant citizenship in exchange for investment over certain thresholds.

2. In general, their narrow economic base, their susceptibility to natural disasters, and their high reliance on imports make the OECS-WTO Members particularly vulnerable to exogenous shocks. In this respect, they were significantly affected by the COVID-19 pandemic, which halted all tourism for certain periods of time and led to real GDP contractions of up to 24%. In fact, after increasing steadily between 2013 to 2019, the real GDP of the OECS-WTO Members sharply contracted by 17% on average in 2020, due mainly to a decline in tourist arrivals. The OECS economies are currently in the process of recovery, but the pace of recovery has varied across countries, as tourism is yet to reach pre-pandemic levels. Transportation costs are high in all OECS States, and have increased since the pandemic, as several air carriers have reduced services or altogether stopped servicing the islands. The OECS-WTO Members are all facing the increasing costs of energy and have electricity supply problems, which translates to occasional electricity cuts. These adverse factors result in a high cost of doing business.

3. All OECS-WTO Members sought fiscal consolidation during the review period, with a goal to achieve primary surpluses in their Central Government accounts. Reform measures included replacing some taxes, increasing the rates and coverage of others, trimming expenditure, in particular current expenditure, rationalizing fuel prices, and debt restructuring. Although progress was achieved in the period until 2019, goals had to be revised due to the COVID-19 pandemic. As a result of the increase in spending implied by the COVID-19 stimulus packages and the economic contraction caused by the collapse of tourism, the debt-to-GDP ratio reversed its declining trend and increased by several percentage points, to some 85.3% of GDP in 2021, well above the 60% of GDP debt ceiling set in the consolidation programmes. Although all the OECS-WTO Members registered a fiscal deficit in 2020 (5.7% of GDP overall) and 2021 (3.5% of GDP), the impact varied across countries.

4. The OECS-WTO Members have a common monetary and exchange rate policy. They are all members of the Eastern Caribbean Currency Union (ECCU), which also includes Anguilla and Montserrat. The Eastern Caribbean Central Bank (ECCB), based in Saint Kitts, is the monetary authority for the ECCU. The ECCB has responsibility for monetary, credit, and exchange rate policies across the OECS, as well as for the supervision of the banking system. The ECCB's policy is anchored on maintaining monetary stability through a fixed exchange rate regime, which pegs the East Caribbean dollar (XCD) to the US dollar (USD) at a rate of XCD 2.70 per USD.

5. The OECS-WTO Members all posted current account of the balance-of-payments deficits during the review period, which led to an aggregated deficit of some USD 1 billion in 2021 (some 16% of GDP), more than double the 2019 level. The merchandise trade deficit is structural, as the OECS-WTO Members are highly dependent on merchandise imports, while the value of goods exports is low. In 2021, the overall merchandise trade deficit for the OECS-WTO Members was equivalent to around one third of their GDP. In contrast, they traditionally have posted a services account surplus, fuelled by tourism-related receipts. These surpluses have only partially offset the deficit accrued on the merchandise trade account. Merchandise exports comprise mainly food and live animals, machinery and transport equipment, and mineral fuels. OECS merchandise imports are a very broad range of products, including mineral fuels, food and live animals, and machinery and transport equipment. The main trading partners are the United States, other Caribbean Community and Common Market (CARICOM) countries, and the United Kingdom. The trade in services balance posted a surplus of USD 1.2 billion in 2021. Travel services account for the bulk of the surplus.

6. Antigua and Barbuda, Dominica, Saint Lucia, and Saint Vincent and the Grenadines are original Members of the WTO. Grenada and Saint Kitts and Nevis became WTO Members in 1996. The OECS-WTO Members belong to the following negotiating groups: ACP, G-90, Small Vulnerable Economies (SVEs)-NAMA, G-33, "W52" sponsors, and SVEs-rules (Dominica, Saint Lucia, and Saint Vincent and the Grenadines). As members of the SVEs group, the OECS-WTO Members have highlighted the need for negotiations to take account of the consequences of preference erosion for the region. The OECS-WTO Members grant at least MFN treatment to all of their trading partners. They are not parties or observers to any WTO plurilateral agreement and have not subscribed the Information Technology Agreement and its expansion. During the period under review, the OECS members ratified the Trade Facilitation Agreement (TFA). The degree of implementation of commitments in the three categories under the TFA varies across countries. Notifications to the WTO remain an issue for OECS-WTO Members. Problems with the implementation of WTO Agreements and with respect to notification compliance may be attributable to a lack of technical capacity or human resources and, more recently, to the effects of the COVID-19 pandemic.

7. The OECS was established by the Treaty of Basseterre in 1981, with Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines as members; Anguilla and the British Virgin Islands are associate members. During the period under review, Martinique became an associate member in 2015 and Guadeloupe in 2019. The process of integration among OECS States was strengthened by the signature of the Revised Treaty of Basseterre (RTB) Establishing the OECS Economic Union, which entered into force on 21 January 2011, but is still a work in progress. The OECS Economic Union, when completed, will create a single financial and economic space within which goods, services, people, and capital move freely; monetary and fiscal policies are harmonized; and members continue to adopt a common approach to trade, health, education, and the environment, as well as to sectoral development in agriculture, tourism, and energy. The OECS Authority of Heads of Government is the highest policy-making organ of the OECS. 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 Commission, based in Saint Lucia, provides support and coordination services; it also 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. There are also three OECS institutions: the ECCB, the Eastern Caribbean Supreme Court, and the Eastern Caribbean Civil Aviation Authority.

8. The six OECS-WTO Members are founding members of CARICOM. The Revised Treaty of Chaguaramas (RTC) established the CARICOM Single Market and Economy (CSME), which aims at creating a single market and economy among CARICOM member States through the removal of all barriers to the free movement of factors of production, including fiscal, legal, physical, technical, and administrative restrictions. The consolidation of the CSME is still work in progress.

9. Trade policy in each of the OECS-WTO Members is designed and implemented at three levels: national, subregional (OECS), and regional (CARICOM). At the CARICOM level, the RTC contains the principal institutional arrangements with respect to common trade policies, such as the Common External Tariff (CET), and provides guidelines with respect to other policies which need, however, to be incorporated in the different national legislations. National trade policies are developed generally in close consultation with other OECS and CARICOM member countries. This frequently leads to the adoption of common trade policy positions. Trade policy implementation within and among OECS members is subject to severe human resource limitations.

10. Through their participation in CARICOM, the OECS-WTO Members have bilateral trade agreements with five Latin American countries: the Bolivarian Republic of Venezuela, Colombia, the Dominican Republic, and Costa Rica, and a trade and economic cooperation agreement with Cuba. These agreements involve no commitments for the OECS-WTO Members. They also have bilateral agreements with the European Union and the United Kingdom. The Economic Partnership Agreement (EPA) between the European Union and 15 Caribbean States in the CARIFORUM group, including the OECS-WTO Members, was signed in 2008. It provides duty- and quota-free access to the EU market for CARIFORUM exports except for arms and ammunition. CARIFORUM States committed to gradual reductions in their tariffs over a period of up to 25 years, excluding certain sensitive products. A similar EPA with the United Kingdom came into force on 1 January 2021. The OECS-WTO Members also benefit from the Caribbean Basin Initiative (CBI) and Caribbean-Canada Trade Agreement (CARIBCAN), both of which grant non-reciprocal preferences.

11. The OECS-WTO Members' foreign investment regime changed in five of the six countries before or during the review period. Antigua and Barbuda repealed its Fiscal Incentives Act, ahead of the WTO-agreed deadline. Four of the other OECS-WTO Members amended their Fiscal Incentives Acts, to eliminate incentives contingent upon export performance (Dominica, Grenada, and Saint Kitts and Nevis) or to extend the scope of incentives to services (Saint Lucia). Saint Vincent and the Grenadines is in the process of revising the Act.

12. In general terms, foreign investment receives national treatment in all OECS-WTO Members, with the main exception of the requirements for obtaining alien landholding licences, which are 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. During the period under review, the OECS-WTO Members amended their International Business Companies (IBCs) legislation to maintain accounting information in line with international standards. As from 1 January 2022, the preferential tax treatment for IBCs has been repealed. IBCs are now taxed at the general tax rate.

13. Customs procedures are similar across the OECS-WTO Members. A Customs entry or declaration is required for all consignments imported into the OECS-WTO Members. All of them also require 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. Invoices, air waybills/bills of lading, and a worksheet on the classification and value of the goods can be uploaded electronically. The use of a customs broker is not mandatory in any OECS-WTO Member, except Dominica. The OECS-WTO Members updated and modernized their customs legislation during the period under review. They all currently use the ASYCUDA World system for customs processing and clearance. Importers need to register with the customs authorities to access the system. The OECS-WTO Members have made considerable progress during the period under review as regards the implementation of trade facilitation measures. The respective customs offices run an operational risk management system. Single Windows for imports are, however, not yet in place and there are currently no authorized economic operators' schemes. All the OECS-WTO Members use the hierarchy of valuation methodology set out in the WTO Customs Valuation Agreement; according to the authorities, the transaction value is used for valuation in some 90%-95% of imports; the main exceptions are related to imports of used vehicles, where recourse to list of prices is frequently made.

14. In 2022, the OECS-WTO Members applied tariff schedules based on different revisions of the HS nomenclature. As a consequence, the number of tariff lines varies according to the country. Nearly all tariffs are applied on an *ad valorem* basis, with very few exceptions. The OECS-WTO Members apply the CARICOM CET with national exceptions. The average applied MFN tariff rate for the OECS-WTO Members in 2022 was 11.7%, up from 11% at the time of the previous Review. Average rates vary across countries, partly reflecting the different rates applied in their lists of exceptions to the CET. Individual national applied MFN rates thus range between 10.7% in Saint Lucia and 12.8% in Dominica. The average applied MFN rate for agricultural products for the six OECS-WTO Members in 2022 was 20.5%, while the average MFN rate for non-agricultural products was 9.9%. National MFN tariff averages for agricultural products ranged from 8.6% in Saint Lucia to 10.6% in Antigua and Barbuda. Tariff bindings in the OECS-WTO Members vary across countries; however, agricultural tariffs were generally bound at a ceiling rate of 100%, with some exceptions, generally bound at rates above 100%. In the case of non-agricultural goods, most OECS-WTO Members bound the majority of tariff lines at a ceiling rate of 50%, with the exception of Saint Kitts and Nevis, where they were bound at 70%. The scope of bindings also varies across countries: while Grenada has bound all its tariff lines, the other OECS-WTO Members have bound between 91.5% (Dominica) and 99.7% of the total (Saint Vincent and the Grenadines).

15. Duty-free access is granted by the OECS-WTO Members to imports from other CARICOM countries, provided these imports meet the CARICOM rules of origin criteria and barring the exceptions provided by Article 164 of the RTC, introduced in 2006. Article 164 allows the less-developed States, which includes all OECS-WTO Members, to suspend CARICOM origin treatment imports eligible on grounds of production in one or more less-developed countries. This implies adopting rates different than the CET for these products. The third edition of the Article 164 regime, which started in January 2020, covers 14 product groups across 39 tariff lines, mainly wheat or meslin flour; aerated waters and beverages; malt; beer; stout; prepared complete animal feed; oxygen and carbon dioxide; acetylene; candles of paraffin wax; solar water heaters; paint and varnishes; furniture; curry powder; and pasta. Under the regime, a 100% MFN tariff is applied on

most of the products on the list for 10 years and for 5 years for curry powder and pasta; imports from CARICOM more-developed countries are subject to a tariff rate of 70%. Some OECS-WTO Members have applied the regime since 2020, e.g. Saint Lucia, but with some exceptions. Others have only partially implemented the regime; Dominica and Saint Kitts and Nevis have delayed implementation. The OECS-WTO Members grant preferential access to their markets to most EU and UK products under the respective EPAs.

16. OECS-WTO Members rely heavily on indirect taxes for revenue purposes. Given the small scale of domestic production, these taxes fall mainly on imports. Five of the countries (Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines) apply a Customs Service Charge (CSC), which varies from 3% to 6% and is levied on all imports, including those from other CARICOM countries. Certain goods are exempt from the CSC in all countries. Antigua and Barbuda applies a revenue recovery charge (RRC) at a rate of 10% on all imports as well as on domestically produced goods. All OECS-WTO Members except Antigua and Barbuda apply a value added tax (VAT) on goods and services; rates across countries vary: in Saint Lucia it is 12.5%; in Dominica, 15%; in Grenada and in Saint Vincent and the Grenadines, 16%; and in Saint Kitts and Nevis, 17%. Antigua and Barbuda applies a sales tax at a rate of 15% on goods and services. In all OECS-WTO Members, some goods and services are VAT exempt or subject to a rate lower than the general rate.

17. All the OECS-WTO Members maintain import prohibitions and licensing requirements. The prohibitions are for health, safety, and security concerns. Import licensing requirements for certain products are also in place for the same reasons, although some licences are required for economic reasons, such as the protection of infant industries or for balance-of-payments purposes. Import licensing schemes may be tied to regional integration (e.g. 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 subregion. Most licences, other than those imposed for health and safety reasons, are granted automatically. Non-automatic licences are also required for some agricultural and agri-business goods.

18. During the period under review, there were no changes to the anti-dumping and countervailing legislation in any of the OECS-WTO Members, which in most cases pre-dates their independence. None of the OECS-WTO Members has an authority devoted to initiating and conducting investigations, and thus none has taken anti-dumping or countervailing duty actions during the review period. None of the OECS-WTO Members has national safeguards legislation.

19. Antigua and Barbuda, Grenada, Saint Lucia, and Saint Vincent and the Grenadines have legislation that provides for the operation of free zones. However, in the case of Grenada and of Saint Vincent and the Grenadines these zones are not operational. 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. The OECS-WTO Members do not have national programmes for export credit, insurance, or guarantees.

20. All the OECS-WTO Members have a bureau of standards. During the period under review, Antigua and Barbuda, Saint Kitts and Nevis, and Saint Lucia adopted new Standards Acts. Antigua and Barbuda and Grenada also passed legislation on metrology. The OECS national standards bodies are similar with respect to their structure, mandate, and the procedures required for the adoption of technical regulations, which are developed in the same manner as standards. OECS countries generally favour the adoption or adaptation of international or regional standards as the basis for their technical regulations, which are notified to the WTO prior to implementation, with 60 days for comments. The relevant minister then publishes the technical regulation or standard in the Government Gazette. Standards and technical regulations are normally reviewed and updated every five years by the respective standard bodies. Grenada, Saint Kitts and Nevis, and Saint Lucia also undertake certification. During the period under review, Dominica, Grenada, Saint Kitts and Nevis, and Saint Lucia made notifications to the WTO Committee on Technical Barriers to Trade. No concerns have been raised in the WTO regarding measures taken or notifications made by any of the OECS-WTO Members.

21. The OECS-WTO Members did not make any notifications to the WTO Committee on Sanitary and Phytosanitary Measures during the review period. They do not have an inventory of SPS measures. Identifying and notifying existing SPS measures appears to be a challenge that requires technical assistance and no progress in this respect has been made since the previous Review.



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Imports of animals and plants and their products are subject to document inspection, and any product sampling may be carried out at the border. No concerns have been raised in the WTO regarding SPS measures taken by any of the OECS-WTO Members.

22. None of the OECS-WTO Members is a party to the WTO Agreement on Government Procurement (GPA). During the period under review, Antigua and Barbuda, Grenada, Saint Vincent and the Grenadines, and Saint Lucia passed new legislation or regulations on government procurement. The respective Procurements Acts generally set out principles guiding the selection among bids, typical periods involved in the procurement process, publication and other transparency requirements, appeal and review procedures, and sanctions. The laws and regulations of the OECS-WTO Members generally provide for both public and selective tendering. Tendering is generally decentralized for acquisitions up to certain thresholds and centralized via the Ministry of Finance for tenders above those thresholds. Tenders are generally allocated choosing the bid with the lowest price. Other than in Dominica, which grants a 20% margin for domestic suppliers, local suppliers or those from CARICOM are not granted any preferences.

23. During the period under review, some of the OECS-WTO Members made amendments to their intellectual property rights (IPR) legislations. Antigua and Barbuda enacted a new Patent Act in 2018, as well as its implementing Regulations. Saint Vincent and the Grenadines passed a new Act on plant varieties protection. Legislation on geographical indications previously enacted in Saint Kitts and Nevis also entered into force during the review period. Regulations for copyright were implemented in 2018. The OECS-WTO Members have similar copyright and patent laws. They are all in force, with the exception of Saint Lucia's Patent Act, which is awaiting implementing regulations. There is no specific legislation for the protection of undisclosed information in any of the OECS-WTO Members. All the OECS-WTO Members have notified their IPR legislation to the WTO.

24. The contribution of the agriculture sector to GDP has been shrinking through the years in the OECS-WTO Members. The sector faces challenges as the OECS-WTO Members are small island economies, where resources of land and water are scarce. Competitiveness is also affected by the fact that agriculture is dominated by small farm operations, making it difficult to achieve economies of scale. The sector is susceptible to exogenous shocks such as natural disasters and global market fluctuations.

25. All OECS-WTO Members are service-oriented economies. Services contributed to some 65% of GDP and over three quarters of gross value added (GVA) in 2021. They made GATS commitments in 4 to 6 of the 12 main service areas, and in 8 to 32 of the 160 subsectors. All OECS-WTO Members made commitments in financial services, tourism and travel-related services, and recreational and sporting services.

26. Onshore (domestic) banking activities are supervised and regulated by the ECCB in the ECCU, including in the OECS-WTO Members. The domestic banking sector across all the OECS is open to foreign investment. No restrictions or limitations are placed on foreign investment, and foreign-owned banks may establish subsidiaries or branches in each of the OECS-WTO Members, as in fact they do. Although the OECS-WTO Members have the same regulator and the same banking laws, banking licences are specific to the country in which they are granted. There is no unified banking market at the OECS level. Banks, both locally incorporated and branches, of foreign financial institutions must have a place of business within the OECS member State in which they are licensed. There are no residency or citizenship requirements for bank managers or directors. There are no foreign exchange controls in the OECS-WTO Members. Credit unions play an increasingly important role in the domestic financial sector in the OECS members, especially since several commercial banks have stopped operations in the region during the review period.

27. Offshore banks may conduct banking business only in foreign currencies and are generally precluded from doing it with citizens in the country in which they are registered. Offshore companies benefit from various tax exemptions. Licensees must have a physical presence as well as a locally residing authorized agent. Some benefits have been trimmed in recent years. In 2022, there were 39 international banks in the OECS-WTO Members. Of these, 17 were incorporated in Dominica. The international financial services sector is governed by the Offshore Banking Acts in the respective countries and is primarily the responsibility of the national regulators.

28. The insurance business is also divided into onshore and offshore activities in the OECS-WTO Members. There are no limitations on foreign investment in any of the OECS countries with respect to onshore insurance; most insurance companies across the region are foreign-owned. Foreign insurance companies (parent or subsidiary) are allowed to establish as a branch or as a locally incorporated subsidiary. There are no citizenship requirements for managers or directors. 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. As is the case for banking, legislation regarding insurance is relatively uniform across the OECS-WTO Members. Offshore insurance services are regulated by specific legislation in each country. These acts prescribe the conditions for the operation of offshore insurance companies, which are only allowed to manage risks and premiums originating outside the jurisdiction where they are established. Other requirements include the local incorporation of companies, the non-residence of shareholders, and a minimum paid-up capital.

29. The Eastern Caribbean Telecommunications Authority (ECTEL) acts as an advisory body at the subregional level and coordinates sectoral policies and harmonizes standards and practices among the five Contracting States, which are Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. ECTEL also promotes market liberalization and competition. The respective National Telecommunications Regulatory Commissions (NTRCs) are the national authorities for ECTEL Contracting States. During the review period, telecommunications in the OECS-WTO Members has become increasingly oriented to the mobile and broadband segments of the market. There is no restriction to foreign capital participation in telecommunications services in the OECS-WTO Members, although specific capital requirements may apply. Licences are granted by the national regulators. Interconnection agreements must be approved by national regulators. For networks operated in the ECTEL area, the maximum interconnection rates are set by ECTEL.

30. The six OECS-WTO Members are signatories to the CARICOM Multilateral Air Service Agreement (CARICOM MASA), which entered into force on 17 August 2020 with an aim of creating a single air transport market within CARICOM. In their bilateral agreements, the OECS countries may designate any CARICOM-based carrier as its national carrier when enforcing the agreements. Intraregional connectivity remains poor and has actually deteriorated as a consequence of the virtual demise of the regional carrier LIAT, which compounded the negative effects of the pandemic. The Eastern Caribbean Civil Aviation Authority (ECCAA) is the sectoral regulator for civil aviation in the OECS and is responsible for overseeing aviation safety and security matters and for certifying operators and equipment airworthiness. The major airports in the OECS are owned by the respective Governments; they are managed and operated by public entities.

31. Maritime transport policy continues to be formulated and implemented at the national level. Generally, to fly a national flag, the registered vessels must be substantially owned by OECS/CARICOM member state nationals (natural or legal persons). Vessel registration by non-locally incorporated bodies must be authorized by the minister responsible for maritime transport; the company must be established in and have its principal place of business in an OECS/CARICOM territory, with majority ownership by OECS/CARICOM citizens. Dominica has relaxed this regime and allows for foreign corporation vessels to fly the Dominican flag. Cabotage is not restricted in Saint Kitts and Nevis, nor in Dominica; it is not allowed in Antigua and Barbuda, Grenada, and Saint Vincent and the Grenadines. Cabotage in Saint Lucia requires a special permit. Commercial ports in the subregion are owned by the respective Governments.

32. Tourism is the major foreign exchange earner for the OECS-WTO Members. The sector recorded a 17% increase in total visitor arrivals from 2015 to 2019. The COVID-19 pandemic caused a plunge in tourist arrivals due to lockdowns and the interruption of air travel. The number of tourist arrivals further declined in 2021. The United States and the United Kingdom are the largest markets for tourism exports. Tourism policy is formulated at the OECS country level; marketing and promotion activities are carried out by national tourism authorities or boards. Licences to run hotels and guest houses are granted by the sectoral regulator or the minister responsible for finance/tourism. All OECS-WTO Members offer fiscal incentives for hotel development, including exemptions from customs duties and other taxes on imports, as well as corporate income tax exemptions. 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.

## 1 ECONOMIC ENVIRONMENT

### 1.1 Recent economic developments

#### 1.1.1 Real economy

1.1. The six OECS-WTO Members are Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. They are six island States located in the Lesser Antilles; four of them are part of the Windward Islands (Dominica, Grenada, Saint Lucia, and Saint Vincent and the Grenadines) and two are part of the Leeward Islands (Antigua and Barbuda). The OECS-WTO Members are small and vulnerable economies with populations ranging from about 53,000 (Saint Kitts and Nevis) to about 184,000 (Saint Lucia); they all have a narrow economic base, although their level of development varies and there are significant differences regarding their per capita income. While Saint Kitts and Nevis and Antigua and Barbuda are considered by the World Bank as high-income countries, with per capita GDP of about USD 20,000, the other four OECS-WTO Members are classified as upper middle-income countries<sup>1</sup>, with GDP per capita ranging from about USD 8,000 (Dominica and Saint Vincent and the Grenadines) to nearly USD 11,000 (Saint Lucia). The GDP of the entire OECS in 2021 was around USD 6.6 billion.

1.2. All six OECS-WTO Members have in common that they are highly reliant on merchandise imports, and are frequently affected by natural disasters, especially hurricanes. Services, particularly tourism, are a major contributor to both GDP and employment, although the importance of the latter as a contributor to GDP varies. The financial sector and government services are also significant contributors to GDP and employment, also at varying degrees across the islands (Table 1.1). Construction is another significant contributor to GDP. Despite these similarities, the OECS-WTO Members' economic structures also present differences: while Antigua and Barbuda is highly dependent on tourism and other services, Saint Kitts and Nevis and Dominica have become increasingly dependent on income from their Citizenship by Investment programmes, which grant citizenship in exchange for investment over certain thresholds. Saint Kitts and Nevis has a small manufacturing sector of electronic components for the US market, while Dominica and Saint Lucia are producers of soap and beverages, as well as agricultural products.

1.3. In general, their narrow economic base, their susceptibility to natural disasters, and their high reliance on imports make the OECS-WTO Members particularly vulnerable to exogenous shocks. In this respect, the OECS-WTO Members were significantly affected by the COVID-19 pandemic, which halted all tourism for certain periods of time and led to real GDP contractions of up to 24%. In fact, after increasing by more than 30% between 2013 to 2019, real GDP for the OECS-WTO Members sharply contracted by 17% on average in 2020 (Table 1.1). The contraction in GDP was due mainly to a decline in the tourism sector. The economies are currently in the process of recovery, GDP grew by 6.2% on average in 2021, but the pace of recovery has varied across countries, as tourism is yet to reach pre-pandemic levels. Transportation costs are high in all the OECS-WTO Members, and have increased since the pandemic, as several carriers have reduced services or altogether stopped servicing the islands. Intraregional connectivity is thus a major challenge. All OECS-WTO Members are facing the effects of increasing energy costs and have electricity supply problems, which translates to occasional electricity cuts. These adverse factors result in a high cost of doing business.

**Table 1.1 OECS-WTO Members, selected economic indicators, 2014-21**

	2014	2015	2016	2017	2018	2019	2020	2021
GDP (current XCD million)	16,619	17,348	18,258	18,950	19,833	20,587	16,715	17,914
GDP (current USD million)	6,155	6,425	6,762	7,018	7,346	7,625	6,191	6,635
Real GDP growth (% change)	3.6	1.9	4.0	2.0	3.8	1.8	-17.6	6.2
GDP per capita (USD)	10,258	10,623	11,105	11,487	11,947	12,273	9,888	10,532
<b>GDP by economic activity (% of current GDP)</b>								
Agriculture, livestock and forestry	3.6	3.7	3.8	3.2	3.0	3.1	3.8	3.8
Crops	2.8	3.0	3.0	2.5	2.4	2.4	3.1	3.1
Bananas	0.2	0.3	0.3	0.2	0.1	0.2	0.2	0.5
Nutmeg	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Sugar	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

<sup>1</sup> World Bank. Viewed at: <https://data.worldbank.org/country/>.

	2014	2015	2016	2017	2018	2019	2020	2021
Other crops	1.9	2.2	2.1	1.7	1.6	1.6	1.9	1.9
Livestock	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5
Forestry	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Fishing	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7
Mining & quarrying	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Manufacturing	3.7	3.8	3.7	3.4	3.4	3.1	3.3	3.3
Sugar	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	2.4	2.4	2.2	2.0	2.0	2.0	2.0	1.9
Electricity & water	2.9	3.1	3.1	2.9	2.6	2.8	3.3	3.2
Electricity	2.1	2.2	2.3	2.1	1.9	2.1	2.3	2.3
Water	0.6	0.6	0.6	0.6	0.5	0.6	0.8	0.7
Construction	6.9	7.2	7.9	8.9	9.5	9.4	8.7	9.4
Services	68.8	68.2	67.3	67.5	66.9	67.7	65.7	65.2
Wholesale & retail trade	9.9	9.2	9.4	8.9	9.1	9.0	9.0	9.7
Hotels & restaurants	10.5	10.6	10.2	11.0	10.9	11.4	4.8	5.5
Hotels	9.0	9.0	8.6	9.3	9.2	9.6	3.6	4.7
Restaurants	1.5	1.6	1.6	1.7	1.7	1.8	1.2	0.8
Transport, storage and communications	8.2	8.6	8.5	8.4	8.4	8.5	7.5	7.2
Transport and storage	4.0	4.2	4.1	4.1	4.3	4.4	3.5	3.2
Road transport	3.9	3.8	3.8	4.0	3.9	3.9	3.4	3.2
Sea transport	0.4	0.3	0.3	0.4	0.4	0.4	0.4	0.3
Air transport	0.4	0.6	0.6	0.4	0.5	0.5	0.2	0.2
Supporting and auxiliary transport activities	1.6	1.6	1.6	1.6	1.6	1.7	1.3	1.4
Communications	3.6	3.6	3.6	3.5	3.3	3.3	3.8	3.8
Financial intermediation	5.9	6.2	6.3	6.4	6.3	6.9	8.2	7.9
Banks	4.7	4.9	5.2	5.2	5.2	5.7	6.7	6.5
Insurance	1.0	1.1	1.0	1.1	1.0	1.1	1.3	1.2
Activities auxiliary to financial intermediation	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Real estate, renting and business activities	10.6	10.6	9.9	9.8	9.8	9.6	10.9	10.6
Owner-occupied dwellings	3.7	3.6	3.4	3.2	3.1	3.1	3.8	3.7
Real estate activities	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.9
Renting of machinery and equipment	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Computer and related activities	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Business services	1.4	1.6	1.5	1.5	1.6	1.6	1.4	1.3
Public administration, defence & compulsory social security	7.0	6.8	6.8	6.8	6.8	6.7	8.3	8.0
Education	8.2	7.8	8.1	8.2	7.5	7.6	9.0	8.6
Public	3.0	2.8	2.8	2.8	2.7	2.7	3.3	3.2
Private	5.2	5.0	5.3	5.5	4.8	4.9	5.7	5.4
Health and social work	2.5	2.4	2.3	2.4	2.4	2.6	3.1	2.9
Public	1.9	1.8	1.8	1.8	1.8	1.8	2.5	2.4
Private	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.5
Other community, social & personal service	5.8	5.7	5.4	5.3	5.3	5.2	4.5	4.5
Activities of private households as employers	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Less: FISIM	1.1	1.3	1.1	1.0	1.1	1.2	0.8	0.9
GVA in basic prices	86.4	86.2	86.0	86.3	85.8	86.2	85.5	85.6
Plus: Product taxes	13.9	14.0	14.3	13.9	14.5	14.1	14.8	14.7
Less: Subsidies	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.3
<b>Money, prices, and interest rates</b>								
Inflation (% , end of period)	0.7	-0.9	-0.2	1.2	1.5	0.0	-0.2	2.7
Inflation (% , period average)	0.8	-0.9	-0.4	1.1	1.0	0.8	-0.7	1.6
Money supply (M1) (% growth))	10.6	8.5	7.2	11.8	6.5	5.8	-11.1	23.8

	2014	2015	2016	2017	2018	2019	2020	2021
Monetary liabilities (M2) (% growth)	3.6	8.9	-1.7	7.6	6.3	0.8	-5.2	13.9
Deposit interest rate (%)	2.6	1.9	1.7	1.6	1.6	1.6	1.6	1.5
Lending interest rate (%)	8.9	8.8	8.5	8.3	8.0	7.8	7.0	6.7
<i>Memorandum:</i>								
Population (persons)	600,047	604,844	608,956	610,987	614,858	621,286	626,090	..
Exchange rate (domestic currency per USD)	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7

.. Not available.

Source: Eastern Caribbean Central Bank (ECCB), statistics page as viewed on 24 November 2022, and Annual Economic and Financial Review, December 2021; International Monetary Fund; WTO Secretariat estimates.

1.4. As the restrictions implemented to fight the COVID-19 pandemic are progressively phased out, the tourism sector is expected to pick up and drive growth in the future. Some of the OECS-WTO Members have also continued their attempts to diversify the economy by engaging in other service activities, such as education services, health services, and environment-related activities.

1.5. Faced with rising inflation, in particular the increasing costs of energy and of electricity generation, which is still highly dependent on fuel, the OECS-WTO Members are promoting the use of renewable sources of energy.

### 1.1.2 Fiscal policy

1.6. The Revised Treaty of Basseterre establishing the OECS Economic Union calls for member States to work towards a progressive harmonization of their fiscal policies. In practice, however, this has not taken place yet. The Ministry of Finance of each OECS-WTO Member is responsible for the formulation and implementation of fiscal policy, which is conducted independently by each country. The situation in each OECS State was complicated by the substantial deterioration in their fiscal accounts caused by the COVID-19 pandemic, which provoked a sharp reduction in revenue and an increase in expenditure. Given that monetary policy is the responsibility of the Eastern Caribbean Central Bank (ECCB), fiscal policy is the only macroeconomic policy instrument available to the national authorities to influence output and employment.

1.7. Prior to the COVID-19 pandemic, the OECS-WTO Members embarked on fiscal reform and consolidation programmes, with a goal to achieve primary surpluses in their Central Government accounts. Reform measures included replacing some taxes, increasing the rates and coverage of others, trimming expenditure, in particular current expenditure, rationalizing fuel prices, and debt restructuring. Although this was achieved in most countries until 2019, goals had to be revised as a consequence of the COVID-19 pandemic. Taking into account the increase in spending implied by the various COVID-19 stimulus packages (as well as the relief measures due to the volcano eruption in Saint Vincent and the Grenadines) and the economic contraction caused by the collapse of tourism, the debt-to-GDP ratio reversed its declining trend and increased by several percentage points.

1.8. Although all OECS-WTO Members sought fiscal consolidation during the review period, the degree of fiscal policy harmonization remains low, especially given that policies respond many times to external shocks. Policy response to the same external shock may also differ across countries; this has been particularly the case with respect to the COVID-19 pandemic (see national annexes), although it has invariably resulted in a deterioration of the fiscal accounts and an increase in debt.

1.9. After experiencing an improvement in the 2014-17 period, the OECS-WTO Members displayed a deterioration in their fiscal performance in 2018, exacerbated by the effects of COVID-19. Although all the OECS-WTO Members registered a deficit in 2020, the impact varied across countries, ranging from a 2.5% of GDP Central Government deficit in Saint Kitts and Nevis to a 9.2% of GDP deficit in Saint Lucia. The deteriorating fiscal situation was due mainly to a fall in revenue due to the halt of tourism activities and an increase in expenditure. In 2021, the overall Central Government balance improved in two of the OECS-WTO Members, while it remained delicate in four others, in particular

Saint Lucia, where the deficit reached 8.4% of GDP, and Dominica, where the deficit reached 7.2% of GDP. At the other end of the spectrum, Saint Kitts and Nevis posted an overall Central Government surplus equivalent to 7.2% of GDP, mainly on account of a sharp increase in income from its CBI programme (Table 1.2). The overall fiscal deficits of the OECS countries sharply deteriorated as from 2017, to reach a peak of 5.6% of GDP in 2020 (Table 1.2). In contrast, during 2015 and 2016 a surplus was registered (0.5% and 2.1% of GDP, respectively).

**Table 1.2 OECS-WTO Members' Central Government fiscal accounts, 2014-21**

(% of GDP)

	2014	2015	2016	2017	2018	2019	2020	2021
<b>Current revenue</b>	<b>23.3</b>	<b>23.8</b>	<b>25.0</b>	<b>23.8</b>	<b>25.7</b>	<b>24.9</b>	<b>25.7</b>	<b>28.1</b>
Tax revenue	18.8	19.3	19.6	19.2	19.6	19.3	20.3	19.8
Taxes on goods and services	8.9	8.9	8.9	8.4	8.8	8.6	8.9	8.9
<i>Of which:</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accommodation tax								
Licences	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3
Stamp duties	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.6
Value added tax	5.4	5.5	5.4	5.1	5.4	5.3	5.4	5.4
Taxes on income and profits	4.1	4.3	4.4	4.3	4.3	4.3	4.6	4.3
Corporation tax	0.8	1.0	1.1	1.2	1.1	1.2	1.4	1.2
Personal income tax	1.7	1.7	1.7	1.5	1.4	1.5	1.8	1.7
Taxes on property	0.7	0.6	0.7	0.7	0.6	0.6	0.7	1.0
Taxes on international trade and transactions	5.2	5.4	5.6	5.7	5.9	5.8	6.1	5.6
<i>Of which:</i> Customs Service Charge	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.1
Consumption tax	0.2	0.4	0.4	0.3	0.3	0.3	0.5	0.3
Import duty	2.3	2.3	2.3	2.3	2.4	2.4	2.5	2.5
Excise tax	0.4	0.4	0.4	0.5	0.5	0.6	0.6	0.5
Non-tax revenue	4.5	4.5	5.5	4.6	6.1	5.6	5.4	8.3
<i>Of which:</i> Citizenship by Investment	2.2	2.8	3.6	2.7	4.2	3.7	3.4	6.1
Capital revenue	0.2	0.4	1.0	0.1	0.3	0.1	0.1	0.1
Grants	1.8	1.5	1.3	1.8	1.2	1.1	2.6	2.5
<b>Current expenditure</b>	<b>21.5</b>	<b>20.8</b>	<b>21.0</b>	<b>21.3</b>	<b>22.1</b>	<b>22.8</b>	<b>27.9</b>	<b>26.4</b>
Goods and services	4.3	4.0	4.1	4.2	4.9	5.2	6.7	6.2
Interest payments	2.8	2.6	2.5	2.4	2.3	2.3	2.6	2.4
Domestic interest payments	1.7	1.5	1.4	1.3	1.3	1.3	1.4	1.4
External interest payments	1.2	1.1	1.1	1.0	1.0	1.0	1.2	1.0
Personal emoluments	9.6	9.2	9.3	9.1	9.2	9.1	11.3	10.9
Transfers and subsidies	4.8	5.1	5.2	5.6	5.7	6.1	7.3	6.9
<b>Capital expenditure and net lending</b>	<b>5.2</b>	<b>4.9</b>	<b>4.2</b>	<b>4.7</b>	<b>6.0</b>	<b>5.5</b>	<b>6.7</b>	<b>8.2</b>
<b>Current account balance</b>	<b>1.8</b>	<b>2.9</b>	<b>4.0</b>	<b>2.5</b>	<b>3.6</b>	<b>2.1</b>	<b>-2.2</b>	<b>1.7</b>
<b>Primary balance (after grants)</b>	<b>1.7</b>	<b>2.9</b>	<b>4.6</b>	<b>2.1</b>	<b>1.6</b>	<b>0.1</b>	<b>-3.2</b>	<b>-1.1</b>
<b>Overall balance (after grants)</b>	<b>-1.1</b>	<b>0.3</b>	<b>2.1</b>	<b>-0.3</b>	<b>-0.7</b>	<b>-2.2</b>	<b>-5.7</b>	<b>-3.5</b>
Total financing	1.1	-0.3	-2.1	0.3	0.7	2.2	5.7	3.5
Domestic financing	-0.7	-2.6	-2.1	-0.3	0.5	0.2	0.6	-1.3
Commercial banks	0.3	-6.1	-1.5	-0.5	0.8	0.8	0.7	-0.5
ECCB	-0.3	-0.5	0.0	0.0	-0.5	0.4	1.5	0.0
Other	0.0	4.3	-0.2	-0.1	0.5	-1.2	-0.2	1.3
External financing	1.2	1.3	-0.2	0.2	-0.4	1.2	2.3	4.3
Arrears	0.7	0.1	0.0	0.4	0.5	0.8	0.5	0.5
Other financing	0.0	0.9	0.2	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations, based on data from the ECCB, Central Government Fiscal Accounts. Viewed at: <https://www.eccb-centralbank.org/debt/p/central-government-fiscal-accounts>.

1.10. According to an assessment by the IMF, the pandemic has aggravated the Eastern Caribbean Currency Union (ECCU) countries' (OECS-WTO Members plus Anguilla and Montserrat) long-standing fiscal sustainability problems, further exacerbating vulnerabilities to shocks. The IMF highlights the high public debt, which largely reflects earlier procyclical policy and the region's susceptibility to large shocks, particularly natural disasters. The pandemic has resulted in a worsening of the fiscal position that coupled with a contraction of economic activity has led to a reversal of the declining

trend of public debt over the past decade to some 85.3% of GDP in 2021, well above the 60% of GDP ECCU debt ceiling. The IMF advises to focus near-term policy on maintaining fiscal prudence while protecting the vulnerable. Over the medium term, fiscal consolidation should resume with the composition of spending shifting to boost growth; creating fiscal space for productive investment and resilience building will be critical to support a resilient and inclusive recovery.<sup>2</sup>

### 1.1.3 Monetary and exchange rate policy

1.11. The OECS-WTO Members have a common monetary and exchange rate policy. They are all members of the ECCU, which also includes Anguilla and Montserrat. The ECCB, based in Saint Kitts, is the monetary authority for the ECCU. The ECCB has responsibility for monetary, credit, and exchange rate policies across the OECS, as well as for the supervision of the banking system. The ECCB's main decision-making body is the Monetary Council, which comprises the Ministers of Finance of each of the ECCU participants. The ECCB Board is responsible for policy formulation and the general administration of the Bank, subject to the exercise of functions by the Monetary Council, while the ECCB's Governor is responsible for policy implementation and the day-to-day management of the ECCB.

1.12. The Eastern Caribbean Central Bank Agreement Act, 1983 provides the legal foundation for the ECCU. The Preamble to the Act establishes the main objectives of the collective agreement. It grants the ECCB the power to issue and manage the common currency, the East Caribbean dollar (XCD) and to safeguard its international value.<sup>3</sup> In accordance with Article 4 of the Act, the purposes of the ECCB are to: (i) regulate the availability of money and credit; (ii) promote and maintain monetary stability; (iii) promote credit and exchange conditions and a sound financial structure conducive to the balanced growth and development of the economies of the territories of the participating governments; and (iv) actively promote, through means consistent with its other objectives, the economic development of the territories of the participating governments.

1.13. As a banking supervisor, the ECCB is responsible for the implementation of the Banking Act, 2015, which has been adopted by all OECS-WTO Members and passed as national legislation within the context of developing of a single banking space in the ECCU. The ECCB is the licensing authority for the banking sector and a single licence authorizes a financial institution to operate in the ECCU on a branch basis subject to approval.

1.14. The ECCB's policy is anchored on maintaining monetary stability through a fixed exchange rate regime, which pegs the XCD to the USD at a rate of XCD 2.70 per USD. Movements in the XCD real effective exchange rate are mainly related to changes in the value of the USD *vis-à-vis* other major currencies. Due to the maintenance of a fixed exchange rate, the money supply is virtually endogenous. However, limits are imposed on credits to member governments: at any given time, the ECCB's holding of treasury bills of a particular participating country must not exceed 10% of the estimated recurrent revenue of that government. Moreover, holdings of other government securities from the participating countries maturing in no more than 15 years from the date of acquisition must not exceed 15% of the currency in circulation and other demand liabilities.

1.15. The authorities consider maintaining the peg with the USD of vital importance, as the United States is the region's main trading partner and the origin of most tourist arrivals. They note, however, that they had been affected in recent years by the appreciation of the USD, which translated into an appreciation of the XCD *vis-à-vis* the currencies of other trading partners. This has been positive as an anti-inflationary tool in the short run, but has resulted in a certain loss of competitiveness, including regarding tourism.

1.16. 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.

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<sup>2</sup> IMF (2022), *Eastern Caribbean Currency Union: Staff Report for the 2022 Article IV Consultation*, IMF Country Report No. 22/253. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2022/07/28/Eastern-Caribbean-Currency-Union-2022-Article-IV-Consultation-with-Member-Countries-on-521471>.

<sup>3</sup> ECCB, *Legal and Regulatory Framework*. Viewed at: <https://www.eccb-centralbank.org/p/legal-and-regulatory-framework#:~:text=The%20ECCB%20Agreement,the%20area%20of%20central%20banking.>

These limits are strictly enforced as the ECCB deems them necessary to safeguard the fixed exchange rate regime.

1.17. The ECCB operates a regional market for government securities of the ECCU member States. The Eastern Caribbean Securities Market was launched in 2001 with the opening of the Eastern Caribbean Securities Exchange Ltd (ECSE) and its affiliated institutions along with the requisite laws and legal framework. The ECSE provides an alternative mechanism for public institutions to raise capital within the regional financial system and allows for the transfer of private sector savings to productive investments.

1.18. Inflation, as measured by the consumer price index, was very subdued during the review period; in some years there was actually a deflation. The annual average for the 2014-21 period was 0.65%, but this was mostly on account of a 2.7% increase in 2021. The situation changed in the latter year as a consequence of higher world fuel and other commodity prices and supply shortages. The IMF is forecasting inflation to be 5.5% in 2022, with real GDP growth of 7.5% and output still well below the pre-pandemic level.<sup>4</sup>

#### 1.1.4 Balance of payments

1.19. The OECS-WTO Members all posted current account deficits during the review period, which led to an aggregated deficit of USD 1.08 billion in 2021 for the ECCU (OECS-WTO Members plus Anguilla and Montserrat), more than double the 2019 level (Table 1.3). The deficit is of a structural nature, due to the fact that the OECS-WTO Members economies are highly dependent on merchandise imports, while goods exports are relatively low. In contrast, they traditionally have posted a services account surplus, fuelled by tourism-related receipts. These surpluses have only partially offset the deficit accrued on the merchandise trade account.

1.20. During the period under review, the current account deficit increased substantially, from a low of USD 381 million in 2015 (nearly 6% of GDP) to USD 1.08 billion in 2021 (approximately 16% of GDP) (Table 1.3). External shocks may have a strong effect on the current accounts of countries in the region. For instance, largely as a result of the devastating effects of Hurricane Maria and the subsequent reconstruction efforts, the current account deficit of the ECCU rose from USD 572 million in 2017 to USD 927 million in 2018. Similarly, as a consequence of lower tourism receipts, and despite a contraction of merchandise imports, the current account deficit rose to USD 1.07 billion in 2020, almost doubling the USD 535 million deficit registered in 2019. In fact, travel exports in 2020 were one third of their 2019 level, and even in 2021, they were barely half of that level, with the deficit remaining at a similar level than in the previous year.

**Table 1.3 ECCU balance of payments, 2014-21**

(USD million)

	2014	2015	2016	2017	2018	2019	2020 <sup>a</sup>	2021 <sup>b</sup>
1. Current account	-403	-381	-589	-572	-927	-535	-1,074	-1,080
1.A Goods and services	-86	41	-224	-254	-589	-213	-1,051	-1,004
1.A.a Goods	-1,987	-1,889	-2,065	-2,154	-2,611	-2,460	-1,903	-2,225
Exports	342	299	232	215	187	259	188	202
Imports	2,329	2,188	2,297	2,368	2,798	2,719	2,091	2,427
1.A.b Services	1,901	1,930	1,841	1,900	2,022	2,247	852	1,221
Exports	3,216	3,330	3,367	3,475	3,685	4,008	1,949	2,496
Imports	1,315	1,401	1,525	1,575	1,663	1,760	1,097	1,275
Transport	-196	-182	-180	-193	-246	-245	-206	-241
Exports	147	164	176	167	169	176	61	67
Imports	344	346	356	361	414	421	267	307
Travel	2,519	2,571	2,602	2,703	2,809	3,134	1,104	1,654
Exports	2,684	2,753	2,797	2,901	3,004	3,350	1,184	1,758
Imports	165	182	195	198	195	217	79	105
Insurance & pension services	-61	-69	-66	-83	-92	-96	-72	-85
Exports	41	42	49	48	48	48	64	63
Imports	101	111	115	131	141	144	136	147
Other business services	-482	-503	-586	-601	-615	-709	-80	-318
Exports	215	252	270	279	292	263	528	390
Imports	697	756	856	879	906	972	608	708

<sup>4</sup> IMF (2022), *Eastern Caribbean Currency Union: Staff Report for the 2022 Article IV Consultation*, IMF Country Report No. 22/253. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2022/07/28/Eastern-Caribbean-Currency-Union-2022-Article-IV-Consultation-with-Member-Countries-on-521471>.



	2014	2015	2016	2017	2018	2019	2020 <sup>a</sup>	2021 <sup>b</sup>
Government goods and services	122	113	72	74	166	163	106	210
Exports	129	119	76	80	172	170	113	218
Imports	7	6	4	6	6	7	7	7
1.B Primary income	-372	-462	-368	-363	-324	-381	-120	-187
1.B.1 Compensation of employees	-49	-50	-48	-51	-37	-37	-35	-37
1.B.2 Investment income	-322	-411	-320	-312	-286	-344	-85	-150
1.B.2.1 Direct investment	-282	-371	-303	-289	-290	-360	-89	-142
1.B.2.2 Portfolio investment	-7	-5	-3	4	6	20	18	17
1.B.2.3 Other investment	-43	-48	-31	-50	-36	-39	-34	-36
1.B.2.4 Reserve assets (Credit)	10	12	17	23	34	33	21	10
1.B.3 Other primary income	-1	-1	0	0	0	0	0	0
1.C Secondary income	54	40	3	44	-14	60	97	111
1.C.1 General government	45	49	47	54	30	53	56	50
1.C.2 Financial corporations, non-financial corporations, households, and NPISHs	10	-9	-43	-8	-42	10	42	62
1.C.3 Adjustment for change in pension entitlements	0	-1	-1	-2	-1	-4	-1	-1
2. Capital account	275	225	299	635	312	251	291	402
2.1 Gross acquisitions / disposals of non-produced non-financial assets	0	0	0	0	0	1	0	0
2.2 Capital transfers	275	225	299	635	312	250	291	402
2.2.1 General government	206	175	247	321	233	175	196	259
2.2.2 Financial corporations, non-financial corporations, households, and NPISHs	69	51	53	313	80	75	95	143
Net lending (+) / net borrowing (-) (balance from current and capital account)	-128	-156	-289	62	-615	-283	-783	-677
3. Financial account	0	0	0	0	0	0	0	0
Net lending (+) / net borrowing (-) (balance from financial account)	-109	-128	-338	84	-496	-498	-595	-453
3.1 Direct investment	-616	-690	-664	-682	-707	-624	-413	-510
3.2 Portfolio investment	157	39	-458	19	318	614	78	118
3.3 Financial derivatives (other than reserves) and employee stock options	0	0	0	-1	1	0	-1	-1
3.4 Other investment	116	372	659	691	-102	-420	-274	-385
3.4.2 Currency and deposits	178	333	-28	233	51	12	162	113
3.4.3 Loans	5	75	633	287	-48	-387	-382	-382
3.4.4 Insurance, pension, and standardized guarantee schemes	0	4	0	186	-106	-73	4	-6
3.4.5 Trade credit and advances	-62	-32	6	-20	-8	10	-16	-11
3.4.6 Other accounts receivable/payable	-5	-9	48	5	8	18	-42	27
3.4.7 Special drawing rights (Net incurrence of liabilities)	0	0	0	0	0	0	0	126
3.5 Reserve assets	233	151	130	57	-5	-67	16	325
3.5.2 Special drawing rights	-2	-4	-10	-5	-4	-5	-2	98
3.5.3 Reserve position in the IMF	0	0	5	0	0	0	0	0
3.5.4 Other reserve assets	235	154	135	61	-1	-62	18	226
Net errors and omissions	19	27	-44	22	119	-215	188	225
<i>Memorandum:</i>								
Current account (% of GDP)	-6.4	-5.7	-8.5	-8.0	-12.3	-6.8	-16.9	-16.0
Capital account (% of GDP)	4.4	3.4	4.3	8.9	4.1	3.2	4.6	6.0

a Preliminary data.

b Estimates.

Note: ECCU excludes intraregional transactions and is therefore not the sum of the data for member territories.

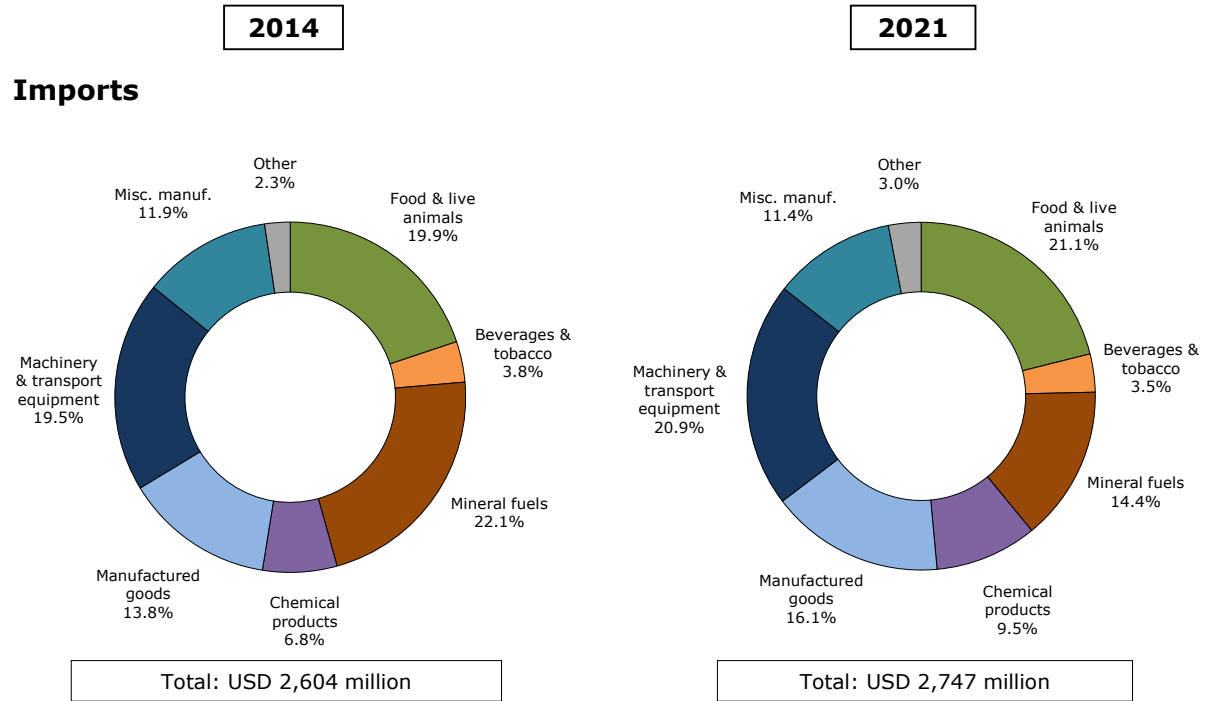
Source: ECCB, *External Sector Statistics*. Viewed at: <https://www.eccb-centralbank.org/p/external-sector-statistics>.

1.21. Prior to the pandemic, the current account deficit was financed to a large extent by foreign direct investment (FDI) inflows. However, in the aftermath of the crisis, FDI inflows declined considerably. The deficits had then to be financed by an increase in net borrowing, which rose substantially during the review period, from USD 128 million in 2014, to USD 783 million and USD 677 million, respectively, in 2020 and 2021.

## 1.2 Trends and patterns in merchandise and services trade

1.22. The OECS-WTO Members are all net merchandise importers and net services exporters. Exports comprise mainly food and live animals, machinery and transport equipment, and mineral fuels (Chart 1.1 and Tables A1.1 in each national annex). OECS imports are a very broad range of products, including mineral fuels, food and live animals, and machinery and transport equipment.

**Chart 1.1 Merchandise trade by main SITC sections, 2014 and 2021**



Source: WTO Secretariat calculations, based on ECCB statistics.

1.23. Although disaggregated figures by product and partner are not available for the OECS-WTO Members as a group, the main export destinations of OECS countries are the United States, other CARICOM countries, and the United Kingdom. These are also the main sources of imports. Statistics by product group for the whole ECCU are available from the ECCB. They are shown in Table 1.4.

**Table 1.4 ECCU visible trade statistics, 2014-21**

(XCD million)

	2014	2015	2016	2017	2018	2019	2020	2021
Total exports	996.8	1,032.4	803.74	790.8	643.9	768.9	619.4	598.3
Total imports	7,031.3	6,688.81	7,008.1	7,219.1	8,485.6	8,324.6	6,425.5	7,416.7
Trade balance	-6,034.5	-5,656.4	-6,204.4	-6,428.3	-7,842.2	-7,555.8	-5,806.0	-6,818.4
<b>IMPORTS</b>	<b>7,031.3</b>	<b>6,688.8</b>	<b>7,008.1</b>	<b>7,219.1</b>	<b>8,485.6</b>	<b>8,324.6</b>	<b>6,425.5</b>	<b>7,416.7</b>
Food & live animals	1,396.8	1,388.5	1,399.9	1,432.6	1,570.1	1,624.6	1,423.41	1,564.2
Beverages and tobacco	263.9	288.6	297.8	331.0	334.4	333.0	238.7	263.0
Crude materials, inedible except fuels	133.9	151.9	154.7	152.8	201.9	182.8	145.1	185.1
Mineral fuels & related materials	1,552.1	1,016.5	995.2	961.2	1,351.5	1,161.3	784.6	1,069.4
Animal & vegetable oils, fats & waxes	27.9	34.6	27.8	26.3	33.3	30.5	30.7	36.5
Chemicals & related products	481.3	538.9	555.8	549.6	638.9	643.2	596.5	703.7
Manufactured goods	969.7	984.2	1,064.8	1,126.7	1,373.5	1,370.4	1,002.3	1,197.0
Machinery & transport equipment	1,368.4	1,360.3	1,581.9	1,657.9	1,810.9	1,837.6	1,421.5	1,550.5
Miscellaneous manufactured articles	834.5	919.6	929.7	979.1	1,143.1	1,086.2	775.6	844.7

	2014	2015	2016	2017	2018	2019	2020	2021
Commodities & transactions not classified elsewhere in SITC	2.8	5.7	0.6	1.9	27.9	54.9	6.9	2.6

Source: ECCB, *Real Sector Statistics – Selected Visible Trade Statistics*. Viewed at: <https://www.eccb-centralbank.org/statistics/trades/country-report>.

1.24. OECS-WTO Members' trade in services profile is in contrast with its goods counterpart: the trade balance was in surplus over the past decade, although this surplus shrank considerably in 2020 and 2021 as a result of the decline in tourism receipts. Between 2014 and 2021, imports of services decreased somewhat, to USD 1.3 billion (data for the ECCU). On the other hand, during the 2014-19 period exports increased by almost 25% to reach its peak at USD 4 billion. Travel services account for the bulk of the surplus. The trade in services balance posted a surplus of USD 1.22 billion in 2021 (Table 1.5).

**Table 1.5 ECCU trade in services, 2014-21**

(USD million)

	2014	2015	2016	2017	2018	2019	2020 <sup>a</sup>	2021 <sup>b</sup>
<b>Services balance</b>	<b>1,901</b>	<b>1,930</b>	<b>1,841</b>	<b>1,900</b>	<b>2,022</b>	<b>2,247</b>	<b>852</b>	<b>1,221</b>
Manufacturing services on physical inputs owned by others	18	16	26	8	8	8	7	7
Goods for processing in reporting economy	18	16	26	8	8	8	7	7
Goods for processing abroad	0	0	0	0	0	0	0	0
Maintenance and repair services, n.i.e.	-23	-17	-12	-13	-12	-14	-1	-1
Transport	-196	-182	-180	-193	-246	-245	-206	-241
Sea transport	-234	-210	-214	-225	-276	-271	-212	-252
Passenger	-1	5	7	8	4	3	2	0
Freight	-259	-247	-257	-267	-315	-308	-237	-271
Other	26	32	36	33	34	33	23	20
Air transport	33	20	26	25	24	21	2	6
Passenger	-3	-20	-14	-16	-25	-30	-9	-6
Freight	-3	-2	-2	-3	-4	-4	-3	-3
Other	38	42	42	44	52	55	13	15
Other modes of transport	1	1	1	1	1	1	0	0
Passenger	0	0	0	0	0	0	0	0
Freight	0	0	0	0	0	0	0	0
Other	1	1	1	1	1	1	0	0
Postal and courier services	4	6	7	6	6	5	4	4
Travel	2,519	2,571	2,602	2,703	2,809	3,134	1,104	1,654
Construction	-30	-24	-36	-30	-50	-39	-29	-32
Insurance and pension services	-61	-69	-66	-83	-92	-96	-72	-85
Direct insurance	-58	-62	-62	-78	-79	-83	-62	-74
Reinsurance	-11	-15	-16	-16	-19	-21	-22	-23
Auxiliary insurance services	9	9	13	11	5	9	13	13
Pension and standardized guaranteed services	-1	0	-1	-1	-1	-1	-1	-1
Financial services	9	26	6	11	22	-3	-6	-6
Charges for the use of intellectual property, n.i.e.	-27	-26	-29	-31	-31	-35	-29	-31
Telecommunications, computer, and information services	28	17	8	8	0	-1	-3	-4
Other business services	-438	-475	-525	-533	-530	-603	-301	-354
Research and development services	0	0	0	0	0	0	0	0
Professional and management consulting services	-119	-102	-119	-128	-113	-130	-98	-111
Technical, trade-related, and other business services	-318	-373	-406	-405	-416	-473	-203	-243
Personal, cultural, and recreational services	-20	-20	-23	-21	-22	-23	283	105
Government goods and services, n.i.e.	122	113	72	74	166	163	106	210
<b>Services exports</b>	<b>3,216</b>	<b>3,330</b>	<b>3,367</b>	<b>3,475</b>	<b>3,685</b>	<b>4,008</b>	<b>1,949</b>	<b>2,496</b>
Manufacturing services on physical inputs owned by others	18	16	26	8	8	8	7	7
Goods for processing in reporting economy	18	16	26	8	8	8	7	7
Goods for processing abroad	0	0	0	0	0	0	0	0
Maintenance and repair services, n.i.e.	2	3	3	2	2	2	2	2
Transport	147	164	176	167	169	176	61	67
Sea transport	26	39	45	44	41	39	26	21
Passenger	0	7	9	10	7	6	2	1
Freight	0	0	0	0	0	0	0	0
Other	26	32	36	33	34	33	23	20
Air transport	116	117	122	117	120	130	31	41
Passenger	63	61	65	61	57	62	14	22

	2014	2015	2016	2017	2018	2019	2020 <sup>a</sup>	2021 <sup>b</sup>
Freight	0	0	0	0	0	0	0	0
Other	53	57	57	56	64	68	16	19
Other modes of transport	1	1	1	1	1	1	0	0
Passenger	0	0	0	0	0	0	0	0
Freight	0	0	0	0	0	0	0	0
Other	1	1	1	1	1	1	0	0
Postal and courier services	5	7	8	6	6	5	4	5
Travel	2,684	2,753	2,797	2,901	3,004	3,350	1,184	1,758
Construction	0	0	0	0	0	1	1	0
Insurance and pension services	41	42	49	48	48	48	64	63
Direct insurance	20	21	25	22	24	23	32	31
Reinsurance	0	0	0	0	0	0	0	0
Auxiliary insurance services	20	21	23	26	24	25	32	32
Pension and standardized guaranteed services	0	0	0	0	0	0	0	0
Financial services	50	60	60	85	103	69	52	58
Charges for the use of intellectual property, n.i.e.	0	0	0	0	1	1	1	1
Telecommunications, computer, and information services	60	55	54	52	43	44	41	42
Other business services	85	118	127	131	135	137	120	159
Research and development services	0	0	0	0	0	0	0	0
Professional and management consulting services	16	24	23	24	21	21	14	19
Technical, trade-related, and other business services	68	94	104	108	114	116	106	140
Personal, cultural, and recreational services	0	0	0	0	0	0	304	121
Government goods and services, n.i.e.	129	119	76	80	172	170	113	218
<b>Services imports</b>	<b>1,315</b>	<b>1,401</b>	<b>1,525</b>	<b>1,575</b>	<b>1,663</b>	<b>1,760</b>	<b>1,097</b>	<b>1,275</b>
Manufacturing services on physical inputs owned by others	0	0	0	0	0	0	0	0
Goods for processing in reporting economy	0	0	0	0	0	0	0	0
Goods for processing abroad	0	0	0	0	0	0	0	0
Maintenance and repair services, n.i.e.	25	20	15	15	14	16	3	4
Transport	344	346	356	361	414	421	267	307
Sea transport	260	249	259	269	317	311	238	272
Passenger	1	2	2	2	2	3	1	1
Freight	259	247	257	267	315	308	237	271
Other	0	0	0	0	0	0	0	0
Air transport	83	97	96	91	97	109	29	35
Passenger	66	80	79	77	81	92	23	28
Freight	3	2	2	3	4	4	3	3
Other	15	14	15	12	12	13	3	4
Other modes of transport	0	0	0	0	0	0	0	0
Passenger	0	0	0	0	0	0	0	0
Freight	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
Postal and courier services	1	0	0	0	0	0	0	0
Travel	165	182	195	198	195	217	79	105
Construction	30	24	36	30	50	41	30	33
Insurance and pension services	101	111	115	131	141	144	136	147
Direct insurance	79	84	87	100	103	106	95	104
Reinsurance	11	15	16	16	19	21	22	23
Auxiliary insurance services	11	11	11	14	19	16	19	19
Pension and standardized guaranteed services	1	1	1	1	1	1	1	1
Financial services	41	34	54	73	82	72	59	64
Charges for the use of intellectual property, n.i.e.	27	26	29	31	31	36	30	32
Telecommunications, computer, and information services	32	37	47	45	43	45	44	46
Other business services	522	593	652	664	664	741	421	513
Research and development services	0	0	0	0	0	0	0	0
Professional and management consulting services	136	126	142	152	134	151	112	129
Technical, trade-related, and other business services	386	467	510	513	530	589	309	383
Personal, cultural, and recreational services	20	20	23	21	22	23	21	16
Government goods and services, n.i.e.	7	6	4	6	6	7	7	7

a Preliminary data.

b Estimates.

Note: ECCU excludes intraregional transactions and is therefore not a summation of the data for member territories.

Source: ECCB, *External Sector Statistics*.

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## 2 TRADE AND INVESTMENT REGIMES

### 2.1 General framework

2.1. The six OECS-WTO Members are parliamentary democracies with similar legislative and judicial arrangements; however, some differences among them remain (Chapter 2 of the national annexes). Five of the countries have the British sovereign, represented by a Governor General, as Head of State; Dominica is a republic, headed by a President. The role of the Head of State is largely ceremonial, and actual executive power is exercised by the Cabinet, headed by a Prime Minister. There are some differences, however, in their parliamentary systems: while Antigua and Barbuda, Grenada, and Saint Lucia have bi-cameral legislatures, Dominica, Saint Kitts and Nevis, and Saint Vincent and the Grenadines have unicameral legislatures. The six OECS-WTO Members are members of the Commonwealth of Nations.

2.2. The Constitution is the main law in all six countries. The hierarchy of legislation, after the Constitution is as follows: acts of Parliament, including ordinances and international agreements given effect through parliamentary approval; and subsidiary legislation, which may be in the form of regulations, statutory rules, or orders. The similarities of their legal systems facilitate the use of model legislation, which has been increasingly the case in recent years (e.g. they all have the same Banking Act and are in the process of adopting consumer protection laws modelled after CARICOM legislation). The use of model laws not only helps to increase transparency and comparability across countries but is also a step forward towards the consolidation of a common regional market.

2.3. Despite their similarities, however, domestic laws must still be drafted and adopted by national legislatures, even when based on a common model law. This seems to be a major challenge since, in the course of this Review, several OECS-WTO Members expressed their concern with respect to legislation drafting capacity, with some of them considering that international technical cooperation may be required. The OECS Commission confirmed that lack of legal drafting capacities remains a major issue.

2.4. With the implementation of the OECS Economic Union in 2011, 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. However, in the course of the present Review, the authorities note that this process has not been yet completed as it was slowed down by the COVID-19 pandemic. They hope to engage in presential meetings during 2023. The authorities note that they are currently working on a programme to harmonize laws and regulations regarding business services.

### 2.2 Trade policy formulation

2.5. Trade policy in each of the OECS-WTO Members is designed and implemented at three main levels: national, subregional (OECS), and regional (CARICOM). At the CARICOM level, the Revised Treaty of Basseterre (RTB) contains the principal institutional arrangements for members with respect to common trade policies, such as the Common External Tariff (CET), and provides guidelines with respect to other policies that need, however, to be incorporated into each national legislation.

2.6. National trade policies are developed generally in close consultation with other OECS and CARICOM member countries. This leads to the adoption of common trade policy positions. Coordination helps partly overcome the resource constraints that OECS countries have, and the OECS Commission and CARICOM Secretariat are instrumental in helping design trade and investment policy positions including in bilateral and multilateral trade negotiations. The OECS Geneva Mission<sup>5</sup> continues to facilitate the OECS-WTO Members' participation in the WTO.

2.7. 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 (Section 2.3.1). In general, the limitation of human resources and the insufficient capacity of legal drafting contribute to the slow implementation of WTO commitments

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<sup>5</sup> The OECS Geneva Mission (formally known in Geneva as the Permanent Delegation of the Organisation of Eastern Caribbean States (OECS) to the United Nations Office and other International Organisations in Geneva) is a technical mission of the OECS Commission representing and advancing the trade and development interests of the OECS in Geneva.

among OECS members and constitutes a challenge for the implementation of commitments under the EPA.

## 2.3 Trade agreements and arrangements

### 2.3.1 WTO

2.8. After independence, each OECS member became a GATT contracting party under Article XXVI:5(c) with its rights and obligations under the GATT retroactive to the date of independence. With respect to WTO accession, Antigua and Barbuda, Dominica, Saint Lucia, and Saint Vincent and the Grenadines are original Members of the WTO. Grenada and Saint Kitts and Nevis became WTO Members in 1996.

2.9. The OECS-WTO Members belong to the following negotiating groups: ACP, G-90, Small Vulnerable Economies (SVEs)-NAMA, G-33, "W52" sponsors, and SVEs-rules (Dominica, Saint Lucia, and Saint Vincent and the Grenadines). As members of the SVEs group, the OECS countries have pushed for flexibilities in the Doha Development Agenda 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.

2.10. The OECS-WTO Members grant at least MFN treatment to all of their trading partners. They are not parties or observers to any WTO plurilateral agreements and have not subscribed to the Information Technology Agreement and its expansions. During the period under review, the OECS members ratified the Trade Facilitation Agreement (TFA) (Table 2.1). The degree of implementation of commitments in the three categories under the TFA varies considerably. Three of the OECS-WTO Members (Dominica, Saint Kitts and Nevis, and Grenada) are very advanced in the implementation of their commitments, having implemented 97.1%, 83.2%, and 80.3% of the total, respectively, by November 2022. At the same date, Saint Vincent and the Grenadines had implemented 63.0% of its commitments under the TFA, Saint Lucia, 49.2%, and Antigua and Barbuda, 38.7%.

**Table 2.1 Ratification and implementation of the TFA, 2022**

Member	Ratification date	WTO document	Degree of implementation % <sup>a</sup>
Antigua and Barbuda	27 November 2017	G/TFA/N/ATG/1, 23 August 2019	38.7
Dominica	28 November 2016	G/TFA/N/DMA/1, 27 February 2019	97.1
Grenada	8 December 2015	G/TFA/N/GRD/1, 30 October 2018	80.3
St Kitts and Nevis	17 June 2016	G/TFA/N/KNA/1, 17 August 2017	83.2
St Lucia	8 December 2015	G/TFA/N/LCA/1, 4 September 2018	49.2
St Vincent and the Grenadines	9 January 2017	G/TFA/N/VCT/1, 4 June 2018	63.0

a As of late November 2022.

Source: WTO Secretariat, based on notifications documents.

2.11. During the period under review, the OECS-WTO Members continued their efforts to amend legislation to allow them to fully implement the WTO Agreements; for instance, Saint Kitts and Nevis notified to the WTO legislation on anti-dumping and subsidies and countervailing measures. However, there are several areas in which legislation and/or regulations are still needed to fully implement WTO Agreements. During the review process, the authorities of several of the OECS-WTO Members stated that the main problem stems from a lack of resources, particularly with respect to the drafting of legislation and regulations. Another problem stems from the difficulty of implementing legislative changes that imply the creation of new administrative infrastructure, for which they often do not have the resources.

2.12. Table 2.2 summarizes those areas by country where legislation needs to be drafted or enacted to implement the provisions of WTO Agreements, or where laws have been passed but have not entered into effect, due to lack of regulations to implement them.

**Table 2.2 Main areas where legal or regulatory amendments are needed to comply with WTO Agreement provisions, 2022**

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	WTO Document G/ADP/N/1/KNA, 4 March 2021	No enacting legislation	No enacting legislation <sup>a</sup>
SCM	No legislation	No legislation	No legislation	WTO Document G/SCM/N/1/KNA, 4 March 2021	No legislation	No legislation <sup>a</sup>
SCM Article 27	None	Need to reform legislation	None	Need to reform legislation	None	Need to reform legislation
GATT 1994, Article II Schedule of Tariff Concessions	None Not listed	<i>Ad-valorem</i> Customs Service Charge Not listed	<i>Ad-valorem</i> Customs Service Charge Not listed	<i>Ad-valorem</i> Customs Service Charge Bound at higher level	<i>Ad-valorem</i> Customs Service Charge Not listed	<i>Ad-valorem</i> Customs Service Charge Not listed

a Legislation in draft stage.

Source: WTO Secretariat.

2.13. As was pointed out in the previous Review, notifications to the WTO remain an issue for OECS-WTO Members. Differences in levels of implementation and notifications may be attributable to differences between the countries' technical or human resources capacity and to the effects of the COVID-19 pandemic (Table 2.3). According to the authorities, some initiatives have been launched to address the issue of outstanding notifications.

**Table 2.3 Notifications to the WTO, February 2014 to June 2022**

Agreement	Antigua & Barbuda	Dominica	Grenada	St Kitts and Nevis	St Lucia	St Vincent & the Grenadines
<b>Agreement on Agriculture</b>						
Articles 10 and 18.2	None	None	None	None	None	Yes
Article 18.2	None	None	None	None	None	Yes
Para. (ii), p. 24 of G/AG/2	None	None	None	None	None	None
<b>Agreement on Implementation of Article VI of the GATT 1994 (Anti-dumping Agreement)</b>						
Article 16.4	Yes	Yes	Yes	Yes	Yes	None
Article 16.5	Yes	Yes	Yes	Yes	Yes	None
Article 18.5	None	None	None	Yes	None	None
<b>Agreement on Implementation of Article VII of the GATT 1994 (Agreement on Customs Valuation)</b>						
Annex III para. 1	None	None	None <sup>a</sup>	None	None	None
Article 22.2	None	None	None	Yes	None	Yes
<b>Agreement on Import Licensing Procedures</b>						
Articles 1.4	None	None	None	None	None	None
Article 5	None	None	None	None	None	None
Article 7.3	None	None	None	None	Yes	Yes
Article 8.2	None	None	None	None	None	None
<b>Agreement on Safeguards</b>						
Article 12.6	None	None	None	Yes	None	None
<b>Agreement on Subsidies and Countervailing Measures</b>						
Article 25.1 GATT 1994	Yes	Yes	Yes	Yes	Yes	None
Article 18.5	None	None	Yes	None	None	None
Article 25.11	None	None	None	Yes	None	None
Article 25.12	None	None	None	Yes	None	None
Article 32.6	Yes	Yes	Yes	Yes	Yes	None
Article 27.4	Yes	Yes	Yes	Yes	Yes	Yes
<b>State Trading Enterprises</b>						
Article 17.4	None	None	None	None	None	None
<b>Agreement on Technical Barriers to Trade</b>						
Article 2.9	None	None	None	None	None	None
Article 10.6	None	Yes	Yes	None	Yes	None

Agreement	Antigua & Barbuda	Dominica	Grenada	St Kitts and Nevis	St Lucia	St Vincent & the Grenadines
<b>Agreement on the Application of Sanitary and Phytosanitary Measures</b>						
Annex B-3	None	None	None	None	None	None
<b>Agreement on Trade-Related Aspects of Intellectual Property Rights</b>						
Article 3.1	None	None	None	None	None	None
Article 63.2	None	None	None	Yes	None <sup>b</sup>	Yes
<b>Agreement on Trade-Related Investment Measures</b>						
Article 5.1	None	None	None	None	None	None
GATS	None	Yes	Yes	Yes	Yes	None
Article III:4						
GATS	Yes	Yes	Yes	Yes	Yes	Yes
Article V:7(a)						
<b>Agreement on Trade Facilitation</b>						
Article 1.4	None	Yes	None	Yes	Yes <sup>c</sup>	None
Article 10.4.3	None	None	None	None	None	None
Article 10.6.2	Yes	Yes	None	Yes	Yes	Yes
Article 12.2	None	Yes	Yes	Yes	Yes	Yes
Article 22.3	Yes	None	Yes	Yes	None	Yes

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.
- c Partial.

Source: WTO Secretariat, based on notifications documents.

2.14. There is a general lack of notifications on agriculture and regarding SPS measures; only Saint Vincent and the Grenadines has notified its agriculture export subsidies (none) and domestic support programmes (Table 2.4). No SPS measures were notified by the OECS-WTO Members during the period under review.

**Table 2.4 Domestic Support (Green Box) – Saint Vincent and the Grenadines, 2015-19**

(XCD)

Measure type	2015	2016	2017	2018	2019
General services					
(a) Research	2,660,062	2,972,455	3,294,449	3,528,375	2,923,152
(b) Pest and disease control	1,806,870	1,864,715	2,085,076	2,271,481	2,016,165
(d) Extension and advisory services	2,257,920	2,337,538	2,520,337	2,568,994	2,026,542
<b>Total Green Box</b>	<b>6,724,852</b>	<b>7,174,708</b>	<b>7,899,862</b>	<b>8,368,850</b>	<b>6,965,859</b>

Source: WTO documents G/AG/N/VCT/11, 26 April 2017; G/AG/N/VCT/14, 22 March 2018; G/AG/N/VCT/15, 12 March 2019; G/AG/N/VCT/18, 24 April 2020; and G/AG/N/VCT/19, 15 July 2022.

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

2.16. In their participation in the WTO, the OECS-WTO Members have stated on several occasions their position with respect to the flexibilities needed in the WTO to take account of their development needs as SVEs (see below). They have 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.

2.17. At MC12 in Geneva, Saint Vincent and the Grenadines, speaking for the OECS-WTO Members, renewed the OECS commitment to a more viable and durable multilateral trading system with the WTO at its core. It was noted that, as Small Island Developing States (SIDS) and SVEs, OECS countries were exposed to a high degree of economic openness, often with a heavy reliance on imports, especially to meet their food and energy needs. It was highlighted that they all had narrow production structures, a limited range of exports of goods and services, and faced persistent susceptibility to external shocks, such as the current global COVID-19 pandemic, food and energy crises, and supply chain challenges. These shocks tended to impact them more severely and



recovery was much longer compared to larger and more advanced economies. There was also a constant threat of climate change and natural disasters, the impact of which could and did, bring all economic activity to a standstill when they occurred, including the ability to trade. Amid these challenges, the OECS-WTO Members saw a reduction in trade preferences, concessional financing, and development assistance. Their status as middle- to high-income countries did not take into account their inherent vulnerabilities. Trade and economic relations should be conducted with the objective of sustainable development and should seek to strengthen and not undermine the policy space needed by the OECS as developing countries to practice their development. With respect to the reform of the WTO, they were of the view of the need to strengthen its operations, rule-making, and negotiating functions. The OECS supported a multilateral reform effort that is open, inclusive, and transparent, and called for the restoration of the two-tiered dispute settlement system.<sup>6</sup>

2.18. According to the authorities, the OECS-WTO Members are actively seeking solutions for the DSB impasse, with an aim to continue maintain the principles of the DSB. The authorities further indicated that the solution must be multilaterally based; none of the OECS-WTO Members is a sponsor to the Multiparty Interim Appeal Arbitration Arrangement (MPIA).

### 2.3.2 Regional and preferential agreements

#### 2.3.2.1 OECS

2.19. The OECS was established by the Treaty of Basseterre. Given the small size of participating countries, the creation of the OECS responded to the need to promote cooperation and economic integration in the Eastern Caribbean. The OECS came into being in 1981, with Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines as members, and Anguilla and the British Virgin Islands are associate members.<sup>7</sup> During the period under review, Martinique and Guadeloupe became associate members in 2015 and 2019, respectively.

2.20. The process of integration among OECS States was strengthened by the signature of the Revised Treaty of Basseterre (RTB) Establishing the OECS Economic Union in June 2010. The RTB entered into force on 21 January 2011 and established a single financial and economic area and seeks to foster integration between member States through new institutional arrangements. By establishing the OECS Economic Union, the RTB moved towards the creation of a single financial and economic space within which goods, services, people, and capital move freely, monetary and fiscal policies are harmonized, and members continue to adopt a common approach to trade, health, education, and the environment, as well as to sectoral development in agriculture, tourism, and energy.

2.21. The RTB also established the Economic Union's organs and institutions. The principal organs are: (i) the OECS Authority of Heads of Government of the member States; (ii) the Council of Ministers; (iii) the OECS Assembly; (iv) the Economic Affairs Council; and (v) the OECS Commission. The OECS Authority is the highest policy-making organ of the OECS, with 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. It meets twice yearly. The Council of Ministers comprises appointed Ministers of Government from each member State and is responsible to the OECS Authority. The Council takes action on any matters referred to it by the OECS Authority and makes recommendations to it and has responsibility for considering and reporting on recommendations of the OECS Commission for the drafting of laws. The OECS Assembly's main function is to support legislative work by reporting to the OECS Authority and the OECS Council of Ministers on legislation developed by the OECS members; however, it 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.

2.22. 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

<sup>6</sup> Statement by Hon. Senator Ms Keisal Peters, Minister of State, Ministry of Foreign Affairs and Foreign Trade Saint Vincent and the Grenadines on Behalf of OECS. WTO document WT/MIN(22)/ST/41, 12 June 2022.

<sup>7</sup> OECS, *Member States*. Viewed at: <https://www.oecs.org/en/who-we-are/member-states>.

maritime boundaries; and civil aviation. The OECS can also legislate on common commercial, environmental, and immigration policies.

2.23. The OECS Commission, based in Saint Lucia, provides support and coordination services to help member States identify scope for joint action and further integration. The Commission also conducts research and executes specific projects; it also 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. The OECS Commission is the principal organ responsible for the general administration of the OECS. It has integrated the former OECS Secretariat as the administrative arm of the organization. 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.

2.24. Apart from the organizational structure outlined above, there are three OECS institutions as per the RTB: the Eastern Caribbean Central Bank (ECCB), the Eastern Caribbean Supreme Court (ECSC), and the Eastern Caribbean Civil Aviation Authority (ECCAA).<sup>8</sup> Discussions are ongoing for the establishment of a fourth OECS institution, the Eastern Caribbean Energy Regulatory Authority. The ECCB, established in 1983, is the Monetary Authority for the OECS-WTO Members and Anguilla and Montserrat. The ECCB issues the East Caribbean dollar (XCD) and is in charge of maintaining the peg to the USD. The ECCB is the supervisor of the domestic banking system in all OECS States.<sup>9</sup> The ECSC, established in 1967, is a superior court of record for the OECS-WTO Members as well as Anguilla, the British Virgin Islands, and Montserrat. The ECSC is composed of the Chief Justice, 3 justices of appeal, 13 high court judges, and 2 masters. The Court sits in two divisions: the Court of Appeal and the High Court of Justice – Trial Division. The Court of Appeal hears appeals from the decisions of the High Court and magistrates' courts in civil and criminal matters; the Court is itinerant. The trial courts sit throughout the year. Each member territory has its own High Court.<sup>10</sup> The ECSC has unlimited jurisdiction in the member States; national legislation in the OECS countries confers rule-making authority on the Chief Justice. The ECCAA regulates civil aviation activities within OECS protocol member States except for Montserrat. By July 2022, five member States had passed the Eastern Caribbean Civil Aviation Authority Agreement Act.<sup>11</sup>

### 2.3.2.2 CARICOM

2.25. CARICOM came into force with the signing of the Treaty of Chaguaramas in Trinidad and Tobago on 4 July 1973.<sup>12</sup> The six OECS-WTO Members are founding members of CARICOM. The Revised Treaty of Chaguaramas (RTC), signed in the Bahamas in 2001, established the CARICOM Single Market and Economy (CSME). The CSME is a regional integration process that should create a single market and economy among CARICOM member States through the removal of all barriers to the free movement of factors of production, including fiscal, legal, physical, technical, and administrative restrictions. The OECS-WTO Members enacted domestic legislation giving effect to the CSME. The CARICOM Single Market (CSM) is the first component of the CSME. The second component, the "single economy", was scheduled to be completed in 2016, but implementation has been deferred due to pending administrative, fiscal, and legal issues.

2.26. Fifteen countries and territories participate in CARICOM: Antigua and Barbuda; the Bahamas; Barbados; Belize; Dominica; Grenada; Guyana; Haiti; Jamaica; Montserrat; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and the Grenadines; Suriname; and Trinidad and Tobago. Currently, 13 member States are part of the CSME.<sup>13</sup> Within CARICOM, the OECS member States along with Belize and Haiti are designated less developed countries (LDCs) and have the right to protect vulnerable

<sup>8</sup> The Eastern Caribbean Telecommunication Authority was established in May 2000 as a regional organization.

<sup>9</sup> The Bank is governed by a Monetary Council and a Board of Directors and is managed by a Governor.

<sup>10</sup> OECS, *Our Institutions*. Viewed at: <https://www.oecs.org/en/who-we-are/institutions>.

<sup>11</sup> Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

<sup>12</sup> The Revised Treaty of Chaguaramas was notified to the WTO in document WT/REG155/1, 8 July 2003.

<sup>13</sup> Antigua and Barbuda, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

and sensitive domestic industries to redress disadvantages arising from the obligations under the CSME.

2.27. Since 1991, the CARICOM member States have sought to implement a CET. However, as at August 2022 tariff schedules across countries still differed, due partly to the exceptions allowed (Lists A, C, and D), and partly to the mechanism permitting the suspension of the application of the CET under certain circumstances.

2.28. Duty-free access is granted by OECS-WTO Members to imports from other CARICOM countries, provided these imports meet the CARICOM rules of origin criteria and barring the exceptions provided by Article 164 of the Treaty of Chaguaramas (see below). However, Customs Service Charges are levied on all imports, including those from CARICOM members.<sup>14</sup>

2.29. The RTC contains safeguard provisions that allow, in the event of serious balance-of-payments and external financial difficulties, the adoption of restrictions on the right to establishment, to provide services and to move capital, and the use of quantitative restrictions on imports. These restrictions must not discriminate among member States; must seek to minimize economic, commercial, and financial damage to any other member State; must not exceed those necessary to deal with the circumstances; and must be applied for no longer than 18 months. The LDCs of CARICOM, including all OECS-WTO Members, may limit imports of goods from other CARICOM members for up to three years, and may take other Council for Trade and Economic Development (COTED)-authorized measures.

2.30. OECS-WTO Members may also have recourse to Article 164 of the RTC, whereby COTED may, if necessary, as a temporary measure in order to promote the development of an industry in any of the LDCs, authorize such States to suspend CARICOM origin treatment to any description of imports eligible on grounds of production in one or more LDCs.

2.31. The two main bodies of CARICOM are the Conference of Heads of Government (the highest organ) and the Community Council of Ministers (the second-highest organ). These two bodies are assisted by the following five bodies: the Council for Finance and Planning (COFAP); COTED; the Council for Foreign and Community Relations (COFCOR); the Council for Human and Social Development (COHSOD); and the Council for National Security and Law Enforcement (CONSLE).<sup>15</sup>

2.32. COTED, composed of the trade ministers from all members, is responsible for the promotion of trade and economic development. COTED must approve any change in tariffs by a CARICOM member. COFCOR is responsible for the relationship between CARICOM, international organizations, and third countries. COFAP is responsible for economic policy coordination, and monetary and fiscal integration of members.

2.33. A quasi-cabinet of Heads of Government has been established, with each Head having the responsibility to lead in critical areas for the region's integration process. The CARICOM Secretariat assists in the implementation of the provisions of the RTC.

2.34. The Caribbean Court of Justice (CCJ) was established to ensure a single unified interpretation and application of the RTC; it has both original and appellate jurisdiction and all of its decisions are final. 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 that are party to its establishment. In the exercise of its appellate jurisdiction, the Court is a superior court of record in relation to national courts. CARICOM States may choose to substitute the jurisdiction of the London-based Privy Council with that of the CCJ. In the case of some OECS members, this has not occurred, since it would imply a change in their Constitutions (see national annexes).

2.35. Several other regional institutions have allowed the deepening of trade-related integration. The CARICOM Regional Organization for Standards and Quality (CROSQ) aims to harmonize and circulate regional standards. The Caribbean Agricultural Health and Food Safety Agency (CAHFSA) coordinates SPS measures in CARICOM. The CARICOM Competition Commission (CCC) has the

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<sup>14</sup> The RTC prohibits imposing export or import duties on other CARICOM members except Customs Service Charges (charges commensurate with the cost of services rendered).

<sup>15</sup> CARICOM, *The Organs and Bodies of the Community*. Viewed at: <https://caricom.org/the-organs-and-bodies-of-the-community/>.

objective of promoting and protecting competition in the region. The CARICOM Private Sector Organization (CPSO) represents the interest of private businesses.

2.36. 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 countries.

### **2.3.2.3 CARICOM bilateral agreements**

2.37. CARICOM has signed bilateral trade agreements with five Latin American countries: the Bolivarian Republic of Venezuela (1992), Colombia (1994), Dominican Republic (1998), Costa Rica (2004), and a trade and economic cooperation agreement with Cuba (December 2000).

#### **2.3.2.3.1 CARICOM-Colombia**

2.38. 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, which is reciprocal only for CARICOM MDCs. OECS countries, as LDCs within CARICOM, are not obliged to grant any concessions under the Agreement. The Agreement has its own rules of origin regime. Safeguards must take the form of a suspension of preferential treatment and 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 allowed.

#### **2.3.2.3.2 CARICOM-Costa Rica**

2.39. 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, which is reciprocal with respect to CARICOM's MDCs, but not the OECS-WTO 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. The Agreement contains anti-dumping and sanitary and phytosanitary provisions and dispute settlement dispositions; it excludes goods produced in or shipped from export processing zones from preferential treatment. Rules of origin were established for this Agreement.

#### **2.3.2.3.3 CARICOM-Cuba**

2.40. 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. The Agreement provides for duty-free treatment on specified goods, but the OECS-WTO Members do not grant preferences to Cuba under this Agreement. Goods produced in free zones are exempted from preferences.

#### **2.3.2.3.4 CARICOM-Dominican Republic Free Trade Agreement**

2.41. The CARICOM-Dominican Republic FTA, 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. The OECS-WTO Members do not have to grant concessions under this agreement, but benefit from the market access opening granted by the Dominican Republic. The Agreement provides for immediate duty-free access for all goods other than those set out in Appendix II, subject to the phased reduction of the MFN tariff rate, and Appendix III, subject to the application of the MFN rate. The Agreement established a Joint Council, made up of representatives of CARICOM and the Dominican Republic, which meets once per year or at special sessions. CARICOM and the Dominican Republic also agreed on procedures for settling disputes emerging from trade under the FTA.

#### **2.3.2.3.5 CARICOM-Venezuela**

2.42. 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 the Bolivarian Republic of Venezuela through duty-free access for some products or phased reductions in tariffs. 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.

### 2.3.2.4 CARIFORUM-EU Economic Partnership Agreement (EPA)

2.43. The EPA between the European Union and 15 Caribbean States in the CARIFORUM group, including the OECS-WTO Members, was signed in 2008. In the EPA, the European Union committed to the immediate removal of all tariffs and quotas on CARIFORUM exports except for arms and ammunition as well as 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. 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.<sup>16</sup> The Agreement also covers trade in services, public procurement, intellectual property rights, and environmental protection.

2.44. The EPA guarantees the OECS-WTO 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 European Union 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.<sup>17</sup> The European Union 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.

2.45. The EPA makes provision for the establishment of five new joint CARIFORUM-EU institutions: (i) the Joint Council; (ii) the Trade and Development Committee (T&DC); (iii) the Parliamentary; (iv) the Consultative Committee; and (v) the Special Committee on Customs Cooperation and Trade Facilitation.

2.46. The EPA is undergoing its second review to assess progress in implementation. In 2021, the creation of a Special Committee on Services was agreed in principle, as a result of which the T&DC would no longer be responsible for services.<sup>18</sup> However, as of December 2022, the Committee had not yet been fully operationalized and the T&DC remained responsible for matters of the Agreement related to trade in services. When fully operationalized, the Committee will be tasked with: (i) the creation of a wider market for service exports; (ii) continued diversification of CARIFORUM's services offering given the expanded European market base; (iii) facilitation of investment in sectors key in promoting sustainable development (such as tourism, research and development, and computer-related services); and (iv) retention of policy space for fledging sectors or those activities geared towards national development goals such as poverty alleviation.

2.47. In the course of this Review, the OECS Commission noted that OECS-WTO Members had identified areas in which the EPA could be improved, including operationalizing market access conditions, making full use of the development provisions of the EPA, and improving the monitoring of the Agreement's implementation and performance.

### 2.3.2.5 CARIFORUM-UK EPA

2.48. The EPA between the CARIFORUM States and the United Kingdom is based on the CARIFORUM-EU EPA. It established a free trade area in goods, within the meaning of Article XXIV of the GATT 1994, and for trade in services, within the meaning of Article V of the GATS. The Agreement has been notified to the WTO.<sup>19</sup>

2.49. As of 25 January 2021, the United Kingdom, Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, Saint Kitts and Nevis,

<sup>16</sup> Base rates are calculated using a basic average of the applied rates across CARIFORUM per tariff line.

<sup>17</sup> 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.

<sup>18</sup> Council Decision (EU) 2020/2137 of 15 December 2020.

<sup>19</sup> WTO documents WT/REG420/N/1, 7 January 2021; and WT/REG420/N/1/Add.1, 5 May 2021.

Saint Lucia, and Saint Vincent and the Grenadines have provisionally applied the CARIFORUM-UK EPA.

2.50. A Trade and Development Committee was established to discuss issues pertaining to the EPA. The Committee held its first meeting via videoconference on 7 October 2021. It reviewed progress and issues so far in applying the CARIFORUM-UK EPA. No other meeting has taken place since then and up to December 2022.

### 2.3.2.6 Non-reciprocal agreements

2.51. The OECS-WTO Members also benefit from the Caribbean Basin Initiative (CBI), and Caribbean-Canada Trade Agreement (CARIBCAN), both of which are non-reciprocal and unilateral.

2.52. Under the CBI, in effect since 1984 as part of the Caribbean Basin Economic Recovery Act (CBERA), the OECS-WTO Members are eligible for duty-free access to the US market subject to rules of origin. In October 2020, the United States extended preferential treatment under the United States-Caribbean Basin Trade Partnership Act (CBTPA) until September 2030. In 2009, 2014, and 2019, the United States requested, and was granted, a five-year extension of the WTO waiver for its CBERA.<sup>20</sup> The waiver allows the United States to provide duty-free treatment for eligible products of Caribbean countries without having to extend the same treatment to like products of any other WTO Member.

2.53. Under CARIBCAN<sup>21</sup>, 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.<sup>22</sup> 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 until 31 December 2013.<sup>23</sup> On 28 July 2015, the extension of the waiver was granted until 31 December 2023.<sup>24</sup>

2.54. The OECS-WTO Members' products are eligible for the Generalized System of Preferences (GSP) schemes of Australia, Canada, Japan, New Zealand, the Russian Federation, Switzerland, and Türkiye. Dominica, Grenada, Saint Lucia, and Saint Vincent and the Grenadines may benefit from the United States' GSP scheme, but no preferences have been granted since 1 January 2021, as the renewal of the scheme is awaiting approval by the U.S. Congress. Antigua and Barbuda and Saint Kitts and Nevis are no longer eligible due to their classification as high-income countries.

## 2.4 Investment regime

2.55. There is no Common Investment Policy among OECS-WTO Members. The authorities have noted that, for the time being, there is no policy coordination at the OECS level; the OECS Commission does not currently have the mandate to deal with investment issues, which remain the prerogative of the different member States. However, the intention is to seek coordination in the future and to display efforts to remove intra-OECS investment barriers (e.g. with respect to land ownership). An investment facilitation needs assessment project is underway, with the intention to reach a common approach regarding investment. Three of the OECS-WTO Members, Antigua and Barbuda, Dominica, and Grenada, are co-sponsors of the Joint Statement on Investment Facilitation for Development, in the WTO.

2.56. The OECS-WTO Members' foreign investment regime changed in five of the six countries before or during the review period. Antigua and Barbuda repealed its Fiscal Incentives Act, ahead of the WTO-agreed deadline and replaced it by broader incentives legislation that does not provide

<sup>20</sup> WTO documents G/C/W/765, 27 June 2019; and WT/GC/M/180, 3 December 2019.

<sup>21</sup> Economic and trade development assistance programme for the Commonwealth Caribbean countries and territories established as a result of a commitment by Canada at the Commonwealth Heads of Government meeting in Nassau in October 1985.

<sup>22</sup> To qualify for duty-free access, at least 60% of the ex-factory price of eligible products must originate in one or more beneficiary countries or in Canada.

<sup>23</sup> WTO document G/C/W/657, 27 October 2011.

<sup>24</sup> WTO document WT/L/958, 30 July 2015.

explicit export subsidies and does not impose local-content requirement. Dominica, Grenada, and Saint Kitts and Nevis all amended their Fiscal Incentives Act to eliminate incentives contingent upon export performance. Saint Lucia amended its Fiscal Incentives Act to expand its scope to services, but further changes are needed to remove references to export performance; the authorities have stated that no subsidies contingent upon exportation are currently granted. Saint Vincent and the Grenadines is in the process of revising the Act.

2.57. Licences are not required for investment in sectors considered of priority for the respective OECS country, or where the purchase does not exceed a certain threshold. In general terms, foreign investment receives national treatment in all OECS-WTO Members, with the main exception of the requirements for obtaining alien landholding licences, which are 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 granted subject to satisfactory applications to the national Cabinet of Ministers and payment of the required fees.

2.58. During the period under review, the OECS-WTO Members amended their International Business Companies (IBCs) legislation to maintain accounting information in line with international standards (Table 2.5). As from 1 January 2022, the preferential tax treatment for companies has been repealed. IBCs will now be taxed at the general tax rate.

**Table 2.5 International Business Companies legislation amendments, 2022**

Member	Legislation
Antigua and Barbuda	Law (Miscellaneous Amendment) Act 2018 – Act No. 26 of 2018 (17 December 2018)
Dominica	Act No. 9 of 2015 – International Business Companies (Amendment) (30 July 2015) International Business Company (Amendment) Act 2019 (21 January 2019) Virtual Asset Business Act 1 of 2022 (30 May 2022)
Grenada	Mutual Exchange of Information on Taxation Matters (Common Reporting Standard) Regulations SRO.30 of 2017 (13 October 2017)
Saint Kitts and Nevis	Nevis Business Corporation Ordinance, 2017 (20 July 2017)
Saint Lucia	Amendment 8 of 2015 (4 August 2015) Regulation SI No. 73 of 2015 (17 August 2015) Amendment 17 of 2016 (11 May 2016) Amendment 25 of 2016 (29 December 2016) Amendment 3 of 2017 (17 April 2017) Regulation SI No. 8 of 2017 (13 February 2017) Amendment 13 of 2018 (11 December 2018) Amendment 2 of 2019 (11 February 2019) Amendment 17 of 2019 (2 July 2019) Regulations SI No. 32 of 2019 (1 April 2019) Regulations SI No. 140 of 2019 (14 October 2019) Amendment 2 of 2022 (16 February 2022)
Saint Vincent and the Grenadines	International Business Companies (Amendment and Consolidation) (Amendment) Act 2018 – Act No. 36 of 2018 (31 December 2018)

Source: WTO Secretariat, based on information provided by the authorities.

### 3 TRADE POLICIES AND PRACTICES BY MEASURE

#### 3.1 Measures directly affecting imports

##### 3.1.1 Customs procedures, valuation, and requirements

3.1. Customs procedures are similar across the OECS-WTO Members, although there are no common rules regarding them. This will be the situation when the OECS Customs Union is completed, which is currently a work in progress. A Customs entry or declaration is required for all consignments imported into the OECS-WTO Members. All the OECS-WTO Members require also 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. Hard copies of declarations are generally no longer required: invoices, air waybill/bill of lading, and a worksheet on the classification and value of the goods can be uploaded electronically. The use of a customs broker is not mandatory in any OECS-WTO Member, except Dominica. OECS-WTO Members were in the process of updating and modernizing their customs legislation during the period under review.

3.2. All OECS-WTO Members currently use the ASYCUDA World system for customs processing and clearance. Importers need to register with the customs authorities to access the system. They all made considerable progress during the period under review as regards the implementation of trade facilitation measures. Since the introduction of a risk assessment system via ASYCUDA World, commercial cargo is no longer systematically inspected by a Customs Officer to ensure conformity with the Customs entry and the attached invoices in most OECS-WTO Members. To decide on inspection, the different Customs offices classify shipments according to risk.

3.3. All OECS-WTO Members have ratified the Trade Facilitation Agreement (TFA). The degree of implementation of the TFA varies according to the country (Table 3.1). The respective Customs offices have an operational risk management system running, following the adoption of ASYCUDA World. Single Windows for imports are not yet in place. There is currently no authorized economic operators scheme in place: OECS-WTO Members are currently committed to implement such a scheme by 31 December 2023.

3.4. All the OECS-WTO Members use the hierarchy of valuation methodology set out in the WTO Customs Valuation Agreement. According to authorities, in several of the OECS-WTO Members the transaction value is used for valuation in some 90%-95% of imports; the main exceptions are used vehicles, where recourse to list of prices is frequently used.

3.5. Preshipment inspection systems are not used by the OECS-WTO Members.

3.6. All the OECS-WTO Members apply the CARICOM preferential rules of origin. None of them has any non-preferential rules of origin. Goods are deemed to be from CARICOM origin if they have been: (i) completely produced within CARICOM; or (ii) 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 a 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 member State. However, COTED 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 rules of origin were revised during the period under review to take into account the transposition of the CET to HS17, although this nomenclature is not currently used by several OECS-WTO Members.

##### 3.1.2 Tariffs

###### 3.1.2.1 Structure

3.7. In 2022, the OECS-WTO Members applied tariff schedules based on different revisions of the HS nomenclature, from HS07 to HS17. The number of tariff lines ranges from 6,486 tariff lines (Saint Vincent and the Grenadines) to 6,696 tariff lines (Dominica). Nearly all tariffs are applied on an *ad valorem* basis across all countries, with very few exceptions.



3.8. Tariffs are not harmonized across countries. This will only be accomplished once the Customs Union is consolidated. At that point, OECS-WTO Members would seek to harmonize also other charges on imports and indirect taxes, including the Customs Service Charge, the Valued Added Tax, and excise duties.

### 3.1.2.2 MFN applied tariff

3.9. The OECS-WTO Members apply the CARICOM Common External Tariff (CET) with national exceptions, as detailed in List A (items in respect of which member States wish to encourage national production), List C (items for which minimum rates have been agreed by the COTED), and List D of the CET. List A contains a list of items on which suspension of the rates of duty contained in the Schedule of Rates under Article 83 of the Revised Treaty has been granted to member States for an indefinite period subject to review by the COTED, with the rates to be applied by member States. List C contains items in respect of which minimum rates of duty have been agreed by the COTED, with the actual rates of duty to be applied by individual member States; these rates differ from the CET and may be increased up to WTO bound levels. List D contains additional items in respect of which suspension of the CET under Article 83 of the revised Treaty has been granted to Saint Kitts and Nevis, other OECS member States, and Belize. List D has two parts: Parts I and II. Only Part II, *Products of Tariff Headings ex 30.03 and ex 30.04 (medicaments) for which suspension of the CET under Article 83 of the Revised Treaty has been granted to Saint Kitts and Nevis, other OECS Member States and Belize*, applies to the OECS-WTO Members.

3.10. The average unweighted applied MFN tariff rate for the OECS-WTO Members in 2022 was 11.7%, up from 11% in the previous Review. MFN average rates vary across countries, partly reflecting the different rates applied in their lists of exceptions to the CET. Individual national applied MFN rates thus range between 10.7% (Saint Lucia) and 12.8% (Dominica) (Table 3.1). The average applied MFN rate across all countries is significantly higher for agricultural products (WTO definition) than for non-agricultural products. The average tariff rate for agricultural products for the six OECS-WTO Members in 2022 was 20.5%. National MFN tariff averages for agricultural products ranged from 17.4% in Saint Kitts and Nevis to 26.7% in Dominica. The average MFN rate for non-agricultural products was 9.9% in 2022. National MFN tariff averages for non-agricultural products ranged from 8.6% in Saint Lucia to 10.6% in Antigua and Barbuda.

**Table 3.1 OECS summary tariff analysis, 2022**

Description	MFN average	Antigua & Barbuda	Dominica	Grenada	Saint Kitts and Nevis	Saint Lucia	Saint Vincent and the Grenadines
<b>Total</b>	<b>11.7</b>	<b>12.1</b>	<b>12.8</b>	<b>12.1</b>	<b>11.1</b>	<b>10.7</b>	<b>11.3</b>
HS 01-24	23.3	22.8	28.8	23.0	21.3	22.9	21.1
HS 25-97	8.7	9.3	8.7	9.4	8.6	7.5	9.0
<b>By WTO category</b>							
WTO Agriculture	20.5	19.4	26.7	20.4	17.4	20.1	19.1
- Animals and products thereof	19.8	24.5	21.0	23.6	17.5	16.8	15.4
- Dairy products	7.3	13.2	6.0	6.4	7.6	5.6	5.0
- Fruit, vegetables and plants	24.4	23.4	29.3	23.9	22.8	23.5	23.4
- Coffee and tea	19.4	17.4	30.2	17.4	16.6	17.4	17.7
- Cereals and preparations	16.7	15.1	18.3	16.9	14.8	17.7	17.4
- Oil seeds, fats and oils and their Products	15.7	16.0	15.6	15.0	14.7	16.0	16.8
- Sugars and confectionery	24.5	24.0	28.3	24.3	24.3	23.9	22.4
- Beverages, spirits and tobacco	36.2	25.3	75.4	29.9	22.7	34.1	29.7
- Cotton	2.5	5.0	0.0	5.0	0.0	0.0	5.0
- Other agricultural products n.e.s.	10.0	8.4	8.7	12.2	8.8	12.4	9.3
WTO Non-agriculture (including petroleum)	9.9	10.6	10.0	10.4	9.9	8.7	9.7
- WTO Non-agriculture (excluding petroleum)	9.9	10.6	10.1	10.4	9.9	8.6	9.7
- - Fish and fishery products	29.3	30.3	29.8	29.1	30.3	29.4	26.7
- - Minerals and metals	7.2	7.6	7.4	8.1	7.1	5.5	7.6
- - Chemicals and photographic supplies	7.3	7.4	9.0	7.5	6.2	6.8	7.1

Description	MFN average	Antigua & Barbuda	Dominica	Grenada	Saint Kitts and Nevis	Saint Lucia	Saint Vincent and the Grenadines
- - Wood, pulp, paper and furniture	9.9	10.1	9.6	10.6	9.9	8.9	10.2
- - Textiles	6.9	7.5	6.3	7.6	6.3	5.9	7.7
- - Clothing	19.7	19.9	19.3	19.8	19.9	19.9	19.9
- - Leather, rubber, footwear and travel goods	9.7	9.9	9.0	10.3	9.1	9.5	10.2
- - Non-electric machinery	5.2	6.9	3.8	6.5	5.1	2.9	6.2
- - Electric machinery	10.1	10.9	9.4	10.8	10.5	7.8	11.1
- - Transport equipment	11.9	14.3	11.0	12.0	15.3	8.6	10.1
- - Non-agriculture articles n.e.s.	13.2	13.8	13.3	13.2	13.4	12.1	13.4
- Petroleum	8.3	6.9	6.5	11.1	7.3	9.8	8.1
<b>By ISIC sector<sup>a</sup></b>							
Agriculture and fisheries	22.9	22.6	25.1	22.6	22.1	22.7	22.1
Mining	5.1	3.5	6.2	7.0	2.6	4.8	6.4
Manufacturing	10.8	11.3	11.8	11.3	10.3	9.8	10.6
<b>By HS section</b>							
01 Live animals & products	25.0	27.9	26.8	26.3	25.3	23.7	19.8
02 Vegetable products	20.9	20.0	23.2	20.9	19.6	20.4	21.4
03 Fats & oils	26.0	26.6	27.7	24.7	25.6	26.0	25.7
04 Prepared food, etc.	23.5	19.0	37.9	21.3	17.3	24.2	21.2
05 Minerals	5.5	4.1	5.9	7.3	3.7	5.6	6.5
06 Chemicals & products	7.2	7.0	9.1	7.2	6.1	6.9	7.0
07 Plastics & rubber	7.7	8.5	7.3	8.6	7.1	7.4	7.6
08 Hides & skins	9.2	9.8	7.9	10.8	8.0	8.3	10.5
09 Wood & articles	10.8	11.1	10.8	10.7	10.9	10.6	10.8
10 Pulp, paper, etc.	7.1	7.3	6.6	7.6	7.0	5.6	8.5
11 Textile & articles	10.4	10.9	9.8	11.0	10.0	9.8	11.1
12 Footwear, headgear	16.1	16.3	15.9	16.3	16.3	15.9	16.1
13 Articles of stone	10.1	10.7	9.8	10.6	10.7	8.9	10.1
14 Precious stones, etc.	17.9	17.7	20.2	19.8	17.4	15.5	16.7
15 Base metals & products	6.5	7.3	6.5	7.3	6.7	4.4	6.8
16 Machinery	6.9	8.3	5.7	7.9	6.9	4.4	8.0
17 Transport equipment	11.6	14.0	10.8	11.8	14.8	8.3	9.9
18 Precision equipment	10.3	10.6	10.6	11.3	9.9	8.2	11.3
19 Arms and ammunition	32.8	39.8	30.2	23.9	39.8	39.1	24.2
20 Miscellaneous manufactures	15.3	15.2	15.2	16.3	15.3	14.5	15.0
21 Works of art, etc.	20.0	20.0	20.0	20.0	20.0	20.0	20.0
<b>By stage of processing</b>							
First stage of processing	19.0	18.6	20.9	19.4	18.2	18.7	18.0
Semi-processed products	5.6	6.4	5.4	6.3	5.3	4.5	5.7
Fully processed products	13.0	13.4	14.6	13.1	12.4	11.8	12.6

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

Source: WTO Secretariat estimates, based on data provided by the authorities.

### 3.1.2.3 Tariff bindings

3.11. The OECS-WTO Members' tariff bindings vary across countries. The different WTO schedules vary considerably with respect to individual items and sectors. The scope of bindings also varies across countries: while Grenada has bound all of its tariff lines, the other OECS members have bound between 91.5% (Dominica) and 99.7% (Saint Vincent and the Grenadines).

3.12. Agricultural tariffs were generally bound at a ceiling rate of 100%, with some exceptions, in all OECS-WTO Members. Exceptions are generally bound at rates above 100% in Antigua and Barbuda, Dominica, Saint Lucia, and Saint Vincent and the Grenadines, while in Grenada some tariff lines were bound at zero. In the case of non-agricultural goods, most OECS-WTO Members bound the majority of tariff lines at a ceiling rate of 50%, with the exception of Saint Kitts and Nevis, where they were bound at 70%. There are a number of exceptions in all countries. Exceptions include tariff lines bound at rates as high as 250% for agricultural products, as well as unbound tariff lines for some non-agricultural goods in Antigua and Barbuda, Dominica, and Saint Lucia. The main product groups bound at rates above 50% or 100% include motor vehicles, cement, alcohol, margarine, and fruit. Only Saint 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.

3.13. The difference between average bound rates and the average applied MFN rate across the OECS-WTO Members varies between 46.8% (Grenada) and 66.3% (Saint Kitts and Nevis). This

significant difference in theory provides considerable scope to increase tariffs. However, in practice, this is difficult to do, considering that changes in the tariff require approval of COTED.

3.14. The applied rates for a few products in Grenada and in Antigua and Barbuda exceed the rates bound in the WTO. However, the authorities of Antigua and Barbuda hoped that this would be rectified when adopting the HS22 nomenclature. The authorities of Grenada noted that the problem stems from mistakes in their original schedule of bindings, and that they are exploring ways of correcting it.

### **3.1.3 Tariff and tax concessions**

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

3.16. 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.

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

### **3.1.4 Tariff preferences**

3.18. Duty-free access is granted by OECS-WTO Members to imports from other CARICOM countries, provided these imports meet the CARICOM rules of origin criteria and barring the exceptions provided by Article 164 of the Treaty of Chaguaramas. Under this Article, COTED may, if necessary, as a temporary measure in order to promote the development of an industry in any of the less-developed States, which includes all OECS members, authorize such States to suspend CARICOM origin treatment to any description of imports eligible on grounds of production in one or more LDCs.

3.19. The Article 164 regime was introduced in 2006. There have been three "editions" of the Article since then, the latest came into force on 1 January 2020. This third edition of the Article 164 regime covers 14 product groups across 39 tariff lines. These products groups are: wheat or meslin flour; aerated waters and beverages; malt; beer; stout; prepared complete animal feed; oxygen and carbon dioxide; acetylene; candles of paraffin wax; solar water heaters for domestic use; paint and varnishes (including enamels and lacquers) based on synthetic polymers or chemically modified natural polymers, dispersed or dissolved in an aqueous medium; furniture; curry powder; and pasta. The regime provides tariff protection to most of the products on the list for 10 years and for 5 years for two products: curry powder and pasta. Some OECS-WTO Members have applied the regime since 2020, e.g. Saint Lucia, but with some exceptions. Others have only partially implemented the regime; Dominica and Saint Kitts and Nevis have delayed implementation due to varying circumstances.

3.20. The OECS-WTO Members grant preferential access to their markets to most EU and UK products under the EPA with the European Union and the United Kingdom. Implementation of preferences with the European Union started on 1 January 2009 and is expected to be completed by 1 January 2033. By then, all products originating in the European Union, with the exception of the exempted products, which mostly relate to agricultural and agro-industry products, are expected to be granted duty-free access to OECS countries. The pace of implementation varies by country.

### **3.1.5 Other charges affecting imports**

3.21. In addition to the customs tariff, the OECS-WTO Members impose myriad taxes and levies. Five of the countries apply a Customs Service Charge (CSC), which varies from 3% (Dominica) to 6% (Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines). The CSC is charged on all imports including those from other CARICOM countries. However, all countries have exempted certain goods from the CSC. In 2010, Antigua and Barbuda replaced the CSC 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.

3.22. Five OECS-WTO Members levy a VAT on goods and services; rates across countries vary: in Saint Lucia it is 12.5%; in Dominica, 15%; in Grenada and in Saint Vincent and the Grenadines, 16%; and in Saint Kitts and Nevis, 17%. All countries have goods and services that are VAT exempt, while others are charged at a lower rate. For example, for hotels the VAT rate is lower than the standard rates. Saint Kitts and Nevis and Saint Lucia introduced VAT during the period under review. Antigua and Barbuda continues to apply a 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.

3.23. 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.

3.24. 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. Saint Vincent and the Grenadines applies a vehicle surcharge and a deposit on bottles, while Saint Lucia introduced and subsequently discontinued a 1% levy during the period under review.

### **3.1.6 Import prohibitions, restrictions, and licensing**

3.25. All the OECS-WTO Members maintain import prohibitions and licensing in place. The prohibitions are for health, safety, and security concerns. Import licensing requirements for certain products are also in place for the same reasons. Some 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 (e.g. 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 subregion.

3.26. During the period under review, there were no changes to the import prohibitions or the import licensing regime in the OECS countries. All the OECS-WTO Members, except Saint Vincent and the Grenadines, have notified their import licensing regime to the WTO. The authorities of Saint Vincent and the Grenadines indicated that they were in the process of completing a draft of the notification.

3.27. 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-WTO Member, except Dominica; the coverage varies by country, but generally includes agricultural and agri-business goods, as well as goods where there are safety concerns. While the rules vary from country to country, the licences are generally valid for one month or six weeks, are not transferable, and do not provide for penalties in the case of non-use.

3.28. In the course of this Review, the authorities noted that they are in the process of starting to consider the harmonization of border restrictions, including licensing, as part of the consolidation of the customs union.

### **3.1.7 Contingency measures**

3.29. During the period under review, there were no changes to the anti-dumping and countervailing legislation in any of the OECS-WTO Members, which in most cases pre-dates their independence and hence is not tailored following the WTO Agreements. Antigua and Barbuda, Dominica, Grenada, and Saint Lucia notified their anti-dumping and countervailing legislation to the WTO prior to the review period. Saint Kitts and Nevis notified to the WTO in 2021 its domestic legislation on anti-dumping and countervailing duties. Saint Vincent and the Grenadines has not submitted to the WTO any notifications regarding anti-dumping, countervailing, or safeguards measures and the relevant legislation. None of the OECS-WTO Members has an authority devoted

to initiating and conducting an investigation, and thus none took anti-dumping actions during the review period. None of the OECS-WTO Members has national safeguards legislation.

3.30. The Revised CARICOM Treaty provides the basis for adopting anti-dumping measures but only against imports from other CARICOM member States. Also under CARICOM rules, OECS-WTO Members, as LDCs, may invoke the special provisions in Chapter 7 of the Revised Treaty of Chaguaramas (RTC), in particular Articles 150 and 164. Article 150 (safeguard measures) of the RTC 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. There are no provisions on measures against dumping or subsidies applied on countries outside CARICOM.

## **3.2 Measures directly affecting exports**

### **3.2.1 Export procedures, export prohibitions and export taxes**

3.31. Export procedures mirror the corresponding import procedure across OECS-WTO Members. 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).

3.32. The export restrictions applied by OECS-WTO Members are based on CITES standards: all of them 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.

3.33. Export licences are generally not required. The exceptions include vegetables and several types of seafood in Saint Kitts and Nevis; and swine, sheep, goats, lobsters, and conchs in Saint Vincent and the Grenadines.

3.34. In order to export restricted products from Grenada, exports must seek prior approval from relevant line ministries. Grenada allows cocoa exports only with the written approval of the Grenada National Cocoa Association, and bananas may be exported only by the Grenada Banana Co-operative Society or persons licensed by the Society. For nutmeg, exporters must obtain a licence from the Grenada Co-operative Nutmeg Association. Exports of coral require a licence from the Ministry of Agriculture; exports of live sheep and goats need a licence from the Veterinary Division, Ministry of Agriculture; fish and fish product exports require a licence by the Fisheries Division of the Ministry of Agriculture; and exports of minor spices (other than nutmeg) need a licence from the Minor Spices Co-operative Marketing Society. The Agricultural Industries Protection Act, Cap 7 enables the Minister of Agriculture to prohibit temporarily the exportation of plants necessary for the establishment or extension of any agricultural industry in Grenada, or to make exportation contingent upon the receipt of a licence.

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

### **3.2.2 Export subsidies, financing support, and promotion**

3.36. All the OECS-WTO Members provided export performance subsidies under the previous Fiscal Incentives Acts. They have all notified their export subsidy schemes to the WTO. These include fiscal incentive laws, which provide for relief from customs duty and income tax waivers for a certain length of time depending on the size of the investment. Most countries amended their Fiscal Incentives Acts during the review period. Antigua and Barbuda repealed altogether its Fiscal Incentives Act in 2013. Dominica, Grenada, and Saint Kitts and Nevis amended their Fiscal Incentives Acts in 2019 to remove any reference to enclave industries and to subsidies contingent upon exportation. Saint Lucia also amended its Fiscal incentives Act but has still to remove references to export performance from the Act, although the authorities have noted that they do not grant subsidies contingent upon exportation. Saint Vincent and the Grenadines is still to modify its Fiscal Incentives Act to remove the reference to tax incentives contingent upon exportation. In its latest notification to the WTO, Saint Vincent and the Grenadines indicated that the beneficiaries were

informed of the export subsidies' phasing out, and that a review of existing legislation is underway with a view of aligning the Act with international obligations.<sup>25</sup> The authorities noted that the request for amending the Fiscal Incentives Act has been submitted to the Attorney General's Chamber and is expected to be completed by 2024.

3.37. Antigua and Barbuda, Grenada, Saint Lucia, and Saint Vincent and the Grenadines have legislation that provides for the operation of free zones. However, free zones are not operational in Grenada and Saint Vincent and the Grenadines. 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. Saint Kitts and Nevis does not have legislation providing for the establishment of free zones. It has, however, legislation providing for a duty-free regime. The Grenada Investment Development Corporation (GIDC) operates three business parks in the country providing commercial real estate facilities for "export ready" business.

3.38. The OECS-WTO Members do not have national programmes for export credit, insurance, or guarantees.

3.39. There is no common OECS export promotion strategy. Exporters may receive export promotion support from the OECS Competitive Business Unit. In addition, some OECS-WTO Members 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. In Saint Lucia, Export Saint Lucia provides information and support to local businesses and international buyers; it also coordinates and evaluates the national export development strategy. The Saint Kitts Investment Promotion Agency (SKIPPA) and the Nevis Investment Promotion Agency (NIPA) are in charge of devising and implementing incentives schemes to attract investment, introduce new policies to assist and facilitate business in specific sectors, encourage new employment opportunities, and promote diversification of the economy.

### **3.3 Measures affecting production and trade**

#### **3.3.1 Incentives**

3.40. The OECS-WTO Members continue to apply a number of incentives schemes to encourage and promote both domestic and foreign investment. To achieve these objectives, the OECS countries operate similar incentive schemes under their fiscal incentives laws, which in most cases are called Fiscal Incentives Acts, which provide for, *inter alia*, duty-free imports, tax exemptions, and preferential tax rates. Benefits are granted generally in the form of revenue forgone and are limited in time. These Acts have been, however, modified in four OECS-WTO Members, as noted above, to remove any export-performance-related subsidy component. The incentives provided aim at fostering sector development, job creation, poverty reduction, and economic diversification.

3.41. Sector-specific incentives are also in place. For example, incentives to the tourism sector through the Hotels Aid Act. Agriculture and small businesses also receive incentives or support and technical cooperation.

3.42. During the period under review, Dominica, Grenada, Saint Kitts and Nevis, and Saint Lucia amended their 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. Saint Vincent and the Grenadines is still in the process of modifying its fiscal incentives law accordingly.

3.43. The OECS-WTO Members have set up investment promotion agencies that serve as one-stop shops for investors.

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<sup>25</sup> WTO document G/SCM/N/299/VCT, 19 January 2017.

### 3.3.2 Standards and other technical requirements

3.44. All the OECS-WTO Members have a bureau of standards (Table 3.2). During the period under review, Dominica, Grenada, Saint Kitts and Nevis, and Saint Lucia made notifications to the WTO TBT Committee.

**Table 3.2 OECS-WTO Members' standards bureaux, 2022**

	Antigua and Barbuda	Dominica	Grenada	St Kitts and Nevis	St Lucia	St Vincent and the Grenadines
Year established	1987	2000	1989	1998	1990	1998
WTO notifications (1)	0	28	30	2	55	13
<b>Functions</b>						
Develop standards	Yes	Yes	Yes	Yes	Yes	Yes
Certification	No	No	Yes	Yes	Yes	No
Conformity assessment	No	No	Yes	Yes	Yes	Yes
Market surveillance	No	No	Yes	Yes	Yes	Yes
Metrology	Yes	No	Yes	Yes	Yes	Yes

Source: Information provided by authorities.

3.45. During the period under review, Antigua and Barbuda, Saint Kitts and Nevis, and Saint Lucia adopted new Standards Acts. The authorities indicate that the remaining OECS-WTO Members are also considering passing new legislation. Antigua and Barbuda and Grenada passed legislation on metrology but implementing regulations have not been issued in the former.

3.46. The national standards bodies of each of the OECS-WTO Members are similar with respect to their structure, mandate, and the procedures required for the adoption of standards and technical regulations, which are referred to as either compulsory or mandatory standards and are developed in essentially the same manner as standards. OECS-WTO Members generally favour the adoption or adaptation of international or regional standards, preferably CARICOM Regional Organisation for Standards and Quality (CROSSQ) standards, as the basis for their technical regulations.

3.47. The process to develop a standard or a technical regulation begins with the identification of a need and the development of a proposal. Standards are drafted by technical committees, upon request from interested parties, which can include government agencies. A draft specification is then developed and discussed by the technical committee, after which it is submitted to the Standards Council; a period of public comments (30-90 days, dependent on the draft standards) 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. They may require a regulatory impact assessment by the office of the Minister responsible for standards prior to adoption. The relevant minister then publishes the technical regulation or standard in the Government Gazette.

3.48. Standards and technical regulations are normally reviewed and updated every five years by the respective Standard bodies, except for those which need to be reviewed more frequently. The procedure for revisions and amendments is the same as for the preparation of standards. Grenada, Saint Kitts and Nevis, and Saint Lucia undertake certification. The Grenada Bureau of Standards conducts batch, product, and quality certification. In Saint Lucia, certification is done only against an existing standard, and is generally based on 100% testing. Other OECS-WTO Members stated that due to resource constraints, they did not have fully functional certification bodies and that certification activities are undertaken on a regional basis.

3.49. Since the last Review, Dominica has made 17 notifications regarding technical regulations to the TBT Committee covering several aspects such as specifications on import and export requirements, sampling methodologies, phytosanitary procedures, and pest risk management and assessment, and specifications for a variety of products including tyres, biodegradable products, concrete derivatives, seeds, fruit, and vegetables. Also since the last Review, Grenada submitted 14 notifications to the Committee, covering specifications for pneumatic tyres and hollow concrete blocks; and labelling requirements, especially for toys and pre-packaged food/water/tobacco products. As of end-2022, there were 150 national standards in Grenada, of which 24 had become technical regulations in force.

3.50. Between 2013 and 2020, Saint Lucia made six notifications to the Committee with respect to its compulsory national standards (technical regulations) and changes in legislation. The notifications dealt with labelling of individual packages and cartons of tobacco products intended for retail sale in Saint Lucia; labelling of pre-packaged goods (revision); standards for coconut oil; national standard for the purity, treatment, bacteriological acceptability, packaging and labelling of all waters that are pre-packaged for sale and used as beverages or in foods; and metrology issues. As of November 2022, there were some 108 locally developed Saint Lucia National Standards and 30 compulsory standards (technical regulations) in force in Saint Lucia. Including adapted and adopted international standards, there were in 466 standards in force in Saint Lucia on that date. The main categories of products and processes covered by active standards are food and beverages; building materials; chemicals; consumer products; fresh produce; furniture; gaseous fuels; information and documentation; labelling; lighting; quality and quality management; tourism; and tyres. As of November 2022, Saint Kitts and Nevis had adopted seven compulsory national standards, based on international or regional standards, on packaged water; labelling of prepackaged food; labelling of goods; energy efficiency; tourism and related services; and environmental management. During the review period, Antigua and Barbuda and Saint Vincent and the Grenadines did not notify the WTO on any TBT matters.

3.51. Not all the OECS-WTO Members have local testing facilities. For instance, while Saint Kitts and Nevis, and Saint Vincent and the Grenadines have testing laboratories, Saint Lucia has not. This implies that the testing of products is not standardized across the OECS; due to the lack of facilities in some OECS States, the products have to be sent for testing to other CARICOM countries, mainly to Trinidad and Tobago.

### **3.3.3 Sanitary and phytosanitary measures**

3.52. No notifications to the WTO SPS Committee during the review period were made by any of the OECS-WTO Members. They do not have an inventory of SPS measures adopted and there are still no formal procedures to notify trading partners of SPS measures or any changes to the SPS regime. Identifying and notifying existing SPS measures appears to be a challenge that requires technical assistance. The authorities indicate that model Animal and Plant Health bills are currently being prepared (or have been recently passed, like in Antigua and Barbuda) to harmonize procedures and measures across the OECS, but as of now, there is still no common policy in this area.

3.53. Imports of animals and plants, and their products are subject to document inspection and any product sampling is generally carried out at the border. However, there are few or no domestic facilities available to conduct tests of samples so in practice there is no risk assessment at the border. Samples often are sent for testing to another country in the region (e.g. Barbados or Trinidad and Tobago), or outside the region (e.g. the United States). The lack of laboratory facilities continues to make it difficult for the OECS-WTO Members to ensure that any SPS measures they adopt are based on an evaluation of actual risks, unless recourse is made to foreign assistance.

3.54. 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, and quarantine, may be required for imports of live animals or their products.

3.55. Since the last Review, new legislation pertaining to SPS measures has been enacted in Antigua and Barbuda, the Animal Health Act 2017, which governs imports of animals, poultry, livestock, and poultry products. The legislation covers aspects such as notifiable diseases, the related surveillance system, inspection procedures at the border, and other import requirements including quarantines. A draft Food Safety Act aimed at regulating the sale of food by producers, processors, manufacturers, or handlers of food, as well as the import and export of food into or from Antigua and Barbuda is currently being discussed in Parliament. In 2020 Dominica issued the Pesticides Control (Prohibition) Regulations, which prohibit the importation of pesticides with glyphosate as an active ingredient.

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



### 3.3.4 Competition policy and price controls

3.57. There is no functional competition policy legislation in place in any of the OECS-WTO Members. The authorities indicate that unfair competition issues are dealt with *ad hoc* by the respective Ministry of Commerce.

3.58. 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, which, thus far, has not been created. The draft OECS Competition Bill prepared by the CARICOM Secretariat is being reviewed by the respective national authorities. The EPA with the European Union and that with the United Kingdom contain provisions with respect to competition policy.

3.59. Consumer Protection Acts have been enacted in Grenada, Saint Lucia, and Saint Vincent and the Grenadines. Legislation of this respect is in the pipeline in Antigua and Barbuda, Dominica, and Saint Kitts and Nevis. The OECS-WTO Members also have Distribution of Goods and Prices Acts (Antigua and Barbuda, Grenada, Saint Kitts and Nevis, and Saint Lucia). These Acts provide for the regulation of the distribution, purchase, or sale of goods; the terms and conditions on which certain goods may be sold and hired; and the control of prices at which certain goods may be sold.

3.60. Price controls are applied both as maximum prices and maximum mark-ups allowed on import or wholesale prices. All the OECS-WTO Members currently apply some sort of price control. The coverage of the products and services subject to price controls ranges from 5 items in Dominica to about 100 in Saint Vincent and the Grenadines; the number and scope of these products has remained stable since the last Review. They apply *de jure*. Products covered are *inter alia*, essential food items, fuel and natural gas, fertilizers, and certain building materials.

3.61. The establishment of a common commercial policy is currently under discussion.

### 3.3.5 State trading and state-owned enterprises

3.62. Dominica, Saint Vincent and the Grenadines, and Grenada are the only OECS members to have notified a state trading enterprise to the WTO. Grenada notified the Grenada Cocoa Association (GCA) in 2010; Saint Vincent and the Grenadines notified the Saint Vincent Marketing Corporation in 2000<sup>26</sup>; and Dominica notified the Dominica Import Export Agency (DEXIA) and the Dominica Banana and Marketing Corporation in 2001. The latter was replaced by 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.

3.63. In Antigua and Barbuda, the Central Marketing Corporation (CMC), established in 1973, no longer enforces its monopoly on imports of carrots, cabbages, onions, sweet peppers, and tomatoes; the system of import licensing is being phased out. Saint Kitts and Nevis no longer has any marketing board.

### 3.3.6 Government procurement

3.64. None of the OECS-WTO Members is a party to the WTO Agreement on Government Procurement (GPA). There are no immediate plans for any OECS-WTO Member to join the GPA or participate as an observer. Although no official statistics are available regarding its value, government procurement is relatively large in each of the countries, considering that the Government is a main source of employment and represents a relatively large share of GDP. Public sector current expenditure on goods and services represents up to some 10% of GDP in some OECS-WTO Members, while capital expenditure accounts for about the same share of GDP.

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<sup>26</sup> The Saint Vincent Marketing Corporation was dissolved, and it was replaced with the Agricultural Input Warehouse in 2005.

3.65. During the period under review, Antigua and Barbuda, Grenada, Saint Vincent and the Grenadines, and Saint Lucia passed new legislation or regulations on government procurement. Antigua and Barbuda introduced transitional regulations for the implementation of Procurement Administration Act, 2011. Grenada established a unified public procurement regime; the Public Procurement and Disposal of Public Property Act, 2014 and its implementing regulations entered into force in 2015. Saint Vincent and the Grenadines established a new public procurement regime, with the entering into force of the Public Procurement Act, 2018 and the establishment of the Central Procurement Board responsible for administering the Act. Saint Lucia passed the Public Procurement and Asset Disposal Act, 2015, which has not been fully implemented yet.

3.66. The respective Procurements Acts generally set out principles guiding the selection among bids, typical periods involved in the procurement process, publication and other transparency requirements, appeal and review procedures, and sanctions. The laws and regulations of the OECS-WTO Members generally provide for both public and selective tendering and aim at making the tendering procedure transparent. In this sense, they mandate public competition by bidders for government contracts and contain conditions for the use of the various procurement methods. Public tendering is generally used for larger projects and when required by a donor's rules, if financed through donor agency funds. Tendering is generally decentralized for acquisitions up to certain thresholds and centralized via the Ministry of Finance for tenders above those thresholds. Tenders are generally allocated choosing the bid with the lowest price, but other factors may be taken into consideration such as qualitative issues, the credibility of a bidder, and the speed of supply. Other than in Dominica, which grants a 20% margin for domestic suppliers, local suppliers or those from CARICOM are not granted any preferences.

3.67. There is no OECS or CARICOM model legislation with respect to government procurement, but there are currently some regional discussions with respect to a Common Procurement Bill. In the Revised CARICOM Treaty, government procurement is part of a built-in agenda for future negotiations aimed at developing disciplines. The CARICOM Protocol on Public Procurement, adopted in 2019, provides for the development of common guidelines. However, as of end-2022, these disciplines had not yet been developed. 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 EUR 164,000. Similar provisions are contained in the CARIFORUM-UK EPA.

### **3.3.7 Intellectual property rights**

3.68. During the period under review, some of the OECS-WTO Members made amendments to their intellectual property rights (IPR) legislation. Antigua and Barbuda enacted a new Patent Act in 2018, as well as its implementing Regulations. Saint Vincent and the Grenadines passed a new bill on plant varieties protection. Legislation on geographical indications enacted in Saint Kitts and Nevis in periods covered by past reviews also entered into force during the review period. Regulations for copyright were implemented in 2018.

3.69. All OECS-WTO Members have similar copyright and patent laws. They are all in force, with the exception of Saint Lucia's Patent Act, which is awaiting implementing regulations. There is no specific legislation for the protection of undisclosed information in any of the OECS-WTO Members.

3.70. All the OECS-WTO Members have notified their IPR legislation to the WTO. Saint Kitts and Nevis notified all its IPR legislation to the TRIPS Council in December 2016.

3.71. IPR legislation across OECS-WTO Members contains provisions with respect to infringement of rights. Penalties include prison terms, fines, and seizures of goods. In general, the Copyright Act of each OECS member makes provision for restricting the importation of copies infringing copyright. Copyright holders may request Customs to prohibit imports of goods that may constitute an infringement of their rights. Upon application by the owner or exclusive licensee of a copyrighted work, a court may direct the Customs Comptroller to detain the infringing importation. In general terms, as IPRs are considered private rights, the burden is on the right holder to enforce such rights. Complainants must prove to the satisfaction of the Court that their interests have been prejudicially affected or that their rights have been infringed. Data on enforcement were not available in the context of this Review.

3.72. At the subregional level, a more uniform practice across OECS-WTO Members regarding IPR enforcement at the border is under consideration as part of the OECS Initiative on Customs Union and Free Circulation of Goods, according to the authorities. One of the goals is to establish a Regional Patent Body, for which a harmonized Patents Bill across the region is required. In this regard, an OECS Regional Directorate on IPRs is expected to be established in the medium run, with the aim of enhancing IPR protection and monetizing local intellectual property assets. The work programme would include, starting from a low level of integration, developing a convergence scenario, in which there is a harmonization of laws and regulations across the OECS-WTO Members, prior to the establishment of the Directorate. The Directorate will unify policies and centralize the administration of trademarks and other industrial property.

## 4 TRADE POLICIES BY SECTOR

### 4.1 Agriculture and fisheries

4.1. The contribution of the agriculture sector to GDP has been shrinking through the years in the OECS-WTO Members. However, during the period under review, the agriculture sector gained some GDP share in the OECS countries as a group, increasing from 3.6% of GDP in 2014 to 3.8% in 2021, mainly as a result of the sharp decline in tourism-related activities, which lost (temporarily) GDP share. Agriculture is more important to the economies of the Windward Islands (Dominica, Grenada, Saint Lucia, and Saint Vincent and the Grenadines), which have been traditionally bananas and nutmeg (Grenada) producers, than to the Leeward Islands (Antigua and Barbuda, and Saint Kitts and Nevis), where agriculture lost considerable importance with the demise of the sugar industry.

4.2. The agriculture sector faces challenges due to the OECS-WTO Members being small island economies, where resources of land and water are scarce. Competitiveness is also affected by the fact that agriculture is dominated by small farm operations, making it difficult to achieve economies of scale. The sector is susceptible to exogenous shocks such as natural disasters and global market fluctuations. Hurricanes Ivan and Emily destroyed or significantly damaged Grenada's tree crops (e.g. nutmeg) in September 2004 and July 2005; Hurricane Tomas eradicated all banana plantations in Saint Lucia in October 2010; Hurricane Maria in September 2017 uprooted all banana and tuber plantations in Dominica and destroyed vast amounts of livestock; the La Soufrière volcano eruption in April 2021 almost wiped out the whole agriculture sector in Saint Vincent and the Grenadines. All these natural disasters caused a significant setback in agricultural production.

4.3. During the review period, traditional agricultural products continued losing their dominance, while non-traditional products such as fruits and vegetables became the largest production and export categories. For instance, the banana industry continued to shrink during the review period; it accounted for just 0.2% of nominal GDP in 2020 (0.4% in 2012). The production of nutmeg represents currently less than 0.1% of regional GDP.

4.4. There is a regional OECS Agriculture Policy endorsed by the OECS national authorities, the Revised OECS Regional Plan of Action for Agriculture 2012-2022, but agricultural policies in the OECS-WTO Members continue to be formulated mainly at the domestic level by the respective Ministries of Agriculture. Efforts directed to operationalize a food security policy in each OECS country have continued. In the Regional Action Plan, OECS-WTO Members identified a number of policy objectives for the agriculture sector, including diversification to non-traditional exports, alleviation of rural poverty, food security, promotion of agro-tourism, integration with the CARICOM Single Market and Economy (CSME), and building resilience against climate change.

4.5. All OECS-WTO Members are net food importers, mostly from the United States. Agricultural products receive higher tariff protection than non-agricultural goods in all OECS-WTO Members, with an average rate of 20.5%, according to the WTO definition of agriculture, or of 22.9%, according to the ISIC classification (Table 3.1). Taking the subregion as a whole, the majority of the WTO-defined agriculture lines are bound at 100%, over four times the simple average MFN tariff. There are no tariff quotas for agriculture products.

4.6. Tariff protection is higher than average for fruit and vegetables, animals and products thereof, coffee, alcoholic beverages, and tobacco (i.e. on List C of Exceptions to the CET). The OECS-WTO Members apply lower than CET rates on food and food products (i.e. on List A of Exceptions to the CET). During the review period, Dominica, Grenada, Saint Lucia, and Saint Vincent and the Grenadines invoked Article 164 of the Revised Treaty of Chaguaramas, temporarily suspending the application of the CARICOM CET to certain agricultural products such as animal feed, durum wheat, curry powder, and beverages; the suspension resulted in a hike in the applied tariff rates. In addition, most OECS-WTO Members also use non-automatic import licensing requirements for a number of agricultural products, when imported from non-CARICOM countries. The aim is to encourage that imports of certain agricultural products be first sourced from other OECS or CARICOM countries. The exceptions to this policy are Dominica and Grenada, where, due to tariffication, the use of licensing is limited.

4.7. Import restrictions to encourage self-sufficiency are also applied on some agricultural products, including poultry parts, eggs, and vegetables in Grenada and Saint Lucia. 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.

4.8. OECS support to agriculture is very limited. Domestic support measures are mainly taken in the form of input support – the ministries responsible for agriculture provide agricultural inputs such as seeds, fertilizers, feed, and greenhouse plastics at discounted prices. Farmers may also benefit from income tax exemptions and from duty-free importation of tractors and other agricultural machinery. Fiscal incentives in most OECS members include a 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. The scale of these support measures is modest. According to the authorities, as CARICOM CET rates on agricultural inputs are low, such support measures are needed only when the global price of inputs fluctuates. Support is also provided to counter the adverse impact of natural disasters on the agricultural sector; in situations like this, farmers have received income support, and assistance by restoring key agricultural infrastructure financed mainly with international funds. Assistance by providing veterinary services and field sanitation (spraying pesticides) is also granted for free to farmers.

4.9. Most OECS-WTO Members (except Saint Kitts and Nevis) continue to maintain marketing boards for some agricultural imports; several of them engage in state trading activities.

4.10. Fisheries is one area where there is food self-sufficiency within the subregion. The fisheries subsector has a key role to play in terms of food security and export earnings. The fishing fleets are small in scale. Government assistance to the subsector is provided as financial support for upgrading/modernizing fishing gear and vessels. The aim of such support was provided is to enhance the fishers' safety and the sustainability of fish resources. Exports of fish and fisheries' products are subject to licensing requirements in Antigua and Barbuda, Grenada, and Saint Vincent and the Grenadines.

4.11. Except Saint Vincent and the Grenadines, no other OECS-WTO Member has submitted notifications to the WTO with regard to domestic support and export subsidies for agriculture.

## 4.2 Manufacturing

4.12. The manufacturing sector makes a modest contribution to GDP in most OECS-WTO Members, estimated at 3.3% in 2021 for the whole group (Table 1.1). Only in Saint Kitts and Nevis, the contribution is slightly higher (4.7%) on account of light manufacturing activities, especially the production of electronic components. The sector's performance suffers from structural competitiveness issues, including high energy, labour, and transport costs; the small size of the domestic markets and firms; and difficulty in access to credit. The main subsectors include beverages, food, fabricated metals, and chemical products; together they account for over three quarters of production. The performance of the sector has been partly supported by exports, mainly to the United States and the European Union, of a few manufactured goods, such as electrical products (Saint Lucia); switches, relays, fuses, and electrical capacitors (Saint Kitts and Nevis); and soaps and toothpaste (Dominica).

4.13. The OECS Commission published in October 2018 an OECS Development Strategy 2019-2028, in which it laid out a strategic framework for the manufacturing sector. The Strategy targets increasing production in the segments of "regional processing"<sup>27</sup> and "labour intensive tradables"<sup>28</sup>, with a special focus on SMEs regarding assistance with their financing needs and for meeting packaging and labelling requirements for export markets. The Strategy also elaborated to boost intra-OECS exports as a way to achieve economies of scale and enhance the competitiveness of the manufacturing sector.<sup>29</sup>

<sup>27</sup> Regional processing includes industries of food, beverages and tobacco; fabricating metals; printing and publishing; and rubber and plastics.

<sup>28</sup> "Labour intensive tradables" refer to furniture, jewellery, toys, textiles, apparel, and leather.

<sup>29</sup> OECS Commission (2018), *Development Strategy: Shaping Our Shared Prosperity, 2019-2028*.

4.14. The 2021 average MFN tariff on imports of industrial products (ISIC-3 definition) was 10.8%, with a peak of 165% (Dominica); the average MFN tariff for non-agricultural products (WTO definition) was 9.9%. The highest average tariffs are applied on beverages and tobacco, clothing and apparel articles, footwear, fats and oil, and prepared food.

4.15. During the review period, the CET on aerated beverages, alcoholic beverages, and pasta was suspended in Dominica, Grenada, Saint Lucia, and Saint Vincent and the Grenadines; the CET on animal feed, candles, and wooden furniture was also suspended in Grenada. Import licensing requirements are maintained in order to encourage sourcing certain manufactured goods (oxygen in cylinder, acetylene, bleach, candles, PVC pipes, tyres, wooden doors, galvanized sheets, and aluminium windows and doors) from OECS or CARICOM countries.<sup>30</sup>

4.16. At the subregional level, the OECS Competitive Business Unit, under the OECS Commission, provides direct support to SMEs in the manufacturing sector by addressing some of the structural challenges the sector faces. The Competitive Business Unit has rolled out programmes to help SMEs enhance their capacity for packaging and labelling, as well as of operational management.

4.17. At the national level, manufacturing benefits from the incentives granted under the Fiscal Incentives Act and its amendments, and other schemes. This includes tax relief from corporate income tax relief (invest allowance, carry forward losses), exemption or reduction in customs duties on machinery, and manufacturing inputs and raw materials to approved enterprises for up to 15 years, if certain conditions are met. During the review period, all OECS-WTO Members, except Saint Vincent and the Grenadines, repealed or amended their Fiscal Incentive Acts. The main change to the Acts in recent years in Antigua and Barbuda, Dominica, Grenada, and Saint Kitts and Nevis has been the removal of the export requirement for incentives, that is, abolishing the incentive programme that offered a tax holiday of up to 15 years to enterprises exclusively for export (i.e. enclave enterprises), and various tax credits after the tax holiday elapsed depending on export performance. Saint Vincent and the Grenadines noted that the reform of its Fiscal Incentives Act is under way. Saint Lucia is yet to remove references to export performance in its Fiscal Incentives Act.

4.18. Some OECS-WTO Members countries (Antigua and Barbuda, Grenada, Saint Lucia, and Saint Vincent and the Grenadines) have enacted Freezone Acts. Currently, only the Antigua and Barbuda Free Trade and Processing Zone and the Saint Lucia Freezone are in operation.

### 4.3 Services

#### 4.3.1 GATS commitments

4.19. Commitments related to services are relatively limited. 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). All OECS-WTO Members made commitments in financial services, tourism and travel-related services, and recreational and sporting services. Most OECS-WTO Members scheduled commitments for communications services and transport services, but Antigua and Barbuda, Dominica, and Grenada were the only OECS-WTO Members to make commitments in the extended WTO Negotiations on Telecommunications and to have signed the Fourth Protocol. None of the OECS-WTO Members participated in the extended WTO Negotiations on Financial Services. Horizontal commitments on the movement of natural persons and the provision of services through commercial presence were included in the GATS Schedules. This generally requires local incorporation of the foreign provider. 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 & the Grenadines
Number of sectors	6	4	4	5	5	5
Number of subsectors	32	20	19	8	9	8

<sup>30</sup> This import licensing requirement for priority sourcing from neighbouring countries is not in place in Dominica and Grenada.

Sector-specific commitments	Antigua and Barbuda	Dominica	Grenada	St Kitts and Nevis	St Lucia	St Vincent & the Grenadines
<b>1. Business services</b>	□	n.c.	n.c.	n.c.	n.c.	n.c.
A. Professional services	□	n.c.	n.c.	n.c.	n.c.	n.c.
B. Computer and related services	□	n.c.	n.c.	n.c.	n.c.	n.c.
C. Research and development services	■	n.c.	n.c.	n.c.	n.c.	n.c.
<b>2. Communications services</b>	□	□	□	□	n.c.	n.c.
B. Courier services	n.c.	■	■	...	n.c.	n.c.
C. Telecommunication services	■	■	□	□	n.c.	n.c.
<b>7. Financial services</b>	□	□	□	□	□	□
A. All insurance and insurance-related services	□	□	□	n.c.	□	□
C. Other financial services	n.c.	n.c.	n.c.	□	n.c.	n.c.
<b>8. Health and related social services</b>	n.c.	n.c.	n.c.	n.c.	□	□
A. Hospital services	n.c.	n.c.	n.c.	n.c.	■	■
<b>9. Tourism and travel-related services</b>	□	□	□	□	□	□
A. Hotels and restaurants (including catering)	□	□	□	■	□ <sup>a</sup>	□
B. Travel agencies and tour operators	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.
C. Tourist guides services	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.
<b>10. Recreational and sporting services</b>	□	□	□	□	□	□
A. Entertainment services	■	■	■	■	■	■
D. Sporting and other recreational	n.c.	■	■	■	■	■
<b>11. Transport services</b>	□	n.c.	n.c.	□	□	□
A. Maritime transport services	□	n.c.	n.c.	□	□	□
H. Auxiliary services	n.c.	n.c.	n.c.	n.c.	□	□

□ Part of sector/subsector has been scheduled.

■ All of sector/subsector has been scheduled.

n.c. 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 Financial services

### 4.3.2.1 Overview

4.20. The financial system in the OECS-WTO Members, as part of 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.

4.21. The OECS-WTO Members separate their financial sector into onshore (domestic) and offshore (international) financial services. A different set of laws and regulations have traditionally applied to each type of institution, although during the period under review, this distinction has been removed in several OECS jurisdictions and now the same rules apply to all types of banks. The OECS-WTO Members have consolidated regulation of their onshore and offshore sectors under a single unit (excluding commercial banks, which are regulated by the Eastern Caribbean Central Bank

(ECCB)).<sup>31</sup> The ECCB provides support and actively monitors developments, primarily in the credit unions and insurance subsectors. The ECCB also is responsible for holding and administering an interbank market to help commercial banks manage their liquidity, and facilitate the lending and borrowing of available reserve balances between commercial banks.

4.22. The OECS-WTO 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.

4.23. The ECCB also manages the Regional Governments Securities Market (RGSM) for the trading of debt instruments of the member States of the ECCU. The RGSM handles treasury bills and bonds backed by the Governments of the different ECCU members, with maturities ranging from 91 days to 10 years. The RGSM uses the platform of the Eastern Caribbean Securities Exchange Ltd (ECSE) for its primary market activity. Activity of the RGSM was affected during the pandemic. However, the RGSM showed notable improvement during the first half of 2022, when new investment flows into the market increased by 23.4%, to XCD 102.3 million when compared with the corresponding period of 2021.<sup>32</sup> This level is, however, still below to that reported in the previous Review. 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. The Regional Debt Coordinating Committee (RDCC), comprising the financial secretaries and/or directors of finance from each of the eight participating governments of the ECCU, and the Governor of the ECCB, exercises oversight over the RGSM.

4.24. The Eastern Caribbean Home Mortgage Bank (ECHMB) was established by the Eastern Caribbean Home Mortgage Agreement Act, 1994, with the primary objective of promoting the development of the secondary mortgage market within the eight participating countries of the OECS. As of November 2022, the Bank, headquartered in Basseterre, Saint Kitts, had issued investment grade instruments for a total of XCD 2.09 billion, and had paid XCD 170.37 million in interest to holders of ECHMB's financial instruments.<sup>33</sup>

#### **4.3.2.2 Banking**

##### **4.3.2.2.1 Onshore banking**

4.25. Onshore banking activities are supervised and regulated by the ECCB across the ECCU, including the OECS-WTO Members. The ECCB Agreement Act (1983) gives the ECCB the authority to regulate banking businesses on behalf of participating Governments. The regulatory framework of the domestic banking system in each OECS country has two main legislative components: the ECCB Agreement Act, which has been incorporated in the different national legislation, and the national banking law, which is harmonized as it is derived from model legislation. Under these harmonized banking laws, the ECCB's primary responsibility for the supervision of domestic banks is clearly established. The ECCB supervises all commercial banks and other financial institutions wishing to carry on banking business in the OECS.

4.26. Commercial banks must be licensed by the ECCB. Licences are granted under the respective member's Banking Act, which is based on model legislation and is the same for each OECS-WTO Member. Licensed financial institutions are required to submit monthly, quarterly, and annual returns to the ECCB. The ECCB requires a non-refundable application fee of XCD 20,000 to

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<sup>31</sup> 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 (Saint Kitts and Nevis); the Financial Sector Supervision Unit in the Ministry of Finance (Saint Lucia); and the Financial Services Authority (Saint Vincent and the Grenadines). These authorities are also the insurance regulatory bodies in their respective countries.

<sup>32</sup> ECCB (2022), Communiqué of the 102<sup>nd</sup> Meeting of the Monetary Council of the Eastern Caribbean Central Bank. Viewed at: <https://www.eccb-centralbank.org/news/view/communiqua-C-of-the-102nd-meeting-of-the-monetary-council-of-the-eastern-caribbean-central-bank>.

<sup>33</sup> ECHMB. Viewed at: <https://www.echmb.com/>.



process an application for a banking licence. Additionally, the minimum capital requirement is XCD 20 million, pursuant to section 44 of the Banking Act.

4.27. The domestic banking sector across all the OECS is open to foreign investment. No restrictions or limitations are placed on foreign investment and foreign-owned banks may establish subsidiaries or branches in each of the OECS-WTO Members, as in fact they do (see below). Although they have the same regulator and the same banking laws, banking licences are specific to the country where they are granted. There is no unified banking market at the OECS level. A different licence is required for each jurisdiction. Banks, both locally incorporated and branches, of foreign financial institutions, must have a place of business within the OECS member State in which they are licensed. Foreign-incorporated financial institutions intending to open a branch or subsidiary in one of the OECS-WTO Members is 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.

4.28. There are no foreign exchange controls in the OECS-WTO Members.

4.29. There were 28 domestic banks licensed in the OECS-WTO Members under the Uniform Banking Act at end-2022, less than the 34 reported in the previous Review. There were also 8 non-bank financial institutions, down from 15 in 2013 (Table 4.2). Of the 28 domestic banks, 17 were locally incorporated, of which 12 were locally owned and 5 foreign-owned, and 12 were foreign branches.

**Table 4.2 Institutions licensed under the Banking Act in the OECS members, 2022**

	Banks	Non-bank financial institutions
Antigua and Barbuda	6	2
Dominica	3	0
Grenada	4	0
St Kitts and Nevis	6	1
St Lucia	5	3
St Vincent and the Grenadines	4	2
<b>Total</b>	<b>28</b>	<b>8</b>

Source: ECCB, *Licensed Financial Institutions Under the Banking Act*. Viewed at: <https://www.eccb-centralbank.org/p/licensed-financial-institutions-under-the-banking-act>.

4.30. Credit unions play an increasingly important role in the domestic financial sector in a number of the OECS-WTO Members, especially since several commercial banks have stopped operations in the region during the review period (Table 4.3).

**Table 4.3 Other financial institutions in the OECS-WTO Members, 2022**

	Development banks	Credit unions	Insurance companies/agencies	Building and loan associations	International financial banks
Antigua and Barbuda	1	7	25	0	12
Dominica	1	6	16	1	17
Grenada	1	11	25	1	0
St Kitts and Nevis	1	4	15	0	7
St Lucia	1	16	26	0	1
St Vincent and the Grenadines	0	4	23	1	2
<b>TOTAL</b>	<b>5</b>	<b>48</b>	<b>130</b>	<b>3</b>	<b>39</b>

Source: ECCB and information provided by the national authorities.

#### 4.3.2.2.2 Offshore banking

4.31. The international financial services sector is governed by the Offshore Banking Acts in the respective OECS member countries and is primarily the responsibility of the national regulators, particular the respective Financial Services units. Offshore banks may conduct banking business only in currencies other than the XCD and are generally precluded from conducting business with citizens

of the country in which they are registered. Offshore companies benefit from various tax exemptions. Licensees must have a physical presence as well as a locally residing authorized agent and an alternate agent.

4.32. Among other conditions, an initial paid-up capital in cash is required; the amount varies according to the country. Some benefits have been trimmed in recent years. For instance, exemptions on income tax, capital gains tax, withholding tax, or other direct tax on profits, assets, property values, and their transfers ceased in Dominica in June 2021.

4.33. In 2022, there were 39 international banks in the OECS-WTO Members. Of these, 17 were incorporated in Dominica (Table 4.3). The international financial services sector is governed by the Offshore Banking Acts in the respective ECCU member countries and is primarily the responsibility of the national regulators.

#### **4.3.2.3 Insurance**

4.34. The insurance business is also divided into onshore and offshore activities in the OECS-WTO Members. There are no limitations on foreign investment in any of the OECS countries with respect to onshore insurance; most insurance companies across the region 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, but they can also be established as a locally incorporated subsidiary. 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.

4.35. Legislation regarding insurance is relatively uniform across the OECS-WTO Members. They apply to all insurance companies, whether or not locally incorporated, which carry on any class of insurance business locally. They also apply to associations of underwriters registered to carry on insurance business, insurance intermediaries whether or not locally incorporated, and privately administered pension fund plans. The laws also apply to reinsurance. 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 prerequisite for the provision of insurance services.

4.36. Offshore insurance services are regulated by specific legislation: the Captives Insurance Act in Saint Kitts and Nevis; the International Insurance Act in Saint Lucia; the Exempt Insurance Act 1997, as amended in Dominica; and the International Insurance Act in Saint Vincent and the Grenadines. These acts prescribe the conditions for the operation of offshore insurance companies; these companies are only allowed to manage risks and premiums originating outside the jurisdiction where they are established. Other requirements include the local incorporation of companies, the non-residence of shareholders, and a minimum paid-up capital.

#### **4.3.2.4 Securities**

4.37. The Eastern Caribbean Securities Act, 2001 became effective on 8 October 2001.<sup>34</sup> It led to the launch, in October 2001, of the Eastern Caribbean Securities Market (ECSM) with the opening of the ECSE and its affiliated institutions. The ECSE is designed to provide an alternative mechanism for public institutions to raise capital within the regional financial system. It allows for the transfer of private sector savings to productive investments. This will essentially increase productive activity in the real sector, facilitate private sector development, and create avenues for increased

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<sup>34</sup> 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.

employment. To buy or sell securities in the ECSE, it is necessary to establish an account with a broker-dealer firm. To participate on the ECSE, broker-dealers must satisfy a minimum total capital requirement of XCD 1 million, of which at least XCD 250,000 of net capital in cash or readily marketable securities, directly proportional to the volume of securities activity. Limited-service brokers must satisfy a minimum total capital requirement of XCD 250,000 as well as a net capital requirement of at least XCD 125,000.

4.38. The Eastern Caribbean Securities Regulatory Commission (ECSRC) is the regulatory body of the ECSM, which has the functions of facilitating securities dealing in the OECS and enacting legislation, establishing an appropriate regulatory structure, and training, certifying, licensing, and regulating market participants. 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. The ECSRC's highest decision-making authority is the Monetary Council of the ECCU.

4.39. As at 31 March 2020, there were 51 individuals and entities licensed by the ECSRC to operate in the ECSM. At the same date, there were eight licensed broker-dealers in the ECSM, while only six of the licensees actively participate in the securities market. These broker-dealers can be further classified, based on their principal activities, as core broker-dealers, which are companies engaged in securities business as their principal activity, and non-core broker-dealers, which are those companies that do not engage in securities business as their principal activity. During the financial year FY2019/20 (ending on 31 March 2020), the market comprised one core broker-dealer and seven non-core broker-dealers, all of which were banks. Five of these banks originate from the ECCU and two originate from other CARICOM member States. Over the year ended 31 December 2019, revenues increased by 16.6% to XCD 17.296 million, compared to 31 December 2018.<sup>35</sup>

4.40. The ECCSD, a wholly owned subsidiary of the ECSE, provides clearance and settlement of trades transacted on the ECSE. The main participants on the Depository are broker-dealers, limited-service brokers, and custodians.

### 4.3.3 Telecommunications

4.41. During the review period, the regulatory framework for the telecommunications (electronic communications) sector in the OECS-WTO Members, remained largely unchanged. The sector is regulated by the respective national competent authority in each OECS country. The Eastern Caribbean Telecommunications Authority (ECTEL), established on 4 May 2000 by Treaty and amended by Protocol Amendment effective 5 December 2019, is an advisory body at the subregional level that coordinates sectoral policies and harmonizes standards and practices among the five Contracting States, which are Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. ECTEL also has as its function to promote market liberalization and foster competition in the electronic communications sector of the ECTEL Contracting States. The respective National Telecommunications Regulatory Commissions (NTRCs) are the national authorities for the ECTEL Contracting States, while Antigua and Barbuda is expected to establish a Telecommunication Authority as provided by its 2018 amendment to its Telecommunications Act.

4.42. Telecommunications in the OECS-WTO Members has become increasingly oriented to the mobile and broadband segments of the market. In the ECTEL area, fixed-line voice service penetration continued declining due to the cancellation of subscriptions, while fixed broadband penetration gradually climbed up from 19.0% in 2015 to 25.3% in 2021. Mobile penetration peaked at around 111.7% in 2015, before descending to 92.8% in 2021, while mobile broadband penetration expanded remarkably by more than 30 percentage points from 40.2% in 2015 to 72.6% in 2021 (Table 4.4).

**Table 4.4 Telecommunications indicators, ECTEL Area, 2015-21**

	2015	2016	2017	2018	2019	2020	2021
Revenue (XCD million)	780	802	725	694	690	670	607
Investment (XCD million)	155	104	100	136	190	146	117
Direct employment	945	1,006	857	806	740	784	785

<sup>35</sup> ECSRC (2021), *Annual Report 2020*. Viewed at: <https://www.ecsrc.com/cms/Cmspages/details/24/category/annual-reports>.

	2015	2016	2017	2018	2019	2020	2021
Fixed voice service penetration (%)	22.9	22.5	21.6	20.3	15.2	14.1	14.3
Fixed broadband penetration (%)	111.7	108.6	107.1	108.1	95.9	95.9	92.8
Mobile service penetration (%)	19.0	19.3	20.7	18.6	23.0	25.3	24.2
Mobile broadband penetration (%)	40.2	47.1	57.1	53.7	71.7	68.7	72.6
Broadband Internet service penetration (%)	395	376	319	333	308	255	216
Local traffic (million minutes)	661	562	518	544	529	509	505
International traffic (million minutes)	188	61	46	46	41	37	35

Note: Information is for year ending 31 March.

Source: ECTEL (2022), *Annual Electronic Communication Sector Review 2020-21*.

4.43. The total revenue generated by the electronic communications sector in the ECTEL Contracting States continued its declining trend during the review period. The sector reported revenue of approximately XCD 607 million at the end of March 2021, a contraction of 9% from the previous period. Reductions in revenue from the mobile voice (23%), fixed voice (19%), and subscriber television (6%) services were responsible for this overall decline. Revenues from fixed broadband services recorded the sixth year of continuous growth, climbing by 21% to XCD 198 million. Mobile services contributed the largest share (40%) to total revenue notwithstanding the 7 percentage point drop when compared to the previous year. The fixed broadband share of revenue continued to climb annually. In FY2020/21, fixed broadband revenue accounted for 33% of overall revenue compared to 24% the previous year. Investment spending in the ECTEL Contracting States was approximately XCD 117 million at the end of March 2021, almost 20% lower than the XCD 146 million recorded in the previous year. The major areas where investment took place included the maintenance and upgrading of networks, the expansion of fibre to home networks, and the replacement of critical equipment.

4.44. 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 respective national telecommunications legislation and issued by the Minister with responsibility for telecommunications in consultation with ECTEL and the NTRCs respectively. All licences regardless of the service offered are technology neutral.<sup>36</sup> Generally, this means that the determining factor for licence classification is the service that will be provided, and not the type of technology employed. Under the current Telecommunications Act and respective regulations, there are four licence categories: (i) Individual Licence, generally covering infrastructure-oriented services and often those that provide the network/foundation upon which other services can be supported<sup>37</sup>; (ii) Class Licence: Type A, for providers of telecommunication services; Type B, for users of telecommunication services; and Type C, for support services (type approval); (iii) Frequency Authorisation Licence: ancillary licence, required in addition to the Individual or Class Licence for use of the radio frequency spectrum; and (iv) Special Licence: emergency licence issued at the discretion of the Minister for a period not exceeding 10 days. To this end, ECTEL has developed a new electronic communications legislation framework, with the Electronic Communications Bill (EC Bill), to broaden the scope of the "electronic communications" sector. Both the Protocol Amendment of the ECTEL Treaty and the EC Bill broaden the scope of the categories of licences that can be issued under the legislative framework. The new legislative framework will also introduce updated and new regulations to repeal and replace the current regulations, as well as increase the categories of licences, with an introduction of sub-classes, to cater for new and emerging services in the electronic communications sector.

4.45. There is no restriction on foreign capital participation in telecommunications services in the OECS-WTO Members, although specific capital requirements may apply.<sup>38</sup> Anyone who wishes to provide public telecommunications services must apply for a licence through the national regulator (NTRCs in the ECTEL Contracting States, and the Telecommunications Division of the Ministry of Information Communications Technology and Digitalization in Antigua and Barbuda). A service provider, such as a network carrier, who operates its own infrastructure must obtain an "individual" licence. Under the current regulatory regime, there is no specific licence for infrastructure managers.

<sup>36</sup> Eastern Caribbean Telecommunications Authority (ECTEL), Application for a Telecommunications Licence, *Guidance Notes*, Revised 11 September 2002.

<sup>37</sup> Services that require an individual licence include mobile/cellular telephony, fixed public telephony, submarine cable, public radio paging, and Internet networks and services.

<sup>38</sup> Foreign suppliers wishing to have a commercial presence in Antigua and Barbuda must undertake a minimum investment of at least USD 500,000.

Interconnection between different networks must be conducted in a fair, reasonable, and non-discriminatory manner. Interconnection agreements must be approved by national regulators. For networks operated in the ECTEL area, the maximum interconnection rates are set by ECTEL. Under the new electronic communications sector rules, ECTEL will be introducing new submarine landing cable regulations, to harmonize the rules governing interconnection in its Contracting States.

4.46. Currently, there are no network neutrality regulations in any OECS-WTO Members. However, ECTEL indicated that it continues to work with its Contracting States to deal with anti-competitive behaviour in traffic management and under the new EC Bill, will introduce the Electronic Communications (Net Neutrality) Regulations approved by the Council of Ministers of ECTEL for implementation under the new legislative framework.

4.47. New regulations were introduced at the national level to implement or complement the respective laws (Table 4.5). The national telecommunication laws of the OECS ECTEL Contracting States are implemented through harmonization, to ensure that the Contracting States are all on the same level. Despite ECTEL's role in the harmonized implementation and adoption of regulations by its Contracting States under the current Telecommunications Act, some of its Contracting States have not passed and implemented some regulations, such as those related to quality of service, wholesale, access to facilities, exemptions, dispute resolution, access to facilities, and updated retail tariff regulations. However, Saint Kitts and Nevis and Saint Vincent and the Grenadines passed the EC Act in February 2021 and October 2022, respectively, although they are not yet in force, awaiting implementing regulations.

**Table 4.5 OECS ECTEL members, status of selected approved regulations, 2022**

Telecommunication regulations	Dominica	Grenada	St Kitts and Nevis	St Lucia	St Vincent and the Grenadines
Dispute Resolution	SRO No. 34 23/08/07	SRO No. 5 15/01/16	<b>Outstanding</b>	SRO No. 122 29/12/09	SRO No. 2 03/01/07
Licensing and Authorisation	SRO No. 7 26/03/02	SRO No. 7 15/01/16	SRO No. 2 21/02/02	SRO No. 121 29/12/08	SRO No. 1 03/01/07
Fees	SRO No. 15 08/03/07	SRO No. 46 19/12/06	SRO No. 13 06/02/07	SRO No. 96 30/09/02	SRO No. 3 03/01/07
Spectrum Management	SRO No. 26 29/07/11	SRO No. 18 30/03/09	SRO No. 25 17/10/06	SRO No. 119, 29/12/09	SRO No. 4 03/01/07
Interconnection	SRO No. 17 23/04/09	SRO No. 14 23/03/09	SRO No. 44 13/11/08	SRO No. 72 22/06/09	SRO No. 60 05/11/08
Numbering	SRO No. 32 04/09/08	SRO No. 15 17/04/09	SRO No. 29 30/10/08	SRO No. 139 06/08/07	SRO No. 11 09/04/08
Quality of Service	SRO No. 13 29/05/08	SRO No. 16 17/04/09	SRO No. 28 30/11/08	SRO No. 148 27/08/07	<b>Outstanding</b>
Wholesale	SRO No. 12 29/05/08	SRO No. 17 17/04/09	SRO No. 31 30/10/08	SRO No. 168 17/09/07	<b>Outstanding</b>
Universal Service Fund	SRO No. 34 17/07/09	SRO No. 21 30/03/09	SRO No. 2 18/02/08	SRO No. 120 15/12/08	SRO No. 45 15/09/08
Universal Service Fund Contribution	SRO No. 45 20/10/09	SRO No. 20 17/04/09	SRO No. 4 18/02/08	SRO No. 45 06/04/09	SRO No. 9 09/04/08

Source: ECTEL, *Legislation*. Viewed at: <https://www.ectel.int/legislation/>.

4.48. In Antigua and Barbuda, fixed-line services including voice and data are provided exclusively by the Antigua and Barbuda Public Utilities Authority. In the ECTEL area, the fixed-line voice service is designated as a "regulated service" by the NTRCs on the grounds of insufficient competition; the segment of fixed-line voice services is dominated by FLOW (formerly Cable & Wireless). The "regulated service" is subject to a price cap plan (PCP). PCPs are elaborated at the regional level by ECTEL, in collaboration with the licensees concerned. No other services have been designated as regulated services in the ECTEL area.

4.49. In August 2020, ECTEL issued a Consultation Document on Market Assessment of Regulated and Unregulated Retail Services and Proposed Recommended Regulatory Measures. Retail services offered by a dominant service provider or, equivalently, not subject to a sufficient degree of competition to protect the interests of consumers are deemed to be Regulated Services. ECTEL's Regulations allow for the regulation of the prices of Regulated Services and establish a general regime for adoption by the NTRCs. The Market Assessment of Regulated and Unregulated Retail

Services and Proposed Recommended Regulatory Measures also included an assessment of the mobile services and retail pay TV (Subscriber) services. This was ECTEL's first market assessment of retail mobile services and retail pay TV (Subscriber) services. Although no operator in those markets was deemed or found to be dominant and hence these services are not subject to *ex-ante* price regulation, ECTEL noted that there are a number of mobile service pricing and marketing practices that raise significant concerns for mobile users necessitating the approval of the Telecommunications (Mobile Consumer Safeguards) Guidelines. These Guidelines have been gazetted in Saint Kitts and Nevis and in Saint Lucia.

4.50. In November 2021, the Board of ECTEL approved a new Retail Price Regulation Regime (RPRR) for the regulation of retail prices. The RPRR consists of a PCP for the regulation of specific fixed voice services provided by Cable & Wireless and Mobile Consumer Safeguards Guidelines for the regulation of sales and marketing practices by mobile service licensees. Under the RPRR, Cable & Wireless is mandated to reduce FTM rates from 40.0 to 25.0 cents per minute and FTF from 7.0 to 5.5 cents per minute. Cable & Wireless and Columbus Communications Limited are also obligated to make available a Basic Broadband Offer (BBO) in Grenada, Saint Lucia, and Saint Vincent and the Grenadines that satisfies some minimum requirements including but not limited to a monthly price no greater than XCD 99 (VAT inclusive) and minimum download and upload speed of 10 Mbps and 1 Mbps, respectively.

4.51. The PCP recommended by ECTEL was expected to enter into force on 1 March 2022 and to expire by end-2025.<sup>39</sup> However, the approved new PCP and the BBO of the recommended RPRR have not been adopted in any of the ECTEL member States and as such the 2015 PCP remains applicable in Dominica and Saint Kitts and Nevis while the 2010 PCP remains applicable in Grenada, Saint Lucia and in Saint Vincent and the Grenadines.

4.52. Under the 2015 PCP and the 2022 RPRR, FLOW must continue to provide a minimum of 100 free minutes per month of residential fixed-to-fixed night and weekend calls (Table 4.6). The PCP also contains price harmonization rules to ensure that prices for various services between the ECTEL Contracting 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 77% (90%) of the highest corresponding monthly rate in any other ECTEL member State. Fixed international direct dialled (IDD) prices must be equal to or less than the corresponding mobile IDD price charged by FLOW.

**Table 4.6 Main differences 2010 PCP, 2015 PCP, and 2022 RPRR**

2010 PCP	2015 PCP	2022 RPRR
80 free minutes per month of residential fixed-to-fixed night and weekend calls	100 free minutes per month of residential fixed-to-fixed night and weekend calls	100 free minutes per month of residential fixed-to-fixed night and weekend calls
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	The lowest monthly rate for a metered residence (business) access line must be equal to or more than 77% (90%) of the highest corresponding monthly rate in any other ECTEL member State	The lowest monthly rate for a metered residence (business) access line must be equal to or more than 77% (90%) of the highest corresponding monthly rate in any other ECTEL member State
Possible extension of 1 year, at the sole discretion of the NTRCs, on recommendation from ECTEL	Possible extension of 1 year, unless opposed by LIME, the NTRC, or ECTEL within 90 days of the expiry. Any party opposed to the renewal of the PCP, must give notice to every other party at least 90 days before the expiry of the PCP. Automatic renewal of the PCP will not occur if any party opposes the renewal	Possible extension, at the sole discretion of the NTRC
A price cap formula is applicable. 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)	No changes	No changes

<sup>39</sup> Easter Caribbean Telecommunications Authority, *Price Regulation*. Viewed at: <https://www.ectel.int/regulatory-framework/price-regulation/>.

2010 PCP	2015 PCP	2022 RPRR
according to an annually calculated formula. The PCI changes annually subject to the price cap formula for each basket		

Source: ECTEL.

4.53. A price cap formula is applicable to retail services provided by FLOW under the PCP and RPRR. FLOW 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.

4.54. In 2018 ECTEL completed a review of its interconnection costs, and approved rate reduction flows as from 1 March 2022. The Council approved new interconnection rates that were expected to take effect using a glide path or on a phased basis starting in May 2018 with complete implementation in the third year, on publication of a public notice by each of the NTRCs indicating the effective date in each member State. The new reduced cost-oriented interconnection rates translated to a 50% reduction in the wholesale rates for mobile termination in the first year and a decrease of up to 95% in the next three years to the present. Cost-oriented rates for fixed interconnection services including fixed termination, transit services, and directory inquiry services were also approved. The recommended rates are applicable for calls originating domestically and internationally. Despite the reduction in the interconnection rates, the cost of services remains relatively high and highly concentrated.

4.55. Telephone numbers are considered as national resources. Each national regulator maintains its National Numbering Plan and allocates numbers to licensed operators according to the national plan. ECTEL, in its capacity as the regional regulatory body for its Contracting States, maintains a regional numbering plan. Effective 3 June 2019, the five ECTEL Contracting States launched mobile number portability services.<sup>40</sup> Further the ECTEL Contracting States are currently working on providing number portability services in the fixed-line telephone market. Though the 2018 Amendment to the Telecommunications Act in Antigua and Barbuda provided number portability, as at late 2022, the authorities were still working on the implementation.

4.56. Regarding radio frequency allocation for telecommunications services that uses radio communications equipment (e.g. mobile telecommunications services), the service provider must obtain a Frequency Authorisation through the national regulator, which must be approved by the Minister with responsibility for electronic communications. In the ECTEL area, NTRCs manage their national spectrum plan in conjunction and aligned to ECTEL's regional spectrum management plan and allocate frequency bands to operators based on technical assessments, with consideration of the applicant's request. The radio frequency spectrum is managed by ECTEL and the NTRCs using international best practices to ensure that both public and private entities can access the radio frequency spectrum for net socio-economic gains without causing harmful interference.

#### 4.3.4 Transport

##### 4.3.4.1 Air transport

4.57. Air transport is the main mode of transportation for people and an important means of transporting goods in and out of the OECS-WTO Members. Considering the importance of tourism exports for the economies of the OECS-WTO Members, airlift capacity is a bottleneck that has to be surmounted to ensure long-term economic growth.

4.58. During the review period, the civil aviation infrastructure in the OECS region was improved. The V.C Bird International Airport in Antigua and Barbuda was modernized: new terminals were opened and became fully operational in August 2015, with a capacity to handle 1.5 million passenger-throughput per annum. The Argyle International Airport, in Saint Vincent and the Grenadines, with a designed capacity of 1.2 million passenger-throughput per year, became operational in February 2017. Dominica began the construction of a new airport in 2022, and the project is expected to be completed in 2026. Meanwhile, Saint Lucia is expected to commence a

<sup>40</sup> Number portability across fixed networks is still a work in process.

modernization project of its Hewanorra International Airport in early 2023. These new infrastructure projects laid a solid foundation for the expansion of the airlift capacity.

4.59. Connectivity is key to enhance air transport in the region. Most bilateral air service agreements (BASAs) that OECS-WTO Members maintain with their trading partners offer fourth freedom with restrictions on ownership and designate. All six OECS-WTO Members are signatories to the CARICOM Multilateral Air Service Agreement (CARICOM MASA), which entered into force on 17 August 2020. With an aim of creating a single air transport market within CARICOM, the CARICOM MASA confers third and fourth freedom route rights to airlines owned and operated by CARICOM nationals, while fifth freedoms are exchanged on a bilateral basis, and day tour regimes may also be negotiated. In their BASAs, the OECS countries apply CARICOM ownership, designating any CARICOM-based carriers as its national carrier when enforcing the agreements.

4.60. During the review period, air connections with destinations outside the region were initially improved, up to 2019, but were later severely affected by the lockdowns ensuing from the COVID-19 pandemic. Intra-regional connectivity remained poor and actually deteriorated as a consequence of the virtual demise of the regional carrier LIAT, which compounded the negative effects of the pandemic. Improvement of intra-regional connection is deemed a regional priority. However, the authorities are of the view that intra-regional airlift capacity expansion through the fifth freedom provided in BASAs would be limited.

4.61. The Eastern Caribbean Civil Aviation Authority (ECCAA), established in October 2004, is the sectoral regulator for civil aviation for the OECS. The ECCAA is responsible for overseeing aviation safety and security matters, certifying operators and equipment airworthiness, licensing operators' personnel, and formulating standards for operation. The responsibility for policy formulation for sectoral development rests with the ministers responsible for aviation in each OECS country.

4.62. Anyone wishing to provide air transport services in the OECS must obtain an Air Transport Licence (ATL) from the competent authorities in the respective country where the business is registered. The ATL is issued only to applicants who are OECS or CARICOM nationals/legal persons. The granting of an ATL to non-nationals or bodies not incorporated in the OECS countries is subject to approval by the minister of aviation. The ATL is the business authorization from the country where the airline operates. In addition, the carrier must obtain an Air Operator Certificate (AOC) (for safety compliance) issued by the ECCAA. In order to maintain a valid AOC, applicants must have their principal business address registered within the territories of any OECS/CARICOM member State, and the business must be effectively controlled by OECS/CARICOM nationals.

4.63. The major airports in the OECS are owned by the respective Government. State-ownership is represented by the relevant Government ministries. These state-owned airports are managed and operated by public entities, such as airport authorities and airport corporations, in their countries. Airport management/operation is a statutory service. The authorities note that private sector companies are encouraged to participate in some airport operations (e.g. facilities operation) and provide ground handling services (e.g. passenger processing, cargo handling, ramp operation services); the private sector's participation is mainly in the form of non-exclusive concession agreements. There are no restrictions to foreign capital participation in airport operation services. However, during the review period, the private sector's participation in airport operation services remained limited.

4.64. Airport fees are regulated; changes of the airport fees must be approved by the Government.

4.65. There are no regulations pertaining to arrival/departure slots management in any OECS-WTO Member.

#### **4.3.4.2 Maritime transport**

4.66. Maritime transport is also of major importance to the OECS-WTO Members, since the vast majority of OECS cargo trade is transported by sea. Among the OECS-WTO Members, Dominica and Saint Vincent and the Grenadines maintain ship registries.

4.67. During the review period, the regulatory regime for maritime transport remained largely unchanged. Maritime transport policy continues to be formulated and implemented at the national



level. There is no regional coordination mechanism for maritime transport. No government or other cargos are reserved for domestically flagged vessels or for ships owned or operated by the Government.

4.68. Usually, to fly the OECS national flags, the registered vessels must be substantially owned by OECS/CARICOM member state nationals (natural or legal persons). Vessel registration by non-locally incorporated bodies must be authorized by the Minister responsible for maritime transport, on the condition that the company is established in and has its principal place of business in an OECS/CARICOM territory, where the majority of the ownership of the company is vested in OECS/CARICOM citizens, and the company is managed by OECS/CARICOM citizens. According to the authorities, there are no nationality restrictions on the crew and on the effective control of the vessels. Dominica has relaxed this regime and allows for foreign corporation vessels to fly the Dominican flag.

4.69. Cabotage is not restricted in Saint Kitts and Nevis, and in Dominica, and it is not allowed in Antigua and Barbuda, Grenada, and Saint Vincent and the Grenadines. Cabotage in Saint Lucia requires a special permit from the Minister responsible for maritime.

4.70. Commercial ports in the subregion are owned by the respective Government. These state-owned seaports are managed and operated by public entities, such as the port authorities in their respective countries. In addition to operating terminals and berths, port authorities also provide piloting services. Similar to the situation in aviation, seaport management and operation by port authorities has its basis in statutory provisions. There are no restrictions in foreign participation in port operations; however, in practice the private sector's participation remains limited. The authorities note that the seaport management regimes in the OECS-WTO Members are under reform/review. The private sector is increasingly invited to participate in terminal and berth operation through public-private partnership (PPP) arrangements. As an example of PPP arrangements, private sector companies are currently operating the cruise ship terminals in Antigua and Barbuda under long-term concession agreements with the Government; Dominica is also considering allowing the private sector to operate cruise ship terminals.

### 4.3.5 Tourism

4.71. Tourism is the major foreign exchange earner for the OECS-WTO Members. Although most of them do not maintain a tourism satellite account<sup>41</sup>, it is estimated that, approximately, tourism-related activities (hotels and restaurants, wholesale and retail, and transport) contributed more than 30% to GDP each year except in 2020 and 2021.

4.72. The tourism sector recorded a 17% increase in total visitor arrival from 2015 to 2019. The COVID-19 pandemic caused a plunge in tourist arrivals due to lockdowns and interruption of air travel. The number of tourist arrivals further declined in 2021, standing at 18% of the pre-pandemic level. Usually, about a quarter of the arriving visitors stay at least one night in the region. The United States is the largest markets for tourism exports; tourists from the United Kingdom are the second largest customers for Antigua and Barbuda, Grenada, and Saint Lucia, while the Caribbean countries are the second source of tourist arrivals for the other OECS-WTO Members (Table 4.7). According to the latest data compiled by ECCB, tourist arrivals have showed signs of recovery since March 2022.

**Table 4.7 Tourism statistics, 2015-21**

	2015	2016	2017	2018	2019	2020	2021
Total visitors	4,228,451	4,203,676	4,548,078	4,804,949	4,974,139	1,720,820	901,579
Stay-over visitors	1,072,448	1,105,315	1,117,116	1,155,013	1,288,357	407,387	500,050
United States	444,139	471,171	469,712	484,882	558,950	197,284	330,319
Canada	93,671	91,207	98,337	113,605	116,550	44,394	15,716
United Kingdom	207,908	202,520	198,401	200,432	214,461	78,281	96,217
Caribbean	213,201	227,495	231,123	240,876	266,418	48,075	29,126
Other countries	113,529	112,922	119,543	115,218	131,978	39,353	28,672
Excursionists	132,290	120,323	100,946	52,338	90,428	21,938	5,039
Cruise ship passengers	2,859,801	2,817,945	3,167,343	3,422,022	3,403,838	1,209,753	372,814
Cruise ship calls	1,788	1,819	2,060	1,941	1,940	778	524

<sup>41</sup> Saint Lucia established a tourism satellite account in August 2019.

	2015	2016	2017	2018	2019	2020	2021
Yacht passengers	163,912	160,093	162,673	175,576	191,516	81,742	23,676
Total visitor expenditure (XCD million)	5,384.75	5,361.68	5,578.43	6,079.40	6,988.21	2,399.49	3,969.50

Source: ECCB, *Real Sector Statistics – Selected Tourism Statistics*.

4.73. All OECS-WTO 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 (although there are currently none). Hotel developments of less than 50 rooms (100 in Saint Lucia) remained unbound, and access is subject to an economic needs test. In all OECS-WTO Members, national treatment was bound for commercial presence, but subject to the payment of a withholding tax. In some cases, other restrictions were scheduled: in Saint Kitts and Nevis, for example, ownership of non-ethnic restaurants was reserved for nationals. Saint Vincent and the Grenadines made commitments with respect to travel agencies and tour operators, and tourist guide services.

4.74. The OECS adopted a Common Tourism Policy in 2011, providing guiding principles for its members to develop their national policies. The Common Tourism Policy called for regional cooperation to achieve economies of scale, thus, to enhance the competitiveness of the subregion as a whole; for instance, harmonizing standards and practices that will facilitate travel and make the region and its tourism experiences more accessible to visitors. Based on the Common Policy, the OECS developed a strategic framework that contains elements such as "a system of hassle-free travel within the OECS Economic Union", improving access and transportation to the subregion, and a collaborative approach to marketing efforts.<sup>42</sup>

4.75. Specific 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. During the review, tourism quality assurance began to be maintained through licensing/certification requirement and service standard formulation by the sectoral regulator in some OECS countries, for instance, Grenada established the Grenada Tourism Authority in January 2014, Dominica amended the Tourism Act in 2016, and Saint Vincent and the Grenadines Tourism Authority developed five service standards. Saint Lucia's Tourism Development Bill is expected to pass Parliament in 2023. Licences to run tourism accommodations (e.g. hotels, guest houses, and Airbnbs) are granted by the sectoral regulator or the minister responsible for finance/tourism, depending on the country. Private sector associations are also active in each country.

4.76. All OECS-WTO 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. 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. In Grenada, reduction in property transfer tax was applicable, effective on 1 May 2016, to investment projects of residential tourism development.

<sup>42</sup> OECS Commission (2018), *Development Strategy: Shaping Our Shared Prosperity, 2019-2028*. Viewed at: [https://drive.google.com/file/d/1fpfs1PLNIIdV5xMskqP0jALZp0MM8\\_pP/view](https://drive.google.com/file/d/1fpfs1PLNIIdV5xMskqP0jALZp0MM8_pP/view).