Trade Policy Scope and Taxation Study in Belize

Ernesto Fernández Monge

Inter-American Development Bank

Integration and Trade Sector (INT/INT)

Country Department Central America Mexico, Panama, and the Dominican Republic

TECHNICAL NOTE

No. IDB-TN-605

December 2013

Trade Policy Scope and Taxation Study in Belize

Ernesto Fernández Monge

Inter-American Development Bank

2013

Cataloging-in-Publication data provided by the
Inter-American Development Bank
Felipe Herrera Library

Fernández Monge, Ernesto.
Trade policy scope and taxation study in Belize / Ernesto Fernández Monge.
p. cm. — (IDB Technical Note ; 605)
Includes bibliographic references.
1. Belize—Commercial policy. 2. Tariff—Belize. I. Inter-American Development Bank. Integration and Trade Sector. II. Inter-American Development Bank. Country Department Central America, Mexico, Panama, and the Dominican Republic. III. Title. IV. Series.
IDB-TN-605

Contact: Mario Alberto Umaña (mariou@iadb.org)

Trade Policy Scope and Taxation Study in Belize

Ernesto Fernández Monge

Integration and Trade Sector (INT/INT)
Country Department
Central America, Mexico, Panama, and the Dominican Republic

Abstract[*]

The Technical Note provides an overview of the trends in Belize's tariff structure over recent years, in particular its trade policy, commitments and obligations, the tax revenue implications, and the scope for policy implementation. Specifically, it assesses the country's level of compliance with CARICOM commitments, such as the application of the common external tariff, and outlines and analyzes Belize's trade agreement obligations and their timing and impact with respect to fiscal incentives. It provides policy recommendations and alternatives for compliance with Belize's international trade commitments, for example with the World Trade Organization (WTO), from legislative and policy changes to further trade liberalization and fiscal measures to ensure compliance with its existing international tariff and nontariff commitments. The study considers the solution to eliminate the use of revenue replacement duties, lower all tariffs on excisable goods, and then levy an excise tax on each of the goods up to the current level imposed by import and revenue replacement duties. The study argues in favor of the elimination of the Environmental Tax, as it violates the principle of WTO national treatment in its current form, and takes into account that the export incentive programs will have to be reformed to comply with the rules of the WTO before the end of 2015. Finally, the study proposes a transformation or rationalization of the import license regime to make it more predictable, transparent, and nondiscriminatory.

JEL Codes: F13, F14, F15, H22, H25, O54
Keywords: trade policy, trade liberalization, tariffs, CARICOM, common extenal tariff, revenue replacement duty, environmental tax, taxation, fiscal incentives, export subsidies, import licenses, nontariff measures.

---

[*] **At the time of preparing this Technical Note, Ernesto Fernandez Monge was an independent consultant of the Inter-American Development Bank (IDB) in International Trade. Mario Umana, Lead Trade Specialist of the Integration and Trade Sector of the IDB, and Dougal Martin, Country Economist for Belize in the Country Department Central America, Mexico, Panama, and Dominican Republic of the IDB, coordinated and supervised the study, which was commissioned in preparation for the policy dialogue with the Government of Belize in 2013.**

Table of Contents

ACRONYMS 3
1. INTRODUCTION 4
2. RECENT ECONOMIC ENVIRONMENT 5
3. INSTITUTIONAL FRAMEWORK 6
4. TRADE AGREEMENTS, IMPLEMENTATION, AND FUTURE PROSPECTS 8

4.1 Participation in the WTO 9
4.2 CARICOM 12
4.3 CARICOM–Bilateral Agreements 13
4.4 Partial Scope Agreement between Belize and Guatemala 14
4.5 Economic Partnership Agreement (EPA–CARIFORUM) 15
4.6 Other Preferential Agreements 16
4.7 Future Prospects 17

5. TARIFFS AND TRADE-RELATED TAXES 18

5.1 Current Tariff Structure 18

5.1.1 Applied MFN Tariffs 18
5.1.2 Tariff Bindings 19

5.2 Other Duties and Taxes that Affect Imports 20

5.2.1 Revenue Replacement Duty 20
5.2.2 Congruence of RRD with Belize's International Obligations 21
5.2.3 Environmental Tax 23
5.2.4 Congruence of Environmental Tax with Belize's International Obligations 23

6. FISCAL AND EXPORT INCENTIVES 25

6.1 Government Incentive Programs 25
6.2 Implementation of Export Subsidy Commitments 27

6.2.1 Fiscal Incentives and the WTO Agreement on Subsidies and Countervailing Measures. 27
6.2.2 Fiscal Incentives and the WTO Agreement on Agriculture 28
6.2.3 Fiscal Incentives and the WTO General Agreement on Trade and Services 29
6.2.4 Fiscal Incentives and CARICOM 31

6.3 Belize's Compliance with Export Subsidy Rules 31

6.3.1 Alternatives for Compliance 32

6.4 EPZ Administration 39

7. IMPORT RESTRICTIONS 40

7.1 Import Licenses 40
7.2 Compliance of the Import Licensing Regime with International Rules 42

REFERENCES 44
ANNEXES 48

Annex 1: Products Subject to Revenue Replacement Duty, 2013 48
Annex 2: Products Subject to Import Licensing Requirements under the Supplies Control (Import/Export) Regulations, 2013…………………………………………………………………………51

Acronyms

ACP	African, Caribbean, and Pacific
AfT	Aid for Trade Strategy
AoA	WTO Agreement on Agriculture
ASCM	WTO Agreement on Subsidies and Countervailing Measures
BAHA	Belize Agriculture Health Authority
BBS	Belize Bureau of Standards
BCCI	Belize Chamber of Commerce and Industry
BELTRAIDE	Belize Trade and Investment Development Service
BPO	Business processing outsourcing
BTB	Belize Tourism Bureau
CACM	Central American Common Market
CARIBCAN	Caribbean Trade, Investment, and Industrial Cooperation
CARICOM	Caribbean Community and Common Market
LDC	Less-developed country
MDC	More-developed country
CBERA	Caribbean Basin Economic Recovery Act
CBI	Caribbean Basin Initiative
CBTPA	Caribbean Basin Trade Partnership Act
CET	Common external tariff
CFZ	Commercial free zone
CIF	Cost, insurance, and freight
COTED	Council for Trade and Economic Development
CPC	Central Product Classification of the United Nations
CROSQ	CARICOM Regional Organization for Standards and Quality
CSME	Caribbean Single Market and Economy
EPA–CARIFORUM	Economic Partnership Agreement between the European Union and CARIFORUM
EPZ	Export processing zones
EU	European Union
ET	Environmental tax
GAMA	Expanded Greater Metropolitan Area
GATS	General Agreement on Trade in Service
GATT	General Agreement of Tariffs and Trade
GDP	Gross Domestic Production
GST	General sales tax
ITC	International Trade Center
MFN	Most favored nation
MTES	Medium-Term Development Strategy
NES	National Export Strategy
ODC	Other duties and charges
OECS	Organization of Eastern Caribbean States
RRD	Revenue replacement duty
SCU	Supplies control unit
SIB	Statistics Institute of Belize
SICA	Central American Integration System
SPS	Sanitary and phytosanitary measures
SVEs	Small and vulnerable economies
WTO	World Trade Organization

1. Introduction

Belize's population is small (339,000 inhabitants), which limits the size of its domestic market and the potential for economies of scale. Its economy is strongly dependent on trade with the world economy, both as a market for domestic production and as a source of the wide range of products that would be costly or impossible to produce domestically.

Belize is a member of the World Trade Organization (WTO) and two regional groupings—the Caribbean Community (CARICOM) and the Central American Integration System (SICA). Membership in the WTO and CARICOM has shaped trade policies and the liberalization process. Belize is full member of the Central American Integration System (SICA), and is also part of the European Union–CARIFORUM Economic Partnership Agreement (EPA–CARIFORUM). In 2009, Belize signed a partial scope agreement (PSA) with Guatemala, the first trade agreement signed bilaterally with another country, and is looking for market opportunities in other Central American countries and Mexico.

Despite its gradual shift away from trade taxes toward other indirect taxes, Belize remains dependent on trade taxes for government revenues. By 2011, trade taxes had declined to just over one-fifth of government revenues, but still accounted for 6.6 percent of GDP. In addition to tariffs, trade taxes on imports include: (i) an environmental tax, which is applied to all imports with the exception of those from the CARICOM countries, and (ii) a revenue replacement duty, which was introduced by the government to compensate for tariff revenues lost due to the reduction of import duty rates when Belize joined CARICOM. In this context, the prime minister recently announced the intention of the International Monetary Fund (IMF) to review the entire tax system and make recommendations for its restructuring and improvement.

WTO commitments are also likely to oblige Belize to scale back its generous fiscal incentive programs, especially those related to export processing zones (EPZs). Given Belize's fragile fiscal situation, it is important to have a clear understanding of the fiscal implications of trade agreements and obligations.

The Government of Belize requires import licenses for a long list of products. The private sector has indicated that these licensing requirements are burdensome and costly. In most cases, licensing is nonautomatic and the process is unclear. In the budget presentation for fiscal year 2012–13, the prime minister announced that the government would remove half of the items from the list of 124 items subject to import licenses.

Despite the gradual trade liberalization noted above, trade protection in Belize still appears to be higher on average than faster-growing small countries. According to the WTO Tariff Profile of Belize (2011), the simple average of the most favored nation (MFN)-applied tariffs was 11 percent. The relatively high tariff protection creates strong incentives for input-dependent businesses to circumvent them by obtaining exemptions. EPZ status is consequently the most sought-after of the government's fiscal incentive programs.

This study reviews Belize's trade policy, including its commitments and obligations, its tax-revenue implications, and the scope for policy maneuver. The first section describes the current institutional framework and its challenges. Section 2 provides an overview of Belize's economic environment. Section 3 outlines Belize's institutional framework for its trade policy strategy. Section 4 outlines the bilateral, regional, and multilateral agreements to which Belize is a party and some of the commitments that they entail. Section 5 discusses Belize's tariff structure and other trade-related taxes, specifically, its international commitments on tariff and other duties and charges, their implementation, and options for compliance. Section 6 describes Belize's fiscal and export incentive regimes, specifically, Belize's WTO, CARICOM, and other trade agreement obligations and the scope for implementation. Section 7 addresses compliance with commitments on import restrictions and licensing.

2. Recent Economic Environment

Belize has one of the lowest population densities in Central American and Caribbean countries. Per capita annual income currently stands at around US$4,356. The country is a small, open economy with a traditional agricultural base and expanding service sector (9 percent and 60 percent of GDP, respectively). Population growth has been strong, rising at over 3 percent per year between 2000 and 2010. In 2001, 55 percent of the population was under 24 years of age (SIB, 2011).

Exports of goods and services account for two-thirds of GDP. As a small economy, export growth is vital if Belize is to achieve the sustained increases in GDP needed to reduce poverty. However, until very recently, Belize's export growth performance has been sluggish by regional standards. Moreover, Belize's macroeconomic performance is vulnerable to extreme weather and terms of trade shocks.

Belize's revenue performance has generally been respectable in aggregate terms. The tax system is still reliant on trade taxes, which have a complicated structure (trade taxes are 22 percent of tax revenue, or 6.6 percent of GDP). However, recently, greater importance has placed on the Goods and Services Tax (GST) and Income Tax (Martin and Shukla, 2010). As tax incentives seem to be eroding the country's tax base, recent studies suggest that tax-policy-induced economic distortions should be reduced, and that the tax system could be made more robust as both an instrument of revenue collection and as a way for Belize to comply with its international trade policy commitments (Jenkins and Kuo, 2006; Shearer, 2010).

3. Institutional Framework

The Ministry of Trade, Investment Promotion, Private Sector Development, and Consumer Protection (hereinafter, "Ministry of Trade") is responsible for designing and implementing trade policy and conducting trade negotiations. There is no legal framework that sets trade policy. Instead, the Government of Belize has been relying on a number of official documents—designed through consultative processes with civil society, particularly the business community—to develop and guide its trade policy, such as Horizon 2030 (Belize's 20-year development framework), the Medium Term Development Strategy 2010–2013, and the draft National Export Strategy (NES). The first is based on a set of consultations on trade and trade-related issues. Among the concerns of the respondents were Belize's negative trade balance and the need for a resilient economy based on the development of agro-business and a strong small business sector. The second contains five priority areas, two of which—enterprise development and international trade capacity—directly address these concerns.

In 2007, the International Trade Center (ITC), the Belize Trade and Investment Development Service (BELTRAIDE), and a team comprising private and public sector representatives developed Belize's NES. The priority sectors identified for export development included: tourism, environmental goods, aquaculture, agro-processing, and information and communication technologies. A number of factors impeded implementation of the NES' recommendations, namely, the absence of an implementation program and insufficient information sharing with the private sector.

In 2012, BELTRAIDE launched a revision of the NES with the aim of preparing the priority sectors to take advantage of trading opportunities, particularly those provided by the

Caribbean Single Market and Economy (CSME), the EPA-CARIFORUM, the PSA with Guatemala, and other agreements that are in the process of being negotiated. In parallel to this process, the prime minister launched a dialogue with the private sector through the Directorate of Public-Private Sector Dialogue, in the Office of the Prime Minister. The Directorate serves as the secretariat of the Economic Development Council, comprising five representatives from the private sector and five from the public sector. The group meets regularly to discuss the gap between the two sectors and propose solutions, some of them related to trade.

Another important component of Belize's trade policy is the Aid for Trade Strategy, developed in 2011. Drawing from the other national strategies, this strategy identified common objectives and imperatives related to the development of trade and export capacity. It is organized around four pillars: (i) infrastructure and trade facilitation, (ii) implementation of trade agreements and regional Integration, (iii) sanitary and phytosanitary (SPS) measures, standards, and technical regulations, and (iv) private sector competitiveness. According to the Ministry of Trade, there are important constraints in the formulation of trade policy, including: lack of human resources, lack of technical capacity, and budgetary limitations.[1] In 2012, the Directorate of Foreign Trade, which resided within the Ministry of Foreign Affairs, was dismantled, and is being restructured.

Belize depends to a great extent on the CARICOM trade negotiations machinery, as well as on research and trade data generated by other institutions and the private sector. Therefore, one of the priorities of the Ministry of Trade is to build a trade intelligence unit staffed by skilled economists who could conduct sectoral assessments and trade research to support trade negotiations and assess the implications of implementing trade commitments. There is also a need to develop expertise in other areas, such as SPS measures, standards, market access, competition, and intellectual property.

The Ministry of Trade has engaged with multilateral donors to enhance its trade policy capacity. For example, the EU financed a program to strengthen capacity within the Ministry of Trade to develop trade policies aimed at stimulating the development agenda and to maximize the opportunities that Belize could derive from regional and international trade agreements.

[1] Horizon 2030 indicates that the institutional capacity for engaging in trade negotiations is weak, the private sector seldom participates in these negotiations, and trade agreements, once concluded, are slow to be implemented because of lack of capacity in key areas, such as regulation of export promotion, SPS standards, customs procedures, and shipping. The institutional weaknesses reflect human resource gaps and undeveloped institutional and regulatory structures.

4. Trade Agreements, Implementation, and Future Prospects

As mentioned, Belize is a member of CARICOM, which carries out common external trade policy and negotiations on behalf of member countries. Through this mechanism, Belize's national trade policies are synchronized with the regional framework. However, given its geographic position, Belize has also taken steps to work with its Central American neighbors and with Mexico. In 2006, Belize signed a PSA with Guatemala, and the government has indicated that it is negotiating similar agreements with Mexico, Honduras, and El Salvador.[2] The burden of negotiating and administering a growing number of preferential agreements is of particular concern in the case of Belize, because of its limited institutional capacity to take part in negotiations and comply with the commitments undertaken.

At the time of writing this paper, the IDB was conducting a study of Belize's regional integration options. Therefore, this section will briefly outline Belize's current agreements and commitments and indicate some areas where Belize could advance its trade liberalization objectives.

4.1 Participation in the WTO

Belize signed the Marrakesh Agreement in 1994 and became a founding member of the WTO in May 1995. Prior to that, it had been a party to the General Agreement on Tariffs and Trade (GATT) since 1983. Despite its longstanding membership in the WTO, Belize still does not have a representation in Geneva and its embassy in Brussels manages WTO affairs. This lack of representation impairs Belize's participation in WTO negotiations and implementation of its commitments. Belize's interests in the current round of negotiations are represented through CARICOM; the African, Caribbean, and Pacific (ACP); and the small and vulnerable economies (SVE) groups, which share its interests in most of the areas covered in the Doha Development Agenda (DDA).

Belize's explicit interests in the DDA are special and differential treatment for SVEs, preference erosion, and fisheries subsidies. Belize also advocates for greater flexibility with respect to market access commitments. In the context of the General Agreement on Trade in Services (GATS) negotiations, Belize has submitted both a preliminary and a revised offer on

[2] Belize and El Salvador held a first round of negotiations for a PSA during the week of February 19, 2013.

services. It has also called for technical assistance and capacity building through the Aid for Trade Strategy. However, it maintains the defensive stances of the SVEs, CARICOM, and ACPs concerning nonagricultural and agricultural market access. It would be useful for Belize to better define its stance in relation to the WTO, as it is difficult for a country that aspires to develop a trade-based growth strategy to have its position in the most important trade organization defined by the priorities of others.

The reduction of tariffs and import barriers is a necessary condition for export growth. Jenkins and Kuo (2006) argue that a lower and more uniform tariff without exemptions would promote economic efficiency, reduce administrative costs, and possibly raise more tariff revenues. Having a more ambitious position at the WTO Doha round negotiations, particularly with respect to market access, would help the country achieve these goals.[3] However, as one of the SVEs in the market access negotiations, Belize will make only a modest market access contribution to the DDA. The SVEs will choose not to apply the Swiss formula,[4] the nonlinear formula that was agreed to for the application of the reduction commitments; instead, Belize will apply a softer modality, namely, a target average.[5] Currently, the WTO bound rate average of the SVEs is 41 percent; after the application of the target average formula, the new average would be 25.8 percent, representing an average reduction of 37.1 percent (Low and Santana, 2009). In other words, Belize would have to reduce its current WTO bound average tariff of 58.2 percent down to 37.1 percent.

The Swiss formula will reduce high tariffs, tariff peaks, and escalation, leading to a significant harmonization effect. If Belize were to apply this formula, there would be a reduction in the difference between duty levels in its schedule, and it could lower them almost to the applied level. However, applying this formula would also have an impact at the regional level, since it will have the reverse effect—a disharmonizing effect—if only Belize, and not the

[3] A distinction needs to be made between the reduction commitments at the WTO and those made in free trade agreements. At the WTO, the reduction commitments will be applied to the bound rates and the reductions commitments at free trade agreements will be made to the applied rates.
[4] This formula normally refers to mathematical constructions that seek to reduce the "high" duties by a larger percentage than the "low" duties. This is an attractive formula when tackling high tariffs, tariff peaks, and escalation. This formula would also make many developing countries bring bound rates closer to applied rates and, in some cases, lower applied rates.
[5] This type of formula, which is not applied on a line-by-line basis, will be applied by SVEs. It consists of a commitment to reduce the existing average of all bound tariffs, or the tariff average in a given sector, to a new average level. What matters in this approach is the level of the new average itself and not necessarily the reductions involved to get there.

remaining CARICOM members, reduces its tariffs. Making further commitments in the market access negotiations at the WTO will address some of the problems of Belize's tariff structure, but its CARICOM CET commitments may constrain Belize from further market access commitments at the WTO.

Given the importance of the WTO and DDA negotiations, Belize could benefit greatly by having representation at the WTO. Although the DDA negotiations have slowed since 2008, the process of electing the new Director General, which began in December 2012, has created new momentum. Members are starting to prepare deliverables for the next Ministerial Meeting to be held in Bali, Indonesia, at the end of 2013. Participation in the WTO would be useful, not only for keeping up with the negotiations but also for monitoring implementation of current WTO agreements.

According to the WTO Trade Policy Review of 2010, Belize's major challenge is weak capacity. The country needs to strengthen its capacity to comply with WTO notification requirement; align national laws, rules and, regulations with WTO requirements; and enforce laws and regulations on export subsidies, agricultural notification commitments, state trading enterprises, and import licensing transparency commitments. More capacity is also needed to comply with agreements, including the SPS agreement, agreements on trade remedies, the Agreement on Technical Barriers to Trade, and the Agreement on Customs Valuation. According to the WTO, Belize has a number of notifications and replies to questionnaires outstanding. WTO transparency requirements have an important effect on members' compliance with their WTO obligations. A good example of this is the export subsidies notification under the WTO Agreement on Subsidies and Countervailing Measures (ASCM), under which Belize is required to dismantle its export subsidy programs before 2015.[6]

Implementing WTO commitments is a challenge for Belize, but not in all cases an insurmountable one. Some of these issues can be addressed through capacity building and fast intervention projects that are not necessarily expensive, but are highly profitable in the medium and long term. For other issues, such as export subsidies and import licensing requirements, more tailored and coordinated assistance is required. The implementation of export subsidy commitments is a challenge and requires action from Belize in the short term.

[6] See http://www.wto.org/english/thewto_e/countries_e/belize_e.htm and WTO (2010a).

4.2 CARICOM

Belize has been a member of CARICOM since its establishment through the Treaty of Chaguaramas in May 1974. The treaty was revised in 2001, and the CSME, with a common external tariff (CET), was created. CARICOM divides its member countries into three categories: most developed, less developed, and disadvantaged.[7] Belize is treated as both a less developed and a disadvantaged country, which entitles it to protect vulnerable domestic industries and to receive technical assistance to address development needs. All goods from other CARICOM members enter Belize duty-free, with some exceptions (Shearer, 2010).

In 1989, CARICOM member states agreed to advance beyond the common market toward more comprehensive economic integration. In 1991, the main areas of emphasis in the creation of the CSME were agreed. These included: completion of arrangements for the free internal movement of goods; mechanisms for the free movement of services, capital, and labor; and greater harmonization of laws and regulations affecting commerce, including customs laws and procedures, intellectual property, competition policy, corporate taxation, anti-dumping, and subsidization.[8]

Belize's membership in the CSME notwithstanding, the value of trade between Belize and CARICOM remains very low. The distance between countries and the similarities in the product baskets are probably the reasons why there is little trade. The broad scope for tariff suspensions and reductions and national derogations from the common tariff may also be factors, although most members, including Belize, have adopted the CET (Tsikata, Pinto, and Coke, 2009). The time frame originally agreed to was 2006 to 2015, with two subphases: the single

---

[7] CARICOM's more-developed countries (MDCs) are the Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago; CARICOM less-developed countries are Antigua and Barbuda, Belize, Dominica, Grenada, Haiti, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the dines.

[8] Specifically, the policy to create the CSME advocates for the following. (i) the free movement of goods, services and factor of production, namely: free movement of goods and services, capital, and labor and the freedom of CARICOM nationals to establish enterprises anywhere in the community; (ii) more comprehensive harmonization of laws affecting commerce and regulation of economic activities within the market area, including customs laws, intellectual property, competition, corporate taxation and commercial legislation in such areas as dumping and subsidization; (iii) the reform of the institutions of the Community, including the administrative system and procedures, and the establishment and joint management of common services with particular reference to customs services and data and information services; (iv) a more intensive coordination of macroeconomic policy and planning, external trade, and economic relations; and (v) completion of the application of the CET, which was accompanied by a decision to simplify the structure and systematically reduce the level of the CET on a programmed basis to a maximum of 20 percent on nonagricultural goods and 40 percent on agricultural goods.

market phase (2006 to 2009) and the single economy phase (2010 to 2015). According to the Ministry of Trade, this deadline will most likely be extended, partly because of political resistance in the region arising from differences in national circumstances and interests.

Belize's tariff schedule is based on the CET, which structure differentiates between competing and noncompeting imports, as well as between inputs, intermediate goods, and final goods, forming a hierarchy in which noncompeting inputs are subject to the lowest tariffs, while competing final goods are subject to the highest tariffs. Agriculture was accorded separate treatment in the form of higher protection. In 1992, CARICOM members agreed to a four-phase reduction schedule, under which tariff rates were to be reduced to a maximum of 20 percent for nonexempt industrial goods and 40 percent for nonexempt agricultural goods. Belize implemented Phase IV in April 2000 (Taccone and Nogueira, 2002).

According to the authorities, the CET is composed of the following bands: 10 percent, 15 percent, 20 percent, 40 percent, and rates between 0 and 5 percent. In defining this structure, CARICOM sought to bring the CET in line with the rates applied by members of the Central American Common Market (CACM) (WTO, 2010a). CACM tariff levels are now lower, set currently at 0 percent, 5 percent, 10 percent, and 15 percent, in accordance with the tariff policy (WTO, 2004).[9]

CARICOM members may be granted exceptions to the CET for products included in one of three lists. The CET rates for products contained in List A have been suspended indefinitely, allowing CARICOM members to set lower rates (WTO, 2010a). List B was phased out in 1997 (ECLAC, 1999; Dos Santos and Bain, 2004). For products on List C (e.g., those that are highly revenue-sensitive, such as cigarettes and alcoholic beverages), each member may specify its own rates above the minimum rates agreed. List D specifies additional items for which a suspension of the CET rate has been granted to members of the Organization of Eastern Caribbean States (OECS) and Belize (e.g., gas stoves, nonelectric stoves, and refrigerators).

Although the Treaty of Chaguaramas prohibits the imposition of duties, internal taxes, other fiscal taxes, and new restrictions, Part III of the treaty establishes that, in implementing the

[9] In 1995, the Council of Ministers for Economic Integration and Regional Development, in its Resolution No. 13-95, established as an immediate objective of Central American tariff policy a target of 0 percent for raw materials and 15 percent for finished products, with intermediate levels of 5 percent and 10 percent for raw materials and inputs produced in the region. It also authorized the parties to gradually reduce the tariff at their discretion, in accordance with their particular circumstances, as of January 1, 1996.

CET, the special needs of less-developed countries (LDCs) will be taken into account.[10] Belize has utilized this flexibility by implementing revenue-compensation measures to mitigate revenue losses stemming from the introduction of the CET, which include the revenue replacement duty (RRD) and the environmental tax (ET). However, CARICOM countries claimed that the ET was discriminatory, and Belize stopped applying the ET on imports from CARICOM in 2012.

The level of tariff dispersion in the CET is high, which is reflected in Belize's tariff structure and it results in additional inefficiencies. Although CARICOM's tariffs are lower than they were a decade ago, they are still relatively high, particularly in the food and manufacturing sectors, where products remain highly protected from foreign competition. This raises the question about the need for CARICOM members to reform the CET, particularly to put in place a schedule for removing the remaining restrictions, eliminating exemptions and derogations, reducing tariff dispersion, and pursuing further tariff reductions wherever possible.

4.3 CARICOM—Bilateral Agreements

CARICOM has signed trade agreements with Colombia (1994),[11] Venezuela (1992),[12] the Dominican Republic (1998),[13] and Costa Rica (2004),[14] and a trade and economic cooperation agreement with Cuba (2000).[15] CARICOM is currently negotiating a trade agreement with Canada. Given the small size of its member states, CARICOM has sought concessions in those agreements, such as longer implementation periods, exclusion of sensitive products from liberalization commitments, and asymmetrical tariff reduction commitments. As an LDC member of CARICOM, Belize is not required to provide preferential treatment to goods imported from these countries.

One avenue that Belize could explore to continue opening its market and reduce both tariff and nontariff barriers, while remaining in compliance with its existing international commitments, is to take advantage of the bilateral agreements negotiated by CARICOM rather than shielding itself from tariff commitments by applying the LDC treatment. One agreement

[10] See http://www.sice.oas.org/trade/caricom/caricind_text.asp#PARTTRHEE.
[11] See http://www.sice.oas.org/Trade/caricome.asp.
[12] See http://www.sice.oas.org/Trade/carivex.asp.
[13] See http://www.sice.oas.org/trade/ccdr/Ccdr_in.asp.
[14] See http://www.caricom.org/jsp/secretariat/legal_ instruments/agreement_caricom_costa rica.pdf and http://www.comex.go.cr/tratados/vigentes/caricom.aspx.
[15] See http://www.caricom.org/jsp/secretariat/legal_ instruments/agreement_caricom_cuba_ 2000.pdf.

that could be of particular interest to Belize is the CARICOM-Costa Rica Free Trade Agreement (to date, only Barbados, Dominica, Guyana, and Trinidad and Tobago have ratified the agreement). Article XVII: 06 allows other Central American countries to accede to the FTA, and negotiations to this end were officially launched in August 2007 with El Salvador, Guatemala, Honduras, Nicaragua, and Panama. These negotiations, however, have not moved forward as expected (CARICOM, 2011). If talks were to be launched, this bilateral agreement would be an important tool to further Belize's entry into Central American markets.

4.4 Partial Scope Agreement between Belize and Guatemala

In June 2006, Belize and Guatemala signed a PSA, which entered into force in early 2010. Under the bilateral trade agreement, the first for Belize, each party grants preferential access to a limited range of products from the other. The margin of preference is between 50 and 100 percent, and is implemented either immediately or in equal annual installments over three or five years. For exports from Belize to Guatemala, the agreement covers 72 tariff lines at the HS 8-digit level, all of which are entitled to enter free of duty from implementation, but two products (yellow maize and black beans) are subject to tariff quotas.[16] For exports from Guatemala to Belize, the agreement covers 79 tariff lines at the HS 8-digit level, 16 of which have a preferential margin of 50 percent, and 14 of which have an implementation period of three or five years.[17] [18]

To date, the administrative arrangements are yet to be completed to enable full implementation, and Belize currently has a negative trade balance with Guatemala. A fair amount of illicit trading is reportedly taking place, particularly in maize and cattle. Transporting goods to Guatemala City is challenging because the appropriate infrastructure and border-crossing arrangements to regulate trade are not in place. Consequently, trade has largely taken place outside the law (BELTRAIDE, 2013). Under the rules of the agreement, Belize is able to apply other duties and charges that it applies to all MFN imports due to its tariff revenue dependency.

---

[16] Some of the products to which Guatemala offers preferential treatment are orange juice, kidney beans, fresh fish, livers and roes, frozen shrimps and prawns, crustaceans, mollusks, aquatic invertebrates, meat and edible meat offal, live poultry, live swine, bovine animals, and maize (corn).

[17] Products to which Belize grants preferential access are bovine animals, rubber products, fiberboards, packaging, paper and paperboard, textiles, iron and steel, and some machinery.

[18] See http://www.sice.oas.org/trade/blz_gtm/index_e.asp.

The PSA was an important step forward both in formalizing trade relations between Belize and Guatemala and on opening a possible door to the Central American and Mexican markets. The agreement calls not only for the granting of preferential market access within its limited list of tariffs, but also for the elimination of nontariff barriers to trade and the establishment of clear regulations on technical and SPS measures.

The NES has emphasized the importance of the full implementation of this agreement, which includes the possibility of modifying or expanding the list of goods and their tariff preference margins.[19] According to the NES, the Ministry of Trade has listed a range of products being imported into Guatemala by other countries, which Belizean exporters can supply on a competitive basis. The Belize Business Bureau has also identified a list of product that have export potential[20], which is an important sign that it would be beneficial to move to a deeper integration agreement.

4.5 Economic Partnership Agreement (EPA–CARIFORUM)

In 2008, Belize signed the EPA–CARIFORUM (WTO, 2008). Under this agreement, CARIFORUM countries will remove tariffs up to 87 percent for EU exports to the region.[21] For some products, the implementation period can be up to 25 years (see Box 1). As an LDC, Belize is entitled to raise tariffs for an indefinite period, subject to approval by the Joint Trade and Development Committee. Like other CARIFORUM members and the EU, Belize may apply safeguards in the event that imports cause or threaten to cause serious harm to the domestic industry, disturbance to a sector of the economy, or disturbance to an agricultural market. A CARIFORUM country may also take safeguard action in the event that compliance with the EPA leads to problems with availability of or access to foodstuffs.

Under the EPA-CARIFORUM, the EU now provides duty- and quota-free access to all products, with a transitional safeguard clause for sugar until 2015. The quotas for sugar were removed in September 2009 and for rice by year-end 2009.

---

[19] See http://www.sice.oas.org/Trade/BLZ_GTM/text_e.asp#C2A9.

[20] These products include mango, melon, watermelon, pitahaya, spinach, broccoli, asparagus, cohune, macadamia, cashew, ginger, all spice, cacao, pepper, and ornamental plants.

[21] The countries include Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, the Dominican Republic, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia, Suriname, and Trinidad and Tobago.

Box 1: EPA-CARIFORUM Tariff Liberalization Regime

The tariff liberalization regime was agreed to as follows:

In 2009, CARIFORUM will remove tariffs on 52.8% of the goods imported from Europe pursuant to the commitment to apply a zero rate of duty on these goods at this time. The revenue impact on the CARIFORUM States associated with the liberalization of these products will be either non-existent or relatively minor, as prior to the conclusion of the EPA, most of these products already faced applied rates of 0% or close to 0%;

In five years from the date of application of the EPA (2013), CARIFORUM will remove tariffs on 56% of the goods imported from Europe;
In 10 years or by 2018, tariffs will be removed from 61.1% of the goods imported from Europe;
In 10 years or by 2018, other duties and charges will be removed;
In 15 years or by 2023, 82.7% will be liberalized;
In 20 years or by 2028, 84.6%will be liberalized;
In 25 years or by 2033, tariffs on the remaining CARIFORUM products will be eliminated, and this will take the total level of liberalization to 86.9%.

Source: Caribbean Export Development Agency.
Note: Seventy-five percent of all CARIFORUM's imports of agricultural and fisheries products have been excluded from liberalization under the EPA. These sensitive products will continue to be protected by tariffs applied by CARIFORUM states. Liberalization commitments have also been back-loaded, with only 29 percent of tariff lines being subject to tariff elimination by the end of year 10.

4.6 Other Preferential Agreements

Belize benefits from a number of unilateral trade preferences granted under the Caribbean Basin Economic Recovery Act (CBERA) and the Caribbean Basin Trade Partnership Act (CBTPA), collectively known as the Caribbean Basin Initiative (CBI), and the Canadian Programs for Commonwealth Caribbean Trade, Investment, and Industrial Cooperation (CARIBCAN). The CBI governs trade and economic cooperation between CARICOM countries and the United States, Belize's largest trading partner for both imports and exports. The CBI provides unilateral, duty-free market access into the United States for nearly all goods from the beneficiary countries. Trade under this initiative now accounts for more than 70 percent of Belize's total exports to the United States, reflecting the current importance of the CBI to Belize. An important policy issue for the United States regarding its trade relations with CARICOM is deciding whether to continue with unilateral trade preferences or to begin negotiations for a reciprocal bilateral agreement. According to WTO rules, the CBI is considered discriminatory because it goes against the MFN principle. The United States has been requesting waivers to extend the benefits under this program, which are due to expire December 31, 2014 (WTO, 2009).

Canada's CARIBCAN program extends duty-free treatment to the majority of qualifying imports from Caribbean Commonwealth countries. Created in 1986, the program covers products other than textiles, clothing, footwear, luggage and handbags, leather, oils, lubricating oils, and methanol. Currently, CARICOM is negotiating a regional trade and development agreement with Canada, which has been requesting waivers for the CARIBCAN at the WTO to extend the benefits under this program. Both Canada and CARICOM have pledged to conclude the negotiations before the extension expires on December 31, 2013 (WTO, 2011).

4.7 Future Prospects

For the past three decades, Belize has based its external trade policy on preferential access to the U.S., EU, and CARICOM markets. However, this preferential access is being eroded, and the value of trade between Belize and CARICOM remains low. Given these scenarios, Belize should focus on diversifying its export markets.

According to the revised Treaty of Chaguaramas, CARICOM members must coordinate the external trade policy. In this respect, every time a member decides to engage in bilateral negotiations that involve tariff reductions with a third country, it must seek the approval of the Council for Trade and Economic Development (COTED). The outcome of the bilateral agreement will not jeopardize the certification by CARICOM. Belize, however, benefits from a special provision in the treaty, Article 80, which states that:

> Nothing in this Treaty shall preclude Belize from concluding arrangements with neighboring economic groupings provided that treatment not less favourable than that accorded to third States within such groupings shall be accorded to the Member States of the Community, and that the arrangements make adequate provision to guard against the deflection of trade into the rest of CARICOM from the countries of such groupings through Belize.

As a result, Belize retains the right to enter into bilateral agreements with neighboring countries in Central America on the condition that Belize grants MFN treatment to CARICOM countries. Under this rule, there is no limit to the extent or scope of the bilateral agreements that Belize could seek to negotiate. Belize could therefore negotiate a full free trade agreement (FTA). So far, Belize has chosen to negotiate PSAs, due to concerns that a full FTA would open up its market too quickly. Moreover, the authorities are concerned that if they give better treatment to third countries, they will have to grant the same treatment and benefits to CARICOM countries (according to the MFN clause). They have indicated that they do not have the capacity to assess the impact of such commitments.

In summary, Belize has several options to further liberalize its economy at the bilateral, regional, and multilateral levels. At the regional level, Belize could eliminate the exemptions to the CET and seek to engage CARICOM in a process of reforming the CET. Another alternative is to utilize the bilateral agreements negotiated by CARICOM. Belize could also negotiate full FTAs with Central American countries (see Bulmer-Thomas, 2013), and have a more ambitious position at the WTO. All of these options are consistent with Belize's obligations under current trade agreements.

5. Tariffs and Trade-Related Taxes

Belize still relies on trade-related taxes (customs duties, the environmental tax, RRD, and other taxes), which accounted for approximately 22 percent of tax revenue in 2011 (Barrow, 2012). This section describes the current tariff structure, particularly in relation to other duties and charges that are levied on imports and their congruence with international obligations.

5.1 Current Tariff Structure

5.1.1 Applied MFN Tariffs

Since 2011, Belize's simple average MFN tariff (excluding specific rates) has been 11 percent. The average applied tariff for agricultural products (according to the WTO definition) is just over 20 percent, with tariffs ranging from 0 to 100 percent, while for nonagricultural products, the average is 9.6 percent, with tariffs ranging from 0 to 50 percent.[22] According to the WTO (2010a) Belize's tariff structure reflects CARICOM's policy of granting high tariff protection to agricultural and agro-processing products. Generally, unprocessed products have the highest tariffs, followed by fully processed products. Belize does not apply any tariff quotas (Table 1). Duties are calculated on the cost, insurance, and freight (CIF) value of the goods.

5.1.2 Tariff Bindings

[22] For more information about Belize's tariff structure, see: http://stat.wto.org/TariffProfile/WSDBTariffPFView.aspx?Language=E&Country=BZ

According to the WTO statistics database, Belize has bound 97.9 percent of its tariff lines: the entire agriculture tariff and approximately 97.6 percent of the nonagriculture tariff are bound. The average bound rate for all goods is 58 percent. The average bound rate is 101.1 percent for agricultural goods and 51.5 percent for nonagricultural goods. The unbound tariff lines concern mostly fish and fish products.[23]

Table 1: Structure of the Tariff Schedule, Belize

Tariffs: Summary and duty ranges

Summary			Total	Ag	Non-Ag	WTO member since				1995
Simple average final bound			58.2	101.1	51.5	Binding coverage:			Total	97.9
Simple average MFN applied		2011	11.0	20.4	9.6				Non-Ag	97.6
Trade weighted average		2010	15.5	25.9	13.2	Ag: Tariff quotas (in %)				0
Imports (in billion USD)		2010	0.5	0.1	0.5	Ag: Special safeguards (in %)				0
Frequency distribution		Duty-free	0 <= 5	5 <= 10	10 <= 15	15 <= 25	25 <= 50	50 <= 100	> 100	NAV
				Tariff lines and import values (in %)						(in %)
Agricultural products										
Final bound		0	0	0	0	0	0.7	84.5	14.7	0
MFN applied	2011	11.6	36.4	1.5	4.0	13.7	29.7	0.9	2.2	3.6
Imports	2010	31.1	10.5	0.4	7.3	33.1	3.8	2.5	11.3	12.5
Nonagricultural products										
Final bound		0	0	0	0	0	90.7	6.7	0.2	0
MFN applied	2011	3.8	66.9	3.5	3.8	17.8	3.3	0.5	0	0.5
Imports	2010	6.2	31.0	6.9	21.1	21.7	12.7	0.5	0	20.7

Source: WTO Secretariat statistics database, tariff profiles.

There are major concerns regarding Belize's tariff structures. Potential efficiency losses can arise due to the dispersion of the tariff rate across product lines. The greater the differentials in tariff rates, especially within groups of like and thus substitutable products, the greater the chance that producer and consumer decisions would be distorted by the tariff structure. The implication is that very similar goods are taxed at significantly different rates, thereby increasing

[23] Also left unbound were tariffs on dustbins, singlets and other vests, tin foil, scissors and shears, centrifuges, projectors, watch parts, furniture, playing cards, artificial Christmas trees, crayons, pencils, boards, drawings and pastels, hand riddles, and certain articles of zinc and magnesium, electrical machinery, and vehicles (WTO, 2010a).

the complexity of the tariff structure and increasing the risk of misclassification and tax evasion.

Belize would benefit greatly from simplifying its tariff structure. Jenkins and Kuo (2006) propose a structural reform of the tariff structure such that in the future there would be only three rates of tariff: 5, 10, and 15 percent. Arriving at this point would bring Belize closer into line with the tariff structure of the CACM countries. Jenkins and Kuo go even further to propose a second stage of the reform to move to a single tariff rate, such as occurred in Chile, which has a single tariff rate of 6 percent for agricultural and nonagricultural products.[24] In any of these scenarios, a simplification of the tariff structure would reduce the distortionary impact of the tariff system. This might be very difficult to achieve, however, given Belize's participation in the CSME (Bulmer-Thomas, 2013) and the disharmonizing effect of any unilateral reduction of the CET by Belize. If Belize, like the Bahamas, was a member of CARICOM but not a member of the common market, it could unilaterally reduce its tariffs (WTO, 2000).

5.2 Other Duties and Taxes that Affect Imports

In addition to tariffs, imports are subject to an RRD, environmental tax, general sales tax (GST), and excise duties. The GST, which is a consumption tax, is applied to most goods at a rate of 12.5 percent. Many services are also subject to this tax. The GST is applied at the same rate to imports and domestically produced goods. On imports, the tax is applied on the duty inclusive CIF price. Certain imported and domestic products are also subject to an excise duty, which is applied on an ad valorem basis. This subsection will discuss the RRD and the environmental tax, their rationale, and their congruence with Belize's international trade commitments.

5.2.1 Revenue Replacement Duty

The Minister of Finance is entitled to impose an RRD on any good. Chapter 48 of the Customs and Excise Duties Act (31 December 2000) authorizes the Minister of Finance to issue an order imposing RRD on specific goods "where any customs duty or entry tax chargeable in respect of goods of a class or description imported into the country has been removed, altered, reduced, or progressively phased down with a view to implementing the treaty establishing the Caribbean Community and the Caribbean Single Market and Economy." According to the authorities, the

[24] Chile became only an associate to MERCOSUR in order to maintain its independence regarding trade policy formulation toward third countries. Becoming a member would also have entailed the adoption of the MERCOSUR common tariff, for which Chile would have had to modify its uniform tariff structure (WTO, 1997).

rationale for this charge is to capture foregone tariff revenue due to the reduction of import duty rates undertaken when Belize joined CARICOM. This practice is no different from imposing an import duty, creating administrative complexity.

The RRD is levied on the aggregate value of the CIF price plus import duty of certain imported goods only, including those of CARICOM origin. In this context, some domestically produced items (e.g., beer, cigarettes, fuel, and alcoholic beverages) are not subject to RRD but they are subject to excise duties, which are not levied on imported goods. The only exception is ice cream, which is exempt from RRD when it originates in another CARICOM country (WTO, 2010a).

The RRD is charged on 219 tariff lines. Rates are mostly ad valorem, and range from 5 to 50 percent. In several cases, the rates applied to CARICOM countries are lower than those applied to non-CARICOM countries (see Annex 1).

5.2.2 Congruence of RRD with Belize's International Obligations

Article II of the GATT can be used as justification for the application of other duties and charges (ODC) if they have been properly included in the schedule of concession of each member. Article II.1.b of the GATT states that products imported into the territory of a member shall be exempt from ordinary customs duties in excess of those set forth and provided in the schedule of the importing member and shall also be exempt from all other duties or charges of any kind in excess of those imposed by the entry into force of the agreement. In this respect, the WTO (2012a) states:

> In other words, Article II:1(b) of the General Agreement on Tariffs and Trade 1994 in principle prohibits: (i) the levying of ordinary customs duties in excess of the ceilings set forth in the Schedule of the importing Member concerned (first sentence); and (ii) the levying of other duties or charges of any kind imposed on or in connection with importation (second sentence), in excess of those imposed on the date of entry into force of the GATT 1994 or those directly and mandatorily required to be imposed thereafter by legislation in force in the importing Member on that date. The Understanding on the Interpretation of Article II:1(b) of the GATT 1994 provides that the importing Member had to record in its schedule of concessions the other duties or charges applied on the date of entry into force of the GATT 1994 or which had to be applied directly and mandatorily under legislation in force on that date.

As indicated by WTO jurisprudence, Article II.1.b establishes that other duties and charges can only be justified if they are included in the tariff schedule of each member. As a result, members are not permitted to impose duties or other charges outside of those reflected in their schedule. This right is embedded in Belize's WTO schedule of commitments with respect to the RRD (WTO, 2006a). Consequently, the RRD is fully consistent with the rules of the WTO. However, during the last WTO Trade Policy Review of 2010, some members raised concerns about the fact that Belize was applying the RRDs above the bound rates, particularly in the case of cigarettes and rum (WTO, 2010b). To address this concern, Belize lowered the RRD for cigarettes in April of 2011 (see Annex 1).

The Treaty of Chaguaramas also has similar rules regarding the application of the ODC. Article 87 establishes that member states shall not impose import duties on goods of community origin. Article 90 goes beyond this rule and states that members shall not apply, directly or indirectly to imported goods of Community origin, any fiscal charges in excess of those applied directly or indirectly to like domestic goods, or otherwise apply such charges so as to protect like domestic goods. However, LDCs enjoy certain flexibilities, as provided in Articles 160 and 163, in the implementation of the CET so that their special needs will be taken into account.[25]

Therefore, the RRD is also compliant with CARICOM rules, since Belize enjoys certain flexibility as a less-developed member. However, given the adverse effect that the application of this measure presents to intra-regional trade, the COTED has consistently urged member states applying such measures to take action to have them removed as early as possible (CARICOM, 2005).

The EPA-CARIFORUM also has commitments regarding ODCs. In this respect, CARIFORUM countries agreed that ODCs applied at the border would be maintained for seven years from the date of entry into force of the Agreement, and phased out in the succeeding three years. Belize will have to adjust its fiscal structure to be able to comply with this obligation by 2018, at least with respect to imports of EU origin.[26]

However, there is room for improvement. Jenkins and Kuo (2006) argue that Belize applies the RRD, in most cases, to certain commodities that are in fact excisable goods. They

[25] See http://www.sice.oas.org/trade/caricom/caricind.asp.
[26] See http://www.sice.oas.org/Trade/CAR_EU_EPA_e/CAR_EU_e.asp#P2T1C1A4.

suggest lowering all tariffs on excisable goods to 10 percent and then levying an excise tax on each of the goods at a rate that would bring the total tax burden up to the current level imposed by import duties and revenue replacement duties. According to their study, the reform would allow import duties to be significantly rationalized without an undue loss of revenue. For the nonexcisable goods, the import duties and revenue replacement duty should be combined and levied as a single import duty.

5.2.3 Environmental Tax

Belize applies an environmental tax (ET) on all imports, exempting imports from CARICOM countries. This tax was established as a "plastic tax" and was initially applied only to plastic packaging, including plastic bottles. Currently, the tax is levied at a rate of 2 percent of the customs value of the goods. Certain basic items, such as medicines and medical supplies for human use and basic foodstuffs are exempted.[27] Domestic products are not subject to the ET.[28]

5.2.4 Congruence of Environmental Tax with Belize's International Obligations

The ET has been criticized at the WTO because it is only applied to imports. This is highly discriminatory and might go against the principle of national treatment. Article III of the GATT establishes the general principle of national treatment, and it states that:

> Members recognize that internal taxes and other internal charges, and laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use of products, and internal quantitative regulations requiring the mixture, processing or use of products in specified amounts or proportions, should not be applied to imported or domestic products so as to afford protection to domestic production.

Denial of national treatment has been a frequent issue in WTO disputes.[29] The national treatment principle may be contravened if a government imposes measures that discriminate in favor of domestic over foreign goods or services.

[27] Exempt foodstuff includes including rice, beans, potatoes, coffee, tea, butter and butter substitutes, cheese, margarine, cooking oil, shortening, lard and lard substitutes, powdered and condensed milk, baby formula, sardines, meat of swine (salted or in brine), corned beef, and salt.
[28] See http://www.belize.org/tiz/trading-information.
[29] See Japan- Alcoholic Beverages II, DS8, DS10, DS 11 (1996) (Japan taxed shochu—an indigenous alcohol—at a lower rate than imported alcoholic beverages); Indonesia-Autos, DS54, DS55, DS59, DS64 (1998) (Indonesian cars

The purpose of Article III of the GATT 1994 is to prohibit or limit the use policy measures that restrict or distort trade by requiring nondiscriminatory treatment between imported and domestic goods. In this regard, in examining the consistency of the Japanese taxation on liquor products with Article III: 2, the Appellate Body in *Japan – Alcoholic Beverages II* explained that the purpose of Article III is to avoid protectionism in the application of internal tax and regulatory measures. Toward this end, Article III obliges WTO members to provide equality of competitive conditions for imported products in relation to domestic products.

The RRD is levied only on imports. However, the application of the ET differs from the RRD in that the ET is not part of the schedule of commitment of Belize in the WTO. During the WTO Trade Policy Review, members indicated that the ET is inconsistent with WTO rules and that it should be rationalized. In addition, CARICOM members brought this issue under COTED in 2011, and it was decided that the ET needed to be eliminated. Belize amended the Environmental Tax Act to remove the ET on CARICOM imports, effective January 3, 2012 (Central Bank of Belize, 2011).

The private sector has argued that the ET is not even serving its environmental purpose, and that it is a burden for small and medium-sized enterprises (SMEs). One possible solution under consideration is to eliminate it and increase the GST accordingly. If the government decides to keep the ET, it could face the possibility that a member of the WTO might bring the ET before the dispute settlement system because it violates the principle of national treatment.

In addition to the disciplinary actions applicable to the ET under the WTO, the EPA-CARIFORUM established the commitment to phase out ODC applied at the border. Therefore, if Belize is not forced to eliminate the ET before, it will have to eliminate it by 2018 to comply with its EPA-CARIFORUM obligations, at least with respect to goods imported from the EU.

---

that are taxed at a lower rate than imported cars). Prohibited subsidies involving the purchase of domestic over imported goods also may contravene GATT Article III (see, for example, WTO, 2007a).

6. Fiscal and Export Incentives

6.1 Government Incentive Programs

Belize maintains three programs involving tax concessions for exports: the Fiscal Incentives Act, the Export Processing Zone Act, and the Commercial Free Zone Act.[30] Box 2 describes these programs and the type of incentives granted.

Box 2: Duty and Tax Concessions under Incentive Programs

Fiscal Incentives Program

- ***Objective of program:*** encourage economic development through investments in the production of goods and services, especially nontraditional crops and value-added products, both for domestic consumption and export.
- ***Objective of subsidy*:** attract foreign investment, mobilize domestic investment, generate foreign exchange earnings, and create employment.
- ***Application of program to exports:*** tax exemptions for companies engaged in agriculture, agro-industry, food processing, aquaculture or manufacturing, and highly labor-intensive operations, for which production is strictly for export (incentives under this program are not all export-related).
- ***Tax benefits:*** exemptions from import duties and the RRD (the legislation also makes reference to tax holidays, but there has been a moratorium on these since 1999).
- Applications for incentives made to the Minister of Trade. Duration of incentives is determined in case-by-case negotiations with firms (the Cabinet takes a decision based on a recommendation from BELTRAIDE). Generally, tax benefits are currently offered for two to five years, with the possibility of renewal in some cases. There are lower application fees for Belizean companies investing less than BZ$250,000.
- There are two programs under the Fiscal Incentives Act: a regular program and a program for SMEs.

Export Processing Zone Program

- ***Objective of subsidy:*** attract new investment into the productive sectors of the economy, especially manufacturing, in order to increase exports and overall export supply capabilities, create employment, and foster the transfer of skills.
- ***Application of program to exports:*** business must produce goods or services solely for export. Waivers may be granted when there is a shortage in the domestic market. In practice, sales to the local market are allowed after payment of all relevant taxes.
- ***Tax benefits:*** 20 years (with possibility for extension). Exemption from business tax (and any future corporate taxes); withholding tax; capital gains tax; customs duties and other taxes on imports necessary for the production and operation of the business, with specific criteria for fuel and vehicles (fuel must be for energy generation purposes, and imports of service and utility vehicles only benefit from tax exemptions (i.e., forklift and platform trucks); foreign exchange taxes; property, land, and transfer tax; and export taxes. Exemptions in perpetuity: any dividends paid by EPZ businesses.
- An application to develop an EPZ or establish a business within it must be made to the EPZ Committee, which comprises representatives from government ministries and private sector stakeholders. According to the authorities, the exemptions are provided as indicated in the Act and its regulations, and are not negotiated.

---

[30] The only legislative changes have been the enactment of the EPZ (Amendment) Act No. 2 of 2004, which, inter alia, clarifies provisions relating to treatment of EPZ imports and introduces a 2 percent business tax on EPZ businesses. In 2005, the Free Zones Act replaced the Commercial Free Zone Act.

Commercial Free Zone Program

- ***Objective of subsidy*:** increase manufacturing and processing activities to generate new products for export markets, and therefore create employment in the border regions of Belize.
- ***Tax benefits*:** exemption from business tax, capital gains tax, and any other new corporate tax for the first 10 years of operation. Thereafter, business tax is applied at between 2 and 8 percent, and may be reduced by up to 2 percentage points depending on the number of local workers employed. Exemption from customs duties and other taxes (import and export) and foreign exchange taxes. According to the authorities, tax benefits are not discretionary and are applied as set out in law.

Sources: WTO (2006; 2010a; 2010c); Export Processing Zone Act No. 2 of 2004; and information provided by the authorities.

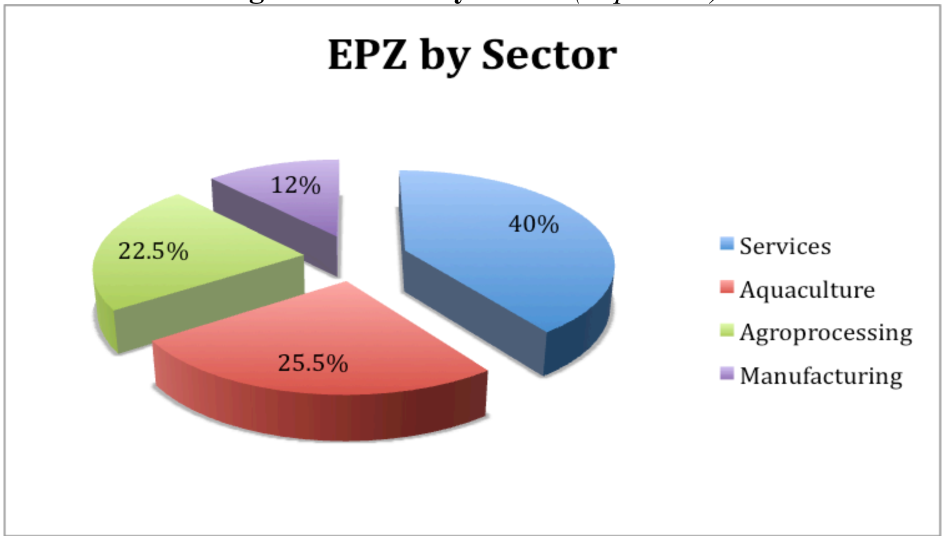
Currently, 56 companies are registered and operating as EPZs, and 300 are registered in the commercial free zone (CFZ), 197 companies of which are in operation. The companies that operate in the EPZ are predominantly service-related, and are few are manufacturing-related (see Figure 1).

The CFZ operates as a transit point for trade in goods, and the companies operating within the CFZ are mainly merchandise retail and wholesale operations.[31] EPZs mainly comprise services, agriculture, agro-processing fisheries, and aquaculture companies.[32] Most EPZs in Belize operate as a single factory, geographically independent where there is not the usual tight customs control.

[31] The CFZ program has two types of designations: CFZ developers and CFZ businesses. There are six designated CFZs (two in Belize City at the airport and port, two in Benque, one in Corozal, and one in Punta Gorda). The only CFZ currently in operation is in Corozal, located at the border with Mexico.

[32] According to the Export Processing Zone Act, there are three types of EPZ designation: EPZ developers, which are businesses authorized to develop export processing zones; EPZ businesses, which are companies authorized to operate within the export processing zones; and, special EPZs, which are single-factory operations located anywhere within the country (but not within an EPZ developer).

Figure 1: EPZs by Sector *(in percent)*



Source: BELTRAIDE (2013).

6.2 Implementation of Export Subsidy Commitments

Under the rules of the WTO, Belize has the obligation to eliminate fiscal incentives that are contingent upon export performance. The three programs described above have been identified as providing export subsidies and have been notified to the WTO.

6.2.1 Fiscal Incentives and the WTO Agreement on Subsidies and Countervailing Measures

Although fiscal incentive programs are not regulated in WTO agreements, some WTO provisions do affect them (Granados, 2003). Specifically, the ASCM poses potential compliance problems for EPZs. The ASCM applies only to subsidies that are specific to a sector or industry. Subsidies that are conditional on export, or the use of national rather than imported inputs, are considered specific per se and therefore prohibited.[33] Actionable subsidies, by contrast, may give rise to consultations if they damage another WTO member's domestic industry, nullify tariff concessions, or seriously prejudice another WTO member's interests. These subsidies are,

[33] Examples of prohibited export subsidies are: exemptions or allowances for direct taxes or other charges to exports or for export performance, exemption or remission of exports taxes or indirect taxes in excess of those levied on products when sold for domestic consumption, currency retention schemes, which involve a bonus to exporters, internal transport and freight charges on export shipments that are more favourable than for domestic shipments, provision of goods and services for export manufacturing more favourable than domestically consumed goods, export credit guarantees or insurance at premium rates, which are inadequate to cover the long-term operating costs and losses of the insurer, and export credit rates below the cost of funds.

however, permitted under the WTO and are actionable only with regards to the affected parties, who have legal recourse under the WTO dispute resolution mechanism.

Programs that grant incentives to domestic producers, which are not specific and subject to export performance, are not subject to the disciplines of the ASCM. Hence, WTO members can grant those subsidies. For example, if a government grants a fiscal incentive that is generally applicable and has no export performance requirement, it would not be considered prohibited.

Under the ASCM, there is some flexibility for developing countries. Article 27.4 of the ASCM required developing countries, other than those specified in Annex VII of the ASCM,[34] to phase out their export subsidies by December 31, 2002. However, the SCM Committee agreed to extend the deadline beyond that date. In 2001, a special procedure was implemented to meet the needs of certain small developing countries (see WTO, 2001). Under this procedure, Belize notified the programs mentioned in Box 2 (WTO, 2006b). Members that met all the qualifications were eligible for a five-year extension of the transition period (to December 31, 2007) plus the additional two-year phase-out period provided for in Article 27.4 (to December 31, 2009). However, in July 2007, the WTO General Council approved an extension of these procedures through December 31, 2013, with the two-year phase-out period ending not later than December 31, 2015 (WTO, 2007b). Under this decision, the members receiving the extensions agreed to eliminate their export subsidies by the end of 2015. In other words, it was agreed that this would be the last extension. Therefore, Belize will have to amend the programs notified to the WTO to make them compatible with the rules of the ASCM before the end of 2015.

6.2.2 Fiscal Incentives and the WTO Agreement on Agriculture

According to the information provided by the Government of Belize, at least 20 percent of the companies that operate as EPZ belong to the agriculture or agro-processing sectors. The fact that agriculture companies have EPZ status has an important implication, because the fiscal incentives that fall under the ASCM are for industrial products, not agricultural products (i.e., fish and fish products, based on the WTO definition). Incentives granted to agricultural products in principle fall within the Agreement on Agriculture under certain conditions.

[34] Annex VII of the ASCM establishes that certain low middle-income countries are exempt from the prohibition on export subsidies until per capita GNP exceeds $1,000 in 1990 USD for three consecutive years. These countries are Bolivia, Cameroon, Congo, Côte d'Ivoire, Egypt, Ghana, Guyana, Honduras, India, Indonesia, Kenya, Nicaragua, Nigeria, Pakistan, Philippines, Senegal, Sri Lanka, and Zimbabwe.

The rules on subsidies in the ASCM apply equally to all products and all WTO members, albeit with special and differential treatment for developing countries. However, for agricultural goods, the commitments made with respect to subsidies are specific to each member and are included in each member's schedule of concessions (part IV of the schedule). Each WTO member has a schedule of concessions, which is either annexed to the GATT 1994, or to a protocol of accession.

Under Article 3.3 of the Agreement on Agriculture, WTO members have made the following commitments:

- For those products or groups of products specified in section II of part IV of its schedule (agriculture), a Member has committed not to provide export subsidies listed in Article 9.1 "in excess of the budgetary outlay and quantity commitment levels specified therein."
- For all products not specified in that section of its schedule, a Member has committed not to provide any export subsidies listed in Article 9.1 at all.

According to this rule, members who have listed export subsidies in their schedule of commitments are authorized to use them. However, Belize stated in its schedule of commitments (Section II, Part IV) that it does not grant any of the export subsidies subject to reduction commitments (WTO, 1995). Accordingly, Belize cannot give incentives that are considered export subsidies in the agriculture sector. Given that Belize has no commitments for agricultural export subsidies, any subsidy granted for these products will have to be eliminated.

Belize has an obligation to notify its agriculture domestic support measures and other agriculture fiscal incentives to the WTO every year. Belize has not complied with its transparency obligations under the Agreement on Agriculture (WTO, 2012b), which makes it harder to assess the status of its agriculture commitments under the WTO.

6.2.3 Fiscal Incentives and the WTO General Agreement on Trade and Services

Government subsidies to service providers are not currently included as a measure subject to GATS discipline. Article XV recognizes that subsidies may adversely affect trade in services and commits members to negotiate in the future to develop disciplines regarding service subsidies. As there has yet to be an agreement on this subject, under the GATS, Belize is allowed to grant subsidies, including those that are contingent upon the export of services. However, this does not mean that such subsidies are not subject to GATT and GATS disciplines.

Export subsidies must not be discriminatory and comply with GATS principles. GATS Article II states that members shall accord treatment that is no less favorable than that which it accords to like services and service suppliers of any other country (i.e., MFN treatment). Since EPZs only offer concessions to certain companies, this may imply differential treatment of countries depending on whether they have investments in the EPZ or not. This would depend on a number of factors, such as how exactly the preferential treatment is designed and how the term "like services and service suppliers" is interpreted. This principle has not yet been tested in the WTO dispute settlement system. A potential conflict also arises with the national treatment clause of the GATS (Article XVII), although this article generally has some flexibility for subsidies for cases in which prior commitments to national companies have been made. (Engman, Onodera, and Pinali, 2007). There could be some implications regarding the application of the GATS MFN principle in Belize, given that some of the business processing outsourcing (BPO) companies are foreign-owned companies. Regarding the national treatment clause, there are no implications, given that Belize has not made any specific commitments that affect that flexibility.

In some service sectors, the distinction between goods and services is difficult to make. This is the case of assembly operations and some manufacturing industries that could be considered as either goods or services. According to the rules of interpretation of the Central Product Classification (CPC) of the United Nations (UN, 2008): "Products making up a bundle (combination) of goods and services shall be classified according to their main component (value added), insofar as the criterion is applicable." In other words, if the manufacturing service has more value than those of the parts of the product, then the manufacturing service will be considered as such, and if the value of the manufacturing service is lower, then it will be considered as part of the production of the good. Examples of such services are repairs, maintenance, and manufacturing on a fee or contract basis.

The CPC's explanatory notes indicate that, although the industrial origin of these services is often the same as the origin of the goods themselves, the nature of the services involved may be considerably different from that of the goods. Therefore, the goods and services should be classified differently. In such a case, if manufacturing services do not comply with these requirements, any export subsidy granted would be prohibited under the WTO. Likewise, a subsidy granted to a manufacturing service that is subsequently added to an export product could also be considered a de facto export subsidy under Article 3.1 of the ASCM and, therefore, prohibited.

6.2.4 Fiscal Incentives and CARICOM

The Treaty of Chaguaramas mirrors the WTO rules regarding prohibited exports subsidies, even though most of CARICOM countries have export subsidy programs in place. The revised treaty states that subsidies that are contingent on export performance shall be withdrawn by January 1, 2003, except in the case of those members whose GNP per capita is less than US$1,000. However, Belize enjoys special treatment as an LDC, and has the flexibility to continue granting export subsidies. Consequently, changes to the fiscal incentive regime to comply with the rules of the WTO will go a long way toward complying with CARICOM rules.

Article 89 of the Treaty of Chaguaramas refers to the partial or total drawback or remission of import taxes. Under this provision, each member can refuse to treat goods that benefit from drawback or remission as common market goods. Belize's programs include this type of incentive. Therefore, companies exporting to CARICOM will have to take this into account to be able to enjoy preferential access.

6.3 Belize's Compliance with Export Subsidy Rules

As part of the procedures set out in the 2007 General Council decision, in 2010, Belize began the process of assessing the steps that needed to be taken to bring the programs into compliance with the ASCM. The Ministry of Foreign Affairs and Economic Development and BELTRAIDE developed an action plan. The steps included clauses in the operational contracts of new EPZ entrants regarding possible amendments to the EPZ program; participation in targeted technical assistance activities; raising awareness of the public and private sectors about the ASCM, specifically the conditions of the Article 27.4 extension and the aspects of the domestic subsidy laws and rules which are problematic under WTO rules; a consultative process with all of the beneficiaries of the three programs that have been granted Article 27.4 extensions; the establishment of an inter-institutional working group which will have responsibility for overseeing analysis, policy dialogue, public awareness initiatives, and the preparation of draft legislation; and the development of a draft action plan to be forwarded to Cabinet for approval (WTO, 2010c). The action plan lists some of the options that the government is considering in order to amend the programs, including the following:

1. **Fiscal Incentives Act.** The problematic aspects of this program are the possibility of an extension of the tax holiday up to 25 years for exports and the application process and approval criteria, which involve the solicitation of information on exports and foreign exchange earnings. Those are export contingency elements that would need to be removed. The Ministry of Trade indicated that in practice the Fiscal Incentive Act applies to all industries.
2. **Export Processing Zone Act.** The export contingency element of this program lies in the restriction of sales of products manufactured in the EPZ into Belize's national customs territory. In order to rectify this, unrestricted sales of products originating in EPZs into the national customs territory should be permitted, upon payment of the applicable duties calculated on the imported inputs. Currently domestic sales are allowed through a waiver issued by the EPZ Committee.
3. **Commercial Free Zones**. The export contingency element of this program is that sales of CFZ products in the national market require approval by the Ministry of Finance, and such sales are capped at 25 percent of gross imports. To rectify this, there would need to be unrestricted sales of products originating from the CFZ into the domestic market upon payment of the applicable duties.

The government's goal is that by 2015, Belize will have amended the three programs such that any subsidies on manufactured goods provided thereunder are no longer contingent, explicitly or implicitly, on export performance.

Possibly the single most important step toward eliminating export subsidies is removing all exporting requirements and permitting the importation of goods manufactured in the EPZs and CFZ into the national customs territory, with no restriction other than the application of import duties and taxes (Creskoff and Walkenhorst, 2009). The present study only touches on the legal aspects of these changes; an analysis of the political economy considerations of these changes is beyond its scope.

6.3.1 Alternatives for Compliance

In order to fully assess these options, it would be pertinent to look at the nature of the EPZs that operate in Belize and what other countries have been doing to bring their export subsidy programs into compliance with ASMC rules. Taking into account that Belize's service sector is expanding and that almost 40 percent of the EPZs operating in the country are service-related, Belize could consider maintaining some of the incentives for the service sector while complying with its trade commitments.

In the region, Costa Rica has already amended legislation to comply with the requirements of the ASCM. CARICOM countries are exploring different avenues. For example, the OECS countries have already worked on a draft model amendment, which Belize considers a possible solution, as indicated in the action plan presented to the WTO (WTO, 2010c). The Dominican Republic has also made partial amendments to its incentive programs and has suspended the granting of new licenses until a new law was passed (Dominican Republic Law No.253-12). Toward this end, Belize has several options to choose from in modifying the incentive regimes, which are described below.

1. *Eliminate the export contingency element*.

The first option is to simply eliminate the export contingency element so that the companies inside the regimes can sell their products in the domestic market. This option would not affect the incentives given to companies producing goods and services, although the incentives granted to companies producing or manufacturing goods can still be challenged.

The Dominican Republic has followed this option.[35] It amended the Duty-free Zone Law (8-90) with Law 139-2011, which eliminated the export-performance requirements in order to comply with the ASCM. However, the country continues to work to find a solution to bring other incentives that might be considered de facto export subsidies into compliance with the ASCM. So far, the Dominican Republic only amended the incentives regime by establishing a waiver to stop granting new licenses under Law 8-90 until the incentives are revised.[36]

The Dominican Republic chose the minimalist option of only eliminating the requirement of export performance, making the regime compliant in law. However, given that the Dominican Republic still grants incentives under this legislation, some of them might be de facto inconsistent with the export subsidies rule or at least be actionable under the ASCM.

[35] The Dominican Republic submitted a request for consultations to the WTO under Article 27.4 of the ASCM to explore a possible extension of the deadline for its export subsidy programs (WTO, 2013).

[36] See Dominican Republic Law No. 139-2011:
http://www.dgii.gov.do/legislacion/leyesTributarias/Documents/139-11.pdf

2. *Modify the programs so as to eliminate all de jure and de facto export subsides*.

The second option is to eliminate the export performance requirement and eliminate or modify the structure of the incentives so that they are not de facto export subsidies. This option will directly affect the incentives and the way they are given for both goods and service sectors. Several countries have followed this option, and most of them have matched the amendments to the EPZ regimes with their national development plans. In the region, Costa Rica is a good example. In 2010, Costa Rica amended its Duty-Free Zone Regime (Law No. 7210), incorporating the following major changes (WTO, 2012):

- **Elimination of the link between incentives and export.** Companies are not required to export a percentage of production in order to be eligible for the regime. Enterprises seeking admission under this new category must comply with the following requirements:
  - They must be in sectors that are strategic for the country's development or are established outside the Expanded Greater Metropolitan Area (GAMA).
  - They must make new investment in Costa Rica.

A Special Commission appointed by the executive branch will define the strategic sectors, giving consideration to the average number of workers per year, special sectors, investment in research and development, and ISO and LEED certifications, among other requirements.

- **Encouragement for enterprises to set up in less-developed areas.** The amendments include a series of incentives intended to encourage beneficiary enterprises to set up in these areas and to foster their economic and social development. These incentives include the following:
  - <u>Lower investment requirements</u>: GAMA investment US$150,000 to US$2,000,000. Outside the GAMA, US$100,000 to US$500,000.
  - <u>Differentiated fiscal incentives</u>: GAMA enterprises will pay Income Tax 6 to 15 percent in a period of 10 years. Enterprises outside the GAMA will pay 0 to 15 percent in a period of 18 years.
  - <u>Megaprojects</u>: Enterprises that invest a minimum of US$10,000,000.

- Encouraging poles of development: Action plans to create the necessary infrastructure for Duty-Free Zones and industrial parks outside the GAMA.

- **Granting of tax credits for training.**
- **Inclusion of criteria for strengthening links between duty-free zone enterprises and local industry (production chains).**
- **Sales in the domestic market**. Enterprises may sell their goods in the domestic market, but in such cases all import taxes and customs procedures will apply. Tariffs will only be paid on inputs used for production, in compliance with international commitments.

Costa Rica eliminated the export-performance requirement of the Duty-Free Zone Regime, allowing the enterprises that operate in the zones to sell in the domestic market. It also substantially modified all of the fiscal incentives on direct taxes, reducing them in some cases and limiting the time period for which they are granted. While the new legislation complies de jure and de facto with export subsidy rules, Costa Rica's legislation may still be actionable under the WTO if a member demonstrates that it has been harmed.

3. *Modify incentives to make them generally applicable.*

The third, less controversial option is to make the incentives generally applicable. According to the rules of the ASCM, a subsidy must be both a government financial contribution and specific to an industry or sector. Therefore, if an incentive were applied horizontally, nonspecific to an industry, it would not be a subsidy and would consequently fall outside the ASCM. Under this option, the government could continue giving indirect taxes and import duty exemption. Those types of incentives are not prohibited by the ASCM, provided that certain conditions are met.

The OECS countries have developed draft model legislation to reform the Fiscal Incentives Act. Belize included this option in the action plan submitted to the WTO in 2010. This model law calls for the repeal of all local content requirements, income tax exemptions, and all other existing incentives. It establishes a central body to administer future fiscal incentives. This body will put in place a framework to attract investments using clearly stated objectives for the awarding of incentives and concessions. The most important part of the new regime is the equal treatment principle, under which all investors would be eligible for consideration with respect to any existing and future incentives and concessions offered to attract investment and investors to the country. This principle would prevent incentives from being considered as subsidies. Thus, they would fall outside the ASCM.

4. *Eliminate the EPZ programs and maintain the Fiscal Incentive Program*.

A fourth option is to eliminate the EPZ and CFZ regimes and maintain the Fiscal Incentive Program for all sectors, particularly for the service sector. The Fiscal Incentive Program would have to be adjusted to eliminate all de jure and de facto export subsidy requirements in order to comply with WTO rules. However, this adjustment would be simpler given that the companies operating in the EPZs and the CFZ are mostly service-related, and the rules of the ASCM are not applicable in principle.

There are no country-specific models to follow in this case, given that countries making the modification have not made the distinction between goods and services to avoid any domestic discrimination and because of broader fiscal considerations. Given that the service sector is expanding, Belize might consider strengthening its export services sector by aligning fiscal incentives with GATS rules.

5. *Eliminate programs*.

A fifth option is to eliminate the programs altogether. This option would have to be part of a broader fiscal reform that goes beyond ensuring compliance with the WTO and that is instead oriented toward a more ambitious reform program to enhance economic and administrative efficiency. Since EPZs are a tool to offset an anti-export bias in a distorted economy, they are a second-best policy measure (World Bank, 1998). The first-best policy is to have a liberal, low-protection economy, as do OECD members, including Chile. A reduction in trade taxes would reduce the need and demand for exemptions and fiscal incentives. As suggested by Jenkins and Kuo (2006), the reduction in fiscal revenues can be compensated by increasing revenues from other indirect taxes, notably the GST and excise taxes. Import tariffs are not optimal instruments for raising revenue, and a combination of domestic taxes levied equally on domestic and imported products along with revenue neutrality with respect to tariffs would reduce efficiency loss. Jenkins and Kuo (2006) recommend that as a first step, companies registered as EPZ and CFZ should be subject to the business tax and other direct taxes. Under this scenario, EPZ could continue to be exempted from indirect taxes using duty drawback systems, among others.

There are some examples where countries have eliminated incentives, particularly those related to direct taxes, while continuing to apply indirect tax incentives, such as import duties and other border taxes and duty drawbacks. Chile modified its fiscal incentive regimes through Law No. 19.589 of November 14, 1998, bringing them into line with its WTO commitments. The incentives under the new regime have the following characteristics:

- A general scheme for the reimbursement of customs duties (Law No. 18.708, published on May 13, 1988);
- A system of temporary admission for inward processing (consisting of a special form of warehousing that allows companies producing goods for export to import raw materials, semi-processed products, and parts and components from abroad without paying import duties and other levies or VAT) (Decree Law No. 473 of August 28, 2003); and
- A recovery of VAT (exporters of products and services may recover the VAT paid on the purchase of goods, inputs, or services required for their exports) (Decree Law No. 825 of December 31, 1974).

This fifth option would not only comply completely with the ASCM; it would also increase economic efficiency. In addition, it would be by far the easiest option to administer, which could ultimately prove to be a crucial consideration for Belize. Nevertheless, the programs would have to be phased out over time, and firms that had already been awarded incentives would have to be grandfathered. Given macroeconomic imperatives and legitimate concerns about maintaining an adequate level of revenues, increases in GST and excise tax revenues would have to be phased in to balance the reduction in import duties. It would be necessary to address the fact that phasing out the programs might harm Belize's ability to attract private investment. Based on these examples, the alternatives for Belize are analyzed in Table 2.

Table 2: Options for Reform of Fiscal Incentives Programs

Options	Advantage	Disadvantage
Eliminate only the export contingency element (Dominican Republic model)	• It will comply partially with the ASCM.	• The programs will continue to operate in the same way, maintaining the same distortions and inequalities. • WTO members can still bring a case against Belize because they could still be considered de facto export subsidies. • A missed opportunity to reform the programs and adjust the incentives. • Changes will not address revenue loss.
Eliminate export performance requirements and eliminate or modify the incentives to be de facto compliant and continue granting incentives on indirect taxes and import duties (Costa Rican model)	• It will comply with the ASCM. • It will continue to attract FDI and inward investment. • Changes could address the issue of revenue loss	• Although it will comply with the ASCM, if incentives are not reduced significantly the same distortions and inequalities will persist. • WTO members can still bring a case against the country or impose countervailing measures if the incentives impose adverse effects on other members.
Introduction of nonspecific subsidies, including generally applicable tax rates imposed by national, regional, and local government authorities. (OECS model)	• This type of incentive will not be considered a subsidy under the ASCM. Therefore it would be permitted. • It will eliminate the distortions in the market, leveling the playing field for companies outside those regimes.	• This alternative could have a negative impact on the revenue.
Eliminate the EPZ and CFZ regimes and maintain the Fiscal Incentive program, particularly to continue granting fiscal incentives to the services sector.	• This type of incentive will not be considered a subsidy under the ASCM as long as it complies with GATS rules and CPC principles. • It will continue to attract FDI in the service sector.	• This alternative could have a negative impact on revenue. • Although it will comply with the ASCM, if incentives are not reduced significantly, the same distortions and inequalities will persist. • WTO members can still bring a case against Belize because the incentives granted to services could be considered de facto export subsidies.
Eliminate all incentives, particularly those related to direct taxes: business tax; withholding tax; capital gains tax; customs duties and other taxes on imports necessary for the production and operation of the business, with specific criteria for fuel and vehicles; foreign exchange taxes; property, land, and transfer tax; and export taxes Incentives on indirect taxes and import duties could continue. (Chilean model)	• It will comply with the ASCM. • It will eliminate the distortions in the market, leveling the playing field for companies outside those regimes. • It is the simplest option administratively. • It will reduce tax expenditures.	• There could be opposition from the stakeholders that have enjoyed the incentives for years. • There could be loss of FDI. • There will be a need to consider an appropriate timeframe to phase out the programs. Time is limited given that the deadline is December 31, 2015.

Source: Author's elaboration.

6.4 EPZ Administration

Two characteristics—the nature of EPZs in Belize and its small population—make administrative considerations much more important to weigh in the case of Belize than in other countries. The main change that Belize will have to make is to allow goods manufactured in EPZs and CFZs to be introduced into the national customs territory without any restrictions other than the application of import duties and taxes. This change will impose the added responsibility on Customs of ensuring that import duties and taxes are properly collected.

Traditional EPZs operate in a specific location where Customs can control the movement of goods. However, in Belize there are only a few EPZ developers within specific geographic areas. Most EPZs operate as a single firm or factory, geographically independent, where there is not the usual strict customs control. As in many other EPZ regimes around the world, Sections 5 and 7 of the Export Processing Zone Act allow EPZs to operate as geographic areas outside the customs territory. An EPZ business or single factory can operate on property of its own or lease property within a zone. There may be physical reasons for granting EPZ status to single factories, as explained by Granados (2003). Sometimes companies, such as shipyards and vehicle assemblers, cannot be located in the geographically circumscribed enclave or free zone. Some countries, such as Mauritius, Madagascar, Mexico, and Fiji, rely exclusively on this type of EPZ; others, such as Costa Rica, the United States, and Sri Lanka, allow both geographic-area and single-factory types of EPZs (FIAS-World Bank, 2008).

Jenkins and Kuo (2006) describe the EPZs in Belize as being similar to the bonded factories common in many countries, but without the proper controls, such as banking guarantees, required to insure that the goods do not leak into the rest of the economy without paying the corresponding taxes (Jenkins and Kuo, 2006). Jenkins and Kuo suggest that Customs should administer the tax-free goods going into EPZs the way it would normally administer a tax and duty suspension system. Granados (2003) points out that this could be possible using information technology. Systems such as ASYCUDA could facilitate the control and exchange of data between Customs and EPZ companies.

Customs should keep a record of the physical quantities, and the amount of duty and taxes suspended, on all goods that enter an EPZ, for each firm operating in the EPZ and the commodities being transferred into the EPZ. Such a step would address the current customs practice where goods imported into the EPZ and CFZ are classified under HS chapters 9802, 9803, and 9804 as goods in transit. Jenkins and Kuo (2006) recommend that the firms operating in the EPZs be considered bonded factories. An example of this type of system in Belize is the storage, sale, and distribution of rum, where Customs has strict control over the movement of the product for tax purposes. Under such a system, Customs would in theory be able to determine the amounts of inputs that were imported duty-free and used in the exported goods.

However, Belize is an extremely small country with a population of only 339,000 and only 200 customs officers. The challenges involved in ensuring that all taxes are paid on goods transiting through not only the existing ports and airports but also approximately 50 EPZs and 1 CFZ would be formidable. Companies serving the domestic market without EPZ or CFZ privileges would rightly complain vociferously about the unfair competition that massive leakages from the EPZs and CFZs would entail.

7. Import Restrictions

7.1 Import Licenses

Belize has an extensive and largely discretionary import licensing regime.[37] The WTO Agreement on Import Licenses authorizes members to apply this type of mechanism and establishes a number of transparency rules that members must follow. Belize has not made any notifications under the WTO Agreement on Import Licensing Procedures, nor has it replied to the questionnaire on Import Licensing Procedures.[38]

Some goods require approval of an import license upon importation from the Supplies Control Unit (SCU) of the Belize Bureau of Standards (BBS). The procedure does not require licensing fees or administrative charges. Licenses are granted for each shipment and cannot be transferred between importers. There are no restrictions on the number of licenses that can be issued to a single importer. Imports into EPZs and CFZs do not require a license. Licenses are automatic for the importation of furniture in noncommercial quantities, and for "unique wooden articles" for the tourism industry. Import licensing requirements are governed by the Supplies Control (Import/Export) Regulations, which set licensing requirements for 126 tariff lines within

[37] Import permits and import licence requirements are contained in: the Prohibited Goods Order; the Customs Regulation (Prohibited and Restricted Goods) (Consolidation) Order; and the Supplies Control (Import/Export) Regulations, the Guidelines for the Approval of Supplies Control (Import) (Export) Licence, and the Supplies Control Statutory Instrument No. 72 of 2012.

[38] WTO documents database.

22 product categories. The government has recently amended this list, eliminating 63 items and imposing a temporary tariff surcharge of 40 percent for 24 months to afford a degree of protection to local producers (Barrow, 2013) (see Annex 2). The temporary tariff surcharge is in addition to the applied tariff. The new tariff is less than the WTO bound rate and is not levied on imports from CARICOM.[39] Guatemala and the EU are not excluded from the temporary tariff surcharge. The temporary tariff surcharge is not applied to ten lines (string beans, apples, yachts and some wood products) and there are four lines (fuel) where the tariff will stay at 100 percent (WTO bound rate) for four years and will then be phased out.

The majority of licenses are for agricultural products or processed foods. Almost all licenses are nonautomatic and are in place to control the supply of imports, and thereby to protect domestic production. In general, CARICOM countries are exempt from import licenses, with a few exceptions for CARICOM MDCs: rice, beans, fresh eggs, pineapple, beef, chairs made of wood; and other furniture made of wood for use in offices, kitchens, and bedrooms.[40] Import licenses are granted automatically to Guatemalan products included in the PSA. Applications for licenses under the Supplies Control (Import/Export) Regulations must be made to the Belize Agricultural Health Authority (BAHA), which in turn must seek the approval of the Ministry of Trade. An application fee is levied, which is additional to the fee for an import permit. It is recommended that applications for licenses be made in advance of shipment. Licenses, if granted, will set out the quantities of a specific commodity that may be imported and are valid for a limited period.

7.2 Compliance of the Import Licensing Regime with International Rules

Belize's import licensing structure is complex. Concerns have been raised by WTO members and in several studies about the discretionary nature of the license-approval process (WTO, 2010a). The private sector has also complained that licensing requirements are burdensome and costly and that in most cases import licenses are not even authorized.

The WTO establishes strict transparency obligations under the Agreement on Import Licensing Procedures. Belize has still not made any notification under this agreement. In order to address the concerns and the inconsistencies in its import licensing regime, Belize could

[39] Customs and Excise Duties (Amendment) Act, 2012.
[40] See http://www.customs.gov.bz/imp_caricom.html.

consider eliminating all import licenses and transforming some of them into an import quota allocation scheme. Such a scheme would allow Belize to supply the domestic market when there is a scarcity of domestic products, particularly in the agriculture sector. Another alternative, along the lines of what Belize has done recently, would be to eliminate licensing requirements for all imported goods and introduce import tariffs. This option would be more transparent and easier to administer and would shift the rents into government revenue (Martin and Shukla, 2010). However, the introduction of new import tariffs would have to comply with CARICOM's CET and WTO tariff-binding commitments. Finally, Belize could rationalize the use of import licenses and make the system more transparent, nondiscriminatory, market-oriented, and compliant with due process.

The import licensing regime must also be compatible with Article 79.2 of the Revised Treaty of Chaguaramas, which requires each member state "to refrain from trade policies and practices that distort competition, free movement of goods and services, and those measures that otherwise nullify or impair benefits to which other member states are entitled under the Revised Treaty." Any revision of legislation must comply with this commitment.

Most of the problems that the private sector has identified have to do with agricultural products, especially seasonal ones. The hotel and restaurant sectors have encountered supply problems and have faced a total restriction of imports when requesting an import license. The Belize Tourism Bureau (BTB) understands this problem and is implementing an initiative under its Action Plan (2010–2012) to address the needs of the sector by coordinating with agricultural producers, the hotel industry, and the government to address the tourism sector supply chain. (BCCI, 2012: 40). However, this initiative still does not address the restrictive nature of the import licensing regime.

References

Barrow, Hon. Dean. 2012. "Budget Presentation for Fiscal Year 2012/2013." Belize: Office of the Prime Minister and Minister of Finance and Economic Development.

BCCI (Belize Chamber of Commerce and Industry). 2012. "Investment in Belize: A Strategy for Innovation, Competitiveness, Entrepreneurship and Private Sector Development." White Paper. Belize City, Belize: BCCI.

BELTRAIDE (Belize Trade and Investment Development Service). 2013. "Situational Analysis: Strengthening the Capacity of Belize Trade and Investment Development Service (BELTRAIDE) in Terms of Creating a National Export Strategy (NES) for Belize." Belmopan, Belize: BELTRAIDE.

Bulmer-Thomas, V. 2013. "Central America and the Caribbean: Past, Present and Future." Presentation given at the University of Belize on January 16, 2013.

CARICOM (Caribbean Community). 2005. "Caribbean Trade and Investment Report 2005: Corporate Integration and Cross-Border Development." San Salvador, El Salvador: CARICOM Community Secretariat. Available at http://www.caricom.org/jsp/community/regional_issues/ctir2005_index.jsp.

———. 2011. "Joint Declaration following the Third CARICOM-SICA Summit of Heads of State and Government." San Salvador, El Salvador: CARICOM.

Central Bank of Belize, 2011. "Annual Report and Statement of Accounts." Belmopan, Belize: Central Bank of Belize.

Creskoff, S., and P. Walkenhorst. 2009. "Implications of WTO Disciplines for Special Economic Zones." Policy Research Working Paper No. 4892. Washington, DC: World Bank.

Dos Santos, P., and L. Bain. 2004. "Survey of the Caribbean Tax System." CARICOM.

ECLAC (Economic Commission for Latin America and the Caribbean). 1999. "Trade Policy in CARICOM: Overview of the Main Trade Policy Measures." No. LC/CAR/G.591. Santiago, Chile: ECLAC.

Engman, M., O. Onodera, and E. Pinali. 2007. "Export Processing Zones: Past and Future Role in Trade and Development." OECD Trade Policy Papers 53. Paris: OECD.

FIAS. 2008. *Multi-donor Investment Climate Advisory Service of the World Bank Group. Special Economic Zones, Performance, Lessons Learned and Implications for Zone Development.* Washington, DC: The World Bank.

Government of Belize. 2010. “Final Report: Preparing Horizon 2030.” Belmopan, Belize: Government of Belize. Available at http://www.belize.gov.bz/index.php/government-initiatives/horizon-2030.

Granados, J. 2003. “Export Processing Zones and other Special Regimes in the Context of Multilateral and Regional Trade Negotiations.” Occasional Paper 20. Washington, DC: Inter-American Development Bank. Available at http://www.iadb.org/en/publications/publication-detail,7101.html?id=8371.

Jenkins, G. P. and C.-Y. Kuo. 2006. “Fiscal Adjustment for Sustainable Growth in Belize.” RE2-06-020. Washington, DC: Inter-American Development Bank. Available at http://www.iadb.org/en/publications/publication-detail,7101.html?id=17495.

Low, P., and R. Santana. 2008. “Trade Liberalization in Manufactures: What is Left after the Doha Round?” JTID Conference, November 2008.

Martin, D., and G. Shukla. 2010. “Anchoring Fiscal Policy for Growth.” In M. Dougal and O. Manzano (editors), *Toward a Sustainable and Efficient State: The Development Agenda of Beliz*e. Washington, DC: Inter-American Development Bank. Available at http://www.iadb.org/en/publications/publication-detail,7101.html?dctype=All&id=46546.

Ministry of Economic Development, Commerce and Industry and Consumer Protection of Belize. 2010. *Medium Term Development Strategy 2010-2013*. Government of Belize.

Ministry of Foreign Affairs and Foreign Trade. 2011. *Bridging the Gap in Development Assistance Belize’s Aid for Trade Strategy.* Government of Belize.

Shearer, M. 2010. “Trade Sector: Exporting for Growth.” In M. Dougal and O. Manzano. (editors), *Toward a Sustainable and Efficient State: The Development Agenda of Belize*. Washington, DC: Inter-American Development Bank.

Shome, P. 1995. *Tax Policy Handbook.* Washington, DC: International Monetary Fund.

SIB (Statistics Institute of Belize). 2011. “Population and Housing Census 2010.” Belize: SIB.

Taccone, J. J., and U. Nogueira. 2002. “CARICOM Report.” Washington, DC: IDB. Unpublished.

Tsikata, Y., E. Pinto, and P. Coke. 2009. *Accelerating Trade Integration. Policy Options for Sustained Growth, Job Creation and Poverty Reduction.* Washington, DC: World Bank and Organization of American States.

UN (United Nations). 2008. “United Nations Central Product Classification (CPC) Version 2.” Explanatory Notes. New York, NY: UN.

World Bank. 1998. “PREM Notes*.” Economic Policy* 11. Washington, DC: World Bank.

WTO. 1995. “GATT Schedule of Concessions of Belize.” Document G/AG/AGST/BLZ. Geneva, Switzerland: WTO.

———. 1997. “Trade Policy Review.” Document WT/TPR/S/28. Geneva, Switzerland: WTO.

———. 2000. “Biennial Report CARICOM.” Document WT/REG92/R/B/1 (April). Geneva, Switzerland: WTO.

———. 2001. “Implementation-Related Issues and Concerns.” Documents WT/MIN (01)/17 (November); G/SCM/39. Geneva, Switzerland: WTO.

———. 2004. “Biennial Report CACM.” WT/REG93/R/B/2 (October). Geneva, Switzerland: WTO.

———. 2006a. “Schedule C – Belize.” Document WT/Let/531. Geneva, Switzerland: WTO.

———. 2006b. “Subsidies Notification from Belize.” Request for extension Article 27.4 of ASCM. Document G/SCM/N/146/BLZ. Geneva, Switzerland: WTO.

———. 2007a. “China: Certain Measures Granting Refunds, Reductions or Exemptions from Taxes and Other Payments.” Document WT/DS/358/13. Geneva, Switzerland: WTO.

———. 2007b. “General Council Decision.” Document WT/L/691 (July). Geneva, Switzerland: WTO.

———. 2008. “Notifications.” Documents WT/REG255/N/1/Rev.1 and S/C/N/469/Rev.1 (October). Geneva, Switzerland: WTO.

———. 2009a. “Trade Policy Review of Chile.” Document WT/TPR/S/220. Geneva, Switzerland: WTO.

———. 2009b. “United States-Caribbean Basin Economic Recovery Act.” Document WT/L/753 (May). Geneva, Switzerland: WTO.

———. 2010a. “Trade Policy Review Report of Belize. Report by the Secretariat.” Document WT/TPR/S/238/Rev.1 (November). Geneva, Switzerland: WTO.

———. 2010b. “Trade Policy Review of Belize. Record of the Meeting.” Document WT/TPR/N/238/Add.1 (December). Geneva, Switzerland: WTO.

———. 2010c. “Subsidies Notification from Belize.” Document G/SCM/211/BLZ (September). Geneva, Switzerland: WTO.

———. 2011. Document G/C/W/657 (October). Geneva, Switzerland: WTO.

———. 2012a. "Dominican Republic- Safeguard Measures on Imports of Polypropylene Bags and Tubular Fabric." Document WT/DS418/R. Geneva, Switzerland: WTO.

———. 2012b. "Status of Agriculture Notifications." Document G/AG/GEN/86/Rev.12. Geneva, Switzerland: WTO.

———. 2012c. "Subsidies Notification from Costa Rica." Document G/SCM/N/243/CRI (July). Geneva, Switzerland: WTO.

———. 2013. "Subsidies Notification from the Dominican Republic." Document G/SCM/N/251/DOM, 8 January 2013. Geneva, Switzerland: WTO.

ANNEXES

Annex 1: Products Subject to Revenue Replacement Duty, 2013

HS code, 4-digit (No. Lines 8-digit)	Description (4-digit)	RRD rate	RRD rate (CARICOM)
2208 (2)	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol; spirits, liqueurs and other spirituous beverages	BZ$90 per imp. gallon	BZ$90 per imp. gallon
2208 (8)	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol; spirits, liqueurs and other spirituous beverages	BZ$50 per imp. gallon	BZ$50 per imp. gallon
2402 (1)	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	BZ$236 per 1000 cigarettes[a]	BZ$65 per 1000 cigarettes[a]
2203 (2)	Beer made from malt	BZ$36.44 per imp. gallon	BZ$6.00 per imp. gallon
2204 (3)	Wine of fresh grapes, including fortified wines; grape must other than that of heading 20.09	BZ$20 per imp. gallon	BZ$20 per imp. gallon
2205 (2)	Vermouth and other wine of fresh grapes flavored with plants or aromatic substances	BZ$20 per imp. gallon	BZ$20 per imp. gallon
2206 (1)	Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and nonalcoholic beverages, not elsewhere specified or included	BZ$20 per imp. gallon	BZ$20 per imp. gallon
2008 (1)	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	50%	50%
2105 (1)	Ice cream and other edible ice, whether or not containing cocoa	50%	0%
2201 (1)	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavored; ice and snow	50%	50%
2009 (72)	Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter	40%	30%
2201 (2)	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavored; ice and snow	30%	Specific rates that vary according to volume
2202 (2)	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored, and other nonalcoholic beverages, not including fruit or vegetable juices of heading 20.09	30%	Specific rates that vary according to volume
3303 (1)	Perfumes and toilet waters	25%	25%
3304 (6)	Beauty or make-up preparations and preparations for the care of the skin (other than medicaments), including sunscreen or sun tan preparations; manicure or pedicure preparations	25%	25%

HS code, 4-digit (No. Lines 8-digit)	Description (4-digit)	RRD rate	RRD rate (CARICOM)
3305 (3)	Preparations for use on the hair	25%	25 %
3306 (3)	Preparations for oral or dental hygiene, including denture fixative pastes and powders; yarn used to clean between the teeth (dental floss), in individual retail packages	25%	25%
3307 (5)	Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included; prepared room deodorizers, whether or not perfumed or having disinfectant properties	25%	25%
9302 (1)	Revolvers and pistols, other than those of heading 93.03 or 93.04	20%	20%
9303 (4)	Other firearms and similar devices which operate by the firing of an explosive charge (for example, sporting shotguns and rifles, muzzle-loading firearms, Very pistols and other devices designed to project only signal flares, pistols and revolvers for firing blank ammunition, captive-bolt humane killers, line-throwing guns)	20%	20%
9304 (1)	Other arms (for example, spring, air or gas guns and pistols, truncheons), excluding those of heading 93.07	20%	20%
9305 (4)	Parts and accessories of articles of headings 93.01 to 93.04	20%	20%
6810 (1)	Articles of cement, of concrete or of artificial stone, whether or not reinforced	20%	20%
1704 (2)	Sugar confectionery (including white chocolate), not containing cocoa	15%	15%
7610 (1)	Aluminum structures (excluding prefabricated buildings of heading 94.06) and parts of structures (for example, bridges and bridge-sections, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors, balustrades, pillars and columns); aluminum plates, rods, profiles, tubes and the like, prepared for the use in structures	15%	15%
8704 (4)	Motor vehicles for the transport of goods	15%	15%
0210 (2)	Meat and edible meat offal, salted, in brine, dried or smoked; edible flours and meals of meat or meat offal	10%	10%
1106 (1)	Flour, meal and powder of the dried leguminous vegetables of heading 07.13, of sago or of roots or tubers of heading 07.14 or of the products of Chapter 8	10%	10%
1601 (4)	Sausages and similar products, of meat, meat offal or blood; food preparations based on these products	10%	10%
1602 (2)	Other prepared or preserved meat, meat offal or blood	10%	10%
2007 (4)	Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter	10%	10%
2002 (3)	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored, and other nonalcoholic beverages, not including fruit or vegetable juices of heading 20.09	10%	10%
7113 (4)	Articles of jewelry and parts thereof, of precious metal or of metal clad with precious metal	10%	10%
7114 (3)	Articles of goldsmiths' or silversmiths' wares and parts thereof, of precious metal or of metal clad with precious metal	10%	10%
7116 (2)	Articles of natural or cultured pearls, precious or semi-precious stones (natural, synthetic or reconstructed)	10%	10 %
7117 (3)	Imitation jewelry	10%	10%
8701 (1)	Tractors (other than tractors of heading 87.09)	10%	10%
8704 (7)	Motor vehicles for the transport of goods	10%	10%
9113 (1)	Watch straps, watch bands and watch bracelets, and parts thereof	10%	10%

HS code, 4-digit (No. Lines 8-digit)	Description (4-digit)	RRD rate	RRD rate (CARICOM)
7610 (1)	Aluminum structures (excluding prefabricated buildings of heading 94.06) and parts of structures (for example, bridges and bridge-sections, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors, balustrades, pillars and columns); aluminum plates, rods, profiles, tubes and the like, prepared for use in structures	5%	5%
8525 (1)	Transmission apparatus for radio broadcasting or television, whether or not incorporating reception apparatus or sound recording or reproducing apparatus; television cameras, digital cameras and video camera recorders	5%	5%
8528 (1)	Monitors and projectors, not incorporating television reception apparatus; reception apparatus for television, whether or not incorporating radiobroadcast receivers or sound or video recording or reproducing apparatus	5%	5%
8702 (14)	Motor vehicles for the transport of ten or more persons, including the driver	5%	5%
8703 (4)	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars	5%	5%
9006 (8)	Photographic (other than cinematographic) cameras; photographic flashlight apparatus and flashbulbs other than discharge lamps of heading 85.39	5 %	5%
9007 (4)	Cinematographic cameras and projectors, whether or not incorporating sound recording or reproducing apparatus	5%	5%
9101 (7)	Wrist-watches, pocket-watches and other watches, including stop-watches, with case of precious metal or of metal clad with precious metal	5%	5%
9102 (7)	Wrist-watches, pocket-watches and other watches, including stop-watches, other than those of heading 91.01	5%	5%

Source: Revenue Replacement Order, SI No. 61 of 2010 and WTO Belize Trade Policy Review 2010 and Belize Central Bank Annual Report 2011.
Note: The RRD on cigarettes was amended, effective 1 April 2011.

Annex 2: Products Subject to Import Licensing Requirements under the Supplies Control (Import/Export) Regulations, 2013

	Q.R. Item	*HS Code 6-digit*	*Description of product*	*Temporary Tariff*	*Applied Rate*	*Final Rate*	*Bound Tariff*
1	**Rice**	**1006**	Rice				
2	**Beans**	**0708.10.20**	Black-eyed peas, fresh, shelled or unshelled	40	40	80	110
		0708.20.90	Other beans, shelled or unshelled, fresh or chilled				
		0710.10.10	Leguminous vegetables (uncooked or cooked by steaming or boiling in water), shelled or unshelled, *frozen*	40	40	80	110
		0713.10.30	Black-eyed peas, dried, shelled, whether or not skinned	40	15	55	110
		0708.20.00	Beans (Vigna spp; Phaseolus spp): dried, shelled, whether or not skinned or split				
		0713.33.10	Red Kidney Beans				
		1201.00	Other soya beans, whether or not broken, not for sowing	40	40	80	110
3	**Eggs**	**0407.00.10**	Hatching eggs, for breeder flock, of the species *Gallus domesticus*	40	40	80	110
		0407.00.20	Hatching eggs, not for breeder flock, of the species *Gallus domesticus*	40	40	80	110
		0407.00.30	Other fresh eggs, of the species *Gallus domesticus*				
		0407.00.90	Other	40	40	80	110
4	**Flour**	**1101.00.10**	Flour of durum wheat	40	5	45	110
		1102.20.00	Maize flour				
5	**Fruits and Vegetables**	**0701.90.00**	Other potatoes, *fresh or chilled*				
		0702.00.00	Tomatoes, *fresh or chilled*				
		0704.10.10	Cauliflowers, *fresh or chilled*				
		0704.90.10	Cabbages, *fresh or chilled*				
		0705.11.00	Cabbage Lettuce (head lettuce), *fresh or chilled*				
		0705.19.00	Other lettuce, *fresh or chilled*				
		0706.10.10	Carrots, *fresh or chilled*				
		0707.00.10	Cucumbers, *fresh or chilled*	40	40	80	110
		0708.20.10	String beans, shelled or unshelled, *fresh or chilled*	0	40	40	110
		0709.30.00	Aubergines (eggplant), *fresh or chilled*	40	40	80	110
		0709.60.10	Sweet peppers, *fresh or chilled*				
		0709.60.90	Other peppers, *fresh or chilled*				
		0709.90.10	Zucchini, *fresh or chilled*	40	40	80	110
		0709.90.20	Ochroes, *fresh or chilled*	40	40	80	110
		0709.90.30	Pumpkins, *fresh or chilled*	40	40	80	110
		0709.90.40	Sweet corn (on the cob), *fresh or chilled*				
		0710.10.00	Potatoes (uncooked or cooked by steaming or boiling in water), frozen				
		0710.40.00	Sweet corn (uncooked or cooked by steaming or boiling in water), frozen	40	40	80	110

Q.R. Item		HS Code 6-digit	Description of product	Temporary Tariff	Applied Rate	Final Rate	Bound Tariff
		0710.80.30	Carrots (uncooked or cooked by steaming or boiling in water), *for use in industry, frozen*				
		0710.80.40	Other carrots (uncooked or cooked by steaming or boiling in water), frozen				
		0710.80.80	Other vegetables (uncooked or cooked by steaming or boiling in water), for use in industry, frozen				
		0710.80.90	Other vegetables (uncooked or cooked by steaming or boiling in water), frozen				
		0714	Manioc, salep, Jerusalem artichokes, sweet potatoes and similar roots and tubers with high starch or inulin content, fresh, chilled, frozen or dried, whether or not sliced or in the form of pellets; sago pith (excluding arrowroot of HS No. 0714.901000				
		0801.10	Coconuts, *fresh or dried*, whether or not shelled or peeled	40	40	80	110
		0803	Bananas, including plantains, *fresh or dried*	40	40	80	110
		0804.30.00	Pineapples, *fresh*				
		0804.40.00	Avocados, *fresh*	40	40	80	110
		0804.50.10	Guavas, *fresh*	40	40	80	110
		0804.50.20	Mangoes, *fresh*	40	40	80	110
		0804.50.30	Mangosteens, *fresh*	40	40	80	110
		0807.11.00	Watermelons, *fresh*				
		0807.19.10	Cantaloupes, *fresh*				
		0807.19.20	Muskmelons, *fresh*				
		0807.19.90	Other melons, *fresh*	40	40	80	110
		0807.20.00	Papaws (papayas), *fresh*	40	40	80	110
		0810.90.10	Sapodillas, *fresh*	40	40	80	110
		0810.90.20	Golden apples, *fresh*	0	40	40	110
		0810.90.30	Passion fruit, *fresh*	40	40	80	110
		0810.90.40	Soursop, *fresh*	40	40	80	110
		0810.90.50	Breadfruit, *fresh*	40	40	80	110
		0810.90.60	Carambolas, *fresh*	40	40	80	110
		0810.90.80	Christophine (Chayote), *fresh*	40	40	80	110
		0811.90.90	Pineapples, uncooked or cooked by steaming or boiling in water, frozen, whether or not containing added sugar or other sweetening matter	40	15	55	110
6	**Meats and Meat Preparations**	**0201**	Meat of bovine animals, *fresh or chilled*				
		0202	Meat of bovine animals, frozen				
		0203	Meat of swine, fresh, *chilled or frozen*				
		0206	Edible offal of bovine animals, swine, sheep and goats, fresh, *chilled or frozen*	0	5	5	110
		0210.11.10	Hams, shoulders and cuts thereof, with bone in				
		0210.12.10	Bacon				
		0210.12.00	Bellies (streaky) and cuts thereof: salted, in brine, dried or smoked				
		1601.00.20	Other chicken sausages *(except canned)*				

	Q.R. Item	*HS Code 6-digit*	*Description of product*	*Temporary Tariff*	*Applied Rate*	*Final Rate*	*Bound Tariff*
		1601.00.30	Salami sausages *(except canned)*				
		1601.00.90	Other sausages *(except canned)*				
		1602	Other prepared or preserved meat, meat offal or blood, except goods classified under HS No. 1602.102000; 1602.491000 (canned only); and 1602.501000				
7	**Molasses and sugar (excluding icing sugar)**	**1701**	Cane sugar, excluding icing sugar of HS No. 1701.991				
		1703	Molasses resulting from the extraction or refining of sugar				
8	**Beer and Beverages as classified under H.S. 22.02 and 22.03 respectively**	**2202**	Waters, including mineral waters aerated water, containing added sugar or other sweetening matter or flavored, and other nonalcoholic beverages				
			Beer made from malt				
9	**Fruit and Vegetable Juices**	**2009**	Fruit and Vegetable juices and mixtures thereof (excluding citrus juices and preparation for infant use, put up for retail sale	40	60	100	100
10	**Maize**	**1005**	Maize (corn)				
11	**Milk**	**0401**	Milk and cream, not concentrated nor containing added sugar or other sweetening matter.				
12	**Poultry: live or frozen, (excluding baby chicks)**	**0105**	Live poultry, that is to say, fowls of the species fresh, chilled guinea fowls (excluding baby chicks)				
		0207.10	Meat and edible offal, of fowls of the species *Gallus domesticus* (Heading No. 01.05), fresh, chilled or frozen				
		0207.20	Meat and edible offal, of turkeys, fresh, chilled or frozen				
13	**Citrus and beverages containing citrus products**	**2007.91.10**	Citrus fruit puree and fruit paste, not in retail packages				
		0805	Citrus fruit, fresh or dried				
		2007.91.90	Other citrus fruit cooked preparations, whether or not containing added sugar or other sweetening matter	40	20	60	110
		2008.30.00	Citrus fruit, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included.				
		2009.00.00	Orange juice, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter.				
		2009.21.00	Grapefruit juice, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter.				
		2009.31.00	Juice of any other single citrus fruit,				

	Q.R. Item	HS Code 6-digit	Description of product	Temporary Tariff	Applied Rate	Final Rate	Bound Tariff
			unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter.				
		2009.90.20	Other mixtures of grapefruit and orange juices				
14	Jams, jellies and pepper sauce jams only	2007.99.20	Pineapple based jams and jellies	40	20	60	110
		2007.99.30	Guava jams and jellies	40	20	60	110
		2007.99.90	Citrus-based marmalades and citrus-based	40	20	60	110
		2103.90.10	Pepper sauce	40	45	85	110
15	Animal feed Classified under H.S.23.09	2309.90.30	Prepared complete poultry feed				
		2309.90.40	Prepared complete cattle feed.				
		2309.90.50	Prepared complete pig feed				
		2309.90.60	Other prepared complete animal feeds (except bird, cat, or dog food)	40	15	55	110
16	Peanuts	1202.10.00	Peanuts, not roasted or otherwise cooked, in shell	40	40	80	110
		1202.20.90	Other peanuts, not roasted or otherwise cooked, shelled	40	40	80	110
17	Fuels (petroleum products)	2710.13.00	Motor spirit: gasoline				100
		2710.11.31	Gasoline 90 Octane or more (Premium)				
		2710.19.20	Kerosene				100
		2710.31.00	Diesel				100
18	Gases	27.11.13.00	Butanes				100
19	Toilet paper	4818.10.00	Toilet paper	40	30	70	70
20	Yachts and other vessels	8903	Yachts and other vessels for pleasure or sports,(excluding rowing boats and canoes)	0	20	20	70
21	Furniture of wood cane, osier, bamboo, rattan or similar material	9401.50.00	Seats of cane, osier, bamboo, rattan or similar material	40	20	60	70
		9403.30.00	*Wooden furniture* of a kind used in offices				
		9403.40.00	*Wooden furniture* of a kind used in the kitchen				
		9403.50.00	*Wooden furniture* of a kind used in the bedroom				
		9403.60.10	Other wooden furniture of a kind used in schools, churches and laboratories.	40	20	60	70
		9403.60.90	Other *wooden furniture.*				
		9403.80.10	Furniture of other materials, including *cane, osier, bamboo, rattan or similar material*, of a kind used in offices	40	10	50	70
		9403.80.20	Furniture of other materials, including *cane, osier, bamboo*, rattan or similar material, of a kind used in schools, churches and laboratories	40	20	60	70
		9403.80.90	Other furniture of cane, osier, bamboo, rattan or similar material	0	20	20	70
		9404.10.00	Mattress supports *(of wood only)*	0	35	35	70
		9406.00.10	Prefabricated buildings *of wood*	40	20	60	70

Q.R. Item	HS Code 6-digit	Description of product	Temporary Tariff	Applied Rate	Final Rate	Bound Tariff
22	**4403**	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared	40	25	65	70
	4404	Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned bent or otherwise worked, suitable for the manufacture of walking sticks, umbrellas, tool handles or the like.	40	5	45	70
	4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6 mm.	40	5	45	70
	4409	Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, molded, rounded or the like) along any of its edges or faces, whether or not planed, sanded or finger-jointed.	40	15	55	70
	4414.00.00	Wooden frames for paintings, photographs, mirrors or similar objects, *not mounted.*	0	25	25	70
Lumber and articles made of wood	**4417.00.10**	Handles (for brooms *only*), of wood	0	5	5	70
	4418.10.00	Windows, French windows and their frames	0	20	20	70
	4418.20.00	Doors and their frames and thresholds	40	20	60	70
	4418.30.00	Parquet panels	40	15	55	70
	4418.40.00	Shuttering for concrete constructional works	0	15	15	70
	4420	Wood marquetry and inlaid wood; cases for jewelry or cutlery, and similar articles, of wood; statuettes and other ornaments, of wood; wooden articles of furniture not falling in Chapter 94 (excluding caskets)				

Source: Customs and Excise Duties (Amendment) Act, 2012 and Information provided by the Ministry of Trade and the Belize Chamber of Commerce and Industry.

Notes:
- (blue) Tariff lines proposed for removal
- (pink) Tariff lines to be phased out over 4 years

Total Tariff Lines = 124

Proposed for Removal and Phase Out = 63