

Table 6. NIS Investment Yields, Inflation, and Economic Growth

	1980-1998		Real Yields				Inflation		Economic Growth	
	1980-1998		1980-1985	1985-1990	1990-1995	1995-1998	1980-1998		1980-1998	
	Mean	Variability	Mean	Mean	Mean	Mean	Mean	Variability	Mean	Variability
Anguilla	0.1	4.3	-0.8	-4.2	3.5	3	6	3.8	3.7	5.6
Antigua and Barbuda	-1.7	2.3	-1.8	-2.8	0	-1.1	3.4	3.1	5.2	4.9
Dominica	1.8	2.3	0.8	0.7	2	3.7	4.9	2.3	4.1	3.7
Grenada	2.2	3.5	-1	1.6	3.7	4.1	3.6	2.5	4.3	3
Montserrat	17	8.9	NA	18.7	15.2	NA	4.7	3.4	2.2	6.5
St. Kitts and Nevis	0.1	3.6	-0.2	-1	1.1	1.5	5.7	3.8	5.2	2.9
St. Lucia	3.1	2.6	2	2.8	2.6	3.5	4.1	2.5	3.1	4.7
St. Vincent and The Grenadines	2.2	3.2	0.6	2.5	2.7	3.5	5	3.7	3.8	4.3

Source: Nicholls (2002)

VIII. REGIONAL INTEGRATION AND TRADE POLICY⁹²

206. The members of the ECCU are at the confluence of two distinct forces towards regional integration the first involves the smaller group of Caribbean leeward and windward islands, the Organization of Eastern Caribbean States (OECS), while the second covers the wider Caribbean region, the Caribbean Community (CARICOM). Regional integration and cooperation have remained key political objectives in the region, which gave rise to the forerunners of the current regional organizations. Particularly noteworthy are the British West Indies Federation (1958 to 1962), the Caribbean Free Trade Area (CARIFTA) which was CARICOM's immediate predecessor, and a variety of institutions for the provision of common services,⁹³ all set against a backdrop of the region's political independence movement. This paper describes the principal objectives and structure of the vehicles of regional integration for the ECCU members, particularly the OECS and CARICOM. Given that trade is key in integrating the region to the rest of the world, the last section presents the principal aspects and developments with regard to the trade regime with non-CARICOM countries.

A. The Organization of Eastern Caribbean States (OECS)

207. The Organization of Eastern Caribbean States (OECS) was established by the "*Treaty of Basseterre*" which was signed in June 1981 by seven of the region's governments: Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. Since then the British Virgin Islands and Anguilla have both been admitted to the OECS as associate members.⁹⁴ Important precursors to the OECS Treaty are the West Indies Associated States (WISA) Council of Ministers, which was created in 1966 to administer the members' common services and to serve as a forum for common issues, and the Eastern Caribbean Common Market (ECCM) which was created in 1968 to promote the harmonious and equitable development of the Eastern Caribbean region, both of which attempted to fill the gap that was left following the collapse in 1962 of the British West Indies Federation. The secretariats of WISA and the ECCM were eventually subsumed and integrated into the OECS Secretariat.

⁹² Prepared by Patrick Njoroge (WHD)

⁹³ These include the University of the West Indies (UWI), a regional shipping services, and a regional meteorological service.

⁹⁴ Thus, the OECS comprises the eight member countries and territories of the ECCU and the British Virgin Islands (BVI). The BVI and Anguilla were admitted in 1984 and 1995 respectively. Unlike a "full member," the rights and obligations of an "associate member" do not extend to all aspects of the Treaty and these are specified when the member is admitted.

Box 1. Areas of Special Relevance to the Objectives of the OECS¹

The OECS Treaty lists the following 18 areas as of particular importance for members to coordinate, harmonize and pursue joint policies, so as to achieve the main objectives of the OECS. These are:

1. External relations including overseas representation,
2. International trade agreements and other external economic relations,
3. Financial and technical assistance from external sources,
4. International marketing of goods and services including tourism,
5. External transportation and communication including civil aviation,
6. Economic integration among the members through the provisions of the Agreement establishing the East Caribbean Common Market,
7. Matters relating to the sea and its resources,
8. The judiciary,
9. Currency and central banking,
10. Audit,
11. Statistics,
12. Income tax administration,
13. Customs and excise administration,
14. Tertiary education including university,
15. Training in public administration and management,
16. Scientific, technical and cultural cooperation,
17. Mutual defense and security, and
18. Such other activities calculated to further the purpose of the OECS as the members may from time to time decide.

^{1/} *"The Treaty Establishing the Organisation of Eastern Caribbean States"* June 1981, Article 3.2

208. The purposes of the OECS include: promoting cooperation among the members at the regional and international level; promoting unity and solidarity among the members and defending their sovereignty, territorial integrity and independence; assisting members in realizing their obligations and responsibilities to the international community; seeking the harmonization of members' foreign policy, including common positions on international issues and arrangements for joint overseas representation and/or common services; and promoting economic integration among the members. To this end the OECS Treaty identifies 18 areas of special relevance for the coordination and harmonization of policies (see Box 1). The **OECS Authority** is the highest decision-making body, comprising of the Heads of Government (Prime Ministers and Chief Ministers) of the member states and territories. The OECS Authority meets at least twice a year, under a rotating chairmanship, and the ordinary business of the OECS is entrusted to a secretariat that is headed by the Director-General, who is appointed by the OECS Authority.

209. The current responsibilities of the **OECS Secretariat** include the regional coordination of the development policies of the members, representing the member government's interests in external trade negotiations, and advising them on the fulfillment of their respective commitments in this area. Additionally the Secretariat is responsible for the OECS Health Sector Reform Program, funded by the government of France, which aims at strengthening the ministries of health, re-organizing the health systems to allow greater sharing of health services and improving its quality. Other principal responsibilities and projects are organized around the following units:

- *The OECS Education Reform Unit (OERU)*, works with the region's governments and other partners to expand access, improve the quality and ensure equity in the education system aimed at developing human resources for effective participation in a competitive global environment. The OERU is currently responsible for two projects; the Eastern Caribbean Education Reform Project (ECERP) with Canadian funding, to reform the formal education system to improve the quality of the human resource, and the Human Resource Development Tertiary Level Program with funding from the European Development Fund, to increase tertiary education capacity to improve the level of trained human resource in priority sectors.
- *The OECS Export Development Unit (OEDU)* which is responsible for the development, promotion, and expansion of exports, by mobilizing technical and financial support for private sector enterprises in agriculture, manufacturing and services, and providing relevant advice to the region's governments. The OEDU is currently responsible for the Small and Medium Enterprise Development Project (SMEDP) with funding from USAID.
- *The OECS Environment and Sustainable Development Unit (OESDU)*, which provides environmental management services to the region's governments, through the provision of technical assistance and development of harmonized policies. The OESDU is currently responsible for six projects, with funding from various donors, covering coastal and marine resources management, environmental planning, watershed management, waste management and information, communication and public awareness.
- *The OECS Pharmaceutical Procurement Service (OPPS)*, responsible for monitoring the supply of drugs and other items, and negotiating on behalf of the region.
- *The OECS Social Development Unit (OSDU)*, which assists member governments to strengthens the linkages between economic and social strategy development and also provides the OECS Secretariat with the capacity to assess and monitor human and social development related activities. Work underway includes formulation of social development policies, preparation of poverty reduction documents, design, and development of social indicators database, preparation of human development reports.

OECS Regional Integration

210. At the July 2001 meeting, the OECS Authority agreed to deepen their economic integration by creating an economic union. This followed an appreciation of the disadvantages stemming from their small size and the strength of a collective approach in addressing the challenges of globalization and trade liberalization, and gave new impetus to the aspiration for economic integration specified in the OECS Treaty. The intention is the creation of a single OECS Economic Union within which products, labor and capital moves freely, which would allow diversified economic growth, increased employment, and position the OECS to interface more effectively with the wider CARICOM Single Market and Economy initiative.

211. At the January 2002 meeting of the OECS Authority an agreement was reached, excepting Anguilla and the British Virgin Islands,⁹⁵ on measures that would allow free movement of labor, including amendments on immigration and landholding laws, and the introduction of an OECS passport. At the October 2002 meeting, the OECS Authority reiterated its commitment to the creation of the OECS Economic Union and agreed on appointing a committee that would review the “*Treaty of Basseterre*” and recommend how this could be aligned with the requirements of an economic union. The OECS Authority also established target dates for the free movement of goods and services (end-2003), free movement of labor (end-2007), and endorsed the ECCB’s program to develop and unify the money and capital markets.

The OECS Development Charter

212. At the October 2002 meeting, the OECS Authority approved “*The OECS Development Charter*” which outlines the development objectives for the region and how these would be achieved. The Charter presents the overarching development objective for the region as advancing the well-being of the population, expressed in terms of their needs, aspirations, and capacity. This objective is to be pursued by implementing programs that will raise living standards, improve working conditions, enhance labor skills, and protect vulnerable groups. The immediate objectives for these programs would include: reducing poverty, especially by training programs that target the poor, and particularly women and youth; facilitating a substantial increase in private sector employment; expanding access to education; improving access and the quality of health services; a sustainable use of environmental resources; empowering the disadvantaged; developing sports; and improving governance. The Charter recognizes the constraints facing the region and embraces the strengthening of a collective approach, deepening regional integration, and cooperation through regional institutions and particularly the creation of the OECS Economic Union.

213. The Charter outlines the set of economic policies that would underpin the development objective. These policies would aim to enhance investment and employment opportunities, encourage domestic savings, and stimulate economic activity in a competitive environment. These policies include a fiscal reform that would contain the accumulation of debt, and increase the efficiency of the expenditure and revenue systems; a public sector reform; improvement in the incentive regime for investments; maintenance of low inflation and a stable exchange rate. In addition, the Charter outlines policies to transform agriculture in line with the region’s comparative advantage, enhance the tourism sector’s contribution, support the development of the non-tourism service sector, strengthen the development of the domestic and offshore financial services sector, strengthen the development of enclave manufacturing and agro-processing and reduce emphasis on import substitution, and establish a well-functioning transportation network.

⁹⁵ Both these members were anxious that their acceptance of such an agreement may exacerbate labor conditions in their territories or might interfere with their existing special relations with some non-OECS countries and territories.

214. At the approval of the Charter, the OECS Authority gave guidance on critical areas of priority action and provided additional guidance on some of the initiatives that would be implemented. The region's medium-term targets were defined and agreement was reached on a reform and transformation process that would begin in January 2003 with the first phase would end in December 2007.⁹⁶ Key priorities for the reform and transformation process include

- the free circulation of goods and services within the OECS by end-2003;
- free movement of labor within the OECS by end-2007;
- maintaining the existing fixed exchange rate system and low inflation;
- strengthening the fiscal situation, by implementing adjustment programs that include a tax reform in line with the advice expected from the Tax Commission, a public sector reform that establishes an appropriate expenditure system, strengthens the efficiency of expenditures particularly in the social sector and the Public Sector Investment Program (PSIP), and improved debt management;
- reaching agreement on income policies through tripartite committees (representing the government, trade unions and the private sector) for an equitable distribution of productivity gains; and
- the immediate priorities in tourism, agriculture, manufacturing, and the information technology sectors were also outlined.

215. In sum, "*The OECS Development Charter*" provides appropriate general guidance on the region's development agenda, which is further specified by subsequent statements of the OECS Authority. However, the relevance of the Charter will be demonstrated by how closely the policies in the region conform to the agreed statements.

Joint Overseas Representation

216. The OECS governments have made known their wish to establish offices abroad of joint representation, and thus benefit from the economies of scale. So far, a joint High Commission has been established in Ottawa, Canada (for the OECS members except Anguilla and the British Virgin Islands), and in Brussels, Belgium (for the OECS members except Anguilla, Antigua and Barbuda, Montserrat and Grenada). Negotiations are to be requested with the government of Switzerland and the WTO, for the establishment of a joint mission in Geneva.

⁹⁶ The agreed medium-term targets were: sustained annual real growth of 6 percent; high quality employment with unemployment of less than 6 percent; poverty levels below 6 percent; Human Development Index (HDI) targets that are consistent with international standards, and the establishment of diversified and competitive economies.

B. Other Non-Financial Regional Institutions in the Eastern Caribbean

217. There are other regional institutions in the Eastern Caribbean in addition to the regional financial institutions,⁹⁷ some of which pre-date the OECS. This section puts forward these other regional institutions in the Eastern Caribbean and summarizes their main objectives.

Eastern Caribbean Telecommunications Authority (ECTEL)

218. This was established by the ECTEL Treaty of May 2000, signed by five countries: Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. The purpose of ECTEL is to advise and coordinate with the member countries on regulatory policy in the telecommunications sector, while promoting its liberalization and development. The ECTEL is guided by a Council of Ministers that meets at least once a year, with the more immediate guidance of its operations entrusted to a Board of Directors and to a Managing Director. In exercising its duties, the ECTEL is in regular contact with the National Telecommunications Regulatory Commission in each of the member countries. The ECTEL is headquartered in St. Lucia.

The Directorate of Civil Aviation (DCA)

219. The DCA regulates and provides safety oversight over all aspects of civil aviation within the territories of the OECS members except for the British Virgin Islands. The DCA operates under the guidance of a Civil Aviation Regulatory Board, comprising of the ministers responsible for civil aviation. The DCA has been in existence since 1957, though its structure and operations have changed with realities of political changes and in the field of civil aviation. The DCA is headquartered in Antigua and Barbuda.

Eastern Caribbean Supreme Court (ECSC)

220. The "West Indies Associated States Supreme Court Order" No. 223 established the Eastern Caribbean Supreme Court in 1967. It is the superior court for the OECS members, with unlimited jurisdiction in accordance with the respective Supreme Court Acts.⁹⁸ The ECSC comprises of the Court of Appeal, which sits as needed in the member's countries, and the High Court, which sits continually in each member country. The head of the ECSC is the Chief Justice, who is appointed by the Queen of England.

⁹⁷ The financial institutions include the Eastern Caribbean Central Bank (whose older predecessor, the British Caribbean Currency Board, was established in 1950), the Eastern Caribbean Home Mortgage Bank (established in 1994), the Eastern Caribbean Securities Exchange (established in 2001), and the Eastern Caribbean Regional Government Securities Market (established in 2002). Efforts are underway to establish two new institutions; the Eastern Caribbean Unit Trust and the Eastern Caribbean Enterprise Fund.

⁹⁸ The highest court in the region, however, is the British Privy Council. It is expected that this will be replaced by the Caribbean Court of Justice, once this is established, following an agreement reached in the February 2001 meeting of CARICOM Heads of Government.

221. The Court of Appeal hears appeals from the decisions of the High Court and Magistrates' Courts of the members in both civil and criminal matters. The Court of Appeal also hears appeals from the Industrial Court in Antigua and Barbuda and the Administrative Tribunals in the British Virgin Islands and Montserrat.

Windward Islands Banana Development and Exporting Company (WIBDECO)

222. Banana farmers and the governments of Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines jointly own WIBDECO. WIBDECO provides technical and agronomic support to farmers, and markets and transports the product to the UK. WIBDECO is headquartered in St. Lucia.

C. The Caribbean Community (CARICOM)

223. The Caribbean Community (CARICOM) was established by the "*Treaty of Chaguaramas*" which was signed in Trinidad in July 1973 by Barbados, Jamaica, Guyana, and Trinidad and Tobago, and were joined shortly thereafter by eight other territories principally from the Eastern Caribbean.⁹⁹ The creation of CARICOM was the culmination of regional integration efforts that spanned more than a decade, with the Caribbean Free Trade Area (CARIFTA) as its immediate predecessor.

224. The purpose of CARICOM is to promote economic cooperation among its members, to coordinate foreign policy among its independent members, and to provide an instrument for cooperation in common services and in social and other areas. The Conference of Heads of Government (**The Conference**) is the highest decision-making body, comprising of the Heads of Government of the members.¹⁰⁰ The Council of Ministers (**The Council**) is the second highest body, consisting of two ministers from each member, one being the minister responsible for CARICOM affairs. The Council is responsible for CARICOM's strategic planning and coordination in the areas of CARICOM's mandate, and for establishing a system of consultations within the region so as to ensure the effectiveness of CARICOM's decision-making and implementation processes. In addition, CARICOM has four **Ministerial Councils** to assist in the specific areas as follows:

- o *the Council for Trade and Economic Development (COTED)*, to promote CARICOM's trade and economic development, and to oversee the operations of the single market and economy initiative,

⁹⁹ The current 15 members of CARICOM are: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago. Haiti is the newest member, as from July 2002. Anguilla, the British Virgin Islands (BVI), Cayman Islands, and Turks and Caicos are associate members.

¹⁰⁰ In 1992, a Bureau was created comprising the current, incoming and outgoing chairmen of the Conference, and CARICOM's Secretary-General, to deal with some of matters of the Conference. The Bureau meets as needed and reports to the Conference.

- *the Council for Foreign and Community Relations (COFCOR)*, to determine CARICOM's relations with international bodies and third states,
- *the Council for Human and Social Development (COHSOD)*, to promote human and social development, and
- *the Council for Finance and Planning (COFAP)*, to coordinate economic policy and financial and monetary integration of CARICOM members.

225. Additionally, the "*Treaty of Chaguaramas*" provides for three committees: *The Legal Affairs Committee*, comprising of ministers responsible for legal affairs or the Attorney Generals; the *Committee of Central Bank Governors*, consisting of the heads of central banks or their nominees; and the *Budget Committee*, consisting of senior officials of the members. A Secretariat was also provided for, headed by a Secretary-General, to carry out the ordinary business of CARICOM.

Caribbean Single Market and Economy (CSME)

226. In 1989, the Conference decided to integrate the CARICOM economies into a unified market with free movement of goods, services, capital and labor, and a single economy that would operate under the same coordinated and harmonized economic policies. The intention was that this would allow the region to exploit economies of scale from a large internal market and strengthen its international bargaining position, in an effort to deal with globalization, but without establishing a political union. It was apparent that to implement the CSME the "*Treaty of Chaguaramas*" needed to be modified, which was done subsequently by negotiating nine Protocols (see Box 2). However, two issues continue to plague its implementation. *First*, the process has been characterized by slow progress in bringing national laws in line with the tenets of the Protocols. The lack of political will and reluctance to give up control at the national level appear to be the relevant impediments.¹⁰¹ *Second*, there has been a lack of awareness by the citizens in the member countries of the CSME agreements and their implications.

227. Protocol II was signed in 1997 but did not come into effect until July 1998. Since 1989, the focus of the issues under this Protocol has been the removal of restrictions on the rights of establishment, provision of services, and free movement of capital. Lists of these restrictions were developed with the help of consultants, and a process of phasing them out started in January 2001. The restrictions have been grouped into three, and agreement reached for their elimination by end-2003, 2004 and 2005.

¹⁰¹ It has been suggested that the need to protect individual country sovereignty and the risk that the CSME process may eventually lead to a process of political unification, has been at the core of the delays in implementing the CSME.

Box 2. The Caribbean Single Market and Economy (CSME)

In the 1989 "Grand Anse Declaration" agreement was reached on the establishment of the CSME as soon as possible, and a work program that would achieve this by July 4, 1993. The work program was as follows:

1. Revising and coming into force of the three instruments required by the "Treaty of Chaguaramas" for the establishment of a common market (on the common external tariff, rules of origin, and a harmonized scheme of fiscal incentives), by January 1991.
2. Strengthening customs administration in the member countries and their cooperation, in advance of the establishment of a customs union.
3. The signing of the agreement establishing the CARICOM Industrial Programming Scheme (CIPS), by September 30, 1989.
4. Enactment of the legislation required to give effect to CIPS and the CARICOM Enterprise Regime (CER), by January 1990.
5. Introduction of a scheme for the movement of capital, starting with the cross-listing and trading of securities on existing stock exchange, by 1993.
6. Immediate start of technical work on the establishment of a regional Equity/Venture Capital Fund.
7. Strengthening and re-establishing of the CARICOM Multilateral Clearing Facility for current and capital transactions, by December 1990.
8. Enhancement of arrangements to intensify consultation and cooperation on monetary, financial and exchange rate policies, by July 1990.
9. Removal of all remaining barriers to intra-CARICOM trade, by July 1991.
10. Immediate activation of relevant part of the "Treaty of Chaguaramas" so as to promote consultation, cooperation and coordination of policies at the macro-economic, sectoral and project levels.
11. Free movement of skilled workers and professionals, and contract workers on a seasonal or project basis, by January 1991.
12. Developing a regional system of air and sea transportation, including the pooling of resources by existing air and sea carriers, by July 4, 1992.
13. Immediate collective effort for joint representation in international economic negotiations and the sharing of facilities and offices.

Following the "Grand Anse Declaration" and subsequent negotiations, the CSME was pursued by adopting nine Protocols that amended the "Treaty of Chaguaramas" in the areas of agreement, and by re-aligning each member's laws and policies to these agreements. To date, the main provisions of the CSME are set out in Protocols II and IV, as the free trade of goods and services within CARICOM, and the free movement of labor, capital and persons; the harmonization and liberalization of non-CARICOM trade; and the harmonization and coordination of economic policy within CARICOM. These are to be achieved by the removal of cross-border restrictions, establishing a common regime for trade with non-CARICOM countries, and a reduction of external tariffs. The purposes of the other protocols are the following:

- Protocols III and V outlines the region's industrial and agricultural policies that would provide an competitive environment for the industrial, services and agriculture sectors.
- Protocol VI deals with establishing an adequate, save and competitive transportation system.
- Protocol VII provides for temporary technical and financial support to the disadvantaged member countries and those sectors or countries that will be harmed by the establishment of the CSME.
- Protocols VIII and IX provides for fair competition, consumer protection, and mechanism for disputes settlement, and
- Protocol I provides the regional institutional framework to support the CSME process.

However, delays have arisen in bringing these Protocols into force and their implementation by member countries, and discussions have continued towards the objectives in the other areas. In an effort to accelerate the implementation of the CSME, a revised Treaty was signed in February 2002 which incorporated all the previous Protocols, and whose ratification would bring into force the agreed components of the CSME.

228. Protocol IV was signed in 1999 and came into force in February 2000, and there has been a twofold focus on the issues under this Protocol, namely first, providing unrestricted access to each other's product markets by the removal of existing restrictions but with few exceptions. An agreement was reached to dismantle the remaining restrictions by end-1996. To date, these restrictions have almost completely been dismantled but some members still retain some restrictions that are inconsistent with the Protocol second, the continuation of efforts towards common external trade policies and trade liberalization. The "*Treaty of Chaguaramas*" had set a deadline of August 1981 for members to adopt a common external tariff (CET), which was not met by 1989. A subsequent deadline was set and missed, culminating in the introduction in October 1992 of a phased reduction of the CET and by January 1, 1998. Only two countries (Trinidad and Tobago and St. Vincent and the Grenadines) met that deadline, and four members (including Antigua and Barbuda, St. Kitts and Nevis, and Montserrat) had still not achieved it as at end-2002. A regional negotiating body that represents CARICOM members in international trade negotiations, was established in 1994.

229. Implementation of Protocol IX has focused on establishing the Caribbean Court of Justice as the highest court in the region, and the arbitrator on matters pertaining to the "*Treaty of Chaguaramas*." An agreement was reached in 2001 though several members have yet to sign and ratify the agreement, and none has enacted it into national legislation. It is expected that the Caribbean Court of Justice will be established in 2003.

230. On other issues, a proposal for monetary integration was approved in 1992. A common currency area for a selection of countries with stable and convertible currencies and low inflation (OECS countries, The Bahamas and Belize), was proposed along with the coordination of monetary policies and a gradual reduction of exchange rate fluctuations in the other countries. It was expected that this would allow the creation of a common currency area for the entire region by 2000. However, in 1994, the *Committee of Central Bank Governors* advised the Conference against pursuing a monetary union on the announced timetable, and the issue has not been addressed since then. More broadly, there has been little progress at the CARICOM level towards the coordination of macroeconomic and sectoral policies. Some progress has been made towards developing a regional capital market. Cross-listing and cross-border trading of securities can take place on three stock exchanges, and a stock exchange for the OECS countries was opened in 2001.

D. External Trade Policy and Practices in the ECCU

231. Given the substantial liberalization of intra-CARICOM trade, the bulk of the external trade policies of the ECCU members relates to their trade with non-CARICOM countries. This section discusses the principal aspects and developments with regard to the trade regime with non-CARICOM countries.

Characterizing the External Trade Policy

232. As discussed above, in October 1992 OECS countries agreed with other CARICOM members on a phased reduction of the common external tariff (CET), starting on January 1, 1993 and a target date of January 1, 1998 for the introduction of the final phase (Phase IV). Whereas the only country in the OECS to reach this goal was St. Vincent and the Grenadines, other countries have subsequently introduced Phase IV of the CET and as at end-2002 only Antigua and Barbuda and St. Kitts and Nevis had yet to introduce it. Under the Phase IV of the CET, tariffs on agricultural products were set at a maximum of 40 percent. Tariffs on the non-agricultural products were to be lowered to a maximum of 20 percent. However, there have been other complicating factors that have allowed duties to vary widely in the region. *First*, exemptions to the CET were allowed for a list of revenue-sensitive products, and for goods that a country regards as competing and wished to protect, but whose production accounts for less than 75 percent of regional consumption. *Second*, temporary suspension of CET rates on a number of agricultural products to the less developed members (mainly the OECS countries) was introduced. *Third*, the CET includes a list of conditional duty exemptions, mainly to be used for approved purposes. Duties can also be suspended in cases of temporary supply shortages.

233. The external tariff regime in the ECCU countries at end-2001 is summarized in Table 1. While the simple average tariffs are lower than 15 percent, customs and other charges are significant and there is wide dispersion in the tariffs. The maximum tariffs are also high, especially in Dominica, Antigua and Barbuda, St. Kitts and Nevis, and St. Lucia.¹⁰² Additionally, the Fund's restrictiveness index characterizes these regimes as moderately restrictive.

Table 1. ECCU: Summary of Tariff Regime for Non-CARICOM Trade, as at end-2001
(as a percent, unless otherwise indicated)

	Antigua and Barbuda	Dominica	Grenada	St. Kitts and Nevis	St. Lucia	St. Vincent and the Grenadines
Combined Average	24.5	15.1	16.2	16.5	14.1	14.9
Customs and other charges	10.0	2.0	5.0	5.0	4.0	4.0
Average tariff (simple average)	14.5	13.1	11.2	11.5	10.1	10.9
Agriculture	20.9	24.7	18.2	16.1	16.6	18.0
Non-Agriculture excluding petroleum	13.1	10.9	9.8	10.6	8.8	9.6
Maximum tariff	70.0	200.0	40.0	70.0	70.0	40.0
Minimum tariff	0.0	0.0	0.0	0.0	0.0	0.0
Standard deviation	...	21.6	10.1
Number of tariff lines (number)	4,077	6,333	6,334	6,368	6,330	6,237
Overall Trade Restrictive Rating (index)	7	6	6	6	5	5
Tariffs (index)	4	3	3	3	2	2
Non tariff barriers (index)	2	2	2	2	2	2

Sources: WTO's reports on the OECS-WTO Trade policy review; IMF's Trade Restrictiveness Database.

¹⁰² The maximum of 70 percent in St. Lucia applies to arms and munitions, otherwise the maximum is 45 percent.

The OECS-WTO Trade Policy Review

234. In June 2001, the WTO completed the first review of the trade policies and practices of the OECS-WTO members.¹⁰³ Several issues were highlighted at that review, especially that the OECS members were slow in applying domestically their WTO commitments, including on WTO notification and the needed legislative reform to implement the WTO agreements. It was argued that these delays were principally due to the lack of human resources and adequate infrastructure. Other areas of concern included:

- Customs service charges have not reflected processing cost but have been used more like tariff surcharges.
- WTO bindings were exceeded by the applied rate in some cases, and in even more cases when the customs service charge is also included.
- Except for Dominica, quantitative restrictions apply on some imports. It is expected that these will be converted to tariffs by 2005. Import licensing is also widely used.
- Customs valuation methods are not fully WTO-consistent.
- Updated legislation on trade-related aspects of intellectual property rights (TRIPS) are generally not in place.
- The process for government procurement seemed to lack transparency.

Special Trading Arrangements for Banana and Sugar Exports

235. Along with others in the African Caribbean and Pacific (ACP) countries, banana exporters in Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines have over the years benefited from the various Lomé Conventions. These encapsulated trade cooperation with the EU in the awards of preferential tariffs and quotas. This regime benefited the ACP countries but recently came under heavy scrutiny since it was not WTO-compatible. Concomitantly, sugar exporters in the OECS and other Caribbean countries have benefited from the EU's "*Sugar Protocol*," which provides specific quotas for imports to the EU at a set price that is well above world prices.

236. In June 2000, the OECS and other ACP countries signed with the EU the Cotonou Agreement, which is the successor of the Lomé Conventions. Under this agreement,

¹⁰³ All ECCU members except Montserrat and Anguilla are members of the WTO. Their membership's dates are: January 1, 1995 for Antigua and Barbuda, Dominica, St. Lucia, and St. Vincent and the Grenadines; February 21, 1996 for St. Kitts and Nevis; and February 21, 1996 for Grenada.