Competitiveness Study

THE CARICOM REGIONAL TRANSFORMATION PROGRAMME FOR AGRICULTURE

A Review of Agricultural Policies: CASE STUDY OF BELIZE

REPORT PREPARED FOR THE CARICOM SECRETARIAT

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GLOSSARY OF TERMS

AoA	Agreement on Agriculture
BABCO	Belize Agri-business Company
BAHA	The Belize Agricultural Health Authority
BELTRAIDE	Belize Trade and Investment Promotion Unit
BSE	Bovine Spongiform Encephalopathy
CAFTA	Central American Free Trade Agreement
CARDI	Caribbean Research and Development Institute
CAREC	Caribbean Epidemiology Centre
CARICOM	Caribbean Community
CARIRI	Caribbean Research Institute
CBI	Caribbean Basin Initiative
CFZ	Commercial Free Zone
CSME	CARICOM Single Market and Economy
EU	European Union
FTAA	Free Trade Area of the Americas
GDP	Gross Domestic Product
HACCP	Hazard Analysis and Critical Control Point
MFN	Most Favored Nation
NAHFSA	National Agricultural Health and Food Safety Agency
NTB	Non-Tariff Barriers
OECS	Organization of Eastern Caribbean States
OIE	Organizationale Internationale de Epizotics
ORISA	Regional International Organization for Plant and Animal Health
QA	Quality Assurance
R&D	Research and Development
RK beans	Red Kidney Beans
RRD	Replacement Revenue Duty
RTP	Regional Transformation Programme
S&T	Science and Technology
SPS	Sanitary and Phytosanitary
UB	University of Belize
UK	United Kingdom
USA	United States of America
UWI	The University of the West Indies
WTO	World Trade Organization

EXECUTIVE SUMMARY

Purpose & Scope of the Review

This Report provides an analytical review of the major policy provisions for the agricultural sector in Belize. The focus is on the appropriateness of the policy mix in facilitating transformation of the sector into one characterized by higher levels of efficiency and competitiveness. The review is conducted within the context of the challenges confronting agriculture as a consequence of direct liberalization and globalization.

While the primary interest was on the commodities selected for the CARICOM competitiveness study (hot pepper, sweet potato, papaya, coconut and small ruminant), the review was necessarily broader in scope to include sector-wide policies since such policies could provide incentives for enhanced efficiency and competitiveness of Agriculture in general. The review also examined commodity-specific policies for other important commodities, since it was felt that lessons could be learnt with respect to policy relevance and effectiveness from such cases.

Sector Profile

The Belizian economy is primarily driven by its agricultural sector. Exports are dominated by primary commodities mainly sugar, banana, citrus and fisheries products. Domestic agriculture on the other hand, includes rice, maize, beans, root crops, vegetables, poultry, beef and pigs.

Farming in Belize is uniquely distinct from the rest of CARICOM with respect to its major farming systems – the *Milpa* and the *Mennonite* farming systems. The M*ilpa* system is one of shifting cultivation on a rotational basis for each production cycle. Small farmers, primarily of indigenous origin grow corn and beans in sparsely populated areas, traditionally for their own consumption. However, this is changing somewhat with more export-oriented commodities in the production basket. Alternatively the Mennonites use a farming system which is more cooperative/ community-driven in scope. Major commodities grown by the Mennonites include poultry, dairy-based products, corn and other grains, vegetables and beans.

Performance

Agriculture's contribution to GDP has shown significant improvements in recent years, increasing from 16.1% in 1991 to 21.5% in 2001. Export earnings from the sector increased from B$177.8 million in 1990 to B$278.1 million in 2002. In 2003 the sector accounted for 68% of total exports. Performance in agriculture was driven mainly by production increases in citrus fruits, bananas and aquaculture. Sugar has traditionally been and remains the largest export revenue earner, accounting for 25% of export earnings in 2003, (Ministry of Agriculture and Fisheries, Belize, 2003. Production Statistics). In 2003, the fisheries sub sector contributed 18% of agricultural GDP. With respect to employment, the sector accounted for 41% of the labour force in 2003, with primary agriculture and fisheries contributing 29%.

Economy/Sector-Wide Policies

Belize agricultural and food policies during 1985–2002 were mainly focused on strategies emphasizing market promotion and export-led growth through diversification of the traditional production base (mainly sugar), import substitution, expanded food production and employment opportunities. Additionally, a series of tariffs and non-automatic import licensing were utilized. In an attempt to facilitate the development of the domestic sub-sector, licensing regimes are being used to restrict imports of fruits and vegetables, peanuts, sugar, beans, maize, rice, corn, poultry, ham and milk.

However, in 2002–2003 the Government of Belize articulated a new policy vision that was intended to address liberalization and globalization issues, including the erosion of preferences for traditional exports, particularly sugar and banana. The proposals were intended to provide the strategic framework for sustained improvements in competitiveness over the long-term, 2002–2020. The vision was for *"a transformed/modern sector that is fully competitive, diversified and fully sustainable"* (Ibid, p.30).

Commodity-Specific Policies

Traditional Exports: Belize's National Food and Agricultural Policy (2002–2020) outlines a series of proposals with respect to the major export commodities as well as selected domestic commodities. With respect to the export crops, the proposals for sugar and to some extent bananas can be considered policy intent or objectives. In the case of citrus, the proposed measures have the potential to effectively enhance the competitive position of the industry. These include the strengthening of quarantine regulations, implementation of a citrus certification programme, development of an industry database, development of organic citrus and the integration of citrus with small ruminants.

Non-Traditional Exports: RTP Commodities: In terms of the RTP commodities, Belize is now a major exporter of Papaya to the US market, ranking second place to Mexico in terms of market share. Being a globally competitive industry, the Papaya experience may provide a model for the transformation of other industries into competitive focus. In order to further strengthen competitiveness, efforts at expansion of the production base as well as improved quality may be considered.

The provisions for papaya include technical assistance in plant health and water management and the provision of quarantine and food safety facilities. Clearly, these measures, particularly access to water for irrigation could improve productivity and production and lead to consistency of supply throughout the year.

While hot pepper has not yet enjoyed the industry success of Papaya, the policy proposals here include the establishment of an export credit scheme and the development of value-added products. For the rest of the RTP commodities however, the framework was not explicit.

Research & Development

The National Food and Agriculture Policy document identified the limitations of research and development support to the agricultural sector. The document suggests considerable strengthening of R&D to meet the requirements of a modern, productive and competitive agricultural sector (The National Food and Agriculture Policy of Belize, 2002–2020, Ibid, p.25).

Given the limitations that exist with S&T in Belize, we propose that a clear determination be made on the S&T priorities to satisfy the development objectives of the country. Such priorities should clearly focus on the technological solutions to the major constraints being faced by those commodities that have been assigned high priority. In this regard, we are of the view that National/Regional institutions such as UWI, the UB and CARDI should be given the task of assisting with the technological transformation process. Technological induction by invitation should parallel this effort. This suggestion is by no means new as we see evidence of it already being practiced in Belize. Shrimp farming is an excellent example of this.

Quality Assurance and Food Safety

In the area of Quality Assurance, Belize requires all its food exporting enterprises to comply with HACCP measures[1]. The Belize Agricultural Health Authority is responsible for implementing these protocols.

Our review found that Belize has made significant progress towards developing and maintaining international standards in its food health and safety systems. The country has modernized its SPS legislation and has membership in three standards-setting bodies.

Conclusion

In our view, the seven strategic objectives articled for the long-term (2002-2020) seek to address priority issues for the transformation of agriculture into an efficient and competitive sector. The objectives were sufficiently focused to provide the basis for the identification of the correct mix of instruments and strategies needed for the transformation.

[1] Ibid. Pp 113.

Correctly, Belize's policy agenda is long-term in nature, reflecting the fact that the transformation process for agriculture is a gradual and incremental one. This is so given the financial constraints of the country, limited professional staff, the lead time required for the development of the physical and institutional infrastructure as well as technology. We should also note that the realization of long term goals for the sector policy requires consistency in that the policy agenda should be sustained over the long-term.

With respect to the new sectoral policy framework, we wish to highlight two key omissions:

(i) Firstly, we wish to emphasize the critical importance of S&T/R&D to the transformation of agriculture into a competitive sector. We therefore recommend the inclusion of this item as a strategic objective. Belize needs to ensure high quality technological solutions with respect to the constraints being faced in the development of the selected RTP commodities. In this regard, we are of the view that the country should focus on building capacity through collaboration amongst relevant national and regional institutions.

(ii) Secondly, we point to the critical importance of key physical infrastructure and institutional support in any drive to enhance efficiency and competitiveness. Accordingly, we recommend that the strategic objectives should also include the provision of adequate and efficient infrastructural and institutional support for the sector in the area of drainage and irrigation, access roads, marketing facilities and utilities. In this regard we propose the concept of cluster development with a view to providing such facilities efficiently and cost effectively for a cluster of commercial producers.

We wish to also highlight the fact that Belize still has in place various measures that restrict trade and which are not WTO compliant. Clearly, the country will need time to introduce the proposed policy reforms. We advise however that this process should be accelerated.

SECTION 1.0
INTRODUCTION

1.1 PURPOSE & SCOPE OF THE REVIEW

This Report provides an analytical review of the major policy provisions for the agricultural sector in Belize. The focus is on the appropriateness of the policy mix in facilitating transformation of the sector into one characterized by higher levels of efficiency and competitiveness. The review is conducted within the context of the challenges confronting agriculture as a consequence of direct liberalization and globalization.

While the primary interest was on the commodities selected for the CARICOM competitiveness study (hot pepper, papaya, coconut and small ruminant), the review was necessarily broader in scope to include sector-wide policies since these could provide incentives for enhanced efficiency and competitiveness of agriculture in general. The review also examined commodity-specific policies for other important commodities, since it was felt that lessons could be learnt with respect to policy relevance and effectiveness from such cases.

1.2 SECTOR PROFILE

The economy of Belize is driven by its agricultural sector, including fishery and forestry which remains the major engine of growth. The farming population consists of approximately 11,000 farmers, operating on about 5% of the agricultural land area. Small farmers in Belize account for more than 75% of the farming population. A large percentage of these small farms produce primary export crops such as sugar, bananas, and citrus, while others concentrate on domestic food crops, viz., rice, maize, beans, root crops and vegetables.

Farming in Belize is uniquely distinct from the rest of CARICOM with respect to two of the major farming systems – the *Milpa* and the *Mennonite* farming systems. The *Milpa* system is one of shifting cultivation on a rotational basis for each production cycle. Small farmers, primarily of indigenous origin, grow corn and beans in sparsely populated areas, traditionally for their own consumption. However, this is changing somewhat with more export-oriented commodities in the production basket. The *Mennonite* farming system is more of a Cooperative and Community-driven effort. Major commodities grown by of the *Mennonites* include poultry, dairy-based products, corn and other grains, vegetables and beans.

The existing production structure represents a mix of modern and traditional farms with the latter being characterized by low technology systems and low levels of production (National Food and Agricultural Policy, 2002–2020, Ministry of Agriculture & Fisheries, Government of Belize, April 2003).

1.3 PERFORMANCE

The agricultural sector in Belize including forestry and fishery accounted for an average of 21.5% of GDP and 68% export earnings in 2003. The sector is an important source of employment with agriculture accounting for 41% of the labour force and fisheries 29%. Performance in agriculture was driven mainly by production increases in citrus fruits, bananas, and aquaculture. Sugar has traditionally been and remains the largest export revenue earner, accounting for 25% of domestic export earnings in 2003 (Ministry of Agriculture and Fisheries, Belize, 2003. Production Statistics). In 2003, the fisheries sub-sector contributed 18% of agricultural GDP.

The contribution of agriculture to GDP has shown significant increases in recent years – from 16.1% in 1991 to 21.5% in 2001. This largely reflects the significant production increases in the aquaculture/fisheries sub-sector. Similarly, export earnings from agriculture showed an increase of 56% over the period 1990–2002 increasing from B$177.8 million in 1990 to B$278.1 million in 2002.

1.4 AGRICULTURAL TRADE

The country currently benefits from preferential marketing arrangements in the EU and USA for its major crops – sugar and bananas. Furthermore, a significant part of the fishery output is exported to the USA while other commodities, in particular citrus are sold mainly in the CARICOM market. Both sugar and bananas are being increasingly threatened by developments taking place at the level of the WTO. On the other hand, Belize's food imports reached approximately USD $75 million in 2003, an increase of 50 % over 1990 imports.

SECTION 2.0
REVIEW OF RECENT SECTORAL POLICIES

In this section, we first review the recent policy initiatives used by the Government to optimize the benefits from its agricultural sector under two economic periods, firstly from 1985–2002, and secondly the period 2002. For each period identified, we examined and reviewed the sectoral policies as they relate to sector growth, transformation and competitiveness.

2.1 SECTOR POLICIES 1985–2002

The National Food and Agricultural Policy, 2002–2020 (Ministry of Agriculture and Fisheries, Government of Belize, April 2003, p.17) noted that for the period 1985–2002, the country's agricultural and food policies were basically aimed at creating a dynamic agricultural sub-sector with the following broad objectives:

(i) to satisfy the food and nutritional needs of the population,
(ii) to create employment, and
(iii) to provide foreign exchange earnings.

During this period, the focus of agricultural strategies emphasized market promotion and export-led growth through diversification of the traditional production base (mainly sugar), import substitution, expanded food production and employment opportunities. The policy document (Ibid, p.18) further identified the major objectives as follows:

(i) Greater efficiency in resource allocation in the long run
(ii) Minimizing market price fluctuations and reducing investment risk
(iii) Promoting specific commodities with identified market potential
(iv) Achieving a higher level of self-sufficiency through increased food production
(v) Expanding inter-sectoral linkages, and
(vi) Increasing the country's competitiveness in regional and extra-regional markets.

In order to support domestic agriculture, a series of tariffs and non-automatic import licensing were utilized. Licensing regimes were used to restrict imports of fruits and vegetables, peanuts, sugar, beans, maize, rice, corn, poultry, hams and milk. These instruments sought to increase the prices paid by consumers for imported products thereby providing an incentive for expansion in domestic production.

The policy document (Ibid, p.16) concluded that (i) during the 1990s, both macro and sectoral trade developments had a positive impact on the agricultural sector and (ii) there was no obvious negative impact from the developments in global trade policy arena. The policy document noted however, that the latter developments created long-term uncertainty with respect to the preferential EU and USA markets (Ibid, p.16). It should be noted here, that these developments with respect to the security of traditional markets is not unique to Belize but common to its CARICOM neighbours and also to the wider ACP grouping.

2.2 POLICY OUTLOOK FOR THE LONG-TERM: 2002 – 2020

The Government of Belize articulated a new policy vision in 2002–2003. The proposed policy agenda was intended to refocus policies for agriculture to address the challenges of liberalization and globalization, including the erosion of preferences for traditional exports. The proposals were intended to provide the strategic framework for sustained improvements in competitiveness over the long-term, 2002–2020. The vision was for

"A transformed/ modern sector that is fully competitive, diversified, and fully sustainable" (Ibid, p.30).

The National Food and Agriculture Policy articulates seven strategic objectives and accompanying programmes to support the sector's growth, modernization and competitiveness over the period 2002 – 2020. These are summarized below:

(i) ***Accelerating the diversification of both local and export agriculture*****:** Commodities that have traditionally been imported but have domestic production potential will be expanded. These include irish potatoes, onions, carrots, garlic, celery, broccoli, cauliflower and grapes. In addition, new initiatives are being launched in the area of livestock production under improved management systems. Other initiatives include the cultivation of non-traditional fruits such as cashew, sapodilla and soursop as well as expansion of aquaculture.

(ii) **Promoting agro-processing and value-added activities to create new economic opportunities and enhance income in the rural sector.** Promotion of agro-processing activities at the farm and industry level will be undertaken as well as support activities in the areas of product development, good manufacturing practices, marketing and packaging.

(iii) Supporting the establishment and development of organic agriculture.

(iv) Active promotion of market and trade expansion both locally and internationally.

(v) ***Increasing the efficiency, profitability, and competitiveness of agribusiness*:** Current policy measures include R&D programmes aimed at reducing production costs, improving yields and promoting cost-reducing technologies as well as small farm mechanization services. New initiatives include special emphasis on selected commodities such as papaya in which Belize has a comparative advantage. Further, irrigation technology is to be promoted. Other support measures as outlined in Government's policy include loan financing at reduced interest rates and flexible repayment plans for producers.

(vi) Improving and conserving the natural and productive resource base to ensure long-term sustainable production and viability.

(vii) ***Strengthening institutional capacities*:** In recognition of the importance of human resource development and institutional strengthening, the Ministry of Agriculture has been reorganized to support the sector's modernization and competitiveness. In addition, the University of Belize has been established and now incorporates the Belize School of Agriculture. The BAHA is to be further strengthened to become a highly effective inspection and certification agency and act as a one-stop shop in the areas of plant health, animal health, quarantine and food safety.

In our view, the seven strategic objectives articulated for the long-term (2002–2020) address priority issues for the transformation of agriculture into an efficient and competitive sector. The objectives are sufficiently focused to provide the framework for the identification of the specific strategies and mechanism for the transformation process. Currently, the policy agenda is long-term in nature since the transformation of agriculture into a global competitive sector is a gradual and incremental process. This is so given resource constraints, particularly financial and human, as well as the time required for the development of the supporting physical and institutional infrastructure, including the technological support that is central for efficiency. We should also note that the realization of the policy goals also requires consistency, meaning that the policy agenda should be sustained over the long-term.

While we fully endorse the seven strategic objectives outlined in the policy document, we wish to suggest the addition of the following:

(i) Developing the necessary physical infrastructure that is critical for achieving efficiency and competitiveness. These include drainage/irrigation and water resource management, access roads, upgrading of marketing infrastructure and facilities to meet international standards for health and food safety, and the provision of utilities.

(ii) Developing/enhancing the S&T/R&D capacity for agriculture by placing a higher priority and by strengthening relationship with service providers including CARDI, UWI, and the UB.

We assume that the new policy agenda proposed for 2002–2020 is now being gradually implemented. In the interim however, many of the policies of the previous era (1995–2002) are still in effect. We note that some of these policies are inward looking and not compatible with the WTO AoA. While we recognize the benefits of securing the domestic market for local production through various NTB's; it must be emphasized that this only provides a short-term solution. We anticipate such an approach cannot really be carried too far given the FTAA and WTO roadmap. Efforts should therefore be directed towards aggressively pursuing the implementation of the new policy agenda so as to achieve international competitiveness in the shortest possible time. Also, the focus should be on export market development including full exploitation of CARICOM.

SECTION 3.0
COMMODITY SPECIFIC POLICIES/STRATEGIES

3.1 TRADITIONAL EXPORT COMMODITIES

The stated policy objectives for traditional crops include continued focus on preferential market opportunities in the USA, EU and Canada for sugar, citrus products and bananas. At the same time, efforts will be made to prepare these sub-sectors to compete in markets under 'less-preferential'/ free trade regimes. The policies for traditional crops are to include the introduction of technology to improve productivity through the value chain – production, processing and marketing and the development of a long-term strategy for diversification of traditional export crops (Ibid, p.36).

3.1.1 Sugar

Relative to other CARICOM countries, Belize is a low-cost producer of sugar. Cost of production estimates obtained from the Sugar Association of the Caribbean for the 2001–2002 crop year, (cost per tonne for 96^0 sugar) showed Belize to have the second lowest of production; after Guyana the lowest cost producer in the Region.

In spite of its relative competitive position within CARICOM, the industry needs to improve its productivity and efficiency to enhance its competitiveness in the context of changes in the EU sugar regime. In this regard, the policy document has outlined the following major objectives for the industry:

(i) Increasing the competitiveness of the sugar industry

(ii) Stabilizing and increasing farm incomes and rural welfare

(iii) Diversifying the agricultural production base

(iv) Supporting the industry's continued contribution to economic and social development in the northern region of Belize and

(v) Ensuring the industry continues to make important contributions to economic and social development at the national level.

3.1.2 Citrus

Policies with regard to the citrus sub-sector include:

(i) Continued lobbying to keep preferential treatment for citrus products in various external markets and retention of current duty-free entry into the USA and EU

(ii) Strengthening of quarantine regulations and developing strategies for implementation of legislation

(iii) Implementing strategies to improve business control through the Belize citrus certification programme

(iv) Implementing measures to improve productivity on citrus orchards in a sustainable manner

(v) Establishing a comprehensive citrus production database using GIS

(vi) Developing an organic citrus industry in Belize as well as developing relevant technology and accessing appropriate markets for organic products and

(vii) Integrating of citrus production with the rearing of sheep and other small ruminants (Ibid, p.37).

3.1.3 Bananas

With respect to bananas, the policy document proposes as follows:

(i) Lobbying the EU for an expansion of quota allotment from 55,000 tonnes to 100,000 tonnes

(ii) Procurement of financial/technical assistance from the EU and multilateral agencies to improve productivity and reduce production costs

(iii) Improvements and upgrading of the road network system in the banana zone

(iv) Facilitating processing of bananas where possible and identifying alternative/ export markets for surplus bananas and

(v) Reducing the cost of transport from Belize to the EU and reduce port infrastructure costs such as port charges (Ibid p 38) .

With respect to the traditional export crops, we are of the view that the policy initiatives being proposed have focused on the key issues to be addressed in seeking to enhance efficiency and competitiveness. In the case of both sugar and banana the policy objectives need to be further supported by specific strategies and mechanisms. However, in the case of citrus the document identifies specific mechanisms and strategies.

The thrust articulated could therefore lead to improved efficiency and competitiveness at a level that could maximize the benefits from preferences. This seems to be an appropriate initiative to allow enough time to proceed with diversification and accelerate the thrust in non-traditionals which are expected to provide for the transformation of the sector. This policy strategy seems to be a step in the right direction as the transformation process requires time to take hold.

However, we do not see much value-added and product development which are necessary to transform these industries from one that is commodity-based into one that is product-based. Given the challenges associated with attempts to sustain competitiveness in the case of primary commodities, a movement in this direction could serve to further enhance global competitiveness of the relevant industries. Again, we should advise that the transformation of commodity-based industries into ones that are product-based depends on an intensification of the S&T/R&D thrust. However, given that such a strategy is also important for other CARICOM producers, then there is a need to pursue such developments through Regional initiatives.

3.2 NON-TRADITIONAL EXPORTS

In the area of non-traditionals, the stated policy measures include initiatives to improve production, efficiency and competitiveness. These include production and technical support, market research activities and competitiveness studies (Ibid p38). Specific initiatives with respect to certain selected commodities include:

(i) ***Papaya***

The policy document indicates that the country would seek to focus its policy at facilitating production increases through:

- The provision of technical assistance in the areas of plant health and water management
- Investment incentives
- Provision of quarantine and food safety support facilities.

Additionally, priorities are to be placed on maintaining Belize as a Med-Fly free country so as to maintain access to the USA markets. Policy measures also include production expansion programmes with greater farmer involvement.

(ii) ***Hot Peppers***:

The policy initiatives for this commodity include:

- Establishment of an export credit scheme, and
- Development of value-added products such as sauces, mash, dried and whole and ground pepper.

(iii) ***Other Fruits***

Planned policies are to focus on the promotion of improved varieties/planting material as well as a strengthened capacity to produce grafted fruits. In addition, quarantine programmes will be strengthened and investment support is to be provided in the areas of local and exotic fruits (Ibid, p.40). Special efforts are to be made to increase domestic consumption of locally produced fruits by tourist.

(iv) ***Fisheries***

The existing national policy for this sub-sector is directed at ensuring a sustainable supply of marine products, particularly lobster, shrimp and conch. The major policy objective for this sub-sector is to maintain a sustainable yield of the fisheries resources while continuing to contribute to food production, foreign exchange earnings and improved nutritional status over the long term (Ibid, p.43).

Specific strategies proposed for fisheries include:

(i) Improving quality control systems

(ii) Encouraging joint venture with foreign fishers

(iii) Developing an inter sectoral approach to fisheries management

(iv) More effective coastal zone management through an inter-institutional and inter-disciplinary approach

(v) Rehabilitation of rivers and better management of inland stock

(vi) Expanding aquaculture activities particularly shrimp farming

(vii) Improving fisheries management to reduce over-harvesting so as to maintain sustainable yields

(viii) Strengthening regulations/enforcement/compliance, and

(ix) Providing training in testing, QA and processing activities (Ibid, p. 43).

These non-traditional export commodities have achieved significant growth in recent years. This has been driven by improved efficiency and competitiveness. In the case of papaya and shrimp farming, this has been achieved primarily through the introduction of technologies and the exploitation of scale economies. With regards to hot peppers, the adoption of improved varieties and technologies has reportedly provided the industry with a competitive edge.

We need to highlight the lessons learnt from the recent successes of these non-traditional exports. In all cases, the technology provided the basis of improved efficiency. In the case of shrimp farming and papaya, the land-resource base in Belize allowed for the exploitation of scale economies. Further, we should also note that in the case of shrimp farming, given the high levels of capital needed to exploit scale economies and access costly technologies, the development here was driven by foreign direct investment. Obviously, in order to attract such investors, it is critical to ensure a conducive fiscal regime and policy environment.

SECTION 4.0
DOMESTIC AGRICULTURE

4.1 DOMESTIC FOOD PRODUCTION

The stated policy objective for the domestic food production sub-sector is to improve efficiency and competitiveness in order to maintain market share locally. Commodities in this group include rice, corn/sorgum, oil seeds (sesame/soya bean), beans (RK beans, black beans, and cow peas), root crops (cassava and coco yams), and vegetables as well as livestock, including poultry (Ibid, p.38).

4.1.1 Rice

The stated policy instruments for rice include a greater focus on strengthening the marketing of rice by improving quality and packaging, promoting product diversity (jasmine and organic rice), and encouraging a centralized, national marketing and distribution system. Other initiatives are to include the improvement of the competitiveness of the industry by promoting the use of irrigation, mechanization and other cost-reducing technology to take advantage of the Mexican, Guatemalan and other markets which have been identified (Ibid, p.38).

4.1.2 Corn/Sorghum

The policies outlined indicate a focus on yield improvements in both commodities through the transfer of proven technologies and the provision of management and technical assistance to small farmers. New foreign markets are to be identified as well as greater collaboration with CARDI and other research institutions to develop and sustain the production of hybrid seeds. Processing of corn into other products is to continue as well as the promotion of sorghum as an input into the domestic feed industry (Ibid, p.38).

The commercialization of grain production by small and medium-sized farmers should be encouraged using high-yielding varieties. The production of sweet corn can be supported with research and extension to improve productivity and marketability.

4.1.3 Oil Seeds (Soya beans/Sesame)

Policies for this commodity include the promotion and expansion of acreage, research and development support from CARDI and the introduction of more efficient production systems to improve productivity and competitiveness. Diversification activities such as production of soya milk and soya meat are to be promoted (Ibid, p.39).

4.1.4 Beans (RK beans, Black beans and Cowpeas)

The policies for these legume crops include maintaining and improving competitiveness as well as strengthening research, technical and marketing support (ibid, p.39).

4.1.5 Root Crops (Cassava and Coco Yam)

The economic importance of these root crops is to be further explored as a substitute for corn in the formulation of animal and fish feed. The stated policy measures also include strengthened research and extension support to improve productivity and marketing. Irrigation infrastructure is to be developed for these commodities (Ibid, p.39).

4.1.6 Vegetables

The stated policies in the area of vegetable production include providing extension / technical assistance to growers on cultural practices and integrated pest management. Training in irrigation is to be provided as well as more emphasis on research and development to identify new high-yielding and disease-resistant varieties. The policy mix is to include measures aimed at improved production technologies, greenhouse hydroponics and irrigation to support year round production (Ibid, p.39).

4.1.7 Livestock

Policies for the livestock sector are to be designed to achieve the following:

(i) Improve competitiveness of the various sub-sectors
(ii) Strengthen strong backward and forward linkages
(iii) Promote value-added activities and diversification in processed meat products,
(iv) Increase levels of self-sufficiency and
(v) Further exploitation of export market opportunities.

In the case of small stock/ruminants, the stated policy support includes the provision of market infrastructure, extension services, marketing information, grades and standards, availability of breeding stock as well as the promotion of an appropriate technological package for small ruminants (*Ibid*, pp.41–42).

***Poultry*:** For the poultry industry, the focus is on the development of cheaper sources of feed for the industry. Incentives are to be provided to promote investments in the processing of feed using locally supplied ingredients such as soy bean, sesame, corn, cassava and sorghum. Veterinary support services are to be strengthened to produce high quality products, free from diseases and residues. Other measures include encouraging private-sector expansion in the local market, particularly for processed sausages. Additionally, private sector support is planned for market penetration into the Central American countries (*Ibid*, p. 41).

As was the case with the traditional export commodities, our review of the domestic food production sub-sector reflected a set of objectives that are focused in the right direction. For some commodities such as rice and corn, we note that not only are the policy measures well articulated, but also specific strategies and mechanisms are outlined that could lead to enhanced competitiveness. In other cases, specific strategies are yet to be developed.

We draw attention to the potential for further expansion and modernization of agriculture through the exploitation of the expertise resident in the *Mennonite* Community in the area of production, processing/value-added and marketing.

Our review of the sector did not reveal strong linkages between agriculture and the emerging tourism sector. To the extent that the fisheries sector is linked to agriculture, more synergies between agriculture and the tourism sector should be exploited as is the case with Barbados. In the case of Belize, there is the opportunity for stronger linkages of its vibrant tourism sector, including its cultural and archeology, with its agrifood sector.

SECTION 5.0
TRADE POLICIES

5.1 AGREEMENTS AND ARRANGEMENTS

Given Belize's strategic location to Latin America, it is now at an advantageous position to exploit opportunities that could be created with the formation of the FTAA and the CAFTA[2] The country may now be attractive to investors who want to exploit the markets from this strategic location.

Given the above potential, it is apparent that future infrastructural needs should be addressed. Trade infrastructure and trade facilitating measures are necessary for export competitiveness and for reducing transaction costs. We must also recognize that Belize (as the case of Miami) is naturally multi-lingual (English/Spanish) and as such has the potential to integrate the Caribbean and its CARICOM partners into the Latin American market. Given the cultural, linguistic and location advantages, the country can very well be an ideal launch-pad into Latin America for the CARICOM Region. Accordingly, we recommend that Belize should seek to exploit this opportunity.

5.2 TARIFFS AND OTHER TRADE POLICY MEASURES

5.2.1 Tariffs

The country's agricultural products were bound at a general ceiling rate of 100%, except for some tariff lines bound at 110% or 70%. Other duties and charges on agricultural products were bound at 14%, with the exception of some valued-added manufactured products. The general ceiling binding for non-agricultural products was 50%, except for some lines bounded at 70% or 110%[3].

[2] USTR Official Outlines US Trade Agenda for Western Hemisphere < http://www.belizeinvest.org.bz/index.php?option=articles&task=viewarticle&Itemid=73&artid=35 > Available on the Internet. February 3, 2005.

[3] Ibid, pp. 95-99.

The country does not apply tariff quotas and did not include any products in its WTO schedule. Duty-free access is granted to most imports from other CARICOM members that meet origin criteria[4].

As a protective mechanism, the country also applies a series of other taxes and non-tariff measures for income generation. These include the following:

(i) An environmental tax - applied on virtually all imports at the rate of 1%

(ii) A Revenue Replacement Duty (RRD) - applies to selected imports at rates ranging from 5% to 50%

(iii) Several agricultural commodities are subject to import licences. These include sugar, bananas, citrus, rice, maize, beans, hatching eggs, milk, fresh fruits and vegetables, meats and meat preparations, poultry and peanuts, and

(iv) With respect to exports, licences are required for beans, sugar, fish, crustaceans and mollusks and citrus fruits.

Also, relatively high tariffs apply to a number of goods not produced domestically, reflecting both Belize's commitment to protect CARICOM industries and/or revenue-generating function of tariffs.

5.2.2 Compliance with SPS and other Regulatory Mechanisms

In the area of Quality Assurance, Belize requires all its food exporting enterprises to be HACCP compliant[5]. The BAHA is responsible for implementing certain protocols and in the case of exports under CBI/CBERA, the Belize Chamber of Commerce and Industry undertakes this certifying function.

Our review found that Belize has made significant progress towards developing and maintaining international standards in its health and food safety systems. The country has modernized its SPS legislation and has membership in three standards-setting bodies, namely the *Codex Alimentarius*, the World Organization for Animal Health,

[4] Source: World Trade. Organization WT/TPR/S134. 14 June 2004. 04-2473) Trade Policy Review Body Restricted Trade Policy Review. Belize. Report by the Secretariat. Summary Observations. p. 100.

[5] Ibid, p. 113.

Organizationale Internationale de Epizotics (OIE), and the International Plant Protection Convention (Convention of 1991)[6].

Furthermore, the country has membership in OIRSA, a regional organization supporting plant and animal health in the territories of its members.[7] Information is shared in the case of the notifiable diseases such as bovine spongiform encephalopathy (BSE), foot and mouth disease, citrus leprosis, citrus canker and Mediterranean fruitfy, among others.

Belize is reportedly free from the Mediterranean fruitfly (certified by the USA) and also certified by the Technical Commission of OIRSA to be free from classical swine fever, foot and mouth disease, bovine spongiform encephalopathy (BSE), citrus leprosis, citrus canker and avian influenza.

Belize applies the *Codex Alimentarius* tolerance levels for biological residues in meat and other animal products[8]. As indicated, the country also requires all food exporting enterprises to utilize and comply with a HACCP system.[9]

5.2.3 Licensing

The WTO AoA is centered around three disciplines: market access, domestic support and export subsidies. Accordingly, as a signatory to the WTO AoA, Belize would be required to dismantle its system of licenses with respect to both imports and exports as well as gradually reduce tariffs. While we recognize the importance and the current position to protect domestic producers from being crowded out, it must be recognized that in the new trade policy environment (WTO, FTAA, CSME, etc.), a signatory cannot indefinitely pursue NTB policies that restrict trade. Thus, in our opinion, the quicker the market is opened up, the better prepared would be the entrepreneurial class. We reiterate though,

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6 WTO document G/SPS/GEN/27/Rev.10, 25 March 2003.

7 OIRSA members are: Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, and the Dominican Republic. SOURCE: World Trade. Organization WT/TPR/S/134. 14 June 2004. 04-2473) Trade Policy Review Body Restricted Trade Policy Review. Belize. Report by the Secretariat. Summary Observations. p. 113

8 Section 6 of the Belize Agricultural Health Authority (Biological Residues) (Control) Regulations as cited in World Trade. Organization WT/TPR/S/134. 14 June 2004. 04-2473) Trade Policy Review Body Restricted Trade Policy Review. Belize. Report by the Secretariat. Summary Observations. p. 113

9 Section 4(2), Belize Agricultural Health Authority (Food Safety) Regulations.

proper pacing and sequencing of internal and external liberalization is vitally important to ensure that current investors are not negatively affected.

SECTION 6.0
OTHER SECTOR-SPECIFIC POLICIES

6.1 INVESTMENT POLICY

In order to stimulate the modernization and transformation of the agricultural sector in Belize and to build a platform for sustained level of competitiveness, an appropriate investment policy regime is a critical requirement. In this regard, the review indicated that Belize encourages investments into the sector through legislation and promotion by BELTRAIDE providing assistance to businesses in the form of import duty and tax concessions, available under the following:

(i) ***Fiscal Incentives Act*** – full or partial exemptions from import duties and income taxes on investments for net foreign exchange earners, agriculture, including agro processing and fishery,

(ii) ***Export Processing Zones Act***, and

(iii) ***Commercial Free Zone Act*** – CFZ businesses are exempt from import duties, but must pay a "social fee" of 1.5% on the value of all imported goods and services except fuel, for which the fee is 10%. Sales from a CFZ to the national customs territory are subject to import duties, calculated on the basis of the value of the inputs imported into the CFZ. Since 2000, CFZ businesses have been prohibited from exporting to the national territory.

6.2 SCIENCE AND TECHNOLOGY/RESEARCH AND DEVELOPMENT

The National Food and Agriculture Policy document identified the limitations of research and development support to the agricultural sector. This document suggests that the sector requires considerable strengthening of R&D to meet the efficiency requirements of a modern, productive and competitive agriculture (The National Food and Agriculture Policy of Belize, 2002–2020, Ibid, p.25).

Given the limitations that exist with S&T in Belize, we propose that a clear determination be made on the S&T requirements to satisfy the country's development objectives. Additionally, for the commodities chosen, it is important to determine the S&T requirements to increase competitiveness, given the present globalization imperatives and the trends that are likely to develop. Institutions such as UWI, the UB and CARDI as well as other national and regional institutions should be given the responsibility of providing the technological transformation that is required.

Parallel to this effort should be one of technological induction by invitation. This suggestion is by no means new as we see evidence of it already being practiced by Belize. Modern technology can also come with investment as is evident in the aquaculture/shrimp operations in the country. However, we propose further integration with the regional institutions such as UWI, CARDI and UB in terms of counterpart involvement and training to ensure wider technology transfer and diffusion.

In addition, we need to ensure coherence among investors bringing in technology. While in the past, there may have been restraint in labour-replacing technology, today such technology is *de rigueur* for improving competitiveness.

6.3 AGRICULTURAL LAND ISSUES

The review undertaken found that land security and land tenure issues continue to be a major dilemma confronting the *Milpa* and *Mennonite* farmers. Further, while our review did not identify any explicit land policy position or statement by Government, it must be noted that the State established a Land Administrative Unit. It is important to point out that the issue of land title, or lack thereof severely affects access to credit due to lack of collateral (The National Food and Agriculture Policy of Belize, 2002–2020, *Ibid*, p.25)

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