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THE IMPACT OF TRADE LIBERALIZATION AND FLUCTUATIONS OF COMMODITY PRICES ON GOVERNMENT FINANCES: THE CASE OF SAINT LUCIA

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EXECUTIVE SUMMARY

This paper provides an assessment of the effects of trade liberalization and fluctuations in banana prices on government finances in Saint Lucia.

Trade liberalization has been pursued within the context of the Common External Tariff (CET) of CARICOM. Fiscal reforms were implemented at each stage of implementation of the CET. This strategy has been highly successful and, as a result, revenue losses from import duties have been neutralised by revenue gains from consumption taxes.

The paper also highlights the importance of banana exports to the economy. The over-dependence on banana exports renders the Saint Lucia economy highly exposed to changes in export markets.

THE IMPACT OF TRADE LIBERALIZATION AND FLUCTUATIONS OF COMMODITY PRICES ON GOVERNMENT FINANCES: THE CASE OF SAINT LUCIA

1. INTRODUCTION

Saint Lucia is a small country in terms of both size and population. It has a land area of 616 square kilometres and its population was estimated at 151,972 in 1998. According to the World Bank classification, Saint Lucia is a lower-middle income country, and in 1998 its GDP per capita was estimated at EC$11,151 (US$4,130). Saint Lucia recorded an average growth of around 5 per cent between 1980 and 1998. GDP growth during that period was highly volatile fluctuating from negative 1.82 percent to positive 15.27 percent. Saint Lucia is prone to natural disasters, such as hurricanes, and is categorised in the group of countries deemed most vulnerable by the Commonwealth Secretariat.

By any measure, Saint Lucia is a very open economy, with the value of trade (the sum of imports and exports) as a percentage of GDP recorded at 130 per cent in 1998. As a percentage of GDP, imports of goods and services were recorded at 69.4 percent, while exports of goods and services was 60.7 per cent.

In contrast to many other developing countries, Saint Lucia has always had a relatively liberal trade policy regime, which in conjunction with the pursuit of sound macroeconomic policies, preferential treatment for banana exports and concessional aid flows, accounted for the favourable economic performance of the country. The adoption of a liberal trade policy regime helped to contain costs and stimulate investment. Saint Lucia's trade liberalization strategy has been pursued within the framework of the CARICOM regional integration initiative. Progress in trade liberalization at the regional level has been slow as the More Developed Countries (MDCs) adopted a more protectionist trade regime in the 1970s and 1980s. This contrasts sharply with the position of the Organization of Eastern Caribbean Countries (OECS) countries, including Saint Lucia, which were applying the more liberal Eastern Caribbean Common Market (ECCM) schedule. The ECCM schedule was characterised by generally lower rates than the tariff schedule adopted by the MDCs, particularly for manufactured goods.

Only in 1993 did the member States finally agree and actually begin implementation of the Common External tariff on a phased basis. Given the shift world-wide towards trade liberalization, the Common External Tariff provided for a phased reduction in import duty rates. In Saint Lucia's case, losses in import duty revenue as a result of implementing the CET have been neutralised by corresponding increases in consumption tax rates.

The purpose of this study is essentially twofold:

- To examine: the effects and possible effects of trade liberalization; and
- Fluctuations of commodity prices and income from services on macroeconomic performance and, more particularly, government finances.

The rest of the paper is organized into four sections. The second section of the paper will examine the macroeconomic performance of the Saint Lucia economy in the context of tariff reforms. The third section will examine the effects and likely effects of trade liberalization on macroeconomic performance. The fourth section of the paper will analyse the impact of fluctuations in prices of commodities on government finances, with some comparative references to services in Section 5. The final section will provide some brief concluding remarks.

2. MACROECONOMIC PERFORMANCE OVER THE PERIOD 1980-1998

Trade reforms in Saint Lucia have been guided principally by two concerns, namely, economic integration and the generation of revenue. Saint Lucia has been a member of the ECCM from its inception in 1968. A major feature of the ECCM was a harmonised tariff schedule. This tariff schedule differed significantly from the tariff schedule adopted by the MDCs of CARICOM. More specifically, nominal tariffs in the ECCM were far lower than those implemented by the MDCs.

The ECCM tariff schedule, therefore, provides a convenient starting point for the analysis of trade reforms in Saint Lucia. Over the period 1980-1998[1], two major episodes of trade reforms were undertaken. In 1988, stamp duties on imports were abolished and in 1993 Saint Lucia implemented the first phase of the CARICOM Common External Tariff. For ease of analysis, the review of macroeconomic performance in Saint Lucia will be subdivided into three subperiods, 1980-1988, 1988-1993 and 1993 to the current period.

1980-1988

In the period 1980-1988 there were no significant trade reforms undertaken. The ECCM tariff structure remained largely unchanged within that period. The ECCM tariff schedule contained 14 tariff rates ranging from 0 per cent to 70 per cent, with 94 per cent of the tariff positions at or below 30 per cent. The average tariff rate was approximately 15.7 per cent with a dispersion of 11.3 per cent [2], considerably lower than the tariff adopted by the MDCs of CARICOM and many other developing countries. Like many other CARICOM member States, Saint Lucia also implemented a stamp duty on imports in the early 1980s.

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[1] Credible economic data only exists from 1980 onwards. The year 1980 is therefore used as the starting point for the analysis.

[2] The measure of dispersion used was the standard deviation.

This period was, however, characterised by the implementation of revenue generating fiscal measures which, other things being equal, would tend to have a restrictive impact on international trade, including services. These measures included the imposition of a foreign exchange tax, the introduction of an airline ticket tax and a change in the base of the consumption tax from the CIF import value to the CIF plus import duty.

The above-mentioned fiscal measures, notwithstanding, in recognition of the extreme smallness, the high degree of openness and the limited natural resource endowment of ECCM member States, the more liberal tariff regime was adopted at the outset, as a means of stimulating economic performance and enhancing consumer welfare.

Output and prices

In the period 1980-1988, economic growth was very uneven, reflecting primarily, the world-wide economic recession in the early 1980s and the strong recovery in world economic output in the mid- and late-1980s. The period 1980-1982 was characterised by low economic growth, which recorded an average of 1.83 per cent. The passage of Hurricane Allen in 1980 did significant damage to the banana industry and economic infrastructure, resulting in a marked slowdown in economic activity. In 1980, the economy contracted by 1.8 per cent, with agriculture declining by 16.1 per cent and bananas by 32.0 per cent. The share of output accounted for by agriculture dropped by 3 percentage points from an average of 16 per cent to 13 per cent over the period 1980 - 1982.

In contrast, the period 1983-1988 represented the height of economic prosperity in Saint Lucia, with real GDP growth averaging 8.5 per cent per annum. The strong performance was due, in large part, to favourable external shocks, reflecting improved banana prices and increased concessional aid inflows, as well as the implementation of sound macroeconomic policies.

During the period 1983-1988, agriculture expanded by 15.5 per cent with bananas, the largest subsector, growing by an average of 26.8 per cent per annum. Improved prices associated with the steep appreciation of the pound sterling contributed in large part to the robust performance in the banana industry. Agriculture's share of output fluctuated between 12.4 per cent and 16.7 per cent over the period.

Growth in manufacturing was also at its peak in the period under consideration, averaging 15.9 per cent per annum. This improved performance coincided with favourable conditions for entry into the sector, in particular, the relatively low wage rates coupled with the provision of fiscal and other incentives. Export growth of manufactured products was boosted by the Caribbean Basin Initiative (CBI) preferential arrangements. Government also encouraged the growth of import substituting manufacturing, principally consumer goods, by providing a guaranteed market through the implementation of a licensing regime for imports of like products. In addition, the copra industry benefited from a regional non-tariff barrier, namely, the Oils and Fats Agreement (OFA). The OFA provided for a system of managed trade in vegetable oils, copra and derivative products. It was originally designed as a vehicle to ensure that regional trade partners received priority in allocation of regional supplies in a period when there was a world-wide shortage of oils and fats. It eventually evolved into a scheme for aiding the

CARICOM LDCs, notably, Dominica and Saint Lucia, by forcing other CARICOM countries to purchase their excess supplies at prices significantly above world market levels. Overall, the share of manufacturing output in GDP increased steadily from 6.3 per cent in 1983 to 8.2 per cent in 1988, and averaged 7.7 per cent in that period.

The performance of the construction sector was highly uneven between 1983 and 1988, registering a trough of negative 23.4 per cent in 1983 and a peak growth rate of 24.9 per cent in 1988. The oscillatory trend in growth of the sector reflected primarily the different stages in the cycle of the Public Sector Investment Programme (PSIP). Overall, the construction sector grew by an average of 10.3 per cent in the period.

The nascent tourism sector grew throughout the period, with a peak growth rate of 19.5 per cent in 1986 and a low of 4.7 per cent in 1988. This performance was attributed to an expansion in the capacity of the industry, coupled with an improvement in the tourism product and strong growth in the global travel industry. Tourism's share of GDP, however, remained between 9 and 10 per cent of GDP between 1983 and 1988.

After recording an average inflation rate of 17.3 per cent in the two-year period 1980-1981, the inflation rate declined appreciably over the remainder of the period averaging 3 per cent. Given that Saint Lucia is an extremely highly open, imported inflation is rapidly transmitted into the domestic economy feeding into domestic prices. The levels of inflation in 1980-1981 essentially reflected the impact of the second oil price shock and the high levels of inflation in Saint Lucia's major trading partners. Contractionary monetary policy in the ensuing period, led principally by the United States, resulted in dampening of inflationary pressures, which again was quickly transmitted to the Saint Lucia economy.

Savings and investment

High levels of investment spurred economic growth in the period 1980-1988. In the period 1980-1982, investment averaged approximately 32.3 per cent of GDP, due, in part, to the recovery effort following the passage of Hurricane Allen. Thereafter, this high level of investment could not be sustained and investment (as a percentage of GDP) tapered off, reaching 19.2 per cent in 1984. In the period 1985-1988, investment partially recovered, averaging 21.4 per cent of GDP owing mainly to an expansion in the PSIP. Primarily, foreign savings financed this high level of investment, as domestic savings were inadequate.

Domestic savings averaged 4.6 per cent per annum between 1980 and 1982, reflecting in part, a low level of public sector savings. However, in keeping with the strengthening in public sector performance, especially, central government, domestic savings increased markedly over the period 1983-1988 averaging 12.6 per cent.

Exchange rate

Saint Lucia is one of eight countries that share a common central bank, the Eastern Caribbean Central Bank (ECCB). The exchange rate of the Eastern Caribbean dollar has been fixed in relation to the United States dollar at US$=EC$2.70 since 1976. The fiduciary issue is limited by statute imposing strict limitations on the ability of member governments to monetise public sector deficits by borrowing from the Central Bank. In addition, the ECCB is obliged to maintain a foreign exchange cover of at least 60 per cent of the value of its demand liabilities. Since the exchange rate is used as an instrument to contain inflation, monetary policy cannot be used as an instrument to influence aggregate demand.

A system of exchange controls were in place for both current and capital account transactions. Prior approval for purchasing foreign currency had to be obtained from the Ministry of Finance. This system was administered flexibly and applications for exchange control were processed expeditiously. All foreign currency from export receipts was also to be surrendered.

In 1982 Government imposed a 2 per cent tax on foreign currency transactions, as a revenue measure. This policy had the undesired effect of encouraging the hoarding of foreign exchange and, to some extent, a parallel market.

Between 1980 and 1985, the real effective exchange rate appreciated by 18.2 per cent in keeping with the steady appreciation of the United States dollar over that period. The appreciation of the Eastern Caribbean dollar however, did not impact adversely on the competitiveness of the economy, as unit wage costs were relatively low within that period. From 1985-1988, the real effective exchange rate depreciated by 13.6 per cent. This period coincided with the boom in the banana industry as the wholesale price for bananas in the United Kingdom increased and sterling appreciated significantly against the United States dollar. Given that Saint Lucia is a price-taker in the United Kingdom banana market, the price of bananas is quoted in sterling. The significant appreciation of sterling therefore resulted in a significant increase in domestic prices to farmers.

Central government financial operations

After recording deficits on both the current and overall balances in the fiscal years 1980/1981 to 1983/1984, the financial performance of central government strengthened markedly over the period 1984/1985 to 1988/1989. This improved position was attributed to the introduction of a number of tax measures, namely:

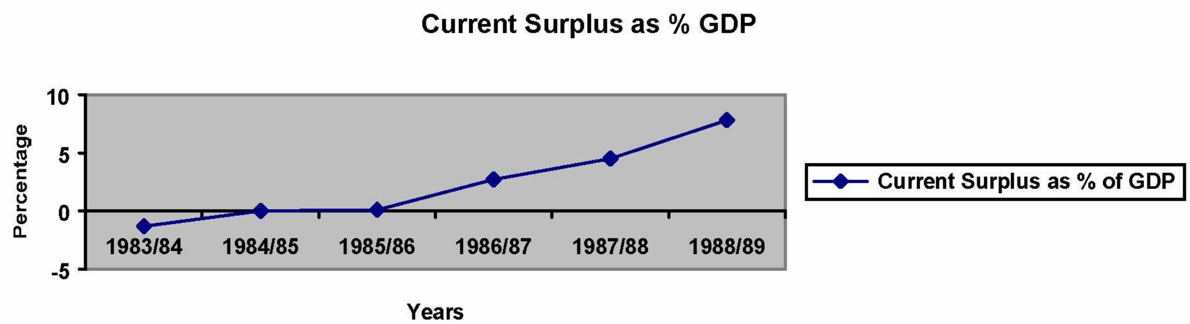
- The introduction of a 2 per cent foreign exchange tax in 1982;
- The introduction of a tax on airline tickets also in 1982;
- An expansion in the base of the consumption tax from CIF import value to the sum of CIF plus import duty. This measure, which contributed to increasing the cost of extraregional imports, was introduced in November 1985.

The expansion in economic activity over the period 1983-1988 contributed to buoyant growth in both revenue and expenditure. However, the growth in current revenue outpaced that of current expenditure resulting in an increase in government savings. Central government savings increased from negative 1.3 per cent of GDP in 1983/1984 to positive 7.8 of current expenditure resulting in an increase in government savings.

Balance of payments and external debt

In the period 1980-1982, the current account of the balance of payments was characterised by large deficits, averaging around 38 per cent of GDP. The magnitude of these deficits, reflected sizeable imports of capital equipment associated with the construction of an oil transshipment terminal and, to a lesser extent, post hurricane reconstruction. Subsequently, the current account deficit declined to 15 per cent in 1983 and further to 14 per cent in 1984, as a result of increased banana and tourism export receipts.

The trend decline in the current deficit continued, with the current account deficit averaging 4.2 per cent between 1986 and 1988.



Source: Statistics Department

The current account deficits were financed principally by official inflows in the form of grants and concessional loans and private direct investment. Project related grants were substantial over the period under consideration.

The level of external debt remained around 20 per cent throughout the period, reflecting the importance of project related grants in financing the PSIP. The debt service ratio also hovered between 2 and 4 per cent over the period. Saint Lucia's debt situation eased significantly following the improvement in fiscal performance in 1983/1984.

1989-1993

There were no major changes in trade policy over this period. There were, however, increases in consumption tax rates and the introduction of a customs service charge. These were compensating measures taken to offset the revenue losses from abolishing the stamp duty charge on imports. Stamp duty on imports was abolished with a view to stimulating intraregional trade, which had contracted appreciably in the early and mid-1980s.

Output and prices

Economic growth slowed to an average of 4.2 per cent in the period 1989 to 1993. The deceleration in growth was attributed to relatively weaker performances in agriculture and manufacturing. Growth in agriculture fluctuated during the period, with a peak of 25.1 per cent in 1992 following a steep decline of 18.17 in 1991. The fluctuations in banana output were due largely to weather-related factors, such as droughts, windstorm, etc.

Output growth in the manufacturing sector decelerated, averaging 1.61 per cent per annum. The slowdown in growth was due partly to deterioration in competitiveness of the enclave industries that targeted the United States market, as unit wage costs began to increase following the boom. The booms in the tourist and construction industries contributed to a tight labour market pushing up wages in all sectors of the economy (the so-called "Dutch Disease" effect). Saint Lucia also faced stiffer competition from lower cost producers, such as Mexico and the Dominican Republic. In addition, opportunities for further expansion into import-substituting industries were limited, given the small size of the domestic market and the inability to compete in the regional market with the larger MDCs. It is to be noted that some of the larger MDCs devalued their currencies in this period contributing to an increase in their competitiveness. However, the share of domestic manufacturing remained at an average of 7.7 per cent of total output for that period.

Performance in the construction sector improved in the period 1989 to 1993, compared to the previous six-year period, with growth averaging 7.9 per cent per annum. The commencement of major infrastructural projects in the public sector and construction of a number of large hotels in the private sector led to the growth in construction.

Output growth in the tourism sector in the years 1989 to 1993 (an average of 4.2 percent per annum) was slightly lower than the previous six-year period. The slowdown in growth was attributed to the recession in Saint Lucia's major tourist generating markets, principally the United States and United Kingdom in the early 1990s.

The inflation rate remained low, in the period 1989 to 1993, averaging 4.2 per cent per annum. The rate of inflation largely reflected increases in import prices and a rise in inflation in Saint Lucia's major industrial trading partners.

Savings and investment

The level of investment in the economy increased substantially in the period 1989 to 1993, registering an average of 26.2 per cent of GDP for the five-year period. This high level of investment was in line with increased government expenditure for major capital projects and increased direct foreign investment in the tourist industry. The level of savings averaged 16.3 per cent in the period reflecting improved performance in the fiscal sector as the current account surplus increased considerably in that period.

Exchange rates

The real effective exchange rate on average appreciated between 1989 and 1993. This was due primarily to the appreciation of the United States dollar against the pound sterling and other currencies of Saint Lucia's major trading partners.

Central government financial operations

Throughout the five-year period under consideration, fiscal sector performance continued to strengthen, with the current account surplus increasing steadily. The current account surplus increased from 5.1 per cent of GDP in 1989/1990 to 7.8 per cent of GDP in 1993/1994, averaging 6.5 per cent of GDP over the period. This improved performance was a result of:

- Increased efficiency in the collection of taxes, driven by tighter administration and improved monitoring of taxpayers' liabilities by the Inland Revenue Department;
- The implementation of the new consumption tax schedule introduced in the latter half of 1989 (rates were on average increased by five percent);
- Growth in hotel occupancy taxes in line with the growth of tourist arrivals;
- The introduction of a customs service charge of 2 per cent in 1989 which was subsequently increased to 3 per cent in 1992; and
- Containment of current expenditure growth.

Balance of payments and external debt

After increasing to 16.6 per cent in 1989, the current account deficit, as a percentage of GDP declined steadily, reaching 9.9 per cent in 1993. Continued growth in banana and tourism export earnings accounted for the narrowing in the current account deficit. External debt outstanding as a percentage of GDP and the debt service ratio remained relatively unchanged, averaging just over 20 per cent and 3 per cent, respectively.

1994 to 1998

In keeping with commitments at the regional level, Saint Lucia continued along the path to trade reform with the implementation of the second phase of the CET on 1 July 1997. However, as is noted in the third section of this paper, the implementation of the second phase of the CET did not amount to a major step towards liberalization, since the revised tariff structure represented only a minor departure from CET Phase 1.

Output and prices

Economic growth slowed considerably in the period 1994 to 1998. GDP growth averaged 1.7 per annum for the five-year period, reflecting declines in agriculture and manufacturing, and a marked slowdown in the construction sector. The agriculture sector registered negative growth (averaging negative 5.5 percent per annum) due primarily to a decline in output (average growth of negative 9.0 percent per annum) in the banana industry. The contraction in banana output was triggered by the passage of a tropical storm in September 1994, and subsequently to unfavourable market developments in the United Kingdom following the establishment of the European Single Market and Economy.

Growth in the manufacturing sector continued on a downward trend, averaging negative 1.63 per cent annually. A number of industries operating in the enclave industries closed down, reflecting the inability to compete with other lower-cost producers in the United States market. The contraction in the banana industry contributed to a major drop in output in the paper and paperboard industry, the second largest manufacturing industry. In addition, many of the CARICOM countries, notably the MDCs refuse to honour the OFA, resulting in a major contraction and to the eventual closing down, albeit on a temporary basis, of the company which processed copra into refined oil.

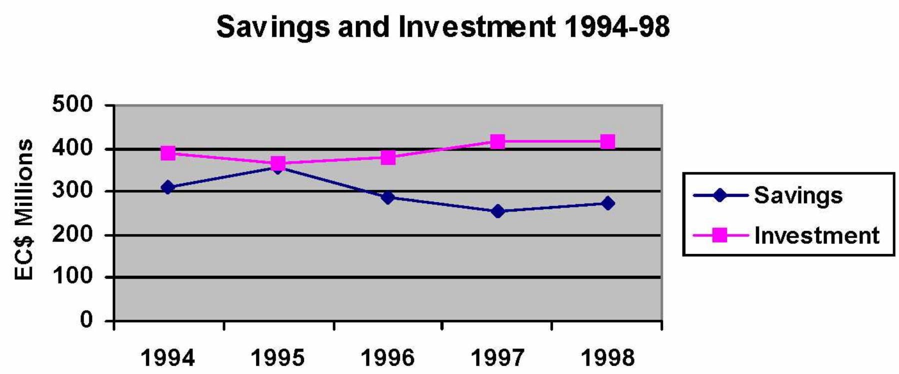
The construction sector grew by 1.4 per cent between 1994 and 1998 in keeping with the winding down of some of the large infrastructural projects implemented by Government.

In contrast, performance in the tourist industry continued on an upward path with growth in the sector averaging 8.1 per cent per annum, due to continued growth in cruise passengers and stay-over visitors. The growth in the tourism industry benefited from the continued expansion in the economies of its major tourist generating markets.

In keeping with decline in inflation in Saint Lucia's major trading partners, the inflation rate averaged 2.4 per cent in the period 1994-1998.

Savings and investment

Notwithstanding a decline in fiscal performance, the level of savings as a per cent of GDP averaged 19.4 per cent per annum in the five-year period 1994-1998, an increase of 3.1 percentage points over the previous five-year period. The continued increase in the savings rate may possibly have reflected the uncertainty about the prospects of the economy. As a result, private consumption declined. On the other hand, the level of investment as a percentage of GDP declined slightly by 0.5 percentage points to 25.7 per cent over the same period. The contraction in investment over the period 1994-1996 was attributed to the winding down of the PSIP in that period. Investment, however, picked up from 1997 as a result of the implementation of a new cycle of projects.



Source: Statistics Department

Exchange rates

The real effective exchange rate fluctuated in the period 1994 to 1998, but recorded an overall appreciation, reflecting the strengthening of the United States dollar during the period, and hampered domestic competitiveness.

Central government financial operations

The fiscal performance of central government remained healthy in the period, notwithstanding a weakening in performance. Increases in current expenditure, notably wages and salaries, as a result of retroactive wage payments in 1995 and a slowdown in revenue growth led to a narrowing in the current account surplus, which averaged 4.9 per cent of GDP.

The second phase of the CET was implemented on 1 July 1997. Specific losses in import duties were compensated by corresponding increases in consumption taxes. On the whole, notwithstanding a slight reduction in import duty as a result of implementing the second phase of the CET, revenue from import duty increased by 6.5 per cent, largely as a result of the increase in taxable imports.

Balance of payments and external debt

In keeping with an increase in tourism foreign exchange earnings and slow growth in imports, the current account deficit narrowed further in the period 1994-1998. As a percentage of GDP, the current account deficit averaged 9.9 per cent. The stock of external debt outstanding recorded a steady modest increase, reaching 27.0 per cent of GDP by 1998. The debt service ratio however remained below 4 per cent.

3. TRADE LIBERALIZATION IN SAINT LUCIA

Economists typically favour a sequencing of trade liberalization reforms with quantitative restrictions and other non-tariff barriers (NTBs) to trade being liberalised first followed by tariff reforms. In the case of Saint Lucia, liberalization of NTBs and tariffs was undertaken almost simultaneously. The use of licensing is the main form of protection for manufacturers. There are three categories of quantitative restrictions. One is the list of goods requiring licenses prior to importation from extraregional sources. Another is the list requiring import licenses prior to importation from any CARICOM country, which is not a member of the OECS. The third list is the Article 56 List, which involves the imposition of quantitative restrictions through licenses on MDC imports on a temporary basis. Since 1992 Saint Lucia has made significant progress in reducing the size of these lists. Appendix 1 provides a status on the number of goods, which have been either added or removed from each list.

The pace of tariff reform in Saint Lucia

The pace of reform in Saint Lucia's tariff structure has been slow, primarily as a result of the inability of CARICOM member States to agree and implement a unified Common External Tariff, since the coming into force of CARICOM in 1973. Unlike the MDCs, which adopted the initial Common External Tariff in 1973, Saint Lucia, like the other OECS countries applied the ECCM schedule. The ECCM tariff schedule had generally lower rates than the tariff schedule adopted by the MDCs, particularly in the area of manufacturing. Unwillingness on the part of certain OECS States, including Saint Lucia, to see tariffs rise, largely accounts for the reluctance to implement the initial CET. Indeed, the adoption of the ECCM tariff schedule was deemed as fulfilling the initial obligations of the Common External Tariff of CARICOM. Efforts to unify the rates of the ECCM and the CET adopted by the MDCs during the 1980s failed. The rates adopted by the MDCs were more protective than those adopted by the LDCs, particularly in the area of manufacturing.

A revised Common External Tariff was finally agreed to in 1990, but was reviewed in light of the global thrust towards trade liberalization. Finally, in October 1992, Saint Lucia and other CARICOM countries agreed on a timetable for implementing a Customs Union within five years[3]. The new tariff structure was to be phased in over a five-year period from 1993. There was to be a successive reduction in tariff rates in moving from one phase to the next. The range of tariff rates was to be reduced from 0-45 per cent in the first phase to 0 to 20 per cent in the final phase. However, countries were granted suspensions for the common rates on certain goods based on the following considerations:

- Cost of living of the LDCs
- Goods which are significant revenue earners
- Goods in which national production was to be encouraged.

The suspensions were intended, however, to be granted only for a limited period after which the common rates were to apply. All suspensions were to expire after implementation of

[3] Saint Lucia did not implement the revised 1990 CET.

the final phase of the CET. The table below illustrates the proposed phasing in of the CET rate structure.

Period of Application	Implementation Period	Rate Structure
1.1.93 – 31.12.94	1.1.93 – 1.7.93	0/5 – 30/35
1.1.95 – 31.12.96	1.1.95 – 1.7.95	0/5 – 25/30
1.1.97 – 31.12.97	1.1.97 – 1.7.97	0/5 – 20/25
1.1.98 onwards	1.1.98 – 1.7.98	0/5 – 20

The CET rate structure distinguishes between competing and non-competing imports. Competing imports are those for which regional production satisfy at least 75 per cent of regional demand. Tariffs on competing imports are at the high end of the tariff range. In general, tariffs on final goods are higher than tariffs on inputs. Agricultural goods are subject to a 40 per cent tariff and inputs for the agriculture sector remain duty free. The CET agreement also allows for duty exemptions according to certain approved end-uses. These are contained in the List of Conditional Duty Exemptions.

Saint Lucia implemented the first phase of the CET in July 1993. The second phase was implemented in July 1997. A decision was taken to skip the implementation of the third phase of the CET and the fourth phase was to be implemented on 1 May 1999. However, implementation of the fourth phase of the CET has been delayed and it is expected that the fourth phase will be implemented in the latter part of 1999.

Before undertaking a comparison of the various tariff structures implemented by Saint Lucia in order to ascertain the extent to which trade liberalization has progressed in that country, some brief methodological issues on tariff structures are discussed below.

Tariff structure

Some methodological issues

Tariff structures are often rather complex and resist easy characterization by summary measures, thereby complicating the analysis of fiscal implications of tariff reform. Tariff schedules usually contain many rates with wide dispersions. The unweighted average of tariff rates is often taken as the simplest measure of the importance of tariffs. A simple average, however, does not accurately gauge the overall importance of trade taxes. For example, there may be a few very high rates that apply to only a small volume of trade, imparting an upward bias to the average.

A weighted average of tariff rates (or the collected tariff rate) where the weights are the share of imports at each rate on total imports is a more suitable alternative measure. This measure, however, introduces a downward bias because imports facing a high tariff are likely to be demanded in reduced quantities. In addition, this measure at best offers an ambiguous measure of trade liberalization, since it could increase even with a reduction in nominal tariff rates if exemptions were reduced or tax compliance improved. A further useful summary indicator of the tariff structure is the tariff dispersion. The dispersion is often used as a supplement to the average rate, as low average rates may conceal large dispersion in rates and hence large differentials in effective protection across goods and sectors.

Comparison of the ECCM and CET tariff schedules

The analysis below shall focus on a comparison between the ECCM tariff schedule and the CET Phase 1 tariff schedule, as implemented by Saint Lucia. The implementation of Phase 2 of the CET involved a reduction of 5 per cent in tariff rates on competing goods and did not represent a major reform in tariff structure. As a result, the paper shall not focus on Phase 2 of the CET and the revised tariff structure as this represented only a minor departure from CET Phase 1. The report, however, shall analyze in detail the fourth-phase tariff schedule of the CET, as it is to be implemented by Saint Lucia.

ECCM and the CET Phase 1 tariff comparison

A detailed item by item comparison of the ECCM and CET Phase 1 tariff schedules is complicated by the fact that Saint Lucia moved from the Caribbean Customs Classification Nomenclature (CCCN) tariff classification, in which there were just over 3000 tariff positions, to the 1993 Harmonised Commodity Description and Coding System (HS93), in which there are over 6000 tariff positions. The higher level of disaggregation does not, therefore, allow for a direct comparison on an item by item basis.

The ECCM Tariff Schedule contains 14 tariff rates, ranging from 0 per cent to 70 per cent, whereas the CET Phase 1 tariff schedule contains 11 tariff rates, ranging from 0 to 70 per cent. The ECCM unweighted nominal average tariff rate is 15.7 per cent while the CET Phase 1 unweighted nominal average rate is 7.8 per cent. This substantial decline in the tariff, however, must be treated with a great deal of caution, as it is a very misleading indicator of trade liberalization. The list of Conditional Duty Exemptions under the ECCM schedule provided for a substantially low number of exemptions (10 items). Notwithstanding this small list, OECS manufacturers and producers were still granted exemptions under their respective national legislation. The List of Conditional Duty Exemptions was expanded with the introduction of the first phase of the CET, thus providing for greater transparency in the tariff structure. An examination of the weighted average tariff rates shows that the ECCM average tariff rate (16.5 per cent) is slightly higher than the CET first phase rate (15.8 per cent).

The table below illustrates the ECCM and CET Phase 1 tariff structures.

ECCM Tariff Rate	No. of Tariff Positions	CET Phase 1 Tariff Rates	No. of Tariff Positions
0	602	0	4585
3	6	3	-
5	319	5	42
10	218	10	146
15	378	15	9
20	592	20	108
22	6	22	-
25	489	25	516
30	363	30	382
35	46	35	295
40	24	40	217
45	1	45	34
60	1	60	-
70	13	70	4
Total	**3058**[4]		**6338**
Unweighted Avg.	**15.7%**	**Unweighted Avg.**	**7.8%**

However, whereas 97 per cent of the tariff positions in the ECCM tariff schedule are at rates at or below 30 per cent, only 91 per cent of tariff positions are in the corresponding range in the CET Phase 1 tariff schedule. Further, research undertaken by the Ministry of Finance and Planning revealed that:

- 42 per cent of tariff positions in the CET Phase 1 Tariff Schedule is lower than the corresponding ECCM tariff positions;
- 33 per cent of tariff positions in the CET Phase 1 Tariff schedule is higher than the corresponding ECCM.

[4]Excludes Specific Rates.

- 25 per cent of the tariff positions in the CET Phase 1 tariff is equal to the corresponding ECCM tariff positions.

While, theoretically, the above indicators suggest that the shift from the ECCM Tariff structure to the CET Phase 1 tariff structure represents a move to trade liberalization, this may not be the case in practice as the level of exemptions provided by way of concessions has not been taken into consideration. In fact, the collected rate, defined as the ratio of import duty collections to the value of imports, (expressed as a percentage) was 7.6 per cent in 1992/1993 (one year preceding the implementation of Phase 1 of the CET), and 7.4 per cent in 1994/1995 (one year after the implementation of the CET). This does not suggest a significant move towards liberalization.

Government had to face a major dilemma in attempting to implement the CET while simultaneously providing continued protection to the manufacturing industry. Thus far, Government has attempted to resolve the twin objectives as follows:

- Maintaining consumption tax rates constant on products manufactured domestically. This policy is more palliative in nature as it does not reverse the reduction in protection.

- Applying the licensing regime on imports for certain products.

The latter policy, however, contradicts the general thrust towards trade liberalization. Government has not yet made any policy announcements as to how it will reconcile the objectives of providing a certain level of protection for domestic manufacturers while, at the same time, pursuing trade liberalization initiatives.

The fourth-phase CET tariff schedule

Saint Lucia is on the verge of implementing the fourth and final phase of the CET.[5] Again, an item by item comparison of the fourth-phase CET tariff rates with that of the ECCM and CET Phase 1 rates could not be conducted as Saint Lucia will be implementing a new tariff classification, HS96, simultaneously with the fourth phase. HS96 contains over 7,000 tariff positions and is more disaggregated than HS93. The table below shows the structure of the fourth phase of the CET.

[5] This has been confirmed by Ministry of Finance officials.

Fourth Phase Tariff Rates	No. of Tariff Positions	Cumulative Percent of Total
0	2840	39%
5	1689	62%
10	258	66%
15	359	71%
20	1006	85%
25	441	91%
30	202	94%
35	55	95%
40	368	99%
45	25	100%
70	12	100%
Unweighted Average 10 %		

The unweighted nominal tariff of 10 per cent is lower than that of the ECCM tariff average of 15.7 per cent (with a dispersion of 11.3 per cent) but higher than that of the first phase CET tariff average of 7.8 per cent (with a dispersion of 12.1 per cent). The increase in the average unweighted tariff rate in moving from the first to the final phase is attributable to a large reduction in the number of non-zero rated items. It is to be noted that LDCs had the option of applying a zero per cent rate or a 5 per cent rate on non-competing inputs. Saint Lucia opted to take zero per cent on many of these tariff positions. However, in moving to the final phase of the CET, Saint Lucia decided to increase many of the zero rates to 5 per cent.

In an effort to determine the weighted average tariff rate, simulations using 1997 import data were conducted. A weighted average tariff rate of 11.8 per cent was estimated, significantly lower than both the ECCM and CET Phase 1 weighted tariff averages. In addition, 85 per cent of tariff positions are at or below 20 per cent, compared with 69 per cent and 77 per cent for the ECCM and CET Phase 1 tariff schedules, respectively. Hence, the available indicators suggest an unambiguous shift in the direction of trade liberalization.

A number of points are noteworthy in regard to the implementation of the Common External Tariff in Saint Lucia. Firstly, while the number of tariff rates was reduced from 14 to 11, the maximum rate did not fall to 45 per cent (Phase 1) and will not fall to 20 per cent (Phase 4). The list of approved suspensions of the common rates (derogations) which were granted to Saint Lucia are to continue on implementation of the fourth phase of the CET, contrary to the implementation agreement. As a result, the maximum rate in the final phase of the tariff is to remain at 70 per cent.

Revenue implications of trade liberalization

This section reviews the impact of trade liberalization on revenue over the period 1980-1998 and, in particular, highlights the importance of international trade taxes. The degree of reliance on international trade taxes is determined by the level of economic development and the structure of the economy. From 1980 to 1998, the Saint Lucia economy recorded an average annual growth rate of 5 per cent. Within that period, it moved from being classified as a low-income country to the status of a lower-middle income country, as judged by the criterion of GDP per capita. In addition, the contribution of the services sector to GDP increased. These developments, in conjunction with the pursuit of sound macroeconomic policies, have enabled Saint Lucia to proceed smoothly in implementing the CARICOM Common External Tariff[6].

Much has been written about the effects of trade liberalization, particularly tariff reductions on tax revenues. Greenaway and Milner (1991) argue that ".... It is not clear on a priori or empirical grounds that trade liberalization will unambiguously lead to fiscal enhancement or fiscal depletion". However, the authors argue that in the case of small, low-income developing countries, reduction in tariff rates are likely to be revenue depleting because a large share of imports are non-competing goods which are taxed primarily for raising revenue. Tariff rates, in such cases, are more likely to be below the revenue-maximizing level and, therefore, any attempt to reduce tariff rates must be revenue depleting.

In analyzing the impact of trade liberalization on revenues, it is important to keep in mind that it is unclear how to measure the extent of trade liberalization in an economy because there are various measures (Dean, Desai, and Riedel, 1994).

One useful approach to measuring the progress towards trade liberalization is to examine the long-term trend in the collected rate. The collected rate is simply the revenue derived from import duties divided by the value of imports.

Over the period 1980/1981 to 1987/1988, the average collected tariff rate increased from 5.8 per cent to 8.1 per cent. From 1988/1989 to 1997/1998, the average collected tariff rate fluctuated between 7.1 per cent and 7.8 per cent, averaging 7.5 per cent over the period. The long-term trend in the average collected tariff rate suggests that Saint Lucia has thus far not reduced its reliance on international trade to any significant extent.

A comparison of Saint Lucia's average collected tariff rate with the rest of the world is provided below.

	Collected Tariffs (in percent)			
Region	**1980**	**1985**	**1990**	**1995**
All countries	11.36	12.27	11.08	9.82
OECD	4.19	3.51	2.88	1.69
Non. OECD	14.27	15.89	14.41	13.07
Asian Countries	12.04	15.63	16.48	13.46
Middle Eastern Countries	14.33	14.07	10.70	11.39
Western Hemisphere Countries	12.67	13.77	11.09	10.2
Saint Lucia	5.8	7.6	7.6	7.7

Source: Government Finance Statistics (IMF)

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6 There were, however implementation lags unrelated to the capacity of the economy to implement the tariff on the agreed timetable.

The table shows that while Saint Lucia has not made as much progress as the Organization for Economic Cooperation and Development (OECD) countries in reducing its average tariff collected rate (which measures dependence on international trade taxes) its average rate is less than all of the averages of the developing country-groupings shown above. This indicates that Saint Lucia's trade regime has always been rather liberal. The sharp reduction in average collection tariff rates for OECD countries reflects the ability of these countries to easily diversify their tax bases.

The following tables summarize the trends in the collection and composition of trade tax revenues for various country groupings (defined for this purpose as the sum of import duties and export duties).

	Taxes on International Trade (% of GDP)			
	1980	**1985**	**1990**	**1995**
All Countries	4.19	4.28	3.38	3.25
OECD	0.91	0.77	0.60	0.37
Non OECD	5.21	5.36	4.40	4.29
African	6.22	6.5	5.31	5.57
Asia	4.83	5.26	4.36	3.79
Middle Eastern Countries	4.32	4.16	3.49	3.58
Western Hemisphere	4.52	4.49	4.01	3.70
St. Lucia	5.2	4.3	5.0	4.2

	Import Duties as a Percent of GDP			
All Countries	3.38	3.5	3.09	2.99
OECD	0.87	0.75	0.58	0.37
Non-OECD	4.17	4.35	4.06	3.94
African	5.01	5.3	5.0	5.0
Asia	3.14	3.78	3.87	3.35
Middle-East	4.18	3.95	3.28	3.47
Western Hemisphere	3.67	3.7	3.7	3.51
St. Lucia	5.2	4.3	5.0	4.2

	Exports Duties (% of GDP)			
All Countries	0.7	0.51	0.22	0.17
OECD	0.02	0.01	-	-
Non-OECD	0.91	0.66	0.3	0.23
African	1.14	1.04	0.31	0.33
Asia	1.25	0.71	0.49	0.43
Middle-East	0.09	0.05	0.04	0.05
Western Hemisphere	0.78	0.4	0.31	0.07
St. Lucia	-	-	-	-

Source: Government Finance Statistics, IMF

These tables show that Saint Lucia is more dependent on trade taxes, as trade tax revenues as a percentage of GDP are higher than the averages for all regions, except Africa and Asia. In particular, import duties as a percentage of GDP are higher for Saint Lucia than all other regions, with the exception of Africa. This indicates the extent to which Saint Lucia relies on international trade taxes, in particular, on import duties. Trade taxes as a percentage of GDP fluctuated over the period 1980/1981 to 1997/1998, varying from a low of 4.2 per cent to a high of 5.4 per cent, with no discernible trend.

The importance of international trade taxes to Saint Lucia is highlighted further in considering its contribution to tax revenue. Import duties as a percentage of tax revenue displayed a declining trend over the period 1980/1981 to 1997/1998, moving from 23.8 per cent to approximately 17 per cent in 1997/1998[7]. The average of 17 per cent for Saint Lucia is, however, lower than the average for most developing countries, indicating that Saint Lucia relies less on import duties for tax collections than other developing countries. The share of current revenue accounted for by import duties has also been on a downward trend.

In Saint Lucia, the consumption tax on imports is also a very important source of revenue. Whereas import duty is only levied on CIF value, the base of the consumption tax is CIF value plus import duties. It is to be noted that a unit of import from extraregional sources would attract a higher consumption tax payment than a unit of import from CARICOM with identical value if the import duty rate is non zero.

Trade and fiscal reform

The impact of tariff reduction on revenue depends on:

- The level and coverage of existing tariffs; and
- The extent to which they are reduced.

The precise impact on revenue is difficult to quantify because it depends on complex economic responses. If the value of imports remain unchanged, the immediate effect of lowering tariffs is to reduce import duty revenue. The revenue loss is amplified because import duty revenue is included in the base of the consumption tax.

The value of imports is, however, expected to increase, with the magnitude of the change depending directly on the price elasticity of demand for extraregional imports. Given that imports contain a wide variety of goods with varying elasticities, it is difficult to generalize about the price elasticity of imports.

The value of extraregional imports would also depend on the price elasticity of supply of import substitutes (in this case domestic and regional supply). If supply is inelastic, then a price reduction (as would occur if, *ceteris paribus*, tariff rates were reduced) will lead to little change

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[7] The global average was also 17 percent in that year.

in output and hence to a minimal increase in imports. The price elasticity of supply is likely to be inelastic in the short run, but more elastic in the long run. Unfortunately, given data constraints, price elasticities could not be computed.

The implementation of the Common External Tariff has been accompanied by appropriate fiscal adjustments at each stage of the CET in order to ensure that the fiscal performance of central government is not compromised by the trade reform programme. In order to compensate for the loss in import duty revenue as a result of the implementation of the CET, Government has pursued on an item by item basis, a policy of adjusting the consumption tax upwards by an equivalent margin. Government has accordingly pursued a policy of revenue neutrality in the implementation of the Common External Tariff. There were, however, two exceptions to this general rule of fiscal policy adjustment as listed below:

1. Consumption tax rates on items in which there existed significant domestic production were not adjusted upward, as it would adversely affect domestic competitiveness. In such instances, Government opted to bear revenue losses. Given the narrow base of Saint Lucia's manufacturing sector, the revenue implication of such a policy was minimal.

2. Consumption tax rates on items in which there existed significant regional imports were also kept constant, as an increase in rates would be inflationary.

In cases where there existed significant regional and extraregional imports, the policy was discretionary. In all cases simulations were conducted in order to ensure that the primary objective of revenue-neutrality was achieved.

In the fourth phase of the CET, the consumption tax rates are again to be adjusted upwards. This policy is, however, to be pursued within the framework of rationalizing the consumption tax regime. The consumption tax rates currently range from 0 to 95 per cent. Government is to reduce the range to 0 to 35 per cent and to recoup the loss in revenues by broadening the excise tax regime. Currently, excise tax is levied only on domestically produced alcohol.

Estimates by the Ministry of Finance reveal that import duty revenue loss as a result of the implementation of the fourth phase of the CET is equivalent to 7 per cent of 1998/1999 import duty revenue collections. However, the introduction of the new consumption and excise tax regimes is estimated to yield an overall net increase in revenues of EC$10 million (equivalent to just under 15 per cent of 1998/1999 Import Duty revenue collections).

Although useful as an expedient to maintain revenue collections in the short run, this strategy with respect to the consumption tax, while consistent with the form of trade tax reform is inconsistent with the spirit of trade tax reform, which is to create a neutral environment for economic decisions. The move to reduce the number of consumption tax rates from the current 19 to 8 on implementation of the fourth phase of the CET is, however, a step in the right direction. In the medium term, Government could possibly reduce the number of consumption tax rates on a phased basis resulting eventually in a single or two-tier consumption tax regime.

Saint Lucia is currently taking steps to strengthen its domestic tax system against the backdrop of the implementation of the CET and a changing economy that is increasingly dominated by the services sector. A new Income Tax Bill is currently in the process of being drafted. The new Income Tax Act is expected to be a simpler, more transparent Act, containing few deductions for personal income tax relief. There is, however, not expected to be any significant change in income tax rates. The proposed fiscal impact of the proposed new income tax regime has not as yet been evaluated.

Saint Lucia has also introduced an environmental tax levy (equivalent to 1 per cent of CIF) as part of the process of broadening the domestic tax regime. The proposed tax measure, however, is discriminatory in that it applies only to imports, and thus serves as an import duty. This tax may also be inconsistent with the provisions of the World Trade Organization (WTO). Government has also revised the hotel accommodation tax regime in order to make it simpler and more transparent.

The revamping of Saint Lucia's tax regime is expected to enable it to achieve the fiscal targets agreed to with the European Union in the Framework of Mutual Obligations (FMO) governing the application of STABEX transfers.

In the medium to long term it is recommended that Saint Lucia broaden its tax regime to encompass the services sector.

Administrative costs of collecting trade taxes

It has been recognized that the administrative capacity to collect taxes is just as important to revenue collections as the introduction of new tax regimes. Weak institutional capacity to effectively administer tax reform programmes has led to the failure of many such programmes. In that regard, it is instructive to consider the administrative capacity for collection of trade taxes in Saint Lucia.

The Customs and Excise Department (CED) is charged with the responsibility for collecting, *inter alia,* all trade taxes. The table below reveals a decline in administrative efficiency of the CED over the period1990/1991 to 1996/1997, as measured by the number of dollars of revenue collected per dollar of expenditure incurred. This decline in administrative efficiency is a source of concern and Government has embarked on a comprehensive customs reform modernization project to address this situation.

		Administrative Efficiency Ratios	
Year	Actual Rev To Actual Exp.	Actual Rev To Staff Exp.	Actual Rev To Est. Rev.
1990/91	30.87	49.28	0.88
1991/92	34.31	60.21	1.03
1992/93	33.90	50.73	1.02
1993/94	31.70	44.93	0.93
1994/95	31.27	42.73	0.89
1995/96	30.12	44.66	0.93
1996/97	26.68	40.51	0.98

Source: Estimates of Expenditure: Government of Saint Lucia

A Customs Service Charge (CSC) was introduced in 1989, primarily as a cost recovery measure. The CSC has been increased twice since being introduced and is currently at 4 per cent of the CIF value. It is also levied only on imports. The amount of revenue collected from the CSC exceeds the cost of customs administration by a ratio of more than 4:1 and is for all intents and purposes, a revenue-generating instrument. The CSC may also be viewed as an additional tariff since it is only levied on imports.

Interviews with officials of the CED revealed that tax evasion was a problem. The magnitude of the problem is, however, unknown. Some senior officials of the CED estimate it to be in the range of $10 to $20 million (approximately 5-10 per cent of total CED revenue). The major source of tax evasion is under-invoicing of imports. The CED has increased its vigilance in this area and recorded some major successes recently. The area of surveillance is to be strengthened under the Customs Reform Modernization Project. In an effort to encourage persons to desist from this practice, Government has issued an amnesty, inviting all persons who have engaged in deliberately defrauding Government of revenue over the past three years to report to the CED. It is expected that CED officials are to scrutinize all customs entries over that period. While it is not anticipated that persons will report to the CED, it is expected that the incentive to evade taxes will diminish as the cost of being caught has increased.

4. THE RELATIONSHIP BETWEEN BANANA EXPORTS, GDP AND REVENUE

This section will review the overall importance of the banana industry to exports, output and government revenue. Bananas are a major source of export earnings to the economy of Saint Lucia. The share of merchandise exports accounted for by banana exports increased from an average of 40 per cent in the period 1981-1984 to an average of 54.9 per cent over the period 1985 to 1992. In 1985 and 1986, export earnings of bananas exceeded 60 per cent of merchandise exports. Between 1993 and 1995 the share of merchandise exports accounted for by bananas declined to 41 per cent. The share of merchandise exports accounted for by bananas increased to an average of 54 per cent from 1996 to 1998.

The foregoing serves to illustrate the narrow production base of Saint Lucia's merchandise exports and the over-reliance on bananas as a major foreign exchange earner. Banana exports as a percentage of total exports of goods and services followed the same trend, increasing from an average of 19.8 per cent in 1981-1984, to an average of 24.8 per cent in 1985-1992 declining to an average of 11.7 per cent over the period 1993-1998. More significantly, banana export earnings accounted for an average of only 10.3 per cent of total exports of goods and services over the period 1996 to 1998, reflecting the declining importance of banana exports in total exports of goods and services.

Turning now to the importance of banana exports to output, a similar trend is exhibited. Banana production accounted for 5.8 per cent of GDP between 1980 and 1983. In keeping with boom in the industry over the period 1984-1992, its share of GDP increased to an average of 9.5 per cent of GDP in that period. Subsequently, its share dropped to an average of 7.8 per cent over 1993-1995, largely as a result of unfavourable weather conditions in 1994, and then slumped to 5.6 per cent between 1996-1998 reflecting, principally, adverse market developments.

It is noted that the peak growth phase in GDP coincided with the peak growth in banana exports (1984-1989). The deceleration in GDP growth also coincided with the contraction in the banana industry (1993-1998).

The coefficient of correlation between export growth and GDP growth, is 0.78, indicating the strong dependence of GDP on banana exports. The results of a simple regression between GDP growth and banana export growth over the period 1977 to 1998 are shown below.

$$GGDP = 3.97 + 0.13\ GBX$$

$$(5.8) \quad (5.4)$$

$$R^2 = 0.6$$

GGDP= Growth in Real GDP

GBX = Growth in Banana Exports

T-Statistics are in parentheses

R^2, which is a measure of the goodness of the equation and an indication of the degree to which growth in banana exports explains the growth in GDP, is 0.6.[8] This indicates that banana export growth explains 60 percent of the variation in GDP growth. The t-statistic provides a measure of the significance of the coefficient of the explanatory variable GBX. The null hypothesis that the coefficient on GBX is zero is not accepted as the t-statistic of 5.4 exceeds the relevant critical t-ratio at the 1 percent level of significance (2.5).

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[8] An R^2 of 0 indicates that the explanatory variables do not explain any of the variation in the dependent variable, while an R^2 of 1 indicates that the explanatory variables fully explain the variation in the dependent variable.

The importance of banana export earnings to central government revenue cannot be evaluated directly as there is no export tax on bananas and banana farmer incomes are exempt from income tax. Indirectly, however, banana export earnings contribute to an expansion in output and income, and an increase in taxes. Given that it has been established above that growth in banana export earnings is a significant determinant of GDP growth, it can be deduced that export earnings are also a major contributor to government revenue. It is to be noted that banana farmers also benefit significantly from tax concessions on inputs. The overall impact of banana export on Government revenue would need to take into consideration the impact of concessions provided to the industry. This research is however, beyond the scope of this paper.

5. THE RELATIONSHIP BETWEEN SERVICE EXPORTS, GDP AND GOVERNMENT REVENUE

Very little empirical analysis has been done of the economic impact of the services sector in Saint Lucia. However, the transition towards an increasing reliance on the tourism sector, in particular, is clearly in evidence. As a clear indication of that transition in the economy, the contribution of the tourism sector to GDP (as measured by output from hotels and restaurants only) increased from 9.6 per cent in 1990 to 13 per cent in 1998. As a further measure, tourism receipts are estimated to have grown from 60per cent to 70 per cent of the export of all goods and services over the period 1990 to 1998. The importance of tourism to Government revenues is illustrated in the following table.

Estimate of Tourism's Contribution to Government Revenue in 1995 (EC$ Million)

Taxation Category	Total Gov't. Revenue	% Assigned to Tourism	Revenue Attributed to Tourism
Entertainment Taxes	0.9	75	0.68
Liquor Licences	6.2	30	1.86
Alien Landholding Licences	0.6	75	0.45
Hotel Occupancy taxes	13.5	100	13.50
Airport Departure Taxes	6.5	90	5.85
Cruise Passenger Taxes	2.3	100	2.30
Import Duties	59.9	15	8.99
Consumption Duties	95.2	5	4.76
Excise Duties	0.9	15	0.14
Stamp Duties	6.5	15	0.98
Income Taxes	31.0	15	4.65
Total	223.5	19.8	44.15

Source: Saint Lucia Tourist Board

As can be noted from the above table, the tourism sector contributed close to 20 per cent of total revenues collected by the Government in 1995. Data are only available for that year, as an offshoot of a study undertaken by the Saint Lucia Tourist Board, in collaboration with the University of Surrey. It should be noted that, with the exception of cruise passenger taxes, the taxes and other charges shown above relate strictly to the investment and production activities of the hotel and restaurant subsectors of tourism. That is, the economic activity associated with tourism ancillary service sectors is not captured by these measures. The true impact on Government tax revenues is, therefore, underestimated. That omission notwithstanding, it is significant to note that the estimated contribution of tourism to Government tax revenues in 1995, estimated at 18.8 per cent (excluding cruise passenger taxes) far exceeds its 1995 contribution to GDP of 11.15 per cent (using a similar restricted measure of the output of hotels and restaurants). That margin of difference in fact provides a crude but useful measure of the relative dependence of the economy on tax revenues generated by a growing tourism sector, in sharp contrast to the declining importance of bananas and, by extension, agriculture as a whole.

As the economy becomes increasingly service oriented, the Government is attempting to reorient its taxation regime towards securing an even greater proportion of its revenues from the services sector. This policy shift is reflected in a proposed revision of the income tax act, which has as one of its objectives the extension of the tax net to cover a broader range of service occupations currently not subject to income taxation. It is also manifested in recent increases in the airport departure tax and an amendment to the hotel occupancy tax regime, aimed at ensuring that the growth in tax revenues keeps pace with the growth in visitor arrivals.

There is some concern, however, being expressed by the private sector over the adverse impact of these recent fiscal policy measures on the competitiveness of the tourism industry in Saint Lucia. These concerns are valid to the extent that, while hotel occupancy and airport departure taxes are not strictly classified as export taxes, these taxes do, in fact, impact directly and for the most part on visitors to the country and, therefore, exert the same sort of disincentive effects normally associated with export taxes.

Saint Lucia's experience with commodity booms and busts

Saint Lucia does not have any significant experience with booms and busts in commodities. Bananas, the major merchandise export over the period 1980-1998, has received preferential treatment in the United Kingdom market. The margin of preference has, however, steadily eroded since the implementation of the European Union Single Market and Economy. Prior to July 1993, bananas from the Commonwealth countries were imported under an open general license and entered duty free into the United Kingdom market, while imports of "dollar bananas" were subjected to licenses and a 20 per cent tariff. However, from 1993, the EU adopted a common policy on banana imports. Banana imports from African, Caribbean, Pacific (ACP) countries were to country specific non-transferable duty free quotas. Saint Lucia's duty free quota was 127,000 tons. Banana imports from the dollar area were subjected to a transferable quota. A tariff of 75 ECU per ton (about 20 per cent of the import price) was imposed on imports within the quota. The total quota was 2.2 million tons. A tariff of 750 ECU per ton applied to all countries which exceeded their quotas. However, towards the end of 1996, the quota for dollar bananas was increased to 2.55 million tons and in June 1998, the EU implemented a new banana regime for ACP countries. Under this new regime, ACP countries are provided with a global quota rather than specific country quotas as prevailed previously. The new measures introduced by the EU have impacted adversely on the preferential arrangements provided to ACP countries, including Saint Lucia.

Given that Saint Lucia accounts for about 2 per cent of total EU banana imports, it is essentially a price taker in the market. Notwithstanding, the application of a tariff on dollar bananas, changes in supply from dollar banana countries significantly influence banana prices in the EU market. Demand for bananas in the United Kingdom also has a seasonal pattern. Demand tends to be low in the autumn/winter and higher in the spring/summer. Hence prices tend to be low in the former period and high in the latter period. Prices are also affected by the availability of substitutes.

Although fluctuating, the Green Wholesale Price (GWP) was on an upward trend between 1981 and 1994. The GWP increased from £318.94 pound sterling in 1981 to £618.0 pound sterling in 1994. However, in 1995 it declined to £554 pound sterling and stabilized thereafter.

It is to be noted that the favourable prices received in the period 1984-1994, also coincided with the peak level of banana production. Prices were at their highest in 1994. However, banana production declined in that year, as a result of the passage of a major tropical storm which severely damaged banana farms throughout the island. Subsequently, prices declined in 1995 and have remained relatively stable.

While Saint Lucia has not had any significant experience with commodity booms and busts, the policy of the Saint Lucia Banana Growers Association (SLBGA) to stabilize prices in the early 1990s subsequently had disastrous consequences for the industry in the mid and late-1990s. The SLBGA exhausted its reserve fund, estimated at over $30 million in 1991 and contracted debt to support prices for farmers in 1992 in the expectation that prices would eventually recover. This never materialized. The misapplication of price stabilization policy resulted in reduced prices to farmers over the period 1995 to 1998, a corresponding drop in production, and the eventual financial demise of the Growers Association. Government provided a subsidy of $7 million in 1996 to the industry by way of price support, given the recognized importance of the industry to Saint Lucia's economic and social welfare.

In an effort to restructure the industry, Government opted to assume the debt of approximately EC$40 million of the Association, resulting in an increase of 15.2 per cent in central government's domestic debt and 7.5 per cent in central government's total debt. Government's acceptance of this liability has placed additional pressure on its finances. It can be concluded, therefore, that the 'bust' in the banana industry in 1995 has had an adverse indirect impact on the fiscal position of the Government of Saint Lucia.

6. CONCLUSION

Trade liberalization in Saint Lucia has been accompanied by appropriate fiscal reforms at each stage. As a result, Saint Lucia has not experienced any reduction in revenue in undertaking its trade liberalization programme. Trade liberalization has been used as a stepping stone for reforming Saint Lucia's indirect tax regime. The case of Saint Lucia confirms the empirical evidence that fiscal reform programmes are a necessary, but not sufficient, condition for the successful implementation of trade liberalization.

The degree of dependence on international trade taxes is still too high, and it is recommended that Saint Lucia take further steps to broaden its indirect tax structure so as to lessen its dependence on international trade taxes.

The degree of dependence on banana exports is also high and makes the economy highly vulnerable to EU banana market developments and natural disasters. In the face of this vulnerability, pressure has been placed on the Government to provide financial support to the industry, at the expense of the deterioration of its fiscal position. This development, in addition to the recent ruling by the WTO on the EU preferential market regime for ACP bananas, makes it even more imperative for Saint Lucia to broaden the composition of its exports.

The growth in the tourism sector has, to some extent, reduced the vulnerability of the economy to banana market developments. However, further diversification is required to enable Saint Lucia to adjust successfully to the new developments in this sector.

Annex1: **Amendments to the External Trade (Restricted Imports) Order in 1996**

1. Goods requiring a licence from countries outside of OECS and CARICOM

HS Tariff Numbers	***Description***	***Status***
08.06	Grapes, Fresh or Dried	Removed
08.08	Apples, Pears (Fresh)	Removed
1108.101	Arrowroot Starch	Removed
12.02	Ground nuts	Removed
1905.003	Ice Cream Cones	Removed
2106.003	Powdered Drinks, lime juice cordial	Removed
22.01	Bottled Drinking Water	Removed
2203.001	Beer	Removed
2203.002	Stout	Removed
2203.009	Ale	Removed
2203.009	Porter	Removed
2208.40	Rum	Removed
2309.902	Poultry Feed	Removed
2309.903	Cattle Feed	Removed
2309.904	Pig Feed	Removed
2309.905	Animal Feed	Removed
2523.20	Portland Cement	Removed
32.08,32.09&32.10	Paints, Varnishes and Lacquers	Removed
3401.191	Soaps (Laundry)	Removed
39.04	Diothene (plastic) sheets in tubular form	Removed
3923.20&39.24	Plastic Bags, Shower Curtains	Removed
4817.00	Writing Compendium of paper or paperboard	Removed
48.20	All items excluding diaries, pads, binders,albums	Removed
4818.20	Kitchen towels, napkins and Facial tissues	Removed
48.19	Paper bags	Removed
49.01	All items excluding printed books and booklets	Removed
56.08	Trammel Nets	Removed
61.09	T-Shirts	Removed
6203.40	Trousers	Removed
62.08; 6203.301	Mens and Boys Shirt Jacs	Removed
61.05&62.05	Mens and Boys Shirts	Removed
63.02 - 63.04	Pillow cases, sheets, table cloths, table napkins, hand towels, bath towels, bath mats, beach towels, bed spreads, drapes, kitchen towels	Removed
8507.001	Electric Accumulators	Removed
96.01	Worked Shells, etc.	Removed
0305.40	Smoked Fish	Added
1602.39	Chicken Patties	Added
1602.509	Beef Patties	Added
16.04	Prepared or Preserved Fish	Added
2105.001	Ice Cream	Added
8481.00	Ferrule Straps	Added
9028.20	Domestic/Commercial Meters for measuring water	Added

2. Goods Requiring a Licence from OECS and CARICOM Member Countries

HS Tariff Numbers	***Description***	***Status***
03.01 - 03.04	Fish - Fresh, frozen or chilled	Added
0305.40	Smoked Fish	Added
03.06 & 03.07	Crustaceans and Molluscs	Added
0401.001	Fresh Milk (Not including UHT Milk)	Added
10.06	Rice	Added
1101.009	Wheat Flour	Added
1602.39	Chicken Patties	Added
1602.509	Beef Patties	Added
16.04	Prepared or Preserved Fish (burgers, fingers etc.)	Added
17.01	Cane and Beet sugar	Added
2105.001	Ice Cream	Added
6810.11	Concrete Blocks	Added
8481.00	Ferrule Straps	Added
9028.20	Domestic/Commercial Meters for measuring water	Added
2203.001	Beer	Removed
2203.002	Stout	Removed
2203.009	Ale	Removed
2203.009	Porter	Removed

3. Goods Requiring an Import Licence from any non-OECS Member Country

HS Tariff Numbers	*Description*	*Status*
2804.40	Beer	Added
1101.00	Wheat Flour	Removed
15.08 - 15.15	Edible Oil	Removed
15.17	Margarine and Shortening	Removed
48.19	Paper Bags	Removed
4818.10	Toilet Paper	Removed
6810.11	Concrete Blocks	Removed

Annex 2**: TABLES**

TABLE 1
CENTRAL GOVERNMENT OPERATIONS
1979/80-98/99 EC$ Millions

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
Taxes on Income	20.96	27.07	28.36	36.79	34.03	36.86	50.04	46.6	48.72	59.48	68.29
Import Duty	20.38	19.74	20.49	20.02	21.02	23.27	27.23	33.08	41.27	46.95	57.28
Stamp Duty on Imports	8.79	10.75	12.05	11.35	13.112	14.533	16.018	18.576	22.587	10.8	10.089
Service Charge on imports											4.35
Foreign Exchange Tax					4.223	4.376	3.358	4.4	7	9.8	8.1
Consumption Tax on Imports		9.56	11.5	12.23	12.93	14.84	18.1	28.56	33.7	53.74	70.15
Consumption Tax on Domestic Goods					2.51	2.66	2.9	3.71	4.1	5.6	8.3
Tax Revenue	67.79	75.79	79.77	91.25	95.11	104.98	127.01	146.8	172.71	208.74	234.22
Current Revenue	113.28	82.98	87.95	102.68	112.69	122.79	146	174.66	197.89	236.96	261.18
Current Expenditure		78.56	90.61	111.36	119.42	122.85	145.2	154.2	160.5	163.3	207.4
Current Balance		4.42	-2.66	-8.68	-6.73	-0.06	0.8	20.46	37.39	73.66	53.78
Overall Balance		-23.83	-14.73	-18.01	-10.45	-25.8	-11.1	-11.4	8.1	19.1	

	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Taxes on Income	72.69	81.68	89.86	85.78	94.97	97.71	98.61	106.95	108.59
Import Duty	57.05	59.05	62.66	62.09	60.58	63.58	65.78	63.09	68.5
Stamp Duty on Imports	0.4								
Service Charge on imports	12.57	13.62	17.64	20.53	24.14	28.22	29.54	31.82	32.3
Foreign Exchange Tax	6.1	6.347	5.019	7.458	3.092	0.002			
Consumption Tax on Imports	71.44	81.65	89.39	94.98	93.23	97.21	91.88	93.86	126.22
Consumption Tax on Domestic Goods				8.3	8.55	8.22	9.26	11.11	13.29
Tax Revenue	244.35	272.06	298.44	303.69	311.55	324.83	328.75	352.96	403.68
Current Revenue	274.74	307.16	334.3	356.73	362.55	365.84	371.94	381.04	437.43
Current Expenditure	204.2	223.4	242.9	250.2	267	306.1	317.3	328.91	332.68
Cuurent Balance	70.54	83.76	91.4	106.53	95.55	59.74	54.64	52.13	104.75
Overall Balance	-3.6	6.7	-19.5	-8.2	-9.8	-15.5	-25	-22	-29

Fiscal Year runs from April to March

Source: Ministry of Finance & Planning

TABLE 2
SELECTED ECONOMIC INDICATORS
1979/80-1997/98

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
GDP at Market Prices Current Prices	325.25	379.06	427.40	462.51	503.71	556.66	633.81	747.04	826.86	940.54	1053.90
Imports of Goods of which:	288.45	337.88	341.35	311.13	296.30	324.38	357.88	434.70	510.78	633.05	737.63
Extra-Regional	N/A	255.72	270.85	252.62	245.01	267.85	292.71	367.02	435.02	535.26	619.78
Exports of Goods	95.55	120.98	111.55	116.30	128.50	131.95	162.35	226.08	247.98	325.90	323.37
Imports of Goods and Services	301.63	342.34	344.64	317.81	306.32	343.24	396.66	514.91	597.58	741.92	861.81
Exports of Goods and Services	219.73	234.09	215.60	234.35	269.04	288.50	347.58	458.73	526.43	655.29	703.61
Collected Tariff Rate on Imports	0.07	0.06	0.06	0.06	0.07	0.07	0.08	0.08	0.08	0.07	0.08
Current Revenue/GDP	0.35	0.22	0.21	0.22	0.22	0.22	0.23	0.23	0.24	0.25	0.25
Tax Revenue/GDP	0.21	0.20	0.19	0.20	0.19	0.19	0.20	0.20	0.21	0.22	0.22
Import Duty/Tax Revenue	0.30	0.26	0.26	0.22	0.22	0.22	0.21	0.23	0.24	0.22	0.24
Import Duty/Current Revenue	0.18	0.24	0.23	0.19	0.19	0.19	0.19	0.19	0.21	0.20	0.22
Import Duty/GDP	0.06	0.05	0.05	0.04	0.04	0.04	0.04	0.04	0.05	0.05	0.05
Current Balance/GDP		0.01	-0.01	-0.02	-0.01	0.00	0.00	0.03	0.05	0.08	0.05
Overall Balance/GDP		-0.06	-0.03	-0.04	-0.02	-0.05	-0.02	-0.02	0.01	0.02	0.00

	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
GDP at Market Prices Current Prices	1144.84	1242.45	1343.20	1357.84	1424.11	1507.58	1547.55	1594.81
Imports of Goods of which:	750.55	809.67	825.75	811.49	819.21	826.87	839.66	893.74
Extra-Regional	617.04	665.74	666.13	650.20	644.10	647.55	672.48	702.38
Exports of Goods	342.05	316.45	340.88	317.56	279.68	290.40	222.19	178.50
Imports of Goods and Services	889.64	941.38	985.54	982.38	1010.29	1048.70	1068.40	1141.90
Exports of Goods and Services	776.01	819.22	894.55	911.39	948.31	1017.39	957.08	983.36
Collected Tariff Rate on Imports	0.08	0.07	0.08	0.08	0.07	0.08	0.08	0.07
Current Revenue/GDP	0.24	0.25	0.25	0.26	0.25	0.24	0.24	0.24
Tax Revenue/GDP	0.21	0.22	0.22	0.22	0.22	0.22	0.21	0.22
Import Duty/Tax Revenue	0.23	0.22	0.21	0.20	0.19	0.20	0.20	0.18
Import Duty/Current Revenue	0.21	0.19	0.19	0.17	0.17	0.17	0.18	0.17
Import Duty/GDP	0.05	0.05	0.05	0.05	0.04	0.04	0.04	0.04
Current Balance/GDP	0.06	0.07	0.07	0.08	0.07	0.04	0.04	0.03
Overall Balance/GDP	0.00	0.01	-0.01	-0.01	-0.01	-0.01	-0.02	-0.01

Source: Ministry of Finance & Planning

TABLE 3
SELECTED MACROECONOMIC INDICATORS
1980-1989

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
GDP at Market Prices (EC$M)	365.79	418.87	452.99	491.08	541.6	601.84	729.73	798.98	910.48	1030.7
GDP at Factor Cost ($ECM)	484.26	510.51	520.1	544.36	580.73	633.47	730.22	742.61	841.62	912.45
Growth in GDP at factor Cost (%)	-1.8	5.4	1.9	4.7	6.7	9.1	15.3	1.7	13.3	8.4
Gross Fixed Capital Formation (EC$M)	123.69	140.77	129.77	90.58	104.05	123.29	150	160.51	221.26	291.3
Gross Domestic Savings (EC$M)	25.49	2.39	28.76	59.77	47.36	74.36	100.35	84.71	164.05	116.43
Inflation Rate (%)	19.5	15.1	4.6	1.5	1.2	0.00	2.20	7.00	0.80	4.30
Mid Year Population (000's)	115499	117360	119360	121083	122944	124805	126666	128527	130388	132249
Real Effective Exchange Rate	101.7	111.6	114.5	116.3	121.8	120.3	113.1	110.9	103.9	105.8
Imports of Goods	334.2	348.9	318.7	288.4	320	337.5	419	481.8	597.7	739.1
% Change Imports of Goods	22.3	4.4	-8.7	-9.5	11.0	5.5	24.1	15.0	24.1	23.7
Extra-Reg. Imports of Goods	249.19	275.30	257.51	237.95	266.17	272.90	352.13	411.68	505.04	625.92
%Change Extra-Reg Imports of Goods	N/A	10.5	-6.5	-7.6	11.9	2.5	29.0	16.9	22.7	23.9
Exports of Goods	124.2	111.3	112.3	128.3	129.1	140.5	227.9	220.6	330.1	313.3
% Change Exports of Goods	44.4	-10.4	0.9	14.2	0.6	8.8	62.2	-3.2	49.6	-5.1
Imports of Goods and Services	339.39	351.17	325.03	296.15	336.82	362.5	499.15	562.2	703.71	856.54
%Ch. Imports of Goods and Services	17.4	3.5	-7.4	-8.9	13.7	7.6	37.7	12.6	25.2	21.7
Exports of Goods and Services	241.19	212.79	224.02	265.34	280.13	313.6	449.5	486.4	646.5	681.67
%Ch. Exports of Goods and Services	13.5	-11.8	5.3	18.4	5.6	11.9	43.3	8.2	32.9	5.4
% Gross Fixed Capital Formation/GDP	33.8	33.6	28.6	18.4	19.2	20.5	20.6	20.1	24.3	28.3
% Gross Domestic Savings/GDP	7.0	0.6	6.3	12.2	8.7	12.4	13.8	10.6	18.0	11.3
% Imports of Goods and Services/GDP	92.8	83.8	71.8	60.3	62.2	60.2	68.4	70.4	77.3	83.1
%Exports of Goods and Services/GDP	65.9	50.8	49.5	54.0	51.7	52.1	61.6	60.9	71.0	66.1
%Goods and Services Balance/GDP	-26.8	-33.0	-22.3	-6.3	-10.5	-8.1	-6.8	-9.5	-6.3	-17.0
Balance of Trade	-210	-237.6	-206.4	-160.1	-190.9	-197	-191.1	-261.2	-267.6	-425.8
Value of Trade	580.58	563.96	549.05	561.49	616.95	676.1	948.65	1048.6	1350.21	1538.21
% Value of Trade/GDP	158.7	134.6	121.2	114.3	113.9	112.3	130.0	131.2	148.3	149.2

1990-1998

	1990	1991	1992	1993	1994	1995	1996	1997	1998
GDP at Market Prices (EC$M)	1123.48	1208.92	1343.03	1343.72	1400.21	1495.81	1542.89	1561.53	1694.66
GDP at Factor Cost ($ECM)	951.08	951.77	1022.36	1033.14	1052.04	1069.85	1084.51	1090.73	1122.05
% Growth in GDP at factor Cost	4.2	0.1	7.4	1.1	1.8	1.7	1.4	0.6	2.9
Gross Fixed Capital Formation (EC$M)	276.58	295.14	346.15	376.92	389.89	367.19	381.54	417.71	418.48
Gross Domestic Savings (EC$M)	168.42	165.12	247.58	308.67	310.68	356.86	287.27	255.27	271.63
% Inflation Rate	3.80	6.50	5.60	0.80	2.60	5.80	0.94	0.00	2.83
Mid Year Population (000's)	134110	135975	137607	139908	142689	145213	147179	149621	151972
Real Effective Exchange Rate	100	102.2	102.9	106.9	106.3	105.1	105.6	108.1	
Imports of Goods	733.21	802.56	830.99	810.01	815.94	829.02	820.43	897.35	882.9
% Change Imports of Goods	-0.8	9.5	3.5	-2.5	0.7	1.6	-1.0	9.4	-1.6
Extra-Reg. Imports of Goods	601.37	664.05	670.80	652.10	644.50	642.90	661.50	705.40	693.30
%Change Extra-Reg Imports of Goods	-3.9	10.4	1.0	-2.8	-1.2	-0.2	2.9	6.6	-1.7
Exports of Goods	353.57	307.49	343.34	333.5	269.73	309.51	233.05	189.6	145.2
% Change Exports of Goods	12.9	-13.0	11.7	-2.9	-19.1	14.7	-24.7	-18.6	-23.4
Imports of Goods and Services	877.6	925.75	988.26	977.38	997.36	1049.06	1047.6	1130.78	1175.26
%Ch. Imports of Goods and Services	2.5	5.5	6.8	-1.1	2.0	5.2	-0.1	7.9	3.9
Exports of Goods and Services	769.44	795.73	889.69	909.13	918.16	1038.74	953.33	968.34	1028.41
%Ch. Exports of Goods and Services	12.9	3.4	11.8	2.2	1.0	13.1	-8.2	1.6	6.2
% Gross Fixed Capital Formation/GDP	24.6	24.4	25.8	28.1	27.8	24.5	24.7	26.8	24.7
% Gross Domestic Savings/GDP	15.0	13.7	18.4	23.0	22.2	23.9	18.6	16.3	16.0
% Imports of Goods and Services/GDP	78.1	76.6	73.6	72.7	71.2	70.1	67.9	72.4	69.4
% Exports of Goods and Services/GDP	68.5	65.8	66.2	67.7	65.6	69.4	61.8	62.0	60.7
Goods and Services Balance/GDP	-9.6	-10.8	-7.3	-5.1	-5.7	-0.7	-6.1	-10.4	-8.7
Balance of Trade	-379.64	-495.07	-487.65	-476.51	-546.21	-519.51	-587.38	-707.75	-737.7
Value of Trade	1647.04	1721.48	1877.95	1886.51	1915.52	2087.8	2000.93	2099.12	2203.67
% Value of Trade/GDP	146.6	142.4	139.8	140.4	136.8	139.6	129.7	134.4	130.0

Source: Statistics Department, ECCB Balance of Payments Statistics and Government Finance Statistics (IMF)

TABLE 4
SELECTED INDICATORS OF BANANA PERFORMANCE 1990-1998

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Agriculture as a % of GDP	**13.3**	**12.1**	**12.9**	**13.4**	**14.5**	**14.3**	**16.3**	**12.4**	**16.7**	**13.9**
Banana Prod as a % GDP	5.0	6.1	5.9	6.3	8.1	8.5	11.1	8.1	12.3	10.0
Banana Exports (in tonnes)	32824	42891	41697	46928	63896	73659	110877	82543	141566	120460
Banana Export Growth %		30.7	-2.8	12.5	36.2	15.3	50.5	-25.6	71.5	-14.9
Banana Export Earnings (millions of EC)	28.35	39.69	39.42	55.08	59.87	85.65	142.18	120.98	176.91	157.32
Growth in Banana Export Earnings %		40.0	-0.7	39.7	8.7	43.1	66.0	-14.9	46.2	-11.1
Banana Exports/Exports of Goods %	22.8	35.7	35.1	42.9	46.4	61.0	62.4	54.8	53.6	50.2
Banana Exports/ Total Exports %	11.8	18.7	17.6	20.8	21.4	27.3	31.6	24.9	27.4	23.1

Source: Statistics Department

1990-1998

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Agriculture as a % of GDP	**14.6**	**12.0**	**13.9**	**13.7**	**10.8**	**11.2**	**11.1**	**9.1**	**9.1**
Banana Prod as a % GDP	10.3	7.3	9.7	9.2	6.6	7.5	7.1	4.8	4.8
Banana Exports (in tonnes)	117563	88604	120534	107102	90254	103064	105394	71395	73042
Banana Export Growth %	-2.4	-24.6	36.0	-11.1	-15.7	14.2	2.3	-32.3	2.3
Banana Export Earnings (millions of EC)	188.4	152.4	184.02	136.97	110.7	126.4	125.78	85.94	91.51
Growth in Banana Export Earnings %	19.8	-19.1	20.7	-25.6	-19.2	14.2	-0.5	-31.7	6.5
Banana Exports/Exports of Goods %	53.3	49.6	53.6	41.1	41.0	40.8	54.0	45.3	63.0
Banana Exports/ Total Exports %	24.5	19.2	20.7	15.1	12.1	12.2	13.2	8.9	8.9

Source: Statistics Department

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