Antigua and Barbuda Trade Brief

Trade Policy

As a member of the Caribbean Community and Common Market (CARICOM), Antigua and Barbuda applies the group's Common External Tariff (CET). For the last several years, the country's average MFN tariff has remained constant at around 9.7 percent, much higher than that of an average high-income non-OECD or high-income country (5.7 percent for both). The agricultural sector is given a higher level of tariff protection (14.9 percent) compared to the non-agricultural sector (8.9 percent). Based on the MFN applied tariff, Antigua and Barbuda ranks 100th out of 181 countries (where 1st is least restrictive). The country's maximum MFN applied tariff, excluding alcohol and tobacco, is 70 percent. The trade policy space, as measured by the wedge between bound and applied tariffs (the overhang), is 49.2 percent. Antigua and Barbuda ranks 92nd (out of 148) on the GATS Commitments Index, suggesting ample room for increasing its commitment to services trade liberalization.

In response to the food crisis, CARICOM heads of state agreed in March 2008 to temporarily suspend the CET on 34 product lines for a period of two years up to March 2010 to enable member governments to drop duties as needed to counteract rising food prices. The CET on a range of infant juices was also suspended for a period of six months up to September 2008.

External Environment

As is the case for most CARICOM countries, Antigua and Barbuda's exports face few external barriers. The country's weighted average rest of the world tariff (including preferences) is very low at 0.2 percent, especially when compared to the high-income non-OECD and high-income countries (3.2 percent and 3 percent, respectively). Its non-agricultural exports face a very low tariff of 0.04 percent while its agricultural exports face a higher tariff of 2.9 percent. Regionally, Antigua and Barbuda is a member of the Organization of Eastern Caribbean States (OECS) and uses the group's common currency, the East Caribbean dollar, which is pegged to the U.S. dollar. The currency appreciated by 0.7 percent in real, trade-weighted terms in 2008, decreasing the competitiveness of the country's exports.

A comprehensive Economic Partnership Agreement (EPA) between the EU and Caribbean states in the CARIFORUM EPA group, including Antigua and Barbuda, was signed in 2008. This replaced the expired preferences given under the Africa, Caribbean, and Pacific (ACP)-EU Cotonou Agreement. The EU committed to immediately removing all tariffs and quotas on Caribbean exports with the exception of sugar and rice, which will get full duty-free and quota-free access by the end of 2009. The Caribbean countries, on the other hand, committed to an asymmetric and gradual opening of their economy to EU imports.

Behind the Border Constraints

Antigua and Barbuda remained in the top third of institutional environments conducive to business in 2009, being ranked 50th out of 183 countries in the Ease of Doing Business index. This reflects the generally positive business environment of most CARICOM members. With low processing times and relatively few documents needed for exporting and importing, the country ranks 53rd on the Trading Across Borders subcategory of the index, a proxy for the extent of trade facilitation in the country.

Trade Outcomes

World Bank estimates suggest that real trade growth (in constant 2000 U.S. dollars) decelerated from 10.3 percent in 2007 to 7.7 percent in 2008, and is expected to fall further to 3.1 percent in 2009. Imports grew at

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Unless otherwise indicated, all data are as of August 2009 and are drawn from the World Trade Indicators 2009/10 Database. The database, Country Trade Briefs and Trade-at-a-Glance Tables, are available at http://www.worldbank.org/wti.

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an estimated 7.5 percent in 2008, down from 10.9 percent in 2007. Exports are estimated to have exhibited a similar performance, with an estimated growth rate of 7.9 percent in 2008, compared to 9.7 percent in 2007. Imports and exports are expected to grow at the same rate of 3.1 percent in 2009.

In nominal U.S. dollar terms, World Bank estimates indicate a 9.2 percent growth rate in trade in 2008 compared to 11.5 percent the year before. Imports are estimated to have grown at 4.4 percent in 2008, after growing at 15.7 percent in 2007. Exports performed well, increasing by an estimated 16.2 percent in 2008, more than triple the 5.3 percent growth rate in 2007. Goods exports grew at an estimated 16.7 percent in 2008, compared to 12.3 percent in 2007, but are expected to register a low growth rate of 1.9 percent in 2009. Services exports also increased by an estimated 16.1 percent in 2008, compared to 4.2 percent the previous year. This high growth rate is, however, not expected to be sustained in 2009, with services exports projected to increase at a lower rate of 5.8 percent. In particular, the country's tourism sector, a major export earner, is expected to exhibit weak performance in 2009 as a result of lowered demand from the advanced economies in light of the global economic crisis. The slowdown in the sector had already begun in the latter part of 2008 when stay-over arrivals declined by an average of 6.8 percent per month between August and October after growing by 7.7 percent per month in the first seven months of the year.[1] FDI inflows into the country in 2008 were a high 33.9 percent of GDP.

Notes

[1] The Government of Antigua and Barbuda 2008, p. 16.

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