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BELIZE

Budget Triggers Wide-Spread Protests

On 14 Jan, Prime Minister Said Musa of the People's United Party presented his '05 budget (Feb '05 to Feb '06) to the public. The budget, subsequently approved by a seven to six vote in the 13-member Senate on 21 Jan, aims to increase the amount of taxes collected by 22%, or \$45.5 million, from the previous year. In an official statement, Musa insisted that the tax increase is necessary in order to "reduce the fiscal deficit while spurring growth, maintaining an adequate level of services to the people and undertaking poverty reduction measures."

To achieve this goal, Musa's fiscal plan calls for drastic increases in business, environmental and "sin" taxes, as well as delaying promised raises to governmental utility workers and teachers. According to the plan, the taxes will target those who have the capacity to pay, specifically the business community. Musa warned that the taxes "should be absorbed by business people and not passed on to the consumer." To ensure this, Musa urged the relevant government agencies and activists to be vigilant and to report any case where there is an attempt to pass on the tax to the general public.

Among the strengthened taxes on businesses was an 11% increase on real estate commissions and casino earnings. Taxes on banks will be increased from 10% to 15% and a 4% increase of taxes will be handed out to professionals. In total, the business taxes are projected to bring in at least half of the \$45.5 million increase. Another main source of the revenue will come from raising environmental taxes from 1% to 3%, which all companies must pay. Furthermore, a new 5% tax on any new vehicle over four cylinders will be put into effect with "a view to reducing the number of gas guzzling and polluting vehicles such as the ubiquitous SUV."

The last part of the tax measures proposed by Musa are commonly referred to as "sin" taxes. The government plans to double the excise tax on hard alcohol, from \$15 to \$30 and on beer from \$.90 to \$1.80 a gallon. The tax on cigarettes will go up from \$2 to \$6 a carton. In particular, the "sin" taxes face strong opposition from bar and grocery store owners. The plan does provide relief to small and medium business owners by upping the business tax threshold of exemption from \$27,000 to \$37,500.

However, the plan was met with hostility from the public and private sectors, triggering protests, strikes and work stoppages in this normally calm nation of 250,000 inhabitants. Hundreds of Belizeans took to the streets in the capital city of Belmopán and violently clashed with police while the senate debated and eventually approved the fiscal package on 21 Jan. The crowd threw rocks, bottles and fruit at the police lines before being driven back with pepper spray, tear gas and plastic bullets.

In addition to the protests, utility workers cut off water service to the port of Belize City several times, and from 26 Jan to 8 Feb most schools were closed because teachers refused to show up. The entire 150-member Belize Chamber of Commerce staged a two-day work stoppage in protest of what it sees as unfair taxes that threaten the nation's economy. Members of the opposition United Democratic Party (UDP) also voiced their disapproval at rallies, and some unions called for the Prime Minister to resign.

Musa said the government would review the tax situation in six months to see if anything needs to be improved, but offered little indication that he would back down from his platform of paying off the international debt while increasing social programs. Governmental, UDP, union and business leaders have met several times in order to solve the problems associated with the new budget, but talks have not produced any concrete results.

Carnival to Build \$50 Million Port

On 12 Nov '04, the government of Belize and the Belize Tourism Board signed a Clarification Agreement with a joint venture company representing Carnival Cruise Lines and the Port of Belize, which gives the go-ahead for a new port facility to be built for Belize City. Carnival, the largest cruise company in the world, will finance the \$50 million expansion of the current port facilities.

The new facility is designed to significantly improve the experience of the cruise visitor by "eliminating the need for tendering [transporting visitors from the cruise ship to shore in small boats], thus maximizing the time that both passengers and crew can spend ashore." The government hopes that more time ashore will translate into more money that the visitors and crew will spend during their stay in Belize. The Tourist Board expects the number of cruise passengers to rise by 200,000 this year for a total of one million tourists in '05.

The agreement defines several crucial elements for both the government and Carnival. It includes a priority to hire Belizeans and Belizean companies for the port construction, increases taxes for people entering the country from \$5 to \$7 (but guarantees that the rate will only rise 3% per year over the next 15 years), gives numerous tax advantages to Carnival, and guarantees that Carnival will bring at least 500,000 people into the country each year.

Minister of Tourism Mark Espot was careful to point out that, while cruise-based visitors are a valued source of the country's tourism, overnight tourism will continue to be the most sustainable and profitable source of tourism, saying that "nine out of every ten cents of the tourism dollar comes from the overnight industry."

Agricultural News '04

Bitter Battle Over Sugar. The government of Belize, on behalf of its sugar industry, spent much of '04 fighting in Geneva at the World Trade Organization (WTO) for its right to continue to export sugar to the European Union (EU) on a preferential basis. Arguing in front of the WTO dispute panel, Eamon Courtney, Belize's Attorney General and Minister of Foreign Trade, sought to defend the Sugar Protocol of the Cotonou Agreement, which lets 14 African, Caribbean and Pacific countries (ACP) trade with the EU at higher than market averages.

The big sugar-producing countries of Australia, Brazil and Thailand challenged the sugar regime of the EU by saying that the EU is in violation of its commitments to reduce subsidies. In a recent conference on world trade in Uruguay, the EU exempted 1.6 million metric tons of sugar that it

imports annually from the ACP and India by placing a clause in the agreement signed at the end of the talks. Australia, Brazil and Thailand argued to the WTO that the EU did not have the right to exempt itself and have pressed for free-access to the EU. The EU market, which is the most lucrative for Belizean farmers, represents 66% of the total revenue earned from sugar exports. Belize is able to achieve high profits because the EU gives it tariff and quota-free access. Following the first round of talks in Geneva, EU agriculture chief Marianne Fischer Boel stated that with ACP prices three times higher than the world market, “the status quo is no longer sustainable.” ACP spokesman Nandcoomar Bodha agreed “that there is a need for reform ... but the reform process should not cripple the sugar industry in the ACP developing countries.”

In Aug, the WTO panel ruled that the preferential treatment given to ACP countries violates free trade agreements signed by the EU. The EU and ACP countries appealed the ruling, and it is expected to go to another panel in May or June '05.

First Shipment of Organic Rice. In Oct '04, a cargo ship laden with 56,000 pounds of organic rice left Belize on a historic voyage across the Atlantic to a port in France. The shipment was the first of its kind for Belizean rice farmers. According to the Belize Marketing Development Corporation, the goal is to export a total of 500 tons a year to the European market. While organic rice has only been grown in the region for about two years, there are already 35 producers who are involved in organic rice production. The Ministry of Agriculture has stated that it would like to see more farmers fill these “niche market demands” for the sake of economic growth in the agriculture sector during a time when traditionally-grown items, such as sugar and citrus fruit, face increasing competition from other third-world countries on the global market.

—Cory Schott