International management

Trading Policy of Antigua – Barbuda Introduction. Antigua-Barbuda is one of those countries who have opened up their skies for trade liberalization and bilateral trade agreements with World Trade Organizations, CARICOM, the OECs, and other regional trade forums. As such, it is necessary for this country to adopt a trading policy that will be the basis of trade agreements with these foreign partners. It is important to know what these trade policies are, is there a uniform policy for all foreign partners, and how are they implemented. This study will provide some insights into the global policy framework that affects trade of the country and to understand the export and import mechanisms of companies in export and import trading.

What is a trade policy? It has been described as a government tool used to encourage or restrict import and export. These tools may be in form of tariffs, quotas and voluntary export restraint. There are also domestic mandatory regulations requiring for adoption to health and safety standards. The domestic mandatory regulations are done to encourage or discourage bringing of goods and services to the domestic economy.

Another trading tool to encourage export production done by the government is paying of subsidy of certain products, such as subsidy to farming production. Subsidy to sugar production is common in the United States. Trade policies should also be negotiated in bilateral agreements as this will form part of the nation’s obligations and national policies.

2. 1 Country profile

Antigua-Barbuda is a small country comprising of 442 square kilometers (171 square miles). For a clear idea of size, it is twice and a half the size of Washington D. C. It has an English speaking population of 74, 097, has a workforce of 30, 000 working for commerce and service, agriculture and other industry. Unemployment rate as of 2006 is 13%. (US Dept. of State. 2009)

2. 3. Levels of foreign trade.

The National Trade policy of Antigua and Barbuda has been changed from an import regime towards export orientation. Its current development policy is to encourage local and foreign direct investment.

This policy has transformed the current level of export and importations of the country. It could be seen from Chart 1 below that exports have increased from US$400m in 2000-01 to US$600m in 2005-06, while the level of imports remain the same for the specified years.

Source: Economy Watch http://www. economywatch. com/world_economy/antigua-and-barbuda/export-import. html

Country's exports to Italy, Germany, Poland and Singapore consist of food, manufacturing, machines and petroleum products. Imported items are food, machines, chemicals and oil coming from China, Germany, Singapore and US. (Economy Watch)

3. Antigua-Barbuda's trade policy. This part of the study will provide information on the national trade policy, information on agreements, regulations, standards and investment climate of Antigua-Barbuda

3. 1. Investment Policy To attract foreign direct investment to Antigua and Barbuda, a package of incentives is offered in a liberalized trade manner. This incentive package include:

Free trade. Foreigners are free to invest in all areas open to local investors

Import licenses are required for some products

No restrictions to the repatriation of dividends.

No equity participation

Foreign participation are treated same as locals.

Advantages of foreign investors in the Foreign Export Processing Zones are quoted to be as follows:

Exemption from all import taxes on capital goods, spare parts, raw materials for construction, equipping and operation of the approved activity.

-No import or export licenses required for businesses operating in the FTPZ.

-Exemption from the payment of taxes or levies imposed by the Government in respect of any industrial and commercial activity being carried out in the FTPZ.

-Exemption from the payment of income and other taxes of any kind other than social security, medical benefits and education levy on the earnings accruing to any person employed in the FTPZ.

-Exemption from the payment of export taxes or other levies on the exportation from the FTPZ to any place out side of Antigua and Barbuda.

-Exemption from the payment of taxes of any kind on the repatriation of profits earned in the FTPZ.

Source: World Trade Organization.

4. Instruments of trade policy. Trade policies are discussed in bilateral agreements and instruments are used for policy decisions. Examples of these policies are tariffs, quotas, voluntary export restraints, export taxes and export subsidies.

4. 1. Tariffs. A tariff is a tax on imported goods which could raise the price of an imported good or domestically produced goods. Tariffs are imposed by the government to raise the government revenues and to protect a domestic import competing industry. Bilateral agreements works for the removal of trade barriers or reduction of tariffs, such that in a developing country such

as Antigua-Barbados, tariff rates could be 4-5% instead of the high tariff rates of 15% or more.

4. 2 Quotas. A policy instrument that levels imports is called quotas. An import quota is a limit given by the government on the quantity of goods that can be imported to the country at a given time in order to protect local producers. In US, a sugar quota is given to countries exporting their sugar to the country.

4. 3 Voluntary export restraints This is an agreement among two governments setting a limit of the quantity of gods allowed for export out of the country within a specified period of time. This is done to protect the country from the inflow of imports of the exporting countries. (Trade and Reference Centre)

4. 4 Export taxes, export subsidies and other trade policies. The government imposes taxes on export, raising the cost of export. On the other hand, it pays subsidies to encourage exports on selected products such as agricultural and dairy products. 4. 5 Other trade policies are administrative rules and policies, licenses imposed by various government bureaucracies. These are not covered by the study as these are listing of items which are lengthy and detailed.

Conclusion.

Government intervention is necessary for foreign trade. This is done through bilateral trade agreements in order to protect investors, traders, business interests and the economy of the country. Trade policies in Antigua-Barbados do not differ much with other countries as it is set on trade agreement that is defined in a world wide setting,, but investing thru the Export Processing Zones in the country gives added tax advantages to business and investor.

International trading today is made easy by fast communications, technology and service. Access to government information, applications and other trading activities are no longer a problem to trading partners. Foreign financial services are available in Antigua-Barbados to make foreign transactions.

End.

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