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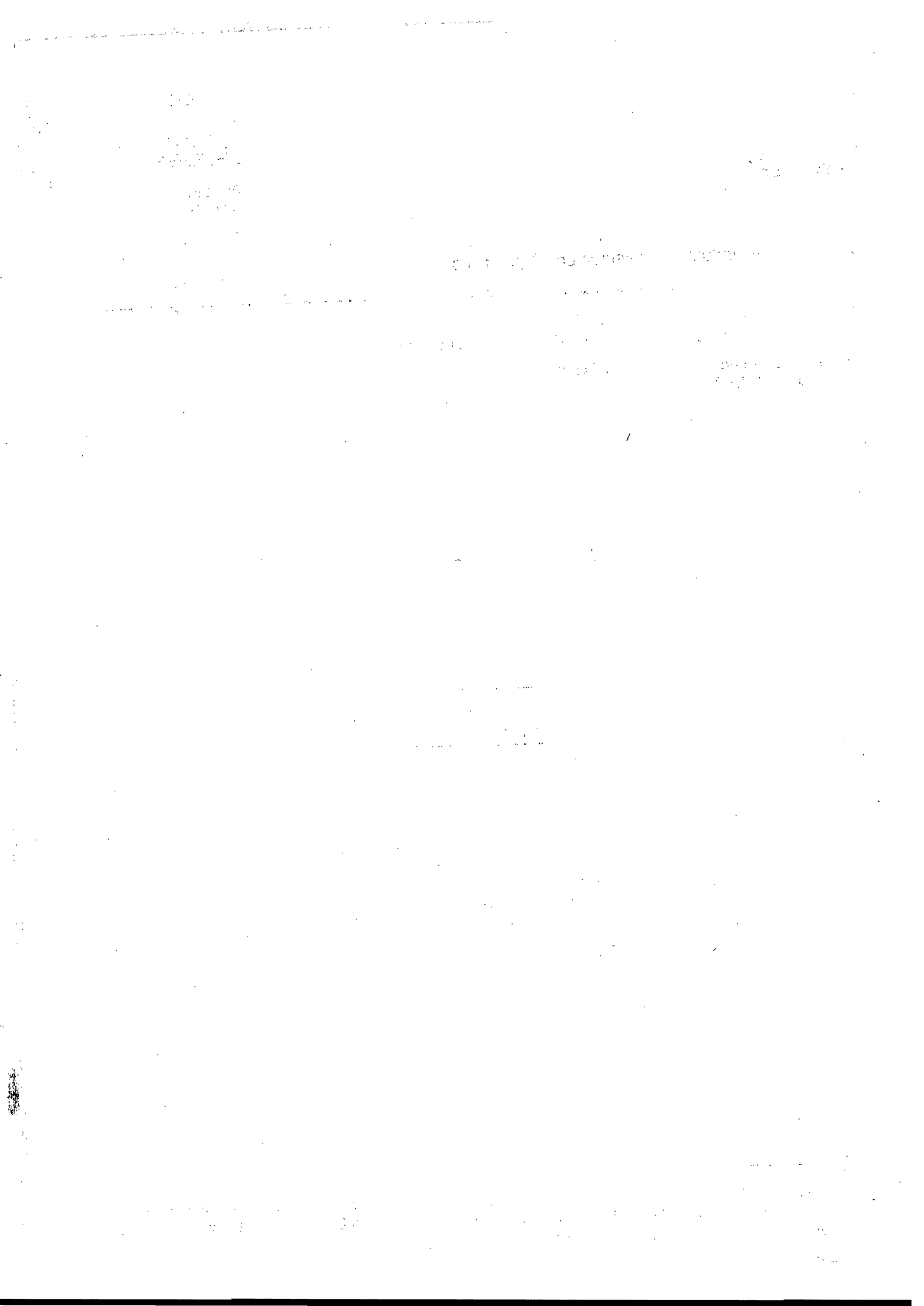
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British Honduras (Belize) is a self-governed British Crown Colony since 1964. The achievement of Independence is imminent. The delay so far has been to await the settling of the long outstanding territorial claim with its neighbour Guatemala. Its location on the Spanish speaking mainland, notwithstanding the political heritage, culture and language is akin to the former British Caribbean countries.

The country has a total surface area of 8,806 sq. miles (22,966 sq. kilometers) of which 6,000 sq. miles comprise of mainland territories and the remaining as barrier reef and offshore cays. Belize is bordered on the north and north west by Mexico, on the west and south by Guatemala and it faces the Caribbean Sea. The territorial seas extend to about 3 miles from the Barrier Reef which runs parallel to the eastern coastline and which is the second only in size to the Australian Barrier Reef.

Some 35% of the land area is adaptable to agriculture with 46% suitable for forest and the remaining 16% wasteland primarily mangrove swamps. It is estimated that only about 8% is now effectively being farmed.

The population of Belize is a mere 120,000 people and is a multi-racial society. The population density per km. is 5 and the cultivable land/population ratio is unusually high. The natural population growth rate is one of the highest in the world at 3.64% per annum and net growth rate of 2.87%. The resultant effect is the skewed population structure with some 45% of the population under the age of 15.

The unemployment level is quite high and is estimated at 15% of the effective labour force. The population growth has been much slower due to migration presently to the United States. The literacy rate of the country is high, over 90%, with more of a classical than technically and functionally oriented educational system.

A new capital city, Belmopan, was started in 1967 and the first phase has now been completed. It is located at the centre of the country some 50 miles from the sea coast. The main reason for the siting of the new capital was to avoid hurricanes as Belize City, the old capital, was located on the sea coast and in the regular path of hurricanes. The latest devastating hurricane took place in 1961.

The economy of Belize is agricultural oriented with agriculture, including fisheries and forestry, accounting for 21% of the G.D.P. but contributes almost 75% of domestic export and manufacturers activity 18%. Manufacturing and construction are the next major economic activities. A number of light industries have developed over the last few years including offshore industries.

Tourism offers good possibility in view of the varied attractions which exist. Tourism growth will supplement the domestic market and create possibilities for additional industrial activities.

Belize has serious balance of payments difficulties. Relatively heavy aid flow approximating \$50,00 U.S. per capita assist in relieving the situation. The economy of Belize is highly dependent on international trade. The trade gap continues to deteriorate over the last few years and today amounts to some \$13.9 million (US). Imports for 1970 were estimated at \$34.74 U.S. million and exports \$20.84 US million. Exports were one-fifth of G.D.P. 1970 and imports somewhat more than two-thirds. Imports continue to increase with the consumption items playing the major role and machinery and equipment accounting for only 20% of imports.

In common with most small developing countries the Belize exports are essentially primary products. The principal items exported being sugar, citrus, fisheries and timber products. The potential export items being developed are beef, rice, bananas, winter vegetables, forestry processing products, pulses and maize.

The principle trading partners are the Commonwealth countries especially the U.K., Canada, Jamaica and the U.S. In recent years the U.K.'s share of trade has declined with the shift in trade to U.S., Mexico and Commonwealth Caribbean countries and Canada. The effects of the recent U.S. economic measures particularly the 10% surcharge on imports are continually being assessed.

Belize in May 1971 acceded to the Caribbean Free Trade Association, a trading block comprising some 12 Commonwealth Caribbean countries with a population membership of some five million people. Government continues to explore the feasibility of some trading relationship with the CACM which has a total population of some 14 million people.

The major trading issues now facing the country are the implications to the economy of U.K. joining the European Economic Community and the potential benefits under the UNCTAD general system of preference scheme for Belize manufacturing products and industrial development.

The geographical position of the country (with land, sea and air connexion with North America at relatively short distances) is one of the prime assets for developing industrial export. This factor, however, also poses severe restrictions for developing trade in agricultural commodities since similar commodities are produced in the U.S. e.g. grain, beef, rice with the benefit of heavy subsidies, a highly protected domestic market and which are fierce competition on international markets.

Until recently no organized or co-ordinated efforts were undertaken to attract export oriented industries. Government in 1970 established for the first time a separate Ministry of Trade and Industry. Attractive income tax and customs duty exemptions and subsidies on undeveloped lands are offered to approved enterprises. The Income Tax Development Incentives Ordinance 1960 under which industries qualify for these concessions includes provision for a 10 year tax holiday period together with an additional period

roughly corresponding to the time required for the project to begin operation. Import duty exemption on all capital equipment and raw material for export oriented industries are also offered. The approved enterprises were also granted free convertible currency status which included the right to repatriate capital and earnings from these investments without limitation. The instruments used by the Government in its protection policy for domestic industries are quantitative restrictions or customs tariff protection duties against imports. Internal protection is sometimes given where necessary.

The resultant development has been a small industrial base with a number of light industries geared exclusively to the domestic market e.g. cigarettes, beer, aerated water, mattresses, building steel, (iron bars), recapped tyres, construction materials as blocks, window frames, doors, footwear, fertilizer, furniture and accumulators. There are also a few export oriented industries including two factories for the processing of sugar cane into unrefined sugar, two plants for the processing of a wide range of citrus products including canned juice, canned segments, oils, hot and cold packed concentrates, a meat packing and processing plant, two rice mills (one owned by the Government), Forestry Utilization Plant (owned by the Government), fish processing plants (owned by fishing co-operatives), a textile make-up factory, outdoor furniture industry on a small scale.

The Government has earmarked an area comprising of 125 acres for development of industrial estates at the new capital site. A pilot project, however, is now being carried out at the site. This comprises some 10 cubicles of 40 x 30 and is designed primarily for small import substitution industries and services. The master plan envisages factory sites ranging from 3,000 sq. ft. to 90,000 sq. ft. and factory floor areas from about 2,000 sq. ft. to 25,000 sq. ft. Expansion areas in each factory lot allow for doubling the size of the initial floor area.

The Government will shortly be obtaining funds for development of a small industrial estate in the old capital, Belize City. The lands are owned by the Government and the area is adequately serviced with the necessary infrastructure. This area is designed primarily for offshore industries. Belize City is best suited for this type of industrial estate as it is the major communication centre with the outside world and where unemployment is the highest.

The Ministry of Trade and Industry has recently set up a small business credit scheme of around \$800,000 on a revolving basis. This scheme is primarily designed for loans between 2,400 to \$80,000. Eligibility will be confined to persons whose net worth is less than \$80,000. This instrument is designed primarily to assist nationals to participate in a more meaningful way in the industrial development of the country.

The Government is anxious to develop rapidly and on an organized scale industrial activity. It fully recognizes that due to the smallness of the domestic market (a population of 120,000 persons and a G.D.P. per capita of \$510 U.S.) and the need for an efficient industrial sector that industrial development must be primarily export oriented.

In devising its industrial strategy outlined below, the Government took into account the following restraining and attractive features.

Restraints

- (1) Lack of adequate infrastructure particularly roads (there are no railways), shipping, communications, deep water port facility, power capacity. A substantial road and power development programmes are currently under way. Funds are now being sought to finance a deep water port following the completion of an indepth feasibility study.

- (2) The limited functional and trained labour force for industry. The Government has already established a technical secondary school and vocational training centres locally. A number of training awards under aid programmes for overseas countries are being pursued. An international private aid institution is currently developing a people to people job programme for industrial training scheme.
- (3) The smallness of the domestic market.
- (4) The inoperativeness of a functional development financing institution. There are plans to resuscitate a proper development finance institution to ensure greater mobilization of savings and to channel investment to follow the development priorities.
- (5) The limitation of the public sector budget. The overall 1970 budget for the country was only some \$30 million (E.H.).
- (6) The lack of technical skills for the planning, designing and development of industrial estates.
- (7) The need to ensure adequate national participation in any development sector.

Advantages

- (1) Location to lucrative markets and accessibility to the markets under preferential trading arrangements e.g. Commonwealth Preferential, G.S.P., Carifta.
- (2) The intelligence and adaptability of the labour force at relatively low cost for industry.
- (3) The inertia for development from pressures of unemployment which are at relatively high levels and balance of payments difficulties.

- (4) Generous incentive and fiscal measures and policies.
- (5) The stability of the economic and political climate.
- (6) Acceptance and encouragement of foreign capital.
- (7) Potential for development of raw materials in forestry, agriculture and fisheries.

The strategy for industrialization employs the following objectives:

- (a) initial preference for labour intensive industries with flexibility to adjust the medium to long term to capital intensive industries;
- (b) offshore industries for rapid development using imported raw material and components. The medium to long term strategy, however, is to develop "Domestic Based Resources" industries emphasizing linkages and maximum use of domestic resources from the agricultural, forestry and fisheries sectors;
- (c) to ensure optimum contribution of the industrial activity to the economy and directly relating concessions to the level of national participation and value added contribution;
- (d) to initially concentrate efforts on selected areas where the infrastructure and facilities exist or can be more easily developed e.g. the international airport zone, the new port area, the new capital site and as a longer term objective to ensure greater regional spread. Special provisions are now being included in the Development Incentives Legislation for special development zones.

The current position in achieving the objective of accelerating industrialization is still in its formative stages of planning and research. However, the following positive measures have already been undertaken by the Government:

- (i) the commencement of collecting the relevant data, resources, industrial surveys and market surveys;
- (ii) the provision of infrastructure requirements in selected areas e.g. Belmopan, the International Airport area;
- (iii) the winning of technical assistance from U.N. programmes on international requirements, identification of potential industries and the selection and physical planning of selected industrial zones;
- (iv) the securing of an aid programme with US/AID for market surveys and promotional work;
- (v) the setting up of a small investment unit to assist with the development and promotion of industries;
- (vi) the restructuring of incentive policies and legislation to allow greater flexibility in income tax, customs duty, export allowances, concessions and the commencement of small pilot industrial estate projects. No export credit facilities are available;
- (vii) the commencement of a modest training programme for the industrial sector.

Starting from the existing low industrial base, the projected growth of the industrial sector envisages a substantial increase in the initial stages levelling off in the medium to long term at a rate of around 10% per annum.