U.S. DEPARTMENT OF STATE

DIPLOMACY IN ACTION

Executive Summary

St. Lucia’s economy is expected to grow by 1.7% in 2014. The island nation has been able to attract foreign business and investment, especially in its offshore banking and tourism industries. Tourism is the main economic sector accounting for more than 60% of jobs in the workforce.

The Government of St. Lucia strongly encourages foreign direct investment, particularly tourism and hotel development, information and communication technology, manufacturing, international financial services, agro business and creative industries.

Foreign nationals receive the same legal protections as local citizens. The police and court systems are efficient and unbiased in commercial matters, and the government operates in a generally transparent manner. St. Lucia’s legal system is based on British common law. The judiciary is independent, and trials are generally fair.

Companies registered in St. Lucia have the right to repatriate all capital, royalties, dividends and profits free of all taxes or any other charges on foreign exchange transactions. There are no exchange controls in St. Lucia and the invoicing of foreign trade transactions may be made in any currency.

St. Lucia bases its legal system on the British common law system. The Constitution guarantees constitutional independence of the judiciary. St. Lucia is a member of to the World Trade Organization (WTO). The WTO Dispute Settlement Panel and Appellate Body resolve disputes over WTO agreements, while courts of appropriate jurisdiction resolve private disputes.

Local enterprises generally welcome joint ventures with foreign investors in order to access technology, expertise, markets, and capital. Companies registered in St. Lucia have the right to repatriate all capital royalties, dividends and profits free of all taxes or any other charges on foreign exchange transactions.

There are no laws forcing local ownership in specified sectors. The Embassy is not aware of any outstanding expropriation claims or nationalization of foreign enterprises in St. Lucia.

Except for pork and chicken, there is no requirement that enterprises must purchase a fixed percentage of goods from local sources, but the government encourages local sourcing. Companies purchasing chicken must purchase a minimum of 33% locally-produced chicken, and companies purchasing pork must purchase a minimum of 60% locally-produced pork.

St. Lucia has no bilateral investment treaty with the United States. St. Lucia has a bilateral investment treaty with the United Kingdom and with Germany.

1. Openness To, and Restrictions Upon, Foreign Investment

The Government of St. Lucia strongly encourages foreign direct investment, particularly in industries that create jobs, earn foreign currency, and have a positive impact on its citizens. The government has a number of incentive programs in place to attract foreign investment, available through Invest St. Lucia.

Government policies provide liberal tax holidays, waiver of import duty and consumption tax on imported plant machinery and equipment, imported raw and packaging materials, and export allowance or tax relief on export earnings. Fiscal incentives are provided under various laws to encourage the establishment and expansion of both foreign and domestic investment. Investment promotion services are also provided by Invest St. Lucia.

All proposals for government concessions and investment incentives are reviewed by Invest St. Lucia to ensure that the project is consistent with the national interest and provides economic benefits to the country. Invest St. Lucia provides "one-stop shop" facilitation services to investors to guide them through the various stages of the investment process. The St. Lucia government encourages investment in the following sectors: tourism and hotel development, information and communication technology, manufacturing, international financial services, agro-business, and entertainment. Additional sectors may also be reviewed.

Foreign nationals receive the same legal protections as local citizens. The police and court systems are efficient and unbiased in commercial matters, and the government operates in a generally transparent manner. The judicial system generally upholds the sanctity of contracts, although court proceedings can last years. St. Lucia's legal system is based on British common law. The judiciary is independent, and trials are generally fair.

Local enterprises generally welcome joint ventures with foreign investors in order to access technology, expertise, markets, and capital. There is no general limit on the amount of foreign ownership or control in the establishment of a business.

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address

TI Corruption Perceptions index	2013	(22 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	(33 of 177)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	64 of 189)	http//doingbusiness.org/rankings
Global Innovation Index	2013	n/a	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	USD 6, 890	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Companies registered in St. Lucia have the right to repatriate all capital, royalties, dividends and profits free of all taxes or any other charges on foreign exchange transactions. There are no exchange controls in St. Lucia and the invoicing of foreign trade transactions may be made in any currency. Importers are not required to make prior deposits in local funds and export proceeds do not have to be surrendered to government authorities or to authorized banks. There are no controls on transfers of funds. The Government of St. Lucia guarantees the free transfers of profits and repatriation of capital.

3. Expropriation and Compensation

Under the Land Acquisition Act, the government may by a declaration initiate the acquisition of land required for a public purpose. A notice of acquisition must be served on the person from whom the land is acquired. St. Lucia employs a system of eminent domain to pay compensation when property needs to be acquired in the public interest. There have been no reported tendencies of the government to discriminate against U.S. investments, companies or landholdings. There are no laws forcing local ownership in specified sectors. The Embassy is not aware of any outstanding expropriation claims or nationalization of foreign enterprises in St. Lucia.

4. Dispute Settlement

St. Lucia bases its legal system on the British common law system. The constitution guarantees the independence of the judiciary. The judicial system consists of lower courts, called Magistrates' Courts, as well as a Family Court. The Eastern Caribbean Supreme Court (St.

Lucia) Act establishes the Supreme Court of Judicature, which consists of the High Court and the Eastern Caribbean Court of Appeal. The High Court hears criminal and civil matters and makes determinations on the interpretation of the Constitution. Appeals are made in the first instance to the Eastern Caribbean Supreme Court, an itinerant court that hears appeals from all Eastern Caribbean States. The Eastern Caribbean Supreme Court sits in the St. Lucian capital of Castries. Final appeal is to the Judicial Committee of the Privy Council. All laws must conform to the provisions of the Constitution and are void to the extent of any inconsistency.

The Caribbean Court of Justice (CCJ) is the regional judicial tribunal, established in 2001 by the Agreement Establishing the Caribbean Court of Justice. The CCJ has original jurisdiction to interpret and apply the Revised Treaty of Chaguaramas. In its appellate jurisdiction, the CCJ considers and determines appeals from Member States of CARICOM, which are parties to the Agreement Establishing the CCJ. St. Lucia is subject to the original jurisdiction of the CCJ.

The United States and St. Lucia are both parties to the World Trade Organization (WTO). The WTO Dispute Settlement Panel and Appellate Body resolve disputes over WTO agreements, while courts of appropriate jurisdiction in both countries resolve private disputes.

5. Performance Requirements and Investment Incentives

Except for pork and chicken, there is no requirement that enterprises must purchase a fixed percentage of goods from local sources, but the government encourages local sourcing. Companies purchasing chicken must purchase a minimum of 33% locally-produced chicken, and companies purchasing pork must purchase a minimum of 60% locally-produced pork.

In addition to the National Development Corporation (Invest St. Lucia) Act, which addresses government policy to attract investment, the Trade License Act, Aliens Licensing Act, Development Incentives Act, Special Development Areas Act, Income Tax Act, Free Zones Act, Tourism Development Act, and Fiscal Incentives Act, all have some impact on foreign investment.

There are no formal performance requirements or requirements for participation either by nationals or by the government in foreign investment projects. The Fiscal Incentives Act No. 15 of 1974 allows for fiscal incentives to enterprises to facilitate local and foreign investment in productive sectors of the economy. Special consideration is given to export-oriented manufacturing enterprises. If a company seeks fiscal incentives, depending upon the sector, an application is filed with the Ministry of Commerce, Business Development, Investment and Consumer Affairs, with a copy to the Invest St. Lucia office. In response, the investor receives a clear answer based on the review of the application. The purpose of the approval process for fiscal incentives is to ensure consistency with national interest policies, legal requirements, and net economic benefit. Criteria for fiscal incentives qualification are: the enterprise must be incorporated and registered in St. Lucia; the enterprise must contribute to the economic development of St. Lucia; the country's human and natural resources must be utilized; the enterprise must train local personnel and upgrade its plant through technological transfer; the enterprise must form linkages with other economic sectors; and the enterprise must contribute to earnings in foreign exchange.

The Fiscal Incentives Act provides a list of incentives including:

- Tax holiday of up to 15 years for approved projects
- Waiver of import duty and consumption tax on imported plant, machinery and equipment
- Waiver of import duty and consumption tax on imported raw and packaging materials,
- Export allowance or tax relief on export earnings

Corporate Tax Incentives

Under the Fiscal Incentives Act, four types of enterprise qualify for tax holidays. The length of the tax holiday for the first three depends on the amount of value added in St. Lucia. The fourth type, known as enclave industry, must produce goods exclusively for export outside the CARICOM region.

Enterprise	Value Added	Maximum Tax Holiday
Group I	50% or more	15 years
Group II	25% to 50 %	12 years
Group III	10% to 25%	10 years
Enclave	Enclave	15 years

Corporate Income Tax

The standard corporate income tax rate is 33.3%. An IBC may elect to be exempted from paying income tax or to be liable to income tax on the chargeable income of the company at the rate of 1%. An IBC is not subject to stamp duties, withholding tax or capital gains tax.

Export Allowance

St. Lucia provides companies with a further tax concession effective at the end of the tax holiday period.

Exemption from Import Duties

Full exemption from import duties on parts, raw materials, and production machinery is also available.

There are some special license requirements as to acquisition of land, development of buildings and expansion of existing construction, and special standards for various aspects of the tourism industry. Individuals or corporate bodies who are not citizens and who are seeking to acquire land may require a license prior to the execution of the transactions, depending upon the amount of land in question.

The Special Development Areas Act seeks to encourage investment in designated areas through the island. Special development areas are Vieux-Fort, Anse la Raye, Soufriere, Canaries and Dennery. Special concessions offered under this law include: exemption on import duty, stamp duty and consumption tax on inputs for the construction of new buildings and the renovation or refurbishment of existing buildings; land and house tax; stamp duty payable by vendors and purchasers on the initial purchase of property; higher tax allowances; and accelerated depreciation. Types of businesses which can qualify for these concessions are: residential complexes; commercial or industrial buildings; facilities directed towards the improvement or expansion of services to the tourism sector; water-based activities; tourism projects highlighting the heritage and natural environment of St. Lucia; arts and cultural investments; agricultural based activities; and fisheries based activities.

The Tourism Incentives Act provides for earnings to be exempt from income tax, as a tourism project managed by or on behalf of a company is entitled to distribute profits to shareholders or debenture holders as capital monies free of tax during the two year period following the end of the tax holiday. The Act also allows for customs duty exemptions, and permits the importation into St. Lucia free of customs duty and consumption tax of materials and equipment used exclusively in connection with the construction and equipping of the tourism project.

The Freezone Act is designed to promote export development and foreign investment projects in a ‘bureaucracy-free, duty-free, and tax-free” environment for prescribed activities. Incentives include: exemption for customs duties, taxes and related charges on all classes of goods entering the Freezone for commercial or operating purposes; no restrictions or taxes on foreign exchange transactions; no taxes on dividends for the first 20 years of operation; no work permit fees for management personnel of Freezone businesses; no import or export licenses and no price control; and no company income tax for the first five years, and thereafter a very limited tax range.

6. Right to Private Ownership and Establishment

Foreign investment in St. Lucia is not subject to any restrictions, and foreign investors are entitled to receive the same treatment as nationals of St. Lucia. The only restriction is the requirement to obtain an Alien Landholding License for foreign investors seeking to purchase property for residential or commercial purposes.

No industries are officially closed to private enterprise, although some activities, such as telecommunications, utilities, broadcasting, banking, and insurance, require a license from the government. There is no percentage, or other restrictions, on foreign ownership of a local enterprise or participation in a joint venture.

7. Protection of Property Rights

Civil law protects physical property and mortgage claims. St. Lucia is a member of the International Center for Settlements of Investment Disputes. St. Lucia is a member of the World intellectual Property Organization (WIPO). Article 45 of the Protocol Amending the Treaty that established CARICOM commits all 15 members to implement stronger IP protection and enforcement.

The administration of intellectual property laws in St. Lucia is the responsibility of the Attorney General through the Registry of Companies and Intellectual Property. The registration of patents, trademarks, and service marks is administered by this office. Enforcement of intellectual property rights (IPR) in St. Lucia remains somewhat weak, in part due to resource constraints. IPR infringement in most areas is small-scale, with limited instances of pirated DVDs and compact discs. Post is not aware of any issues concerning U.S. rights holders and IPR infringement in St. Lucia.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Embassy point of contact: Jonelle Watson Watsonjm@state.gov

Local lawyers list: http://barbados.usembassy.gov/attorneys_list.html

8. Transparency of the Regulatory System

St. Lucia uses transparent policies and effective laws to foster competition and establish clear rules for foreign and domestic investors in the areas of tax, labor, environment, health, and safety.

The Revised Treaty of Chaguaramas provides the competition policy applicable to CARICOM States. Member States are required to establish and maintain a national competition authority for facilitating the implementation of the rules of competition. At the CARICOM level, a regional Competition Commission is established to apply the rules of competition in respect of anti-competitive cross-border business conduct. The CARICOM competition policy addresses anti-competitive business conduct, such as agreements between enterprises, decisions by associations of enterprises, and concerted practices by enterprises that have as their object or effect the prevention, restriction or distortion of competition within the Community; and actions by which an enterprise abuses its dominant position within the Community. No legislation is yet in operation to regulate competition in St. Lucia. The Organization of Eastern Caribbean States (OECS) has agreed to establish a regional competition body to handle competition matters within its single market. The draft OECS bill has been submitted to the Ministry of Legal Affairs for review.

St. Lucia is working to improve customs efficiency, modernize customs operations, and address inefficiencies in the clearance of goods.

9. Efficient Capital Markets and Portfolio Investment

St. Lucia's monetary and exchange rate policies are determined by the Eastern Caribbean Central Bank (ECCB). The ECCB regulates domestic banks. Exchange controls restrictions on capital and non-trade current transactions have been suspended under the Exchange Control Act.

As a member of the OECS, St. Lucia is a member of the Eastern Caribbean Securities Exchange (ECSE) and the Regional Government Securities Market. The ECSE is a regional securities market established by the ECCB and licensed under the Securities Act of 2001, a uniform regional body of legislation governing securities market activities to facilitate the buying and selling of financial products for the eight member territories. St. Lucia is a member of this stock exchange, and is open to portfolio investment.

According to the most recent data available from the government, assets of commercial banks totaled US$2.15 billion in November 2012, and remained relatively consistent throughout the year. The reserve requirement for commercial banks was 6% of deposit liabilities.

10. Competition from State-Owned Enterprises

Statutory corporations or state-owned enterprises in St. Lucia include the National Insurance Corporation and the Water and Sewage Company Inc. These companies do not generally pose a threat to investors, as they are not designed for competition. They support government programs such as the national pension plan and the management of pipe borne water, sewage and solid waste management services.

11. Corporate Social Responsibility

In St. Lucia, there is an awareness of corporate social responsibility (CSR) among both producers and consumers. The private sector is involved in projects that benefit society, including in support of environmental, social and cultural causes. Individuals benefit from business sponsored initiatives when local and foreign owned enterprises pursue volunteer opportunities and make monetary or in kind donations to local causes.

The NGO community, while comparatively small, is involved in fundraising and volunteerism in gender, health, environmental and community projects. The government at times partners with non-governmental organizations (NGO) in activities. The government encourages philanthropy.

12. Political Violence

St. Lucia does not have a history of political violence.

13. Corruption

While corruption related to foreign business and investment is not generally believed to be a major problem in St. Lucia, there have been some widely publicized allegations against government officials.

St. Lucia has laws, regulations and penalties to combat corruption. Senior government officials in the new government assert they are taking anti-corruption efforts seriously. However, while the law provides criminal penalties for official corruption, enforcement is not always effective. Government agencies involved in enforcement of anti-corruption laws include the Royal St. Lucia Police Force, the Director of Public Prosecutions, and the Financial Intelligence Unit. The country is a party to the Inter-American Convention against Corruption and acceded to the United Nations Convention against Corruption on 18 November 2011.

14. Bilateral Investment Agreements

St. Lucia has no bilateral investment treaty with the United States. St. Lucia has a bilateral investment treaty with the United Kingdom and with Germany.

Caribbean Community (CARICOM)

The Treaty of Chaguaramas established CARICOM in 1973. Its purpose is to promote economic integration among its fifteen (15) Member States. Investors operating in St. Lucia are given preferential access to the entire CARICOM market. The Revised Treaty of Chaguaramas goes further to establish the CARICOM Single Market and Economy (CSME), by permitting the free movement of goods, capital and labor within CARICOM States.

Organization of Eastern Caribbean States (OECS)

The Revised Treaty of Basseterre establishes the Organization of Eastern Caribbean States (OECS). The OECS consists of nine Member States of Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts & Nevis, St. Lucia and St. Vincent & the Grenadines with associate members being Anguilla and the British Virgin Islands. The purpose of the Treaty is to promote harmonization among Member States in areas concerning foreign policy, defense and security, and economic affairs. The six independent countries of the OECS ratified the Revised Treaty of Basseterre establishing the OECS Economic Union on January 21, 2011. The Economic Union established a single financial and economic space within which all factors of production, including goods, services and people, move without hindrance.

Economic Partnership Agreement (EPA)

The Economic Partnership Agreement (EPA) was concluded between the CARIFORUM States and the European Community and its Member States. The EPA is designed to replace the now expired transitional trade regime of the Cotonou Agreement. The overarching objectives of the EPA are to alleviate poverty in CARIFORUM, to promote regional integration and economic cooperation and to foster the gradual integration of the CARIFORUM states into the world economy by improving their trade capacity and creating an investment-conducive environment. The Agreement promotes trade related developments in areas such as competition, intellectual property, and public procurement, the environment and protection of personal data.

Caribbean Basin Initiative (CBI)

The objective of the Caribbean Basin Initiative is to promote economic development through private sector initiative in Central America and the Caribbean islands by expanding foreign and domestic investment in non-traditional sectors, diversifying CBI country economies and expanding their exports. It permits duty free entry of products manufactured or assembled in St. Lucia into markets of the USA.

Caribbean / Canada Trade Agreement (CARIBCAN)

CARIBCAN is an economic and trade development assistance program for Commonwealth Caribbean countries in which Canada provides duty free access to its national market for the majority of products which originate in Commonwealth Caribbean countries.

St. Lucia is a member of the WTO, and has a multilateral economic association agreement with the European Union.

15. OPIC and Other Investment Insurance Programs

OPIC provides financing and political risk insurance to viable private sector projects, helps U.S. businesses invest overseas, and fosters economic development in new and emerging markets.

16. Labor

Minimum wage regulations in effect since 1985 set wages for a limited number of occupations. The minimum monthly wage for office clerks was EC$300 ($111), for shop assistants EC$200 (US$74), and for messengers EC$160 (US$59). A new labor code went into effect on August 1, 2012.

St. Lucia has a labor force of about 90,600 persons, with a literacy rate of 94.8%. The country's technical and training needs are met largely by the local state college, which offers courses in skilled labor, including plumbing, electrical engineering, air conditioning and refrigeration, masonry, carpentry, mechanical engineering, motor mechanics, typing and basic hotel skills. There is also a pool of professionals to draw from, in fields such as law, medicine, business information technology and accounting. Many of the professionals in St. Lucia trained in the Caribbean, the United States, Canada and the United Kingdom, where many of them gained work experience before returning to St. Lucia.

Investors in St. Lucia are responsible for maintaining workers' rights and safeguarding the environment. The Labor Commissioner settles disputes over safety conditions. Workers have the right to report unsafe work environments without jeopardy to continued employment; inspectors then investigate such claims, and workers may leave such locations without jeopardy to their continued employment.

17. Foreign Trade Zones/Free Ports

St. Lucia has a Freezone created by law; it is an enclosed area treated for customs purposes as lying outside the customs territory of the island. Goods of foreign origin may be held pending eventual transshipment, re-exportation and, in some cases, importation into the local market, without payment of customs duties.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Eastern Caribbean Central Bank		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2012	1.3 billion	2012	1.186 billion	http://www.worldbank.org/en/country

Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (*Millions U.S. Dollars, stock positions)*	n/a	n/a	2012	260	(BEA) click selections to reach. Bureau of Economic Analysis
Host country's FDI in the United States (*Millions U.S. Dollars, stock positions)*	n/a	n/a	n/a	n/a	(BEA) click selections to reach Balance of Payments and Direct Investment Position Data Foreign Direct Investment Position in the United States on a Historical-Cost Basis By Country only (all countries) (Millions of Dollars)
Total inbound stock of FDI as % host GDP (***calculate)***	n/a	n/a	2012	138	www.eclac.org

19. Contact Point at Post for Public Inquiries

- **NAME: Jonelle Watson**
- **TITLE: Economic and Commercial Affairs**
- **ADDRESS OF MISSION/AIT: U.S. Embassy Barbados and the Eastern Caribbean**
- **TELEPHONE NUMBER: 246-227-4052**
- **EMAIL ADDRESS: WatsonJM@state.gov**