

# **WORLD TRADE ORGANIZATION**

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**Trade Policy Review Body**  
**29-30 October 1998**

## **TRADE POLICY REVIEW**

JAMAICA

### Minutes of Meeting

Chairperson: H.E. Mr. Ali Said Mchumo (Tanzania)

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## **I. INTRODUCTORY REMARKS BY THE CHAIRPERSON**

1. The first Trade Policy Review of Jamaica was held on 29 and 30 October 1998. The Chairperson welcomed the delegation of Jamaica, led by the Honourable Anthony Hylton, Minister of State at the Ministry of Foreign Affairs and Foreign Trade, as well as Ambassador Hill, and the discussants, Ambassador Ronald Saborío Soto (Costa Rica) and Ambassador István Major (Hungary). As usual, both discussants would speak in their personal capacities and not as representatives of their countries. In accordance with the established procedures, the discussants had made available, in advance, outlines of the main issues they intended to raise.

2. The Chairperson recalled the purpose of the Trade Policy Reviews and the main elements of the procedures for the meeting. The report by the Government of Jamaica was contained in document WT/TPR/G/42 and that of the WTO Secretariat in document WT/TPR/S/42; the main issues to be raised by the discussants were contained in document WT/TPR/D/25. Copies of advance written questions, submitted by five delegations (Hong Kong, China; Canada; Japan; the European Union; and the United States) (Annex I) had been transmitted to the delegation of Jamaica. If full replies could not be provided during the meeting, supplementary written replies could be provided later.

## II. OPENING STATEMENT BY THE REPRESENTATIVE OF JAMAICA

3. The Government of Jamaica attached great importance to the Trade Policy Review Mechanism, which afforded an opportunity to assess the extent to which Member States were adhering to the disciplines and commitments of the Uruguay Round Agreements. It promoted transparency and an understanding of the trade policies and priorities of individual States, and gave the country under review an occasion to explain its domestic imperatives. Jamaica was participating in this review confident that notwithstanding its small size and level of development, it had made every effort to abide by the commitments and to meet the obligations it had undertaken in the WTO. He welcomed this opportunity to identify concerns, some of particular relevance to small States with limited resources, that would need to be taken into account more fully if the benefits derived by small trading partners like Jamaica were to be commensurate with the considerable obligations they had assumed.

4. It was important to draw attention not only to Jamaica's history of commitment to an open multilateral trading system through its membership in the WTO but, as well, to the manifestation of that commitment, which was reflected in the trade data before the review body. Jamaica had participated in every multilateral round of negotiation since becoming a contracting party to the GATT in 1963. But, as for many other countries, the Uruguay Round was singular in terms of the scope of obligations and the breadth of the commitments assumed. However, Jamaica's programme of trade liberalization had largely preceded the Uruguay Round and was thus autonomous and non-reciprocal. Unilateral measures taken prior to the Uruguay Round included the abandonment of import licensing, with only a few exceptions for administrative purposes; and the elimination of quantitative restrictions, which were in some cases and primarily in respect of sensitive agricultural products, converted to price-based equivalents. In the Uruguay Round, transparency, predictability and security of access were further provided through ceiling bindings on all agricultural and industrial products. The measures implemented unilaterally prior to the Uruguay Round, commitments assumed during and since the Round, and the process of liberalization in which Jamaica was now engaged with CARICOM partners at the regional level, had resulted in liberal and secure access for all trading partners to Jamaica's market. Since the Uruguay Round, Jamaica had also assumed obligations in the areas of Basic Telecommunications and Financial Services.

5. Jamaica's average MFN tariff was 10.9% in 1997; the average for agricultural products was 20.2% and 8.4% for industrial products. Duty-free treatment for MFN imports was accorded to 55.4% of tariff lines.

6. The openness of Jamaica's market was reflected not only in the statistical data but in the actual trade performance: imports and exports of goods and services amounted to over 100% of GDP, which was approximately US\$6.1 billion in 1997. It was particularly relevant that Jamaica's imports had been growing much more rapidly than its exports. During the 1990s, imports had increased in value by over 50% while exports had grown by about 20%; the value of Jamaica's imports was twice as high as exports. The fastest growing segment of the import bill was for consumer goods, which now accounted for 30% of all imports and, significantly, included many agricultural food imports and other final goods. These attracted duty at the upper range of the country's tariff band. Imports of food and consumer durables had grown more than twice as fast as other imports to Jamaica during the past five years.

7. Jamaica's continued commitment to openness had been taking place during a period when the Government's efforts had been directed towards achieving and consolidating macroeconomic stability and when the Jamaican economy had lagged in terms of growth performance. Against this background, Jamaica urged increased focus on and understanding of the need for greater consonance between obligations assumed and the benefits derived by small trading partners in the multilateral trading system.

8. Jamaica was of the view that the benefits of the necessary and desirable liberalization process, which had been considerably deepened in the Uruguay Round, had not been equitably distributed. Although a thorough and systematic evaluation of the impact of the implementation of the Uruguay Round Agreements on trading partners remained to be done, it appeared that the benefits were accruing disproportionately to those trading partners and sectors which already had the productive capacity and a level of competitiveness that enabled them to take full advantage of the liberalization in goods and services.

9. This had implications not only for widening economic disparities regionally and globally but for the continued health of the multilateral trading system, which required the broad support of all trading partners. It would be very difficult to maintain this support if interest groups and the general public in these countries did not perceive that the rules were leading to fair and reasonable outcomes in specific instances and contributing to development. It was appropriate to emphasize, in this forum, the need for technical assistance to strengthen the capacity of small trading partners to meet reporting obligations under the WTO, and to place them in a position to fully exercise their rights. In respect of the Dispute Settlement Understanding, it was necessary to ensure that when the rights of small trading partners were impaired and benefits put in jeopardy, they were able to participate effectively in the WTO judicial process, not only as defendants but as complainants. The liberalization process would face a diminishing constituency in many developing countries if, through lack of resources and technical inadequacies such as the absence of necessary legislation, they continued to be unable to utilize legitimate instruments of relief such as anti-dumping and countervailing duties and safeguard measures. In addition, there was the real need to maintain time concessions for a sufficient period, also in respect of preferential arrangements and non-reciprocal agreements, in order to achieve as smooth a transition as possible.

10. Jamaica had made considerable progress in meeting its notification obligations and intended to complete those outstanding by the end of 1998. Bills were currently before the Houses of Parliament to enact new and revised legislation on anti-dumping, subsidies and intellectual property rights, which would incorporate Jamaica's WTO commitments.

11. The WTO Secretariat, with the financial support of a number of Members, as well as other bodies such as UNCTAD and WIPO, had provided valuable opportunities for training in matters relating to the implementation of the WTO Agreements. Jamaica had benefited from these initiatives and believed that this type of technical assistance should be continued and intensified.

12. Jamaica recognized the crucial importance that the rules and disciplines adopted in the WTO could have for growth and development, and that the fundamental basis for success must be the policies implement in the country. In this context, the Government of Jamaica had been focusing on policies designed to make the productive sector more competitive. These policies had been enshrined in the National Industrial Policy, which was being implemented over a 15-year period to the year 2010.

13. The Government's efforts to create a stable macroeconomic environment, as a necessary condition for sustainable growth, had met with significant success. The rate of inflation, which had peaked in 1991 at 80.2%, had progressively come down, reaching 9.2% in 1997; the rate for the first eight months of 1998 was 6.9%. Gross National Savings had also improved, from 16% of GDP in the mid-1980s to 25% in the mid-1990s. Jamaica's exchange rate, which was market-determined, had been experiencing a relative degree of stability over the past three years. At the same time a strong reserves position facilitated discretionary intervention by the authorities, when warranted. As of September, 1998, Net International Reserves stood at US\$617 million, representing approximately twelve weeks of imports.

14. In order to maintain a low and stable inflation rate, the Government's main monetary policy objective was to contain the growth of money supply. At the same time, cognizant of the need to stimulate growth and to provide a lower interest rate to the productive sector, the Government had also begun, on a phased basis, to lower the cash reserve requirement for the banking sector. The restructuring of the financial sector, which after a period of rapid expansion had encountered significant problems related to capital shortage and asset quality, was continuing. Fiscal policy provided a challenge: a renewed effort was required to reduce the deficit and to contain expenditure. The merchandise trade deficit was also of concern, although it was important to note that the strength of earnings from services such as tourism, growth in remittances, and private capital inflows had had a positive impact on the balance of payments, which recorded four consecutive years of surplus between 1993 and 1996.

15. The Government was moving to meet these challenges and Jamaica expected, as in the case of the global economy, that the expansion of trade in goods and services would be critical to sustained growth and development. However, this could only be the case if Jamaica's legitimate interest for market access opportunities was understood and appreciated by Members in the WTO.

16. Jamaica was pursuing trade liberalization not only within the context of its obligations in the WTO but at the regional and hemispheric level. It was an active participant in CARICOM's efforts to widen economic and trade linkages with other countries in the Caribbean Basin. CARICOM members were in the process of creating a Single Market and Economy, which would lead to the significant deepening of the regional integration process. Trade agreements with Venezuela and Colombia had been concluded. A free-trade agreement between CARICOM and the Dominican Republic had been signed recently. The establishment of the Association of Caribbean States was ultimately aimed at expanding regional trade relationships. Jamaica, together with its CARICOM and hemispheric partners, was also engaged in the negotiation of a Free Trade Area of the Americas.

17. Jamaica welcomed the recognition given by the WTO to the special needs of the least developed countries and fully supported the adoption of a Plan of Action aimed at assisting LDCs. The representative hoped that this Plan would continue to be implemented expeditiously. Jamaica also noted with satisfaction that the Declaration of the WTO's Second Ministerial Conference had to some extent recognized the problems faced by many small economies, and was further encouraged by the work that had just begun in the Committee on Trade and Development. Jamaica would actively seek to develop practical measures to meet their trade, financial and development needs. It was necessary for small economies to keep pace with changing times and the rapid evolution of new ideas. Principles of non-discrimination and reciprocity had been enshrined in the multilateral trading system. However, he recalled that the objectives of the GATT and the WTO were predicated on the achievement of a sustainable level of growth by all countries. Thus, while Jamaica did not seek a future tied to preferences, viable alternatives needed to be elaborated.

### III. STATEMENT BY THE FIRST DISCUSSANT

18. The first discussant (Ambassador Ronald Saborío Soto) stated that during the 1980s Jamaica had carried out a series of measure aimed at stabilizing the economy and during the 1990s had implemented a series of structural adjustment measures, supported by, *inter alia*, the International Monetary Fund and the World Bank. Government intervention has been considerably reduced, and Jamaica's economy could now be described as market oriented.

19. The success of Jamaica's deregulation process had led to the elimination of price controls for goods and services. In addition, tariffs had been lowered under the various phases of the CARICOM common external tariff process: the simple average tariff was 10.9% in 1997; more than 55% of tariff lines were duty free; and only 6.8% of lines were currently over 35%. The highest tariffs, which were in the agriculture and fisheries sector, showed an average of 20.1%; the average for the mining sector was 4.3%; and the average for the industrial sector was 10.3%. The most significant achievement was the drop in inflation, from a peak of 80% in 1991 to 9.2% in 1997, through implementation of a strict monetary policy. This had led, however, to Jamaica's economic recession in 1996 and 1997.

20. Efficient controls had reduced public spending and increased fiscal income for the 1990s. However this success was dampened by the banking crisis in 1996, and the subsequent fiscal deficit of 4.2% of GDP in 1996/97 was well short of the 3.1% projection for 1998/99. Amongst the measures taken to control the financial crisis was the establishment of FINCSAC in 1997, an agent of last resort for institutions experiencing financial problems.

21. The solution found for these unexpected expenses, given the strict monetary disciplines applied, was a resort to internal debt, which rose from 24.6% of GDP in 1992, to 46% in 1996. It was of concern that debt service stood at 24.8% of budget revenue for 1997. A strict monetary policy in time of strong fiscal need might place pressure on the Government to find funds on the capital market which, in some cases, could lead to high interest rates, which in turn affected investment. He was interested to know the current situation in Jamaica in this respect, the mechanisms used to finance the internal debt, and any measures taken to avoid the situation arising again.

22. The National Industrial Policy (NIP), established for the period 1996-2010, was aimed at improving the efficiency of the Jamaican economy, the quality of life, and the environment. Targets were set for annual GDP growth of between 6% and 7.5%, a drop in unemployment from 16% to 9% and to triple the value of exports. The Policy targeted five strategic sectors in which Jamaica believed it had a comparative advantage: tourism, maritime transport, agro-processing, apparel, and bauxite and alumina; these were to be promoted through investment in infrastructure, technology, and machinery and equipment.

23. In 1997, tourism represented some 13% of GDP and 55% of exports, but employed only 8% of the total labour force; maritime transport shipped more than 15 million tonnes of goods; the agriculture sector, including food processing, represented 16.5% of GDP in 1996 and employed approximately 22% of the labour force. Exports in this sector focussed on traditional products such as sugar, bananas and coffee. Exports of textiles, the second most important sector in terms of goods exports, amounted to US\$538.2 million in 1996, including exports from free-trade zones; almost all of these exports were under preferential arrangements. Jamaica was the world's third largest producer of bauxite and alumina, which contributed around 9.9% of GDP in 1997, representing more than half of Jamaica's goods exports. In 1996, this highly capital-intensive sector generated some US\$700 million and employed 6,000 people. The maritime transport sector was highly dependent on these other sectors and on Jamaica's few export

products: alumina, textiles, bananas, sugar and coffee, and tourism. Jamaica was highly sensitive to shocks in the markets of these few products; this was exacerbated by the strong concentration towards three export destinations: the United States, which accounted for 36.7% of exports, the European Union, 31.2%, and Canada, 12%.

24. With a high level of unemployment, it would seem reasonable for Jamaica to concentrate on the most labour-intensive sectors, where it could benefit from a comparative advantage. However, it was also necessary to seek diversification. He was interested to know in which other areas, particularly in services, Jamaica considered itself to have a comparative advantage. He was also interested to know Jamaica's view on the possible danger of perpetuating a fragile dependence of the economy on few markets, and how it would face the challenge of greater diversification both of markets and products.

25. Referring to the social cooperation between the private sector and the Government within the NIP, he asked the Jamaican delegation to explain the structural reasons for unemployment, whether the labour laws contributed to the high level of unemployment, and how this was dealt with in the Policy.

26. The Jamaica Promotion Corporation (JAMPRO), was responsible for investment and export promotion. Jamaica had advanced towards an open investment policy, particularly following the waiver of the Exchange Control Act in 1992, eliminating restrictions on imports of capital goods, technology and other investment restrictions. The United States, Jamaica's main direct investor invested some US\$1.4 billion in 1995, mainly in the mining sector and tourism. Important investments were also made in the textiles sector in free-zones. The 1996 flow of foreign direct investment was US\$175 million; there did not appear to be a growth tendency, which could be due to the high cost of labour and capital, and possibly to security risks because of the high level of unemployment.

27. Investment, which was not expressly defined within Jamaica's domestic legislation, was protected under common law legislation concerning investment schemes in general. Rules for foreign investment were contained in various bilateral and multilateral agreements signed by Jamaica. The net flows of capital, in particular transfers by the large number of Jamaicans residing abroad, had had a strong influence on the economy. In the last few years, along with other factors already mentioned, these large flows had led to a re-evaluation of the Jamaican dollar, to the disadvantage of the export sector.

28. The opening to foreign investment, to which Jamaica has committed itself, was an important decision in its development policy, and he was interested in further information in this regard. It was necessary to accompany the opening with other important elements, such as political and macroeconomic stability, and social safety. He sought clarification on the current level of social safety and how this had affected levels of foreign direct investment. Legal security of the investor was essential to attract investment. Jamaica had signed bilateral investment treaties and was participating in negotiations on regional agreements in the context of the Free Trade Agreement for the Americas (FTAA). Strengthening the constitutional rights to property would be particularly important for investors. Rapid justice and national treatment were also essential elements, as well as elimination of administrative difficulties, and state investment in infrastructure. Leaving aside labour guarantees, measures to facilitate movement of labour would also contribute to attract investment.

29. It would be useful to hear details of the NIP, in particular the different special export regimes to attract more foreign investment in Jamaica. In some Latin American countries and in the Caribbean region major investments had been attracted through these regimes, in particular through free-zones; in some countries exports through the regime represented some three quarters of total exports. However, in Jamaica exports from free zones had stagnated since 1994 and he was interested to know the reasons for this.



30. In new development schemes, an important role was played by investment in human capital. A better qualified labour force facilitated higher-value-added production, which added advantage in attracting foreign investment and aided adjustment of the labour market within the economy. A wider range of work was available to a qualified labour force and led to increased opportunities for improving living standards. Therefore the quality of education was an important element in development. He asked how the Government of Jamaica had planned within the NIP to improve the academic education and technical preparation of its population.

31. Jamaica was an active participant in the WTO and, as a member of CARICOM, was gradually dismantling its tariff peaks, under the Common External Tariff. While CARICOM functioned, in general, on coordinated trade relations, members could implement an independent trade policy. Coordinated and harmonized exchange and monetary policies were envisaged, as well as tax and incentive regimes. One objective was the adoption of a common currency. He asked whether Jamaica was now coordinating its trade policy with CARICOM. Jamaica was also participating in FTAA negotiations.

32. An important part of Jamaica's trade benefited from preferences under the Lomé IV Convention. Trade in bananas under Lomé IV had been discussed widely in the WTO and had been the object of three dispute settlement cases since the beginning of the decade. Jamaica also benefited from preferential trade with the United States under the Caribbean Basin Initiative (CBI), and had preferential access to the Canadian market through CARIBCAN. Jamaica had approached the United States with a request for treatment for CBI exports equivalent to exports within NAFTA, arguing that in sectors such as textiles, NAFTA arrangements had put Jamaican exports at a disadvantage. He believed, however, that the lack of competitiveness in this and other sectors in Jamaica was largely due to the overvaluation of the Jamaican currency; the Government was resisting devaluation in order to control inflation, which was increasing production costs, due to high labour and capital costs. He was interested to hear comments from the Jamaican delegation in this regard.

33. Jamaica's bananas, which were not competitive in comparison to other suppliers, required preferential treatment from the European Union, its main destination. While the reasons for preferential treatment from both sides of the Atlantic were valid for Jamaica, and for the Caribbean in general, preferences would inevitably be increasingly eroded through the FTAA, through the built-in agenda of the Uruguay Round, or through the next round of multilateral trade negotiations. It was clear that the Caribbean, Central American and other members benefiting from preferential regimes would have to rely on their own competitiveness. He was interested to know of any preparations to enable the different export sectors to compete in circumstances of increasingly lower preference margins.

#### IV. STATEMENT BY THE SECOND DISCUSSANT

34. The second discussant (Ambassador István Major) referred to Jamaica's comprehensive programme of structural reforms and liberalization, which started in the mid-1980s and had been continued and strengthened in the 1990s. This programme was aimed particularly at restoring the external balance and reducing state intervention in the economy. The most important policy elements had provided for the relaxation and dismantling of price controls; privatization of some state enterprises and accompanying deregulation in sectors of critical importance for development (tourism, agriculture, banking, transportation, manufacturing); reduction of subsidies; improvement of financial intermediation; simplification of the tax system; reduction of the public sector deficit; strengthening of monetary policy; and trade liberalization, including the reduction of customs duties and the removal of some non-tariff barriers. As a result of these efforts the Jamaican economy was considerably more market oriented.

35. The traditional trade pattern of Jamaican exports, however, had been relatively capital-intensive, and, given the abundant labour force, this had at times resulted in a misallocation of resources. Jamaica's foreign exchange earnings depended on mining and, to a certain extent, tourism activities, which were capital intensive and hence import-intensive. This had led to the posting of trade and current account deficits. In an attempt to tackle this problem, the Government of Jamaica implemented the National Industrial Policy, through which it intended to create the necessary conditions for faster economic growth by stabilizing the economy and reducing inflation and, at the same time, facilitate the integration of the country into the regional and global economies and guarantee its ability to implement the commitments undertaken in regional, bilateral and multilateral trade negotiations.

36. The comprehensive NIP was aimed at achieving accelerated growth by strengthening traditional "winning" sectors, that is, the sectors that had performed better than average in the past, while at the same time attempting to develop the human capital necessary for the future development of labour-intensive industries. The NIP could be considered as an attempt to further develop and generate endogenous comparative advantages.

37. The NIP emphasized "an aggressive export-oriented, private-sector-led development strategy coupled with a programme of efficient import substitution". With regard to this statement it would be interesting to hear from the Jamaican delegation what WTO-consistent steps formed part of the "programme of effective import substitution".

38. Jamaica's membership in CARICOM was another determinant of its trade policy. CARICOM had been moving towards greater integration; the Caribbean Single Market and Economy (CSME) had been endorsed in 1991; and in 1997 the CARICOM Treaty had been amended and two Protocols signed. The first of these protocols was aimed at restructuring the organization of CARICOM as an institution, while Protocol II dealt with services, an area where members felt that liberalization needed to be reinforced, considering the importance of the sector for many of the members, including Jamaica.

39. Since the mid-1980s, when quantitative restrictions were dismantled, import duties had been lowered from rates as high as 200% to the current maximum rate of 30% for industrial products and 40% for agricultural goods. Part of this liberalization effort has been undertaken under the auspices of CARICOM. CARICOM members were attempting to lower the maximum Common External Tariff (CET) levels for industrial products, in four phases, from the 1995 level of 35%, to 20%. While Jamaica had not yet completed the calendar of reductions, it had accomplished a substantial liberalization effort, lowering its simple average tariff rate to 10.9% for all imports on an MFN basis, and for industrial imports to slightly above 8%. This was well below Jamaica's WTO bound rate of 50% for this type of goods. As a result of liberalization efforts, duty-free treatment was accorded to 55.4% of tariff lines for MFN imports (59% of industrial products).

40. The discussant noted that all of Jamaica's applied duties were on an *ad valorem* basis. The Jamaican Customs Tariff contained just over 4,000 tariff lines at the seven-digit level. The current tariff structure was under revision and Jamaica was expected to adopt a six-digit structure (HS96) when the tariff cuts under Phase IV of the CET were implemented. The deadline for Phase IV was 1 July 1998 and the discussant was interested to hear when the Government planned to make the switch to the six-digit HS system and effect the foreseen tariff reductions.

41. Additional efforts were needed to enhance market access. A number of products, including some of the largest import items, were exempted from the CET. These exempted industrial products faced an MFN tariff rate of 30%. Imports of automobiles were also subject to a high General Consumption Tax rate, which, added to the tariff, could result in total charges exceeding 200%. Protection in the agriculture sector was twice as high as for industrial products. The average exceeded 20%, while bound levels were at 100%. Furthermore, imports of certain agricultural products were subject to additional stamp duties, which raised the level of protection in some cases to rates as high as 90%. However, Jamaica had not had to undertake a tariffication effort in the agricultural sector as a result of the Uruguay Round, since it had already replaced all quantitative restrictions by additional stamp duties.

42. The scope of the Jamaican import licensing system had been considerably reduced since the early 1980s when around 50% of total imports were under licensing requirements. Licences were currently required for imports under some 39 HS tariff headings, including motor vehicles, refined sugar and some other agricultural products. Linked to the licensing requirement, Jamaica maintained some limitations regarding motor vehicle dealership. Import licensing regimes were not harmonized among CARICOM countries; however efforts in this direction were currently under way.

43. More than 50% of Jamaica's total exports required export licences: products included certain minerals (including bauxite), agricultural products and industrial goods.

44. Jamaica's wide range of incentive schemes, aimed at promoting exports or at the development of specific industries, included tax concessions and duty-free access for imports of inputs and capital goods. These schemes were, in many cases, the remnants of import substitution policies, such as the accelerated depreciation scheme applied in manufacturing. In other cases, such as the Export Industry Encouragement Act (EIEA), incentive schemes had been put in place to encourage exports explicitly, creating a wedge between exports and production for the domestic market. Originally, to benefit from the scheme producers had to export all of their production; it was subsequently extended to producers exporting a 5% threshold.

45. By discouraging production for the domestic market, schemes like the EIEA had curtailed competition in the domestic market, leading to higher prices than necessary, particularly in areas where import duties were high. Another negative effect was that industries benefiting from the scheme may have been prevented from developing economies of scale by de facto limitations in their production. The Government planned to eliminate these incentive schemes by the year 2003, to comply with the disciplines of the WTO Agreement on Subsidies and Countervailing Measures. In many cases concessions had already been eroded or wiped out by the elimination of tariffs on non-competing inputs and capital goods.

46. Free zones had been used to promote exports, particularly of apparel; currently there were three main free zones. However, single-entity zones were now being established, outside of these locations. To operate in free zones companies were required to be incorporated and registered in Jamaica; to export 85% of their total exports outside CARICOM (for manufacturing companies); and to obtain the approval

of the Bank of Jamaica. Since exports from free-zones were not accounted in national trade statistics, Jamaican exports appeared to be understated: free-zone exports amounted to roughly US\$300 million annually. However, production in the zones was very import-intensive, taking place mainly under schemes such as the Cut, Make and Trim (CMT) Programme. Net foreign exchange earnings of free zones was only US\$55 million in 1996. The future of the free zones in Jamaica depended to a certain extent on regained competitiveness, which would be achieved through a real exchange rate depreciation. In the short run however this seemed to be unlikely given the Bank of Jamaica's commitment to fight inflation.

47. Protection in the agriculture sector was higher than average; some products faced high additional stamp duties, and licences were required for the importation of others. Tariffs on agricultural products, which were not included in the schedule of CET reductions, were as high as 40% under the CET or under List A exceptions. The applied rates, ranging between 0 and 40%, were well below the uniform bound rate of 100%; additional stamp duties in some cases yielded protection rates as high as 90%. However, stamp duties per se (not considering the tariff element in the aggregate calculation) were all below the level bound in the Uruguay Round for other duties and charges (that is 15%, except for bindings of 80% on 55 products and three HS chapters, and the 200% bindings on three sugar products).

48. A point of particular concern was the reliance for an important part of Jamaica's foreign exchange earnings on relatively few agricultural products, exported at preferential conditions to a few markets. Sugar, Jamaica's most important agricultural export item, was mainly destined for the United Kingdom and the United States, in both cases under quota arrangements and receiving preferential treatment. The second largest agricultural export, bananas, went mainly to the United Kingdom, also under preferential conditions. These were now subject to revision in the light of the WTO Appellate Body ruling.

49. It had been noted that Jamaica did not grant direct export subsidies (defined by the authorities as government financial contributions to export). Clarification was sought whether Jamaica currently subsidized agricultural exports in any other way, and if so, which products.

50. Most of the activities of commodity marketing boards for coconut, cocoa, coffee, bananas and sugar had been deregulated; these now operated mainly as providers of services, with the exception of the Coconut Industry Board, which retained some regulatory power. Acknowledging the progress made in this field, the discussant asked whether there were any other remaining state-trading enterprises in the agriculture sector with special import or export rights and, if so, whether there were any plans for further deregulation.

51. The textile and clothing subsector was the main earner of foreign exchange in manufacturing; over 80% of exports were to the United States. A group of clothing products benefited from guaranteed or designated access to the U.S. market under bilateral quota arrangements such as the TSUS807, and the Cut, Make and Trim (CMT) Programme. Jamaica had been losing market share to Mexico and other producers and the Government considered it particularly important to obtain NAFTA-parity for Jamaican (and other CBI) beneficiaries to the United States. While NAFTA parity would contribute to enhanced competitiveness, it might prove insufficient against Jamaica's loss in competitiveness due both to the real appreciation of the Jamaican dollar and its relatively high production costs.

52. Market access for services was relatively open; national treatment was granted for providers of services in most areas. The financial services and telecommunications subsectors had undergone major reforms in the past years. Under the GATS, Jamaica had made horizontal commitments on commercial presence and the presence of natural persons for all sectors included in its Schedule. Specific commitments were scheduled in business, educational, and financial services, health-related and social

services, tourism and travel-related services, recreation, cultural, and sporting services and transport services. A number of commitments (e.g. transportation services and other business services) were subject to unspecified licensing requirements in the Jamaican Schedule. He requested information about how these licensing systems affected the potential utilization of market access commitments by foreign services providers.

53. Jamaica had submitted an offer in the Negotiations on Financial Services: the commitments offered in Mode 3 (commercial presence) were of a high standard, but Jamaica had not entered into any obligations with regard to Modes 1 and 2 (cross-border supply and consumption abroad). He requested clarification concerning the Government's intentions with regard to liberalization in Modes 1 and 2. Another point of concern in the financial services sector was the domestic financial crisis, which had prompted the Government to create the FINSAC. While the crisis seemed to be under control, the Ministry of Finance and the Bank of Jamaica were clearly under pressure to keep monetary policy tight, resulting in high interest rates and an appreciating currency. The latter two factors were contributing to the depression of economic activity.

54. Jamaica had presented a Schedule of Specific Commitments in the Negotiations on Telecommunications. In this sector there was some concern that the monopoly rights, due to expire in 2013, granted to the privately owned Cable and Wireless Jamaica were resulting in high telecommunications fares, causing higher than needed communication costs for all businesses. He was interested to know the terms of current negotiations with Cable and Wireless, and whether there was a possibility of dismantling their monopoly on basic telephony before 2013.

55. Tourism was of utmost importance for Jamaica: it had generated over US\$1.1 billion in foreign exchange earnings in 1997, and attracted almost 2 million tourists a year. The sector provided some 45% of total foreign exchange earnings, equivalent to 80% of merchandise exports, and accounted for around 13% of GDP and 8% of total employment. The appreciation of the Jamaican dollar and increased competition from other countries in the region might have an impact on growth plans and on future investment.

56. Jamaica's GATS Schedule set no limitations on market access for cross-border supply, consumption abroad and commercial presence for hotel and restaurant activities, as well as travel agencies and tour operators. Only Mode 4 remained unbound. Similarly there were no limitations on national treatment.

57. According to the Report submitted by the Government of Jamaica an intergovernmental task force had been set up to revise the Copyright Act and draft new legislation on patents, trade marks and designs, including integrated circuits. The discussant was interested in receiving information on Jamaica's progress in bringing IPR legislation into full conformity with WTO obligations and on the major problems being encountered.

#### IV. STATEMENTS BY MEMBERS OF THE TRADE POLICY REVIEW BODY

58. Members appreciated Jamaica's strong commitment to the WTO, and its continuing efforts to diversify and open its economy, and to improve the investment climate, particularly in view of the recent crisis in its financial sector.

59. The representative of the United States recognized that Jamaica had sought to deepen its structural reforms during the 1990s and to move towards a more market-oriented economy, with prices free of government controls, reduced import duties and an increased role for the private sector. Inflation had been sharply reduced through the implementation of a tight monetary policy and the maintenance of a stable exchange rate. However, the public sector balance had shifted from a surplus to a large deficit and a mix of policies had resulted in high real interest rates, a substantial currency appreciation, and declining output. Further action might be needed for Jamaica to achieve its objective of output and employment growth over the medium term, including simplification of the tax system and improved fiscal administration.

60. The array of tax and customs duty incentive schemes to promote investment all provided some form of tax or customs duty preferences; several of these programmes might be export subsidies, which should be notified to the WTO. While these incentive schemes were scheduled for elimination by 2003 in compliance with Jamaica's WTO obligations, she encouraged the Government to rationalize its tax and customs measures more rapidly in the face of the current public sector financial situation. The representative noted that Jamaica was working to implement WTO-consistent policies on customs valuation and intellectual property protection, and encouraged preparation towards full implementation. She was interested to know what plans and steps were being taken to update Jamaica's sanitary and phytosanitary standards and to bring them into conformity with WTO SPS obligations.

61. Jamaica's economy was highly dependent on external trade in goods and services; low export diversification and strong dependence on imported inputs made Jamaica vulnerable to external shocks. While national treatment was provided in services, the largest and fastest growing sector, liberalization of key services areas such as telecommunications and insurance would improve Jamaica's overall economic position. Measures already in progress in the telecommunications sector should have positive benefits; continued trade liberalization and rapid implementation of WTO obligations would help to create a favourable climate for investment, improved competitiveness, and contribute to domestic economic stability.

62. The representative of Hong Kong, China noted her country's long-standing trading relationship with Jamaica; total bilateral trade had amounted to US\$31.7 million in 1997. Jamaica's impressive performance over the past decade was the result of a comprehensive programme of structural reform and liberalization and encouraged Jamaica to consider lowering its bound tariff rates, which were considerably higher than the average applied rates. Recognizing Jamaica's high expectations of its inter- and extra-regional linkages, she was pleased to learn that Jamaica would continue to widen its economic and trade linkages. Her delegation had submitted written questions in the areas of tariffs, standards and phytosanitary regulation, telecommunications services, financial services, and transportation services.

63. The representative of Japan noted that Jamaica's high interest rates, which discouraged investment, and caused economic recession in Jamaica the high unemployment rate, the trade imbalance, and the large external debt were all matters for concern. While the NIP had shown some positive results, including reduction of inflation from 25% in 1995 to 9.2% in 1997, and the stabilization of the exchange rate Jamaica's evaluation of the medium-term strategy of achieving growth and stability by the end of 1998 would be useful. He appreciated Jamaica's contribution to strengthening the multilateral trading system including its active participation in the Uruguay Round as well as in the succeeding negotiations.

It was noteworthy that Jamaica had committed liberalization in the financial services sector under difficult financial situation. He raised concerns on consistency of some measures in the services sector with Jamaica's commitments and asked about the possibility of eliminating monopoly in the telecommunications sector. His delegation had also submitted written questions.

64. The representative of the European Union stated that EU relations with Jamaica were governed by the revised Lomé IV Convention, under which Jamaica benefited from trade and services provisions as well as special arrangements for certain commodities; Jamaican goods had preferential access to the EU market on a non-reciprocal basis. This agreement would expire in 2000 and a new EU-ACP Convention was currently under negotiation. To avoid being penalized by the provisions of the new agreement, Jamaica needed to continue its economic diversification policy and to improve the competitiveness of its agricultural and industrial products.

65. Export results, particularly for agricultural and industrial exports, had fallen short of expectations due to labour and financial costs and the strong Jamaican dollar. The Government's reliance on high interest rates to encourage foreign private transfers and reduce inflation had hindered local industry and economic growth: inflation had fallen but GDP had also contracted. Low inflation together with growth could be achieved through the introduction of selective lending rates for the productive sectors and a phased depreciation of the Jamaican dollar backed by tighter controls on monetary expansion. While, in the face of weak export performance, the Jamaican Government had focused increasingly on services sectors such as tourism, shipping, and telecommunications, the EU believed that a revised monetary policy could foster the existing growth potential in the agricultural and industrial sectors.

66. Of particular concern were the heavy government debt and the very high cost to Jamaica's finances of bailing out its financial sector. In order to return to a sound financial system under private sector management the Government needed to deal with the weak financial institutions and strengthen the supervision of the banking and insurance sectors. Reduction of public-sector employment and a reassessment of the economic role of the State could accompany these measures.

67. The representative of Mauritius drew attention to the constraints on small, island economies arising from size, population, markets, and scarce resources. While both his country and Jamaica had developed viable economies, they were highly vulnerable to external factors. He was sympathetic to Jamaica's concerns regarding international competitiveness in the context of the new multilateral trading system. He also understood the importance to Jamaica of continued preferential access, in particular under the Lomé Convention. With regard to WTO obligations, he noted Jamaica's intention to adopt new legislation that went beyond obligations in certain areas. Progress had been made in strengthening Jamaica's institutional framework for the private sector and in establishing a partnership between the private sector, government, and labour, which would certainly be beneficial. On regional integration, Jamaica's CARICOM commitments were aimed at further liberalization. His delegation associated with the statement made in paragraph 56 of the Policy Report by the Government of Jamaica, and with Jamaica's view that careful consideration was required in connection with the balance between the obligations assumed in, and the benefits derived from, the multilateral trading system by smaller WTO Members.

68. The representative of India, noting Jamaica's identification of five strategic sectors in the context of its export diversification policy, was interested to know how the dynamics of global competition would be incorporated into the trade policy for these sectors. With regard to Jamaica's participation in the CARICOM, and the 1997 amendment to establish a single market and economy, she believed it would be useful to discuss the broad objectives and trade measures currently under discussion. She was also

interested to know how the CARICOM Common External Tariff would be harmonized and administered under the preferential trade arrangements with Colombia.

69. The representative of the Dominican Republic stated that reforms implemented since 1990 had made Jamaica one of the most liberal in the Caribbean. Jamaica was to be congratulated for its efforts to promote its international competitiveness and for facing up to the challenges of the new commercial environment. Steps taken to promote continuous regional economic integration were also to be encouraged: these had led to preferential trade agreements with Venezuela and Colombia and a recent free-trade agreement between CARICOM and the Dominican Republic.

70. The representative of Cuba stated that while Jamaica had made many macroeconomic sacrifices and had successfully restructured it had not achieved competitiveness. Thus, it was necessary to strengthen the special and differential treatment for developing countries during future multilateral negotiations. Further, it was important to modify the Subsidies Agreement to enable developing countries to implement certain subsidies in order to stimulate exports and ensure economic growth. It was difficult to see how smaller economies could become competitive without these changes both within the WTO and the preferential schemes of the Lomé agreements.

71. The representative of Australia noted that Jamaica's tariffs remained high in a range of areas, in particular in agricultural and food products: the tariff on most alcoholic beverages was 30%, which practically barred foreign beers, wines and spirits from being competitive in the market. Australia believed it essential for smaller trading nations to actively participate in the WTO and encouraged Jamaica to keep the multilateral system as its engine for trade liberalization.

72. The representative of Sri Lanka highlighted the concerns of small economies like Jamaica in the context of current world markets. Despite their pursuit of open and liberal trade and investment policies, and active participation in the WTO, small economies were often forgotten in the context of WTO deliberations. These countries needed special understanding to enable them to fully benefit from the work to advance their development under the multilateral trading system.

73. The representative of Barbados noted the efforts made by her country and Jamaica in widening economic integration at the Caribbean level, and looked forward to strengthening liberalization at the fuller regional level. As a small trading partner, committed to the multilateral trading system, and facing the same challenges as Jamaica, Barbados fully agreed with, and emphasized, the need for technical assistance to be extended to such members of the system and for concessional trading arrangements during transitional periods.

74. The representative of Egypt stated that his country was in the process of achieving a bilateral agreement with Jamaica on investment and double taxation and looked forward to further strengthening trade relations. He stressed that the agreed transitional periods for developing countries to fulfil their WTO obligations should be highlighted in this examination of Jamaica's trade policies, and urged WTO Members to take into account the appropriate measures endorsed by the Jamaican Government within its limited capacity to fulfil its obligations.

75. The representative of Trinidad and Tobago noted the close cooperation between her country and Jamaica in the context of CARICOM and various other fora. She was appreciative of the difficulties encountered by Jamaica in working towards developing its economy and fulfilling its WTO obligations.



## **VI. REPLIES BY THE REPRESENTATIVE OF JAMAICA AND ADDITIONAL COMMENTS**

76. The replies by the representative of Jamaica were divided into three main themes: (i) economic environment; (ii) trade policy measures; and (iii) sectoral policies. Written responses to specific questions were circulated to members (Annex II). Jamaica would provide further answers in written form within the time allowed under the TPRM. Following the replies, the Chairperson opened the floor to TPRB members for further comments and questions.

### **(i) Economic environment**

77. The representative of Jamaica appreciated delegations' interventions, many of which showed an understanding of the difficult trade-offs and special circumstances faced by small trading partners like Jamaica in seeking to implement WTO obligations and to improve their economic performance.

78. In recent years, Jamaica had pursued an economic policy aimed at achieving macroeconomic stability: inflation control and reducing volatility in the exchange rate had been at the core of this policy as necessary conditions for investment and other economic decisions. Jamaica recognized the concerns raised regarding the cost of this policy, particularly as reflected in the build-up of internal debt and imbalance in the current and fiscal accounts; these matters were very recently under consideration in the Jamaican Cabinet. Economic trade-offs were difficult choices. Jamaica's imports of raw materials and intermediate goods were extremely large, around 25% of GNP and more than double total exports. Thus, Jamaica was not convinced, nor was there historical evidence in the Jamaican economy, that the competitiveness of exports would be enhanced by currency depreciation. Given the high import content of production and consumption, devaluation exacerbated inflationary tendencies as labour sought to keep abreast, and producers and merchants sought to pass on increased Jamaican dollar costs. Furthermore, a significant portion of Jamaica's exports were characterized by low elasticity of demand.

79. Certain options were not desirable, and collective bargaining and labour rights had to be fully respected. Government intervention in markets that had been liberalized and deregulated was limited. Some of the existing imbalance, noted by delegations, required a combination of monetary and fiscal restraint, increased productivity, and enhanced cooperation amongst Jamaica's social partners. While such a partnership between trade unions, the private sector and the Government had not yet been agreed, sectoral agreements had been concluded, notably in the mining sector.

80. Specific questions had been raised regarding possible distortions caused by export incentives and the level of protection afforded to agriculture. As a small, open economy, Jamaica necessarily sought economies of scale on the basis of secure access to larger global markets. Nevertheless, subsidies were not provided for agricultural exports. Jamaica did not believe that its agricultural trade policy was excessively protectionist: agricultural imports, particularly of food had been growing steadily; imports of these products from the United States, had grown by almost 20% in 1996. Imports in a range of fruit and vegetables, which competed with domestic production, had shown a marked increase in recent years, and for some products had doubled between 1994 and 1996. Jamaica's current applied tariff levels compared favourably with levels maintained on some agricultural products in a number of developed countries. While the contribution of the agriculture sector to GDP had been declining, it was still important for employment and for rural development. Jamaica intended to continue to liberalize trade, but urged increased recognition by developed country members of the special needs and concerns of the agriculture sector.

81. The second discussant, referring to the notion of efficient import substitution, envisaged in the NIP, requested clarification on how the Government of Jamaica intended to implement this programme in conformity with WTO obligations.

82. The representative of Jamaica recalled that prior, to the Uruguay Round many economies pursued a policy of import substitution, with a strong focus on production for the domestic market. In using the term 'efficient substitution', Jamaica recognized that decisions would have to be based on efficiency factors, competition, and a market determined exchange rate as well as transparent border arrangements; imports would enter the market on the basis of these factors.

**(ii) Trade policy measures**

83. The second discussant noted that Jamaica's import regime relied heavily on different levies, charges and fees. He asked for confirmation from the Jamaican delegation that, in line with the WTO rules, they did not exceed the cost of the services rendered by the authorities. He was also interested to know the rationale behind the relatively high level of export licensing.

84. The representative of Jamaica noted that export licensing was not a hindrance to trade but sought to ensure quality and was needed for statistical purposes. With regard to the level of charges, levies and fees, Jamaica would need to make a statistical comparison before responding to the question.

85. The representative of the United States, referring to the previous question on fees, levies and charges, requested clarification on the consistency with GATT Article VIII of the *ad valorem* import licensing fees. He noted that fees were determined on the basis of the domestic currency value of imports and that the fees varied according to the value of the shipment. He was interested to know on what basis these fees were determined and whether the charges were an approximate value of the services rendered.

86. The representative of Jamaica recalled that quantitative restrictions and licensing on agricultural products had been removed prior to the Uruguay Round and replacement with stamp duties on certain sensitive agricultural products. These stamp duties could not be related to services provided and, thus, other fees and charges should be disaggregated.

87. The representative of Canada asked whether a date was envisaged for the entry into force of the new draft regulations on government procurement. With respect to the privatization, he noted the large number of entities currently under consideration, and requested information on the review process being undertaken. With regard to Jamaica's overall agricultural strategy, he was interested to know the role of current trade negotiations, for example in the FTAA, in this strategy. His delegation had raised a question regarding the high border charge imposed on certain agricultural products; he was interested to know whether this question was covered in the responses regarding government reforms.

88. The representative of Japan requested further clarification on the level of stamp duty for certain agricultural products.

89. The representative of Jamaica stated that, while he could not indicate any specific timetable for introduction of new government procurement regulations, his Government recognized the urgency of modernizing and updating its government procurement policy, more particularly as this was part of the FTAA process. He noted that once the policy issues contained in the WTO Agreements and on the institutional framework had been resolved, Jamaica hoped to become a member of the WTO Government Procurement Agreement. With regard to Jamaica's agricultural strategy in relation to the FTAA, recognizing that much remained to be done at the WTO level, Jamaica hoped that progress might be made in further liberalizing this sector, at least at the hemispheric level. Clarification on the level of stamp duty

would be given in writing at a later date; discrepancies in the figures provided required further investigation. Regarding the privatization process, a decision was first taken in the Cabinet on the entities to be listed for privatization; other government agencies and institutions also played a role. Once the privatization framework was in place, an enterprise team was established to review the entity and make a preliminary estimate of its market value. The Contractor General could be called in at any time to ensure that the process was fair, for example in terms of the offer document put forward. Advertisements were then placed, offers invited, and interested parties were interviewed by the enterprise team; following short-listing and negotiations, a determination would be made whether the entity should be privatized. A report would then be made to the Office of the Prime Minister by the relevant privatizing agency before re-submission to Cabinet for approval.

**(iii) Sectoral policies**

90. The representative of Hong Kong, China noted that her delegation's specific question regarding Jamaica's MFN exemption for cargo reservation was not covered in the written answers provided. Her delegation would be happy to receive a written reply if the question could not be addressed during the meeting.

91. The representative of the United States, noted that Jamaica's GATS Schedule included commitments on commercial presence, but not on cross-border supply or consumption abroad; he was interested to know whether, in practice, foreign companies were able to provide services through all three modes.

92. The second discussant, while appreciating that Jamaica's services regime was quite liberal, noted Jamaica's caution regarding the movement of natural persons, and in the light of the country's pro-investment policy, wondered whether there were plans to relax the current restrictions in this respect.

93. The representative of Jamaica stated that, while his country was open to broadening access to its market, certain legislation was designed to ensure that qualified personnel coming into the market met the requirements of the permit legislation. Concerns that had been put forward regarding the movement of natural persons along with comments on liberalization would be taken into account. Under CARICOM, Jamaica had liberalized the movement of certain categories of personnel into the economy; details of the liberalization in this context would be supplied if requested. Written responses to the questions on services would be supplied at a later date.

94. The representative of Japan asked whether the telecommunications monopoly, Cable and Wireless (C&W), would be eliminated before 2013. He was also interested in receiving replies to his and other delegations' services-related questions.

95. The representative of Jamaica stated that a new telecommunications policy had been tabled, which sought to address the sector in a wider context. However, C&W's licence was a legally binding contract and, while the Government had entered into negotiations to find possible trade-offs, the licence could not be eliminated unilaterally by the Government.

96. Written responses to the questions on transportation and tourism services as well as any other outstanding questions, would be provided to all delegations within the time-limit provided.

## **VII. CONCLUDING REMARKS BY THE CHAIRPERSON**

1. The first Trade Policy Review of Jamaica was conducted by the TPR Body on 29-30 October 1998. These remarks, prepared on my own responsibility, are intended to summarize the main points of the discussion; they are not intended as a full report. Details of the discussion will be fully reflected in the minutes.

2. The discussion developed under three main themes: (i) economic environment; (ii) trade policy measures; and (iii) sectoral policies.

### **(i) Economic environment**

3. Members congratulated Jamaica on its structural reform, underpinned by prudent macroeconomic management. In consequence, inflation had been significantly reduced and the economy had become more efficient and outward oriented. Members noted, however, that challenges remained, including high unemployment and a substantial internal debt; in view of the large trade deficit, they also asked about the competitiveness of Jamaica's exports, particularly given rising unit labour costs and recent real appreciation of the currency. Members sought assurance on the Jamaican policy response, including with respect to the investment environment.

4. Members welcomed Jamaica's strong commitment to the multilateral trading system and stressed the view that Jamaica's growing regional links should continue to complement its contribution to the system. They asked about the coordination of Jamaica's trade policies with CARICOM and the effect of the erosion of preferences on Jamaica's exports; in this respect they inquired about efforts to diversify both Jamaica's export product mix and markets.

5. The representative of Jamaica reiterated his country's commitment to an open, multilateral trading system. He felt that the benefits of the system were not always equally distributed, which should be addressed, as otherwise it might be difficult to maintain wide-ranging support for it. With respect to regional trade policy, he indicated the steps taken by CARICOM to deepen economic integration, and noted that Jamaica was progressively increasing the coordination with CARICOM, with the goal of moving to a Single Market.

6. On the issues raised by Members, the representative of Jamaica said that government policy aimed at achieving macroeconomic stability including inflation control and reducing exchange rate volatility; given the high import content of Jamaican production and consumption he was not sure that export competitiveness would be improved by currency depreciation. With regard to diversifying export products and markets, a number of initiatives were being taken including niche market promotion and improved techniques for innovation and product development. He recognized the concerns raised regarding the build-up of internal imbalances; these would be addressed through continued use of disciplined macroeconomic policies, improved productivity and enhanced cooperation among social partners.

### **(iv) Trade policy measures**

7. Members welcomed the many trade-liberalizing measures taken by Jamaica in recent years; these included a lowering of tariffs, an elimination of quantitative restrictions and a reduction in the scope of import licensing. These measures had been integral to the creation of a more market-oriented economy, and had also encompassed the removal of price controls, privatization and financial sector reform. In encouraging Jamaica to continue with these efforts, Members raised a number of questions particularly with respect to: high border charges, including additional duties; customs valuation; import and export

licensing; anti-dumping and government procurement procedures; the updating of standards; and the system of incentives, especially subsidies and tax allowances. Questions were also posed on intellectual property rights and competition policy, as well as on Jamaica's efforts to amend domestic legislation to give effect to the WTO obligation.

8. In reply, the representative of Jamaica stated that his country would continue with trade-opening measures. Jamaica would move to Phase IV of the revised Common External Tariff (CET) and adopt the six-digit tariff structure HS96 in January 1999. Clarification was provided on the application of other levies and charges, including additional duties, on imports; there was no immediate plan to reduce them but taxation review was in progress to simplify and improve compliance. Jamaica's tariff schedule would be shortly submitted to the WTO Integrated Data Base. On customs valuation, he accepted that the publication of reference prices would improve transparency, and he clarified aspects of the Fair Competition Act.

9. Jamaica was actively working on amending its legislation and procedures in a number of areas, including TRIPS, anti-dumping, standards, government procurement and customs valuation. The representative of Jamaica stressed the need for technical assistance to strengthen the capacity of small trading partners to meet reporting obligations under the WTO and to fully exercise their rights.

**(v) Sectoral and structural issues**

10. Members acknowledged the challenges faced by Jamaica as a small island economy and welcomed its efforts to encourage a more efficient sectoral allocation of resources. A number of questions arose, particularly with respect to agriculture, textiles and clothing, and services. On agriculture, Members asked about issues such as high tariffs, preferential interest-rate schemes and other subsidies, and efforts to increase the role of the private sector. With respect to textiles, some questions arose about the industry's cost structure, particularly with respect to labour, and about access to the U.S. market. On services, Members welcomed Jamaica's commitments in the GATS and encouraged a broadening of their scope, particularly in financial services. A number of questions were raised on specific issues, including about "exclusive rights" provisions in telecommunications and the MFN exemption in maritime transport.

11. The representative of Jamaica replied, that agricultural policies should reflect concerns about rural development, poverty alleviation and the building of competitiveness, as well as Jamaica's WTO commitments. Detailed information was provided regarding milk production programmes and state trading enterprises in the sector. He stressed that Jamaica did not use agricultural export subsidies. Regarding textiles, details were provided with respect to the Caribbean Basin Initiative preferential regime.

12. The Jamaican representative noted that his delegation would provide further written answers in some areas, including licensing, additional duties, financial services, telecommunications and tourism.

***Conclusions***

13. In conclusion, Members expressed appreciation for Jamaica's active participation in, and contribution to the work of the WTO. It is also my sense that Members strongly welcomed the many steps that Jamaica has already taken in becoming a more open, outward-oriented economy that is integrated into the multilateral system; they acknowledged the challenges faced by Jamaica as a small economy. It is felt that a continuation of Jamaica's trade-opening efforts would consolidate the basis for steady, sustainable growth; in this respect, the support of Jamaica's trading partners will also be important.

## ANNEX I

### ADVANCE WRITTEN QUESTIONS

#### QUESTIONS BY CANADA

##### 1. General

###### *Government Procurement*

While there is some degree of openness and transparency in the tendering procedures of certain government ministries and agencies, there are others which are lacking in this regard. What steps are being taken or are under consideration to make government procurement procedures and practices less selective and more transparent?

###### *Privatization*

Jamaica has made considerable progress in privatizing a range of government-owned entities. What plans are there (and in what time-frames) for the privatization of major entities such as the Jamaica Public Service Co, National Water Commission, Norman Manley International Airport, as well as other government-owned bodies?

##### 2. Secretariat Report (WT/TPR/S/42)

###### *Agriculture and Food Products*

With respect to para. 7, to what extent is Jamaica an importer of sugar? Does Jamaica import, as well as export raw sugar? What are the effects of tariff duties on the domestic prices of raw and refined sugar?

Para. 7 also indicates that products of export interest to Jamaica are generally subject to import tariff rates above the average for the sector. What are the effects of these higher-than-average tariffs?

According to para. 14, the Government's agricultural strategy is based on market forces, combined with agricultural planning. What is the main orientation of agricultural trade policy in this context? What role do current trade negotiations (e.g. FTAA) play in the Government's strategy?

According to subsection (i) Market access, the average tariff protection on agricultural products is higher than that offered to other sectors and there is considerable dispersion of MFN rates by product groups. Also, additional stamp duties can raise nominal protection up to 90%. How does this level of protection relate to government reforms in the sector?

According to para. 18, grains imported for animal feed, a wide range of meat products, and most fruit and vegetables face an aggregate border charge of between 70-90%, well beyond the average tariffs for agricultural products. Will government reforms in the agricultural sector include a reduction of this level of protection?

Para. 26 indicates that farmers benefited until April 1997 from interest rates well below market rates under an interest rebate program. In May 1997, this program was replaced by a new preferential interest rate scheme. Can the Government of Jamaica provide an estimate of the total amount of support provided under this scheme?

According to para. 28, the Government of Jamaica is considering the introduction of a milk-production enhancement program, aimed at achieving milk self-sufficiency. What expenditures is the government planning to make to achieve milk self-sufficiency? Will there be any price intervention?

## QUESTIONS BY THE EUROPEAN COMMUNITIES

The report of the Secretariat (Chart 1.1) shows a dramatic decrease in agricultural production in 1997. A severe drought is mentioned later in the report (p. 84) as having contributed to this decrease. What are the productions which suffered most? Are there any other factors? Is agricultural production expected to recover in 1998?

Reference is made on pp. 5-6 of the report of the Secretariat to a substantial increase of employment in the "informal sector". Such employment is currently assumed to represent as much as 30% of the work force. What kind of activities are covered by this "informal sector"? How has the 30% figure been computed and how does it relate to the official unemployment rate of 16.5%?

Access to preferences in the U.S. under the Caribbean Basin Initiative II is subject to "strict origin criteria" including a minimum threshold of 35% direct cost attributable to CBI beneficiary countries (p. 32 of the report of the Secretariat). To what extent does the inherent complexity of such a rule hinder access by Jamaican exporters to this preferential regime? What kind of controls are operated by the Jamaican and/or U.S. authorities with respect to the eligibility of products exported under this preferential regime? Do disputes sometimes arise in relation to the application of these origin rules?

The origin criteria applicable under the CBI II are also characterized by a 20 percentage points (in effect a 57%) "donor country element" in favour of U.S. materials. To what extent does this feature operate as a disincentive for Jamaican exporters to use non-U.S. materials in their productions? What are the economic sectors most likely to be affected by such a mechanism?

The so-called "TSUS807A" described under para. 37 on p. 32 of the report of the Secretariat limits the types of (assembly) operations which can be performed in Jamaica and other CBI countries for apparel items to be eligible for guaranteed access under the system. To what extent does this system operate as a disincentive for Jamaican apparel exporters to further integrate their production and carry out weaving and/or cutting themselves?

It is obvious from pp. 42 et seq of the report of the Secretariat concerning tariffs that detailed tariff data (line by line) covering both bound and applied rates of customs duties, as well as other duties and charges have been supplied to the WTO Secretariat for the purpose of this TPR. However, Jamaica to date has not made any submission to the Integrated Database (IDB). Could we suggest that Jamaica use the tariff and trade data collected for the purpose of the TPR to make a contribution to the IDB and fulfill its obligations under the General Council Decision of 16 July 1997 (WT/L/225) and subsequent conclusions of the Committee on Market Access?

One of the main features of the Jamaican tariff is that both the average and maximum applied rates of customs duty are significantly higher than the ceiling bindings of the Uruguay Round. The gap between the two will further accentuate with the implementation of Phases III and IV of the CARICOM schedule of tariff reductions. Is Jamaica considering the possibility of rebinding its (agricultural and non-agricultural) customs duties at lower levels?

The regime of other levies and charges described on pp. 52 et seq of the report of the Secretariat appears as particularly protective and untransparent - especially with regard to the application of "additional stamp duties". Could Jamaica provide more details on the concrete operation of this system? Could Jamaica for example clarify the relationship between the "aggregate duty", the "tariff" and the "additional stamp duty", on the one hand, and the "bound rate of duty" and "other duties and charges" in its UR Schedule LXVI, on the other hand?

Anti-dumping and countervailing duties investigations in Jamaica are conducted by an "Anti-Dumping Advisory Board" (p. 64 of the report of the Secretariat). This authority appears to include representatives of the private sector (the Jamaica Manufacturers Association and the Small Business Association). How can such a participation be reconciled with the impartiality and confidentiality obligations resulting from the WTO A/D Agreement? Is this a concern that Jamaica would be prepared to take into consideration when reviewing its legislation to bring it into conformity with this Agreement?

## **QUESTIONS BY HONG KONG, CHINA**

### ***Tariffs and additional duties***

***(WT/TPR/S/42, p. 42, para. 9 and p. 47, Chart.III.1)***

We note that while 55.4% of tariff lines are duty free, 21.4% are subject to a tariff rate of 20 to 25%. We would like to know if Jamaica has any plan to further reduce and, as far as possible, eliminate the tariffs.

***(pp. 52-58, paras. 25-30)***

Apart from tariffs, Jamaica imposes other levies and charges including Additional Stamp Duties on Customs Warrants Inward on imports. The Additional Stamp Duties in some cases translate into effective protection rates of as high as 90%. In this regard, we are interested to know whether Jamaica has any plan to simplify the system and to reduce or eliminate such levies and charges,

### ***Standards and phytosanitary regulations***

***(p. 90, paras 20-21)***

It is reported that some of Jamaica's SPS standards are obsolete and need to be updated to comply with the requirements of the SPS Agreement. We would like to know the progress of this updating exercise and when it will be completed.

It is mentioned that Jamaica prohibits imports of a range of agricultural products. We would like to know the reasons for the import ban and in particular why Jamaican authority does not adopt the less restrictive import permit and phytosanitary certificate control which they apply to certain other agricultural products.

### ***Telecommunications services***

***(p. 113, para. 94 and pp. 125-126, paras 138-9)***

We note that the provision of telecommunications services is currently under the monopoly of Cable & Wireless Jamaica Ltd. The exclusive right will expire in 2013. This arrangement is being



reviewed. We would like to know the progress of the review and whether earlier liberalization of this sector will be considered.

*(p. 126, para. 142)*

There are plans to undertake a partial privatization of postal services. We are interested to know more about the plans and whether foreign participants will be allowed.

#### ***Financial services***

*(p. 121, para. 120)*

In Jamaica's offer in the financial services negotiations in December 1997, banking and a number of other financial services remain unbound for all modes of supply except commercial presence. Does the Government allow the supply of these services through the other three modes in practice?

*(p. 121, para. 122)*

We note that commercial presence in the form of a branch or agency is required for foreign insurance suppliers, and they are subject to higher quarterly fee payments from gross written premium income. Will Jamaica consider to reflect these requirements in its Schedule?

*(p. 122, para. 126)*

We note that stockbroking activities are limited to broker-members and there is nationality requirement for these broker-members. Will Jamaica consider relaxing such requirement?

#### ***Transportation services***

*(p. 124, para. 134)*

We note that Jamaica has made an MFN exemption for cargo reservation to limit this service to signatories of the UN Convention on Code on Liner Conference. Will the Government consider reviewing this policy to extend MFN treatment to non-signatories?

### **QUESTIONS BY JAPAN**

#### ***Tariffs***

It is reported that an additional rate of 40% applies to agricultural products. Does this mean that "an additional rate" of 40% is applied in addition to normal tariff? If so, please explain the reason for applying such additional tariff. Please also explain if the rate applies to all the agricultural products? (para. 9, p. 42 of the Secretariat Report)

Please explain when Jamaica is to adopt a six-digit structure (HS96) (para. 10, p. 43)

According to Chart III.3 (p. 49), average tariff rate on vehicles (Chapter 87) is around 10%, which is lower than the bound rate of 50%. Does Jamaica impose any other duties and charges besides tariffs on these products?

On some products listed in Table III.7 (p. 53), the total of "Tariff" rates and "Additional stamp duty" rates does not correspond to the "Aggregate duty" rates. Please explain the reason.

According to Table III.7 (p. 53), additional stamp duty rate on 'String beans raw, cooked preserved (frozen) packed for retail, and not packed for retail' (ex tariff heading No. 0710.203) is 86%. However, according to the Schedule of Jamaica, 'other duties and charges' on heading No. 0710.203 is bound at 80%. Is this figure of 86 % correct?

***IPR (para. 115, p. 79)***

It is reported that 'it may be revoked if the design is not used within six months of registration'. This may not be consistent with Articles 25 and 26 of the TRIPS Agreement, which do not provide the use of design as a requirement for protection. Please explain Jamaica's view on this point.

***Balance of payments***

Please explain concretely the correlation between imports and exports which is reported to be high (para. 25, p. 12).

It is reported that the real appreciation of the Jamaican dollar was a contributory factor to the imbalance between export and import performance during the 1990s. Please explain the present situation. Does the real appreciation of the Jamaican dollar still contribute to the trade imbalance? (para. 25, p. 12)

It is reported that, in 1997, the capital account surplus recorded a sharp reduction, triggered by a decline in net private capital flows caused by a shift in portfolio demand, from domestic towards foreign currency deposits. Please explain measures which Jamaica has taken to improve this situation. Please also explain the current status of the capital account. (para. 29, p. 14)

***Price controls (para. 102, p. 76)***

Please explain the detail on the price administration scheme on pimento, coconut and edible oils.

***Competition policy***

It is reported that Section 29 of the Fair Competition Act allows for situations in which restrictive business practices may be permitted by prior authorization of the Fair Trading Commission. Please explain the criteria for the permission. (para. 106, p. 77).

It is reported that a proposal to establish a Commercial Court is currently under consideration. (para. 110, p. 78).

- Please explain the current situation of the consideration.
- Please also explain the judicial procedures which have been taken against anti-competitive actions so far.

It is reported that Jamaica has no legislation forbidding parallel imports. Please explain the current policy on parallel imports if any. Does Jamaica intend to take any action on parallel imports in the near future? (para. 112, p. 78).

***Government procurement***

It is reported that the Ministry of Finance and Planning maintains a list of suppliers (List of Approved Suppliers) of goods and services who have been pre-qualified and approved para. 55, p. 63).

- Please explain the procedure for making the List (including which Ministry pre-qualifies and approves the suppliers and makes the List), and the criteria for the pre-qualification and approval of suppliers.
- Is there no discrimination between foreign and local suppliers to be on the List?

***Services*****(i) Financial services**

It is reported that "fit and proper" criteria are applied when the Bank of Jamaica recommends banking licences to the Minister of Finance and that the criteria are to ensure that the approved institutions are stable and sound. (para. 109, p. 117).

- Please explain the detail of the "fit and proper" criteria.
- In paragraph 120, prior entry authorization of foreign banks is reported to be subject to meeting prudential as well as "fit and proper" criteria. Does the objective of the "fit and proper" criteria differ from prudential?

Para. 111, p. 117.

- Please explain why foreign-owned banks are subject to higher minimum subscribed capital requirements than local banks.
- There seems to be no need to require higher minimum subscribed capital requirements for foreign-owned banks than for local banks if it is only for prudential reasons. Please explain Jamaica's view on this point.

It is reported that domestic insurance companies are required to pay a quarterly fee of 0-25% of their Gross Written Premium Income or an annual minimum level of J\$10,000 (or J\$5,000 in some category), while foreign insurance companies are required to pay quarterly fee of 0.5% of their Gross Written Premium Income or an annual minimum level of J\$12,000 (or J\$6,000 in some category). (para. 122, p. 121).

- Please explain the reason for requiring higher payment for foreign insurance companies than for domestic companies.
- Jamaica has committed to provide national treatment without limitation on mode 3 of insurance services and the above requirement seems to be inconsistent with the commitment. Please explain Jamaica's view on this point.

It is reported that stockbroking activities are restricted to broker-members of the Stock Exchange, who must be Jamaican nationals. (para. 126, p. 122).

- Please explain the reason for requiring Jamaican nationality.
- Does Jamaica have any plan to review such requirement which is a limitation on market access?

**(ii) Communications Services**

- Please explain the current situation of the review of the monopoly for voice telephone services, etc. When is an improved commitment on private voice telephone services and other services expected to be submitted? Is the monopoly of Cable and Wireless Jamaica to be eliminated before 2013? (paras 138 and 139, p. 125).
- Please explain the details on plans to undertake a partial privatization of postal services. In which services will government control remain? (para. 142, p. 126).

**(iii) Tourism (para. 103, p. 115)**

It is reported that the tourism industry has a number of incentive schemes. Are these schemes consistent with Jamaica's commitment on tourism services, notably on national treatment?

**(iv) Transportation (para. 133, p. 124)**

It is reported that one of the aims of maritime transport policy is to provide incentives. Please explain the detail of such incentives.

Are these incentives consistent with Jamaica's commitment on maritime transport services, notably on national treatment?

**QUESTIONS BY THE UNITED STATES**

***Levies and Charges***

The report indicates that in addition to tariffs, other charges are applied to imports, including Additional Stamp Duties on Customs Warrants Inward, a Special Consumption Tax and the General Consumption Tax. While the latter two also apply to domestically produced goods, the Stamp Duties are levied on the duty-paid value of imports and are designed to protect local production.

Is any consideration being given to unification of the custom duty and the stamp duty? Why does the Government of Jamaica maintain these different systems?

It is not clear from the report when Jamaica intends to implement further import tariff reductions. "Phase IV" of the CARICOM common external tariff was scheduled to be implemented by July 1, 1998, when the maximum tariff would be lowered to 20 percent. Jamaica, however, seems to be applying a mixture of Phase II and III, and according to the report, a decision regarding the date of implementation has not been made. We would appreciate clarification.

Jamaica refers to a special general consumption tax (GCT). Could you provide additional details regarding the GCT rate and a list of products to which this tax applies?

***Subsidies***

The report indicates that export subsidies are not allowed, in principle, with the exception of subsidies on certain agricultural products. Does Jamaica currently subsidize any agricultural or food exports? If so, which products?

### ***Customs Valuation***

The report states that Jamaica sometimes uses reference prices, but that the list of reference prices is not published.

Why doesn't the GOJ publish the list of reference prices? Publication could improve the transparency of the customs process. In explaining its system of reference prices for certain goods, the document notes that declared values are verified by the Regional Intelligence Liaison Officer in Puerto Rico. Is this a Jamaican government official? If not, what sort of organization does this Officer represent? Can Jamaica explain how reference prices are used in the importation of meat and other foods? Are these reference prices being used for anything besides customs valuation?

### ***Licences***

Jamaica reports that an import licensing system applies to some 39 HS tariff headings. How many actual tariff lines are affected by this licensing requirement? This licensing system is administered by the Trade Board. Are all goods not included in the 39 HS headings freely imported insofar as licensing is concerned?

Jamaica reports that a licence application fee is applied, as well as a "further" fee once the licence is obtained. These fees are based on the "currency value" of imports. Does this mean that these are *ad valorem* fees? What are the rates of these fees? Is Jamaica aware that under Article VIII.I (a) of the GATT 1994 such fees and charges should be limited to the approximate cost of services rendered? The WTO has determined that it is not valid to base such fees on the value of the goods being imported. Can Jamaica explain this apparent discrepancy?

The document notes the requirements which automobile dealers must comply with to be licensed by the Trade Board. It also noted that annual inspections are made by the Ministry of Commerce and Technology, for which a fee of J\$60,000 (about US\$1,700) must be paid. Are all automobile dealers subject to this inspection fee? What is involved in the inspection to make it so expensive?

Jamaica has instituted a permit and licensing system for any undertaking in Jamaica or its territorial waters. The licence is subject to a fee. How much are such fees and on what basis are they assessed? Has Jamaica found this permit system to be an effective environmental tool?

### ***Phytosanitary provisions***

The report notes that certain sanitary and phytosanitary standards are obsolete and in need of revision in order to comply with the requirements of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures. We would appreciate an update of this review process. In the case of the two acts -- the Plants Quarantine Act of 1993 and the Agricultural Products Act of 1926 -- that are to be updated, which standards are to be used in their place?

### ***Services***

According to the report, the Jamaican Government has prepared a draft telecommunication bill which may end the current operator's monopoly on the provision of basic telephony services. This monopoly is scheduled to remain in place until 2013.

What are the principal provisions of this legislation and what are its prospects for passage?

### ***Financial Services***

We would welcome news that Jamaica is prepared to table its acceptance of the WTO Financial Services Agreement (the Fifth Protocol). Jamaica has included commitments for financial services (banking, securities, insurance) in its schedule of initial commitments, further expanded by an offer in connection with the recent WTO negotiations on financial services. While the commitments are quite expansive for mode-3 commercial presence (100 percent foreign ownership), Jamaica has declined to include commitments for mode-1 cross border or mode-2 consumption abroad. We urge Jamaica to consider expanded market access and national treatment commitments for this sector. In practice, do financial services companies have the ability to provide services through all three modes of supply?

### ***Other Sectors***

Jamaica's pro-investment stance and interest in further and diversified economic growth and infrastructural improvements would be supported by more comprehensive commitments, including in the areas of distribution services, audio-visual services and courier services.

### ***Licensing of Services***

Jamaica has bound market access and national treatment commitments for a fairly comprehensive list of sectors. However, a number of the commitments (professional services, other business services, transportation services, other services) are subject to unspecified licensing requirements included in the Schedule.

How do these licensing requirements affect the ability of service providers to take advantage of the liberalization bound in Jamaica's Schedule? Can Jamaica provide more detail on how these licensing systems work and whether they are operated in accordance with GATS disciplines, including Article VI (domestic regulation)?

Please provide information on Jamaica's plans for liberalizing and binding the above-listed and other services sectors not included in Jamaica's Schedule of initial commitments or financial services or telecommunications commitments.

### ***Movement of Persons***

Jamaica's commitment for movement of persons is substantially less than the commitments taken on by other WTO Members and newly acceding countries. Given Jamaica's interest in stimulating foreign investment, and the need for investors to bring in intra-corporate transferees, and related travel of services salespersons, we would urge Jamaica to take a closer look at this issue.

Does Jamaica have any plans to relax current restrictions, including requirements for domestic employment?

### ***Intellectual Property Rights***

What is the status of your efforts to bring your trade mark, patent, trade secrets, layout designs, and copyright legislation into full conformity with the TRIPS Agreement? We would appreciate information concerning the status of the legislation.

In addition, it is our understanding that the patent application process is quite lengthy, lasting on average three years. Does Jamaica have any plans to reform this process?

What is the status of your efforts to become a signatory to the Paris Convention?

### ***Domestic Support***

The report notes that Jamaica's program of reform has led to divestment in state-owned enterprises and government land. Does the State continue to own an interest in any agricultural enterprises?

According to the report, the commodity marketing boards (CMBs) for cocoa, coffee, bananas, coconut, and sugar have been deregulated. We note that the report indicates that the name and status of these commodity boards have been retained because of the lack of legislation modifying the boards. We would appreciate additional information regarding the status of any legislation to officially change the name and status of commodity marketing boards. Are there additional agricultural state-trading enterprises with marketing and trading functions still operating? If so, please provide details regarding any plans to privatize these enterprises.

The report notes that Jamaica eliminated most price controls and food subsidies in 1991. Please provide additional details regarding the elimination of price controls and subsidies for agricultural and food products. Do any price controls still exist?

## ANNEX II

### RESPONSE TO QUESTIONS

#### 1. ECONOMIC ENVIRONMENT

*What mechanisms are in place to reduce the internal debt?*

In 1997, the servicing of the domestic debt represented 12.4% of GDP. The Government of Jamaica is fully cognizant of the economic impact of this level of debt servicing and is determined to take steps to reduce this figure. The growth in the stock of domestic debt is partly an outcome of the attempts of both fiscal and monetary policies aimed at tempering inflationary pressures within the economy. The Secretariat's report correctly attests to the achievement on this critical economic indicator.

The marked reduction in inflation will impact on the cost of servicing the domestic debt. This has allowed the Bank of Jamaica to embark on a programme of phased reduction of cash reserve requirement. This development should result in reduced interest rates and ultimately lowered servicing costs of the domestic debt.

The increased prospect for economic growth has implications for the servicing of public debt. Now that macroeconomic stability has been attained, as expressed by indicators such as the low levels of inflation and the stability of the exchange rate, the Government's policy is focused increasingly on growth enhancing measures. Economic growth will ease the relative cost of servicing the debt.

*What service sectors does Jamaica recognize as having attained comparative advantage?*

These include tourism, shipping, information technology and music and entertainment.

*How to generate increased degree of diversification of markets and products?*

With regards to diversifying Jamaica's exportable goods, a number of initiatives are being developed and executed. These include product innovation, niche market promotion, increased application of technology-based production techniques, improvement in the scientific capability for both innovation and product development.

Jamaica's trade policy initiatives have been pitched at diversifying its export markets beyond the traditional trading partners. As incoming Chairman of the G-15, Jamaica is bent on expanding and seizing the trade opportunities this group presents. Other notable initiatives aimed at diversifying our export markets include conclusion of the recent CARICOM / Dominican Republic Trade Agreement and discussions between CARICOM and the Andean Pact on forging increased trade cooperation.

#### ***Price Controls***

*Please provide details on the price administration schemes on pimento, coconut and edible oils.*

**Pimento:** The Export Division of the Ministry of Agriculture is responsible for collecting, processing and marketing pimento. This Division handles about 50% of the pimento exported from Jamaica. Several other private operators are responsible for purchasing and marketing the additional 50% of pimento exported. The price paid by the private exporters to the pimento growers is not controlled by the Government.



The Ministry of Agriculture links the price paid to pimento growers to the general demand and supply factors operating in the international market. Included in the price is also a provision for administrative expenses.

**Coconut:** The Coconut Industry Board regulates the price paid to the farmers for coconuts that are used to produce Copra. The coconuts are delivered to Copra manufacturers for processing and the end product is then sold to Seprod. The price paid by the Government for coconuts is not determined by market forces and really represents a form of subsidy to the growers. The price agreed between Seprod and the Government for the sale of Copra is also an administered price rather than one determined by market conditions.

All the **edible oils** and soaps produced by Seprod are imported as Seprod could not afford to use locally produced Copra at the existing prices and be competitive. Seprod sells oil made from the local Copra mainly to the bakeries.

Government has a contract with Seprod to purchase Copra from the manufacturers up to 2003 and the Coconut Industry Board is currently examining more efficient and more market-oriented options for utilizing coconuts after 2003.

### ***Privatization***

*What plans are there (and in what time frame) for the privatization of major government-owned entities?*

The Government of Jamaica remains committed to its privatization policy. In this regard, the Government has begun the process toward privatization of Jamaica's two international airports. Pre-privatization analysis is currently being undertaken for the Norman Manley International Airport and privatization procedures are likely to begin in 1999. Privatization of the Sangster International Airport is expected to be completed by June 1999.

Several other government-owned entities are being considered for divestment. These include:

1. National Water Commission
2. Bath Hotel and Spa
3. Milk River Hotel and Spa
4. Jamaica Railway Cooperation
5. Kingston-Port Royal-Portmore Ferry Service
6. Cotton Polyester Textile Company
7. Caribbean Cement Company
8. Vehicle Inspection Services
9. Parking Metres
10. Aqualapla Company (Aquaculture)

These entities are in various stages of the privatization or pre-privatization process. It is, therefore, difficult to give exact time frames.

In the case of the Jamaica Public Service Company Limited, there are no immediate plans for privatization.

## ***Regional Trading Arrangements***

### ***CARICOM***

#### **Response to comments by the delegation of India and Ambassador Saborío (discussant)**

As the reports before the Trade Policy Review Body indicate, CARICOM, in order to deepen the economic integration process, agreed to establish a Single Market and Economy.

The objective is to provide for the free movement of goods and services, capital and labour, to achieve greater harmonization of laws and regulations affecting commerce including Customs laws and procedures, intellectual property, competition policy, corporate taxation, dumping and subsidization. In order to manage the transition from a common market to a Single Market and Economy, CARICOM decided to create new institutions and to establish new rules for the conduct of economic cooperation by amending the Treaty through nine Protocols.

The negotiations of four of these, have been complete and two have provisionally entered into force. These are Protocols I and II. The former restructures the institutions of the Community, as well as procedures for decision making, voting and administration, while the latter has expanded and strengthened commitments and obligations of member States with regard to the free movement of capital and skilled labour, the provision of services, and the establishment of enterprises.

Protocol IV, which deals with Trade Policy is still under negotiation and is likely to be completed in the next few months. This Protocol will provide for the joint regulation of internal and external commerce of CARICOM, the use, where possible, of common negotiating strategies in the development of trade agreements with third countries and groups of countries, and the participation and joint representation, as appropriate, in international and regional organizations which negotiate, establish and apply disciplines governing international and regional trade. Some of the specific areas which will be covered by the Protocol are the Common External Tariff, rules of origin, safeguards and customs cooperation.

Other Protocols under negotiation are Transport Policy; Disadvantaged Countries, Regions and Sectors; Dispute Settlement; and Competition Rules.

Jamaica is progressively increasing coordination of its trade policies with CARICOM with duty-free access for a number of products on a non-reciprocal basis. The CARICOM/Colombia Trade Agreement, however, provides reciprocal treatment for a selected list of products. In the case of the more developed countries of CARICOM, the duty-free treatment accorded to Colombian products requires a derogation from the Common External Tariff and is administered by each member State. Negotiations are currently under way with the Dominican Republic on a comprehensive trade agreement, which, *inter alia*, will also provide for reciprocal trade in goods.

#### ***Caribbean Basin Initiative (CBI)***

*To what extent does the inherent complexity of the "strict origin criteria" rule hinder access by Jamaican exporters to the CBI preferential regime? What controls are operated by the Jamaican and/or U.S. authorities and do disputes sometimes arise?*

Preferential access into the United States under the Caribbean Basin Initiative II, is governed by the following origin criteria:

At least thirty five per cent (35%) of the appraised value of the article imported into the United States must consist of the cost or value of materials produced in one or more beneficiary countries, plus the direct cost of processing operations performed in one or more beneficiary countries. Business overhead, administrative expenses and profits, as well as general business expenses are not considered direct cost of processing.

The rule is not considered inherently complex. However, because the raw material input for most manufactured products are not produced in Jamaica or other beneficiary countries, Jamaican manufacturers find it difficult to comply with the rule. It should be pointed out that the products which use indigenous raw material have no problem in accessing the Scheme.

The controls operated by Jamaica are administered by a Certifying Body. Exporters are required to submit product analyses to determine their eligibility. This entails a cost breakdown of the manufacturing process and periodic inspection by the certifying body to ensure that manufacturing processes are in conformity with the analyses submitted.

The controls are operated by the United States in the Query/Verification Process. The certifying body can at any time be called upon to submit evidence as to the basis on which certification was granted. The U.S. Customs has the authority to require a detailed accounting and if necessary, full documentary evidence that the products meet the criteria for entry.

*To what extent does the "donor country element" operate as a disincentive for Jamaican exporters to use non-U.S. materials in their production? What are the economic sectors most likely to be affected by such a mechanism?*

The origin criteria applicable under CBI II, are characterized by a fifteen per cent (15%) "donor country element" in favour of U.S. material. The rule states that the cost or value of materials produced in the customs territory of the United States (other than Puerto Rico) may be counted, but only to a maximum of fifteen per cent (15%) of the appraised value of the imported article.

This feature operates as an incentive to Jamaican exporters as in effect, this requires a twenty per cent (20%) value added in the beneficiary countries.

The economic sectors most likely to be affected by this mechanism are light manufacturing, chemicals and toiletries.

*To what extent does the 807A system operate as a disincentive for Jamaican apparel exporters to further integrate their production and carry out weaving and/or cutting themselves?*

TSUS 807A limits the types of assembly operations which can be performed in Jamaica and other CBI countries. Under the programme, fabricated components formed and cut in the United States are sent to CBI countries to be assembled and returned to the United States. To be eligible for guaranteed access under the system, the operations performed in the CBI territories are limited to assembly and washing.

Jamaican apparel exporters have other avenues to further integrate their production such as the Regular 807, which require United States components of non-U.S. fabric, and CMT operations, whereby they can perform all the operations, i.e. patterning, cutting and assembling.

### **Competition Policy**

*It is reported that Section 29 of the Fair Competition Act allows for situations in which restrictive business practices may be permitted by prior authorization of the Fair Trading Commission. Please explain the criteria for the permission (para. 106, p. 77).*

Section 29 of the Fair Competition Act gives the Commission the power to authorize agreements and business practices which would otherwise be prohibited by the Act. Such authorization may be granted on written application, where the Commission finds that the practice or agreement is likely to promote public benefit.

The following are the Commissions guidelines to the analysis of public benefits and detriments:

- The Fair Competition Act was passed on the principle of promoting and protecting competition in the conduct of trade and business and in the supply of services in Jamaica with a view to providing consumers with competitive prices and product choices.
- Detriments from a loss of competition include losses of economic efficiency, incentives to innovate and incentives to avoid waste.
- Public benefits must be net gains in economic and/or social terms ("efficiency gains"). Transfers of wealth *per se* are not net gains.
- The public benefits must be shown to be dependent on the agreement or practice being permitted to go ahead.

*It is reported that a proposal to establish a Commercial Court is currently under consideration (para. 110, p. 78). Please explain the current situation.*

The establishment of the Commercial Court as a division of the Supreme Court is progressing. The rules governing the Court are now being drafted by the Ministry of National Security and Justice.

*Please also explain the judicial procedures which have been taken against anti-competitive actions so far.*

Cases relating to competitive action had to be pursued through the normal court system and resulted in cases taking a very long time to resolve. The Commercial Court when established should see commercial cases being brought to trial in a much shorter period of time. It will also promote the development of legal expertise in commercial/trade law and introduction of improved state-of-the-art facilities into legal proceedings.

*It is reported that Jamaica has no legislation forbidding parallel imports. Please explain the current policy on parallel imports if any. Does Jamaica intend to take any action on parallel imports in the near future? (para. 112, p. 78)*

The Government of Jamaica has no legislation preventing parallel imports and in keeping with its policy of progressive trade liberalization, has no immediate plans to review the current situation.

### **Activities in the "informal sector" (EC)**

Employment in the informal sector, using the proxy indicator of "own account" work, was estimated at 325,100 in 1997, approximately 34% of total employment. Own account employment, as indicated in our Labour Force Survey, is based on employment status and is not disaggregated by sector. However, based on the survey of micro-enterprises and on other studies, most of the employment in the

informal sector is found to be in the areas of distribution - particularly vending, small-scale manufacturing such as furniture and apparel, and small-scale farming.

There is no relationship between the unemployment rate and the level of employment in the informal sector. The unemployment rate, which is comprised of "seekers" and "non-seekers", includes only persons who reported that they were not working, but were available for and willing to accept a job; it therefore does not include persons who are employed.

### ***Balance of Payments***

*Please explain the correlation between imports and exports which is reported to be high.*

The bauxite/alumina and the garment sectors combined account for roughly 70% of Jamaica's total export earnings. Both sectors have relatively high import content. The production of alumina, for example, requires a considerable amount of imported fuel and caustic soda input. In the case of the garment sector, a considerable amount of the exports (e.g. the cut-make-and-trim jobs) have very little local value-added, between 15% and 20% on average. The remaining 30% of total exports, which is comprised of the traditional agricultural commodities and agricultural goods, have very low import requirements. Total imports by the export sector, however, account for a relatively small proportion of the overall import bill. A sizeable portion of raw material and capital goods imports are for the construction sector, the telecommunications and public utilities companies, and manufacturing and packaging entities producing for the local market. Data for the period January 1994-August 1998 reveal a low correlation between total exports and imports.

## **2. TRADE POLICY MEASURES**

### ***Anti-dumping and Countervailing Measures***

*Is the composition of the Anti-Dumping Advisory Board in Jamaica consistent with the requirements of the WTO Agreement?*

The Government has recognized that the existing anti-dumping legislation is not WTO consistent, and new legislation to remedy this is now before the Houses of Parliament. It should be noted that no anti-dumping action has ever been taken by the Government of Jamaica and the only recommendation for anti-dumping action ever made by the Anti-Dumping Advisory Board was not acted on because of the fact that the Government recognized that the legislation was not WTO compatible.

Whereas the existing customs duties, dumping and subsidies act makes specific reference to private sector representation on the Anti-dumping Advisory Board, the revised act, currently before Parliament will provide for the establishment of an anti-dumping and subsidies commission and has been designed to be in compliance with the relevant WTO provision. The composition of the new commission will therefore be consistent with the requirements of the WTO Agreement.

### ***Standards***

*When is Jamaica likely to update its legislation on SPS standards in order to comply with the requirements of the SPS Agreement?*

Jamaica prohibits a few agricultural products which, on the basis of plant quarantine regulations, have been found to present a threat to animal, plant and human health.

*When such legislation is updated what standards do you intend to use?*

Jamaica in updating its legislation intends to apply the international standards governing plant, animal and human health, some of which are already in use.

*What is the reason for the import ban on a range of agricultural products?*

Jamaica does prohibit imports of a range of agricultural products based on the judgement that these imports could be harmful to animal and plant and human health and life.

### ***Government Procurement***

*What steps are being taken or are under consideration to make government procurement procedures and practices less selective and more transparent?*

The responsible Ministry, Finance and Planning, has prepared a new draft regulation, the Government Procurement Regulation (GPR), to govern the procurement process. The existing Supplies Regulation is outdated and is scheduled to be repealed as soon as the GPR is legislated.

The GPR facilitates uniformity in the procurement process service-wide, with the objectives of:

- fairness, integrity and public confidence in the procurement process,
- transparency and openness in procurement procedures,
- competition among suppliers and contractors, and
- providing for the fair and equitable treatment of suppliers and contractors.

In addition, the Government has initiated a reform of the procurement system. As a consequence, it is expected that the system will be strengthened in order to more effectively and efficiently achieve the stated objectives. Once legislated, the GPR will be available to any member of the public, national and international, at a price. In addition, the regulation will be included, along with those of other member states on the ALCA-FTAA's website.

*With regard to the list of Approved Suppliers what are the procedures for making the list and the criteria for the key qualification and approval of suppliers?*

Regarding the list of Approved Suppliers, at present the Government's Contracts Committee (GCC) compiles and maintains the list. Periodically the GCC publishes advertisements in the national newspaper inviting suppliers and contractors to be included in the registers.

In order to be included in the registers, suppliers or contractors must qualify by demonstrating the following criteria:

- that they possess the necessary professional and technical qualifications, professional and technical competence, financial resources, equipment and other physical facilities, managerial capability, reliability, experience, reputation, and the personnel, to perform the contract;
- that they have legal capacity to enter into the procurement;
- that they are not insolvent, in receivership, bankrupt or being wound up, their affairs are not being administered by a court or a judicial officer, their business activities have not been suspended, and they are not the subject of legal proceedings for any of the foregoing;
- that they have fulfilled their obligations to pay taxes and other national contributions (e.g. insurance, housing and education) in Jamaica;
- that they have not, and their directors or officers have not, been convicted of any criminal offence related to their professional conduct or the making of false statements or misrepresentations as to their qualifications to enter into a procurement contract within a period of ten (10) years preceding the commencement of the procurement proceedings.

Suppliers and contractors are graded according to their specialization, levels, scope of work and past performance. Registers are reviewed and updated at quarterly intervals.

*Is there no discrimination between foreign and local suppliers to be on the list?*

There is no discrimination between foreign and local suppliers and contractors to be on the Registers.

### ***Intellectual Property Rights***

*What is the status of Jamaica's IPR legislation?*

Jamaica's intellectual property legislation covering design, patents, copyright and trade mark have been revised to make them consistent with the TRIPS Agreement and are now before Parliament. These pieces of legislation should be enacted before the end of this year.

*Are Jamaica's procedures for the registration of design consistent with Articles 25 and 26 of the TRIPS Agreement?*

This question relates to Section 11 (i) of the Designs Act of 1957. This Act predates the TRIPS Agreement, and as stated above, this Act has been revised and the new Design Act has been drafted and should be ready before the end of 1998.

*What is the status of your efforts to become a signatory to the Paris Convention?*

The matter of our accession to the Paris Convention is still being reviewed by the relevant authorities with a view to acceding as soon as possible.

### ***Notifications***

*When will Jamaica submit its data for the Integrated Data Base?*

We take note of the suggestion by the European Community and assure the Community that Jamaica intends to meet its obligations under the decision adopted by the General Council on 16 July 1997. The data will be submitted shortly.

## **3. SECTORAL TRADE POLICIES**

### ***Agriculture***

*Is Jamaica an importer of sugar and what are the effects of tariff duties on the domestic prices of raw and refined sugar?*

Jamaica imports raw sugar occasionally to meet the shortfall on the domestic market, only after the export quota commitments have been satisfied.

The domestic market for raw sugar is about 70,000 tonnes. This is the market that is supplied with raw sugar imports when there is a shortfall in total production and after the export quotas have been applied.

The domestic market for refined sugar is about 50,000 tonnes and this total requirement is imported as Jamaica does not produce refined sugar.

All the sugar sold on the domestic market both refined and raw is deregulated that is, there is no price control on these commodities.

The importation of refined sugar is completely deregulated. However, the SIA is responsible for all purchases of raw sugar. The latter provision is necessary to protect the integrity of Jamaica's export quotas for raw sugar.

The import duty of 40% (Common External Tariff) on refined sugar has been waived for several years in Jamaica because domestic requirements cannot be met by CARICOM sources. There is, however, a variable Stamp Duty in place on the c.i.f. price for imported sugar.

*How does the level of protection of agricultural products relate to government reforms in the sector? Will government reforms in the agricultural sector include a reduction in levels of protection? What is the main orientation of agricultural trade policy?*

The Government of Jamaica is currently concerned about a number of issues affecting the agricultural sector and these must be reflected in our mix of trade policy initiatives. These considerations are as follows:

Concern for alleviation of poverty, particularly in rural areas, but also in the inner cities of urban areas. The demographics of both are inter-related.

Concern for rural development and the need to stem the drift of rural population to urban centres and the attendant problems of unemployment and violence associated with types of urbanization.



The agricultural sector employs 25% of the labour force but accounts for only 8% of GDP. These twin statistics can be interpreted as a reflection of the inefficiency of the sector and therefore deserves highest attention.

Government is concerned about the building of competitiveness in the sector in producing for both the export and domestic markets.

The need to pursue diversification away from dependence on sugar and bananas and to focus instead on the sustainable development of non-traditional crops. This process is long term and therefore considerable attention must be given in the short term to the improvement of competitiveness of our traditional agricultural products.

Concern for how we deal with natural disasters that affect us from time to time. There were several instances of drought in 1997 and recently we experienced severe flooding associated with hurricanes. These events impact adversely on the sector's performance.

The so called "green box" measures covered by the WTO Agreement on Agriculture are important for ensuring that Government is able to lead the development of this sector, in partnership with the private sector.

The significant increase in agricultural imports over the past ten years has been not been without adverse consequences on the domestic agriculture. In fact, Jamaica recognizes its need to evoke WTO compatible safeguard measures to mitigate against this negative development.

*Can the Government of Jamaica provide an estimate of the total amount of support provided under the preferential interest rebate scheme/programme?*

We will respond at a later date.

*What expenditure is the Government planning to make to achieve milk self-sufficiency and is price intervention contemplated?*

In 1995 the Government of Jamaica requested assistance from the Commonwealth Secretariat to address the decline in domestic milk production.

The Commonwealth Secretariat, in response to a request from the Government of Jamaica, funded the visit of a mission, which carried out a comprehensive review of the industry, prepared a plan of action for its reorganization and recommended a policy framework to guide the industry in the medium term. The Commonwealth Secretariat Mission concluded that milk production in Jamaica can be competitive provided appropriate measures are developed. Arising from the recommendations of the Mission and with the Secretariat's assistance, a milk production enhancement programme has been developed. It aims to increase milk production and cow productivity, and as a consequence milk self sufficiency. This programme is estimated to cost about US\$22 million and the Dairy Cooperative is responsible for arranging funding for the Programme from different resources eg. bilateral/multilateral assistance. The Government of Jamaica is supportive of the programme generally but has not yet made a specific commitment of funds.

No price invention is being considered at present.

*Does Jamaica provide any subsidies to agricultural exports?*

Jamaica does not offer financial subsidies on its agricultural exports.

*Other than coconut, cocoa, coffee, bananas and sugar, are there any other remaining state-trading enterprises in the agricultural sector? What is the status of legislation related to changes in the name and status of such entities? Are any of these state-trading enterprises engaged in marketing and trading activities? If so, are there any plans to privatize these enterprises?*

Jamaica's programme of divestment in the Agricultural Sector has been extensive. However, there are a few instances where the programme is incomplete but progressing. In the sugar industry, for example, considerable divestment of sugar marketing, lands and factories have been implemented. The Government still owns the Sugar Industry Authority which is mainly a regulatory body for the Industry. This institution is also responsible for the importation of raw sugar when it is required for the domestic market.

The Government continues to purchase and export about 50% of pimento exports through the Export Division of the Ministry of Agriculture. Government is also involved in trading in coconuts used to produce copra through the Coconut Industry Board. This arrangement could be reviewed in a few years time.

JAMCO, a government-owned company, is the body marketing Jamaican bananas in the United Kingdom.

We are not aware of any initiative to change the name and status of the Commodity Boards through Legislation.

*Has agricultural production recovered from the decline of 1997 and what were the products most affected?*

There was a significant decrease in agricultural production in 1997. A severe drought - the worst in seventy (70) years - was the main factor responsible for this decrease in production. The crops that suffered most were the domestic crops which include fruit, vegetables, root crops, condiments and cereals. Some recovery in this sub-sector is expected in 1999 as rainfall in 1998 has improved.

In order to assist this recovery process, the Government initiated a Domestic Food Crop Project in 1998 which aims to increase production and productivity of selected crops and to focus on geographic areas where competitiveness can be maximized. The project is estimated to cost about US\$1.4 million, which will be used to assist in training, adaptive research, marketing and on farm irrigation equipment.

## ***Services***

### ***Telecommunications***

*What are the principle provisions of the draft Telecommunications Bill and what are its prospects for adoption?*

A modern telecommunications policy was tabled in Parliament on 27 October 1998. This policy, while honouring the monopoly licences granted to the existing service provider, will:

- allow competition in wireless and value-added services, while continuing to honour the monopoly licences granted to the existing service provider;

- provide for the efficient management of the spectrum, and the administering of the numbering system, in the national good;
- redefine universal service;
- strengthen the role of the independent regulator; and
- ensure fair and non-discriminatory interconnection with the incumbent

*When is an improved commitment on private voice telephone services and other services expected to be submitted? Is the monopoly of C & W Jamaica to be eliminated before 2013?*

The current licences of Cable and Wireless (Jamaica Ltd.) will be the subject of negotiation as of 12 November 1998 as the negotiating team of the Government will begin to engage C & W in dialogue at that time. The aim is to review the terms of those licences to bring them in line with Government's policy.

*What are the plans to undertake a partial privatization of postal services? In which services will government control remain?*

Plans to commercialize postal services are being actively pursued in order to determine the best methods and to identify the best project proposals for this venture. A number of proposals have already been submitted for consideration, these include a few from foreign companies. The Government of Jamaica would wish to maintain full responsibility for the delivery of mail but will consider contracting out some services in this regard.

### ***Financial Services***

*What are the "fit and proper" criteria applied when the Bank of Jamaica recommends Banking Licences to the Minister of Finance?*

The "fit and proper" criteria is applied to determine the credibility, integrity and competence of directors, major shareholders and senior management, and hence their suitability to be entrusted with ownership or managerial positions in a Central Bank supervised institution.

*Does the objective of the "fit and proper" criteria differ from prudential?*

Fulfilment of prudential requirements is based on satisfactory assessment of:

- business plans along with feasibility studies which should include clear proposals on financial plans and management as well as the intended operational structure;
- financial strength of individual and corporate shareholders through an analysis of Statements of Affairs re individuals and Financial Statements which would include balance sheets, profit and loss accounts, and auditors reports for the applicant company, holding companies, and affiliated entities (where appropriate).

*Why are foreign-owned banks subjected to higher minimum subscribed capital requirements than local banks?*

*Why are foreign insurance companies required to pay higher quarterly fees (0.5% of Gross Written Premium Income as opposed to 0.25%, annual minimum level of \$12,000 or \$6,000 as opposed to \$10,000 or \$5,000) than domestic insurance companies?*

The higher rate in respect of foreign companies was instituted in order to provide an incentive for the mobilization of domestic savings for development.

The profits of overseas companies are usually repatriated to their head offices and are therefore not available for investment in Jamaica to mobilize savings and provide equity locally. It was, therefore, considered that a higher rate of quarterly fees would achieve the desired effect of having these foreign companies contribute to the economic development of the country.

*Why is membership of the Stock Exchange limited to Jamaican nationals - are there any plans to review this requirement?*

At present members of the Stock Exchange must be Jamaican resident nationals. However, this policy is under review in order to grant similar benefits to CARICOM nationals. There are no nationality restrictions to become a licensed dealer or investment advisor under the Securities Act of 1993. To qualify, an applicant must satisfy the requirements set out in the Securities (Licensing and Registration) Regulations of 1996.

### ***Transport***

*It is reported that one of the aims of maritime transport policy is to provide incentives. Please explain the detail of such incentives. Are these incentives consistent with Jamaica's commitment on maritime transport services, notably on national treatment?*

The Shipping Act, which is slated to come into force on January 1999 primarily focuses on the regulatory aspects of shipping particularly as they pertain to maritime safety. The Shipping community had expressed concerns in relation to the development of the commercial aspects of shipping. A Maritime Task Force was formed comprising representation of the shipping sector and the Ministry. However the Shipping Act delayed further development in this regard. Relative to shipping incentives the current provisions in the Shipping Incentives Act relates to government-owned ships rather than vessels owned by Jamaicans or flying the Jamaican flag. It is, however, the Ministry's intention to review existing commercial legislation such as Shipping Incentives Act, Cargo Preference Act, Carriage of Goods by Sea and the UNCTAD Code of Conduct for Liner Conference and develop a separate piece of legislation which may include incentives for private companies.

### ***Tourism***

*It is reported that the tourism industry has a number of incentive schemes. Are these schemes consistent with Jamaica's commitment on tourism services, notably on national treatment?*

These incentive schemes (para. 103 of TPR/S/42) are consistent with Jamaica's commitment to the national treatment principle. All incentives granted under the Acts are provided for both foreign and local investors alike. This has been the status of our incentive programmes since their inception.

### ***Tariffs and additional duties***

This area of Jamaica's Trade Policy has quite naturally generated a great deal of interest, as well as an obvious need for clarification.

*It is reported that an additional rate of 40% applies to agricultural products. Does this mean that an agricultural rate of 40% is applied in addition to normal tariff? If so, please explain the reason for applying such additional tariff. Please also explain if the rate applies to all the agricultural products.*

The wording of the Secretariat's report as it relates to agricultural products in para. 9 may have created some confusion, it is suggested that the word "additional" should be deleted.

Jamaica wishes to clarify what has been stated by reporting that items which have been designated "Agriculture" by CARICOM attract a CET rate of 40%.

However, if an item has been designated "Agricultural Input" it attracts a rate of 0%. An example of such a product would be "seeds for sowing". If an item has been treated as a competing intermediate input, e.g. Aloe Vera extract, it attracts a rate of 20% and this rate is scheduled to go down to 15% in January 1999. If an item has been designated Agro-Industry, e.g. Luncheon Meat it currently attracts a rate of 25%. This rate is scheduled to be reduced to 20% in January 1999. Finally, items such as tobacco products which have been placed on List C (thus allowing member States of CARICOM to treat such items as revenue earners) currently attract a rate of 30%. There are no plans to reduce the CET on these items in January 1999.

*Please explain when Jamaica is to adopt the HS96 six-digit structure.*

Jamaica will adopt the HS96 six-digit structure in January 1999.

*According to Chart III.3 the average tariff rate on vehicles is around 10%, which is lower than the bound rate of 50%. Does Jamaica impose any other duties and charges besides tariff on these products?*

The bound rates of customs duties on industrial products of 50% is a maximum or ceiling rate. Jamaica is therefore free to impose lower rates of customs duty.

Jamaica applies a General Consumption Tariff (GCT) on motor vehicles. The rates range from 8.08% to 176.82% depending on the type of vehicle and the importer.

The rate of CET applied to motor cars and similar type vehicles was increased from 30% to 40% in June 1999 as part of the 1998-99 budget exercise. This measure was intended to earn additional revenue.

The new rates will shortly be supplied to the WTO.

*On some products listed in Table III.7 the total of "tariff rates" and "additional stamp duty rates" does not correspond to the "aggregate duty" rates. Please explain the reason.*

The rates of Additional Stamp Duty and CET will not add up to the Aggregate Duty unless the rate of CET is 0. The Additional Stamp Duty is applied to the c.i.f. (or value for duty) plus the CET. For example, if an item attracts a 40% rate of CET and an Aggregate Duty of 86%, the Additional Stamp

Duty of 32.857% (as is demonstrated in Table III.8) would be applied to a base of 140%. The aggregate tax would therefore add up to 86%.

*According to Table III.7 the Additional Stamp Duty rate on string beans, raw, cooked, preserved, packed for retail and not packed for retail (ex tariff heading No. 0710.203) is 86%. However, according to the schedule of Jamaica "other duties and charges" on tariff heading no. 0710.203 is bound at 80%. Is this figure of 86% correct?*

The rate of aggregate duty on string beans, raw, cooked, preserved, etc. shown on page 54 as 86% is correct. Jamaica has bound its agricultural products at 100% and other duties and charges on items, which would include string beans, at 80%, there are therefore no inconsistencies.

*We note that while 55.4% of tariff lines are duty free, 21.4% are subject to a tariff rate of 20 to 25%. We would like to know if Jamaica has any plan to further reduce and as far as possible, eliminate the tariffs.*

There are no plans at this time to eliminate all tariffs, however, as was already indicated, in January 1999, Jamaica is scheduled to introduce Phase IV of the revised CET. This will result in the majority of tariff lines falling in the range of 0%-20%.

*Apart from tariffs, Jamaica imposes other levies and charges including Additional Stamp Duties on Customs Warrants Inward on imports. The Additional Stamp Duties in some cases translate into effective protection rates of as high as 90%. In this regard, we are interested to know whether Jamaica has any plan to simplify the system and to reduce or eliminate such levies and charges.*

Jamaica has no immediate plans to reduce the existing levies and charges. We are, however, in the process of examining our existing taxation regime in order to effect simplification and higher voluntary compliance.

*Is any consideration being given to unification of the Customs Duty and Stamp Duty? Why does the Government of Jamaica maintain these different systems?*

There are no plans to unify the Customs Duty and Stamp Duty. The Customs Duty regime is determined at the CARICOM level and is applied across the region. On the other hand, the Additional Stamp Duty regime is determined at the national level to provide protection to local production.

*It is not clear from the report when Jamaica intends to implement further import tariff reductions. "Phase IV" of the CARICOM common external tariff was scheduled to be implemented by 1 July 1998, when the maximum tariff would be lowered to 20%.*

Jamaica will move to Phase IV of the Common External Tariff on 1 January 1999 when the HS96 classification is being introduced. The exercise is estimated to result in a revenue loss of J\$500 million for the calendar year 1999.

*Jamaica refers to a Special General Consumption Tax (GCT). Could you provide additional details regarding the GCT rate and a list of products to which this tax applies?*

The GCT is applied to all items except for those which are specifically exempted or zero rated. Examples of these two categories of goods and activities are shown in Table III.9 on pages 56 and 57 of the Secretariat report.

The rate of GCT applicable to items which are taxable is 15%. Exceptions to this rate are some building materials, e.g. Portland cement, premix concrete, cement blocks and steel re-enforcing bars, to which a rate of 12.5% is applied.

*Why doesn't the GOJ publish the list of reference prices? Publication could improve the transparency of the customs process. In explaining its system of reference prices for certain goods, the document notes that declared values are verified by the Regional Intelligence Liaison officer in Puerto Rico. Is this a Jamaican Government official? If not, what sort of organization does this officer represent? Can Jamaica explain how reference prices are used in the importation of meat and other foods? Are these reference prices being used for anything besides customs valuation?*

Although it is accepted that the publication of reference prices would create greater transparency, Jamaica faces two major difficulties at this time:

- because of the high incidence of false invoicing (from one of our major trading partners) it is felt that publication of reference prices would further facilitate fraudulent declaration of values;
- the process of computerization has not yet been completed in the Valuation Branch of the Customs Department;
- the Regional Liaison Officer in Puerto Rico is a member of the Jamaican Customs Enforcement Team;
- reference prices are received on a weekly basis on meats, tallow, lard, etc. from Urner-Barry Publications, an American company. In addition, similar data are supplied by the U.S. Department of Agriculture on poultry and poultry parts. The above information is utilized to create monthly average prices to form the cost element of the c.i.f. value for imports of the relevant products.

These reference prices are used only for valuation purposes.

*One of the main features of the Jamaican tariff is that both the average and maximum applied rates of customs duty are significantly higher than the ceiling bindings of the Uruguay Round. The gap between the two will further accentuate with the implementation of Phases III and IV of the CARICOM schedule of tariff reductions. Is Jamaica considering the possibility of rebinding its (agricultural and non-agricultural) customs duties at lower levels?*

The average and maximum applied rates of duty are significantly lower, rather than higher, than the ceiling bindings of the Uruguay Round. Jamaica is not however contemplating rebinding of customs duties at lower levels at this time.

*Statement: Jamaica may wish to simplify its tax system and improve its fiscal administration.*

Response: Jamaica is currently undertaking a major Tax Reform Project in collaboration with the World Bank. This project is intended to widen the tax base and to improve voluntary compliance.

Significant progress has already been made with regards to the restructuring of the tax departments and the introduction of a Tax-payer Registration Number. This number will facilitate the identification of taxable activities of persons, which are not now being subjected to tax.

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