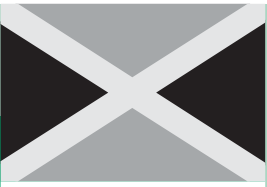




JAMAICA

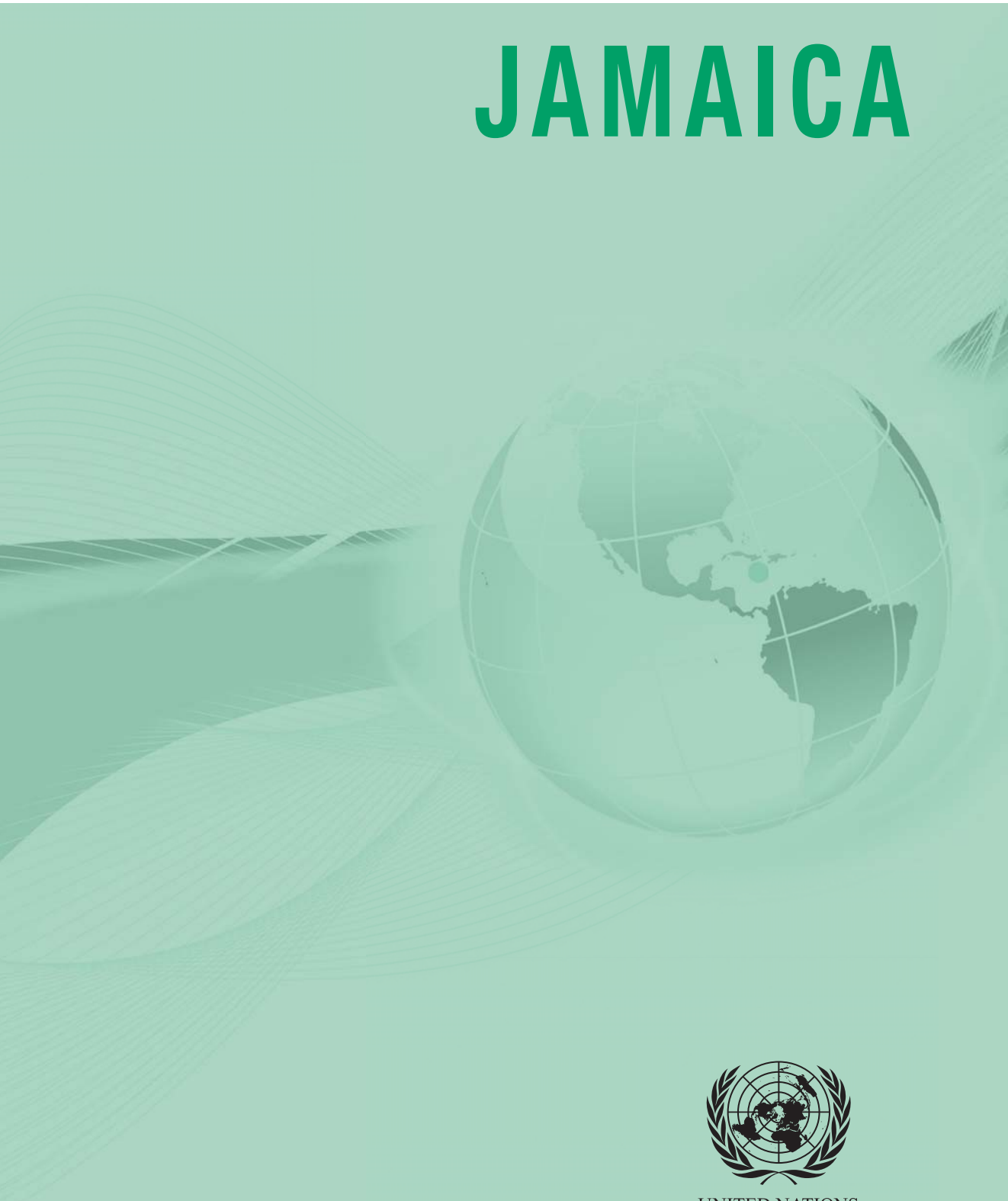
TRADE POLICY FRAMEWORK





JAMAICA

TRADE POLICY FRAMEWORK



NOTES

Symbols of United Nations Documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

The views expressed in this document are those of the authors and do not necessarily reflect the views of the United Nations Secretariat. The designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the United Nations Secretariat concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Material in this publication may be freely quoted or reprinted, but acknowledgement is requested, together with a reference to the document number. A copy of the publication containing the quotation or reprint should be sent to the UNCTAD secretariat at: Palais des Nations, 1211 Geneva 10, Switzerland.

This publication has not been formally edited.

UNCTAD/DITC/TNCD/2013/9

© Copyright United Nations 2015

All rights reserved

ACKNOWLEDGEMENTS

The report was prepared at the request of Ministry of Foreign Affairs and Foreign Trade of Jamaica by an UNCTAD team led by Mina Mashayekhi, Head, Traded Negotiations and Commercial Diplomacy Branch, Division on International Trade in Goods and Services, and Commodities (DITC), UNCTAD. The team was composed of Taisuke Ito, Martine Julsaint-Kidane, Luisa Rodriguez and Mesut Saygili of the Trade Negotiations and Commercial Diplomacy Branch, DITC, UNCTAD.

Mrs Marcia Thomas, Under Secretary, Foreign Trade, Ministry of Foreign Affairs and Foreign Trade provided leadership and coordination of the national team. Extensive and insightful comments received from Ministry of Foreign Affairs and Foreign Trade of Jamaica, as well as Mr. Richard Lumsden, Programme Director, Vision 2030-Jamaica of the Planning Institute of Jamaica (PIOJ), and Jamaica Promotions Limited (JAMPRO) and other governmental departments and agencies, are gratefully acknowledged.

Laura Moresino-Borini designed the cover and performed the desktop publishing.

ACRONYMS AND ABBREVIATIONS

ASD	additional stamp duty
BPO	business processing outsourcing
CARIBCAN	Caribbean–Canada Agreement
CARICOM	Caribbean Community
CBI	Caribbean Basin Initiative
CBPTA	Caribbean Basin Trade and Partnership Act
CET	common external tariff
CIF	cost insurance and freight
COTED	(CARICOM) Community Council for Trade and Economic Development
CRNM	Caribbean Regional Negotiating Machinery
CROSQ	(CARICOM) Regional Organization for Standards and Quality
CSME	CARICOM Single Market and Economy
ENTs	economic needs tests
EPA	Economic Partnership Agreement
FCOR	French Caribbean Outermost Region
FDI	foreign direct investment
FSC	Financial Services Commission
GATS	(WTO) General Agreement on Trade in Services
GCT	general consumption tax
GDP	gross domestic product
GSP	Generalized System of Preferences
HR	human resources
ICT	information and communications technology
ILO	International Labour Organization
IPPC	International Plant Protection Convention
JAMPRO	Jamaica Promotions Corporation
JTAT	Jamaica Trade and Adjustment Team
LAC	Latin America and the Caribbean
LDC	least developed country
MDGs	Millennium Development Goals
MFAFT	Ministry of Foreign Affairs and Foreign Trade (of Jamaica)
MFN	most favoured nation
MSME	medium, small and micro enterprises
MTF	medium-term socioeconomic policy framework
NAMA	non-agricultural market access
NAFTA	North American Free Trade Area

NIP	National Industrial Policy
NDP	National Development Plan
NTM	non-tariff measure
OECS	Organization of Eastern Caribbean States
OIE	World Organization for Animal Health
RCA	revealed comparative advantage
RE	renewable energy
RTA	regional trade agreement
RCC	Regional Cultural Committee
R&D	research and development
SIDS	small island developing States
SME	small and medium-sized enterprise
SPS	sanitary and phytosanitary measures
SVE	small and vulnerable economy
SWVSE	structurally weak, vulnerable and small economies
TBT	technical barriers to trade
TPR	(WTO) Trade Policy Review
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

EXECUTIVE SUMMARY

The ongoing review of Jamaica's trade policy is motivated by the Government's assessment that the country's trade has underperformed over the last 20 years. This underperformance is characterized by limited export growth and increased imports, as well as continued dependence on a few export products that have lost competitiveness in recent times and developed country markets that have been greatly affected by the financial crisis. This has translated into insufficient development gains from trade, in terms of increased wealth and employment generation.

By currently reviewing its trade policy, Jamaica seeks to improve its trade and export performance and mainstream trade in its development strategy. Reviewing the trade strategy implies considering the trade component in a broader context, i.e. taking into account imports and exports, production and trade in both goods and services and regional coordination of trade policies at the CARICOM level, as well as Jamaica's involvement in bilateral, regional and multilateral trade negotiations.

Jamaica has in place several strategies and plans that provide direction on pursued objectives regarding development goals, sector development and diversification efforts. The implementation of these strategies and plans has not achieved expected outcomes but has brought awareness on the need to diversify and add value to Jamaica's exports.

Following a request from the Ministry of Foreign Affairs and Foreign Trade (MFAFT), this paper provides a review of the country's overall national development objectives and recent economic trends, an analysis of linkages between existing strategies and plans in different spheres of policymaking and trade policy in both the goods and services sectors, and recommendations for integrated strategic approaches to achieving the country's key vision and objectives for its trade policy.

The main findings of the study are as follows:

- Jamaica has a high revealed comparative advantage (RCA) in some of the priority export sectors, including agriculture, agro-processing and beverages;
- The tariff regime and import taxes remain the most commonly used policy to administer trade, and there seems to be over-reliance on tariff suspension as a trade policy tool;
- The regional platform has not been leveraged sufficiently to promote complementarities in terms of infrastructure projects and coordinated trade strategies;
- Compliance with quality standards and other non-tariff measures, particularly with respect to food and agro-processed products, remains a major barrier to achieve diversification and export objectives in global as well as in regional markets;
- Limited use of preferential tariffs in main products and main markets of export interest, except in the case of the European Union;
- Abundance of trade and investment-related incentives (in both goods and services) and perceived limited development benefits derived from them;
- In the area of services there was a multiplicity of policy objectives and no comprehensive vision or strategic plan for the sector that would reflect the importance of services as economic activities in the own right but also as key inputs into other sectors. To address this problem, a new services sector strategy and expansion plan was completed.

Recommendations aiming at reinforcing the capacity to trade and improve competitiveness of export products in global markets are as follows:

- Addressing issues in key infrastructure bottlenecks, such as energy and transportation, which increase the cost of trading. Reducing dependency on energy imports is also critical from the perspective of addressing macroeconomic instability. Developing cost-efficient energy solutions could be accomplished by long-term
-

planning of the development of alternative energy sources, increased awareness of energy efficiency and the use of taxes to subsidize spending on alternative renewable sources;

- Increased compliance with international and regional standards, through initiatives such as regional infrastructure partnerships to finance quality-related infrastructure, for example, accreditation laboratories; developing a regional consumer protection system; negotiating mutual recognition agreements on standards in key export markets and entering into agreements on conformity assessment procedures for products being prioritized in the current export strategy;
- Matching new products under development that have a high RCA with markets that offer high import growth potential and dynamism. For products being prioritized, it is suggested that its domestic value added content be increased;
- Using the regional platform as a stepping stone to develop productive and export capacities (and overcoming supply side constraints). This could be done by developing at the regional level clusters of catalytic sectors offering potential for sustained growth of exports to international markets,. Such sectors could include agriculture, forestry and fishing, manufacturing and sustainable tourism;
- When devising an overall strategy for the services sector emphasizing the linkages between services sectors as well as between services and other economic sectors will be crucial. For example, a strategy for tourism should integrate strategic considerations relating to transport, information and communications technology (ICT), health and financial services, and agricultural and cultural products, which are inputs into the sector. Similarly the development of the ICT sector with the move towards an information-technology(IT)-enabled services sector is a realistic option for the country only if it has a sufficient pool of qualified workers with the adequate skills for providing services in finance, accounting, human resources, legal services, research and development (R&D), and software development and testing. Further, it will be essential for Jamaica to ensure that the skills and qualifications of individual service suppliers as well as of juridical persons offering these services be recognized by trading partners. This can be achieved either by the adoption of international certifications where these exist or through the negotiations of mutual recognition agreements;
- Positive and negative spillover effects from increased services activities and services trade must be integrated in policy planning, as these impacts may either elicit support from other sectors of the economy (in case of positive spillovers) or on the contrary, may require the adoption of related policies by the Government to limit or compensate any negative externalities.

Recommendations aimed at reinforcing the capacity to reap development benefits from trade are listed below:

- Increasing linkages between export oriented-production and local economic sectors and businesses through the cluster development of small and medium-sized enterprises (SMEs), matchmaking of their potential export products with global value chains and suppliers;
- Review of existing trade incentives (i.e. tax rebates, CARICOM's tariff suspension regime) to rationalize and prioritize areas generating most development benefits;
 - In the context of such a review, the following criteria could be prioritized: the promotion of dynamic sectors/products in world trade; generating employment or wealth to vulnerable communities/individuals or the creation of linkages within the Jamaican economy;
 - It is also suggested that an analysis be carried out of the broader ongoing fiscal reform, in particular of revenue losses vs. revenue gains derived from current incentive regimes to trade and investment. Such an analysis could inform decisions on future priorities in this area;
 - The review of the tariff regime could include the following features: lowering import tariffs or providing for import duty exemption for raw materials inputs and machinery, for further downstream and higher value added activities/agro-based industries; and the use of an efficient drawback system on inputs that would enable the remission or drawback of import charges on inputs physically incorporated and energy, oils and fuels that are consumed in the production process of exported goods;

- Increased use of trade instruments other than tariffs, including targeted and measured use of economically efficient subsidies;
- When conceiving an overall trade strategy, it is important to assess the cultural, environmental, social and poverty-related effects of trade on the selected products;
- It would also be important for the country to prioritize the development of those sectors that can bring in export revenues and support the development of the domestic economy. The case of infrastructure services such as ICTs is particularly relevant in this respect.

This report is organized as follows: chapter I outlines Jamaica's national development goals and provides a review of the economic and trade performance of the country. Chapter II looks at the trade policy environments related to merchandise trade and to services trade, and chapter III includes recommendations on the trade policy framework.

CONTENTS

NOTES	ii
ACKNOWLEDGEMENTS	iii
ACRONYMS AND ABBREVIATIONS	iv
EXECUTIVE SUMMARY	vi
I. NATIONAL DEVELOPMENT GOALS AND TRADE PERFORMANCE	1
A. MAIN DEVELOPMENT AND SECTORAL GOALS OF JAMAICA	2
1. Introduction	2
2. Main development challenges of Jamaica	5
3. Trade in development plans	5
B. ECONOMIC AND TRADE PERFORMANCE	6
1. Global economic crisis	7
2. Labour Market and Employment	8
3. Structure of the economy	8
4. Merchandise Trade	9
5. Trade in Services	14
6. Current account and capital flows	16
7. FDI flows and business environment	16
8. Revealed comparative advantage	17
9. Oil dependence and renewable energy options	18
10. Persistent budget deficits	20
11. Millennium Development Goals and social indicators	22
II. TRADE POLICY ENVIRONMENTS AND INSTRUMENTS	25
A. FEATURES OF POLICY RELATED TO MERCHANDISE TRADE	26
1. Institutional framework	26
2. Existing trade policies and trade instruments	27
2.1. Trade Policy by Sector	27
2.1.1. Mining	27
2.1.2. Agriculture and aquaculture	28
2.1.3. Manufacturing	29
3. Import duties and other measures applying to imports	31
3.1. Tariff regime (WTO commitments)	31
3.2. Tariff regime (regional-CARICOM commitments)	33
3.3. Other levies and charges	33
4. Other relevant procedures and issues related to the import regime	34
5. Non-tariff barriers: Meeting product standards	35
6. Market access conditions for exports of Jamaica in its key markets	36
6.1. United States	37
6.2. European Union (27)	38

6.3. Canada	39
6.4. Norway.....	39
6.5. Iceland	41
6.6. CARICOM	41
B. FEATURES OF POLICY RELATED TO SERVICES TRADE.....	41
1. Focus of trade-related services sector policies.....	42
2. Sectoral features of services sector policies.....	45
2.1. Tourism services.....	46
2.1.1. Market overview	46
2.1.2. Main policies, regulations and institutions in the tourism sector	46
2.1.3. Trade-related issues	49
2.2. Communication services: Telecommunications and information and communications technology	50
2.2.1. Market overview	50
2.2.2. Main policies, regulations and institutions in the telecom and ICT sector	52
2.2.3. Trade issues	54
2.3. Creative industries and audio-visual services	55
2.3.1. Market overview	55
2.3.2. Main policies, regulations and institutions in the creative industries sector	55
2.3.3. Trade issues	58
2.4. Financial services	61
2.4.1. Market overview	61
2.4.2. Main policies, regulations and institutions in the financial sector.....	62
2.4.3. Trade issues	63
3. Market access conditions for services exports.....	64
3.1. Regional market access (market access in CARICOM)	64
3.2. CARICOM–Canada (currently under negotiation)	66
3.3. CARICOM–Dominican Republic	66
3.4. CARICOM–Costa Rica (2004).....	66
3.5. Other agreements	66
3.5.1. Intraregional market access under the Economic Partnership Agreement with the European Union	67
III. TRADE POLICY FRAMEWORK	71
A. VISION AND OBJECTIVES	72
B. STRENGTHENING TRADE-RELATED FUNDAMENTALS	74
1. Rationalizing incentives to prioritize strategic activities	74
2. Promoting a strategic integration into regional and global value chains	74
3. Enhancing science and echnology.....	75
4. Diversifying into non-traditional goods and services	75
5. Promoting the industrial and manufacturing base through regional cooperation, targeted investment and contract manufacturing.....	77
6. Strengthening services SMEs through cluster development.....	78
7. Reducing dependence on imported energy	78

C. DEVELOPMENT-CENTRED TRADE POLICY AND STRATEGY	79
1. Reviewing the tariff regime to support national industrial and development strategies	79
2. Supporting agricultural production and exports.....	80
3. Addressing non-tariff barriers affecting Jamaica's exports.....	80
4. Promoting services economy and trade in services.....	81
5. Improving marketing strategies to target key export markets better	83
6. Building the capacity to formulate, monitor and assess trade policies	83
ENDNOTES.....	89
ANNEXES.....	98

Figures

Figure 1. Evolution of real gross domestic product in Jamaica and other developing countries, 1970–2010 (1970 = 100).....	7
Figure 2. Growth rate of real gross domestic product and real per capita gross domestic product in Jamaica, 1995–2010 (Percentage)	8
Figure 3. Real gross domestic product and its components in Jamaica, 1990–2009 (1990 = 100).....	9
Figure 4. Merchandise exports, imports and trade balance in Jamaica, 1990–2010	10
Figure 5. Terms of trade developments in Jamaica and other developing countries (2000 = 100)	13
Figure 6. World: All commodities, aluminium and crude oil prices, 1990–2010 (1990 = 100)	13
Figure 7. Jamaica's trade deficit in mineral fuels (1995 = 100)	14
Figure 8. Distribution of Jamaica's services exports by category, 2009 (Percentage).....	15
Figure 9. Current account balance as a share of gross domestic product in Jamaica and other developing countries, 1990–2010 (Percentage)	15
Figure 10. Inflows of foreign direct investment to Jamaica and other developing countries, 1990 and 2010....	17
Figure 11. Frequency distribution of products in Brazil, China and Jamaica by revealed comparative statistics and number of commodities, 2010.....	18
Figure 12. Frequency distribution of products in Jamaica and in Trinidad and Tobago by revealed comparative advantage statistics and number of commodities, 2010	19
Figure 13. Petroleum consumption by activity, 2011 (Percentage).....	20
Figure 14. Public balances, 1990–2011 (Percentage of gross domestic product).....	22

Boxes

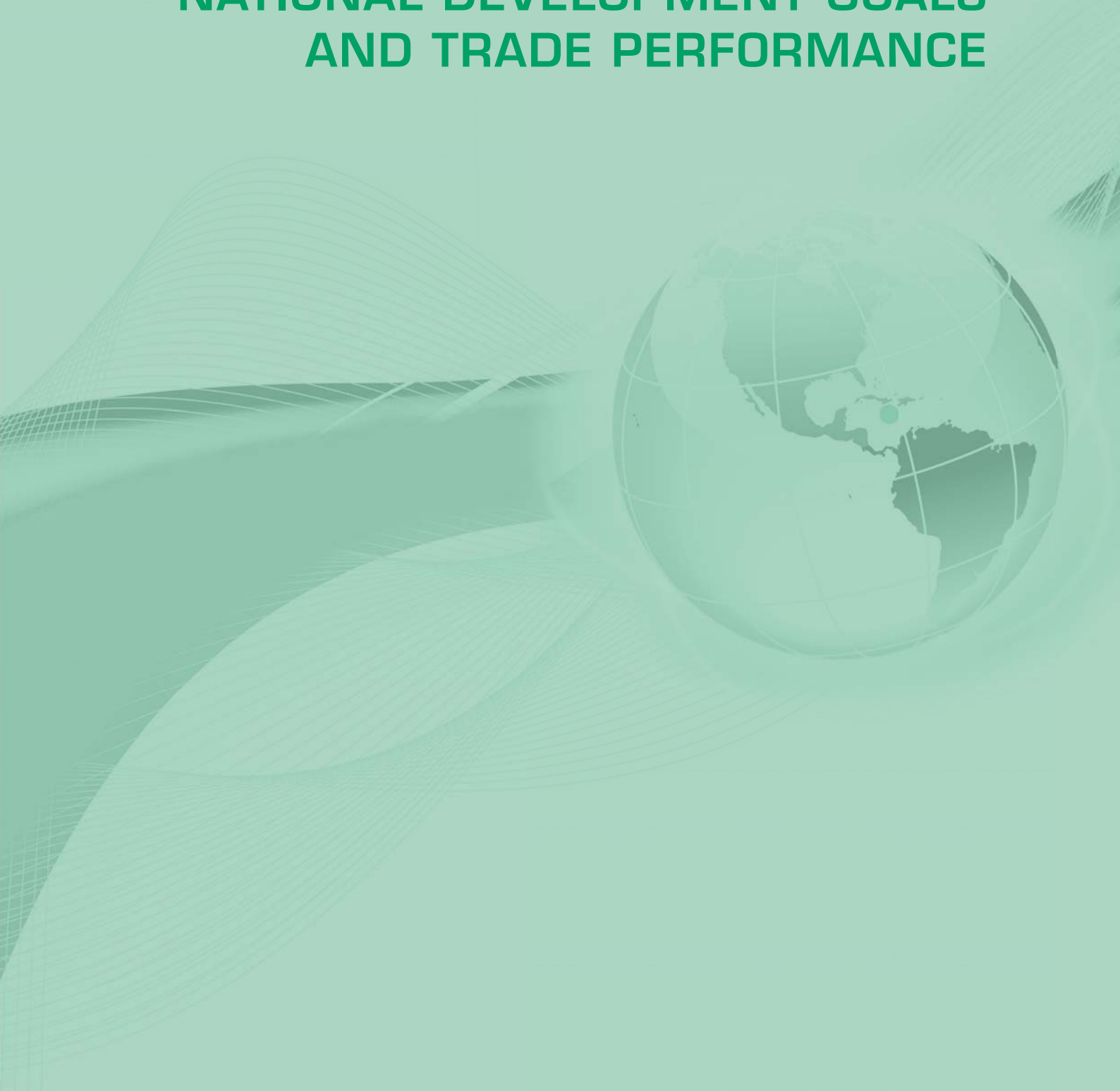
Box 1. Argentina: Mixed technologies for on and off-grid electrification	21
Box 2. Ecuador and Peru: Solar energy and PV systems	21
Box 3. Jamaica's export free zones	30
Box 4. Non-tariff measures affecting Jamaican exports in the French Caribbean Outermost regions – FCOR – and in the European Union	35
Box 5. Provisional implementation of the CARIFORUM economic partnership agreement.....	39
Box 6. Learning from the experience of the Dominican Republic.....	50
Box 7. Increasing the benefits of production and trade to local communities: The one village-one product branding concept	83
Box 8. Implementing trade agreements: The experiences of Mexico and Chile	84

Tables

Table 1. Growth of gross domestic product in Jamaica and other developing countries, 1970–2010 (Percentage)	6
Table 2. Structure of gross domestic product in Jamaica and other developing countries, 2009	9
Table 3. Shares of services subcategories in gross domestic product of Jamaica and other developing countries, 2009 (Percentage).....	10
Table 4. Leading importers from and exporters to Jamaica, 2010.....	11
Table 5. Leading imported and exported products of Jamaica, 2010	11
Table 6. Concentration and diversification indices for Jamaica and other developing countries, 1995 and 2010	12
Table 7. Growth rate of gross value added by industry at current prices (mining), 2006 –2010 (Percentage)..	27
Table 8. Agricultural (food) imports as a share of total imports.....	29
Table 9. Most favoured nation import duties (Percentage)	32
Table 10. Level of tariff by stage of processing.....	32
Table 11. International trade taxes as share of total tax revenue, 2005 2010 (Percentage)	34
Table 12. Non-tariff measures used in the CARICOM context	36
Table 13. Top five imports to the United States from Jamaica in 2009.....	37
Table 14. Major imports to the European Union from Jamaica, 2010	38
Table 15. Major imports to Canada from Jamaica in 2010	40
Table 16. Major imports to Norway from Jamaica, 2010	40
Table 17. Major imports to Iceland from Jamaica, 2010.....	41
Table 18. Major imports to CARICOM from Jamaica, 2008–2010 (Thousands of dollars).....	42
Table 19. Matrix of trade measures and related regulatory actions	43
Table 20. Services sectors identified for priority focus	44
Table 21. Overall arrivals in Jamaica from its main source markets, 2010.....	45
Table 22. Incentives in the tourism sector	48
Table 23. Key institutions for the tourism sector	49
Table 24. Trade balance in travel services, 2008–2010	51
Table 25. Key institutions dealing with the ICT sector.....	54
Table 26. Trade balance in communications services, 2008–2010	54
Table 27. Key institutions dealing with the creative industries sector	57
Table 28. Jamaica’s trade balance in personal, cultural and recreational services, 2008–2010	58
Table 29. CARICOM draft Strategy and action plan for the cultural industries in CARICOM.....	59
Table 30. Key institutions dealing with the financial services sector.....	63
Table 31. Trade balance in financial services, 2008–2010	64
Table 32. Trade balance in insurance services, 2008–2010.....	64
Table 33. Market access conditions to the movement of natural persons	67
Table 34. CARIFORUM-EU EPA sector-specific provisions.....	68
Table 35. Summary of possible objectives, strategies and actions for Jamaica’s trade policy frameworks	72
Table 36. Examples of priority sectors and products	76
Table 37. Public and private sector roles to enhance trade-related SPS compliance and quality management ... capacity	81
Table 38. Challenges in stakeholder participation in trade policymaking	85



NATIONAL DEVELOPMENT GOALS AND TRADE PERFORMANCE



A. MAIN DEVELOPMENT AND SECTORAL GOALS OF JAMAICA

1. Introduction

The national development goals are defined in the National Development Plan (NDP) entitled “Vision 2030: Jamaica”. This document was prepared in 2009 in the context of the crisis. Therefore, besides defining strategies for the country’s long-term development, it also recognized the need to develop quick response mechanisms to emergency situations. In the short term, NDP seeks to cope with the effects of the crisis (i.e. limited access to capital markets, limited profitability of local businesses, lower economic growth and reduced employment in critical sectors of the economy).

In the medium to long term, NDP seeks to address several shortcomings regarding Jamaica’s economic underperformance. According to Jamaica’s Trade Policy Review (held in the World Trade Organization (WTO) in 2011) and NDP, Jamaica has underperformed in terms of exports (due to excessive import taxation, red tape, testing procedures) and economic growth and the delivery of social services.

In the medium term, NDP seeks to improve planning methods, ensure adequate support for implementation and effective monitoring and evaluation methods. To ensure this, the medium-term socioeconomic

policy framework (MTF) includes short and medium-term priorities, policies and programmes. The Plan will be implemented through a series of three-yearly MTFs, which are underpinned by a results-based monitoring and evaluation mechanism that establishes specific targets and indicators to measure and track performance. The 31 sector plans provide the framework for implementation at the sectoral level.

In addition, the National Industrial Policy (NIP), adopted in 1996, is also a reference document that includes sector specific objectives such as:

- Ensuring that firms operating in all sectors of the Jamaican economy achieve competitive parity with their counterparts in other countries;
- Focusing investment activity on targeted areas of competitive advantage in the economy;
- Supporting the push for expansion and diversification of exports;
- Increasing the overall rate of investment and saving.

NIP established a framework for the industrial development of Jamaica: it identified several economic clusters (tourism, shipping and berthing, agro-processing, apparel, and bauxite and alumina) – for which Jamaica was thought to be competitive – and outlined strategies for their development.

Sectoral objectives from NIP (1996) and NDP (2009) to be achieved in the medium term are as follows:

Agriculture

Goal: Overcome low productivity and vulnerability to increased competition from imports

Specific objectives:

- Develop modern, efficient farming systems, including intensive, protected and mechanized agriculture
- Implement development plans for key traditional and non-traditional subsectors
- Strengthen agricultural marketing structures and linkages with other sectors
- Expand agricultural training
- Improve the policy and institutional framework, infrastructure, extension services and access to credit
- Support long-term development of rural communities; promote environmental sustainability and strengthen hazard mitigation
- Implement key food security projects.

Manufacturing

Goal: Achieve levels of productivity that will enable the sector to compete successfully in domestic and export markets

Specific objectives:

- Strengthen relationships between manufacturing and educational, training and research institutions
- Increase exposure of manufacturers to innovative production technologies
- Establish a centre of excellence for manufacturers
- Ensure availability and access to competitive factory space
- Strengthen relevant industry associations
- Promote the use of clean technology and compliance with relevant environmental standards and regulations
- Improve customer service
- Use creative aspects of Brand Jamaica in marketing Jamaican manufactured products

Mining and quarrying

Goal: regain competitiveness in the bauxite and alumina industry, and take greater advantage of other mineral resources, particularly through the development of value added products based on limestone

Specific objectives:

- Develop cost-efficient energy solutions for the bauxite and alumina industry and non-metallic minerals subsector as a priority
- Provide an integrated approach to land-use planning, reserves management and infrastructure development for the sector
- Establish a national entity to lead the development of non-metallic minerals
- Encourage value added production through market studies and application of research and technology
- Enhance labour relations and productivity
- Assist in building viable mining communities
- Improve rehabilitation of mined-out lands
- Promote greater compliance with environmental standards and legislation

Services (with a particular focus on the creative industries, sport, ICT and tourism sectors)

Goal: Develop and promote high-quality standards for globally competitive services

Specific objectives:

- Increase opportunities for products and services in the creative industries
- Promote Jamaica as a sports tourism destination
- Expand ICT-focused business parks for major service providers
- Develop new tourism market segments

In the long term, specifically by 2030, Jamaica seeks to achieve developed country status. Specific national outcomes that should also be achieved by that date include sustainable management and use of environmental and natural resources, effective governance, a healthy population (efficient delivery of health services), world-class education and training,

strong economic infrastructure, energy security, a technology-enabled society and the development of Jamaica as an international shipping centre and logistics hub. The NDP outlines other economic priorities with specific objectives to be achieved by 2030 are as follows:

<i>Stable macro economy</i>	<ul style="list-style-type: none"> • Eliminate fiscal deficits • Reduce the relative size and servicing costs of the public debt • Reduce the cost of public bodies to the budget • Undertake fundamental tax reform, including the incentives system • Improve and simplify tax administration and payment processes • Strengthen the legislative, regulatory and institutional framework for the financial system • Enhance the effectiveness of monetary policy tools • Bring fiscal policy and monetary policy into closer alignment
<i>Internationally competitive enterprise and industry structures</i>	<ul style="list-style-type: none"> • Enhancing company sophistication • Developing economic linkages and clusters • Promoting economies of scale and scope through regional collaboration • Strengthening the framework for competition among enterprises • Promoting eco-efficiency and the development of the green economy
<i>Enabling business environment</i>	<ul style="list-style-type: none"> • Enhancing the institutional and regulatory framework for business investment and operations • Developing efficient local and external markets for goods, services, labour and capital • Improving opportunities for micro, small and medium-sized enterprises • Improve and streamline bureaucratic processes, including those related to land ownership, titling and transfer • Strengthen the framework for e-commerce and the protection of intellectual property rights • Strengthen bilateral, regional and multilateral relations • Expand the involvement of the Jamaican diaspora in national development • Strengthen investment promotion and trade facilitation • Improve labour productivity and worker satisfaction • Promote and develop entrepreneurship • Foster and develop strategic partnerships in the private and public sectors • Increase training and credit facilities for medium, small and micro enterprises (MSMEs) • Encourage formalization of informal enterprises and individuals • Development of Jamaica as an international shipping centre and logistics hub

2. Main development challenges of Jamaica¹

<i>Economic</i>	<ul style="list-style-type: none"> • Poor growth performance of gross domestic product (GDP) • High levels of public debt • Persistent fiscal deficits and imbalances • Complex, cumbersome tax system • Disappointing economic growth
<i>Social</i>	<ul style="list-style-type: none"> • High levels of crime and violence • High levels of unemployment (unemployment among youth aged 15–24 years is particularly high) • High levels of poverty • Poor educational performance
<i>Competitiveness and productivity</i>	<ul style="list-style-type: none"> • Low levels of skills • Weak infrastructure • Uncompetitive industries that produce low-value commodities • High dependence on imported petroleum and inefficient use of energy • Low levels of innovation and investment in R&D • Anaemic export performance and low productivity in most sectors • The Global Competitiveness Report 2010–2011 characterized Jamaica as a country in the efficiency-driven stage of development, which means that although some elements of the pillars of competitiveness are present, they do not efficiently or effectively support Jamaica's transition to an innovation-driven economy
<i>Governance</i>	<ul style="list-style-type: none"> • Weak institutions • Inadequate transparency and accountability in governance • High perception of corruption permeating the public and private sectors
<i>Sustainable development</i>	<ul style="list-style-type: none"> • Environmental pressures generated by production and consumption patterns (heavy rates of deforestation, coastal waters polluted by industrial waste, sewage and oil spills, damage to coral reefs, air pollution due to vehicle emissions)

3. Trade in development plans

NDP foresees an important role for trade to ensure the future development of Jamaica. In this sense, the strengthening of trade relations and investment promotion is perceived as a means to increase competitive advantages provided by Jamaica's worldwide reputation and favourable Nation Brand.

The last trade policy framework was developed in 2001. Its three key objectives were as follows:

- Create new, diversified exports by facilitating the growth of domestic capital as the basis for diversifying exports and facilitating market penetration;
- Displace imports, i.e., steadily reduce the share of imports relative to outputs;
- Increase the flow of net positive returns from overseas assets that has been generating significant remittances and other capital flows for Jamaica.

The 2001 Trade Policy focused mainly on trade in goods, although it did in several instances refer to services. One of the key objectives, namely to create new and diversified exports, can be read to include a focus on services, as the document later refers to developing Jamaica's domestic capacity to produce services and the implication of the WTO General Agreement on Trade in Services (GATS). Also in line with the objective of displacing imports, it is suggested that strategic sectoral negotiations such as the GATS be used. The document is, however, a relatively short one and does not provide much information on the various services sectors of interest to the country and how these will be developed.

The National Export Strategy (NES) was adopted in 2009 to set a road map to "grow and sustain exports that create wealth and engender real economic development".² This national strategy, driven by the private sector in partnership with the public sector, seeks to advance the productivity and competitiveness of firms and industries, while enhancing the business and trade environment, in order to improve Jamaica's export performance.

Targeted industries of NES include agro-processing (food and beverages), aquaculture, coffee, education, entertainment, ICT, fashion and minerals. Industries were selected according to the following criteria: contribution to GDP, export performance, alignment to Vision 2030, employment and market potential, competitiveness (differentiation, value and price), key constraints and resources needed.

Currently, Jamaica seeks to increase production and export of goods and services to stimulate sustained growth in the economy, to mainstream trade in its

development strategy (NDP) and review the national trade policy in light of changes that have taken place over the last 10 years, which affected Jamaica's trade policy and trading relations at the national, bilateral, regional and international levels.

There is wide recognition that the new trade policy will have to be more comprehensive than the previous one. This means taking into account imports and exports, production and trade in both goods and services and the regional coordination of trade policies at the CARICOM level.

This report is expected to contribute to Jamaica's future trade policy.

B. ECONOMIC AND TRADE PERFORMANCE

Being a small island State with lack of connectedness with transportation as well as key infrastructure networks and prone to natural disasters, Jamaica, according to the United Nations classification, is a structurally weak, vulnerable and small developing economy. Even though it is a small island in a Caribbean, Jamaica is estimated to have 2.7 million population and \$13.8 billion GDP in 2010,³ the second biggest among CARICOM member States in both categories. Currently, Jamaica has achieved upper-middle-income country status among developing countries with a per capital income of \$5,026.

Despite its status, Jamaica's growth performance during the last 40 years has significantly lagged behind that of other developing countries (table 1). During the 1970–2010 period, Jamaica achieved 1

Table 1. Growth of gross domestic product in Jamaica and other developing countries, 1970–2010 (Percentage)

	Average growth rate	Level of gross domestic product (2008 = 100)
	1970–2010	2010
Jamaica	1.0	96
Developing economies	5.0	110
Small island developing States	2.6	100
Structurally weak, vulnerable and small economies	3.5	107
Caribbean Community	2.1	98

Source: UNCTADStat.

per cent annual real GDP growth, significantly lower than that of developing countries (5 per cent) and average growth rate of other small island developing countries (SIDS) (2.6 per cent) during this period. Even in comparison with the CARICOM average, Jamaica's growth performance is less than half of the Community's average.

Many developing countries tended to post higher growth rates in the 2000s, mostly during the period before the global financial crisis. Annual growth rates of CARICOM, (SWVSE), SIDSs and developing countries in general accelerated during this period in the range of 0.4–1.3 percentage points. In contrast, Jamaica's growth rate dropped below 1 per cent during the same period.

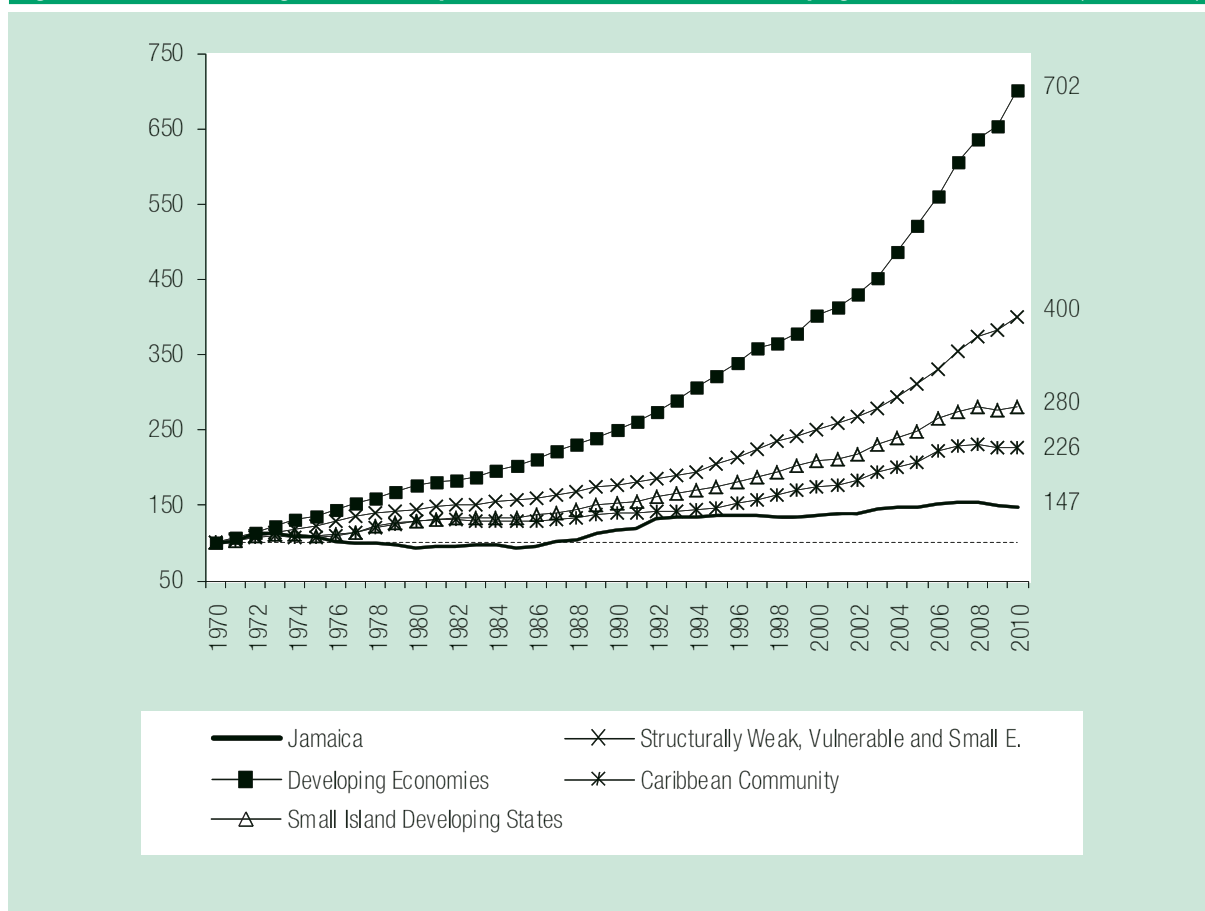
Looking through longer time horizons, the effects of Jamaica's sluggish growth rate becomes clear (figure 1). During the last 40 years, real GDP of developing countries has increased by sevenfold; in contrast,

Jamaica's GDP has risen by only 47 per cent. Its growth performance has been even slower than similar economies such as SWVSE (300 per cent), SIDSs (180 per cent) and CARICOM (126 per cent). Nevertheless, Jamaica faces serious challenges in accessing development assistance to revive its economic growth due to its status as an upper-middle-income developing country.

1. Global economic crisis

The global economic crisis hit the Jamaican economy hard. It shrank by 3 per cent and 1.1 per cent in 2009 and 2010, respectively.⁴ By the end of 2010, real GDP was still 4 per cent below the 2008 figure (table 1). This contrasts sharply with other developing countries, in which real GDP had already surpassed the 2008 figure by 10 per cent in 2010. Jamaica's economic growth outlook is also bleak: IMF estimated real growth rate at 1.5 per cent in 2011 and 1.7 per cent in 2012.⁵

Figure 1. Evolution of real gross domestic product in Jamaica and other developing countries, 1970–2010 (1970 = 100)



Source: UNCTADStat.

In addition to slow growth rates, Jamaica has faced challenges in increasing real per capita income. During the last 40 years, real income per capita remained constant, indicating no increase in real income of an average resident in Jamaica. Highly volatile growth rates of national income with no sustained growth path is another related issue that needs to be addressed (figure 2).

2. Labour Market and Employment

According to ILO figures, the Jamaican labour force totalled 1.2 million people in 2009.⁶ Its labour participation rate is 64.7 per cent, which is close to the world average of 65.3 per cent.⁷ The unemployment rate in Jamaica, though declining since the beginning of 2000s until the onset of the global crisis, is considerably high. Indeed, Jamaica's 11.8 per cent⁸ unemployment rate is significantly higher than the world average (6.2 per cent)⁹ as well as the LAC average (7.7 per cent).¹⁰ In July 2011, the unemployment rate in Jamaica was 12.3 per cent.¹¹

3. Structure of the economy

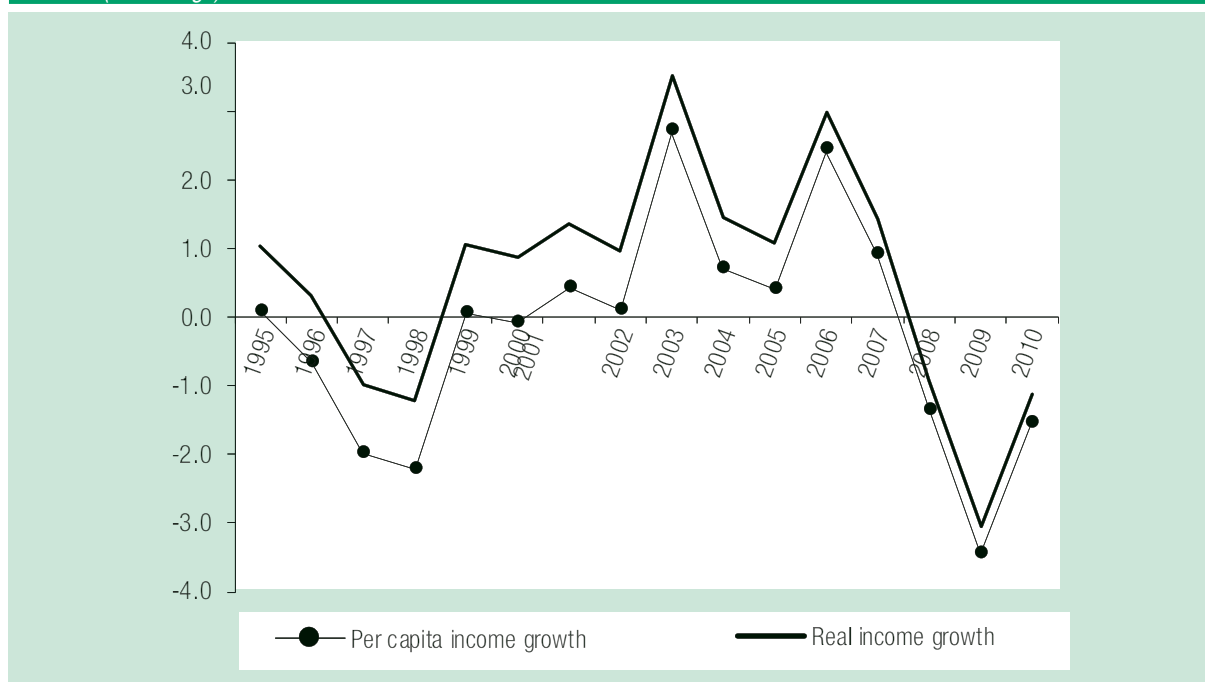
With a 73.1 per cent share in GDP in 2009, the services sector has a dominant position in the

Jamaica's economy (table 2). In contrast, services account for 51.1 per cent in developing countries and 61.2 per cent among the CARICOM economies. Jamaica's weak industrial capacity is also apparent, as the sector accounts for only 20.9 per cent of GDP, while the average of developing countries is almost 40 per cent.

The services sector is not the only main economic activity in Jamaica but has been the driver of economic growth in the last 20 years (figure 3). With the exception of the early 1990s, the growth rate of services outpaced both agriculture and industry. During this period, services grew 2.4 per cent per year, led mainly by the transportation and communication services sectors (4.6 per cent), while agriculture grew by 1.4 per cent and industry shrank by 0.9 per cent per year. The manufacturing sector in particular failed to generate growth in Jamaica, with a 2.1 per cent contraction per year, dragging overall economic growth in the economy during the last 20 years. Nevertheless, sustainable growth requires positive contributions from all sectors of the economy.

Jamaica has relatively large wholesale, retail trade, restaurant and hotel sectors, accounting for almost a

Figure 2. Growth rate of real gross domestic product and real per capita gross domestic product in Jamaica, 1995–2010
(Percentage)



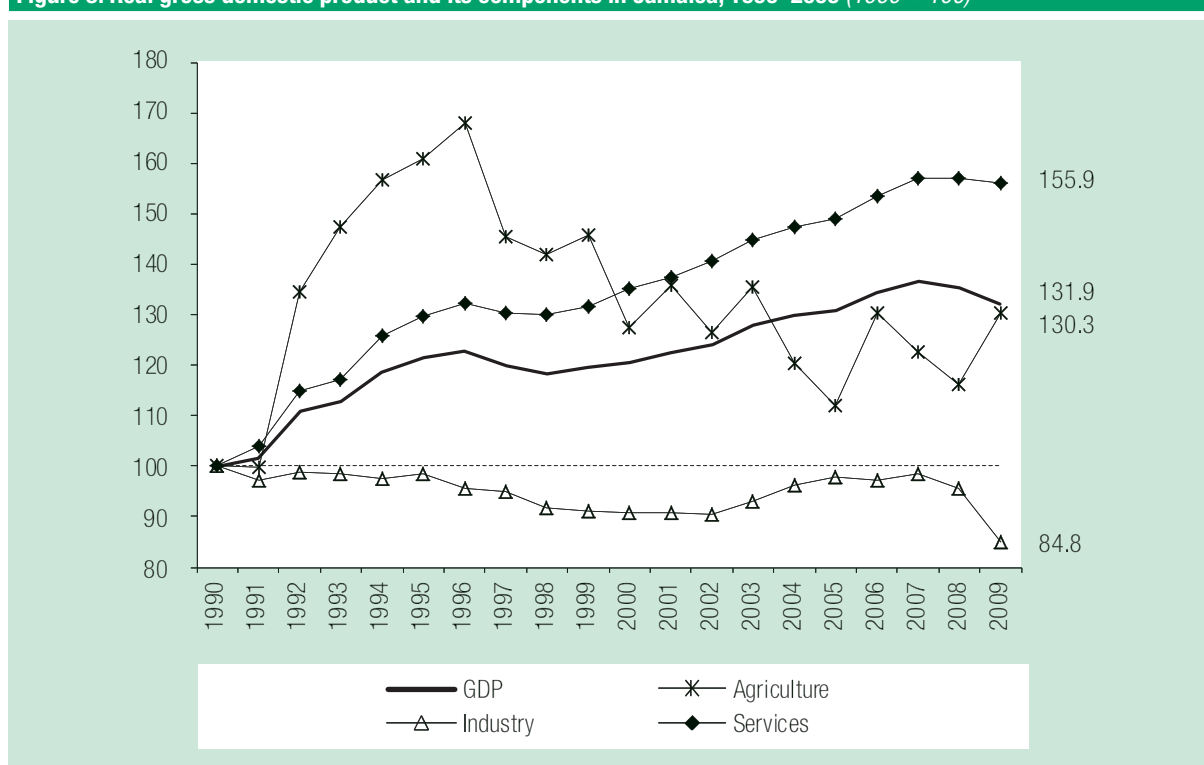
Source: UNCTADStat.

Note: At 2005 prices and exchange rates.

Table 2. Structure of gross domestic product in Jamaica and other developing countries, 2009 (Percentage)

	Agriculture	Industry	Services
Jamaica	6.0	20.9	73.1
Developing economies	9.7	39.2	51.1
Small island developing States	8.1	31.4	60.5
Structurally weak, vulnerable and small economies	16.7	34.6	48.6
CARICOM	6.0	32.8	61.2

Source: UNCTADStat.

Figure 3. Real gross domestic product and its components in Jamaica, 1990–2009 (1990 = 100)

Source: UNCTADStat.

quarter of national income. In contrast, these services accounts for one seventh of GDP in developing countries. Jamaica also has a comparably larger financial, transportation and communication sectors, each representing nearly 10 per cent of GDP. In developing countries, financial services account for less than 3 per cent (table 3).

The services sector is also the main source of employment in Jamaica. About 64.4 per cent of the 1.2 million people were employed in the services sector in 2008. Agriculture is still captures 19.1 per cent of employment, which is relatively large compared with

the sector's contribution to GDP. These figures are somewhat parallel to the distribution of employment in Latin American countries; nonetheless, given the larger size of services in the national income, one may expect a larger contribution of services to employment creation in Jamaica.

4. Merchandise Trade

Over the last 20 years, Jamaica's export performance has been far from satisfactory. From 1990 to 2008, its merchandise exports only increased from \$1.2 billion to \$2.4 billion before falling back to \$1.3 billion in 2010 because of the global financial crisis. During

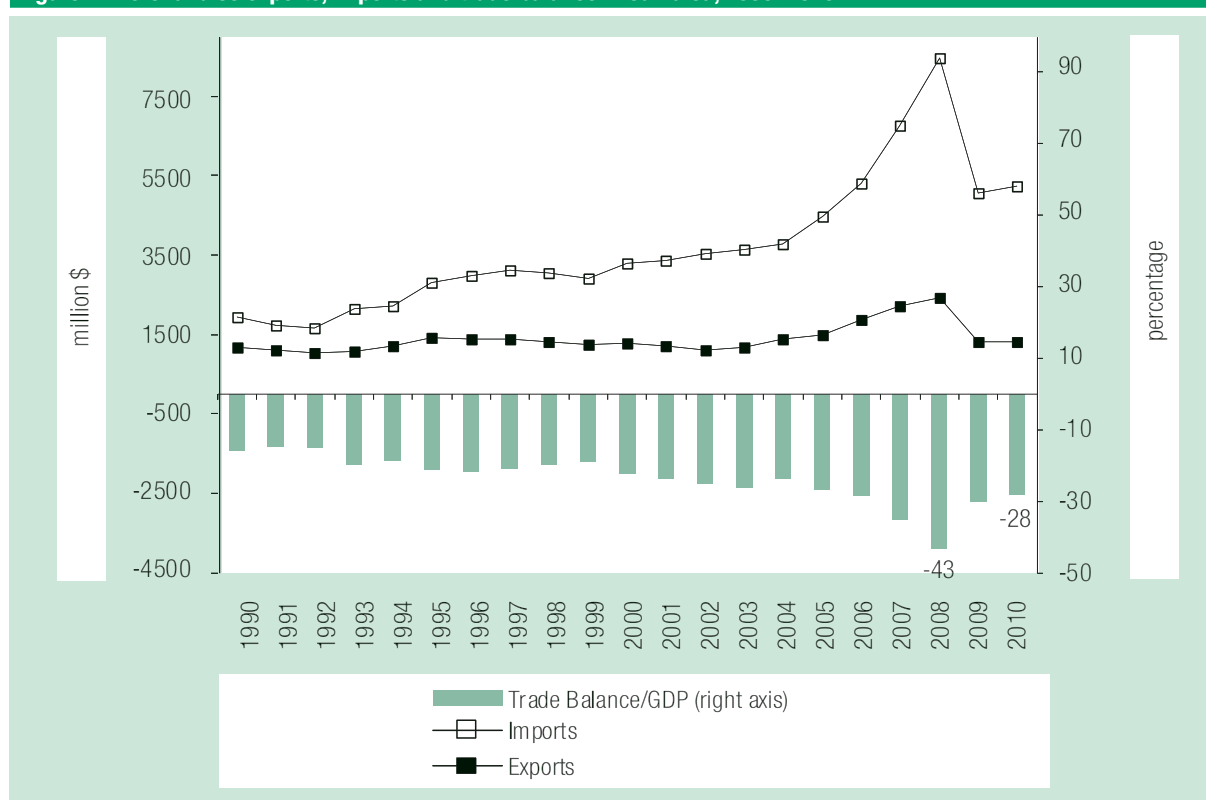
Table 3. Shares of services subcategories in gross domestic product of Jamaica and other developing countries, 2009
(Percentage)

	Jamaica	Developing countries	SIDSs	SWSEs	CARICOM
Wholesale, retail trade, restaurants and hotels	24.9	14.0	19.3	15.2	20.1
—Restaurants and hotels	4.4	--	--	--	--
Transport, storage and communications	9.8	7.4	8.7	8.1	7.7
Other activities	38.4	29.7	32.5	25.4	33.4
—Financial sector	9.8	2.7*	--	--	--

Source: UNCTAD calculations based on OECD STAN input output tables of China, Brazil, South Africa and India, and UNCTADStat and UNdata databases.

* Based on China, Brazil, South Africa and India s input output tables. MYEM (2012).

Figure 4. Merchandise exports, imports and trade balance in Jamaica, 1990–2010



Source: UNCTAD calculations based on UNCTADStat.

the 1990–2010 period, Jamaica experienced 0.7 per cent annual export growth, significantly lower than the developing countries average of 10.6 per cent, the SIDS average of 6.1 per cent and the CARICOM average of 6.3 per cent. As a result, Jamaica's share in global merchandise exports fell from 0.033 per cent in 1990 to 0.009 per cent in 2010.

Trade deficit is a structural problem in Jamaica. During the last 20 years, it has never fallen below 15 per cent of GDP (figure 4). After reaching a record high of 43 per cent in 2008, partly due to the soaring oil prices, the trade deficit fell to 28 per cent of GDP in 2010. Even though merchandise imports have been growing at 5.1 per cent, this is significantly lower than developing countries (10.6 per cent) and CARICOM (6.4 per cent

annual average import growth) during this period. When combined with sluggish export growth, this led to a widening trade deficit.

Three interconnected main factors have contributed to persistent trade deficits: high concentration in export markets, undiversified exported products, and deterioration in terms of trade.

Because of the high concentration of Jamaica's exports and imports, its export performance remains highly dependent on its trade with a small number of markets. The leading five exporting countries account for 77 per cent of Jamaica's exports and the leading five importing countries account for 73 per cent of its imports (table 4). In particular, the exports are highly concentrated in few developed economies, leaving only 12.9 per cent of trade with developing countries and 8.5 per cent with CARICOM countries.

In contrast, South–South trade accounts for 53.5 per cent of developing countries' exports and 30.5 per cent of CARICOM exports. It is necessary to diversify export destinations in order to reduce volatility in export revenues, avoid the adverse effects of country-specific shocks and attain sustainable development. Diversification of export markets will help Jamaica to boost its export performance and reduce persistent trade deficits.

Jamaica's trade performance not only depends on few markets but also on few products. Aluminium ore is its leading export item, representing almost half of total exports (table 5). Energy-related products, alcohols and sugar make up the remaining leading five export products, comprising 78.4 per cent of its total exports. Similarly, few products (mainly energy-related and alcohol products) account of 42.1 per cent of its total imports.

Table 4. Leading importers from and exporters to Jamaica, 2010

Leading importers from Jamaica			Leading exporters to Jamaica		
Top 5	Value (\$ million)	Share (Percentage)	Top 5	Value (\$ million)	Share (Percentage)
United States of America	477	36.5	United States of America	1 807	35.8
Canada	215	16.4	Venezuela (Bolivarian Republic of)	789	15.7
Norway	130	10.0	Trinidad and Tobago	672	13.3
United Kingdom of Great Britain and Northern Ireland	97	7.4	China	260	5.2
Netherlands	90	6.9	Canada	145	2.9

Source: UNCTAD calculations based on *UNCTADStat*.

Table 5. Leading imported and exported products of Jamaica, 2013

Leading imported products			Leading exported products		
Top 5	Value	Share (Percentage)	Top 5	Value	Share (Percentage)
Petroleum oils or bituminous minerals > 70 % oil	1'265'744.20	20.4	Aluminium ores and concentrates (incl. alumina)	659 257.02	42.0
Petroleum oils, oils from bituminous materials, crude	921'209.94	14.8	Petroleum oils or bituminous minerals > 70 % oil	333 693.72	21.3
Alcohols, Phenols, phenol-alcohols and their derivatives	234'209.03	3.8	Alcohols, Phenols, phenol-alcohols and their derivatives	85 278.88	5.4
Motor vehicles for the transport of persons	210'047.92	3.4	Alcoholic beverages	72 021.18	4.6
Medicaments (incl. veterinary medicaments)	122'802.16	2.0	Sugar, molasses and honey	53 910.21	3.4

Source: UNCTAD calculations based on *UNCTADStat*.

Table 6. Concentration and diversification indices for Jamaica and other developing countries, 1995 and 2010

	1995		2010	
	Market concentration	Product diversification	Market concentration	Product diversification
Jamaica	0.48	0.77	0.47	0.74
Developing economies	0.09	0.28	0.12	0.21
Small island developing States	0.17	0.72	0.20	0.64
Structurally weak, vulnerable and small economies	0.18	0.63	0.31	0.54
CARICOM	0.23	0.70	0.25	0.65

Source: UNCTADStat.

Note: Concentration index, also named Herfindahl-Hirschmann index, is a measure of the degree of market concentration. It has been normalized to obtain values ranking from 0 to 1. An index value that is close to 1 indicates a very concentrated market (maximum concentration). On the contrary, values closer to 0 reflect a more equal distribution of market shares among exporters or importers.

UNCTAD concentration and diversification indices also confirm these broad observations (table 6). Jamaica's market concentration figure (0.47) is significantly higher than that of developing countries (0.12), CARICOMs (0.25), as well as other similar country groupings indicating a high dependence of Jamaica's exports on few markets, even when compared with similar economies. The product diversification index is also higher in Jamaica (0.74) than in other developing country groupings, demonstrating the high reliance of Jamaican exports on a few products. Additionally, Jamaica's trade concentration figures only improved marginally during the last 15 years, further complicating its export performance.

The third main reason for Jamaica's persistent trade deficits is deterioration of its terms of trade (ratio of the export price index to the import price index) (figure 5). Over the last 10 years, Jamaica's terms of trade has fallen, particularly in the wake of the global economic and financial crisis; the relative price of its exports declined against that of imported products. Indeed, as of 2010, its terms of trade is almost 30 per cent lower than its 2000 figure. In contrast, during the same period the terms of trade of developing countries, small island developing States and CARICOM increased by 6.5 per cent, 28.8 per cent and 32.3 per cent, respectively, favouring the relative price of their exportable goods.

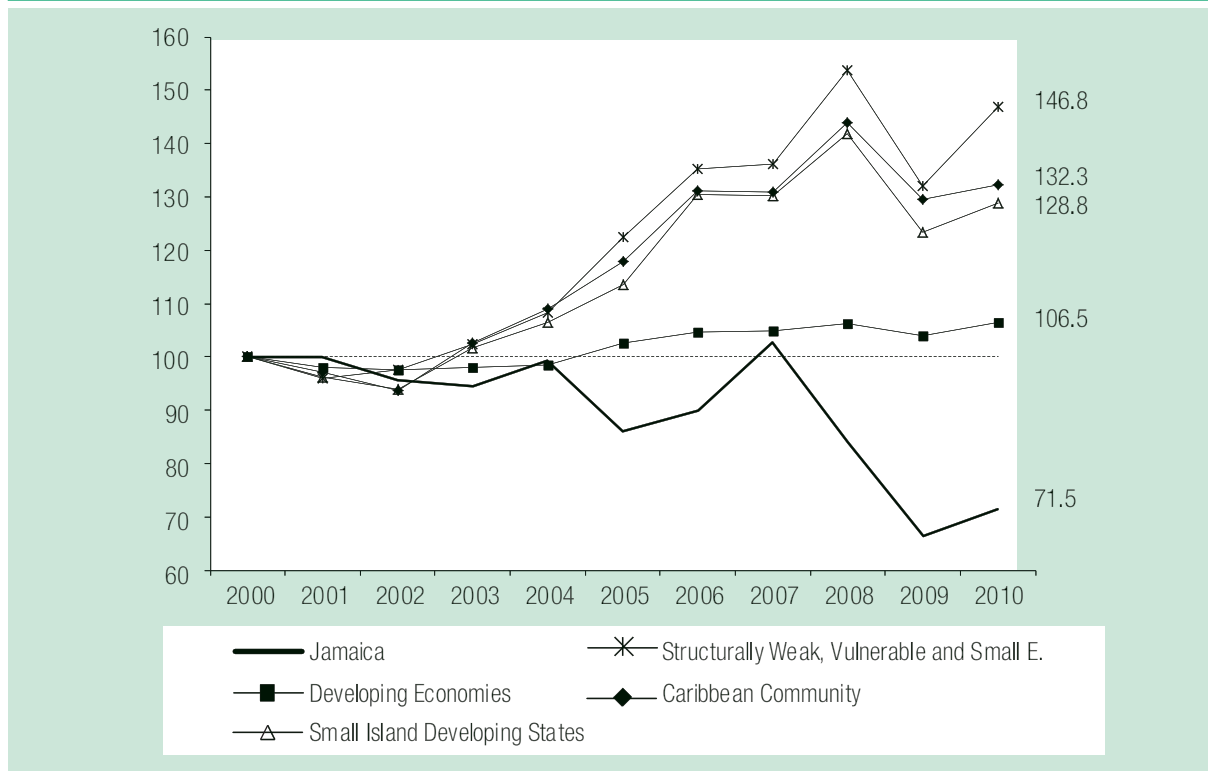
A sluggish increase in export prices and a surge in import prices have contributed to Jamaica's terms of trade deterioration. While the average export prices of CARICOM and developing countries have surged by 132 per cent and 54 per cent, respectively, during the

last 10 years, Jamaica's export prices has increased only by 31 per cent. Moreover, Jamaica's import prices increased 83 per cent during the same period, outpacing import price inflation of CARICOM by 8 percentage points and of developing countries, by 38.

Jamaica's weakening terms of trade is also linked to trends in aluminium and oil prices. During the last 20 years price of aluminium, Jamaica's main export item, has been basically constant (figure 6). In contrast, commodity prices doubled during this period, yet most of the change has occurred during the last few years. Prices of oil, Jamaica's main import item, have increased almost 260 per cent during the same period. Figure 7 depicts the importance of fuel imports in Jamaica's soaring trade deficits. Its trade deficit in mineral fuels steadily increased from \$343 million in 1995 to \$3 billion in 2008. Due to a fall in oil prices during the global financial crisis, the deficit fell slightly but remained considerably high at \$1.6 billion in 2010. Interestingly, Jamaica's mineral fuel deficit accounts for roughly 44 per cent of its total trade deficit.

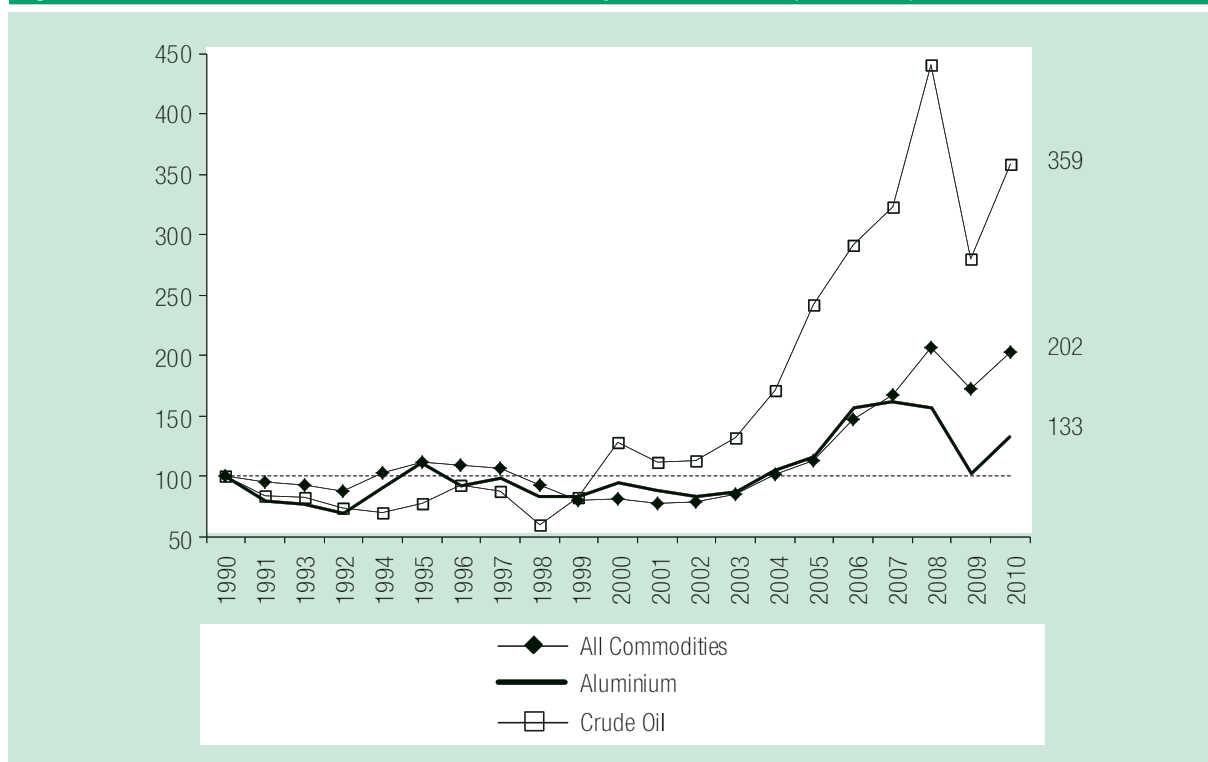
Reducing dependency on energy imports will also be important for achieving macroeconomic stability. Petroleum oils are the major imported product of Jamaica, accounting more than 35 per cent of total merchandise imports in 2010. Jamaica's high dependence on mineral fuel imports is leading to surge in trade deficits and therefore depletion of international foreign exchange reserves. Weak international reserves not only affects Jamaica's monetary policy of stabilizing exchange rates but its ability to withstand the detrimental effects of short-term capital outflows. Most small island developing States have a high

Figure 5. Terms of trade developments in Jamaica and other developing countries (2000 = 100)

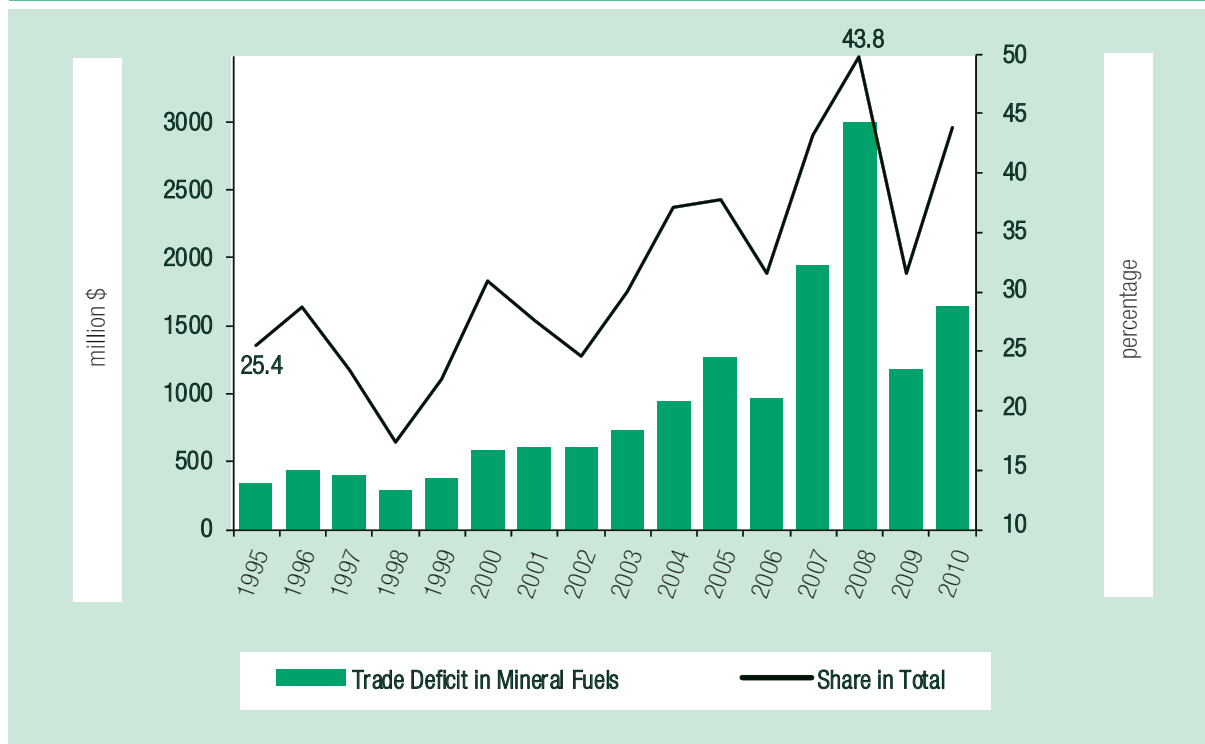


Source: UNCTADStat.

Figure 6. World: All commodities, aluminium and crude oil prices, 1990–2010 (1990 = 100)



Source: UNCTAD calculations based on UNCTADStat.

Figure 7. Jamaica's trade deficit in mineral fuels (1995 = 100)

Source: UNCTADStat.

dependence on imported fossil fuels for electricity. The high transportation costs of fossil fuel imports and diseconomies of scale in electricity production not only make power production very expensive but create debt-related macroeconomic stress in the long run.

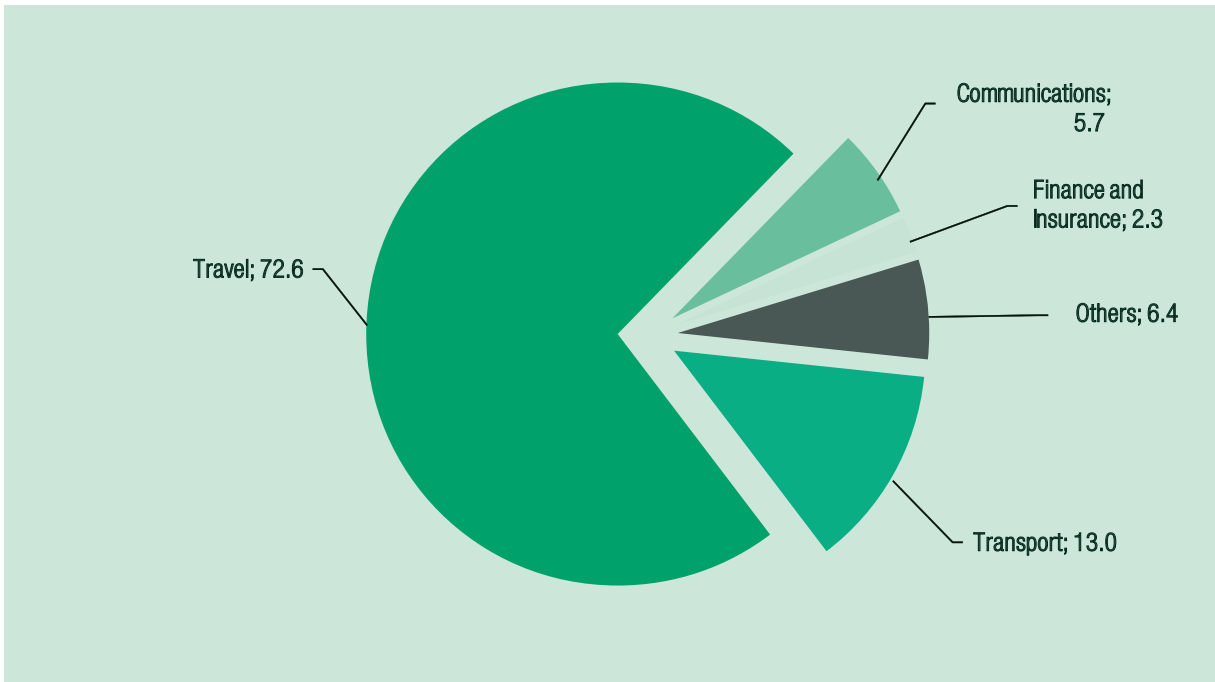
5. Trade in Services

Trade in services is an important source of external revenue, helping Jamaica to finance part of its merchandise trade deficits. In 2010 Jamaica's services exports reached \$2.7 billion, rising 5.1 per cent per year in the last 20 years and produced a \$750 million trade surplus. Nonetheless, Jamaica's services trade is also facing challenges that hinder its contribution to economic development and sustainable growth. Firstly, Jamaica's imports grew at an even faster rate (5.4 per cent) during the same period, hampering the growth of its services trade surplus and hindering its positive contribution to balancing current accounts. Indeed, Jamaica's trade surplus in services used to finance more than 60 per cent of merchandise trade deficit in 1992. This figure fell to 7 per cent before the global crisis before picking up slightly at 19 per cent again in 2010. Secondly, Jamaica's services exports

are not diversified. Up to 73 per cent of its exports are in travel services, which are closely related to tourism revenues (figure 8). Moreover, the sector's share in total services exports has not changed significantly during the last 20 years. The travel services sector is followed by transportation and communication sector. However, Jamaica has not been successful in establishing an export base in other services sectors.

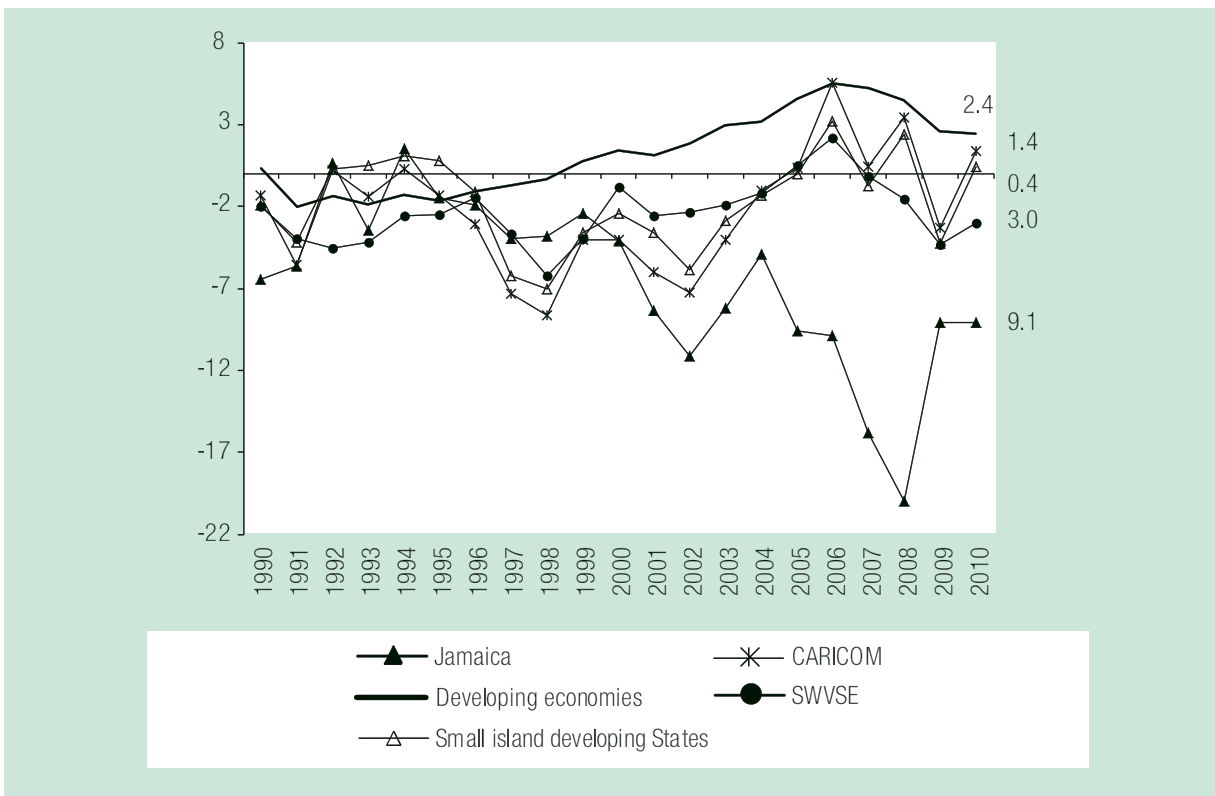
The tourism sector has shown resilience to the global financial crisis during the last two years. The number of tourist arrivals worldwide rose to 940 million in 2010, up 2.6 per cent from its 2008 figure. Jamaica's tourism sector has shown even greater success, as the number of tourist arrivals reached 1.9 million in 2010, 8.8 per cent above its pre-crisis level. Jamaica's post-crisis recovery in the tourism sector has been faster than the averages of Caribbean countries and developing countries. The medium-term performance of Jamaica's tourism sector has exceeded the average of Caribbean countries and the world, posting a 3.8 annual growth rate in tourist arrivals during the last 10 years.

Figure 8. Distribution of Jamaica's services exports by category, 2009 (Percentage)



Source: UNCTADStat.

Figure 9. Current account balance as a share of gross domestic product in Jamaica and other developing countries, 1990–2010 (Percentage)



Source: UNCTADStat.

6. Current account and capital flows

The current account deficit has been persistent in Jamaica since the mid-1990s (figure 9), when its current account (CA) balances started showing signs of decoupling from developing countries and later from other CARICOM countries. At the onset of the global crisis, Jamaica's CA deficit shot up to 20 per cent of GDP before settling down at 9.1 per cent (\$1.3 billion) in 2010. In comparison, developing countries posted a 2.4 per cent surplus.

Migrant's remittances are an important source of external funding, along with trade in services, helping Jamaica to trim its trade deficit in goods. In 2010, remittances received stood at \$2 billion, accounting for 14.7 per cent of GDP, significantly higher than the average of developing countries (1.5 per cent) and of CARICOM countries (7.7 per cent).

In addition to remittances, Jamaica has been receiving capital inflows, mostly in the form of foreign direct investment (FDI) and loans, which helps finance CA deficits. In 2010, financial accounts registered a \$1 billion surplus, thanks to \$437 million of net direct investments and \$620 million of other net investments. Jamaica's main source of other investments includes loans by non-financial sector and currency and deposit liabilities. In 2010, Jamaica received funding from IMF, which helped them to finance their external deficits.

In contrast with many developing countries, Jamaica's has been experiencing portfolio capital outflows during most of the last 10 years. The amount of net foreign debt instruments purchased by Jamaican residents stood at \$1.1 billion in 2010, \$350 million more than the value of debt securities sold to non-residents. Portfolio capital outflows are an important issue, as they affect the Government's efforts towards domestic resource mobilization, increases public and private sector costs of borrowing and thus hinders much-needed investment and potential output growth in Jamaica.

The persistence of CA deficits in Jamaica impedes the accumulation of international foreign exchange reserves. In 2010, they stood at \$2.5 billion, roughly six months' worth of imports, even after they were replenished by an IMF loan. At the onset of the global crisis, Jamaica's international reserves were barely enough to finance 2.5 months of imports. International reserves were considerably higher in other developing countries. The level of international reserves was

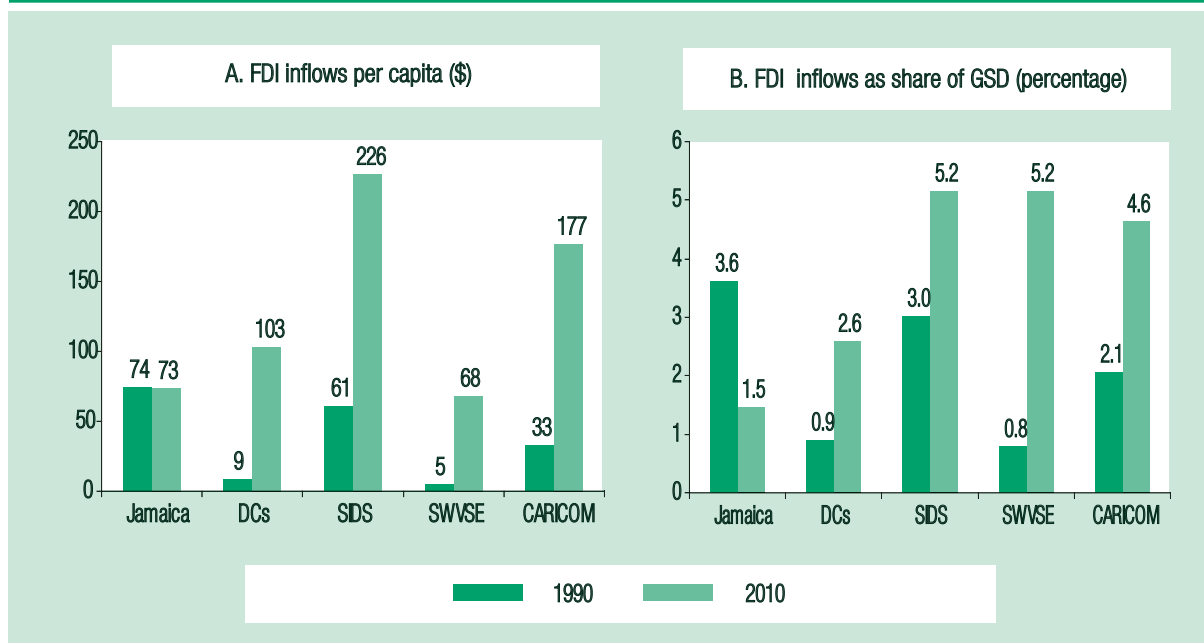
enough to finance 8.5 months and 13.8 months of imports in CARICOM countries and developing countries, respectively.

7. FDI flows and business environment

Despite the importance of FDI in closing CA deficits, Jamaica is not a major destination for FDI flows among developing countries. The FDI performance of Jamaica has lagged behind that of other developing countries during the last 20 years when FDI inflows to Jamaica gradually increased from \$175 million to \$1.4 billion before plummeting to \$201 million in 2010. The relative performance of FDI flows to Jamaica becomes clear when its per capita FDI inflows are compared with other developing countries (figure 10). While from 1990 to 2010, Jamaica's capital inflows remained constant around \$74 per person, it rose from \$9 to \$103 in developing countries and from \$33 to \$177 in CARICOM countries. As a share of GDP, the weakening flow of FDI to Jamaica during this period is in stark contrast with surging FDI flows to other developing countries, including CARICOM.

FDI flows play an important role in developing countries' development, as they are a stable external source of financing. In addition, they can lead to technology transfer from developed to developing countries, support developing countries' much-needed physical capital and create employment. However, FDI inflows eventually contribute to CA deficits of recipient countries as multinational companies (MNCs) start transferring part of their profits to other destinations. Indeed, Jamaica's investment income account has been registering a deficit since the 1990s, partly due to the transfer of the incomes of those companies abroad. Right before the global crisis, in 2007, more than \$ 0.5 billion was transferred abroad by these international companies.¹²

A business friendly investment environment can be a very crucial element of supporting domestic and foreign investments. Jamaica has been improving its business environment by simplifying its regulations and procedures, and creating a more business friendly climate.¹³ According to the World Bank and IFC ease of doing business statistics,¹⁴ Jamaica ranks 88th in the world. It is particularly successful in resolving insolvency issues (26th) and dealing with construction permits (49th). It also ranks 79th

Figure 10. Inflows of foreign direct investment to Jamaica and other developing countries, 1990 and 2010

Source: UNCTADStat.

in the protection of investors. Nevertheless, further improvements are possible by enhancing the quality of the institutional environment, governance and regulatory framework, and reducing bureaucracy and corruption.¹⁵ Paying taxes (172nd), enforcing contracts (126th), obtaining electricity (112th) and registering property (103rd) stand out as major issues for improvement. Particularly, Jamaica can reduce the procedure time to pay taxes and the procedure time and cost of enforcing contracts, obtaining electricity and registering property.

Establishing a single window/one-stop agency that could be accessed by all investors to obtain investment approval, investment licences and related regulatory approvals, visas and work permits (under the auspices of JAMPRO) would be an important step towards promoting trade facilitation and an enabling business and regulatory environment. The Government of Jamaica has already taken steps to include this proposal in the trade facilitation interventions as part of the National Aid for Trade Strategy.

Jamaica has taken further steps to improve its business climate. For example, its tax reform not only aims to raise tax revenues but also to simplify tax procedures and payments. Furthermore, the National Competitiveness Council, chaired by the Minister of Industry, Investment and Commerce and

whose Secretariat is housed at Jamaica Promotions (JAMPRO), has developed a comprehensive NCC Doing Business Reform Agenda that seeks to reform the business environment in Jamaica by focusing on improving the ranking of 10 indicators in the Doing Business Report and through initiatives such as streamlining development approvals, increasing access to capital and improving trading across borders.

In October 2012, the Development Bank of Jamaica prepared a policy framework and procedures manual for the privatization of Government assets: the Privatization Policy. The Bank also designed a policy and institutional framework for the implementation of a public-private partnership programme for the Government of Jamaica known as the PPP Policy. Both of these policies should facilitate the Government mobilization of private financial resources in a structured and transparent manner.

8. Revealed comparative advantage

Jamaica is facing challenges in building, supporting and developing comparative advantage in new products. One can measure a country's comparative advantage in products by computing the RCA statistics of a country.¹⁶ In 2010, Jamaica has RCA

in only 90 products of around 1,200 exportable merchandise products.¹⁷ In contrast, China (504 products), Brazil (207 products), India (320 products) and South Africa (232 products) managed to add a significantly greater number of products to their basket of exported good with RCA. Figure 11 demonstrates the contrast between Jamaica vis-à-vis Brazil and China. Jamaica's exports are highly concentrated in a few products, while China has many products with RCA. Brazil's exports lie somewhere in between China and Jamaica.

Caribbean countries are generally facing similar problems in diversifying their exports. While Trinidad and Tobago, the largest CARICOM economy, has RCA in only 42 products (figure 12), the third-largest member, Bahamas, has 77 products.

9. Oil dependence and renewable energy options

Oil dependence is a complex problem with no easy or short-term solutions. Jamaica can approach this problem from two fronts. The first one is reducing

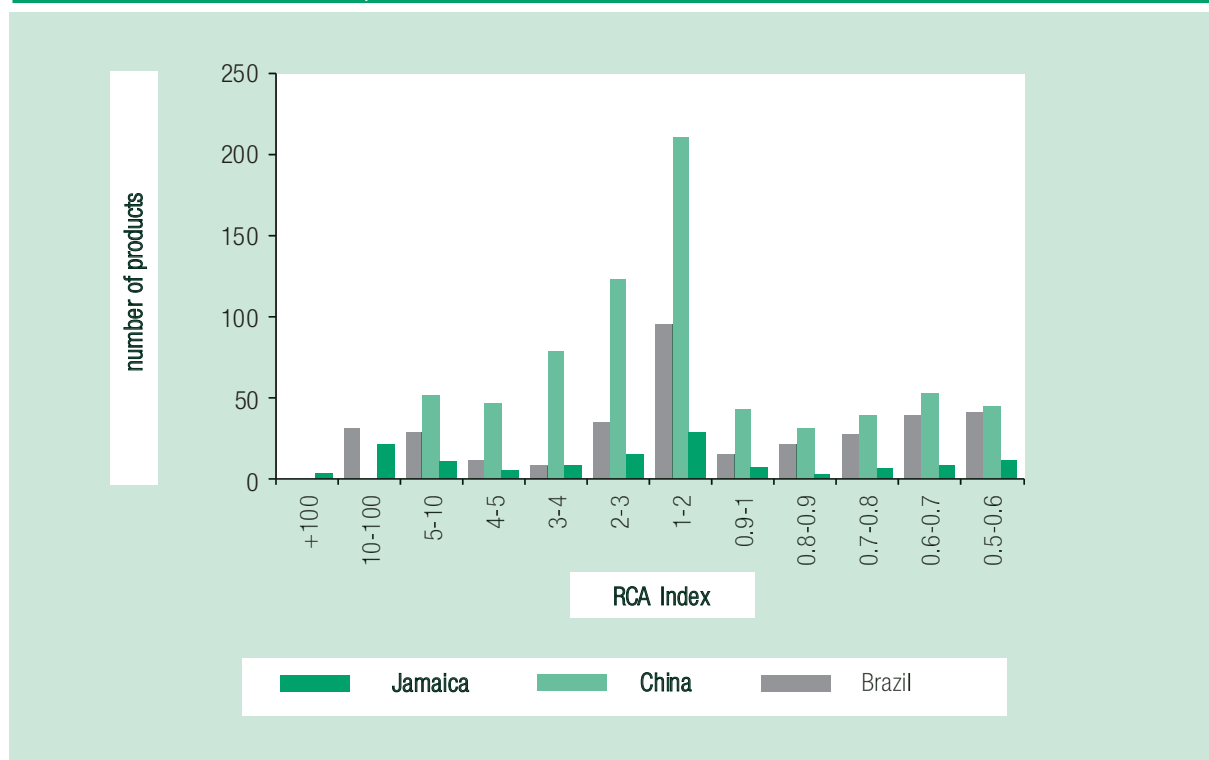
their exposure to excess volatility in oil prices, and the second one is diversifying its sources of energy.

Jamaica's oil dependence is mainly due to highly energy-intensive bauxite-alumina industries (18 per cent), electricity generation (31 per cent), and rail and road transportations (28 per cent) (figure 13). In particular, these three main sources of energy demand should be evaluated as to the feasibility of expanding their use of indigenous renewable energy (RE) sources.

Excess volatility in energy prices, particularly oil, can lead to significant swings in energy costs of importing countries and may destabilize national economies, especially when their current account deficits are highly dependent on their oil imports. Therefore, it is important for national governments to seek different means to reduce this volatility.

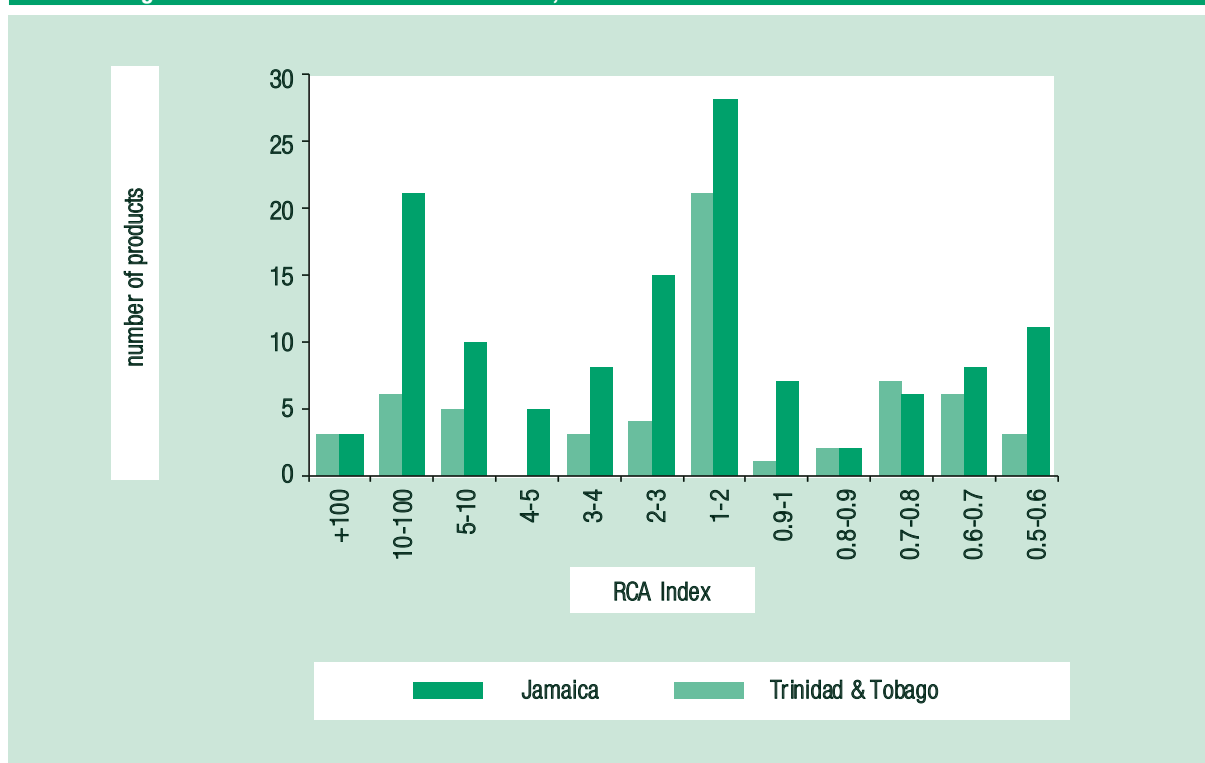
One should note that exposure to oil price volatility cannot be fully eliminated but it can be reduced by following certain policies, including building storage facilities for fossil fuels, as well as purchasing financial derivative instruments that will allow hedging exposure

Figure 11. Frequency distribution of products in Brazil, China and Jamaica by revealed comparative statistics and number of commodities, 2010



Source: UNCTAD calculations based on UNCTAD TRAINS database.

Figure 12. Frequency distribution of products in Jamaica and in Trinidad and Tobago by revealed comparative advantage statistics and number of commodities, 2010



Source: UNCTAD calculations based on UNCTAD TRAINS database.

to future unforeseen price changes. Hedging can be done by forward, future and options contracts. Hedging against commodity price changes is common among suppliers/exporters of commodities. For example, Mexico hedged its sale of oil for 2009 in 2008 and saved more than \$5 billion.¹⁸ Jamaica can consider and evaluate its options in hedging against commodity price fluctuations in both bauxite/alumina as an exporter and oil prices as an importer.

Financial instruments are not frequently used by developing countries due to a lack of familiarity by private sector operators and sometimes a lack of interest from governments. Nevertheless, in general, market-based instruments can play a fundamental role in building tailor-made facilities to deal with commodity price instability, both at the macro and micro levels.¹⁹

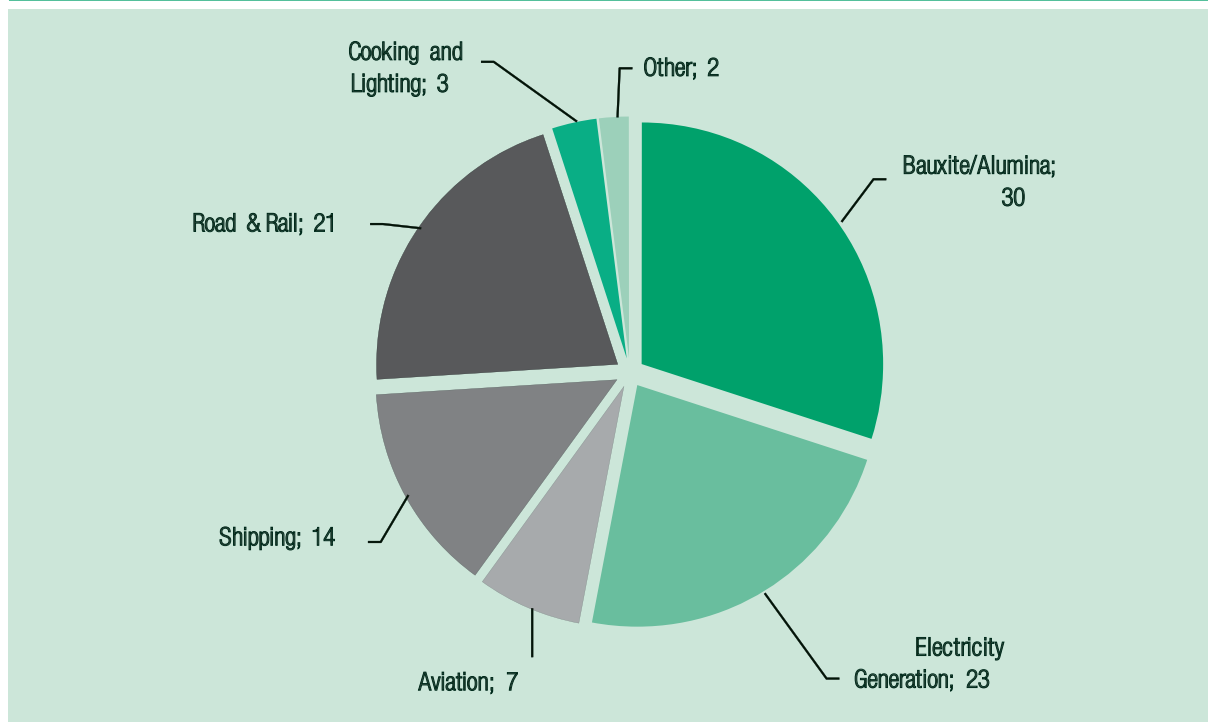
Building storage capacity and hedging against oil price changes can be used to mitigate the adverse effects of short-term commodity price fluctuations. Yet, they cannot reduce a country's dependence on oil imports and current account deficits it creates. Moreover, if

oil prices move upward for a reasonably long period of time, storage and hedging will not be enough to stabilize domestic prices of energy.

Therefore, countries like Jamaica need to diversify its sources of energy in order to achieve its long-term goals of reducing imported energy dependence and mitigating adverse effects of high energy costs on its development. Boxes 1 and 2 illustrate two experiences in Latin American with respect to RE and highlight challenges.

Jamaica has completed its national RE policy for the next 20 years, which extensively lays out plans, targets and priorities set out by the country.²⁰ According to this elaborate document, Jamaica is aiming to increase the share of RE in total energy from the current level of 9 per cent (2009) to 20 per cent by 2030. In 2012, the Government of Jamaica further raised its RE target to 30 per cent. This applies to the percentage of electricity supply to be met by RE.

Despite the rapid advances in the RE sector, it is not very likely that RE can totally eliminate a country's

Figure 13. Petroleum consumption by activity, 2011 (Percentage)

Source: Ministry of Science, Technology, Energy and Mining, 2012.

dependence on fossil fuels. However, diversifying energy sources, if pursued persistently, may help to ease its acute dependence on fossil fuels and greatly reduce a country's exposure to oil price shocks and help to stabilize current account deficits. Indeed, Jamaica is continuously working on its national energy policy to reduce the cost of energy supply by diversifying into LNG and renewable energy sources, by implementing energy conservation and efficiency projects and by increasing competition in the electricity sector.

The main problem of generating energy in Jamaica is its small energy market, which does not allow it to take advantage of economies of scale. In this respect, RES offers opportunities as they are particularly competitive in small-scale applications.²¹ Nonetheless, Jamaica also faces challenges related to a lack of awareness and knowledge of existing renewable sources, inadequate institutional and human resources in this field and lack of financial structures and opportunities.

Jamaica may also consider aligning its trade and tax policies with its energy strategies. For instance, increasing taxes on mineral fuels can encourage consumers to search for more efficient means of transportation and discourage consumption of imported

mineral fuels. Tax policies need to be adjusted gradually, based on a pre-determined and announced schedule, as demand for energy products is highly inelastic due to high costs of adjustment and low substitutability among alternative energy sources. Increasing taxes on mineral fuels could weaken profitability and competitiveness of the producers, as it increases their cost of production. Extra tax revenues on mineral fuel consumption can be used to finance and subsidize firms and household spending on alternative RE sources. Nevertheless, these policies could have adverse effects on Jamaica beyond its energy efficiency concerns. Therefore, policymakers need to carefully assess the feasibility of such policies as well as their impacts on different segments of the society.

10. Persistent budget deficits

Macroeconomic stability plays a crucial role in determining investment climate, and thus the long-term growth potential of a country. Persistent budget deficits and rising public debt stock can deter economic growth, especially when economies are not growing fast enough. Indeed, high public debt stocks may hinder a government's ability to supply high-quality

Box 1. Argentina: Mixed technologies for on and off-grid electrification

During the 1990s, the Government of Argentina classified electricity services in to two markets: grid-connected mainly urban customers and off-grid customers. Financing investments was the main obstacle facing provincial governments; therefore, the Government initiated, in 1995, the “Programme to Supply Electricity to the Rural Populations of Argentina” in order to attract private investment to the latter group of customers. The programme aimed at supplying electricity to around 1.4 million people and 6,000 public facilities in rural areas via private rural energy-services concessions. The Government later requested financial assistance from the World Bank and eventually received loan from the International Bank for Reconstruction and Development and a grant from the Global Environment Facility to subsidize the installation of a mix of RE technologies by private companies.

The project aimed to build solar photovoltaic panel (PV) homes systems in 65,000 rural households, small off-grid generation units such as solar PV, wind-turbines, mini-hydro plants and diesel units to supply 3,500 households, and 1,100 RE systems for public institutions. The programme also included capacity-building and training to improve technical, institutional and regulatory capabilities.

Each private concessionaire was free to choose the technology to apply but they had to provide and maintain household systems and public facilities in return for monthly fees. Moreover, they were required to provide electricity to rural off-grid customers anywhere in the province for at least 15 years, including the maintenance, repair and replacement of systems, if necessary. These service providers were monitored closely by the provincial utility regulatory agency in order to ensure service standards were met.

Source: UNCTAD (2010). RE Technologies for Rural Development.

Box 2. Ecuador and Peru: Solar energy and PV systems

The project “Development of Electricity Service Operators in Ecuador and Peru” was co-financed under the COOPENER action of the Intelligent Energy Europe Programme. As part of the project, the group Off-Grid Power Supply at the Fraunhofer Institute for Solar Energy Systems developed alternative RE solutions for remote houses, villages, water desalination systems in Ecuador and Peru. Their RE solutions include stand-alone PV systems, hybrid PV systems, PV backup systems (grid connected). The group also takes into account other legal, social and economic aspects of rural electrification such as financing instruments and local operation models.

The financing of off-grid RE Technologies still remains a challenge. Financing instruments such as the feed-in tariff regulation in Ecuador would provide a long-term solution for RE projects. However, so far the institutional framework together with technical issues on measurement and monitoring make the benefit of a feed-in tariff impractical. Technical solutions can support this regulation and scale-up REs and their benefits in local rural communities.

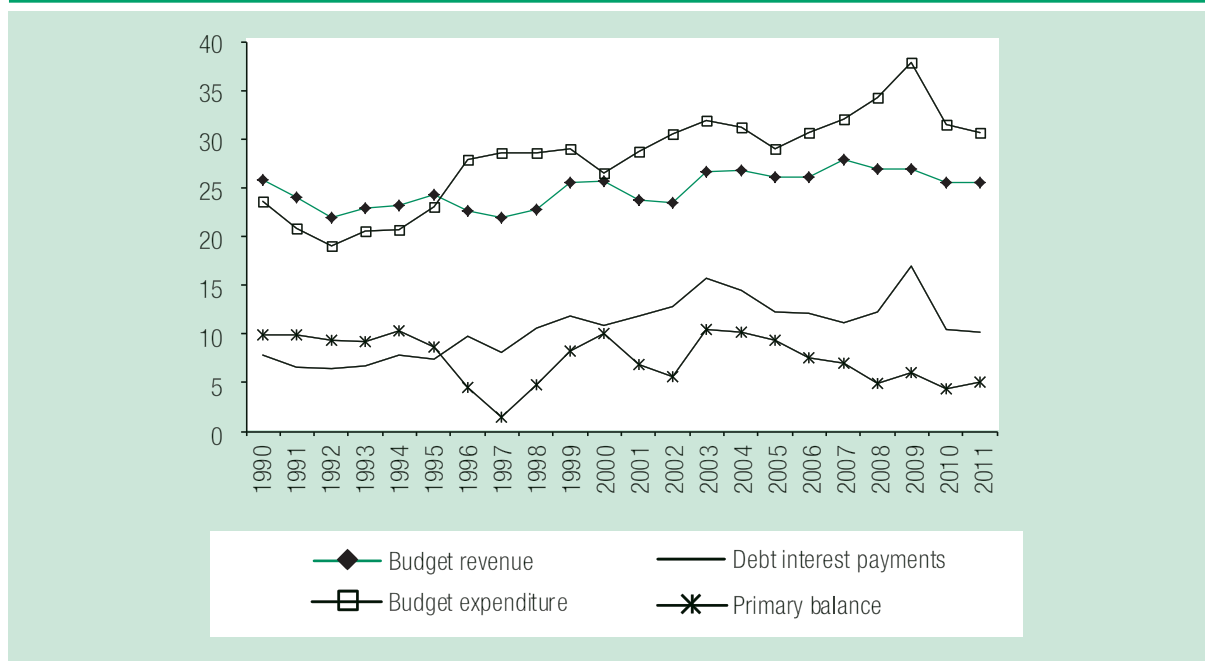
Source: Alliance for Rural Electrification, Best Practices of the Alliance for Rural Electrification: What RE can Achieve in Developing Countries.

services and foster development.²² Fragility of public finances often leads to a depletion of available funds for financing in the domestic market and a worsening of the financial climate for the private sector, as they find it more difficult to meet their borrowing needs.

Public sector imbalance, which emerged in 1996, became a major issue for Jamaica during the 2000s (figure 14). Right before the global crisis, budget revenues stood around 25–26 per cent, while budget expenditures were rising steadily up to 32 per cent of GDP in 2007. Persistent budget deficits lead to the accumulation of debt stock over this period. Despite high primary budget surpluses, Jamaica concluded 2007 with 1 trillion JMD or 109 per cent of GDP public debt stock. The global crisis further deteriorated public balances as economic slowdown reduced

budget revenues and draught in global funding spike interest payments on public borrowing. As the global economic reach to its climax in 2009, Jamaica's public debt stock reached to almost 130 per cent of GDP. Jamaica recently initiated a fiscal consolidation programme as part of a stand-by agreement with IMF, including rising taxes on high-income earners, a voluntary debt exchange programme and reforming the public sector.

Persistently high budget deficits significantly constrain a national government's playing field in countercyclical fiscal policies. Countries with high debt stock lose their playing field in the case of economic downturns, as falling tax revenues and mounting unemployment claims widen their already stretched budget deficits. Governments in these economies often choose to

Figure 14. Public balances, 1990–2011 (Percentage of gross domestic product)

Source: Economist Intelligence Unit database.

pursue austerity policies. However, these policies also include risks, as they may further hinder recovery of domestic consumption, investment and production in the economy and heighten social tensions. As long as an economy cannot recover swiftly from an economic downturn, there is a serious threat of being trapped in a low-growth–high-debt vicious circle. Therefore, if private demand is paralysed due to uncertainty about future income prospects, budget consolidation or reducing the public debt is unlikely to succeed.²³ The share of the informal economy is estimated to be around 40 per cent of the economy in Jamaica.²⁴ The Government needs to improve efficiency of its tax collection system by bringing informal economic activities to formal sectors and broadening its tax base. This will allow Jamaica to increase its tax revenues without raising taxes and damaging competitiveness in the formal sectors. Discussions are ongoing on initiatives to broaden the tax base.

In order to address the country's budget deficit and macroeconomic stability, Jamaica included several measures in its economic plans. Its NDP, which establishes the country's national development goals in line with its vision, puts special emphasis on budget deficits and macroeconomic stability. Government initiatives, such as the 2012–2015 MFT and the

medium-term economic programme, include key proposals such as improving the macroeconomic framework by executing fiscal consolidation in coherence with growth-inducement measures, implementing fundamental tax reform that simplifies tax procedures and payments, and reforming the system of waivers and incentives to the productive sectors.

11. Millennium Development Goals and social indicators

Jamaica has already achieved its MDG1 goal of eradicating poverty and hunger. Poverty rate, measured as a percentage of the population earning less than \$1 a day is rather low, around 0.2 per cent (2004), in Jamaica. The share of population below the national poverty line is higher but has been falling gradually during the last 20 years from as high as 44.6 per cent in 1991 to 9.9 per cent in 2007. With the beginning of the global financial crisis, this trend has partially reversed, and the poverty rate climbed up to 17.1 per cent in 2010. Another poverty indicator, the share of the urban population living in slums, is still hovering, at high rates (60.5 per cent), posing significant challenges to policymakers.²⁵ Jamaica has been facing difficulties in achieving MDG2 (universal primary education) during the last 20 years. Total net

enrolment ratio in primary education fell from 97.1 per cent in 1991 to 80.5 per cent during this period.²⁶ Quality of education, under-performance of boys and attendance problems are other issues that need to be addressed.²⁷ Gender equality (MDG3) is another area in which progress has been lagging. In particular, boys are in tertiary education²⁸ and women in parliament are under-represented (13 per cent). Jamaica is still far behind its child mortality rate targets (MDG4); under-five and infant mortality rates in 2009 were 26 per cent and 22 per cent, respectively.

On the positive side, there has been significant progress in child immunization against measles. Jamaica is still facing challenges in reaching MDG5

(improving maternal health), as the maternal mortality ratio is still standing at 89 per 100,000 live births. However, Jamaica's share of births attended by skilled personnel and antenatal care coverage ratios are reasonably high. Jamaica is also on track in achieving the MDG6 target (combating HIV/AIDS, malaria and other diseases). Lastly, Jamaica's progress in MDG7 (ensuring environmental sustainability) has been lagging as well. The proportion of the population that has access to improved drinking water is high (94 per cent in 2008); yet there is almost no progress in terms of the percentage of population using improved sanitation facilities (83 per cent in 2008) during the last 20 years.

HIGHLIGHTS OF CHAPTER I

National development goals of Jamaica

Vision 2030, NDP, MTF and NIP are the key policy and strategic documents highlighting Jamaica's development goals. These include sustainable management and the use of environmental and natural resources, effective governance, a healthy population, world-class education and training, strong economic infrastructure, energy security, a technology-enabled society, a stable macroeconomy, internationally competitive enterprises and industry structures, and an enabling business environment.

In addition, Jamaica has strategies aiming to develop the following sectors: agriculture, manufacturing, mining and quarrying, and services (with a focus on creative industries, sport, ICT and tourism sectors). Jamaica is also seeking to improve export performance in the following subsectors: agro-processing (food and beverages), aquaculture, coffee, education, entertainment, ICT, fashion and minerals.

In these policy strategic documents and strategies, trade appears as an important factor to overcome development challenges from two perspectives:

- Developing the capacity to trade, i.e. improving the capacity to compete in export markets;
- Ensuring that the wider society obtains development benefits from trade (through increased revenues, employment). For instance, reference is made to the need to develop economic linkages and clusters and to the need to support local communities.

Integrating trade in development strategies effectively entails the systematic promotion of mutually reinforcing policy actions across government departments and agencies with a view to creating synergies in support of agreed development goals. A new, more comprehensive and coherent trade policy would encompass (a) coherence with the macroeconomic framework, fiscal, regulatory and institutions and safety nets to address supply-side constraints that inhibit trade expansion and competitiveness; and (b) import and export strategies, production and trade in both goods and services, maximizing participation in regional and international trade agreements and regional coordination trade policies at the CARICOM level.

Review of economic and trade performance of the country

When compared with the region and countries of similar economic development and GDP, Jamaica has underperformed during recent decades, in terms of economic growth. The Jamaican economy shows a high unemployment rate, high public debt, persistence of current account deficit, lack of accumulation of foreign exchange reserves and low levels of investment.

Three factors are of importance to understand the current situation. On one hand, persistent budget deficits combined with rising public debt stock, which can hinder economic growth, especially when economies are not growing fast enough. On the other hand, energy dependence, which not only affects foreign exchange reserves (through the import bill), but also adversely affects the competitiveness of Jamaican companies, particularly firms in energy-intensive manufacturing sectors.

In this context, diversifying energy sources, improving the business environment, upgrading human capital and integrating informal businesses can make an importance contribution to improving economic performance.

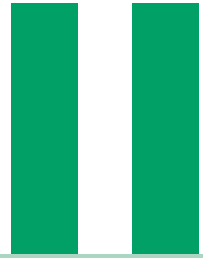
CHAPTER II HIGHLIGHTS *(cont'd)*

Diversifying energy sources can help achieve the long-term goals of reducing imported energy dependence and mitigating the adverse effects of high energy costs on its development. The main challenge in generating energy in Jamaica is its small energy market, which does not allow taking advantage of economies of scale. However, certain policies may help ease Jamaica's acute dependence on fossil fuels. Aligning Jamaica's trade policies, energy policies and tax policies can be done to achieve this objective. However, policymakers should carefully examine the feasibility and potentially adverse effects of these policies on different sections of the society as well.

Improving the business environment can be a crucial element of supporting domestic and as foreign investment. Major issues for improvement in the case of Jamaica include: (a) streamlining procedures and reducing time to pay taxes and (b) reducing procedures, time and costs related to enforcing contracts, ensuring electricity supply and registering property.

Integrating informal businesses in the formal sector can help not only to broaden the tax base but also to promote pro-poor economic development. This issue is of importance taking into account that the share of informal economy is estimated at 40 per cent of the economy in Jamaica.

Jamaica's trade has also underperformed during the last 20 years: Jamaica's trade deficit never dropped below 15 per cent of GDP in this period. Three interconnected reasons explain this phenomenon: a high concentration in export markets, undiversified export products and a deterioration of terms of trade. Diversifying export markets and supply (in goods and services) is important to improve Jamaica's trade performance.



TRADE POLICY ENVIRONMENTS AND INSTRUMENTS



A. FEATURES OF POLICY RELATED TO MERCHANDISE TRADE

This chapter discusses the main institutions and trade policy instruments used by the Government of Jamaica to influence its participation in international and regional trade.

1. Institutional framework

The formulation and coordination of Jamaica's foreign trade policy remains mainly under the authority of MFAFT, which coordinates trade policy matters and is responsible for bilateral, regional, and multilateral trade and investment negotiations.

The Jamaica Trade and Adjustment Team (JTAT) was created in 2001 as a consultations and coordination mechanism between the public and private sector given in the context of Jamaica's involvement in WTO Doha Round of negotiations, FTAA and negotiations with the European Union. The functions of JTAT are several:

- Assist in policy formulation and implementation on trade matters;
- Facilitate effective coordination of all public sector and private sector organizations and individuals involved in trade policy formulation and implementation;
- Provide information and advice in respect of all multilateral and bilateral negotiations to protect Jamaica's vital trade interests, particularly in light of its obligations as a partner in the CARICOM Single Market and Economy;
- Assess national and sectoral plans to guide trade policy and negotiating strategies to achieve competitiveness;
- Engage in trade-related research to guide trade policy and trade negotiations and determine the appropriate institutional changes required to facilitate competitiveness;
- Assist in information dissemination about trade policy to the wider society. JTAT's membership includes the trade-related Government ministries, departments and agencies, representatives of the private sector organization (PSOJ), the Jamaica Manufacturers Association (JMA), the Jamaica Chamber of Commerce (JCC), the Jamaica Exporters Association (JEA), trade unions, civil society groups and representatives of academia.²⁹

Other ministries are involved in trade-related activities and thus collaborate with MFAFT to design and implement trade strategies and policies. These include the Ministry of Industry, Investment and Commerce;³⁰ the Ministry of Transport, Works and Housing; the Ministry of Tourism and Entertainment; the Statistical Institute of Jamaica; the Ministry of Finance, Planning and Public Service; the Bank of Jamaica; the Ministry of Agriculture and Fisheries; Jamaica Customs; Jamaica Promotions Corporation (JAMPRO) and the Ministry of Science, Technology, Energy and Mining.

In the multilateral setting, Jamaica is a founding member of WTO. As part of WTO, Jamaica has, in the past, lowered customs tariffs and other trade barriers and committed to keeping open services markets. It has also adopted disciplines related to transparency and having a bearing on the design and implementation of trade policies.

In the context of this forum, Jamaica is currently engaged in the Doha Round trade negotiations, and is recognized as a small and vulnerable economy (SVE). SVEs (in general) and Jamaica (in particular) confront specific challenges in their participation in world trade to diversify local production and enter the multilateral trading system. Examples of such challenges are lacking economies of scale, having limited natural and human resources and facing high transport costs for their exports.³¹

In recognition of these challenges, the working hypothesis for decision-making in the ongoing negotiations that will shape the future trade-related disciplines contemplates a hierarchy of contributions. This scenario implies that Jamaica will be expected to contribute less than other emerging developing countries such as Brazil, China, India and South Africa and, at the same time, more than least developed countries (LDCs) in terms of liberalization commitments in agricultural and manufactured goods.³² Jamaica expects to reap the benefits of trade liberalization mainly in the market access of services and goods and also attain some of its development objectives through capacity-building and the implementation of trade facilitation measures.

Regarding regional trade agreements (RTAs), Jamaica is a member of CARICOM. Trade policies defined in the context of CARICOM provide guidance to trade policies pursued by Jamaica with respect to economic integration, cooperation (aimed at creating economies scale and sharing the costs of provision

of public goods) and coordination of positions on trade negotiations. Work in the context of CARICOM affecting the policymaking of Jamaica in the trade sphere include, for example, the administration of the common external tariff (CET), policy coordination and joint cooperation programmes in the context of energy, health, education and sustainable development and the coordination of positions in trade negotiations.

Within the framework of CARICOM, Jamaica has entered into preferential trade agreements with the Bolivarian Republic of Venezuela, Colombia, the Dominican Republic, Cuba and Costa Rica. With the Caribbean Forum (CARIFORUM), Jamaica has entered into an economic partnership with the European Union.

Jamaica enjoys preferential market access from the United States, through the Caribbean Basin Initiative and the Caribbean–Canada Agreement (CARIBCAN) and is a beneficiary of the GSP schemes of Australia, Japan, New Zealand and Switzerland.

2. Existing trade policies and trade instruments

Jamaica embraced trade liberalization and has undertaken it on a unilateral basis through structural adjustment programmes starting in the 1970s,³³ previous multilateral rounds and in the context of CARICOM. In the current context, Jamaica recognizes the critical importance of trade, imports and exports of goods and services to small, developing economies.

Jamaica expected such liberalization would lead to commercial benefits from trade, and thus to development. Yet it feels it has reaped limited benefits from it: since the 1990s, it has seen a deterioration of its situation in terms of poor performance of exports, a high degree of concentration of specific commodities in overall trade, low total value of merchandise exports and increased import dependency, particularly of energy and food.³⁴

In addition, due to the effects of the global economic crisis, Jamaica's economy has deteriorated in recent years. Sharp falls of 60 per cent in bauxite and

aluminium production and exports and a sharp decline in remittances sent by Jamaicans living abroad have led to a contraction of the economy.³⁵ In the current context, priority objectives of the trade policy of Jamaica are export development and diversification. These objectives are considered key to achieving growth and poverty reduction.

2.1. Trade Policy by Sector

Jamaica is a net goods-importing country. To illustrate the extent of this situation, the average for the period 1999–2010 of imports to GDP was equivalent to 41.89 per cent. In contrast, the average for the same period of exports to GDP was equivalent to 13.72 per cent.³⁶ (See table 7.)

2.1.1. Mining

As mentioned in the first chapter, Jamaica's trade in goods is dominated by mining and quarrying (particularly bauxite and alumina), an important foreign exchange earner. The mining and quarrying industry was adversely affected by the international economic crisis. Indeed this sector experienced a severe contraction in 2009, with its contribution to overall GDP declining to 2 per cent from 3.8 per cent in 2008.

Apart from alumina, capacity utilization at the lone bauxite plant fell to 71.1 per cent in 2009 from nearly 90 per cent the year before. Mining and quarrying, and bauxite's and alumina's contributions to traditional domestic export earnings fell by 25.4 per cent and 70.1 per cent, respectively, between 2008 and 2009. This decline was due to lower international demand for alumina and the closure of three alumina companies operating in Jamaica.

Incentives to the mining sector that fall within the realm of trade policy instruments are:

- Import duty concessions and tax exemptions for any business engaged in mining activities on capital equipment, lubricating oils, grease, blasting materials, and chemicals and other materials (except petrol) necessary for the treating and transportation of bauxite;

Table 7. Growth rate of gross value added by industry at current prices (mining), 2006–2010 (Percentage)

2006	2007	2008	2009	2010
8.6	18.7	[49.8]	[45]	41.8

Source: Statistical Institute of Jamaica.

- Tax exemptions (relief from customs duties and general consumption tax) for oil refineries on imported articles used in the construction, manufacture and operation of refineries.

In addition, the Government is involved in commercial mining activities through publicly owned companies that operate on a commercial basis.

In spite of the incentives provided to promote the sector, the performance of the sector in recent years has not yielded expected results. Besides the effects of the recent crisis, the disappointing performance of the sector has been attributed to a lack of necessary infrastructure (particularly the high cost of energy),³⁷ a lack of access to credit and limited backward or forward integration with the rest of the Jamaican economy.³⁸

In view of this situation, the Government of Jamaica is currently seeking to regain competitiveness in the bauxite and alumina industry.³⁹ To achieve this, the Government of Jamaica will take steps to address the high energy costs in the sector and attempt to refine more minerals locally.⁴⁰ Action envisaged to achieve this include developing cost-efficient energy solutions, encouraging investment in capacity expansion and reconfiguring technical capabilities.

Jamaica is also seeking to take greater advantage of other mineral resources, particularly those based on limestone, through the development of value added mineral-based manufacturing and services associated with the extraction and trading of minerals (professional, maintenance). Other products extracted by Jamaica in the mining sector are metallic minerals (including bauxite and gold), non-metallic minerals (clay, dolomite, gypsum, limestone, marble, sand and gravel, silica sand, volcanic rocks and shale), and semi-precious minerals.

Acknowledging that the exploitation of resources (aside from bauxite and alumina) is not taking place in a commercial manner and on an extensive scale, the Government of Jamaica will, inter alia, take the following steps to mature the sector and develop its export orientation:

- Facilitation of retooling and upgrading of mines and plants with a view to improving their position on the global cost curve;
- Rationalization of legislation to provide similar benefits to all segments of the minerals industry;

- Expansion and improved utilization of port facilities employing the principle of coexistence and development of multi-use facilities;
- Substantial skills upgrading;
- Improved coordination of marketing strategies.

2.1.2. Agriculture and aquaculture

In contrast with other sectors, whose performance was reviewed and assessed by the Jamaican Government in 2009, 2010 and 2011 because of recent crisis-related developments, policies related to agriculture were reviewed and changed earlier. The direction of this sector – and particularly for traditional export products such as sugar and bananas – was changed in 2003–2004 because of the expiry of preferences from the European Union and dispute settlement cases brought to WTO relating to the European regime for these two commodities.⁴¹

Sugar cane and banana exports to the European Union were affected by the expiry of the Cotonou trade-related instruments in 2009. Such instruments encompassed not only unilateral preferences but also specific tariff quotas and, in some cases, guaranteed prices (in the case of beef, bananas and sugar). The current trade framework (the CARIFORUM EPA), which replaced the former preferential trade relationship between Jamaica and the European Union, provides duty-free and quota-free treatment for sugar and bananas.

To cope with the loss of these benefits, the Government put in place several policies to cope with changes affecting these two agricultural subsectors, which included initiatives to increase private sector participation, improve productivity and competitiveness, develop marketability and enhance the impact on employment and rural livelihoods.

In parallel, the Ministry of Agriculture introduced several initiatives to increase production in other sectors. For instance, a campaign to “eat more of what we grow and grow more of what we eat” was implemented. It also included a production and productivity programme (October 2008) aimed at improving best-practice methodologies for farmers producing domestic crops; achieving food security; increasing exports; and promoting import substitution and agro-processing. The programme also included the development of greenhouse farms, the provision of machinery and low-cost fertilizer to assist farmers in land cultivation and crop development. Additionally,

other programmes offered farmers increased support in irrigation, marketing and extension services. In 2009, the industry also benefited from new entrants due to the downturn in other industries. On average, there were 10,500 more persons employed in the industry in 2009 compared with 2008.

As a result of these initiatives, today – aside from traditional export products (sugar and bananas) – main products exported also include coffee, citrus, pimento and cocoa (non-traditionals). Specific products identified for further development in the National Export Strategy of 2001 include fish, crustaceans and mollusks; canned goods (such as soups, vegetables, sauces, dry pack foods, frozen foods, in particular ready-to prepare meals); puree; baked goods; beverages (rum, beer and non-alcoholic beverages, both carbonated and non-carbonated) and coffee. Further growth in exports of agro-processed products is constrained by non-tariff measures in export markets (see specific section on non-tariff barriers).

Incentives to the agriculture sector that fall within the realm of trade policy instruments include:

- Domestic support classified as “green box”, which includes support services to develop the sector and enhance its competitiveness, including research and development relating to livestock, and extension and advisory services.⁴² The Government also provides plant quarantine and veterinary services and the development of technology services. The most recent notification (2007) in WTO indicates that the value of this support was equivalent to \$18.5 million.
- Incentives to encourage agricultural production include tax relief for agri-industrial products and exemptions (from income tax and duties for 5 to 10 years on a renewable basis); a duty concession rate of 20 per cent is applied on imports of certain categories of vehicles for farmers growing almost all products, and companies involved in hatching eggs and fish farming.

These incentives and policies led in 2009–2010 to increased agricultural output and decreased imports in spite of a crisis context. The performance of this sector is in line with the Government’s goal to overcome low productivity and vulnerability to increased competition from imports.⁴³

In spite of these initiatives, Jamaica continues to be a net importer of agricultural products. Main agricultural and food products imported include cereals and cereal preparations; meat and meat preparations; fish, crustaceans and preparations (vegetables, fruits and dairy products). Agriculture imports (food only) for the period 2005–2010 represented on average 15 per cent of total (goods) imports, as can be seen from table 8.

Import dependence and high import competition are perceived as challenges for policymakers. Further growth of production to cater for domestic needs is constrained by limited arable land available (15 per cent).⁴⁴

2.1.3. Manufacturing

According to 2007 data, the main subsectors in the manufacturing sector are food (35 per cent), alcoholic beverages and tobacco products (14 per cent), chemicals (10 per cent), non-metallic mineral products (8 per cent), metals (7 per cent), and furniture and wood products (4 per cent).⁴⁵ NIP (1996) identified three strategic clusters that are a key for the development of Jamaica:

Cluster # 3: Agro-Processing

Cluster # 4: Apparel: - Other light manufacturing

Cluster # 5: Minerals; - Caustic soda
- Chemicals
- Ceramics

Table 8. Agricultural (food) imports as a share of total imports

	2005	2006	2007	2008	2009	2010
Value of food imports	717 691.50	725 307.65	856 785.1	1 035 409.94	917 666.82	923 247.76
As percentage of goods imports	15	14	13	12	18	18

Source: UNCTADStat.

In addition, NIP identified the following specific products/sectors for further development: light manufacturing (in the apparel sector), caustic soda, chemicals and ceramics (in the minerals sector). In

addition, NES identified jewellery and accessories.

Incentives to the manufacturing sector that fall within the realm of trade policy instruments include the following:

<i>Modernization of Industry Programme</i>	Provides for a waiver of GCT chargeable on the acquisition of machinery and equipment directly related to eligible manufacturing and/or quarrying operation
<i>Customs user fee waiver</i>	Waiver of the customs user fee on capital equipment and raw material for the first three years of operation of the entity
<i>Accelerated depreciation/special capital allowance</i>	Manufacturers are able to write off the cost of capital equipment over a period of one year instead of two years
<i>Export Industry Encouragement Act</i>	For approved export manufacturers and exports destined outside CARICOM markets: <ul style="list-style-type: none"> • Ten years of income-tax relief and exemption from customs duties, and from general consumption tax on imported raw materials and machinery • Export allowance that is related to incremental export sales above the level of export sales attained in base year 1996 or fiscal year 1996–1997
<i>Jamaica Export Free Zone Act</i>	For companies located in the zone: <ul style="list-style-type: none"> • Income-tax relief on profits or gains from such activities as well as exemption from import duties and licensing • Total relief from income tax in respect of profits or gains earned from such activities (subject to certain requisites and conditions) • Limited benefits for companies located outside the zone
<i>Factory Construction Law</i>	<ul style="list-style-type: none"> • Potential beneficiaries: companies that construct factories and lease or sell them to manufacturers under the Export Industry Encouragement Act. • Grants relief from import duties (for items which are not available locally) and from income tax on income earned from the lease of factories or gains made from sales.

Source: WTO, 2010, website of the Jamaican Embassy in China, and Manufacturing Sector Plan (2009–2030).

Box 3. Jamaica's export free zones

Jamaica has five free trade zones: Kingston, Montego Bay, Garmex, Cazoumar and Portmore. Generally inputs are imported in these free zones, processed and re-exported. Jamaica offers incentives (such as tax concessions and duty-free access for imports of inputs and capital goods and streamlined customs procedures) to enterprises that are physically located inside the zones. Businesses that operate in the zones must be in the fields of manufacturing, warehousing and storage, distribution, processing, refining, assembly, packaging, or service operations.

Free zones contributed greatly to generating employment in the textile manufacturing sector in the 1980s and 1990s. However, many of the activities in these sectors were labour intensive and exhibited a low level of productivity. Currently, Jamaica is seeking to use free zones to attract investment and encourage the growth of manufacturing export industries in the ICT sector and thus contribute to the diversification of the economy.

However, as result of WTO disciplines regarding subsidies, Jamaica is expected to eliminate its export subsidies by the end of 2015. Thus some of the incentives offered currently to Free Zones might be affected.

Source: WTO (2010). Trade Policy Review of Jamaica. Report by the Secretariat; Panadeiros, Monica and Benfield, Warren (2010). Productive development policies in Jamaica. IDB Working Paper Series No. IDB-WP-128. Inter-American Development Bank, Department of Research and Chief Economies. March 2010.

The incentives contained in the Export Industry Encouragement Act contain elements that would classify this programme as an export subsidy. In accordance with decisions and commitments to eliminate export subsidies at WTO, this programme will be phased out in 2015.

Some criticism on to the effectiveness of incentives has appeared in the local media. They highlight the level of fiscal foregone revenue, the fact that sectors selected include traditional sectors (as opposed to nascent industries) and the fact that they are not linked to employment creation.⁴⁶

The Government is of the view that that the performance of this sector declined in the 1990s and that this decline was relative, taking into account that it remains the largest goods-producing sector in the economy.⁴⁷ A study⁴⁸ indicated that the performance of this sector started declining in the 1980s (in terms of contribution to GDP and domestic consumption).

The above study identified the following weaknesses in this sector: dependence on imported inputs instead of on local agricultural and mineral production and exports concentrated in those derived from Free Zone manufacturing (which created fewer linkages with the domestic economy than the traditional manufacturing sector had maintained). This study also suggests that trade liberalization was one of the main reasons for the decline in manufacturing for the domestic market.

This sector was greatly affected as a result of the financial crisis: manufacturing declined by 5 per cent in 2009 to 8.3 per cent of GDP. This decline was far greater than in 2008 (1.4 per cent) and was mainly due to falling food and beverage production. Manufacturing suffered from weak external and domestic demand due to lower incomes.⁴⁹ In addition, the sector was also affected by low labour productivity, high energy costs, high costs of capital, high costs of transport, burdensome import and export procedures, and high costs of compliance with product and process standards.

The goal of the Government in this sector is to achieve levels of productivity that will enable this sector to compete successfully in domestic and export markets.⁵⁰ In this regard, the Government is seeking to enable the manufacturing sector to make the transition to higher levels of productivity and value added production using efficient technologies and environmentally sustainable processes and an enabling business and regulatory environment. The

2009–2030 Manufacturing Sector Plan envisages the following actions and objectives:

<i>Improve the productivity of the manufacturing sector</i>	<ul style="list-style-type: none"> • Capital deepening • Labour force quality • Total factor productivity
<i>Improve the economic and market opportunities of the manufacturing sector</i>	<ul style="list-style-type: none"> • Intersectoral linkages • Quality and service • Market access • Brand Jamaica
<i>Improve the environmental sustainability of the manufacturing sector</i>	<ul style="list-style-type: none"> • Environmental management and standards • Hazard mitigation and resilience

3. Import duties and other measures applying to imports

3.1. Tariff regime (WTO commitments)

Jamaica has bound 100 per cent of its tariffs at WTO, with a current average rate of 52.32 per cent (98.2 per cent for agricultural products (WTO definition) and 43.4 per cent for non-agricultural products). Tariff rates on non-agricultural products were bound at a uniform rate of 50 per cent (with the exception of those previously bound at the lower level). In agriculture, Jamaica bound its tariffs at 100 per cent (except for those previously bound at the lower level). On average, tariff protection (applied rates) for agricultural products remains substantially higher than for non-agricultural products, at 19 per cent and 7.3 per cent, respectively (Table 9).

With respect to applied rates, Jamaica's average MFN tariff was 9.4 per cent in 2010. The WTO estimates⁵¹ that 58 per cent of Jamaica's MFN tariff lines were duty free in 2010, 18 per cent of tariffs were between 15–20 per cent ad valorem, 6 per cent of tariffs were between 10–15 per cent and approximately 8 per cent were over 35 per cent. The Jamaican tariff has 11 tiers, with rates of 0, 5, 10, 15, 20, 25, 30, 40, 50, 75, and 100 per cent. The tariff structure of Jamaica shows escalation as illustrated in table 10.

Table 9. Most favoured nation import duties (Percentage)

Product description	Simple average - Final bound	Simple average - Applied, 2013
All goods	49	10.4
Agriculture goods (AoA)	97	18.6
— Fruits, vegetables and plants	99.5	23.2
— Cereal and preparations	100	13.9
Non-agricultural goods	42.4	9.1
— Fish and fish products	50.8	28.9
— Wood, paper, etc.	49.0	9.7
— Textiles	49.5	7.3
— Clothing	50.0	19.8
— Electrical machinery	47.5	9.7
— Transport equipment	47.3	8.5

Source: WTO Report of the Jamaica TPR (2010).

Table 10. Level of tariff by stage of processing

Product by stage of processing	Number of tariff lines	Simple average Final bound (percentage)	Simple average Applied (percentage)
First stage of processing	918	73.5	17.1
Semi-processed products	1 910	40.7	1.9
Fully processed products	4 028	53.5	11.2

Source: WTO Report of the Jamaica TPR (2010).

In 2010, MFN applied rates exceeded their bound levels (resulting from the Uruguay Round) for certain non-agricultural products. For some items, the gap is over 10 percentage points.

As a result of the ongoing Doha Round, Jamaica will be expected to bring down its tariffs. Jamaica, as an SVE benefits, in the ongoing Doha Round, from a “more flexible treatment with respect to tariff reduction” than other emerging developing countries. In the specific case of agricultural tariffs (they are higher and more sensitive for Jamaica), the need for such flexibility was justified on the basis of the following factors:⁵²

- The impact of tariff liberalization would have with respect to their economic development;
- The importance of agriculture sector;
- The fact that for most small economies, tariffs were the only tool at their disposal to protect their agricultural sectors.

This need for flexibility was captured in the latest agriculture modalities text⁵³ and has taken the form of

a provision that allows SVEs to meet an overall average cut of 24 per cent. In contrast, other developing countries will reduce their tariffs using a tiered formula, which will ensure deeper cuts in higher tariffs and will be applied on a line by line basis.

In the NAMA negotiations, the need for flexibility for SVEs was based on the disproportionate impact of the modalities on some Members of the SVE group taking into account:

- The less than full reciprocity principle which implies that developed countries will be expected to contribute more;
- The hierarchy of contributions to the Round, taking into account that other emerging economies have different trade and development needs and are at development level that will allow them to obtain benefits from this Round (whereas SVE given their size, weight in world trade and supply side constraints could obtain only a marginal level of benefits);

- That the formula agreed entails a higher impact on higher tariffs and that most SVE members have relative higher tariffs than developed countries and that some developing countries.

Based on SVE provisions contained in the latest NAMA modalities text,⁵⁴ “Members with a bound tariff average at or above 30 per cent but below 50 per cent shall bind all their non-agricultural tariff lines at an average level that does not exceed an overall average of 27 per cent”. The NAMA scenario referred herein does not take into account tariff reductions resulting from the sectoral initiatives, given that specific provisions for such tariff reduction remain imprecise at this stage.

Thus, with respect to agricultural goods, Jamaica will be expected to undertake an overall average cut of 24 per cent. With respect to non-agricultural goods, Jamaica will be expected to reduce its simple bound MFN average from 42.5 per cent to 27 per cent. Although, some degree of flexibility is provided – because reduction will not happen on a line-by-line basis, but rather meeting an average target – the high proportion of tariffs bound at 0 and the low proportion of tariffs above 35 per cent, with respect to non-agricultural lines, implies this reduction might affect applied rates and CET.

3.2. Tariff regime (regional-CARICOM commitments)

At the regional level, Jamaica applies CARICOM's CET. With the exception of Bahamas, all CARICOM members have implemented CET, whereby goods entering any member country will be assessed with the same tariff rate. The unweighted average import tariff came down from 20 per cent in the early 1990s to 10 per cent in 2009. The CET ranges from 0–20 per cent for industrial goods and up to 40 per cent for agricultural goods.

Exceptions to CET are permitted in two cases: for the Organization of Eastern Caribbean States (OECS) members and for certain products of particular sensitivity to a CARICOM member. Consequently, a wide range of applied tariff rates continue to exist across CARICOM member countries.

Indeed, CARICOM's rules provide that the CET may be altered or suspended on any item in the circumstances where:

- A product is not being produced in CARICOM;
- The quantity of that product being produced does not satisfy the demand of the community;

- The quality of the product being produced in CARICOM is below the Community standard.

CET suspensions or alterations are approved by the Community's Council for Trade and Economic Development (COTED) or by the Community's Secretary General when the COTED is not in session. The goods must have significant weight in the consumer price index and must not be produced or have a close substitute in the region.⁵⁵ In the recent context of economic crisis, CET has been used as an instrument for intervention at the regional level to address the issue of the rising cost of living, by reducing the cost of production and delivery of food within the region.

Thus, between March 2008 and 2011, approved several CET suspensions, covering mostly food items (cheddar cheese, oil, raisin bran/corn flakes, dried breakfast cereals, baby formula, baking powder, juices for infant use, milk, chicken, beef, lamb, onions, oatmeal, beans, soya bean oil, refined sugar and potatoes) but also industrial products (ceramic sinks and tiles, personal protective equipment and motor vehicles). The measures were approved for period varying from six months to two years. In some cases, particularly for agricultural products, the measures entailed a considerable reduction in the final applied rate.

In the context of CET-related discussions, concerns have been voiced over the potential impacts of lowering CET on local producers of rice, flour, milk, cooking oil, coffee, fruit and vegetable juices, cigars, rum, beer, poultry, soaps and cement.⁵⁶ This position suggests there might be need to reflect on broader policies aside from suspensions and alterations to the CET, to promote productive capacities including in the CARICOM context and ensure coherence between such policies and trade policy instruments.

3.3. Other levies and charges

Besides custom duties, several taxes, levies and charges are applied on imports in Jamaica:

Stamp duties. All imports entering Jamaica are subject to a basic stamp duty of J\$5 on goods up to a c.i.f. value of J\$5,500, and J\$100 above that level. These specific charges diminish in importance with the size of the import transaction. Stamp duties are generally applied on agricultural products.

An additional stamp duty (ASD) is payable on certain items, such as chicken and most chicken parts, meats

and some meat products, some aluminium products, alcoholic beverages, and tobacco products.⁵⁷ ASD rates are generally defined implicitly, as the legislation generally lists only aggregate duties (i.e. the rate actually applied at the border, and that is equal to the additional stamp duty applied to the c.i.f. value of imports increased by the customs duty). The aggregate duties (tariff plus ASD) based on the Stamp Duty Act ranges from 65 per cent to 260 per cent for products that attract additional stamp duty.

When additional stamp duties are taken into account, the overall average border protection rises from 9.4–11.5 per cent. While the average for non-agricultural products rises from 7.3–7.4 per cent, for agricultural products (WTO definition) it rises from 19–30.4 per cent. The highest stamp duties appear to be 90 per cent (5 lines) for certain vegetables (onions, beans, ground nuts), 86 per cent (18 lines) for edible vegetables, 80 per cent (12 lines) for meat and edible vegetables, 77 per cent (2 lines) for meat and 70 per cent (17 lines) for cereals, products of the milling industry, grains and residues from the food industry.

In addition:

- The *Special Consumption Tax* is levied on motor vehicles, alcohol, and tobacco of 5 to 39.9 per cent;
- Most imported items are subject to a 15 per cent *General Consumption Tax (GCT)*;
- A fee of 0.3 per cent (called *Standard Compliance Fee*) is collected at customs on behalf of the Bureau of Standards;
- A *processing fee* is required for the processing of certain documents submitted to the Customs Department;
- An *environmental levy* is applied to all imports (0.5 per cent of the CIF value).

Special rates or exemptions on dutiable imports apply to goods from members of CARICOM and signatories of the Lomé Convention.

The Government generates a substantial share of its central revenue – averaging between 27 per cent and 28 per cent of total tax revenues – from tariffs and other charges on imports, which are seen as critical in the light of the country's structural fiscal deficit.⁵⁸ The general consumption tax on imports and custom duties account for most of this revenue (table 11).

Mitigating tariff revenue losses and offsetting revenue shortfalls derived from future tariff reduction is an important issue to integrate when considering tax reforms. The current direction of tax reform proposals is reduction of tax rates, broadening of the tax base and simplification of the overall tax system. The Ministry of Finance of Jamaica has recognized that the exemptions, granting of incentives and waivers narrows the tax base and that tax reform (in a broader sense) will need to address this challenge,⁵⁹ in parallel to other challenges.⁶⁰ In consultation with the Planning Institute and the private sector, the Ministry has designed and assessed several scenarios, such as the reduction in the standard GCT rate to 12.5 per cent and the potential to reduce exempt items from 41.7 per cent to 30 per cent.

4. Other relevant procedures and issues related to the import regime

Licences are required for imports of certain durable and nondurable consumer goods. Licence applications are reviewed by the Trade Board. The Board issues import licences for items that require close monitoring, with motor vehicle imports accounting for the bulk of import licence applications. Licences are also issued

Table 11. International trade taxes as share of total tax revenue, 2005–2010 (Percentage)

Type	2005/06	2006/07	2007/08	2008/09	2009/10
Customs duty	9.5	9.0	8.7	8.4	7.1
General consumption tax (imports)	11.7	12.9	13.3	11.9	10.8
Special consumption tax (imports)	5.2	4.9	4.1	5.8	8.8
Stamp duty and travel tax	1.8	1.6	1.6	1.2	1.2
Total	28.2	28.4	27.7	27.3	27.9

Source: WTO, 2010.

for products having an impact on the environment (for example, products containing fluorocarbons). Most capital goods and raw materials do not require import licences.

Jamaica's import licensing regime has remained almost the same since 2006. Slight changes occurred in May 2011 with the introduction of an import-licensing requirement applicable to extraregional imports of Portland Cement. This procedure requires annual registration and was considered justified to prevent dumping, tax compliance and to ensure quality of supply. It was notified in October 2011 to WTO, and consists of an automatic licensing procedure of indefinite duration. Concerns were raised by the Dominican Republic regarding this change, which also affected imports from the United States.

During Jamaica's most recent TPR, concerns were raised regarding its import regime for example: excessive taxation of imports, the practice of under-invoicing in customs valuation procedures and SPS requirements for imports of certain agricultural products.

5. Non-tariff barriers: Meeting product standards

The second most important sector in terms of goods exports for Jamaica is food (primary commodities and agro-processed goods). Main exports in 2009

included alcoholic beverages (rum), sugar and sugar preparations, vegetables and coffee.⁶¹

The main problem areas Jamaica faces in its main export markets for these products fall within the realm of product standards related to human health, environment and technical standards and requirements. The most stringent standards are SPS measures that cover food safety, animal health and plant health. Sanitary and phytosanitary requirements have been identified as a barrier affecting effective entry of products to the United States market and using preferences.⁶² The following box provides an example of how these standards affect exports of Jamaica to the European Union.

Phytosanitary standards and technical barriers to trade are also affecting the free movement of goods within CARICOM. The CARICOM Regional Organization for Standards and Quality (CROSQ) was established in 2003 to promote the harmonization of standards. However, the ability of CROSQ to fulfil its mandate has been limited, as only five member countries have enacted the agreement establishing the organization into domestic law. This reflects the limited progress made towards harmonization of sanitary and phytosanitary measures and technical standards.

In order to improve the country's quality assurance, health and food safety capability to meet international requirements, Jamaica has undertaken a series of

Box 4. Non-tariff measures affecting Jamaican exports in the French Caribbean Outermost regions – FCOR – and in the European Union

When analysing ways to take advantage of the Economic Partnership Agreement (EPA) between the European Union and CARICOM countries, JAMPRO identified FCOR countries as potential partners with whom trade could be further promoted.

Specific sectors of interest to Jamaica in these markets are agriculture and seafood products; agro-processing (sauces, spices, condiments, jams and jellies); food products (food preparations, mineral waters, beers and aerated waters), among other industrial products.

European Union standards and regulations controlling plant and animal health, product quality, processing, food safety, packaging and labelling affect Jamaican exports to FCOR. In particular, fresh fruits and vegetables must meet quality standards and minimum allowable residue requirements of the European Union, as well as other specific phytosanitary restrictions and requirements.

These measures have the following implications for Jamaican producers and exporters:

- Substantial costs derived from adapting production methods to ensure minimum residue levels of fertilizers in products exported to the European Union
- Difficulties, faced particularly by dairy producers, to understand and comply with rules of origin requirements and substantial costs derived from adapting production methods to comply with the European Union traceability requirements.

These non-tariff measures (NTMs) are not the only challenges faced by Jamaican exporters in these markets. They also face challenges related to language, transportation (absence of in-market distributor, inadequate transport, inability of SMEs to fill containers), limited knowledge of market conditions and high tariffs.

Source: JAMPRO, 2011.

measures. Jamaica already has relevant institutions in quality and standards. For instance, Jamaica's Import/Export Inspection Centre (established in 2009) mainly aims to facilitate a shorter inspection processes.⁶³ A national body has also been established and is accredited to offer certification in fourteen different areas. The Bureau of Standards Jamaica was recently recognized as the Caribbean Reference Laboratory of Mass Metrology and through the National Quality Awards.

It has also developed regulatory frameworks for quality. For example, Jamaica adopted a national food safety policy in June 2011 and a national quality policy in 2001. The latter addresses issues related to standardization, certification, accreditation, metrology and the development of mutual recognition agreements. It adopted international standards, and participates regularly in standard-setting bodies (WTO OIE, IPPC, CODEX). In addition, Jamaica regularly receives technical assistance and cooperation in this field.

In spite of these initiatives, during its most recent TPR, the Government of Jamaica acknowledged the limited ability to meet international quality standards as a significant challenge for exporters, in particular in the agro-processing subsector. The Government noted shortcomings in terms of the timeliness and consistency of the service delivery due to high costs and variable quality of some basic services, such as product testing and certification, by the private sector; high costs of implementation of international standards; and the need for food exporters to contend with a range of testing and laboratory services that reside in multiple agencies.

Aside from standards, other non-tariff measures are currently restricting the movement of goods within CARICOM. Indeed, some countries have been said to apply diverse forms of restrictions to intraregional trade by means of the unauthorized use of taxes on regional goods,⁶⁴ unauthorized import duties, export duties, discriminatory internal taxes, fiscal charges, import licences and quantitative restrictions.⁶⁵ At the regional level, JAMPRO has identified that addressing the following non-tariff barriers is important to further promote intra-CARICOM trade flows in manufactured and agricultural and food products.⁶⁶ (See table 12.)

A key priority in Jamaica's effort to expand exports of food and agro-processed goods would be to improve product and process standards to meet international standards and address remaining NTMs in the regional market.

6. Market access conditions for exports of Jamaica in its key markets

A very large proportion of Jamaica's merchandise exports goes to developed countries. Jamaica's main export markets are: the United States, the European Union (27), Canada, Norway and Iceland.⁶⁷ The United States, Canada, and the European Union together took over 90 per cent of Jamaica's exports in 2009. The European Union's share, at around 30 per cent between 2005 and 2010, reflects the influence of trade preferences, including for bananas and tropical products.

Table 12. Non-tariff measures used in the CARICOM context

Type	Country/group	Product categories
Import licensing	1. OECS 2. Barbados 3. Suriname	1. Agricultural and food products 2. Coconuts and other food products, coin operated amusement machines 3. All imports from CARICOM
Import quotas	Grenada	Beer and malt from regional producers
Anti-dumping and countervailing measures	Barbados	Milk and cream manufactured in Trinidad
Safeguards	1. Barbados 2. Grenada 3. St. Lucia	1. Pasta 2. Brewery products, wheat flour, feeds, wooden products 3. Soft drinks, beef patties

Source: JAMPRO, 2011, op. cit.

6.1. United States

Jamaica enjoys preferential access to the United States market under the Caribbean Basin Initiative (CBI). In 2009, the United States requested, and was granted an extension of the WTO waiver for CBI (amended as Caribbean Basin Trade Partnership Act – CBTPA) up to the end of December 2014.⁶⁸

CBTPA provides NAFTA-equivalent tariff treatment for certain items previously excluded from duty-free treatment under the CBI programme (footwear, canned tuna, petroleum products, watches and watch parts, among others).⁶⁹ To benefit, at least 35 per cent of the product's value must have originated in Jamaica or another CBTPA beneficiary; or this percentage can be reduced to at least 20 per cent, if not less than 15 per cent of the product originated in the United States or Puerto Rico. According to the authorities, over 90 per cent of Jamaica's exports to the United States take place under CBI.

Main products imported by the United States from Jamaica include ethyl alcohol, aluminium (ores and oxide), beer and vegetables (roots and tubers), as can be seen from the table 13.

Table 13 shows that, the preference provided has not been very useful in terms of facilitating exports of the top five Jamaican products into the United States market, because of the low MFN applied rates of the United States and the fact the MFN applied rate is equal to the preferential rate. Analysis of the utilization rate of United States preferences (conducted by UNCTAD) for the period 2008–2009 shows that products that are currently being exported by Jamaica (such as

crustaceans (HS0306), cheese and curd (HS0406), liqueurs and other spirituous beverages (HS2208) and gold (HS7108)) are not taking full advantage of United States tariff preferences (i.e. their utilization rate has been lower than 100 per cent).

The United States preferential regime has undergone reviews and changes in the last three years. According to these reviews, it was found that the impact of preferences is small on beneficiaries but positive and that it has been limited to specific industries rather than a broader level. The latest review of the regime addressed wider compliance with eligibility criteria, including protection of intellectual property and respect for labour rights. Although these reviews apparently do not pose threats related to the discontinuation of preferences,⁷⁰ Jamaica has remained on the Watch List for non-compliance with TRIPS commitments and other bilateral commitments on IP.

The Jamaican Government has indicated that maintaining a competitive advantage under any preferential regime has become increasingly challenging (even if an FTA was to be negotiated).⁷¹ This challenge relates to maintaining margins of preference, in a context where the United States continues to negotiate free trade agreements with other trading partners. Jamaica has also raised concerns regarding sanitary and phytosanitary requirements that affect effective entry of products (with preferences) to the United States market and the lack of services component, which they see as a shortcoming in terms of trade relation with potential growth opportunities for Jamaica, in terms of trade and investment (particularly in the tourism and ICT sectors).

Table 13. Top five imports to the United States from Jamaica in 2009

Product code	Product name	Import value (thousands of dollars)	Share in total imports from Jamaica	Preferential rate	MFN rate
220710	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 per cent volume	168 658.35	33.7	2.5	2.5
260600	Aluminium ores and concentrates	86 137.67	17.2	0	0
281820	Aluminium oxide (excluding artificial corundum)	59 896.71	12.0	0	0
220300	Beer made from malt	36 382.40	7.26	0	0
071490	Arrowroot, salep, Jerusalem artichokes and similar roots and tubers with high starch/inulin content, n.e.s., fresh/chilled/frozen/dried, whether/not sliced/in the form of pellets; sago pith	17 991.58	3.59	8.11	8.11

Source: WITS database.

6.2. European Union (27)

Since December 2008, the trade relationship between Jamaica (CARICOM plus the Dominican Republic) and the European Union shifted from being a non-reciprocal one (framed within unilateral preferences derived from the Cotonou Agreement) to a reciprocal one. The Cotonou Agreement called for negotiations of an EPA between the European Union and CARIFORUM (CARICOM plus the Dominican Republic): these were launched in April 2004 and concluded in December 2007. The EPA was signed in October 2008 and is being provisionally applied by Jamaica. The EPA establishes a free trade area encompassing the European Union and CARIFORUM countries.

The European Union's liberalization of 98 per cent of trade in goods is not a significant change, as around 95 per cent of CARICOM products already

entered the European Union duty free and quota free, except for rice, sugar, and bananas. CARIFORUM goods imports will be liberalized gradually over a 25-year period. Some goods have been excluded from the tariff liberalization process such as animal products, vegetable products, animal or vegetable fat, prepared foods, beverages, tobacco, chemicals; textiles and clothing; base metals and miscellaneous manufactured articles.

The difference between the preferential rate and the MFN rate (preference margin) is sizable in the case of the European Union (as opposed to the United States market) for most products (except for beer), suggesting the importance of the preferential regime for accessing this market. Some of the products being exported by Jamaica to the European Union are subject to specific duties (ethyl alcohol, rum and tafia). (See table 14.)

Table 14. Major imports to the European Union from Jamaica, 2010

Product code	Product name	Import value (thousands of dollars)	Share in total imports from Jamaica	Preferential rate	MFN rate	Additional information
282820	Aluminium oxide (excluding artificial corundum)	62 163.17	26.1	0	4	
170111	Cane sugar, raw, in solid form, not containing added flavouring/colouring matter	34 209.19	14.1	0	33.9 EUR/100 kg	HS 1701111000
				0	41.9 EUR/100 kg	HS 1701119000
220710	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 per cent volume	9 528.88	4	0	19.2 EUR/100 l	
220840	Rum and tafia	8 819.66	3.7	0	0.6 EUR/%vol/hl	HS 2208401100
					0.0	HS 2208403100
						HS 2208403900
					0.6 EUR/%vol/hl + 3.2 EUR/100 l	HS 2208405100
					0	HS 2208409100
					0.6 EUR/%vol/hl	HS 2208409900
382490	Chemical products and preparations of the chemical/allied industries (including those consisting of mixtures of natural products, excl. of 3824.30 – 3824.83)	8 216.45	3.4	0	6.1*	
220300	Beer made from malt	4 451.25	1.9		0 *	

Source: WITS database.

* Simple average of lines disaggregated at the 10 digit level

Box 5. Provisional implementation of the CARIFORUM economic partnership agreement

Article 25 of the Vienna Convention on the Law of Treaties states that a treaty or part of the treaty can be applied on a provisional basis if the treaty provides for it or if parties agree to do so. In the case of the CARIFORUM EPA, the parties agreed to apply it on “a provisional basis”, pending ratification by signatory countries, in order to avoid the legal vacuum caused by the expiry of the Cotonou preferential trade regime.

At the end of the provisional application, either the Treaty enters into force fully – and continues to be applied – or members decide that they do not wish to be part of the agreement – and agree to terminate the provisional application of the treaty. Thus, “provisional application” has been interpreted to mean that a time element is introduced in terms of the entry into force of the agreement, which does not diminish its legal effects.

In other terms, the fact that the EPA is being “provisionally applied” means that signatory countries can enforce:

- Rights derived from the agreement, for instance benefitting from the terms of the Agreement, i.e. from market access commitments made by the European Union but also
- Obligations derived from the agreement such as developing domestic legislation and institutions to implement the Agreement. In the case of the CARIFORUM EPA, such legal and institutional arrangements are mentioned, for example, with respect to SPS, TBT, customs and trade facilitation, competition, public procurement, protection of personal data and development cooperation

Developing domestic legislation and institutional arrangements is particularly important, for example, in the case of development cooperation, where the institutional setting is considered to be a prerequisite to identify trade capacity needs, prioritize initiatives at the national, regional and sub-regional levels and de-liver financing.

It is important to emphasize these two components are critical to build human and institutional capacity to articulate and develop trade policy, in order to implement the agreement and benefit from this implementation in the long term.

Source: MA Rogoff, BE Gauditz, The provisional application of trade agreements and ECLAC, 2008, Review of CARIFORUM-EU EPA in development cooperation and WTO compatibility.

6.3. Canada

Jamaica enjoys preferential access to the Canadian market through CARIBCAN, a programme for trade, investment, and industrial cooperation between Canada and the Commonwealth Caribbean countries, which extends duty-free treatment to nearly all qualifying imports from these countries.⁷²

To qualify for duty-free access to Canada, products from the Commonwealth Caribbean countries and territories must meet the requirement that 60 per cent of their ex-factory price originates in any beneficiary country or in Canada. CARIBCAN includes provisions that allow Canadian producers’ recourse to the Canadian Tariff Board in case duty-free imports from the beneficiary countries are deemed to cause or threaten injury. The preferential treatment extends to about 97 per cent of Jamaican goods that enter the Canadian market; products excluded from duty-free and quota-free access include textiles and textile articles, footwear, gaiters and head gear.

In July 2007, the Canadian and CARICOM Governments announced the launch of the Canada-CARICOM trade

negotiations, primarily in order to conclude a WTO-compatible reciprocal trading arrangement. These negotiations are expected to be concluded by mid-2013, before the expiration of the WTO MFN waiver in December 2013. This waiver was approved for a two-year period in December 2011.

Table 15 indicates that no preferences apply to three of six major products imported by Canada. This suggests that preferences are relevant for half of the top six exported products (rum and tafia, liqueurs and cordials and vegetables (roots and tubers).

6.4. Norway

The preferential regime applicable for Jamaica in Norway is the GSP. However, these preferences are not being used by Jamaica to access this market, as the main products of export interest to Jamaica are not subject to these preferences and the MFN applicable rate is zero. It is worth highlighting that the exports of Jamaica to this market are highly concentrated on one product (aluminium oxide), followed by rum and tafia (table 16).

Table 15. Major imports to Canada from Jamaica in 2010

Product code	Product name	Import value (thousands of dollars)	Share in total imports from Jamaica	Preferential rate	MFN rate	Additional information
281820	Aluminium oxide (excluding artificial corundum)	124 419.07	79.3	0	0	
220840	Rum and tafia	9 792.60	6.2	0	24.56 ¢/litre of absolute ethyl alcohol	HS 22084010
				0	12.28 ¢/litre of absolute ethyl alcohol	HS 22084090
220300	Beer made from malt	3 076.00	2.0	0	0	
071420	Sweet potatoes	2 375.60	1.5	0	0	
220870	Liqueurs and cordials	2 200.61	1.4	0	12.28 ¢/litre of absolute ethyl alcohol	
071490	Arrowroot, salep, Jerusalem artichokes and similar roots and tubers with high starch/inulin content, n.e.s., fresh/chilled/frozen/dried, whether/not sliced/in the form of pellets; sago pith	2 077.26	1.3	0	4.75*	

Source: WITS database.

* Simple average of lines disaggregated at the 8- digit level

Table 16. Major imports to Norway from Jamaica, 2010

Product code	Product name	Import value (thousands of dollars)	Share in total imports from Jamaica	Preferential rate	MFN rate
281820	Aluminium oxide (excluding artificial corundum)	103 449.47	99.4	NONE	0
220840	Rum and tafia	259.95	0.2	NONE	0
847170	Storage units	29.05	0.0	NONE	0
870899	Other parts and accessories for the motor vehicles of 87.01–87.05, excluding 8708.91/92/93/94/95.	26.85	0.0	NONE	0
853690	Electrical apparatus for switching/protecting electrical circuits,/for making connections to/in electrical circuits, n.e.s. in 85.36, for a voltage not >1000V	23.22	0.0	None	0

Source: WITS database.

During the 2008–2010 period, aluminium oxide and rum and tafia remained Jamaica's main exports to Norway. In contrast, the following export products during the period examined varied and were exported in minor quantities. In 2008 and 2009, such exports included parts and machines and mechanical appliances (HS847990), medicaments containing hormones/other products but not containing antibiotics (HS300439), telephones for cellular networks/for other wireless networks and other apparatus for transmission of voice/images/data (HS851770), orthopaedic/fracture appliances (HS902110) and parts and accessories for machines/appliances/instruments of chapter 90 (HS903300).

6.5. Iceland

Iceland does not have a preferential regime applicable to Jamaica. As in the case of Norway, exports of Jamaica to this market are highly concentrated on one product (aluminium oxide). (See table 17.)

Aside from aluminium oxide, a group of products (lemons, and beer) appeared repeatedly in the ranking of main exports during the 2008–2010 period. The following main exported products in 2008 and 2009 varied. These included transmission apparatus for radio-broadcasting/television (incorporating reception apparatus), bananas (plantains, fresh/dried), parts and accessories of the navigational instruments and appliances of 90.14, and rum and tafia.

It is worth noting that imports from Jamaica to Iceland show a declining trend in the period analysed and that they declined by half in 2010 compared with 2008.

6.6. CARICOM

Intraregional trade accounts for an insignificant share of foreign sales in Jamaica. Main Jamaican exports to

other CARICOM countries have traditionally included food products and manufactures based on natural resources. Table 18 includes the top six imports of CARICOM from Jamaica for the period 2008–2010. It shows that although dominated by non-agricultural products (such as building cement, pipes, minerals and chemicals), it also includes some agro-processed products (such as food preparations and malt extract preparations).

In spite of the fact that intraregional trade has expanded since 2003 (except for year 2009, where a contraction of imports and exports can be appreciated), total trade remains low, and oil and its derivatives account for a large proportion of that trade (in average 52 per cent of exports during the period 1999–2010).⁷³ This situation has been attributed to the poor complementarity and competitiveness of CARICOM economies but also to the small size of the regional market, which provides limited opportunity for absorbing exports in the long run.⁷⁴

Growth prospects will depend on increased diversification in terms of products (with higher value added) and trade links with other more dynamic regional economies (outside CARICOM, for instance the Bolivarian Republic of Venezuela, Costa Rica and Colombia).⁷⁵

B. FEATURES OF POLICY RELATED TO SERVICES TRADE

Trade policy tools for the services sectors are unique in that they include not only measures taken by trade authorities (e.g. the opening of domestic markets to foreign services and services suppliers and the

Table 17. Major imports to Iceland from Jamaica, 2010

Product code	Product name	Import value (thousands of dollars)	Share in total imports from Jamaica	MFN rate
281820	Aluminium oxide (excluding artificial corundum)	29 907.59	100	0
220300	Beer made from malt	3.06	0	10*
080550	Lemons (citrus limon/limonum) and limes (citrus aurantifolia/latifolia), fresh/dried	1.19	0.0	0
321519	Printing ink (excluding black)	1.17	0.0	0
220840	Rum and tafia	0.291	0.00	0

Source: WITS database.

* Simple average of lines disaggregated at the 8-digit level.

Table 18. Major imports to CARICOM from Jamaica, 2008–2010 (Thousands of dollars)

2010			2009			2008		
Product code	Product name	Import value	Product code	Product name	Import value	Product code	Product name	Import value
252329	Portland cement	6 939	252310	Cement clinkers	7 998	252010	Gypsum; anhydrite	2 429
230990	Preparations of a kind used in animal feeding	1 665	252329	Portland cement (excl. white cement)	2 475	252310	Cement clinkers	0
210690	Food preparations, n.e.s.	1 211	190190	Malt extract; (food preparations of)	1 931	190190	Malt extract; (food preparations of)	1 447
190190	Malt extract; (food preparations of)	1 179	290410	Sulphonated/nitrated/nitrosated derivatives of hydrocarbons	1 468	290410	Sulphonated/nitrated/nitrosated derivatives of hydrocarbons	1 171
110100	Wheat/meslin flour	929	252310	Gypsum; anhydrite	1 394	210690	Food preparations n.e.s.	1163
220210	Tube/pipe fittings of iron/steel	869	190190	Food preparations, n.e.s	1 348	283322	Sulphates of aluminium	895

Source: COMTRADE database.

negotiation of access to foreign markets) but also a number of regulatory measures, which are usually put in place by sector officials. This stems from the fact that a number of regulatory measures may have the effect of a barrier to trade, while not necessarily having been selected for this intention. Such measures include general consumer regulations, limitations on certain types of investment, performance requirements for foreign firms (e.g. employment and training, technology transfer, local content requirements), and residence and work permits. The implication of the overlap between measures taken by trade officials on the one hand and sector officials on the other hand is that coordination will be required between the different agencies to ensure that the trade impacts produced are those that are being sought.

Even if one looks at trade measures per se, it appears clearly that the involvement of sector officials may be warranted to either collect necessary information to shape the measures to the domestic reality or to put in place related actions that will allow the sector to garner the benefits of the trade policy. The matrix below shows such possible linkage between trade policy measures and possible regulatory actions (table 19).

1. Focus of trade-related services sector policies

The services sector of Jamaica has been undergoing privatization and liberalization reforms for a number of years already, with the result that many sectors are now open. The services sector in Jamaica is a major contributor to GDP and employment so the policies affecting this sector, including trade-related policies, will be of crucial importance for the country. Jamaica is an exporter of services, due inter alia, to its successful tourism industry, which has been a major earner of foreign exchange since the 1990s. The following paragraphs review existing trade policy instruments to identify elements pertaining to services and specific sectoral policies.

The 1996 NIP identified tourism, including entertainment, and shipping and port services, as two among the priority sectors that were to fuel the economy's growth, through export growth and expansion.

The 2001 New Trade Policy referred to services in several instances. One of the key objectives, namely to create new and diversified exports, can be read

Table 19. Matrix of trade measures and related regulatory actions

Trade measures	Information required	Useful related actions and measures
Opening of domestic market through autonomous liberalization or negotiated liberalization commitments	<ul style="list-style-type: none"> • Domestic laws and regulations that may act as barriers to trade • Analysis of the competitiveness of local firms which will be submitted to foreign competition 	Measures to increase the competitiveness of domestic producers (e.g. investment promotion, innovation subsidies)
Exports expansion through negotiated opening of foreign markets	<ul style="list-style-type: none"> • Analysis of current exports to foreign markets • Analysis of which sectors hold potential for expanded exports 	<ul style="list-style-type: none"> • Measures to increase the competitiveness of domestic producers (e.g. training support, small business development) • Trade-facilitation policies to increase capacity to export

Source: UNCTAD.

to include a focus on services as the document later refers to developing Jamaica's domestic capacity to produce services and the implication of the General Agreement on Trade in Services (GATS) of WTO. The documents also suggests – as a means to displace imports – that strategic sectoral negotiations such as the GATS be used. The document is however a relatively short one and does not provide much information on the various services sectors of interest to the country and how these will be developed.

The stated objectives of NDP – Vision 2030 for Jamaica include that of providing “full access to efficient and reliable infrastructure and services” and refers to several key services of a social importance, such as appropriate care and support services for the elderly and persons with disabilities; and health, education, justice and security services. Also identified as an important outcome of Vision 2030 are the strengthening of public institutions to deliver efficient and effective public goods and services and dynamic expansion, and ensuring adequate and safe water supply and sanitation services.

The document emphasizes, when proposing the development of an “enabling business environment”,⁷⁶ that the country will make the necessary improvements to the business environment by enhancing its institutional and regulatory framework for business investment and operations, developing efficient local and external markets for goods, services, labour and capital, and improving opportunities for micro, small and medium-sized enterprises. This is particularly relevant to highlight in the case of services because as indicated above, regulatory and institutional frameworks for the development of services sectors

and the achievement of various national policy related objectives may have a direct impact on services trade. Also noteworthy is the focus on the expansion and rationalization of land, air and maritime transport and infrastructure services in the context of the establishment of “strong economic infrastructure”.⁷⁷ The development of ICT, as well as maritime and logistics services, is consistently identified a national priority.

NDP also clearly opts for a development path which is based on country's cultural, human, knowledge and institutional capital stocks with the objective of sustaining higher wages and standards of living through higher levels of productivity, the development of new and unique products and services, and added value to the lower forms of capital by the application of science, technology and innovation. The document highlights that there have already been consolidations of structural adjustment and liberalization processes, reductions in poverty levels and dynamic expansion associated with several services sectors, namely tourism, financial services, telecommunications, entertainment, and distribution services.⁷⁸ It also focuses in greater detail on a number of services or related sectors, namely construction; creative industries; sport; financial, business and distribution services; and tourism, and identifies some very specific sector objectives in a number of key. Finally, the document proposes some specific targets, with an identified baseline and proposed outcome indicators against which to measure them.

The National Export Strategy of 2009 aims to lay out a coherent road map to grow and sustain exports to create wealth and engender real economic

development. The vision encompassed in NES is to make Jamaica a leading per capita export country, known for its commitment to creativity, innovation and exceptional quality. As part of this vision, the country seeks to increase the contribution of services exports as a percentage of overall exports. Among the eight priority sectors identified in NES, three are services or may have services-related components, namely, education, entertainment (including dance, drama, film and music), and ICT.⁷⁹ The absence of tourism from this list should not be seen as its exclusion from the export strategy. However, it was considered that the Master Plan for the Sustainable Development of Tourism addresses the medium- to long-term plans for this industry. It should be noted that while this document is still in use it will be reviewed by the Government. (See table 20.)

When reviewing the inclusion of services in various policy documents, the first observation that can be made is that, apart from the maintained focus on tourism services and a link between cultural and creative industries (cited in Vision 2030) and entertainment services (listed in NES), as well as shipping/logistics and ICT services, there is limited overlap in the list of priority sectors. Over the years, various policy documents have focused on individual sectors, with some overlap, particularly with respect to tourism services and creative industries/entertainment. However, like many other countries, Jamaica may still benefit from developing a comprehensive development strategy for the services sector. This strategy could focus not only on the sectors that Jamaica wishes to develop as part of an export strategy but also on those services that are required as inputs in national production processes and those that are considered to be essential services to be provided to the population. While the aforementioned documents may complement each other, the development of a comprehensive services sector strategy that clearly shows the forward and backward linkages between various services sectors and between services sectors

and other sectors of the economy would contribute to empowering all stakeholders to participate in the elaboration and implementation of the strategy.

Efforts in this direction have been initiated by the Jamaica Coalition of Service Industries (JCSI), which has held a series of consultations with services stakeholders, with a view to developing a service sector strategy and expansion plan.⁸⁰ This has led to the completion in February 2013 of the Service Sector Strategy and Expansion Plan, including six sectors, namely, ICT, wellness tourism, medical tourism, creative industries, music, management consulting and off-shore consulting.

Services account for an important share of both GDP (approximately 70 per cent) and employment (approximately three quarters of the labour force). Following years of privatization and liberalization, the services sector can now be said to be principally in the hands of the private sector, with little government involvement in the tourism, telecommunications, and financial services sectors. But the economy more generally has not fared well since the latter half of the 1990s, and the country has suffered a significant loss of competitiveness, which can be associated with such factors as an appreciation of the real exchange rate induced by the approach to monetary policy, rising real wages (in particular in the public sector and as a result of the trade unions), rising costs associated with rising crime, as well as a reduction of its share in the tourist market of the Caribbean. Another sign of the deterioration of the economy is the increase in the informal sector, which also affects the services sector, including music and entertainment.⁸¹

Today the country, in particular through the work of its investment and export promotion agency, seeks to promote the establishment of effective service industries with the objective of accessing external markets. Moving beyond the traditional focus on tourism services, the country has now identified a wide range of services subsectors for export promotion, including:

Table 20. Services sectors identified for priority focus

NIP (1996)	NDP – Vision 2030	National Export Strategy (2009)
Shipping and port services: <ul style="list-style-type: none"> • Tourism • Entertainment and sports • ICT 	<ul style="list-style-type: none"> • Creative industries • Sport • Tourism • ICT • Shipping and logistics 	<ul style="list-style-type: none"> • Education • Entertainment (dance, drama, film, music) • ICT

- Professional services (architecture and engineering);
- Infrastructure services (construction, transportation, distribution and financial services);
- Information technology and related services: (computer consultancy, software development, data processing, database management and call centres);
- Professional services (accounting, law, medicine and dentistry) and business services (research and development, equipment leasing or maintenance, market research, management consulting, translation, investigation and security);
- Quality-of-life services (education and training, health and wellness-related services, entertainment, culture, recreation and sports).⁸²

However, the country continues to face challenges in reaping the benefits of recent policies for the services sectors, including investment promotion. Despite attracting record levels of foreign investment in the last decade, especially in the tourism and telecommunications sectors, Jamaica witnessed few positive impacts of these investments on GDP growth and job creation, which suggests a relatively low absorptive capacity.⁸³ This will need to be addressed to ensure sustainable economic growth.

2. Sectoral features of services sector policies

The following paragraphs provide some information on the key market, policy, regulatory and institutional developments affecting trade in selected services subsectors. The scope of this paper does not allow for a comprehensive review of all services sectors of the country, although it does suggest that such a sweeping review be considered an essential input for all future services-related trade policymaking. However, with a view to highlighting the systemic importance of various

categories of services, a selection was made to reflect the importance of various types of services for the country's overall development opportunities. There are four selected sectors: tourism, telecommunications/ICT, financial and entertainment services. Tourism services, which are considered to be one of the success stories of the country, are analysed here with the objective of determining how Jamaica could further build on existing capacity and exploit opportunities for niche and value added tourism, while better retaining the benefits of such trade for the domestic economy and local communities. Telecommunications/ICT and financial services are illustrative infrastructure services that can underpin the broader development of the economy, including by supporting productive domestic economic activities and allowing countries to more deeply engage in international trade, including through Internet marketing and outsourcing in service sectors. In the case of financial services, an additional characteristic is that the sector is normally highly regulated, which will have an impact on policymaking but also may impede at times trade opportunities for the sector. Finally, creative industries/entertainment services will be used to illustrate a category of services that are still at an initial phase of development but where the country has a comparative advantage that it wishes to exploit.

The above selection of services is also supported by data relating to CARICOM trade. Jamaica is the only CARICOM country that has relatively sizeable exports and trade surplus in computer and information, and personal, cultural and recreational services. In financial services, though Jamaica has a trade deficit, it has the largest exports among CARICOM countries. According to the *UNCTADStat*, the other CARICOM members have a negligible amount of exports – or none at all – in these three services sectors. Jamaica could therefore explore mutually beneficial trade opportunities in these sectors within CARICOM.

Table 21. Overall arrivals in Jamaica from its main source markets, 2010

Market	Stopover arrivals	Percentage change from 2009
United States	1 242,943	6
Canada	325 191	12
Europe (of which United Kingdom)	271 315 (184 355)	-2 (-0.9)
Caribbean territories	58 299	-10.8

Source: Jamaica Tourist Board, Annual Travel Statistics 2010.

2.1. Tourism services

2.1.1. Market overview

As indicated in chapter I, the importance of the tourism services for the country is reflected in several indicators, including the importance of travel services exports (closely related to tourism revenues) in total services exports in 2009 (73 per cent), the share of tourism in foreign-exchange earnings from productive sectors (goods and services, 2008) (42 per cent)⁸⁴ and the sector's direct contribution to overall GDP which ranges between 7.3 and 8.1 per cent (2009).⁸⁵ Also, the figures for the number of visitor arrivals in the country show a positive situation, with total stopover arrivals at 1,921,678 in 2010, a 4.9 per cent increase over 2009.⁸⁶

However, the details of arrivals figures point to several other specificities of the sector. The first is its relative vulnerability to specific economic, political, social and even natural phenomena. The sector was negatively impacted by the economic and financial crisis, which hit the country's main source markets particularly hard. More recently, in 2010, the Jamaican tourism industry was negatively affected in May and June by the civil unrest in the Tivoli Gardens area of Kingston. Another feature is the concentration of tourists from a few main source markets, with the United States occupying a predominant position, as illustrated in table 21. The trend in Jamaica, as in the rest of the Caribbean, is that the United States represents the biggest number of tourists, given the Caribbean's comparative advantage in terms of geographical proximity, and a relatively high frequency of cheaper and more direct flights. But events such as the Gulf War and recession in the United States in the early 1990s led to a shift towards European visitors, with the United Kingdom being a dominant source of visitors to the Anglophone Caribbean. Over the last few years, the number of Canadian visitors has also increased significantly. But intra-Caribbean visits (sometimes referred to as visits to friends and relatives (VFR)), as well as visitors from the South American mainland, remain insignificant.⁸⁷

The comparative features and evolution of the Jamaica's tourism industry, when compared to that of its Caribbean competitors, is noteworthy. While tourism continues to grow in Jamaica, the country is losing market share worldwide and in the region. For example, compared with its Caribbean competitors, Jamaica shows a greater reliance on cruise ship tourism. Nevertheless, arrivals in this subsector have

been falling since 2007 (i.e. even before the economic crisis), despite the country's ongoing and significant investments to upgrade its port infrastructure for cruise ships. Also, Jamaica features a relatively low percentage of business travellers when compared to Trinidad and Tobago, and lower occupancy rates when compared to the Dominican Republic. On a more positive note, it features a slightly higher average spending per visitor.⁸⁸

Finally, in terms of tourism products, while Jamaica has strong potential to offer a wide variety of tourism experiences and a variety of tourism products, much of this potential remains unrealized. All-inclusive hotels have increased their importance, accounting for 75 per cent of total rooms in 2009, up from less than 60 per cent in 2004, and 35 per cent of all units, compared with 26 per cent in 2004. This reflects the fact that the bulk of investment and expansion in accommodations over the past five years has been in larger and all-inclusive hotels (possibly as a result of incentives provided by the Government of Jamaica) despite the fact that the sector is characterized by SMEs in hotels and restaurants.⁸⁹ This may also run counter the trend towards smaller-scale low-impact or green tourism, which caters to tourists who are more responsible and have a greater interest in the local culture and environment.

The other features of the Jamaican tourism sector that may require continued attention from policymakers are a very high rate of brain drain (especially among university-educated people), safety and security, a high HIV/AIDS rate and weak human resources.

2.1.2. Main policies, regulations and institutions in the tourism sector

The importance of the tourism sector for the Jamaican economy is also reflected by the Government's ambitious objectives for the sector. According to NDP, the country is targeting the development of an inclusive, world-class, distinctly Jamaican tourism industry that is a major contributor to socioeconomic and cultural development. A key component in achieving this will be a well-educated, highly skilled and motivated workforce at all levels, as well as a safe, secure and sustainably managed environment. Diversification of the tourism product, source markets and market segments is targeted, as well as improvement of standards and levels of customer service, increases in the value earned and retained from each tourist and

increases in the use of Jamaican inputs and culture in all areas of the industry.

A tourism master plan was elaborated in the late 1990s to cover the 10-year period 2000–2010.⁹⁰ The diagnosis that provided the basis for the master plan indicated that following growth in the industry during the 1980s and 1990s, the competitive advantage of the industry (based largely on the all-inclusive product) eroded rapidly as neighbouring islands and countries adopted that product. Jamaica had little to offer outside the hotel segment despite natural, cultural, historic and built heritage. Moreover, the natural environment continued to degrade.

The key goals of the tourism sector that are identified in the document are the development of a sustainable market position, and diversified and quality tourism products, which are developed in an inclusive manner (community based and owned by all Jamaicans)

and which is environmentally sustainable.⁹¹ The master plan aimed to return the industry to the rapid growth rates achieved during the 1980s by 2010. It envisaged an annual growth of 4 per cent in visitor accommodation over the 10-year period from 2003 to 2012. A recent review of the tourism master plan showed that the industry had exceeded its targets for room stock by 9.3 per cent, but that stopover and cruise passenger arrivals, visitor expenditures and employment were below expectations.⁹²

The Ministry of Tourism has now decided to develop a community-based tourism policy that will promote tourism as a vehicle for poverty alleviation, gender equality and the empowerment of women, and the preservation of a fragile natural and cultural heritage. The policy intends to provide specific modes of engagement for community-based tourism initiatives to fulfil these goals.⁹³ Eco-tourism could represent

List 1: Main laws and policies for the tourism sector

- Advertisements Regulations Act
- Airports (Economic Regulations) Act
- Airports Authority Act
- Beach Control Act
- Betting Gaming and Lotteries Act
- Companies Act
- Copyright Act
- Hawkers and Peddlers Act
- Hotel (Incentive) Act
- Hotel Keeper's Liability Act
- Resort Cottages (Incentive) Act
- River Rafting Act
- Tourism Master Plan
- Tourist (Duty Free) Shopping System Act
- Tourist Accommodation (Licence Duties) Act
- Tourist Board Act
- Tourist Enhancement Act
- Tourist Shopping Act
- Travel Agencies Regulation Act
- Travel Tax Act

Source: Jamaica Tourist Board, Annual Travel Statistics 2010.

a niche area that would address the above issues, while providing an option for the diversification of the tourism industry and responding to a real trend in terms of consumer interests.

As was stated earlier, many of the acts and policy documents listed above would need to be carefully reviewed in order to identify any trade impacts that they may have. In addition, the following incentives are provided in the tourism sector, as shown in table 22.

The expansion of mass-scale resort tourism and of major hotel chains is in part a consequence of the incentives to attract large-scale hotels. However, it has been acknowledged that this specific type of tourism may not lead to only benefits, with downsides including high leakage rates⁹⁴ and limited linkages to the rest of the economy, as well as possible unsustainable fiscal and environmental burdens. As concerns linkages in particular, the tourism sector's linkages to the overall economy have been shown to be weak in Jamaica,

with most tourism earnings going abroad. Efforts have therefore been engaged to reverse this trend.

A set of national government incentives for tourism investment is often used to secure investments, and these usually contain tax and import-duty exemptions, import-facilitation measures, promotion assistance, and subsidies and guarantees. However, according to a recent UNCTAD study, for many foreign investors, incentives may be less important than having in place the fundamentals of an enabling environment for tourism to succeed, including the existence of high-quality infrastructure, education and training policies.⁹⁵ The study also finds that, while many developing countries set attracting tourism FDI as a priority with a range of investment promotion policies, few have economic policies in place to fully benefit from it.⁹⁶

It would therefore be important to review all the incentives provided in the tourism industry to assess whether they are in line with current policy direction, to

Table 22. Incentives in the tourism sector

Description	Source
The Hotels (Incentives) Act provides income tax relief and import duty concessions for up to 10 years for approved hotel enterprises, and 15 years for convention-type hotels having an aggregate number of not less than 350 bedrooms and facilities for the holding of conferences. Approved hotel enterprises must have 10 or more bedrooms with facilities for meals and accommodation for transient guests, including tourists.	Hotels (Incentives) Act
The Resort Cottages (Incentives) Act provides recognized resort cottages with income tax relief for up to seven years and import duty concessions on imported building materials and furnishings. Income tax relief and the import duty concessions apply only to resort cottages having an aggregate number of not less than 10 bedrooms, situated in the same area and owned by the same person. The Act offers income tax relief and duty concessions for up to 15 years for convention-type hotels, that is, hotels with at least 350 bedrooms, and 10 years for regular hotels. For a hotel to benefit under this Act, it must contain not less than 10 bedrooms and facilities for meals and the accommodation of transient guests, including tourists.	Resort Cottages (Incentives) Act
The Government of Jamaica has instituted an attractions incentive to stimulate growth in the attractions industry. Benefits under the regulation include the importation of specific items free of general consumption tax and customs duty for five years and a five-year exemption from corporate taxes for investors.	Attractions Incentive Regulation

Source: Jamaica Trade and Invest.

identify how they affect trade and in particular Mode 3 trade (commercial presence) and to determine whether they are cost effective and represent the best use of government funds for the sector.

Given the many inputs required to make tourism strategies a success, intense coordination will be required among ministries, including those with mandates not directly related to tourism, but which nevertheless govern policies that have an impact on the tourism industry (table 23). It would therefore be important, if such a structure does not yet exist, that interministerial coordination (IMC), in addition to a broader stakeholder consultative process, be institutionalized to ensure all relevant elements for national planning and trade policymaking be integrated from the outset.

2.1.3. Trade-related issues

Given the nature of tourism services, which to a large extent are consumed by foreigners⁹⁷ and therefore represent exports of Jamaica to the rest of the world, virtually all policies affecting the tourism sector can be considered to affect a traded product. Among the strategies identified for the sector within NDP that may have a direct bearing on trade are the following: the promotion and enhancement of investment opportunities in the industry for both local and international investors and the strengthening of regional approaches to marketing and trade negotiations.

In Jamaica’s 2005 initial offer on services in the current Doha Round, the country places no limitations on market access, except for registration and licensing requirements, for cross-border supply, consumption abroad and commercial presence, and for the activities of hotels, restaurants, travel agencies, and tour operators. There are no national treatment limitations. The movement of natural persons remains unbound. However, tourism negotiations in WTO have not made significant progress. According to the CRNM (Caribbean Regional Negotiating Machinery) Secretariat, now the CARICOM Office of Trade Negotiations (OTN), the EPA negotiations represented an opportunity to reap benefits not achieved in WTO in terms of creating useful rules for the sector and to strengthen the capacity of CARIFORUM operators to increase tourism exports and competitiveness. In the EPA negotiations, Jamaica added marina services, spa services and rental and leasing of yachts.⁹⁸

There are key elements that may require further attention in future policymaking, including in the context of a general services strategy or master plan and trade policymaking for the tourism sector. Linkages with other sectors need to be integrated in the analysis of the needs of the sector. Specific services that are required spill-in factors for the tourism industry include cheap and frequent transport services, ICT services to support the development of the sector, and quality health and financial services, which tourists today consider a minimum requirement.

Table 23. Key institutions for the tourism sector

Institution	Key functions
Ministry of Tourism and Entertainment	Has the primary responsibility to develop coherent sustainable policies
Tourism Product Development Company (TPDCo.) Limited	Has the mandate of developing and improving Jamaica’s tourism product
Jamaica Tourist Board (JTB)	Is responsible for worldwide tourism marketing and promotion for the island of Jamaica
Jamaica Hotel and Tourist Association (JHTA)	Represents Jamaican hotels, other visitor accommodations, as well as most suppliers of goods and services to the tourism industry and aims to promote the development of Jamaica’s hospitality industry and to represent the interests of its members in all fora, locally, regionally and internationally
JAMPRO	Plays a key role in the marketing of Destination Jamaica

Box 6. Learning from the experience of the Dominican Republic

The Dominican Ministry of Tourism's Plan outlining its priorities for 2008–2012 is one document that Jamaica could refer to in reviewing its own tourism strategy. Recognizing the importance of efficient transport services for the industry, areas of specific focus include the improvement of the transport infrastructure with plans to build several new highways to connect various parts of the country and facilitate the transport of tourists and related inputs. Maritime transport would not be neglected with the development of a ferry to Samana from a new port in Sabana de la Mar, as well as a new Puerto Plata port. The impacts of the sector on local communities and the more vulnerable populations are integrated in the strategic planning. Housing for the local population is built into the plan with the envisaged construction of 6,000 housing units for low-income people in tourism zones. An analysis of the Dominican Republic's tourism success clearly shows that the country has been successful in addressing some of the key challenges associated with tourism. Part of the Dominican Republic's strategy for the development of its tourism sector involves the organization of an annual tourism exchange that brings together buyers and suppliers in a platform for doing business with wholesalers, international tour operators, incentive group contractors, air-lines, charter operators, hoteliers, tour operators and event organizers, and ground operations. Also, unlike most of the other Caribbean islands, which must import most of their goods and services to support the tourism industry, local industries in the Dominican Republic can now meet many of the needs of the tourism industry, particularly in agribusiness. The Dominican Republic has succeeded in reducing the overall leakage rate which is less than 15 per cent, compared with an average leakage rate of 55 per cent in underdeveloped countries, particularly islands. Jamaica can also learn from bilateral cooperation initiatives, which aim to better equip and strengthen local small, medium-sized and community-based tourism enterprises (e.g. USAID/Dominican Republic funded the Dominican Republic Sustainable Tourism Alliance (DSTA).

Source: Ministry of Tourism, Dominican Republic.

Also, positive and negative spillover effects from increased tourism activity must be integrated in policy planning, as these impacts may elicit support from other sectors of the economy for the tourism reforms or on the contrary lead to the adoption of related policies to limit or compensate for any negative externalities. In seeking to ensure positive developments from the tourism industry for the domestic economy, the Government of Jamaica should be mindful of growing threats to the preservation of cultural resources (particularly from large-scale mass tourism) and develop effective policies and actions that maximize linkages with the creative economy.

The competition, particularly from neighbouring countries, needs to be considered when designing the new tourism products that the country seeks to develop, as this will have an impact on the likely success of sector development initiatives. Finally, the country development and trade strategy for the tourism sector needs to be integrated into a broader services strategy that takes into account the fact that tourism is a sector highly vulnerable to external events and factors often under the Government's control (e.g. by ensuring that the country moves away from over-reliance on tourism exports, that national tourism is promoted in addition to international tourism, etc.).

Almost all CARICOM member States are net exporters of travel services due to their tourism industry (table

24). As they are suppliers of similar services, they can seek to promote joint travel services by strengthening existing passenger transportation networks among the member States. Moreover, member States can ease the passenger traffic among themselves by simplifying and reducing visa and other procedures for tourists visiting a CARICOM member country and willing to travel to others. CARICOM countries should also consider the extent to which the region can work jointly to market itself as a single destination, with each island promoting its specificity within the larger group. Tour operators can be encouraged to propose region-wide tour programmes, and they are allowed to operate in all CARICOM members without being burdened by unnecessary, lengthy and costly national legal procedures. CARICOM may also explore the costs and benefits of developing European Union's Schengen-type region-wide visa alternatives.

2.2. Communication services: Telecommunications and information and communications technology

2.2.1. Market overview

Initially, the Jamaican telecommunications sector was dominated by Cable and Wireless Jamaica, (C &WJ)⁹⁹ which in 1988 the company was granted five exclusive licences each for 25 years, which would be

Table 24. Trade balance in travel services, 2008–2010

Surplus	\$ million
Bahamas	5 359
Jamaica	5 225
Trinidad and Tobago	952
Saint Lucia	796
Antigua and Barbuda	776
Belize	681
Haiti	598
Grenada	272
Saint Kitts and Nevis	241
Saint Vincent and the Grenadines	225
Dominica	216
Suriname	100
Montserrat	9
Guyana	-18

Source: UNCTADStat.

valid until 2013. The company was therefore the sole provider of the island's domestic and international telephone service. Moreover, the ministry responsible for telecommunications at the time had limited regulatory capability and was apparently satisfied with the status quo leading to a situation where C&WJ basically regulated itself with limited government supervision. In September 1999, phased liberalization was introduced in the sector in an effort to develop a competitive and vibrant telecommunications industry and to move Jamaica towards a knowledge-based connected society. This move, however, implied that the Government of Jamaica pay Cable and Wireless a substantial fee for the buyout of the licences and the 25-year options. Full liberalization was completed on 1 March 1 2003. From 2001 to 2005, about 200 entities received close to 400 licences to provide services in areas such as international service providers (Internet), domestic carriers, international voice and data transmitters, ISP cable providers and domestic voice. Only a portion of these companies were to survive (approximately 10 per cent of which are still operational today, though several are in different forms than when they applied for licences).¹⁰⁰

Liberalization of the telecommunications market commenced with the granting of two new carrier licences for the provision of domestic mobile voice,

data, and information services. These licences were awarded on the basis of auctions held in December 1999 and January 2000. The auctions were financially successful, contributing US\$92.5 million to the Jamaican treasury. All mobile licences were for a period of 15 years. New entrants had a licence condition requiring a build-out of their networks to provide 90 per cent coverage of the island within five years of granting the licence. The mobile licences, under which C&WJ operated, however, had no network build-out obligations.¹⁰¹

Following liberalization in the telecommunications regime, the number of telecommunications licences granted increased dramatically, from 2 in 2000, to 441 in 2008 and 446 in 2009. Similarly, the number of Internet service provider (ISP) licences increased from 45 in 2001 to 82 by 2008. The Government estimates the number of Internet subscribers at around 112,000. However, broadband penetration remains relatively low at 4.2 subscribers per 100 inhabitants in 2009 (does not include mobile Internet users), with potentially adverse consequences on Jamaica's competitiveness.¹⁰²

Jamaica's advanced telecommunications infrastructure includes a 100 per cent digital telecommunications network, submarine fibre-optic transmission ring around the island, international submarine cable links

through the Cayman Jamaica fibre system, the recently installed Columbus Communications' Fibralink system to the Dominican Republic and the spur to the Florida Colombia cable. Recent developments include the award of a licence for submarine facilities to link Cuba and Jamaica and connect with the proposed Cuba–Bolivarian Republic of Venezuela cable system.¹⁰³ Jamaica enjoys seamless connectivity to North America, Latin America and the Caribbean via three parallel fibre routes. There is also a complete fibre ring around Jamaica. This sophisticated fibre optic network is an important comparative advantage for Jamaica.

Jamaica started developing its ICT sector in the 1990s. Alongside the development of IT-related businesses by private firms were collaborative efforts between the public and private sectors, including the Jamaican 2000 project that introduced ICT in schools and the IDB-supported EdTech 20/20 project that placed computer facilities in schools for the primary purpose of having an impact on literacy and numeracy. The liberalization of the telecommunications sector, with the end of monopoly of Cable and Wireless in 1999, also greatly affected the development of ICT in Jamaica.¹⁰⁴

Supported by a solid and improving infrastructure, Jamaica is increasingly recognized as a regional leader in ICT-enabled services, enabling the country to tap into the large United States market. NES identifies the sector, which already supports exports – from its call centre industry alone (the largest in the region) – of approximately US\$ 300–US\$400 million as a priority for the country. FDI inflows to the ICT industry has averaged US\$ 69 million per annum over the period 2001–2005, representing 11 per cent of total FDI inflows over the period. Moreover, it is estimated by JAMPRO that the ICT projects it facilitated in the telecommunications and call centre industries employ over 14,000 persons. The ICT sector is therefore one of the most significant contributors to new job creation and improved living standards through better-paying jobs based on higher value added services.

The country's strengths in providing IT-enabled and business processing outsourcing (BPO) services lies in near shore access to the United States, low attrition rates and high labour force availability among secondary and university graduates (over 20 per cent). Average call centre and BPO salaries are 40–60 per cent lower than corresponding salaries in the United States.

The success of the IT-enabled services sector is such that it is already moving to deliver higher value services, including finance and accounting, HR outsourcing, legal process outsourcing, R&D and software development and testing.¹⁰⁵ A shortfall in office space available for the BPO sector was identified as one of the factors which could limit the development of the industry. In order to address this situation, the Factories Corporation of Jamaica Ltd, the Government agency with primary responsibility for the development and management of industrial and commercial space, is retrofitting some 63,000 square feet of space at the Montego Bay Free Zone for outsourcing and other operations.¹⁰⁶

2.2.2. Main policies, regulations and institutions in the telecom and ICT sector

Today, Jamaica's overall objective for the ICT sector, as included in NDP, is to create a favourable business environment and supporting framework for ICT investments and operations, develop ICT-focused business parks and funding mechanisms, and encourage greater use and application of ICT by the Government and private enterprise. A related objective is to increase the capacity to gather and apply information on the ICT industry in order to allow policymakers to plan for the development of the sector and measure its contribution to the Jamaican economy. Given that there is still the need to further develop the indigenous ICT industry, the focus still appears to be on developing supply capacity by attracting global ICT players and major ICT corporations to invest in Jamaica.

Specific objectives of NES for the sector are the following:

- Double annual contact centre/BPO exports by US\$150 million;
- Establish a venture capital fund¹⁰⁷ to support the ICT industry (Government contribution to the venture capital fund should reach US\$1 million annually; private contributions should reach US\$10 million annually);
- Attract 15 foreign contact centres/BPO service providers to the country (to continue to develop Jamaica's profile as a regional industry leader, promote job creation and transfer of expertise);
- Facilitate the set-up of at least five local BPO service providers;
- Establish an industry association, ideally

representing 60 per cent of the ICT firms in the country.

A 2007 telecommunications policy was adopted with the objective of further attracting investments to the industry.¹⁰⁸ The policy was recently revised by the Office of the Prime Minister to provide an updated policy framework for the sector. Recent regulatory and policy development include the Cyber Crime Act (2010), as well as an overhaul of the existing 2007 telecommunications policy. The Government of

Jamaica adopted in April 2011 an ICT Policy in 2009, which is aligned with the ICT Sector Plan of Vision 2030, and provides the framework for the drafting of a proposed ICT Act.¹⁰⁹

As in the case of tourism services, a number of incentives are provided in the ICT sector (see list 3).

Jamaica's BPO providers typically operate as free zone-type companies, irrespective of their actual location (as Jamaica's free zone laws allows for single-entity free zones, which can be established anywhere

List 2: Main laws covering the ICT sector

- Cyber Crime Act (2010)
- Telecommunications Act (2000)
- Post Office Act (1941)
- Radio and Telegraph Control Act (1973)
- Broadcasting and Radio Re Diffusion Act (1944)
- Electronic Transactions Act (2006)
- Fair Competition Act (1993)
- Consumer Protection Act (2005)
- Office of Utilities Regulations Act (1995)

List 3: List of incentives provided by the Government of Jamaica for information and communications technology firms

- **Export Free Zone Act:** This allows for tax exemptions, duty-free import, repatriation of earnings, and minimized customs procedures for companies operating within specified export processing zones in the country. These benefits are also available to companies operating as single-entity free zones outside of designated free zones. This status can be granted for any location on the island.
- **Duty-free imports:** These include capital goods, raw materials, components or articles used in the manufacturing process, and specified articles for the construction, alteration, extension, repair or equipping of premises in the free zone.
- **Exemption from taxes on income and profits in perpetuity**
- **Freedom from import/export licensing or quantitative restrictions**
- **Free repatriation of profits and dividends**
- **Export Industry Encouragement Act:** This provides duty-free importation of raw materials and capital goods, and a tax holiday on profits for 10 years.
- **Moratorium on duties:** This allows investors without free-zone status to pay their import duties over an average two-year period.
- **Telecommunications licences:** Companies in the ICT sector with single-entity free-zone status can apply for licences to provide their own telecommunications. This provision may allow them to achieve significant cost savings using technology such as very small aperture terminals (VSAT).
- **Accelerated depreciation/special capital allowance:** Qualified businesses must be certified by the Ministry of Industry, Commerce and Technology. For data-processing/system development businesses, at least 20 per cent of their gross income must be derived from exports. Upon qualification, certified businesses are granted a special allowance of capital expenditure for 50 per cent of the full cost of any new machinery in the year of purchase and a further 50 per cent in the second year.
- **Tax holidays for industrial enterprises and more specifically, for investors located in free-trade zones and special development areas.**

Source: Jamaica Trade and Invest website.

outside of a designated free-zone space). As free-zone companies, they are eligible for a range of benefits.

The Ministry of Industry, Investment and Commerce is currently preparing a BPO industry policy framework, the recommendations of which seek to create an environment with which to attract greater levels of investment in the BPO industry.¹¹⁰

2.2.3. Trade issues

Among the elements which governments can work on with the objective of creating an enabling framework for the ICT sector to expand, in addition to liberalizing the sector, include enhancing competition in all ICT segments, providing adequate regulations for the sector, increasing trust in the use of ICT services, providing training in ICT skills, nurturing ICT enterprises through incubation and by establishing technology parks, and using public procurement to create demand among local ICT enterprises. As stated earlier, many

of these measures may indirectly affect trade in ICT services, even though this is not their initial objective.

While the country did not take commitments on telecommunication services during the Uruguay Round, it did participate in the 1997 extended negotiations on basic telecommunication. Its schedule of specific commitments provides for limitations on market access (commercial presence and cross border supply) in order to allow for a single supplier of voice telephone services until September 2013. However, the country has since moved to liberalize several of the scheduled services.

Trade in communication services is generally associated with communication services between immigrants living abroad and their relatives, and use of communication services in a country (table 26). Most of the CARICOM members have a trade surplus in communication services. CARICOM members

Table 25. Key institutions dealing with the ICT sector

Institution	Key functions
Office of the Prime Minister	Has responsibility for providing the overall policy framework to guide the development of the sector
Office of Utilities Regulation (OUR)	Among other things, receives and processes applications for a licence to provide telecommunications services
Spectrum Management Authority	Manages the radio frequency spectrum in accordance with the rules and regulations of ITU
Broadcasting Commission (BCJ)	Monitors and regulates the electronic media, broadcast radio and television, as well as subscriber television industries
Fair Trading Commission (FTC)	Monitors and regulates competition matters in conjunction with OUR
Consumer Affairs Commission	Protects the rights of consumers, in conjunction with OUR
Jamaica Coalition of Services Industries	Acts as the institutional focal point for coordinating support to the ICT sector including facilitation of an active software developers association

Table 26. Trade balance in communications services, 2008–2010

Surplus	\$ million	Deficit	\$ million
Jamaica	215	Haiti	-8
Trinidad and Tobago	75		
Guyana	32		
Antigua and Barbuda	32		
Grenada	30		
Belize	30		
Dominica	23		
Saint Vincent and the Grenadines	21		

Source: UNCTADStat.

can improve their intra-CARICOM communication networks and thus their services trade volume.

It is useful to devise a national trade strategy for the telecommunications and the broader ICT sector jointly given the linkages between the two subsectors and the role of telecommunications infrastructure as input for ICT services. Moreover, it would be important for the Government of Jamaica to focus on the role of the ICT sector and related trade policymaking in contributing to and accelerating progress in private sector development. A number of key aspects of ICT development may be of particular relevance. Firstly, ICT sector development has the potential to contribute to create jobs, and spur innovation, thereby contributing to overall economic growth. Secondly, the quality of the ICT infrastructure is an increasingly vital determinant of a country's overall investment climate. It is therefore essential that the development of the sector be targeted to meeting the needs of different kinds of enterprises, from MSMEs to larger, transnational corporations. Thirdly, enterprises must be able to make the best use possible of ICTs, including for managing their resources more efficiently, accessing the information needed for better business decision-making, reducing transaction costs and enhancing their ability to bring products and services to customers. Finally, the Government of Jamaica should consider applying ICTs to make private sector development interventions more effective – both in business environment reforms and in the provision of business development, business information and financial services.¹¹¹ In order to optimally leverage, ICTs for private sector development in the country, the Government of Jamaica could begin by taking steps to measure the level and nature of ICT use in the private sector. Once this information is collected, it could move on to developing policies to ICT access and use, particularly among SMEs. This would ensure that the country's focus on the ICT sector support the country export opportunities as it supports the broader development of the local economy.

Moreover, if the development of the ICT sector with the move towards IT-enabled services sector is to be a realistic option for the country, then Government of Jamaica needs to ensure that its education system and institutions are producing a sufficient pool of persons with the adequate skills for providing services in the areas of finance, accounting, HR, legal services, R&D, and software development and testing. In addition, it will be essential for Jamaica to ensure that the skills

and qualifications of individual service suppliers, as well as of juridical persons offering these services, are recognized by trading partners. This can be achieved either by the adoption of international certifications where these exist, or through the negotiations of mutual recognition agreements.

2.3. Creative industries and audio-visual services¹¹²

2.3.1. Market overview

Jamaica is recognized largely by the outside world for its arts and particularly its music, which represents the country's most easily exportable creative-industry product. Nevertheless, Jamaica's creative products are diverse and include finished audio video tangibles that are exported physically and digitally, as well as facilities and services consumed by foreigners visiting Jamaica to record in one of its state-of-the-art studios, collaborate with top artists, musicians and producers or shoot a music video in the diverse Jamaican landscape. Today, creative industries account for 5.2 per cent of Jamaica's GDP, which is more than the country's traditional mining sector, and the film industry is also contributing to socioeconomic development. Jamaica facilitates 150 film projects annually, with associated foreign exchange inflows of \$14 million and direct employment for over 2,000 creative professionals.¹¹³

The importance of the focus on creative industries also stems from the fact that the sector contributes significantly to employment generation through new enterprise development in the entertainment and related industries, achieving greater participation in the economy by individuals, particularly from inner cities and rural communities.

2.3.2. Main policies, regulations and institutions in the creative industries sector

In 1996, the Government acknowledged the potential of culture and creative industries as an important economic strategy for national growth by including music and entertainment as a strategic cluster group in NIP. The Government of Jamaica continues to build on this comparative advantage by maintaining its creative industries as an important priority within the country's development plans.

NES identifies that within the creative industries, dance, drama, film and music are among the strongest

export services and have the greatest potential to promote the Jamaican culture and creativity. Various reports on the Music industry place the employment estimate between 6,000 and 15,000, with estimates of export earnings as high as US\$100 million. Film location projects may contribute US\$14 million in the local economy, with 1,500–2,500 employees who also export their services.

The specific objectives of NES for the sector are to increase music exports by US\$50 million over five years, increase exports across the industry by 20 per cent per cent annually, strengthen the industry by focusing on the formalization and development of enterprises and enhance the institutions that support the industry to improve coordination and provide a business approach to its development.

Within the creative industries, emphasis has been put on the film industry. The country offers various benefits to the investor, including business-friendly entry requirements and easy access to the visas and work permits needed to facilitate projects in the industry. Producers and investors may apply through the Film Commission to access incentives offered under the law.

Under the Motion Picture Industry Encouragement Act, the Government of Jamaica provides a number of incentives for investors wishing to produce films in the country. For example, a recognized film producer is entitled to relief from income tax for a period not exceeding nine years after the first release of the motion picture. The investor would also benefit from an investment allowance of 70 per cent of the total expenditure on the production facilities, and this may be carried forward. Finally, the investor would also be exempt from the payment of import duty on equipment, machinery and materials for the building of studios or for use in motion picture production.

The Ministry of Industry, Investment and Commerce is currently developing a film industry policy framework that will seek to articulate an enabling environment for the film industry, as enunciated in the National Industry Policy.¹¹⁴

In addition, the Ministry of Youth and Culture has recently drafted an initial concept note for a cultural industries policy, which would build on the Creative Industries chapter of the National Cultural Policy. The cultural industries policy would:

- Encourage/promote innovation, entrepreneurship;

List 4: Main laws and policies covering the creative industries sector

- National Cultural Policy
- Motion Picture Industry Encouragement Act
- National Strategy and Action Plan to further develop the Jamaican music industry

List 5: Incentives available to firms in the film industry

- Tax-free profits from overseas release of film and video for nine years
- Duty-free and tax-free concessions on equipment, machinery and materials for the building of film studios and support facilities
- An investment allowance of 70 per cent of sums spent on investment in infrastructure is provided, with a carry forward of the unused portion
- No withholding tax on dividends is paid to resident shareholders with investments in film companies (non-resident shareholders earn dividends are taxed according to the provisions of the Double Taxation Treaty with their respective countries, for example, the United States and the United Kingdom are treaty members, thus eliminating the payment of taxes in Jamaica)
- Discount on Government-owned locations
- Benefits under existing co-production treaties
- Waiver of duty on temporary importation for the creative industries

- Set out strategies for creating funding opportunities, including access to venture capital, government investment, subsidies, tax exemptions, tax credit, and the creation of a creative industries fund;
- Outline programmes for market development;
- Protect and foster intellectual property rights;
- Outline the relationship between the creative industries and education and job creation;
- Create measures to support research.¹¹⁵

Jamaica’s cultural policy was approved in 2003 but was not published. It is currently being reviewed¹¹⁶ with a view to having it published. The revised policy would aim to:

- Articulate a clear vision of the place of culture in national life, the importance of cultural expression and diversity as essential factors of cultural development;
- Make provisions to ensure the full participation of communities in cultural expression and cultural development;
- Outline strategies for building cultural infrastructure

and enabling cultural institutions to manage cultural development;

- Establish links between cultural policy and policies related to education, science and technology, industrial development, environmental protection, tourism product enhancement and entertainment;
- Indicate the Government’s intentions regarding the documentation and recording of cultural trends, the collection of oral traditions, the development of cultural centres and spaces for cultural and artistic expression at the level of communities and the promotion of culture industries and entrepreneurship;
- Identify sources for funding cultural development.¹¹⁷

Fragmentation of various aspects of Jamaica’s creative industries across several ministries and agencies (table 27) without the benefit of a sector-driven master plan has resulted in staggered duplication, inertia and ongoing loss of wealth-generating opportunities.¹¹⁸

The cultural ambience and traditions of different locations can be an attraction for tourists, and they are important consumers of recreational and cultural

Table 27. Key institutions dealing with the creative industries sector

Institution	Key functions
Ministry of Youth and Culture (Division of Culture)	Is responsible for providing policy direction related to culture, entertainment and the creative industries
Creative Industries Clusters	Is the institutional focal point for the creative industries stakeholders
JAMPRO (Film, Music and Entertainment Commission)	Stimulates, facilitates, and promotes the development of trade and industry, and export and investment activities in all sectors of the island’s economy with a particular focus on a number of targeted sectors which including the creative industries (film, music and entertainment)
Jamaica Tourist Board	Sponsors a variety of cultural and creative events
Entertainment Board within the Ministry of Tourism and Entertainment	Supports efforts to diversify the country’s tourism product by linking entertainment with tourism
Jamaica Cultural Development Commission	Stages the annual independence/festival celebrations incorporating presentations in music and the performing arts
Social Development Commission	Assists efforts to develop creative industries through their work in communities
Jamaica Intellectual Property Office (JIPO)	Provides Jamaican creators, investors and commercial enterprises, as well as foreign rights holders, with modern and comprehensive procedures and facilities for the protection of their IPRs

services, as well as a variety of creative products, such as crafts and music. Concerted interministerial policies are therefore needed for building linkages to ensure that the creative industries are able to capture a greater share of tourists' expenditures in Jamaica. The linkages between creative industries and other services sectors such as tourism services but also ICTs once again highlight the importance of a comprehensive services master plan that takes into account linkages between services activities.

The emergence of the Internet and with it e-business and e-commerce will have a very significant impact on the growth of businesses in the creative industries. Indeed, a great deal of the goods and services produced in entertainment can easily be promoted and delivered digitally online. Similarly, studies have shown that music and entertainment contributes a very significant value to the national tourism product of Jamaica. Policies for the creative industries sector should therefore be developed jointly with policymakers and stakeholders involved in the ICT sector, keeping in mind possibilities for e-business and e-commerce, as with relevant players from the tourism sector, for which the music and entertainment sector remains key.¹¹⁹

In this sector, the need for concerted interministerial policies has also been highlighted. In particular, the creative economy extends into a wide range of areas of political responsibility and government administration. Although many governments have set up specific ministries, departments or specialized units to deal with the creative industries, almost all areas of government policy (including economic development, trade, labour, domestic and foreign investment, technology and communications, education, social affairs and tourism) have some sort of interaction with these industries. The multidimensionality and cross-cutting nature of the creative industries means that there is an inevitable tendency for policy strategies to become fragmented. If this leads to the application of piecemeal measures, there may be a danger that the policy strategies are contradictory in their impact.¹²⁰

2.3.3. Trade issues

Among the identified strategies that would have a direct impact on trade is the explicit intent by the Government to ensure the representation of the cultural and creative industries in relevant trade and investment negotiations at the regional and global levels. NDP put a major emphasis on the importance of the export market for Jamaica's creative industries, which far exceeds the size of the domestic market (table 28).

A regional cultural committee (RCC) was established two decades ago as a regional body within CARICOM that provides advice to ministers of culture on a number of issues, including cultural policy, culture and the economy, and culture and trade. It is a forum where the directors of culture of CARICOM countries can meet and discuss the harmonization or coordination of approaches to cultural development initiatives in the context of the CARICOM single market and economy (CSME). RCC is also the entity, which through a regional task force on cultural industries, composed of representatives from governments, regional organizations and the cultural industries, has developed a draft regional development strategy and action plan for the cultural industries in CARICOM.¹²¹

The development of this draft strategy and action is reflective of the fact that CARICOM Governments have increasingly been recognizing the important contribution of cultural and creative industries to the economies of the region and have recognized an enabling environment with the necessary policy, legislative and institutional support is required for the cultural and creative industries to realize growth, and create jobs and wealth in the region, particularly providing opportunities for young people of the Community. The purpose of the draft strategy is to grow the regional creative economy by building more globally competitive cultural industries, creating an enabling environment to improve the competitiveness and productivity of the sector and positioning the region as a cultural mecca and preferred investment location, while preserving and projecting its cultural diversity, as well as the national and regional identities.

Table 28. Jamaica's trade balance in personal, cultural and recreational services, 2008–2010

	Surplus	\$ million
Jamaica		81

Source: UNCTADStat.

Table 29. CARICOM draft Strategy and action plan for the cultural industries in CARICOM

Surplus	\$ million
Objectives	Resolving classification issues related to cultural products and services Making recommendations to address challenges in the free movement of artists under the CSME Advising on the appropriate treatment of culture in trade negotiations and agreements
Cross-cutting issues identified	Investment and financing Intellectual property management Industry associations Business support services (e.g. trade and export facilitation, marketing and distribution) Human resource development Data collection Policy, legislation and incentives Intersectoral linkages
Elements of the proposed regime	A CARICOM registry of bona fide artists and cultural entrepreneurs administered at the national level with mutual regional recognition A CET-level list of cultural inputs eligible for exemptions, going beyond tools of trade Adequate financial incentive by exemption from internal taxes, import duties and ODCs Enactment of appropriate legislation

Source: "Strategic policy directions proposed by the Regional Task Force on Cultural Industries", presentation by Ms. Hilary Brown, CARICOM Secretariat, at the Project-Closing Workshop, Promoting CARIFORUM Creative Industries, September 2011.

At the end of 2010, RCC reviewed and discussed the draft strategy (table 29), with a view to making proposals for its advancement and implementation at the highest level of the Community.¹²²

The twenty-second meeting of CARICOM's Council for Human and Social Development (COHSOD 22), which focused on youth culture and sports, endorsed the draft strategy and action plan and approved in principle, the strategic directions presented, conceding that there was a need to explore various mechanisms to establish a public-private sector fund for cultural industries. The meeting further requested the COTED and the Council for Finance and Planning (COFAP) to examine proposals to set up this financing mechanism.¹²³

Other important issues dealt with by RCC include trade-related matters such as the implementation of the culture provisions of the economic partnership agreement with the European Union, the free

movement of artists in CSME and the ongoing negotiations for a CARICOM-Canada trade and development agreement.

The CARIFORUM-EU EPA agreement is one trade and investment agreement to which Jamaica is a party and which includes both market access and cooperation provisions relating to the cultural sector. It would be useful for the Government of Jamaica to review what lessons can be learned from the negotiation of these provisions and their implementation to date for the negotiation of future agreements with its trading partners. While the EPA is still being applied provisionally, some analyses of the agreement has been done by various entities which can be of interest for the Jamaica officials. The first point that can be made is that the EPA provides for market access commitments but also for cooperation relating to the cultural sector. This is probably reflective of the fact that the sector is not considered solely as

a commercial activity but rather and a sector with its own specificity, and thereby that “cultural goods and services [...] as vectors of identity, values and meaning, must not be treated as mere commodities or consumer goods”.¹²⁴

As concerns market access commitments of the European Union, they basically provide an opportunity for CARIFORUM States to provide entertainment services¹²⁵ under the rules of the Services and Investment chapter and the general provisions of the EPA. The specific commitment taken is to allow contractual service suppliers¹²⁶ to provide services in the European Union market, subject to certain qualification requirements and to economic needs tests (ENTs), for up to six months. A paper by CRNM indicates that ENTs condition was in exchange for a full commitment to market opening by the European Union without quotas. The CRNM paper further indicates that artists or bands who are self-employed artists who create a company which they own or not, and which has only one employee (themselves) can be considered contractual service suppliers if they are considered employees of this company (i.e. by receiving a salary). Moreover, the European Union’s commitments cover other cultural practitioners such as visual artists, sculptors, dancers and carnival presenters.¹²⁷

A careful review of the commitments indicates a number of other conditions that must be fulfilled for the artist from the Caribbean to access the European Union’s market:

- The individual supplying the entertainment service on a temporary basis must be an employee of a firm that has obtained a service contract for a period not exceeding 12 months;
- The individual should be employed by the for at least the year immediately preceding the date of submission of an application for entry into the European Union;
- The person must possess at least three years’ professional experience in the relevant sector of activity;
- The individual must be paid by his/her employer in the country of origin during his/her stay in the European Union;
- The temporary entry and stay can only be for a cumulative period of up to six months (in Luxembourg, 25 weeks) in any 12-month period or for the duration of the contract, whatever is less;

- Access granted into the European Union for the service supplier is only to the service activity that is the subject of the contract that he/she is seeking to fulfil;
- The number of persons covered by the service contract shall not be more than necessary to fulfil the contract.

The accumulation of these conditions is limiting, though some analyses¹²⁸ have preferred to highlight the sensitive nature of the sector in many European Union States and to portray the market access granted as a comprehensive offer.

The provisions of the Protocol on Cultural Cooperation focus on bilateral cooperation on all cultural fronts, with special provisions on the audiovisual sector. The Protocol covers the provision of technical assistance to CARIFORUM through different measures such as training, exchange of information, expertise and experiences, and counselling in the elaboration of policies and legislation, as well as in the usage and transfer of technologies and know-how. Cooperation should not only involve governments but also private firms, NGOs and public–private partnerships.

The European Union has acknowledged that it is still working to implement the Protocol on Cultural Cooperation and that will work with CARIFORUM partners on monitoring the implementation and impact of the market access granted under the EPA, including for entertainment services.¹²⁹ This probably points to the fact that neither CARIFORUM countries, nor the European Union Member States have devoted sufficient efforts to implementing the Agreement, despite have agreed to its provisional application, as they are less inclined to take specific measures before formal ratification. However, as was discussed earlier, such an attitude defeats the purpose of the provisional application of the treaty. A related problem on the European Union side has been that the Protocol on Cultural Cooperation was not linked to any financial envelope for its implementation, and no structures have been set up for this task.¹³⁰

Recommendations for the better leveraging of the creative industries for development through the growth of the sector in Jamaica and in the region could include the following:

- Identification by the cultural actors in the region of their expectations under the cooperation protocol and the market access granted and a proactive outreach to their national Government,

their counterparts and potential customers in the European Union;

- Due focus by the Government of Jamaica of the cultural sector when implementing the EPA;
- Establishment of a Pan-Caribbean trade association or the coming together of existing entities in some form of collaboration to join forces in defending the sector.¹³¹ It can also be noted that as in other services sectors the data relating to the creative industries is still weak, including because many artists in Jamaica are in the informal sector. Efforts to improve statistics and data collection¹³² will also benefit analyses of the sector and its economic and trade potential, thereby assisting policymakers in putting in place adequate policies.

The impact of digital technology and the Internet on the production, promotion and delivery of cultural and entertainment content dictates that trade policies for services related to the creative industries from Jamaica be supported by the effective use of ICTs. When identifying trade-policy options, including negotiated liberalization commitments with respect to the services related to creative industries, certain modes of supply (e.g. the cross-border supply of services and consumption) may be warrant particular focus.

2.4. Financial services

2.4.1. Market overview¹³³

A financial crisis in 1996–1997, which cost around 40 per cent of GDP, helped to shape Jamaica's financial system. All segments of an advanced financial system are present and closely interconnected via a small number of dominant conglomerates, several have foreign parent companies or overseas activities. Financial services contributed approximately 12 per cent to GDP and provided employment for 74,000 people in 2009.

A major development in recent years has been the growth of the securities dealers sector, facilitated in part by industry deregulation and 2002 legislation to separate banking from non-banking activities, resulting in the large transfer of funds under management from merchant banks to securities dealers, regulated by the Financial Services Commission (FSC), and an attendant increase in dealers' assets.

The banking sector in Jamaica includes three kinds of deposit-taking institutions (DTIs), which are supervised by BoJ under a common regulatory framework: seven

commercial banks, three merchant banks and four building societies. In addition, there were 45 credit unions in operation at the end of 2009. The non-deposit-taking institutions sector included insurance companies (17 institutions), securities dealers (48) and several unit trusts, private pension funds, and mutual funds at the end of 2009. These are supervised by FSC. Although securities dealers dominated the non-bank sector with assets of approximately 50 per cent of GDP in 2004 and 47 per cent in 2009, Jamaica also has a well-established insurance sector. The life and non-life sectors are concentrated; the three largest companies account for about 82 per cent and 48 per cent of their respective sector assets, and final control of the life sector rests mainly abroad.

The financial sector is relatively stable and well capitalized and has been highly profitable in the context of high interest rates on government securities. As of December 2009, the solvency indicator was adequate, as reflected by the capital adequacy ratios of both the banking system and the non-deposit-taking sector. CAR was 17.9 per cent up from 15.2 per cent in 2008. There are signs that the Jamaican financial sector has suffered from the effects of the international financial crisis. The non-performing loan ratio (NPLs over total loans) for commercial banks increased from 2.9 per cent in 2008 to 4.1 per cent in (September) 2009, to 5.3 per cent in (March) 2010. Over the same period, the ratio of provisions for loan losses to NPLs declined from 88.2 per cent to 70.1 per cent.

The main systemic risk is the dependency of the domestic financial system on government debt, which accounts for nearly 80 per cent of liquid assets. In recent years, Ponzi schemes were a threat to the integrity of financial markets in Jamaica. Some of these schemes were not domiciled in Jamaica but solicited funds from residents, while others were based in Jamaica and solicited investments from overseas and/or had affiliates in other countries. FSC implemented a range of measures to halt the proliferation of these schemes. These measures included an intensive national public awareness and education campaign. The Government also enunciated a clear policy position that there would be no government-supported bailout when these schemes collapsed. The recent collapse of some of these schemes has reduced their attractiveness to the public, and did not appear to significantly threaten financial sector stability. In 2010, work significantly advanced on developing legislative amendments

to strengthen the capacity of financial regulators of deposit-taking and non-deposit-taking institutions to combat the establishment and proliferation of Ponzi schemes.

2.4.2. Main policies, regulations and institutions in the financial sector

Given the important role of financial services in underpinning economic development, Jamaica's NDP states that a high quality, knowledge-based financial services sector that is able to evolve and expand to achieve and maintain global competitiveness is a key objective of the country. The long-term development of the financial services sector is expected to involve a range of diversification options such as the development of an offshore banking industry.

List 6 enumerates the main laws and regulations covering the financial services sector in Jamaica.

Regulation by the Bank of Jamaica relating to remittances exists. Legislation to regulate money transfer and remittance agents and agencies was passed in Parliament in February 2004, and the regulatory regime came into effect on 5 July 2005. The main objective of this regulation is to combat money laundering and the financing of terrorism.¹³⁴

More recently, the Jamaica International Financial Services Authority Act was passed. The objective of the Act was the establishment of an authority for the promotion and development of Jamaica as a centre for international financial services. The functions of the Authority are, inter alia, as follows:

- Market the country as a centre for international financial services;
- Enhance the reputation of Jamaica as a centre of excellence for the provision of these services;
- Promote the adoption and maintenance of international standards of competence;
- Promote compliance with supervisory and regulatory standards for the conduct of international financial services;
- Make recommendations for legislative changes where necessary and for the creation or improvement of any facilities likely to enhance the attraction of Jamaica as a centre of excellence for the provision of international financial services.

Following the passing of the Act, the Jamaica International Financial Services Centre (JIFSC) was created. While it has yet to begin its operations, several pieces of necessary legislation are now being

List 6: Main laws and regulations covering the financial services sector

- Jamaica International Financial Services Authority Act
- Bank of Jamaica Act
- Banking Act
- Financial Institutions Act
- Building Societies Act
- Banking (Establishment of Branches) Regulations
- Banking (Amalgamation and Transfers) Regulations
- Banking (Capital Adequacy) Regulations
- Banking (Licence Fees) Regulations
- Financial Institutions (Establishment of Branches) Regulations
- Financial Institutions (Amalgamation and Transfers) Regulations
- Financial Institutions (Capital Adequacy) Regulations
- Financial Institutions (Licence Fees) Regulations
- Bank of Jamaica (Building Societies) Regulations
- Building Societies (Licences) Regulations

Table 30. Key institutions dealing with the financial services sector

Institution	Key functions
Ministry of Finance and Planning	Has overall responsibility for developing the Government's fiscal and economic policy framework; collecting and allocating public revenues and playing an important role in the socioeconomic development of the country
Bank of Jamaica	Is responsible for the execution of monetary policy and the regulation of the economy, including supervision of commercial banks and certain non-bank financial institutions. Also regulates exchange control policy
FSC	Has the overall responsibility to regulate and supervise institutions that provide non-deposit-taking financial services in connection with insurance, the acquisition or disposal of securities and units under a registered unit trust
Financial Regulatory Council	Develops policies and strategies to facilitate coordination and information sharing between the various supervisory and related agencies operating in the financial sector
Jamaica Stock Exchange	Allows for the trading of ordinary shares, preference shares and corporate bonds, regulates the listing on its exchange and has rules in relation as to how to list a company thereon, has an electronic trading platform with modern clearance arrangements through the Jamaica Central Securities Depository
Jamaica Deposit Insurance Company	Protects depositors and promotes stability and confidence in the Jamaican financial sector by carrying out a deposit insurance scheme to protect depositors from loss up to a specified limit

developed. Among the products currently being considered for development are captive insurance services, international holding companies, shipping and aviation services, and international trust services and partnership services.¹³⁵

2.4.3. Trade issues

Jamaica took commitments on financial services in both the Uruguay Round and the 1997 extended negotiations that led to the Fifth Protocol. In its schedule of specific commitments for banking and other financial services, Jamaica listed as unbound the acceptance of all types of deposits and other repayable funds from the public, as well as lending of all types for all modes of supply, with the exception of commercial presence. There are no market access or national treatment restrictions for the provision of banking services through commercial presence, except that foreign banks are subject to higher capital requirements than local banks. In its 2005 Doha Round conditional offer, Jamaica has made

no further offers in the banking sector. As for life and non-life insurance services Jamaica's Uruguay Round commitments in both were enhanced in the 1997 extended negotiations on financial services, although Jamaica has not yet ratified the GATS Fifth Protocol. Also in its conditional offer, Jamaica's proposed financial services commitments are limited to life and non-life insurance services. Regarding commercial presence, the policy that insurance entities should be at least 51 per cent Jamaican has been reviewed to allow fully foreign owned establishments.¹³⁶

Jamaica is involved in negotiations aimed at finalizing the draft CARICOM Financial Services Agreement (CFSA). It would give substantive effect to chapter three of the Revised Treaty of Chaguaramas – which deals with, inter alia, establishment, services, and capital. In the creation of the region's single market and economy, CFSA is expected to play a critical role by assisting the establishment of harmonized legal provisions to govern the financial services industry in the Community.

As stated earlier, while Jamaica maintains a trade deficit in financial services, it has the largest exports among the CARICOM countries. See table 31.

Most of the CARICOM member States have trade deficit in insurance services (table 32). Trinidad and Tobago is the only member State that has a surplus in this service category. This fact can be taken in to account in reaching mutually beneficial trade concessions among negotiating CARICOM partners.

3. Market access conditions for services exports

Jamaica is a member of WTO and as such has access to the services markets of WTO Members according to their individual schedules of commitments. The access to WTO Members' markets is on a most-favoured nation basis and does not involved preferential access unless this results from other trade negotiations. Jamaica is also involved in bilateral, regional and interregional trade negotiations, which have or may

result in deeper liberalization of specific services sectors and subsectors. Market access conditions for Jamaican services and service suppliers are analysed in the next few paragraphs.

3.1. Regional market access (market access in CARICOM)

Rather than extend the scope of an FTA to include services, the CARICOM countries opted to move beyond a common market to create a CSME. Key elements of the CSME relevant for services trade include free movement of services, capital and skilled labour. The main legal instrument, which includes provisions in these areas is chapter III, Establishment, Services, Capital and Movement of Community Nationals of the 2001 Revised Treaty of Chaguaramas. Chapter III allows for the right of establishment, the right to provide services and the right to move capital across the region. Services trade is defined in the same manner as in GATS (i.e. through the

Table 31. Trade balance in financial services, 2008–2010

Surplus	\$ million	Deficit	\$ million
		Jamaica	-6

Source: UNCTADStat.

Note: Jamaica's cumulative exports and imports stood at \$129 million and \$136 million, respectively.

Table 32. Trade balance in insurance services, 2008–2010

Surplus	\$ million	Deficit	\$ million
Trinidad and Tobago	441	Jamaica	[477]
		Bahamas	[364]
		Antigua and Barbuda	[113]
		Belize	[69]
		Guyana	[45]
		Saint Kitts and Nevis	[32]
		Grenada	[29]
		Saint Lucia	[25]
		Saint Vincent and the Grenadines	[23]
		Dominica	[17]
		Suriname	[15]

Source: UNCTADStat.

four modes of supply). National treatment is granted automatically, unless specific reservations are made by countries. In addition, new restrictions based on nationality or which are discriminatory are not allowed. Rules of origin, which determine who is considered a national of a Member State and who may be denied the benefits of the agreements, are also clearly stated. Free movement of labour is to be facilitated by measures for accreditation, mutual recognition of qualifications and equivalency in qualifications. The Community is moving towards the free movement of national and opted to allow as a first step the right to seek employment to a group of natural persons, which includes university graduates, media workers, athletes, artists and musicians.

Chapter III also includes an explicit status quo provision for the treatment of existing service measures, which precludes the introduction of any new restrictions on services trade among members. The provision that most explicitly promotes services trade in article 37 on the removal of restrictions on the provision of services, which requires Member States to remove discriminatory restrictions on the provision of services within the Community in respect of nationals of CARICOM countries.

COTED is given the responsibility of establishing a programme for the removal of restrictions on the provision of such services in the Community by Community nationals, starting first with services, which directly affect production costs or facilitate trade in goods and services, which generate foreign exchange earnings.

Chapter III is unique among RTAs for services, as it does not include an explicit approach to the services liberalization process.¹³⁷ The region agreed to establish national inventories of measures affecting trade in services as part of the preparation towards removal of such restrictions and as a starting point for the removal of restrictions in the chapter. CARICOM countries' respective inventories of measures affecting services trade were finalized in 2002 and they have been made publicly available.¹³⁸ CARICOM Members committed themselves to removing these restrictions between 2003 and 2005.¹³⁹ In July 2006, all CARICOM Member States deposited certificates indicating that they were treaty compliant.

Since the establishment of CSME, there have been greater cross-border investments, and some of these investments may have been promoted by the new

regime. Examples of such cross-border trade include air transport: CAL investing in Air Jamaica; Redjet of Barbados investing in Guyana, Jamaica, Trinidad and Tobago; banking: RBTT¹⁴⁰ taking over or acquiring a stake in other banks across CSME; insurance: Sagicor and others taking over or acquiring an interest in other insurance firms across CSME; securities: some cross-border trade; and business services: professionals such as lawyers, engineers, architects, management consultants, accountants, doctors, veterinarians, nurses and midwives have been moving to provide services. Nevertheless, data are not yet being collected on this trade. The region is now working towards establishing the necessary frameworks to measure trade in services. There are several other areas of trade in services, including movement and performance of artists and musicians.

CARICOM is now focusing on developing a regional strategic plan for Services. The regional has agreed on seven priority sectors, namely, ICT, financial services, education, health and wellness, professional services, tourism, and cultural, entertainment and sporting services. An inventory of each member State's policies, plans and strategies for services has also been undertaken in preparation for the development of this strategic plan.

Impediments to increased services trade in CSME exist, however. These include the absence of both a harmonized policy and regulatory framework to operationalize the single space for services and in particular the provision of services, the levying of duties and other charges on the inputs and tools of trade of providers in the cultural industry sector, the inadequate financing to the majority of service providers most of whom are MSMEs, the lack of portability of collateral and the concomitant lack of spreading of risks. However, these and other impediments will be addressed by the Regional Strategic Plan for Services.

In addition, CARICOM has negotiated market access with bilateral partners. Two FTAs have been signed between the CARICOM region and partners in the western hemisphere: CARICOM–Dominican Republic and CARICOM–Costa Rica (2004). Both of these agreements include provisions relating to the liberalization of services. The region is also currently negotiating a FTA with Canada, which will similarly include services.

3.2. CARICOM–Canada (currently under negotiation)

Negotiations towards an FTA between Canada and CARICOM member countries were launched in 2007. The negotiations officially commenced in November 2009 and should have been completed in 18 months (by May 2011). The schedule has been pushed back, and it is now expected that the negotiations will be completed before the new MFN waiver approved in WTO, for CARIBCAN expired in December 2013.

These negotiations will represent a new phase in the trade relations between Canada, and the region, which is moving from the preferential duty-free access for goods from the countries of the Commonwealth Caribbean to the Canadian market under the CARIBCAN arrangement¹⁴¹ to reciprocal trade relations. Since then the negotiating parties have engaged in two substantive rounds of negotiations held respectively in November 2009 and March 2010.

The region's interests in the area of services can be summarized as follows:

- To enjoy greater access to Canada's services markets across a range of services across all modes of supply (particularly Mode 4) as compared with Canada's GATS commitments;
- To address impediments to the provision of services by CARICOM services providers in the Canadian market (e.g. licensing requirements, economic needs tests and permits, as well as other discriminatory requirements such as citizenship requirements, and land and capital requirements);
- To develop a framework for the recognition of the equivalence of CARICOM's professional qualifications to Canadian professional qualifications;
- To cooperate with Canada in developing CARICOM's capacity and competitiveness in the services trade and improve CARICOM's regulatory capacity to support the services trade (particularly with respect to the culture, tourism, ICT/e-commerce and energy sectors);
- To ensure transparency with respect to Canadian regulations applicable to CARICOM services providers wishing to operate in the Canadian services markets;
- To foster regulatory cooperation with respect to the harmonization of regulatory and technical standards;

- To promote and preserve the benefits of the intraregional framework.¹⁴²

When it comes to market access, the sectors of particular interest include: (a) business services, (b) construction and engineering, (c) tourism, (d) ICT related services, (e) entertainment services, (f) audiovisual services, and (g) health services.

Jamaica is currently developing its national negotiating positions for these negotiations through a consultative mechanism, JTAT, which is made up of representatives of the public and private sectors and civil society. The national positions are taken to the regional technical working groups, where the regional positions are negotiated. Draft legal texts have been submitted by both sides on various sections of what will form the agreement. The market access proposals for investment, services and goods are works in progress at the regional level.

3.3. CARICOM–Dominican Republic

After the signing of the Framework Agreement between CARICOM and Dominican Republic in 1998, the Parties agreed to advance the implementation of the different elements of the Agreement establishing the FTA through several legal instruments. A plan of action was signed on 22 August 1998; a protocol to implement the agreement establishing the FTA was signed on 28 April 2000; and finally, a memorandum of understanding was also signed on 28 April 2000. The following countries have taken the necessary steps to implement the FTA: Barbados, Jamaica, and Trinidad and Tobago (2001); Dominican Republic (2002); Guyana (2004); and Suriname (2005).¹⁴³

3.4. CARICOM–Costa Rica (2004)

The agreement was negotiated between the parties from October 2002 to March 2004. The agreement has entered into force for Trinidad and Tobago (2005), Guyana and Barbados (2006) and recently Belize (2011). As for Jamaica, it started the ratification process for this agreement as early as 2007. The agreement with Costa Rica has not entered into force as yet for Jamaica. The Ministry of Finance and Planning is working on having the necessary legislative amendments made.

3.5. Other agreements

Jamaica has still to fully implement CARICOM trade agreements with Cuba and with the Dominican

Republic. There are also CARICOM agreements with the Bolivarian Republic of Venezuela and Colombia. There were proposals that CARICOM expand the agreement with Costa Rica into an agreement with Central America. In addition, there has been discussion about having an agreement with MERCOSUR. However, CARICOM decided that it was necessary to prioritize negotiations, given the number of requests from countries, including Chile and Mexico. CARICOM is now engaged in negotiations with Canada, and limited resources do not enable CARICOM Member States through the CARICOM Office of Trade Negotiations to engage in multiply trade negotiations. Some CARICOM Member States such as Trinidad and Tobago, with the approval of CARICOM, are negotiating bilateral partial-scope agreements with

other countries in Latin America such as Panama and Guatemala and St. Kitts/Nevis with Brazil. Guyana and Belize also have the permission of CARICOM to improve their trade relations with neighbours in South and Central America. To date, Jamaica has not sought to enter into any bilateral partial-scope agreements.

3.5.1. Intra-regional market access under the Economic Partnership Agreement with the European Union

In 2008, as part of the CARIFORUM, Jamaica signed an EPA with the European Union, which included an important chapter on investment, services and e-commerce. The investment section of the text is relevant for the services sector, as it applies (with respect to the European Union to both

Table 33. Market access conditions to the movement of natural persons

Contractual service suppliers	Independent professionals
<ul style="list-style-type: none"> • The NP must be supplying the service as employees of a juridical person and the juridical person must have obtained a service contract for a period not exceeding 12 months; • The NP must have been an employee of the juridical person for at least 1 year immediately preceding the state of submission of an application for entry into the other Party and the NP must possess at the date of submission at least 3 years of professional experience in the sector which is the subject of the contract; • With the exception of fashion model services, chef de cuisine services and entertainment services other than audiovisual services, the NP must possess a university degree or qualification demonstrating knowledge of an equivalent level and professional qualifications where this is required pursuant to laws, regulations or requirements applicable where the service is supplied; • The only remuneration to the NP should be that paid by the contractual service suppliers; • The maximum period of stay is a cumulative period of not more than 6 months, and in the case in Luxembourg, 25 weeks in any 12 month period or for the duration of the contract, whichever is less. • The number of persons covered by the services contract shall not be any larger than necessary to fulfil the contract; and • Other discriminatory limitations which are specified in annex IV. 	<ul style="list-style-type: none"> • The NP must be engaged in the supply of a service as self-employed persons and must have obtained a service contract for a period not exceeding twelve months; • The NP must possess at least 6 years of relevant professional experience at the date of submission of an application for entry; • The NP must possess a university degree or equivalent and professional qualifications where this is required to exercise the activity according to the regulations of the host State; and • The temporary entry and stay of NP shall not exceed a cumulative total of 6x months (25 weeks in the case of Luxembourg), in any 12 month period or for the duration of the contract.

Abbreviations: NP, natural person.

services and non-services sectors). In the case of CARIFORUM countries, their services-related investment commitments were taken in the form of Mode 3 commitments. The section on services trade covers the equivalents of GATS Modes 1 and 2. Commitments are also undertaken separately with respect to Mode 4.

In terms of market access to the European Union markets for the countries of the region, the outcome of the CARIFORUM–EU agreement can be summarized as follows: the European Union liberalized 90 per cent of its services sectors (for Modes 1 and 2);¹⁴⁴ in Mode 4, the European Union grants access in 29 sectors, allowing stays of up to six months per calendar year; and the European Union agreed to the special negotiating interest of the region with respect to entertainment services.

CARIFORUM countries showed great interest in the commitments made by the European Union relating to the movement of natural persons. There are, however, a number of conditions for the different categories of natural persons, as described in table 33 for the two most important categories: contractual service suppliers (CSS) and independent professionals.

In addition to the market access provisions and commitments are provisions relating to sectoral issues for the following sectors: computer services, courier, telecommunications, financial services, maritime transport and tourism services, as

described in table 34.

While the level of liberalization achieved in the EPA may represent a significant improvement on the current GATS commitments of both the CARIFORUM States as well as EC Members, the extent to which CARIFORUM countries will be able to take advantage of the negotiated market access remains to be seen. In terms of Mode 4, a particular challenge will be the recognition of the qualifications of service suppliers from the region. The EPA specifically provided for the negotiation of mutual recognition agreements under article 85, which speaks to encouraging the professional bodies from all parties to jointly develop and provide recommendations on mutual recognition. Negotiations were to start no later than three years after the entry into force of the agreement. These negotiations have to date not yet begun.

To date, the Government of Jamaica has not yet undertaken a formal assessment of the benefits to Jamaica of the EPA. This is considered too early, as the EPA was signed in October 2008 and is being provisionally applied by Jamaica. There are several challenges to implementing the services provisions of the EPA, which include lack of data, lack of financial and human resource capacity, lack of information about the European Union market, lack of confidence that opportunities actually exist in the European Union market, concerns about visa requirements, and regulatory requirements for entry into the European Union market.

Table 34. CARIFORUM-EU EPA sector-specific provisions

Sector	Type of provisions
Computer	Definitions
Courier	Requirements for competition and independence of the regulator from service providers
Financial	Definitions, transparency, requirement to allow new financial services in committed sectors, personal data to be protected in electronic networks, best endeavour on the use internationally agreements standards for regulation and supervision of financial services
Maritime transport	Definitions, unrestricted access to maritime transport
Telecommunications	Competition, interconnection, independent regulators, etc.
Tourism	Governments must ensure tourism operators do not engage in anticompetitive practices

Source: The CARIFORUM–EU Economic Partnership Agreement: A Practitioner s Analysis, 2011

CHAPTER II HIGHLIGHTS

Trade policymaking: Institutional and policy framework

The formulation and implementation of Jamaica's foreign trade policy remains mainly under the authority of MFAFT, which coordinates trade policy matters and is responsible for trade and investment negotiations at all levels. In addition, other stakeholders, including line ministries, business representatives and civil society, are involved in trade-related policymaking, which is crucial in developing coherent and development-enhancing policies. This interaction is promoted by JTAT, a consultation and coordination mechanism for use between the public and private sector.

The country has embarked on reforms of its economy, including by embracing trade liberalization, in some cases autonomously and in other cases through negotiated agreements. Jamaica is not only actively involved at CARICOM level, but also joined in the negotiations of preferential agreements with a number of other countries and regions in addition to participating in the negotiations in WTO.

Jamaica feels it has reaped limited benefits of these reforms and liberalization, as it continues to rely on few export products and faces difficulties developing comparative advantage in new products and services, in spite of strategies and policies put in place to develop new sectors and promote value added and diversification.

The analysis shows that there is need for greater policy coherence to ensure trade policies to meet the desired objectives. In this sense, trade policies need to be implemented within a broader framework of sustainable macroeconomic and development policies and an enabling environment that engenders economic growth, and trade growth and expansion. Such an environment requires skills upgrading and addressing the high costs of energy, capital and transport.

Merchandise trade: Policy environment and instruments

Policymaking related to merchandise trade policymaking in Jamaica takes place within a framework of instruments dealing with horizontal measures, such as trade and investment incentives and tax regimes, sector-specific policy papers that contain guidelines and policy actions to develop key sectors (i.e. mining, agriculture and aquaculture, manufacturing), and trade negotiations and preferential trade agreements.

In order for the Jamaican economy to benefit more from trade and investment with respect to goods, improved coherence and actions in the following areas are recommended:

- Coherence between trade instruments (tariff and other trade duties regime) and tax policy instruments (trade and investment incentives in the form of tax exemptions). This requires reviewing incentives across the board and more particularly the ones related to mining and manufacturing, undertaking a cost-benefit analysis with a view to rationalizing and simplifying the system;
- Further developing the capacity to expand exports of food and agro-processed products to main global and regional markets entails improving the capacity to overcome non-tariff barriers and improve quality standards. This aspect is also important in terms of diversification strategies and to improve the effective utilization of preferences in main export markets;
- At the regional level, coherence between trade policies (tariff policies) with marketing strategies and joint efforts develop infrastructure and productive policies at the regional level need strengthening. A suggestion is made to assess further expansion of exports targeted at other countries in the region such as the Bolivarian Republic of Venezuela, Costa, Rica and Colombia.

Services trade: Policy environment and instruments

Jamaica gives a high priority to services in policymaking, given its important contribution to the economy of Jamaica and potential impact of development of services, in terms of improvement of efficiency and productivity in the overall economy and contribution to development. This high priority is reflected in the key policy and strategic documents highlighting Jamaica's development goals.

Along the lines of merchandise trade, services trade policymaking in Jamaica takes place within a frame-work of instruments dealing with horizontal measures (such as trade and investment incentives), sector-specific policy papers that contain guidelines and policy actions to develop key sectors, and trade negotiations and preferential trade agreements. The analysis contained in this paper only refers to the following sectors: tourism, telecommunications/ICT, and financial and entertainment services. These were prioritized because of their systemic importance for the country's overall development opportunities.

CHAPTER II HIGHLIGHTS *(cont'd)*

In order for the Jamaican economy to benefit more from trade and investment with respect to services, improved coherence and actions in the following areas are recommended:

- Policy coherence and coordination in the treatment of the services sector: A coherent and holistic approach to trade and regulatory policies affecting services is important in ensuring forward and backward linkages within the services sector, as well as with other sectors of the economy. Such a more holistic approach to policymaking would be conducive to supporting productive domestic economic activities. For instance, consideration could be given to the development of a general services strategy (or a comprehensive services master plan) and the establishment and/or strengthening of multi-stakeholder, inter institutional consultative processes as regards to services. In one particular sector (creative industries), a more integrative approach is suggested to deal with policymaking, across ministries and agencies;
- Continued support for significant projects in key services sectors such as the project to transform Jamaica into a global logistics hub. As in this case, Jamaica should continue to seek for ways for the country to take advantage of major economic opportunities from abroad (the expansion of the Panama Canal) when these are aligned with Jamaica's endowments and its strategic objectives (employment creation, the implementation of the Caymanas Estate Development Plans, the development of an integrated logistics system);
- Review of incentives, particularly in the case of the tourism sectors, where high levels of leakage and limited linkages to the economy can be observed. Such a review would assess whether incentives are in line with current policy direction, identify how they impact trade and in particular Mode 3 trade (commercial presence) and determine whether they are cost effective and represent the best use of government funds for the sector;
- Improving the contribution of the ICT sector to promote investment and trade requires action to further develop the involvement of the private sector and designing specific initiatives to develop access and use of ICT, particularly among SMEs. These can include projects such as the on-going establishment of the IT based port community system (PCS) for export and import processes. Mutual recognition agreements also appear important in the context of promotion of trade of IT-enabled services;
- Promotion of services trade opportunities within CARICOM: in the case of tourism, through concerted action to facilitate visas and travel procedures; in the case of cultural and creative industries, joining forces and concerted regional action (through the creation of a Pan-Caribbean trade association), to leverage opportunities provided by the EPA.



TRADE POLICY FRAMEWORK



This chapter provides some broad suggestions for Jamaica's future trade policy direction, structure and instruments. It first proposes the trade policy vision and objectives that provide the overall guidance for the trade policy framework and then outlines integrated and strategic approaches to achieving the vision and objectives.

A. VISION AND OBJECTIVES

Jamaica's new trade policy vision could usefully reflect the country's overall developmental goals of achieving a strong, balanced, inclusive and sustainable development. The overall aim is to establish a market-driven, development-led, sustainable trade policy

capable of catalysing expanded economic growth, reduce poverty and attain improved living standards for all Jamaicans.

The objectives of the new trade policy framework may be formulated as follows:

- To transform the economy, enhance competitiveness and build economic resilience through economic diversification into high domestic value added goods and services, particularly in the bauxite/alumina mineral sectors;
- To achieve sustainable and inclusive development by enhancing linkages between exportable and non-exportable sectors of the economy to generate larger development dividends for income, employment and growth.

Table 35. Summary of possible objectives, strategies and actions for Jamaica's trade policy frameworks

Trade policy objectives	Suggested strategies	Possible actions
Vision: To establish a market-driven, development-led, sustainable trade policy capable of catalysing expanded economic growth, reduce poverty and attain improved living standards for all Jamaicans		
(1) To transform the economy, enhance competitiveness and build economic resilience through economic diversification into high domestic value added goods and services, particularly in the bauxite/alumina mineral sectors	(1) Rationalizing incentives to prioritize strategic activities (2) Promoting a strategic integration into regional and global value chains (3) Enhancing science and technology (4) Diversifying into non-traditional goods and services (5) Promoting industrial and manufacturing base through regional cooperation, targeted investment and contract manufacturing	<ul style="list-style-type: none"> • Simply the tax system and rationalize fiscal incentives • Review existing incentives to promote selected areas (dynamic sectors, vulnerable communities, upgrading productive capacities, creation of linkages) • Pursue the Logistics Hub Initiative • Formulate a comprehensive strategy to develop science and technology to improve Jamaica's competitiveness • Implement IP legislation • Identify products and services for targeted attention taking into account Jamaica's comparative advantage • Facilitate exports by addressing quality standards, improving marketing strategies and increasing value added • Fine-tune investment incentives • Encourage FDI into targeted sectors • Promote contract manufacturing linking up SMEs • Explore regional projects such as infrastructure and technological development

Table 35. Summary of possible objectives, strategies and actions for Jamaica’s trade policy frameworks (Cont’d)

Trade policy objectives	Suggested strategies	Possible actions
	(6) Strengthening services SMEs through cluster development	<ul style="list-style-type: none"> • Develop SME clusters, including on services • Strengthen inter-firm cooperation for technology transfer
	(7) Reducing dependence on imported energy	<ul style="list-style-type: none"> • Build storage facilities • Consider hedging oil prices in international markets • Reduce reliance on imported energy, including by promoting energy efficiency and exploring renewable energy
(2) To achieve sustainable and inclusive development by enhancing linkages between exportable and non-exportable sectors of the economy to generate larger development dividends for income, employment and growth	(1) Reviewing the tariff regime to support national industrial and development strategies	Consider optimal use of border measures, including lowering import duties, duty exemption and duty drawback system for raw materials, inputs and capital goods
	(2) Supporting agricultural production and exports and addressing non-tariff barriers affecting Jamaica s exports	<p>Consider measured ant targeted use of economically efficient and WTO-consistent subsidies measures, including in agriculture</p> <p>Build national capacity to comply with quality standards, including trade-related infrastructure</p> <p>Explore the possibility of mutual recognition, including on conformity assessment</p> <p>Address trade-restrictive NTB in the CARICOM context</p>
	(4) Improving marketing strategies to target key export markets better	<ul style="list-style-type: none"> • Formulate proactive marketing strategies with a special focus on the western Hemisphere and CARICOM • Develop branding strategy • Strengthen national institutional capacity
	(4) Improving marketing strategies to target key export markets better	<ul style="list-style-type: none"> • Formulate proactive marketing strategies with a special focus on the western Hemisphere and CARICOM • Develop branding strategy • Strengthen national institutional capacity

Table 35. Summary of possible objectives, strategies and actions for Jamaica's trade policy frameworks (Cont'd)

Trade policy objectives	Suggested strategies	Possible actions
	(5) Building the capacity to formulate, monitor and assess trade policies	<ul style="list-style-type: none"> Strengthen national capacity to formulate trade policy and negotiate and implement trade agreements at the multilateral and regional levels to better cater to Jamaica's development needs
	(6) Improving policy coherence	<ul style="list-style-type: none"> Strengthen institutional mechanism and inter-institutional dialogue and policy coordination

Source: UNCTAD.

B. STRENGTHENING TRADE-RELATED FUNDAMENTALS

This section provides broad suggestions aimed at ensuring coherence between trade policy and complementary development policies (infrastructure, investment, human and institutional capacities) and developing supply and productive capacities.

1. Rationalizing incentives to prioritize strategic activities

The current system of industrial support has been criticized for relying excessively on fiscal incentives. Various local stakeholders have indicated that contribution of these incentives to improved economic performance or increased development benefits had been limited. The need to simplify the tax system and rationalize or prioritize fiscal incentives has been acknowledged by the Government.

Ongoing discussions about the tax reform are based on a Green Paper¹⁴⁶ and contemplate the rationalization of incentives, including through the enactment of omnibus legislation on tax incentives. Important features of the revised incentive programme will consist of mechanisms to ensure that incentives provide a direct measurable benefit to the Jamaican economy and the removal of export performance as a basis for the award of an incentive. It is expected that omnibus legislation will be effected by March 2014.

In the context of the ongoing review and assessment of the fiscal reform, it is recommended to assess these incentives, including in terms of revenue losses and gains. Past experience shows that the export-

oriented production of manufactures has focused on export-processing free zones and has created limited linkages with other sectors of the economy in the past. With a view to overcoming such shortcomings in the future (and taking into account the ongoing regulatory reform to transform the current apparel-sector-oriented export-processing zones into ICT hubs), it is also recommended that existing investment incentives be rationalized and prioritized with a view to enhancing its development benefits.

The rationalization of incentives (may prioritize areas where investment can play a catalytic role in building productive capacities in traditional and non-traditional sectors that are dynamic sectors/products in global trade and upgrading their technological sophistication in creating employment and SME development, particularly benefiting vulnerable communities/individuals and in creating forward and backward linkages and clusters within the Jamaican economies. For instance, two areas for fiscal reform have been identified, as they relate to investment incentives. Promoting a coordinated approach in CARICOM could be explored in cases where taxes are making intraregional trade costly and difficult. Broadening the tax base, and in particular, formalizing the informal sector, will be important in compensating lost revenue and setting a solid base for fiscal and incentive-related reforms.

2. Promoting a strategic integration into regional and global value chains

The rise of global value chains in both goods and services— where the steps in moving a good or service

from conception, design and production to the end user are dispersed across commercial networks that span the globe – offers opportunities for enhancing investment in production facilities and forming new kinds of partnerships with suppliers, producers, distributors and innovators located around the world. It is thus recommended that Jamaica, with its CARICOM partners, participate in these value addition activities, without precluding other similar opportunities with non-CARICOM members.

One important initiative that will contribute to Jamaica's entry into such value chains is the Logistics Hub Initiative that seeks to position Jamaica as the fourth node in global logistics (after Singapore, Rotterdam, and Dubai). The Initiative will use Jamaica's varied assets (including the appropriate policy and regulatory framework to support such an initiative, Kingston having the seventh-largest natural harbour and a deep harbour port in Cow Bay with a 51-metre natural draft, and the local availability of qualified pilots and marine pilots) to place the country as the ideal logistics hub for the region. The vision behind the Initiative is the development of an integrated logistics system or network that will serve to push Jamaica to the centre of the global supply chain of the Americas.¹⁴⁷

Developing multiple-use facilities in ports logistics and transportation (for improved productivity and competitiveness of traditional mining products and non-traditional ones) has also been identified as a priority.

3. Enhancing science and technology

Scientific discoveries and new technologies are essential to building a dynamic economy. Science and technology can contribute to creating a stronger economy, future opportunities for jobs, an improved quality of life and other benefits. In addition, new knowledge and technologies can help meet many of the challenges of the twenty-first century – from preserving the quality of the environment to enhancing health, protecting safety and security, and managing our energy and natural resources.

In the context of a strategy to improve trade strategies and broader economic management, science and technology allows to increase value to produced and exported goods and contributes to productivity growth and innovation, which are important factors to improve competitiveness.

The ability of emerging economies to climb up the innovation ladder and improve their competitiveness on this basis depends to a large extent on levels of the diffusion of ICT in a country, which in turn, is affected by the direct costs of ICT (costs of ICT equipment and telecommunications) and the ability of individuals and firms to absorb new technology such as ICT.

These two elements could be addressed in a comprehensive strategy to develop science and technology as a key tool to improve the competitiveness of Jamaica. Firstly, creating an environment conducive to innovation and growth requires policy measures aimed at strengthening human capital, technological learning, adaptation and diffusion, including of environmentally sound technologies, and recognition of the contribution of cultural and creative industries.

Secondly, making credit/financing available to develop and promote nascent technologies is important for innovation. The establishment of an institution to assist new high-technology firms with nascent, albeit novel, technologies to secure financing could be a positive step in this direction, as these firms may not fulfil the lending requirements of conventional banks.

In addition, enforcing the provisions of the WTO Agreement on Trade-Related Intellectual Property Rights (TRIPS) would provide the legal certainty to investors, both domestic and foreign. This would provide the impetus for local R&D and innovation. The greater use of IPRs such as trademarks, geographical indications, copyrights, patents, including petty patents or utility patents, may be encouraged, and the full-disclosure principle (for patent registration) could be embodied in the appropriate IPR legislations. The use of petty patents would enable the owners of small inventions – such as those resulting from adaptations – to benefit from their inventions and innovations. Cognizant of this, the Ministry of Industry, Investment and Commerce of Jamaica has placed the Patents and Designs Act on a priority legislation track.

4. Diversifying into non-traditional goods and services

The Jamaican Government is currently seeking to upgrade traditional productive/export sectors (goods and services). In addition, sectors and subsectors with a potential for further development are outlined in NES, NIP and NDP. Some of the priority sectors and products are illustrated in table 36.

Table 36. Examples of priority sectors and products

Agriculture, agro-processed goods and aquaculture	Manufacturing	Minerals
<ul style="list-style-type: none"> • Fish, crustaceans and molluscs • Coffee • Canned goods: <ul style="list-style-type: none"> - Soups - Vegetables - Sauces - Dry pack foods - Frozen foods (in particular ready-to-prepare meals) - Puree - Baked goods • Beverages <ul style="list-style-type: none"> - Rum - Beer - Non-alcoholic beverages (both carbonated and non-carbonated) 	<ul style="list-style-type: none"> • Apparel (light manufacturing) • Caustic soda • Chemicals • Ceramics • Jewelry and accessories • Nutraceuticals: <ul style="list-style-type: none"> - Nutraceutical ingredients - Spa and aromatherapy products 	<ul style="list-style-type: none"> • Bauxite and aluminum (traditional exports) • Gold • Non-metallic minerals (clay, dolomite, gypsum, limestone, marble, sand and gravel, silica sand, volcanic rocks and shale) <ul style="list-style-type: none"> - Products derived from limestone • Semi-precious minerals

Source: NES, NIP and NDP.

The current comparative advantage of Jamaica in these products can be assessed by using RCA indices developed by Balassa. RCAs are also available in the United Nations COMTRADE database accessible through the World Integrated Trade Solution (WITS) software. The indices compare the degree of specialization in a given product in a given country relative to the degree of specialization in the same product of the world as a whole. RCA thereby allows to analyse export competitiveness of a country in a particular product. Yet, it should be noted that RCA, computed using existing trade data, only captures static comparative advantage. Therefore, the indices do not indicate any dynamic advantages countries may develop over time as they pursue effective trade and development policies.¹⁴⁸ With this caveat in mind, RCA may be seen as a useful tool for the assessment of export potentials of given products

Using trade data of 2010, products in which Jamaica exhibits strong comparative advantages can be identified. Annex A provides the full list of products for which Jamaica had high RCA in 2010.

As regards those products identified as priority products in NES, NIP and NDP referred to above, it is important to ensure that strategies to develop export competitiveness in new products take fully into account matches with Jamaica's existing configuration

of comparative advantages. In this light, the following can be noted:

- Jamaica currently has RCA greater than unity (1) in fish, crustaceans and molluscs (1.3) and coffee (9.7). Jamaica may usefully strengthen its advantage in these products, including by moving up the value chain of the production process from raw materials to processed food and thus increasing value added content of the domestic production;
- As regards agro-processing production wherein Jamaica aims to move up the value chain by expanding its production via canned, frozen and dry packed foods, Jamaica registers promising RCA in sauces and preparations (15.2), soups and broths (14.5) and bread, pastry, cakes, etc. (5.8). Jamaica may wish to strengthen its advantages by diversifying in markets, as well as products in these processed food categories. As regards frozen foods, RCA is smaller than one in these categories, thus showing limited export prospect;
- Jamaica also has strong RCA in alcoholic (13.2) and non-alcoholic beverages (5.9), which include rum, beer and non-alcoholic beverages;
- In other manufacturing products Jamaica registers lower RCA indices. RCA is particularly low in apparel (0.1), glassware or glass-ceramics (0.0) and caustic soda (0.2) products;

- Jamaica's strong mining sector gives advantages in some related sectors, including jewellery, goldsmiths' and silversmiths' wares (1.4). As regards chemicals, it has promising RCA in organic (1.7) but not in inorganic chemicals (0.5);
- Aluminium ores and concentrates (526) are Jamaica's leading export product. Jamaica is currently seeking to promote its exports in gold and non-metallic minerals.

Three issues are particularly relevant with a view to ensuring diversification into non-traditional production/exports:

- Meeting (international and regional) quality standards, particularly in the case of agro-processed products ;
- Improved marketing strategies in key export markets;
- Adding value.

5. Promoting the industrial and manufacturing base through regional cooperation, targeted investment and contract manufacturing

The strategies to diversify export profiles should integrate policies addressing supply- and market/demand-side constraints. Focusing on supply-side constraints and industrial capacities is necessary to be able to add value. Regional cooperation can be seen as a promising avenue through which to acquire new productive capabilities. This is particularly important for Jamaica, given the small size of the economy. The regional platform could also serve as a stepping stone to develop productive/export capacity at the global level.

Existing analysis¹⁴⁹ suggests that, given the lack of complementarities¹⁵⁰ among CARICOM economies, their small size and scale and their dependence on extraregional markets, a promising strategy to promote and expand the industrial and manufacturing base would be to promote the integration of Caribbean economies in international value chains, especially with their main trading partners, the European Union and the United States. The priority of CARICOM countries would thus be to better exploit the opportunities for intra-industry trade that arise from regional integration.

Such activities include those that can drive economic growth in the community and that hold potential for

sustained growth of exports to international markets, significant growth in intraregional exports, or significant growth in supplies at low real cost of a key input that is important to the achievement of international competitiveness in other activities.

One way to build domestic and regional industrial base is to build industrial clusters of producers and suppliers centred on promising sectors such as the energy sector; agriculture, forestry and fishing; manufacturing; sustainable tourism; and other export services. These clusters would act as engines of growth, creating opportunities in other sectors through linkage effects.

Some measures that can be implemented to build and expand the industrial and manufacturing clusters are as follows:

- Fine-tuning investment incentives to target the most significant sectors and activities. The review of incentives could encompass further enhancing linkage and synergies among export-processing zones in the region, as well as those among export activities and domestic activities. This would also entail rethinking the import strategy in order to "develop imports to improve exports", i.e. identifying key imports required to add value to current or potential production. This may include a fast-tracking reduction of import duties on selected products, such as raw materials, capital and inputs goods;
- Encouraging FDIs, particularly into targeted sectors and subsectors and activities, including key infrastructure services such as ICT. Simultaneously, care should be taken to mobilize domestic resources and encourage greater domestic investments and to ensure that such investments are not crowded out by FDI. Increased domestic investment will cushion the negative effects of declining FDI, especially in times of global economic crisis. Greater DDI will also have positive spillover effects on the economy;
- Promoting contract manufacturing by domestic SMEs, linking them with other manufacturers. Contract manufacturing consists of producing parts and accessories or final products to their manufactures according to pre-established product specifications. Participation in such schemes will enable SMEs to eventually become competitive suppliers of such parts and accessories themselves to other manufacturers, including those located overseas;

- At the regional level, regional cooperation can play an important role in boosting and upgrading productive capabilities. Participation in regional projects for infrastructure development, technological development, production sharing, human resource development and partnerships can facilitate Jamaica's efforts to nurture and development domestic industrial base and clusters. Regional projects can take the form of industrial collaboration agreements with more advanced neighbours, licensing agreements, engineering and technical services, training of personnel and rendering of R&D services.

6. Strengthening services SMEs through cluster development

While SME clusters are traditionally viewed as a mechanism benefiting industrial producers of goods, the potential of developing clusters to enhance the competitiveness and facilitate the growth of SME service providers warrants further exploration. SMEs can capture a wide range of economic benefits by cooperating with other collocated SMEs active in the same and closely related sectors. Rather than viewing their peers as competitors, in clusters, SMEs are encouraged to collaborate with their peers as partners in many shared business functions to jointly reduce costs, improve efficiency, attract investment and access new markets.

Developing country SME clusters that have been successful in attracting foreign investment are those that benefit from comprehensive trade and development strategies and regulatory reforms facilitating, inter alia, the adequate privatization of publicly controlled dynamic sectors, the establishment of tax- and duty-free industrial zones, adequate sectoral opening and lowering of limitations to cross-border capital flows. Transparent regulations and policies, and accessible information on national institutions are instrumental for attracting investors. FDI can take place either by the direct entry of foreign firms through multinational joint ventures with domestic firms or simply foreign equity participation in existing domestic firms.

Cooperation among SMEs in services sector clusters can provide many of the above economic benefits. Inter-firm cooperation could allow firms to learn from each other through mutual exchanges of sector-specific information and trends relating to business techniques, financing and foreign markets, thus supporting collective learning curves that are

significantly faster than those achievable by individual firms. However, there is often considerable reluctance on the part of SMEs to engage in cooperative approaches to its business, owing to such concerns as the potential loss of trade secrets, resourceful employees and captive clients to other cluster members. Such perception barriers need to be overcome by means of national sectoral dialogue.

National dialogue should also examine what scope exists for the Government to further advance an enabling environment for cluster development through supportive policies and incentives, streamlining of administrative regulations, and by serving as a cluster facilitator. For example, the Jamaican Government may seek to direct FDI to clustered SMEs in specific services sectors through a number of policy instruments, such as sector-specific investment guarantees, tax rebates, grants and subsidies.

National dialogue should aim to increase the awareness of the private sector and the Government of opportunities to enhance SME competitiveness through clusters. It would also serve to enhance coordination between the private sector and technical schools and universities in order to enhance human capacity and technology transfer in national services industries. Financial institutions may be involved in identifying difficulties faced by SMEs in meeting capital requirements for start-up and technology acquisition, in order to develop tailored financial instruments to meet market needs.

Jamaica has taken steps to achieve some of the objectives described above. For instance, the MSME Entrepreneurship Policy is expected to provide a structured framework for the development of services industries and outlines several strategies to promote the use of clustering in MSME sectors.

7. Reducing dependence on imported energy

High volatility in energy prices, particularly oil, can lead to significant swings in the energy costs of importing countries and may destabilize macroeconomic stability, which is detrimental to growth and development. Given Jamaica's high import dependence on oil, controlling sustainably oil-import costs represents a major developmental challenge. Building storage facilities for fossil fuels is one option that will allow stockpiling through imports when oil prices are low.

Another option is to hedge oil prices in international financial markets (e.g., options, futures and forward) so as to mitigate the risk of future price changes. Jamaica may consider hedging against commodity price fluctuations in both bauxite/alumina as an exporter and oil prices as an importer.

In the long-term, Jamaica's structural oil dependence needs to be addressed through policies aimed at reducing imported energy dependence. The following measures may be carefully considered to that effect:

- Lowering the costs of energy-efficient products and adopting energy-efficient practices, including by setting minimum efficiency standards giving priority to energy-efficient products and services in government purchases and granting tariff and tax advantages. For instance, with transportation activities (road and rail transportation together with shipping and aviation activities) accounting for 45 per cent of the fuel consumption in Jamaica in 2011 (figure 13), improving energy efficiency in the sector is of particular importance. Building public awareness of the importance of conserving energy will help to conserve energy;¹⁵¹
- Promoting the use of renewable energy sources, energy-efficient technology and production methods, such as through the feed-in tariff scheme. Feed-in tariffs give purchase price guarantees for renewable energy producers, so as to allow suppliers to initiate their renewable energy investment projects;
- Examining the possibility of raising consumption tax on imported fossil fuels in order to discourage the use of energy inefficient machines and vehicles. New revenue thereby generated can be used, for instance, to finance RE projects or feed in tariff schemes. Raising taxes is not always welcomed by taxpayers. Therefore, the merit and demerit of this policy should be carefully evaluated by taking into account its feasibility, as well as the impacts on the poorest segments of the society;
- Reducing fossil oil-based energy use by energy-intensive industries. Bauxite/alumina, with a 30 per cent share, is the single most important consumer of petroleum in Jamaica. This requires both reducing the energy intensity of the industries and increasing the share of RE in energy consumption. Reducing energy intensity calls for improving operating and management practices, using better equipment and adopting innovative technologies.¹⁵² Increasing the use of renewable

energy may be facilitated, for instance, by offering price incentives and setting quantity limitations. For instance Jamaica's RE policy already considers imposing quotas on the consumption of RE. The feasibility of applying such quotas on producers of bauxite/alumina and other energy-intensive sectors may need to be examined.

C. DEVELOPMENT-CENTRED TRADE POLICY AND STRATEGY

Creating synergies between trade policy and national development plans is central to Jamaica's efforts to harness trade benefits for development. This section sets out suggestions to strengthen existing trade policies and export strategies, thereby rendering them more development focused.

1. Reviewing the tariff regime to support national industrial and development strategies

The analysis of Jamaica's tariff regime shows that tariffs have become the major policy instrument in administering trade, particularly in the form of tariff suspensions, but they are designed and implemented without sufficient regard to the country's national industrial and development objectives. The review of the tariff regime is part of current tax reform in Jamaica and is of importance to the Ministry of Industry, Investment and Commerce as the Ministry charged with the development of Jamaica's manufacturing and commercial sectors.

In addition, whether the tariff (CET) suspension regime in CARICOM contributes to reinforcing regional complementarities has been subject to policy debate in the region. There is a view that the region lacks a strategy to achieve this objective, and some perceive that it has had negative implications for local producers. In this light, CET, including its suspension regime, is currently under review.

In addressing Jamaica's heavy reliance on the use of tariff suspension as a trade policy tool, consideration may be given to improving its design, such as by lowering import tariffs/providing for import duty exemption for raw materials, inputs and machinery to be used for further downstream and higher value added activities, including for agro-based industries.

The use of an efficient duty drawback system that would enable the remission or drawback of import charges on inputs that are physically incorporated and energy fuels that are consumed in the production process of exported goods may also be explored.

2. Supporting agricultural production and exports

As regards agriculture, some types of government support are allowed under the WTO Agreement on Agriculture. Consideration could be given to making use of some of those measures that are deemed to be fit with Jamaica's trade and development needs. These include the use of subsidized air – freight transport – commercially referred to as “specific commodity rates”, the use of agricultural export subsidies to reduce the costs of marketing exports of agricultural products for resource-poor farmers and the use of agricultural input subsidies.

The provision of efficient agricultural extension and advisory services, including accessibility to agricultural credit, inputs and other agricultural general services, market information and market intelligence and infrastructural services would also be important. Export subsidies may be provided to resource-poor farmers to reduce the costs of marketing exports of agricultural products.

Careful consideration should be given to the adequacy of using export taxes to raise funds to promote diversification or value addition and use export taxes/export duties to ensure that greater supplies of domestically produced raw materials are available for downstream processing.

3. Addressing non-tariff barriers affecting Jamaica's exports

Jamaica faces challenges in meeting quality standards in main export markets, particularly in the agricultural processing sector. As Jamaica seeks to promote export and value addition in these products, particularly into new markets, the issue is of particular relevance to Jamaica's export strategies. These standards are particularly relevant in the agro-processing sector an area where Jamaica is seeking to promote exports and in developed export markets. In this context, these standards are increasingly stringent and constantly changing, and compliance has considerable cost implications, particularly for SMEs. Consideration may be given to negotiating the mutual recognition

of standards in key export markets, entering into agreements on conformity assessment procedures for products and enhancing cooperation and partnership with the private sector to improve compliance with standards in key markets.

Table 37 provides examples of roles that the public and private sectors can play in addressing SPS-related barriers and developing the capacity to manage quality in the agri-food sector.

Coping with high costs of compliance with standards remains an important challenge for Jamaica. Thus, technical assistance is needed to improve the technical capacity of producers to comply with quality standards for exports and to strengthen quality-control mechanisms and inspection procedures.

Local resources might not be sufficient to finance adequate trade-related infrastructure (for instance accreditation laboratories) and upgrade technical skills to implement the required policies. In this context, taking advantage of Aid for Trade, financial assistance and technical assistance to comply with obligations derived from trade agreements will be important. The Aid for Trade Reviews have highlighted that maximizing the benefits of Aid for Trade require the capacity to engage in coordination mechanisms, not only with potential donors and investors, but also internally with different agencies to clearly identify needs and priorities. It also requires the capacity to ensure predictability of funds for implementation of strategies. Regional infrastructure partnerships could also prove useful in pooling necessary resources to address non-tariff measures affecting Jamaica's exports.

In addition, CARICOM needs to take the necessary action to address non-tariff measures that are currently restricting the movement of goods within CARICOM, including by strengthening the legal framework related to quality management, particularly for agri-food products. Actions to achieve this could include: completion of the harmonization of sanitary and phytosanitary measures and technical standards, removal of unauthorized taxes on regional goods, improvement of processes related to reporting and investigation of NTBs at the regional level and implementation of the CARICOM consumer protection regime.

While domestic capacities must be in place for producers to comply with quality standards in the export markets and put in place quality control mechanisms and institutions, local resources may not

Table 37. Public and private sector roles to enhance trade-related SPS compliance and quality management capacity

Public sector	Private sector
<p>Policy and regulatory environment Pursue international dialogue, adopt domestic food safety legislation and standards consistent with local conditions and preferences, WTO and other trade obligations</p>	<p>Good management practices Implement appropriate management practices (hazard analysis and critical points, good agricultural practices), obtain certification where viable</p>
<p>Risk assessment and management Strengthen national or sub national systems for pest, animal disease and market surveillance, support research on food safety and agricultural health concerns</p>	<p>Traceability Develop systems and procedures to enable traceability of raw materials and intermediate and final products</p>
<p>Awareness building and promoting good practices Support consumer awareness campaigns on food safety, promote agricultural hygiene and food-processing practices to be integrated into extension programmes, invest in appropriate laboratory infrastructure, accredit private laboratories</p>	<p>Develop training, advisory and conformity assessment services Strengthen human capital, physical infrastructure and management systems to supply support services to agriculture, industry and government related to quality and food safety management</p>
<p>Infrastructure investments Improve water supply and sanitation and marketing facilities</p>	<p>Collective action and self-regulation Self-regulate through adoption and oversight of industry codes of practice, alert Government to emerging issues, advocate for effective government services</p>

Source: World Bank, *World Development Report 2008: Agriculture for Development*.

be sufficient to finance trade-related infrastructure (e.g. accreditation laboratories) and upgrade institutional and technical capacities to fully implement the required policies. In this regard, Aid for Trade and various capacity-building support measures can be sought to enhance the country's abilities to meet product standards. Regional infrastructure partnerships could also prove useful in pooling necessary resources to address non-tariff measures affecting Jamaica's exports.

4. Promoting services economy and trade in services

In order to maximize the development impact of the services sector, it is important that a comprehensive services strategy or services master plan be developed. Various policy documents, including sector policies, already focus on the development of services. However, an overall strategy is required to bring together these various industry-specific policies in a coherent and synergistic manner. The services strategy should look at how the services sector can be expanded through the channelling of public funding, public-private partnerships, regional cooperation and the priority development of producer services and export-oriented services.

Objectives of the services strategy would be as follows:

- To build key financial, human, and technological capacities for developing domestic supply capacity and enhancing the competitiveness of the services sector;
- To strengthen institutional and regulatory capacities to ensure optimal sector developments;
- To improve access to quality services at affordable prices for domestic consumption;
- To ensure that trade contributes positively to the development of the sector by preparing domestic services suppliers to adjust to competition after liberalization and assisting thriving services exporters to make the best of new market access opportunities;
- To ensure that the strategy is targeted to services sectors with the highest growth, trade and poverty alleviation potential.¹⁵³

In developing a broad services strategy, consideration could be given to developing a matrix document, including all main services categories and assigning one or more key roles to each one, including identifying their function in the Jamaican economy as either a growth pole, a sector with export potential, a supporting sector, a candidate for import or a sector with social impact.

Further, both the positive and negative linkages between the services sector and other areas of the economy should be identified so that policies address all related elements in a holistic manner. For example, it makes little sense for the Government and national stakeholders to put a major emphasis on the development of an eco-tourism niche product if the negative impacts of the mass-tourism segment are not taken into account, but also if the bauxite, and agricultural sectors are not considered.

The services strategy should be developed through a process that promotes coherence and consistency with other policy development and economy-wide reforms. For example, services-sector liberalization is not independent of other facets of the economy, such as the investment regime. Government planning should recognize the complementarity between efforts in different areas of the economy and promote coordinated actions. The Policy Development Programme of the Cabinet Office could be one source for identifying all current initiatives relating to services and other key sectors that can be integrated into this overall vision for the economy.

Trade policy will need to be envisaged in the medium to long term, with sufficient time allotted to addressing some of the country's basic constraints. Among the issues to be determined are the pacing and sequencing of trade policy reforms it should adopt, what best practices in the area of services sector development and services trade it needs to espouse and what level of policy space and complementary policies would be optimal for generating sustained economic growth, poverty reduction and development. For example, positive outputs in value added services sectors cannot be expected until the country has been able to address the issue of insufficient human capital and fact that 80 per cent of Jamaican university graduates continue to emigrate to work abroad. Similarly, in order to move away from all-inclusive tourism within resort areas the country will need to find a solution to the safety and security issues that continue to put a drag on travel and tourism activities.

Given the importance of informal activities in several key services sectors (e.g. services linked to the creative industries), it would be important for the Government to focus on enhancing the role of informal service providers and SMEs in Jamaica's value chains. If such studies have not yet been undertaken, efforts by the Government in this area could begin with

studies or surveys to identify the importance of the informal sector in key/priority services sectors. Then the Government could work with representatives of these sectors to see how informal services providers can be linked up to integrate them in sector-specific value chains or SME clusters. Other practical steps to work towards the formalization of informal sector include the provision of appropriate training and equipment; the creation of specific employment schemes, awareness raising of opportunities, the gradual formalization of available jobs, improvement of basic facilities, amenities and infrastructure; and enhancement of access to credit and property. Finally, the Government may focus on fully integrating these services providers into the formal economy, thereby achieving the additional goal of improved revenue collection. It would be worth assessing to which extent such a focus on services sector informal services providers and services SMEs could be included in the current policy effort to support small business development, given the focus on consolidating all the policies relating to the small business sector.¹⁵⁴

Another important area of focus would be the improvement of services statistics and data. While formal reporting on services trade is being undertaken, the aggregate levels at which these are collected are not sufficient for policymaking purposes. In particular, following the recommendations of the Manual on Statistics in International Trade in Services (MSITS) 2010, it would be important for the Jamaican National Statistics Office to focus on the inclusion of a breakdown by partner economy for services transactions between residents and non-residents.¹⁵⁵ It is recommended that countries give a higher priority to providing data with respect to their most important trading partners. In the case of Jamaica, it would be important to include CARICOM countries in this list (in addition to the United States, Canada and Europe), given services liberalization objectives in the context of CSME.

When reviewing the incentive schemes it would be important to examine the incentives provided in the services sectors. For example, an IDB report¹⁵⁶ has suggested that the incentives provided in the tourism sector are expensive to maintain and consume scarce public resources, while not providing the expected positive impacts due to the small linkages between the sector and the rest of the economy.

5. Improving marketing strategies to target key export markets better

Proactive marketing efforts are necessary to promote exports into lucrative markets, with special focus on markets in the western hemisphere and within CARICOM. To achieve this objective, an efficient market information dissemination system and market research with special emphasis on product specification and new market outlets are particularly important. It would also be important to formulate a strategy to enhance the national brand (i.e. Brand Jamaica) products and services, which are synonymous with distinct quality and appeal to consumers worldwide. Jamaican blue mountain coffee, Red Stripe beer and Appleton Jamaica rum can be cited as successful examples of branding in the case of Jamaica.

Current shortcomings identified regarding the trade promotion, marketing and branding strategies to support export development include:

- Lack of understanding in interpreting trade agreements and thus lack of engagement by key stakeholders in discussions related to the negotiation and implementation of trade agreements (which would inform trade promotion objectives);
- Inadequate knowledge of market access requirements, standards and compliance in order to design market entry and promotions strategies;
- Lack of competency to access technical assistance to effectively promote products and services;
- Inadequate budget and availability of information and research to undertake trade activities;
- Perception that much of the national promotional endeavours are directed towards few industries, such as the agro-processing industry, leaving gaps in services and support to other industries;
- Lack of awareness regarding benefits of protecting intellectual property in target markets;
- Fragmented approach in promotional efforts, exploitation of national branding and protection of national marks and symbols.¹⁵⁷

In this light, it is important to strengthen the institutional and financial capacity of relevant export promotion institutions (e.g. JAMPRO) by increasing its links to a funding/credit facility or to the National Development Bank and providing a mandate to JAMPRO to act as matchmaker between local SMEs and overseas manufacturers, which will enable SMEs, as contract manufacturers, to produce parts and accessories for them. Extending the branding strategy (e.g. coffee, beer and rum) to other products that are currently being promoted to niche markets and identifying and tailoring the strategy to countries where imports of such products show greater dynamism and growth would also be useful.

6. Building the capacity to formulate, monitor and assess trade policies

Typical objectives of developing countries in multilateral and regional trade negotiations are as follows:

- To improve market access conditions abroad for products and services of their export interest, including non-tariff barriers;
- Secure adequate policy space, including to build productive capacities;
- To discipline trade distorting practices, such as subsidies;
- To secure capacity-building and financial support for negotiations and implementation of trade agreements.

Given the increasing prevalence of trade agreements negotiated between developed and developing

Box 7. Increasing the benefits of production and trade to local communities: The one village-one product branding concept

Diversifying horizontally into non-traditional commodities or into non-commodity activities and local livelihood products – as a safety net for small and resource-poor commodity producers can help to reduce or eliminate the economic vulnerability due to dependence on a few primary commodity exports.

Introducing the Japanese approach of the One Village-One Product Regional Development Programme could assist in these efforts. Under this approach, communities selectively produce goods with high added value. One village produces one competitive and staple product as a business to gain sales revenue to improve the standard of living for the residents of that village. In order to implement this suggestion, creating linkages with the financial sector to make available financing/credit will be important.

countries, it has become particularly important to address asymmetry in trade and productive capacities between the parties, and to reflect them in the terms of the trade agreements, for instance in allowing greater flexibilities for developing countries in respect of the level and pace of market opening commitments.

The ability to implement an agreement by enforcing rights and obligations under the agreement is also important in drawing effective economic benefits. Building the capacity to implement trade commitments necessitates legal adjustments, regulatory practices and corresponding institutional changes. Legal adjustment is particularly important to ensure is the consistency of domestic law with trade agreements. Creating institutional structures and procedures is important in creating endogenous capacity to implement trade agreements, which, however, requires significant investment in terms of human capital, particularly in countries where there is a high public servants turnover.¹⁵⁸

The subject of trade policy has evolved from traditional border measures to include behind-the-border regulatory measures. Accordingly, its relevance to broader development strategies have also increased, requiring greater coherence with industrial, technology, investment, competition and labour market policies, among

others. Ensuring coherence involves the systematic promotion of mutually reinforcing policy actions across government departments and agencies to create synergies for national development objectives.

In the case of Jamaica, there seems to be need for improve coherence between national strategies and regional strategies, for example, given the relevance of CARICOM for Jamaica's trade and economic policies. Ensuring policy coherence will require enhancing national consultative mechanisms and public participation. This is also important from the perspective of efficient resources allocation.

In this regard, Jamaica has several institutional settings that allow for multi-stakeholder consultative process with public participation in trade policymaking. JTAT has the mandate to facilitate dialogue and cooperation on trade issues between the public and private sectors and to formulate and review programmes and policies designed to improve competitiveness, guide trade negotiations and facilitate Jamaica's adjustment to the new global trading environment. JTAT's membership includes trade-related ministries, departments and agencies, representatives of the private sector organization (PSOJ), the Jamaica Manufacturers Association (JMA), the Jamaica Chamber of Commerce (JCC), the Jamaica Exporters

Box 8. Implementing trade agreements: The experiences of Mexico and Chile

In order to implement trade commitments derived from NAFTA, legal reforms were envisaged before entry into force of the agreement. New laws enacted related to anticompetitive practices, telecommunications, intellectual property and trade remedies. In the case of Chile, the negotiations of a trade agreement with the United States entailed enacting a new patent law, changing environmental legislation, particularly to introduce a mandatory environmental assessment for investors, and revising the labour code, to improve workers' rights.

In some cases, institutions had to be created to oversee these laws. This was the case of the Federal Competition Commission in Mexico. In other cases, institutions were not foreseen in the commitments but were deemed necessary to improve coherence and decision-making processes. This was the case of the Federal Commission for Regulatory Improvement, created also in Mexico. The federal entities were required by law to submit to this Commission for review, any regulation that they were planning to enact and, among other things, present a cost-benefit regulatory assessment of the measures. All the exchanges between the Commission and the submitting agencies were public and the comments were taken into account by the President's legal adviser, who must approve the final proposal before publication. These two commissions improved significantly the regulatory environment for business; transparency and quality of State intervention in the Mexican economy.

Difficulties in implementation arose from costs associated with complying with new commitments, such as ensuring trained personnel and adequate infrastructure (i.e. information technology), as well as setting up administrative processes. For example, IP-related commitments under NAFTA entailed costs related to administering the system, associated with setting the infrastructure and changing the courts system. It is estimated that Mexico spent US\$ 32 million to set up the agency responsible for the implementation of industrial property law.

In the case of the IPR chapter of the FTA between Chile and the United States, transitional periods were negotiated to gradually modify the Chilean domestic legislation in conformity with the new obligations and to ensure that any budgetary increases would be provided on a timely basis.

Source: S Saez, 2005, Implementing trade policy in Latin America: The case of Chile and Mexico.

Association (JEA), trade unions, civil society groups and representatives of academia. The Foreign Trade Advisory Council (FTAC) recently created a group of private sector business leaders established to promote a more active participation of the private sector in trade policy formulation.

In addition, the Cabinet office of Jamaica requires that Government policies benefit from the widest public consultations and involvement of stakeholders in the review and revision of Jamaica's trade policy. Efforts are also being made to ensure that collaboration and coordination are maintained between capital-based diplomatic missions and among trade-related overseas diplomatic missions.

Table 38 summarizes challenges related to the participation of key stakeholder trade policymaking.

For a successful and sustainable multi-stakeholder consultative process for development-oriented and coherent trade policymaking, some of the measures

facilitating the deliberative processes and addressing the capacity and resource constraints may need to be addressed. Such measures may include building the knowledge of and expertise of all stakeholders in WTO and other trade negotiations affecting the country; improving regular information flow on trade issues to key stakeholders; rationalization and strengthening of consultative institutional mechanisms; improving coordination among relevant government ministries and agencies, including through clear mandates and assigning of responsibilities; improving the participation opportunities for civil society organizations; balanced representation of members' interest by private sector umbrella organizations and strengthening the culture of dialogue and inclusiveness. It may also be advisable to vest consultative mechanisms with legal powers to advise the Government on selected trade issues. It would also be important to assign clear responsibilities and accountability mechanisms on trade-related issues in ministries and agencies whose primary mandate is not trade.

Table 38. Challenges in stakeholder participation in trade policymaking

Group of stakeholders	Challenges
Ministry responsible for trade policy	<ul style="list-style-type: none"> • Lack of capacity and technical human resources to effectively deal with all the issues related to trade policy • Lack of adequate financial and human resources to ensure regular functioning of consultative mechanism • Inadequate coordination with the ministry • Inadequate coordination with other relevant ministries and agencies • Changes and restructuring of ministries that do not allow for continuity of policies, practices and processes
Private sector	<ul style="list-style-type: none"> • Limited technical understanding of issues • Limited advocacy capacity • Positions presented by large private sector umbrella organizations often are influenced by more powerful members – smaller business associations have less opportunities • Informal sector is not represented
Civil society organizations	<ul style="list-style-type: none"> • Limited technical and human capacities to deal with complex and evolving issues related to trade • Dependence on funding from donors (unable to maintain sustained engagement and retain knowledge and expertise on trade issues) <ul style="list-style-type: none"> - Tensions with government and mutual mistrust - More limited opportunities for participation in consultative mechanisms

Source: RS Kaukab, 2010, Inclusiveness of trade policymaking, Commonwealth Secretariat, Hot Topics Series, No. 70, February 2010.

REFERENCES

- Alliance for Rural Electrification. Best Practices of the Alliance for Rural Electrification: What renewable energy can achieve in developing countries.
- Balassa B (1965). "Trade Liberalisation and Revealed Comparative Advantage," *The Manchester School*, 33, pp. 99–123.
- Bilal S; Tussie D and de Lombaerde P (2011). Asymmetric trade negotiations. *Caribbean Journal*. Irwin LaRoque optimistic on CARICOM-Canada Trade Agreement. 1 October 2011.
- Caribbean Policy Research Institute (2009). The long-term impact of EPA in the Caribbean: Jamaica and St. Lucia.
- CARICOM. Press release 193/2011. 23 May 2011. "
- CARICOM Secretariat, Office of Trade Negotiations (2010). CARICOM–Canada Trade and Development Agreement: The potential benefits. Trade Brief. Ref: 31000.3/1-2010-07-19.
- CRNM (2008). *Provisions on the Cultural Sector in the CARIFORUM–EU Economic Partnership Agreement (EPA)*.
- ECDPM (2011). Implementing cultural provision of CARIFORUM–EU EPA, How do they benefit the Caribbean cultural sector? ECDPM Discussion Paper. No. 118
- ECLAC (2011). Economic Survey of the Economies of the Caribbean 2009–2010.
- ECLAC. Latin America and the Caribbean in the World Economy – 2009–2010. Chapter IV: Caribbean trade and integration: trends and future prospects.
- ECLAC (2009). The effects of globalization in CARICOM economies
- ECLAC (2011). Report on Latin America and the Caribbean in the World Economy 2009–2010 .
- ECLAC (2008). Review of CARIFORUM–EU EPA in development cooperation and WTO compatibility.
- ECLAC (2010). The Tourism Sector and the Global Economic Crisis: Development Implications for the Caribbean.
- Forrester B. Market opportunities in the Caribbean. Presentation by JAMPRO. February 2011.
- Geller H et al. (2004). Policies for advancing energy efficiency and renewable energy use in Brazil. *Energy Policy*.
- Golding P, Tennant V and Virtue TA (2011). Telecommunications in Jamaica: Monopoly to liberalized competition to monopoly (2000–2011). Research paper.
- Government of Jamaica. Manufacturing Sector Plan 2009–2030.
- Government of Jamaica (2002). Master Plan for Sustainable Tourism Development –Jamaica.
- Government of Jamaica (2009). National Development Policy.
- Government of Jamaica (2003). National Export Strategy of Jamaica.
- Government of Jamaica (1996). National Industrial Policy and NDP.
- Government of Jamaica (2011). Policy Development Programme as of 31 December 2010. May.
- Government of Jamaica. Vision 2030 Document.
- Hausmann R and Klinger B (2008). South Africa's export predicament. *Economics of Transition*, 16(4): 609–637
- Hidalgo CA et al. (2007). The product space conditions the development of nations. *Science* 317:482–487

- Hidalgo CA and Hausmann R (2010). Inferring Macroeconomic Complexity from Country-Product Network Data. AAAI Spring Symposium: Artificial Intelligence for Development 2010.
- ILO. Global Employment Trends 2011.
- IMF. *IMF Survey Magazine*. Global economic crisis: IMF approves 1.27 billion loan for Jamaica. 4 February 2010-
- IMF. *World Economic Outlook*. September 2011.
- Industrial Policies in Trinidad and Tobago, Jamaica and Barbados, a research proposal by FIEL and SALISES. September 2008. P. 31.
- INTAL Monthly Newsletter 177. May 2011.
- The Jamaican Observer*. JMA concerned about impact of lowered import duties. 27 July 2011.
- Kaukab RS (2010). Inclusiveness of trade policymaking. Commonwealth Secretariat. Hot Topics Series No. 70. February 2010.
- Ministry of Energy and Mining of Jamaica. The National Minerals Policy 2010–2030. June 2011.
- Ministry of Finance of Jamaica (2011). Green Paper on Tax Reform in Jamaica.
- Planning Institute of Jamaica (2009). National Report of Jamaica on Millennium Development Goals.
- Republic of Kenya Ministry of Trade (2009). National Trade Policy: Efficient Globally Competitive Economy.
- Ministry of Energy and Mining (2009). National Renewable Energy Policy, 2009–2030.
- Roache A (2011). Spotlight on tax incentives at PSOJ economic forum. *Jamaica Observer*, 3 July.
- Rogoff MA, Gauditz BE. The Provisional Application of Trade Agreements.
- Saez S (2005). Implementing trade policy in Latin America: The case of Chile and Mexico.
- Schnoor A (2011). Solving Jamaica's economic conundrum. *Sunday Herald*. 31 January.
- South Centre (2007). The reform of the European Union sugar sector: implications for ACP countries and EPA negotiations.
- SELA. "The current status and future prospects of trade relations with the United States from a CARICOM perspective". Address by Ambassador Paul Harker, Bilateral Relations Department MFAFT of Jamaica in the Regional Seminar on Trade Relations between the United States and Latin America and the Caribbean in the first year of the Obama Administration. Caracas. 22 and 23 March 2010.
- Schneider F and Buehn A (2009). Shadow economies and corruption all over the world: Revised estimates for 120 Countries. *Economics E-Journal*. Vol.1, 2007–9.
- Stanbury L (2006). "Mapping the Creative Industries – The Experience of Jamaica". Paper presented at the WIPO–CARICOM Meeting of Experts on the Creative Industries and Intellectual Property, held in Georgetown, Guyana, on 8 and 9 February 2006.
- Stephenson SM. (2002). Can regional liberalization of services go further than multilateral liberalization under the GATS?". In: *World Trade Review*. Volume 1, No. 2. July.
- Stephenson SM., ed. (2000). *Services Trade in the Western Hemisphere, Liberalization, Integration and Reform*. Organization of American States. Washington, D.C.
- Thomas D and Serju P (2009). "Explaining Jamaica's growth puzzle: A comparative growth accounting exercise with other Caribbean countries. *Business, Finance and Economics in Emerging Economies*. 4(1):39–72.
- UNCTAD (2007). *FDI in Tourism: The Development Dimension*. United Nations publication. New York and Geneva.
-

- UNCTAD (2010). *Creative Economy Report*. United Nations publication.
- UNCTAD (2010). *Renewable Energy Technologies for Rural Development*. United Nations publication. New York and Geneva.
- UNCTAD (2010). The contribution of tourism to trade and development. Note by the UNCTAD secretariat. TD/B/C.I/8.
- UNCTAD (2011). *Information Economy Report 2011. ICTs as an Enabler for Private Sector Development*. United Nations publication. New York and Geneva.
- UNCTAD (2011). Policy actions to mitigate the impact of highly volatile prices and incomes on commodity-dependent countries, and to facilitate value addition and greater participation in commodity value chains by commodity-producing countries. TD/B/C.I/MEM.2/14.
- UNDP (2008). Aid for Trade and Human Development.
- UNESCO (2000). Energy and sustainable development: options and strategies for action on key issues. E/CN.17/ESD/2001/2. United Nations, New York
- Wedderburn C, Chiang EP and Rhodd R (2011). The informal economy in Jamaica: Is it feasible to tax this sector? *Journal of International Business and Cultural Studies*. 6:1–13.
- Weisser D (2004) On the economies of electricity consumption in small island developing States: A role for renewable energy technologies? *Energy Policy*, 32.
- Witters M (2002). The experience of Jamaica with trade liberalization. Department of Economics of the University of West Indies.
- World Bank (2011). Jamaica Country Economic Memorandum.
- World Bank and IFC (2012). Economy Profile: Jamaica World Economic Forum (2010). Global Competitiveness Report.
- World Bank (2009). *World Development Report 2008*.
- WTO (2010). Trade Policy Review of Jamaica. Report by the Secretariat.
-

ENDNOTES

- ¹ Highlighted in *The Global Competitiveness Report 2010–2011*, *CIA World Factbook* and *NDP*.
 - ² The National Export Strategy of Jamaica (2009). Available at: http://www.jamaicatradeandinvest.org/nes/documents/export_strategy.pdf.
 - ³ Globstat.
 - ⁴ UNCTADStat.
 - ⁵ IMF. *World Economic Outlook September 2011 Database*.
 - ⁶ ILO, KILM database.
 - ⁷ ILO, Global Employment Trends 2011.
 - ⁸ IMF, World Economic Outlook September 2011 Database.
 - ⁹ ILO, op. cit.
 - ¹⁰ ILO, op. cit.
 - ¹¹ Statistical Institute of Jamaica.
 - ¹² IMF BOP Statistics.
 - ¹³ WTO, 2010, Trade policy review of Jamaica, report by the Secretariat.
 - ¹⁴ World Bank and IFC, 2012, Economy Profile: Jamaica.
 - ¹⁵ D Thomas and P Serju, 2009, Explaining Jamaica's growth puzzle: A comparative growth accounting exercise with other Caribbean countries, *Business, Finance and Economics in Emerging Economies*, 4 (1):39–72.
 - ¹⁶ RCA was originally developed by Balassa (1965). This figure shows a ratio of a product's share in Jamaican exports to the product's share in world exports. This figure ranges from zero to plus infinity, and indicates that Jamaica has RCA when RCA is greater than one.
 - ¹⁷ RCA statistics are taken from the UNCTAD *TRAINS* database. Four-digit HS 2007 categories are used.
 - ¹⁸ UNCTAD, 2011, Policy actions to mitigate the impact of highly volatile prices and incomes on commodity-dependent countries, and to facilitate value addition and greater participation in commodity value chains by commodity-producing countries, TD/B/C.I./MEM.2/14.
 - ¹⁹ Ibid.
 - ²⁰ Ministry of Energy and Mining, 2009, Jamaica's Energy Policy, 2009–2030.
 - ²¹ D Weisser, 2004, On the economies of electricity consumption in small island developing States: A role for renewable energy technologies? *Energy Policy*, 32:127–140.
 - ²² WTO, 2010, op. cit.
 - ²³ UNCTAD, 2011, *Trade and Development Report, 2011*.
 - ²⁴ C Wedderburn, EP Chiang and R Rhodd, 2011, The informal economy in Jamaica: Is it feasible to tax this sector? *Journal of International Business and Cultural Studies*, 6: 1-13; F Schneider and A Buehn, 2009, Shadow economies and corruption all over the world: Revised estimates for 120 countries, *Economics E-Journal*, vol.1, 2007–9.
 - ²⁵ UN STAT MDG database.
 - ²⁶ Ibid.
-

-
- ²⁷ Planning Institute of Jamaica, 2009, National Report of Jamaica on Millennium Development Goals.
- ²⁸ Boys drop out early from school, and in tertiary education the ratio of females to males increased up to 2.22 in 2008 (UN STAT database).
- ²⁹ Information on JTAT and its functions is available on the website of the Ministry of Foreign Affairs and Foreign Trade.
- ³⁰ Encompasses the Bureau of Standards, Anti-dumping and Subsidies Commission, Fair Trading Commission, Jamaica Intellectual Property Office, Jamaica National Agency for Accreditation and Jamaica Promotions Corporation.
- ³¹ http://www.wto.org/english/thewto_e/minist_e/min05_e/brief_e/brief12_e.htm.
- ³² The latest texts by Chairs of negotiating groups and draft modalities (April 2011) are available at: http://www.wto.org/english/tratop_e/dda_e/chair_texts11_e/chair_texts11_e.htm.
- ³³ M Witter, 2002, *Trade Liberalization: The Jamaican Experience*, Department of Economics, University of West Indies.
- ³⁴ Statement by Mr. Kenneth Baugh, Deputy Prime Minister and Minister of Foreign Affairs and Foreign Trade of Jamaica during the Third Global Review on Aid for Trade. Geneva, 18–19 July 2011.
- ³⁵ IMF, 2010, Global economic crisis: IMF approves 1.27 billion loan for Jamaica, *IMF Survey Magazine*, 4 February.
- ³⁶ UNCTADStat (data for 2010 are estimated).
- ³⁷ WTO, 2010, op. cit.
- ³⁸ A Schnoor, 2011, Solving Jamaica's economic conundrum, *Sunday Herald*, 31 January.
- ³⁹ See sectoral goals of the Government of Jamaica (chapter I, section A.).
- ⁴⁰ Ministry of Energy and Mining of Jamaica, The National Minerals Policy 2010–2030. June 2011.
- ⁴¹ The dispute settlement case brought by Australia, Thailand and Brazil found that European sugar subsidies used to guarantee export prices received by ACP countries were not compatible with the WTO legal system. The implication of implementing the WTO ruling was a strong reduction of export earnings to the European Union. The dispute settlement cases brought by several Latin American producers found that the European banana regime contravened various provisions of GATT and GATS. Key issues put into question were the access through a quota for non-ACP suppliers and the applicable MFN tariff. Implications of WTO rulings for ACP countries entailed increased exposure to competition with Latin American countries. Although these countries continue to face tariffs to enter the European market, these have been successively lowered. According the Geneva Agreement on Trade in Bananas (2009), the European Union's multilateral banana tariff is to be reduced in gradual steps from €176 per ton to €114 per ton by 2017.
- ⁴² http://www.wto.org/english/tratop_e/agric_e/agboxes_e.htm.
- ⁴³ See sectoral goals of the Government of Jamaica (chapter I, section A.).
- ⁴⁴ *CIA Factbook*.
- ⁴⁵ WTO, 2010, op. cit.
- ⁴⁶ A Roache, 2011, Spotlight on tax incentives at PSOJ Economic Forum, *Jamaica Observer*, 3 July.
- ⁴⁷ Manufacturing sector Plan 2009–2030.
- ⁴⁸ M Witters, 2002, op. cit.
- ⁴⁹ ECLAC, Economic Survey of Latin America and the Caribbean (2009–2010).
- ⁵⁰ See sectoral goals of the Government of Jamaica (chapter I, section A.)
-

-
- ⁵¹ WTO Consolidated Tariff Schedule for Jamaica (2011).
- ⁵² JOB(05)/161 of 27 July 2005.
- ⁵³ WTO, Negotiating Group on Agriculture: Report by the Chairman to the Trade Negotiations Committee, TN/AG/26, 21 April 2011.
- ⁵⁴ WTO, Textual report by the Chair on the state of play of the NAMA negotiations, TN/MA/W/103/Rev.3/Add.1, 21 April 2011.⁵⁵ “CARICOM - COTED targets CET suspension, partnerships to tackle high prices of fuel, commodities”, May 2011.
- ⁵⁶ JMA concerned about the impact of lowered import duties, *The Jamaica Observer*, 27 July 2011. Available at http://www.jamaicaobserver.com/business/JMA-concerned-about-impact-of-lowered-import-duties_9313169#ixzz1p01PcXDy.
- ⁵⁷ The tax regime for cigarettes was reformed in April 2008: the ASD, excise duty, and the ad valorem SCT were all removed, and the specific SCT was increase from J\$2,300 to J\$6,000 per thousand sticks. The specific SCT on cigarettes was increased to J\$8,500 per thousand sticks in May 2009 and J\$10,500 in January 2010.
- ⁵⁸ WTO, 2010, op. cit.
- ⁵⁹ Ministry of Finance of Jamaica, 2011, Tax reform in Jamaica, Green Paper No. 1-2011.
- ⁶⁰ Multiple non-standard taxes, absence of a uniform rate structure, low tax compliance levels, relative high tax rates, high dependence on direct taxes and the fact that only a few taxpayers generally bear the burden of selected taxes.
- ⁶¹ UNCTADStat.
- ⁶² SELA, “*The current status and future prospects of trade relations with the United States from a CARICOM perspective*”. Address by Ambassador Paul Harker, Bilateral Relations Department, MFAFT of Jamaica, Regional seminar on trade relations between the United States and Latin America and the Caribbean in the first year of the Obama Administration, Caracas, 22 and 23 March 2010.
- ⁶³ WTO, 2010, op. cit.
- ⁶⁴ ECLAC, Caribbean trade and integration: trends and future prospects (chapter IV), in *Latin America and the Caribbean in the World Economy – 2009–2010*.
- ⁶⁵ Caribbean Policy Research Institute, 2009, The long-term impact of EPA in the Caribbean: Jamaica and St. Lucia.
- ⁶⁶ JAMPRO identified the following export opportunities: Manufacturing goods (light manufacturing, agro-processing), food and beverages (baked products and aquaculture), light manufacturing (paper products and paperboard; furniture, lighting and signs; plastics, rubbers), agro-processing (beverages, spirits, vinegar; meat, fish and sea-food food preparations) and chemicals (organic chemicals, soaps and cleaning products).
- ⁶⁷ WTO *Trade Statistics* database, March 2011.
- ⁶⁸ United States-Caribbean Basin Economic Recovery Act, Renewal of Waiver, Decision of 27 May 2009, WTO document WT/L/753, 29 May 2009. The waiver permits the United States to provide duty-free treatment to eligible products of the Caribbean Basin countries without having to extend the same treatment to like products of any other WTO Member.
- ⁶⁹ USTR online information. Viewed at: <http://www.ustr.gov/regions/whemisphere/camerica/actsheet.html>.
- ⁷⁰ SELA (2010). Op. cit.
- ⁷¹ Ibid.
-

- ⁷² WTO, 2010, op. cit.
- ⁷³ UNCTADStat.
- ⁷⁴ ECLAC, 2011, *Economic Survey of the Economies of the Caribbean 2009–2010*.
- ⁷⁵ INTAL Monthly Newsletter 177, May 2011.
- ⁷⁶ C.f. National Outcome No. 8.
- ⁷⁷ C.f. National Outcome No. 9.
- ⁷⁸ Vision 2030, page XXI-XXII.
- ⁷⁹ An important element that is important to highlight here – as it may be particularly relevant for services, given that services are often tailored to the needs of consumers and that consumers participate in the production process – is that the approach used in NES is one that focuses on diversifying exports towards higher value products.
- ⁸⁰ <http://jamaicacsi.org/jcsi-holds-further-consultations-with-key-service-sector-stakeholders/>, accessed 18 March 2013.
- ⁸¹ *Industrial Policies in Trinidad and Tobago, Jamaica and Barbados*, A research proposal by FIEL and SALISES, September 2008, p. 31.
- ⁸² See Jamaica Trade and Invest (JamPro) website at <http://www.jamaicatradeandinvest.org/aboutjti>.
- ⁸³ *Industrial Policies in Trinidad and Tobago, Jamaica and Barbados*, A research proposal by FIEL and SALISES, September 2008.
- ⁸⁴ World Bank, 2011, Jamaica Country Economic Memorandum.
- ⁸⁵ World Bank, 2011, op. cit.
- ⁸⁶ Jamaica Tourist Board, Annual Travel Statistics 2010.
- ⁸⁷ ECLAC 2010, *The Tourism Sector and the Global Economic Crisis: Development Implications for the Caribbean*.
- ⁸⁸ World Bank, 2011, op. cit.
- ⁸⁹ World Bank, 2011, op. cit.
- ⁹⁰ After a stakeholder consultation process, the master plan was finally adopted in 2002.
- ⁹¹ Master Plan for Sustainable Tourism Development – Jamaica, 2002.
- ⁹² WTO, op. cit.
- ⁹³ Government of Jamaica, May 2011, Policy Development Programme as of 31 December 2010,
- ⁹⁴ Leakages are caused by factors such as expenditures on imported consumer goods and little spending on local products, repatriation of profits, and overseas promotional efforts.
- ⁹⁵ UNCTAD, 2007, *FDI in Tourism: The Development Dimension* (United Nations publication, New York and Geneva).
- ⁹⁶ UNCTAD, 2010, The contribution of tourism to trade and development, TD/B/C.I/8, pp. 14–15.
- ⁹⁷ Countries have recently started to put renewed emphasis on domestic tourism in light of the clear negative impacts of external shocks such as the terrorist attacks on the United States in September 2001 and the recent economic and financial crisis.
- ⁹⁸ WTO (2010). Op. cit.
- ⁹⁹ Cable and Wireless Jamaica changed its name in 2008 to LIME (Landline Internet Mobile, Entertainment).

-
- ¹⁰⁰ P. Golding, V. Tennant and T.A. Virtue, 2011, Telecommunications in Jamaica: Monopoly to liberalized competition to monopoly (2000–2011), research paper.
- ¹⁰¹ Ibid.
- ¹⁰² WTO, 2010, op. cit.
- ¹⁰³ WTO, 2010, op.cit., p. 80.
- ¹⁰⁴ Industrial policies in Trinidad and Tobago, Jamaica and Barbados, a research proposal by FIEL and SALISES, September 2008.
- ¹⁰⁵ WTO, 2010, op.cit.
- ¹⁰⁶ Government providing more ICT space, Jamaica Information Service, 4 March 2013, <http://www.jis.gov.jm/news/leads/33141> (accessed 12 March 2013).
- ¹⁰⁷ Thirty per cent of the fund's resources should be set aside for ICT start-ups, including call centres; 50 per cent for development of proprietary software and 20 per cent for export marketing.
- ¹⁰⁸ Industrial Policies in Trinidad and Tobago, Jamaica and Barbados, a research proposal by FIEL and SALISES, September 2008.
- ¹⁰⁹ WTO (2010). Op.cit.
- ¹¹⁰ Government of Jamaica, Policy Development Programme as of 31 December 2010 (issued May 2011).
- ¹¹¹ UNCTAD, 2011, *Information Economy Report 2011: ICTs as an Enabler for Private Sector Development* (United Nations publication, New York and Geneva).
- ¹¹² In the area of services, creative industries translate into recreational services. According to United Nations Central Product Classification (CPC), recreational and cultural services include: motion picture and video-tape production and distribution services, motion picture projection services, radio and television services, entertainment services (including theatre, live bands and circus services), news agency services, libraries, archives and museums. Other recreational services are recreation, park and beach services, and gambling and betting services.
- ¹¹³ UNCTAD, 2010, *Creative Economy Report*.
- ¹¹⁴ Government of Jamaica, May 2011, Policy Development Programme as of 31 December 2010 .
- ¹¹⁵ Ibid.
- ¹¹⁶ The review process has two phases, internal and external. It is currently undergoing the internal review.
- ¹¹⁷ Government of Jamaica, May 2011, Policy Development Programme as of 31 December 2010.
- ¹¹⁸ UNCTAD, 2010, *Creative Economy Report*, p. 59.
- ¹¹⁹ L. Stanbury, 2006, "Mapping the Creative Industries – The Experience of Jamaica", paper presented at the WIPO–CARICOM Meeting of Experts on the Creative Industries and Intellectual Property, in Georgetown, Guyana, on 8 and 9 February 2006.
- ¹²⁰ UNCTAD, 2010, *Creative Economy Report*.
- ¹²¹ A CARICOM Regional Cultural Policy existed but dates back to 1994. The work of the RCC in developing a new regional development strategy and action plan for the cultural industries reflects the importance given to the sector in the region, including as a result of a number of studies and initiatives by international organizations and donors, such as Caribbean Export, European Union, IDB, ITC, UNCTAD, UNESCO and UNDP.
- ¹²² Remarks delivered by Dr. Hilary Brown, Programme Manager, Culture and Community Development, CARICOM's Secretariat, at the Opening Ceremony of the Twenty-First Meeting of the Regional Cultural
-

Committee, Paramaribo, Suriname, 1-3 December 2011. CARICOM Secretariat Press Release 460/2011. Available at: http://www.caricom.org/jsp/pressreleases/press_releases_2011/pres460_11.jsp.

- ¹²³ Saint Lucia's poet and economist calls for an enabling environment for cultural industries, CARICOM Secretariat press release NF01/2012, 7 February 2011, available at http://www.caricom.org/jsp/pressreleases/press_releases_2012/nf01_12.jsp.
- ¹²⁴ Universal Declaration on Cultural Diversity adopted by the General Conference of the United Nations Educational, Scientific and Cultural Organization at its thirty-first session on 2 November 2011.
- ¹²⁵ The services covered include (a) theatrical producer, singer group, , band and orchestra entertainment services; (b) services provided by authors, composers, sculptors, entertainers and other individual artists; (c) ancillary theatrical services; (d) circus, amusement park and similar attraction services; (e) ballroom, discotheque and dance instructor services; and (f) other entertainment services (not elsewhere classified).
- ¹²⁶ Defined in this case as natural persons (individuals) of a CARIFORUM State employed by a juridical person (company or firm) of that CARIFORUM State which has no commercial presence in the territory of the European Union and which has concluded a bona fide contract to supply services with a final consumer in the European Union requiring the presence on a temporary basis of its employees in that Party in order to full the contract to provide services.
- ¹²⁷ CRNM, 2008, Provisions on the Cultural Sector in the CARIFORUM-EU Economic Partnership Agreement (EPA).
- ¹²⁸ For example, CRNM, 2008, op. cit.
- ¹²⁹ ECDPM, 2011, Implementing cultural provisions of the CARIFORUM-EU EPA. How do they benefit the Caribbean cultural sector? ECDPM discussion paper, No. 118, p. xv.
- ¹³⁰ Ibid.
- ¹³¹ Ibid.
- ¹³² ITC press release, ITC supports Caribbean creative industries sector.
- ¹³³ Section based on WTO, 2010, op. cit, pp. 71-78.
- ¹³⁴ For more information, see http://www.boj.org.jm/financial_sys/remittance.php.
- ¹³⁵ Hylton to press ahead with offshore centre, *Jamaica Gleaner*, 17 February 2012, available at <http://jamaica-gleaner.com/gleaner/20120217/business/busines2.html>, accessed 12 March 2013.
- ¹³⁶ WTO, 2010, op.cit.
- ¹³⁷ SM Stephenson, ed., 2000, *Services Trade in the Western Hemisphere, Liberalization, Integration and Reform*, Organization of American States, Washington, D.C.
- ¹³⁸ The inventories of the members of CARICOM can be found on the CARICOM website and were issued along with press release 34/2002 of 1 March 2002.
- ¹³⁹ SM Stephenson, 2002, Can regional liberalization of services go further than multilateral liberalization under the GATS?, in *World Trade Review*, Volume 1, No. 2, July.
- ¹⁴⁰ The Royal Bank of Canada has regained ownership of RBTT, so the institution can no longer be considered a regional financial institution.
- ¹⁴¹ The CARIBCAN agreement (a non-reciprocal preferential trade agreement which provided unilateral duty free access to eligible goods from the beneficiary countries in the English-speaking Caribbean, governed the trade relations between these countries and Canada along with the 1979 CARICOM-Canada Trade and Economic Cooperation Agreement) was considered incompatible with the WTO MFN provision and as such would require a WTO waiver as the initial waiver was scheduled to expire in 2011. As there is growing intolerance towards the maintenance of such unilateral non-reciprocal preference regimes, CARIBCAN will

be replaced by the FTA. CARICOM Secretariat. Office of Trade Negotiations, 2010, CARICOM-Canada Trade and Development Agreement, Potential Benefits, Trade Brief, Ref. 31000.371-2010-07-19.

¹⁴² CARICOM Secretariat, Office of Trade Negotiations, 2010.

¹⁴³ http://www.sice.oas.org/tpd/CAR_DOM/CAR_DOM_e.asp accessed on 01.11.2011.

¹⁴⁴ In the case of CARIFORUM States, the initial targets for market access to be granted by less developed countries (LDCs) and more developed countries (MDCs) were 65 per cent and 75 per cent, respectively (expressed in terms of share of W/120 sectors subject to scheduled commitments). However, it is estimated that some CARIFORUM States' commitments averaged approximately 50 per cent. Sauv , Pierre and Ward, Natasha, 2009, The EC-CARIFORUM Economic Partnership Agreement: Assessing the Outcome on Services and Investment, Brussels, European Centre for International Political Economy.

¹⁴⁵ PCS will allow all logistics actors, including customs and port authorities to use a centralized platform.

¹⁴⁶ Ministry of Finance of Jamaica, 2011, op. cit.

¹⁴⁷ Summary by the Logistics Task Force of the recent Logistics Hub Retreat held at the Jamaica Conference Centre, Kingston, 18-19 January 2013; Jamaica looking to develop Kingston into global transshipment hub, *Caribbean Journal*, 4 December 2012, (<http://www.caribjournal.com/2012/12/04/jamaica-looking-to-develop-kingston-into-global-transshipment-hub/>, accessed 12 March 2013).

¹⁴⁸ For a recent discussion on the alternative measurement of comparative advantage, see, for example, E Leromain and G Orece, New revealed comparative advantage index: Dataset and empirical distribution, CEPII, 20 June 2013.

¹⁴⁹ ECLAC, 2009, The effects of globalization on CARICOM economies.

¹⁵⁰ Meaning: economies producing a narrow range of commodities for which intra-subregional trade is mostly inter-industry.

¹⁵¹ H Geller et al., 2004, Policies for advancing energy efficiency and renewable energy use in Brazil, *Energy Policy*.

¹⁵² Ibid.

¹⁵³ Services are more dependent on the abilities and know-how of people than the agriculture or manufacturing sectors.

¹⁵⁴ Government of Jamaica, Policy Development Programme as of 31 December 2010, issued May 2011.

¹⁵⁵ The aim being to report partner detail, first, at the level of services trade as a whole and, second, for each of the main types of services in BPM6 and (as a longer-term goal) for the more detailed EBOPS items. In the case of foreign affiliates trade in services (FATS) and FDI, the aim would be to report partner detail both in the aggregate and for the major industry categories within ICFA, Rev.1.

¹⁵⁶ Cited in World Bank, 2011, op. cit.

¹⁵⁷ Government of Jamaica, National Export Strategy, 2001.

¹⁵⁸ S Saez, 2005, Implementing trade policy in Latin America: The case of Chile and Mexico.

¹⁵⁹ See CA Hidalgo and R Hausmann, 2010, Inferring macroeconomic complexity from country-product network data, AAAI Spring Symposium: Artificial Intelligence for Development 2010; R Hausmann and B Klinger, 2008, South Africa's export predicament, *Economics of Transition*, 16(4):609-637; CA Hidalgo et al., 2007, The product space conditions the development of nations, *Science* 317:482-487.

¹⁶⁰ Hidalgo's data on Jamaica is available at: <http://www.chidalgo.com/data.html>.

ANNEXES



ANNEX A

PRODUCTS IN WHICH JAMAICA HAS GREATER REVEALED COMPARATIVE ADVANTAGE (2010)

Code	Commodity description	RCA index
2606	Aluminium ores and concentrates.	1596.3
2818	Artificial corundum, whether or not chemically defined,	360.7
0714	Manioc, arrowroot, salep, Jerusalem artichokes,	220.1
2207	Undenatured ethyl alcohol of an alcoholic strength,	94.2
2904	Sulphonated, nitrated or nitrosated derivatives of hydrocarbons,	60.0
2521	Limestone flux; limestone and other calcareous stone,	51.8
2203	Beer made from malt.	34.7
0812	Fruit and nuts, provisionally preserved,	33.6
2205	Vermouth and other wine of fresh grapes flavoured,	27.4
0904	Pepper of the genus Piper; dried or crushed or ground,	26.6
3301	Essential oils (terpeneless or not),	24.4
0905	Vanilla.	21.0
2208	Undenatured ethyl alcohol of an alcoholic strength,	18.5
1701	Cane or beet sugar and chemically pure sucrose,	18.2
2103	Sauces and preparations therefor; mixed condiments,	16.2
2008	Fruit, nuts and other edible parts of plants,	15.1
2206	Other fermented beverages,	13.2
0807	Melons (including watermelons) and papaws (papayas),	12.6
1106	Flour, meal and powder of the dried leguminous vegetables,	12.6
2520	Gypsum; anhydrite; plasters (consisting of calcined gypsum or calcium sulphate),	12.3
2104	Soups and broths and preparations therefor,	12.3
0901	Coffee, whether or not roasted or decaffeinated,	11.9
0910	Ginger, saffron, turmeric (curcuma), thyme, bay leaves, curry and other spices, excluding thyme and saffron,	10.5
1101	Wheat or meslin flour,	10.1
4417	Tools, tool bodies, tool handles, broom or brush bodies and handles,	9.2
2009	Fruit juices (including grape must) and vegetable juices,	8.4
2523	Portland cement, aluminous cement, slag cement,	8.4
1008	Buckwheat, millet and canary seed; other cereal,	7.9
7001	Cullet and other waste and scrap of glass,	7.5
3210	Other paints and varnishes (including enamels, lacquers and distempers),	7.4
0604	Foliage, branches and other parts of plants,	7.4
0306	Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; smoked crustaceans,	7.1
2202	Waters, including mineral waters and aerated water,	7.1
1905	Bread, pastry, cakes, biscuits and other bakers' wares,	5.8
2710	Petroleum oils and oils obtained from bituminous minerals,	5.0
0804	Dates, figs, pineapples, avocados, guavas, mangoes,	4.8
2842	Other salts of inorganic acids or peroxyacids,	4.3
0810	Other fruit, fresh.	4.3

Code	Commodity description	RCA index
0704	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas,	4.1
7204	Ferrous waste and scrap; remelting scrap ingots of iron or steel,	3.9
5808	Braids in the piece; ornamental trimmings in the piece,	3.7
1211	Plants and parts of plants (including seeds and fruits),	3.5
1901	Malt extract; food preparations of flour, groats,	3.4
1103	Cereal groats, meal and pellets,	3.3
2833	Sulphates; alums; peroxosulphates (persulphates),	3.3
0711	Vegetables provisionally preserved,	3.1
0902	Tea, whether or not flavoured.	3.1
7311	Containers for compressed or liquefied gas, of iron or steel,	2.9
2302	Bran, sharps and other residues, whether or not in the form of pellets,	2.8
7206	Iron and non-alloy steel in ingots or other primary forms,	2.8
2006	Vegetables, fruit, nuts, fruit-peel and other part of plants,	2.7
1702	Other sugars, including chemically pure lactose, maltose, glucose and fructose,	2.5
1004	Oats.	2.5
2530	Mineral substances not elsewhere specified or included.	2.4
2309	Preparations of a kind used in animal feeding.	2.4
2106	Food preparations not elsewhere specified or included.	2.4
7112	Waste and scrap of precious metal or of metal clad,	2.4
7907	Other articles of zinc.	2.3
1801	Cocoa beans, whole or broken, raw or roasted.	2.3
1704	Sugar confectionery (including white chocolate),	2.2
0406	Cheese and curd.	2.2
9601	Worked ivory, bone, tortoise-shell, horn, antlers,	2.1
1601	Sausages and similar products, of meat, meat offal,	2.0
0805	Citrus fruit, fresh or dried.	1.9
1404	Vegetable products not elsewhere specified or included.	1.9
9101	Wrist-watches, pocket-watches and other watches,	1.9
7113	Articles of jewellery and parts thereof,	1.8
8311	Wire, rods, tubes, plates, electrodes and similar products,	1.7
1602	Other prepared or preserved meat, meat offal or blood.	1.6
4420	Wood marquetry and inlaid wood; caskets and cases,	1.6
2007	Jams, fruit jellies, marmalades, fruit or nut puree,	1.6
1212	Locust beans, seaweeds and other algae, sugar beet and sugar cane,	1.5
2501	Salt (including table salt and denatured salt) and pure sodium chloride,	1.5
2305	Oil-cake and other solid residues, whether or not ground or in the form of pellets,	1.5
0802	Other nuts, fresh or dried, whether or not shelled or peeled,	1.5
0906	Cinnamon and cinnamon-tree flowers.	1.4
2005	Other vegetables prepared or preserved otherwise than by vinegar or	1.4
1104	Cereal grains otherwise worked,	1.4
4421	Other articles of wood.	1.4
8484	Gaskets and similar joints of metal sheeting combined with other material,	1.4
1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils,	1.3

Code	Commodity description	RCA index
2835	Phosphinates (hypophosphites), phosphonates (phosphites),	1.3
3808	Insecticides, rodenticides, fungicides, herbicides,	1.3
7611	Aluminium reservoirs, tanks, vats and similar contherbicides,	1.3
8803	Parts of goods of heading 88.01 or 88.02.	1.2
3401	Soap; organic surface-active products and preparations for use as soap,	1.1
6309	Worn clothing and other worn articles.	1.1
1902	Pasta, whether or not cooked or stuffed (with meat or other substances),	1.1
9103	Clocks with watch movements, excluding clocks of 9104.00.00.	1.0
6812	Fabricated asbestos fibres; mixtures with a basis of asbestos or with a basis of asbestos and magnesium carbonate,	1.0

Source: UNCTAD.

ANNEX B

REVEALED COMPARATIVE ADVANTAGE AND PRODUCT SPACE IN JAMAICA

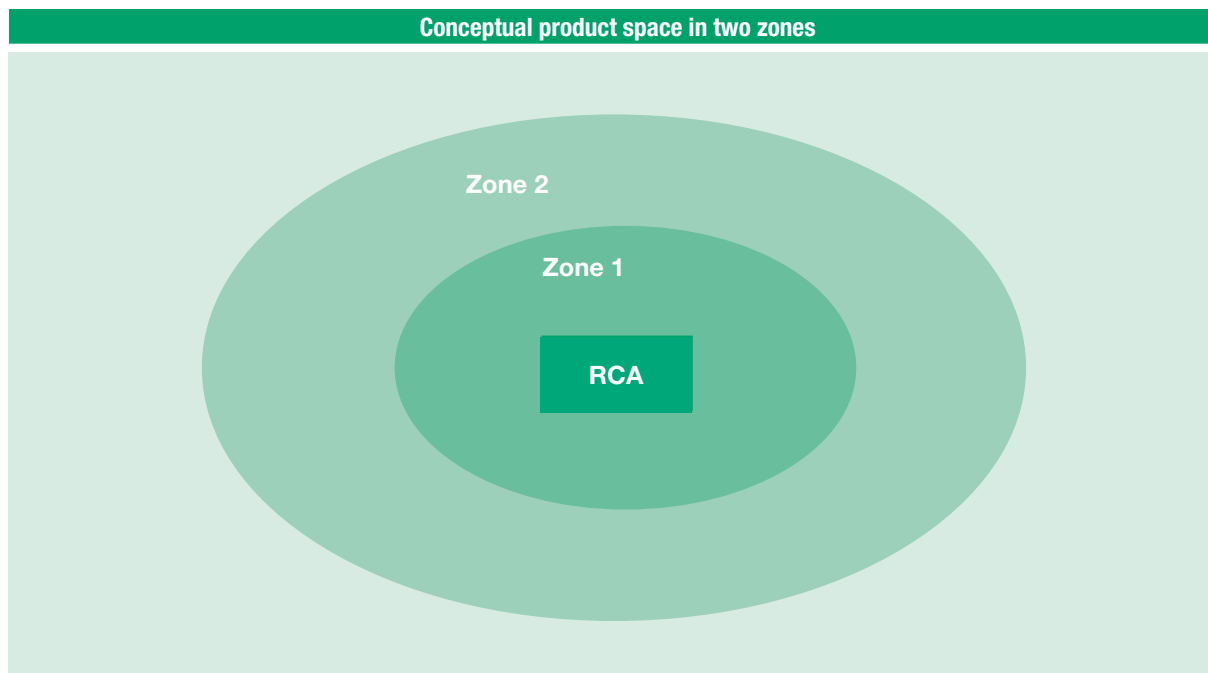
A recent research on international trade has introduced a new and interesting concept to the literature: product space in exports.¹⁵⁹ This theory conceptualized each product as a tree in a jungle and expanding productive capacity from a product to another was depicted as ease of a monkey's jumps from one tree to another. In this model, ease of moving from one tree to another depended on the physical closeness or proximity of the trees to each other. In other words, a country's ease of diversifying its export base depended on number of other products in the neighborhood of its existing export basket. The proximities, in turn, are determined by a set of factors, including similarity of the products' factor intensities, production technologies, skill structures, know-how, etc. Therefore, if a country has comparative advantage in a product, then it is relatively easy to develop comparative advantage in another one if they are close enough. The research found that some countries are very successful in diversifying their export basket, while some others are not and that this is linked to the location of the countries' initial export basket in the product space. If the initial export basket of a country is clustered tightly around many other products, in other words their products are located at the dense part of the product space, diversification would be easy and quick. However, for some other countries, exports remain highly concentrated, as they are located at the sparsely populated sections of the forest. In other words, their existing exportables' skill structure and know-how are very product specific and cannot be easily applicable to other products in the product space.

Attempts were made to identify such baskets of products falling within same product space. In this exercise, RCA indices were used to identify the comparative advantage structure of Jamaica's existing export basket. Then the bilateral product proximity measures provided by Hidalgo were used to plot Jamaica's position at the product space.¹⁶⁰ Hidalgo provides bilateral proximities between products at four-digit SITC 4 classification format, and the proximity measure increases with the similarity of two products. By using these proximity measures and 0.55 cut-off rule suggested by Hidalgo, products that are close to Jamaica's export basket were identified in the annex.

Table B.1 provides the list of products that satisfy the cut-off rule. The first column lists products for which Jamaica has RCA, and the second and the third columns indicate the list of products that are in proximity with the products specified in the first column. These products may be called zone 1 products. In table B.1, the set of products in which Jamaica has RCA is depicted as a central square and the zone 1 products as the neighboring goods. Note that Jamaica's top export good, aluminium ores and concentrates, which is a natural resource-based product, is not included in annex B. as there is no other product in its proximity. However, fruit, nuts and other edible parts, which is under the vegetables and fruit category (column 1, row 2), has another product in its proximity; preserved fruit and fruit preparations (column 2, row 2). Hence, it may be concluded that Jamaica may have the potential to diversify its export by moving up the value chain from less processed fruits and nuts to more processed preserved fruit and fruit preparations.

Row 8 in the same table illustrates another interesting example. Jamaica has RCA in manufactured articles of wood under cork and wood manufactures category. There are similar various nearby products in the product space, which basically requires further or different processing of wood products such as chairs, furniture and parts thereof; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; timber for fuel; densified wood and particle board; builders' joinery and carpentry; packings and cable drums of wood. In the product space, these are related products that tend to possess similar technologies and factor intensities.

Table 2 below extends the neighboring products by also including slightly distant products (zone 2). These products may not be very close to the existing RCA products but they are in proximity of the zone 1 products. Due to space limitations, only the product codes in SITC4 for the list of those products (RCA, zone 1 and zone 2) are presented in the annex.



It should be noted that the RCA and product space analysis, while useful, should be qualified in three important ways: they reflect the existing export profile only, they do not by themselves indicate the potential for the creation of competitive advantage (as opposed to comparative advantage) through appropriate trade and development policies, and they are applied only to exports of goods, and do not include services.

Table 1. Jamaica's product space

RCA products Digit 4/Digit 2	Zone 1 products Digit 2	Zone 1 products Digit 4
Gypsum, plasters, limestone flux Crude fertilizers, other than those of Division 56, and crude minerals (excluding coal, petroleum and precious stones) Crude fertilizers, other than those of Division 56, and crude minerals (excluding coal, petroleum and precious stones) Pebbles, gravel, broken/crushed stones	Crude fertilizers, other than those of Division 56, and crude minerals (excluding coal, petroleum and precious stones)	Pebbles, gravel, broken/crushed stones
Fruit, nuts and other edible parts Vegetables and fruit	Vegetables and fruit	Fruit, preserved, and fruit preparations (excluding fruit juices)
Portland cement, aluminous cement, slag cement Non-metallic mineral manufactures, n.e.s.	Articles of apparel and clothing accessories	Suits and ensembles
Bread, pastry, cakes, biscuits and other bakers wares Cereals and cereal preparations	Vegetables and fruit Sugars, sugar preparations and honey Coffee, tea, cocoa, spices and manufactures thereof Beverages Paper, paperboard and articles of paper pulp, of paper or of paperboard Paper, paperboard and articles of paper pulp, of paper or of paperboard Manufactures of metals, n.e.s. Miscellaneous manufactured articles, n.e.s.	Fruit and nuts, uncooked or cooked Sugar confectionery Chocolate and other food preparations containing cocoa, n.e.s. Non-alcoholic beverages, n.e.s. Paper, paperboard, cellulose wadding Paper and paperboard, cut to size or shape, and articles of paper or paperboard Tanks, casks, drums, cans, boxes Builders wares of plastics
Fruit, fresh or dried, n.e.s. Vegetables and fruit	Vegetables and fruit	Other fresh or chilled vegetables
Oranges, mandarins, clementines Vegetables and fruit	Vegetables and fruit	Other citrus fruit, fresh or dried
Tyres, pneumatic, new, Rubber manufactures, n.e.s.	Plastics in non-primary forms Dyeing, tanning and colouring materials	Plates, sheets, film, foil and strip, of plastics Printing ink
Manufactured articles of wood, n.e. Cork and wood manufactures (excluding furniture)	Furniture and parts thereof; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings Furniture and parts thereof; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings Cork and wood Cork and wood manufactures (excluding furniture)	Seats Furniture and parts thereof; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings Fuel wood (excluding wood waste) Densified wood and particle board

RCA products Digit 4/Digit 2	Zone 1 products Digit 2	Zone 1 products Digit 4
	Cork and wood manufactures (excluding furniture)	Builders joinery and carpentry
	Cork and wood manufactures (excluding furniture)	Packings and cable drums of wood
Gaskets and similar joints of metals	General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.	Non-electric parts and accessories of machinery, n.e.s.
General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.	Electrical machinery, apparatus and appliances, n.e.s., and electrical parts thereof (including non-electrical counterparts, n.e.s., of electrical household-type equipment)	Electrical equipment, n.e.s.
	Road vehicles (including air-cushioned vehicles)	Parts and accessories of the motor vehicles of groups 722, 781, 782 and 783
	Professional, scientific and controlling instruments and apparatus, n.e.s.	Instruments and apparatus for measuring
	Miscellaneous manufactured articles, n.e.s.	Articles, n.e.s., of plastics
	Miscellaneous manufactured articles, n.e.s.	Articles, n.e.s., of plastics
	Meat and meat preparations	Meat and meat preparations
	Dyeing, tanning and colouring materials	Colouring preparations
	Medicinal and pharmaceutical products	Pharmaceutical goods, other than medicines
	Manufactures of metals, n.e.s.	Locksmiths wares, safes, strongbox
	Non-metallic mineral manufactures, n.e.s.	Natural or artificial abrasive powder
	Textile yarn, fabrics, made-up articles, n.e.s., and related products	Special products of textile materials
	Leather, leather manufactures, n.e.s., and dressed fur skins	Manufactures of leather or of composition leather, n.e.s.; saddlery and harnesses
	Non-metallic mineral manufactures, n.e.s.	Refractory ceramic goods
	Textile yarn, fabrics, made-up articles, n.e.s., and related products	Pearls (natural or cultured)
	Non-metallic mineral manufactures, n.e.s.	Glass
	Paper, paperboard and articles of paper pulp, of paper or of paperboard	Paper and paperboard
	General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.	Filtering or purifying machinery
	General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.	Pulley tackle and hoists
	General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.	Industrial or laboratory furnaces

RCA products Digit 4/Digit 2	Zone 1 products Digit 2	Zone 1 products Digit 4
	<p>General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.</p> <p>General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.</p> <p>Machinery specialized for particular industries</p> <p>Machinery specialized for particular industries</p> <p>Metalworking machinery</p> <p>Power-generating machinery and equipment</p> <p>General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.</p> <p>Machinery specialized for particular industries</p> <p>Machinery specialized for particular industries</p> <p>Metalworking machinery</p> <p>General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.</p> <p>Machinery specialized for particular industries</p>	<p>Concrete pumps</p> <p>Parts of the pumps and liquid elevator pumps</p> <p>Harvesting or threshing machinery</p> <p>Harvesting or threshing machinery</p> <p>Metal-rolling mills and rolls</p> <p>Power-generating machinery and parts thereof, n.e.s.</p> <p>Parts of machines and apparatus</p> <p>Parts for the machines of heading 7</p> <p>Machine tools specialized for particular industries</p> <p>Metalworking machinery</p> <p>Pumps for liquids, whether or not fitted with a measuring device; liquid elevators; parts for such pumps and liquid elevators</p> <p>Machinery for sorting, screening</p>
Glass in the mass, in balls, rods o	Machinery specialized for particular industries	Moving, grading, levelling, scraping
Non-metallic mineral manufactures, n.e.s.	Photographic apparatus, equipment and supplies and optical goods, n.e.s.; watches and clocks	Photographic plates and film
Parts, n.e.s. (not including tyres, Other transport equipment	Other transport equipment	Aircraft, n.e.s. (including dirigibles)
Pumps fitted or designed to be fitted General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.	Machinery specialized for particular industries	Machinery and mechanical appliances
Construction and mining machinery, Machinery specialized for particular industries	<p>Machinery specialized for particular industries</p> <p>Machinery specialized for particular industries</p> <p>Metalworking machinery</p> <p>Metalworking machinery</p> <p>General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.</p> <p>General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.</p>	<p>Parts of the machines of group 725</p> <p>Printing and bookbinding machinery and parts thereof</p> <p>Metalworking machinery</p> <p>Electric (including electrically heated gas</p> <p>Furnace burners for liquid fuel</p> <p>Works trucks</p>

RCA products Digit 4/Digit 2	Zone 1 products Digit 2	Zone 1 products Digit 4
	<p>General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.</p> <p>General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.</p> <p>Dyeing, tanning and colouring materials</p> <p>Plastics in non-primary forms</p> <p>Non-metallic mineral manufactures, n.e.s.</p> <p>Paper, paperboard and articles of paper pulp, of paper or of paperboard</p> <p>Machinery specialized for particular industries</p>	<p>Works trucks</p> <p>Non-electric parts and accessories of machinery, n.e.s.</p> <p>Colouring preparations</p> <p>Monofilament of other plastic</p> <p>Natural or artificial abrasive powder</p> <p>Paper and paperboard, uncoated</p> <p>Wheeled tractors</p>

Table 2. Jamaica's extended product space,

Product	Step 1	Step 2
0571	572	---
0589	585	---
6612	8422	6123, 8421, 8122, 8424, 8431, 8432, 8433, 8434, 8435, 8439, 8472
0484	583	8122, 6651
	620	---
	730	6421, 6422, 6428, 6911, 6912, 6921, 6996, 8932, 240
	1110	---
	6417	6421, 6424, 6428, 6842, 6921, 8122, 8211, 8932
	6428	730, 6421, 6417, 6424, 6618, 6783, 6842, 6911, 6912, 6921, 6924, 6996, 7449, 8922
	6924	6428, 6921, 6842, 6996, 8932
	8932	730, 6921, 6911, 6996, 6422, 6417, 6912, 6351, 6924, 6611, 6973, 6975, 6785, 6770, 7449, 8219, 7868
0579	545	---
0571	572	---
6253	5827	6253, 5332, 8748, 8822,
	5332	6253, 5827, 7284, 7742, 8742, 8748, 8822, 8959, 8983
6359	8211	6359, 2450, 6353, 6973, 6651, 6911, 6351, 6421, 6417, 8219, 8931
	8219	6359, 2450, 6353, 6351, 6973, 8211, 7731, 8932,
	2450	6359, 118, 8211, 8219,
	6342	6359, 6349, 6353, 6416, 2482, 2483, 6341,
	6353	6359, 6416, 8211, 8219, 6342, 6341
	6351	6359, 6416, 6611, 6770, 6911, 6921, 7211, 8211, 8219, 8932, 6343
	7493	7783, 7849, 8989, 7234, 7492, 5824, 6954, 6940, 6637, 6632, 7369, 7373, 7428, 7368, 7281, 7429, 7372, 7259, 7413, 7212, 7431, 7267,
	7493	7783, 7849, 8989, 7234, 7492, 5824, 6954, 6940, 6637, 6632, 7369, 7373, 7428, 7368, 7281, 7429, 7372, 7259, 7413, 7212, 7431, 7267,

Product	Step 1	Step 2
	7783	7849, 8732, 8743, 7492, 6637, 6994, 7428, 7132, 7493, 7429, 7161, 7413, 7281, 7368
	7849	7919, 8935, 7492, 6991, 6289, 6210, 6637, 6632, 6997, 6782, 6992, 6793, 6745, 6998, 7139, 7810, 7132, 7842, 7428, 7493, 7783, 7442, 7831, 7373, 7499, 7212, 7369, 7721, 7821, 7732,
	8743	7492, 6994, 7783,
	8935	8939, 7492, 142, 6648, 6997, 6991, 6210, 6418, 6571, 6538, 6633, 6424, 7849, 7868, 8121, 7919, 7247, 7212
	8939	7492, 142, 533, 6991, 6953, 6997, 6992, 6632, 6785, 6573, 6633, 8935, 7868, 7247, 7422, 7368, 7269, 7413, 7212, 7439, 7414, 7139
	142	7492, 913, 5335, 6571, 6633, 6953, 6991, 7139, 7212, 7919, 8121, 8935, 8939
	5335	7234, 7492, 5419, 5822, 5837, 6210, 6412, 6418, 6424, 6546, 6572, 6577, 6632, 6953, 6991, 6992, 6996, 6997, 7212, 7219, 7259, 7283, 7368, 7413, 7422, 7436, 7442, 7449, 7868, 8121, 8922, 8939, 142, 5334
	5419	7492, 7269, 7439, 5335, 5169
	6991	7492, 6992, 6994, 7139, 7212, 7413, 7442, 7499, 7849, 7919, 8935, 8939, 142, 5335, 6632, 6935, 6633, 6953, 6571
	6632	7234, 7492, 6953, 6991, 6992, 7139, 7212, 7259, 7368, 7372, 7413, 7442, 7493, 7499, 7810, 7842, 7849, 7919, 8939, 5335, 5821, 6412, 6121, 6546, 6418, 6577, 6571, 6424, 6210
	6579	7492, 6637, 7269, 7428
	6121	7492, 6632
	6637	7492, 7132, 7139, 7368, 7413, 7428, 7429, 7493, 7783, 7849, 6623, 6579
	6571	7492, 6632, 6991, 7247, 7499, 7868, 8935, 142, 6210, 6538
	6642	---
	6418	7492, 6419, 6424, 6577, 6632, 7219, 7283, 7373, 7422, 7919, 8121, 8935, 5335, 5837, 5822, 6412
	7436	7492, 7439, 7452, 5335, 7269, 7267, 7219, 7412, 7429, 7283
	7442	7492, 7449, 7499, 7842, 7849, 5335, 5821, 6632, 6991, 6572, 7188, 7219, 7441, 7373, 7422, 7372, 7283
	7413	7492, 7428, 7429, 7439, 7493, 7783, 8939, 5335, 6637, 6940, 6632, 6991, 6954, 7369, 7368, 7372, 7224, 7212
	7423	7492, 7429, 7435, 7452, 8744, 5838, 7412, 7269, 7372, 7267, 7263,
	7429	7492, 7436, 7439, 7452, 7493, 7783, 8744, 6637, 6954, 7269, 7412, 7267, 7423, 7416, 7428, 7132, 7368, 7212, 7246, 7188, 7413, 7373
	7212	7492, 7259, 7269, 7368, 7413, 7429, 7493, 7849, 7868, 8121, 8935, 8939, 142, 5335, 4311, 6991, 6632, 7139

Product	Step 1	Step 2
	7372	7492, 7413, 7423, 7439, 7442, 7493, 6992, 6954, 6632, 6745, 6760, 6782, 7371, 7368, 7362, 7281
	7188	7492, 6424, 6785, 6635, 6745, 7169, 7211, 7283, 7371, 7422, 7429, 7439, 7449, 7868
	7439	7492, 5419, 6954, 7429, 7269, 7267, 7368, 7413, 7188, 7369, 7436, 7416, 7372, 7868, 8939
	7269	7492, 5419, 5163, 6579, 6954, 7267, 7213, 7212, 7263, 7368, 7412, 7423, 7429, 7436, 7439, 7452, 7741, 8744, 8939
	7281	7492, 6954, 6940, 7368, 7369, 7372, 7373, 7493, 7783
	7368	7234, 7492, 5335, 6954, 6940, 6637, 6632, 6992, 6832, 7267, 7269, 7281, 7246, 7212, 7369, 7372, 7373, 7413, 7429, 7439, 7452, 7493, 7783, 7913, 8939
	7428	7492, 6637, 6579, 7139, 7132, 7413, 7429, 7493, 7783, 7849
	7283	7492, 5335, 6418, 6424, 7188, 7422, 7436, 7442, 7449
6641	7233	---
	8822	6641, 5332, 5827, 8744
7929	7928	---
7421	7284	7421, 5332, 6954, 7251, 7267, 7138, 7373, 7412, 7451, 7742
7234	7259	7234, 5335, 6997, 6632, 7212, 7373, 7412, 7493, 7842
	7267	7234, 5163, 5836, 5989, 6954, 6832, 7213, 7263, 7269, 7284, 7368, 7412, 7416, 7423, 7429, 7436, 7439, 7452, 7493, 7741, 8744, 8748
	7368	7234, 7492, 5335, 6954, 6940, 6637, 6632, 6992, 6832, 7267, 7269, 7281, 7246, 7212, 7369, 7372, 7373, 7413, 7429, 7439, 7452, 7493, 7783, 7913, 8939
	7373	7234, 5821, 6954, 6418, 7369, 7259, 7368, 7281, 7284, 7362, 7429, 7442, 7493, 7849
	7412	7234, 7269, 7267, 7284, 7259, 7133, 7422, 7423, 7429, 7436, 7452
	7441	7234, 6419, 7442
	7493	7234, 7492, 5824, 6954, 6940, 6637, 6632, 7369, 7373, 7428, 7368, 7281, 7429, 7372, 7259, 7413, 7212, 7431, 7267, 7783, 7849, 8989
	5335	7234, 7492, 142, 5334, 5419, 5822, 5837, 6210, 6412, 6418, 6424, 6546, 6572, 6577, 6632, 6953, 6991, 6992, 6996, 6997, 7212, 7219, 7259, 7283, 7368, 7413, 7422, 7436, 7442, 7449, 7868, 8121, 8922, 8939

Product	Step 1	Step 2
	5839	7234, 5823, 6631, 7741
	6632	7234, 7492, 5335, 5821, 6412, 6121, 6546, 6418, 6577, 6571, 6424, 6210, 6953, 6991, 6992, 7139, 7212, 7259, 7368, 7372, 7413, 7442, 7493, 7499, 7810, 7842, 7849, 7919, 8939
	6412	7234, 5837, 5335, 6415, 6418, 6632, 7842
	7224	7234, 7413
6641	7233	---
	8822	6641, 5332, 5827, 8744
7929	7928	---
7421	7284	7421, 5332, 6954, 7251, 7267, 7138, 7373, 7412, 7451, 7742
7234	7259	7234, 5335, 6997, 6632, 7212, 7373, 7412, 7493, 7842
	7267	7234, 5163, 5836, 5989, 6954, 6832, 7213, 7263, 7269, 7284, 7368, 7412, 7416, 7423, 7429, 7436, 7439, 7452, 7493, 7741, 8744, 8748
	7368	7234, 7492, 5335, 6954, 6940, 6637, 6632, 6992, 6832, 7267, 7269, 7281, 7246, 7212, 7369, 7372, 7373, 7413, 7429, 7439, 7452, 7493, 7783, 7913, 8939
	7373	7234, 5821, 6954, 6418, 7369, 7259, 7368, 7281, 7284, 7362, 7429, 7442, 7493, 7849
	7412	7234, 7269, 7267, 7284, 7259, 7133, 7422, 7423, 7429, 7436, 7452
	7441	7234, 6419, 7442
	7493	7234, 7492, 5824, 6954, 6940, 6637, 6632, 7369, 7373, 7428, 7368, 7281, 7429, 7372, 7259, 7413, 7212, 7431, 7267, 7783, 7849, 8989
	5335	7234, 7492, 142, 5334, 5419, 5822, 5837, 6210, 6412, 6418, 6424, 6546, 6572, 6577, 6632, 6953, 6991, 6992, 6996, 6997, 7212, 7219, 7259, 7283, 7368, 7413, 7422, 7436, 7442, 7449, 7868, 8121, 8922, 8939
	5839	7234, 5823, 6631, 7741
	6632	7234, 7492, 5335, 5821, 6412, 6121, 6546, 6418, 6577, 6571, 6424, 6210, 6953, 6991, 6992, 7139, 7212, 7259, 7368, 7372, 7413, 7442, 7493, 7499, 7810, 7842, 7849, 7919, 8939
	6412	7234, 5837, 5335, 6415, 6418, 6632, 7842
7224	7234, 7413	

