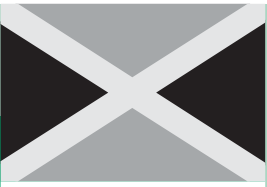




JAMAICA

TRADE POLICY FRAMEWORK





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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
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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;

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