

Jamaica's New Trade Policy - 2001

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This Ministry Paper sets out Jamaica's new trade policy.

BACKGROUND

1. The new trade policy is the outcome of several initiatives to pursue actively new ways of approaching trade policy in the context of the rapid changes taking place in the world economy due to globalization and liberalization. These initiatives followed the mandate of the Honourable Prime Minister that Jamaica be proactive in shaping the new rules of the international trading environment rather than passively allow these rules to be shaped by other countries.
2. On November 15, 2000, in response to the far-reaching policy implications of the *Cotonou Agreement*, the Cabinet **Sub-Committee on International Affairs and Trade** approved the establishment of a Task Force to examine these implications. This led to the establishment of the **Jamaica Trade & Adjustment Team (JTAT)** in February 2001 and a series of consultations that led to the drafting of a Policy Discussion Paper entitled "*Adjusting Trade Policy to meet the Challenges of the New World Order.*"
3. Since June 2001, there has been extensive discussion of the proposed adjusted trade policy embodied in the Policy Discussion Paper throughout the country. The Paper has been circulated to more than sixty (60) private sector associations, more than thirty (30) Ministries and public

sector Agencies dealing with trade, more than thirty (30) academic institutions and academics, more than twenty (20) civil society organizations, the fourteen (14) parish councils in the country and four (4) political parties. The policy paper was also presented and discussed at the Development Council Meeting on September 12, 2001.

4. On September 24, 2001, Cabinet agreed to adjust the existing trade policy. This Ministry Paper summarizes the Cabinet decision.
5. Previously, the focus of Jamaica's trade policy had been on market access issues, generally aimed at preserving preferential trading arrangements from which Jamaica benefitted.

OBJECTIVES

6. The new policy has three key objectives:
 - To create new, diversified exports by facilitating the growth of domestic capital as the basis for diversifying exports and facilitating market penetration;
 - To displace imports, i.e., steadily reduce the share of imports relative to outputs; and
 - To increase the flow of net positive returns from overseas assets that have been generating significant remittances and other capital flows for Jamaica.
7. A major feature of the adjusted trade policy is the need to **facilitate the development of our domestic capacity to produce goods and services by increasing domestic capital formation.** This includes, not only machinery and equipment,

but also intellectual capital, local creativity, skills, infrastructure and relevant institutional supports produced within the domestic sociology. The greater the growth of domestic capital formation the greater the capacity to trade competitively and to adjust to the rapidly changing global economy. Hence, **the adjusted trade policy seeks to enhance the capacity to export by going beyond the narrow focus on market access issues to promoting measures for facilitating market penetration.**

CREATION OF NEW, DIVERSIFIED EXPORTS

8. To achieve the objective of **developing a broader export base and creating new, diversified exports**, the new trade policy guideline is to:

- Negotiate for removal of tariff and non-tariff barriers in overseas markets within an asymmetrical timeframe that can enable effective market penetration
- Focus trade negotiations on implications of the General Agreement on the Trade in Services (GATS), the Trade Related Intellectual Property Rights (TRIPS), and the Trade Related Investment Measures (TRIMS) for exports using domestic capital
- Support the grant of incentives for foreign investment and foreign technical and financial assistance targeted at facilitating domestic capital formation
- Engage in sector specific and issue specific negotiations that address supply-side constraints and facilitate targeted market penetration
- Increase systematic information gathering and analysis of strategic firms/sectors to inform trade negotiations
- Use trade remedies as defensive tools to assist the development of strategic firms/sectors that are creating and using domestic capital

IMPORT DISPLACEMENT

9. To achieve the objective of **stimulating import displacement**, the new trade policy guideline is to:

- Facilitate access to cheaper imports
- Slow the pace of tariffs and non-tariff reduction
- Support the grant of incentives for FDI consistent with TRIMS
- Determine the structure and pace of tariffs and non-tariff reduction by focusing on the need to stimulate the growth of domestic capital and to adjust to the global trading environment
- Support the grant of incentives for foreign investment and foreign technical and financial assistance targeted at facilitating local capital formation
- Stimulate the flow of FDI through activities such as linkage programmes that build on the mutual self-interest of foreign affiliates and domestic firms
- Support the grant of equivalent incentives for local and foreign investment
- Focus on IT activities that enhances local capital
- Use strategic sectoral negotiations in GATS, TRIPS, TRIMS
- Increase systematic information gathering and analysis of strategic firms/sectors to inform trade negotiations
- Use trade remedies as defensive tools to assist the development of strategic firms/sectors

INCREASE THE FLOW OF NET POSITIVE RETURNS FROM OVERSEAS ASSETS

10. To achieve the objective of **increasing the flow of net**

positive returns from overseas assets, the new trade policy guideline is to:

- Implement *Charter for Returning Residents*
- Operate as information center and contact point for Jamaican overseas organizations and communities-activities should focus on information gathering and analysis of overseas asset creation activities
- Promote policy to support the interests of Jamaican communities abroad through political and economic activities
- Encourage and mobilize Jamaicans abroad to assist in national development
- Encourage mass communication with Jamaicans overseas, e.g., through television and radio programming
- Provide trade-related assistance to Jamaicans overseas to increase capital flows to Jamaica, e.g., marketing networks, cultural activities.

REGIONAL & HEMISPHERIC INTEGRATION

10. Recognizing the importance of **deepening regional integration and promoting regional trade** the new trade policy guideline is to:

- Speed up the implementation of the CARICOM Single Market and Economy (CSME), including the establishment of the Caribbean Court of Justice
- Accelerate the pace of creating free movement of people, within and outside of CARICOM
- Expand regional trade relations within the Association of Caribbean States (ACS)
- Strengthen bilateral trade with Caribbean Basin

Countries (Colombia, Venezuela, Cuba, Dominican Republic)

- Foster closer relationship between the private sector in the region and regional Trade Ministers - eg. Annual Caribbean Transnational Conference
- Increase involvement of private sector in regional policy formation and required negotiations
- Facilitate regional sectoral plans
- Encourage regional investment, joint ventures and production integration
- Strengthen existing facilities and foster the development of new regional centers of excellence, which will satisfy the region's R&D, and testing needs especially those addressing the commercialization of cultural, scientific and technological breakthroughs
- Participate in the Free Trade Area of the Americas (FTAA) process with special considerations for vulnerabilities associated with "small economies" by focusing on the need to develop a strong domestic capital base as a basis for overcoming some of the vulnerabilities

12. The new trade policy further recognizes the need to **prepare for the ending of preferential arrangements and to preserve preferences only as long as is necessary for adjustment to take place while preparing for reciprocal trade by 2005 in the Free Trade of the Americas (FTAA) and the ending of EU preferences by 2008.**

MULTILATERAL ARRANGEMENTS

13. Recognizing the need to **fulfill Jamaica's obligations under the WTO Agreements, monitor developments and respond to**

issues arising in WTO negotiations, the new trade policy advocates a proactive approach in WTO negotiations to facilitate domestic capital formation. Further, the new guidelines are:

- Introduce new legislation and/or amendments of existing legislation
- Create new institutions
- Modify existing institutions
- Negotiate for time concessions linked to specific adjustment activities
- Continue preferential arrangements during period of adjustment
- Negotiate for special considerations for "small states"
- Promote proactive strategies to alleviate supply-side constraints and increase domestic capital formation - eg. by creatively utilizing "special and differential treatment" provisions to achieve these objectives
- Engage in sector specific and issue specific negotiations that address supply-side constraints and facilitate market penetration
- Ensure that trade policy is consistent with environmental concerns (eg. the *National Policy on Ocean and Coastal Zone Management*)

TRADE POLICY FORMULATION & IMPLEMENTATION

14. Since 1992, the ***Trade Coordination and Policy Committee (TCPC)*** was established as a machinery for the coordination of international trade matters and to facilitate cooperation between the public and private sectors. In light of the central role of non-state actors in the formulation and implementation of trade policy particularly under the

Cotonou Agreement, the new trade policy seeks to deepen and widen the consultative process through the **Jamaica Trade and Adjustment Team (JTAT)** [See Appendix I]. JTAT would also assist in formulating and reviewing programmes and policies designed to improve competitiveness and to guide trade negotiations with the European Union as identified in *Jamaica's Country Support Strategy*, 2001.

15. The functions of JTAT are as follows:
 - a. Assist in policy formulation and implementation on trade matters;
 - b. Facilitate effective coordination of all public sector and private sector (including civil society) organizations and individuals involved in trade policy formulation and implementation;
 - c. Provide information and advice in respect of all multilateral and bilateral negotiations to protect Jamaica's vital trade interests in the context of its obligations as a partner in the CARICOM Single Market and Economy;
 - d. Assess national and sectoral plans to guide trade policy and negotiating strategies to achieve competitiveness during the period of adjustment provided under the *Cotonou Agreement* and other bilateral and multilateral agreements;
 - e. Engage in trade related research to guide trade policy and trade negotiations and to determine the appropriate institutional changes required to facilitate competitiveness;
 - f. Assist in information dissemination about trade policy to the wider society;
 - g. Establish and implement a **Trade Adjustment Project** that will: (i) assist the private sector to adjust to the new trading environment and enhance their competitiveness within the period of adjustment provided under the *Cotonou Agreement* and other bilateral and multilateral agreements; (ii) upgrade the data required to monitor and measure trade dynamics; and (iii) build capacity and strengthen institutional

arrangements to improve the formulation and
implementation of trade policy.

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APPENDIX I

THE JAMAICA TRADE AND ADJUSTMENT TEAM: *Deepening and Widening the Consultative Process in Trade Policy*

Widening the Consultative Process

In the past, the *Trade Coordination and Policy Committee* (TCPC) consults with and coordinates the views of public sector officials involved in trade policy and Business Associations, firms and trade unions. JTAT will widen this group to include the following:

1. ***A wider cross-section of businesses across the country:*** There are five (5) Private Sector Associations currently in the TCPC. This number will increase to over fifty (50) Private Sector Associations as well as the Industry Advisory Councils (IACs). These organizations represent hundreds of businesses in Jamaica, including many non-traditional businesses.
2. ***A wider pool of public sector organizations:*** Including EXIM Bank, Bureau of Standards, The Trade Board, JIS, National Commission on Science & Technology, the Ministry of Land and Environment, the Ministry of Mining and Energy, Public Accounting Board among others.
3. ***New agencies that are now involved in trade policy:*** These include the Intellectual Property Office, National Resources and Conservation Authority (NRCA), Anti-Dumping and Subsidies Commission, National Biosafety Committee, and the Fair Trading Commission.
4. ***Local Authorities:*** Including the Parish Councils and the Parish Development Committees.
5. ***The Regional Negotiating Machinery (RNM):*** JTAT incorporates and influences regional perspectives through liaison with the RNM *Caribbean Trade and Adjustment Team* and through dialogue at COTED.

6. **A wide cross-section of Civil society:** Including, but not limited to, the following groups:

- Development NGOs
- Environmental organizations
- The media
- Youth groups
- Women's organizations
- Religious organizations
- Human Rights organizations
- Community-Based organizations
- Social Service organizations

It is expected that much of the dialogue with this broad cross-section of society will essentially be **information sharing** to keep people informed about developments in foreign trade. The consultative process, therefore, must also be further deepened to ensure substantive dialogue and the formulation of strategic trade policy perspectives.

Deepening the Consultative Process

Deepening the consultative process with state and non-state actors requires going beyond mere dialogue and exchanging views, to information gathering and analytical assessment. This will take several forms:

1. **Professional Work:** It is recognized that there is a need for a core team of professionals that must be continuously engaged in doing substantive analytical work to clarify and guide trade policy issues. This work will be carried out in collaboration with consultants and the academic community. Regular meetings will be held to discuss papers prepared by the professionals.
2. **Working Groups:** It is envisioned that teams of working groups will be charged with the responsibility of carrying out specific tasks that can better inform the dialogue. For example, the *JTAT Public Education Working Group* has been crafting a public education programme on

trade policy, particularly the Caribbean Single Market and Economy; the *JTAT Data Working Group* has also been examining the adequacy and accessibility of trade data required to pursue the new trade policy.

3. **Advisory Groups:** Based on experience and expert knowledge in particular areas, the Advisory Groups will provide invaluable information and perspectives that can guide trade policy.

The organizational structure of JTAT is illustrated in **Figure 1** below.