



## TRADE POLICY AND SUSTAINABLE DEVELOPMENT MEETING

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# **TOWARD STRENGTHENED TRADE PERFORMANCE: JAMAICA'S REFORM PROGRAMME**

Session-3

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# Toward Strengthened Trade Performance: Jamaica's Reform Programme

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# Background

- In 2012, Unctad, upon the request of Jamaica's Ministry of Foreign Affairs and Foreign trade, undertook a review of Jamaica's trade policy.
- The result was a Trade Policy Framework for Jamaica, which is expected to inform Jamaica's revised trade policy, which is now under preparation. The Foreign Trade Policy will in turn be mainstreamed into the National Development Plan: Vision 2030.

# Key Findings

- Several of the key findings related to the importance and need for integration of production and trade.
- Others relate to improving the business environment; strengthening productive capacity; improving the institutional framework and procedures in areas such as the development of standards and compliance.

# Why The Need For Action?

## Trade Has Lagged

- Trade – rather than being an engine of growth – has been the achilles of the Jamaican economy.
- World Bank has noted that over the past thirty years Jamaica's real per capita GDP has increased at an average of just one per cent per year.
- Probably the main culprit has been export performance in goods, and services as well, travel excepted.

## .....And Has Remained Concentrated

- In 2014, the United States and Canada accounted for more half of both Jamaica's imports and exports
- In 2014, five products accounted for 70 per cent of exports, with imports somewhat less concentrated – five countries accounting for almost 40 per cent of imports

# Have Agreements Boosted Trade?

- Jamaica's trade has remained focussed on Northern traditional partners – USA, Canada, EU. Agreements exist with these partners.
- Jamaica's share of Caricom exports was only 2.3 per cent in 2010.
- Share of Caricom imports at 34 per cent was much higher than exports but mainly attributable to petroleum and petroleum products from Trinidad and Tobago. Trade agreements also exist with Venezuela (petroleum supplier), Colombia, Cuba, Dominican Republic and Costa Rica.

# What is Being Done?

- Since the preparation of Trade Policy framework in 2012, the Government of Jamaica has launched a concerted effort to improve the business environment and catalyse GDP and trade growth.
- This is being pursued under a far-reaching Economic Reform Programme, which is supported by the IMF and associated lenders – the World Bank and the Inter- American Development Bank.
- The Economic Reform Programme has fiscal consolidation as its foundational pillar.
- The Growth Agenda is a comprehensive framework of structural reforms intended to build on fiscal consolidation by improving the business environment, strengthen competitiveness and stimulate growth.
- The Growth Agenda Policy Paper, tabled in Parliament in March 2015, as an accompaniment to the Budget, emphasizes that the open nature of the Jamaican economy, its high trade ratio, imply that trade policy and Strategy will have important consequences for growth prospects.



# The Growth Agenda And Its Trade Imperative

- The Growth Agenda Policy Paper echoes the Trade policy Framework in essential aspects.
- It emphasizes the importance of an integrated framework for trade and production to be achieved through:
  - (i) alignment of trade agreements and negotiations with supporting policies to facilitate targeted market access.
  - (ii) identification of specific target markets via market research and penetration, trade facilitation and alignment with industrial policies
  - (iii) identification of target sectors/industries; value chain development, productive infrastructure and the requisite training and skills development
  - (iv) Complementary policies to facilitate: an enabling business environment; the development of MSMEs; labour market reform; improved national security; and environmental policy

# What has been Achieved and What Is to be Done(Part I)

- The past two years have been among the busiest in Jamaica's legislative history. Many of the measures taken and initiatives put in train have institutional or process implications relating to trade.
- These include:
  - (i) Adoption of the Omnibus Fiscal Incentives bill geared towards a transparent and coherent regime governing all tax incentives
  - (ii) Insolvency Act – provides a swifter and more efficient framework for liquidation and rehabilitation of business
  - (iii) The Employment Act 2014 permits the establishment of flexible work arrangements
  - (iv) Tabling of amendments to the Customs Act to facilitate the introduction of a modern integrated customs management system - currently undergoing parliamentary and stake holder scrutiny
  - (v) Customs Operations: Rolling out by March 2016 of the full function version of the Asycuda World Integrated Customs software package
  - (vi) Standards: Develop a National Quality Council and a Compliance and Enforcement (regulatory authority) - legislative framework by 2016-2017

# What Has Been Achieved and What Is To Be Done (Part II)

(viii) Secured Transactions Framework: Passage of the Security Interests in Personal Property Act, 2013 to improve access to credit by providing for moveable property and intangibles to be used as collateral and establishment of a central collateral registry

(ix) Introduction of an Energy Stabilization and Energy Efficiency Enhancement Fund to finance the purchase of hedges in the oil market: legislation and regulations to be adopted .

(x) Introduction in December 2013 of a business registration superform and IT platform which permits the registration of businesses in a single location; introduction of a pilot online system for business registration and its full implementation by April 2016, with turn-around time reduced to two business days

(xi) full implementation by end 2015/16 of an action plan to expedite the time needed for entrepreneurs to get an electricity connection

(xii) establishment by mid-2016 of a Port Community System (PCS) to electronically integrate and streamline export and import procedures, providing support through Asycuda to a National Single Window, and ensuring a complete and integrated trade and logistics solution for Jamaica

# What Has Been Achieved and What is To be Done (Part iii)

(xiii) Strengthening of the National Quality Infrastructure through measures related to the four main areas: standards development, conformity assessment, metrology and accreditation

(xiv) Cabinet approval for Jamaica to sign the Madrid Protocol to facilitate the registering of trademarks in multiple jurisdictions

(xv) Establishment of a Trade Facilitation Task Force to drive progress, including towards the establishment of the Single Electronic Window

# What Has Been Achieved and What Is to be Done (Part iii)

- Investment is critical to growth – and to trade:  
the Growth Agenda encompasses certain strategic investment initiatives which include:
  - privatization of Kingston Container Terminal with transfer of operational control expected in the last quarter of the current year
  - conversion to and construction of natural gas power plants
  - commencement of technical studies on the development of a transshipment port and industrial and commercial zones near Kingston
  - the establishment of special economic zones, to replace free zones, and serve as vehicles for participation in global value chains and , with the expansion of the Panama Canal, to facilitate the positioning of Jamaica as a logistics centred economy.

# Export Strategy Launched

- Jamaica earlier this year launched National Export Strategy – Phase 2 – covering the four year 2014 – 2019 period.
- The Strategy identifies five priority sectors and five cross-cutting issues: the priority sectors are agro processing, film and animation, information enabled IT services, light manufacturing and mining. It sets targets and responsibilities across the sectors and related cross-cutting issues.
- Emphasizes private/public sector collaboration, moving up the value chain, and market information and intelligence to enhance responsiveness to market trends.
- Key quantitative target - grow exports at 15 per cent per annum.

# Value Chain: A Weak Link?

- The success of Jamaica's export development and growth strategy is linked substantially to increased participation in global value chains based on enhanced competitiveness, the establishment of special economic zones with proposed significant backward linkages, and increased participation in logistics and transshipment business.
- An indicator of value chain participation is the foreign value added embedded in exports. In 2012 a quarter of Jamaica's value added exports in goods and services was sourced outside Jamaica, amounting to US\$700 million. In the same year domestic value added was approximately US\$2 billion.
- The primary, secondary and tertiary sectors accounted for 13, 36, and 51 per cent of foreign value added. The main source of foreign value added was the United States at 48 per cent, with China a distant second at only 4.4 per cent.
- Caricom contributed little to Jamaica's foreign value added: Trinidad and Tobago was the leading regional contributor at 3.1 per cent.
- The main contributors to foreign value added were the metal and metal products industry (US\$47.5 million); electrical and electronic equipment (US\$ 18.4 million, and food, beverages and tobacco US\$27.5 million.

# Made in the World – or Made in Jamaica

- To meet targets set under the National Export Strategy and to populate green field special economic zones with new industries will require major new inflows of capital.
- UNCTAD has pointed out that two critical determinants of participation in GVCs are levels of FDI and services quality. Jamaica attracted US\$700 million in FDI in 2014, an increase over 2013, but well below the FDI flows to comparator countries outside the Caribbean.
- Substantial investment will also be required in industries such as food and beverages which have product lines with comparative advantage and which are major contributors of domestic value added - in the case of food and beverages US\$554 million in 2012. This industry can also attract premiums based on national branding.



# Conclusion

- Twenty years ago Jamaica's merchandise producing sector accounted for 42.6 per cent of GDDP – this has declined by almost half to 23.5 per cent in 2014. Manufactures share of GDP has fallen by half in the past fifteen years. Services have shown growth but insufficient to compensate for these declines.
- The challenge facing trade policy and strategy is how to build the competitiveness of key export sectors in both goods and services to ensure an economy that advances on two legs.
- The past two or three years have been a quite fertile period for legislative, policy and strategic interventions aimed at improving the macro-economy and the business environment, including for undertaking trade. The real test will be whether significantly increased levels of investment, and inclusive growth, result, the latter impossible without a dynamic trade sector.

# Conclusion (cont'd)

- It may be best to let the IMF have the last word. Following the ninth review of Jamaica's economic performance under the current programme, on September 23, 2015 the Executive Board said in part:
- “Macroeconomic fundamentals continue to strengthen. Inflation is at a historic low and the current account is improving, aided by declining oil prices. The recent upgrade in the credit ratings followed by the large international bond placement signalled improved investor confidence in Jamaica's reform programme. **But growth remains weak and unemployment needs to decrease further. (my emphasis)** Sustained efforts in structural reforms, including by reducing energy costs, improving the business environment, and developing critical infrastructure, **should (my emphasis)** help boost investment and growth.”