SUMMARY

1. This is Jamaica's fourth Trade Policy Review. During the review period 2011-17, Jamaica has made major strides in restoring macroeconomic stability, pursuing prudent fiscal policy, reducing public debt and undertaking significant changes to its tax policy. Moreover, the financial system has become more resilient to shocks, inflation is at historic lows, the current account deficit has more than halved, net international reserves have doubled and business confidence is high. Nonetheless, economic growth remains elusive with an average real GDP growth rate below 1% since 2011. As a result, one fifth of the population still lives below the poverty line.

2. Jamaica aims to achieve developed country status by 2030, and trade is seen as an important factor to overcoming this challenge from two perspectives: improving competitiveness in export markets, and ensuring that the wider society obtains development benefits from trade through increased revenues and employment. Jumpstarting private sector-led growth and the steady implementation of structural reforms in areas such as trade facilitation, contract enforcement, property registration, physical infrastructure, and human resources development are also essential in this endeavour.

3. In November 2016, Jamaica signed a three-year precautionary Stand-By Arrangement (SBA) with the IMF. This arrangement (approximately US$1.64 billion) provides insurance against unforeseen adverse external economic shocks and allows the Government to focus reform efforts on: better support for growth, jobs, and social protection; reducing public debt from 122.5% of GDP in FY 2016/17 to 60% by FY2025/26 by maintaining a primary surplus at 7% of GDP for the duration of the new arrangement; modernizing the monetary policy framework and building the foundation for an eventual move to inflation targeting, while maintaining exchange rate flexibility and continuing to build precautionary reserves; and bolstering the resilience of the financial system.

4. Jamaica's current account deficit, as a percentage of GDP, decreased from 13.6% in FY2011/12 to 3.2% in FY2016/17, largely due to reduced import costs (notably fuels), and sustained tourism and remittances earnings. This improvement occurred despite a drop in some key exports such as aluminium ore and bauxite. Merchandise exports continue to be highly concentrated geographically; the United States, the European Union and Canada together take over two thirds of the total. There is more balance across both products and countries in Jamaica's import structure.

5. Jamaica is taking measures to attract larger FDI inflows and improve the business climate, such as simplifying the tax system; broadening the tax base; implementing an electronic platform for the payment of taxes; and establishing a 90-day window for development approvals. It has issued or amended a large amount of legislation since 2011, including the Insolvency Act, the Fiscal Incentives Act, the Special Economic Zones (SEZ) Act, the Public Procurement Act, the Bank Services Act, and the Electricity Act, among others. Nonetheless, private investment continues to be inhibited by several factors, notably crime and theft, inefficient government bureaucracy, and relatively high tax rates.

6. Trade policy in Jamaica is devised taking into account broad trade and development goals as set in a number of general policy documents, such as the National Development Plan – Vision 2030 and the Growth Agenda. For instance, the Growth Agenda highlights the importance of using an integrated framework for trade and production to ensure that Jamaica benefits from its trade relationships. As of mid-2017, a new Foreign Trade Policy was being drafted which, together with the second National Export Strategy, will allow the alignment of trade policy and strategy with the Growth Agenda. A Trade Facilitation Taskforce has recently been established to develop a trade facilitation implementation road map and project plan to enhance the potential contribution of trade to economic growth.

7. Jamaica is active in WTO negotiations. It emphasizes that special and differential treatment must be a fundamental pillar of WTO work and must be appropriately reflected in negotiation outcomes. Jamaica is a proponent of the Work Programmes on Small Economies, supporting the view that the needs and priorities of such economies must be addressed fully and in all areas of the WTO. Jamaica has never been a respondent or complainant in a WTO dispute; during the review period, it was a third party to the dispute settlement case involving bananas. Jamaica

submitted notifications to the WTO in a number of areas. However, no notifications have been made in the areas of customs valuation and GATS since 2011.

8. Jamaica is a member of the Caribbean Community and Common Market (CARICOM), and applies the CARICOM common external tariff (CET) with several exceptions. CARICOM has signed trade agreements with five Latin American countries: Colombia, the Bolivarian Republic of Venezuela, the Dominican Republic, Costa Rica and Cuba. Jamaica, through CARICOM, signed the Economic Partnership Agreement (EPA) with the European Union, which gives it quota-free and duty-free access to the European Union. It has preferential access to the United States through the Caribbean Basin Initiative (CBI), and to Canada under CARIBCAN, and qualifies for GSP treatment from a number of other countries.

9. Jamaica has no specific legislation on foreign investment, and has no policies or regulations reserving certain sectors exclusively to Jamaicans. Foreign companies may hold land without registering in Jamaica, and its privatization programme is open to foreign participation. Incentives, which are accessible to both local and foreign firms, were simplified and streamlined with the coming into force of the Omnibus Incentives legislation. Incentives now contain various levels of tax relief, including import tariffs, additional stamp duties, and corporate income tax.

10. Jamaica ratified the Trade Facilitation Agreement in January 2016. A new Customs Act is to be submitted to Parliament in 2017 to facilitate trade; encourage voluntary compliance with customs laws and procedures; and effectively support the implementation of ASYCUDA World. In addition, Jamaica has improved the use of risk management systems.

11. Tariffs and other duties and charges remain Jamaica's main trade policy instrument. A substantial share of the Government's central revenue is generated from taxes and charges on imports. International trade taxes as a percentage of total tax revenues rose from about 34% in FY2012/13 to some 40% in FY2016/17. Increasingly, the General Consumption Tax (GCT) on imports accounts for most of the revenue, followed by the Special Consumption Tax (SCT). Tariffs represent 7.5% of total taxation revenue. The Environmental Protection Levy on all manufactured goods (local and foreign) entered into force on 1 June 2015. Jamaica's discretionary waivers on duties and taxes have been cut over the last few years in order to reduce distortions and help combat the fiscal deficit.

12. Jamaica's simple average applied MFN tariff rose from 9.4% in 2010 to 10.4% in 2017 mainly due to increases on some items of CARICOM's CET. On average, tariff protection for agricultural products (20.8%) remains substantially higher than for non-agricultural products (7.9%). All imports entering Jamaica are subject to a basic stamp duty, while an additional stamp duty is payable on certain items (mostly agricultural products). When additional stamp duties are taken into account, the overall average border protection increases from 10.4% to 12.6%. Jamaica bound 100% of its tariff lines, with a current average rate of 50.3%. MFN applied rates exceed their bound levels for 32 tariff lines; for some products the gap is over 10 percentage points.

13. Jamaica applies few non-tariff barriers, mostly import and export licensing. Since its last TPR in 2011, Jamaica has not initiated any anti-dumping investigations (compared with five cases over 1995-2011), nor any safeguard cases (one in 1995-2011). It has never taken any countervailing action.

14. Jamaica recently adopted a new SEZ Act in an attempt to meet its obligations under the WTO's Agreement on Subsidies and Countervailing Measures. Under the Omnibus Incentives Legislation 2014, Jamaica repealed the four incentive schemes that were notified to the WTO as containing export subsidies: the Export Industry Encouragement Act; the Industrial Incentives (Factory Construction) Act; the Foreign Sales Corporation Act; and the Jamaica Export Free Zones Act.

15. The National Export-Import Bank (EXIM Bank) is Jamaica's principal trade financing institution and the Caribbean's first export-import bank. It provides financial support to the export sector. All exporters are eligible for financing but specific focus is placed on small and medium-sized entities (SMEs) involved in non-traditional exports (e.g. tourism, manufacturing, agro-processing, ICT and creative industries).

16. In December 2015, Jamaica's first stand-alone Public Procurement Act (PPA) was signed and is expected to enter into force during 2017. The new PPA seeks to improve efficiency, transparency and equity by harmonizing procurement methods and thresholds with international best practices. Nonetheless, a domestic preference of up to 10% will remain, while procuring entities will continue to be encouraged to set aside 15% of their total annual procurement for SMEs.

17. Jamaica's Copyright Act was recently amended to, *inter alia*, extend the term of copyright protection from 50 to 95 years for original literary, dramatic, musical and artistic works, and to fulfill Jamaica's obligations under the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. Jamaica also amended its Trade Marks Act to establish a cooling-off period in opposition proceedings; increase the period of non-use for which a party can apply to revoke a registration; preserve the rights of an earlier trade mark user; allow the treatment of trade mark applications as property; and allow requests for extension of time in more circumstances. Jamaica is yet to accept the Protocol Amending the TRIPS Agreement.

18. Agriculture represents about 7% of GDP and employs about 18% of the total workforce. Its development has been constrained by an inadequate infrastructure and natural disasters. Jamaica is a net food importer. Its tariff protection for agricultural products remains substantially higher than for non-agricultural products: the simple average MFN tariff rates are 20.8% and 7.9%, respectively, in 2017. Overall protection is still higher, since additional stamp duties are applied mostly on agricultural products, while import licensing, export licensing, and export levies are applied on some agricultural products.

19. Jamaica's merchandise exports are dominated by mining and quarrying products plus alumina. The applied import tariff rate for bauxite is 0%, while that for alumina is 15%, reflecting the Government's intention to encourage local processing. Jamaica has made significant progress in increasing access to electricity, which now reaches 92% of the population. The Electricity Act 2015 replaced its 125-year-old legislation regulating this sector. To lower the burden for business development in Jamaica, the Government reduced the average electricity tariff from US$0.39 per kWh in 2012 to US$0.22 in 2016, which falls in the middle of the regional range. The Government has been making efforts to lower generation costs by diversifying electricity generation, by replacing aged generating units with more modern and efficient generation facilities, and by encouraging renewable energy. The contribution of manufacturing to GDP remains at about 8%, and it employs less than 7% of the total work force. After a number of years' contraction, value added of the manufacturing sector grew by 3.6% in 2015, facilitated by reduced electricity costs and lower crude oil prices.

20. Services are the main contributors to the economy, accounting for some 70% of GDP and employing about 67% of the workforce. With respect to financial services, new legislation was passed during the review period: the Banking Services Act was adopted in 2015, and the Bank of Jamaica Act was amended in the same year. Also, the Government has been pre-emptive in dealing with one of the main challenges faced by the banking sector: retaining banking services in the context of de-risking by overseas correspondent banks. As a result, the financial sector has remained relatively stable during the period; although capital adequacy ratios remained flat, profitability indicators improved in 2016. More importantly, the ratio of non-performing loans to total loans for commercial banks decreased from 8.7% in 2011 to 2.7% in 2016. On the other hand, interest-rate spread continues to be high. The Insurance Act was amended in 2016 to keep pace with the development in the local and international insurance markets. The Securities Act was amended in 2014, and in 2016 the Government implemented a strategy to tighten the prudential standards for the securities sector.

21. Competition has been strengthened in the telecommunications sector with the introduction of number portability, and the mobile termination rate was reduced from J$9 to J$1.10. During the review period, Internet became the primary means of communication. The overall Internet penetration rate jumped from 4.4% in 2011 to 65% in 2016; during the same period, penetration rates for mobile phone services went up from 108.6% to 120%, while that for fixed line subscribers increased from 9.9% to 11.4%. The establishment of Jamaica's first Internet Exchange Point (IXP) in 2014 is expected to reduce the cost of local Internet traffic.

22. Transport has seen some major progress during the past few years: legislative developments, including those related to civil aviation and shipping; the privatization of the Kingston Container Terminal; the designation of the Ian Fleming Airport as an international

airport; the establishment of another cruise ship terminal; and the completion of a new segment of the tolled highway. These will help reduce transport costs, improve connectivity and help boost the tourism industry. In air transport, cabotage by foreign operators is allowed if there is an un-met need. In maritime transport, foreign-owned ships, if they meet certain conditions, may participate in local trade. Jamaican ships engaging in foreign trade may be declared "exempted ships", and the entities that own or operate them may be exempted from income tax in respect of gains derived from the ownership or operation of the ship for 10 years, renewable. They may also be exempted from transfer tax, stamp duties, and customs duties and GCT on imports to be used for the operation of the exempted ship and on articles imported for the construction, repair, of the ship.

23. The tourism sector is the mainstay of the Jamaican economy: it continues to grow, and contributes over 9% to GDP directly – and about 30% when secondary effects are included. It is also a major foreign exchange earner, accounting for over half of total exports. The sector benefits from the new Omnibus Incentive schemes, which mainly include reduced customs duty, additional stamp duty rates, and corporate income tax rates. In this respect, the authorities indicated that more persons and more subsectors benefit from the incentive programmes under the new legislation, and incentives are now in perpetuity.