

IV. TRADE POLICIES BY SECTOR

(1) OVERVIEW

1. Since its previous Review in 1998, in parallel with its regional trade liberalization efforts, Jamaica has continued to use trade policies and incentive schemes to promote specific sectors, within the overall framework established in the National Industrial Policy for 1996-2010 and the New Trade Policy presented in 2001 (Chapter II). Over the years, incentives schemes have proliferated and resulted in a complex system that seems to reach numerous economic sectors. It could be important to establish empirically whether the benefits of the incentives system outweigh its costs, especially because the latter could be high and include forgone fiscal revenue, reduced transparency, and the fostering of rent seeking and vested interest that make reform difficult.

2. The agriculture sector has suffered from adverse weather conditions, and its share in GDP has been in a downward trend. The sector is mainly oriented to domestic markets, with the exception of some traditional export crops such as sugar, bananas, and coffee. Because of its relative importance for employment and its role in poverty alleviation in rural areas, the sector is considered sensitive and benefits from a range of support measures, including aggregate import duties reaching up to 260% on certain vegetable products. Some Jamaican farmers may be affected by distortions in agricultural world markets, but others benefit from the windfall profits associated with preferential access to otherwise heavily protected third markets. Reductions in preferential margins could result in significant restructuring costs.

3. Jamaica's mining sector is dominated by bauxite and alumina production, which has become by far the largest non-service export activity. The sector has benefited from rising world mineral prices in recent years and is internationally competitive. Changes have been introduced since 1998 to modernize the fiscal regime applied to these producers, and further regulatory modifications are being considered.

4. The contribution of the manufacturing sector to GDP and employment has declined in recent years. Manufacturing production is oriented mainly to supply domestic and regional markets although the textiles and clothing industry was a large exporter to the United States. The modest performance of the sector as a whole is explained in good part by the sharp decline of the textiles and clothing industry, which appears to have been caused by factors high capital and operating costs, and competition from foreign producers with preferential access to the U.S. market. Since its previous Review, Jamaica has used anti-dumping and safeguard measures for the first time to protect manufacturing activities.

5. The electricity industry is mostly in the hands of one private operator. In 1997, the multi-sector regulatory agency, Office of Utilities Regulation assumed responsibility for regulating the sector. In 2001, a new licence was issued to the incumbent operator, giving it the exclusive right to transmit, distribute and supply electricity throughout Jamaica for 20 years. The incumbent was also granted the exclusive right to add generation capacity until 2004. The authorities are reviewing the industry's outdated legal framework.

6. In the services sector, the process of privatization and liberalization has continued during the period under review and market access conditions in most service activities are now considerably more liberal than those specified in Jamaica's GATS Schedule. In air transport services, the administration of one of Jamaica's two international airports was given in concession in 2003 but certain restrictions remain on foreign ownership of domestic airline companies. In maritime transport,

the authorities have sought more efficient delivery of port services through investment and management concessions to private enterprises.

7. The performance of the financial services sector has improved since 1999. Following the 1996 financial crisis, the sector has consolidated through a series of mergers, and its regulatory framework has been strengthened with the establishment of the Financial Services Commission and increased monitoring and supervision by the Bank of Jamaica. Although mergers have translated into a smaller but financially healthier, number of banks, the domestic cost of capital continues to be high, with interest rate spreads at some 17 percentage points in early 2004.

8. Tourism continues to be Jamaica's main earner of foreign exchange. The sector was affected by the 11 September 2001 terrorist attacks, but has since recovered. Incentive schemes, including relief from income tax and import duties, appear to be particularly important in the tourism sector.

(2) AGRICULTURE AND RELATED INDUSTRIES

(i) Main features

9. The contribution of agriculture (together with forestry and fishing) to GDP in 2002 at current prices was 6.4% and in real terms (in 1996 prices) 6.1%. In 2003, the contribution increased in real terms to 6.3% or to 13.8% if agri-processed goods are included; this contribution has been declining slowly, from 7.3% in 1998 due to reduced output (Chart IV.1). The reduction is attributed to unfavourable weather conditions, high interest rates on farm credit and the subsequent contraction of investment in the sector, and to the competition from agricultural imports.¹ Agriculture is labour intensive and employed 19% of total labour force in 2002.

10. The agriculture sector *per se* is composed of four subsectors: traditional export products; domestic crops; livestock; and food processing, beverages, and tobacco. Traditional agricultural exports include sugar, bananas, cocoa, coconuts and coffee; and domestic food crops include vegetables, fruits, yams, other tubers, potatoes, and condiments. Traditional export crops are produced mainly by large-scale farmers (accounting for less than 1% of all farmers and occupying about 39% of farm land) on the fertile coastal plains, while domestic crops are produced mainly by small-scale farmers (farms of 2.02 ha and less, accounting for around 77% of the farmers) in the rugged interior.² The livestock subsector is composed mainly of poultry, beef, and pork; in 2002, it produced 110,156 tonnes of meat, of which 83,839 tonnes by the poultry industry. Food processing is mostly in animal feeds, sugar, flour, poultry meat, and beverages.

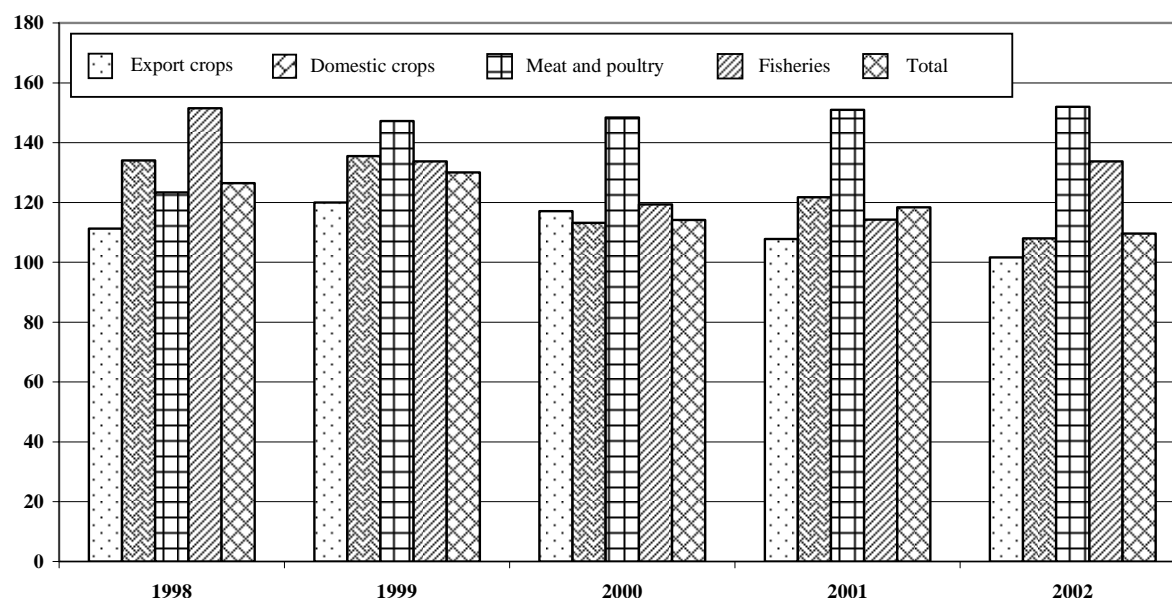
11. Since 1998, overall crop production has been falling. Within traditional export crops, sugar and coffee production has shown no clear trend, while that of bananas and cocoa has been decreasing. In domestic crops, only vegetable production has shown an upward trend (Table IV.1).

¹ FAO, "Jamaica". Available at: <http://www.fao.org/DOCREP/005/Y4632E/y4632e0m.htm>.

² FAO, "Jamaica".

Chart IV.1**Agriculture production (including fisheries) index, 1998-02**

1986=100



Source : Planning Institute of Jamaica, Economic and Social Survey, Jamaica, 2002.

Table IV.1**Estimates of crop production, 1998-03**

(tonnes)

Crops	1998	1999	2000	2001	2002	2003 ^a
Production of selected traditional export crops:						
Sugar cane and derivatives						
- Cane milled	2,260,000	2,313,000	2,025,000	2,231,000	1,966,000	1,776,000
- Sugar production (commercial)	179,000	207,000	230,000	199,000	170,000	147,586
- Molasses	100,800	86,100	76,300	85,900	79,800	68,300
Bananas	62,338	52,208	42,026	43,052	39,386	39,936
Coffee	16,727	13,136	16,485	13,485	16,202	14,142
Cocoa						
- Deliveries to processing plants	4,167	2,549	1,836	2,325	1,918	1,834
- Outturn from processing plants	1,687	1,036	754	930	767	733
Coconut (in copra equivalent weights)	19,662	20,113	21,042	17,211	15,493	15,283
Production of domestic food crops:						
Legumes	7,400	7,303	5,586	7,360	5,478	5,523
Vegetables	148,289	161,934	141,102	156,652	136,000	171,827
Condiments	29,037	34,425	30,606	33,530	22,007	26,173

Table IV.1 (cont'd)

Crops	1998	1999	2000	2001	2002	2003 ^a
Fruits	51,534	42,807	37,765	43,941	37,972	46,579
Cereals	2,228	2,165	1,781	2,083	1,755	2,043
Plantains	22,489	27,524	22,332	21,549	20,884	20,189
Potatoes	35,784	32,666	26,555	31,581	25,406	30,305
Yams	198,402	195,688	147,709	157,557	148,152	152,238
Other tubers	42,390	47,626	36,299	35,202	33,133	35,602
Sorrel	1,032	1,019	795	841	792	994
Total	538,585	553,157	450,530	490,296	431,579	491,473

a Preliminary.

Source: Ministry of Agriculture, "Agricultural Data", available online at: <http://www.moa.gov.jm/AgriculturalData/data2003/production.htm>; and the Planning Institute of Jamaica (2002), *Economic and Social Survey*.

12. Exports of traditional crops, mainly sugar, coffee, and bananas, continue to dominate the sector in terms of foreign exchange earnings: in 2002, these three products contributed 9.4% of total merchandise export earnings and represented close to 50% of all agricultural exports. Exports of processed foods, beverages, and tobacco accounted for 13.8% of total exports of goods.³ Since 1998, the share of traditional agricultural export products (unprocessed and processed) in total agricultural exports has remained stable; however, the shares of sugar and bananas have been falling while those of other products have been increasing (Chart IV.2). According to the authorities, the decrease in the value of sugar exports can be explained by exchange rate developments, and the reduction of banana exports by the inability of some farmers to meet stricter standards required by export markets as well as increased domestic demand.⁴

13. The most important agricultural crop in Jamaica in terms of employment and export earnings is sugar cane. The sugar industry is the second largest single employer (employing around 41,000 people during the cropping season and 28,000 the rest of the year) and the third largest earner of foreign exchange (after bauxite and tourism). However, the industry is facing relatively high production costs and developments in preferential arrangement with the EU, which is set to end at the end of 2005 (see also Chapter II(4)(i)). Jamaica also imports sugar; in 2002, it imported US\$42 million of sugar (and exported US\$67 million). Most of the sugar imported is refined sugar, for which there is a special import regime (see section (ii)(b) below).

14. Most Jamaican sugar exports go to the EU under quota provided by the Sugar Protocol between the European Union and the ACP countries (80% of the 154,000 tonnes quota of raw sugar went to the United Kingdom), and the Special Preferential Sugar Agreement (renewed for six years in 2000). Jamaica also has access through a quota to the United States market (the minimum quota is of 11,500 tonnes). However, during 2000-03, no sugar was shipped to the United States, due to lack of demand in 2000-02, while in 2003 Jamaica did not produce sufficient sugar to meet its U.S. quota requirement. In 2002, the certificate of quota eligibility was exchanged for US\$1,447,875, no money was received from the U.S. in 2003. These quotas allow Jamaica to sell its raw sugar above the world price: in 2002, the price per tonne for sugar sold in the United Kingdom was £496.80, more than twice the world price (e.g. £206.70 per tonne). Therefore, Jamaica considers the maintenance of these preferential agreements essential for its economy.

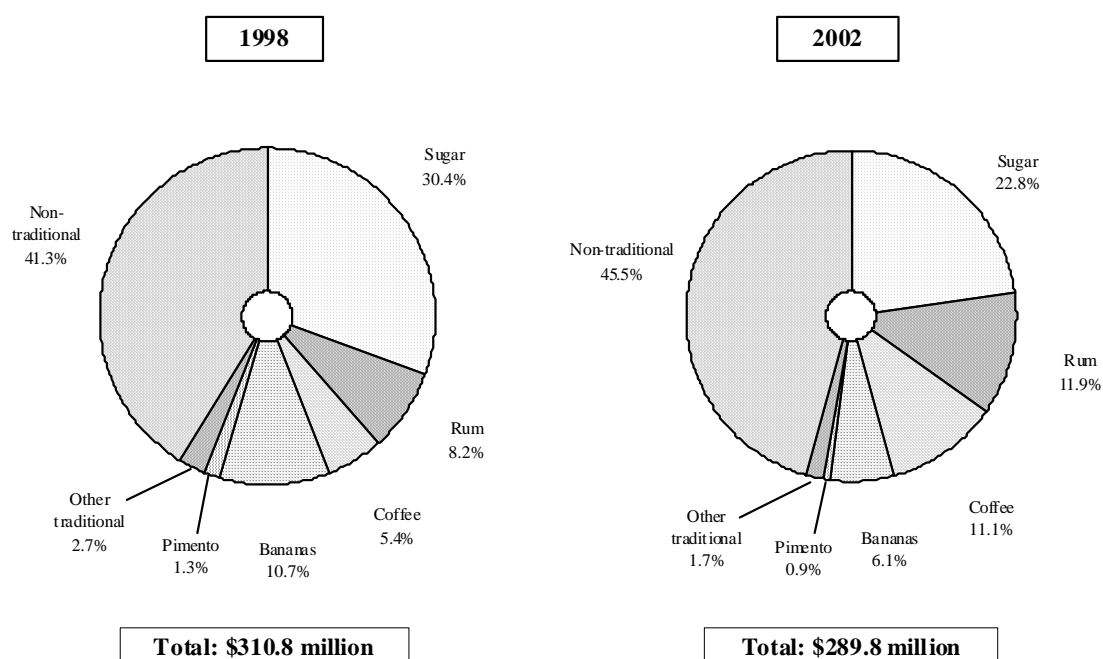
³ Planning Institute of Jamaica (2002).

⁴ The authorities note that the local market consumes about 100,000 tonnes per year in the form of green fruit, ripe fruit, and for the processing of chips.

Chart IV.2

Exports of agricultural products, 1998 and 2002

(Per cent)



Source: Planning Institute of Jamaica (2002) and (2003), *Economic and Social Survey*.

15. Coffee is Jamaica's second most important single agricultural crop in terms of exports (Japan being the principal market), followed by bananas. The quota regime to the European Union for bananas is to be replaced in 2006 by a tariff only regime. Exports of bananas into the European Union is undertaken by the Banana Export Company Ltd. (BECO) under a licence from the Banana Board running until 2010. The cocoa industry has been benefiting from the high prices on the world market due to supply problems in Côte d'Ivoire. However, according to the authorities, this has not yet been reflected in production statistics due to the time needed for the production to respond. The Government is rehabilitating the existing cocoa fields and, in the longer run, plans to rehabilitate all major cocoa growing areas; it has been helping cocoa farmers with fertilizers, rodenticides, cocoa seedlings, reaping hooks and technical advice under the Cocoa Rehabilitation Project (Table IV.4). At the start of the 2003/04 crop year, a substantial increase in the farm-gate price was granted to cocoa farmers; the first payment (e.g. the payment made to farmers on the delivery of wet cocoa to the CIB) was increased from J\$300.06 to J\$450.06 per box of wet cocoa. The coffee industry employs 25,000 people (with indirect employment of about 150,000 persons), banana production around 6,000 people and, cocoa production 15,000.

16. Jamaica is a net importer of agricultural products, with imports almost two times higher than exports in 2002. The main imported products that year were cereals and cereal preparations (18.4% of total agricultural imports (including fisheries), vegetables (11.4%), dairy products (9.7%), and meat (8.5%). Imports of cereals and vegetables have been increasing the most, passing from 4.0% and 1.7% in 1998 to 18.4% and 11.4% in 2002, respectively. In livestock, self-sufficiency ratios are high for beef and veal, and close to 100% for whole chickens.

17. Jamaica has been involved as third party in WTO dispute settlement concerning some agricultural products, such as bananas and sugar dispute (Chapter II(3)(i)).

(ii) Policy objectives, instruments, and legal framework

(a) Introduction

18. The main agencies regulating and supporting the agricultural sector are the Ministry of Agriculture, its Plant Quarantine/Produce Inspection Unit and the Veterinary Services Division, and its statutory bodies and agencies, such as the Rural Agricultural Development Authority (RADA), the Jamaica Agricultural Society (JAS), Agricultural Development Corporation (ADC), the Sugar Industry Authority (SIA), and commodity boards; and the Jamaica Bureau of Standards (Chapter III(2)(xii) and (xiii)). The legislation regulating the sector is described in Table IV.2.

Table IV.2
Legislation governing agricultural sector

Legislative act	Latest amendment (year)	Main provisions
Banana Board Act, 1953	1985	Establishes the Banana Board and defines its functions and powers (including controlling and fixing prices to growers, producers or agents, and to regulate grading for exports)
Banana Insurance Act, 1946	1971	Provides for and regulates the insurance of banana growers, and establishes the Banana Insurance Fund
Coconut Industry Control Act, 1945	2003	Establishes the Coconut Board and defines its functions and powers, including the power to impose a cess on coconut products and substitutes (manufactured or imported); to provide for licensing of producers and exporters; to regulate the grades of coconuts and the minimum prices to be paid by copra makers to coconut growers; to prescribe the price to be paid by the Board for copra purchased by them and the price to be charges by the Board for copra supplied by them to manufacturers of coconut products; to regulate the grades and the wholesale prices of edible oils; and to regulate the grades and the wholesale and retail prices of coconut products listed in the Act
Coconut Industry Aid Act, 1969	2003	Provides the Coconut Board with power to grant import licences for coconut products or substitutes and impose a cess (manufactured or imported); grants the Minister of Agriculture power to prohibit exports and impose a specified duty on imports
Coconut Insurance Act, 1949	1987	Grants the Minister of Agriculture power to regulate the institution, financing and operation by the Coconut Board of schemes for automatic and contractual insurance of coconut trees; provides for establishment of coconut insurance funds and power to impose a cess on coconuts and copra exported or sold for export
Cocoa Industry Board Act, 1957	1991	Establishes the Cocoa Board and defines its functions and powers; provides for the creation of a reserve fund to stabilise the prices paid by the Board for cocoa; and forbids the purchase or export of any cocoa by anybody else but the Boards, a cocoa dealer or a person engaged in the manufacture of cocoa products, and for the power to prescribe the returns to be made
Coffee Industry Regulation Act, 1948	1998	Establishes the Coffee Board and defines its functions and powers (including making regulations providing for the licensing of operators of coffee nurseries or coffee works or coffee dealers; prohibiting, restricting or regulating the purchase sale, distribution and the prices to be paid for coffee plants or seedlings; prohibiting, restricting or regulating the growing, processing, storing, purchasing or selling of any coffee berries or coffee product, as well as the export of any coffee or coffee product; prescribing the grades and types and quality of coffee and its products; prescribing the prices to be paid to growers, processors, manufacturers or dealers of coffee; and impose a cess on the sale of any coffee or coffee product produced in Jamaica)
Sugar Cane Farmers (Incorporation and Cess) Act, 1947	1969	Changes the status of the All-Island Jamaica Cane Farmers Association and defines its powers and objectives, such as promoting the growing of cane, preparation of terms for cane farmers' contracts; acting as agent for cane framers; garnets the Minister of Agriculture with the power to impose upon all canes delivered to sugar manufacturers a specified cess

Table IV.2 (cont'd)

Legislative act	Latest amendment (year)	Main provisions
Sugar Industry Control Act, 1937	1994	Establishes the Sugar Industry Authority and defines its functions and powers (including the power to issue licences for the importation of raw sugar, issue licences in respect to quotas and to cane farmers, register cane farmers); subjects all imports of raw sugar to a licence to be obtained from the Authority; prohibits exports of Muscovado Sugar; grants the Minister of Agriculture the power to impose a cess on all canes delivered to a factory, and to fix production and export quotas; and provides for the appointment of a Sugar Cane Prices Committee
Sugar (Reserve Funds) Act, 1947	1969	Establishes a Sugar Price Stabilization Fund, a Sugar Industry Capital Rehabilitation Fund and a Sugar Industry Labour Welfare Fund, and Sugar Workers Pensions Fund; provides for the payment by exporters a part of proceeds of sale of sugar to the Government
Tobacco Industry Regulation Act, 1970	1975	Establishes the Tobacco Industry Control Authority and defines its functions and powers (including prohibiting, restricting and regulating the purchase or sale of any tobacco, and prescribing the prices to be paid on the sale)
Agricultural Credit Board Act, 1960	2004	Establishes the Agricultural Credit board and defines its functions; it supervises and regulates agricultural loan societies
Agricultural Development Corporation Act, 1963
Agricultural Loans Act, 1887	1970	Regulates loans to any person in possession of any land by any other person, company or body corporate
Agricultural Marketing Act, 1944	1991	Provides the Minister of Agriculture with power to specify articles of agricultural produce and to make regulations for the registration of the producers of any specified article
Agricultural Marketing Corporation Act, 1963	1978	Establishes the Agricultural Marketing Corporation, defines its functions (to establish and maintain an efficient system of marketing for agricultural produce by securing the most favourable arrangements for the purchase, handling, sale and exportation of agricultural produce) and its powers
Agricultural Produce Act, 1926	1975	Provides for and regulates the licensing of persons carrying on trade or business of buying or selling, or of buying and exporting agricultural produce
Agricultural Small Holdings Act, 1946	1995	Regulates the contracts of tenancy and provides for the establishment of valuation boards, that have the power, among others, to fix the maximum economic rent for small holdings
Animals (Diseases and Importation) Act, 1948	1969	Provides for the control of diseased or suspected animals and prohibits imports of birds, reptiles and insects except under a licence by the Director of Veterinary Services
Irrigation Act, 1949	1999	Grants the Minister the power to licence a company to be an Irrigation Authority and establishes its powers and duties
Import Prohibition (Coffee) Order, 1966	No amendment	Forbids imports of coffee other than coffee (parchment, green or clean, roasted and soluble), imported by the Coffee Industry Board (a permit from the Ministry of Agriculture is required)
Jamaica Agricultural Society Incorporation Act, 1941	1996	Creates and regulates the functioning of the Jamaica Agricultural Society
Plant Quarantine Act, 1993	No amendment	Regulates the plant quarantine regime
Rural Agricultural Development Authority Act, 1990	2002	Establishes the Rural Agricultural Development Authority and defines its functions, such as providing agricultural extension services; securing the economic and efficient utilization of land; encouraging improvement works in the rural areas

.. Not available.

Source: WTO Secretariat.

19. The Government has set poverty alleviation and food security as goals in its Agricultural Policy Framework. These two objectives are to be attained through enhanced efficiency and productivity in the various subsectors (sugar, banana, coffee, citrus, livestock, and domestic crops); provision of support services including research, development and extension services, and training; improving agri-processing; increasing exports of traditional and non-traditional commodities; continued provision of concessions in financing; and rehabilitation of infrastructure.⁵ In addition, as an important amount of the raw material used in the food processing industry is imported, the

⁵ Ministry of Agriculture (2004a).

Government encourages "import displacement", that is, substituting these raw material (by local production (Chapter II(ii)).⁶ According to the authorities, high import duties on certain agricultural products are used to support production by local farmers with the purpose of contributing to the Government's efforts with respect to poverty alleviation in rural areas.

20. The modernization efforts for sugar industry are set out in a "green paper" tabled in the House of Representatives in April 2004; the paper provides for major restructuring of the sugar industry, including mergers and closures and using lands under sugar for the production of other crops.

21. Jamaica participates in certain product-specific international arrangements, for example, the International Sugar Agreement, International Coffee Agreement, and International Cocoa Agreement, which provide market and trade information. The intergovernmental organizations, created under each of the agreements, seek to improve world market conditions through debate, analysis, special studies, and transparent statistics. According to the authorities, the Jamaican industry benefits from worldwide forum provided by these organizations. It is also a signatory of the Agreement Establishing the International Fund for Agricultural Development (IFAD), and Convention on the Inter-American Institute for Cooperation on Agriculture (IICA). The IFAD assists the sector to enhance food security, and raise productivity and income levels. The IICA assists the agricultural sector through the promotion of joint programmes. It helps to promote the better use and management of natural resources and the environment, contribute to rural development and food security, and enhance the technical and managerial competences of the stakeholders.

22. Assistance for agriculture is provided mainly through tariffs (see next section). Some assistance is also provided through different product-specific projects or those linked to infrastructure, irrigation, and the fight against plant diseases (see section (c)).

(b) Market access

23. Under its Uruguay Round commitments, Jamaica bound its agricultural tariffs at 100%, with the exception of pre-UR bindings (varying between 0% for bulbs, tubers and seeds and 10% for organic chemicals, and a specific rate of J\$0.30/100lb for linseed oil). Other duties and charges on agricultural products were bound at 15%, except on 56 products for which rates were bound at 80%, and three sugar products at 200% (other than raw sugar) (Chapter III(2)(iv)).

24. Since its last Trade Policy Review, Jamaica has raised its customs duty from 40% to 100% (which corresponds to the bound tariff level) on imports of tomatoes, cabbages, cabbage and other lettuce, carrots, and poultry.⁷ Other agricultural products face a maximum import tariff of 40%. Applied MFN tariffs on agricultural products range between 0 and 100% (Chapter III, Table III.1); the simple average (WTO definition of agriculture) is 18.1%.

25. By the Provisional Collection of Tax (Stamp Duty) (No. 2) Order, 26 April 2002, the Government increased aggregate import duties on certain agricultural products (Chapter III(2)(ix)). Duties were increased from 86% to 260% for poultry products (whole broilers, frozen, and fresh or chilled); chicken leg quarters, legs, thighs, and drumsticks (fresh or chilled, and frozen); and chicken wings (fresh or chilled, and frozen). Duties were also increased from 80% to 260% on vegetables (fresh or chilled), such as tomatoes, cabbage, lettuce, and carrots.

26. The GCT is applicable to agricultural goods (imported and domestically produced) at the standard rate of 15%. A number of products, however, are exempt from this tax under the General

⁶ Minister of Agriculture (2003).

⁷ The Provisional Collection of Tax (Customs Duties) (No. 2) Order, 2002.

Consumption Tax Act, amended in 2003. In addition, a wide range of agricultural products are subject to additional stamp duties, while alcoholic beverages and tobacco products are also subject to a special consumption tax. An excise duty was re-introduced in 2003 on tobacco and certain tobacco products (Chapter III(2)(ix)).

27. Imports of milk and cream, and some vegetables are subject to automatic import licensing (Table III.5 and Table IV.3) for SPS purposes. There are no quantitative restrictions on imports of agricultural products. The authorities note that the import prohibition on coffee berries, citrus fruits and plants, banana, and raw honey is based on the high risk of introduction into Jamaica of certain exotic pets and diseases; and that the importation of soil is prohibited because of the risk of introducing pests. The importation of fruits that are known sources of pests not known to exist in Jamaica is prohibited.

Table IV.3
Import and export regulations for selected agricultural products^a

Product	Regulation
Imports	
Fresh fruits and vegetables	Import permit and phytosanitary certificate required
Dried or frozen fruits and vegetables and processed plant materials	No import permit or phytosanitary certificate required
Coffee	Importation of coffee berries is prohibited. Roasted coffee and coffee in parchment may be imported by permit from the Ministry of Agriculture through the Coffee Industry Board
Citrus	Importation of citrus fruit plants or parts thereof is forbidden
Banana	Importation of fruit and plants is prohibited; importation of <i>in vitro</i> suckers is restricted
Bees and bee products	Importation of raw honey, unprocessed wax, bees, pollen and other live products is prohibited Importation of processed wax for cosmetics or manufacturing purposes requires a permit
Plants	Import permit required. Importation of finished plants in growing media prohibited. Plants must be bare-rooted; seedlings in liners or small pots
Soil	Importation of soil is prohibited
Fruit	Importation of mango, naseberry, and tropical soft fruits is prohibited
Root crops	Importation of yam, dasheen, and sweet potato is prohibited
Exports	
Pimento	Export of plants, cuttings or seeds of pimento is prohibited. Commercial exportation of pimento is allowed only by authorized exporters
Ginger	Export of all portions of Jamaican ginger is prohibited except by special permit from the Ministry of Agriculture. Peeled dried ginger may be exported
Coconut	Coconut Industry Board is the only body authorized to export coconut or grant a licence for its exportation

^a These measures are applied under the Customs Act or the Plant Quarantine Act.

Source: Information provided by the Jamaican authorities.

28. A new regime for imported refined sugar became effective 1 January 2004, replacing the two-tiered tariff system, under which the manufacturers could import sugar duty free, and importers of sugar going to the retail trade paid the CET of 40% and a stamp duty of 63%. The new regime was introduced due to the difficulties in monitoring the payment of duties under the two-tiered tariff system. According to the new regime, manufacturers using imported refined sugar as input, and sugar traders, are required to register with the Trade Board in order to continue to benefit from stamp duty

relief on imports of refined sugar (Chapter III(2)(ix)). Registration requirements include, an application for import quantities and a pre-entry verification of the manufacturing process, which involves verification of the production process to determine qualification as a bona fide manufacturer, and examination of production records, accounting records, import entries, and invoices.

29. The only restrictions on imports at the CARICOM level *vis-à-vis* third countries other than CET, concern the arrangements concerning oils and fats (Chapter III(2)(vii)). Under these arrangements, Jamaica, together with other deficit countries, is required to purchase crude coconut oil and copra from CARICOM surplus countries at prices agreed between buyers and sellers on the basis of world market prices and costs of production. This has the effect of prohibiting imports from non-CARICOM countries unless surplus countries cannot cover demand from deficit countries.

(c) Export and domestic support

30. Jamaica notified the WTO that in 1998 it did not use export subsidies; according to the authorities, this also true for the period 1999-03 (there has been no notification in that respect).⁸ It has also notified domestic support measures (green box) applied during the period 1998 to 2000.⁹ Agricultural exporters can benefit from export financing at a preferential rate (Chapter III(3)(v)(b)). Incentives under the Export Industry Encouragement Act (EIEA) (Chapter III(3)(iv)(a)) are not granted to unprocessed agricultural products; however, they are applicable to agri-industrial products.

31. To encourage agricultural production, the Income Tax Act, 1982, grants income tax relief to any person engaged in an agricultural activity prescribed by the Minister of Finance and declared "approved farmer". So far, the prescribed activities include growing food crops, seeds, trees for timber production, and tobacco; horticulture; fishing and fish farming; cattle, dairy cattle, sheep, goat, and pig breeding; production of fertile eggs for hatching and table eggs; apiculture; and horse breeding (cattle farmers and horse breeders must intend to increase the herd by at least 10%).¹⁰ Income tax relief is granted for ten years. In addition, farmers and farming enterprises are eligible for a duty concession on the importation of farm vehicles; the beneficiaries pay a duty of 20% rather than the usual rate of 55%-180%. Moreover, the CARICOM policy allows for goods used as agricultural inputs including insecticides and herbicides, planting material and fertilizers, to be accorded duty free treatment. Farmers and farming enterprises are also exempted from GCT on certain items listed as exempted or zero rated under the General Consumption Tax Act Chapter III(2)(ix)). However, agricultural equipment that was subject to GCT of 0% until 2003, is subject to the standard rate of 15%.

32. Jamaica provides its farmers a number of agricultural support services to develop the sector and enhance its competitiveness. These services include research and development relating to livestock research and improvement, crop research and plant protection, and extension and advisory services. The Government also provides veterinary services (e.g. training, laboratory services, pesticide distribution, artificial insemination) and the development of technology services (e.g. improved technology training). According to the data provided by the authorities, these measures amounted to US\$9.3 million during the 1999/00 and to US\$13.9 million in 2002/03.

33. Domestic support to the sector also includes the allocation of funds for a number of development projects. Projects established since Jamaica's last Review and currently in force; are

⁸ WTO document G/AG/N/JAM/3, 21 October 1999.

⁹ WTO documents G/AG/N/JAM/2, 12 June 1998; G/AG/N/JAM/4, 21 October 1999; and G/AG/N/JAM/5, 26 March 2001.

¹⁰ The Income Tax (Prescribed Agricultural Activities) Order 1982; the Income Tax (Prescribed Agricultural Activities) Order 1983; and information provided by authorities.

mainly product specific, or concern infrastructure, irrigation or the fight against plant diseases (Table IV.4). The principal agricultural project in 2002 was the Agriculture Support Services Project (ASSP). The Project allocates a budget of US\$1 million for funding agricultural support services (maximum grant US\$30,000 per beneficiary), and US\$6 million for funding high pay-off productive projects (maximum grant is US\$300,000, not available for individuals). The beneficiaries are required to provide a minimum 10% of the grant amount for services and 20% minimum for shared capital investments (in cash and/or in kind). As at July 2004, 19 high pay-off productive projects had been approved.¹¹

34. The Citrus Replanting Project provides for a public education programme, technical services (certification, extension, research, implementation management) and credit services. To benefit from the credit facility, small-scale citrus growers have to provide 20% equity, and medium and large-scale growers 30% equity in cash or kind (labour, material). The interest rate was lowered in 2002 from 13% to 9%.

35. The Domestic Food Crop Production and Marketing Project provides for the use of improved technologies of production. Support is provided through training, research programmes, assistance to produce insect-free nurseries, coordinating marketing, establishing irrigation systems, equipment renting, providing Miniset technology for yam production, land preparation, and project administration.¹²

Table IV.4
Agricultural projects in Jamaica

Objectives	Beneficiaries	Implementation date and duration	Original project cost and source of funding
Agriculture Support Services Project (ASSP)			
Enhancing the competitiveness of Jamaican agriculture	Agricultural producers, farmers, or exporters	Implemented: January 2001 2001-2004; extension to be sought to 2007	US\$31.5 million US\$22.0 million loan from the Inter-American Development Bank (IDB); US\$8.6 million from the Government of Jamaica; US\$0.9 million from project beneficiaries
Banana Support Programme			
Promoting sustainable development; and improving living standards of farmers	Farmers, farm and port workers in 5 banana growing parishes	Implemented: 1999 1999-2003 Project (phase 2); extension sought to 2008	€4.7 million EU; Government of Jamaica
Citrus Replanting Project			
Preventing the decline of the industry because of the Citrus Tristeza Virus (CTV); Increasing production through the use of certified CTV-free planting material	Bone fide small, medium and large scale citrus growers	Implemented: January 2001 2001-2005	US\$ 20.4 million US\$9.9 million loan from CDB; US\$0.26 million grant from CDB; US\$5.69 million from Government/DBJ; US\$4.6 million from others
Cocoa Rehabilitation Project			
Increasing and sustaining production in the shortest time possible (6-12 months after applying inputs)	Cocoa farmers	Implemented: July 2003	J\$3.7 million Development Bank of Jamaica; the Cocoa Industry Board in collaboration with the Ministry of Agriculture

Table IV.4 (cont'd)

¹¹ Ministry of Agriculture, "Programmes and projects within the Ministry of Agriculture, Available at: <http://www.moa.gov.jm/projects>; and Capital "B" Projects Status Report", Available at: <http://www.moa.gov.jm/projects/MOACAPITALPROJECTFROMINCEPTION2003.pdf>.

¹² Miniset technology is a method used to produce a particular size of tuber.

Objectives	Beneficiaries	Implementation date and duration	Original project cost and source of funding
Domestic Food Crop Production and Marketing Project (Phase IV)			
Increasing production of selected crops	Farmers in 10 parishes to produce tomatoes, hot pepper, sweet potatoes, yams exotic vegetables, carrot, red coco, scallion, and other selected food crops.	Implemented: April 2001 1999-2000, (extended on a yearly basis since 2000); present extension until March 2005	J\$100 million Government of Jamaica funded project from PL480 funds ^a
Eastern Jamaica Agricultural Support Project			
Increasing production and productivity of products with competitive advantage in the domestic, tourism and non-traditional export markets	Small-scale farmers in 4 eastern parishes	Implemented: January 2000 2001-03 extended to December 2004	€7.1 million €6.0 million funded by the EU €1.1 funded by the Government
Fruit Tree Crop Project			
Increasing income for rural households; encouraging environmental conservation measures; promoting the development of food processing industry; increasing the availability and diversity of fruit tree species; and providing for foreign exchange through exports	Farmers, Government agencies, sugar factories, and entrepreneurs.	Implemented: January 2000 2000-03 then extendable on yearly basis; currently extended to March 2005	J\$100 million Government of Jamaica, funded project from PL480 funds ^a
Jamaica Milk Marketing Project			
Improving market conditions for local production	Dairy farmers	Implemented: 1999 1999-2006	J\$418 million Loan J\$380 million by Government of Jamaica from PL480 funds ^a ; Farmers equity J\$38 million
National Irrigation Development Programme			
More efficient allocation of the irrigation water resources	Farmers in specified geographic areas	Implemented: 2002 2002-2007	US\$20 million US\$4 million funded by the Government US\$16 million funded by IDB
New World Screw Worm Project			
Eradicating screwworms from the island in a rapid and efficient manner; Preventing reinfestation when eradication has been achieved	Domestic, commercial animal owners and the general public	Implemented: July 1998 1998-2001 extended to March 2005	US\$9.9 million (J\$329.7 million) Government of Jamaica from PL480 funds ^a ; IAEA; USAID

a PL480 funds are funds made available under Public Law 480 of the United States (i.e. the Agricultural Trade Development and Assistance Act).

Source: WTO Secretariat, based on the information provided by the Jamaican authorities.

36. The Fruit Tree Crop Project provides for developing and producing commercial orchards of traditional fruit tree crops, and providing raw materials for processing industries. Beneficiaries are given a land preparation grant and assistance for start-up activities (such as lining out and preparation of holes for planting). The maximum benefit is J\$14,800 per hectare for minimum two and maximum 50 hectares.¹³

¹³ Ministry of Agriculture, "Programmes and projects within the Ministry of Agriculture". Available at: <http://www.moa.gov.jm/projects/>.

37. The Jamaica Milk Marketing Project aims to reduce foreign expenditure on milk solids through reducing milk packaging and processing costs (through economies of scale) and lowering the market margin (through direct retailing via a network of supermarkets and kiosks).¹⁴ The National Irrigation Development Programme realizes its objectives through the construction and rehabilitation of irrigation systems. The Eastern Jamaica Agricultural Support Project intends to obtain its objectives through sustainable and environmentally positive production methods and improved marketing. The Banana Support Programme provides, among other things, for the supply of agricultural equipment (excavators, chemicals, fertilizers, and vehicles).

38. As sugar, bananas, and rum still receive some preferential treatment, Jamaica is seeking the extension of preferences. In 2002, the Government and the European Union signed the Framework of Mutual Obligations concerning the stabilization of export earnings (STABEX) transfer for 1999 and 2000. Implementation of this framework should be completed by 31 December 2004. The 1999 and 2000 STABEX repayments support the road rehabilitation programme implemented under the ongoing Eastern Jamaica Agricultural Support Project. Jamaica also benefits from a Financing Agreement signed in January 2002 under the EU's four-year Integrated Development Programme for the Caribbean Rum Sector. The project is aimed at enhancing the competitiveness of the sector by making it export-ready in the segment of branded products. The total project cost is estimated at about €146 million, of which €70 million will be funded by EC, and the rest from intra-ACP resources.

39. The National Irrigation Commission (NIC) produces and distributes irrigation water to its agricultural and non-agricultural customers. As a result of the amendment to the Irrigation Act in 1999, the NIC was licensed as the irrigation authority for ten more years. The rates for farmers are financed partially by the Government as they are required to pay a rate that covers NIC's operating costs only. In March 2001, the level of the financial support was 60% of operating costs; it is expected to be reduced gradually to attain full cost recovery in 2005. Other public services, such as electricity and transport are not provided to farmers at concessionary rates.

40. In order to mitigate high interest rates on loans, the Government set up a special interest rate regime for loans granted by the EX-IM Bank and the Development Bank of Jamaica (DBJ)¹⁵, allowing exporters (Chapter III(3)(v)(b)) and producers to benefit from interest rates varying up to 13%. Agricultural credit is allocated by the DBJ through the Peoples' Cooperative banks and other approved financial institutions, mainly for agricultural purposes, and for rebuilding after natural disasters, but also for repairing farm buildings and for providing and maintaining water supplies. Credit allocated by the DBJ to financial institutions in 2002/03 was estimated at J\$8,718.59 million.¹⁶ Another source of credit for the sector is the Jamaican Agricultural Development Foundation. The main beneficiaries of the loans have been producers of citrus, poultry, coffee, sugarcane, yam, vegetables, and other mixed crops, and agri-processors producing meat, juices, and milk.

41. Access to loans for many small-scale farmers is hampered by the insecurity created by the land tenure system, which is based on a mixture of customary norms and formal legal structure; approximately 60% of the land is owned under a registered title.¹⁷ The National Land Agency, which became operational on 1 April 2004, has been established to reform the process of assigning land ownership.

¹⁴ Jamaica Sustainable Development Network, "Livestock". Available at: <http://www.jsdn.org.jm/susAgriculture-livestock.htm>.

¹⁵ Formerly the National Development Bank and the Agricultural Credit Bank.

¹⁶ Ministry of Finance and Planning, "Public Sector Entities, FY 2003/2004". Available at: <http://www.mof.gov.jm/downloads/2003/ped/dbj.pdf>.

¹⁷ Inter-American Development Bank (2002).

(d) Public sector entities

42. In the past, the marketing of cocoa, coconut, coffee, sugar, and bananas was through commodity boards (Chapter III(4)(iii)(a)), which were sole buyers and sellers of the respective crop. Their main role was to facilitate product marketing and stabilize producer returns. All these boards still hold regulatory powers (Chapter III(4)(iii)). However, their role has been reduced and currently they operate mainly as providers of services (Table III.11).

43. Through the respective boards, the Government also manages the Banana Insurance Fund (a mandatory insurance scheme) and Windstorm Insurance Fund for coconut, to assist banana and registered coconut growers in the case of loss due to hurricanes or windstorms (Table IV.5).

44. The Cocoa Industry Board, Coffee Industry Board and the Export Division of the Ministry of Agriculture (the latter for pimento, ginger, and turmeric only) are engaged in exports; no state entity is involved in import activities.

45. The National Rums of Jamaica Ltd is a Government owned company, producing rum and alcohol through two subsidiaries, Clarendon Distilleries Ltd and Long Pond Distilleries. It also has the responsibility to identify new markets, and to promote and market products manufactures by its subsidiaries.

Table IV.5
Public entities in the agriculture sector

Entity and legal basis	Main source of income	Revenue/net surplus or deficit ^a , J\$ million (year)
Agricultural Development Corporation		
Agricultural Development Corporation Act, 1952	Sales	9.5/-15.0 (2002/03)
Agricultural Marketing Corporation		
Agricultural Marketing Corporation Act, 1963	Rental/lease	11.9/-5.5 (2002/03)
Banana Board		
Banana Board Act, 1953	Germ plasm	4.4/-1.6 (2002)
Banana Insurance Fund		
Banana Insurance Fund	Cess on bananas	18.1/-1.2 (2002)
Cocoa Industry Board		
Cocoa Industry Board Act, 1957	Export sales	43.7/3.9 (2001/02)
Coconut Industry Board		
Coconut Industry Control Act, 1945
Coffee Industry Board		
Coffee Industry Regulation Act, 1948	Export sales	957.3/124.0 (2002/03)
Sugar Industry Authority		
Sugar Control Act	Cess on sugar	226.2/29.9 (2001/02)

.. Not available

a Estimate.

Source: WTO Secretariat.

(3) MINING AND MINERAL PROCESSING

46. The mining sector is an important source of foreign exchange for Jamaica, due primarily to bauxite and alumina production, which in 2002 accounted for about 98% of output in the sector. Jamaica is the world's fourth largest producer of bauxite and alumina after Australia, Guinea, and Brazil. It remains a relatively low-cost bauxite producer, mainly due to the proximity of production

areas to ports, and favourable geology. Exports of mining products, generating some US\$769.1 million in 2003 are Jamaica's second largest foreign currency earner, after tourism¹⁸; in 2002 they represented about two thirds of merchandise exports. The contribution of mining and quarrying to GDP (including alumina production) has been stable and accounted for 4.1% of GDP in 2002 (Table I.1). Mining is capital-intensive, employing only some 8,000 people in 2002 (5,480 in bauxite and alumina production and around 3,000 in quarrying). Jamaica also exports gypsum, limestone, gravel, and sands.

47. The overall volume of mining production in Jamaica decreased in 1998 and 1999 but began to increase again in 2000, with bauxite and alumina production peaking in 2003 due to the significant growth in demand for aluminium in China. The downward trend in alumina prices was reversed in 2002; contract prices increased from US\$179 to US\$200 per tonne at the end of 2003 (and spot prices increasing from US\$130-140 per tonne to more than US\$400 per tonne), helping to increase the value of Jamaican mineral exports.

48. International companies dominate the bauxite and alumina industry and produce, through their local subsidiaries, all the bauxite and alumina in Jamaica (Table IV.6). Five bauxite mines produce more than 13 million tonnes a year (around one tenth of world production). One third of total bauxite production is exported as ore to the United States; the rest is treated in domestic refineries and exported as alumina, mainly to the European Union, Canada, and United States (Table IV.7).

Table IV.6
Operators in the bauxite and alumina sector

Company	Ownership	Year established
Bauxite		
Kaiser Jamaica Bauxite Company (KJBC)	49% - Kaiser (USA) 51% - Government through Jamaica Bauxite Mining Ltd.	1952
Jamaica Bauxite Mining Ltd (JBM)/Lydford Mine	100% - Government	1952
Alumina		
West Indies Alumina Company (WINDALCO)	93% - Glencore International AG (Switzerland) 7% - Government through Jamaica Bauxite Mining Ltd.	1952 and 1959
Jamalco	50% - Alcoa Minerals of Jamaica (USA) 50% - Government through Clarendon Alumina Production (CAP)	Bauxite 1963 Alumina 1972
Alumina Partners (Alpart)	65% - Glencore International AG (Switzerland) 35% - Norsk Hydro Aluminium (Norway)	1969

Note: WINDALCO was created in 2001 when Glencore Alumina Jamaica Ltd acquired Alcan's 93% interest in the joint venture (Jamalcan) between Aluminum Company of Canada (Alcan) and the Government of Jamaica.

Source: Jamaica Information Service, "The Jamaica Bauxite Institute". Available at: <http://www.jis.gov.jm/JamaicaBauxiteInstitute/index.asp>.

49. The bauxite and alumina industry is expanding. In early 2004, Alcoa announced its decision to more than double the capacity of its Jamalco Refinery to 2.65 million tonnes and expansion of the Alpart plant to 1.7 million tonnes has been completed. Smaller expansions are also planned for the other alumina plants. The sale of Kaiser's shares in KJBC and in Alpart is not expected to affect production.¹⁹ Capacity utilization is already high: in 2003, it was estimated at 85.5% of installed capacity for bauxite, and 99.8% for alumina; during the first five months of 2004 the figures were at 92.4% and 100.6% respectively.

¹⁸ The Planning Institute of Jamaica (2003).

¹⁹ Kaiser Aluminium sold its interest in Alpart to Hydro Aluminium in 2004, and is planning to sell its interest in KJBC to a joint venture between Century Aluminium Co. and Canada's Noranda Inc.

50. The mining sector is governed by the Mining Act, 1947; the Mining Regulations, 1947; the Minerals (Vesting) Act, 1947; the Mining (Safety and Health) Regulations, 1977; the Bauxite and Alumina Industries (Encouragement) Act, 1950; the Quarries Control Act, 1984; the Quarries Regulation, 1957; the Bauxite (Production Levy) Act, 1974; and the Bauxite and Alumina Industries (Special Provisions) Act, 1977. The Quarries Control Act is in the process of amendment; mining regulations were amended in 1999 and are being amended again. Most of these Acts and Regulations have been modified at least once. The Ministry of Land and Environment and the Cabinet are responsible for policy formulation in the mining sector. The Jamaica Bauxite Institute, a research institute, is in charge of monitoring the industry, providing advice on the negotiation of various agreements, and making recommendations to ensure pollution controls and other environmental programmes.

Table IV.7
Bauxite and alumina sector performance, 1998-03

	1998	1999	2000	2001	2002	2003 ^a
Crude bauxite						
Production ('000 tonnes)	4,034.6	2,794.6	2,062.0	3,635.0	4,066.6	3,849.3
Exports ('000 tonnes)	4,020.2	2,795.4	2,118.9	3,617.8	4,074.1	3,805.8
Exports (US\$ million)	81.0	55.9	44.7	94.4	102.5	95.8
Alumina						
Production ('000 tonnes)	3,440.2	3,569.6	3,600.1	3,542.4	3,630.6	3,843.6
Exports ('000 tonnes)	3,476.6	3,607.2	3,642.5	3,552.0	3,635.9	3,839.9
Exports (US\$ million)	600.7	631.7	696.0	642.7	610.7	673.3
Total bauxite^b						
Production ('000 tonnes)	12,646.4	11,688.5	11,126.5	12,369.6	13,119.5	13,444.5
Exports ('000 tonnes)	12,719.4	11,789.5	11,283.1	12,384.8	13,141.8	13,386.9
Levy/tax (US\$ million) (1)	82.4	59.1	74.6	70.5	52.4	51.9
Royalty (US\$ million) (2)	5.8	5.9	5.3	5.6	6.3	9.4
Local cost and net forex^c (US\$ million) (3)	248.9	251.4	245.4	322.7	319.8	263.6
Foreign exchange inflows (US\$ million) (4) = (1)+(2)+(3)	337.1	316.4	325.4	398.9	378.5	325.0

a Preliminary.

b Total bauxite is the sum of crude bauxite and of unprocessed bauxite used in alumina production.

c Net Forex is earnings by the Government owned entities in the Bauxite/Alumina sector.

Source: Planning Institute of Jamaica (2002) and (2003), *Economic and Social Survey*.

51. All minerals in Jamaica are vested in and under the control of the Crown. Mining of any minerals is subject to the payment of a royalty to the Government; if the land does not belong to the State, part of the royalty is paid to the owner. The royalty rate is US\$0.50 per long dry tonne on bauxite or laterite dried or processed into alumina; the rate on other minerals is 3.5% of the commercial value for metallic minerals, and of the mine-gate value for industrial minerals.

52. The Government does not intervene in setting mineral prices. There are no restrictions on the importation or exportation of minerals; however, under the Mining Act, all exports of minerals require an export permit from the Ministry of Land and Environment, attesting that the royalties have been paid. According to the Mining Act, to undertake mining activities, companies have to apply for a mining lease, granted for a period of 25-year (renewable for a further 25 years); many of the bauxite mining companies, however, operate on 40-year special mining leases, as the Mining Act grants the responsible minister power to award special mining leases for periods he deems appropriate. The applicant must hold of a prospecting right (to carry out a general prospecting work)

or an exclusive prospecting licence (specifying the mineral, the locality, and the area), and an environmental permit from the National Environment and Planning Agency (NEPA).

53. A policy document governing quarrying operations in Jamaica has been prepared; it deals with illicit quarrying among other issues pertinent to the subsector. A national minerals policy is also being prepared. The latter policy is expected to address a wide range of issues relating to the development of minerals including the management of mineral-bearing lands, development of the non-bauxite mineral sector, granting licences, monitoring and enforcement, penalties for non-compliance and, requirements and arrangements for restoration of mined-out areas, sector-specific education and training, research and development, and management of demand for mineral materials.

54. Apart from royalties, there is a bauxite levy, at a basic rate of US\$5 per tonne of bauxite production; this rate increases in direct proportion with the average realized price per tonne for primary aluminium. In November 1999, to encourage expansions of the industry, the Government agreed to exclude from the levy any additional capacity created by plant expansion. In 2002, also to encourage investment, the Government started a phase-out of the bauxite levy, which is being replaced by an income tax regime, negotiated company-by-company. Revenue accruing from the bauxite levy was estimated at US\$65.4 million in 2002, or 2.4% of total government revenue in 2002/03, down from 5% in 1996/97.

55. Incentives for the bauxite and alumina industry are granted by the Bauxite and Alumina Industries (Encouragement) Act, 1950, as amended. Businesses engaged in the mining of bauxite or the production of alumina qualify for customs duty exemption on imports of capital goods; and for duty concessions and exemption from the special consumption tax on lubricating oil, greases, and other petroleum products/other chemicals used by the industry. Items acquired under the Act are zero-rated for GCT purposes. These concessions have been extended on a case-by-case basis to big quarrying operators. The industry can also benefit from other non-industry-specific incentives schemes (see Chapter III(2)(viii), (3)(iv) and (4)(ii)). Tariffs applied on imports of aluminium ores are 10%; and of alumina 15%.

(4) OTHER MANUFACTURING

(i) Overview

56. The manufacturing sector (including mineral and food processing) accounted for 13.5% of Jamaica's GDP in 2003, down from 14.3% in 1999. The sector employed 7.0% of the labour force in 2003, also down from 8.8% in 1998.²⁰ Excluding processed food, beverages, and tobacco and tobacco products, the sector's share of GDP was 6.0% in 2003, down from 6.7% in 1998. The overall decline reflects the poor performance of some traditional industries, notably textiles and clothing. Jamaica is a significant net importer of manufactures; imports are more than three times higher than exports. The share of manufactured products in total exports has decreased sharply, from 23.7% in 1998 to 9.9% in 2002 (including processed food, beverages, and tobacco, but excluding exports from export free-zones).

57. The largest manufacturing subsector is food, beverages and tobacco (Chart IV.3). The other main subsectors are petroleum refining (2.1% of GDP), machinery and equipment (1.9% of GDP); and chemical, rubber and plastic products (1.0% of GDP). While shares of most of subsectors have been relatively constant since 1998, the share of textiles and apparel decreased from 0.9% in 1998 to

²⁰ Statistical differences between this section and Chapter I are due to variations among different government sources.

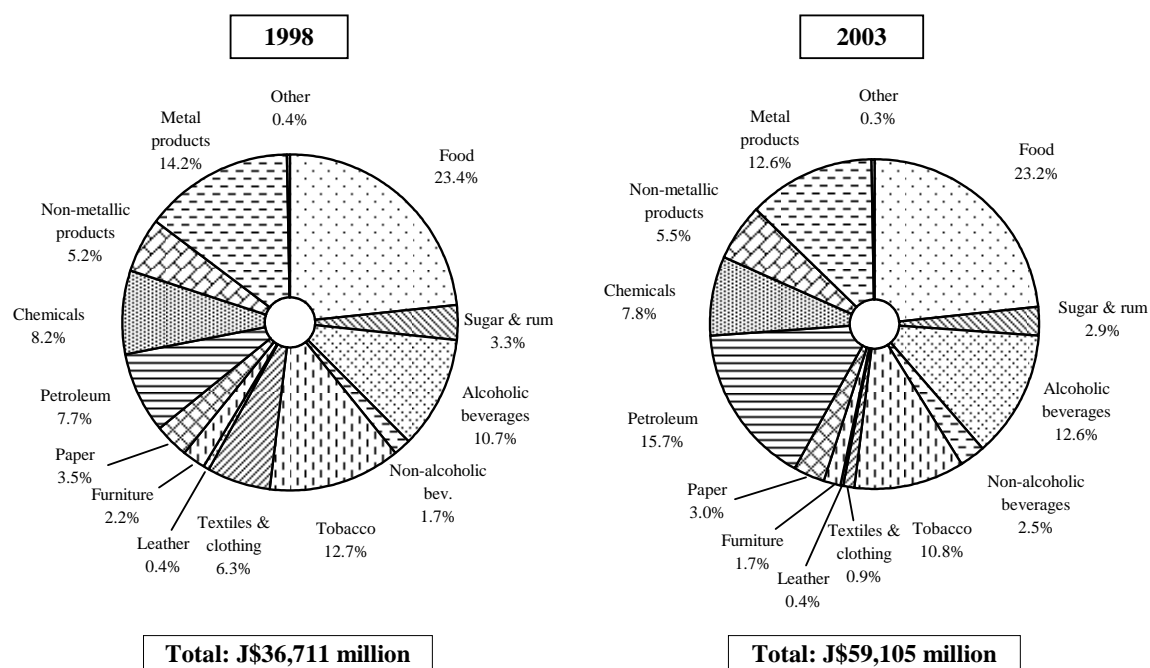
0.1% in 2003. Petroleum refining is the only subsector for which GDP share increased (from 1.1% in 1998 to 2.1% in 2003).

58. Manufacturing output in constant values (1995 J\$) has been decreasing for all subsectors, with the exception of petroleum refining (Table IV.8). The biggest decrease has taken place in textile and clothing sector (see below). In 2003, the output of petroleum products also declined due to a scheduled closure for repairs and maintenance of Jamaica's only refinery. The manufacturing subsectors that saw their production increase were food processing and chemical products (mainly production of paint and fertilizers).

Chart IV.3

Manufacturing GDP by subsector, 1998 and 2003

(Per cent)



Source: WTO Secretariat, based on data provided by the authorities of Jamaica.

Table IV.8
Manufacturing output and GDP, 1998-02
(In constant 1995 prices, J\$ million)

1998		1999		2000		2001		2002	
Output	GDP	Output	GDP	Output	GDP	Output	GDP	Output	GDP
Total manufacturing (including processed food, beverages and tobacco)									
81,752.6	25,944.5	83,352.9	26,320.3	83,617.4	26,039.0	82,645.2	26,620.5	80,783.6	26,311.4
Textiles and wearing apparel									
6,747.0	1,628.5	5,418.7	1,308.6	4,964.1	1,198.1	3,081.9	745.6	1,216.0	296.1
Leather and leather products, footwear									
459.4	109.9	432.8	103.7	391.6	93.6	307.0	78.0	308.5	79.7

Table IV.8 (cont'd)

1998		1999		2000		2001		2002	
Output	GDP	Output	GDP	Output	GDP	Output	GDP	Output	GDP
Furniture and fixtures, wood, wood and cork products									
1,705.3	566.1	1,709.3	567.8	1,482.0	492.7	1,505.9	500.4	1,493.5	496.2
Paper and paper products, printing and publishing									
2,302.5	902.8	2,275.7	890.8	2,220.2	874.3	2,092.3	825.7	2,035.8	809.2
Petroleum refining									
6,745.4	2,003.3	9,242.1	2,369.2	12,613.5	3,086.8	12,944.5	3,763.3	13,203.2	3,838.5
Chemicals, chemical products, rubber and plastic products									
5,924.0	2,122.0	6,058.8	2,173.0	5,725.0	2,056.1	5,705.9	2,052.4	5,662.4	2,033.5
Metal, fabricated metal products, machinery and equipment									
14,482.2	3,689.6	13,929.4	3,575.0	13,192.8	3,387.8	13,861.4	3,566.0	14,099.0	3,630.6
Non-metallic mineral products (excluding petroleum and coal products)									
3,686.9	1,358.5	3,370.2	1,265.0	3,218.0	1,283.9	2,894.0	1,198.7	3,101.1	1,259.6

Source: WTO Secretariat, based on information provided by the authorities of Jamaica.

(ii) Incentive schemes and market access

59. The manufacturing sector benefits from a number of incentive schemes. Incentives are granted under the Export Industry Encouragement Act, Free Zones, Modernization of Industry Programme, Accelerated Depreciation Programme and duty-free treatment of inputs for production (Chapter III(2)(viii), (3)(iv) and (4)(ii)). Qualified businesses operating in the manufacturing sector may also take accelerated depreciation allowances. Financing is provided through various facilities and programmes at an average interest rate of 12%, while the commercial bank rate is 25% (in March 2004) (section (6)(ii) below, Chapter III, sections (3)(v)(b) and (4)(ii)). The Jamaica Productivity Centre, a tripartite organization, began operations on 1 April 2003.

60. Tariff on imports of manufactured products (ISIC definition) averaged 7.7% in 2004, with a range of zero to 40%. Excluding processed food, beverages, and tobacco, on which the highest tariffs in the sector apply, the average was 6.1%; other products subject to high tariffs are mostly those for which there is domestic production, such as clothing, leather goods, and soap (Table AIV.2).

61. To protect its cement and chemical industries, Jamaica imposed its first anti-dumping measure, on imports of ordinary Portland grey cement in 2001. Anti-dumping duties on inorganic fertilizers were introduced in 2002 (see Chapter III(2)(xi)). Jamaica's first safeguard, on Portland grey cement, was imposed as a provisional measure in 2003.

62. Import licensing is required for some manufactured products, in particular for motor vehicles and parts, arms and ammunition, certain toys, games, and amusement machines (Chapter III(2)(x)).

(iii) Textiles and clothing

63. The most marked change since Jamaica's last Review in 1998 has been in the textile and clothing sector. Production has decreased sharply (in constant dollars), as has value added (Table V.8). Exports, mainly of apparel, have decreased accordingly (see Table IV.9); imports of textiles decreased from US\$64.8 million in 1998 to US\$46.2 million in 2002, due to the decline in production in textile sector; and imports of clothing fell from US\$217.8 million to 52.8 million. Many factories have been closed and employment dropped from 36,000 persons in the early 1990s to approximately 8,000 in 2002. This contraction has taken place despite preferential treatment granted by various trading partners, and domestic incentive schemes. In 2003, for the first time in a decade, earnings from apparel exports grew, by 2.5%, mainly due to increased exports to Europe.

64. The policy response to the decline of the textiles and clothing industry has been to guide and facilitate the shift to, and development of the higher-value-added fashion industry. The Jamaica Business Development Centre (JBDC) and JAMPRO have central roles in this process: JAMPRO through its marketing and investment promotion activities, and JBDC through its technical assistance and business development focus with special emphasis at the SME level. New competitive strategies as outlined in the Modernisation Action Programme (MAP) put emphasis on developing efficiencies at the firm level, through measures such as the adoption of appropriate technology, appropriate financing, and training.

Table IV.9
Apparel exports, 1998-03
(US\$ million)

Market	1998	1999	2000	2001 ^a	2002	2003 ^b
United States	410.3	334.1	266.0	191.3	123.2	101.0
Total 807	353.7	288.1	238.7	68.0	27.2	2.6
Cut, make and trim (CMT)	56.6	46.0	27.3	15.4	9.4	18.1
CBTPA	n.a.	n.a.	n.a.	107.9	86.6	80.3
Others	95.0	91.1	94.5	99.0	106.2	134.2
Total	505.3	425.2	360.5	290.3	229.4	235.2

a Revised.

b Preliminary.

n.a. Not applicable.

Note: 807 products are made of fabric cut (formed or not) in the United States. CMT products are products for which the cutting is done in Jamaica and products assembled in Jamaica from imported pre-cut parts.

Source: Planning Institute of Jamaica (2002) and (2003), *Economic and Social Survey of Jamaica*.

65. Jamaican textiles benefit from preferential treatment under CARICOM, the CARICOM-Colombia Free Trade Agreement, the Cotonou Agreement, the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the United States-Jamaica and Canada-Jamaica bilateral textile arrangements. Certification of textile products is governed by the Trade (Certificates of Jamaican Origin) (Amendment) Regulations, 1998.

66. The main market for Jamaican textile and clothing exports remains the United States (around 43% of total exports), despite the increasing importance of Europe as an export market. Jamaican exports of certain number of clothing products have access to the United States under the 807, and cut, made and trim (CMT) provisions (through bilateral quotas), and under the U.S.-Caribbean Basin Trade Partnership Act (CBTPA), which became effective in October 2000.²¹ The CBTPA grants duty-free and quota-free treatment on apparel made in a CBI beneficiary country from fabrics formed from U.S. yarns; on certain knit apparel made in CBI beneficiary countries from fabrics formed in the Caribbean Basin region (provided that U.S. yarns are used for the fabric), subject to an overall yearly limit (a separate limit is set for T-shirts); and on apparel made in a CBI beneficiary country from fabrics determined to be in "short supply" in the United States, and for designated "hand-loomed, handmade, or folklore" articles.²² Jamaican exports of textiles and clothing to United States have been taking place mainly through the CBTPA since it came into effect (Table IV.9).

²¹ Some products, such as hosiery, however were not granted CBPTA preferences. See also WTO (2004), Chapters II and IV.

²² Trade Board, "Certification of Textile Products". Available at: http://www.tradeboard.gov.jm/export_cert_07.htm.

67. The Bilateral Textile and Apparel Agreement with the United States, signed in 1994, sets export restraints on a number of textile and clothing items. Quotas are applied on 20 product groups, with access levels determined by the United States every year. These quotas are allocated by JAMPRO among eligible exporters, who must be registered manufacturers of textiles and clothing (including those in free zones, as their exports are considered as part of Jamaican exports for quota purposes). The quotas have been traditionally underfilled, in particular since the CBTPA entered into force. The highest fill rate in 2003 was 8.7% for knit shirts and blouses; the rate was 0% for 13 product groups and between 0.1 and 2.2 for the others. The quota system will be terminated under the WTO Agreement on Textiles and Clothing (ATC), which provides for the elimination of all bilateral quotas on imports from WTO Members at the latest by January 2005.

68. Most Jamaican producers of textiles and clothing benefiting from access to the U.S. market operate in free zones, particularly in the Montego Bay Free Zone. However, these exports decreased from US\$410.3 million in 1998 to US\$31.2 million in 2002. The slight increase in exports to other markets has not compensated this fall. The performance of the apparel industry has been influenced by competition from other textile-and clothing-producing countries, and the migration of some manufacturers, particularly those located within free zones. This migration seems to have been provoked by loss of competitiveness due to high operational costs, notably electricity, security, and wages, as well as the cost of capital.

(5) ELECTRICITY

69. Electricity generation increased at a slow pace, from 2,949.6 MWh in 1998 to 3,696 MWh in 2003, largely reflecting the slow growth of the economy as a whole. The Jamaica Public Service Company Limited (JPSCo) supplies approximately two-thirds of the total energy generated directly to the grid, while independent power producers supply the balance through power-purchasing agreements (Table IV.10). The authorities note that 140 MW of capacity was added by JPSCo between 2001 and 2003. Transmission and distribution losses are significant, and the cost of electricity remains high by international standards. An electricity policy paper is being drafted to address these issues.

70. The electricity industry is, in principle, governed by the Electric Lighting Act 1890 (latest amendment in 1977); the Electricity Development Act 1958; and Office of Utilities Regulations Act 1995. A new legislative framework is being prepared. According to the authorities, the two sectoral Acts do not reflect current technology and industry market structure, and the sector is, in practice, regulated by the licence granted to JPSCo (see below) while awaiting adoption of new legislation. The authorities responsible for regulating the sector are the Ministry of Commerce, Science and Technology and the Office of Utilities Regulation (OUR).

71. The JPSCo remains the main supplier and sole distributor of electricity in Jamaica. It operated under an exclusive 39-year licence issued in 1978. In 2001, a new 20-year licence was issued to JPSCo, granting it the right to generate, and the exclusive right to transmit, distribute, and supply electricity throughout Jamaica. The JPSCo has an obligation to connect to private suppliers, unless they compromise the safety of the transmission and distribution network. The company is owned jointly by Mirant (United States), the Government of Jamaica, and a small group of minority shareholders; 80% of ownership of the company was sold to Mirant in March 2001. The JPSCo is subject to regulation by the OUR.

72. Total electricity output was 3.52 billion kilowatt hours in 2002; generation by non-JPSCo sources was 1.1 billion kWh. The share of electricity generated by independent providers has been increasing, from 24.5% in 1998 to 30.3% in 2002. About 82.2% of total output is sold to final users;

the rest is lost or used by the generators themselves. Around one third of the generated electricity is sold to households (Table IV.10).

Table IV.10
Output and distribution of electricity, 1998-03
(MWh)

	1998	1999	2000	2001	2002	2003 ^a
Net output	2,227.6	2,257.1	2,295.4	2,450.8	2,458.0	2,673.6
Steam	1,815.8	1,736.1	1,670.6	1,601.6	1,717	1,685.0
Slow speed diesel	225.4	242	259.1	257.5	214.1	200.3
Hydro	87.8	88.8	78.4	60.5	104.6	146.3
Gas turbine	98.6	190.2	287.2	531.2	422.3	641.9
Non-JPSCo sources	722.0	842.4	1006.5	910.0	1,066.9	1,022.4
Total output	2,949.6	3,099.5	3,301.8	3,360.8	3,524.9	3,696.0
Disposal						
Residential rate sales	926.3	1,007.4	1,046.8	1,065.4	1,103.1	1,106.7
General service rate	589.1	606	598.3	604.8	618.1	652.4
Power service rate	517.1	520.6	573.5	583.3	597.2	625.7
Large power rate	358.8	383.6	463.8	474	510.4	540.6
Street lighting rate	50.2	51.1	51.4	55.6	57.4	59.9
Other	4.7	7.4	5.1	10.2	10.3	13.1
JPSC use	11	10.9	10.3	10.1	9.7	12.4
Line losses and other unaccounted for net generation	503.4	523.3	562.8	567.4	618.6	685.3

a Provisional.

Source: Planning Institute of Jamaica (2002) and (2003), *Economic and Social Survey of Jamaica*.

73. Electricity tariffs supplied are determined by JPSCo and must be approved by the OUR (see Chapter III(4)(i)).²³ According to the JPSCo's licence, the rates must be cost-reflective, and consist of a non-fuel rate, adjusted annually to incorporate a performance-based rate-making mechanism; and a fuel rate, adjusted monthly to reflect fluctuations in fuel costs. There is also provision for annual adjustments to be made as a consequence of any extraordinary costs related to government-imposed obligations. The non-fuel rate component is adjusted monthly to account for movements in the exchange rate between the US\$ and the J\$, while fuel costs are passed through directly as a fuel charge on customers bills. Different rates are set (depending on the demand) for residential services, general services, power services (low and medium voltage), street lighting, and traffic signals. The highest rate in 2003 was for streetlights (J\$10.663 per kWh) and the lowest for large power and to other generating companies (J\$6.537 per kWh); the rate for residential services is J\$10.616 per kWh. There are no concessionary rates for specific activities; companies can, however, negotiate prices. The terms of the JPSCo licence require a review of tariffs and the introduction of a new price cap regime in June 2004.

74. The issues of renewable energy has been given serious attention by the Government, and in July 2004, the first commercial wind farm was commissioned. The farm has 23 turbines and an installed capacity of 20.7 MW. The energy produced by the farm will be sold to JPSCo for distribution through the national grid and is expected to service more than 25,000 households.

²³ OUR (2003).

(6) SERVICES**(i) Overview**

75. The services sector in Jamaica accounted for some 71.9% of GDP in 2003 and employed around three quarters of the labour force. The size of its tourism industry makes Jamaica an important exporter of services. The process of privatization and liberalization, reported in Jamaica's last Review, in 1998 has continued in the services sector. There is currently little government involvement in tourism, telecommunications, and financial services. Market access is relatively open in most subsectors. Since 1998, major developments include the liberalization of the telecommunications subsector and mergers and recapitalization of financial institutions.

76. Under the General Agreement on Trade in Services (GATS), Jamaica scheduled horizontal commitments on commercial presence and the presence of natural persons for all sectors included in its Schedule (Table AIV.3). Jamaica participated in the extended negotiations on basic telecommunications and financial services, and presented offers in both negotiations. In its Schedule of Specific Commitments Jamaica maintains no market access restrictions with respect to commercial presence as total foreign ownership is allowed in all sectors with the exception of the preference for joint ventureships in certain professional services. Insurance, where foreign ownership was limited, was liberalized in the WTO Negotiations on Financial Services. However, as of June 2004, Jamaica had not yet ratified the Fifth Protocol to the GATS.²⁴

(ii) Financial services

77. The performance of the financial services subsector has strengthened since 1998 and value added has expanded faster than overall GDP. The subsector accounted for 8.5% of GDP in 2003, up from 8% in 1998 (Table IV.11). Approximately 57,600 persons were employed in financial services in 2002. The subsector is relatively well developed and liberalized, and seems to have overcome the effects of the crisis that affected it during the 1990s, as reflected in an improvement in indicators (see below). Also, mergers and acquisitions have consolidated the financial services market, and the quality of the investment portfolio has improved.

78. Liberalization and reform have led to a substantial improvement in prudential indicators but the performance in the financial subsector could be further enhanced. For example, as in other countries of the region, the spread between lending and deposit interest rates continues to be high, suggesting the need to increase efficiency in financial intermediation and lower the risk perception. The authorities have noted that high administrative costs are behind the large spreads. In March 2004, the average lending rate of commercial banks was 25.4% (some 10% in real terms), while the average deposit rate was 8.3%, resulting in a spread of 17.1 percentage points. This, however, compares favourably with the situation in late 1998, when the spread reached almost 27%. In this respect the consolidation of banking activities in recent years and the adoption of more stringent prudential regulations are positive steps to reduce risk. The intermediation activities of securities market dealers represented roughly 42% of the financial subsector's assets in 2002. The IMF has noted that these activities could make the financial sector potentially vulnerable, since minimum capital requirements are low, and their portfolios are subject to interest rate and exchange rate risks.²⁵ The authorities have noted that, to overcome concerns of this type, new regulatory guidelines based on Basel I are expected to become effective in 2004, calling for higher minimum capital requirements (10% of risk-weighted assets), and margin requirements ranging from 1%-30% on repurchase transactions. The authorities consider that the new guidelines will provide a clear definition of eligible securities to be used in

²⁴ WTO document GATS/EL/45, 15 April 1994.

²⁵ IMF (2004b).

repurchase agreements, and that they will mitigate the credit and market risks of the securities dealers' portfolios.

Table IV.11
Financial sector: selected indicators, 1997-03

Indicator	1997	1998	1999	2000	2001	2002	2003
Contribution to GDP	8.3	8.0	8.5	8.7	7.9	8.2	8.5
Real GDP growth	-10.6	-4.2	7.0	3.1	-8.1	6.1	4.9
Employment ('000)	59.6	56.8	52.5	50.8	47.3	57.6	64.4
Total assets (J\$ million)	196,031	221,178	238,919	267,905	300,736	340,488	398,788 ^a
Total deposits (J\$ million)	147,118	154,396	164,601	188,829	204,908	230,585	250,129 ^a
Total loans (J\$ million)	73,534	52,412	48,809	52,202	69,587	97,549	90,560 ^a
Capital base	4,971	9,096	21,662	24,333	27,416	29,815	33,572 ^a

a As at September 2003.

Source: Planning Institute of Jamaica (2002) and (2003), *Economic and Social Survey of Jamaica*.

79. In the mid 1990s, the financial crisis prompted the intervention of the Government of Jamaica, which led to the enhancement of regulation and the creation of the Financial Institutions Services, Ltd (FIS) and the Financial Sector Adjustment Company (FINSAC). The FINSAC provided support to help address liquidity and solvency problems faced by troubled financial institutions; it provided debt and equity capital of over US\$1.5 billion. At the same time, legislative amendments were made to improve the regulation and supervision of the financial sector. The FINSAC is in the process of winding down its operations as it completes the divestment phase of its mandated three-phase programme. In February 2002, the Jamaica Redevelopment Foundation, a subsidiary of a U.S.-based bank, purchased FINSAC's non-performing loan portfolio, valued at US\$393 million. The authorities note that the FINSAC's mandate has been largely achieved in the stipulated seven-year timeframe, and, with the exception of legal issues, all day-to-day residual matters are being managed by the Financial Institutions Services.

80. New legislation introduced between 1998 and 2003, created institutions and procedures to strengthen the oversight of financial institutions and provide greater consumer protection. New prudential requirements were set, increasing the power of supervisory authorities and making provisions for depositors in case of financial institution failure. Financial services regulations were modified through the introduction of amendments to the Bank of Jamaica Act and the Building Societies Act in 2002, and the Financial Institutions Act in 2001; an overhaul of the Insurance Act in 2001, and of the Securities Act and the Unit Trust Act in 2000; and the passage of the Deposit Insurance Act in 1998 and of the Financial Services Commission Act in 2001. The Securities (Mutual Funds) Regulation, 1999, and the Securities (Takeovers and Mergers) Regulations, 1999 were also introduced during this period.

81. Through the new legislation, there has been some shift in authority away from the Minister of Finance to the new agencies related to particular financial services, such as insurance and securities trading. The Financial Institutions Supervisory Division (FISD) of the Bank of Jamaica (BOJ, see also Chapter I) has supervisory responsibility over deposit-taking financial institutions, including: commercial banks licensed under the Banking Act; merchant banks; trust and finance houses licensed under the Financial Institutions Act (FIA licensees); building societies licensed under the Bank of Jamaica (Building Societies) Regulations; credit unions licensed under the Cooperative Societies Act; and other specified financial institutions. Since 2001, the BOJ may intervene and assume temporary management of institutions unable to meet their obligations, a function formerly held by the Ministry of Finance. The 2002 Amendment of Section 34F of the Bank of Jamaica Act

increases the power of the Minister of Finance, on recommendation from the BOJ, to introduce regulations on the prudential requirements of financial institutions, and allows for penalties of up to J\$2 million or two years imprisonment for non-compliance.

82. The Financial Services Commission (FSC), created by the Financial Services Commission Act of 2001 (Act No. 9 of 2 August 2001), supervises and regulates prescribed financial institutions. Currently, this extends to the insurance and securities industries with pension funds expected to come on-stream, after approval of the relevant legislation. The FSC is governed by a Board of Commissioners, appointed by the Minister of Finance, and is funded by licence fees. Under the Financial Services Commission Act, no person who has proprietary interest in more than 5% of the shares of a prescribed financial institution may be appointed as a member of the Commission.

83. The Jamaica Deposit Insurance Corporation (JDIC) was established on 31 August 1998, to insure foreign and domestic depositors against the loss of deposits made in commercial banks, merchant banks, trust companies, and building societies. Coverage is for a maximum of J\$300,000 per depositor, per institution. The JDIC also manages the Deposit Insurance Fund. All institutions that take deposits in Jamaica and are supervised by the Bank of Jamaica must register with the JDIC and make annual contributions in the form of premiums to the Fund. At the end of March 2004, 16 institutions were registered with the JDIC and the balance of the Fund was J\$1.2 billion. Approximately 97% of deposit accounts or 40% of the value of deposits are insured. The JDIC works closely with the BOJ, relying on the information of the Bank regarding the financial status of insured institutions. Consultation with the Minister of Finance and the BOJ is required in decisions regarding the determination of institutional failure and methods of resolution.

84. The Regulatory Policy Council (RPC), established in 2000, is an inter-regulatory body responsible for facilitating coordination and information sharing between the agencies that supervise the Jamaican financial sector. The RPC develops policies and strategies towards this end. The March 2001 amendment to the BOJ Act allowed the Bank of Jamaica to share information with the FSC and the JDIC within the framework of the RPC.

85. The annual licence fee for deposit-taking financial institutions, of J\$2,000 for every J\$10 million of assets of the company or part thereof, is payable to the Accountant General, it is applicable equally to companies incorporated in, and outside of, Jamaica.

86. Jamaica made commitments on financial services in both the Uruguay Round and the extended negotiations that led to the Fifth Protocol.²⁶ In its GATS Schedule of Specific Commitments with respect to 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, including consumer credit, mortgage credit, factoring and financing of commercial transactions, 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, as specified in Jamaica's Schedule.²⁷ Jamaica made national treatment commitments in both life and non-life insurance during the Uruguay Round negotiations.²⁸ These commitments were enhanced in the negotiations on financial services. However, as at June 2004, Jamaica had not ratified the GATS Fifth Protocol.²⁹ The authorities noted in this respect, that they were expecting to have all the regulatory framework in place before ratifying the Protocol.

²⁶ WTO documents GATS/SC/45 of 15 April 1994 and GATS/SC/45 Suppl.2 of 26 February 1998.

²⁷ WTO document GATS/SC/45/Suppl.2, 26 February 1998.

²⁸ GATS/SC/25, 15 April 1994.

²⁹ WTO document S/FIN/M/44, 21 April 2004.

87. There are no restrictions to private foreign ownership of banks, and the banking, life, non-life insurance sectors benefit from national treatment. The establishment of financial institutions requires prior authorization based on prudential and other "fit and proper criteria" as defined in the legislation regulating the particular type of activity.

88. At the regional level, CARICOM is undertaking a comparative analysis of member states' national legislation on financial services as a step towards regional harmonization in banking and securities.

(a) Banking

89. As of early 2004, the Jamaican banking subsector consisted of six commercial banks, six merchant banks, one trust and finance company, four building societies, and five development banks. Concentration in banking is relatively high and has increased during the period under review. Mergers and acquisitions reduced the number of commercial banks in Jamaica from nine in 1998 to six in 2004. Currently, all banks are either foreign-owned or have foreign capital participation, in contrast with just three in 1998.

90. Commercial banks' assets increased steadily over the 1998-03 period, to J\$313.5 billion (US\$5.38 billion at the 2003 average exchange rate) from J\$173.6 billion (US\$4.7 billion at the 1998 average exchange rate). Deposits increased from J\$114.1 billion (US\$3.1 billion) to J\$198.8 billion (US\$3.4 billion). Loans and advances by commercial banks increased by a third during the same period; they were disbursed primarily for consumption, in particular for personal use, followed by government services, and tourism and entertainment; the share of credit for agriculture and manufacturing has been declining since 1998 (Table IV.12).

Table IV.12
Distribution of commercial bank loans and advances, 1998-02
(% of total loans and advances)

	1998	1999	2000	2001	2002
Consumption	39.7	42.5	38.7	35.5	28.8
Personal	24.6	30.7	26.9	28.2	23.2
Professional services	15.1	12.3	11.7	7.2	5.7
Goods-producing activities	20.2	18.3	16.5	14.3	11.2
Agriculture	4.7	4.1	3.9	3.1	2.3
Manufacturing	9.3	8.2	7.7	6.2	4.3
Mining	0.4	0.3	0.3	0.2	0.1
Construction	5.8	5.4	4.5	4.9	4.5
Services	40.1	38.7	44.8	50.2	59.9
Government services	10.9	13.3	16.5	21.0	31.2
Tourism and entertainment	10.2	10.1	12.0	10.7	9.8
Distributive trade	8.3	7.7	8.8	6.6	6.1
Other services	19.7	7.6	7.5	20.9	15.3

Source: Bank of Jamaica.

91. The prudential indicators of the banking system have improved in recent years. For example, past due loans as a percentage of total loans decreased each year between 1998 and 2003, from 29.6% to 3.3% (Table IV.13).³⁰

92. Commercial banks are regulated by the Banking Act 1992 and the Banking (Amendment) Act, 1997. Licensing requirements are the same for foreign-owned and domestic banks, with the exception of minimum subscribed capital requirements, which are higher for foreign banks. Foreign banks may establish both branches and subsidiaries. The same capital-fixed-asset and credit-limit exposures apply to foreign and domestic-owned banks. No distinction is made between domestic and foreign banks with respect to the services they can provide.

Table IV.13
Key prudential indicators of commercial banks, 1998-03
(%, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003
Institutions in operation	9	6	6	6	6	6
Overall structure						
Total loans (net of provisioning, J\$)	37,210	32,174	33,631	38,355	63,169	87,241
Past due loans/total loans	29.6	16.9	14.3	8.8	4.2	3.3
Rate of asset growth	11.2	22.1	11.3	12.7	8.2	18.5
Rate of deposit growth	8.8	15.1	15.5	8.1	9	9.4
Rate of loans growth (gross)	-18.5	-19.8	8.5	9.1	56	36.1
Rate of capital base growth	-73.6	973.8	8.2	19.6	9.4	16.6
Investments/total assets	33.3	44.1	48.3	48.0	41.0	36.2
Fixed assets/total assets	2.9	2.4	2.3	1.9	2.3	2.2
Loans (net of prov.)/total assets	24.2	17.1	16.1	16.2	24.7	28.8
Loans (gross): deposits	39.9	27.8	26.1	26.4	37.7	46.9
Liquidity						
Cash reserves/prescribed liabilities	23	16.8	13.0	10.0	9.0	9.0
Liquid assets/prescribed liabilities	51.7	49.4	49.5	43.5	41.0	33.7
Asset quality						
Loan loss reserves/total loans (gross)	17.8	11.4	14.6	10.8	5.8	4.4
Capital adequacy						
Deposits + borrowings: capital (:1)	100.5	10.4	10.9	10.1	10.1	10.2
Capital base/total assets	0.9	8.1	7.8	8.3	8.4	8.3
Profitability						
Pre-tax profit margin (for quarter)	-0.3	12	22.2	9.3	29.5	30.3
Return on average assets (for quarter)	0.0	0.5	0.9	1.0	1.0	1.4

Source: Bank of Jamaica.

93. Banks must create reserves from profits: they are required to transfer each year a minimum of 15% of net profits to a statutory reserve fund until its balance reaches 50% of the paid-up capital. Subsequently, a minimum of 10% must be transferred each year until the reserve fund covers paid-up capital. Banks may not, directly or indirectly, acquire or hold more than 50% of the share capital of any company or undertaking. Banks must establish reserves to cover loans on which no payment of principal or interest has been made for a period of three months; they must notify the BOJ of any loans that fall in this category and that represent 10% or more of their capital base. Where a bank has

³⁰ Bank of Jamaica (2004b).

a subsidiary or subsidiaries, a consolidated balance sheet and consolidated profit and loss account relating to the licensee and its subsidiaries must be presented.

94. Reserve requirements are determined by the BOJ, based on BOJ Act guidelines, which prescribe that banks and other financial institutions must maintain a cash reserve of not less, on average, than 5% of its prescribed liabilities, in the form of a deposit with the BOJ; their liquid assets must be, on average, not less than 15% of their prescribed liabilities. Reserve requirements, were reduced during 1998-03 as the financial situation of the banks improved. The liquid assets reserve requirement (share of deposit liabilities on assets) for commercial banks was reduced annually, from 47% in 1998 to 27% in 2003.³¹ The cash reserve requirement has also been reduced by the BOJ, in a series of gradual reductions, from a level of 25% in 1998 to 9% in March 2002.³² Commercial banks met statutory requirements in liquid assets and cash reserves in 1998 and 1999, fell slightly below the margin during the second half of 2000 and 2001, and in 2002 met the requirements for the entire year.

95. Requirements for FIA licensees and for banks have been the same since 1999; and penalties for failure to meet the requirements have been the same since late 2002. FIA licensees did not meet statutory requirements in either cash or liquid asset reserves in 1998 and 1999, but met both for the period 2000-03. Commercial banks and FIA licensees are subject to a special deposit ratio with the BOJ of 5%, as of January 2003, which the BOJ may increase to a maximum of 20% of the prescribed liabilities with approval from the Minister of Finance.

96. Minimum capital requirements are applied equally to national and foreign-owned banks, except for subscribed capital, which is J\$250 million for foreign-owned banks and J\$80 million for national banks. The authorities note that the additional capital requirements for foreign banks are intended to ensure that there is a buffer against risks arising from the foreign banks' operations outside of Jamaica. For FIA licensees and building societies, the required subscribed capital is J\$25 million, regardless of ownership. Paid-up capital requirements are J\$60 million for commercial banks and J\$20 million for FIA licensees and building societies. Revised capital adequacy regulations embodied in the Banking (Capital Adequacy) Regulations were gazetted on 8 March 2004. They introduce and formalize a 10% risk weighted capital adequacy ratio as well as a 6% primary ratio (capital base to total assets); the authorities note that the higher ratios were already adhered to prior to the gazettement of the Regulations. The capital adequacy ratio is 25:1 for commercial banks and 20:1 for FIA licensees.

97. The Financial Institutions Act, 2001, as amended in 2002, regulates merchant banks, trust companies, and finance houses, which are commonly called FIA licensees. Licences are granted by the Minister of Finance on the recommendation of the BOJ. There are no limitations on private foreign investment; however, except with the written approval of the Minister of Finance, a foreign government or government agency may not, directly or indirectly hold more than 5% of the issued share capital of a licensee, or exercise any voting power in excess of that percentage.

98. Under the Financial Institutions Act, every licensee must maintain a reserve fund and transfer profits to this fund annually, at the same percentages as banks. The Act limits deposit liabilities and other indebtedness for licensees (together with interest accrued) to a maximum of 20 times its capital base. FIA licensees may not grant unsecured credit facilities to a firm or corporation that holds 20% or more of the licensee's capital or in which the licensee or a connected person has an interest as a partner, nor to any person who holds or controls 20% or more of the licensee's shares. FIA licensees may be allowed to operate as authorized dealers, which may lend and borrow in foreign currency, as well as trade foreign currency instruments. Not all FIA licensees are allowed to operate as authorized

³¹ IMF (2003), Table 21.

³² Bank of Jamaica (2002).

dealers. At the end of 2003, there were 11 authorized dealers, consisting of six commercial banks, three FIA licensees, and two building societies.

99. As a result of mergers and acquisitions, the number of FIA licensees decreased from 21 in 1998 to seven in 2003. Assets, excluding contingent liabilities, fell from J\$16.1 billion to J\$8.8 billion, between September 1998 and 2000, reflecting the financial crisis, but rebounded for the period up to September 2003, to reach J\$35.6 billion (US\$611 million). Deposits increased from J\$5.9 billion to J\$8.7 billion over the September 1998-03 period; prudential indicators, such as the rate of past due loans over total loans, as well as profitability, improved during the period.

100. *Cambios* and *bureaux de change* are only authorized to buy and sell foreign currency; they are licensed and supervised by the BOJ. Compliance with the Money Laundering Act, 1999 is assessed through on-site inspection and in-house monitoring. In early 2004, there were 136 licensed *cambio* locations operated by 66 entities.³³ Only local companies are eligible for licences to operate as *cambios*; licences are renewable annually and not transferable. Prospective directors, and shareholders of 10% or more of a *cambio* are evaluated based on "fit and proper" criteria, audited financial statements for the two years prior to application, and proof of availability of cash of at least US\$25,000. *Cambios* must sell a minimum of 5%, and as much as 10%, of their daily gross foreign exchange purchases to the BOJ at their previous day's weighted average selling rate *cambio* or lower. *Cambios* cannot hold a short foreign currency position.

101. Building societies mobilize and allocate savings by providing long-term mortgage financing, of up to 90% of the value of a property, mainly for residential purposes. Building societies are regulated by the Building Societies Act 1897, as amended in 1995 and 2002, the Bank of Jamaica (Building Societies) Regulations 1995, and the Building Societies (Licences) Regulations 1995. The 2002 Amendment of the Building Societies Act gave the BOJ enhanced supervisory powers, including the right to request information related to company operations and customer accounts, and to mandate the restructuring of a building society if it is part of a group that has at least one member not supervised by the BOJ or the FSC. The BOJ may exempt foreign holding companies from these requirements, if satisfied that regulatory criteria in the foreign country of incorporation are stringent enough. Cash requirements for building societies are lower than for other financial institutions, and vary according to the perceived solvency of the society, linked to the amount of total loans granted for residential mortgage purposes. During the period under review, the number of building societies in operation fell from ten to four, partly due to mergers assisted by the FINSAC. For the period September 1998-03, assets, excluding contingent liabilities, increased from J\$44.3 billion to J\$60.6 billion, while total deposits increased from J\$33.3 billion to J\$46.8 billion; both, however, contracted in terms of U.S. dollars.

102. Credit unions are deposit-taking institutions that are owned by and only conduct business with their members; they typically offer short-term loans at lower interest rates than other financial institutions. Credit unions are required to hold a reserve account with a minimum of 20% of their surplus in case of bad debts and future losses. Credit unions were designated as "specified financial institutions" under the Bank of Jamaica Act in 1999 and now fall under BOJ supervision.³⁴ The Jamaica Co-operative Credit Union League Ltd is a local association of credit unions that also has a regulatory role; it conducts regular audits of credit unions and sets codes of ethics for business practice and financial guidelines.³⁵ At end 2002 there were 56 credit unions in operation, down from

³³ Bank of Jamaica, (2004c).

³⁴ The Bank of Jamaica Declaration of Specified Financial Institutions (Cooperative Societies) Notice, 1999, and Bank of Jamaica (2000).

³⁵ Jamaica Co-operative Credit Union League Limited online information. Available at: <http://www.jccul.com/>.

77 in 1998; membership was over 680,000, up from the 1998 figure of 500,000. Assets in December 2002 were J\$20 billion (US\$410 million); savings were some J\$15 billion; and outstanding loans were J\$10 billion. The authorities note that Bank of Jamaica (Credit Union) Regulations are being drafted (as at June 2004), to prescribe the prudential criteria and minimum solvency standards for credit unions.

103. In 2002, Jamaica's five development banks disbursed a total of J\$3.4 billion in domestic currency and US\$15.1 million in foreign currency (Table IV.14); the manufacturing sector received the most funds (J\$2.4 billion), followed by services (J\$382.2 million), tourism (J\$357.9 million), and agriculture (J\$252.7 million).³⁶

104. The Development Bank of Jamaica (DBJ), owned by the Government, is the result of the merger of the National Development Bank and the Agricultural Credit Bank in 2000. It provides medium- and long-term loans for productive activities; the loans are channelled through approved financial institutions, including commercial and merchant banks, credit unions, and people's cooperative banks. DBJ's assets and liabilities reached J\$21.8 billion in 2002, an 80.5% increase over the previous year. Funds were obtained from overseas financial institutions and the 2002 issue of a development bond. Loans were disbursed mainly for tourism, agriculture, and manufacturing.

Table IV.14
Loans disbursements by development banks, 1998-02
(J\$ and US\$)

	1998	1999	2000	2001	2002
Local currency loans (J\$ million)	2,561.9	2,911.2	2,842.2	3,881.2	3,429
Pan Caribbean Financial Services Ltd.	176.2	176.9	93.6	56.2	39.5
National Development Bank	243.9	223.5	n.a.	n.a.	n.a.
EX-IM Bank	1,627.9	1,994.5	1,881.1	2,045.1	2,143.0
Agricultural Credit Bank	312.5	350.9	n.a.	n.a.	n.a.
National Development Foundation of Jamaica	71.3	58.2	86.7	106.7	8.3
National Investment Bank of Jamaica	130.1	107.2	55.0	347.2	70.8
Development Bank of Jamaica	n.a.	n.a.	725.8	1,326.0	1,167.4
Foreign currency loans (US\$)	38.9	26.3	17.3	12.3	15.1
Pan Caribbean Financial Services Ltd.	0.0	0.0	0.0	0.4	0.0
National Development Bank	11.8	9.2	0	0.0	0.0
EX-IM Bank	17.9	13.9	15.3	8.2	11.8
Agricultural Credit Bank	0.6	0.1	n.a.	n.a.	n.a.
National Investment Bank of Jamaica	8.6	3.1	0.3	2.4	1.9
Development Bank of Jamaica	n.a.	n.a.	1.7	1.3	1.4

n.a. Not applicable.

Source: Planning Institute of Jamaica.

105. The National Investment Bank of Jamaica (NIBJ), owned by the Government, manages the equity and quasi-equity investments of the Government's Capital Development Fund. Investments in the tourism sector constitute the greater part of its portfolio. The Export-Import Bank of Jamaica Limited (Ex-Im Bank) supports exporters and importers (see Chapter III(3)(v)(b)). The National Development Foundation of Jamaica provides loans and technical assistance to small and micro-enterprises. In 2002, Trafalgar Development Bank was purchased by Grace Kennedy and transformed into the Pan Caribbean Financial Services (PCFS) Limited.

³⁶ Planning Institute of Jamaica (2002).

(b) Insurance

106. The Jamaican insurance industry is regulated by the Insurance Act 2001 (Act No. 26 of 2001), Insurance Regulations 2001, the Insurance (Actuaries) (Life Insurance Companies) Regulations 2001, and the Insurance (Actuaries) (General Insurance Companies) Regulations 2002, which cover registration and licensing, corporate governance, internal controls, and solvency requirements. This legislation repealed the previous Insurance Act, and introduced more stringent regulatory provisions (see below). Jamaica is a member of the International Association of Insurance Supervisors (IAIS), and the Caribbean Association of Insurance regulators, which set guidelines for best practices in the insurance industry.

107. There were 20 insurance companies in Jamaica in 2003; 13 were general insurance companies with combined assets of J\$27 billion, more than double the 1998 figure, and reported net profits of J\$1.8 billion, more than three times those of 1998 in real terms. Automobile and fire insurance are the dominant segments. There are seven life insurance companies in operation. The number of life insurance policies sold increase from 41,929 in 1998 to 64,753 in 2003.³⁷ Annualized premium income reached J\$8.3 billion in 2003. Consolidation in the market has reportedly resulted in improved efficiency.³⁸

108. The Financial Services Commission (FSC), is responsible since 2001 for overseeing the insurance industry. The FSC replaced the Superintendent of Insurance in these functions. The FSC's Insurance Committee is responsible for most matters requiring regulatory approval under the Insurance Act. Insurance companies must submit information to the FSC about their directors and senior officers; the FSC must determine whether these persons are "fit and proper". Foreign companies are allowed to participate in all forms of insurance activities.

109. The Insurance Act 2001 introduced a number of changes, including: a "fit and proper" standard; an increase of minimum capital requirements; registration requirements for entities that were not previously required to register, such as, insurance consultants, managing general agents, and loss adjusters; the obligation to appoint an actuary; and clearer capital adequacy and solvency standards. As a result, life insurance companies are now required to meet the minimum continuing capital and surplus requirement (MCCSR) solvency standard, which sets out the minimum capital that a life insurer must maintain in order to remain in business and is proportional to the size and relative risk of the company's business. General insurance companies are required to apply the minimum asset test (MAT) solvency standard, which also establishes the minimum capital to be maintained, but based on the size of the business and its liabilities to its policy holders.³⁹ The minimum standard in 2003 for life insurance companies was for actual capital to be at least 100% of the required capital under the MCCSR. Minimum capital requirements are J\$150 million for life insurance companies, and J\$90 million for non-life insurance companies. Foreign insurance companies are required to meet the same minimum capital requirements as the local companies. The FSC considers that the new provisions make it difficult for under-capitalized companies to stay in business, as the FSC has been granted the powers, in accordance with the Financial Services Commission Act, 2001, to intervene to protect policy holders.⁴⁰

³⁷ Planning Institute of Jamaica (2003).

³⁸ Jamaica Stock Exchange Online News, 15 March 2004. Available at: <http://www.jamstockex.com/company/loj/2004/lojfoh04.htm>.

³⁹ Both tests are applied comparing actual assets with their respective benchmarks; for the period 2001, the MAT/MCCSR was set at 100%; for 2004-2005 it is 110%; for 2006-2007, 120%; for 2008-2009, 135%; and as of 2010, 150%.

⁴⁰ Financial Services Commission (2003).

110. Insurance companies may not engage in both long-term and general insurance operations, unless general insurance operations are limited to the personal accident insurance business.

111. The insurance industry has a tiered structure of quarterly renewal fees based on total assets as reported in the audited financial statements of the previous year. The percentages differ for life and general insurance companies. The minimum fee is J\$1 million annually.

112. Foreign-owned companies must be established in Jamaica. All forms of insurance activities are open to foreign suppliers, and foreign investment up to 100% is permitted since 1997.

(c) Securities trading

113. Securities trading is regulated by the Securities Act, 1993, as amended in 1996, 1999, and 2001. The Financial Services Commission (FSC) was established under the Financial Services Commission Act 2001. The FSC is in charge of ensuring that appropriate standards of performance, security, and business practices are maintained, and of granting the licences required to operate in the Stock Exchange and the Jamaica Central Securities Depository (JCSD). The FSC may investigate suspected fraudulent activity independently or at the request of the Council of the Stock Exchange or the Board of the JCSD.

114. The Unit Trust Act 1971, as amended in 2001, regulates collective investment schemes, and trusts, and contains provisions for the registration of unit trust schemes and sales persons, as well as requirements for record-keeping, audits, and disclosure of information to investors.⁴¹ Unit trusts were brought under the supervision of the FSC with the 2001 amendment of the Securities Act and the 2001 amendment of the Unit Trusts Act. The FSC also regulates mutual funds, and managers of mutual funds must register as licensed dealers.

115. Several new securities regulations have been introduced since Jamaica's last Review in 1998. The Securities (Licensing and Registration) (Amendment) Regulations 2001 cover the licensing of dealers, investment advisors, and representatives. The Securities (Disclosure of Interest) Regulations 1999, define disclosure of information requirements for public companies and entities that issue commercial paper. The Securities Act (Mutual Funds) Regulations 1999, require collective investment schemes other than unit trusts, pension funds, and certain insurance funds, to register as mutual funds.

116. The only stock exchange currently in operation in Jamaica is the Jamaica Stock Exchange (JSE), a private limited company established in August 1968. The JSE is governed by a Council/Board of Directors, which includes representatives of the BOJ, the Ministry of Finance, the Jamaica Bar Association, the Institute of Chartered Accountants of Jamaica (ICAJ), a council-elected independent member and broker members. The JSE trades securities, ordinary/common shares, preference shares, and corporate bonds in local and foreign currency, although the authorities note that there are few US\$-denominated corporate bonds listed on the JSE. There were 42 companies listed on the JSE in early 2004; manufacturing companies had the highest number, followed by banking and financial services, and communications.⁴² Minimum requirements to list a security include: a minimum total issued share and loan capital of J\$200,000, with the share capital portion being not less than J\$100,000; and, in the case of ordinary shares, an issued nominal value of at least J\$100,000. Companies must have a minimum of 100 shareholders holding in their own right not less

⁴¹ David (2001).

⁴² The list of companies traded on the Jamaica Stock Exchange is available online at: <http://www.jamstockex.com/listing.com>.

than 20% of the issued ordinary capital (worth not less than J\$50,000 nominal value).⁴³ The final decision to list a security is at the discretion of the JSE Council or a committee appointed by it. The Jamaica Central Securities Depository was established in 1998.⁴⁴

117. There are ten broker-members, who act as both agents and principals, and are the only entities permitted to conduct stock-broking activities and to trade on the JSE; a broker-member must be a corporation incorporated in a CARICOM country. The corporation must be owned and controlled by natural or juridical persons who are both citizens and residents of a CARICOM country. The associate members of the Stock Exchange have no trading rights but are entitled to attend, without any voting privileges, all general meetings of the JSE. They are also eligible to act as agents in a public offer of stocks or bonds for which application for listing on the JSE is made. Commercial banks and their associated trust companies can apply to the JSE for membership. The general requirements for becoming a broker-member include that the company has paid-in capital of at least US\$166,666, and fit-and-proper criteria are met. A compensation fund has been established, with the contribution of brokers-members, to indemnify losses to broker-members' clients in certain situations. The FSC can intervene and run and/or wind-up the affairs of a broker-member under certain circumstances.

118. The stock market has grown considerably in terms of value traded and capitalization during the period under review, although the number of companies listed has declined. The JSE's market capitalization at the end of 2003 was approximately US\$8.8 billion, four times the 1998 capitalization in terms of U.S. dollars; the volume traded increased seven-fold over the same period.⁴⁵

119. Government bonds may be traded by broker-members in over-the-counter primary and secondary markets regulated by the FSC. The main primary markets are the treasury bill market, the local registered stocks market, and the commercial paper market. There is a ceiling of J\$12 billion for the outstanding amount of treasury bills at any time during the year. Through the commercial paper market, companies issue promissory notes, which are becoming an important source of funding, especially for the manufacturing sector. Trading in securities in the secondary market has been expanding in the last decade, triggered by the need of financial institutions to meet stricter liquidity requirements to comply with BOJ regulations.

(iii) Telecommunications

120. The combined contribution of communications, and storage and transport (data for the two subsectors are reported together in Jamaica's GDP statistics) increased from 11.3% of GDP in 1997 to 13.9% in 2003 (Table IV.15). This is because growth in these sectors significantly outperformed overall GDP growth. Combined employment has also been growing, to total 60,500 in 2003, but considerably less than sectoral GDP growth, suggesting important productivity gains in the sectors.

121. Telecommunications is among the sectors in which liberalization has advanced the fastest in recent years. The number of fixed telephone lines increased substantially in the decade to 2002, from 167,000 to almost 450,000 (Table IV.16). The increase in the number of mobile phones has been more impressive: from 15,221 during the 1993/94, the number rose to almost 250,000 in 2000, and to 1.4 million in 2002. It is estimated that combined fixed line subscribers and mobile users totalled some 2.1 million in early 2004, of which some 500,000 were fixed line subscribers and 1.6 million were mobile subscribers. The Government estimates the number of Internet users at around 600,000.

⁴³ Jamaica Stock Exchange online information. Available at: http://www.jamstockex.com/jse_his.htm.

⁴⁴ Labour Market Information System, "Finance Insurance and Real Estate 2002". Available at: <http://www.lmis-ele.org.jm/Financing.asp>.

⁴⁵ Jamaica Stock Exchange "Market Capitalization From 1969-2003". Available at: <http://www.jamstockex.com>.

Access to Internet can be provided through a variety of technologies, such as fixed lines and wireless, and through subscription television services. The stock of capital investment in telecommunications as at December 2003 was some J\$8.45 billion.⁴⁶ Although mobile coverage currently exceeds that of fixed networks, the waiting list for fixed line access remains high. An industry study reports that the waiting list for fixed telephone access remained over 168,000 as at March 2003.⁴⁷

Table IV.15
Telecommunications and transport: contribution to GDP and employment, 1998-03

Indicator	1998	1999	2000	2001	2002	2003
GDP contribution	11.3	12.0	12.7	13.1	13.8	13.9
GDP growth (constant prices)	6.4	6.8	6.5	5.1	6.3	3.0
Employment ('000)	53.4	54.9	56.3	59.4	65.2	60.5

Source: Planning Institute of Jamaica.

122. Since November 2002, Cable and Wireless Jamaica Limited (C&WJ, formerly Telecommunications of Jamaica Ltd.) no longer has the absolute monopoly in the provision of land-line services. A second fixed-line supplier, GOTEL, provides services through a wireless local loop (WLL). However, in late 2003, only 20% of GOTEL's network was operational, offering service to four out of 14 parishes, covering slightly over half of Jamaica's population. Its market share is also very small; C&WJ still controls some 99% of the market.⁴⁸ In March 2004, Digicel announced it would offer landline and data service, first to business customers and then the general public by December.⁴⁹ Up to March 2004, there were three mobile phone providers: C&WJ, Digicel Jamaica Ltd, and Oceanic Digital Jamaica (ODJ), which operates the wireless mobile licence formerly owned by Centennial Digital Jamaica. In March 2004, AT&T was awarded a spectrum licence for the deployment of a mobile cellular network, at a price of J\$360 million, and with a projected investment of JA\$1 billion in the first 12 months of operations, making it the fourth player in Jamaica's mobile phone industry.⁵⁰

Table IV.16
Telecommunications indicators, 1993-02

	1993	1996	1999	2000	2001	2002
Number of land lines	167,251	300,000	493,523	507,107	511,302	450,000
Mobile phones	15,221 ^a	47,261 ^b	117,861	249,842	640,453	1,400,000

a Data for fiscal year 1993/94.

b Data for fiscal year 1995/96.

Source: Information provided by the Jamaican authorities.

123. The Government's broad policy objective is to utilize the telecommunications industry development as an engine of growth for the Jamaican economy. Intermediate policy goals include:

⁴⁶ *The Jamaica Gleaner* 10 March 2004, "AT&T Roams Jamaica". Available at: <http://www.jamaica-gleaner.com/gleaner/20040310/business/business1.html>.

⁴⁷ Office of Utilities Regulation, Dominant Public Voice Carriers: Determination Notice, Document No: TEL 2003/07, August 14, 2003.

⁴⁸ Office of Utilities Regulation, Dominant Public Voice Carriers: Determination Notice, Document No: TEL 2003/07, August 14, 2003.

⁴⁹ The Jamaica Gleaner online. Available at: <http://www.jamaica-gleaner.com/gleaner/20040331/business/business2.html>.

⁵⁰ TechJamaica.com. Jamaica's Tech Portal. Available at: <http://www.techjamaica.com/content/view/586/2/>.

extension of the wired and wireless networks to encompass the entire country; ensuring universal access, while maintaining profitability considerations; ensuring competition; maintaining costs that are internationally competitive; and ensuring efficient and cost-competitive domestic and international connectivity arrangements.⁵¹ The Government considers that the liberalization of the telecommunications market is one means of achieving these goals. Measures include the negotiation of a new agreement with Cable & Wireless in September 1999 and the passing of a new Telecommunications Act in February 2000. The market was fully liberalized in 2003, ten years earlier than originally scheduled (see below). The authorities have noted that the Telecommunications Act 2000 covered the transitional period from 2000 to March 2003, and that, as at June 2004, new legislation was being prepared to govern the sector in its fully liberalized phase.

124. According to the authorities the traditional distinction between broadcasting and telecommunications is being eroded by convergence into a broader information and communication technology (ICT) sector. Policy reform in Jamaica to promote convergence was in a formative stage, exemplified by recent changes in the regulatory regime to allow subscriber television operators to be licensed to deliver telecommunications services. The authorities also note that Jamaica has made significant strides in the deployment of a cable communication network, and that they believed that this infrastructure held the potential for expanding and modernizing the wider communications network within Jamaica thereby providing access to broadband and other advanced services over networks.

125. The Ministry of Commerce, Science and Technology (MCST) is responsible for telecommunications policy in Jamaica. The MCST aims to develop the telecommunications industry so as "to move Jamaica towards becoming a knowledge-based connected society".⁵² Regulation of different aspects of the telecommunications industry is carried out by the Office of Utilities Regulation (OUR); the Spectrum Management Authority (SMA); and the Fair Trading Commission (FTC). The Broadcasting Commission, under the Ministry of Information, is responsible for regulating broadcasting. As part of the sector's reform, the Government is considering the establishment of a single regulator.

126. The OUR was established in 1995 with primary responsibility for regulating all utilities, including the provision of telecommunications services. The OUR recommends the issuing of licences and ensures compliance with the terms and conditions of carrier, service provider, and dealer licences. It is also responsible for facilitating the interconnection of entrants (mobile and fixed) to the incumbent's existing telecommunications networks at the most convenient points and at a fair price, and of assessing the terms and conditions of interconnection offers. The OUR has the statutory power to impose arrangements with respect to interconnection. Dominant carriers must present interconnection offers to OUR for analysis and a determination. In November 2001, the OUR introduced modifications to the existing interconnection regime, including an 8% increase in fixed retention rates, and a similar increase of the applicable retail rates for fixed to mobile calls. The OUR also determined that, for incoming international calls to mobile networks the mobile carrier is to receive the U.S. settlement rate less a previously determined fixed network retention rate.⁵³ The OUR monitors rates and may impose price caps on carriers and service providers, including the dominant fixed network operator Cable & Wireless Jamaica (see below). The OUR is also mandated to

⁵¹ Jamaica Telecommunications Advisory Council, *Telecommunications Policy Reform in Jamaica Recommendations from the Jamaica to the Minister of Industry, Commerce and Technology*, July 2003.

⁵² Ministry of Commerce Science and Technology. Available at: <http://www.mct.gov.jm/supplement.pdf>.

⁵³ Office of Utilities Regulation online information. Available at: <http://www.our.org.jm/pdf/Modconnect.pdf>.

promote competition among carriers and service providers, and to advise the Minister on matters relating to the provision of telecommunications services.

127. The FTC addresses competition policy issues, in particular those related to anti-competitive conduct in the sector, for which it works in cooperation with the OUR. The SMA, established by the Telecommunications Act 2000, is an independent regulatory body responsible for managing the radio frequency spectrum. It became fully operational in April 2001; its main functions are planning the use of the spectrum and allocating frequencies, recommending the issuing of spectrum licences by the Minister in charge of telecommunications, and collecting spectrum licence fees. The SMA is also responsible for monitoring and interference management. The SMA represents Jamaica's interests in regional and international fora, such as the International Telecommunications Union (ITU), the International Satellite Organization (ISO), and the Caribbean Telecommunications Union (CTU).

128. The Jamaica Telecommunications Advisory Council (JTAC) was established in 2000 to assist with the sector's liberalization process and advise the Minister on all aspects of telecommunications services. The Council is required to advise the MCST on all matters relating to telecommunications. The Telecommunications Appeals Tribunal was set up under Section 61 of the Telecommunications Act to hear appeals by persons aggrieved by any decision of the OUR.

129. In 1999, the Government started a process of liberalizing the telecommunications industry, which included a renegotiation of the contract with C&WJ, the sole supplier of fixed and mobile telephony, the passing of new legislation and the adoption of a phased approach for its implementation. In September 1999, the Government concluded an agreement with C&WJ, which was granted a 25-year exclusive right to operate basic telephony services in 1988. The new agreement ended the company's status as a monopoly in the provision of basic telecommunications services well before the originally scheduled date of 2013 (renewable to 2038). As part of the agreement, C&WJ agreed to supply 217,000 telephone (gross) lines, to spend J\$168 million to upgrade technology, and J\$80 million to defray the initial cost of setting up the SMA. In consideration of paying that sum, C&WJ would not be liable for any licence or spectrum fees during the transition period, but could be required to pay administrative costs. C&WJ's monopoly rights ended as of 1 March 2003.

130. The passing of the Telecommunications Act (Act No. 1 of 16 February 2000) redefined telecommunications policy in Jamaica and facilitated the gradual opening up of the market to new players. The Act put in place a reform process divided into three phases. Phase I, which started on 1 March 2000, opened the market to competition in wireless cellular services, the provision of customer equipment, and the resale of data, international voice and Internet access, while allowing companies with Single Entity Free Zone status to provide their own telecommunications services.⁵⁴ The monopoly on fixed-line services was maintained during Phase I, as well as limitations on the granting of certain types of licences (e.g., only two additional licences for mobile telephony); certain licences that segmented the market, such as FTZ carrier licences, were maintained. Phase II of the liberalization process started on 1 September 2001 and introduced competition in domestic facilities and services, and allowed subscriber TV providers (STVOs) to become Internet service providers (ISPs). Restrictions on domestic carrier licences were maintained, licenses for Internet access. At the beginning of Phase II, the existing telecommunications carrier, Cable & Wireless Jamaica was allowed to offer its domestic switched voice minutes for resale to domestic service providers on a wholesale basis. Phase III, which started on 1 March 2003, international voice and data facilities opened up to competition.

⁵⁴ Ministry of Industry, Commerce and Technology (2002).

131. Provision of all telecommunication services requires a licence, granted by a competent authority. Operation of a facility or a service requires a carrier or service provider licence, respectively, upon the recommendation of the OUR. Licences are also required for the marketing and sale of international services. The sale, trade in or importation of any prescribed equipment requires a dealers licence. The OUR is required by law to make public invitations for applications for the grant of carrier or service provider licences. Licence applicants undertake to comply with the provisions regarding interconnection obligations; universal service obligations; and network expansion requirements, amongst other things. Most carrier and service provider licences are valid for a maximum of 15 years. Licensees are entitled to compensation for meeting the universal service requirement. Universal service obligations are to be funded through contributions in a special fund to be created for this purpose. Failure to comply with the provisions of the Telecommunications Act, may result in licence suspension for up to three months, and if the failures continues, the licence may be revoked. The OUR determines its fees based on the estimated cost of regulating the specific services to which the licences relate.

132. Between 2000 and March 2004, 346 telecommunications licences were issued, including: 65 Internet service providers; 51 international voice service providers; 29 data service providers; 52 international carrier; 28 domestic carrier; 38 domestic voice service providers; eight free trade zone carriers; and 10 free trade zone service providers licences.

133. The sector's reform has increased competition in the industry, which has led to a decline in rates. The OUR has an active role in this respect, trying to foster competition and ensuring that pricing mechanisms are not used by larger carriers to eliminate smaller ones from the market, or prevent new entrants. Under the new regulatory environment, telecommunication services retail pricing policies are left to the licensee, except in the case of a dominant carrier. Interconnection charges and other prices for a dominant carrier must be cost oriented. Cross subsidies are not allowed: pricing policies must take into account the principle that costs should be borne by the carrier whose activities cause those costs. Also, non-recurring costs must be recovered through non-recurring charges; similarly, fixed costs must be recovered through flat charges and variable costs with charges that are based on usage.

134. The Telecommunications Act mandates the OUR, following consultation with the Fair Trading Commission, to identify which public voice carriers are to be classified as dominant. A public voice carrier who has been declared dominant is obligated to file a reference interconnection offer (RIO) with the OUR setting out the proposed terms and conditions for interconnection with its network. The Act also provides for the OUR to prescribe a number of "competitive safeguard rules", including accounting separation, and keeping of records, etc., in order to prevent dominant public voice carriers from engaging in anti-competitive practices. In a recent determination the OUR has declared C&WJ the dominant fixed carrier and a decision as to dominance in the mobile market is pending. Even before a declaration of dominance was made C&WJ's services, except mobile services, terminal equipment, internet service provision, and interconnect services, have been subject to price cap regulation. Interconnect services are provided under an interconnection agreement between C&WJ and the interconnect seeker, and the terms and conditions governing such agreements including charges are subject to regulatory oversight by the OUR. The first price cap plan was set for four years (1 September 2001 through 31 August 2005). Prior to this, C&WJ was subject to rate-of-return regulation. Price caps are published and made available online.⁵⁵ Price Caps are calculated through the Price Cap Index (PCI) and the Actual Price Index (API). The PCI is calculated annually based on measures of economy-wide inflation in Jamaica and estimates of the company's own

⁵⁵ Office of Utilities Regulation online information. Available at: <http://www.our.org.jm/telerateschedule.asp>.

productivity. The API is the actual weighted price level of C&WJ's prices at a given moment and is adjusted with each price change and must remain less than or equal to the PCI for C&WJ to be in full compliance with the regime. For every year after the initial one, the PCI is calculated according to a formula, which takes into account changes in the Consumer Price Index (CPI), a quality service adjustment which is set at zero during the four years, and an exogenous adjustment factor to take account of rapid reduction in settlement rates. The API is calculated using a formula that takes account of the quantity demanded of a price-cap rate service in the prior fiscal year; the current price for a price-cap service in the current price cap year, and the average "headroom" (percentage difference between the PCI and the API) during the months of September through March of the previous price cap year.

135. In June 2004, the OUR introduced new rules on termination charges for incoming international calls terminating on fixed and mobile networks. The new regulations removed the minimum settlement rates of US\$0.081 for international calls terminating on a fixed network, and US\$0.169 for international calls terminating on a mobile network, and let settlement rates be freely negotiated. The regulations mandate all locally licensed international carriers to provide the OUR, with information pertaining to contract details with each correspondent foreign carrier indicating prices, volumes, points of handing over traffic and other terms of the contract for traffic terminated in Jamaica in the calendar month, as well as the volumes of traffic obtained from each foreign carrier for termination for fixed and mobile networks. Also in June 2004, the MCST imposed a universal service charge of US\$0.035 per minute on all incoming international calls terminating on all domestic networks, to be collected by the respective domestic network operators and paid to the Universal Service Fund (USF).

136. The Minister responsible for telecommunications is ultimately responsible for the allocation and regulation of the spectrum. Under the Telecommunications Act 2000, the SMA has been delegated authority for the management of the spectrum. The SMA has developed a value-based mechanism for charging and allocating regulatory fees across spectrum users, as regulated by the Telecommunications (Spectrum Regulatory Fees) Regulations of 30 April 2003. The licensing application processes was overhauled in 2001, leading to an increase in the number of applications and approvals: between April 2001 and March 2003, 223 licences were approved.⁵⁶ The SMA collected J\$37.1 million in spectrum licence fees for the period April 2002 to March 2003. Spectrum licence pricing follows a market-based approach, whereby companies are charged based on economic value of the spectrum being utilized, determined by the Spectrum Management Authority. The spectrum licensing regime was revised starting March 2000, but existing licenses were honoured.

137. Jamaica did not table commitments on telecommunications in the Uruguay Round. However, it accepted commitments on telecommunications in the Fourth Protocol of the GATS containing the results of the extended WTO negotiations on telecommunications.⁵⁷ The Schedule contains limitations on market access (commercial presence and cross-border supply), which reserve voice telephone services, (as well as voice telephony over the Internet), and telex and facsimile services, which are reserved for a single supplier until September 2013. In addition, the commitments specify that call-back services were not permitted, and that telephone, telex, teleprinter, and facsimile services may not be supplied over cable TV networks. Since the conclusion of the WTO negotiations on telecommunications services Jamaica has moved to liberalize several of the services listed in its schedule. As part of its commitments in the Fourth Protocol, Jamaica also adopted the Reference Paper on Telecommunications.

⁵⁶ Information on spectrum licences available online at: <http://www.mct.gov.jm/Number%20of%20Spectrum%20Licences%20and%20Certifications.pdf>.

⁵⁷ WTO document GATS/SC/45/Suppl.1, 11 April 1997.

(iv) Transportation**(a) Air transport**

138. The air transport industry in Jamaica comprises the national airline, Air Jamaica; a domestic airline, Air Jamaica Express; five local operators providing charter services; two flight training units; one aerial applicator, and six approved maintenance organizations. Jamaica has two international airports, Norman Manley in Kingston, and Sangster in Montego Bay. The Norman Manley International Airport has the lead in freight movement, with some 17.5 million tonnes in 2003, compared with 6 million tonnes at Sangster. In numbers of flights and passengers, however, Sangster International is the leading airport; 60,056 flights and 3.2 million passengers passed through in 2003, compared with Norman Manley's 27,881 flights and 1.4 million passengers. Apart from the national airline, several airlines service Jamaica's two main airports. There are also four active domestic aerodromes, Tinson Pen, Boscobel, Ken Jones, and Negril.

139. Air Jamaica, privatized in 1994, is 75% privately owned. Local operators are totally locally owned; Jamaican law requires that airlines be substantially owned and controlled by Jamaican citizens, except if otherwise approved by the Minister responsible for air transport. Airline operations are monitored by the Civil Aviation Authority, under the Ministry of Transport and Works. Airlines have the right to transport cargo and passengers. Foreign operators may not undertake cabotage.

140. The Ministry of Transport and Works is responsible for air transport policy formulation and implementation. Policy issues are discussed at the Jamaican Air Policy Committee. The Civil Aviation Authority (CAA), a statutory organization within the Ministry of Transport and Works, regulates the aviation industry. The CAA also oversees all air navigation activities, including economic aspects, and matters relating to safety in civil aviation in Jamaica.

141. Air transport services are regulated by the Civil Aviation Act 1966, as amended in 1994 and 1995; the Civil Aviation (Air Transport Licensing) Regulations 1966; the Airports (Economic Regulation) Act 2002; the Airports Authority Act 1974, as amended in 1997 and regulations made there under; and the Aircraft (Tokyo, the Hague and Montreal Conventions) Act 1984. The authorities note that the Civil Aviation Amendment Act of 2004 is being examined by Parliament and is expected to be promulgated during 2004.

142. The Airports (Economic Regulation) Act 2002, establishes the framework for the economic regulation of Jamaica's airports. The Act grants the CAA the legal authority to regulate scheduled airports, presently Sangster International and Norman Manley International. The CAA has the authority to regulate certain airport charges and deal with public interest issues including anti-competitive behaviour.

143. Aerodrome certification regulations were enacted into law in March 1999. The CAA is working with airport and aerodrome operators to complete certification and registration requirements to comply with international standards. Aerodromes used for international transport or served by scheduled airlines carrying ten or more passengers must be certified. Other airdromes must be registered in the Jamaica Aeronautical Information Publication (AIP) Jamaica.

144. To provide commercial air services in Jamaica, it is necessary to obtain a licence for scheduled services or a permit for non-scheduled air services, from the CAA's Economic Regulation Department. Applications for operation of commercial air services for over 30 days are published and interested parties may lodge objections.

145. Air fares are not regulated, but must be approved by the CAA. Fares on international routes are generally determined based on bilateral agreements. Scheduled carriers operating flights into Jamaica are required to file fares and rates, and their conditions, with the CAA. Air tickets are not subject to the GCT, but a stamp duty is applied, which depends on the value of the ticket for international destinations, and is a fixed amount for domestic destinations.

146. Since 1 January 2003, the CAA has been responsible for setting maximum airport charges, for five-year periods. Section 2 of the Airports (Economic Regulation) Act, 2002 identifies airport charges, as those charges which may be levied on aircraft operators in connection with the landing, parking, or taking off of aircraft at the airport, as well as on passengers in connection with their arrival or departure by air from the airport. Charges levied on passengers are included in the air ticket. Under the Airports (Economic Regulation) Act, 2002, airport operators must submit to the CAA an application for permission to levy fees or charges, as detailed in the Airports (Economic Regulation) (Charges and Fees) Notice, 2003. The CAA generally attaches mandatory and discretionary conditions to permissions. These conditions generally aim at correcting anti-competitive conduct by operators, or prevent such future conduct. Permission holders must provide the CAA, together with their annual accounts, their schedule of airport charges and changes to the original application. The detailed conditions to obtain permission to levy airport charges, as well as their commercial terms, are outlined in the Airports (Economic Regulation) Act, 2002.

147. As of June 2004, there were two separate operators of Jamaica's two international airports. They had both sought and obtained permission to levy airport charges consisting of landing fees, parking fees and use of loading bridges in respect of aircraft. The two operators had also obtained permission to levy service and security charges. The authorities have noted that, on both occasions, the CAA exercised its authority to attach discretionary conditions to the permissions. They also noted that, as permitted under the Airports Act, the Minister had modified the first full review period of the operators from five to 12 years, with an interim review in the sixth year.

148. The CAA also oversees airworthiness and safety of aircraft operating in Jamaica, through its Flight Safety Division, which is also responsible for the registration of aircraft, validation of foreign licences held by pilots, aircraft maintenance engineers (AME), and air traffic controllers. There are some 85 aircraft on the Jamaica Civil Aircraft Register.⁵⁸ The CAA's Air Navigation Services Division is responsible for the provision, management and control of air traffic services and aeronautical telecommunications.

149. Maintenance services are provided by private operators. National treatment applies on the provision of these services, subject to technical requirements. Also, services may be contracted abroad: Jamaican air operators contract foreign repair work for the Jamaican fleet in six countries at over 30 approved foreign repair stations. These facilities are inspected regularly by the Jamaican authorities.

150. The Airports Authority of Jamaica (AAJ), under the portfolio of the Ministry of Transport and Works, owns and has traditionally operated Jamaica's two international airports and its domestic aerodromes. The AAJ is mandated to maintain cost-effective and viable financial operations, operating airports in a commercially-driven way.⁵⁹ The AAJ was in charge of the implementation of the Airport Reform and Improvement Programme (AIRP), a US\$60 million programme geared at improving the efficiency, quality and sustainability of airport services.

⁵⁸ The list of registered aircraft is available online at: <http://www.jcaa.gov.jm/Flight%20Safety.htm>.

⁵⁹ Airports Authority of Jamaica. Information available online at: <http://www.aaj.com.jm/default.htm>.

151. The administration of Sangster International Airport (SIA) was given in concession in April 2003 to the Vancouver Airport Consortium which was selected from among four formal offers, and a special purpose company, MJB Airports Ltd. was established. The concession was granted for 30 years, and a concession fee based on traffic and cargo flows through the airport is payable to the AAJ. The AAJ continues to oversee the activities of the SIA.

152. Jamaica did not make any specific commitment under the GATS with respect to air transport. Jamaica's policy towards liberalization in air transport services is to grant market access through bilateral agreements. In this respect, Jamaica has bilateral aviation agreements with 21 countries, including an Open Skies Agreement with the United States; the countries are: the Bahamas, Belgium, Canada, Chile, Cuba, Denmark, the Dominican Republic, Germany, Haiti, Hungary, Italy, the Netherlands, Norway, Panama, Sweden, Switzerland, Trinidad and Tobago, the United Kingdom, the former USSR, and Venezuela.

(b) Maritime transport

153. Jamaica's main seaports include Kingston, Montego Bay, Ocho Rios, and Port Antonio. Other ports include Port Esquivel, Port Kaiser, Port Rhoades, Port Royal, Rocky Point, and Rio Bueno. The main port is Kingston, an important trans-shipment centre. In 2003, out of a total of 25 million tonnes handled by Jamaican ports, 10.2 million tonnes of cargo were handled in Kingston, of which 7.6 million tonnes corresponded to trans-shipment. Trans-shipment activities in Kingston almost doubled between 1998 and 2002 (Table IV.17). Shipping services are provided by over 30 shipping lines. During 2003, there were 3,848 calls to Jamaican ports, up 7.4% from the previous year.

Table IV.17
Ports: ship traffic and cargo flow, 1998-03

	1998	1999	2000	2001	2002	2003
Kingston						
Number of vessels (visits)	2,220	2,161	2,302	2,397	2,520	2,531
Volume of cargo ('000 tonnes)	6,168	6,608	8,320	8,261	8,904	10,176
Domestic	2,215	2,185	2,430	2,473	2,364	2,577
Petroleum	1,640	1,794	1,783	1,898	2,236	2,404
Transshipment	3,953	4,423	5,890	5,788	6,540	7,599
Outports						
Number of vessels (visits)	1,133	1,201	1,245	1,177	1,232	1,334
Volume of cargo ('000 tonnes)	11,942	10,940	9,927	11,193	12,362	12,498
Landed	3,247	3,494	3,445	3,268	3,646	3,795
Loaded	8,694	7,446	6,472	7,925	8,716	8,703
Total all ports						
Number of vessels (visits)	3,353	3,362	3,552	3,574	3,752	3,865
Volume of cargo ('000 tonnes)	19,750	19,341	20,030	21,352	23,502	25,078

Source: Information provided by the Planning Institute of Jamaica; and Ports Authority of Jamaica.

154. The Port Authority of Jamaica (PAJ), a statutory body, owns and controls the Kingston transshipment port, the Kingston and Montego Bay free zones, the port of Montego Bay, which includes a commercial terminal and cruise ship terminals, the cruise ship terminal in Ocho Rios, and the boundbrook port in Port Antonio, comprising a commercial and a cruise ship terminal.⁶⁰ The management of some of PAJ-owned ports has been granted to private enterprises, for example, the

⁶⁰ Seaports of Jamaica online information. Available at: <http://www.seaportsofjamaica.com/>.

Kingston transshipment port, the largest terminal in the port of Kingston, the port of Montego Bay, the Ocho Rios cruise ship terminal, and the Boundbrook port.

155. The Government is currently investing in the expansion of the port of Kingston. Phase III of the expansion programme completed in late 2002, increased the port's container capacity by 400,000 to 1.2 million tonnes, at an estimated cost of US\$105 million. The dredging of the Kingston harbour was also completed in late 2002, at a cost of US\$27 million.⁶¹

156. Maritime transport policy is the responsibility of the Ministry of Transport and Works. The Maritime Authority, a statutory body established under the Shipping Act, 1998, regulates matters relating to merchant shipping. The Authority is responsible for registration of ships and regulating seafarers certification; regulating the safety of shipping as regards construction and navigation; inspecting ships for the purposes of maritime safety and prevention of marine pollution; and administering policy for the development of shipping in general.⁶² The Port Authority of Jamaica (PAJ) has regulatory responsibility for the operation of all ports. It is also mandated to provide and operate, and to maintain and improve port facilities and other services as the Minister of Transport and Public Works may require.⁶³

157. Maritime transport activities are governed mainly by the Shipping Act 1998, the Shipping (Incentives) Act 1979, the Port Authority Act 1972, and the Harbours Act 1874. Jamaica is a member of the UN Convention on a Code of Conduct for Liner Conferences. Jamaica has ratified a number of International Maritime Organization (IMO) conventions, including: on maritime safety, marine pollution, liability and compensation, etc., and others are in the process of being ratified. Jamaica has also ratified the United Nations Convention on the Law of the Sea. Jamaica has exempted cargo reservation from MFN treatment in its GATS Schedule, limiting it to signatories of the Convention for an indefinite period. Jamaica made a specific commitment on freight transportation.

158. Jamaica has adopted the International Ship and Port Facility Security Code incorporated under the IMO SOLAS 74/178 Convention. The Code requires that Jamaican ships and port facilities have in place security measures to reduce the threat of terrorism. All the ships and the majority of the port facilities have been certified and approved, respectively, in accordance with the Code.

159. Foreign ships may participate in local trade provided they meet the conditions set out in the Shipping (Local Trade) Regulations, 2003. Under the Act, ships must be registered under the Jamaica Ship Registry, or licensed and specifically exempt (see below) from registration to be recognized as a Jamaican ship. Jamaican nationals and businesses, foreign companies and partnerships, and foreign nationals who are Commonwealth citizens are qualified to own a Jamaican ship; foreign nationals require a resolution from the House of Representatives. The Cargo Preference Act, 1979, imposes restrictions on cargoes of bauxite, alumina, agricultural goods, and government-controlled goods, which must be carried by ships owned, chartered or operated by the Government, or a government-controlled company. The Act provides for countries to which goods are exported to carry up to 50% of the cargoes in ships flying the flag of that country. The Minister of Transport and Works may, in the national interest, allow all or part of the cargoes to be carried in ships of the shipper's choice. However, the authorities note that the provisions of the Act are not implemented, since there is no Government-controlled fleet.

⁶¹ Planning Institute of Jamaica (2002) p. 14.4.

⁶² Ministry of Transport and Works online information. Available at: http://www.mtw.gov.jm/Dep_Agen/Maritime%20authority%20agency.htm.

⁶³ Ministry of Transport and Works online information. Available at: http://www.mtw.gov.jm/Dep_Agen/port_authority_agncy.htm.

160. Jamaican business entities may benefit from fiscal incentives. Jamaican ships engaging in foreign trade may be declared "exempted ships"; the entities that own or operate an exempted ship (approved shipping entities) may be exempted from income tax in respect of gains derived from ownership or operation of the ship for ten years, renewable. Approved shipping entities are also exempt from transfer tax, stamp duties, and customs duties and GCT on imports to be used for the operation of an exempted ship.

161. Jamaica has adopted measures to comply with the U.S. Container Security Initiative (CSI), launched in 2002, is to prevent containerized cargo from being exploited by terrorists. The Montego Bay and Kingston ports have introduced X-ray machines for scrutinizing import and export cargo, as required for certification under the CSI. Jamaica expected to comply with all the requirements for certification by mid 2004.⁶⁴

(v) Tourism

162. Tourism accounts for some 10% of GDP and for 8% of total employment (directly employing an estimated 75,000 people, of which 30,000 in the accommodation subsector). Tourism has major spill-over effects to other areas of the economy, mainly construction, manufacturing, and agriculture, but also other services, and its overall contribution to Jamaica's economy is much larger than suggested by the GDP figures.

163. Tourism continues to be the main earner of foreign exchange in Jamaica, with almost US\$1.34 billion in 2003. The subsector generates some 50% of Jamaica's foreign exchange receipts, equivalent to over 80% of exports of merchandise. The travel balance posted a surplus of US\$951 million in 2002, which, although lower than in 2001, provided, together with current transfers, financing for Jamaica's traditional merchandise trade-balance deficit, and allowed an accumulation of foreign exchange reserves (Chapter I).

164. After growing rapidly during the 1990s and in 2000, tourism receipts contracted in 2001 and remained depressed in 2002. The number of visitor arrivals followed a similar pattern, although less pronounced (Table IV.18). Average expenditure per day was US\$89 for stopovers in 2002. Tourism in Jamaica was considerably affected by the 11 September 2001 attacks in the United States, which hit in particular the cruise industry. However, figures for 2003, show that the industry seems to have recovered: for the period January-December 2003, the number of stopovers was 6.6% higher than in the previous year, while the number of cruise arrivals was up by 30.9%, and tourist earnings increased by 10.5%.⁶⁵ Tourism has also been affected by increasing labour costs, and high operational and capital costs. In this respect, the authorities note that this is not peculiar to tourism and that the subsector did not appear to be threatened by rising labour costs. They also note that tourism operates in a fiercely competitive environment, and operators must upgrade products and services on an ongoing basis; the high cost of capital has an impact on their ability to do so. However, tourist operators have the opportunity to borrow in foreign currency.

165. Almost three quarters of arrivals in 2003 were from the United States, 16% from Europe, and 7% from Canada. There were 24,239 rooms available in 2002, of which 15,358 in hotels and the rest in hostels. There were 172 hotels, 38 of which were all-inclusive; however, since the all-inclusive hotels tend to be larger, some 46% of the rooms available were operated on an all-inclusive basis, excluding hotels that offer dual packaging.⁶⁶ Over half of the available rooms are operated by chains,

⁶⁴ Jamaica Gleaner online information. Available at: <http://www.jamaica-gleaner.com/gleaner/20030627/news/news1.html>.

⁶⁵ Bank of Jamaica (2004).

⁶⁶ Information provided by the authorities; and Price, Waterhouse Coopers (2002).

of which eight are domestic and seven foreign. Jamaican chains operate 62% of available rooms. Three of the five largest hotel chains are domestic groups. The Government divested from the sector in the 1990s, when eleven hotels were privatized.

Table IV.18
Summary performance of tourism, 1999-03

Performance indicators	1999	2000	2001	2002	2003
Visitor arrivals (thousands)	2,012.7	2,230.3	2,116.9	2,131.8	2,482.9
Stop-over	1,248.4	1,322.7	1,276.5	1,266.4	1,350.3
Cruise	764.3	907.6	840.3	865.4	1,132.6
By source market (stopover)					
United States	870.0	942.6	916.7	925.6	969.7
Europe	218.7	199.0	181.0	179.1	218.9
Canada	110.3	107.5	111.2	97.4	95.3
Caribbean	38.0	44.0	40.9	41.1	43.8
Latin America	15.6	14.7	14.8	11.9	10.9
Japan	8.4	7.8	7.9	4.7	4.2
Other	7.3	7.2	4.5	6.6	7.9
Earnings (US\$ million)	1,279.5	1,332.6	1,232.2	1,209.4	1,340.0
Employment	30,325	31,080	29,142	30,434	30,512
Number of rooms	23,100	23,640	24,007	24,239	24,625
Number of beds	47,600	48,907	50,265	50,742	51,494

Source: Information provided by the Jamaica Tourist Board.

166. Primary responsibility for the formulation and implementation of tourism policies lies with the Ministry of Industry and Tourism (MIT). The main tourism policies are contained in the Master Plan for Sustainable Tourism Development in Jamaica, which promotes the linkages between tourism and other productive activities, as well as environmental management.⁶⁷ Policy objectives include enhancing investment in the sector, increasing the foreign exchange generated by the sector, and encouraging diversification and expansion.

167. The Jamaica Tourist Board (JTB), is in charge of marketing and promoting tourism abroad. The JTB is also responsible for granting operation licences (see below).

168. The Tourism Product Development Company (TPDCo), a limited liability private company operating under the umbrella of the MIT, has been given the mandate to develop and improve Jamaica's tourism product, and to provide support to government and quasi-government agencies in the development of the tourism industry, particularly by coordinating and facilitating prompt action between public and private sector interests.⁶⁸ The TPDCo conducts inspections of hotels and tourism entities at least once a year. Establishments that do not meet the required standards are removed from the JTB's recommended list. The TPDCo also acts as a facilitator in developing and implementing plans to improve the main resort areas.⁶⁹ The TPDCo has been traditionally involved in the direct management of attractions, and the cleaning and upgrading of resort towns, but aims to delegate these tasks to private operators.

169. There is no law specifically governing the tourism industry; the Hotel (Incentives) Act and the Resort Cottage (Incentives) Act regulate incentives. Jamaican legislation allows for total foreign

⁶⁷ Planning Institute of Jamaica (2002), p. 15.2.

⁶⁸ The Tourism Product Development Company online information. Available at: http://www.pdco.org/about_us.asp.

⁶⁹ Available online at: http://www.jis.gov.jm/indus_tourism/index.asp.

control of hotels, resort cottages, or tour operators. Jamaican and foreign nationals may open a hotel or start a tour operator business, subject to certain standards and requirements. The main requirement is a license from the JTB, which is mandatory for all entities operating in tourism. Applications for licences are reviewed by the TPDCo, which sends a recommendation to the JTB. Accommodation licences are granted for life, while for attractions they are granted for three years, renewable. Licences for travel agents and tour operators may be granted to both residents and non-residents; the latter require a work permit. The TPDCo collaborates with other agencies, such as the Ministry of Health, the Fire Department, and the Jamaica Constabulary Force. The TPDCo intends to step up efforts to increase the number of licensed venues and to extend licensing in activities such as craft trading.⁷⁰

170. The tourism industry benefits from a number of incentives schemes. The Hotel Incentives Act (HIA) allows for a ten-year relief from income tax, GCT, and import duties for specific types of building materials, machinery and equipment. For convention-type hotels with 350 or more bedrooms, relief is granted for 11 to 15 years. Under the HIA, relief is available for ten years to: new hotels; existing hotels adding a minimum of ten rooms or 30% of the existing number of rooms, whichever is greater; or existing hotels that intend to do substantial structural alterations. To be considered as a hotel, there must be at least ten bedrooms, as well as facilities for meals.

171. The Resort Cottages Incentives Act (RCIA) encourages investment in cottages, villas, apartments, and townhouses in resort areas, typically by private investors. Cottages must have at least two bedrooms, a furnished living room, kitchen, and bathroom. Income tax relief is available for seven years on new resort cottages. If the same owner builds a group of resort cottages containing at least ten bedrooms in the same village or district, the owner is entitled to seven years relief from GCT, income tax, and importation duties.

172. The Government also provided assistance until April 2003 to establishments that did not qualify for benefits under the HIA or the RCIA, through the Short-term Incentives Programme (STIP), as was previously the case with the Tourist Accommodation Refurbishing Programme. The first Phase of the STIP was put in place in November 1999 and ended in November 2000; the second Phase (STIP II) started in October 2001 and ended in April 2003. The benefits in the first Phase consist in the granting of General Consumption Tax (GCT) and customs duty concessions on specific items bought locally or imported for the refurbishment and/or expansion of accommodation facilities and natural or man-made attractions; they were granted only for accommodation facilities only in the second Phase, which was not applicable to tourist attractions. Concessions similar to those which may be obtained by larger properties under the incentives legislation currently in place were granted to hotel properties with less than ten bedrooms and apartments and villas whose configurations do not allow them to be classified as either a hotel or resort cottage, for the purpose of building and refurbishing activities. Benefits were granted based on an expanded list of items as provided in the schedule to the HIA and RCIA. Attractions were granted benefits in the first Phase of the STIP, on the condition that the definition of attraction and the list of items were agreed by the Ministry of Finance and Planning.

173. The STIP II was also available to large properties of over 100 hundred rooms, but subject to an assessment of their eligibility by a Committee led by the MIT.

174. During the first Phase of the STIP, 24 tourism entities: seven hotels, one villa, nine natural man-made and seven water-based attractions received benefits. During STIP II, ten hotels were approved for benefits, four of these were large properties with more than 100 rooms.

⁷⁰ Jamaica Information Service (2004).

175. The MIT put in place in 2001 an Emergency Incentive Scheme (EIS), a short-term assistance programme for tourism industry operators affected by the 11 September 2001 events. The EIS, in place from 1 October 2001 to 30 September 2002, provided benefits for refurbishing accommodation and attractions facilities, in the form of waivers on all taxes, included import duties, except the GCT.

176. The Small Hotel Assistance Programme, a short-term incentives programme, for the period July-September 2002 provided financial and technical support to small hotels, villas, guest houses, and tourist attractions to help them meet regulatory standards in health, safety and security. The programme was for J\$5 million, with a maximum of J\$300,000 (US\$5,000) per beneficiary.

177. Jamaica's Schedule of Specific Commitments under the GATS places no limitations on market access, save for registration and licensing requirements, for cross-border supply, consumption abroad, and commercial presence, for the activities of hotels, restaurants, travel agencies, and tour operators. There are no national treatment limitations. The movement of natural persons remains unbound.⁷¹

⁷¹ WTO document GATS/SC/45 of 15 April 1994.

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