**ITC Country Study on NTMs - Jamaica**

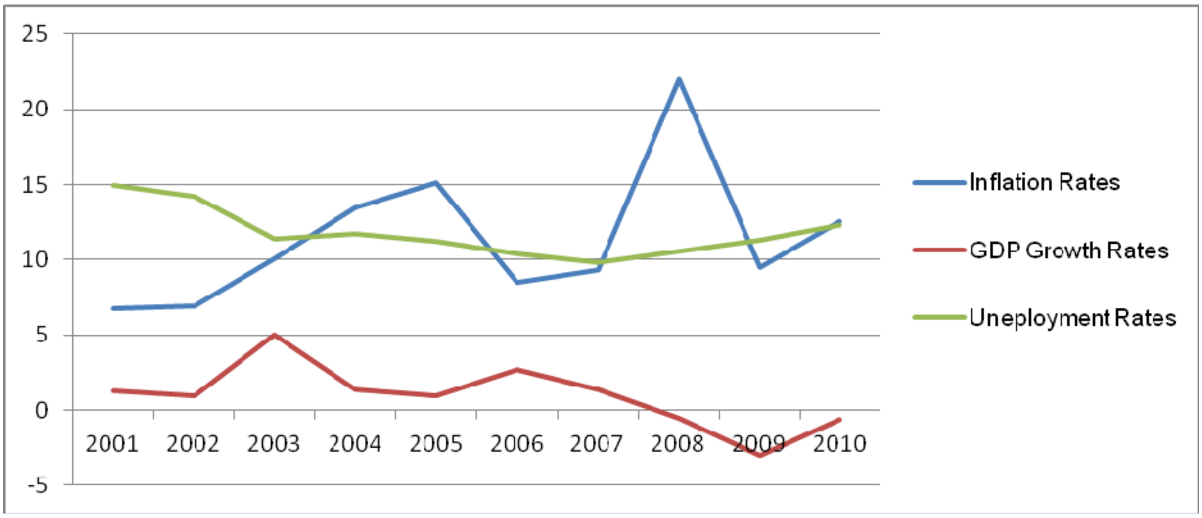
## Introduction

As a member of the WTO, Jamaica over the years has made many attempts to capitalize on the expected economic and social benefits from increased trade liberalization. As a small, vulnerable economy however, Jamaica has struggled to achieve the desired social and economic development. Like many other developing countries, Jamaica is a net importer of food and many products used as inputs in its domestic industries. We are a non-oil producing country with high energy costs. Jamaica is signatory to a number of trade agreements allowing its exporters increased access to many markets. However, problems associated with NTMs, in addition to the social and economic challenges facing companies have stifled efforts to increase exports.

## General Economic Introduction and Sector Composition

Jamaica's average annual GDP growth rate, as reported by the World Bank, between 2002 and 2010 was 0.9%. For that period, the highest annual GDP growth rate was experienced in 2003, where the country recorded GDP growth of 5% (see Figure 1). However, with the onset of the global economic recession, subsequent years saw a progressive decline in the GDP growth rate. In 2009, Jamaica recorded a negative growth rate of 3% followed by -0.6% in 2010. The adverse economic situation is also reflected in the rising trend in the unemployment rate since 2007.

**Figure 1: Key Economic Indicators 1: 2006-2010 (GDP Growth, Inflation, Unemployment Rates)**




**Sources:** GDP Growth: World Bank national accounts data, and OECD National Accounts data files; Inflation Rates, Unemployment Rates: Bank of Jamaica

A combination of factors including more stringent credit terms in the first quarter, weak domestic and external demand, a decline in investment spending and lower consumption, led to a 3.1% decline in the Jamaican economy in 2009 and the negative trend continued into 2010 (see Tables 1 and 2). Overall, the economy saw a much greater contraction in its goods sector than in its services in 2009 and 2010[1]. This contraction in the economy was heavily influenced by the high level of uncertainty in the global economy and the effects of the global recession on Jamaica's major trading partners.

**Table 1: Gross Domestic Product by Sector at Constant (2007) Prices (US$), 2006 – 2010**

| **Industry** | **2006** | **2007** | **2008** | **2009** | **2010** | **% GDP (2010)** |
|---|---|---|---|---|---|---|
| Agriculture, Forestry & Fishing | 662.7 | 579.1 | 476.8 | 490.3 | 509.5 | 6% |
| Mining & Quarrying | 496.2 | 458.1 | 391.4 | 174.4 | 174.2 | 2% |
| Manufacture | 998.2 | 960.4 | 838.2 | 717 | 726.1 | 9% |
| Electricity & Water Supply | 364.2 | 346.9 | 307.1 | 281.8 | 281.4 | 3% |
| Construction | 909.6 | 903.9 | 733.1 | 623.6 | 644.2 | 8% |
| Wholesale & Retail Trade; Repairs; Installation of Machinery | 2 088.2 | 2 012.6 | 1 759.5 | 1 540.4 | 1 553.3 | 18% |
| Hotels & Restaurants | 534.8 | 510.7 | 457.8 | 419.4 | 452.4 | 5% |
| Transport, Storage & Communication | 1 314 | 1 275.5 | 1 085.1 | 940.2 | 961.7 | 11% |
| Finance & Insurance Services | 1 124.9 | 1 122.1 | 1 007.1 | 919.3 | 913.1 | 11% |
| Real Estate, Renting & Business Activities | 1 150.2 | 1 130.4 | 1 006.3 | 892.5 | 922.4 | 11% |
| Producers of Government Services | 1 412.8 | 1 361.6 | 1 196.6 | 1 069.4 | 1 117.4 | 13% |
| Other Services | 730 | 707.6 | 627.1 | 563 | 578.6 | 7% |
| *Less Financial Intermediation Services Indirectly Measured (FISIM)* | 523.9 | 508 | 430.7 | 401 | 366.6 | 4% |
| **Gross Dom. Product (2007 Constant Prices)** | 11 260.4 | **10 860.9** | 9 455.5 | 8 230.4 | 8 465.4 | **100%** |

Source: Statistical Institute of Jamaica

[1] The final column of Figure 3 shows that the services sector accounts for a greater share of GDP than the goods sector.

**Table 2: Rate of Growth of Gross Domestic Product by Industry at Constant (2007) Prices, 2006 – 2010**

| Industry | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Agriculture, Forestry & Fishing | 20 | -8.1 | -6.2 | 14.5 | -0.4 |
| Mining & Quarrying | 0.7 | -2.9 | -2.7 | -50.4 | -4.3 |
| Manufacture | -1.9 | 1.2 | -0.5 | -4.8 | -2.9 |
| Electricity & Water Supply | 3.2 | 0.6 | 0.9 | 2.2 | -4.3 |
| Construction | -3.7 | 4.5 | -7.6 | -5.3 | -1 |
| Wholesale & Retail Trade; Repairs; Installation of Machinery | 2.3 | 1.4 | -0.4 | -2.5 | -3.4 |
| Hotels & Restaurants | 10 | 0.4 | 2.1 | 2 | 3.4 |
| Transport, Storage & Communication | 4.2 | 2.1 | -3.1 | -3.5 | -2 |
| Finance & Insurance Services | 2.6 | 4.9 | 2.3 | 1.6 | -4.8 |
| Real Estate, Renting & Business Activities | 1.9 | 3.4 | 1.4 | -1.2 | -1.2 |
| Producers of Government Services | 0.4 | 1.3 | 0.1 | -0.5 | 0.1 |
| Other Services | 5.3 | 1.9 | 1 | 0 | -1.5 |
| Less Financial Intermediation Services Indirectly Measured (FISIM) | -0.5 | 2 | -3.4 | 3.7 | -12.4 |
| **Gross Domestic Product at 2007 Constant Prices** | **2.9** | **1.4** | **-0.8** | **-3.1** | **-1.4** |

Source: Statistical Institute of Jamaica

**Exports**

**Table 3: Development and Composition of Jamaica's Exports 2005 – 2010, value in US '000**

| Sector | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|
| Agro-based products, wood and paper | 266 074 | 336 583 | 346 585 | 358 811 | 344 766 | 325 274 |
| Total Textiles and Clothing | 9 463 | 5 042 | 2 994 | 2 990 | 2 554 | 3 220 |
| Chemicals, plastics and rubber-based products | 57 715 | 75 125 | 93 607 | 209 441 | 203 063 | 76 983 |
| Metal & other basic manufacturing | 4 416 | 9 521 | 6 935 | 5 882 | 22 530 | 12 661 |
| Other Manufacturing | 27 969 | 36 934 | 58 519 | 50 645 | 58 955 | 55 248 |
| Minerals* | 1 148 693 | 1525 463 | 1 713 328 | 1 807 200 | 678 074 | 834 570 |
| Petroleum, arms* | 2 | 3 | 1 852 | 3 632 | 5 935 | 19 513 |
| **TOTAL EXPORTS** | **1 514 332** | **1 988 671** | **2 223 820** | **2 438 601** | **1 315 877** | **1 327 469** |

Source: ITC calculations based on Trade Map data, 2010

*Minerals, petroleum and arms are excluded from the analysis in this survey.

Overall, Jamaica's economy is highly open. Its export base is very concentrated and consists of a relatively narrow range of products exported to relatively few destinations. Exports are dominated by agricultural goods, primarily fruits and vegetables and roots and tubers. This lack of diversification in export products has made Jamaica very vulnerable to external shocks or crises, especially those affecting the main destination markets.

**NTM Survey implementation**

The ITC, in partnership with the Ministry of Foreign Affairs and Foreign Trade (MFAFT) Jamaica, undertook a survey on NTMs between August 2011 and February 2012. A compiled list of over 700 exporting companies spanning Jamaica's 14 parishes was used to identify business which qualified for initial contact by the survey team. Companies within the arms and mining sector were excluded. Companies were randomly chosen from the list and contacted by telephone. During telephone interviews, companies were asked if they faced any burdensome regulation which affected their export or import processes. Those indicating that they did in fact face such problems were subsequently asked to participate in a follow up face-to-face interview.

A total of 305 exporting companies were interviewed during the survey. Of the 305 exporting companies, 41% were affected by NTMs or other trade-related problems (Table 4).

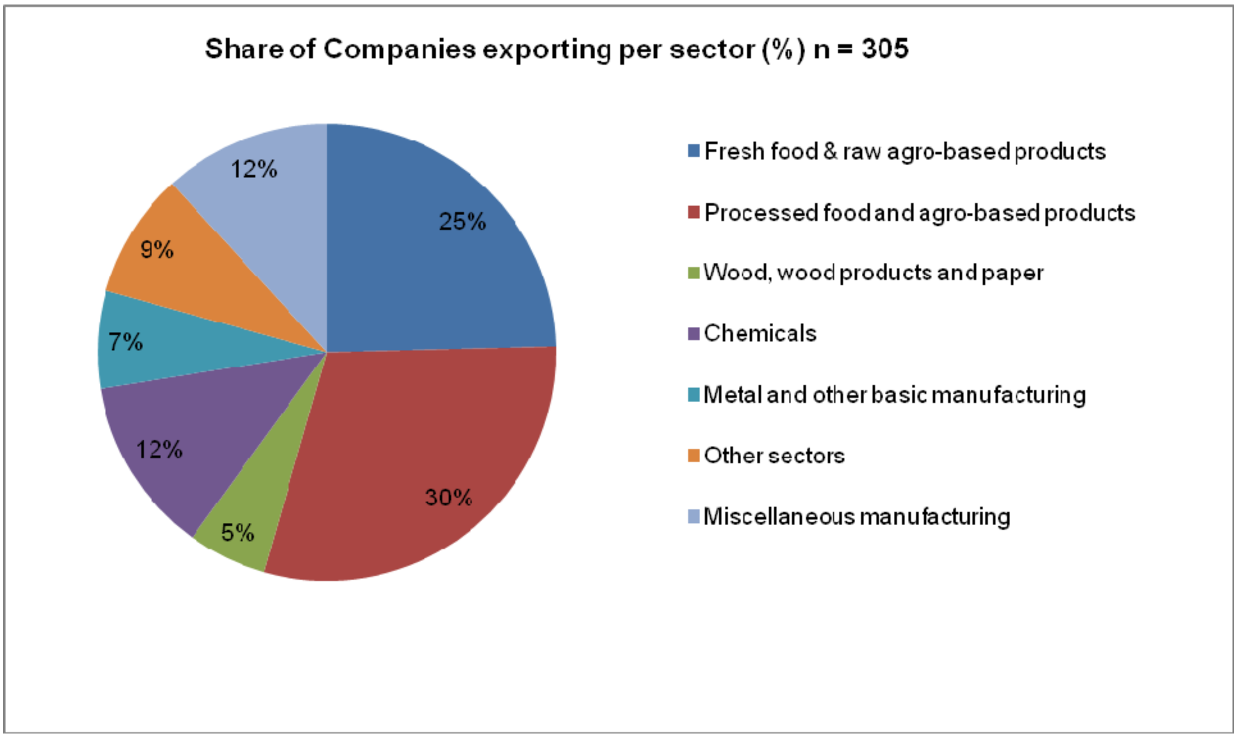
**Table 4: Aggregate results of exporting companies interviewed by phone, by sector**

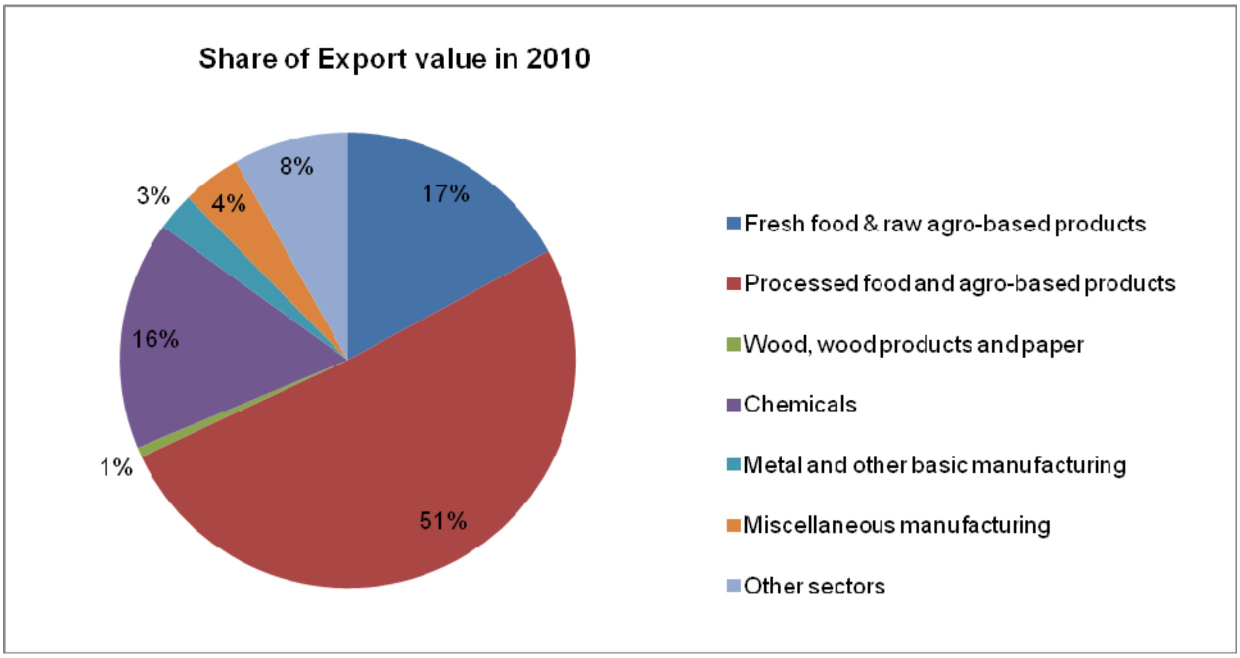
| Main export sector (as reported in phone screen interviews) | Total export value in 2010 (US$ '000)[a/] | Sector's share in total exports (%) | Number of companies interviewed by phone | Number of companies affected by NTMs or other obstacles | Share of affected companies (%) |
|---|---|---|---|---|---|
| Fresh food & raw agro-based products | 80,754 | 17 | 75 | 38 | 51 |
| Processed food and agro-based products | 241,214 | 51 | 91 | 43 | 47 |
| Wood, wood products and paper | 3,306 | 1 | 17 | 9 | 53 |
| Chemicals | 76,983 | 16 | 38 | 9 | 24 |
| Metal and other basic manufacturing | 12,661 | 3 | 21 | 12 | 57 |
| Other sectors | 38,719 | 8 | 27 | 4 | 15 |
| Miscellaneous manufacturing | 19,749 | 4 | 36 | 10 | 28 |
| **Total** | **473,386** | **100** | **305** | **125** | **41** |

Source: ITC Survey on NTMs

At the sectoral level, the majority of exporting companies participating in telephone interviews were from the agricultural sector (60%), chemicals sector (12%), and miscellaneous manufacturing sector (12%) (See figure 2). This result is not surprising as it corresponds with the actual composition of Jamaica's overall export sector, where combined these sectors accounted for the lion's share (89%) of exports in 2010 [agriculture represented 69%, chemicals (16%) and miscellaneous manufacturing (4%)]. For the purpose of this survey, the definition of the agricultural sector is broad, and includes fresh food and raw agro-based products, processed food and agro-based products, and wood, wood products and paper.

**Figure 2: Sample representativeness based on comparing composition of companies in the sample (by sector) with the composition of Jamaican products exported (by sector)**




**Source:** ITC survey on NTMs and Data from Trade Map 2010

**Aggregate results and cross-cutting issues**

Overall, 41% of exporting companies and 25% of importing companies interviewed faced burdensome NTMs. Among exporters, the highest incidence of burdensome NTMs (57%) was reported in the metal and other basic manufacturing sector. Companies within Jamaica's agricultural sector also reported a high incidence of NTMs (49%) while exporters of miscellaneous manufactures (28%), chemicals (24%) and other sectors (15%) were relatively less affected by NTMs.

Among importers, the companies in the agricultural sector overall faced the highest incidence of NTMs (processed food and agro-based products 40% and fresh food and raw agro-based products 35%). Sectors facing the least numbers of NTMs included miscellaneous manufacturing (17%) and 'other sectors' (15%).

Detailed face-to-face interviews revealed that the greatest proportion of NTMs affecting exports in partner countries were technical regulations (35%) which commonly define the product characteristics, technical specifications of a product or the production process and post-production treatment; and conformity assessments (23%), which are import-related measures determining whether a product or a process complies with a technical requirement specified.

In absolute terms, most NTM cases were reported to be applied by our traditional trading partners. This finding is not unexpected as the majority of the companies that participated in face-to-face interviews export to these destinations. Domestically, Jamaican firms encountered NTMs across a number of agencies; the most common of these NTMs was export inspections. Export inspections were mainly problematic due to large number of procedural obstacles, in particular the duplication of processes.

The survey revealed that while NTMs are a problem for businesses of all sizes, relatively new small and medium enterprises (SMEs) are generally more affected because they often lack information, human and financial resources and experience on how to meet certain requirements.

**Table 5: Criteria used to determine company size**

| Company size category | Definition according to export (f.o.b.) or import (c.i.f.) value<br><br>(according to 2008 business registry) | Definition according to number of employees<br><br>(according to face-to-face interviews) |
|---|---|---|
| Small | Less than US$ 100 000 | Less than 21 employees |
| Medium-sized | US$100,000 – US$ 1 000 000 | 21 to 100 employees |
| Large | More than US$ 1 000 000 | More than 100 employees |

In general, ITC NTM surveys carried out in 11 countries demonstrate that of all challenging NTMs reported by exporting companies, about 75% are usually applied by the partner countries and 25% are applied by the home country. Comparatively, in Jamaica, about 30% of NTMs are reported to be applied by the home country, while 70% are reported to be applied by partner countries.

**Agricultural products (Fresh food, raw agro-based products, processed food and wood)**

Overall, the survey results showed that firms exporting agricultural goods were more affected by NTMs than manufacturing goods. Furthermore, the bulk of NTMs plaguing agricultural goods were related to technical and Sanitary and phytosanitary regulations imposed by partner countries.

**Manufacturing products**

In absolute terms, exports of manufactures faced many NTMs in traditional markets, however the most burdensome NTMs applied by partner countries on Jamaica's exports of manufactured goods were reported in non-traditional markets. NTMs were dominated by pre-shipment inspections and other entry formalities, rules of origin and related certificates, and charges, taxes and other para-tariff measures. Exports of manufactured goods that faced notable incidences of NTMs included chemicals, clothing and wood manufactures.

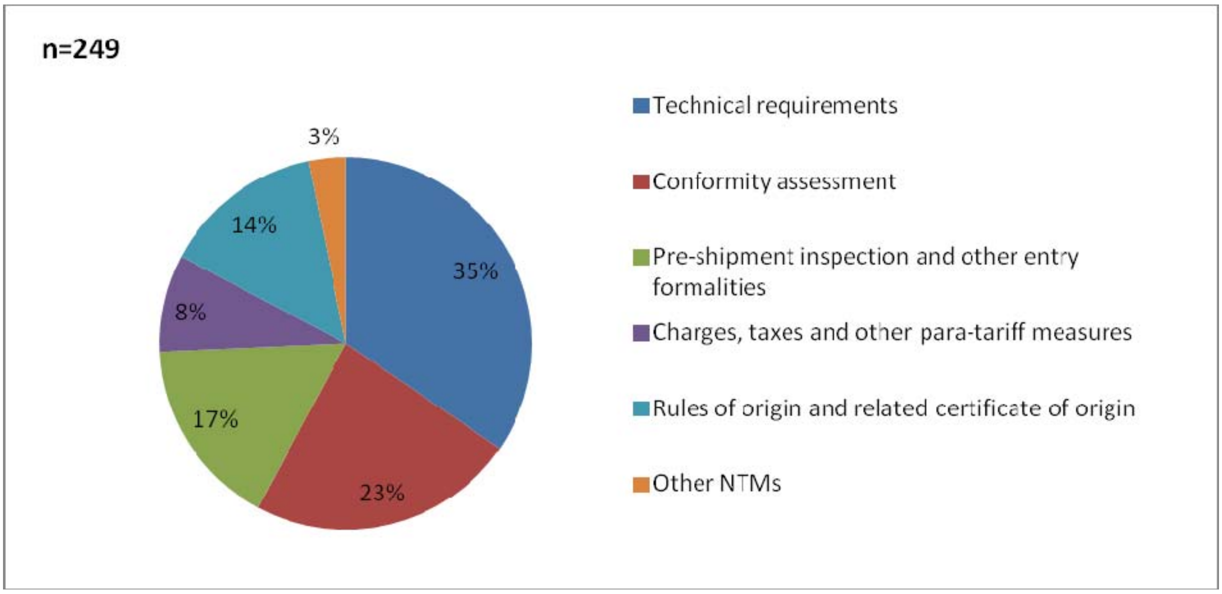
**Disaggregated Results**

**Non-tariff measures applied by partner countries**

Companies participating in the face-to-face interviews reported a total of 249 cases of NTMs applied by partner countries (Figure 3). Overall, technical requirements represented the greatest proportion of NTMs (35%) applied by partner countries. Following these were conformity assessments, which represented 23% of NTMs reported. There is some level of positive correlation between the incidence of technical requirements and the incidence of conformity assessments because they are both related to the standard/quality of the product. If the standard/quality of the product is questioned then this often has implications for both technical requirements and conformity assessment.

As reflected in Figure 3, other NTMs reported as being applied by partner countries included pre-shipment inspections and other entry formalities (17%); rules of origin and related certificate of origin and charges (14%); and charges, taxes and other para-tariff measures (8%).

**Figure 3: Most frequently observed categories of NTMs applied by partner countries (%)**




**Source**: ITC survey on NTMs**.**

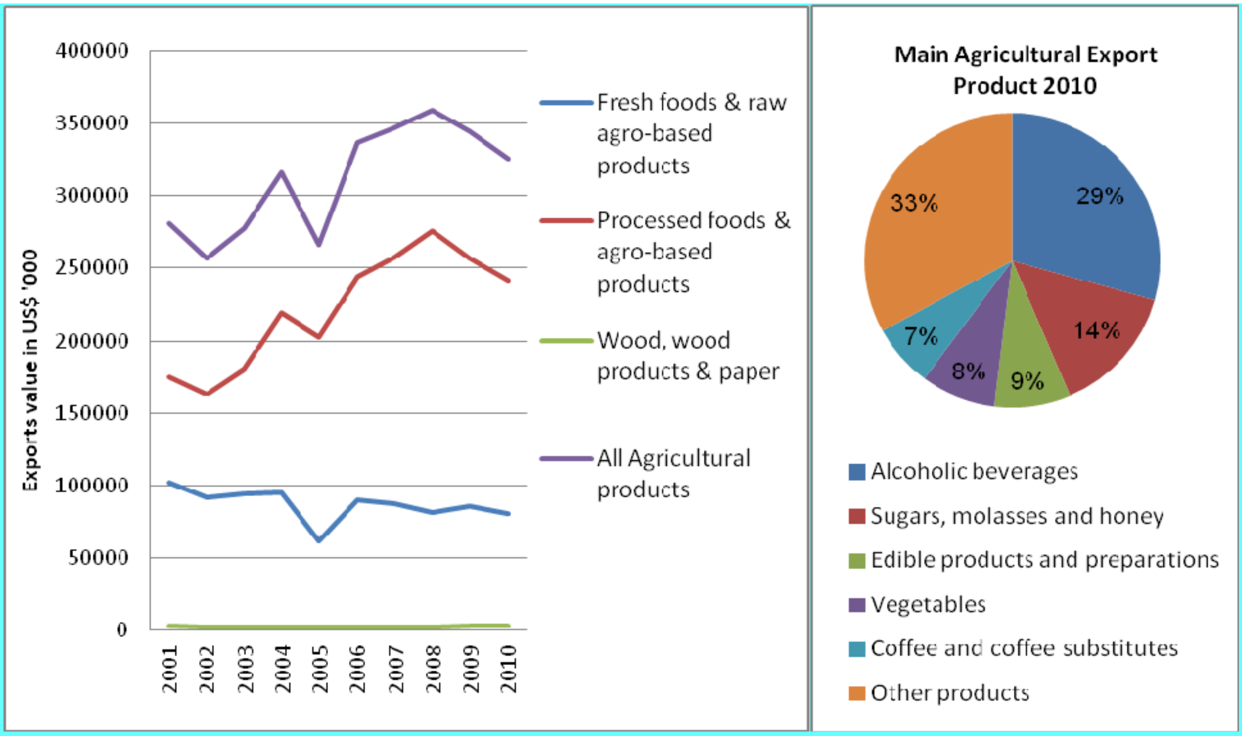
**Agriculture**

Jamaica's agricultural sector is an important contributor to GDP, foreign exchange earnings, employment, and rural life. It mainly comprises small and medium sized farmers with 5 hectares or less, who account for 85.6% of total agricultural holdings[2]. In 2010, Jamaica's total earnings from agricultural exports totaled US$325 million thereby accounting for approximately 69% of total exports for that year excluding exports of minerals and arms. Within agricultural exports, the category exports of "processed food and agro-based products" represented 74% of that total, while exports of "fresh foods and raw agro-based products" accounted for 24%. Exports of "wood, wood products and paper" represented only 1% of total exports. Employment in the agricultural sector in 2009 totaled 227,400 persons, second only to the services sector which employed some 719,400 for that same year[3].

In terms of specific agricultural products, exports of alcoholic beverages represented the highest share of agricultural exports in 2010, accounting for 29% of total exports (Figure 4). Following exports of alcoholic beverages were exports of sugar molasses and honey, whose share in the value of agricultural exports in 2010 was 14%. The cultivation of sugar cane is an important economic activity, however, its importance to the economy has declined as the country's economic base has been diversified over time.

[2] Economic and Social Survey of Jamaica, 2009
[3] Ibid

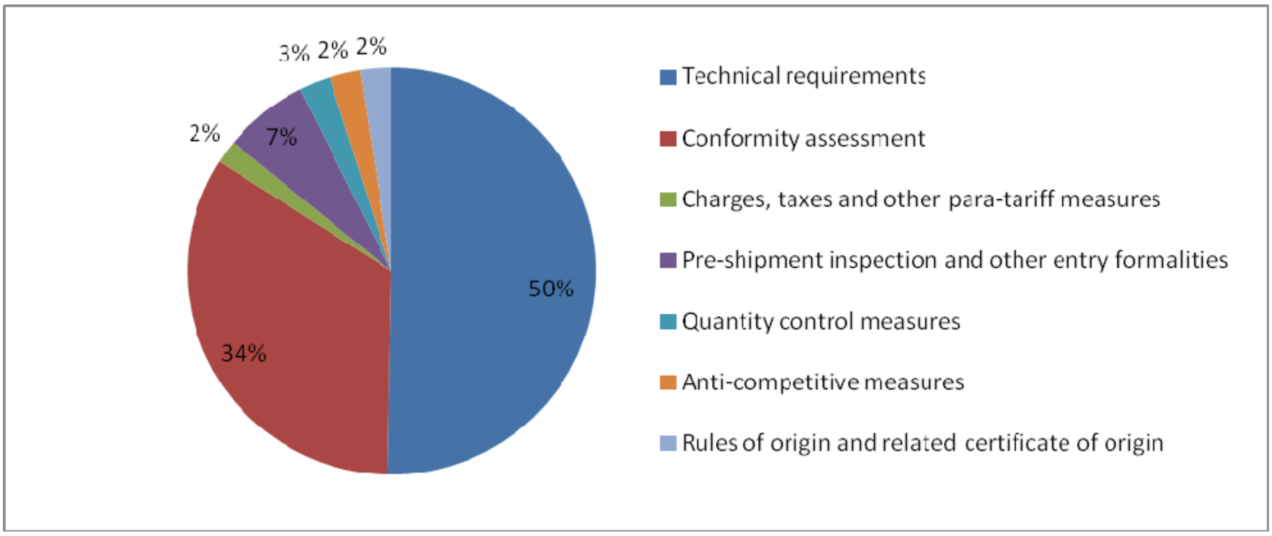
**Figure 4: Composition and development of Jamaica's agricultural export 2001-2010**




Source: ITC calculations based on Trade Map and Market Access Map data

The most common types of NTMs applied by partner countries on agricultural exports included: technical requirements (50%), conformity assessments (34%) and pre-shipment inspection and other entry formalities (7%) (Figure 5). Charges, taxes and other para-tariff measures, anti-competitive measures, rules of origin and related certificate of origin accounted for the lowest portions of burdensome NTMs reported to be applied by partner countries (2% each). No cases were reported with regard to finance measures, price control measures and other NTMs included in the scope of the survey.

**Figure 5: NTMs applied by partner countries affecting agricultural goods**

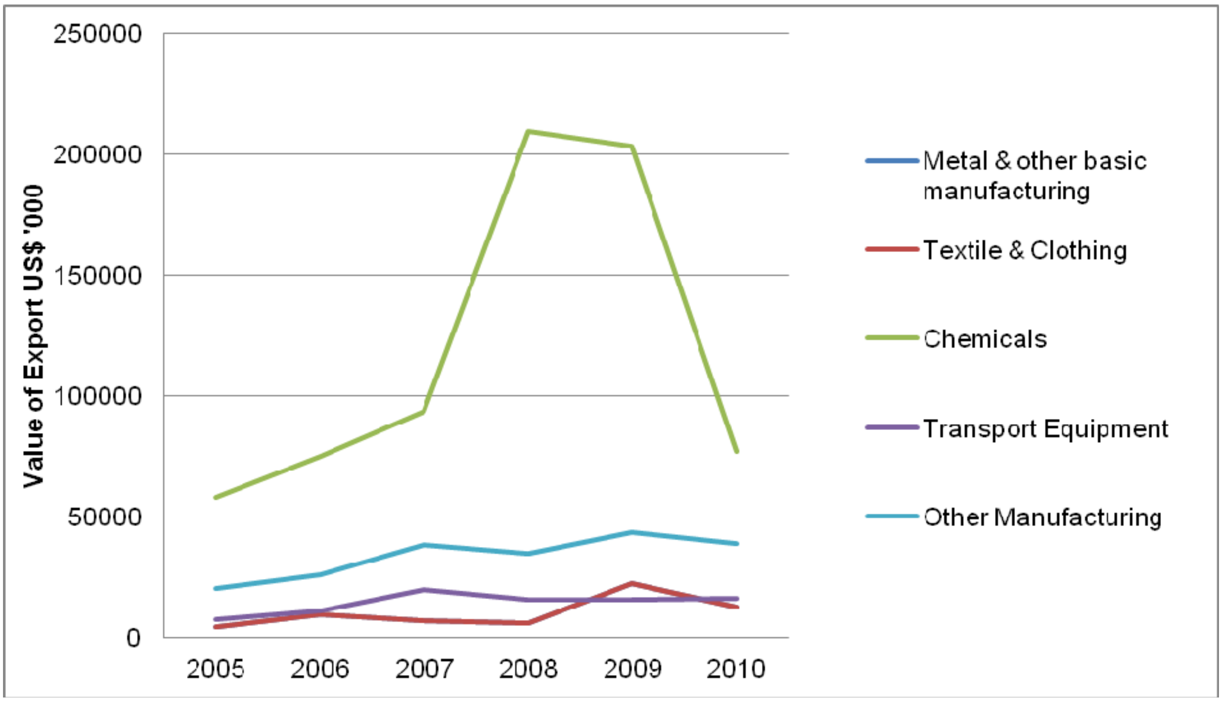



Source: ITC Survey on NTMs

**Manufacturing Sector**

Jamaica's manufacturing industry produces a varied number of products. Amongst the most popular are chemicals, plastics, cosmetics, pharmaceuticals, nutraceuticals and apparel. For the goods-producing sector, the industry makes the largest contribution to GDP and is dominated by small and medium enterprises. In 2009 manufacturing contributed 8.3% to GDP compared to agriculture (5.6%). In 2010, exports of manufacturing goods totaled US$148.1 million (Figure 6). Within the manufacturing sector, chemicals make up the largest share of exports and accounted for 51% of total exports in 2010. This was followed by exports of miscellaneous manufactures which accounted for 13% of total manufactured exports and transport equipment which accounted for 11% of manufactured exports in 2010.

**Figure 6:** **Exports of manufactured goods 2005-2010, US'000**

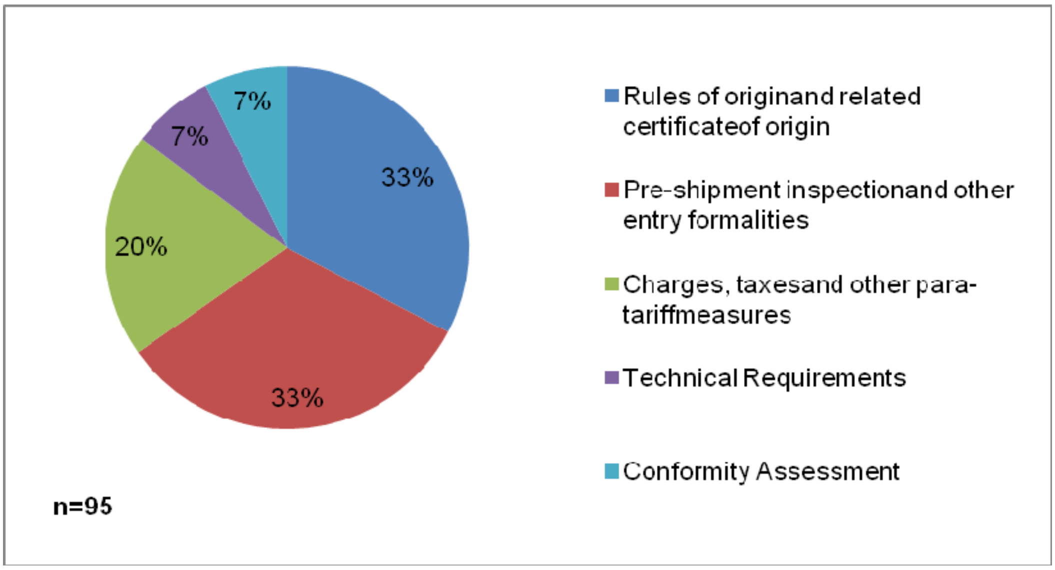



**Source**: ITC calculations based on Trade Map data, 2010

Several different types of burdensome NTMs affecting manufactured exports were recorded in partner countries. Among these, the two most frequently applied measures were pre-shipment inspection and other entry formalities and rules of origin and related certificate of origin, each accounting for 33% of NTMs encountered (Figure 7). In comparison, whilst pre-shipment inspections were frequently encountered amongst agricultural exporters, rules of origin were not.

Following rules of origin and pre-shipment inspections were charges, taxes and other para-tariff measures which represented 20% of total NTMs applied in destination markets. In contrast to exports of agricultural goods, technical requirements and conformity assessment accounted for the lowest shares of NTMs (7 cases of technical requirements and 5 cases of conformity assessment were reported) affecting manufactures.

**Figure 7: Types of NTMs applied by Partner Countries affecting Manufactured Goods**




Source: ITC Survey on NTMs

**Conclusions**

In conclusion, The NTM survey in Jamaica revealed that NTMs and other trade impediments have a significant impact on exports. As was found in previous studies, for Jamaica agricultural goods (both raw and processed) are more affected by burdensome NTMs when being traded, than manufactured goods. In particular, agricultural exports are affected mainly by technical regulations and conformity assessment procedures imposed by partner country authorities. Whilst these measures are necessary justifiable in terms of preserving national health and guaranteeing consumer protection, they are often seen as protectionist and burdensome to producers and exporters, thereby affecting trade. Meeting these requirements has proved costly to exporters of such goods, who have complained that associated costs cannot easily be passed on to consumers in a competitive global market. In addition, the production of agricultural goods often requires costly inputs such as certain types of pesticides or insecticides, which have to be imported, ultimately contributing to a higher final cost.