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JAMAICA FREE TRADE SURVEY

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JAMAICA FREE TRADE SURVEY

THE EXECUTIVE SUMMARY

The Summit of the Americas was an event of historic significance for the countries of the Western Hemisphere. At the conference, countries of this region, including Jamaica, pledged to begin working towards the establishment of the Free Trade Area of the Americas by the year 2005.

The Office of Private Enterprise (OPE), USAID/Jamaica in its capacity as the Mission repository for information regarding trade and development issues and initiatives, sponsored a survey to explore the opinions of different members of Jamaican society, on the issue of free trade. The survey was carried out by a Free Trade Information Advisor (FTIA) from the Woodrow Wilson School of Public and International Affairs, Princeton University, from June to August 1995.

The FTIA met with key representatives of the Jamaican business and legal communities as well as government officials to ascertain their perspectives on the entire range of issues associated with Jamaica's accession to the Free Trade Area of the Americas (See Appendix 1 - Interviewees). The FTIA also reviewed available literature, articles, studies and data on NAFTA, GATT, and the Free Trade Area of the Americas, to better understand the issues and to be informed as to planned and potential upcoming events and initiatives related to them. Finally, the FTIA reported to the Mission on the status of both hemispheric and regional free trade developments and opportunities for Mission interventions.

The survey was conducted through personal interviews and the use of a questionnaire which was divided into three sections. The sections were titled: The Development Challenge; Constraints to increased Jamaican participation in the Hemispheric Economy; and Current Policy Framework (See Appendix 2 - Questionnaire).

The broad conclusion of the survey is that the Jamaican government has instituted a policy framework which has complied with the conditionalities set by the donor and multilateral community. However, these policy changes have not had the expected effect on economic growth because of fundamental weaknesses in the country's institutional mechanisms, infrastructure, and society. These weaknesses have caused poor implementation of policies, which in turn has resulted in an artificial economic stability. After Jamaica accedes to the FTAA, its economic survival will be hampered by four factors: the lack of informed strategic planning by its policy makers; the lack of communication between the various sectors of the society; the inability of its industries to compete; and the bad condition of its infrastructure.

The following report is a summary of the responses that were received from the individuals who were interviewed (See Appendix 3 - Reports). It should be noted that these responses are the opinions of some of the leaders in Jamaican society, but in no way reflects an empirical study of the issues raised in the questionnaire. On the other hand, the opinions are the opinions of the people who will play an integral part in Jamaica's move towards free trade. Therefore, it is hoped that this survey will contribute to an understanding of the problems Jamaica will face as it enters this new era, and help define the needs that can be serviced by the donor community. It should also be pointed out that all views expressed herein do not necessarily reflect those of USAID or the U.S. government.

THE DEVELOPMENT CHALLENGE

A. The Jamaican Economy.

The Jamaican economy is at a critical juncture in its history. This was the consensus of most of the individuals who were interviewed. Their opinion on the direction in which the economy was heading depended on whether they were members of the public or private sector. The members of the public sector were very optimistic. They felt that all the pieces were in place, and the economy was on the verge of taking off on solid growth. On the other hand, the members of the private sector were pessimistic. They overwhelmingly thought that the economy was fragile, and in danger of collapsing.

Everyone agreed that the government had made tremendous strides improving the country's policy framework to make it easier for trade and investment. Everyone also agreed that Jamaica is in a much better economic condition now, than it was one year ago. The major concern was that the policy changes the government implemented had improved the country's macro-economic indicators of economic strength, but had not resulted in growth. Furthermore, even though the macro-economic indicators continue to point in the right direction, the social indicators point in the opposite direction. This anomaly created, among the interviewees, an overwhelming sense that all is not well in the economy.

Both the public sector and private sector had different opinions as to the cause of the conflicting signals the economy was sending. The public sector interviewees blamed the private sector for the lack of growth in the economy. They claimed that the government had done as much as it could to stimulate the economy, and now it was up to the private sector to do its part. For example, some interviewees criticized the private sector for not taking advantage of protection to modernize and increase efficiency. They argued that the private sector was too dependent upon government for concessions.

The private sector interviewees blamed individual problems in the economy and society for the lack of growth. The source of these problems were attributed to government policies, that were either bad or ineptly implemented, and to a lack of vision by the government. The problems cited included: high interest rates, persistent inflation, low productivity, deteriorating education system, deteriorating infrastructure, and high internal and external debt.

Most of the private sector interviewees stated that high interest rates are the foremost reason why there is no growth. They argued that the government's efforts to control the exchange rate and its inability to curb inflation resulted in high interest rates. This has caused the cessation of investment in every sector in the economy except the financial sector. They said at present, it makes no sense financially, for investors to invest in the productive sector for returns which are less than thirty percent, when they could invest at less risk in commercial paper, paying more than forty percent. As a result, no one is investing in the productive sectors of the economy which could create a multiplier effect throughout the society.

Another point that was raised was that the large amount of investment in the financial sector led to the phenomenal growth of this sector. In fact, the sector has grown faster than the ability of the government to regulate it. This has resulted in a number of unstable financial institutions whose failure could have serious effects on the economy.

The private sector interviewees also mentioned that high interest rates have had an effect on the ability of existing industries to re-tool or improve their operations. The cost of capital has been so high, that these industries have been starved for capital and must continue to operate with obsolete equipment. This has hampered their ability to compete with foreign firms equipped with modern equipment.

The second major reason expressed for the lack of economic growth is the lack of productivity in Jamaican society. Several reasons were given for this lack of productivity. They were: the deterioration of the country's infrastructure; the deterioration of the education system; the deterioration of human capital; the inability of industries to add value to products; and the absence of clearly defined plans by the government and industries.

A major concern to all the interviewees was persistent high inflation. They expressed that at present, Jamaica's high inflation rate is caused by four main factors. First, productivity within the economy is at a lower level than consumption. Thus, the demand for goods is higher than the supply. Second, high wage increase demands by the labor force, has resulted in a wage price spiral. Third, the influx of money from North America through remittances or illegal

activity has created a pool of demand that increases inflationary pressures; Fourth, the exchange rate coupled with the high volume of imports from North America continue to push prices up.

The producers in the group interviewed stated that high inflation hurt the ability of Jamaican businesses to compete with foreign businesses. They said that local businesses faced increasing costs because of inflation, while their foreign competitors' costs remained the same.

The investors in the group argued that inflation created a consumption society where most people spent what they earned as quickly as possible to save against increasing prices. It was suggested that the residual effect of this environment was the development of a short-term mind set among investors. As a result, the main objective of most investors has been to regain their investment in as short a time as possible, resulting in a dearth of long term investment.

B. Jamaica's Ability to Compete in the Free Trade Area of the Americas.

On the issue of competitiveness, some interviewees, especially from the public sector, felt that Jamaica will have the ability to compete in the Free Trade Area of the Americas, in certain industries. Still, others, mostly from the private sector, felt that Jamaica will not be able to compete. The basis of the latter opinion was what these individuals considered to be Jamaica's inability to compete even within CARICOM. They argued that countries such as Trinidad and Tobago were much better equipped to compete.

There was an overall consensus that the manufacturing sector will be destroyed by free trade. Everyone mentioned the fact that this sector had not re-tooled since the 1960's and as a result is operating inefficiently with obsolete equipment. The same opinion was expressed about the traditional agricultural sectors, such as bananas and sugar, where inefficient methods of production have continued to be practiced, and non-traditional sectors such as the apparel industry given NAFTA/Mexican competition. Everyone agreed that these industries could not survive without protection and will most likely die.

Some interviewees from the private sector thought that the financial industry will also find it difficult to compete with large foreign firms. The reason they stated was that local firms will be competing against foreign firms that enjoy economies of scale from their large overseas home markets and efficient back office operations. The specific example was given of the insurance industry which through the use of computer technology would only need to locate salesmen in Jamaica, while their back offices would be located in North America. These foreign firms could operate in

the Jamaican market at cheaper costs than domestic firms because of the smaller overhead. Still, most interviewees felt that Jamaica should be able to compete in the areas of services, tourism, and non-traditional and high value agricultural products targeted at niche markets.

There were several suggestions on what measures Jamaica should take to increase its competitiveness. First, a popular suggestion was that Jamaican industries be based on high value, quality products rather than quantity of production. The suggestions focused on products such as blue mountain coffee, spices, tropical flowers, and the mining of limestone and marble.

A second suggestion was for the establishment of a national brand along with a central marketing agency for all Jamaican goods. This would give small producers, who make up most of Jamaica's producers, the benefits of economies of scale in the areas of marketing and supply of overseas markets.

A third suggestion was for Jamaica to specialize in the production of certain goods. Many interviewees felt Jamaica should decide what it was good at producing, and produce these specific goods well. In fact, some expressed that the government should actively identify industries that were winners and provide them with all the assistance needed to be successful.

A fourth suggestion was for Jamaican companies to either expand or go into joint ventures with companies overseas. Some companies such as Jamaica Broilers and Jamaica Producers Group have already established operations in the U.K. and U.S.. This was seen as a way to gain entry into foreign markets, and also to diversify some of their domestic risks.

C. Foreign Investment.

The interviewees were split on the topic of foreign investment. Some felt that domestic investment had to be increased before foreign investment could be increased. These individuals reasoned that if foreign investors did not observe domestic investors investing in the economy, then it would be impossible to convince them to invest in Jamaica.

Others felt that foreign direct investment was needed because Jamaica does not have the domestic savings base to finance large scale domestic investment. This group said that the government was not doing enough to attract foreign investment. Some suggested that the government be proactive and engage in lobbying and marketing Jamaica, as a place to invest. The factors about Jamaica which they considered to be attractive to foreign investors were the following:

1. Jamaica has a stable democracy;

2. Its proximity to major North American markets;
3. The population is English speaking;
4. The work force is still relatively well educated;
5. It has a good telecommunications system; and
6. There are cultural similarities between its population and the North American population.

However, some interviewees from the private sector saw no reason why foreign investors would invest in Jamaica. They thought the negative factors simply overwhelmed the positive factors. The negative factors they cited were the following:

1. The country's infrastructure is bad and deteriorating;
2. The human capital base is deteriorating;
3. Crime is rampant and getting worse;
4. Labor productivity is low;
5. There was a lack of consistency in the application of regulations, and the absence of a business friendly environment.

CONSTRAINTS TO INCREASED JAMAICAN PARTICIPATION IN THE HEMISPHERIC ECONOMY

On the issue of constraints to increased Jamaican participation in the Hemispheric economy, the interviewees mentioned four main problem areas. They were: infrastructure, human capital, non-tariff barriers to trade, and opposition from sectors within the economy.

A. Infrastructure.

The deterioration of Jamaica's infrastructure will be a major constraint to its participation in the FTAA. The breakdown of the transportation, water, and electricity systems were of major concern to the interviewees. In general, everyone agreed that the productivity of the labor force was directly affected by the failure of these systems. The transportation system especially, was blamed for the reduction of productivity through lost man-hours and the de-motivation of workers who use the system.

The producers among the group pointed out that unreliable systems hurt their competitiveness with foreign competitors by increasing their costs. For example, the inadequate transportation system forces them to provide transportation for their employees; water failures force them to invest in water storage tanks; and unreliable electricity supply has made it impossible to survive without a backup generator.

Further, they said that the failure of the police and the justice system to control crime has added a major cost to their operations. Not only do they have to pay security costs for their plant and equipment, but they are unable in many cases, to have second and

third shifts at their plants (also, due to inadequate transportation).

The court system will be another constraint to Jamaica's ability to participate in the FTAA. The interviewees described a court system which was on the verge of collapse. They stated that if the court system continues to be in the condition it is in, dispute resolution in Jamaica would be a problem when it enters the free trade area. They said that the courts needed to be modernized by introducing computers and data bases such as lexis and the internet. They also said that there was a need for more judges, and the establishment of specialized courts to deal with commercial cases.

B. Human Capital.

The deterioration of human capital in Jamaica was seen as serious future constraint to Jamaica's participation. The interviewees who were members of the private sector expressed alarm at the falling quality of graduates from both the high school system and, the University of the West Indies. Almost, unanimously they stated that they were having difficulty finding qualified people to fill positions at all levels in their firms. One managing director said that the recent graduates from the University of the West Indies, which his organization has recruited, are the same level of education as high school graduates of ten years ago, with three General Certificate Examination advanced level subjects. Further, the producers complained that they had difficulty finding workers who had the ability to take instructions. They noted that if the garment industry was having problems finding qualified workers, then the situation must be very serious.

Everyone was also concerned about the lack of productivity in the labor force. The reasons most frequently cited for this lack of productivity were: poor work ethics; a de-motivated work-force; and poor management and business education. Most of the interviewees thought that improved management of labor was the solution to these problems. They blamed migration for the lack of good middle managers and said that increased training of managers was needed.

C. Non-Tariff Barriers to Trade.

The interviewees recognized that non-tariff barriers to trade will constrain Jamaican industries from participating in the FTAA. First, the high sanitary, zoosanitary, phytosanitary, fumigation, and environmental standards of North American countries will be a major barrier to Jamaican exports. They stated that many Jamaican industries do not comply to standards that are as high as North American standards. Thus, these industries will be barred from exporting to North America, while North American industries will have access to Jamaican markets.

Second, the small number of interviewees who were knowledgeable of intellectual property rights (IPR) stated that inadequate enforcement of Jamaica's IPR regime could be a barrier to trade and investment. They said that the lack of knowledge on the part of Jamaican society and the absence of enforcement mechanisms will discourage the free flow of new technology and know-how from North America. Exporters from the North will be reluctant to expose their products to counterfeiting and other IPR violations.

Third, the interviewees from the private sector all confirmed that the government had accomplished much in the area of reducing excessive government regulations. However, they all agreed that a major non-tariff barrier to overseas businessmen was the way the existing rules were enforced. They all said that the inconsistency with which rules were applied, and the arbitrary nature with which the people in charge of enforcement applied these rules were major disincentives for foreign investors. Further, the absence of central locations where all the paperwork relating to a particular activity could be processed, increased the difficulty of doing business in Jamaica. This was considered another disincentive to foreign investment.

D. Opposition from Sectors within the Economy.

The consensus among the group was that opposition to free trade would come from the traditional agricultural sectors, such as sugar and bananas, the manufacturing sector, and merchants who have enjoyed the benefits of protection. They claimed that protection has encouraged these sectors to be complacent, and have resulted in inefficient operations in all of them. The group said that most of the leaders in the private sector have only experienced protected industries and markets, and do not understand the full implications of free trade. Many businessmen presently think of free trade as "a one way street," meaning that it is okay if it guarantees them access to North American markets. However, no consideration has been given to the competition that will come from abroad to compete with domestic industries in the Jamaican market. The interviewees predicted that as soon as this realization occurs, there will be strong opposition to free trade from many industries throughout the economy.

CURRENT POLICY FRAMEWORK

Jamaica has demonstrated its interest in becoming part of the Free Trade Area of the Americas by signing the declarations of the Summit of the Americas. Over the past five years, the government has embarked on a series of policy reforms in an attempt to enhance its chances of eligibility and its ability to compete in expanded hemispheric markets. These policy reforms include:

1. The liberalization of foreign exchange markets and the

- movement of capital.
2. The reduction of its tariffs.
 3. The elimination of all duties on imported raw materials for production.
 4. The initiation of customs reform.
 5. The signing of GATT, and the Bi-Lateral Investment and Intellectual Property Rights treaties with the United States.
 6. The reform of the financial system by requiring greater transparency in Bank of Jamaica monetary and international reserve policies, enacting a Securities Act, creating the Securities Exchange Commission, and modernizing the Stock Exchange.
 7. The enactment of a Fair Competition Act, and the creation of a Fair Trading Commission.
 8. The privatization and divestment of government assets and entities.
 9. The initiation of a regulatory process for waste management and pollution control, and establishment of an Environmental Protection Agency and the Jamaican Environmental Foundation.

Jamaica has encountered problems with the implementation of its policy changes. The enforcement mechanisms, with few exceptions such as the Fair Trading Commission, have been slow in carrying out their mandates because of lack of ability. This lack of ability results from a shortage of trained personnel and necessary equipment. Therefore, the implementation and enforcement of policies will have to be strengthened before Jamaica could be correctly positioned to take full advantage of the opportunities of the Free Trade Area of the Americas.

COMMENTS AND RECOMMENDATIONS

A. Comments.

The survey, as it was carried out, was successful in capturing the opinions of actors who will play an integral part in Jamaica's accession to the FTAA. The interviewees seemed to be forthcoming and honest in their responses. Most were very cooperative and gracious, given their time constraints. The interviews left me with several impressions.

The most striking impression was the apparent sense of fear most interviewees seemed to have concerning the future of the Jamaican economy. There was a distinct impression that everyone thinks that something is wrong with the economy, but no one knows exactly what it is. The public sector seems bewildered since they have done everything that the multilateral and donor organizations have asked them to do, but they have not seen the rewards from such measures. As a result of these rewards not being evident, the private sector has not responded with investment because of their uncertainty about the future.

A second impression was the lack of trust that exists between the private sector and the public sector. Each sector seems to be suspicious of the other, and each is using the other as a scapegoat for the problems in the economy. Instead of looking for common ground to work together for the good of Jamaica, they appear to be more preoccupied with finding reasons to criticize each other. The common practice seems to be to talk at each other, as opposed to talking with each other. As a result, each sector has totally different explanations as to what is wrong with the economy. Both explanations seem to be biased by the suspicions each sector has about the other.

The loss of confidence in the institutions of the Jamaican society was also very evident. This cynicism has affected all sectors of the economy. It is partly responsible for the lack of investment, the wage price spiral which has kept inflation high, capital flight, low labor productivity, and a general disregard for rules and regulations.

An interesting observation was the difference with which Jamaican and American businessmen perceived the problems that Jamaica was encountering. In general, both types of businessmen had the same concerns about the economic problems within the economy. The Jamaicans were more optimistic in their prognosis, than the Americans. However, the main difference in opinion was on the subject of the root causes of the problems. For the most part the Jamaicans blamed the government and politics for the problems in the economy. On the other hand, the Americans were more concerned about social conditions such as the deteriorating infrastructure, the high incidence of poverty, and the rift between the classes within the society.

Finally, the lack of strategic thinking on the part of individuals, businesses, and the government was starkly apparent. The entire culture seems to be geared towards the short term. The absence of clear long term planning could be observed with regard to the government's actions concerning free trade. The leaders have engaged in a lot of rhetoric about free trade. However, the government has not conducted any in depth studies on the impact free trade will have on the Jamaican society. For example, nothing has been said about the social dislocations that will occur as a result of free trade. Thus, there is no coherent plan in place that addresses how Jamaica gets from its present state, to being a country with an open economy.

B. Recommendations.

Based on the survey and interviews conducted, I have the following recommendations:

1. A mechanism needs to be established which will facilitate better communication between the public and private sectors.

2. The Trade Facilitation Board and the Investment Facilitation Board, which have been given the mandate to reduce impediments to trade and investment, should be given the most support possible. Technical assistance should target such issues as the creation of certainty through the consistent application of rules, and the centralization of procedures.
3. The Bureau of Standards should be helped to become more involved in trade and commerce. This will improve the chances of Jamaican industries overcoming non-tariff barriers to trade.
4. Technical assistance should be provided to help the government, businesses, and the University of the West Indies work together to create strategies concerning how Jamaican industries could become competitive in the FTAA.
5. Training should be provided in the area of management of labor. Special emphasis should be placed on worker motivation and labor productivity.
6. Assistance should be provided for identifying U.S. companies who may benefit from joint ventures with Jamaican companies. After identification, assistance may be provided to formulate the "marriage" between such companies.
7. Development banks should be helped to provide low cost loans to the productive sectors of the economy.
8. The court system should be upgraded in order to be able to address dispute resolution relating to trade and intellectual property rights.
9. The trademark department and the system of copyright recording should be modernized. Enforcement personnel should also be trained.
10. Assistance should be given to the management of traffic in order to alleviate the transportation problem. Innovative plans should be studied such as the creation of incentives for van pooling by companies.
11. Assistance should be provided to create plans for a safety net for the victims of the social dislocations that will occur as a result of the free trade area.
12. Assistance should be continued in the area of education. However, the priority should be on ways to increase the amount of qualified teachers.

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Appendix 1

INTERVIEW LIST

1. **Min. Phillip Paulwell**
Minister of State
Ministry of Industry, Investment & Commerce
2. **Veniece Pottinger**
Vice President, Production & Development Services
Jamaica Promotions Ltd. (JAMPRO)
3. **Charles Ross**
Executive Director
The Private Sector Organization of Jamaica (PSOJ)
4. **Pauline Gray**
Executive Director
Jamaica Exporters' Association (JEA)
5. **Beverly Morgan**
Vice President
Jamaica Exporters' Association (JEA)
Chairman
Jamaica Agricultural Development Foundation (JADF)
6. **Philip Alexander**
Deputy President
Jamaica Manufacturers' Association (JMA)
7. **Leroy Phoenix**
Vice President
National Investment Bank of Jamaica (NIBJ)
8. **Geraldine Foster**
Acting Director
Jamaica Fair Trading Commission (JFTC)
9. **Patrick Williams**
Economist
Jamaica Fair Trading Commission (JFTC)

10. **Philmore Ogle**
President
Jamaica Chamber of Commerce (JCC)
Partner
Deloitte Touche
11. **Dr. Ofe Dudley**
Executive Director
American Chamber of Commerce of Jamaica
12. **Ambassador Peter King**
Consultant
Peter King Associates
13. **Morin Seymour**
Executive Director
Kingston Restoration Co. Ltd. (KRC)
14. **John Yates**
Deputy Representative
Inter-American Development Bank
15. **Robert Van Pulley**
Resident Representative
The World Bank
16. **Gilles Stephens**
Resident Representative
United Nations Industrial Development Organization (UNIDO)
17. **Dr. Trevor Hamilton**
Consultant
Trevor Hamilton & Associates
18. **Trevor Ottey**
Managing Director
Colgate Palmolive
19. **Anthony Gomes**
Executive Director
Neal & Massey Group Ja. Ltd.
20. **Peter Goldson**
Attorney-at-Law
Myers, Fletcher & Gordon

21. **Dr. Marshall Hall**
Chief Executive Officer
Jamaica Producers Group
22. **Dr. Arnaldo Ventura**
Special Advisor to the Prime Minister on Science & Technology
Office of the Prime Minister
23. **Basil Buck**
Executive Chairman
Buck Security
24. **Don Marshall**
Managing Director
ESSO
25. **John Riley**
Economic Section
U.S. Embassy
26. **Frank Kerber**
Economic Section
U.S. Embassy
27. **Emile Findley**
Department of Commerce
U.S. Embassy
28. **Janet Potash**
Labor Attache
U.S. Embassy

Appendix 2

FREE TRADE AREA OF THE AMERICAS QUESTIONNAIRE

SECTION 1. The Development Challenge.

(1) What is your critical evaluation of the state of the Jamaican economy? What are some possible reasons why the Jamaican economy seems to have all the pieces in place to encourage growth, but still exhibits little or no growth? What distortions exist that impede economic growth?

(2) What is your overall assessment of the Jamaican economy's state of readiness for participation in a free trade agreement in areas of: (a) price stability; (b) budget discipline; (c) external debt; (d) currency stability; (e) market-oriented policies; (f) reliance on trade taxes?

(3) What are the inflationary pressures that create a high inflation rate in Jamaica? How can these pressures be reduced?

(4) What rate of growth in GDP is needed to provide increased employment opportunities and income gains to reduce poverty over the coming years?

(5) What trends exist regarding investment in education and health services?

(6) What additional economic and or structural adjustments does Jamaica have to make in order to satisfy the eligibility requirements for participation in Free Trade Area of the Americas?

(7) What three things can Jamaica do in the areas of labor productivity to increase efficiency of its economy?

(8) How would you assess Jamaica's ability to compete in a Free Trade Area of the Americas by 2005? Can Jamaican industries survive and compete without internal and external concessions?

(9) What possibilities are there for the development of new markets and new industries for Jamaican goods and services within the Free Trade Area of the Americas?

(10) What measures can be taken over the next few years to promote

the Jamaican industrial policy with the goal of accession to Free Trade Area of the Americas?

(11) What are some suggestions that could be used to promote and market Jamaica as an attractive location for foreign investment, joint ventures and to establish strategic alliances with international firms?

SECTION 2. Constraints to increased Jamaican participation in the Hemispheric Economy.

(1) Which local industries will be adversely affected immediately and in the future by Jamaica's accession to Free Trade Area of the Americas?

(2) What sectors in the economy do you see presenting the strongest opposition to the Free Trade Area of the Americas?

(3) How prepared is Jamaica in terms of human capital to begin to compete in the global market place?

(4) Does the Jamaican public and private sector demonstrate an understanding of what is required to qualify for access to the Free Trade Area of the Americas and what will be needed to compete?

(5) What are the major non-tariff barriers to free trade?

(6) What measures can be taken to reduce excessive or burdensome regulations and government procedures?

(7) What improvements are needed in the area of communications infrastructure and information technology (access to information on financial services, product pricing, credit, insurance, shipping and other services) to promote free trade?

(8) Is the banking and financial services industry prepared to compete in a hemispheric free trade area?

(9) What are the areas of weakness in the Jamaican judicial/legal system with regard to the enforcement of intellectual property rights agreements and bilateral investment treaties? What type of

assistance does Jamaica need to create a mechanism for dispute resolution of trade issues as they relate to these types of agreements?

SECTION 3. Policy Framework.

(1) How can Jamaica improve its trade, investment, and labor policy framework to achieve the eligibility requirements for the hemispheric free trade area?

(2) What level of foreign investment will be required annually over the next five years to enable Jamaica to become competitive in the Free Trade Area of the Americas? (in US\$ millions or percentage of GDP)

(3) Is the current investment climate in Jamaica conducive to attracting the level of investment alluded to in the previous answer?

(4) What recommendations can you make regarding the policy and regulatory areas which would help Jamaica to reach these targets?

(5) What investment incentives could be instituted in Jamaica? Are additional foreign investment incentives needed for Jamaica?

(6) Do current environmental laws in Jamaica promote anticipated increases in trade and investment levels as a result of participation in the FTAA? How can economic growth be assured without damaging the environment?

(7) What are possibilities for diversification and integration of industries within the economy? What policy support is needed to enable this to occur?

(8) How can Jamaica improve its technical product standards and including its sanitary and phytosanitary control systems? Does the current policy framework support the work of the Standards Board sufficiently? What recommendations can you make to improve product standards?

Appendix 3

REPORTS OF INDIVIDUAL INTERVIEWS

MEMORANDUM

TO: William Craddock
FROM: Kurt Skeete
RE: Meeting with Don Marshall, Managing Director, ESSO.
DATE: July 24, 1995

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Don Marshall addressed the issues raised in the questionnaire for the perspective of an American businessman doing business in Jamaica. He was able to highlight some of the difficulties that overseas investors may encounter. His opinion on the issues raised in the questionnaire are outlined below.

He believes that the economic situation in Jamaica is fragile. In fact he characterized it as a race between social eruption and improvements in the economy. He said the situation reminded him of when he was in Argentina where all investment activity centered around financial instruments and there was no investment in what he called bricks and mortar. He thought it was not healthy in Argentina and he thinks it is not healthy in Jamaica. This pattern of investment has resulted in the infrastructure breaking down and not being upgraded or maintained. However, despite its problems he thinks the country has potential.

He thinks that most industries in Jamaica, with the exception of the garment industry, will not be able to compete in the FTAA. Some industries will need some protection. In order to compete Jamaica will have to specialize. It will have to decide what it can do, and do it well. Some good possibilities are tourism, the financial sector, bauxite, and agricultural products for niche markets.

He stated that it would be difficult to attract investors to Jamaica. The country is not business friendly and this reputation has got around the international business community. The main problem is that there is no consistent application of rules. For example, there has been several instances of foreign investors buying land to start businesses, and then being dispossessed because the land was sold afterwards to local investors.

In other instances there has been the arbitrary requirement of business visas by immigration officers. In one instance, three businessmen flew in together and even though all had the same documents one was picked out and detained and the others allowed in. In fact, he said high officials in the government advise businessmen to tell their visitors to lie and say they are tourists. He asked: What type of impression does that give a new investor?

He said a second problem is that nobody wants to take the responsibility of making decisions and this slows down business activity. For example, ESSO sold a refinery in 1982 to the government, and the transaction is now being settled in 1995 because of the inaction of the bureaucracy.

Third, he said infrastructure problems further discourage overseas investment.

He thinks that the human capital problem in Jamaica is a reaction to an environment caused by bad infrastructure. For instance, the productivity problem is directly related to transportation and running water.

Finally, he recommended that money be put into the school system, and the transportation and road network.

MEMORANDUM

TO: William Craddock
FROM: Kurt Skeete
RE: Meeting with Philmore Ogle, President, Jamaica Chamber of
Commerce; Partner, Deloitte Touche Tohmatsu.
DATE: July 20, 1995

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The meeting with Philmore Ogle was brief. As a result of time constraints, he simply gave his opinion on what he thinks is wrong with the economy.

He said interest rates have been raised to maintain the exchange rate and as a result, there has been a reduction in investment. Further, loans that could be lent at reduced rates, such as loans from multilateral agencies, go to banks. The banks then lend them at market rates and make huge profits.

He said inflation is caused by the government printing money. This causes a wage price spiral, since working people are unable to keep up with the cost of living. This has resulted in what he considers the biggest danger in Jamaican society, the disillusionment of its people.

He thinks the government has not done enough research on the implications of free trade. He said a number of industries will not be able to compete. However, industries targeted to niche markets should be competitive. He stated that a big danger presently was the government trying to liberalize too fast. He said if this continues, even industries with the potential to compete may be destroyed, before they are able to get up to steam.

Finally, he said that not enough money was being put into business planning. He said this must improve if Jamaica is to survive in the FTAA.

MEMORANDUM

TO: William Craddock
FROM: Kurt Skeete
RE: Meeting with Leroy Phoenix, National Investment Bank of Jamaica
DATE: July 20, 1995

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The meeting with Leroy Phoenix was brief. Mr. Phoenix was guarded and expressed the views of the government when answering most questions.

He said the Jamaican economy is relatively strong on the macro level. However, he thought that it was weak when one looked at the social conditions.

He said that even though industries like manufacturing were going to suffer from free trade, he thought Jamaica could compete in most industries. He stated that there were excellent opportunities in such areas as agro-industries and the mining of limestone. However, he said that state marketing of Jamaican products would be needed for Jamaica to be competitive. He thought this was essential since the main weakness of Jamaican industries was their ability to market their products overseas.

He said one of the biggest problems in Jamaica was human capital. He blamed migration for this problem. He also said management needed improved training, especially in the area of making decisions.

Finally, he said that for Jamaica industries to grow, Jamaica needed to cut bureaucracy, become more professional, become better marketers, and become better decision makers.

MEMORANDUM

TO: William Craddock
FROM: Kurt Skeete
RE: Meeting with Robert Van Pulley, The World Bank
DATE: July 20, 1995

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Robert Van Pulley was very interested in the survey. He said that during the visit by the World Bank President, the Prime Minister of Jamaica asked the World Bank for technical assistance to research the implications of the Free Trade Area of the Americas.

On the subject of the Jamaican economy, he said that there were areas of concern, such as low growth, high rates of poverty, financial sector instability, and increasing domestic debt. He also said that because of the deteriorating education system, human capital quality was becoming a problem and firms were having difficulty recruiting.

He said it was difficult to predict which industries would fail and which would survive. As far as he knew no studies had been done on this issue, but he said one needed to be done.

He thought the government should become more aggressive in recruiting foreign investment. He thought Jamaica's attractions were; the literacy of the population, the fact that the country was english speaking, the stability of the political system, and its proximity to North America. However, he thought the country needed to work on crime and labor market issues.

Finally, he said Jamaica needed to do analysis on a sector by sector basis of the implications of the FTAA. He said the private sector and the public sector needed to work together to formulate policy. He thought the country needed independent advice since it needed to prepare its own case for trade negotiations.

13

MEMORANDUM

TO: William Craddock
FROM: Kurt Skeete
RE: Emile Findley, Department of Commerce, U.S. Embassy
DATE: July 20, 1995

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Emile Findley did not have any information on developments regarding the Free Trade Area of the Americas but he provided the attached cable about the Denver Trade meeting.

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ACTION: FCS-0
INFO: ECOP-1 DCM-1

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FROM USFCS DIRGEN FITZ-PEGADO

POST FOR ECON/COM OFFICER

SANTO DOMINGO FOR FCS/RSCO

E.O. 12356: N/A 06
TAGS: BEXP, DR, BF, TD, JM, HA, BB
SUBJECT: INVITATION FOR CARIBBEAN HEMISPHERIC TRADE
DELEGATIONS TO PARTICIPATE IN A CARIBBEAN MEETING

1. THIS IS AN ACTION CABLE. RECENTLY I CONVENED, AND THE U.S. AMBASSADOR TO THE DOMINICAN REPUBLIC HOSTED, A CARIBBEAN COMMERCIAL STRATEGY MEETING IN SANTO DOMINGO WITH SEVERAL AMBASSADORS FROM THE CARIBBEAN AND ECONOMIC/COMMERCIAL OFFICERS TO DISCUSS THE CREATION OF A CARIBBEAN COMMERCIAL STRATEGY. AS A RESULT OF THAT MEETING WE FELT IT APPROPRIATE AND TIMELY TO CONVENE A MEETING IN DENVER DURING THE HEMISPHERIC TRADE AND COMMERCE FORUM WITH ALL OF THE DELEGATES FROM THE CARIBBEAN COUNTRIES. THE OBJECTIVE OF THIS MEETING WILL BE TO STRENGTHEN AND ENHANCE U.S.- CARIBBEAN AND INTRA-CARIBBEAN COMMERCIAL RELATIONSHIPS AND TO IDENTIFY STRATEGIES TO POSITION CARIBBEAN ECONOMIES FOR THE FREE TRADE AREA OF THE AMERICAS.

2. THE MEETING WILL TAKE PLACE ON SATURDAY, JULY 1, 1995 IN THE DENVER CONVENTION CENTER. WE WOULD LIKE THE PARTICIPATION OF THE ENTIRE COUNTRY DELEGATION, INCLUDING GOVERNMENT AND PRIVATE SECTOR REPRESENTATIVES. WE WOULD APPRECIATE YOUR ASSISTANCE IN ENCOURAGING THEM TO ATTEND. BECAUSE YOU HAVE BEEN WORKING CLOSELY WITH THE YOUR DELEGATION(S) FOR THE FORUM, PLEASE COMMUNICATE THIS INFORMATION TO THEM. AS YOU KNOW, THE FORUM OFFICIALLY ENDS

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ON SATURDAY AT 5:00 P.M. AND THIS MEETING BEGINS IMMEDIATELY AFTERWARDS.

3. ACTION REQUESTED: FOLLOWING IS THE AGENDA OF THIS MEETING. WE WILL FAX A COPY OF OUR CARIBBEAN COMMERCIAL STRATEGY TO POSTS ON JUNE 21. POSTS ARE REQUESTED TO PROVIDE THESE ITEMS TO YOUR RESPECTIVE COUNTRY DELEGATIONS AS SOON AS POSSIBLE AND TO ENCOURAGE THE DELEGATION MEMBERS TO REVIEW IT AND INDICATE WHETHER THEY ACCEPT OUR INVITATION TO THE MEETING. THEY SHOULD ALSO COME PREPARED TO IDENTIFY ADDITIONAL VEHICLES FOR ENHANCING U.S. CARIBBEAN AND INTRA-CARIBBEAN REGIONAL TRADE. PLEASE CONTACT MARIA TILDON AT (202) 482-0332 OR FAX HER AT (202) 482-3159 BY TUESDAY JUNE 27 SO THAT WE MAY KNOW HOW MANY DELEGATES PLAN TO ATTEND THE MEETING. THANK YOU FOR YOUR ASSISTANCE.

4. CARIBBEAN COMMERCIAL STRATEGY MEETING

SATURDAY, JULY 1, 1995

5:15 P.M. - 6:15 P.M.

DENVER CONVENTION CENTER

GOAL STATEMENT: TO STRENGTHEN AND ENHANCE U.S. - CARIBBEAN AND INTRA-CARIBBEAN COMMERCIAL RELATIONSHIPS THROUGH INCREASED DIALOGUE

" TO IDENTIFY STRATEGIES TO POSITION CARIBBEAN ECONOMIES FOR THE FREE TRADE AREA OF THE AMERICAS

MODERATOR: LAURI FITZ-PEGADO

DIRECTOR GENERAL AND ASSISTANT SECRETARY --

USFCS

5:15 - 5:20 OPENING BY SECRETARY RON BROWN -- THE CARIBBEAN: THE U.S.' NATURAL TRADING PARTNER

5:20 - 5:30. REMARKS BY LAURI FITZ-PEGADO -- ENHANCING THE U.S. CARIBBEAN COMMERCIAL RELATIONSHIP: A FRAMEWORK

5:30 - 5:45 MAJOR PROJECTS/FINANCING OPPORTUNITIES
IDB
OPIC
EXIMBANK

5:45 - 6:15 COUNTRY DELEGATION PRESENTATIONS/OPEN DISCUSSION

ORIGIN: 3134/USDOC/DIRGEN/LFITZ-PEGADO

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MEMORANDUM

TO: William Craddock
FROM: Kurt Skeete
RE: Meeting with Anthony Gomes, Neal & Massey
DATE: July 20, 1995

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Anthony Gomes was very knowledgeable about the free trade issues that face Jamaica. He attended the Denver meeting of trade ministers and business people on the FTAA that was held in June and was therefore up to date on the issues.

He said that the economy was in a much better position than it was last year. The macro-economic indicators in the economy were sound but still there were troubling signs. He cited the investigation of banks such as Blaize and Century National Bank and five others, as examples of financial instability. He also said that foreign currency supply was drying up and the black market was reviving.

He said that they were major problems in the education system and more and more people were unemployable. He said Jamaica had to figure out ways to effectively train and re-educate people in different areas if it wanted to stay competitive.

He said foreign direct investment was the best thing for Jamaica. However, when foreign investors look at the crime, the bad infrastructure, and the banking system, they would not find Jamaica to be an attractive location.

Finally, he said that in order for Jamaica to be competitive the private sector must become involved in government decision making.

MEMORANDUM

TO: William Craddock
FROM: Kurt Skeete
RE: Meeting with Morin Seymour, Kingston Restoration Corporation
DATE: July 20, 1995

=====

Morin Seymour presented a different perspective on the issues in the survey. He looked at the issues from the perspective of someone who believes that problems are there to be solved.

He said the government has structurally adjusted the economy, but the private sector has not done its part. Further, he feels that the lack of growth in the economy means that something is wrong in the economy. Thus, he suggests that the government change strategies. First, he says there needs to be an examination of each sector in the economy to see what needs to be done. He said that this would not be difficult since STATIN has all the data. Then, based on this research, he said the government should embark on corrective action.

He argued that the government needs to develop a long term plans in various areas. He then gave me an example of the type of plan he would like to see the government being involved in. (See attached)

He then listed areas the government should work on. They included: organizing farmers to market goods; upgrading the level of leadership throughout the society; improvement of management training; specialization of Jamaica's industries; and the designation of organizations such as the Bank of Jamaica and the National Investment Bank of Jamaica, to take up the leadership of the economy.

Y
J. Chamber of
Commerce

Kingston

RESTORATIC
COMPANY LIMITED

3 DUKE STREET, KINGSTON, JAMAICA, W.I. TELEPHONE: (809) 922-3126-7, 924-9434-5. FAX: (809) 922-0054.

June 15, 1995

Mr. Philmore Ogle
President
Jamaica Chamber of Commerce
72A E Parade
Kingston

Dear Philmore,

Thank you for chairing a historic meeting today. Maybe it is providential that the Chambers' idea of a coordinator for the redevelopment of the city of Kingston coincides with the completion of my report on my tour to the United States between March 20 - May 26 as the 1995 Eisenhower Fellow for Jamaica.

In this regard, I attach for your review a copy of my full report inclusive of two attachments. Your particular interest is drawn to Attachment II detailing a self-concept for an alliance buttressed by Trade Centre of the Americas incorporated prior to my departure from Jamaica. Both of which are designed to become the engine for promoting investment growth in Kingston. Please note the role of the Chamber in spearheading the Alliance, literally taking charge of all economic activities. Please also note two things:

1. "The turf" or pecuniary self-interest consideration have been limited under the arrangement.
2. That it went beyond just Kingston and spoke to the benefits of including Spanish Town, Port Royal and Greater Portmore in the design.

This report is being circulated to yourself, Mr. Desmond Blades and Mr. Donald Lyn your Executive Director for your consideration and further deliberations.

page 2/cont.

As indicated today, regardless of how we end up arriving at the organizing principle in managing Kingston's renewal, our company stands in support of the Chamber's idea: that a way ought to be found to ensure the efficient employment of all resources towards the city's renewal.

Yours sincerely,
Kingston Restoration Company

Morin M. Seymour
Executive Director

c.c. Mr. Desmond Blades - Past President of the Jamaica Chamber of Commerce

Mr. Donald Lyn - Executive Director, Jamaica Chamber of Commerce



JUL 18 1995
The Jamaica Chamber of Commerce

7-8 EAST PARADE, P.O. BOX 172, KINGSTON, JAMAICA

PHONE: (809) 922-0150-1

FAX: (809) 922-0150-2

July 17, 1995

Mr. Morin Seymour
Executive Director
Kingston Restoration Committee
3 Duke Street
Kingston

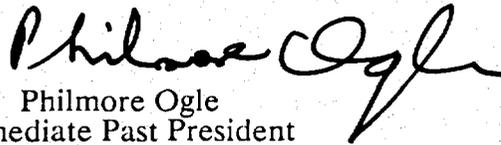
Dear Mr. Seymour:

Proposed Trade Centre of the Americas

I apologize for not replying previously to your letter dated June 15, 1995. The Chamber will consider the matter and let you have a response.

I really believe that the idea could make a big difference in the future of the city of Kingston.

Yours faithfully,



Philmore Ogle
Immediate Past President

PROPOSAL
FOR THE ESTABLISHMENT OF
THE TRADE CENTRE OF THE AMERICAS

KINGSTON RESTORATION COMPANY
JUNE 14, 1995

TRADE CENTRE OF THE AMERICAS

1.0 INTRODUCTION

The Trade Centre of the Americas is a key idea from the USAID sponsored Vision 2020 for the renewal of Downtown Kingston. The Trade Centre concept was developed in response to the increasing globalization and liberalization of the international trading environment and the need for Jamaica's economy to remain competitive. In this context, Jamaican companies need additional resources to be able to produce and market more efficiently and to communicate business opportunities to investors.

To increase Jamaica's competitiveness in the world market the Trade Centre will take advantage of modern technology to access readily available commercial intelligence which will provide companies with the most effective and efficient marketing, communication and investment promotion tools.

2.0 THE TRADE CENTRE CONCEPT

The concept combines packaging trade services, real estate and investment opportunities and marketing them nationally and internationally. Once a project has been successfully conceptualized, its market position, location and profitability can be improved through the provision of services by the Trade Centre.

3.0 THE MISSION

The mission of the Trade Centre is to provide a vehicle through which investment in Greater Kingston can be optimized. The Centre will take advantage of the extensive information available through international databases such as the INTERNET, to facilitate international business thereby creating locally jobs so urgently needed. Downtown Kingston, Spanish Town, Port Royal and Portmore are identified as the major focus areas for these activities.

3.1 Phase One

The first task of the Centre will be to source new investors for the area. A second and allied task will be to develop a trade information system capable of providing:

- a) import and export information
- b) new trade and investment opportunities
- c) current commodity and other business trends

3.2 Phase Two

Once phase one gets underway the Trade Centre will then actively undertake the brokering of real estate and the identification and provision of office space to facilitate the accompanying business expansion.

4.0 NEW THRUST - THE ALLIANCE FOR ECONOMIC DEVELOPMENT

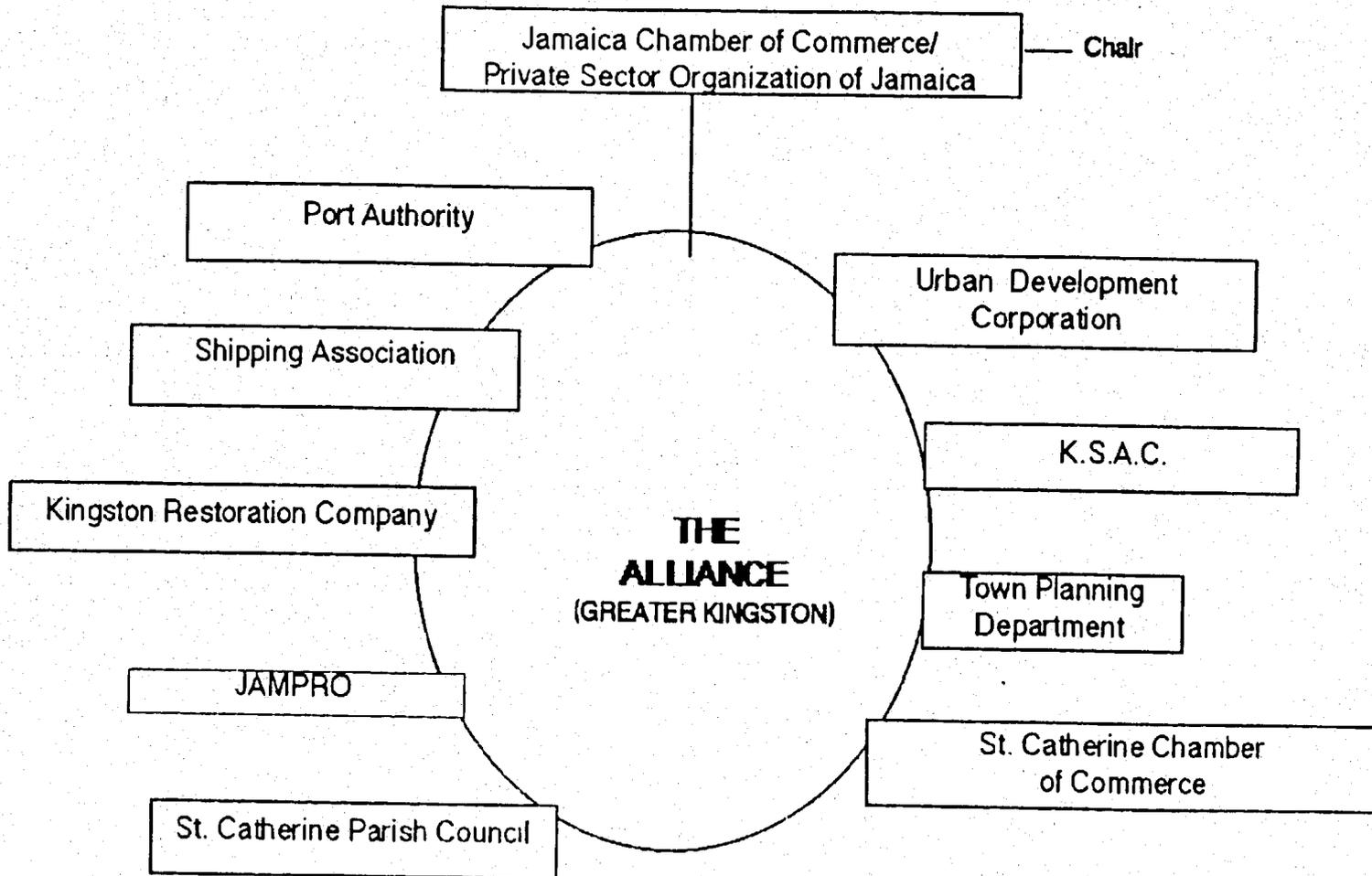
In order to move the investment process along and to provide economies of scale and create the opportunity for the widest possible participation by the Private and Public Sectors, we propose the formation of an alliance involving: The Port Authority of Jamaica, KSAC, JAMPRO, private and public investment companies, the Jamaica and St. Catherine Chambers of Commerce, the Urban Development Corporation, trade promotion entities, shipping interests and the central and local government authorities involved in planning. We expect that the Jamaica Chamber of Commerce will chair the Alliance.

The role of the Alliance will be to bring together the combined resources and expertise of the membership in the promotion of the Area thereby fostering growth in investment and overall job creation.

The members of the Alliance will be involved in the following activities:

- joint hosting of events
- collaboration in training seminars
- exchange of information
- facilitation of approvals for land and building permits
- joint publication of promotional material such as economic, demographic, infrastructure and skills profiles for the Area.

THE ALLIANCE FOR ECONOMIC DEVELOPMENT



Note: The CEO of the Alliance would be paid for by the Chambers of Commerce and Local Authorities.

The Trade Centre would be financed and managed from its paid up Share Capital with Membership fees in part from the

df

MEMORANDUM

TO: William Craddock
FROM: Kurt Skeete
RE: Meeting with Dr. Marshall Hall, Chief Executive Officer,
Jamaica Producers Group.
DATE: July 20, 1995

=====

In our meeting, Dr. Hall displayed extensive knowledge about the problems in the Jamaican economy. His views on the issues raised in the questionnaire are stated below.

The Government of Jamaica has made great strides to create policies that promote growth. However, problems in the Jamaican economy persist because within the economy there are rigidities that do not allow for adaption.

First, persistent inflation has resulted in high wage rates which has in turn created more inflation. This has reduced the competitiveness of Jamaican producers since their costs are increasing at a quicker rate than their overseas competitor costs.

Second, high interest rates are destroying the productive sector since it is more profitable to invest in commercial paper than in the productive sector. Further, producers are caught in the predicament of waiting for interest rates to fall to make reinvestment in their industries. However, because they do not make reinvestment and thereby increase productivity, rates continue to be high.

Jamaica needs to tighten its fiscal and monetary policy to arrest the vicious cycle of inflation. However, this is a catch 22 situation since such action will hurt the public service areas such as health and education, which in turn hurts productivity.

To combat the disincentive to invest in the productive sector caused by high interest rates, institutions such as development banks have to start lending at rates below the present level.

All of Jamaica's industries will be threatened by free trade and many will not be able to compete. The financial sector will be under serious threat because firms will have to compete with much competitors who have much larger resources at their disposal. For example, domestic insurance companies will be competing with North American insurance companies who have the capability to have just a few salesmen in Jamaica, and their entire back office in North America. This means that the foreign companies will have less overhead and the advantage of economies of scale over domestic

companies.

The agriculture sector will be threatened because North American producers will have access to Jamaican markets but Jamaican producers will not have access because of non-tariff barriers to trade. Sanitary, phyto-sanitary, fumigation, and environmental standards become costs which make it impossible for many producers to ship to North American countries.

The manufacturing sector will not be able to compete because the sector is antiquated. The sector needs to be re-tooled but this is being hampered by high interest rates.

In order to compete agricultural productivity and standards must be increased. Further, Jamaica must increase its involvement in other industries related to agriculture such as canning and processing.

Jamaica should try to get more from the tourists who visit its shores. Jamaica must find ways to sell more local products to tourists.

Finally, free trade without the free movement of labor will be disastrous for the losers in the process. Thus, the countries of North America must ask themselves if they are prepared to deal with the instabilities that will come as a result of free trade. If they do accept that there will be winners and losers, then they must create strategies to deal with the losers.

MEMORANDUM

TO: William Craddock
FROM: Kurt Skeete
RE: Meeting with Phillip Alexander, Deputy President of
Jamaica Manufacturers Association (JMA).
DATE: July 20, 1995

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In our meeting Phillip Alexander detailed the problems manufacturers are presently encountering in Jamaica. His opinions were critical of government policies and were pessimistic about the future of manufacturing in Jamaica. His views on the issues raised in the questionnaire were the following.

The policies of the Government of Jamaica are not in keeping with policies that promote production. The government has displayed no vision and as a result has instituted policies which have added to the cost of production in all the productive sectors of the economy. This has reduced Jamaica's ability to compete in the global marketplace since many foreign competitors do not encounter these additional costs.

These additional costs of production are caused by high interest rates, high inflation, high taxes, lack of government incentives, excessive government procedures, and bad infrastructure.

Interest rates are so high that there is no incentive to invest in the productive sectors of the economy. Why should one invest in the productive sector for a return of ten percent when the government is prepared to pay thirty percent on commercial paper? Most importantly, high interest rates make the cost of capital so high, that domestic producers cannot find money to upgrade their equipment. This reduces their ability to increase their efficiency and thus compete with foreign competitors.

Persistent inflation hurts the ability of Jamaican producers to compete. The government has stabilized the exchange rate but not inflation. Thus, Jamaican companies cannot compete with other companies in the region because the Jamaican's costs are increasing while their competitor's costs remain the same. At the same time the Jamaican producers are unable to increase their prices because the exchange rate is unchanged. As a result, domestic producers are faced with a shrinking profit margin.

High taxation is another factor which reduces competitiveness. The General Consumption Tax on inputs and the Value Added tax have driven up costs. Further, the tax system is so unfriendly, because of the large amount of paper work one has to do, that there is an

incentive to break the rules and not comply. Therefore, the producers who do not comply have an advantage over other producers who comply.

The government does not provide any incentives for industries to go and find new markets or develop new products. Therefore, industries have to do these things on their own and this is an added cost. On the other hand, foreign competitors, as in the case of Trinidadian industries, receive assistance from their governments and are able to be more competitive in the long run.

Inefficient government procedures reduce competitiveness. For example, customs procedures continue to be too slow. This adds to costs when products, that need to be delivered, take a long time to be cleared from the docks or the airport.

Bad infrastructure also adds to producer costs. For example, producers need to provide water pumps for failures in the water supply; stand by generators are needed for power cuts; and companies need to transport their employees because of the bad transportation system. Crime and violence also add to costs through the need for security.

Most Jamaican industries will not be able to compete in the FTAA. Only the garment industry may be able to compete. New industries that may be explored are quarrying for marble and limestone, and the production of niche products such as high quality cotton. Further, Jamaica must look into adding value to products instead of simply selling primary products.

Regarding human capital, Jamaica needs to strengthen its management and its education system. First, many Jamaican managers do not manage labor well. One reason for this is the quality of management. Jamaica lost most of the people who would have made up its middle management in the 70's to migration. This has resulted in a dearth of good managers. Second, the education system does not focus on what skills would be needed for the types of industries Jamaica would like to attract to its shores. Further, teachers are not paid enough and this has resulted in a reduction in the quality of teachers.

Jamaica can be an attractive location for investors because of its proximity to North America; its english speaking population; and the similarity of its culture to North America's culture. However, there is no lobbying by the government based on what Jamaica has to offer foreign investors.

Finally, in order for Jamaica to become prepared for the FTAA there must be investment in its people. The two primary areas where money must be put are education and technology transfer.

MEMORANDUM

TO: William Craddock
FROM: Kurt Skeete
RE: Meeting with Basil Buck, Executive Chairman, Buck Securities.
DATE: July 20, 1995

=====

In our meeting, Basil Buck was very open in his comments on the condition of the Jamaican economy. He was generally pessimistic about the effects the FTAA would have on the Jamaican economy. His views on the issues raised in the questionnaire are outlined below.

First, he stated that if one studies the Jamaican economy, one must be aware that standard economic theory does not work in Jamaica. This is because attitudes and expectations are different from the rational man assumed in economic theory. Further, the leadership of the country is trapped in a world of politics, which by the way its played, stunts development.

He reasons that the Jamaican economy is in stagnation because policies are formulated on a macro basis without the micro input. As a result, all the macro indicators are correct but the micro factors have not been affected by macro policies.

He thinks that Jamaican industries will not be able to compete in the FTAA. At present they cannot compete in CARICOM because of inefficiencies resulting from obsolete equipment. For example, Jamaica's industries are working with 1960's equipment while countries like Trinidad are experiencing a second round of re-tooling since the 1960's.

In order for Jamaican industries to become competitive the economy has to be divided into sectors. For example, if Jamaica is good at making shoes, Jamaica should specialize in making shoes. Further, the government needs to set up an effective central marketing organization. This organization would be responsible for all Jamaican products, possibly under a limited number of brand names.

Regarding human capital, he said immigration in the 70's has left a void in the talent pool of leadership. Thus, this has had a trickle down effect throughout the economy.

He claims that Jamaica needs foreign investment because it does not have the domestic savings base, to fund needed investment. Inflation has created a consumption society where everyone tries to spend as much as possible today, in order to save against increased prices tomorrow.

He said Jamaica is not attractive to foreign investors because Jamaica does not offer investors much. For example, the primary attraction one hears about is cheap labor, however he does not believe Jamaica has cheap labor. He thinks labor is cheap in monetary terms, but expensive in the return one gets for one's money.

Further, he thinks the uncertainty of Jamaican government policies deter investment. If policies are subject to change investors cannot project ahead. To get foreign investment, the Jamaican government needs to convince foreign investors that policies will not change, as it did in the 70's, because the investors are making money. The biggest fear of all investors is the possibility that after they start to make money, the government will try to get a piece of the pie through heavy taxation thereby destroying everything the investor has worked for. When this happens, the word about such policies spreads among the multinational community and they stay away.

He said the public sector does not understand the fragility of the economy and the private sector does not understand what free trade is all about. The reason he gave was that most of the people in business have only known a protected market. He predicts that the FTAA will cause massive dislocations in the economy for five to ten years. Therefore, the government needs to think about the pace at which they reduce the protection of certain industries. They need to think of phase in periods which will provide a time frame for these industries to put their house in order or become obsolete.

Finally, he said the government needs to create more incentives for industries to become more efficient. However, the politics of the country creates a dilemma. In order to become more efficient many industries need to mechanize, which means reducing the amount of labor. However, there are no industries to shift this labor to, and since their votes are important, no one has the political will to increase efficiency.

MEMORANDUM

TO: William Craddock
FROM: Kurt Skeete
RE: Meeting with Dr. Trevor Hamilton of Trevor Hamilton Associates.
DATE: July 20, 1995

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In our meeting, Dr. Hamilton went through the entire questionnaire and tried to address as many questions as possible. In general, he was very pessimistic about what is occurring in the Jamaican economy. He stated that the economy is fragile, and noted that this fragility is further exacerbated by the government not behaving in a strategic manner.

He said the Jamaican economy displays weaknesses on the supply side. First, regarding human resources, there are weaknesses in the areas of good service, good delivery systems, quality of labor, and productivity. Then, there is the inability of producers of goods to jump into upscale markets or to add value to products. Further, there is an absence of good support systems.

On the question of whether Jamaican firms can compete in the FTAA, his answer was clearly no. He pointed out that Jamaica could not compete even within CARICOM. He said Jamaican companies could not stand on their own without protection. The only other alternative would be the development of joint strategies and joint production with foreign companies acting as big brothers.

The main reason why Jamaica does not have a competitive advantage is because the infrastructure is bad when compared with its competitors. For example, the transportation system is responsible for drastic falls in production. This results from inadequate management of traffic; driver training and education; commuter education and time tabling. Productivity suffers because of lost man hours and the de-motivation of the part of the work force who use the system.

He said the industries most likely to be affected by free trade will be low skilled industries such as the garment, furniture, wood products, agri-business, and fresh fruit industries. He said, to compete Jamaica needs to get into the high value sectors of industries. At present, Jamaica is at the lower end of the production process and it will suffer if it stays there. This is because of its inability to compete with other developing countries at the lower stages of production.

Further, he recommended that Jamaica get into the service sector

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and phase out the manufacturing sector. He gave examples of services Jamaica could get into which included intermediary type engineering, marketing, post services and management, and nursing facilities for the retired. He said tourism should also be increased since Jamaica was not realizing its full potential as a tourist destination.

Regarding barriers to trade and investment Dr. Hamilton stated that while the government has changed many policies to improve the business climate, many impediments to business still exist. For example, the ability to clear bags at the airport is still a problem; the reliability of transportation system is still bad; and crime and safety are still major problems.

He thought it will be difficult for Jamaica to attract foreign business because its most important attraction, cheap labor, is no longer an asset. Domestic investment is key, since if foreign investors do not see domestic investors doing well they will be unwilling to invest.

Finally, he said the public and private sector do not understand the implications of free trade. He said that their recent response to the FTAA has been emotional and not well thought through. He stated that in order for Jamaica to survive after it has entered the FTAA, the country needs to develop an environment with an export culture and a culture of production. He said productivity is the key to survival. Further, the civil service needs to be modernized. Management of systems need to be improved, especially the transportation system.

MEMORANDUM

TO: William Craddock
FROM: Kurt Skeete
RE: Meeting with Veniece Pottinger, Vice-president, JAMPRO.
DATE: July 13, 1995

=====

Veniece Pottinger was recommended by Mr. Lucien Rattray as someone who could speak on his behalf on the issue of free trade. She proved to be very knowledgeable about the different issues affecting the Jamaican economy. Her views on the questions in the questionnaire were as follows.

In order to achieve sustained growth Jamaica must address specific areas in its society. First, education and training must be improved, especially in the area of information technology. Second, the transportation system must be improved since this has a direct effect on productivity. Finally, the government must find industries that are winners and promote them. They should look at industries that select themselves by virtue of natural assets. For example, Jamaica could be the shipping hub of the Caribbean sea because of its location and its natural harbors.

On the issue of competitiveness in the FTAA, Jamaica can compete in most areas with the lesser developed countries in the region. However, in the big markets Jamaica will have to compete on the basis of quality through niche marketing targeted to the upper end of these markets.

Manufacturing will not be able to compete because of the high input costs associated with inefficiencies caused by outdated equipment. For example, in light manufacturing, the limited use of technology has resulted in products which are of lesser quality than those of competitors in other countries. These industries will most likely disappear.

On the question of new markets, Jamaica can further penetrate existing markets with new products. Further, markets in Europe, Asia, and Latin America should be opened to such products as papaya, fish processed foods, textiles.

In its attempt to attract foreign investors, Jamaica should recognize that the Far East has more to offer many foreign investors. However, Jamaica has several attractive features for North American investors. Some of these features are cheap labor; an english speaking population; an average education system; proximity to major markets; fiscal incentives and free zones; a good quality of life; stability of government; stability of growth;

a good telecommunications system; a basic infrastructure network relative to other countries (e.g. air links, port facilities); and a sophisticated financial system.

Finally, there is a misconception that growth can come only from an export oriented manufacturing sector. However, growth could come from service industries such as entertainment, tourism, and information technology. These are the areas Jamaica should seek to develop further.

MEMORANDUM

TO: William Craddock
FROM: Kurt Skeete
RE: Meeting with Dr. Arnaldo Ventura, Special Advisor at the Office of the Prime Minister.
DATE: July 13, 1995

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Dr. Ventura was very candid in our interview. He was critical of many aspects of the Jamaican economy, but at the same time, he exhibited the optimism of a government official. His views on the issue of free trade and Jamaica were the following.

Free trade will affect all industries in Jamaica. The most affected will be the clothing industry, manufacturing, and traditional agriculture such as sugar and bananas. These industries will be uncompetitive because their technology is obsolete, and their production methods are more labor intensive than capital intensive. In addition, their production is not knowledge based since market research is rarely done by Jamaican producers.

The areas in which Jamaica may compete are non-traditional agricultural products such as spices and exotic fruits, and tourism which caters to the aging of the northern countries.

An agricultural/industrial development package for high value products should be developed. The emphasis should be on quality of goods as opposed to quantity of goods. The government must take the lead in demonstrating that industries in such products could be viable.

However, Jamaicans need a complete revolution in their thinking about business. An honest working relationship needs to be established between the private sector and government. The private sector has to become more willing to change. The entire business community, except for the young entrepreneurs in the service and financial sectors, need to be less conservative and risk averse.

The factors about Jamaica which should be attractive to foreign investors are: 1. a stable and democratic government; 2. a good financial system; 3. a trainable work force; 4. proximity to major markets; 5. good telecommunications system; 6. access to raw materials.

Jamaica needs to put money into its education system at the skill and technological level, and in research and development. It is important that the people reach a knowledge status to participate in free trade. There is a need for more technical schools, re-

education clinics, and conflict resolution courses.

Further, poverty alleviation must also be a prime concern. Any measures to increase productivity must be related to poverty alleviation. The poor must be brought into the mainstream and provided with opportunities. They must be allowed to see themselves as part of the economy in order to alleviate some of the anger in the society.

Developed countries should also help by enhancing the ability of lesser developed countries to compete in the free trade area. This would enable everyone to benefit from free trade.

MEMORANDUM

TO: William Craddock
FROM: Kurt Skeete
RE: Meeting with Charles Ross from the Private Sector Organization of Jamaica. (PSOJ)
DATE: July 12, 1995

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In our meeting, Charles Ross was very cooperative and seemed quite eager to give his opinion on the economic problems of Jamaica. His views on the issues raised in the questionnaire were as follows.

The Jamaican economy is in a bad condition. Despite what the government says, the economy is in stagnation and the 1% growth rate is an overstatement. One sees many indications of the fragility of the economy when one looks closely at the statistics. One sees that 1. government expenditures are up, exceeding receipts; 2. the real exchange rate is down; 3. there is a large internal and external debt burden; 4. money creation continues, which means that inflation will continue to be a problem; and 5. the trade gap has widened causing the external account to be in trouble.

There are three main reasons for the problems within the Jamaican economy. First, interest rates are too high. Investors can put money in commercial paper and get higher returns at less risk, than if they invest money in productive sectors of the economy. Second, Jamaica does not have an institutional check against government spending such as an independent central bank. Third, there is no long term vision in all sectors of the Jamaican society.

The FTAA will exacerbate the economic problems of Jamaica. One example of this relates to tariffs. The government of Jamaica gets a large part of its revenue from tariffs. Thus, if tariffs fall government revenue will fall which will worsen the fiscal deficit. However, the country has no alternative but to join the FTAA, since its fate might be worse if it does not join.

The manufacturing sector is going to be wiped out by free trade because it will be unable to compete. This will result in social dislocations since manufacturing pays high salaries. In addition, only a few industries in the agricultural sector will remain viable, but the service sector should benefit from free trade.

On the issue of investments there are a number of factors which discourage new investment. They are, the high cost of money; the shrinking of the domestic market; unequal income distribution; bad infrastructure; bad schools; unproductive workers; and bad

industrial labor relations resulting from persistent high inflation.

Regarding human capital, the deterioration of human capital stems from low teacher salaries. For example, teachers earn less than office secretaries. Therefore, low salaries only attract those who are so unqualified that they cannot find another job, and even then teaching is not their primary source of income. Lack of qualified teachers has resulted in many students entering the work force unprepared. This is illustrated by the problems the garment industry is encountering finding workers with the ability to follow instructions.

Finally, Jamaica needs help in two major areas. First, it needs a mechanism which facilitates consultation between private and public sectors. Second, Jamaica needs the quantitative research capability to gather information which would enable its leaders to make sensible decisions.

MEMORANDUM

TO: William Craddock
FROM: Kurt Skeete
RE: Meeting with Geraldine Foster and Patrick Williams from
the Fair Trading Commission.
DATE: July 12, 1995

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Geraldine Foster was helpful and cooperative in our meeting. The meeting focused on free trade issues and their relation to the Fair Trading Commission. Ms. Foster commented on the legal and general aspects of these issues, but left comments on the economic aspects to her economists.

First, she stated that she believed that the goal of the FTC was to create an environment in government and business where customers and industries could enjoy equality of opportunity. This has primarily entailed the education of the business community and government. Ms. Foster noted that many parliamentarians did not understand what they were getting into when they were passed the Fair Trading Act. They did not know that businesses would be unable to engage in practices such as price fixing, exclusive dealing, exclusive dominance, and cartelization. As a result, there has been growing opposition by some politicians and businessmen to the activities of the FTC.

She spoke of some of the problems that the FTC has been experiencing. She said a major drawback for the FTC has been access to information in the form of lexis and the internet. This access is important because fair trade laws are new to Jamaica, and there is no precedent to follow. Thus, most of the precedent presently used comes from the U.S. justice system, which could be made more accessible through the availability of information technology.

She said that the FTC also needs: 1. continued technical assistance from the U.S. and multilateral agencies; 2. expansion outside of Kingston; and 3. an anti-dumping board which can act swiftly.

Further, she stated that the present court system needs to be upgraded in order to speed up the judgement process. The system needs more judges, more legal clerks, access to lexis, and computerization.

After my meeting with Ms. Foster she referred me to the FTC's economists. I met with Patrick Williams, a senior economist, and two of his colleagues.

Their position was that the Jamaican economy is in a bad condition. They claimed that even though the macro-economic figures look good, the reality is totally different. They stated that if one looks at the things that affect the population such as infrastructure and crime, one would get a totally different picture from what the government is presenting.

They observed that the problem the government seems to be encountering is one of not knowing how to make the transition from stabilization to economic growth. Further, the problems within the economy are all interconnected. One example is the inadequate transportation system and its effect on productivity in the work force. They said the transportation system is largely responsible for the loss of large amounts of work hours and the de-motivation of the work force. Another example is the problem with the water company which affects human capital development by limiting the ability of some students to attend school.

All three economists believe Jamaica will have problems competing in the FTAA because it has not yet developed a free market culture. This is manifested in a lack of efficiency and productivity in the economy. Macro economic factors will also affect the country's competitiveness. For example, inflation needs to be reduced. If this does not occur companies from other nations in the free trade area will come into domestic markets and outcompete domestic industries.

Finally, they argued that the most important factor in the near future is for Jamaica to improve its productivity. This means improving education and training, upgrading infrastructure which directly affects productivity, such as the transportation system, and re-tooling industry.

MEMORANDUM

TO: Bill Craddock
FROM: Kurt Skeete
RE: Meeting with Beverly Morgan of the Jamaica Agricultural
Development Foundation.
DATE: July 10, 1995

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Beverly Morgan was very cooperative and frank in our interview. Her perspective was somewhat unique since she is both a farmer and an exporter. Therefore, she was able to convey the frustrations of both of these sectors in the economy.

From her point of view, there are several reasons why the Jamaican economy has not grown as expected in productive sectors. The most important reason is that interest rates are too high. The high price of money makes it hard to borrow money for investment in productive industries. Thus, in the short term it is better to buy commercial paper.

Further, the large returns that have been gained from the phenomenal growth of the financial sector have diverted funds from other industries. This has resulted in the creation of large amounts of paper wealth.

Third, because of inflationary expectations Jamaican investors have a mind set which is interested in regaining their investment in as short a period of time as possible. Thus, there are no long term investments.

She believes that with the coming of the FTAA the sector that will suffer the most will be the manufacturing sector. Manufacturing will not compete because of the inefficiencies that result from having outdated equipment. Further, there is no policy framework to upgrade equipment and improve efficiency.

On the other hand, while sugar and bananas will not be able to compete once protection is gone, agriculture could be competitive in high margin products. She says that Jamaica does not have the infrastructure to support global trade. This is because of the lack of technology and the inability to carry out actions such as opportunity identification. However, with high value products Jamaica could compete on the world market on the basis of quality as opposed to quantity.

It is her opinion that the main impediment to change is the conservative nature of many of the leading businessmen in Jamaica. Most of these businessmen went into business in the 50's when the world was a different place and many of domestic industries were

protected. Thus, most of them do not understand the changes that are taking place around them.

In terms of human capital, she thinks there is a greater need for intensive training that is narrow and specific. The government should provide incentives for the private sector to undertake the provision of training in specific areas.

She stated that in general, the non-tariff barriers to trade that Jamaicans will encounter will be quality standards, environmental standards, and tough foreign regulatory frameworks.

With regard the public and private sectors, she thinks they do not understand what will be the effect of accession to the FTAA. She cannot think of any studies that have been conducted by either party to look at this issue.

Finally, she said that the best policy for the Jamaican government would be to make successes of firms. She believes that if this is done the benefits will trickle down throughout the economy. She cited her own experience and the impact her farm has had on her community as an example of what could take place throughout Jamaica.

Ms. Morgan took the questionnaire and said she would give it to the JADF economist, who was researching the effects of NAFTA on the Caribbean, for a more detailed response. Hugh Graham, the economist, called and said that he would answer the questionnaire and return it to me.

MEMORANDUM

TO: Bill Craddock
FROM: Kurt Skeete
RE: Meeting with Dr. Ofe Dudley from the American Chamber of
Commerce.
DATE: July 10, 1995

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The meeting with Dr. Ofe Dudley was unique because she gave an american business person's perspective on the issues Jamaica will encounter when it joins the FTAA. First, she warned me that I would encounter, in my interviews, different perspectives based on whether a person was Jamaican or American. Her explanation was that people, who are submerged in a culture, tend to rationalize problems in that society. She predicted that the Americans I would encounter would have a much harsher view of Jamaica's economic and social problems than Jamaicans. Her opinions on the issues raised in the questionnaire were the following.

Jamaica has a number of social and economic problems which cause the retardation of economic growth. The government does not have focus, vision or creativity; and further, it has no control over the economy. Policy changes are made in a piecemeal fashion, and taxes are too high.

Jamaican industries have the ability to compete in the FTAA. However, industries must form consortiums which use the same brand name. This would help small producers, who make up the majority of Jamaica's producers, to enjoy the advantages of economies of scale in the areas of marketing and the supply of foreign markets. Also, Jamaican companies should start to open branches in the U.S., or start joint ventures with overseas companies. Companies should follow the example of some of the local banks and Jamaica Broilers, a poultry company, who have started to set up operations in the U.S..

Jamaica will have difficulty attracting foreign investment for a number of reasons. First, businesses no longer consider cheap labor a primary incentive for moving their production into a country. They now consider such factors as proper infrastructure and communication networks. Therefore, Jamaica can no longer use one of its main attractions, cheap labor, to attract businesses.

Second, crime is a major deterrent to foreign businesses since it adds large costs to operations. These costs are incurred through the provision of security to personnel and physical plant, and in

"special fees and commissions" to facilitate the problem free establishment of production facilities.

Third, Jamaica does not have a business friendly environment. There are inefficient government procedures which discourage foreign businessmen from doing business in Jamaica. For example, businessmen usually have to follow government procedures that are burdensome and not centralized. Thus, much valuable time is lost shuttling between offices attempting to do required paperwork. The requirement of business visas is another major impediment for businessmen, because of the arbitrary manner in which the law is applied.

Fourth, important systems such as the transportation, water, and electricity systems are not reliable. This adds to the cost of operations in man hour losses and the need to purchase back up systems. (e.g. generators, water tanks, and motor vehicles)

Manufacturing and the garment industry will be hurt by the FTAA. However, there are new industries in the service sector which Jamaica could develop. For instance, Jamaica could become the trade hub of the Caribbean.

Finally, Dr. Dudley suggested that I meet with William Taylor from Grains of Jamaica; Robert Levy the CEO of Jamaica Broilers; Enoch Turner from Goodyear; Ron Flournoy from ALCOA; and Don Marshall from ESSO.

She said it would also be interesting to meet with businessmen and investors from Montego Bay such as John Rollings of Rollings Trucking Company. The reason she stated was that they may have a different perspective on Jamaica's problems because of their work with the tourist industry.

MEMORANDUM

TO: Bill Craddock
FROM: Kurt Skeete
RE: Meeting with Trevor Ottey, Managing Director of Colgate Palmolive.
DATE: July 10, 1995

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Trevor Ottey was cooperative and very open. Our discussion began with him clarifying that Colgate was not planning to close down its manufacturing in Jamaica. He said Colgate has never manufactured in Jamaica since their manufacturing was done through contracts with local producers. However, recently Colgate acquired manufacturing facilities in Barbados and Dominica. Thus, they have shifted their production to these facilities instead of continuing to use contractors.

Regarding the state of the Jamaican economy, he said the Jamaican economy is fragile and there is the possibility that it could crumble. He blamed the inability of productivity to cover consumption for many of the problems in the economy.

He said that Jamaica will not compete in the FTAA in manufacturing because of economies of scale. The areas it will compete in are in the service sector, and with certain agricultural products such as spices. However, for this to take place the government needs to have a cogent industrial policy. In addition to encouraging initial investment, industrial incentives must encourage expansion current investment.

He said there are several reasons why a company may want to invest in Jamaica. The first reason is its location. It is close to U.S. markets, and it is centrally located for shipping (all major shipping lanes in the Caribbean go through Jamaica). Second, the foreign exchange policies of the government are liberal. And finally, the wage rates are low.

He also gave reasons why industries would not invest in Jamaica. These reasons were: frequent labor discontent in the work force; poor work ethic by employees; the high crime rate which makes it impossible to have second and third shifts; bad transportation infrastructure; and decreasing education standards.

Finally, he stated that investment in education at all levels was the key to economic progress in Jamaica. He believed that only with an educated work force could Jamaica compete in the new free trade area.

MEMORANDUM

TO: Bill Craddock
FROM: Kurt Skeete
RE: Meeting with Philip Paulwell, Minister of State at the
Ministry of Industry, Investment and Commerce.
Date: July 7, 1995

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Minister Paulwell was very cooperative in our meeting. He went through the questionnaire and tried to answer most of the questions in section 1 and 2. Unfortunately, he had to leave for a meeting before we got to the third section. In his answers he enunciated the government's position on most of the issues addressed. The following are his responses to the questions.

Section 1.

(1) What is your critical evaluation of the state of the Jamaican economy? What are some possible reasons why the Jamaican economy seems to have all the pieces in place to encourage growth, but still exhibits little or no growth? What distortions exist that impede economic growth?

Answer: Jamaica's economy is poised for take off. The ground work has been done by the economic policies of the government over the past 5 years. This has resulted in the sound condition of the economy, and growth in all areas. The present problem is one of confidence, however the new industrial policy will act as the impetus for economic growth.

(2) What is your overall assessment of the Jamaican economy's state of readiness for participation in a free trade agreement in areas of: (a) price stability; (b) budget discipline; (c) external debt; (d) currency stability; (e) market-oriented policies; (f) reliance on trade taxes?

Answer: The major problem is the fact that money supply is out of control and this is a problem that has to be worked on. With regard to the other factors, the rate of inflation is decreasing, so is external debt, the Jamaican currency is fairly stable, and the government has made tremendous progress in decreasing tariffs.

(3) What are the inflationary pressures that create a high inflation rate in Jamaica? How can these pressures be reduced?

Answer: Jamaica's inflation is wage and foreign exchange driven.

(5) What trends exist regarding investment in education and health services?

Answer: The government is spending increasing amounts on education.

(6) What additional economic and or structural adjustments does Jamaica have to make in order to satisfy the eligibility requirements for participation in Free Trade Area of the Americas?

Answer: Jamaica has made all the economic and or structural adjustments necessary to satisfy the eligibility requirements for participation in the Free Trade Area of the Americas.

(7) What three things can Jamaica do in the areas of labor productivity to increase efficiency of its economy?

Answer: Jamaica can increase labor productivity by 1. instituting a productivity incentive scheme; 2. increasing the communication between labor and management; 3. and the increased provision of transportation by companies to employees.

(11) What are some suggestions that could be used to promote and market Jamaica as an attractive location for foreign investment, joint ventures and to establish strategic alliances with international firms?

Answer: Jamaica needs to promote a market driven economy. It also needs to improve its transportation system.

Section 2.

(1) Which local industries will be adversely affected immediately and in the future by Jamaica's accession to Free Trade Area of the Americas?

Answer: The industries that will be adversely affected by Jamaica's accession to the FTAA will be the entire manufacturing sector and certain industries in the agriculture sector, such as poultry, beef, pork, potatoes and onions.

(2) What sectors in the economy do you see presenting the strongest opposition to the Free Trade Area of the Americas?

Answer: The sectors mentioned in the previous answer will present the strongest opposition to the FTAA.

(3) How prepared is Jamaica in terms of human capital to begin to compete in the global market place?

Answer: There needs to be more training in the use of computers and information technology.

(4) Does the Jamaican public and private sector demonstrate an understanding of what is required to qualify for access to the Free Trade Area of the Americas and what will be needed to compete?

Answer: The private sector does not demonstrate an understanding of what is required to qualify for access to the FTAA.

(6) What measures can be taken to reduce excessive or burdensome regulations and government procedures?

Answer: The Jamaican government has established the Trade Facilitation and Investment Facilitation Boards to reduce burdensome and excessive regulations and procedures.

(7) What improvements are needed in the area of communications infrastructure and information technology (access to information on financial services, product pricing, credit, insurance, shipping and other services) to promote free trade?

Answer: Telecommunication service is a monopoly and this is causing problems with the widespread provision of information technology at a reasonable price. Increased competition in this industry will help provide access by more Jamaicans.

(8) Is the banking and financial services industry prepared to compete in a hemispheric free trade area?

Answer: The banking and financial services industries need to expand internationally in order to remain competitive.

(9) What are the areas of weakness in the Jamaican judicial/legal system with regard to the enforcement of intellectual property rights agreements and bilateral investment treaties? What type of assistance does Jamaica need to create a mechanism for dispute resolution of trade issues as they relate to these types of agreements?

Answer: The court system needs to be specialized with the objective of reducing the length of trials. For example, commercial courts need to be established. Further, dispute resolution mechanisms need to be modernized.

MEMORANDUM

TO: Bill Craddock
FROM: Kurt Skeete
RE: Meeting with Gilles Stephens of UNIDO.
DATE: July 6, 1995

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The meeting with Mr. Stephens was unproductive from an information standpoint. Mr. Stephens was new to Jamaica and did not have much knowledge about the issues surrounding regional free trade. As a result, his interest in what I was doing was greater than his ability to impart any information. However, his office did have some research papers on NAFTA and free trade issues. He offered me access to these files if the need for deeper research arose.

He mentioned that UNIDO was planning to have a regional workshop on the impact NAFTA would have on Caribbean industry. (See attached) He wanted to know if USAID would be interested in participating and I said I would refer him to my supervisor.

This meeting established a good resource of background research done by a neutral party. A quick overview of the material located in the UNIDO office showed that they have a good collection of data and research on the issue of the effects of free trade on the Caribbean region.

I. Background and Justification

Over the past ten years, the GDP of the Caribbean region has grown less than three percent per year. This needs to be boosted to at least four percent if the challenges ahead are to be met.¹ Indeed, achieving sustained growth and reducing the current high levels of unemployment—exceeding 20 percent in a number of countries—is a principal challenge faced by the Caribbean region. The flow of official aid to the region is declining. Despite a general liberalization in global trade and a move towards the reduction of import tariffs within the Latin American and Caribbean region, there is an increasing trend towards the establishment of trade blocs—the CARICOM countries themselves this past July agreed to form a trading block. It is against this background that the Caribbean countries must maintain or reestablish their competitiveness in order to facilitate the resumption of lost economic growth.

The Common External Tariff (CET) has to date imposed low rates of duty on imports not competing with goods produced within CARICOM, but set high rates on any imports likely to hurt the domestic industry. Now, however, leaders of the thirteen CARICOM states have agreed to reduce the top level of the CET from 45 percent to between 30 and 35 percent, with all states committed to this reduction by June 30, 1993. This will be followed by a further reduction in the top rate to between 25 and 30 percent by 1995, with the rate falling to between 20 and 25 percent by 1997. The agreed schedule of reductions will bring tariff rates down to levels prevailing in Central and South America. Some of the CARICOM countries are also liberalizing their exchange rate systems in order to facilitate trade. These developments will have severe implications for the manufacturing sector in the Caribbean due to the prevailing production structures and associated costs. The highly competitive and/or protected export markets and the expected increase in imports from lower-cost producers constitute major problems to be tackled.

The establishment of trade blocs is typified by the recently concluded NAFTA negotiations between Canada, Mexico and the USA as well as other initiatives in the Latin American region. The NAFTA agreement, signed by the three participating countries in late 1992, was ratified late in 1993. The agreement provides preferential tariff treatment for goods that are considered to be North American based on stipulated rules of origin. Tariffs on virtually all goods classified as North American will either be eliminated at once or phased out over five, ten or fifteen years (for instance, duties on some textiles and apparel will be eliminated immediately). All services including financial services, transport and advertising together with government procurement will be completely free of trade restrictions. Investment from fellow NAFTA countries will be subject to conditions no less favorable than domestic investment, thereby outlawing "performance requirements" such as maintaining specific export levels, minimum domestic content or trade balancing.

¹ Mr P.J. Patterson, prime minister of Jamaica, in a statement at a World Bank sponsored meeting in Washington, D.C. in June 1994, as reported in USIA newsletter EUR124 of 94-06-06.

The NAFTA agreement has eroded the preferential treatment given to the countries under the Caribbean Basin Initiative (CBI) for exports to the United States and the preferential Trade Scheme for the Commonwealth Caribbean for trade to Canada. Coupled with the effect of the completion of the Uruguay Round of the GATT and the formation of the European Union, the erosion of past trade preferences for key Caribbean products and commodities is nearly complete. Therefore, within the next few years the Caribbean countries must reposition their economies through diversification into new products and markets and abandonment of no longer attractive lines of business while trying to minimize the adverse impact of the recent changes. The areas with good growth potential include services, also those to manufacturing industries, tourism, the processing of exotic fruits and vegetables, and fashion clothing thanks to the close proximity to the vast consumer markets of North America. The region must also counter the declining trend in aid and the potential negative impact of NAFTA on investment flows with an increasing attractiveness for foreign direct (private) investment.

The World Bank estimates that the NAFTA induced export displacement for the Caribbean Region as a whole will be fairly small—from \$35 million to \$53 million annually—but may be significant for the exports of individual countries and products. But, this analysis did not incorporate a proposed *CBI Parity* legislation in the US Congress that is expected to grant the Caribbean countries trade benefits at least as good as those provided under NAFTA.

According to the World bank, the most affected countries—with 45 to 60 percent of their exports subject to displacement by NAFTA—are the Dominican Republic followed by Jamaica and Haiti. The next tier of countries comprise Dominica, St. Lucia, and St. Vincent and the Grenadines who have a concentration of their exports in labor intensive activities such as unsophisticated garments. The impact of the European integration is likely to be worst on the exports of bananas from the Windward Islands. The completion of the Uruguay Round will affect sugar exports the most.

One possible repercussion on the Caribbean region might be a diversion of foreign investment and related production and trade from the Caribbean towards Mexico and possibly Central America in order to gain better access to the North American market. Although the magnitude is difficult to predict, such a development would constitute a major challenge to manufacturing activities set up under the CBI program. The scenario has time to evolve. Foreign manufacturers still have seven years to position their parts suppliers in the region so as to qualify under NAFTA's 62.5 percent local-content requirement. But, there are already signs that Japanese manufacturers are returning to Mexico to establish regional production bases there, especially in the *maquiladoras* along the US-Mexican border that will retain their current tariff privileges until 2001.

The subject of the effect of NAFTA on the Caribbean region was raised at the ECLAC/CDCC meeting in December 1992 and was discussed at the CARICOM heads of government meeting in March the following year. It was seen that NAFTA is as one of the principal challenges to manufacturing in the region, particularly, in that it will reduce or reverse the margin currently given Caribbean suppliers in the US and Canadian markets. The Caribbean States

must adopt an active approach in order to ensure that their manufacturing and service industries adapt to the international market conditions and continue to generate new employment and export opportunities, thereby encouraging a diversification away from traditional sources of revenue such as commodities and tourism. Eventually they may all have to become part of the NAFTA agreement. As a minimum, major policy reforms and institutional support mechanisms will need to be initiated.

Representatives of the Government of Trinidad and Tobago have expressed their interest in hosting a workshop to examine the implications of NAFTA in the light of CARICOM's own trade liberalization program. This workshop would provide the opportunity to analyze, present and discuss the impact of NAFTA at the sectoral and branch level, develop the necessary response mechanisms, and support the region's drive to create employment and diversify its productive structure away from traditional sources of income.

The workshop will be hosted by the Government of Trinidad and Tobago and will be organized in close collaboration with the CARICOM Secretariat. The CARICOM Secretariat will allocate two of its technical officers to assist with the organization of the workshop including such activities as the preparation of the agenda, background papers, statistical information, substantive presentations, the identification and contacting of participants from the region, and the drafting of the recommendations of the workshop. UNIDO will, besides organization, provide an issue paper². The countries to be invited include: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St Kitts-Nevis, St Lucia, St Vincent-Grenadines, Trinidad and Tobago. Two representatives from each country are expected to attend: government official in charge of trade and industry and/or economic development policy, and one representative from the private sector.

Mr Gary Husbauer of the Institute for International Economics in Washington D.C., a foremost authority on NAFTA, has promised to participate in the Workshop as Moderator. One expert familiar with the latest trade issues in Washington will be invited to address the workshop on the latest developments on NAFTA and other trade issues. Three guest speakers will be invited from the business communities in Mexico, Canada, and the US to inform the workshop about their expectations and experiences vis-a-vis NAFTA. They will, respectively, concentrate on industrial services, agroindustry, and garments and will greatly enhance the intelligence (information) value of the workshop.

Recently, UNIDO and the Economist Intelligence Unit have jointly published an Industrial Development Review on Mexico. *The Promise of NAFTA*—the subtitle of the Review—underscores the assumption that the accession of Mexico to the NAFTA agreement was from the outset regarded as highly likely and formed an implicit premise for the analyses contained in this Review. Furthermore, last winter IPP/REG (later IRD/RES) completed an intern³ monograph on the effects of NAFTA on the Caribbean Commonwealth, and

² This paper will be presented as a background document (like at Consultation Meetings).

³ Govin Permanand, *The Caribbean Commonwealth in the New Economic World Order—The far Reaching Effects of NAFTA*, so-far unpublished UNIDO monograph, 143 pp.

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throughout the ensuing spring and summer research work on the impact of the conclusion of the Uruguay Round on the developing countries has continued in IRD/RES⁴. These documents and analyses will constitute the basis for the drafting of a UNIDO issue paper that reflects a coherent UNIDO strategy toward the Caribbean Region and takes account of issues such as the Uruguay Round and the establishment of the new World Trade Organization.

UNIDO will cover fees, travel costs and DSA of the participants and the international moderator, the international and regional experts, guest speakers from Canada, Mexico and the USA, and the participation of its own staff (the participation of the UCD for the region and one staff member from Headquarters is envisaged). The Government of Trinidad and Tobago will bear the cost of providing the venue and related services. A representative from UNCTAD could be invited to give a presentation and representatives from a number of regional and international organizations including CDB, IDB, ECLAC, EC, OECS would be invited to participate at their own cost. No fee will be paid to the invited expert on the latest trade issues in Washington.

II. THE PROJECT

(a) Project objective

The objective of the project is to provide a venue where the impact of NAFTA on CARICOM industry can be discussed in an informed setting and on the basis of issue-specific background papers and analyses and thereby contribute to the development of appropriate policy responses by the CARICOM Member States to both challenges and opportunities posed by NAFTA.

The project will constitute a lead-in to the forthcoming, approved TSS1 project on competitiveness in the Caribbean region in the light of NAFTA.

(b) Output

The output of the project will be a report on the impact of NAFTA on CARICOM industry, trade and investment covering:

- an overview of NAFTA;
- a review of the current state of industry in CARICOM countries;
- a review of the impact of NAFTA for specific countries and manufacturing branches;
- a summary of the deliberations of the workshop; and
- conclusions and policy recommendations.

(c) Activities

The principal activities foreseen include:

Pre-Workshop Activities

⁴ Ms Kristina Pitassi, Associate Expert, and Ms Anne Hummler, Intern, under the direction of Mr Se-Hark Park, SIDO.

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1. Selection and recruitment of specialized regional and international consultants to prepare background analyses;
2. Selection and recruitment of three guest speakers from the USA, Canada and Mexico;
3. Preparation of a detailed agenda for the workshop in consultation with the CARICOM Secretariat and the Government of Trinidad and Tobago;
4. Invitation of representatives of regional and international organizations and one expert on the latest trade developments in Washington to participate in the workshop;
5. Preparation of specific analyses and other documentary inputs for the workshop

The Workshop

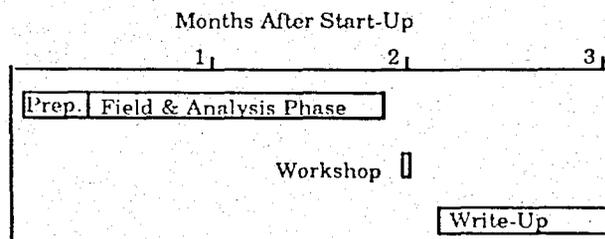
- Duration: 2 days
- Date: mid-April 1995
- Venue: Port of Spain, Trinidad and Tobago
- Number of participants: 26
- Countries invited to participate: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St Kitts-Nevis, St Lucia, St Vincent-Grenadines, Trinidad and Tobago
- Workshop program: See draft Agenda, Annex 1

Post-Workshop Activities

1. Writing the workshop report;
2. Distribution of the report to all participants and interested parties.

The specific themes have been worked out in collaboration with the CARICOM Secretariat and the Government of Trinidad and Tobago. These include an analysis of the NAFTA agreement; a review of the trade liberalization programs, industrial structures and incentive regimes in the Caribbean; an assessment of the effects of NAFTA on the Caribbean with emphasis on specific manufacturing branches including textiles and apparel, agroindustry and industrial services subject to preferential market access and free zone production incentive schemes; and the elaboration of policy responses. A tentative agenda for the meeting is contained in Annex 1.

The work schedule appears below.



Annex 1. DRAFT AGENDA

Regional Symposium/Workshop on the Implications of the North American Free Trade Agreement (NAFTA) for CARICOM Industry. (Port of Spain, mid-April 1995)

Day 1

Opening Session: **Statement by Representative of Trinidad and Tobago**

Statement by the Secretary-General of CARICOM

Statement by UNIDO Staff Member

Statement by invited expert on the latest developments in Washington on trade issues

First Session: **Overview of the North American Free Trade Agreement (NAFTA) and its impact on trade and investment in the signatory countries**

- Presentation by international expert/moderator on the main components of NAFTA, the side agreements and their implications for trade and investment flows
- Presentation by UNIDO representative on the far reaching effects of NAFTA and UNIDO's response⁶
- Panel Discussion

Day 2

Second Session: **Review of CARICOM trade and industry in the context of NAFTA**

- Presentation by CARICOM representative on integration and trade liberalization in the region
- Presentation by regional expert on the main industrial branches affected by NAFTA
- Presentations by guest speakers from the USA, Canada and Mexico on expected impacts of NAFTA on business in textiles and apparel, agroindustry and industrial services.
- Panel Discussion

Third Session: **Assessment of the impact of NAFTA on CARICOM industry and discussion of policy responses**

- Presentation by regional and/or international expert
- Presentation by CARICOM representative
- Panel Discussion
- Closing statements (Trinidad & Tobago, CARICOM, UNIDO)

⁶ Should the intended UNIDO paper fail to materialize, UNCTAD will be approached for a paper on the likely impact of NAFTA on investment opportunities.

MEMORANDUM

TO: Bill Craddock
FROM: Kurt Skeete
RE: Meeting with Pauline Grey of the Jamaica Exporters Association.
DATE: July 6, 1995

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Pauline Grey appeared to be very cautious with her responses to the questions in the questionnaire. She refused to answer a number of questions on the basis that she would need to study empirical evidence in order to give an answer.

Her evaluation of the Jamaican economy was that it was still too early to see the effects of policy changes implemented by the government. She said that one must look at the Jamaican economy in the context of Jamaica's recent history. The biggest problem Jamaica has is the lack of strategic planning on the part of the government.

She said to assess Jamaica's ability to compete one must look at specific sectors of the economy. Manufacturing will not be able to compete because of what happened in the 70's and 80's when Jamaica did not re-tool. This has led to inefficiencies, and as a result, Jamaica will not be able to compete with other countries in the region who re-tooled during this period. However, Jamaica may look at agriculture for new high value products for exports such as spices.

She suggested that in order for Jamaica to be competitive in the future, there must be an analysis of international trends. Industries that are winners must be identified through quantitative and qualitative analysis. The Jamaican government must then focus on these winners and give them all the support to make them competitive. At present, there are a number of competitive companies that have already begun to compete in the markets of the U.S. and U.K.. These companies could serve as models for the development of certain industries.

On the question of foreign investment, she thought that Jamaica must get the level of domestic investment up, since foreign investors will most likely invest only if they see local investors investing. Further, she said the human capital development is skewed towards tertiary education and should be redirected to primary and secondary levels.

Finally she said that the public and private sectors do not

understand the implications of the FTAA. The public sector, private sector, and the University of the West Indies have not acted in a spirit of cooperation to finance and conduct studies to examine the expected effects of free trade. Thus, Jamaica will be at a disadvantage when trade negotiations commence.

MEMORANDUM

TO: Bill Craddock
FROM: Kurt Skeete
RE: Meeting with Peter King of Peter King Associates.
DATE: July 3, 1995

=====

Peter King was very cautious and our meeting was very brief. His position was that free trade has never existed and will never exist. He claimed that joining the arrangement called the Free Trade Area of the Americas will be bad for Jamaica and the rest of the Caribbean. He said food prices will rise, manufacturing will decline, and Caribbean countries will not have access to the markets of the developed countries in the FTAA. The only industries he could foresee being competitive were some sectors of agriculture and the service industry.

He said that the Jamaican public and private sectors do not understand what free trade involves. For investment to increase he said that the government must deal with factors that inhibit investment in productive industries, for example, interest rates.

He then said that his answers to the questionnaire should correspond with a study he did for the Jamaica Confederation of Trade Unions called "Jamaica: A policy for trade." He gave me a copy of the document and said if I needed clarification on any of the issues I could set up another appointment.

The value of this visit in terms of information will be determined by how much information is in the paper.

PETER KING
ASSOCIATES
LIMITED

JAMAICA

A POLICY FOR TRADE

PREPARED FOR

THE JAMAICA CONFEDERATION
OF
TRADE UNIONS

©Peter King Associates Limited, April, 1994.

1.0 EXECUTIVE COMMENT

The resolve of eleven Jamaican trade unions under the umbrella of the Jamaica Confederation of Trade Unions (JCTU) to formulate a common policy on trade is evidence that the trade unions realise that they are operating in a highly competitive environment and that the nation state is no longer the final arbiter of economic structures within its own borders. Economies now stretch beyond national boundaries and in order for trade unions to remain an effective influence on events, it is essential that their activities and their organisation reflect outward-looking postures. The recent conference held by the Joint Trade Union Research Development Centre (JTURDC) on GATT and NAFTA, with the support of the AFL/CIO, is an example of this collaborative and pro-active approach.

This document, 'Jamaica - A policy for Trade', is a critical and objective analysis of new trade developments directly affecting the Jamaican economy and by extension the livelihood and well-being of the Jamaican worker. This discussion paper is not an end in itself, but the commencement of a process of dialogue involving the rest of the private sector, the academic world and the Government. An essential ingredient of the process is workers themselves participating, both by developing a full understanding of the issues as well as contributing directly to the development of policy.

On a practical level, the JCTU has found the need for a change of attitude on the part of the bureaucracy, both private and public, to facilitate business and trade. To survive in a highly competitive global economy, planners and managers need to have the information that would permit them to be seers rather than historians. A concerted effort is required, therefore, to ensure the provision of timely and accurate data on trade. The absence of such information is a severe impediment to analyses necessary to the formulation of trade policy.

This document is not all encompassing. It recommends, however, formulas for co-operation and specific proposals which the JCTU feels should be the basis of the nation's foreign trade policy and inform the development of a national industrial policy.

2.0 SUMMARY OF TRADE POLICY RECOMMENDATIONS

- 2 The formulation of a strategic plan for Trade Policy must receive the highest national priority. The Government of Jamaica (GOJ) must develop a coherent and relevant policy on trade issues including the strategic implementation of such policy for sustained economic growth
- 3 Trade policy must have as its primary objective the nurturing and development of a vibrant industrial sector with backward and forward linkages, employment generation and the transfer of technology.
- 4 The success of an external trade policy relies on a motivated and well compensated workforce. Essential to this is the establishment of appropriate productivity incentive schemes, not only for the apparel and shipping industry where output is easily measurable but also for other industries where increased output is not as readily apparent.
- 5 The JCTU attaches importance to ensuring that there is adherence to the social clauses that are a part of multi-lateral and bi-lateral trade agreements, especially those that address labour standards and trade union recognition.
- 6 Trade Policy must evaluate the effect of low cost imports on the manufacturing sector, the cost of living and the development of trading houses for re-export.
- 7 Trade Policy makers must examine what has made our apparel industry successful so as to determine if those measures which stimulated the apparel industry can have national application: it means examining the merits of granting Freezone status on a far more liberal basis than is current policy.
- 8 GOJ must have a trade policy that includes provisions to protect local industry and services from illegal foreign imports as well as mechanisms to police these policies effectively.
- 9 Jamaica, as a developing country, and its labour movements, must carefully assess the clauses of international agreements that can impinge directly on the livelihood of the workforce and the ability of Jamaican business to penetrate export markets.
- 10 GOJ should devise a programme of cooperation in developing practical and workable industrial systems - an industrial policy - and put in place mechanisms to manage implementation of that policy. This should involve the Central Government, the Trade Unions, academics and private sector representatives.
- 11 There should be a coherent public relations programme spearheaded by the Ministry of Foreign Affairs and Foreign Trade (MFAFT) to explain government's programmes and to act as an early alert mechanism where damage control is found necessary.

- 12 A Foreign Trade Institute, working in close association with the private sector, trade unions, CAST and the University of the West Indies, should be established to develop appropriate curricula and practical trade promotional materials and to train trade diplomats.
- 13 An entertainment trade policy should be developed to attract back to Jamaica a targeted portion of the estimated US\$600 million generated annually by Jamaican entertainers overseas.
- 14 Efforts should be intensified to capitalise on the huge potential of targeting Jamaicans living abroad. While strides have been made in the areas of ethnic produce, other areas such as apparel, novelties, gifts and real estate can be developed with their help either as active players in the market abroad or as returning residents.
- 15 Jamaica's efforts to curtail criminal violence, narcotics trading and transshipment of contraband should be constantly publicised in order to remove the image of our nation being a pariah of the marketplace.
- 16 High on the administrative agenda for trade policy should be an institutional rationalization of all the agencies of government that impinge on trade issues. These include the Ministry of Foreign Affairs and Foreign Trade (MFAFT), Jamaica Information Service (JIS), Jamaica Export Trading Company (JETCO), Jamaica Marketing Company (JAMCO, in England), Jamaica Promotions Company (JAMPRO), Jamaica Tourist Board (JTB), Bauxite and Alumina Trading Company (BATCO) to identify and remove overlap. The MFAFT, including its overseas missions must be mandated to make trade expansion its main focus. Personnel and budgetary allocations must support this emphasis and Heads of Missions held accountable for targeted results.
- 17 The financial aspects of trade should be addressed through the introduction of concessionary interest rates for those engaged in manufacture for both local consumption and export. GOJ should put in place the necessary legislation to create the environment and infrastructure for Jamaica to become an offshore banking centre.
- 18 The production of timely and accurate trade data is fundamental if decisions on growth and investment in industry are to be meaningful. There should also be a review of the regulations that constrain the speedy sharing of information for analysis, which is the basis of intelligent decision making.
- 19 The Trade Consultation and Policy Planning Group, a private-public sector committee that meets under the aegis of the MFAFT should include representatives of the nation's workers.
- 20 GOJ should seek for Jamaica full NAFTA access on terms coincident with the national interest. This would include acceptance of the principle of reciprocity.

- 21 The GOJ should support the establishment of a GATT Working Party to establish the relationships between worker rights and international trade. In this context the GOJ should lobby support from its Caribbean partners who are signatories of the Uruguay Round.
- 22 Jamaica should prepare itself for the greater competitiveness in the globalized market. This involves pro-actively implementing where appropriate, standards of the European Union (EU) and NAFTA. It also involves modernizing plant and equipment.
- 23 Greater emphasis should be placed on ensuring within CARICOM, an understanding and acceptance of policy positions that Jamaica has developed in the context of its national interest.
- 24 In the context of strengthening and enlarging the regional market, every effort should be made to bring about a formalization, in trade terms, of a relationship amongst Latin America and the Wider Association of Caribbean States (WACS) including Cuba.
- 25 South Africa's trade potential should be the subject of immediate and extensive research and development.
- 26 Jamaica should play an active role in meetings of international organizations such as the International Maritime Organization (IMO) and in treaty negotiations such as NAFTA and the GATT. Wherever possible representatives of the trade unions and private sector should be accredited to participate in these meetings.
- 27 At the same time, as national economies become increasingly interdependent, it is clear that the development of a relevant trade policy while important, can only be most effective if set in conjunction with an Industrial Policy. It is hoped that these recommendations will inform the formulation of that industrial policy.

MEMORANDUM

TO: Bill Craddock
FROM: Kurt Skeete
RE: Meeting with Peter Goldson on FTAA.
DATE: June 26, 1995

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Peter Goldson is an attorney at the law firm of Myers, Fletcher & Gordon. Presently, he is serving on a committee formed by the Jamaican government to reform the intellectual property laws of Jamaica. This reform is in compliance with the agreement concerning the protection and enforcement of intellectual property rights between Jamaica and the United States of America.

The meeting with Peter Goldson centered mostly on section 2, question 9, of the questionnaire which asks: what are the areas of weakness in the Jamaican judicial/legal system with regard to the enforcement of intellectual property rights agreements and bilateral investment treaties? What type of assistance does Jamaica need to create a mechanism for dispute resolution of trade issues as they relate to these types of agreements?

Mr Goldson believes that the main factor inhibiting the enforcement of the intellectual property agreement is ignorance about intellectual property rights at all levels of the society. He said this lack of knowledge exists among the leaders in the society, government bureaucrats, the legal profession, and the general public. For example, there have been instances recently where he has visited Ministers in the government and discovered that they were unaware of what the intellectual property agreement with the U.S. was about. He thinks this lack of knowledge occurs because Jamaica does not have a tradition of manufacturing, thus having an intellectual property regime has not been a priority for policy makers.

He thinks Jamaica needs assistance in two areas. First, an intellectual property regime is useless without enforcement. Thus, the mechanisms of enforcement in Jamaica must be improved. The trademark department needs to be modernized with computers etc.; a system of copyright recording that facilitates quick access to check trademark registration needs to be implemented; enforcement personnel need to be trained; the registration procedures needs to be updated; an administrative procedure needs to be established; and there needs to be a dispute resolution mechanism such as a trademark tribunal.

Second, the business sector needs to be educated about intellectual property rights, and there should be better dissemination of information to the general public.

Drafting of the new intellectual property regime has begun and Mr Goldson believes that as standards are set, the understanding and knowledge of what intellectual property rights will increase.

Concerning the other questions, he took a copy of my questionnaire and said that he needed time to read them and think about them before he answers.

The meeting informed me that in Jamaica's drive to become part of the Free Trade Area of the Americas, certain segments of the government are taking steps to establish an intellectual property rights regime. However, the infrastructure problems that plague the country also affect the enforcement of the intellectual property rights agreement. On a general level, information of what intellectual property rights are all about has to be made available until this knowledge is mainstream. On an institutional level, the enforcement infrastructure must be modernized.

MEMORANDUM

TO: Bill Craddock
FROM: Kurt Skeete
DATE: June 23, 1995
RE: Meeting with Janet Potash, EMB/Labor Attache, regarding
Hemispheric Free Trade report.

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The meeting with Janet Potash provided a broad overview of Jamaica's labor policy framework. The discussion centered on the question of worker rights in Jamaica, and the level of human capital development.

First, I asked her if Jamaica needed to improve its labor laws to comply with the eligibility requirements of the Free Trade Area of the Americas (FTAA). She stated that the labor laws and status of labor unions, would not would affect Jamaica's accession to the FTAA. She said the only issue she could see causing minor problems with American interests would be the exclusion of labor unions in the free zone areas. She said american labor unions might apply political pressure to change this practice. She stated that most likely major problems would come from the issue of intellectual property rights.

Second, I questioned if it was true, as some Jamaican business people have claimed, that Jamaica's labor unions will frighten off foreign investment. She replied that labor unions have not and will not frighten off foreign investment. She cited the bauxite companies as examples of companies that have invested in Jamaica for years, despite the labor situation. She said the business people who hold this opinion are mostly people who are anti-labor. She said factors other than labor would be more to blame for frightening off investors. These factors include human capital deficiencies, bad infrastructure, and security concerns.

Then, I asked whether the Jamaica labor force was competitive with other developing countries who would be in the FTAA. She said that she thought the labor force would be competitive with at least half the countries, since wages and productivity in Jamaica were in the middle range when compared with other developing countries in the hemisphere.

Finally, I asked Ms. Potash; What does the Jamaican labor force have to offer foreign investors? She said there were three factors that she could think of: first, the labor force speaks english; second, Jamaica has cultural similarities with the USA; third, Jamaica's proximity to the USA. She said that the country had good

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potential for the establishment of service exports, but this was hindered by infrastructure problems.

She suggested that if I needed more information I could contact Enid Clarke or David Gordon at the Jamaica Confederation of Trade Unions and Jackie Dennis at the Jamaica Employers Federation.

This meeting informed me that, with regard to labor policies, Jamaica is ahead of many other countries who will be seeking to join the FTAA. Thus, Jamaica will not encounter resistance to its accession to the FTAA based on its labor policy framework. However, Jamaica may have problems staying competitive after it has joined the free trade area, because of its human capital problems.

MEMORANDUM

TO: William Craddock
FROM: Kurt Skeete
RE: 3rd Annual Caribbean Business Conference: Caribbean
Business 2000 and beyond.
DATE: June 22, 1995

=====

The 3rd Annual Caribbean Business Conference was held at the Ciboney Hotel, Ocho Rios, June 15-18, 1995. It was sponsored by the Rotary Clubs of Jamaica and Central Port of Spain, Trinidad and Tobago, the Royal Bank of Trinidad and Tobago, and the Trafalgar Development Bank. The Conference was attended by approximately 100 participants from government, business, multilateral organizations, foreign embassies, and academia. Specific issues affecting the Caribbean business community were discussed in seven sessions over three days. These issues were the Service Sector 2000, Integration and Global Competitiveness 2000, Infrastructure 2000, and Production 2000.

REPORT ON THE CONFERENCE.

Opening Proceedings.

The Conference was formally opened on the evening of June 15, by the Honorable Dr. Paul Robertson, Jamaica's Minister of Industry, Investment & Commerce. Dr. Robertson set the tone for the Conference in his speech by emphasizing that the Caribbean is falling behind the world in the area of international trade. He criticized the complacency with which business and political leaders in the Caribbean regarded the changing nature of the world market place. He called for measures such as the establishment of a free trade area called the Greater Antilles Free Trade Area (GAFTA), and an increase in the export of services.

The following morning Dunbar McFarlene, Managing Director of the NCB Group Ltd., gave the theme address of the Conference. Mr. McFarlene reiterated the position of the Minister stating that small island states could ill afford to ignore what was going on in world markets. He stated that the labor advantage of the Caribbean was being wiped out by technology in the North. He emphasized the need for a highly skilled labor force and said that the biggest challenge facing Caribbean business was how to motivate a de-

motivated work force. Further, he argued that because of the present political climate in the U.S., the Caribbean could not continue to depend on the U.S. for aid. He ended his speech by making a number of suggestions to Caribbean businesses. First, he said Caribbean businesses need to think more strategically when creating marketing plans. One consideration which he stressed they need to look at was, the demographic changes in the markets of the North. Second, he said there needs to be more investment in human capital. Third, Caribbean markets need to be diversified. Fourth, Caribbean business need to operate by international standards and not regional or local standards. Finally, he called for business leaders to exhibit leadership in addition to good management.

WORKING SESSIONS.

Mr. McFarlene's speech was followed by the working sessions. Each session began with a number of presentations followed by a question and answer period.

I. Session 1.

Session 1 was titled "Services Sector 2000" and the discussion centered on tourism, entertainment, and intellectual property rights. The presenters were Dr Carolyn Cooper, from the University of the West Indies, Peter Goldson esq. Attorney-At-Law from Myers, Fletcher & Gordon, and a representative of Patricia Francis, Managing Director of Project Development Services & Associates LTD.

On the subject of tourism, two prominent points were made. The first concerned the need for the region to better compete against cruise ships, and to find innovative ways to attract new types of tourists. Second, there was concern about Cuba and its increasing role as a tourist destination. The point was made that Cuba was already surpassing Jamaica in the amount of tourists visiting, even without the American market. However, a representative from Jamaica's Ministry of Tourism argued that the re-introduction of the American market into Cuba would be a good thing for Jamaica. He reasoned that the curiosity factor would result in people, who would never have travelled to the Caribbean, going to Cuba. This would serve to introduce them to the Caribbean as a tourist destination, which he claimed would benefit the entire Caribbean.

The issue of intellectual property rights was presented by Mr. Goldson. He explained the requirements of Jamaica's intellectual property rights agreement with the U.S. and emphasized the importance of valuation of trademarks and patents. The lack of knowledge of this subject on the part of the participants was evident from the number of questions directed at Mr Goldson. Of particular interest was the question of harmonization of the region's intellectual property laws.

II. Session 2.

Session 2 was the second part of presentations on the "Service Sector 2000" and the focus was on mobilizing financial resources for Caribbean, and information technology. The presenters were Daisy Cook, Senior Partner at Cook and Associates; Dr Ian Bennet, an information technology consultant; and Lorna Green, President of Digital Transtec LTD.

This session was mostly educational. However, Ms. Green was highly critical of the state of information technology in the Caribbean. She stated that the Caribbean was not even on the playing field in this area. She described a number of factors which presently inhibit the spread of information technology in the Caribbean. First, there is a lack of government leadership in the promotion of information technology. Second, there is a lack of understanding of the technology at the senior levels of government and corporations. For example, computers are seen as tools for data processing only, instead of sources of information. Third, there is a lack of disciplined, trained information technology managers. Fourth, functional illiteracy within populations make it difficult to have widespread computer training. Fifth, low per capita income does not allow the widespread ownership of computers. Finally, limited general use does not promote a computer culture.

III. Session 3 and 4.

Session 3 and 4 were titled "Integration and Global Competitiveness 2000" parts 1 and 2 respectively. The areas addressed in the presentation were; "The World Bank and the Caribbean," "The North American Free Trade Agreement (NAFTA)," and "Emerging Markets." The presenters were: Sarath Rajapatirana from the World Bank; Peter King, an international trade consultant; Peter Tropper from the International Finance Corporation; and Ricardo Benavente, First Secretary of the Chilean Embassy.

Each of these presenters emphasized the imminence of a free trade area which would include the Caribbean. Mr. King stressed that the Caribbean must be ready for reciprocity in trade agreements and should be conducting studies to determine which industries it should seek to protect.

The question arose about the future of CARICOM. Mr. Rajapatirana proposed that there were too many expectations of CARICOM. He argued that CARICOM has not been effective because most of its members export the same products, and therefore it is difficult to trade between countries. Further, there are too many exceptions to regional tariffs, and thus a real free market does not really exist. Lastly, the large countries who were supposed to be the foundation of CARICOM such as Guyana, Trinidad, and Jamaica have all had economic problems. However, he was optimistic that CARICOM would survive in spite of its problems.

Mr. Tropper focused his attention on the development of financial investment in the region. He listed seven needs of the Caribbean in this area: 1. Open foreign exchange markets; 2. The application of equitable fiscal policies; 3. Investment protection; 4. Up to date legal and regulatory frameworks; 5. Efficient settlement and clearing systems; 6. International accounting standards; 7. Transparent well-regulated stock exchanges.

These sessions were followed by a special presentation by Mara Camacho, General Secretary of the Cuba Chamber of Commerce, on investment and doing business in Cuba.

IV. Session 5.

Session 5 was titled "Infrastructure 2000." The presentations focused on "Creative approaches to Human Resource and Employment," and "Environmental Concerns for Caribbean Business." The presenters were Bruno Curnier, Managing Partner at Beaufort Consulting Group; and Dr Terrence Thomas, Executive Director of the Environmental Foundation of Jamaica.

Mr Curnier provided information on how the participants could improve their management skills. He suggested that the Caribbean should begin a performance enhancement process for managers as early as possible. He said that young managers should get specialized business training in areas such as organization, time management, and communication skills. He then called on the business leaders present, to give themselves a chance to become good managers through coaching and training.

Dr. Thomas provided information on the state of the environment in the Caribbean and offered suggestions on policy changes that could be implemented. First, he suggested that the Caribbean should be integrative in its approach to the development of technology. Second, the Caribbean should focus on forecasting the impact on the environment of technology imported into the region. Finally, the region should select flexible long term industrial policies that could be modified if found to cause environmental damage.

V. Session 6.

Session 6 was titled "Production 2000." The presentations looked at "Manufacturing: A Trinidad and Tobago Perspective," and "Agri-Business 2000: A Jamaican Perspective." The presenters were Gary Voss, Managing Director of Lever Brothers (W.I) Ltd., and Dr Marshall Hall, Chief Executive Officer of Jamaica Producers Group.

Dr. Hall gave a stimulating presentation on the problems of Caribbean industry. At the end of his speech he made six recommendations. First, he stressed the need for diversification of the region's agriculture away from such products as bananas and sugar cane. Second, he stated that quality and reliability must be

improved in the region's industries. He said that these factors would be key if the Caribbean was going to compete in the global marketplace. Third, he noted that productivity must increase. Fourth, he called on governments to improve transportation systems within countries, and on businesses to look more closely at ways to improve the efficiency of shipping abroad. Fifth, he proposed that a country like Jamaica establish a national brand which would incorporate most of the small brands within the country. He argued that this would make advertising and marketing more effective in the North American market. He said this would come from the efficiency gained from economies of scale and increased standards. Finally, he commented on the large amount of agricultural produce that is wasted by Caribbean producers. He recommended that ways should be found to reduce this wastage and to make better use of excess produce.

VI. Session 7.

Session 7 was a round table discussion of a regional agenda for action and a conference wrap up. In this session many of the participants expressed the opinion that while the Conference had served a useful purpose by bringing them together, the absence of an action plan emanating from the Conference was disappointing. The Conference Rapporteur, Dr Blossom O'Meally-Nelson, said that such a document would not be forthcoming, but a compilation of all the papers presented would be sent to the participants.

COMMENTS ON THE CONFERENCE.

The Conference was a success in some areas and a failure in others. It succeeded in educating the participants about the different issues that will affect the Caribbean business community in the 21st century. The issues of information technology, integration and global competitiveness, and infrastructure problems were comprehensively addressed. The Conference also served as a wake up call to the participants about the changing nature of the global marketplace. It was emphasized many times that it cannot be business as usual for Caribbean businesses. The lethargy that pervades in the business culture must be eliminated or the Caribbean would continue to fall further behind the rest of the world.

On the other hand, the Conference failed to come up with concrete proposals coupled with a plan of action for implementation. As mentioned in session 7 the Conference addressed what should be done as opposed to how it was going to be done. Thus, one might conclude that the Conference acted as a forum for criticisms and complaints, rather than a meeting to find solutions for the problems raised.

The main criticism that could be leveled at the Conference was the lack of broad representation. The Conference was billed as a

Caribbean business conference. If one assumes that the "Caribbean" referred to was the english speaking Caribbean, then one could be critical of the fact that there was no representation from the Eastern Caribbean, Guyana and Belize. All the participants were from either Jamaica or Trinidad and Tobago, with the exception of one participant from Barbados. On the other hand, if one assumes that the "Caribbean" referred to was the entire Caribbean, then one could also be critical of the fact that there was no representation from the non-english speaking Caribbean, except for Cuba.

Further, the businesses that participated were not representative of the entire spectrum of businesses within the Caribbean. They were mostly from big corporations like IBM, and banking and financial services institutions, such as Price Waterhouse.

CONCLUSION.

The 3rd Annual Caribbean Business Conference was a healthy exercise for Caribbean business. Its main accomplishment was to educate the businesses leaders in attendance about the different changes that are occurring in the world market place. Even though it was lacking in the area of solutions to problems, it did serve to stimulate thinking that could result in a Caribbean plan of action for regional business. Thus, with the imminence of regional free trade, the information gained at this Conference should serve to improve the competitiveness of Caribbean businesses in the global marketplace.

SATURDAY, JUNE 17
• DAY THREE •

7:30am Breakfast

8:15am OVERVIEW - Conference Rapporteur

8:45am SESSION 5: INFRASTRUCTURE 2000
(Keynote presentations followed by discussions)

**CREATIVE APPROACHES TO HUMAN
RESOURCE AND EMPLOYMENT**

Presenter: Mr Bruno Curnier
Managing Partner, Beaufort Consulting Group

**ENVIRONMENTAL CONCERNS FOR
CARIBBEAN BUSINESS**

Presenter: Dr. Terrence Thomas
Executive Director, Environmental
Foundation of Jamaica, EFJ

Session Chairman - Dr Conrad Douglas

10:05am Coffee Break

10:25am SESSION 6: PRODUCTION 2000
(Presentations followed by discussions)

**Whither Manufacturing? A Trinidad &
Tobago Perspective**

Presenter: Mr. Gary Voss
Managing Director
Lever Bros. (W.I) Ltd.

Agri-Business 2000 A Jamaican Perspective

Presenter: Dr. Marshall Hall
Chief Executive Officer, Jamaica
Producers Group

Session Chairman - Mr. Anthony Hyde

12:00pm

Lunch

Guest Speaker: Hon Dudley Thompson, OJ, QC
Former Jamaican High Commissioner to Nigeria

1:00 pm

**SESSION 7: REGIONAL AGENDA
FOR ACTION & CONFERENCE
WRAP-UP**

Panelists: Mrs Blossom O'Meally Nelson
Conference Rapporteur &
Session Chairmen

5:00pm

Boat Cruise/Cocktails

SUNDAY, JUNE 18
• DAY FOUR •

7:30am

Breakfast

9:00am

**SPECIAL PRESENTATION
Financial Risk Management**

Presenter: Mr Bruno Curnier
Managing Partner,
Beaufort Consulting Group

Session Chairman - Mr Victor Rhone

10:00am

**SPECIAL PRESENTATION
Ethics In Business**

Presenter: Rev. Anthony Palazzolo
Apostolic Vicar of Mandeville

Session Chairman - Mr Rodney Prasad

10:30am

**OPEN FORUM:
REGIONAL BUSINESS OPPORTUNITIES**

Session Chairman - Mr Gerry Pemberton

12:00 pm

Departure

JAMAICA

Welcomes
DELEGATES

To The



3rd Annual Caribbean Business Conference

JUNE 15-18, 1995

Ciboney Hotel, Ocho Rios

An initiative of the Rotary Clubs of Jamaica
and Central Port of Spain, Trinidad & Tobago



Caribbean Business 2000 & Beyond

Caribbean Business 2000 & Beyond

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CONFERENCE PROGRAMME

THURSDAY, JUNE 15

● DAY ONE ●

- 3:00pm Registration of Participants
- 6:00pm Welcome Cocktails
(Courtesy of Desnoes & Geddes Ltd.)
- 7:00pm Formal Opening Ceremony
- National Anthem*
- Welcome & Opening Remarks*
Mr. Victor Rhone, Conference Co-Chairman
- Greetings*
Mr. Edgar Iles, District Governor, Rotary Intl.
Mr. Rodney Prasad, Rotary Club of Central Port of Spain
- Address*
Mr. Peter July, Managing Director, Royal Bank of Trinidad & Tobago
- Official Opening Address*
The Hon. Dr. Paul Robertson, Minister of Industry, Investment & Commerce
- Vote of Thanks*
Mr. Gerry Niesen, Managing Director, Trafalgar Development Bank
- 8:30pm Dinner & Cultural Presentation
featuring Carifolk Singers

FRIDAY, JUNE 16

● DAY TWO ●

- 7:30am Breakfast
- 8:30am Theme Address "Caribbean Business: Facing the 21st Century"
Mr. Dunbar McFarlane
Managing Director, NCB Group Ltd.

- 9:00am *Introduction of Conference Rapporteur*
Dr Blossom O'Meally-Nelson
Mr. Victor Rhone, Conference Co-Chairman
- 9:15am **SESSION 1 - SERVICES SECTOR 2000**
(Keynote presentations followed by discussions)
- TOURISM**
Presenters: Mrs. Fay Pickersgill
Director of Tourism, Jamaica
Mrs. Patricia Francis
Managing Director, Project Development Services & Associates Ltd
- ENTERTAINMENT & INTELLECTUAL PROPERTY RIGHTS**
Presenters: Dr. Carolyn Copper
Senior Lecturer, Department of Literatures in English, UWI
Mr. Peter Goldson Attorney-At-Law
Myers, Fletcher & Gordon
- Session Chairman - Mr Peter July
- 11:15am Coffee Break
- 11:30am **SESSION 2: SERVICES SECTOR Pt.2**
(Keynote presentations followed by discussions)
- MOBILISING FINANCIAL RESOURCES FOR CARIBBEAN BUSINESS**
Presenter: Mrs. Daisy Coke
Senior Partner, Coke & Associates & Director, Eagle Financial Network
- INFORMATION TECHNOLOGY**
Presenters: Dr. Ian Bennett
Information Technology Consultant
Mrs. Lorna Green *
President, Digital Transtec Ltd.
- Session Chairman - Mr. Lennox Lewis
- 1:30pm Lunch
Guest Speaker: Prof. Gerald Lalor
Principal, University of the West Indies, Mona

- 2:30pm **SESSION 3: INTEGRATION AND GLOBAL COMPETITIVENESS 2000**
(Keynote presentations followed by discussions)
- ASSOCIATION OF CARIBBEAN STATES**
Presenter: Prof. Norman Girvan
Director, Consortium Graduate School, UWI
- THE WORLD BANK & THE CARIBBEAN**
Presenter: Mr. Sarath Rajapatirana
Advisor, Operations Policy Group, The World Bank
- Session Chairman - Mr. Paul Green
- 3:40 pm Coffee Break
- 3:50pm **SESSION 4: INTEGRATION AND GLOBAL COMPETITIVENESS 2000 (Pt 2)**
- NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)**
Presenter: Mr. Peter King X
International Trade Consultant
- EMERGING MARKETS**
Presenters: Mr. Peter Tropper
Senior Investment Officer, International Finance Corporation
Señor Ricardo Benavente
First Secretary, Chilean Embassy
- Session Chairman - Mr. Ivan Stephenson
- 5:00 pm Special Presentation
"Doing Business with Cuba"
Presenter: Sra. Mara Camacho
General Secretary, Cuba Chamber of Commerce
- 5:30pm Wrap - Up
Dr. O'Meally-Nelson, Conference Rapporteur.
- 8:00pm Entertainment
Jamaica Jump - Up Party (United Force Band)

MEMORANDUM

TO: Bill Craddock
FROM: Kurt Skeete
RE: Meeting with Frank Kerber and John Riley regarding Hemispheric Free Trade
DATE: June 14, 1995

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The meeting with Frank Kerber and John Riley was informative and provided a good picture of what the Embassy considers its primary concerns regarding the issue of Jamaica's entry into a free trade agreement with the United States. The interview focused primarily on an overview of the proposed survey as opposed to individual questions. They thought that the questions were too extensive and covered several areas which could be large studies by themselves. Thus, they suggested that I reduce the number of questions and focus on specific issues. The issues they thought to be most important were intellectual property rights, eligibility requirements, and the ability of Jamaican firms to compete.

On a macro level, they were very pessimistic about the Jamaican economy. John blamed the political culture of the country for Jamaica's economic problems and quoted the PSOJ study as support for his argument. His opinion was that lack of vision and lack of trust in the government were the major reasons for investors not being willing to take the risk of investing. However, both Frank and John appeared to think that free trade in one form or the other was going to be an issue in the future. They said that it was going to occur either in the form of the FTAA or in the form of NAFTA parity. They mentioned the NAFTA parity bill, which is now in Congress, several times.

They thought that before many of the questions in the questionnaire could be addressed it was important to determine if Jamaica would meet the eligibility criteria for entry into a free trade agreement. They noted that the list we provided gave an accurate picture of the measures that the GOJ had taken so far. However, they expressed concern about the implementation of many of the measures. They were especially concerned about the IPR agreement since the USTR had conveyed to them its concern about this issue. They claimed that since signing the IPR agreement the Jamaican government had not demonstrated the political will or ability to implement the agreement. They thought that some progress had been made on cable television but none on items such as pirated videotapes, names of commodities, and software. It was their opinion that this was important, since sooner or later the American

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business community was going to apply political pressure on Congress to demand compliance. Thus, before accepting Jamaica to a free trade area Congress would probably need signs that Jamaica is making an effort to comply with the IPR agreement.

Both Frank and John had comments on specific questions. Under the "Development Challenge" section they had the following comments. For questions 1 and 2, they were very critical of the Jamaican economy. For example, they thought that there was no price stability, and the currency stability was artificially sustained by high interest rates, which had a negative effect on investment. Also, John suggested that we ask about internal debt in addition to external debt.

They thought that questions 6 and 7 should be deleted. Question 6 because the eligibility requirements have not been established as yet by Congress, and question 7 because the Jamaica Labor Force Assessment study would provide the best answers. On question 9 they commented once again on the lack of vision by the business community.

Regarding the "Constraints" section Frank said that he was very interested in questions 1 and 2, since the responses would tell him what companies were vulnerable to free trade. However, as expected they both considered question 9 to be the most important question in the survey.

In the "Policy Framework" section they were both interested in question 8. They said that a study of the topic would be useful to them.

They gave me a list of American companies and said I should try to do interviews with some of them. They said I should ask about the obstacles these companies have encountered, while investing in Jamaica and what problems they observe with the regulatory framework of Jamaica. They suggested that I speak to someone at Colgate Palmolive and Goodyear, since these two companies will be restricting their presence in Jamaica to distributing after eliminating their manufacturing operations. They thought I should ask both companies why they are leaving. They suggested that I interview McDonalds to find out what obstacles they are presently encountering. Apparently, McDonalds is setting up a franchise in Montego Bay and another in Kingston. Their goal is to set up about 14 franchises in Jamaica along with production facilities that use local suppliers for all inputs. Frank gave me the name Patricia Issacs, the regional vice-president in charge of setting up operations, as a contact person.

The names of Ambassador Ellen Bogle from the Ministry of State, Denise Pattinger, vice-president of JAMPRO, and Anthony Gomes from Neal and Massey were also added to our list of names.

Finally, they both thought that I should go back to see them if I needed additional direction for the survey.

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Overall it was a productive meeting since it sharpened my focus on some of the issues that are most important to U.S. political interests.