

I. Although on the whole Jamaica does not seem to have had any difficulty in "living with" its WTO commitments on market access, the experience in terms of adjusting tariffs to take account of domestic and external factors has not always been smooth, particularly in the case of import-competing products. One example is poultry meat, imports of which have often surged in the past decade, to the detriment of the poultry sector. There have been several calls from the industry for anti-dumping actions. In response, import reference prices were established for customs valuation purposes – in 1993/94, the duties on leg quarters were levied on the basis of the average c.i.f. price of US\$0.52 per pound. Similar difficulties were encountered in regulating the import of sugar, where reference import prices had to be set based on five-year moving averages of world market prices, at about US\$0.20 per pound initially in 1995 and slightly more in later years. There have also been incidents with beef imports, when in 1998 the Jamaican beef farmers' association complained that local production was being hurt by imports of ground beef used for McDonald burgers, despite the 40 percent tariff. Farmers complained that the export of the beef was subsidized and called for higher duties. Higher tariffs on fresh fruit and vegetables, ranging from 86 to 90 percent, were sometimes found inadequate to keep out imports altogether, though they did limit the quantity entering. Jamaica also encountered difficulties in rationalizing tariffs on oilseeds and products due to conflicting goals, i.e. establishing a soybean extraction industry and keeping down the consumer price of oils. These examples, not uncommon to many developing countries, illustrate the nature of practical problems involved in coping with the new trading environment. The difficulties have their roots in both domestic and external factors, such as: lack of import competitiveness when borders are opened suddenly; expectations that the sector will eventually be competitive with some protection and other support measures (infant industry argument); difficulties in detecting and remedying under-invoicing of imports; difficulties in applying general WTO safeguards; and the feeling that exports are subsidized and dumped.

2.2 Domestic Support By the time the WTO Agreement came into effect, Jamaica had implemented a number of structural reforms that had eliminated or minimized the types of trade-distorting domestic support measures that are addressed by the AoA. These measures included: removal of most agricultural credit subsidies; removal of other forms of subsidies and controls previously associated with regulation by Commodity Marketing Boards; elimination of food subsidies; and divestment of land and public companies. In the UR, Jamaica did not submit detailed commitments on domestic support measures, essentially claiming that all such measures belonged to the exempted categories and/or were within the de minimis levels in the case of trade-distorting support measures. Notifications to the WTO for recent years provide information on green box measures, which show that the total outlay has been about US\$8 million per annum (Table 2). This is a very small amount compared with an agricultural GDP of roughly US\$480 million.

Type of measure	Specific measure	Total outlay 1996/97	1997/98	1998/99
General Services	Research and development relating to particular products: livestock research and improvement, crop research and plant protection	1.6	2.0	2.3
Extension and advisory services: primarily to rural farmers		5.5	6.0	5.8

There are no other studies available, from either official or other sources, that have measured the full range of support in favour of producers. This makes it difficult to review Jamaica's situation as regards the general AoA rules and its own commitments. Perhaps

reflecting the limited information provided in these notifications, there has also been no discussion in the WTO CoA on Jamaica's support measures. What follows, therefore, will discuss some issues in this area of a more general nature based on other sources. As regards trade-distorting measures (the amber box measures), developing countries are permitted to grant subsidies to farmers up to 10 percent of the value of production of particular crops and up to 10 percent of the total value of total agricultural production in the case of non-product-specific support measures, e.g. fertilizers. Computations for other countries show that the sums involved are generally large, indicating substantial scope for subsidization. In Jamaica's case, for example, the limit to subsidies for banana farmers would be high because the value of production of bananas is very high, but that may not be the case for cocoa. It should be a priority area for analysis by the Government to compute these threshold levels so as to assess whether the AoA disciplines would constrain in any way the implementation of support measures, if and where required. The same applies to non-product-specific support measures. Should these constraints appear to be binding, Jamaica can still shift a considerable amount of non-product-specific subsidies to the SDT category, as long as they are directed to low-income and resource-poor farmers. As above, the important first step is to compute all these support measures, categorize them under the various "boxes" and report to the WTO, thereby avoiding unnecessary questioning in the CoA. There is some feeling that it was unfair in the UR not to have allowed such safeguards to countries like Jamaica that in fact had "tariffied" all NTBs not long ago in the context of reforms undertaken unilaterally. As regards the general WTO safeguards, Jamaica has never had recourse to anti-dumping and countervailing measures. Some investigations were initiated on agricultural products, namely dairy products and rice. The investigation on dairy products was initiated because of import surges of milk powder which undermined the domestic milk industry. It resulted in a recommendation to impose an anti-dumping duty (of 136 percent) on milk powder, but the duty was never imposed as the legislation governing these procedures was found to be inconsistent with the WTO anti-dumping rules. The investigation on rice imports was in progress at the time of writing. As for the emergency safeguard under GATT Article XIX, it has never been used. The lesson learnt was that the procedures involved were complex and expensive to pursue. Small economies are also handicapped in resorting to trade remedy measures against larger ones, the main source of dumping and export subsidies, because they depend on the latter for preferential market access. Jamaica has faced, and continues to face, this dilemma. Countervailing measures are a response to export subsidization by other countries, and so the elimination of this practice would also eliminate the need for countervailing measures. It is for these reasons, and for the sake of fairness in trade agreements, that smaller countries like Jamaica should be allowed the use of instruments that are realistic for them – in this instance the special safeguards of the AoA. Their use can also be justified in terms of the particular vulnerability of the sector and of the people who depend on it. Having access to simpler instruments like the SSG is on Jamaica's agenda in the new WTO negotiations, at least for a small range of sensitive agricultural products. The imposition of additional stamp duties was one response to the problem of import surges and low import prices of basic foods. One study on the subject has acknowledged these problems but suggested that it would be more efficient to replace the stamp duties with a variable duty scheme based on reference import prices.<sup>4</sup> In view of the past complaints on

dumping, it also suggested using the US domestic wholesale prices for reference prices. In the case of milk powder, the suggestion was to use New Zealand export prices (plus transport costs) for reference prices so as to take care of possible export subsidization by both the US and the EU. In each case, higher duties would be charged, on top of the 40 percent CET, if import prices fell below the reference prices. At the same time, domestic measures have to be devised to make these sectors competitive. Jamaica has made considerable progress, relative to many other developing countries, in strengthening the capability to use general WTO safeguards. Legislation was enacted recently in this regard and necessary institutional arrangements established to facilitate the implementation of anti-dumping and countervailing measures, while similar efforts are under way for emergency safeguards. Marrakesh Ministerial Decision Jamaica is classified as a NFIDC in the context of this Decision. On the other hand, the volume of food aid received has fallen from 65 percent of total cereal imports in 1985–87 to 45 percent in 1990–94 and 6 percent in 1995–98, even though food import bills have risen sharply.

SPS/TBT Agreements Jamaica recognizes the importance of the WTO SPS Agreement for both exports and imports of agricultural products. But like many other developing countries, its SPS standards, laws and institutions need to be modernized in order to comply with the requirements of the Agreement. Some experience has been gained with the SPS/TBT Agreements. Some of the major products that have been affected by the new regulations include fish and conch exports to the EU, as well as cheese exports thereto, while the export of chicken to the United States was completely banned. With respect to imports, Jamaica has stepped up the enforcement of national food safety laws in relation to meat, meat products and poultry. The Government has instituted several measures as part of a broader strategy to improve export regulations relating to SPS. These initiatives include: Formulation of legislation; The Aquaculture, Inland and Marine Products and by-products (inspection, licensing and export) Act 1999; The Meat, Meat Products and Meat by-Products (inspection and export) Act 1998; Establishment of "one stop" export Pre-clearance Centres at the Norman Manley International and Sangster International Airports; Establishment of a Residue Testing Laboratory at the Ministry of Agriculture; Increased participation in international standard-setting bodies such as the Codex Alimentarius, International Office for Epizootics and the International Convention for Phytosanitary Protection. The selection of particular products for higher bound rates for other duties or charges is interesting as it reveals the "sensitivity" of the products. For example, almost all fresh vegetables face higher bound rates. Similarly, while only one fresh fruit (fresh grapes) is included in the high-bound category, there are nine processed fruit products in this group. Jamaica has in the past faced particular difficulties in coping with import surges in meat products, which is reflected in high binding for nine fresh meat products. Some sugar products also belong to the sensitive category, notably sugar other than raw sugar.

Table 1: Jamaica's WTO tariff bindings on agricultural products

Product	Bound customs duty (percent)	Bound other duties or charges (percent)
All agricultural products, with the following exceptions:	52 tariff lines	1 Meat – HS 02 (9) Dairy products – HS 04 (2) Fresh vegetables – HS 07 (16) Fruit – HS 08 (1) Cereals – HS 10 (1) Cereal preparations – HS 11 (2) Oilseeds – HS 12 (8) Meat preparations – HS 16 (1) Prepared fruit – HS 20 (9) Industry products – HS 23 (3)
3 HS Chapters	HS Chapter 15 (veg. oils) HS Chapter 22 (spirits) HS Chapter 24 (tobacco)	Sugar Sugar other than raw sugar (1701.9); sugar containing added flavouring or

colouring matter (1701.91); and icing sugar (1701.991) 100 100 100 100 15 80 80 200 1 Figures in parentheses are the number of tariff lines. Source: Jamaica's UR tariff Schedule. For all practical purposes, the WTO bindings of "basic customs tariffs" (the 100 percent rates) have little significance for applied rates because of the adoption of the CARICOM CET, which went into effect in 1991. In the UR, Jamaica was not given any "credit" for its unilateral reform, and this is an issue to be raised in the new negotiations. As regards policy experiences, the review in Section II showed that there has been little experience in the case of domestic support measures and export subsidies. By contrast, there was much to learn in the area of border measures. As summarized in that section, there was no difficulty in complying with the WTO bound tariffs (100 percent) – applied rates were always below the bound rates – primarily because of the lower CARICOM CET rates (typically 40 percent) which are the de facto applied rates for trade. However, several difficulties were encountered in adjusting/adapting tariffs to the new environment and external shocks. One of the lessons learnt from this experience was that Jamaica required almost the full range of the WTO bound rates for the products currently facing additional stamp duties. This experience needs to be taken into account in considering further tariff reductions in the new negotiations. Other points that came up and on which Jamaica needs to reflect were the need for appropriate mechanisms to manage the supply of a selected list of basic food products (i.e. the "cost of living" products) and the need for an appropriate customs valuation system that will avoid under-invoicing of imports. While it realizes the value of the system, it was able to identify a number of weaknesses from the perspective of a developing country, as follows: Legal assistance provided by the WTO Secretariat was inadequate and requires strengthening; Participation of private lawyers in their delegations should be allowed for developing countries at all stages of the Panel and Appellate process, where the WTO Secretariat is unable to deliver full legal support; As a small trading country, Jamaica could be involved in several cases as a third party; such countries should be allowed to participate effectively in the Panel and Appellate stages of the dispute process; There should be at all stages of the dispute process involving developing countries, whether as complainants, respondents or third parties, consideration of the social and economic impact on them of the decisions taken by the disputes body; Apart from obtaining legal assistance from the WTO Secretariat, developing countries need to acquire expertise in international trade law, for which technical assistance should also be provided by the WTO. These preparatory consultations take into account the following long-term objectives that have been set for the agricultural sector: Building international competitiveness in agricultural production, distribution and marketing of both traditional and non-traditional products; Attracting investment to the sector; Ensuring that the sector contributes to rural development, food security and poverty eradication; and Encouraging the development of agro-industry enterprises in order to add value to primary agricultural commodities produced in Jamaica. An informal paper submitted to the CoA by Mauritius provides details on the special difficulties facing these countries in various areas, e.g. the small size of their domestic markets and hence very high reliance on exports, the limited number of products exported, high transaction costs due to the small volume exported, and vulnerability to natural disasters. The main reforms included: elimination of all quantitative import restrictions; elimination of the use of reference prices as a matter of policy; tariffication of non-tariff barriers in a way that no tariff

exceeded 100 percent; lowering of duties from 200 percent in several cases to 40 percent; and a programme of tariff reduction over a period of 3 to 7 years according to the Common External Tariff (CET) of the Caribbean Community and Common Market (CARICOM). Jamaica has embraced a liberal trade regime as a matter of policy, but it has to be conscious of the contributions that the agricultural sector makes to employment and social stability, not only in the rural but also in urban areas, and so needs to ensure that the social and economic situation of the farming population is not undermined by trade liberalization. This assessment is based on a number of considerations: sugar is not mentioned in the EU's Agenda 2000 reform programme; both the EU and the United States have similar sugar regimes and hence are unlikely to challenge each other in the WTO (unlike the situation for bananas), but the threat could come from other exporters, such as Brazil, Thailand and Australia; and that the eastern enlargement of the EU may take longer than previously thought.

**Table 4: Exports and export unit values of major agricultural products, 1990–94 and 1995–98 (annual average)**

Product	Unit	Actual value		Trend value <sup>1</sup>		Percentage change	
		1990–94	1995–98	1995–98 (b/a)	1995–98 (b/c)	(a)	(b)
Sugar	million tonnes	85 101 97	19.0 3.8 000	143 166 137	16.2 21.6	US\$/tonne	593 609 700
Bananas	million tonnes	42 43 61	2.5 –29.8 000	71 77 104	7.9 –26.2	US\$/tonne	587 559 660
Alcoholic beverages	million US\$	23 27 29	19.2 –4.8 000	14 13 15	–5.6 –13.6	US\$/tonne	1 839 2
Coffee	million US\$	15 28 21	83.0 31.1 000	1.1 1.5 1.3	35.9 15.3	US\$/tonne	13 826 18
Cocoa	million US\$	5.6 3.7 4.7	–33.9 –21.5 000	2.5 1.8 2.7	–28.4 –32.6	US\$/tonne	2 267 2 078
Yams	million US\$	9.5 11.0 12.7	15.3 –13.7 000	10.5 10.1 12.5	–3.8 –19.6	US\$/tonne	914 1 166
Sweet potatoes	million US\$	0.8 1.3 1.1	56.3 18.4 17.3	15.3 10.6 12.9	vegetables	Contingency measures for safeguarding domestic markets	Jamaica feels that the economic transformation required to cope with trade liberalization without heavy social costs cannot be achieved within a short period; accordingly, trade instruments, including safeguards, would have to reflect this reality.

About 55 agricultural tariff lines are classified as "cost of living" goods with low tariffs; 18 of these are duty-free, including wheat and some grains and various infant food products, 15 others face 5 percent duty and the rest a 10 percent rate. In contrast to these "cost of living" products, several other commodities face "additional stamp duties", on top of the normal tariffs.

**Table 6: Imports and import unit values of major food products, 1990–94 and 1995–98 (annual average)**

Product	Unit	Actual value		Trend value <sup>1</sup>		Percentage change	
		1990–94	1995–98	1995–98 (b/a)	1995–98 (b/c)	(a)	(b)
Total cereals	million US\$	67 92 70	36.9 31.8 000	393 412 405	4.9 1.7	US\$/tonne	172 226 173
Vegetable oils	million US\$	8 18 6	128.9 184.1 000	9 21 7	120.3 216.3	US\$/tonne	846 908 904
Dairy products	million US\$	27 30 31	12.9 –3.3 000	94 82 72	–12.7 14.3	US\$/tonne	287 373 366
Total meat	million US\$	31 42 35	37.2 20.3 000	34 43 37	26.6 16.3	US\$/tonne	900 1011 958
Fruit and vegetables	million US\$	10 23 16	117.6 44.5 000	9 26 14	189.8 89.6	US\$/tonne	1203 888 1239
Sugar	million US\$	15 28 17	88.1 63.7 000	45 76 39	68.8 95.5	US\$/tonne	323 370 403

1 See note 1 to Table 3.

The AoA commitments On the whole, Jamaica has not encountered significant problems in complying with the AoA provisions, largely because important reforms were implemented in the agricultural sector prior to

1995. These proposals indicate that Jamaica and other signatories of the Convention have implicitly or explicitly accepted that these trade arrangements cannot be continued for ever; rather, the main issue addressed is the need for some transition period as the cost of sudden removal of preferences would be very high for these countries. In the case of bananas, the lengthy dispute in WTO has not yet come completely to an end, but it has shaken some of the foundations of a non-reciprocal, preferential trade regime that has dominated the bulk of Jamaica's export trade for many years. Yet, the agricultural sector makes a significant contribution to the economy in terms of employment, foreign exchange earnings, food security, rural development and social cohesion and has important linkages with the service sector, e.g. tourism and transportation.

## II. EXPERIENCE WITH IMPLEMENTING THE AGREEMENT ON AGRICULTURE

### 2.1 Market Access

By the time the UR was concluded, Jamaica had already undertaken a series of structural economic reforms along the lines envisaged in the AoA. Since the additional duties are levied on c.i.f. value plus the tariff, total applied rates for these products exceed the CET rates and can reach as high as 90 percent.<sup>2</sup> In large part due to the additional stamp duties, there is a wide dispersion of applied tariffs (i.e. the aggregate duty). Greater technical assistance from the international community would have been helpful in the implementation of these and other measures, notably in the upgrading of legislation; development of human resources; provision of equipment for laboratories; and institutional reorganization and strengthening.

### Dispute settlement

By virtue of its third-party role in the EU-United States dispute on bananas, Jamaica was able to observe closely how the WTO disputes settlement mechanism operates.

## IV. ISSUES OF CONCERN IN FURTHER NEGOTIATIONS ON AGRICULTURE

Jamaica has been preparing for the new negotiations on agriculture through a series of activities which include studies and analyses, and consultations at home among various stakeholders and at the CARICOM level. Finally, Jamaica and many other developing countries in the same situation need to avert at all costs the pressure to commit bindings, e.g. tariffs, at applied rates because applied rates are implemented for particular, short-term reasons whereas WTO bound rates have longer-term implications. Tariff rates are generally categorized according to criteria such as type of goods (e.g. primary inputs, consumer goods), use (e.g. as raw materials or not) and whether or not they compete with domestic production. Of the 24 HS Chapters in agriculture, the simple average of applied tariffs exceeded the 20 percent overall average (for all agricultural products) in ten, was below the average for another ten and was about the average level for the other four.<sup>3</sup> The average applied tariff was highest (at 35.2 percent) for fruit (HS Chapter 8), with a peak of 40 percent. Some commentators have questioned whether some of the ongoing agricultural development programmes involve subsidization of farmers to an extent that violates Jamaica's commitments.

### Safeguards and trade remedy measures

Since it did not undertake tariffication, Jamaica cannot have recourse to the Special Safeguard (SSG) provision of the AoA.

### Lome Convention and WTO multilateralism

There is considerable concern about the future of preferential trading arrangements such as the Lome Convention since some of their features go against the general GATT/WTO principles like non-discrimination and reciprocity in trade. Enhancing export opportunities Historically, preferential trading arrangements have been the main vehicle for Jamaica's agricultural exports and continue to be so, especially for traditional products like sugar and bananas. Special treatment for small island developing countries Jamaica and other countries made a

proposal to the WTO for a special status to be accorded to small island developing countries in the context of the SDT provisions of the various WTO Agreements, particularly the AoA. Technical assistance Developing countries generally feel that various technical assistance promises contained in the WTO Agreements have not been implemented effectively. For example, one of the components of the new Banana Support Programme involves the provision of interest subsidies (others being of a green box nature), but the amount involved is unlikely to be more than a fraction of the total value of Jamaica's banana output. It is free under the AoA to provide subsidies to reduce the cost of domestic marketing and international freight and could resort to this measure, if needed, on a limited scale for selected products. In common with many countries, the Government implements some incentive measures aimed at export promotion, of the nature listed under the Agreement on Subsidies and Countervailing Measures. The main export products are sugar, bananas, rum, coffee and cocoa while the principal imports are cereals, vegetable oils, meat and dairy products. Agriculture excludes fishery and forestry products. Food excludes fishery products. III.