

By Permission of the Chairman.

THE WORLD TRADE ORGANIZATION: A JAMAICAN PERSPECTIVE

**STATEMENT OF
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**IN RESPONSE TO ITS REQUEST FOR COMMENTS ON THE
WORLD TRADE ORGANIZATION (WTO)**

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Thank you for providing me this opportunity to submit testimony to you on the World Trade Organization (WTO) and its impact on Jamaica's trade relationships.

The World Trade Organization (WTO) plays a vital role in providing the framework for a healthy and functioning multilateral trading system, both to establish ground rules for fair commerce and to create a process for future rounds of trade negotiations. From its origins in the General Agreement on Tariffs and Trade (GATT), which was inaugurated in the late 1940s, the WTO has emerged to encompass the trading relations of some 140 nations, representing nearly all international commerce. During that time, international trade flows have flourished as nations and products have been brought under the umbrella of the multilateral trading regime. With the conclusion of the Uruguay Round in 1993, and the entry into force of the WTO on January 1, 1995, the multilateral trading system expanded again as GATT/WTO members removed barriers and brought about new disciplines in previously uncovered areas, such as services, intellectual property, agriculture, and investment.

Jamaica's Commitment to Trade Liberalization

Jamaica is deeply committed to an open multilateral trading system. Jamaica subscribes to, and its policy has always been fully consistent with, the principles and disciplines of the GATT. Jamaica has been a Contracting Party to the GATT since the 1960s, and has been an active participant in, and contributor to, successive negotiating rounds aimed at further liberalization of global trade. In 1995, Jamaica was proud to ratify its obligations under the Uruguay Round and become a founding member of the WTO.

Moreover, Jamaica is an advocate of trade liberalization within the hemisphere, and is currently serving as Chair of the Small Economies Working Group for the Free Trade Area of the Americas. In addition, Jamaica actively participates in several regional trade expansion arrangements with the United States (the Caribbean Basin Initiative -- CBI), Europe (the LOME Convention), Canada (CARIBCAN), and the other English speaking countries in the Caribbean (the Caribbean Common Market - CARICOM). All of these arrangements are intended to promote trade liberalization between the member countries.

Jamaica's support for the multilateral trading system is grounded in the firm belief that there is now a **new phase** of globalization of production and finance which is rapidly **sweeping away national barriers** to the movement of goods, services, capital, and finance. During the late 1980's and 1990's, Jamaica's economic policies have **focused on economic reform, stabilization, and structural adjustment** to **create an environment** conducive to a private sector-led, market-driven, outward-looking growth strategy. An important aspect has been a comprehensive program of trade liberalization involving substantially reduced tariffs and the elimination of quantitative trade restrictions. This has

been complemented by freeing market forces within the domestic economy through the abolition of price and exchange controls by a vigorously implemented campaign of privatization and fiscal and monetary discipline.

In the last four years there has been a substantial acceleration in the process of liberalising the trade regime of Jamaica, with an emphasis on the removal of import restrictions and the lowering of tariffs. The commitment to outward-looking trade and development policies stems from the knowledge that the benefits to be derived are those of higher growth rates and enhanced capacity to adjust to external shocks. Expanding trade contributes to Jamaica's growth by enabling the economy to improve its productivity by specializing in exports in which it has a comparative advantage. Production for the world market allows firms to achieve the economies of scale which are precluded by a small domestic market. Exposure to competition from imports serves to improve cost efficiency and benefits consumers by lower prices.

Since the process is self-driven -- more competitive products leads to broader trade relationships which, in turn, stimulate the demand for even more competitive products -- Jamaica's economy has become tightly woven into the fabric of international commerce. The WTO ensures that the fabric does not tear, or, if it does, that there be an obvious and quick way to repair it.

The US/Caribbean Linkage: A Regional Example of Successful Trade Liberalization

On a regional scale, such reciprocal trade liberalization has provided the foundation for sustained development of the Caribbean economies and a healthy US/Caribbean economic relationship. In August 1995, the Caribbean Basin Initiative (CBI) marked its 12th anniversary. In the dozen years since it was established, the CBI has emerged as an important stimulus of economic development in the Caribbean Basin and of trade linkages throughout the region. The effect has been felt -- not only in Kingston and Montego Bay -- but also in Miami, Baltimore, New Orleans, New York, and hundreds of other communities throughout the United States. In many ways, the CBI has exceeded the expectations of the drafters of the CBI legislation who wrote in 1990 amendment to the CBI, "The Congress finds that...a stable political and economic climate in the Caribbean region is necessary for the development of the countries in the region and for the security and economic interests of the United States."¹

Through its combination of trade, investment, and tax policies, the CBI legislation has progressively established a framework that has allowed mutually beneficial US/Caribbean economic links to flourish. In turn, Jamaica and other Caribbean countries have matched the liberalizing reforms enacted by the CBI to launch their own trade and investment economic reform programs. Together, the United States and Caribbean countries have created a trade partnership that now exceeds \$24 billion a year.

The successes of the CBI legislation are reflected in the figures signaling robust growth in the US/Caribbean trade partnership. Since the mid-1980's, US overall exports to the Caribbean have expanded by over 100 percent and Caribbean exports to the United States have climbed by roughly 50 percent. The Caribbean Basin now comprises the tenth largest market for the United States, and is one of the few regions where the United States consistently posts a trade surplus.

With US exports exceeding \$13.4 billion in 1994, US/Caribbean commercial links support more than 265,000 jobs in the United States. During the past decade, nearly 17,000 American jobs have been created each year as US trade links with the Caribbean have expanded. Throughout the Caribbean, where the economies are much more dependent upon trade, increased exports to the

United States has generated hundreds of thousands of additional jobs. Such employment growth has been felt in both export industries, as well as in the many sectors that cater to these industries.

Such trade and employment growth reveals a fundamental characteristic of US/Caribbean production cycles. The existence of CBI market access agreements, combined with the proximity and skills of the Caribbean workforce, has made Caribbean production an attractive and profitable element of any US production strategy. For example, through offshore assembly agreements, the Jamaican private sector has developed an active partnership with US industry to take advantage of the most efficient productive activities that each country offers. In a host of industries, US and Jamaican firms cooperate to produce finished goods using a combination of Jamaican and American skills, capital, and technology. It is this complementarity of Jamaican/US production that maintains the competitiveness of the final product in the global marketplace and even in the US market.

The new structure of trade means that economic growth and development in the Caribbean now directly translate into expanded export opportunities for the United States. Roughly 70 cents of each dollar Jamaica earns from exports to your country is spent in the United States buying American-made consumer goods, food products, industry inputs, and capital equipment. When compared with each dollar of Asian imports, which only generates about 10 cents worth of subsequent US purchases, trade with the Caribbean becomes an important priority for the United States.

Moreover, by providing a mechanism to enhance US/Caribbean commercial links, the CBI has created a sound basis for cooperation in other areas, such as environmental protection, counter-narcotics activities, the promotion of democracy, and regional security measures.

WTO: The Next Steps

As the trade ministers, gather in Singapore this year for the first WTO ministerial, the global trade community should establish a firm agenda to assess the first two year's of the WTO and to determine the next steps that must be taken to strengthen and expand the system.

As a first agenda item, **trade ministers should determine how well countries are living up to their WTO obligations.** Care should be taken to ensure that countries have not only implemented their initial obligations, but that all phase-in periods are fully respected. In addition, WTO member countries should be made accountable to their obligations to ensure that, among other things, they do not subsequently pass legislation that undermines those obligations. For example, recent efforts by the United States to embargo specific countries -- such as Cuba, Iran, and Libya -- by imposing extraterritorial sanctions on third-party foreign companies and countries, raise a series of questions as to whether such unilateral sanctions are fully consistent with the WTO principles.

A related agenda item is to **determine how well the Dispute Settlement Process is working.** Based on the number and kind of trade disputes that have been brought for resolution under the various WTO dispute settlement mechanisms, it would appear that the WTO had gained the reputation as a credible venue for the airing of trade-related conflicts. One would hope that the WTO can maintain a pre-eminent role in this regard so that countries do not feel compelled to resolve disputes -- such as the US/EU dispute on bananas -- through unilateral actions, such as the US Section 301 law.

A third priority area involves **completing the unfinished business of the Uruguay Round and identifying new areas that must be addressed in successive rounds.** The Uruguay Round has triggered an unprecedented surge of action as individual nations, regions, and multilateral bodies race to dismantle barriers and liberalize trading regimes. The WTO can play a role, not only in sustaining this momentum, but also in coordinating the diverse liberalization responses it has unleashed. At the very least, it should ensure

¹ Section 201 of the Caribbean Basin Economic Recovery Expansion Act of 1990. Codified at [19 USC 2701nt; PL 101-382; Title II]

that trade liberalization -- whether done regionally, multilaterally, or bilaterally -- is fully consistent with the WTO principles.

The WTO and the United States

As the Congress reviews the WTO, it should recall that -- as a collection of diverse trading nations -- the WTO will work only as well as its members want it to work. If enough individual nations refuse to play by its rules, the WTO system will collapse. ***As one of the largest trading entities in the WTO, the United States enjoys a particularly critical role in actively participating in the WTO to ensure its successful operation.*** And because so much of the US economy is becoming dependent upon international trade and foreign markets, the United States has a greater and greater stake in the success of the WTO.

The Congress can play a vital part in ensuring vibrant US participation. First, Congress can provide the President fast track trade negotiating authority to permit the negotiation of future rounds as well as the negotiation of other trade liberalization agreements, such as accession to the NAFTA. Second, the Congress can take a leadership role in promoting an active trade agenda through passage of such measures as the NAFTA parity bill or the renewal of the GSP program. Third, the Congress can resist efforts to alter or limit US obligations under, or membership with., the WTO.

Conclusion

The World Trade Organization works. It is now up to the individual members of the WTO to keep it that way.