



Implications of BREXIT for Jamaica and CARIFORUM



The citizens of the UK voted to leave the European Union (EU) in a referendum held on 23rd June 2016. The vote was 52 per cent for “leave” and 48 per cent for “remain”. This vote was a historic development in both the UK and the EU.

The outcome of the referendum could have direct and far-reaching consequences not only for the UK’s trade relationship with the EU, but also for the trade and economic cooperation agreements entered into by both the EU and its Member States with third countries. When the UK leaves the EU (“BREXIT”), these agreements would cease to apply to the UK. The ACP-EU Cotonou Partnership Agreement (CPA) and the CARIFORUM-EU EPA are a case in point. It is important to note, however, that the rights and obligations of the UK in these agreements will remain in force until it formally withdraws from the EU, in keeping with Article 50 of the Lisbon Treaty. The UK Government has indicated that it will commence Article 50 proceedings by March 2017.

The main implications of BREXIT with particular reference to the ACP-EU Cotonou Partnership Agreement and the

CARIFORUM-EU EPA are as follows:

ACP-EU COTONOU PARTNERSHIP AGREEMENT (CPA)

The 2000 Cotonou Partnership Agreement, which governs the longstanding partnership between the ACP Group of States and the EU, is due to expire in February 2020. Negotiations between the ACP and the EU for a future agreement should commence by August 2018. These negotiations are likely to coincide with the two year timeframe for the negotiation of the UK’s exit from the EU. The UK would not be expected to be part of the negotiations for the ACP-EU post-2020 relations. If the negotiation of the UK’s exit agreement ends in early 2019 as stated by the Minister for Brexit, Mr. David Davis, this would mean that the UK could cease to be party to the Cotonou Partnership Agreement before its expiry in 2020.

Brexit would also mean that the UK as the original sponsor of the now 40 Commonwealth ACP countries would no longer be present in the EU. Moreover, the UK is one of the main contributors to the EDF, representing 15 per cent of the overall budget. There are concerns that the exit of the UK from the EU could result in decreased EDF resources. In addition, the UK has committed 0.7 per cent of its Gross Domestic Product (GDP) to Overseas Development Assistance (ODA). The UK has so far reaffirmed its commitment to maintaining its ODA obligations in a post-BREXIT environment.

B) CARIFORUM-EU ECONOMIC PARTNERSHIP AGREEMENT (EPA)

The preferential trade arrangements between CARIFORUM and the EU are currently governed by the 2008 CARIFORUM-EU EPA that provides for duty-free and quota-free market access for all goods originating from CARIFORUM States, except for arms and ammunition. The Agreement also covers issues of critical importance to the CARIFORUM region, which include the trade in services, investment, innovation and intellectual property rights. Post-Brexit, the CARIFORUM -EU EPA could possibly cease to apply to the UK, which implies that CARIFORUM States could lose the preferential access to the UK market. For a country like Jamaica, this would likely have major consequences given the importance of the UK market to us. The UK accounted for about 26.8 per cent of Jamaica’s total exports to the EU in 2014 and operates as the hub for Jamaica’s exports to the EU.

Depending on the withdrawal agreement, the UK could choose to sign bilateral trade agreements with its trading partners outside the EU. The UK could decide to prioritise negotiations with strategic markets and major trading partners such as the USA, India, Japan, Canada, China and Australia. There have been suggestions that Brexit would enable renewed focus on intra-Commonwealth trade opportunities. In this regard, it is noted that a meeting of Commonwealth Trade Ministers has been scheduled for March 2017 in London, England.

INTERNATIONAL & INDUSTRY LIAISON UNIT

TRADE BEAT

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POSSIBLE CONSEQUENCES FOR JAMAICA OF A DETERIORATING ECONOMIC SITUATION IN THE UK

According to an update on the World Economic Outlook published by the International Monetary Fund (IMF) on 19 July 2016, the global outlook for 2016 – 2017 has worsened as a result of the Brexit vote. The global growth forecasts for both 2016 and 2017 have been marked down by 0.1 percentage points to 3.1 per cent and 3.4 per cent respectively. The UK experienced the largest downward revision in growth forecasts among the advanced economies, with growth revised down by about 0.2 per cent points in 2016 and almost 1 per cent point in 2017. The general global economic slowdown could have implications for Caribbean countries given that they are small, open and vulnerable economies. The uncertainty in the aftermath of the referendum could also have macroeconomic consequences for the European economies, including the

UK, which could spill over to the Caribbean region. There are fears that if the uncertainty in the UK and the slow-down in its economy persist, this could affect the number of tourist arrivals not only from the UK, but also from other European countries. In 2014, Europe accounted for 12.6 per cent of the total tourist stopover arrivals to Jamaica, after the USA (62.3 per cent) and Canada (20.2 per cent). For Jamaica, the UK is the most important source of tourists in Europe. The fall in the value of the Pound, which would make it costly for tourists from the UK to travel, could result in a reduction in tourist arrivals to the island. In addition to tourism, the flow of remittances and pensions could be negatively affected by Brexit. The UK is the second largest source of remittance inflows for Jamaica, after the USA. The slow-down in the UK economy could result in a

reduction in the flow of remittances to Jamaica and the falling value of the pound could erode the purchasing power of the remittances and pensions for affected Jamaicans. Remittances and tourism are currently the main sources of foreign exchange for Jamaica's economy.

The implications of the Brexit vote could also be felt on the Caribbean's exports to the UK. The uncertainty following the referendum could significantly weaken consumption, which would affect the exports from the region to the UK and Europe. The decline in the value of the pound could also make exports from the region to the UK more expensive, which could result in a reduction in demand for the exports.



WAY FORWARD

Given the importance of the UK market to the CARIFORUM States, the region is devising strategies to strengthen relations with both the UK and the EU. In this regard, Jamaica and the region have been pursuing high level political engagement with the UK through CARIFORUM and the existing UK-Caribbean Forum, to ensure strengthened relations and safeguard the preferential market access to the UK. Additionally, the 19th Meeting of the ACP Ministerial Trade Committee held on 7-8 December 2016, in Brussels, Belgium, agreed, *inter alia*, that the Secretariats of the ACP and the Commonwealth would complete a joint paper on the impact of Brexit on services trade with the EU, including the impact on remittances. The meeting also agreed that a post-Brexit arrangement with the UK should not provide less favourable benefits than those under the EPA and that a framework for negotiation of a post-Brexit arrangement with the UK would be defined. A post-Brexit arrangement between CARIFORUM and the UK will depend on the nature of the separation agreement negotiated between the UK and the EU.

The UK High Court recently ruled that the Parliament has to endorse the decision to leave the EU. The Government appealed this ruling. The appeal was considered by the Supreme Court early December 2016. The Court's decision is unclear and requires further analysis by legal scholars. The UK Government maintains, however, that it alone has the right to invoke Article 50 under the royal prerogative, which gives it sole authority over foreign policy and treaty making.



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ACP – Carving relevance for the future

The African, Caribbean and Pacific (ACP) Group of States is comprised of 79 States: 48 African States, Mauritania, 15 Pacific States and 16 Caribbean States, including Jamaica. However, of the 79 States, 40 are classified as “least developed countries”, 37 as “small island developing countries” and 15 as “landlocked”. Though most States in the group are challenged in terms of development and financial resources, as a group they wield much power and influence, accounting for 79 different voices and votes within the World Trade Organization (WTO) and other international fora. The major trading partner of the ACP is the European Union (EU), with whom a number of Economic Partnership Agreements (EPAs), such as the CARIFORUM – EC EPA, have been negotiated in recent times. The EPAs are reciprocal trade agreements, though they are not equal for both parties, and were designed to replace the Cotonou Partnership Agreement (CPA) which was a non-reciprocal arrangement. The CPA expires in 2020, which raises the question of what kind of trading arrangement will replace it.

With the impending expiration of the CPA, questions about the relevance and future of the ACP have arisen. Uncertainty, inter alia, has been fueled by:

- less than optimal results of the CPA,
- loss of status and strength as a result of geo-political changes,
- changes in the EU and its ACP relationship,
- implementation of the regional EPAs,

- globalization,
- increasing regionalism and
- the 2030 Sustainable Development Goals (SDGs).

Review and consultation has thus far affirmed that the ACP is relevant, with the popular sentiment being that it should be an “independent” group, not limited to relations with the EU. Some important elements that will need to be addressed going forward include:

- Moving away from a donor-recipient relationship to the promotion of ownership and the goal of financial sustainability in the medium to long-term;
- Greater emphasis being placed on the principles of unity, solidarity, complementarity and subsidiarity;
- Adoption of the 2030 SDGs as a benchmark in the drive to achieve sustainable and inclusive growth, greater inclusion and participation of the private sector;
- Assumption of a greater role in promoting the Group’s political dialogue and advocacy;
- Stronger participation of national parliaments, local authorities, civil society and the private sector;
- Increased intra-ACP cooperation, investments and trade through participation in global, regional and national value and supply chains.

Status of the CARIFORUM - EU Economic Partnership Agreement (EPA) Implementation

The CARIFORUM – EU Economic Partnership Agreement was signed in October 2008. It not only addresses trade in goods and services, but also includes a large development component. This Agreement sees the EU allowing duty-free, quota-free access to exports originating in the CARIFORUM states to the EU; while EU exports of sensitive products will be liberalized over a period of 25 years, with a few being excluded completely from liberalization.

To date, eight (8) of the fifteen (15) CARIFORUM States have ratified the Agreement, they are the Dominican Republic, Antigua and Barbuda, Dominica, Belize, Guyana, Saint Lucia, Saint Vincent and the Grenadines and Barbados. While the remaining seven, Bahamas, Grenada, Haiti, Jamaica, Saint Kitts and Nevis, Suriname and Trinidad and Tobago are yet to do so. Although Jamaica is yet to ratify the EPA, we have implemented it provisionally and the liberalization schedules have been passed into law. It is the intention to have the EPA ratified in early 2017.

On the EU side, twenty-one (21) of the twenty-seven (27) EU States have ratified the EPA. These are the United Kingdom, France, Sweden, Netherlands, Spain, Portugal, Slovakia, Cyprus, Malta, Belgium, Denmark, Austria, Greece, Czech Republic, Finland, Ireland, Italy, Latvia, Lithuania, Estonia and Bulgaria.

In accordance with Article 16 and Appendix I to Annex III of the Agreement, CARIFORUM states are required to implement phased reduction of duties over a period of 25 years. Thus far, thirteen (13) CARIFORUM States have notified the first set of reductions which were slated for January 1, 2011, eleven (11) have notified the reductions slated for January 1, 2013 and eight (8) have notified the reductions slated for January 1, 2015. Jamaica is up to date with these obligations, having effected reductions up to the January 1, 2015 phasing. As of January 1, 2017, the next scheduled reduction, the Jamaica Customs Agency will implement these new import duty rates, in accordance with the Agreement.

Customs Cooperation - JCA & CBSA



A delegation from the Jamaica Customs Agency (JCA) participated in a Study Tour of the Canada Border Services Agency (CBSA) August 31—September 2, 2016, in Ottawa Canada.

The team was warmly welcomed and given an overview of the CBSA, its mandate, roles and responsibilities.

The team had the first hand opportunity to observe the CBSA's integrated approach to border management, emphasis on using risk based approaches to customs administration, the use of Advance Passenger Information (API) & Passenger Name Record (PNR) to expedite passenger clearance, advance rulings system and their People Management Strategy.

The team also toured training facilities at the CBSA College in Rigaud, Quebec, and received a demonstration

of the detector dog service and the CBSA's simulation-based training techniques.



The Jamaica Customs Agency's delegation to the Canada Border Services Agency in Ottawa Canada; l-r, Ms. Francine Dunbar, Director Classification & Industry Liaison, Mr. Dave Hanson, Manager CET, Ms. Shandilayne Davis, Sr. Director International & Industry Liaison, and Ms. Tina Brown, Director International Liaison.

CARICOM-CANADA Trade and Development Agreement

Trade and economic relations between CARICOM and Canada are currently governed by the 1979 CARICOM-Canada Trade and Economic Cooperation Agreement and its protocols. Among its protocols, is a non-reciprocal preferential trade agreement, known as CARIBCAN, which grants unilateral duty free access to eligible goods from beneficiary countries of the English-speaking Caribbean. Jamaica is among the beneficiary countries of the CARIBCAN and utilizes this arrangement to receive preferential access (duty-free) for its exports to Canada.

Non-reciprocal trade agreements like CARIBCAN go against the core principles of the World Trade Organization (WTO), which promotes free and fair trade. Although incompatible with the WTO's principle of Most Favoured Nation (MFN), the CARIBCAN continues to be valid under an extended waiver granted by the WTO, based on the special needs of the developing countries of the Caribbean.



However, this waiver is scheduled to expire in 2023, creating the need for a conclusion of a WTO compatible trade arrangement between Canada and the Caribbean nations. MFN is a status or level of treatment accorded to one state by another in international trade, based on reciprocity and non-discrimination. Therefore, if a country receives a particular treatment by a WTO member, the principle of MFN dictates that all WTO members should then be eligible to receive that same treatment. Trade agreements like the proposed CARICOM-Canada Trade and development agreement are WTO compatible and would allow for reciprocal trade between the parties.

Although significant strides were made during the course of negotiations between CARICOM and Canada, trade negotiations regarding a free trade agreement have been suspended. Questions are now being raised as to the validity of such an arrangement, as the benefits to be accrued by CARICOM states seem minimal.

Customs Cooperation - JCA & USCBP



The Jamaica Customs Agency's delegation to the U.S. Customs and Border Protection; Ms. Shandilayne Davis, Sr. Director International & Industry Liaison, Ms. Tina Brown, Director International Liaison and Ms. Francine Dunbar, Director Classification & Industry Liaison.

Jamaica and the USA have forged deep ties of mutual cooperation and assistance. On September 27-29, 2016 a delegation from the International and Industry Liaison Unit (IILU) of the JCA was the recipient of capacity building efforts in the technical area of advance rulings for classification and origin. The IILU delegation received tours and practical guidance from the US Customs and Border Protection (CBP) Office of Trade Regulations & Rulings, National Commodities Specialist Division in New York, and their Office of Trade Regulations & Rulings, Tariff Classification and Marking Branch in Washington DC. Key areas covered included the advance rulings concept, the regulatory process, practical procedures for processing, issues of confidentiality and the appeals process. The team also received tours of both divisions.



U.S. Customs and
Border Protection



WCO National Workshop on the Development of an Advance Ruling System in Jamaica

A WCO Revenue Package national workshop with the aim of preparing for the implementation of an advance ruling system for tariff classification and origin, as required under the WTO Trade Facilitation Agreement, was held in Kingston, Jamaica, from 21 to 25 November 2016. The workshop was facilitated by two Technical Officers from the WCO Secretariat.

Fifteen (15) mid to high level Officers of Jamaica Customs Agency (JCA) participated in the discussions and used the WCO *Diagnostic Tool on Tariff Classification, Valuation and Origin Work and Related Infrastructure* to conduct a gap analysis.

As a result, a series of action points in relation to an advance ruling system, such as requirements for the legislative framework, procedures, record keeping and a rulings database were identified. Compliance management, the procedure for dispute settlement and capacity building for JCA staff, traders and customs brokers were also considered.



Members of the JCA staff that participated in the National workshop on Advance Rulings, facilitated by the WCO.

At the end of the workshop, the participants presented the results of the practical application of the "Diagnostic Tool", including proposals and solutions related to the adoption of an advance ruling system for classification to the CEO/Commissioner of Customs, Major (Ret'd) R. Reese who acknowledged and endorsed the importance of those proposals and solutions. The provision for an advance ruling system will be included in the new Customs Act of Jamaica, which will facilitate the Jamaica Customs Agency's observance and implementation of international best practices and standards. The Commissioner thanked the WCO for its continued support.



ePing

In order to monitor current regulatory requirements and reduce disruptions to global trade, a new online alert system ePing has been created. Launched by a troika on November 8, 2016, through the combined efforts of the United Nations Department of Economic and Social Affairs (DESA), the World Trade Organization (WTO) and the International Trade Centre (ITC), ePing is designed to help government agencies and small and medium-sized enterprises (SMEs) keep track of the latest information on regulatory requirements for international trade.

Launched at a special meeting of the Technical Barriers to Trade (TBT) committee, the new ePing system will facilitate the accessibility to notifications made by WTO members of their TBT and Sanitary and Phytosanitary (SPS) measures. New regulatory requirements for international trade are applied by WTO members to ensure food safety and animal and plant health. For example, an SPS measure can regulate the treatment of imported fruit to prevent pests from spreading.



A technical regulation may set out requirements (for example, labelling, safety, environmental performance) and testing procedures for products. The system also facilitates dialogue among the public and private sector in addressing potential trade problems at an early stage, allowing users to keep up-to-date with notifications affecting foreign markets and specific products of interest.

A significant increase in the number of technical regulations and standards adopted by countries has been noted in recent years. Compliance has become increasingly costly for producers and exporters, considering the numerous technical regulations and standards that are now required for international trade. Each year the WTO receives more than 3,500 TBT and SPS notifications proposing new measures that may affect international trade, so by improving access to this information, ePing will help avoid disruptions caused by these measures. WTO members therefore need to ensure that these requirements do not create unnecessary obstacles to international trade.

WTO Deputy Director-General, Karl Brauner, stated at the launch that "accessing relevant information on product requirements in export markets can be a huge challenge, especially for SMEs," he further stated that "more transparency makes trade more inclusive — making information on regulations and standards more accessible for all stakeholders is essential. This is what ePing is all about."



"ePing is about moving from making trade possible to making it happen," said Arancha Gonzalez, Executive Director of the International Trade Centre. "Using information technology we will help small and medium businesses comply with product regulations in foreign markets and thereby reduce obstacles to trade."

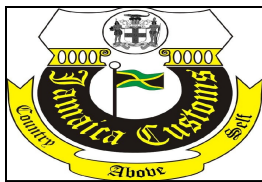
"This is an excellent example of how practical and innovative solutions can address key trade-related obstacles to sustainable development," said Lenni Montiel, Assistant Secretary-General for Economic Development, UN DESA. "Today, this inter-agency collaboration shows the world that by using the expertise of different development partners we can address real-life problems, reach more people and move from dialogue to action."

A Memorandum of Understanding, signed by the heads of the organizations — UN Under-Secretary-General for Economic and Social Affairs Wu Hongbo in DESA, WTO Director-General Roberto Azevêdo and ITC Executive Director Arancha González — formalizes the cooperation between the three.



WORLD CUSTOMS ORGANIZATION

Trade Focus 2016



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The International and Industry Liaison Unit is committed to raising the level of awareness on topics relating to the Caribbean Community, as well as issues concerning the wider topic of international trade, to both our internal and external stakeholders. Our monthly newsletter seeks to highlight global trade topics and their importance to Customs Administrations worldwide and specifically how they affect the Jamaica Customs Agency. As we realize our vision of becoming a modern Customs administration delivering excellent service, we recognize the importance of knowledge transfer in delivering our objectives and use this forum as our way of contributing to the vision of the JCA. The International Liaison Unit is located at the Myers Wharf head office and our officers are available to respond to your queries and clarify any points of concern.

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