

THE PRIVATE SECTOR  
ORGANISATION OF JAMAICA  
39 HOPE ROAD  
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*Communications*

## EDITORIAL

# AN HONEST ECONOMY

A large informal or underground economy is prima facie evidence of an inefficient economy - which is another way of saying a badly organised and run economy. It's also a dishonest economy in the sense that it's hard to find out the real cost of anything, inefficiency frequently carries little or no cost and efficiency earns no premium.

Outright criminal activities aside, the informal economy is an attempt by small businesspeople and unemployed persons to earn a living. They engage

in informal activities because the formal economy is too tightly controlled, too regulated, or too highly taxed. So they smuggle, or underpay duties, or operate without formal registration or license. Most informal operators evade a variety of taxes - income, excise, consumption duty, sales tax or payroll taxes such as NIS, NHT and Education Tax. It is also true that some of them have to pay bribes to stay in business.

They are outside of the formal economy because the formal system is onerous, costly and time-consuming.

Or it simply has no place for them. One in five of Jamaica's labour force is unemployed, and of the employed labour force two in five are self-employed (mostly higglers and tradesmen). These two indices alone are virtual proof that Jamaica's economy is underproductive and inefficient.

An efficient economy is one in which all resources, including labour, are employed near optimum level. That can only happen in a situation in which prices respond freely to demand and supply, and competition is unimpeded.

## A CALL FOR A LOWER GCT RATE



Leader of the Opposition, Rt. Hon. Edward Seaga, in a brief address at the last PSOJ Members Luncheon, called for a revision of the proposed General Consumption Tax Bill. Others in photo (seated from left) are Douglas Orane, PSOJ Vice President, William McConnell, PSOJ Vice President and Aulus Madden, PSOJ Honorary Secretary. (See story on page 6)

### Prices

Everything begins with prices. The price mechanism is a measure of value which facilitates the exchange of goods and services. It is also a continuous

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## HIGHLIGHTS

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# DUTY ON RAW MATERIALS AND PACKAGING SUPPLIES

by Errol Powell, Deputy President  
Jamaica Manufacturers' Association

**W**ith the introduction of the Common External Tariff (CET) on February 15, 1991, Jamaican manufacturers continue to pay 10% import duty on raw materials and 5% import duty on packaging.

All other member countries of CARICOM have applied the Conditional Duty Exemption, whereby both raw materials and packaging supplies are imported duty-free. This means imports into Jamaica from CARICOM will be at an advantage and exports from Jamaica will be at a disadvantage.

### Structural Adjustment Programme

Jamaica commenced a Structural Adjustment Programme in 1987 supported by loan funding from the World Bank. One of the conditions of the Loan was a Tariff Reform Programme. The objectives of the Tariff Reform were:

- (a) To widen the base on which tariffs were charged. Only 21% of imports by value were subject to tariff while 79% of imports were tariff exempt.
- (b) To reduce the tariff rate range from the existing zero to 200% to a range of 5% to 30%.

Specific tariff rates were established for implementation by March 1991, including:

1. 5% import duty on items imported by the utility companies.
2. 10% aggregate import duty on raw materials.
3. 20% aggregate import duty on capital goods.
4. 30% aggregate import duty on consumer goods.



Errol Powell

### Treatment of Containers & Packaging

Ministry Paper No. 8 of January 31, 1987 covering the Tariff Reform Programme clearly provides for containers and coverings for goods manufactured in Jamaica and materials used for the manufacture of these goods to be exempt from duty.

**Tariff Reform & CET:** The Tariff Reform Programme fully recognised the CET and implied that where the CET was at variance then the CET minimum rate would apply.

**Common External Tariff:** The Common External Tariff (CET) was established with the following objectives:

- (a) To provide protection to CARICOM producers of industrial and agricultural goods.
- (b) To support the development of internationally competitive production.
- (c) To provide a source of revenue to governments.
- (d) To contain the cost of certain socio-economic activities, e.g. health and education.

The rates established under the CET took cognizance of the comparative advantage of regional and extra-regional producers and were set to encourage competitiveness while providing reasonable protection for regional manufacturers. It was recognised that in addition to the minimum rates of the CET, certain imports required special treatment. To give effect to this, the CET established a Conditional Duty Exemption list that provides for zero tariff on a number of imported items. This list includes raw materials and packaging supplies.

Each member country is empowered to apply this provision as it considers appropriate. With respect to raw materials and packaging all member countries, except Jamaica, have applied or have indicated that they will apply the exemption.

### Jamaica's Position On Conditional Duty Exemption

The government of Jamaica has not exempted raw materials and packaging supplies from import tariff and states that such exemption would be in violation of conditions under the Structural Adjustment Loan Programme. It is, however, important to note that in respect of consumer goods, Jamaica found it possible to waive the World Bank's condition by setting a tariff of 45% as against the World Bank's maximum of 30%.

### Impact on Jamaican Manufacturers

The cost of manufacturing in Jamaica is the highest among member countries of CARICOM. Input costs such as

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signalling mechanism, conveying information to buyers and sellers, savers and spenders, investors and consumers, on the basis of which they can make rational decisions. Where there is an honest price system there is no need for any central authority to determine what should be produced, or who should get what. The price system is both self-regulating and universally understood.

The system, however, must reflect real cost and real supply and demand. Price subsidies, price controls, cross-subsidies, an inequitable tax regime, legal monopolies, stringent or expensive licensing requirements, quotas and other forms of state intervention all have the effect of frustrating the price system by sending misleading signals. This is the major cause of economic distortion and inefficiency. It is the removal of these

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economy resources  
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forms of state intervention in the mechanism of free prices which is called "deregulation".

Deregulation doesn't mean no rules. It means no unnecessary rules. It also means allowing people to do more of what they want to do, rather than what government, or some entrenched interest which is able to manipulate government, wants them to do. Above all, deregulation means real prices for everything - from dollars to dumplings.

In an honest economy resources flow naturally to their best use and the highest rewards go to the individuals, firms and sectors which serve the market most efficiently. Which means that the inefficient and the unproductive are not propped up artificially, and people don't have to go underground to survive. All of which is a way of saying that sound economics makes better politics in the long run. Honesty, as we were taught at mother's knee, is the best policy. □

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# DATAPROX COMPUTER SYSTEMS LTD

**S**ezvin Hamilton, Managing Director of Dataprox Ltd., didn't learn the elements of business in a classroom. His parents were country grocers and so he grew up learning the art of trading, understanding from he was in short pants, business concepts such as working capital, profit, etc. "I was the main purchaser of goods from the wholesaler," Hamilton reminisces. "My mother would give me a note for the wholesaler and very strict instructions. I was also sent very regularly to the bank. So from that time, I got a feel for business, going out there and taking risks."

And that's exactly what he did some ten years ago after a series of jobs in both the public and private sector. "I was in a management job at Seprod when I decided it was time to go out on my own. I saw that there was a market for technical computer services, so a group of us got together and we made our dive."

At a time when the market was hungry for computer training, Dataprox pioneered computer training for large groups of people, offering affordable classes at various levels of computer education. "I believe more resources should be directed into areas in which many Jamaicans seem to be less naturally inclined - science and technology. In addition, computers are not just for those who are aces at certain disciplines. They are for everybody and we need to have training at all levels if the country is to develop."

Dataprox boasts some 2000 graduates over a 3 year period with a core staff of 5 persons.

Since those early years, the company has diversified its services adding consultancy services in systems development and support, data entry and hardware sales. The company has



**Sezvin Hamilton**

built up an impressive track record in providing local and international clients with software solutions. Today the firm employs some fifteen technical consultants.

But Dataprox is not without its problems. Like many other businesses in Jamaica, it is feeling the pinch of the present hostile economic environment. Sezvin Hamilton says, "As a service industry it is sometimes difficult to merely load the extra costs and overheads you have onto your price. So we tend to suffer when the cost of essentials are too high for people's income. Firms that would normally spend in the area of training cut back as well as forego technological improvements until the economic situation improves. Another factor which affects us," he adds, "is that firms take a long time to pay us. At current overdraft rates, companies prefer to wait until they collect their money before they pay. It ends up that we are the ones who have to take overdrafts to survive."

Even though many service industries are somewhat daunted by the fact that the pending General Consumption Tax will pull them into the tax net, Sezvin Hamilton focusses on the positive side of the coin. "I prefer to think that the GCT will create work for consultants

like us in terms of reprogramming computers, etc."

Problems arising from economic difficulties and restructuring seem however to pale into insignificance when he relates what he considers to be his greatest obstacle in doing business in Jamaica. "The mentality of a lot of Jamaicans is the biggest obstacle - their desire for things foreign over and above things locals. Several audit firms for example, tend to hire foreign consultants who are then posted to other firms. We have been designing systems for years and I believe if these firms were willing, we could explore meaningful joint venture arrangements with them."

Despite these disappointments, Mr. Hamilton has derived tremendous satisfaction from seeing more and more Jamaicans entering what he considers to be non-traditional areas. "Yes, Jamaicans have always been doing business like screwdriver type businesses. But certain areas of business were not usually targetted by the average Jamaican businessman. People are now going into various other types of businesses that will help develop our infrastructure and lead to technological advancement."

And Sezvin Hamilton certainly sees his company contributing to that advancement. "We see a growth path for our business and we want to be useful in the country's development by creating something innovative. Computing is something that doesn't require a heavy capital outlay. It is the kind of export service that we need. I'd love to create for example a product, or programme that I can market from Jamaica. Something like that could bring millions of foreign currency into our economy." □



energy and utilities, transportation (inland and sea) and interest are significantly higher in Jamaica. This singular fact is the major contributor to Jamaica's adverse trade balance with the rest of CARICOM. The non-application of the duty waiver in Jamaica will exacerbate the trade imbalance.

## Possible Solutions

A tariff could be levied on CARICOM goods entering Jamaica to equalise the duty paid by Jamaican manufacturers. This, however, would threaten the very survival of CARICOM. The alternative solution is to vary the World Bank's condition as was done for consumer goods. This course would have several advantages:

***As far as packaging is concerned, the Tariff Reform Programme recognises duty-free treatment and there should be no problem, given the will to remove another disincentive.***

- It is consistent with the treatment of consumer goods – CET vs Tariff Reform.
- The increased revenue from consumer goods will compensate for the revenue reduction.
- Will provide stimulus for expansion of local production for domestic and export markets (Caricom and Third Countries).
- The effective CET rate on raw material and packaging is zero, the Tariff Reform implicitly accepts that CET would prevail over Tariff Reform.
- As far as packaging is concerned, the Tariff Reform Programme recognises duty-free treatment and there should be no problem, given the will to remove another disincentive. ☐

## WELL SAID

"When the mass acts on its own, it does so only in one way for it has no other: it lynches".

*Jose Ortega y Gasset*

"Bureaucracy is a giant mechanism operated by pygmies".

*Honore de Balzac*

"The typical lawmaker of today is a man devoid of principle - a mere counter in a grotesque and knavish game. If the right pressure could be applied to him he would be cheerfully in favour of polygamy, astrology or cannibalism".

*H L Mencken*

"The slovenliness of our language makes it easier for us to have foolish thoughts".

*George Orwell*

"The ultimate result of shielding men from the effects of folly is to fill the world with fools."

*Herbert Spencer*

"The people will be crushed under the burden of taxes; loan after loan will be floated; after having drained the present, the state will devour the future."

*Fredenic Bastiat*

"The proverb warns that 'you should not bite the hand that feeds you'. But perhaps you should, if it prevents you from feeding yourself."


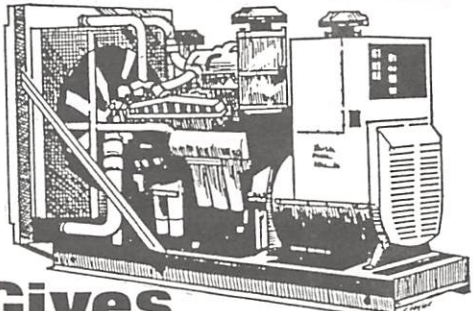
*Thomas Szasz*

"Clear thinking requires courage rather than intelligence."

*Thomas Szasz*


"To succeed in the world, it is not enough to be stupid; you must also be well-mannered."

*Voltaire*

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## PSOJ QUARTERLY LUNCHEON

### SEAGA ADVOCATES LOWER GCT RATE

**L**eaders of the Opposition, the Rt. Hon. Edward Seaga who was guest speaker at the PSOJ's Membership Luncheon on February 21, has called for the proposed GCT rate of 12 1/2% to be lowered by seven points to 5 1/2%. He has, as well, proposed a rate of 7 1/2% for unessential goods and services and 2 1/2% for essential goods and services.

Mr Seaga believes the GCT, at a rate of 12 1/2%, would have a horrendous impact on businesses and would raise \$250m in excess of the \$80m in additional taxes estimated by the government. He said there were too many exemptions in the proposed legislation which resulted in a rate of 12 1/2%. The leader of the Opposition said a modest GCT rate would help ensure the acceptance of the system by the public and would reduce the risk of taxpayers circumventing the system.

PSOJ President, Dennis Lalor, was critical of the level of corruption and the breakdown of order in many public and private institutions. He cited the improper use of government property, the reports of excesses carried in the Auditor General's report, the evasion of customs duties at the ports and the abuse of position and power. Mr Lalor encouraged scrupulous behaviour and commitment to removing corruption. The President also brought the members up-to-date on the activities of the Organisation.

Some 150 people attended the luncheon which was held at the Pegasus Hotel, New Kingston. Ten new members received their membership certificates from the President. They were Demec Ltd., Tibby's Auto Supplies, Jamaica PreMix Ltd., Creative Designs Architecture and Planning, Jamaica International Trade Consultants, Negril Chamber of Commerce, Blue Cross of Jamaica, Neal & Massy (Ja) Ltd., Harold Morrison Associates and David Kirkwood & Associates Ltd.

Next Membership Luncheon - May 2, 1991. Associates.

*"Things are serious, but let's lighten up."*



*Mrs. Norma Stewart receives PSOJ membership certificate on behalf of Blue Cross of Jamaica*

*Mr. Hugh Thompson receives membership certificate on behalf of Jamaica International Trade Consultants.*





## Export Opportunities

Malfonso Campbell in the U.K. wants to import products from clothes manufacturers in Jamaica. **Contact:** *Malfonso Campbell, 45 Samuel Lewis Trust, Dalston Lane, London E8, INW, England.*

An import/export firm in Nigeria, Business Associates Ltd., wants to make contact with manufacturers/exporters of a range of products including baby articles, toys, hats, leather belts, watch straps, keyholders and shoes. **Contact:** *J. Gerstemeyer, President Business Associates Ltd., 33 Agoshofin Street, Lagos, Nigeria.*

A Nigerian company, Atifad (Nigeria) Ltd., wants to establish contact with firms in Jamaica dealing with pharmaceuticals and building materials. Atifad can also supply items such as elephant and cow horns, cocoa cream and palm oil. **Contact:** *Adewole Olubiyo, Atifad Nigeria Ltd., 1 Francis Street, Off Medical Road, Ikeja-Lagos, POOO Box 2397, Ikeja, Lagos. Tel: 960168, 961709 Telex: 27332 SWIFT NG*

*N.B. Companies and individuals wishing to do business with Nigerian firms are advised to contact the Nigerian High Commission at 5 Waterloo Road, Kingston 10.*

## Import Opportunities

An international trade company based in Texas, U.S.A., wants to establish contacts in the Caribbean market. Their product line includes consumer electronics and hospital supplies such as sterilisers and latex gloves. **Contact:** *Michael Chad Walker, President, Walker International, Route 1, Box 186 A, Prosper, Texas 75078, U.S.A. Tel: (214) 347-2387 Fax: (214) 960-8986.*

Henry Squire & Sons Ltd. in England wants to market a new heavy-duty combination padlock that cannot be picked. **Contact:** *Mr. G.P.J. Squire, Henry Squire & Sons, New Invention, Willenhall, West Midlands, England WV2 5BD Tel: 44 922 476711 Fax: 44 922 493490 Telex: 338490*

Mike Smith & Associates in the U.K. locates and sells secondhand machinery for the plastics and packaging industry, mainly injection moulding and blow moulding machines, extruders, vacuum and pressure forming machinery. The company also stocks other items such as egg boxes/trays, screwdriver handles and bathroom fittings. **Contact:** *Mike Smith, Mike Smith & Associates (International) 7 Ireton Court, Thame, Oxon, OX9 3EB, U.K. Tel: (0844) 261072 Fax: 084 421 8834 Telex: 83487 AMNITE (MS) G*

Westminster Imports/Exports U.K. Ltd which is involved in many aspects of international trade, wants to make business contact with similar agencies in Jamaica. **Contact:** *A.J.M. Bricknell, Director, Westminster Imports/Exports Ltd, 4 Wykeham Green, Dagenham, Essex, RM9 4NL, London, England.*

A British company, Beldam Crossley Ltd., has introduced a range of products using asbestos-free fibre which therefore does not pose the health risks associated with asbestos products. The range of products includes webbing and twisted rope for oven and furnace door seals and twist for securing lagging to steam pipes and other hot surfaces. **Contact:** *Mrs Cath Lowe, Beldam Crossley Ltd. P.O. Box 7, Hill Mill, Temple Road, Bolton, England BL1 6PB Tel: 44 204 494711 Fax: 44 204 40550 Telex: 63149.*

## Trade Fairs, Seminars

### LEDERWAREN EXQUISIT,

Messepalast, Austria  
Trade fair for leather goods, travel articles and costume jewellery.  
**September 14 - 16, 1991.**

**Contact:** *Wiener Messen-und Congress, Ges. m.b.H., Messeplatz 1, A-1071 Wien, Austria. Tel: 1 521 20-0, Fax: 1 521 20-290, Telex: 133491 wmess a. Deadline for registration: April 30, 1991*

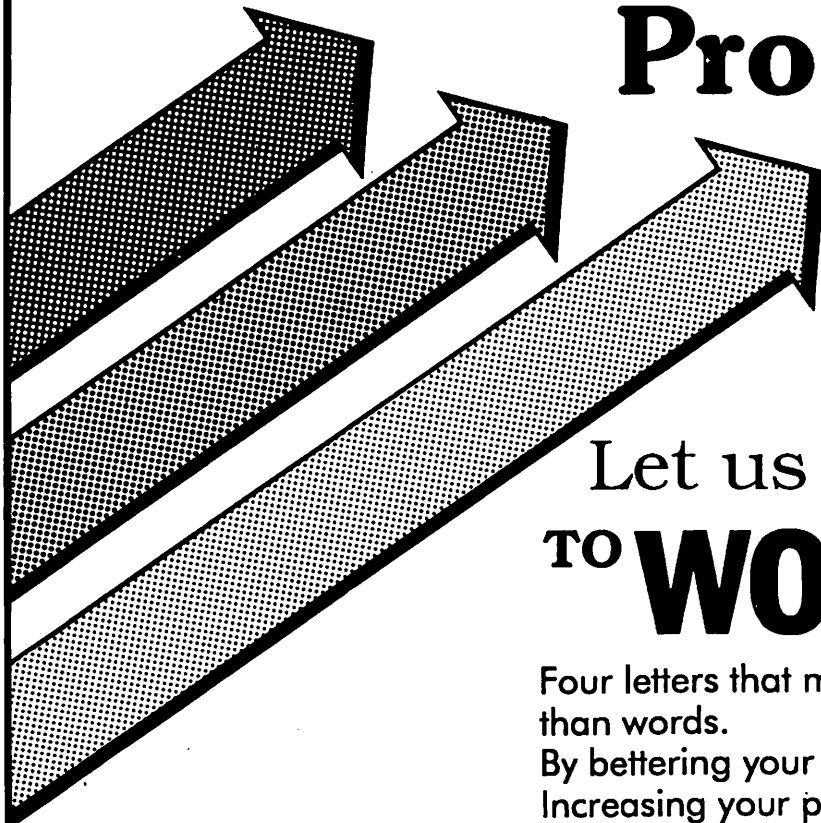
**EUROLATINA III** Latin American and Caribbean manufacturers/exporters present products preserved foods, building materials, do-it yourself articles and leather goods - to the European market. Rotterdam, The Netherlands **28 -31 May, 1991.**  
**Contact:** *CBI, EL III P.O. Box 30.009, 3001 DA Rotterdam, The Netherlands Tel: (010) 4130787 Fax: (010) 4114081 Telex: 27151*

**AGF - TOTAAL '91**, Rotterdam  
**September 9-11, 1991**

Promotion of fresh tropical and offseason fruits and vegetables  
**Contact:** CBI (Address as given above).

**Institute of World Affairs 1991 Summer Seminars**, Salisbury, Connecticut, **June 16 - 29**, *Diplomacy in the 1990s*; **June 30 - July 13**, *The International Financial System*; **July 14 - 27**, *The World Trading System*; **August 4 - 15**, *International Relations and Ethnic Tensions*; **August 18 - 31**, *U.S./Soviet Relations and the New World Order.* **Contact:** Admissions Office, Institute of World Affairs, 375 Twin Lakes Road, Salisbury, Connecticut 06068, U.S.A., Tel: 203-824-5135, Fax: 203-824-7884.

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