



## TAXATION

**T**axes can contribute to economic distortion or they can enhance efficiency. This seemingly obvious proposition has only received wide recognition in the last 20 years largely because the tax systems of the big economies threatened to choke on their own complexity.

And not them alone. Jamaica, after a generation of progressive income tax and industrialisation by import substitution, adopted a thorough-going

soak-the-rich redistributionism in the 1970s. The swamp of regulation which spread around the economy was reinforced by a jungle of taxation. Duties, stamp duties, additional stamp duties and licenses were matched by drawbacks, exemptions and special concessions which were accessible to those granted discretionary favour and prepared to spend half their waking hours filling in forms and going from government office to office.

But the efficiency of a tax is far more than its ease of collection or enforcement. Taxes may add substantially to the cost of a good or service or, conversely, the absence of taxes may reduce cost substantially. So taxes affect prices and prices affect markets and the allocation of resources. Taxes, therefore, may also be a tool of administrative price setting and resource allocation.

While no government is going to discard this policy tool entirely, politicians and their advisors should understand that it is a tool which should be used sparingly because it is economically distorting. Resources should naturally flow to their most profitable use in an efficient market.

There are some other principles to which taxes should conform. The rates

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## HEALTH MINISTER MEETS WITH PSOJ HEALTH COMMITTEE



Health Minister, Easton Douglas (left), meets with members of the PSOJ Health Committee to discuss health-related issues. Others in photo are Noel Foster (centre), Acting Chairman of the PSOJ Health Committee, Jennifer Williams, Co-ordinator of the Health Sector Initiatives Project, Dr. Henry Lowe, President of CEO of Blue Cross Jamaica and Dr. Joan Clarke, President of the Association of General Practitioners.

## HIGHLIGHTS

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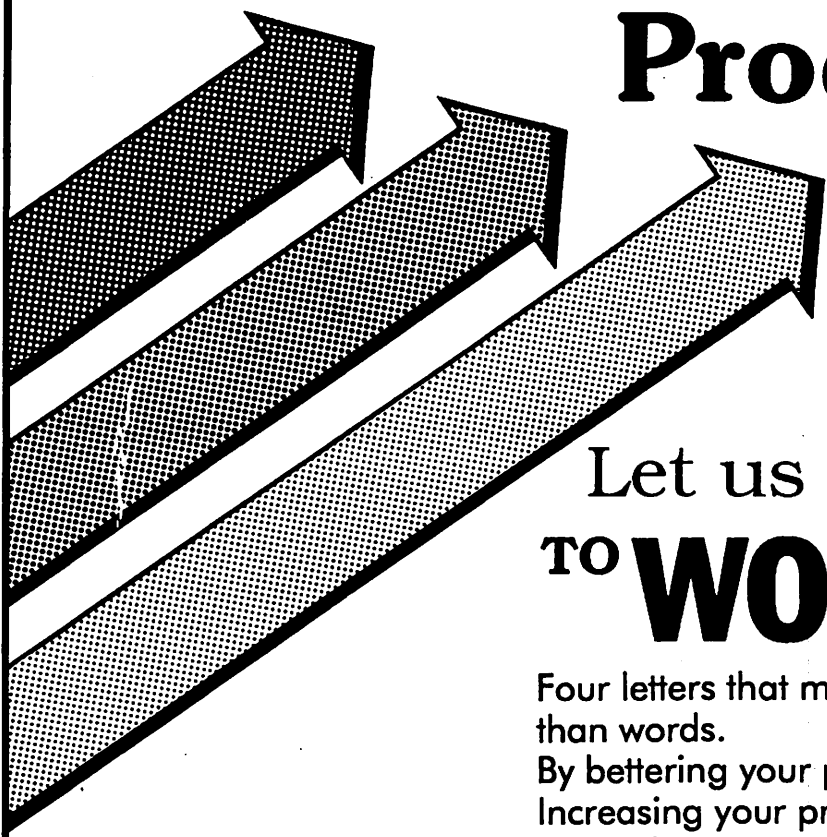
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# Performance Production Profit



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**we care.**

***We are Getting on with the***

**JOB!**



# THE PRIVATE SECTOR & THE ENVIRONMENT

by Butch Stewart



Butch Stewart

A recent Stone Poll published in the *Gleaner* showed that "only 20% of the public had any awareness of the issues surrounding the pollution of the country's physical environment".

This statistic speaks volumes, pointing to the vast public education effort which we must make if we are to prevent the environmental disaster which will surely overtake us otherwise.

The preservation of our environment is something that requires the combined efforts of every sector in our country. Nothing less will do. I do not believe that I am being alarmist in saying that

if we do not undertake a massive national effort to reverse some of the harm that is being done to our environment every day, we will leave a very sad legacy for our children.

- We cannot sit idly by and continue to allow our rivers to be polluted and so become carriers of disease.
- We cannot sit idly by and allow our coral reefs and the marine life and beaches which they support to be destroyed.
- We cannot sit idly by and allow slash-and-burn agriculture, the cutting down of forests and the destruction of our watersheds.
- We cannot sit idly by and allow the air to be befouled. Jamaica like most Third World countries, has been late in becoming aware of environmental issues. We have a lot of catching up to do. But we must do it or we will rapidly find that the costs of development are greater than the benefits.

As a representative of the private sector, I urge my colleagues to begin to

explore ways and means in which they can play their part in the fight to maintain a clean, healthy and attractive environment in Jamaica. As business men and women, we must understand that this is not something that we should do because it is a nice thing to do. Ensuring the integrity of our environment must become part of our business plans. It is an important part of the bottom-line for today and tomorrow.

I recently came across an old saying in a popular magazine. "Treat the earth well. It wasn't given to you by your parents. It was lent to you by your children". In other words, we hold Jamaica in trust for our children. Let us deal with this trust responsibly.

We in the tourism industry are becoming very, very conscious that if we do not preserve our environment, then the future of the industry is in jeopardy. All of us in Jamaica must begin to realise that if we do not preserve our environment, Jamaica is in jeopardy. □

## INFLATION

From *Human Action* - By Ludwig von Mises - *A Treatise on Economics*, Contemporary Books, Chicago 3rd Ed. 1966 (p 427 - 428).

When people expect that the money prices of all goods will rise or fall, they expand or restrict their purchases. These attitudes strengthen and accelerate the expected tendencies considerably. This goes on until the point is reached beyond which no further changes in the purchasing power of money are expected. Only then does this inclination to buy or to sell stop and do people begin again to increase or to decrease their cash holdings.

But if once public opinion is convinced that the increase in the quantity of money will continue and never come to an end, and that

consequently the prices of all commodities and services will not cease to rise, everybody becomes eager to buy as much as possible and to restrict his cash holding to a minimum size. For under these circumstances the regular costs incurred by holding cash are increased by the losses caused by the progressive fall in purchasing power. The advantages of holding cash must be paid for by sacrifices which are deemed unreasonably burdensome. This phenomenon was, in the great European inflations of the twenties, called *flight into real goods* or *crack-up boom*. The mathematical economists are at a loss to comprehend

the casual relation between the increase in the quantity of money and what they call "velocity of circulation".

The characteristic mark of this phenomenon is that the increase in the quantity of money causes a fall in the demand for money. The tendency toward a fall in purchasing power as generated by the increased supply of money is intensified by the general propensity to restrict cash holdings which it brings about. Eventually a point is reached where the prices at which people would be prepared to part with "real" goods

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## INTERVIEW

# 'WE MUST HAVE SOME CONTACT WITH CUSTOMS PERSONNEL' - Ivanhoe Ricketts, President, CBAJ

**T**his month *ENTERPRISE* spoke with Ivanhoe Ricketts, President of the Customs Brokers Association of Jamaica (CBAJ), about their reaction to the newly-implemented measures at Customs House as well as on other issues relating to customs administration.

**Enterprise:** *Could you outline the new measures introduced at customs recently and explain the customs brokers' concern in relation to these measures.*

**I.R.:** For a long time successive governments have mentioned that customs operations were not satisfactory to them. They looked at systems worldwide and they did not see interfacing between customs personnel and the public and it was thought that Jamaica should be no different. A system was implemented whereby the customs broker or importer would lodge his documents which would be processed and returned over a 72-hour period. This means that customs brokers do not have the opportunity to roam the Customs House, we do not have free access.

The Customs Brokers Association has always expressed support for any measure which would make the system more efficient. When they implemented the measure with regard to the lodging of the documents we figured then that it could not have worked because we did not see the improvement in staff complement in the Customs House and we did not see any



**Ivanhoe Ricketts**

changes in its physical infrastructure.

We've always believed that Customs House as it is now structured was not conducive to the level of operations that take place there on a daily basis. We more strongly believe that now (with the new measures). The physical layout of the Customs House needs a lot of adjustment if it is going to operate in an efficient way under the newly-implemented system. There are certain elements of our activities which have to be done in the Customs House. If we are barred from a particular area it means you cut off an aspect of our operations. For instance, we must have the opportunity to see certain senior officers to deal with certain matters. With the new measures, the Registry of the Customs House is locked away from us. Any correspondence we take into Customs House to be dealt with must be registered. If we don't have access to the Registry we have to hand the document in to someone and wait until they take it to the Registry and then back to us. In several

instances we have letters which must be dealt with immediately - a walk-in walk-out thing. We also do not have access to the Customs Warehouse Branch which is another area in which we have to do business. There are matters of correspondence, sometimes customs has rejected a document and my experience tells me that the only way you can solve that problem is to have dialogue with the customs personnel. Writing and submitting letters cannot help and is time consuming.

**Enterprise:** *How does the 72-hour clearance period compare with what obtained before?*

**I.R.:** There were different systems in Customs House whereby you could have documents processed sometimes immediately. They had for example what was called a turn-around system. You could apply to the Collector of Customs, explain the urgency of a particular case and if he is satisfied he could authorize that the documents be processed immediately. That system does not prevail at this time. We don't mind the system of not interfacing but there must be some access.

**Enterprise:** *How is the government responding to the concerns you have?*

**I.R.:** Favourably. The Minister of Finance accompanied by Col. McMillan and the Chief of the Revenue Division, other customs personnel and myself visited Customs House. The Minister



examined the infrastructure and the operations. He was shocked at what he saw. He asked the Commissioner and the Colonel to try and identify a place to relocate Customs House on a temporary basis because the refurbishing was going to be a major job. He went on to say that the allocation for the refurbishing - some \$250,000 - was just not enough. He said he would ask for an additional allocation which he was sure the government would approve so that the place could be upgraded. We think however, that if finances allow, the best thing to do would be to identify somewhere for a new Customs House. I don't know if the infrastructure can be so modified to make that building what it ought to be.

**Enterprise:** *I understand that there is also some dissatisfaction among brokers with the import entry forms?*

**I.R.:** The form itself is a lovely form. But all of a sudden the Customs authorities have ruled that there should be no corrections on the form. We thought that they were a little unfair here in that there must be areas or boxes on the forms where corrections can be made. A meeting was held between the customs brokers and the Commissioner of Customs to work out a correction code. That has now been established. Unfortunately, there's still a hold up, really an unnecessary bit of bureaucracy in the processing of import entry documents since a supervisor now has to check and approve corrections. We think that the people dealing with the documents should be guided by the code and accept or reject the forms.

**Enterprise:** *How has the implementation of the CET affected the operations of the customs brokers?*

**I.R.:** It affected us for a few days after its implementation. However, I think we're getting a grip of the situation. What we do have in instances is conflict of interpretation between the Customs people and ourselves. For example, we may classify a radio under a certain heading but because the tariff heading needs an interpretation, when you submit the documents they might not be satisfied with our classification. This kind of conflict of interpretation brings back the point of the need to be able to speak to invoice supervisors. We must have some contact.

**Enterprise:** *How does the CBAJ respond to the increased costs in container stripping?*

**I.R.:** The increase is monstrous. It would seem to me that this increase is based more on revenue earning rather than on taking into account the objective of the container stripping station of providing a service to facilitate the examination of containers. On the second of January we were paying \$600 for 20 ft containers and \$800 for containers above 20 ft. I was most surprised when I got the notice recently that there was going to be an increase in stripping costs to \$1000 and \$1500. I think the level of increase was totally unfair on the part of the stripping station. The container stripping station is a facilitator for the examination of containers. Many containers are stripped within 10 or 15 minutes and there are many companies who have been importing for years and have never been found to be in breach of the regulations

of the country. I'm saying government could look at treating these containers on a random examination basis. If people have a good record, why does every container they bring into the country have to be examined?

**Enterprise:** *Exporters have complained about inefficiency and unnecessary bureaucracy at the ports. Does your association have any recommendations as to how these problems may be alleviated?*

**I.R.:** There has been improvement in bureaucracy at the ports and in the processing of exports. For years we clamoured for changes and changes have come.

Now, for example, we don't only have the Customs House to process export documentation. It can also be done at JAMPRO where Customs have set up other offices. This has helped the situation a great deal.

**Enterprise:** *What about the physical conditions at the ports?*

**I.R.:** To my mind it seems to be in order except for the roads leading into the ports. The roads in Port Bustamante need some upgrading. If you speak with the truckers they will confirm this. In fact, they had a demonstration earlier this year because the condition of the roads in the area of the container stripping station was so deplorable.

**Enterprise:** *There is a view that only registered customs brokers should be allowed to clear goods. Is that a view the CBAJ shares?*

**I.R.:** The CBAJ had taken the leading role in imploring government to legislate that only licensed people operate on the ports. In

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## INTERVIEW

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1988 the legislation came. However the implementation didn't commence until April this year. We're glad to see that the actual implementation has taken place. It is our belief that in any area of operation you should have controls. The old system was a free-for-all one - anybody could go down there and clear and that had to stop.

**Enterprise:** *Why? Does it mean I'd have to contract you if I were just making a one-shot import?*

**I.R.:** No, you only have to contract me to clear anything that is in excess of \$5,500. So if you have imported a TV or a refrigerator you certainly don't have to contract me. But if you get into commerce you need the services of professional people.

**Enterprise:** *Doesn't this facilitate*

*cartelization on the part of customs brokers? You could set fees and your own rules which could act against the interest of the consumer.*

**I.R.:** We're not interested in any form of cartelization. Let me state that quite clearly. However, we believe there ought to be some control as to who are operating on the ports. One of the main reasons for this is that over time we have found that persons have been fleeced by unauthorized people purporting to be customs brokers. We felt that if we were operating in an environment where we take people's money to pay over to wharf companies, shipping agents, etc., it is a little unfair to the unsuspecting importer to allow him to be confronted by someone who is under no regulation whatsoever. Under the regulations government can investigate his operations - if he

should fleece someone for example, that person could be compensated because the broker would be bonded.

**Enterprise:** *What kind of guarantee does that bond give the importer?*

**I.R.:** The regulation stipulates that I must put up a bond of \$10,000 with the Commissioner of Customs and Excise. If I should take your money and run away with it or if I collect money from Customs on your behalf and don't turn it over, then the bond should be there so you can be refunded, even if it's only partially. The bond is the only element of insurance. The wharf is a volatile place you know, people are always trying to rip off other people. The Customs Brokers Licensing Advisory Board helps to check the activities of unscrupulous persons. ☐

## INFLATION

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discount to such an extent the expected progress in the fall of purchasing power that nobody has a sufficient amount of cash at hand to pay them. The monetary system breaks down; all transactions in the money concerned cease; a panic makes its purchasing power vanish altogether. People return either to barter or to the use of another kind of money.

The course of a progressing inflation is this: At the beginning the inflow of additional money makes the prices of some commodities and services rise; other prices rise later. The price rise affects the various commodities and services, as has been shown, at different dates and to a different extent.

This first stage of the inflationary

process may last for many years. While it lasts, the prices of many goods and services are not yet adjusted to the altered money relation. There are still people in the country who have not yet become aware of the fact that they are confronted with a price revolution which will finally result in a considerable rise of all prices, although the extent of this rise will not be the same in the various commodities and services. These people still believe that prices one day will drop. Waiting for this day, they restrict their purchases and concomitantly increase their cash holdings. As long as such ideas are still held by public opinion, it is not yet too late for the government to abandon its inflationary policy.

But then finally the masses wake up. They become suddenly aware of the fact that inflation is a deliberate policy and will go on endlessly. A breakdown

occurs. The crack-up boom appears. Everybody is anxious to swap his money against "real" goods, no matter whether he needs them or not, no matter how much money he has to pay for them. Within a very short time, within a few weeks or even days, the things which were used as money are no longer used as media of exchange. They become scrap paper. Nobody wants to give away anything against them. It was this that happened with the *Continental* currency in America in 1781, with the French *mandats territoriaux* in 1796, and with the German *mark* in 1923. It will happen again whenever the same conditions appear. If a thing has to be used as a medium of exchange, public opinion must not believe that the quantity of this thing will increase beyond all bounds. Inflation is a policy that cannot last. ☐



## Export Opportunities

Tmanac Trading Ltd., import/export agents/merchants in England, wants to establish contact with exporters and importers in Jamaica. Their trade lines include food drink, clothing bags, chemicals, electronics and construction equipment.

**Contact:** *Theo Manafa, Managing Director, Tmanac Trading Ltd., 15 Hurstwood Court, Finchley Road, London, NW 11 OAP, England. Tel: 081-458-6641 Fax: 081-458-7072 Telex: 8955489 (TMB/05 111).*

Shiloh International Trading Corporation, manufacturers representatives, wants to establish contact with manufacturers of handicrafts, jewellery and wooden products.

**Contact:** *Bob Rodgers, President, Shiloh International Trading Corporation, 3125 S Mendenhall, Suite 322, Memphis, Tennessee 38115, U.S.A. Tel: 901-685-9234 Fax: 901-366-0270.*

An import/export company in Nigeria, Joseph Tinuoye and Co., wants to identify exporters of clothes, baby products and general merchandise.

**Contact:** *The Manager, Good Kiddy Nigeria Ent. Companies 20/22 OJO Giwa Street, Lagos, Nigeria.*

United Commercial and Industrial Company, manufacturers representatives in Nigeria, wants to establish contact with manufacturers/exporters in Jamaica. Their trade lines include cosmetics, gloves and hand tools.

**Contact:** *The Manager, United Commercial and Industrial Company P.O. Box 72967, Victoria Island, Lagos, Nigeria.*

B.5.5.B (Nig) Ltd. wants to import a range of articles such as leather belts and articles, baby clothes, garments, underwear, dools, toys, hats, caps and handkerchiefs.

**Contact:** *Import Director, B.5.5.B. Nigeria Ltd., 25 Oluwole Street, Lagos, Nigeria.*

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.

Ms Jo-Anne Quetel in St. Thomas, U.S. Virgin Islands, wants to import flowers from Jamaican exporters.

**Contact:** *Ms Jo-Anne Quetel, P.O. Box 3975, St. Thomas, U.S. Virgin Islands 00803.*

## Import Opportunities

Schluter Insulation & Sheet Metal Co. in Finland wants to establish business contacts in Jamaica. They specialise in the production of cold storage facilities, fire and radiation protection equipment.

**Contact:** *Hans Schluter, Managing Director, Schluter Insulation & Sheet Metal Co., Metsakuja 6, SF - 216000 Parainen, Finland. Tel: 358-21-880494.*

Jasco International Trading, an import/export firm in Canada, wants to export a range of items to Jamaica. These include construction material, electrical and hand tools, food products, burglar alarms for houses and vehicles, automobile jacks, solar-powered lights for homes and cars, household and gift items.

**Contact:** *Jason Wilson, President, JASCO International Trading, P.O. Box 534 Station B, Montreal, Quebec,*

*Canada H3B 3K3 Tel: (514) 393-3242 Fax: (514) 393-4132 Telex: 63670903.*

Dynamic Import/Export Co. in New Jersey which is involved in various aspects of international trade, wants to establish business contacts in Kingston.

**Contact:** *Stanley Kelvin Addo Executive Export Manager, Dynamic Import & Export Co, 317 Grove Street, Suite 6, Jersey City, New Jersey 07302, U.S.A. Tel: 201-915-0174 Fax: 201-333-7707.*

A Belizean firm wants to export red kidney beans to companies in Jamaica.

**Contact:** *Mr. & Mrs Anthony Soberanis, A & J's Export & Import, 5856 Button Wood Bay, P.O. Box 939, Belize City, Belize. Tel: 02-45056; Fax: 02-31287.*

## Trade Fairs, Seminars

**11th India International Trade Fair Pragati Maidan, New Delhi November 14 - 24, 1991.**

The fair will include displays on all aspects of industry, trade, science and technology. Special displays will be mounted on agricultural machinery and technology, fertilizer manufacturing machinery and chemical inputs for agriculture. **Contact:** *Dinesh Coomar, Manager, Trade Fair Authority of India, Pragati Bhavan, Pragati Maidan, New Delhi - 110001, India. Tel: 3319754 Fax: 91-11-331-8142 Cable: COMEXH Telex: 031-61022.*

**Home Interiors Exhibition, Earls Court Exhibition Centre, London, England, September 29 - October 2, 1991. Contact:** *Philbeach Events Ltd., Earls Court Exhibition Centre, Warwick Road, London SW5 9TA, England. Fax: 44-71-381-0728.*

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## TRADE NEWS

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**2nd International Professional Lawn, Garden and Outdoor Power and Equipment Exhibition, Kempton Park (near London) September 15 - 17, 1991**

**Contact:** Interbuild Exhibitions Ltd, 11 Manchester Square, London W1M 5AB, Fax: 44-71-486-8773, Telex: 24591

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**Training seminar on "Export Market Entry Strategies (Oct 21 - November 1, 1991) and on "International Purchasing, Procurement and Stores Management (October 30 - November 20, 1991) World Trade Institute, World Trade Center**

**Contact:** Vincent Seglior, Manager International Training, One World Trade Center, 55th Floor, New York, N.Y. 10048, Tel: 212-466-3175, Fax: 212-321-3305, Cable: WORLD-TRADE NEWYORK.

### Business Opportunities

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A Jamaican firm, General Imports Manufacturers Sales and Services Ltd., is seeking a joint venture partner to produce the CVRTM. This device which has a 90% local raw material content, increases the efficiency of the fuel consumption process in vehicles

and reduces the carbon monoxide output. Contact: Washington S. Lee, G.I.M.S.S. Ltd., 15 Red Hills Road, Kingston 10, Jamaica W.I. Tel/Fax: (809) 926-4700.

### Business Services

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Collins Information Service in Singapore promotes international trade on behalf of exporters and importers. It identifies potential trading partners in some 160 countries. For more information contact: Johnny Pang, Collins Information Service Bedok Central P.O. Box 489, Singapore 9146, Republic of Singapore. Tel: (65) 242-0206 Fax: (65) 242-0309 Telex: RS 22813.

.....  
The Canadian-Caribbean Business Cooperation Office (CCBCO) promotes industrial cooperation through private sector joint ventures, investment, technology transfers, training and franchising. The CCBCO tries to bring together and facilitate Canadian and Caribbean firms seeking potential partnerships. Contact: Canadian-Caribbean Business Cooperation Office, 99 Bank Street, Suite 250, Ottawa, Ontario, Canada K1P 6B9 Tel: (613) 238-8888 Fax: (613) 563-9218 Telex: 053-4888

## TAXATION

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should be low and the impact should be broad so that particular sectors or firms do not bear a disproportionate burden in satisfying the Treasury's needs. Taxes should be simple and as far as possible they should be imposed at the consumption end of the economic chain. Excise taxes on production, stamp duties on capital goods and raw materials are counter-productive. Taxing income and savings are almost as bad.

Economists have also been re-discovering an old truth. They have been seeing a correlation between low taxes and successful economies and a reverse correlation between high taxes and unsuccessful economies. The tax reform programmes of US President Reagan and of Mrs. Thatcher in Britain were prompted by this recognition. The economic Tigers of Asia are all low tax countries with effective rates on business being markedly less than nominal rates in some instances. A recent World Bank study has confirmed the correlations and drawn up a long list of countries in the appropriate categories of high tax/low growth and low tax/high growth.

No prizes for guessing which category Jamaica is in. ☐

## WELL SAID

"Good firms don't become good by being big; they become big by being good."

*Evan Davis*

"The fundamental threat to freedom is power to coerce, be it in the hands of a monarch, a dictator, an oligarchy, or a momentary majority."

*Milton Friedman*

"The Civil Service has a difficulty for every solution."

*Lord Samuel*

"Man is not a solitary animal, and so long as social life survives, self-realization cannot be the supreme principle of ethics."

*Bertrand Russell*

"Whatever we get has to come from somewhere, even if it is from the leisure time of men and machines, and has to go somewhere, even if it is to the idle inventory shelf or to the automobile graveyard."

*Arnold C Harberger  
(Economist)*

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the Pursuit of Happiness. That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed..."

*From the Declaration of  
Independence of the United  
States of America 1776*