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## PSOJ BUDGET PERSPECTIVE

On April 17, 2003, the Minister of Finance & Planning, Dr. Omar Davies, outlined how the government proposed to finance planned expenditure of \$261.41 billion for the 2003/04 fiscal year. This is to be achieved by revenue and grant projections of \$132 billion coupled with loan receipts of \$116 billion and additional revenue enhancing measures of \$13.8 billion. Further, the government expects to realize a fiscal deficit of 5%-6% of gross domestic product (GDP). This target represents a 2%-3% reduction when compared to the 2002/2003 fiscal year.

The following additional measures have been proposed to cover the approximately \$13 billion shortfall in revenues:

1. An income tax prepayment of 4% by all importers. **Expected to raise 3.40 billion**
2. An environmental levy of \$2 per kg on plastic containers imported, manufactured and distributed in Jamaica. **Expected to raise \$0.19 billion.**
3. Special Consumption Tax (SCT) on alcoholic beverages. **Expected to raise \$0.45 billion.**
4. Adjustment of age limit on motor vehicles. **Expected to raise 0.18 billion.**
5. Reduction of the limit for concessionary vehicle importation. **Expected to raise \$0.25 billion.**
6. Adjustment of duties on cars and luxury pick-ups. **Expected to raise \$0.60 billion.**
7. Increase in stamp duty levied on goods imported by in-bond merchants from 6%-15%. **Expected to raise \$0.85 billion.**
8. Increase in Asset tax. **Expected to raise 0.85 billion**

9. Removal of credit on bonus shares issued. **Expected to raise \$0.55 billion**

10. Broadening of base for general consumption tax (GCT). **Expected to raise \$8.17 billion.**

According to the Ministry of Finance & Planning, expected buoyancy in the economy, as well as revenue enhancing measures (including promulgating amendments to various pieces of legislation) should contribute to the expected increased revenue outturn. The government also plans to continue borrowing mainly from the domestic market and sourcing sufficient funds to the extent of expected amortization as part of its debt management strategy. Some of the additional revenue enhancing measures proposed have met with strong resistance as it is believed that they will stifle productivity and growth. Major concerns include:

- The 4% cess on imports would have a significant negative impact on cash flow and would therefore penalize legitimate businesses. The measure may also provide a further incentive for importers to evade payment of custom duties and make tax compliant firms less competitive.
- Widening the GCT base may result in inflation at a time when the poverty level has increased from 16.8% to 18.2%.
- The measure to eliminate credit on bonus shares would effectively increase corporate taxation.

The necessity to reduce the widening fiscal deficit and reduce public debt as a percentage of GDP continues to be the critical success factor. The deficit in the last fiscal year was estimated at 7.7% of GDP, marginally lower than the 8.4% revised target.



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## PSOJ BUDGET PERSPECTIVE

(continued from page 1)

The fiscal year end outturn to March generated a deficit of \$30,500.10 million and the provisional figures from the Ministry indicated that at the end of March 2003, the stock of public sector debt increased by 21% over March 2002 to \$601.24 billion or 151.80% of GDP. The domestic portion increased by 22% to \$366.16 billion or 92.4% of GDP.

The confluence of negative factors, including the fact that Jamaica was placed on review for a possible downgrade by Moody's and low business and consumer confidence, presents a significant challenge to government realising their fiscal targets.

For further information, please contact Tricia Wright, Research Economist at the PSOJ, email: [triciaw@psoj.org](mailto:triciaw@psoj.org)

## TRADE COMMITTEE

Trade Negotiations in the Service Sector  
WTO's General Agreement on Trade in Services

Some of the main principles of the negotiations are:

**Most Favoured Nation treatment** - A member state must grant to all other member states any concession which it grants to any one member state. A member state can seek an exemption to this principle, but exemptions have a maximum duration of only ten (10) years.

**No reciprocity** - Member states are not required to give reciprocal treatment to each other and can benefit from concessions to them, without being obliged to make those same concessions in return.

**Transparency of regulations** - Laws and regulations affecting the service sector must clearly set out criteria, requirements and application.

**No backtracking** - Once a commitment has been made, a member state is precluded from taking any action which is inconsistent with the commitment.

In the WTO, the negotiating positions of the CARICOM countries are coordinated by the Caribbean Regional Negotiating Machinery (CRNM). Where negotiations are conducted by individual CARICOM countries, the positions put forward and any agreements reached must be approved by CARICOM or widened to include other member states.

**Trade Negotiations** — The WTO negotiations have now reached a critical point with initial requests already made, and

initial offers now due March 31, 2003. Rough and tumble negotiations will start thereafter. Implementation of the GATS is scheduled for January 1, 2005.

In the FTAA, the deadline for the presentation of offers is February 15, 2003 and requests for improvements of offers made before February 16, 2003 and June 15, 2003. Implementation is set for no later than December 31, 2005.

Our negotiators will need information from the sectors affected in order to develop negotiating positions and to be able to advocate and defend those positions effectively. Individual service sectors must therefore seriously consider the requests made of Jamaica, against the background of the existing regulatory regimes under which they operate. They must decide not only what aspects of their regulatory regimes are critical to them, but also what requests should be made on their behalf of other countries where they may wish to do business.

In this regard, the PSOJ is collaborating with the Briefing Room and the Ministry of Foreign Trade to assist the private sector.

However, service sectors will need to commit time and resources to the process, as it needs to be primarily driven by them, since the outcome will be crucial to their future business prospects.

(Part 1 of this article appeared in the January/February issue of the PSOJ News)

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## BULLETIN BOARD

### PSOJ/JEA/JBA JOINT LUNCHEON



Greta Bogues (left) seen with guest speaker, Senator Delano Franklyn (centre) speaking to Mrs. Dotsie Gordon, Managing Director Dots Personnel, one of the sponsors for the PSOJ/JEA/JBA joint luncheon held 19 March 2003.



PSOJ President Mrs. Beverley Lopez presents Certificate to Mr. Ertis Blake of Cable & Wireless Cooperative Credit Union Jamaica Ltd on his successful completion of The PSOJ'S Second Corporate Governance Seminar at the Lido Sans Souci Hotel between April 28 May 4, 2003

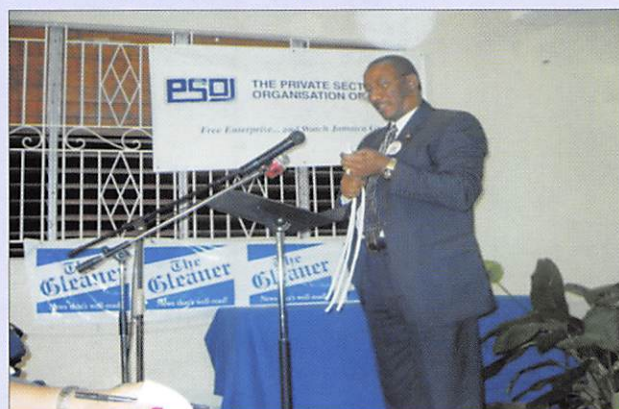
### National Export Week 2003

Under the theme **Growing Jamaica's Exports Through Improved Competitiveness**, the Jamaica Exporters Association will celebrate National Export Week 2003 from June 1-7.

The week of activities will include a Church Service, the Official Launch of the Week, two seminars in Kingston and Montego Bay, company visits and the National Awards Banquet, on Saturday, June 7 at the Hilton Hotel.

If you need additional information on National Export Week, please contact: **Camille Beckford** at the Secretariat, 927-6238, 927-6957 or 978-6795; Ext. 2250

### Police Courtesy Week - St. Ann



Commissioner Francis Forbes performing magic trick at St. Ann Police Courtesy Week Public Forum held on Thursday, 27th March

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### Upcoming Events

ANNUAL ECON. SEMINAR	MAY 21
JOB CREATION AWARDS	MAY 27
JEA EXPORT WEEK	JUNE 1-7
PHONE IN	JUNE 12
POLICE COURTESY WEEK (Montego Bay)	JUNE 15-21

**THE PSOJ HOSTED ITS ANNUAL ECONOMIC SEMINAR ON MAY 21, 2003 AT THE JAMAICA CONFERENCE CENTRE 8:30 A.M. TO 2:00 P.M.**

#### THEME:

*"Is There a Silver Lining Behind The Clouds"*

#### GUEST SPEAKER:

*Matt Connolly, Director MECA, Ireland*

#### OTHER PRESENTERS WERE:

**Mr. Padraig O'hUiggin** - Former Secretary General of the Department of the Prime Minister, Ireland

**Mr. Kieran Mulvey** - Chief Executive of the Labour Relations Commission, Ireland

**Mr. Bill Attley** - Former General Secretary of the SIPTU, Ireland

### Job Creation Awards Ceremony - March 2003



PSOJ President, Bev Lopez, centre, with awardees at the Job Creation Awards breakfast held on 25 March at the Knutsford Court Hotel

### PSOJ/AAAJ ADVERTISING EFFECTIVENESS AWARDS LAUNCHED

President of the Private Sector Organisation of Jamaica (PSOJ), Mrs. Beverley Lopez said that her organisation was pleased to be associated with the Advertising Effectiveness Awards, and commended the AAAJ for its commitment to improve advertising standards. Mrs. Lopez was speaking at the launch of the PSOJ/AAAJ Advertising Effectiveness Awards held at the Jamaica Pegasus Hotel on April 4, 2003.

"We applaud the objectives of this programme to advance best practice among the AAAJ members and improve the public's perception of advertising agencies and their effectiveness. These awards will greatly enhance advertising and communications within the private sector, and at the same time provide case studies to further develop CARIMAC and its graduates. The private sector will be ultimately rewarded by higher standards and more competitive advertising agencies."

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