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## Exports

### Supporting economic viability in International Trade .

To understand the importance of exports and how they support a strong economy, the concept of international trade must be appreciated. Simply put, international trade is the exchange of goods and services between countries through the process of importing and exporting. Through international trade, domestic markets can access commodities and services, they would not normally enjoy within the global environment.

#### What are Exports?

Exports refer to any commodity or service being brought out of one country or region to another, for the purpose of sale or future trade.

#### What are Imports?

Imports speak to any goods or services being brought into a country from abroad for sale. Imported goods are therefore provided to domestic consumers by foreign producers.

Since imports and exports are key components of international trade, we will examine the critical role exports play in supporting a strong economy. To do this we must understand the balance of payments (BOP).

#### Balance of Payments (BOP)



The balance of payments (BOP) is the way in which countries monitor all international monetary transactions over a specific period of time. The BOP is used to determine how much money is going in and out of a country. It is calculated by accounting for all trades of both the private and the public sector, and is usually done every quarter and every calendar year. When a country receives money, this is known as a credit, counted as assets, and when a country has paid or has given out money, this is known as a debit, counted as liabilities. When the assets (credits) and liabilities (debits) of a country are equal then the BOP should be zero or balanced. In practice however, for most economies, this is usually never the case. Due to the dynamic nature of trade, countries' accounts don't usually balance, and may reflect either a trade deficit or a trade surplus. This is referred to as the balance of trade (BOT).

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The BOT accounts for the bulk of a country's BOP as it specifically speaks to the total imports in relation to the total exports. If a country has a balance of trade deficit it imports more than it exports, conversely a balance of trade surplus occurs when exports are more than imports.

We can observe a balance of trade deficit continuously occurring in the Jamaican economy by looking at the total international merchandise trade statistics (IMTS) of the country. These trade statistics are compiled from the administrative records of the Jamaica Customs Department, and are commonly referred to as Customs Based Trade Statistics.

### Total International Merchandise Trade 2006-2012 (US\$'000) last updated February 8, 2013

Period Graph	Balance of Visible Trade	Imports (C.I.F.)	Total Exports (F.O.B.)	Total Exports (F.O.B.)	
				Domestic Ex- ports	Re-exports
2006 p.	-3,666,525	5,650,427	1,983,902	1,948,173	35,729
2007 p.	-4,587,771	6,892,971	2,305,200	2,254,207	50,993
2008 p.	-5,666,718	8,162,874	2,496,156	2,436,327	59,829
2009 p.	-3,738,260	5,057,631	1,319,371	1,242,371	77,000
Jan- Dec 2010	-3,866,388	5,194,633	1,328,245	1,251,718	76,527
Jan- Dec 2010*	-3,889,391	5,226,763	1,337,372	1,256,017	81,355
Jan-Dec 2011*	-4,990,459	6,614,757	1,624,298	1,538,200	86,098
Jan-Oct 2012*	-4,184,179	5,570,999	1,386,820	1,331,069	55,750

r. Revised,p. Preliminary Data\* Includes Jamaica Free Zone

Over the 6 year period accounted for in the table, we can see that Jamaica's total imports are higher than its total exports. This indicates a balance of trade deficit, as observed in the negative figures shown in the BOT column.

Having a constant trade deficit places a country in a very difficult situation if growth is to be realized. A trade surplus however induces growth in the domestic sector which will aid in the continuous upgrade of economic enterprises and their respective industries. This leads to greater competitiveness in the industries which can lead to greater efficiency. This may be achieved through an increase in exports. Exports do not only contribute to growth in the export sector but can induce growth effects in the economy as a whole.

Revenue from exports generate foreign exchange, that can be used for the development of industries and ultimately lead to economic growth. Foreign exchange generated by the export sector may also result in investments in foreign enterprises, which can attract foreign direct investments (FDI). FDIs are a measure of foreign ownership of productive assets such as factories, mines and lands. Put simply, an FDI is an investment made by one company based in one country, to a company based in another country. If an American company takes majority stake in a Jamaican company, this would be a foreign direct investment. Productive resources can be gained through capital intensive equipment imported from foreign countries or various means of technology transfer. Learning through interacting can take place allowing specialization in skillsets that will help industries, as well as raise the standards of capabilities among peoples.

increase in the overall output of a country's capabilities, this is referred to as export-led growth. It is often to be viewed as a promising development policy by many authorities.

The link between exports and economic growth has been closely studied by economists over the years largely based on the observation of export led growth, achieved in several Asian countries. The theory is simple; growth can be achieved through the development of export industries. Competition on an international scale requires investments, efficiency and innovation to stimulate economic growth within a country. When industries expand and develop their markets overseas, based on the demands of their foreign consumers, then development of export markets, can lead to economies of scale.

## Economies of Scale

This is achieved when production increases as the cost of producing each additional unit falls. As operations become more efficient, the number of goods being produced increases, and a reduction in the cost per unit will be realized. Since fixed costs are shared over an increased number of goods, a company typically achieves economies of scale, as the average cost per unit is lowered through increased production. Access to a larger market is thus achieved as the company operates with a larger global reach. This ultimately results in an increase in export capacity which contributes to the promotion of economic development.

## Facilitating International Trade through the Export Promotion

- As international trade is increased, free trade policies may be developed to promote exports from the country and attract FDIs into local industries.
- Governments can create access to export markets by establishing economic partnerships and zones, with favorable regulatory and tax incentives.
- Trade promotion is important in developing the export product of a country. Businesses that operate in a particular country may lack the knowledge and resources or even the confidence to begin or expand export activities in the foreign market. Extensive market research is necessary as not all foreign markets are the same. Understanding demographics, economics and industrial factors are critical to accessing the most promising markets. Conducting trade shows, is also a marketing technique used to foster customer awareness and market products overseas. Since not all businesses are equipped to conduct these functions independently, then government support becomes critical in facilitating trade through these means.

Jamaica Trade and Invest formally Jamaica Promotions Corporation (JAMPRO)

JAMPRO is Jamaica's investment and export promotion agency. Its core function enables trade and investment opportunities for Jamaica. JAMPRO was established to stimulate and promote development of trade and industry, as well as export and investment activities in all sectors of the Jamaican economy.

- Streamlining of the export process. The Export process must be transparent and easy to follow in order to facilitate ease of process. Technological advancements, multiple shipment options, trade financing and government programs are some of the ways in which a smooth export process may be encouraged.

The export process in Jamaica is distinguished by two categories, commercial and personal. An exporter is required to register when exporting goods on a commercial basis or for the purpose of trade, that will result in the generation of revenue. The exporter must register with JAMPRO if personal items are being exported on a regular basis. If an exporter is unfamiliar with the export process, then the services of a licensed Customs Broker is encouraged.

An exporter is not required to register with JAMPRO under the following circumstances:

- Shipments that have been classified as personal effects or non commercial which will not result in the revenue generation.
- Goods that have been imported for temporary use and are to be subsequently re-exported
- Goods being exported for subsequent re-importation
- Goods for which duty was paid and subsequently re-exported

For some export items permits are required from other agencies in order to be permitted to proceed. These agencies include:

Jamaica Trade Invest formally Jamaica Promotions Corporation (JAMPRO)

Trade Board

Ministry of Agriculture

Coffee Industry Board

Coconut Industry Board

National Environment & Planning Agency (NEPA)

Bureau of Standards

A step by step guide of the export procedure may be accessed from the Jamaica Customs Department at

<http://www.jacustoms.gov.jm>

For more information on accessing overseas markets or technical assistance for export product development, please visit Jamaica Trade and Invest (JAMPRO)

<http://www.jamaicatradeandinvest.org>

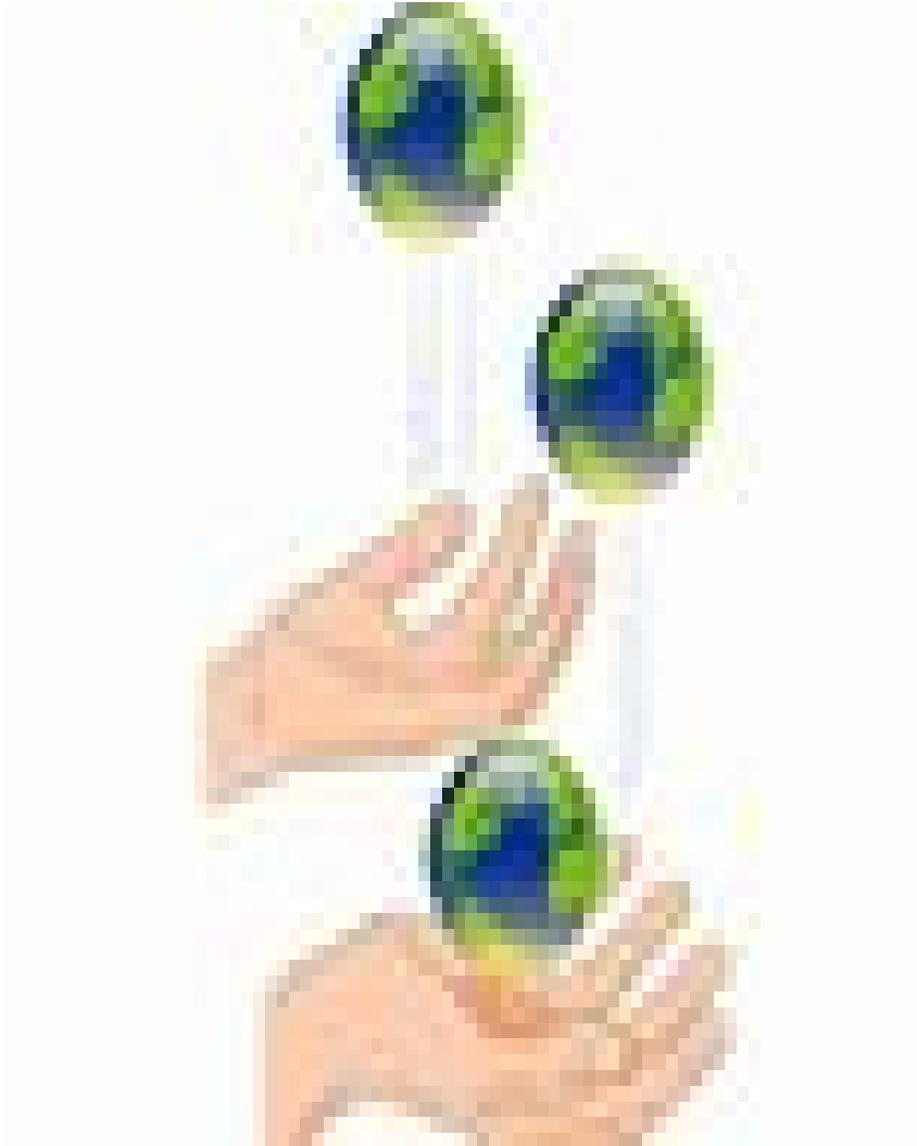
For more information on import and export statistics please visit The Statistical Institute of Jamaica

<http://statinja.gov.jm/>



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