

GREETINGS



HON. ANTHONY HYLTON
MINISTER OF INDUSTRY, INVESTMENT
&
COMMERCE

Keynote address for Jamaica's AEO Program Launch

JAMAICA CONFERENCE CENTRE

MONDAY, JULY 28, 2014 @ 8:30 AM

Salutations

- Dr. the Honourable Peter Phillips MP, Minister of Finance and Planning
- Major (Ret'd) Richard Reese CEO/ Commissioner of Jamaica Customs
- Mr. Sergio Mujica- Deputy General Secretary, World Customs Organisation (WCO)
- Mr. Paul Hilaire, Permanent Secretary, Caribbean Customs Law Enforcement Council
- Mr. Steven Krupinsky- Chief of the International Branch Customs Partnership Against Terrorism, US Customs and Border Protection
- Mr. Gao Jie- Customs Advisor on AEO Cooperation, China Customs
- Mrs Therese Turner- Jones- IDB Country representative to Jamaica
- Ms. Denise Herbol, USAID Mission Director
- Representatives of foreign customs agencies
- Private sector representatives
- Members of the media
- Ladies and gentlemen

Today is indeed a great day! It marks the occasion for Jamaica as the first country in the CARICOM region to implement the revised and augmented Authorised Economic Operator (AEO) Programme, a key milestone in Jamaica's journey to becoming a logistics centered economy. We are proud to be among the few countries in the region, and among a select number in the world that now possesses fully operational programmes. I must therefore commend Major Reese and his team at the Jamaica Customs Agency for working tirelessly towards the implementation of this programme and ensuring that Jamaica is a fore runner in the region.

The government of Jamaica has identified the logistics sector as one of the key pillars for growing the economy. The Ministry of Industry, Investment and Commerce, its Departments and Agencies, in particular, has specific and prescribed roles to facilitate the wide range of pre-production, production and post-production value chain activities. Whether in facilitating buyers and/or sellers in the international marketplace, industry cluster development, business-supplier linkages programs, intellectual property protection, business development and incubation services, support to innovators, establishing SEZs and providing industrial, commercial and office space, establishing global standards, international financial services, business life cycle

funding, competition and competitiveness issues, innovation and creativity. This is achieved in tandem with the country's progress in undertaking business environment reforms to guarantee competitive transaction costs, speed and predictability in the new logistics centered economy.

The investments that the country is securing in critical logistics and related assets while improving the quality of the international network of ICT, maritime and aviation connections to the world, work in tandem with business climate reforms and development of human resources that will result in greater commercial efficiencies, greater supply chain optimization and lowered costs for a wide range of businesses along the global value chains. These actions are strengthening Jamaica's allure and appeal as a location where indigenous and transnational corporations can realize their global ambitions.

I will take this opportunity to highlight some of the measures the GOJ is taking to fix the gap in our current Free Zone position by implementing a new SEZ Regime.

A major issue facing the implementation of the Logistics Hub Initiative is the lack of a conducive business environment. To address this in the near term, even while more wide spread reforms are effected, a Special Economic Zone (SEZ) Regime

specifically geared towards the development of Special Economic Zone projects will be implemented. Jamaica currently has an outdated Free Zone Regime, features of which must be phased out by 2015, in accordance with a World Trade Organization (WTO) ruling. Notwithstanding, much of the existing Free Zone Regime is still useful and some of the features will be maintained in the proposed SEZ model that was contained in a “Concept Note on the Establishment of Special Economic Zones under the Logistics Hub Initiative” that was presented to Cabinet.

As such, the Free Zone Act has been retained at least until 2015 under the Omnibus Tax Incentives legislation which offers an opportunity to fill the gap between the phasing out of the Free Zone and the promulgation of the new SEZ Regime. However, the Free Zone Act as constituted lacks the level of detail and policy coherence needed in a modern Special Economic Zone Regime. As a result, it is best used as a transitional tool and as part of the strategy to transition into the proposed SEZ Regime.

In order to guide the process of designing a modern SEZ Regime, the Cabinet approved the establishment of a Policy Steering Committee (PSC). The PSC is charged with providing general oversight and guidance on the formulation of the policy framework for the SEZs, from concept to final approval by Cabinet. The PSC is chaired by Mrs. Patricia Francis, the former Executive Director

of the International Trade Centre in Geneva. Membership of the PSC comprises experts and technocrats from the private and public sectors of Jamaica with technical support provided by the Logistics Hub Secretariat of my Ministry. In order to ensure that the SEZ policy development process is inclusive and receives wide-spread public support, every effort will be made to continuously engage the public. In keeping with this commitment, the SEZ Policy Steering Committee sought and is currently incorporating submissions from the public to aid policy conceptualization, formulation and implementation.

As the country prepares to transition to the SEZ regime it becomes more evident that the absence of the Free Zone Council at this time is a policy and regulatory gap that threatens to undermine the basis upon which transition from free zone to the SEZ regime will occur.

The Council will be re-activated to create the intermediate regulatory reinforcement necessary for a smooth transition to the SEZ regime, albeit in accordance with the provisions of the Jamaica Export Free Zones Act. Given the exigencies of time and the need for speedy legislative and regulatory changes to support the SEZ regime, it is anticipated that the Free Zone Council will not only resume all functions stipulated under the Act but will also provide the regulatory support that is necessary during this

transitional period. Hence, in keeping with section 2B (d) of the Free Zone Act the Council will implement procedures and guidelines for planning, promotion and regulation of the free zones.

This should include the creation of a One-Stop-Shop arrangement that will facilitate registration of new enterprises, granting of licences and the issuance of permits. In addition, the Council will be expected to implement all transitional strategies that will result in a seamless formation of the SEZ Authority.

With a total of 22 free zones in operation, including public and single entity free zones that have already invested huge sums and are eager to expand operations in order to capitalize on opportunities under the Global Logistics Hub Initiative, the presence of the Free Zone Council offers an important focal point for quick access to information and facilitation of requests which will influence investment decisions. The Council will therefore offer direction and constancy to existing investors and will help to build investor confidence.

The AEO in this context, is an essential component in improving the efficiency of business processes involved in the international movement of goods that will take place in and through the free zones as they evolve into special economic zones; by ensuring

that the shipments benefit from faster customs processing arrangements. This programme therefore means far more to Jamaica than rewarding compliant economic operators and allowing customs to better focus resources on potentially unsafe and high risk entities.

It is crucial to improving our competitive edge in global logistics.

The ease and speed of doing business has always been one of the greatest inhibitors to international trade. The AEO program removes that barrier by operating a system of mutual trust and streamlined customs procedures to accelerate the flow of goods and services across borders.

It ensures the integrity of our supply and value chain model which is at the core of our economic growth agenda. The introduction of the AEO program is akin to the butterfly effect- a change that makes an exponential impact of putting Jamaica into a new paradigm.

Jamaica's value chain model is the process by which Jamaican firms including our micro, small and medium sized enterprises (MSMEs) add value to products passing through the logistics hub. This may include activities such as assembling, processing, packaging, labeling, preparing instruction booklets and getting

goods to completion. The value chain model also includes MSMEs creating businesses that will fulfil the needs of the workforce in the logistics hub in areas such as tourism, food, leisure and entertainment. Every industry will be impacted by the AEO programme by virtue of the need to import and export.

The program ensures predictability in importation and by extension, production timeframes; a critical component to the production process. Trusted importers and exporters can circumvent the lengthy wait between arrival of shipment in the country and actual receipt of goods, not just in Jamaica but in other AEO countries within the European Union and the Asia-Pacific Economic Cooperation (APEC). Importantly, the AEO programme is already in place at the three existing global logistics hubs namely, Dubai, Singapore and Rotterdam. To fulfil its ambition of becoming the fourth node in global logistics, Jamaica must therefore follow suit.

The preparation for incorporating the benefits of the AEO into the logistics centered economy is well underway. Jamaica's National Competitiveness Council, of which I am the chair, has been implementing initiatives to enhance Jamaica's business environment in the following areas:

- Starting a company
- Bankruptcy and Insolvency
- Paying taxes
- Access to increased lines of credit and,
- Trading across borders

The Ministry of Industry, Investment and Commerce and its agencies have also been preparing our local MSMEs to take advantage of the opportunities the logistics centered economy will provide, whilst engaging with international investors about opportunities in which they could get involved. However, the logistics that underpins all these plans is embodied in the AEO programme. It is really a catalyst for improving the ease and speed of doing business and for moving goods or services across borders. We confidently expect a positive impact on the next Logistics Performance Index and by extension on the next Competitiveness Index reports.

In closing, I would like to reiterate how pleased I am to be part of an event that celebrates improved trade facilitation as we strive towards the fulfillment of Vision 2030. Indeed, steps like these will make Jamaica a good place to invest, a better place to live and the best place to raise families.