

KEYNOTE ADDRESS



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&
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KEYNOTE ADDRESS FOR THE GROWTH AGENDA AND
SPECIAL ECONOMIC ZONES POLICY DIALOGUE

JAMAICA CONFERENCE CENTRE

MONDAY, OCTOBER 6, 2014 at 9 AM

SALUTATIONS:

- Dr. the Hon. Peter Phillips, MP, Minister of Finance & Planning,
- Mr. Vivian Brown, Permanent Secretary, Ministry of Industry, Investment & Commerce,
- Dr. Eric Deans, Chairman, Jamaica Logistics Hub Taskforce,
- Mrs. Patricia Francis, Chair, SEZ Policy Steering Committee,
- Ms. Marialisa Motta, Practice Manager for Trade and Competitiveness, World bank
- Members of the Diplomatic Corp,
- Specially Invited Guests,
- Members of the Media,
- Ladies and Gentlemen,

Today marks an important milestone in our journey as we continue our efforts to implement the critical reforms and the legislative framework that are necessary conditions for the Growth Agenda.

Ladies and gentlemen, we are here to dialogue on the establishment of a modern integrated policy framework for the operation of Special Economic Zones (SEZs). This policy must:

- i. Make the SEZs part of a successful strategy in attracting investments, creating jobs and integrating local businesses including MSMEs
- ii. Ensure that the SEZs are commercially sustainable and deliver positive results, including business innovation, entrepreneurship & human capital formation.
- iii. Ensure the sustainability of the SEZs from an institutional, social and environmental perspective

Our role, essentially, is to develop the necessary legal, and institutional framework for the SEZs so that they can be world-

class attractions, not just for foreign investors, but equally so, for local investors as well.

I am certain that this gathering of fertile minds over the next two days will increase local and international awareness, foster a spirit of inclusion about a key element of the framework guiding the operations of the logistics hub, as well as boost investor confidence.

SEZ Regime

Our new SEZ regime will adopt international standards and will reflect current trends for zone development, including:

- Countrywide zone development
- Private sector zone development and management
- Complete two-way trade between zones and the rest of the economy (i.e. a removal of the current 15% cap on domestic sales)
- Labour practices that are consistent with International Labour Organization (ILO) standards
- Economic, social and environmental sustainability
- Incorporation of development policy priorities other than employment, Foreign Direct Investment (FDI) and value

chain development to include innovation, human resource development, rural development and green growth.

SEZ and Growth Agenda

The emphasis on our country's Growth Agenda and logistics as a pillar of economic growth, brings into sharp focus the importance of the SEZ regime as a critical component of our strategy to further the integration of Jamaica's economy into value added supply chains.

The SEZ regime is designed to support the development of the industrial infrastructure required to accommodate large-scale investments that will connect production to global value-chains. Today, modern industry pivots on global value-chains, and if our economy is to move onto a growth trajectory we must create the conditions that will attract major businesses that participate in the global production and distribution of goods and services.

I am reminded of a quote from the World Investment Report 2013. It states, **“Global Value Chains have a direct economic impact on value added, jobs and income. They can also be an important avenue for developing countries to build**

productive capacity, including through technology dissemination and skill building, thus opening up opportunities for longer-term industrial upgrading.”

In essence, SEZs will play a key role in terms of economic reforms, attracting foreign direct investment (FDI), catalyzing development of industrial clusters, attracting new technologies and adopting modern business management practices.

We are therefore cognizant of the need to support measures that will ensure linkages to the local economy, through interventions to facilitate the development of local supply chain, skills, management and technology enhancement. It is essential that local entrepreneurs are involved in every step of the process and that they become an integral part of our special economic zone development through the policy provisions that will form part of the outcome of these deliberations.

Upgrading of the free zone regime to a modern SEZ regime represents a significant step towards transforming the operations of these zones. Moreover, the upgrading of free zones to SEZs is a move towards conformance under the World Trade Organization (WTO) rules for middle-income countries such as

Jamaica. As a country we cannot make any serious headway in achieving growth unless we are able to build the necessary capacity to meet the demands of the global marketplace.

Putting our house in order

The implementation of logistics centered economic policies and structural reforms will enhance the competitiveness of Jamaica's economy. These policies and reforms will enable Jamaica to progress beyond being a pure transshipment point to adding substantial value locally to goods moving through the hub and services provided in competitive economic clusters.

It means enhancing our sea-air, air-air and sea-sea connectivity and providing near-shore opportunities for value-added industries. Or to put it another way, through the use of a logistics-centric model, similar to that of Dubai, Rotterdam and Singapore, we in Jamaica will be able to offer quick turnaround through "near-shore" value-added logistics services that will reduce the time to Latin America and other markets within the Western Hemisphere. Leading global firms have already submitted bids on and/or are implementing some of the planned projects and other private sector projects are in the works.

Ongoing discussions are being held with other prospective investors and influencers around large-scale investments in a range of sectors including energy and extractive industries, as well as in ICT/Knowledge Services, medical devices, distribution and logistics. To date, anchor investors originating primarily out of Asia, Europe, North America and Latin America are venturing into a wide range of value added industries geared for our special economic zones, including third party logistics (3PL) providers, ship repair and recycling, bunkering and consumer product industries.

Jamaica's National Competitiveness Council, which I currently chair, has been implementing initiatives to enhance Jamaica's business environment in the following areas:

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

Ladies and Gentlemen, Jamaica is putting its house in order. We are therefore pleased that our actions have been commended by key international organisations and indices.

Our work is fully endorsed by the multilateral financial institutions that are providing technical assistance along with investment and loan funding for its implementation. Our international development partners, in particular, the World Bank and the IDB, have identified specific interventions to be supported over the next four years as part of their respective support for our country partnership strategies. Recently, The Board of the World Bank approved the US\$50M Foundations for Competitiveness and Growth Project which is geared towards supporting large investments and MSMEs, along with supporting improvements to the business environment.

It is notable that this dialogue is being funded in part by the World Bank. Indeed, the Senior Trade and Competitiveness Director of the World Bank had specific plans to be here with us this morning but was involved in an accident and is unable to attend this event. We wish for her a speedy recovery.

Jamaica has improved in international indices across the board. According to the Global Competitiveness Report 2014-2015, Jamaica advanced eight places to 86 out of 144 countries. This is a continuation of the positive trend from previous reports which reflects the country moving from 107 in 2011, to 97 in 2012 and to

94 in 2013. Jamaica also jumped of 54 places to 70 from the previous position of 124 in the 2014 Logistics Performance Index published by the World Bank Group.

Our country has advanced seminal pieces of legislation such as the Security Interest in Personal Property (SIPP) Act and the Bankruptcy and Insolvency Bill that was tabled last Tuesday in Parliament and on which we start debate tomorrow.

These legislations are intended to contribute to improving the environment for business by facilitating access to capital and providing business owners with the latitude to effect turnaround strategies in circumstances of insolvency. We are seeking to encourage risk-taking and entrepreneurship and a dynamic environment where new opportunities can be pursued.

In addition to our business and legislative reforms, agencies of the ministry have been hard at work implementing programmes to ensure capacity building of our entrepreneurs.

- The Jamaica Business Development Corporation (JBDC) provides specialized training to ensure that entrepreneurs have the knowledge, support and skills to lead businesses that can compete in the global economy.

- The Self Start Fund and the Micro Investment Development Agency (MIDA) are being restructured to provide business financing services for our MSME's.
- The Bureau of Standards Jamaica (BSJ) has been providing support to ensure MSMEs adhere to international standards and obtain the necessary accreditations.
- Jamaica Intellectual Property Office (JIPO) has also been restructured to advance intellectual property ownership and control.
- The Fair Trading Commission (FTC) is to shift focus from consumer affairs to focus on anti- competitive behavior in the domestic marketplace.

Single Trade Electronic Window (STEW)

The establishment of a Single Trade Electronic Window (STEW) environment has also been designed to have a positive impact on Jamaica's competitiveness and improve the ease of doing business and expedite trade facilitation. The STEW fits within overall government strategy to automate Business to Government and Government to Government processes and will integrate the Port Community System of the Port Authority of Jamaica, the Jamaica Customs Agency management system ASYCUDA

World, as well as the trade facilitation systems of the various governmental authorities involved in trade. Work is already on the way. Some of the items underway include:

- Business process review of all trade related agencies completed by a team comprised of the Cabinet Office, eGov Ltd., Jamaica Customs Agency, Trade Board Ltd., and Bureau of Standards.
- eGov upgrading and integrating trade facilitation systems under contract with the cabinet office
- A draft Memorandum Of Understanding among relevant Ministries has been developed, with feedback from stakeholders currently being incorporated.
- The concept paper and cabinet submission for the Single Trade Electronic Window (STEW) have also been completed and are now ready to go.

Strategic Growth Projects

As we continue to position Jamaica for the global market specific growth projects have been targeted, particularly in areas where Jamaica has a competitive advantage.

These areas include agriculture, logistics, tourism, IT, business process outsourcing, culture and creative industries, animation and ornamental fish industries. The Public Private Partnerships (PPPs) modality is being utilized for the development and operation of some of these projects.

The GOJ's portfolio of Strategic Growth Projects includes the following:

- Agro parks
- The North South Highway
- Information Communication Technology/Business Process Outsourcing
- Privatization and upgrade of KCT
- The Goat Island project
- Energy Sector Projects as announced recently by Electricity Sector Enterprise Team (ESET) as well as the development of a 115 MW Renewable Energy Facility in accordance with the policy of diversifying energy sources
- Caymanas Economic Park
- Naggos Head Tech Park
- Vernamfield Airport Development
- Railway Rehabilitation and Dry Dock facilities.

Ladies and Gentlemen, all these initiatives play a role in enabling Jamaica to have a stronger footing in the global trading system. Indeed, the fact that best illustrates the importance of Special Economic Zones (SEZ) is, therefore, that they will provide superior market access arrangements through a network of trade arrangements that will minimize trade duties in the major trade lanes.

Conclusion

Ladies and gentlemen, it is in this context that we welcome this Dialogue on Special Economic Zones, as we continue the efforts to position Jamaica for the global market. All of this means:

- Creating a favourable environment for all businesses, large, small, medium, micro
- Strengthening the capacity of our firms to compete in the global market
- Doing an overall positioning of Jamaica as the place to do business and to identify and exploit those areas that are most critical to succeed in global competition

- Positioning our companies to move up the global value chain

It would be remiss of me not to commend members of my team and Mrs. Patricia Francis for making this event a success. Let me also use this opportunity to thank our sponsors for their contributions, and for helping us to make this Dialogue possible. To those of you who have joined us from overseas, I hope you will use this opportunity to experience for the first time, or reacquaint yourself with Jamaica and all it has to offer (within discretionary limits, that is!)

I hereby declare the forum officially opened.

I thank you.