

Easing Doing Business in Jamaica: The Challenges and Opportunities

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DBR Rank 1 – 10, 2017

DBR Rank	Country	Population (m)	HDI Rank 2016
1	New Zealand	4.8	13
2	Singapore	5.6	5
3.	Denmark	5.8	5
4.	Hong Kong	7.4	12
5.	South Korea	51.4	18
6.	Norway	5.2	1
7.	United Kingdom	65.6	16
8.	United States	325	10
9.	Sweden	10	14
10.	Macedonia	2.1	82

DBR Rank 11 – 20, 2017

DBR Rank	Country	Population (m)	HDI Rank 2016
11	Taiwan	23.6	21 (2014)
12	Estonia	1.3	30
13.	Finland	5.5	23
14.	Latvia	1.9	44
15.	Australia	24.6	2
16.	Georgia	3.7	70
17.	Germany	80.6	4
18.	Ireland	4.8	8
19.	Austria	8.7	24
20.	Iceland	.3	9

Observations on Top 20 2017 DBR

- Each top 4 country has a population of 7.5m or fewer.
- 12 of top 20 countries have a population of 7.5m or fewer.
- Remaining 8 countries have an average HDI ranking of 14
- 4 of top 20 DBR countries have a HDI ranking of lower than 25. These four countries are Macedonia (10/82); Estonia (12/30); Latvia (14/44); and Georgia (16/70). These are all countries with a history of developed country status, with three becoming independent from Yugoslavia or Russia within the last few decades.
- The average population size of the 4 top 20 DBR outliers is 2.25m.
- For reference, Jamaica's DBR rank is 67 and its HDI Rank is 94.

The Singapore Reference Point

- In reviewing the top 20 DBR countries, the closest reference point to Jamaica with respect to size and history is Singapore.
- But Singapore is now one of the World's wealthiest economies, and so the appropriate comparative analysis has to understand how Singapore has diverged so dramatically from Jamaica, over the comparative independence period of over 50 years.

Relative Growth Performance of Singapore and Jamaica: 1960-2016

Country	Nominal GDP per capita in 1960 in USD	Nominal GDP per capita in 2016 in USD	Average Annual Nominal Growth Rate of GDP per capita: 1960-2016 (%)
Singapore	396	52,962	9
Jamaica	429	4,868	4.4

The Singapore Investment Policy Story

- Singapore's Economic Development Board is established in 1961 to promote investment as the country contemplates independence. The investment focus, typical of the orthodoxy of the time in developing countries is ISI.
- Singapore gains independence from Britain in 1965.
- In 1968, PM Lee Kuan Yew takes a sabbatical at Harvard.
- Yew gains critical insight from HBS Professor Ray Vernon.

Lessons from Professor Ray Vernon

- “I learned much about American society and economy by reading and talking to HBS professors such as Professor Ray Vernon. Vernon gave me a valuable lesson on the ever-changing nature of technology, industry and markets and how costs, especially wages in labour-intensive industries, determined profits. He dispelled my previous belief that industries changed gradually and seldom moved from an advanced country to a less developed one. Reliable and cheap air and sea transport made it possible to move industries into new countries provided their people were disciplined and trained to work the machines and there was a stable and efficient government to facilitate the process for foreign entrepreneurs.”
- “My most valuable discussions were with Ray Vernon of HBS. He gave me such practical insights into the working of the contemporary economies of Hong Kong and Taiwan that I returned every four years to learn from him.”
- Ray Vernon was one of the few individuals who could have claimed the scholarly field of international business as his progeny. In 1966, he had published in the *Quarterly Journal of Economics* “*International Investment and International Trade in the Product Cycle*”; an article which, he confided to friends at the time, was likely to be the one that would be the epitaph on his tombstone.

The Singapore Shift to attracting Export-oriented Investment

- Lee Kwan Yew returns from Harvard and charges the EDB to attract investment oriented to exports rather than ISI, while beginning a process of transforming the entire Singapore public sector into an efficient, facilitatory bureaucracy.
- The EDB becomes the first IPA in a developing country with a focus on attracting export-oriented FDI. Between 1969 and 1976 EDB offices are opened in Hong Kong, New York, Zurich, Paris, Osaka and Houston.
- The EDB focuses its targeted, highly efficient investment attraction efforts on light manufacturing in the 1970s, capital intensive high technology industries in the 1980s, chemicals, electronics, engineering and biotechnology in the 1990s, and innovation and research and development investment since the dawn of the new millennium.
- The entire country focuses on facilitating business (eg, passport processing efficiency).

Lessons from Singapore's Investment Policy and Promotion Success

- The importance of identifying investment policy competitive advantage.
- The importance of executing on investment policy advantage.
- The importance of creating appropriate promotional structures.
- The importance of investment policy continuity over time, with appropriate adaptation to changing circumstances.
- The importance of a “whole of government’ public sector reform process in support of investment facilitation.
- The importance of policy leadership and understanding from the highest levels of government.

Jamaica's Investment Policy

Journey: 1962 - 1980

- Jamaica experienced rapid growth in the investment and economy in the immediate post-independence period driven by investment in tourism and bauxite/alumina. But, aside from these two industries, the investment focus was ISI.
- The non-negotiated bauxite levy imposition in 1974 led to international investment disputes with Jamaica featuring in 3 of the first 5 cases that went to ICSID after its 1968 establishment.
- The aftermath of the investment disputes, coupled with the redistribution rhetoric of Jamaica in the 1970s, created a national environment that was not conducive to investment attraction.
- Jamaica's investment agency during this period, JIDC, was focused more on investment screening than promotion, as was typical of the then developing world (Singapore excepted)

Thoughts on the Jamaica of the mid-1970s by Lee Kwan Yew

- “At Kingston, Jamaica in 1975, Prime Minister Michael Manley provided with panache and spoke with great eloquence. But I found his view quixotic. He advocated a redistribution of the world’s wealth. His country was well endowed island of 2,000 square miles with several mountains in the centre. They had beautiful holiday resorts.....Theirs was a relaxed culture. The people were full of song and dance, spoke eloquently, danced vigorously and drank copiously. Hard work they had left behind with slavery. “
- Note: Singapore’s land area is 278 sq. miles (from that vantage point there is little difference between 2,000 and 4,244 sq. miles).

Jamaica's Investment Policy Journey: 1980 to 2000

- JNIP was established in 1981 as a promotion-focused IPA, with overseas promotional offices.
- JNIP was at the forefront of investment attraction during the 1980s, including the significant labour-employing investments in garment manufacturing in free zones.
- Jamaica attained political consensus on its structure as an open, export-oriented, liberal economy, which was likely to be influenced by, rather than influence, global investment and ODA funds.
- A programme of well-needed economic liberalisation was initiated in the early 1990s, but was not well managed, leading to significant levels of macro-economic instability.

Michael Manley on the changes in his own views on redistribution

- “The New International Economic Order was formally buried at the supposed moment of its birth at the North-South Summit at Cancun, Mexico in 1981. Ronald Reagan, who had just been elected, killed it with a smile. He smiled at Julius Nyerere- He smiled at all of us and just said no. In two days, 20 years of international struggle went up in a smoke. Everyone packed up and left Cancun confessed of their powerlessness, admonished and discharged with a smile. During the 1980s, I turned my ideas on their head. There is no reality to grand plans aimed and equalising North and South. There are only states doing their small part in a decentralised fashion to hook up with a dispersed global economy.”

Jamaica's Investment Policy

Journey: 2000 - Present

- Significant private investment in infrastructure, particularly highways, electricity generation, airport and seaport management.
- **Negotiated** liberalisation of telecommunications industry.
- JAMPRO-led significant investment attraction efforts, particularly in the areas of tourism and business-process outsourcing.
- Effective implementation of difficult economic reform programme, through national collaboration and partnership, that has placed Jamaica in the best macro-policy position it has experienced since independence.
- Recent improvement in DB rankings, coordinated through JAMPRO/NCC, which must be solidified through the implementation of a coherent NIP; and a PST programme focused on effective “whole of government” investment facilitation and citizen service satisfaction. Opportunity beckons. Jamaica currently has in place several of the features common to the early Singaporean success; and, contrary to Lee Kwan Yew's perspective, Jamaicans are hard workers, with the right incentive structure