

MINISTERIAL STATEMENT 21/07/2015
TABLING OF THE SPECIAL ECONOMIC ZONE WHITE PAPER

Mr. Speaker, the Ministry of Industry, Investment and Commerce is advanced in its preparation of the Special Economic Zone Policy Framework. Today, I will lay before this Honourable House the White Paper on Special Economic Zones.

1. Background

The Ministry developed a policy paper on the SEZ regime which was approved by Cabinet on January 5, 2015. The SEZ Policy Framework was then tabled in this Honourable House on January 13, 2015 as a Green Paper. Subsequently, work continued to transition the Green Paper to a White Paper.

This SEZ White Paper is, therefore, submitted against the backdrop of a very intense and inclusive consultation process. On July 6, 2015 Cabinet approved the tabling of the Special Economic Zone White Paper in the Houses of Parliament.

2. Main Policy Considerations

Mr. Speaker, the adoption of a new SEZ regime will ensure that Jamaica is in conformity with the World Trade Organisation (WTO) Agreement on Subsidies and Countervailing Measures by December 2015.

A Special Economic Zone (SEZ) by definition is a geographically demarcated area that has different trade and business laws from the rest of the country. It is used to attract foreign direct investment, stimulate local investment, increase trade and create jobs. Jamaica's SEZ regime represents a customised economic strategy designed to enhance industry competitiveness and positively impact growth.

Let me be clear, SEZs are not a panacea for economic growth in Jamaica, but they represent a tried and proven strategy that has been adopted by various countries to develop and diversify their economies. Importantly, our strategy will ensure there is no negative impact on the country's existing tax base.

Mr. Speaker, SEZs are used to pilot new policies, and an important part of reforms of the wider economic environment. Some of the immediate areas of policy and strategy reforms include incentives, customs processes, trade facilitation, business environment and public- private partnerships just to name a few.

The formulation of this SEZ policy was led by a Steering Committee, chaired by Mrs. Patricia Francis, Jamaica's own global expert on international trade. The Committee consisted of representatives from the public and private sector, trade unions, academia and multilateral financial institutions.

The policy development process included various local and international stakeholder consultations and validation workshops. These consultations ensured that best

practices were adopted by identifying policy issues that have impeded the success of SEZs in other jurisdictions and the making of policy recommendations that addressed these issues.

The policy recommendations included creating a comprehensive SEZ ecosystem that incorporated labour and skills development, Micro, Small and Medium Enterprises (MSME) through strong business linkages with the local economy, trade agreements, enhancing trade facilitation, the role of the Jamaica Customs Agency and climate change mitigation while ensuring there was little or no negative impact on the local manufacturing and Business Process Outsourcing (BPO) industries.

Mr. Speaker, in preparing our MSMEs to take advantage of the opportunities that the SEZs will provide, we have increased capacity building initiatives through programmes such as the Mobile Business Clinic, facilitated increased competitiveness by strengthening the National Quality Infrastructure, created an enabling business environment for entrepreneurs through business incubator programmes and increased access to finance opportunities through the Security Interests in Personal Property Act.

Critically, this SEZ White Paper has addressed some of the factors essential to creating a logistics-centred economy. These include increased connectivity through improved use of technology; efficient transportation by ground; air to air; sea to air and air to sea; active participation in the global supply and value chains and the important role of the MSMEs.

3. Vision

Mr Speaker, the vision of the policy, “**Special Economic Zones are economic powerhouses catalyzing growth and development of a highly competitive logistics-centred Jamaican economy**” guides the value proposition for the SEZ Regime.

4. Main Policy Recommendations and Statement

The SEZ Regime is a major pillar in developing a logistics-centred economy that seeks to improve the efficiency and effectiveness of our business environment.

Some of the main expected outcomes of the policy include the development of a modern and integrated regulatory framework that embraces best practices in business and trade facilitation, and the creation of sustainable business linkages between SEZs and the rest of the economy. These specifically require attracting key investments in onsite and offsite infrastructure assets and services; improvement in the productive capacity of MSMEs and facilitating employment through increased training and development of local talent, human capital formation, technology transfer, business innovation and entrepreneurship.

Mr. Speaker, the SEZs will become a platform to attract foreign and local direct investments as well as new and diverse industries. The eligibility criteria for companies to conduct operations within an SEZ will be supported by a comprehensive analysis of

industries that are best suited for Jamaica. As such, industries that are high in the global value chain will be targeted; this will allow our local manufacturers, which meet international standards, to be linked to and included in the global supply chain of these targeted enterprises. Other expected benefits of this SEZ Regime are additional economic activity from the promotion of increased exports of goods and services and the creation of employment opportunities.

Properly designed SEZ regimes with effective and efficient Authorities have attracted an influx of investments. Indeed, SEZs can create high economic growth and reduce regional imbalances as the Government can develop them according to their economic, international and regional requirements. SEZs have also proven to increase the inflow of globally competitive technologies, processes and expertise from foreign participants which will create the environment for technology transfers into the local economy.

Mr. Speaker, it is well understood that the creation of internationally competitive and hassle-free environments within the SEZs will not by itself create the business environment for success or positive input into the local economy. On that basis, a focus on attracting the right investors for the development of world-class infrastructure in and around our SEZs is integral. Infrastructure developments such as the Caymanas Special Economic Zone (CSEZ) will benefit significantly from the implementation of a modern SEZ Regime which will position it as a port hinterland that will be attractive to major multi-national companies and other foreign and local direct investments. Without a modern SEZ Regime, the Caymanas Special Economic Zone (CSEZ) is simply a real estate development. This, Mr. Speaker would significantly restrict its economic impact.

Let me also take this opportunity to state that through the work of the Trade Facilitation Task Force (TF²), there will be congruence with the SEZ Regime focusing on the simplification of procedures and other bureaucratic import and export procedures. Indeed, the signing of a Memorandum of Understanding (MoU) by eight Government Ministers was a major step towards enhancing Jamaica's trading environment.

The objectives for the Trade Facilitation Task Force include the implementation of the WTO Trade Facilitation Agreement (TFA), and the improvement of Jamaica's cross-border operations beyond Trade Facilitation Agreement, from which the implementation of a Single Trade Electronic Window will be a significant deliverable. Additional areas of focus include further improving of our Logistics Performance Index (LPI), Trading Across Borders and Ease of Doing Business to provide the environment suitable for sustainable economic growth.

Mr. Speaker, the cost of electricity and the importance of energy to the competitiveness of the SEZs and the wider economy have been given significant attention during the deliberations on the SEZ Regime. The high cost of energy has been a major constraint on Jamaica's economic performance for several years. Therefore, the need for a reliable and sustainable supply of competitively priced energy to the SEZs and the wider economy is a critical factor in Jamaica's ability to compete in the global economy. The supply of electricity to the SEZs will follow the provisions of Jamaica's electricity regime, namely the All Island License and the Electricity Act which was recently passed in the

House of Representatives. The GOJ intends to promote sustainable SEZs that will take advantage of low-carbon, green and clean model energy solutions. Indeed, sustainable SEZs are being promoted in the context of the electricity sector's development and growth framework that has supported renewable energy development as a wider country development strategy which is also focused on creating as many backward linkages with the local economy.

5. The Role of the SEZ Authority

In order to effectively and efficiently implement the policy, an autonomous SEZ Authority will be established. The Authority will operate based on the principles of ISO Quality Management standards and will be responsible for the administration of the laws and regulations of the SEZ Regime. The Authority will also create a business facilitation service that will seek to reduce some bureaucracy and coordinate the functions in a single point. The SEZ Authority along with the Free Zone Council will be responsible for the transition mechanism to ensure the existing Free Zone operators are not disenfranchised.

6. The Next Steps

Mr. Speaker, the SEZ Policy Steering Committee has now engaged a suitable consultant for legislative technical assistance and regulatory drafting of the SEZ Law and the associated regulations. The consultant is being funded under the World Bank's Foundations for Competitiveness and Growth Project.

The project is already underway and is scheduled for six months with completion by October 2015. The consultant's key deliverables are:

1. Drafting instructions for the new primary legislation for SEZ Regime.
2. Drafting instructions for related SEZ regulations that will govern the operations of SEZs tailored to the specific circumstances of Jamaica and the overarching logistics-centric objectives of the Government.

Stakeholder consultations and validation workshops were held over a three week period to include representatives from the Ministries, Departments and Agencies in Government, academia, private sector and their associations, embassies/High Commissions/multinationals, legal officers from the MDAs and various utility companies. The legislation and regulatory framework is scheduled for tabling in the Houses of Parliament by November 2015.