

The background of the slide is the flag of Jamaica, featuring a green field with a yellow saltire (X-shape) and a black field. The flag is shown with a slight wavy texture.

**Presentation to Caribbean  
Actuarial Association  
Conference**

**“Facilitating economic growth  
and development in a period of  
economic difficulty”**

# **Economic growth and development has become a challenge for many countries, including those with traditionally strong economies**

## **United States of America**

- Credit downgrade – first time from AAA
- 524 failed Banking Institutions in 3 years (Wall Street Journal, November 29, 2013)
- High unemployment – 8.15 2012 ( United States, Department of Labor)

## **Great Britain and European Union**

### Reduction in Public Sector Workforce

- Reduction in Public Sector spending for essential services
- Widespread credit downgrades impacting state and private sector borrowing
- Severe Austerity programmes
- Massive social unrest – In Greece, protests have resulted in deaths

## **Other Developing Countries**

- Increase in crime
- Decline in remittances from overseas migrants working in developed countries
- Decline in tourism

**Jamaica and its performance has to be evaluated in context of a stable but fragile macro economic landscape**

**-Notable International Rankings-**

- The comparative performance in the Doing Business Report
  - our overall ranking - 168 of 189 countries surveyed in 2013.
- The comparative performance in the Global Competitiveness Report
  - Our overall ranking – 95 of 142 countries in 2013.

**-Notable Local Achievements-**

- Containment of inflation
- Reduction in serious crimes
- Reduction in interest rates
- Maintenance of relatively stable exchange rates
- Disposal of loss-making state assets
- Resilience of Financial Sector
- Reduction in cost of government borrowing
- Resilience of Tourism

**The Doing Business Report Indicates gaps to be addressed at policy level for a number of critical indicators to facilitate business activity**

**Total number of countries surveyed : 183**

Indicator	Ranking 2012	Ranking 2013	
Ease of Doing Business	88	90	
Starting a business	23	21	
Dealing with construction permits	49	50	
Getting credit	98	104	
Protecting investors	79	82	
Resolving insolvency issues	26	32	
<b> </b>			
Paying taxes	172	163	
Trading across borders	97	106	
Enforcing contracts	126	129	
Registering property	103	105	

 Declined

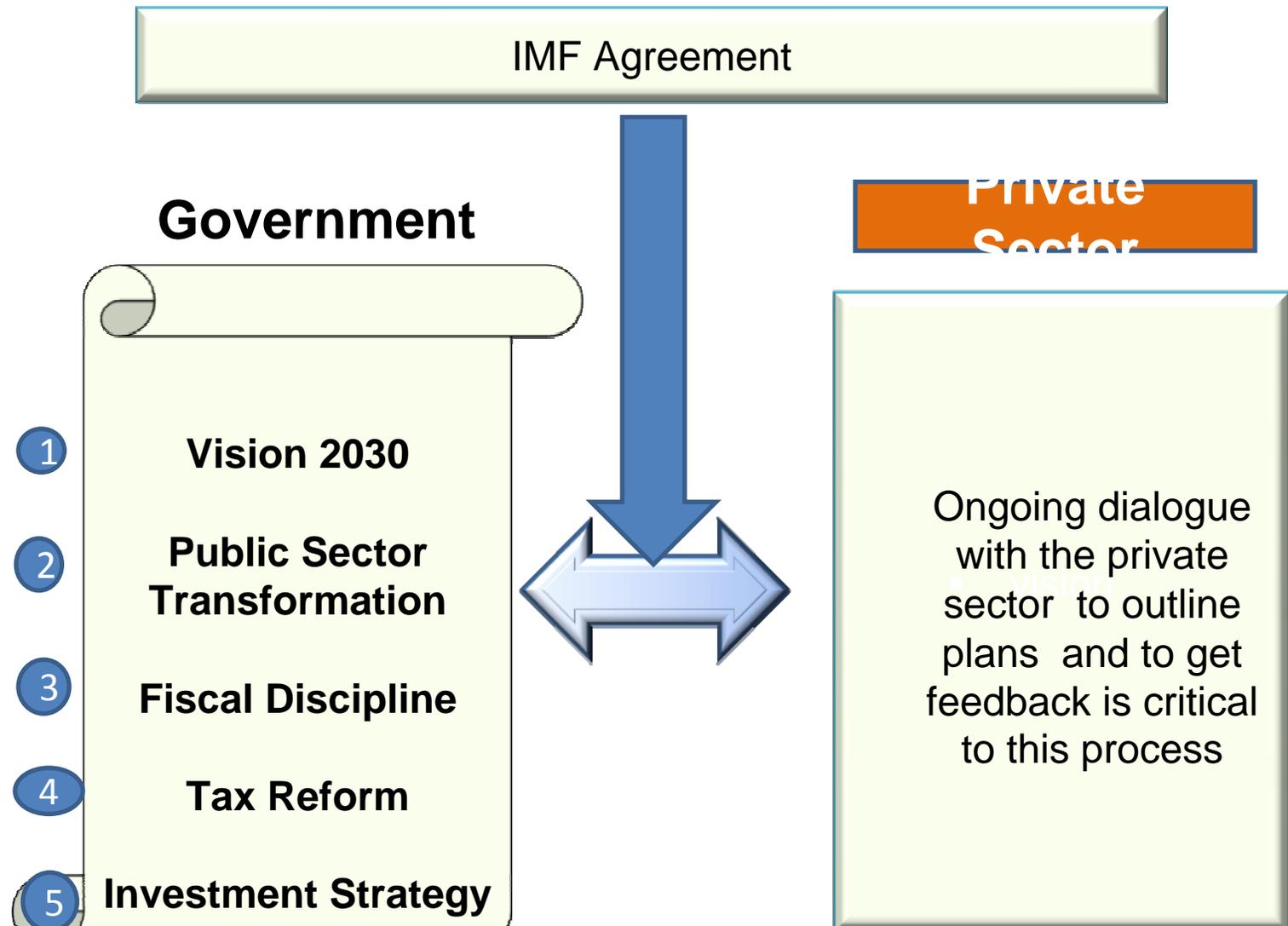
 Improved

**The 2013 survey of The Global Competitiveness Report, saw an improvement in Jamaica's ranking which moved 13 places to 95 of 142 countries surveyed.**

**-Selected Variables-**

<b>Pillar</b>	<b>Variable</b>	<b>Rank/142</b>
<b>Financial market development</b>	<b>Legal rights</b>	<b>28</b>
<b>Infrastructure</b>	<b>Quality of Port infrastructure</b>	<b>39</b>
<b>Goods market efficiency</b>	<b>Procedures to start a business</b>	<b>47</b>
<b>Business sophistication</b>	<b>Nature of competitive advantage</b>	<b>46</b>
<b>Infrastructure</b>	<b>Quality of air transport</b>	<b>45</b>
<b>Health and primary education</b>	<b>Business impact of tuberculosis</b>	<b>56</b>
<b>Technological readiness</b>	<b>Availability of latest technology</b>	<b>42</b>
<b>Institutions</b>	<b>Judicial Independence</b>	<b>49</b>
<b>Higher education and training</b>	<b>Secondary education enrollment</b>	<b>59</b>

**Jamaican entrepreneurs will need more than lower interest rates to motivate them to take risks and invest in local productive sectors. There are key principles to follow through on:**



**The strategic focus of an effective investment strategy should involve critical pillars for development and growth**

- 1 Attract Investment for development and expansion in competitive industry sectors**
- 2 Promote interest in Jamaican goods and services in local and foreign markets**
- 3 Promote the use of technology to enable innovation, modernization and competition**
- 4 Enhance the business environment by initiating reforms that are “business friendly”**
- 5 Enforce standards that protect consumers from unfair business practices and substandard goods and services**
- 6 Protect Jamaican Intellectual Property and unique value propositions**
- 7 Stimulate entrepreneurship across traditional and emerging sectors**

**Specially, we must strive for a competitive and an innovative business environment .....**

- **encourage and facilitate investments with greater backward and forward linkages that contribute to GDP**
  - Foreign and local investors should have ready and viable economic choices in favour of quality Jamaican inputs from local suppliers
- **compete on world class standards and in recognition of requirements of destination markets**
  - Production and service processes must be certified and accredited to international standards
- **use science and technology to reduce costs and to be innovative**
  - Leaders in the Public and Private Sector should embrace the possibilities to leverage technology for efficiency and creativity.

.....that leverages the unique characteristics of the country and our people

- **compete on a value proposition**
  - The Jamaican brand must become synonymous with quality or “best in class” rather than just a place of origin
- **compete in ways and areas where we have unique selling opportunities**
  - There are many products such as Jamaican Blue Mountain Coffee and Jamaican Jerk that can create tremendous opportunities with the protection of Geographic Indications
- **develop our people to meet the changing demands for skills**
  - Our people must be comparable in productivity as their counterparts globally, as it is a real cost to companies and a limitation to development and upward mobility

**We must identify a number of established Industry sectors that have significant high value investment opportunities for “niche plays” that can lead to job creation**

- **Logistics Industry**

- Traditional port infrastructure vs. integrated multimodal free zone with standalone “efficient” energy and port facilities

- **Light Manufacturing and Assembly Industry**

- Traditional vs. Green industries, recycling, and reassembly (e.g. plastics, rubber and auto repair)

- **ICT Industry**

- Traditional call centers vs. high value BPO

- **Tourism Industry**

- Traditional “sun and sand” vs. medical tourism and gaming entertainment

- **Agro-processing Industry**

- Traditional focus on commodity markets vs. processed and packaging of convenience foods

- **Creative Industry**

- Traditional losses through infringement and copyright breaches vs. Captive development and innovation

- **Mining Industry**

- Traditional Bauxite vs. limestone extraction and value added processing

- **Financial Services Industries**

- Traditional offerings vs. IFSC offerings- e.g. Holding Companies

**All of these can be pursued by Government and private sector and points to tremendous growth opportunities through a “sector extension strategy”**

## Jamaica lags behind several countries in terms of value added created from primary agricultural output

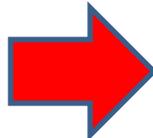
Country	Agriculture GDP(%)	Agriculture and Agrifood GDP (%)	Percentage Increase (%)
Uruguay	6.2	34.8	461
Costa Rica <sup>3</sup>	11.3	32.5	188
Argentina	4.6	32.2	600
Chile	5.6	32.1	473
Colombia	8.0	32.1	301
Peru	6.6	31.8	382
Brazil	4.3	26.2	509
Mexico	4.6	24.5	433
Venezuela	4.0	20.5	413
Canada	1.8	15.3	750
 <b>Jamaica(19992003)</b>	<b>6.14</b>	<b>11.34</b>	<b>85</b>
United States	0.70	8.1	1,057

Source:

1) *More than Food on the Table, Agriculture's Contribution to the Economy, IICA 2004*

2) *Contribution of Agriculture to Sustainable Development in Jamaica, IICA 2009*

**Our true value from our agriculture sector will only be realized when there are stronger linkages between processing and farmers primary output.**



Country	% of Primary Agricultural Production Going to Intermediate Demand*
Argentina	69.2
Brazil	72.0
Canada	73.9
Chile	66.8
Columbia	54.1
Costa Rica	56.9
<b>Jamaica</b>	<b>39.0</b>
Mexico	64.9
Peru	54.4
United States	79.8
Uruguay	65.3
Venezuela	60.7
<b>Average**</b>	<b>73.8</b>

Source:

1) *More than Food on the Table, Agriculture's Contribution to the Economy, IICA 2004*

2) *Contribution of Agriculture to Sustainable Development in Jamaica, IICA 2009*

## Need to pursue critical enablers for improving the business environment, development and innovation

### Strategic “enablers”

- **Legislation:**
  - **Geographic Indications (Agro processing)**
- **Policies:**
  - **MSME (Entrepreneurship)**
- **Metrics of International Surveys/Reports:**
  - **Doing Business Report and**
  - **Global Competitiveness Report (country attraction)**
- **Initiatives:**
  - **Development of an E Government– (Superform and online transactions)**
  - **One stop shop and Export max**

### “Game Changers”

- **Introduction of a Credit Bureau**
- **Introduction of Insolvency /Bankruptcy Act**
- **Development of an economic free zone with a stand alone “efficient” energy supply**
- **Accreditation of Local Laboratories**
- **Liberalize collateral requirements**
- **Introduction of mobile banking**
- **Development and expansion of Port Facilities**

End of Presentation

**Thank You!**

# Fact Slide – Logistics

## Panama Canal

- The canal expansion is expected to enhance Panama's strategic position as a trade centre and generate increased commercial activity.
- Panama sped past Chile in 2010 as Latin America's top recipient of foreign direct investment in terms of the ratio of FDI to GDP.
- Two other Central American countries, Nicaragua and Honduras, also climbed up the ladder into the second and fourth spots.
- Brazil and Mexico were, however, still by far the major destinations for FDI in this region with inflows of US\$48.5 billion and US\$17.7 billion, respectively, last year. But these inflows represented only 2.3 per cent and 1.7 per cent, respectively, of the GDP of these countries, while the figure for Panama was 8.8 per cent.
- Weaknesses in its workforce and issues to do with the rule of law and respect for contracts are two critical constraints that could affect Panama's ability to sustain the fast pace of economic expansion.
- **Dennis Morrison, Columnist**

# Fact Slide- Tourism

- Our Tourism sector continues to grow and up to August, tourism had generated US\$ 1.480 billion, which represents a 3.4 per cent increase over the US\$ 1.432 billion the destination earned for the same period in 2010.

Source:

[http://m.jamaicaobserver.com/results/2000-new-rooms-to-be-added-to-Ja-s-hotel-product---Bartlett\\_9856483#ixzz1dt6uoYyE](http://m.jamaicaobserver.com/results/2000-new-rooms-to-be-added-to-Ja-s-hotel-product---Bartlett_9856483#ixzz1dt6uoYyE)

# Fact Slide – Creative Industries

- **Jamaica earned more net foreign exchange from cultural services which includes music, sport and film at US\$23.8 million (J\$2b) in 2010, than from services in finance, business, insurance and construction combined, according to newly released Bank of Jamaica (BOJ) data.**
- Net earnings from cultural services and recreational services declined by US\$900,000 or nearly four per cent year on year, but it was still the third highest net forex earner for the services sector, according to the Balance of Payment monthly report for May 2011.
- The US is the world's largest music market.
- Jamaica's copyright earnings are valued at about US\$465 million, or 4.8 per cent of GDP, according to a 2008 World Intellectual Property Organisation-sponsored [study](#)
- We have comparative advantage in the creation of our own cultural products, but there is a large external market and demand for these products and services. The correct mix of public policies, incentives and financing opportunities, industry structure, for cultural professionals, practitioners and support organisations could help to harness more of the global potential and thereby increase the net inflows for cultural industries," he argued.
- Film, music and other creative industry [jobs](#) doubled in 2010, resulting in a 61 per cent rise in spending to some J\$574 million over earlier levels, according to the Economic and Social [Survey Jamaica 2010](#) published annually by the Planning Institute of Jamaica.

# Fact slide- Logistics Port Infrastructure

- KCT is said to have been rated number 62 among the world's leading ports following a \$27-billion expansion, which has increased the capacity of the Terminal by some 600 per cent from the original 400,000 TEUs in 1975 to the 2.8 million TEUs at the end of 2008.

Read more:

[http://m.jamaicaobserver.com/news/KCT-prepares-for-mega-ships\\_8529283#ixzz1dt9iCpvu](http://m.jamaicaobserver.com/news/KCT-prepares-for-mega-ships_8529283#ixzz1dt9iCpvu)

# Fact Slide –Logistics

## PANAMA CANAL

- Outside of a healthy global economic recovery, the greatest positive impact to come to world trade and world shipping is the essentially three-fold expansion of the capacity of the Panama Canal.
- We in the Caribbean region are strategically positioned to take advantage of this development. But our excellent position is not sufficient.
- What is necessary are the required infrastructural and logistical components essential to capitalise on this strategic advantage. Some key development trends that, along with the Panama Canal expansion, are shaping the future of our industry are the emergence of ultra large container ships, declining freight [rates](#), overcapacity in the global shipping industry, and carrier consolidations.
- These trends will have tremendous impact on the industry going forward. In the short-to medium-term, the global economic climate remains highly volatile and uncertain.
- According to the Panama Canal Authority, the containership segment constitutes the main driving force of Canal traffic growth. Trade between North East Asia and the US East Coast reflects the highest Canal transit growth rate and will become a key Canal growth driver.

# Fact Slide – Austerity Measures Greece(1)

- Greece is under intense EU pressure to adopt the new package of austerity measures that EU leaders set as a condition for a new 130bn-euro bailout.
- After a week of political turmoil a [new coalition cabinet](#) was sworn in on 11 November, led by an unelected banker - Prime Minister Lucas Papademos.
- Greece remains frozen out of international credit markets because its sovereign debt has junk status.
- Greece has been drawing on a 110bn-euro loans package agreed by the EU and IMF in May 2010, but to prevent a default the lenders decided that a second bailout was needed.
- As part of the new deal, private banks holding Greek debt will accept a write-off of 50% of their returns that is expected to cut the nation's debt load to 120% of its GDP in 2020.
- To meet the lenders' demands, Greece is planning [additional austerity measures](#), despite a wave of protests and crippling strikes.
- The unpopular measures include a new property tax and the suspension of 30,000 civil servants on partial pay by the end of this year.

# Fact Slide – Austerity Measures Greece (2)

- But the outgoing Pasok (socialist) government of George Papandreou did not deliver on a major element of the rescue plan - large-scale privatisation. The goal is to raise 50bn euros from sales of state assets by 2015.
- Many Greeks feel the international lenders' conditions are intolerable, condemning the country to years of painful spending cuts and job losses.
- The unemployment rate has risen to 18.4%.

# Fact Slide – Austerity Measures

## Italy

- The crisis has toppled the veteran leader who has dominated Italian politics for two decades - Silvio Berlusconi.
- The immediate trigger for his downfall was Italy's soaring bond yields - they entered the 7% danger zone, generally regarded as unsustainable.
- The markets are still jittery about Italy's 1.9-trillion-euro public debt (about 120% of GDP) and anaemic growth rate.
- A former EU commissioner, Mario Monti, looks poised to replace Mr. Berlusconi, who was punished for failing to deliver austerity measures quickly or deeply enough for the EU.
- The Berlusconi government adopted an austerity package in July, featuring savings worth 70bn euros. It included increases in healthcare fees, and cuts to regional subsidies, family tax benefits and the pensions of high earners.
- A second austerity package - [58.9bn euros' worth of savings](#) - is now going through parliament. It is intended to balance the budget by 2013. It entails a rise in sales taxes, a revised wealth tax and a crackdown on tax evasion.
- In the public sector Italy has been cutting pay and freezing new recruitment. Only one employee will be replaced for every five who leave.

# Fact Slide – Austerity Measures Ireland

- In December 2010 the former Irish government accepted an EU/IMF bailout worth 85bn euros.
- In July, EU leaders agreed to a request from the new government of Edna Kenny to lower the interest rate from around 6% to between 3.5% and 4%.
- The length of time to pay back the loan was also extended from seven-and-a-half years to 15 years.
- Since 2008, the cost of bailing out the stricken banks has been 46bn euros, a huge hole in the government's finances. But [that cost will climb to almost 70bn euros](#) because bank stress tests, published in March 2011, showed that four major banks would have to be recapitalised.
- The toughest budget in the nation's history included a pledge to [trim the deficit by 6bn euros](#) in 2011.
- Government spending has been slashed by 4bn euros, with all public servants' pay cut by at least 5% and social welfare reduced.

# Fact Slide – Austerity Measures Portugal

- In May this year Portugal became the third eurozone country to receive [a huge EU/IMF bailout](#) - 78bn euros.
- A new centre-right coalition government took office after elections in June and it has a big enough majority to pass the austerity measures necessary under the bail-out conditions.
- It aims to get the budget deficit down to 5.9% of GDP this year.
- The previous minority Socialist government fell after failing to get opposition backing for a new austerity package.
- Various austerity measures have already been adopted such as a 5% pay cut for top earners in the public sector, a VAT rise of 1% and income tax hikes for high-earners. The military budget is being slashed and two high-speed rail projects have been postponed.

# Fact Slide – Austerity Measures Spain

- Unemployment has more than doubled - to 21% - since 2007. It is the highest rate in the EU and Spain's biggest economic problem. The rate among young Spaniards is even higher - 46%.
- The government approved [an austerity budget for 2011](#) which includes a tax rise for the rich and 8% spending cuts.
- Government workers have had their pay cut by 5% and salaries have been frozen for 2011. The retirement age is being raised to 67.
- [The tax on tobacco is to rise 28%](#), but a plan to sell off 30% of the Spanish national lottery was shelved.
- The ruling Socialists and opposition united to push through a "golden rule" in the constitution to keep future budget deficits to a strict limit.
- Spain has seen [widespread protests against austerity](#), with makeshift tent cities organised by young people who fear a bleak, jobless future.

# Fact Slide – Austerity Measures UK

- The Conservative-Liberal Democrat coalition government has announced the [biggest cuts in state spending since World War II](#).
- Savings estimated at about £83bn are to be made over four years. The plan is to cut 490,000 public sector jobs. Most Whitehall departments face budget cuts of 19% on average. The retirement age is to rise from 65 to 66 by 2020.
- The budget deficit is about 10% of GDP and unemployment - officially 2.45 million (7.7%) - is at its highest level since 1994.
- Public anger over the cuts has grown. More than 250,000 people demonstrated in London on 26 March - the city's biggest protest since the 2003 Iraq war.

# Fact Slide – Austerity Measures

## France

- France has announced plans for [65bn euros of savings by 2016](#). It aims to close tax loopholes and withdraw temporary economic stimulus measures.
- The highest earners will also be required to pay an extra 1% income tax.
- VAT on many goods and services will be raised from 5.5% to 7%, except on essential goods such as food.
- Corporate tax on companies with a turnover of more than 250m euros a year will also temporarily be raised by 5%.
- With a presidential election looming next year the government is anxious to protect France's triple-A credit rating.
- But the plan to raise the retirement age from 60 to 62 and the full state pension age from 65 to 67 provoked [major protests and strikes](#) last year.

# Fact Slide- EU Austerity Measures (Others)

## Netherlands

- The centre-right [coalition formed after months of negotiation](#) on 8 October last year said it wanted to cut the budget by 18bn euros (\$24bn; £15bn) by 2015.
- But the new government has to rely on the radical Freedom Party to enact legislation and there are doubts about its long-term viability.

## Romania

- The government proposed wage cuts of 25% and pension cuts of 15% last May to reduce the country's budget deficit.
- There were protests and [Interior Minister Vasile Blaga resigned](#) after thousands of police officers went on strike over the 25% pay cut.
- Romania's economy shrank more than 7% in 2009 and it needed an IMF bailout in order to meet its wage bill.

# Fact Slide – Austerity Measures Germany

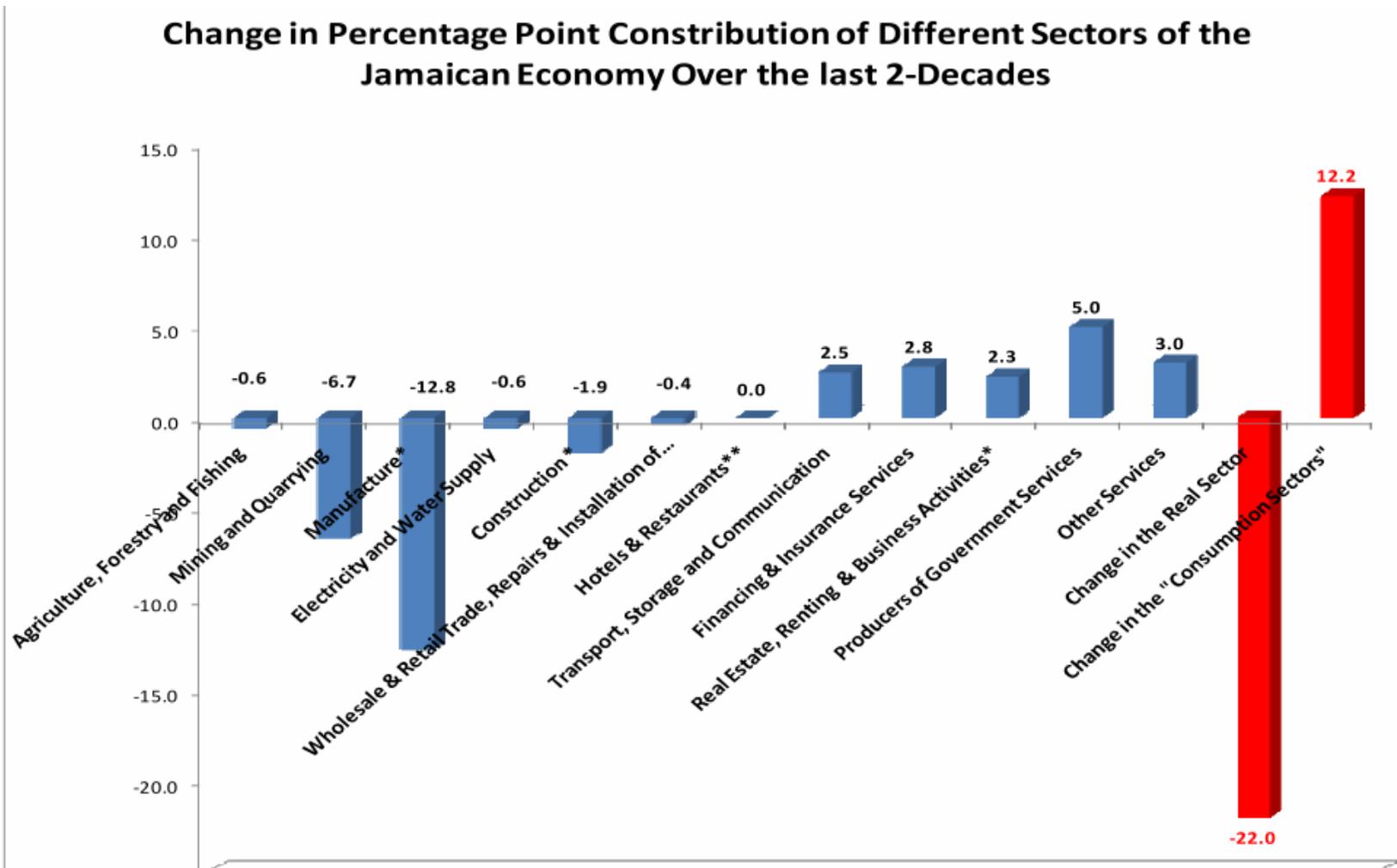
- The government [plans to cut the budget deficit](#) by a record 80bn euros by 2014. The total deficit in 2009 was 3.1% of GDP, but it is projected to be above 5% for 2010.
- The plans include a cut in subsidies to parents, 10,000 government job cuts over four years, and higher taxes on nuclear power.
- Growth in the German economy [slowed sharply](#) between April and June and was weaker at the start of the year than previously thought, figures show.

# Fact Slide -Tourism

- Jamaica was one of the few Caribbean countries that continued to increase arrival numbers throughout the recession, largely due to its marketing strategies.
- Jamaica's "Drive for Five" programme, which began in May 2008, aims to achieve five million arrivals and earn US\$5 billion by 2012.



.....and explains why there has been such a dramatic decline of the productive sectors over the last 2 decades



Source: JMMB internal research 2011