



Economic Zones: Special Tools For Development

Placing Jamaica's Special Economic Zone
Development In Context

by Ainsley Brown

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Introduction

Special economic zones (SEZs) are popular policy tools used by governments the world over to drive development, industrialization, investment, job creation, etc. It is important to note that SEZs are not only a 'third-world' thing but present in both developed and developing countries. Despite their popularity, or maybe because of it, SEZs have a mixed reputation, with transformational successes (e.g. Shenzhen, China) and spectacular failures (e.g. India) all being part of the landscape.

Now that Jamaica has embarked on its own modern SEZ programme will it be transformational for the Jamaican people and their economy or will it be a spectacular failure? By all indications, and as will be explained in the contents below, the former seems to be true. Jamaica has many of the ingredients to not only have a successful modern SEZ programme but a transformational one. This book explores how.

[Economic Zones: Special Tools For Development - Placing Jamaica's Special Economic Zone Development In Context](#) is a collection of articles from Commercial Law International. Commercial Law International is a law blog that aims to inform; give opinions; at times be controversial; and to provoke insightful discussions about the latest, most interesting and sometimes stranger developments that affect the commercial world. The guiding philosophy of Commercial Law International is that commercial awareness is global.

WHAT ARE SPECIAL ECONOMIC ZONES?



Special economic zones (SEZ) are not a panacea for nation's economic and developmental challenges. However, they are proven tools, if implemented correctly, to rapidly diversify a country's industrial base, attract foreign direct investment (FDI), increase job creation and improve economic growth. Examples of such success range from Singapore, to China (the factory of the world), to Ethiopia(the fastest growing economy in 2017) to Rwanda. Jamaica, for its part, is seeking to be on this list of successes.

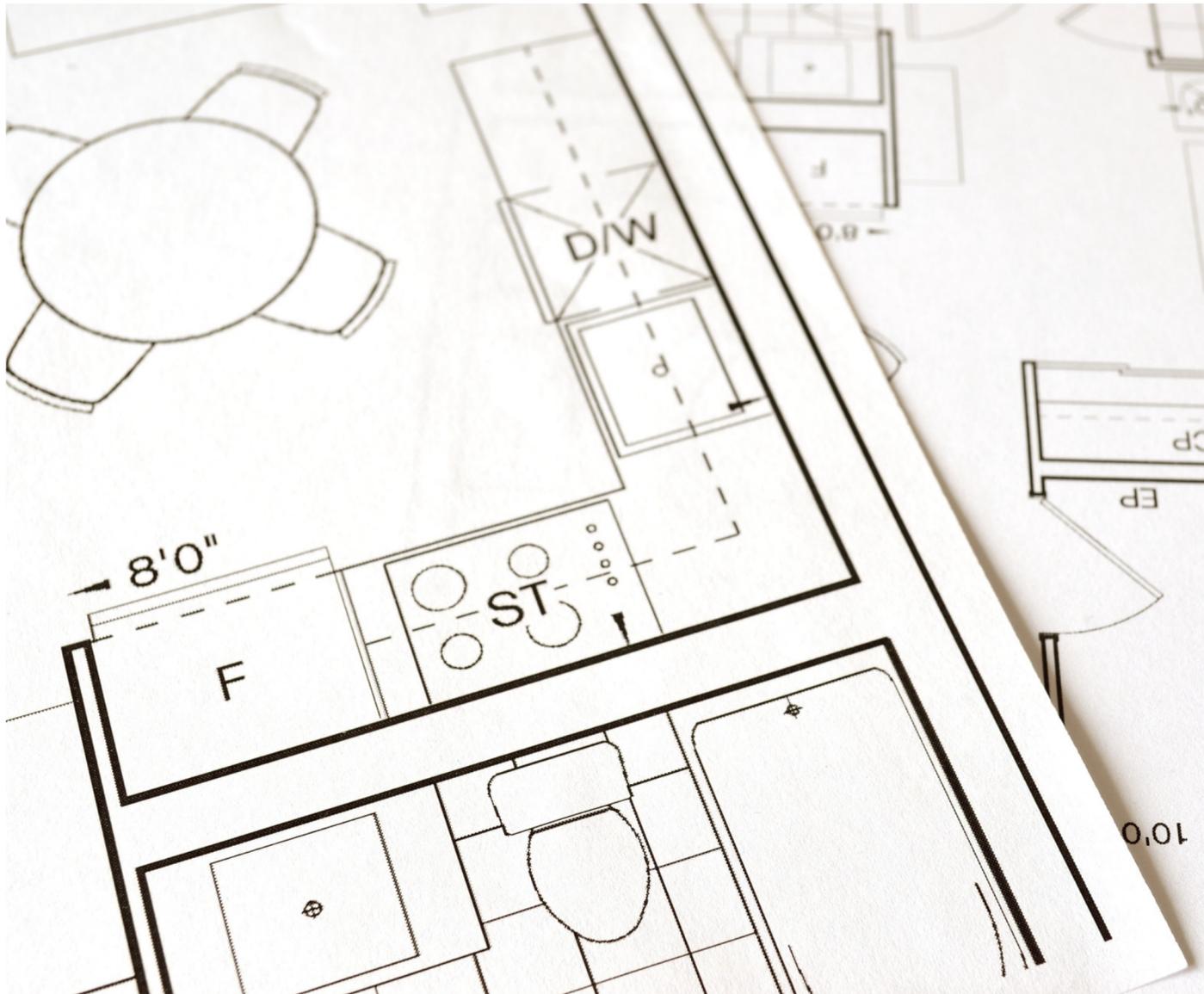
Can Jamaica do it?

Yes, I believe Jamaica can do it. In fact it has already started.

Having being on the ground for the development of Jamaica's modern Special Economic Zone Regime I know for a fact that not only have these and other successes been studied but so too have been the failures. Knowing what not to do is just as important, and in some instances more important, as what to do. This journey has been a case of adopt and adapt what works to Jamaica's specific circumstances (social, economic , legal, etc) and one of alignment with Jamaica's vision of itself as a global logistics hub.

On a personal note the development of Jamaica's Special Economic Zone Regime has not only been an interesting one but professionally truly gratifying having participated in its development from day one - authoring the initial concept paper, assisting with the drafting of the SEZ policy, the law, the Regulations and now the implementation and operationalization of the Jamaica's Special Economic Zone Authority.

Now having said all that, what exactly are special economic zones (SEZ)?



Is defined by the World Bank:

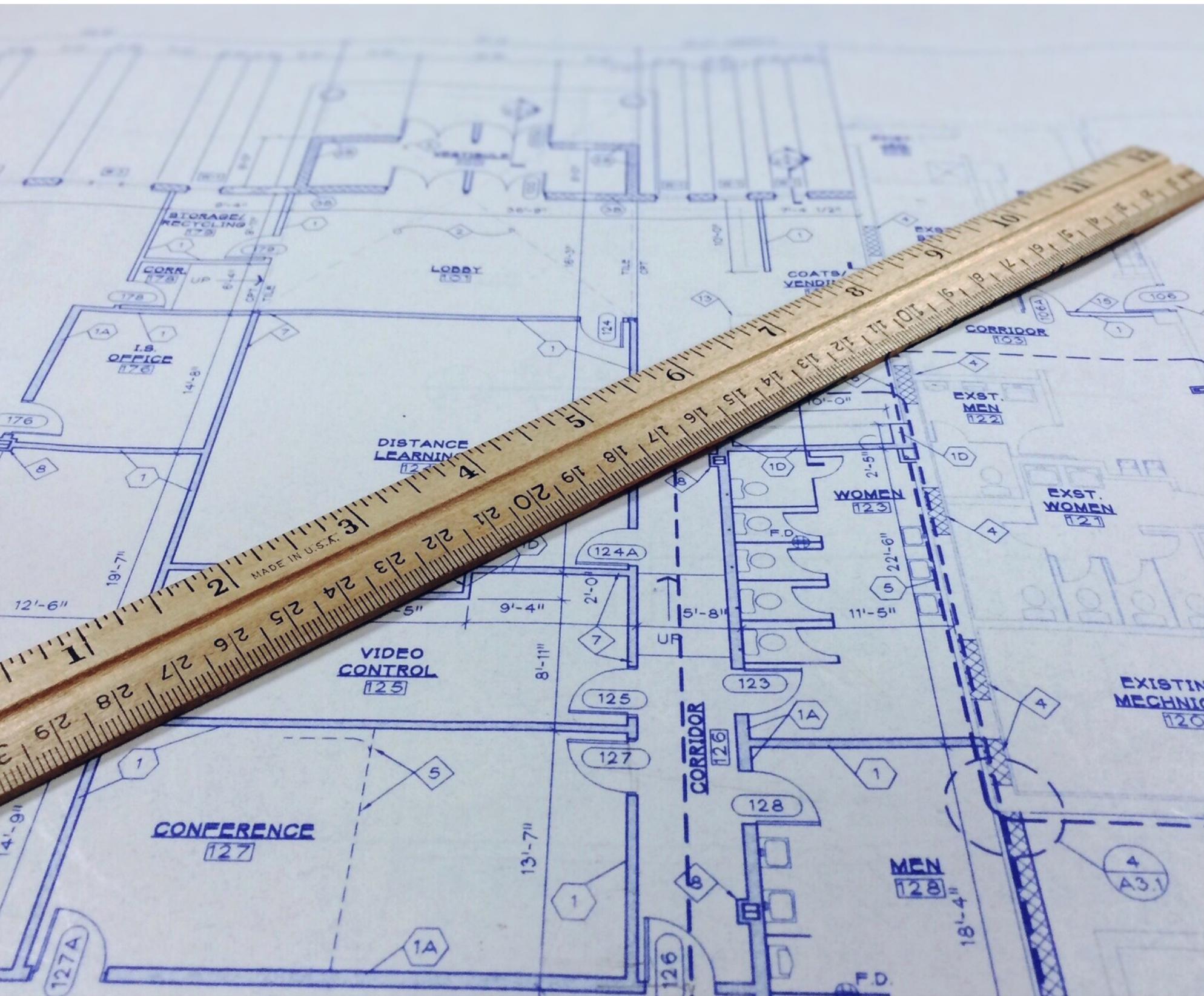
A geographically delimited area, usually physically secured (fenced-in); single management/administration; eligibility for benefits based upon physical location within the zone; separate customs area (duty-free benefits) and streamlined procedures.

Special economic zone :
performance, lessons learned, and implication for zone development by Akinci, Gokhan; Crittle, James. Washington DC: World Bank, 2008

Dr Yejoo Kim, Research Fellow, Stellenbosch University:

Special economic zones are geographically designated trade areas that are used to attract foreign investors and boost industrialisation. They generally have trade laws that differ from the rest of the country and companies are offered tax incentives to set up operations

What can Africa learn from China's special economic zones?' by Yejoo Kim, World Economic Forum



Ainsley Brown, Director Jamaica's Special Economic Zone Authority:

While Special Economic Zone (SEZ) come in a variety of configurations they generally have six common features: (i) a geographically defined area that is usually fenced in; (ii) is under a single management or administration; (iii) flexible and streamlined business regulations; (iv) businesses operating within the zone are eligible for benefits (tax incentives) from being located in the zone; (v) support infrastructure that is designed to optimize the operations of businesses. Additionally zones are located proximate to key transport infrastructure such as port, airports, highway interchanges, that are used to facilitate the business operation of the zones and; (vi) the zone is considered a separate customs area.

Jamaica's Special Economic Zones: Form, function, and model by Ainsley Brown, Commercial Law International (blog)

SEZs come in a variety of forms, names and functions – free trade zones, free zones, export processing zones, enterprise zones, etc – that reflect a Government's priorities and positioning of its economy.

However, what unifies them all is that they are development tools used by governments to attract and facilitate investments that act as catalysts to diversify whole or targeted segments of their economies.

JAMAICA'S SPECIAL ECONOMIC ZONES: FORM, FUNCTION, AND MODEL



Special Economic Zones (SEZs) come in a variety of forms, names and functions – Free Trade Zones, Free Zones, Export Processing Zones, Enterprise Zones, etc. These reflect a government's priorities and positioning of its economy. However, what unifies them all is that they are development tools used by governments to attract, and facilitate investments that act as catalysts to diversify whole or targeted segments of their economies.

Special Economic Zones Defined

While Special Economic Zone (SEZ) come in a variety of configurations they generally have six common features:

1. A geographically defined area that is usually fenced in.
2. Is under a single management or administration.
3. Flexible and streamlined business regulations.
4. Businesses operating within the zone are eligible for benefits (tax incentives) from being located in the zone.
5. Support infrastructure that is designed to optimize the operations of businesses. Additionally zones are located proximate to key transport infrastructure such as port, airports, highway interchanges, that are used to facilitate the business operation of the zones.
6. The zone is considered a separate customs area.

The Purpose of SEZs

The general positioning of modern special economic zone regimes is their use by governments as a strategic tool in a larger economic development strategy or plan. SEZs, for Jamaica, are a tool within a larger logistics hub development model that is being used to grow the economy through industrialization. As a tool within a larger growth strategy,

Jamaica's SEZ regime is designed to improve Jamaica's competitiveness and create jobs, attract business and capital.

The activities within the SEZs are aimed at fully integrating the Jamaican economy into the global production and distribution systems that rely on global value and supply chains. This complex and dynamic system, at the heart of globalization, places Jamaica at a critical intersection of global trade, investment and services. In a globalized environment companies face several conflicting demands simultaneously, for example there is an equal drive to both centralize and decentralize production and distribution. Additionally, companies must balance global and local demands at the same time in the sense of being able to produce and distribute worldwide but at the same time adjusting product specifications through postponement to meet the local taste of consumers through customization.

Jamaica's Global Logistics Hub, largely through its SEZs, creates a platform where global trade, investment and services will intersect and interact. The SEZs provide the ideal one stop shop location for meeting the simultaneous, and often conflicting, demands of the marketplace in a flexible, efficient and reliable manner.

Free Zone to SEZ: a new policy direction

The name change from Free Zone to SEZ is not a simple matter of form over substance. The SEZ concept is a deliberate policy break away from past policy and is intended to send a clear signal to the investor community (domestic and international); the multilateral lending agencies; and the WTO that Jamaica is moving in a new policy direction.

The Free Zones of the past were largely export processing zones reliant on non-World Trade Organization (WTO) compliant export performance fiscal incentives, the SEZ on the other hand move beyond export processing and is fully WTO compliant.

The Jamaica SEZ model

SEZs are purposely built and fully serviced sites aimed at improving the competitiveness of manufacturing and services. They are founded on the principles of improving efficiency, clustering of complementary value added services, and seamless integration into the global value chains, low corporate taxation and a business friendly environment.

These principles, however, are not self-applying. They have to be implemented systematic and this is where the Jamaica Special Economic Zone Authority (JSEZA) comes into play. JSEZA is the government body charged with regulating, monitoring, supervising, promoting and facilitating investments in SEZs in Jamaica.

Through the work of JSEZA SEZs investors will facilitate and be facilitated by:

- a. Developing world class industrial infrastructure, supported by world class transport infrastructure (road, rail, airport and ports) that function as trade facilitators;
- b. Competitively priced energy;
- c. Increase cargo flows through increased transshipment throughput; increased imports as inputs into production (SEZ and domestic); and increased exports as semi or finished goods (SEZ or domestic) that have the Made in Jamaica label;
- d. Optimize and analyzing cargo flow information to seek out, attract and manage higher value-added logistics activities; and
- e. Create backward linkages to the rest of economy through our Micro, Small, Medium Enterprises (MSMEs) through the sourcing of domestic raw materials as inputs into production and by subcontracting of local service providers.

As such Jamaica's SEZs will be focused less on fiscal incentives and more on providing a platform to meet the efficiencies demanded by the global marketplace

Central to this are 'soft' -using government services as – incentives inherent in regulatory relief such as expedited investment, construction, work permit approvals, and streamlined and efficient Customs inspection. The move to place greater reliance on business and trade facilitation reflects not only international best practice but also reflect a growing global trend of governments using their regulatory functions as services to investors, in effect non-fiscal incentives.

WTO compliance

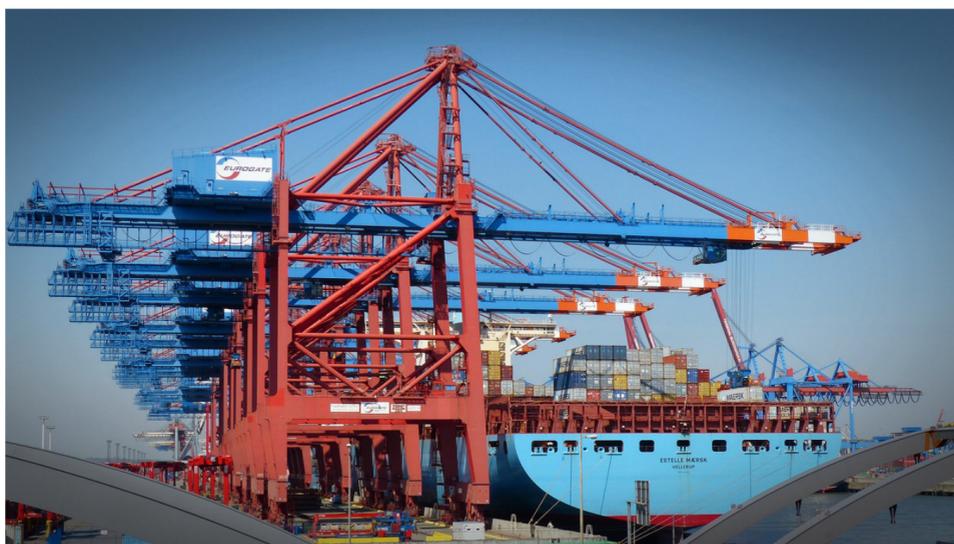
The WTO prohibits subsidies in particular export performance and local content subsidies. Under its WTO obligations Jamaica has phased out its offending subsidies and has gone as far as repealing its Export Free Zone Act and replaced it with the Special Economic Zone Act, 2016.

Fiscal incentives

Generally the incentives offered under a SEZ regime will not be considered to be subsidies provided that the benefits are not focused on export performance, the use of domestic content, not set up to primarily benefit a specific industry or business, nor for the maintenance of foreign exchange balances. The new SEZ regime's fiscal incentives focus therefore includes lower corporate income tax, duty free importation of raw materials and no General Consumption Tax (GCT) on electricity and telephone services.

Jamaica has gone further and followed global best practice and included performance based mechanism such as employment tax credits for job creation that facilitate the lowering of the corporate income tax rate.

JAMAICA'S GLOBAL LOGISTICS HUB: SO MUCH MORE THAN PORTS



What is the role for ports and airports vs the role for Special Economic Zones (SEZ) in Jamaica's Global Logistics Hub Initiative?

The simplest answer is that ports and airports, while very important, in the main facilitate trade and economic activity while the SEZs are the drivers of economic activity, economic development and wealth creation for the people of Jamaica.

['Provide a reason and they will come'](#)

Ships and planes need a reason to stop in Jamaica; it is not simply case of 'build it and they will come.'

No!

The proper way of thinking and developing industry, investment and commerce in Jamaica is to provide a reason and only then will they come.

Jamaica needs to provide that reason or better yet reasons beyond what it currently offers; largely through transshipment and tourist visits. If Jamaica is to develop/grow its economy and provide prosperity for its people it needs to enhance its existing offerings but more importantly it needs to move beyond them and provide a suite of SEZ clusters through which cargo, people and data can flow seamlessly.

These SEZs clusters, be they supporting maritime, aviation or industrial activities will provide the impetus for the ships and planes to stop in Jamaica. The SEZ clusters will provide a 'one stop shop' environment that will incentivize the many ships and planes that currently pass through our waters or airspace and do not stop to make Jamaica a port of call. What is more, the SEZs will act as a diver for those that current don't ply our waters or fly in our airspace to adjust their business models to meet the cargo, people and data flows from Jamaica's Global Logistics Hub.

The Hub will make Jamaica the location of choice for a ship or a plane to get repaired , re-fueled, re-crewed, re-provisioned but more importantly to pick up and drop off more than just transshipped cargo but cargo coming in as domestic inputs for production and cargo leaving as Jamaican made or assembled products.

Special Economic Zones: the heart of Jamaica's Global Logistics Hub

Special Economic Zones, are therefore the primary economic drivers and job creators within the Jamaican Global Logistics Hub. They are geared towards value added activities, such as light manufacturing, ship/aircraft maintenance and repair, business processing outsourcing, warehousing, production planning, (re)labelling, to name a few, and will take Jamaica beyond simply being a regional transshipment hub to a value added centre – a Global Logistics Hub.

Jamaica's ports and airport will serve as facilitation mechanisms for cargo and people flows coming in and out of the SEZs.

JAMAICA'S SPECIAL ECONOMIC ZONE FRAMEWORK DESIGNED TO SUPPORT PRIVATE SECTOR SEZ DEVELOPMENT



It is always a good idea to review your past work and accomplishments from time to time, you just never know what you will find. Such a review brings to mind the old adage what is old, is new; reviewing after some time gives you perspective and at times new insights. Conducting such an exercise led me to remember my participation as a panelist in 2014 on a Government of Jamaica policy dialogue: Jamaica's Growth & Special Economic Zones Policy Dialogue. Somehow I posted an article on my LinkedIn but not on Commercial Law International. What an oversight!

This oversight on my part has come to be a blessing in disguise as it allows me an opportunity to put out an article on Jamaica's special economic zone (SEZ) policy and legislative framework, with particular focus on attracting private sector investment. This is especially timely given the continued roll out of Jamaica Special Economic Zone Authority, the Government of Jamaica's, agency charged with regulating and attracting investments to zones in Jamaica. While this piece is a bit dated it never the less provides in brief some useful insights, in particular for the private sector, into the policy and legal framework of SEZs in Jamaica.

Enjoy.

I was honored to be sitting on the Private Zone Development, Joint Ventures and PPP Panel discussion today. Maybe its the nerd, sorry, I mean lawyer in me that gets so excited to talk about Special Economic Zone development models...its all about structuring the deal.

Please see the session brief below:

The Government of Jamaica (GOJ), in an effort to preposition itself in the world as a Global Logistics Hub, has identified Special Economic Zones (SEZs) as a key policy tool in achieving this objective. The main focus of SEZs is to attract foreign direct investment, diversification of the Jamaican economy, job creation and the increase in value-added exports.

Policymakers are aware of the fact while economic zones bring about economic growth; they are not limited within themselves. The real value of economic zones depends on their ability to stimulate widespread growth through linkages with the domestic economy and to catalyze nationwide reforms by serving as pilots.

Drawing from numerous examples of successful SEZs around the world as well as Jamaica's own experience with its existing Free Zone regime, the GOJ, is acutely aware of the potential direct and indirect impacts that could be realized by developing a modern SEZ regime as a tool for sustainable and globally competitive economic development. The GOJ, in order to realize the SEZ potential, has launched an effort to develop a new SEZ policy regime for Jamaica based on good economic and social practices in their operation and commercial principals in their development and management. Considering the vast investment potential of SEZ's in Jamaica, the GOJ appreciates the importance of understanding the relevant economics, structures and processes that drive the successful implementation of SEZs. In this regard, the GOJ places great significance on the role of the private sector in SEZ development.

Given GOJ's funding constraints, namely under the current IMF Loan Programme, the SEZ Policy encourages the private sector to play an active role in the Jamaican Special Economic Zones. The Policy envisages public private partnerships (PPP), joint ventures (JV) and private zone development in the development and operation of SEZs. This offers the potential for a number of different models. However, developing SEZ under PPP and or JV model has several commercial complexities as both the public and private sector need to bear some roles and obligations.

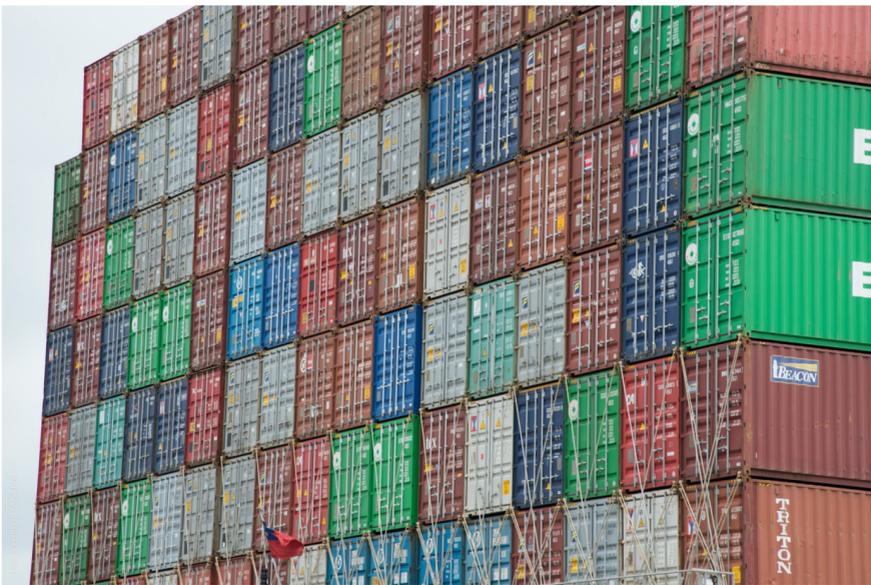
Greater involvement of the private sector in the development of zones reduces the burden placed on public resources and increases the efficiency of zones by allowing them to operate under market mechanisms. International experience reveals that a significant number of governments developed and managed zones have been less effective than their private counterparts.

In order to facilitate private development of zones, an appropriate legal, regulatory and institutional framework should be in place. The Government's main role would be to regulate economic zone activities, promote the zone regime, and aggressively identify, assemble, and make available land suitable for development through PPPs or JVs or private development.

Purpose of the session

Panelists will discuss the mechanisms to encourage and facilitate SEZ development in Jamaica (PPP, JV or private). The viability of any SEZ due to the highly capital intensive nature of their development, is dependent on finding adequate and appropriate types of financing to support a deal structure; panelists will discuss structuring and financing deals in PPP, JV or private infrastructure development.

USING SPECIAL ECONOMIC ZONES TO CONNECT TO THE WORLD: THE ROLE OF SPECIAL ECONOMIC ZONES IN ENHANCING JAMAICA'S TRADE



"No man is an island, entire of itself.." - John Donne

Jamaica has set itself an ambitious goal and programme through its national development plan, Vision 2030, to "make Jamaica the place of choice to live, work, raise families and do business."

A critical element of Vision 2030 is transforming Jamaica into a global logistics hub which includes bringing together Jamaica's geographic and other advantages with land, sea, air and technological infrastructure to support Jamaica's modern industrial development. The ultimate aim of the global logistics hub is to increase the length, width and depth of Jamaica's participation in global supply and value chains. A strategic policy tool in accomplishing this goal are Special Economic Zones (SEZ).

[Special Economic Zones](#)

The Government of Jamaica's Special Economic Zone Policy, tabled in the House of Representatives on July 21, 2015, defines SEZs as:

"Geographically delimited area, usually physically secured (fenced-in), single management/administration, eligibility for benefits based upon physical location within the zone, separate customs area (duty-free benefits) and streamlined procedures."

SEZs come in a variety of forms, names and functions – Free Trade Zones, Free Zones, Export Processing Zones, Enterprise Zones, etc. – that reflect a government's priorities and positioning of its economy. However, what unifies them all is that they are development tools used by governments to attract, and facilitate investments that act as catalysts to diversify whole or targeted segments of their economies.

The centrality of the Trade and Logistics to the success of SEZs

The global logistics hub and SEZs are reinforced by Jamaica's long standing support for the principles of trade liberalization and openness. The Special Economic Zone Authority and Logistics Hub Initiative fully endorses and support this long standing position and its continuation as a guiding principle in Jamaica's Trade Policy. Liberalization and openness facilitate lower costs associated with trade and further enhances Jamaica's attractiveness to foreign direct investment in logistics services and goods production.

Logistics has a direct connection to the trade in goods but is also a series of tradable services in and of themselves and increasingly has an impact on other services sectors (e.g. banking). Logistics is the connector; it is the service at each end of the manufacturing value chain that allows the whole global production system to function. According to the World Bank:

Logistics services has become critical for competitiveness. Better logistics performance is strongly associated with trade expansion, export diversification, ability to attract foreign direct investment and economic growth (Trade Dimensions of Logistics services: A Proposal for Trade Agreements, pg 5).

Therefore, as Jamaica positions itself as a global logistics hub the SEZs are the major policy tool being pursued by the GOJ to attract investments in these services along with targeted segments of goods production.

Connectedness and Trade

A nation's development and prosperity are increasingly joined to its connectedness to the rest of the world. In today's world of globalization it is not sufficient to simply have market access, the ability to turn that access into market presence is a necessity. Logistics is critical link between market access and market presence. Therefore, a nation's connectedness should be thought of as part of a nation's logistics capabilities.

Trade policies have been traditional guided by the concept of selling of goods in the global market place; however, with the rise of global value chains, a new type of thinking is required to reflect current business realities. This new reality is one where the global trading system is based on the production and inter-connectivity. Barriers to trade (tariff or non-tariff) therefore take on a whole new dimension for policy makers when examined from this angle.

SEZ and trade

Changes in the configuration of industrial production have contributed to significant shifts in international trade and offer small economies such as Jamaica, an opportunity to actively participate in global value and supply chains. Currently Jamaica's participation in global value chains can be considered 'shallow' at best; just take a look at the statistics in the Global Entrepreneurship Monitor 2011 Jamaica Report, to see my point. The majority of entrepreneurs (64%) had none of their customers living outside of Jamaica, 14.3% of them had less than 10% foreign customers, roughly 8% had over 90% of their customers living in foreign countries and approximately 3% had between 50% and 90% of their customers based in other countries. The Special Economic Zones are a very real and tangible opportunity to fundamentally change this picture.

The SEZ legal and administrative framework is designed to enhance and create important social and economic linkages within the Jamaican economy. The framework will help to:

- (i) facilitate knowledge and technology transfer;
- (ii) create high quality employment;
- (iii) enable seamless integration of local businesses into global value chains.

In this regard SEZ should be viewed as export platforms for local businesses that facilitate the reduction of the associated logistics, transport and administrative costs of trading across borders. The SEZs while physically located in Jamaica are an 'international space' and are a captive export market for local producers to engage global value chains without leaving the geographic boundaries of Jamaica.

SEZs and job creation

Globally, successful SEZ programmes have been linked with significant amounts of foreign direct investment (FDI) attraction and job creation. In fact the regional (Latin American and Caribbean (LAC)) experience speaks volumes. As stated by SELA (Sistema Económico Latino Americano), October 2012, free trade zones in Latin America and the Caribbean have facilitated the increase of investments, the creation of jobs, the creation of manufactured goods with added value, the development of clusters, especially with local suppliers, and the diversification of activities and services. The table below provides some empirical evidence of economic impact.

FACTORS - data up to 2011-	COUNTRIES								TOTAL
	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama: Free trade zones	Panama: Colon free-trade area	Dominican Republic	
Number of free trade zones and/or number of companies	256 companies	16 TFA, 200 companies	24 TFA, 270 companies	-	35 TFA, 696 companies	14 TFA, 94 companies	2,960 companies	51 TFA, 586 companies	5,062 companies 165 TFA
FDI in free trade zones (millions of US dollars)	\$ 470		\$ 251	\$ 688	\$ 67	\$ 5	\$ 386	\$ 2,098	\$ 3,965
Exports from free trade zones (millions of US dollars)	\$ 4,833	\$ 2,238	\$ 350	\$ -	\$ 1,200	\$ 70	\$ 11	\$ 4,080	\$ 12,782
Employment in free trade zones	58,012	70,321	17,000	120,000	99,506	2,729	30,000	121,000	518,568

Job Creation and investment in Central American free trade zones (SELA, October 2012)

Special Economic Zones and Economic Engagement

The international connections that Jamaica builds and maintains with other countries are of critical importance if it is to attract and retain the entrepreneurs, talent and investment it needs to grow. Jamaica's ability to improve its connections depends, in part, on the nation building out what I call an economic engagement network, inclusive of countries and agreements that optimize Jamaica's vision as a Global Logistics Hub.

There will be more on this economic engagement concept in later posts however in brief an economic engagement network is the series of international agreements that Jamaica has entered or seeks to enter that will benefit the Jamaican economy by creating the platform for greater trade and investment.

Therefore an economic engagement network goes beyond trade agreements.

It is about how nations can improve their competitiveness by finding and creating value through the complex interplay between the various agreements (eg. trade, investment, double taxation, air service, standard, etc.) that they enter between each other. This will require a total mind-set change on the part of policy makers, businesses and workers alike to view these agreements not in isolation but as networks and platforms that support global value chains.

Special Economic Zones for Jamaica play a very important in its economic engagement networks. The SEZs facilitate Jamaica's the inter-connectivity to the rest of the world, allowing for the freer movement of goods, services, people, capital and data. In effect the SEZs are a microcosm of the economic engagement network concept.

CHINA'S SPECIAL ECONOMIC ZONE EXPERIENCE ... SEVEN THINGS JAMAICA HAS LEARNT



“If we are to seize opportunities to promote China’s all-round development, it is critical to expand the economy.” – Deng Xiaoping

China’s economic development over the past 35 years is nothing short of remarkable. Its journey to becoming ‘the factory of the world’ holds several important lessons in industrial development, attracting foreign direct investment and economic diversification. Although China’s journey is a complex one filled with a variety of policy prescriptions, one policy tool stands above the rest – special economic zones.

The strategic and focused use of special economic zones (SEZs) as a development tool holds a special – pun intended – place in China’s story. And as Jamaica embarks on its own journey using its modernized SEZ framework, China’s journey holds valuable insights into the remarkable transformational power of SEZs.

[What makes special economic zones special?](#)

There are various definitions of SEZs, however, in the simplest of terms they are “geographically designated trade areas that are used to attract foreign investors and boost industrialisation. They generally have trade laws that differ from the rest of the country and companies are offered tax incentives to set up operations.” (What can Africa learn from China’s special economic zones? By Yejoo Kim, World Economic Forum).

SEZs come in a variety of forms, names and functions – Free Trade Zones, Free Zones, Export Processing Zones, Enterprise Zones, etc. – that reflect a government’s priorities and positioning of its economy. However, what unifies them all is that they are development tools used by governments to attract, and facilitate investments that act as catalysts to diversify whole or targeted segments of their economies.

[A journey of a thousand miles begins with a single step](#)

For China its SEZ journey began in the late 1970s/early 1980s as part of Deng Xiaoping's economic reform and opening up of China to the world. The first SEZs were set up along China's southern coastal areas in 1980, and most famously in Shenzhen. SEZ became China's windows to the world. The SEZs, especially Shenzhen were an immediate success attracting by 1981 over half of China's total foreign direct investment (FDI). The success story of China's SEZ continues today and will for the foreseeable future.

Jamaica has set itself an ambitious goal and programme through its national development plan to "make Jamaica the place of choice to live, work, raise families and do business." A critical element of Vision 2030 is transforming Jamaica into a global logistics hub which includes bringing together Jamaica's geographic and other advantages with land, sea, air and technological infrastructure to support Jamaica's modern industrial development. The ultimate aim of the global logistics hub is to increase the length, width and depth of Jamaica's participation in global supply and value chains.

This increased participation or value addition may come in a variety of forms that would see Jamaica and her people expanding their skills and expertise in research and development, design, production, logistics, marketing or services, etc. in a range of industries.

For Jamaica, much like China, special economic zones, are a 'special' vehicle to increase its participation in the global economy.

The seven things

It is certainly true that Jamaica can learn many important lessons from China and other countries in the use of SEZs as a tool for economic development, however, to my mind here are seven of the most important:

1. **Special Economic Zones are not a panacea:** SEZs while important are not an economic magic bullet and are not a cure all for a country's entire economic woes. They do not stand by themselves but form part of a larger economic reform programme, for China that was Deng Xiaoping's opening up of China to the world and for Jamaica it is Vision 2030 and the global logistics hub.
2. **On and off-site infrastructure integration:** One of the most critical factors that contribute to the success or failure of zones is availability and integration of adequate and appropriate infrastructure inside and outside of a zone. This infrastructure – land, sea, air or technology – must not only be fit for purpose but must be networked together to create value for stakeholders (workers, government, investors, etc.). Much like China, Jamaica, albeit on a smaller scale, has been developing and integrating its multimodal logistics infrastructure.

3. **'Soft' infrastructure is as important as physical infrastructure:** Having the right business environment is critical to attracting investors. The laws that the zones operate under, just like the physical infrastructure, have to be adequate and appropriate – fit for purpose. This is much more than just cutting red-tape but it's about bureaucracies being facilitators and delivering government services as value additions. Investors must have confidence that it is easy to invest, their investment is safe and the operations of their investment will not be compromised by excessive red-tape. This, in part, is the very reason China and now Jamaica created the zones.

4. **Incubation for larger economic reforms:** Reforming an economy is no easy task and one that cannot be done overnight no matter the size of the economy (Jamaica vs. China). However, SEZs offer policy makers an opportunity to experiment with a variety of reforms with limited risk to the wider economy. SEZs, in this regard act as incubators to test and refine reforms before rolling them out to the wider economy. The incubation of reforms gives policy makers policy room to create strong test cases done under as-close-to local conditions that increase the opportunity for success when rolled out in the wider economy.

5. **Incubation for larger economic reforms:** Reforming an economy is no easy task and one that cannot be done overnight no matter the size of the economy (Jamaica vs. China).

However, SEZs offer policy makers an opportunity to experiment with a variety of reforms with limited risk to the wider economy. SEZs, in this regard act as incubators to test and refine reforms before rolling them out to the wider economy. The incubation of reforms gives policy makers policy room to create strong test cases done under as-close-to local conditions that increase the opportunity for success when rolled out in the wider economy.

6. **Linkages:** The phrase a rising tide lifts all boats defiantly describes the economic benefits of China's SEZ development, however, this rising tide was not incidental and was planned for. One of the great development effects of SEZs are their spill-over effects into the rest of the economy. However, for these impacts to be meaningful and sustainable forward and backward linkages have to be forged by deliberate policy direction and actions. Jamaica's SEZ policy and law recognize this fact and have created several mechanisms, particularly aimed at small businesses, to accomplish this.

7. **Developing a skilled labour pool:** China realized early that it was not enough to have a cheap labour force but it had to have an educated one as well. What is more, China also recognized that in developing in its skilled labour pool, it was important that it match its skills training with the needs of current and future industries.

In fact, over time China's skills training development became an integral part of its investor targeting, innovation and over-all economic growth strategies. For Jamaica education and training are critical components of Vision 2030 and the global logistics hub.

ABOUT THE AUTHOR



He holds a LLM in International Commercial Law (with Merit) from the University of Westminster, having earned a diploma in law from London Metropolitan University and a BA (Hons) in Political Science from the University of Western Ontario.

Ainsley is the Administrator of Commercial Law International and has an avid interest in logistics, global value chains; economic development; trade; commercial awareness; rugby; etc.

Ainsley Brown is the Director of Trade, Regulatory & Monitoring for Jamaica's Special Economic Zone Authority (JSEZA).

He has played a pivotal role in Jamaica's modern SEZ Regime authoring the initial concept paper, assisting with the drafting of the SEZ policy, the SEZ law, the Regulations and now he is part of the team operationalizing Jamaica's Special Economic Zone Authority.

A lawyer by profession, called to the Bar of Upper Canada (Ontario), Canada, his primary role at JSEZA is to provide technical advice on regulatory matters and trade matters to the CEO and team at JSEZA.