



MINISTRY OF INDUSTRY, INVESTMENT AND COMMERCE

DRAFT SEZ INTERIM POLICY – Version 3.0

Policy Development for the Establishment of Special Economic Zones under the Jamaica Logistics Hub Initiative

FOR DISCUSSION ONLY

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JAMAICA LOGISTICS

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I. Definitions of Terms and Acronyms

Capital goods: Tangible items used in the production of other goods. Examples include factories, machinery equipment (e.g. computers) and tools.

Consumer goods: Goods destined for final consumption by individual households or communities (e.g. food and beverages, video games, recorded CDs and DVDs, sports goods, etc.).

Country of origin: According to the Kyoto Convention in international merchandise trade statistics, the country of origin of a good (for imports) is determined by rules of origin established by each country. Individual countries are free to define origin, but within boundaries set by WTO rules.

Demand chain: The demand chain is seen as the counterpart to the supply chain in the total value chain. It usually comprises the main activities in the context of marketing, sales and customer service. In demand-driven supply chains, research and development are closely linked to marketing.

Domestic content of exports (or domestic value added content of exports): The domestic content of exports measures exports net of imported inputs. It corresponds to the accumulation of the value added created by each of the various domestic sectors that contributed directly or indirectly to the supply chain.

Free zone: A designated area in a country where certain taxes or restrictions on business or trade do not apply.

Global manufacturing: Production activities in which different steps of the manufacturing process take place in different countries.

Gross fixed capital formation: A general measure of gross net investment in fixed capital (such as machinery, vehicles, and buildings) during an accounting year.

Intermediate goods and services: Tangible and intangible products utilized as inputs in production, excluding fixed assets.

Logistics Parks: A cluster of logistic related businesses that provide various services, including Container Freight Stuffing, storage, consolidation and distribution, and value added services.

Micro, Small and Medium-sized Enterprises: The classification for each category was agreed on at a one day workshop that was held at the Mona School of Business (MSB) July 2011. This workshop involved participants from the public and private sectors, including the respective Associations representing MSMEs (MSME Alliance and SBAJ). At the end of the exercise, it was agreed that a MSMEs should be defined as follows:

| FIRM SIZE | NO. OF EMPLOYEES | TOTAL ANNUAL SALES/TURNOVER |
|--------------|------------------|--------------------------------|
| Micro | 5 | J\$10 million |
| Small | 6 – 20 | > \$10 million J\$50 million |
| Medium-sized | 21 – 50 | > J\$50 million J\$150 million |

Non-Tariff Measures: Various bureaucratic or legal issues that could result in hindrances to trade.

Offshoring: Describes an enterprise's decision to sub-contract the supply of specific goods and services to foreign suppliers. These suppliers can be independent or affiliated firms. Offshore-

outsourcing is a special case of outsourcing, when the contractual parties are not resident of the same economy.

Outsourcing: An enterprise’s decision to acquire specific inputs and services from an outside (unaffiliated) company, instead of producing them internally.

Production network: A group of interconnected companies involved in the production of goods and/or services.

Special economic zone: 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.

Trade in value added: An alternative to the traditional measure of international exchanges in goods and services, adapted to the evolution of global supply chains. Enables the domestic content included in gross export flows to be estimated.

Twenty-foot equivalent unit (TEU): A unit of measurement equal to the volume occupied by a standard 20-foot container.

Value added: The value of output minus the value of all intermediate inputs. It represents the contribution of, and payments to, primary factors of production (wages, profit and taxes).

Value chain (global): The sequence of activities that firms undertake to create value, including the various production steps (supply chain), but also all activities belonging to the demand chain, such as marketing, sales and customer service.

| | |
|--------------|--|
| BITs | Bilateral Investment Treaties |
| CBERA | Caribbean Basin Economic Recovery Act |
| FTAs | Free Trade Agreements |
| FTZs | Free Trade Zones |

| | |
|--------------|--|
| GCT | General Consumption Tax |
| GLHI | Global Logistics Hub Initiative |
| IMF | International Monetary Fund |
| ITC | International Trade Centre |
| JBDC | Jamaica Business Development Corporation |
| MDA | Ministries, Departments and Agencies |
| MEFP | Memorandum of Economic and Financial Policies |
| MIIC | Ministry of Industry, Investment and Commerce |
| MRO | Maintenance, Repair and Operations |
| MSMEs | Micro, Small & Medium-sized Enterprises |
| NCC | National Competitiveness Council |
| NTM | Non-Tariff Measures |
| POs | Procedural Obstacles |
| RTC | Revised Treaty of Chaguaramas |
| SEZs | Special Economic Zones |
| WTO | World Trade Organization |

Vision

Special Economic Zones are economic powerhouses spurring growth and development of a highly competitive logistics-centered Jamaican economy.

I. Introduction

The implementation of the Global Logistics Hub Initiative (GLHI) will be transformative and will have far-reaching effects on the Jamaican economy over the medium- to long-term. The GLHI will designate several geographical areas to cluster high impact investors. The businesses in these geographical areas, called Special Economic Zones (SEZs), will experience enhanced and seamless procedures and regulations relative to businesses operating outside these areas.. These SEZs will also ensure economic and social linkages within the wider economy and will ensure a smooth transition towards a policy regime that complies with our international obligations under the World Trade Organization (WTO) by 2015.

The development of the policy framework for SEZs will result in a phasing out the existing Free Zone regime with a modern regime that will enhance the country's economic offerings to the local and foreign investor community. This will necessitate upgrading of existing legislative and regulatory frameworks in line with best practices for SEZs and that fit Jamaica's circumstances.

The Ministry of Industry, Investment and Commerce, is (MIIC), the arm of government responsible for nurturing businesses, plans to introduce policy measures that will hasten the development of the SEZs in the short to medium-term. These measures will guide the passage of key pieces of legislation; create a supportive policy and regulatory framework; and help create the institutional strengthening required for timely establishment of the SEZs.

This interim policy provides an overview of the issues and challenges that the policy framework needs to address and the

approaches that are being contemplated to resolve them. It has benefited from consultative engagements with various organizations that are represented on the SEZ Policy Steering Committee (see list of organizations represented on the SEZ PSC in Appendix 1). Preliminary research was also carried out by a team of technical officers in MIIC to inform recommended policy strategies.

II. Situational Context

Free zone operations in Jamaica date as far back as 1976 with the establishment of the Kingston Free Zone (KFZ), on approximately 44 acres of land adjacent to the Port of Kingston. The Montego Bay Free Zone which initially spanned 3.2 acres with one factory- Akom Limited (28,000 sq. ft.) - was established in 1985, in the southwest region of the city. The KFZ space has since decreased to 16 acres when the Port Authority of Jamaica used a large acreage for port expansion between 2004 and 2006. The space of the MFZ, on the other hand, has expanded to 44 acres with 352,966 sq. ft. Montego Bay Free Zone (MBFZ).of office space and 249,000 sq. ft. factory space. In an effort to improve the efficiency of the public zones and enhance the quality of service to investors, in 1998 there was a merger of the management functions of the MBFZ and the KFZ.¹

There has been an additional 50,000 sq. ft. of free zone space at the Portmore Information Park. The government also developed over 600,000 sq. ft. of free zone space at the Garmex Free Zones in Kingston and 120,000 sq. ft. at the Hayes Free Zone in Clarendon.

¹ Source: Port Authority of Jamaica

A number of free zones are privately-owned. The Cazoumar Free Zone, located in Montego Bay is a private free zone with over 200,000 sq. ft. of land space. In addition, companies located outside the zones have qualified for free zone status as single entity free zones. The majority of these single entity free zones are involved in the Information, Communication Technology (ICT) sector and a few are involved in the petroleum sector (ethanol production), warehousing/logistics & distribution, furniture manufacturing. They are predominately located in St. Catherine, St. James, and Kingston.

The Free Zone Act allows investors to operate with foreign exchange in activities such as warehousing, refining, manufacturing, redistribution, processing, assembling, packaging, and services such as insurance and banking.

Administration and Tax Incentives

The Jamaican free zone regime is designed to encourage foreign direct investment (FDI), promote export growth and create new employment. Initially, businesses operating in free zones were primarily involved in the textile industries but there has been a gradual shift toward manufacturing, telemarketing, warehousing, data entry, electronic assembly, telecommunication services and business process outsourcing, among other activities. The value proposition that the free zones offer to investors involves easy access to air and seaports, duty-free benefits, minimal customs procedures, large skilled and semi-skilled English speaking workforce and telecommunication, logistics & transportation services.

Free zones are operated under the Jamaica Export Free Zone Act the Free Zone Council has oversight to grant approval for free zone status and the Minister designate areas as free zone

areas. Based on the Act, approved free zone enterprises benefit from:²

- Duty-free importation of capital goods, consumer goods, office equipment, raw materials or articles for use in connection with the approved product;
- No import licensing requirements;
- Duty-free treatment of articles for the construction, alteration, and repair of equipment of premises in the Free Zones;
- Total relief from income tax in respect of profits or gains earned from approved activities;
- Repatriation of profits (since liberalization of the foreign exchange market in 1991 there are no restrictions on the repatriation of profits);
- Exemption from the normal fees payable with respect to work permits.

Under the Jamaica Export Free Zones Act, MIIC grants approvals for free zone status. Enterprises that are approved to operate in the free zones are required to be registered or incorporated under the Companies Act and are required to carry out prescribed business activities as stipulated by the Act. Qualifying manufacturing entities are allowed to supply up to 15% of production to the domestic market which attract applicable duties and charges.

² World Trade Organization (November 2013). New and Full Notification Pursuant to Article xvi:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures

From Free Zones to Modern Special Economic Zones

The economic output from the zones has been in decline on account of the structural reforms, failure to encourage business higher up the value chain, preference erosion in the US market and increased foreign competition. Despite the downturn in activities, free zones continue to play a significant role in the country's economic development. In addition, the free zone regime continues to be a critical success factor in attracting investors to the country and supports the overall domestic capacity building efforts of the country.

The existing free zone regime in Jamaica follows the traditional model for free zones in terms of its underlying policy framework. The regime stipulates rigid eligibility requirements in terms of qualifying activities and the amount of manufactured goods that have to be exported. Free zones are primarily developed and operated by the government which offers a diverse mix of incentives to attract occupants of the zones. While there are single entity free zones, free zones are generally located in industrial areas or near ports or airports. Other features that are typical of the traditional model include outdated labour practices and restricted interaction with the rest of the country.

The upgrading of the free zone regime to a modern SEZ regime therefore represents a significance 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. The country is required to bring its free zone regimes into compliance with the WTO Agreement on [Export] Subsidies and Countervailing Measures by 2015.

The concept of a special economic zone is a generic term that has evolved over time and applies to a large variety of zones including recent variants of the traditional commercial zones (see note on SEZ in Appendix II).³ The new SEZ regime for Jamaica will adopt international standards and growing trends for zone development. These include the following:

- Countrywide zone development that have no export volume preconditions
- 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 standards
- Incorporation of development policy priorities other than employment, FDI and value chain development to include innovation, human resource development, rural development and green growth⁴
- Economic, social and environmental sustainability

Jamaica ranks poorly on the Doing Business Report hence, the introduction of SEZs is crucial to enhancing the competitiveness of the Jamaican economy in attracting investments. Notwithstanding, work is being done by the MIIC, in part through the National Competitiveness Council

³ World Bank, 2008. "Special Economic Zones – Performance, Lessons Learned, and Implications for Zone Development." and World Bank 2009. "Clusters for Competitiveness: A Practical Guide and Policy Implications for Developing Cluster Initiatives." International Trade Department, PREM Network, Report, World Bank, Washington DC.

⁴ OECD (2009) "Towards Best Practice Guidelines for the Development of Economic Zones", A Contribution to the Ministerial Conference by Working Group 1 – Marrakech..

(NCC) to reform the larger business environment. The new SEZs however will offer accelerated improvement in the business environment and will become an incubator for business reform in the wider economy. Hence, improvements in the business environment for SEZs will offset the major impediments in the country's administrative and regulatory framework governing the wider business environment. The variation of SEZs that will be established in Jamaica will be supported by efficient and cost-effective regulatory procedures for businesses, a single administrative authority, and attractive tax incentives for foreign and local investors alike.⁵ - all undergirded by modern legislation and best practices within the institutional framework governing their operations.

All efforts to transform Jamaica into a global logistics hub are nestled in the Growth Agenda which is the general framework for economic and social development in Jamaica. The emphasis on the GLHI the Growth Agenda also brings into sharp focus the importance of the SEZ regime in the shifting development paradigm for Jamaica and furthering the overall initiative. In this same vein, it must be emphasize that it is indeed crucial that there is an appreciation for the multiplicity of other initiatives that the GOJ is also pursuing to support the creation of the hub. One other key initiative is the establishment of an International Financial Services Centre which is aimed at creating an offshore financial hub with important differences from existing jurisdictions in the Caribbean.

⁵ See Appendix II on principles of SEZs versus Free Zones

III. SEZs and the Global Logistics Hub Initiative

International trade patterns are undergoing significant realignments as a result of the geographically dispersed networks that make up an integrated global production system. This is being driven by the changes that are occurring in the configuration of global value-chains including the central role of contract manufacturing, outsourcing, etc., in optimizing the business process. Other significant trends that are triggered by these developments include the rise of services, innovations in logistics and changes in trade policies.⁶ As a result of these changes countries are increasingly becoming more open to and dependent on global trade which is impacting the location of transnational and multinational corporations that are eager to seek out locations that offer competitive transaction and transportation costs and quick turnaround.

An equally significant development is the enormous prospects from the increased trade and data flows throughout the region, as a result of increased South-South commerce, the expansion of the Panama Canal and changing air cargo patterns, scheduled to take place as early as 2015-2016. Trade among developing countries/regions, i.e. South-South trade, has grown tremendously. In 1990, South-South trade accounted for 8% of global trade. By 2012, South-South trade grew to 24% of global trade. South and Central America (including the Caribbean) has grown export sales by 11%

⁶ This is reflected in an increase in the ratio of trade to GDP for the world from 39% in 1990 to 59% in 2011 and the prominence of international supply networks and value chains in global commerce World Economic Forum (July 2013). "Outlook on the Logistics and Supply Chain Industry 2013", Geneva, Switzerland, 2013.

annually between 2005 and 2012, which is 3 percentage points above the global growth rate. Notwithstanding the forecasts for increased intra-Asian trade, Jamaica will still remain relevant in future global value chains. Currently, the South America to Asia trade lane accounts for 2% of global trade. By 2020, South America's trade with Asia will capture 5% of global trade.

The value proposition of the enormous prospects arising from changes in international production and trade and the expansion of the Panama Canal is simply that as a logistics hub that is supported by SEZs in the middle of these trade routes, Jamaica will enhance synergies of sea-air connectivity and provide near shore opportunities for value-added industries. In other words, through the use of a logistics-centric model that is similar to what is used in global logistics centres in Dubai, Rotterdam and Singapore, Jamaica will be able to offer quick turnaround through 'near shore' value added logistics services that will reduce the time to Latin American and other markets within the western hemisphere. The SEZs will also provide superior market access arrangements through a network of trade agreements that will minimise trade duties in the major trade lanes.

The GLHI is multifaceted and involves several arms of the government. The MIIC is assigned a major role in providing the foundation necessary for the realization of the goals of the initiative and will employ several strategies to ensure its effective and timely implementation. SEZs are central to the overall GLHI as they will link industrial development and logistics services and will facilitate MSME participation in export industries.

IV. Exploring the SEZ Model for Jamaica

It is the mission and purpose of the government of Jamaica to set the right foundation for the successful development and long-term sustainability of the SEZs, through strategies that will help to shift Jamaica's economic paradigm to one that creates higher value goods and services and lead to higher growth and job creation, in accordance with international best practices.

The experiences of countries with successful SEZs make a strong case for their development. SEZs are:

- Highly effective for job generation, particularly for women entering the workforce and is a significant source of employment particularly for small countries like Jamaica.
- Stimulants for export growth and diversification in both the range of products and markets.
- Major foreign exchange earners
- Food and energy security enablers
- Attractive for foreign direct investment
- Sources for government revenue
- Enablers of technology transfer and skills upgrading
- Enhancers of trade efficiency of domestic firms
- Laboratories for wider economic reforms in the country

The main outcomes, outputs, activities and inputs related to the development of the SEZ regime are outlined in the logical framework (see Table 2).

Types of SEZs

Several SEZs will be promoted and facilitated as a strategy to attract and retain targeted investments in geographical, industry-specific clusters.

Table 1: Types of SEZs Being Contemplated for Jamaica

| Types | Example | Location | Eligible Activities (being contemplated) | Target Market | Examples in other parts of the world |
|-------------------------|--|--|---|---|---|
| Specialized SEZs | Commodity Port | St. Thomas, St. Catherine, and Clarendon | Petrochemical and other heavy industry; dry and wet bulk | Americas, Asia | Rotterdam |
| | Dry Dock | Clarendon, Kingston | Maintenance and repair of ships, boats, and other watercraft | North Atlantic, Caribbean, US Gulf | Dubai, Singapore, Malta, Bahamas |
| | Airport-based | Vernamfield, Clarendon | Air cargo trade and transshipment, maintenance, repair and operations (MRO) | Global | Morocco (MRO), Singapore, Dubai |
| | | Norman Manley International | Air cargo trade and transshipment; passenger | Americas | Miami, Amsterdam, New York, London |
| | | Sangster International | Air cargo trade and transshipment; passenger | Americas | Miami, Amsterdam, New York, London |
| | Port-based | Kingston Container Terminal and Kingston Wharves | Merchandise trade, semi-finished products and transshipment | Asia(scrap metals), south America(ethanol), Europe (tyres), CARICOM | Mariel, Colon, Singapore, |
| | | Portland Bight | Heavy industries and commodities | Americas | Singapore |
| Technology Park | Country-wide | High technology and science-based industries | Domestic and export | Singapore | |
| Logistics Park | Caymanas SEZ | Caymanas, St. Catherine | Light manufacturing and assembly | Americas | Panama Pacifico |
| | Garmex and other SEZs (such as Kingston and Montego Bay Free Zone) | Kingston | Light manufacturing and assembly, BPO | Americas | Maquiladoras (Mexico), Costa Rica |

Some of the principles and standards that are being contemplated for SEZ development are elucidated in the proceeding sections.

Zoning and Zone Development

Integrated, mixed-use, large-scale SEZs with purpose built on-site and off-site facilities will be constructed through public-private partnerships or private developments. The right public-private partnerships model and private development model will have to be determined and executed, with clear demarcation in the roles of the government and the private sector.

Zone Administration

The administration of SEZs will take on a new form in comparison to what obtains under the Free Zone regime. One of the main requirements for successful zone development is the enactment of a Special Economic Zone Act and Regulations that will govern SEZ operations and the establishment of a central SEZ Authority. This Authority will operate on the principles of autonomy (i.e. being an executive agency under MIIC) and transparency and will be charged with the responsibility of supervising all SEZs in Jamaica. It shall only have regulatory powers and thereby prohibited from being an owner, developer, operator or business occupant of SEZs.

The new administration of the SEZs will adopt more international standards and principles than its predecessor, which will include the following:

1. Simplified and streamlined single window clearance procedure for the development of a SEZ;

2. Established qualifying criteria for the occupancy of the SEZ;
3. Simplified and streamlined single window for granting of all licenses connected to the SEZ;
4. Simplified and streamlined single window one stop shop that allows the Authority to be the interface between MDAs and the investor; and
5. Urban Support Area designation and development licence.

There are several key stakeholders within the SEZ environment and the smooth interface between them will determine the success of any SEZ. A description of each is provided below:

- **The Authority:** as described previously
- **SEZ Developer:** charged with the infrastructural development of the SEZ and may be executed through a PPP/Joint Venture or a private structure.
- **Operator:** this may or may not be the developer but this party is charged with responsibility of managing the SEZ. This will either be done through a PPP/JV or private structure. The Authority will grant licences to operators.
- **Occupants:** these are investors that will use the SEZ as a platform to conduct their business. These will not be limited to foreign investors as international best practice indicates that allowing domestic occupancy greatly contributes to the success of a SEZ.
- **Goods and Services Providers:** these are domestic business that reside in the Custom Territory but provide the SEZ with goods and/or services. The Authority shall grant accreditation/certification to service and goods providers that supply the Developer,

Operator and/or Occupants of a SEZ. Therefore, a mechanism will be created to facilitate the backward linkages into the domestic economy and allow for the ease of monitoring from a Customs law enforcement and tax compliance perspective of both goods and persons coming in and out of the SEZs.

- **Urban Support Area Developer:** this developer will be granted a special license to develop an area adjacent to a SEZ for habitation along with social infrastructure, such as, housing, schools, hospitals, etc in keeping with the relevant zoning and environmental considerations. **Other Agencies:** these would fall under the one-stop-shop of the Authority

Chart 1: Main Elements of a Typical SEZ

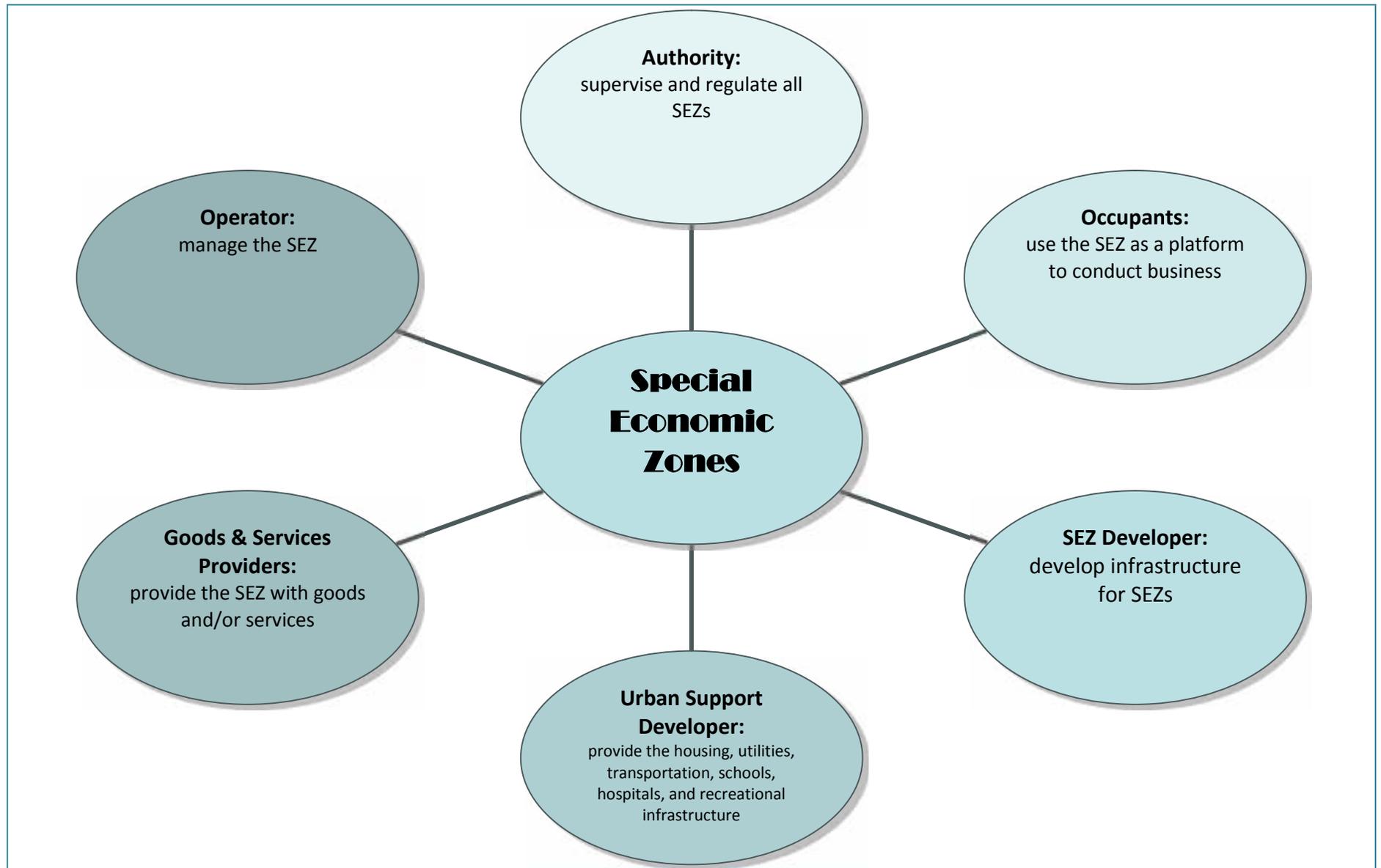


Table 2: Policy Framework for the Special Economic Zone Regime

The GOJ's mission is to establish a modern integrated policy framework for the operation of Special Economic Zones, which are:

- ✓ Efficient and cost-effective;
- ✓ Creating sustainable linkages with the domestic economy;
- ✓ Promoting public-private partnerships; technology transfer, business innovation, entrepreneurship and human capital formation;
- ✓ Bolstered by competitive incentives in keeping with international standards for SEZ development and the National Development Plan - Vision 2030.

| | Narrative Summary | Measurable Indicators | Means of Verification | Key Assumptions |
|-----------------|--|--|---|--|
| Outcomes | Modern and integrated policy, financial, legal and institutional framework for SEZ development established | New SEZ legislation and regulations promulgated by September 2015 New SEZ Authority in place by November 2015 | SEZ National Policy, New SEZ Legislation and Regulations, Master Plan for LHI including plans for SEZ Development, JIFSC laws passed | Available and suitable financial resources as needed |
| | Trade and business facilitation environment for SEZs improved | Jamaica ranks among top 20 countries in the Logistics Performance Index by 2020 (at 70 th place in 2014) Jamaica ranks among top 50 countries on the Doing Business Index by 2020 (at 94 th place in 2014) | SEZ National Policy, New SEZ Legislation and Regulations, Master Plan for LHI including plans for SEZ Development, improved ranking in the LPI, Doing Business Report | Full support of all key stakeholders |
| | Sustainable linkages between SEZs and the rest of the economy created | At least 30% of goods and services produced in the domestic economy are exported to the SEZs and vice versa | STATIN data | Infrastructure meets user expectations |
| | Onsite and offsite infrastructure services, assets and facilities developed | Increase Gross Fixed Capital Formation as a fraction of GDP from 19.66% in 2012 to 25% in 2020 | STATIN and World Bank data sources | Full support from Cabinet |
| | Productive capacity increased through human capital formation, technology transfer, business innovation and entrepreneurship | 50% increase in the number of persons trained in skills and vocation-based areas by 2020 50% increase in number of business operators trained in entrepreneurship Move at least 10 places in Jamaica's ranking in the Global Information Technology Report along the various sub-indices by 2020 | Global Entrepreneurship Monitor Report Jamaica Productivity Report Global Information Technology Report Reports from HEART/NTA, CMI, JBDC, UWI, UTECH etc. | Human resources are adequate |
| | Increased domestic employment | 75% increase in domestic employment in per SEZ relative to existing levels in Free Zones by 2020 | STATIN data | Interest from local and foreign investors to develop and operate in SEZs |
| | Competitive incentives with net benefits to the Jamaican society | Established tax measures affecting businesses in SEZs that will make local and foreign companies better off with at least neutral effect on debt-GDP ratio, fiscal deficit-GDP ratio | MEFP, Reports from the Ministry of Finance and Planning | |
| | Increased exports | 75% increase in exports from SEZs relative to existing levels in Free zones by 2020 | STATIN data | |
| | International standards for SEZ development adopted | Adopt international standards for SEZ development in the areas of eligibility of benefits, foreign and local ownership, private zone development, linkages with the customs territory, labour policies etc. | Publications from the World Bank and the OECD highlighting Jamaica's experience with SEZ development | |
| | SEZ development initiatives are consistent with development goals under Vision 2030 NDP | Alignment of SEZ policy strategies and the Medium-Term Economic Framework and the Sector Plans of the Vision 2030 - NDP | Vision 2030- NDP Sector Plans Medium-Term Economic Framework | |

Table 2: Policy Framework for the Special Economic Zone Regime Cont'd

| Table 2: Policy Framework for the Special Economic Zone Regime Cont'd | | | | Key Assumptions |
|---|---|---|---|--|
| Key Outputs | Narrative Summary | Measurable Indicators | Means of Verification | |
| <p>The GOJ's mission is to establish a modern integrated policy framework for the operation of Special Economic Zones, which are:</p> <ul style="list-style-type: none"> ✓ Efficient and cost-effective; ✓ Creating sustainable linkages with the domestic economy; ✓ Promoting public-private partnerships; technology transfer, business innovation, entrepreneurship and human capital formation; ✓ Bolstered by competitive incentives in keeping with international standards for SEZ development and the National Development Plan - Vision 2030. | | | | Research and Analysis completed on a timely manner |
| Key Outputs | SEZ Policy, Legislative and Regulatory Framework | SEZ Policy, Legislation and Regulation in place by 2015 | Official documents/announcements from the MIIC | Availability of data to support analysis |
| | Master Plan for LHI to include SEZ plans for SEZ development | Master Plan to be completed by December 2015 | Official documents/announcements from the MIIC | |
| | Modern SEZs in strategic locations | Caymanas SEZ will be established by 2015 Existing Free Zones upgrade to SEZs by 2015 Several others to be developed by 2020 | Official documents/announcements from the MIIC | |
| | SEZ Authority | Authority to be instituted by November 2015 | Official documents/announcements from the MIIC | |
| | Industrial Clusters in strategic locations | First Industrial Cluster (Garmex Free Zone) will be established by December 2015 Several others to be developed by 2020 | Official documents/announcements from the MIIC | |
| | International Financial Services Centre | International Financial Services Centre established by 2020 | Official documents/announcements from the MIIC | |
| | Key Activities | Business Development Support | Increase funding and capacity development support to Business Development Support Organizations | |
| Linkages Programmes | | Existing linkages programme at JAMPRO enhanced through increased support by 2015 Supplier-training programmes launched through collaboration with various agencies | Official documents/announcements from the MIIC | |
| Skills/Vocational Training Programmes | | Supplier-training programmes launched All educational institutions at the secondary to tertiary level will offer skills/vocational training | Official documents/announcements from the MIIC | |
| Investment promotion | | Increased investment promotional efforts by 2020 | Official documents/announcements from the MIIC | |
| Research and Analysis | | Feasibility studies for low hanging projects and Industry Analysis completed by March 2015 | Official documents/announcements from the MIIC | |
| Inputs | Qualify and competent Human Resource | Full complement of human resource, including consultants needed up to that point for the LH Secretariat by December 2014 | Official documents/announcements from the MIIC | |
| | Equipment and office space | Purchase of all necessary equipment and office supplies to support SEZ development through the LH Secretariat by March 2015 | Procurement documents | |
| | Financial support | Adequate funding identified or provided by March 2015 | Agreed fund amount posted to MIIC's accounts | |
| | Policy guidance and technical support from SEZ Policy Steering Committee, CSEZ Enterprise Team and other key stakeholders | Timely feedback from key stakeholders | Meeting notes, written recommendations | |
| | Support from Cabinet Office | Timely approval of all policies, legislation, regulations etc. | Reports, official documents from Cabinet Office | |

V. Major Policy Considerations and Recommendations

This section explores some of the major policy considerations that will directly affect the timely implementation of the new SEZ regime. It does not attempt to offer the most comprehensive picture of the range of issues that will impact SEZ development however; the discussions on these issues are ongoing and are being guided by the S.W.O.T analyses that have been conducted by the sub-committees of the SEZ Policy Steering Committee. These sub-committees have been evaluating a wide spectrum of strengths, weaknesses, threats and opportunities that will impact SEZ development, specifically along the lines of trade, business facilitation, linkages and taxation.

Policy Element: Efficient and Cost-effective Trade and Business Facilitation Services

The country's progress in undertaking business environment reforms that will guarantee competitive transaction costs, speed and predictability in its logistics system lies at the centre of the establishment of SEZs. Based on preliminary research and ongoing consultations with industry experts, it would be appropriate for Jamaica's SEZs to be focused less on fiscal incentives and more on providing a platform to meet the efficiencies demanded by the global marketplace. Moreover, the move to place greater reliance on business and trade facilitation reflects not only international best practice but also follows a growing global trend by governments that use their regulatory functions as services to investors.

It should further be noted that the approach to creating the incentive framework for the SEZs not only aims to remove

dis-incentives in the business environment. It is also congruent with the current tax reform process and seeks to ensure alignment with provisions of key pieces of legislation, including the Fiscal Incentives (Miscellaneous Provisions) Act, 2013 Income Tax Relief (Large-Scale Projects and Pioneer Industries) Act, 2013. Hence, a key outcome of the SEZ regime is to harmonize the various existing incentives framework in order to increase transparency, reduce discretion, and establish a more competitive playing field for firms.

a. Trade Facilitation

Policy Issues

According to a report produced by the International Trade Centre (2013)⁷, the most frequent non-tariff measures (NTM) encountered by Jamaican firms were export inspections and these were predominately encountered through interaction with the Jamaica Customs Agency, Ministry of Health, Ministry of Agriculture, Bureau of Standards among other government agencies. Export inspections are particularly burdensome due to the large number of procedural obstacles (POs) that include lengthy delays associated with the inspection process, associated costs and the arbitrary behaviour of officials regarding inspections.

Exporters encounter these challenges in meeting international quality standards, conformity assessments and pre-shipment inspections especially for agro-based exports to main markets such as the United States, Canada and the United Kingdom.

⁷ International Trade Centre 2013, "Jamaica: Company Perspectives – An ITC Series on Non-Tariff Measures" Geneva.

There are product-specific legally binding requirements in these markets which subject products (mainly fresh produce) to regulations that are difficult to implement and are associated with a large number of POs including delays, high fees and associated costs. The ITC report notes that the relevant legislative and institutional framework for quality, standards, and other requirements are in place however, service delivery is inefficient and is significantly hampered by: *high cost of implementation of international standards; high costs and variable quality of basic services such as product testing and certification; and the burden of having to deal with multiple testing and laboratory services provided by several government agencies, among other things.*

Importers are also affected by problems associated with licensing, inspections and certification imposed by local authorities. POs encountered in the implementation of domestic regulations include burdensome charges and fees and other para-tariff measures and delays. Charges and fees associated with obtaining permits and licenses, and fees from valuations are problematic for local companies that import inputs for productions that will be subsequently exported since these cannot be easily passed on to consumers. This is further compounded by inefficiencies resulting from ill-prepared government officers within the regulating agencies.

It is widely accepted that poor zone performance has been linked to cumbersome procedures and controls. Therefore, streamlining business processes should be a core part of zone benefits for this reason, systems such ASYCUDA, the Port Community System and the Single Electronic window will be incorporated to ensure integrated business processes. Countries often use zones as demonstration areas to test the impact of new regulatory policies and approaches. Examples include Aqaba Freeport (Jordan) which used automated

business registration and customs systems in the zone before applying more broadly in Jordan.

Policy Recommendations

1. Re-engage one-stop-shop facility with all export documentation and inspection officers
2. Review existing Authorized Economic Operator programme⁸ in keeping with the guidelines of the World Customs Organization SAFE Framework of Standards. All SEZ businesses should be AEOs⁹.
3. Improve domestic laboratory and testing facilities for particular products
4. Expedite the implementation of Food Safety/HACCP Management Systems to reduce hassle associated with testing and certification
5. Expedite implementation of Port Community System and the Authorized System of Customs Data (ASYCUDA)¹⁰

⁸ The AEO programme is intended to enhance trade facilitation and the general modernizing of customs. The AEOs would be accredited based on their adherence to high quality internal processes that are consistent with international process and quality standards. The EU AEO permits businesses involved in manufacturing, exporting, freight forwarding, warehousing, clearance, importing etc. AEO programmes also exist in the USA, Singapore and Taiwan.

⁹ It is recognised that additional resources human and otherwise would be needed in order to strengthen the response of post clearance audit. Qualifying standards would have to be met.

¹⁰ It is recognised that submissions for the amendment of the Customs Act have already been made to Cabinet. It is also noted that transparent processes and procedures for the administration and operation of the SEZs should be considered as a policy tool for trade facilitation.

6. Making the necessary amendments to the Customs Act aiming at guaranteeing the legality of paperless procedures that would facilitate trade enormously.
7. Execute frequent training of licensing and permit dispensing officers across various agencies. This should be supported by mechanisms, protocols and procedures facilitate the sharing of information among MDAs.
8. Encourage private sector to undertake capacity building exercises among staff and encourage frequent communication with business support organizations to enhance service delivery
9. Encourage immediate implementation of the WTO Bali Trade facilitation Provisions, some of which Jamaica have previously begun and have also committed to in the EPA such as single administrative documents (SADs)¹¹.
10. Evaluate Air services agreements (ASAs) with countries in the major trade lanes. Jamaica already has ASAs with Singapore, Brazil, Mexico, The UAE and Switzerland, but apparently none with China.

¹¹ It was agreed that within the next three years inter alia the following provisions of the TFA will be implemented:

- Prior Consultations by customs and border agencies;
- Provisions for efficient processing of perishable goods;
- Non introduction of mandatory use of Customs brokers;
- Free inland transit of goods in Free Zones (currently goods have to be ferried between national freezones).

b. Trade Agreements and Rules of Origin

Policy Issues

Jamaica does not currently provide effective market access to SEZ occupants seeking to trade in the main logistics routes “tradelanes”. There are 73 logistics services operators operating on the Far East to North America route, which represented the largest amount of logistics service providers globally for a trade route. SEZ operations in Jamaica would be mainly ‘efficiency seeking’ investments (i.e investors who locate in a host country to access export markets, more so than the domestic market of the host). Hence, investors will require market access to the existing trade lanes and the future trade lanes which will emerge in the medium term.

Currently, the major trade lanes are:

- Asia to Europe- 8.8% of global trade in 2013
- Asia to North America- 7.8% of global trade
- North America-The EU with 4.8% of global trade in 2013

While Jamaica currently provides market access to Europe and North America, non-reciprocal market access to North America is not legally secure within the WTO (even though the duty preferences are indefinitely in US legislation). Additionally the Canada trade arrangements are currently operating without the legal cover of a WTO waiver and subject to challenge at any time¹².

¹² Other major trading partners in Canada who negotiated their market access into that market (namely Panama, Colombia, Costa Rica, Peru, Israel and Jordan) could react to any sudden surge in exports from Jamaica with legal challenges in the WTO.

By 2020, the major trade lanes are predicted to be:

Intra- Asia: Forecasted to cover 25% of world trade by 2020. Growth mainly trading between emerging economies in Asia

1. **Middle-East, Africa- Asia:** Forecasted to cover 18% of world trade by 2020. Driven by increased consumer spending in Africa and Chinese investment in African natural resources
2. **South America- Asia:** Forecasted to cover 5% of world trade by 2020. Driven by increased consumer spending in South America.

Jamaica does not currently provide any meaningful market access to these emerging trade lanes.

A brief analysis of the treatment of goods produced/processed in free zones in CARICOM's various trade agreements, and unilateral arrangements shows the following:

- **CARICOM:** goods produced in or shipped through free zones would not be eligible for preferential treatment under the community arrangement, pending the development of a protocol on free zones as provided for in article 239 of the revised treaty.
- **Costa Rica: FTZ goods do not qualify except a list provided in the agreement.** Annex 3.04.6 specifies the list of goods produced by companies operating under FTZs which are eligible for tariff elimination benefits.
- **Dominican Republic: FTZ goods do not qualify under the agreement**
- **Cuba: FTZ goods do not qualify under the agreement.**

- **EPA: indirectly allows the certificate of origin (Eur 1 form) to be accorded to originating goods which undergo further processing in FTZs.**
- **Venezuela: FTZ goods can qualify under this agreement for duty preferences.** This is a non-reciprocal arrangement which only provides for duty relief for a select list of CARICOM exports to Venezuela and not vice versa.
- **CBERA (for USA trade) and the Caribbean are silent on FTZ goods** benefiting from the arrangements.

For success, the free trade agreement (FTA) network that Jamaica is party to must provide for duty relief for goods originating in the major existing and future trade lanes, namely Asia to North America and Asia to North Europe as failure to do this could significantly hamper operations within SEZs, which by definition are usually outside the customs territory.

Policy Recommendation

The June 30 draft of the FTP supports the establishment of the Global Logistics Hub Initiative (GLHI) and suggests that:

“...The provisions of the 2014 Foreign Trade Policy are expected to enhance the conditions for international trade, improve the competitiveness of the business environment and support the implementation of strategic investment projects in a range of industries, including logistics...” pg 31

The FTP supports the GLHI as one of the major growth initiatives that it is to support (see page 33).

Jamaica can strengthen the duty relief in the major existing and future trade lanes by enacting a three point plan namely:

1. Engaging in a Partial Scope Agreement¹³ (PSA) with the Peoples Republic of China (also exploring possibilities for a one way PSA). **The FTP can action this through section 1.4 of the FTP action plan specifically the item “support the development of new and niche markets (see June 30 FTP action plan page 7). Additionally, section 1.6 of the FTP action Plan proposes to identify potential markets for trade and to conduct sustainability impact assessments for entering into trade negotiations (see page 9 of the FTP action plan). These elements of the FTP action plan should be expedited to begin in 2014.**

2. Negotiating for an amendment of the FTAs with the Dominican Republic; Cuba and Costa Rica to facilitate a list of goods produced in SEZs Cuba has no market access into the major trade routes. With the Mariel FTZ almost ready and Cuba wooing Chinese, Singaporean and Brazilian investors, Jamaica could be positioned to provide the market access using the Cuba CARICOM FTA, which also has investment protection provisions. Jamaica could argue for an immediate relaxation of provisions which prohibit SEZ goods receiving the benefits of the Cuba and DR FTAs, at minimum for 15 years for a list of products starting with medical equipment; generic pharmaceuticals; and auto parts. This could be done by importing provisions similar to the Costa Rica annex 3.04.6. **The**

¹³ Trade agreements limited to a specified list of goods of interest of the Parties. There could be some WTO challenges regarding any unilateral PSA benefits which a sustainability assessment could evaluate.

FTP can action this through sections 1.5 and 2.2 of the FTP action plan which proposes “periodically reviewing trade agreements for relevance and impact” as well as “negotiation of flexible rules of origin¹⁴”. This element of the FTP should be fast tracked to begin in 2015.

- a. Strengthening duty relief in the major tradelanes by engaging the ASEAN Group; China; UNASOR; SADC; and the USA in comprehensive FTAs. The current foreign trade policy provides for sustainability impact assessments to evaluate the possible effect of this proposal. (*ibid.* to begin in 2015).

Policy Element: Sustainable Linkages between the SEZ and the rest of the economy

The integration of the local economy into SEZs is critical for the sustainability of these zones and increases their potential to contribute to the economic development of the host country. The creation of linkages with medical facilities, local & international financial institutions, training and education facilities, and telecommunications services (high speed internet etc.), and business consulting services et al., are critical to ensuring that the benefits obtained from SEZs translate into real opportunities for the local economy.

a. SEZ Integration in the Goods Producing Sector

Policy Issues

In order to not create enclaves characteristic of traditional free zones, future SEZs should act as a catalyst for the rest of the economy through programmes that create backward and forward linkages with the rest of the economy. Taiwan (China) and the Republic of Korea for example, provide local producers with duty-free access to inputs that they supplied to the zones. Tax credits and rebates on duties paid are also provided on imported materials used in products sold to the zones.

Sub-contracting by zone-based firms to local producers is encouraged in countries like Taiwan, Republic of Korea, and Ireland which promote personnel exchanges, support training efforts, and provide technical assistance to potential suppliers. This involves significant utilization of local universities or research institutions and the expertise of export-oriented firms to work with local suppliers. However, currently, GCT is applied to goods/services that are sold to TFZ companies from the domestic economy. These firms have been absorbing these payments on their zero-rated exports, as they are unable to pass these on to the consumers in the export market. Usually, a GCT refund is provided by the Tax Administration of Jamaica (TAJ), however, this process has become protracted and negatively impacts the cash flow of companies who purchase from domestic services and goods suppliers. There is therefore a clear disincentive to create sustainable linkages between the SEZ and the domestic economy.

Policy Recommendations

1. Integrate zones into national economies by extending “Equal Footing” policies to domestic suppliers of capital and intermediate goods.

2. Create a platform which supports linkages with the local industry. This should include programmes to support the upgrade of local service suppliers through transfer of knowledge and technology in areas that will enhance suppliers of local input and services to meet international standards and technological efficiency that increases their overall productivity.
3. Develop bonded facilities to support value-added activities between operators within the zone and businesses outside the zone.
4. Zero-rate goods and services provided to the SEZs and ensure clarity in all laws related to the application of GCT on goods and services provided to SEZs.

b. SEZ Integration in the Services Sector

Policy Issue

The proper incorporation of the services sector in the development of Special Economic Zones (SEZs) is extremely critical given the growing importance of the services sector to international trade and the high service content represented in goods exports. In countries such as China, Singapore, and India, where SEZs have contributed significantly to economic growth¹⁵, the services sector has been noted as the most crucial facilitator for such success. The symbiotic relationship between the SEZs and the services sector must also be highlighted, as while sophisticated services are required for the optimal operations of SEZs, the FDI attracted through these special zones produces large multiplier effects for the development of the local services sector in general.

¹⁵ In 2008, it was estimated that nearly 3000 zones produced 70 million jobs and contributed USD 500 billion in direct trade related value.

Given that trade in services is a relatively new concept in international trade when compared to trade in goods, the requirements for services integration into SEZs may be slightly different. Firstly, there is less need for access to duty-free inputs. By contrast, firms in the services sector require better access to local markets for supplies and labour, which may in fact be hindered in the current export orientation of SEZs (Free Zones). Secondly, firms require access to high quality, low cost ICT infrastructure and facilities that are conducive and attractive for high-skilled workers.

The proper streamlining of legal, management and administrative processes, flexible labour laws allowing for temporary appointments of service providers, and the proper integration of IT and transportation services in the processes of the SEZs, have been outlined, among other things, as enablers for the successful operation of SEZs, and positively affect their ability to contribute to the economic development of host countries. The specific trends garnered from a preliminary research on countries that have had successful SEZ regimes include:

- Increasing number of privately owned versus publicly owned SEZs. Research shows that privately-owned zones attract higher investment, as investors are willing to pay for higher quality services and infrastructure facilities. Private zones in the Dominican Republic, for example, boast quality telecommunications and business support services, which work to the benefit of both the export sectors and the local economy.
- Previously, special economic zones were developed as remote enclaves in specified geographical areas; however, modern trends show SEZs integrating with other areas of the local economy. There are several examples of SEZs that are proximate to key areas of the local economy that

can serve as feeder industries or providers of key support services.¹⁶

Policy Recommendations

1. Create a platform which supports linkages with the local industry. This should include programmes to support the upgrade of local service suppliers through transfer of knowledge and technology in areas that will enhance suppliers of local input and services to meet international standards and technological efficiency that increases their overall productivity.
2. Implement supplier-training programmes in collaboration with foreign investors to help local producers upgrade their technological capabilities – directly through sharing production techniques and product design and assisting with technology acquisition, or indirectly through the expectation of high standards and feedback on suppliers' output.
3. Formulate strategies to enable the education sector to respond to the ever-changing needs of the SEZs, through collaboration with the education sector and industry players.¹⁷

¹⁶ The Dubai Internet City for example is an example of specialized SEZs that is located in IT and Technology zone adjacent to a University. This creates the important direct linkages with curriculum development at the university to match the emerging needs of that particular SEZ, and can in turn, provide the transfer of industry specific knowledge to students in that particular field. Another example is the petrochemical zones in Leom Chabang Industrial Estate in Thailand that is located in petrochemical hubs and other sources that provide efficient energy.

¹⁷ In Poland, companies from the BPO sector together with the Spot University of Applied Science and public institutions established the BPO Education Center, which is the only school in Poland fully dedicated to education of service centre employees. This is a form of non-financial

4. Ensure that SEZ incentives apply equally to services activities prescribed in the policy.

c. MSMEs Integration

Policy Issues

The development of SEZs is fully in line with the Ministry's policy of inclusiveness, ensuring that the appropriate linkages are provided for our private sector, especially the MSME sector. In this regard, the Ministry tabled a MSME and Entrepreneurship Policy in 2013 which provides an integrated policy framework that will boost the levels of innovativeness and competitiveness of the sector, through programmes that will help MSMEs satisfy supply and service opportunities generated by large corporations. The implementation of the policy also seeks to create market access, expand and promote business support services, access to finance & technology, boost the level of service, goods & process standards and ensure the protection of intellectual property. In so doing, MSMEs will be able to meet certain requirements that will enable them to be integrated into global supply and value chains through non-equity mode (NEM) of international production, to include contract manufacturing, services outsourcing, franchising, licensing, management contracts and other contractual arrangements through which multinationals and transnational corporations can coordinate their activities with local businesses.

Policy Recommendations

incentive to attract FDI, as companies will be motivated by the constant supply of skilled personnel, offering quality services to their firms.

1. Develop an Industrial Cluster Development Programme to support the formation of clusters of MSMEs in and alongside SEZs
2. Expand the business-to-business linkages programme through the use of web-based portals to support marketing and e-commerce
3. Launch supplier-development training programmes for MSME goods and service suppliers to the SEZs
4. Implement an integrated and targeted business development programmes to help fledging and prospective MSMEs that are linked to SEZ operations
5. Encourage large enterprises in SEZs to develop procurement policies that will support commerce with MSMEs

Policy Element: Competitive Tax and Incentives Regime for the SEZs

The policy framework for the SEZ regime will be compliant with the existing tax reform policy, with strict adherence to the provisions of the Omnibus Incentives Regime and the obligations of the government of Jamaica to its international development partners.

Jamaica is currently rated as “largely compliant” in the OECD tax compliance ranking. It is important that Jamaica review the Tax compliance standards to ensure the country is seen as transparent with taxes. Investors who invest in tax havens will be subject to tax scrutiny in their home countries, therefore, it is important for Jamaica to improve its tax ranking to fully compliant in the OECD tax transparency report. This is done through embarking on Tax Information exchange agreements, and this process could provide more legal security to SEZ investors.

In support of the government’s overall thrust toward fiscal consolidation, there will be a deliberate shift from the government-monopoly-led zone development to a model that is private-sector led or involves minimal government involvement through public-private-partnerships. Private development, ownership and operation of the zones will lessen the burden that SEZs can place on the government through the avoidance of operational and commercial risks.

a. Fiscal Incentives

Policy Issues

The research shows that fiscal incentives are offered by jurisdictions in and outside the region. Countries such as The Bahamas, Dominican Republic, Trinidad and Tobago and the United Arab Emirates offer a diverse mix of attractive incentives including tax holidays, exemptions from stamp duty and import/export duties for qualifying transactions and exemptions from other national taxes and contributions. In Panama there are various investment incentives that provide lower tax rates or exemptions particularly for business operations in the Petroleum Free Trade Zones and the Colon Free Trade Zone. (See Table 3 for summary of incentives). It stands to reason therefore, that the tax and incentives framework for SEZs will be important factor in creating a competitive space for the country.

At the heart of the discussions among policymakers is recognition of the need to develop fiscal incentives for SEZs that are attractive to investors that will be targeted for the SEZs. It is understood that incentives should be consistent with the Memorandum of Economic and Financial Policies (MEFP) which sets out the government's commitment to its international development partners. With respect to incentives, the MEFP emphasises a shift from a reliance on

specific tax holidays/exemptions and more toward performance and rules-based incentives that are broadly applicable across sectors and will typically take the form of credits and allowances. In light of this, the key features will include:

- (1) A simple, transparent tax regime for internationally mobile investors supported by performance-based eligibility criteria;
- (2) Non-discrimination against domestic investors and producers; and
- (3) “Indirect exporter”¹⁸ status for domestic suppliers into the SEZ and “extra-territorial” status for SEZ sales into the domestic market

The rationale for providing incentives for SEZs in Jamaica is premised on three main arguments. The first is that the competitor countries either offer no tax or relatively low tax regimes for enterprises operating in SEZs. At the very least consideration should be given to adopting a low tax regime that will make Jamaica competitive location for investors.

Secondly, the strategy of developing SEZs is an opportunity to create an investor-friendly economic space necessary for attracting and retaining local and foreign investments, boosting foreign exchange earnings, and expanding the

¹⁸ The indirect exporter status is applicable to those in the domestic market who supply to the SEZ. There goods and/or services would be treated as exports since the recipient is extra-territorial and not part of the domestic customs territory. Hence, indirect exporters would receive the same treatment as for a domestic entity directly exporting to a foreign territory. These indirect exporters would have to be certified to receive this benefit and would be given the same treatment as a domestic entity directly exporting to a foreign territory.

growth and diversification of the country's export base. The SEZs will be a prominent feature in attracting foreign direct investments to Jamaica, over the medium to long-term. A number of projects have already been singled out for strategic and premier investments, including the Caymanas Special Economic Zone, Dry Dock SEZs, Airport SEZs and many others. Likewise, SEZs will enhance and stimulate export growth and diversification in both the range of products and markets. As the economy becomes more integrated in the global value chain, the export of secondary products and services is expected to also expand. The economic impact of SEZ is quite significant. According to the World Bank exports from Zones, contribute USD\$851.032 Billion in global exports (40.8% of global exports). In the Americas Zones accounted for 39% of exports and were respectively 79%, 77% and 67% of Nicaragua's, the Dominican Republic's and Panama's exports.

Thirdly, there are direct benefits not only for investors but to the country on a whole. These include large scale employment in the SEZs, increased government revenue and opportunities for technology transfer and skills upgrading. Some of the more elusive 'indirect' economic benefits that are anticipated include enhanced trade efficiency of domestic firms and the creation of a laboratory for wider economic reforms in the country.

Policy Recommendations

1. Single uniform low/positive rate of tax applied to corporate source income. This should include:
 - Low headline CIT rate (10% – 12.5%) on profits
 - No withholding taxes on distributions/payments out of income earned from SEZ activities

- Exemption from dividend tax for shareholders resident abroad
2. SEZs targeting high-technology/innovative activities may also be considered for an exemption from any relevant taxes on license or patents.
 3. The SEZ Developer will benefit from tax credit equivalent to the prevailing Standard CIT Rate (currently at 33 %) on capital sums invested, which may be set-off against other income tax liabilities of the SEZ developer from any other source, but limited to 50% of that liability in any one year of assessment. To access this concession, SEZ developers must be accredited with the "Approved SEZ Developer" at the time of filing tax returns. Tax credit may be carried forward to the subsequent tax assessment period, but may not be applied to prior assessment periods.

a. Personal Income Tax

Policy Issue

The accumulation of the most talented human capital needed to transform the economic base of the country is a critical success factor for SEZ development. The skills base has to include the appropriate mix of talent and competencies required for logistics and logistics-related industries. This brings the management of human capital from local and foreign sources into sharp focus and highlights the need for labour policies that will ensure attraction and retention of labour at competitive labour costs.

It is the practice of some countries to offer reduced personal income taxes paid by expatriate staff. In Tunisia, foreign staff pay a flat individual income tax rate of 20%; in Yemen, non-Yemeni workers are exempt from taxation on their income

and in Jordan, non-Jordanian employees get a 12 year tax holiday.

Policy Recommendation

The proposed policy measure is to have no special relief on personal income

b. Withholding Taxes

Policy Issues

The withholding taxes should be comparable to other jurisdictions and should have limited impact on the overall effective tax rate on income for corporations linked to SEZs.

Policy Recommendations

Withholding tax on dividends will be applied at the rate of 10% while withholding taxes will not be applicable on all other forms of distributed incomes (e.g. royalties, interest etc.) for operators of SEZs.

c. Indirect Taxes

Policy Issues

The literature shows several strategies that are used to encourage business linkages between the businesses in the zones and the wider economy. One is ‘equal-footing policies’ which includes duty-free access to inputs that are supplied to the zones and tax credits and rebates on duties paid on imported materials used in products sold to the zones (examples include Taiwan & Republic of Korea). In the Howard (Panama-Pacific) Special Economic Area in Panama, in-bond manufacturing companies may import equipment and raw materials on a duty-free basis and subsequently export 100% of production, receiving a tax-free benefit. Such

companies do not have to pay VAT on imports. In the Bahamas, the free zones incentives include exemptions from stamp duty and import/export duties for qualifying transactions.

Policy Recommendations

a. GCT (Inland)

- Domestic supplies into the SEZ are zero-rated
- SEZ supplies into the domestic market are rateable at the prevailing standard rate or the applicable rate for the particular supply (if a special rate exists)

b. Property Taxes

- Exemption from property taxes except for SEZ Developer from which property tax is due and payable by the SEZ Developer, unless the land on which the SEZ is located is vested in the SEZ Authority
- Exempt from taxes on property transfer (transfer tax and stamp duty)

NB: This may require further discussion since the treatment of Transfer Taxes should account for the fact that Jamaica does not have a capital gains tax regime, while key comparators do, even where such jurisdictions provide exemptions for transfer taxes.

c. Border Taxes

- Full relief from customs duty (CET), stamp duty, additional stamp duty and GCT on imports into the SEZ – similar to current relief extended to existing zones (NB: Given that SEZ sales are designated as “exports”, which would therefore be zero-rated for

GCT purposes, the application of GCT on imports into the SEZ would create a significant refund liability for the Government). (See subsequent section on specific treatment of stamp duties and transfer taxes in relation to the developer.)

- SEZ operators to pay customs fees and other levies/fees applicable to imports

d. Other Considerations for Treatment of Indirect Taxes

- Note that relief from stamp duty and transfer tax on the acquisition of land by the “Approved SEZ Developer” is being considered. Vendors in the land transaction will however be liable to pay the transfer tax and stamp duty.
- Relief from income tax on rental income (unless the landlord and tenant are connected persons within the meaning of the Income Tax Act);
- Tax deductions for lessees of improved property of up to 200% of the amount of rent paid (provided the lessee is not "connected" to the landlord and the Commissioner General TAJ is satisfied that the rent is a reasonable commercial rent.

Table 3: Summary of Incentives Regimes for Selected Economies

| | | | | | | | | | | | |
|---|---|--|--|--|---|--|---|--|--|---|---|
| China | India | Singapore | UAE | Brazil | Dominican Republic | Panama | Cuba | Nicaragua | Netherlands | Bahamas | Jamaica (Free Zone Regime) |
| There is a geographically based incentive focused on new/high-technology enterprises. This incentive (in addition to the 15% rate that applies to all new high technology enterprises is a two-year tax holiday followed by three years at a 12.5% rate | Undertakings set up in SEZs are exempt from tax on their export profits subject to compliance with other conditions. Other tax holidays are available based on industry and region. | Various incentives are available for pioneer and expanding companies, headquarter activities, financial services, asset securitization, fund managers, international maritime activities, international trading and R&D. | Free trade zones are offered renewable 50-year tax holidays and exemption from import duty on goods brought into that free zone. | Firms that earn at least 50% of their revenue from exports are exempt from federal social contributions on gross income (PIS and COFINS) | Various tax incentives are available and include regimes (e.g. those for free trade zones, tourism and renewable energy) that, in many cases, provide a 100% exemption from national taxes and contributions. | Various investment incentives provide lower tax rates or exemptions. Incentives are available in the Petroleum Free Trade Zones, Colon Free Trade Zone, etc. | Licenseses and operators in free zones are fully exempt from tax on profits for 5-12 years, depending on activities carried out and exempt from 50% of the tax on the use of the workforce for 3 or 5 years, depending on the activities. They are also exempt from payment of customs tariffs and duties. Additionally, the Foreign Investment Act provides for various incentives, including partial and full tax exemptions. | Companies operating under certain special incentive regimes, such as Free Trade Zone companies, are exempt from income tax. After the third year of operations, companies are subject to tax on their Nicaraguan-source income, which equals the higher of the following: 30% of net taxable income <ul style="list-style-type: none"> • 1% of immovable and movable. Gross taxable income (income subject to withholding at source is not included in the tax base) | Various investment deductions and reliefs are available. Assuming a marginal tax rate of 25%, the net benefit will be 15%. | While there are no company taxes, the Bahamas offers free zone incentives, including exemptions from stamp duty and import/export duties for qualifying transactions. | <ol style="list-style-type: none"> 1. Companies registered under the Jamaica Export Free Zones Act are relieved from tax on income derived from the manufacturing and international trading of products. This regime is retained under the current tax reform process pending migration of same to a WTO-compliant SEZ regime by December 31, 2015. 2. Duty-free importation of capital goods, consumer goods, raw materials or articles for use in connection with the approved product; 3. Duty-free treatment of articles for the construction, alteration, and repair of equipment of premises in the Free Zones; 4. Repatriation of profits (since liberalization of the foreign exchange market in 1991 there are no restrictions on the repatriation of profits); 5. Exemption from the normal fees payable with respect to work permits. |

Policy Element: Zone Development and Administration

Over the past 15 years, there have been noticeable increases in privately-owned, developed and operated zones worldwide. Privately owned enterprises account for 62 per cent of zones in developing and transition countries, a significant jump from 25 per cent in the 1980s. In the Americas out of the 540 total zones 394 are private and 146 are public. The USA has 20 public zones and 246 private zones; Panama has two public and eight private zones; Colombia has one public and 14 private zone; and the Dominican Republic has 20 public and 38 private. Singapore and the United Emirates are the exceptions, with 42 and 26 public zones respectively but no private zone.

a. From Free Zone Council to SEZ Authority

Policy Issue

The regulatory framework for SEZs must facilitate business in an expeditious manner. A notable practice is to separate the regulatory role as much as practically possible from the roles of owner, developer and operator. The authority of the Ghana Free Zones Board (GFZB) makes a clear separation of these roles. The Board is concerned with the planning, promotion and regulation of the Zone and has been restricted from the outset from involvement in zone development. In Costa Rica, Jordan and Thailand some government agencies that regulate zones have now become corporate entities primarily to enable them to operate efficiently without civil service restrictions.

Leaving zone development to private sector however does not mean the zone authority has no role in the development process. Its role as a regulator is critical and it must ensure that development processes are transparent and effective. A general trend is for the zone authority to act as a one-stop

shop where it is authorized to grant all necessary licences, certification/accreditation and authorizations and oversee regulatory compliance through the relevant planning and environmental authorities which will be housed in one central facility. In so doing, the authority minimizes the time-consuming regulatory compliance often faced by businesses. This is a practice in the Philippines where a One-Stop-Shop facility for businesses is established in each Ecozone to facilitate registration of new enterprises, licensing and the issuance of permits.

The absence of a robust Free Zone Council is a glaring policy and regulatory gap for the country, even as the country prepares to transition to the SEZ regime. Fortunately, the Jamaica Free Zone Act can be drawn on to reactivate the Council and fill the pressing need for regulatory support during the transitional period.

Policy Recommendations

1. Develop Comprehensive Implementation Plan for housing relevant regulatory agencies under one roof to facilitate seamless approvals and inspection and to accelerate business processes. This process will be managed by the SEZ Authority.
2. Facilitate the establishment of a SEZ Authority with the relevant authorization to interface with all government bodies to facilitate transaction between developers and SEZ occupants in a timely manner.

b. From Free Zones to SEZs

Policy Issues

The Free Zone Act while useful, as currently constituted lacks the level of detail and policy coherence needed in a Special

Economic Zone regime. It is therefore not a very good tool for the establishment of the modern SEZ regime but can be used as a transitional tool for the SEZ regime. Moreover, the Act provides a framework through which investors (foreign and domestic) can operate and helps to send a clear signal to the market that Jamaica is committed to implementing SEZs.

Issues surrounding the existing standalone/single-entity free zones will be given due consideration in all subsequent documents.

Policy Recommendation

Set up Enterprise Teams to deliberate and resolve matters related to business case for the zones and engagements with investors

c. Public-Private Zone Development

Policy Issues

Private development, ownership and operation of the zones will lessen the burden that SEZs can place on the government. One model that is being considered is for the government to take on certain stages of the zone development and subsequently transfer its interest in the zone to a private operator which has a proven track record and experience in SEZ development and operations.

Growing trend towards private zone development in Asia and the Pacific where zones have been traditionally run by government. In Aqaba Freeport (Jordan), PPP opportunities are tendered out through the authority. Government pricing of land sales, lease rates, and public services and fees are regulated by the authority; in the Philippines, zones are run on a commercial basis (41 privately owned, 4 public owned

zones); and in India, authorities allow private developers to make their own proposals for zone development. The regime allows for hiring of separate operators to manage zone facilities.

Policy Recommendations

1. To help prevent cost overruns and encourage greater efficiency in both the development and operations, there should be encouragement of private sector involvement in development and operation of zones on a market-oriented, commercial basis (cost-recovery).
2. Critical success factors must include systematic criteria for private zone evaluation or designation, a formal development agreement between private developers and government.

d. Eligibility Requirements

Policy Issues

The eligibility requirements must be linked to the scope of the SEZ framework of the country. For Jamaica, the plan is to allow for a variety of SEZs that will target multiple markets and attract a range of industrial activities (see Types of SEZs in table 1). By allowing for a wide range of activities within the zones or a variety of zones, the country offers investors more options and the government can exercise greater flexibility with developing all future zones that may be suited for innovative industries that are slowly emerging.

Performance eligibility requirements may warrant a high degree of flexibility however, monitoring mechanisms will be instituted both ex-ante and ex-post – to ensure that firms that initially comply indeed follow-through and meet their performance eligibility requirements during business operation.

Many countries¹⁹ are reducing or totally eliminating their export requirements as a performance requirement and are instead placing more emphasis on improving their investment climate that include good infrastructure, access to markets, transparent business environment, skilled labour force, and cost-effective production.

Export requirements have the disadvantage of excluding certain businesses that may be deemed as ineligible. According to the World Bank, the best approach is to remove minimum export requirements in line with WTO rules. In so doing, the country could broaden the range of eligible activities while stating clearly the prohibitive activities enumerated on a ‘negative list’. In addition, the World Bank highlighted that maximizing flexibility could also entail:

- equal treatment of foreign and domestic investments;
- removal of ownership restrictions; and
- extension of indirect exporter benefits and privileges to domestic suppliers to zone-based enterprises.²⁰

Policy Recommendations

1. As a matter of policy, there should be a high degree of flexibility in the types of SEZs that will be permitted

¹⁹ This practice is followed in the Middle East, the Aqaba Jordan Free Port and JAFZA Free Zone. These zones do not have export requirements but instead rely on improving the business and investment climate to attract both export-oriented and domestic investors.

²⁰ World Bank 2008. Special Economic Zones- Performance, Lessons Learned and Implications for Zone Development”. FIAS, Report, World Bank, Washington DC.

2. To ensure high occupancy rates the SEZ regime should allow a wide range of activities (multi-sectoral) while listing only a small set of prohibited activities
3. The performance eligibility requirements for the development and occupancy of the SEZ should take account of WTO rules, the country’s obligations under existing trade agreements and Bilateral Investment Treaties (BITs) and the country’s broader development goals.

e. Urban Support Area Designation and Development

Policy Issues

The purpose of the Urban Support Area is to provide the proper housing, utilities, transportation, social (e.g. schools, hospitals) and recreational infrastructure in adjacent areas to the workers in the SEZs. This is part of creating the backward linkages into the domestic economy and will help to avoid past mistakes of not adequately providing for the needs of the workers.

Policy Recommendation

Designate Urban Support Areas and grant special developmental status to entitle developers to the streamlined construction regulatory process.

Policy Element: Human Resource

There are over 3,500 SEZs globally that employ over 68 million people. In the Americas there are over 3 million SEZs-related jobs. In Honduras SEZs account for 4.6% of national employment, in the Dominican Republic it is 6.2%, in Mauritius it is 24% and in the UAE it is 25% of total employment. These zones can be highly effective for job

generation, particularly for women entering the workforce. Furthermore, evidence suggests that for small countries like Jamaica with population of less than 5 million, SEZs are a significant source of employment.

Policy Issue

The country's skills base has to include the appropriate mix of talent and competencies consistent with global standards of logistics and logistics-related industries. The World Bank reports that most enterprises in SEZs worldwide are labour-intensive, assembly-oriented activities such as textiles, apparel and electrical and electronic goods. Hence, the prospects for increased employment are promising but employment creation will require an appropriate mix of labour policies including specialized dispute settlement mechanism and full consistency with International Labour Organization labour standards.²¹ International standard dictates that there should be some flexibility in labour regulations in terms of duration of employment contracts and recruitment. In addition, excessive dependence on foreign labour at the expense of the domestic labour market should be discouraged.²²

Policy Recommendations

1. Adopt labour practices that all in full consistence with International Labour Organization, including core

²¹ World Bank 2008. Special Economic Zones- Performance, Lessons Learned and Implications for Zone Development". FIAS, Report, World Bank, Washington DC.

²² Research shows that among the principle obstacles to success of the programme in the Dakar EPZ was a rigid and constraining labour regulation i.e. employment contracts were permanent and employers did not have complete freedom in recruitment.

rights of assembly, organization and collective bargaining

2. The regulatory framework for the labour market should be flexible, liberal and transparent for both domestic and foreign workers

Policy Element: Sustainable Development

Adopting the definition for sustainable development that is used by the United Nations World Commission on Environment and Development, the policy framework for SEZ considers sustainable development to encompass economic and social development and environmental protection. SEZs will be developed in keeping with government's policies on sustainable development which incorporate economic, environmental and social considerations.

Policy Issues

The policy will encompass a gamut of strategies that will support sustainability of the Jamaican society. As indicated in previous sections, the policy framework will be formulated with strategies to create backward linkages particularly through the proposed building out of Urban Support Areas that will encompass the provision of proper housing, utilities, transportation, social (e.g. schools, hospitals) and recreational infrastructure in adjacent areas to the SEZs. This is to ensure economic development with social inclusion.

As part of the effort to mitigate climate change multinational corporations will be encouraged to incorporate low carbon policies and enhance their overall corporate responsibility. Moreover, environmental sustainability or regulation is not being viewed as an impediment to businesses but rather as critical part of doing business through the GVC model. Other

areas that will limit the impact of the development of the SEZs on the environment will be examined during the policy development process.

It is anticipated that food and energy security will be enhanced with specialized commodity SEZ by giving Jamaica access to more competitively priced food and energy commodities being stored in the SEZ. Additionally, provisions will be put in place, with the appropriate trigger mechanisms (e.g. natural disaster or global price volatility), that will allow for temporary duty and/or sales tax free access into the domestic economy. This would in effect create a strategic reserve for Jamaica.

Policy Recommendations

1. Through the application of appropriate regulations, the developer and operators of the SEZs will be required to pursue and adopt low-carbon, green strategy with a clear goal and commitment to Greenhouse Gas mitigation.
2. Every effort will be pursued to ensure a strategy of greening the economy and related industries and safeguarding human and environmental health.
3. Policy measures will seek to ensure coherence with the Ministry of Water Land and Climate comprehensive environmental policy (being developed). Some strategies that will be emphasized include:
 - adopting environmental practices in line with regulatory requirements overseen by NEPA. These include the adopting of practices to reduce ozone depleting substances, hazardous spills etc.
 - Including a representative of NEPA at the proposed one stop shop which will facilitate a smooth transition into the zone.

- Stipulating that the SEZ Authority implements regular Environmental Impact Assessments (EIAs), Environmental Audits to ensure compliance within the SEZs.
- Providing housing and other social infrastructure in consultation with all key government bodies in order to eliminate conflicts such as the duplication of expenditure on the same structure.

VI. Implementation Roadmap

The Sub-Committees of the Policy Steering Committee are presently preparing an implementation roadmap for the SEZ policy. This implementation roadmap, when completed will highlight the policy, institutional, administrative and operational changes that are necessary for the effective implementation of the SEZ policy framework.

Lead Responsibility

The development of the policy falls within the purview of the Ministry of Industry, Investment and Commerce which will see to the proper planning and execution of the policy development process in collaboration with the relevant MDAs.

Financial Implications

The policy development process requires robust research and analysis and extensive consultation with stakeholders. Funding will be needed to conduct analysis that will guide the establishment of the respective zones, inclusive of surveys and other research methods etc. The Ministry anticipates support from the World Bank for this process.

Timetable for Development of Policy and Legislative Framework (see Table 4).

| Table 4: Schedule of Major Milestones, Activities and Events – Last Updated October 2014 | | | |
|---|-----------------|--------------|---------------|
| Task Name | Duration | Start | Finish |
| Completion of Concept Paper | 22 | 04/30/14 | 05/29/14 |
| Completion of Interim Policy | 115 | 05/26/14 | 10/31/14 |
| Completion and acceptance of Green Paper | 26 | 10/06/14 | 11/10/14 |
| Completion and acceptance of White Paper | 34 | 11/14/14 | 12/31/14 |
| Preparation and Presentation of Legislation | 248 | 12/31/14 | 12/11/15 |
| Approval of SEZ Policy by Cabinet | 14 | 12/31/14 | 01/19/15 |
| Drafting Instructions | 46 | 01/20/15 | 03/24/15 |
| Preparation of SEZ Bill & Regulations for Circulation | 110 | 03/25/15 | 08/25/15 |
| Submission of the SEZ Bill and Regulations to Legislation Committee | 28 | 08/26/15 | 10/02/15 |
| Approval of SEZ Bill and Legs and Regs by Cabinet | 6 | 10/05/15 | 10/12/15 |
| Introduction in Parliament | 44 | 10/13/15 | 12/11/15 |

VII. Legal Implications

Current Legal and Regulatory Framework – Jamaica Free Zone Act

The Act as currently constituted lacks the level of detail and policy coherence needed in a Special Economic Zone regime.

The lack of policy coherence includes:

1. The responsibilities and functions of the Port Authority under s. 6-18 vs those of other Promoters (s. 7) is greatly
3. opportunities for Free Zone shopping malls or for free ports.
5. effect on a commodity port and on bunkering activities with tank farms.

disproportional, and could be view as prejudicial and discouraging to private investment. Additionally, the presence of the Port Authority as a Promoter and regulator makes the Act very untidy and counter to international best practice where business and regulatory functions are separated.

2. There is a heavy restriction on retail trade under s 25. This limits the policy space for creative investment
4. There is severe prohibition on the storage of petroleum products under section s32. This would have a chilling
6. All goods coming into the Free Zone have to be consigned to Promoter or approved enterprise under s23 (3). This

could have a chilling effect on the 3PL business and efficiency of moving goods generally.

7. There are no labour standards expressly mentioned in the Act or its Regulations.
8. There are no environmental standards expressly mentioned in the Act or its regulations.
9. It is unclear if the JPS All Island Licence Applies to Free Zones. The Act grants a Promoter the right under S.4(2)(b): *A Promoter may set the price for services offered by him such as garbage removal, customs processing, security and any other services related to the Free Zone under his control.* This could be read to include the generation and distribution of energy. Additionally, the Port authority is granted the power under S.6(3)(f): *In the exercise of its functions under this Act, the Authority may provide water, light and power, telecommunications and any other public utilities or service and enter into contracts for the supplying of said utilities and services.*
10. Currently, the Act provides for service operations, including banking, data processing and telemarketing, insurance, professional services to be amongst the prescribed activities. However, article 36 of the Act does not provide for the income tax relief for these firms, but only for manufacturing activities. This is a clear policy factor that will retard SEZ integration in the services industry.

Other sections of the Act that contribute to the lack of policy coherence may include:

1. Section 5 – Activities allowed in the Free Zone (also Schedule 1). The activities allowed in the new SEZ

regime would have to be much broader for SEZ to make economic sense.

2. Section 22 – Insurance service providers
3. Section 23(5),(6),(7) – Movement of goods out of the Free Zone into Jamaica. The monitoring of this could become a potential bottleneck and create an unnecessary burden on the resources of Customs. Additionally, this section makes no provision or clear guidelines for goods that may leave a Free Zone into the customs territory for value addition purposes and to be returned to the Free Zone for export.
4. Section 29 – Manufacturing in the Free Zone record keeping
5. Section 30 – The power to link Jamaican inputs in exchange for allowances. This provision may violate WTO rules depending on how it is applied.
6. Section 32 – Goods not to be taken into the Free Zone. Such restrictions are necessary for national security reasons, however, they should not be so restrictive as to stifle lawful activities we wish to attract to Jamaica.
7. Section 33(3) – Movement of goods from Free Zone to Free Zone
8. Section 34 – Banking Services
9. Section 38 – Income Tax Relief
10. Section 40 – Withholding taxes for dividends

In light of the policy gaps identified in the current Free Zone Act, a Special Economic Zone Act and the attendant Regulations are being developed in line with the necessary policy framework in order to give effect to the proposed Special Economic Zone regime.

Appendices

Appendix I

Composition of SEZ Policy Steering Committee

- | | |
|--|--|
| 1. Mrs. Patricia Francis | Chair, PSC |
| 2. Professor Gordon Shirley | Port Authority of Jamaica |
| Mrs. Beverley Williamson* | |
| Mr. Edmond Marsh* | |
| 3. Mr. Oneil Grant | Jamaica Confederation of Trade Unions |
| 4. Mr. Donovan Wignal | MSME Alliance |
| 5. Mr. Norman Horne | Jamaica Manufacturers' Association |
| 6. Mr. Yoni Epstein | Business Processing Industry Association of Ja |
| 7. Dr. Eric Deans | MIIC's Task Force/Logistics Hub Secretariat/MIIC |
| 8. Mrs. Beverley Rose-Forbes | Ministry of Industry, Investment and Commerce |
| 9. Mr. Reginald Nugent | Ministry of Industry, Investment and Commerce |
| 10. Mr. Stephen Wedderburn | Ministry of Industry, Investment and Commerce |
| 11. Mrs. Shullette Cox | JAMPRO |
| Mrs. Cheronne Allen* | |
| 12. Mr. Dennis Morrison | Omnibus Incentives Committee |
| 13. Mrs Pamela Folkes | Ministry of Finance and Planning |
| Mr. Ian Scarlett* | |
| 14. Mr. Eric Crawford | Jamaica International Financial Services Authority |
| 15. Dr. Kathy-Ann Brown | Attorney General's Chambers |
| 16. Mr. Francis Kennedy | Jamaica Chamber of Commerce |
| 17. Mr. Charles Johnston | Shipping Association of Jamaica |
| Mr. Grantley Stephenson* | |
| 18. Ms. Alicia Morris | Ministry of Foreign Affairs and Foreign Trade |
| 19. Mr. Albert Edwards | Office of the Parliamentary Counsel |
| 20. Major (Ret'd) Richard Reese | Jamaica Customs Agency |
| Ms. Marion Daley* | |
| Mrs. Karlene Henry* | |
| Mr. Clive Thompson* | |
| *Alternates | |

Appendix II

| SEZs versus Free Zones | |
|--|--|
| Special Economic Zones | Free Zones |
| <p>SEZs are characterized by 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.</p> | <p>The core definition of a free zone, as well as proposed guidelines and standards for them, are contained in the Revised Kyoto Convention of the World Customs Organization (WCO). Specifically, Annex D and the accompanying guidelines provide standards and recommendations on the treatment of imports to and exports from free zones including territorial limits (free zones are defined as “outside the customs territory” for purposes of the assessment of import duties and taxes); minimal documentation requirements; and issues to be covered by national legislation. Free zones typically allow for duty- and tax-free imports of raw and intermediate.</p> |
| <p>World Bank (2009). “Clusters for Competitiveness: A Practical Guide and Policy Implications for Developing Cluster Initiatives.” International Trade Department, PREM Network, Report, World Bank, Washington DC.</p> | |

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