

**Address by the Jamaican Ambassador to the United States,
On Behalf of the Government of Jamaica, at the Antigua ICTFEST 2006,
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ICT: A Key Tool in Today's Successful Modern Business

1. Introduction

Mr. Chairman, I am greatly honoured to have been invited to participate in this ICT Interactive Forum in your very beautiful island tonight and to participate in the build up to ICTFEST 2006. I would like to thank the Honourable Dr. Edmond Mansoor, Minister of Stated with portfolio responsibility for Information, Broadcasting and Telecommunications for the invitation. Residing as I now do in Washington, I might have preferred an invitation to speak in February when the weather is decidedly more unfriendly there, but nonetheless, I am very pleased to be here for a cause as worthwhile as this.

Mr. Chairman, with the approval of the Minister, I have seized he opportunity to alter the title of the presentation to emphasize the role of *ICT as a Tool in Today's Successful Modern CARIBBEAN Business*. The presentation will be structured into four brief segments. Firstly Chairman, I will briefly discuss the New Caribbean Business Environment to distinguish it from what has gone before, and I will use the example that I am most familiar with, Jamaica, to illustrate the significance of the changes. In the second segment, I will discuss the role of ICT in transforming the nature of work in Modern Business Enterprises. In the third segment I will discuss the opportunities for emerging nations to take charge of the changes introduced by the rapidly evolving ICT environment, using India as an illustration and discussing the implications for the Caribbean. The fourth section is devoted to some concluding thoughts.

The NEW Caribbean Business Environment

Mr. Chairman, I am aware that many Caribbean people, particularly those residing overseas, are slow to recognize that we have embarked on a new phase in Caribbean development. The Caribbean today presents a vastly different economic picture from the one a decade ago. Today, many of the countries in the region have begun to grow and some are being compared to the fabled Asian tigers. We have entered into a period of great opportunity. What is impressive about the situation is that it is not isolated, it is occurring all across our region.

In the South of our region, Trinidad and Tobago, with its almost limitless (or so it seems) supply of Natural Gas has become the manufacturing center of the CARICOM group. The current edition of the widely read publication – The Economist heralds the country as an emerging “Tiger”. In the words of the Economist, cash has now begun to pour into the country, proceeds of the investments which have been made over the past several decades in the natural gas and downstream processing industries.

Today, Trinidad is the largest supplier of LNG to the US. If that were not enough, it is also the world’s top exporter of methanol and ammonia. These investments have been made by several of the world’s largest oil companies and by the largest European chemical Companies. As we speak, new complexes are being added – chemical plants, steel mills, alumina smelters, LNG trains with these investments being made by a mix of multinational firms from all across the globe.

Buoyed by these investments, the country is achieving a GDP growth rate comparable to China. As a consequence of this growth, the country is at, or close to, full employment. Trinidadian manufacturing firms, conglomerates and financial institutions are now operating through the English speaking Caribbean and beyond.

To the North, Bahamas, the silent giant has been for some time growing substantially. Taking advantage of its close proximity to the US, its sub tropical temperatures and extensive coral based white sand beaches, the country with a population of just over

330,000 has developed a vibrant tourism based economy with a GDP/capita of more than \$17,000. Bahamas which boasts a high level of economic linkage with the US mainland, is today also at full employment. As the baby boom generation approaches retirement, the demand for property in the island has grown dramatically, and with a backlog of investment projects in the construction sector of between \$15 and 30 billion, the primary constraint to growth is currently the availability of labour.

As everyone in this room is aware, Antigua and Barbuda, closer to the center of the region is growing at an impressive rate of 4-5% per annum. My information, Mr. Chairman, is that the nation of 80,000 is also close to full employment with a GDP per capita of >\$10,000. With one of the more impressive telecommunications environments, the World Banks statistics suggests that the country currently boasts almost a 100% penetration of telephones, and internet usage by 1 in 4 households.

To more clearly illustrate the important differences between the Old Caribbean and the NEW Caribbean and the nature of the Government policies which have led to these changes, I would like to use an example that I am rather more familiar with – the case of Jamaica.

And at the level of the firms which operate in the region and which are the major source of employment, it is useful to examine the case of Jamaica in a little more depth.

The Case of Jamaica

- Jamaica's evolution as a nation
- Post independence – oil shocks lead to import substitution strategy
- Economic liberalization in 1990's
 - Market failure due to inability of firms to compete globally
 - Financial Sector restructuring
 - High debt levels
 - Tight fiscal and monetary surpluses
 - Foreign Direct Investment now at the highest levels ever
 - Hotels
 - Alumina
 - Roads

- Airports
- Sea Port (CSI)
- Telecommunications
 - Outsourcing services
 - Call centers

Underpinning the transformation which is occurring is the creation of a market based economy accompanied by a sound regulatory regime. One sector which serves as a metaphor for the transformation is the ICT sector. Under an inward looking model based on import substitution, the telecommunications sector was dominated by a single monopoly. Following the model of economic liberalization, Jamaica was one of the first emerging nations to liberalize the telecommunications sector. The transformation has been startling to most of us:

Since the deregulation of the sector, licenses have issued to Digicel, represented here tonight I, Oceanic Digital (Miphone) and AT&T Wireless (\$100 million in cellular license fees). Penetration of telephones has moved from 70,000 subscribers in a country of 2.5 million in 2000 to 2.15 million in 2005. The mobile telephone penetration rate is 84% while the total telephone penetration rate is 94%.

Revenues from the sector now total more than \$750M/yr, which you will agree is not an insignificant base for taxation.

More recently, a Universal Access Fund has been implemented to ensure access by all members of society including those in remote areas. To facilitate this, a levy has been introduced, payable by all licensed telecommunication carriers terminating international calls in Jamaica. Contributors to the Universal Access Fund pay US\$0.03 and US\$0.02 for terminating international calls to the fixed line and mobile network respectively. This levy has been implemented to expand universal access to data in order to create a knowledge based society with particular emphasis on our youth. This will involve expansion of Internet access over a national broadband network to persons and communities that could not ordinarily access these services. Internet usage, which is

currently low by comparison to your country and some other Caribbean nations, can be expected to increase substantially.

Recognizing that the objective is to substantially improve the preparedness of the nation to compete in an information intensive world, the government recognizes that significant investments will be required to further accelerate digital development and enhance the country's e-readiness.

To this end the government through its Central Information Technology Office is promoting the use of Free and Open Source Software (FOSS).

The government has also liberalized the broadband wireless market. Any company can gain a license to operate WiFi and WiMax technologies by paying the requisite fee of the choice of spectrum to the spectrum management authority. Already several firms have acquired licenses and are operating within the prescribed band.

Two new licenses were awarded for the establishment of fibre optic networks and already firms are offering wholesale services to other carriers, service providers and corporate customers

All companies in the sector now offer voice over Internet protocol or VoIP services which are used to enhance connectivity by reducing the cost of International calling to the benefit of consumers and businesses.

The Jamaican case clearly indicates that properly regulated market economies attract investment and lead to growth. The transformation of the ICT sector underlines this point.

ITC Transforming Businesses

I turn now to look at the specific impact of ICT on firm level performance. The two principal elements of the ICT environment are (a) the microprocessor or computer that is devices such as the cellular phone or the desktop computer and (b) the communication facilities that make it possible to transmit information from any such device to another

located almost anywhere else in the world. Together these two elements have served to transform the way we work.

The programmable nature of computers makes it possible to automate almost any work activity that is repetitive and proceduralized

The information required to do routine tasks can be transferred effortlessly and almost costlessly anywhere in the world.

- ICT technologies make it possible to automate all routine functions:
 - Administrative, clerical and standardized tasks can now be either outsourced and/or mechanized.
 - The technologies make it possible to execute those outsourced tasks anywhere in the world. The communications infrastructure means that it is not significantly different to communicate between California and New York or California and India
- Broadband technologies facilitate high volume, high speed transmission of all types of digital content from basic services such as plain text e-mail to high quality streaming audio and video, and real time transmission of events such as teleconferencing and web casting.
- In an open economy, firms which cannot compete under global conditions eventually fail.
- A number of emerging countries have seized the opportunities thus created an opportunity for growth. There are several who have done so, but the most visible is India

The Case of India

- IIT trained graduates going to leading Universities in US, UK and elsewhere
- Becoming academics and managers in leading managers in consulting firms, accounting firms, software engineering firms etc.
- Participated in and became proficient in the use of the technologies to routinize tasks
- Participated in the development of the telecommunications technologies
- Participated as team members in consulting firms in encouraging firms to outsource their routine tasks to areas of the world where they can be executed more cost effectively
- Seized the opportunity to outsource tasks to India once it arose, given their familiarity with the resources there

As a result of these developments India is now challenging China for the fastest growing country in the world, and shows the capacity to match them in respect of the sustainability of this growth.

What are the key elements in India's success? The two primary ones are:

- Good educational institutions
- Large, highly trained, well placed Diaspora

The Caribbean Opportunity

- IIT's not substantially different from UWI
- Caribbean Diaspora is among the largest on a per capita basis and among the highest in respect of tertiary trained percentage
- Caribbean has locational advantages for “near sourcing”
- English spoken by CARICOM members easily adaptable to American English

As an illustration, Jamaica has run out of space to accommodate outsourcing facilities.

The region is not yet well recognized for the potential that it holds in this regard. However, this may be about to change.

- World Cup Cricket provides an excellent opportunity to showcase capabilities of the countries of the region

In addition, many of the Caribbean financial institutions, conglomerates and manufacturing firms have already begun to operate across the region. ICT provides considerable potential to extract efficiencies and prepare them to compete even more effectively in global markets.

- Caribbean integration via the CSME further enhances the potential for taking advantage of efficiencies across countries
 - Automation of transaction processing systems and use of digital technologies makes it possible to outsource of routine functions (including accounting, inventory management, procurement) to low cost, high unemployment areas
 - Economies of scale can be extracted in operation through use of ICT's in trading and retailing operations for example

If the firms which operate in our countries are to be effective in competing internationally, it is important to ensure that our government services and transactions are also provided in a globally competitive manner.

- Governments can lead through implementation of e-government and e-commerce

- If e-services makes sense to business they must also make sense to governments
 - On-line tax payment systems
 - Automated customs brokerage systems
 - On line trade board facilitation

Another illustration of how ICT can be used to integrate the countries of the region in through the use of smart cards for immigration. The Immigration authorities in the countries participating in the WCC 2007 intend to employ smart card technology to facilitate a single entry into the region without the need for clearing immigration thereafter for transfers within the region.

- Integration of immigration services across countries
- Experiment for a more integrated Caribbean?

The future

While the immediate opportunities are attractive, the reality is that in the medium term, many of the tasks that may be outsourced may eventually themselves be automated. If and when this occurs, the advantage will accrue to those countries with a highly competitive educated workforce. For this reason, ICT has to be applied quickly to the task of preparing the Caribbean workforce for the world of the future

- The tasks which are hardest to automate are the creative ones
- We have an advantage here
- We need to build on it

It is in this respect therefore, Chairman, that we must applaud the programmes announced by the Honourable Minister to use ICT to enhance educational opportunities in Antigua and Barbuda, to develop teacher software to make teachers more productive and effective and to create graduates which are more marketable in the fast changing world in which we live.

Concluding comments

In conclusion, it is my hope that this presentation will underline the significance of the ICTFEST 2006 which will be held at Perry Bay on September 20 and 21. The idea of an event to showcase ICT applications in many sectors, to provide information for entrepreneurs and business people on how to increase business productivity and to identify novel ways of getting ICT in the hands of the ordinary people is a far reaching one of which the Government should be justly proud. Thank you.

Jamaica' Economic Progress in a Globalizing World

Mr. Chairman, the concept of globalization is in fact not a new one for Jamaica. The modern history of Jamaica begins with the conquest of the island by Europeans and its subsequent use as a major production center for sugar which was at the time an important, globally traded commodity. Emancipation and subsequently independence was integrally related to the decline, over time, in the importance of the sugar trade.

When we obtained independence from the United Kingdom in 1962, the Jamaican economy was centered on the export of bananas which had joined sugar as an important export commodity. Tourism had begun to emerge as an important industry taking advantage of our warm climates year round and a geography boasting some of the most spectacular beaches in the globe. At that time too, bauxite had been discovered and the mining of the ore and its export to a variety of locations, including Texas, had commenced with some companies investing in the facilities to processing the ore to alumina in the island.

During the first decade of independence, the country grew rapidly. Like many other non oil producing nations however, we were jolted by the oil shocks in 1974 and 1978. Faced with the rapid escalation in oil prices, coupled with the relative inelasticity in the prices of our major exports, a balance of payment problem soon emerged. Government borrowing to cushion the impact of the shock on local consumers and firms proved unsustainable however, and our first major post independence debt crisis ensued.

In response, the government embarked on a programmed to make the country more self-sufficient by pursuing a model of import substitution, coupled with currency controls and the imposition of increased tariffs to protect local firms and local employment.

With the expansion of global trade in goods, underpinned by developments in information technology and more efficient modes of transportation, this model of import substitution prove increasingly untenable.

Beginning in the early 1990's, therefore, Jamaica abandoned the model and embarked instead on a programme to liberalize its markets, opening them to global competition. This new model called for a reduction in tariffs, for making the currency freely tradable and for the privatization of government assets.

One almost immediate consequence of the shift to this free market model was that several local firms found it impossible to compete effectively in openly competitive global markets. A high level of market failure ensued. In time it was also necessary to restructure the financial markets. At the end of this round of liberalization, the country had a debt level of approximately 140% of GDP and an unemployment rate of about 20%. I think you will agree, Mr. Chairman, that the cost of implementing the programme to bring the country into the global economy was very high.

With no identifiable alternative, the government instituted a programme to redress the situation. A key feature of this program was the maintenance of tight fiscal discipline. This was necessary to achieve a stable macroeconomic environment, to reduce inflation and interest rates, and to stabilize the foreign exchange markets. These in turn were necessary conditions if the country were to generate positive economic growth through the attraction of foreign direct investment and through the expansion of the local private sector.

2. Competing in Liberalized, Global Markets: The Impact of the Current Model

What has been our record?

Today, Mr. Chairman, the fiscal program is on track and all of the indicators are moving in the right direction. The fiscal deficit has been substantially reduced and a balanced budget is in sight.

The government has curbed public expenditures while improving revenue collection via income and consumption taxes and by better customs administration. By increasing revenues and reducing expenditures, the country has been able to achieve and sustain high primary surpluses over several years, exceeding the expectation of the international financial institutions.

Inflation has been substantially brought under control in spite of having to cope with hurricanes and associated weather conditions which were among the worst in our islands history. The devastating impact of these extreme natural events on an economy is something that has been brought into sharp focus here in Houston with the passage of Katrina.

Our capacity to bring inflation in check has been aided by the negotiation of a memorandum of understanding with the major unions operating in the island, effectively capping wage increases for fixed durations and enhancing the capacity of businesses to plan effectively.

Interest rates have continued to trend downwards, even as the government has shifted its source of borrowing away from the multilateral financial institutions to the private capital markets in the world's financial centers. With an improved Standard and Poor rating, it has been possible to issue notes of longer tenure and lower rates. By sustaining budget surpluses and by achieving lower interest rates, the country has been able to reduce the debt burden and decrease the cost of debt simultaneously.

Foreign Exchange Markets have been kept liquid and stable. The government has been able to build the Net International Reserves to over \$2 billion or the equivalent of 20 weeks of imports. Private Sector foreign currency deposits, which also stand at close to \$2 billion, continue to grow, fostering confidence and providing cushion to the system.

At the same time that these developments have been occurring, Remittances from Jamaican Nationals residing overseas has grown substantially. Remittances now represent the third largest flow into the economy after the earnings from Bauxite/alumina and tourism. These flows serve as an important safety net for the most vulnerable in the economy.

Economic growth has been positive, tempered only by the impact of external shocks resulting for natural disasters, the recent oil shocks (which have seen the price of a barrel of oil exceed \$70), and the loss of preferential markets for sugar and banana, the traditional export crops. That the economy has grown in spite of the severity of these shocks is a testament to the resilience of the people and firms of the country and to the appropriateness of the current economic model for our circumstances. All of important sectors of the economy have reflected encouraging growth – export agriculture, manufacturing, construction, financial services, alumina production and tourism.

Equally significant are the high and sustained levels of foreign direct investment which have begun to flow into all of the major sectors of the economy. The country is currently enjoying the highest ever levels of foreign direct investment and significantly, the investments are flowing from firms operating in a diverse range of countries.

In the case of tourism, Spanish chains are scheduled to invest over \$1.5 billion, constructing over 7,500 in the next three years. The Riu Group, Iberostar, Grupo Pinero, AM Resorts and the Fiesta Group are all investing in multiple large hotels on the island. In addition, the construction of the \$300 million Cinnamon Hill luxury development, led by US investors, has commenced and proposals are being considered for a multi-billion Harmony Cove Development involving the construction of a convention hotel, boutique hotels, luxury villas, spas and a marina.

In the case of the Bauxite and Alumina industry, a new phase of expansion has been triggered by growing demand in China, and more recently in India. Jamalcoa, a firm partly owned and managed by the American metals Giant, Alcoa, has embarked on a \$1 billion expansion which will double existing capacity, employ over 3,000 workers during construction and generate over \$300 million per year in gross foreign exchange earnings on completion. The project will also involve the construction of a co-generation plant which will supply over 50 MW of power to the national grid.

A programme of infrastructure development, much of which is private sector driven, is transforming the face of the country:

- the second phase of Highway 2000, which runs through the center of the island connecting the major towns and commercial centers is close to completion. The first stage of this French led investment project has been very successful, exceeding revenue generation targets almost from the outset.

- The North Coast Highway which will link all of the major tourism centers on the north of the island and substantially reduce transit times between the airports and the major properties is at an advanced stage of construction
- The 5th stage of expansion of the Kingston container Terminal, managed by one of the worlds top Port Operators, AP Moller Ltd., is approaching completion. The terminal is among the largest and most modern in the hemisphere, ideally equipping it to serve as the major transshipment point for goods traversing between Asia and the Americas.
- A project to double the capacity of the Montego Bay Cruise Port allowing it to accommodate three additional mega liners in currently under construction
- A \$200 million expansion of the Montego Bay international air-port by a consortium of Canadian and Israeli firms which includes the installation of 11 new loading bridges has recently been completed, and the expansion and modernization of the Norman Manley Airport in Kingston is currently in progress

Other important projects involving foreign direct investment include:

- a 20 MW wind power plant which has recently been commissioned
- new power facilities to meet the increased demand are currently in train
- a \$250 Million LNG facility including storage and piping to the major alumina and power plants in the island
- a \$270 M upgrade of the Petroleum Refinery to improve efficiency and expand output
- a \$150 million expansion of the Cement production facilities

- The installation of two new underwater fiber optic cables which will quadruple to data transmission bandwidth to the island
- The emergence of Jamaica as a major data processing center in the hemisphere, currently constrained only by physical space.

In summary, while the process of adjustment to globalization and liberalization has been long and difficult and the cost high, Jamaica has emerged as a country positioned to hold its own in Global Market competition.