

Is Harmonious Regional Growth Naïve?

Presentation by

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Good morning and welcome to Jamaica.

It is indeed a privilege for me to be standing here today and speaking to such an esteemed audience. My name is PB Scott I am proudly Jamaican but my family emigrated here from Barbados so I can say that I am a Caribbean businessman. When I was asked to speak at this forum while I was honoured I was more than a little intimidated. I am not a politician nor do I pretend to be an economist and I do not like attention. While almost weekly our companies are often in the newspapers you will very rarely see myself in the news. I am a businessman focused upon the opportunities that we see in front of us. Our business operates throughout the Caribbean and has operations in almost every country that is a member of this bank with the exception of the Bahamas. Therefore our interests are clearly aligned. We all want and need regional growth. We also operate throughout Central America as well as the Pacific Islands. In total in 38 markets. In 2000 we only operated in one country and that was Jamaica. We have grown throughout the region. This has exposed us to the various idiosyncrasies of the region. Our experiences over the years has highlighted to us many challenges but also many opportunities throughout the Caribbean.

All the member countries in this room have a lot in common that relates to both the past and the present. Both positive and negative. But we also have a lot of differences. The mission statement of the Caribbean Development Bank reads that the bank was established to contribute to the Harmonious economic growth and development of member countries in the Caribbean. The word harmonious means an agreement in feeling, attitude or action. It is interesting because on a country level to various degrees, each member country would probably agree that economic growth requires private investment and as such the right climate for that investment to prosper. In Jamaica we have many private sector groupings the PSOJ, JMA, JEA, JCC, JEF, JSA we have think tanks such as Capri. We also have the external opinions such as the multilaterals. We have many viewpoints and have had multiple studies on growth and what this climate should be. In almost all the member countries here no matter how big or small there are their own equivalents of the Jamaican lobby groups under their own names.

Interesting enough there are no active regional private sector equivalents. These associations Lobby, influence and articulate their own views on what is good for their own country within the region. The results of which often do not fall within the definition of harmonious within their own country nevermind regionally. Without going into the details of various examples for fear of causing friction within the audience here today, every single one of the member countries here have issues to some degree with other member countries in one way or another in this room. That's ok. We are not homogeneous nor do any of us want to be. We will always have differences because we all are different. We come from different places in terms of natural resources, in some cases language, religion, legal frameworks and political philosophies. **Therefore is it naïve to believe we can get "Harmonious Growth"?** In my view it is not. It is essential. Economic growth cannot be created in a vacuum.

There needs to be a framework it needs to be coordinated. If we wish regional growth we need regional organization. Either we address the deficiencies in Caricom or we need to look for growth from elsewhere. Certainly in the case of Jamaica we cannot grow with one hand tied behind our back. Either we have a domestic market called Caricom or we don't. We cannot be half pregnant. Either we respect and build regional institutions with capability or we spend our time on something else. Ladies and gentleman it is all or nothing if we want results. We have to be coordinated and we have to care. For example If we are a free trade bloc then we should sign trade agreements as such and not individually. One party within the bloc should not be able to enter into agreements with third party countries that devalues the value of the entire market to those who in the bloc. If we agree it is a common market then each individual market does not just belong to it's inhabitants but to all in the region. If Trinidad wishes to have free trade with Costa Rica that is interesting. But the act of having free trade degrades the value of the Trinidad market to those who do not have a free trade agreement with Cost Rica. While I respect the sovereign rights of individual

countries we have to work out what our own identity and what our own relationships in the region really are.

Our firm the Musson Group has grown and will continue to do so because we work hard in an organized and focused way. We have great people within our companies. People that come from this region. Even when we have expanded outside of this region it is our core group of Caribbean management that have gone as far a field as Papua New Guinea and Myanmar to set up our operations. It is important to note that it is our people that make the difference in our company. They make the company. While there may be several contributing factors to productivity and growth, the people factor is crucially important. This does not just apply to companies it applies to countries and regions. All of us in this room appreciate capital flows. You are all involved with investments in your respective countries. Foreign direct investment policies are integral to all of your growth strategies.

As a region we each individually have our own investment promotion entities that compete for FDI. An opening of a new BPO space in Jamaica may be an expansion of the overall BPO industry in the region or could just be a reduction of a facility in another member country. One countries success could be another's disappointment and problem. There are many great firms in Trinidad that have excelled in the regional markets. One has to respect them. This did not happen because Trinidad has low energy prices alone although that is another issue for another day it happened because they got on a plane and worked hard to develop their products in the markets. However their success causes issues in some markets where local jobs are lost. This in turn causes local resentment and social inequalities across the region.

The political consequences that flow from this often work against regionalisation. Is this harmonious? I am a businessperson and I try to reconcile this with the social dislocation that has resulted in our region from free trade of goods without free movement of labour. The truth is I cannot reconcile it. I do not understand how we can be harmonious by allowing the social dislocation that results from those who are least mobile losing their ability to earn and provide for their families. It is the job of each government to protect those who are the most vulnerable in society. I certainly do not wish to be part of a society that does not aspire to this. We have to address these issues from an honest and empathetic position as a region. In my opinion the only way to address it effectively is to have free movement of labour. We must make those in society who are most vulnerable to the dislocation have the ability to address their own issue and go to where the jobs are. Free movement of labour is essential for harmonisation. By having mobile and flexible labour force we will allow the pressure that exists from the dislocation to be released by individuals making their own choices, helping themselves and their families. If you lost your job in a call centre in St. Lucia because a firm lost the contract to a Jamaican based operation then you should have the right to use your skills where the opportunity exists.

Equally if a Trinidadian is successful in the Jamaican market then perhaps we should celebrate it from a business perspective and it would make it possible to do so if success for one does not mean defeat for another. If Trinidad has comparative advantage in manufacturing then perhaps it should be a hub for both monetary and human capital to flow. But for that to happen then there has to be free movement of capital including human capital.

Far too often we the leaders in our societies including those in this room have a preconceived ideas what the free movement of labour means. We tend to focus on the negatives disregarding the positives. Firstly what does it mean in the truest sense. It means that I can just as much leave this conference centre and turn right and drive to Ocho Rios and work as I could turn left and jump on a plane and fly to Trinidad. I would have a right to reside and work. Not just me also the janitor or the security guard who you may have seen when you came in this morning should have the same rights. Presently free movement of labour simply does not exist. Yes I can hire a manager and if he has a degree from UWI I can get a work permit.

But what if he happens to have gone a small community college in Florida he will probably not get one. This is real and yes it does effect growth. Capital will flow to where those who are deploying it will feel that their risk reward will be as they expect it to be. This means that they will make investments when they know the execution will reflect what they have modelled. How do you manage that? The way you manage that is by having the best people. How do you get the best people? You get the people that have executed and proven time and time again to you in other markets. When we launched our telecom distribution in PNG we had to use our Caribbean team to set it up. If they could not get work permits then there would have been no way we would have made that investment because I would not be confident about the execution. Ironically I could not get a work permit for my former general manager of the Xerox distribution business in Jamaica even though he was extraordinarily talented he was a Bajan without a degree. This is nonsensical. Human capital is what will grow our economies and it needs to be allocated by the market not by bureaucratic rules or simply geography of birth.

For far too long certainly us in Jamaica we have focused on emigration and not immigration policies. There is hardly a time during opening hours that you can pass the US embassy in Kingston and not see a large cue along the street awaiting entry. Every one here is painfully aware of managing policies to accommodate the balance of payments, but we don't measure our most valued capital, our people, our human capital flows. We cannot continue to deny the cost to our societies, our region of losing human capital. It is estimated up to 70% of our graduates emigrate within 5 years of graduating. We have to give them options. We need to remove the barriers to the regional movement of labour. While not all immigrants into your countries will be graduates. Those who are not also bring significant benefits. It will enhance the pool of available talent for hire, help labour inflation in tight labour markets, but most of all it will bring energy and productivity.

While the argument for free movement of labour can be justified on social and empathetic grounds the business case is compelling. Competitive labour markets is good for business. It is strange to me that we feel threatened rather than embracing free movement of labour. Jamaica has great people. The region has great people. Why would we not want to maximize our productive capacity. If we want to have a real chance of promoting harmonious growth then it is the people that will bring this about by allowing the market to allocate that talent and not out of date immigration policies. We must have the ability to replace the human capital that flows out of the region.

Harmonious growth also requires a level playing field within the region. We need to look towards working on regional rules for financial regulation that will allow the free movement of services. Take general insurance for example. Every single country has a different regulator a different set of capital requirements yet we are all selling the same products. Is it fair that we have free movement of physical products which favour those in manufacturing yet we do not have free movement of services to the same extent where other countries may have some excellent firms that could grow in the regional markets? At the very least we should standardize our regulations and work towards allowing free movement of services.

A true regional free market will allow for services and labour in the same way it allows today for free movement of goods. As a Caribbean businessman I am fully committed to this region. But if we want to accelerate the growth of economies we need to accelerate the growth of our human capital, we must allow human capital to flow where it gets the best return and remove the impediments. When the region is organized to allow for this I truly believe harmonious growth will be possible. Failure to seriously address this will ultimately lead to alternative paths being taken in the pursuit of much needed growth. This cannot be allowed to happen as individually we are vulnerable and together we can be formidable. When we start to see the J's in JMA, PSOJ and JCC replaced with C for Caribbean we will know we are on the right track.

Thank you