



# THE NORTH-SOUTH AGENDA

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## **Strategic Global Repositioning and Future Economic Development in Jamaica**

*Richard L. Bernal*

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UNIVERSITY OF MIAMI

1500 Monza Avenue, Coral Gables  
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The views expressed in this occasional paper are those of the authors, not the North-South Center, which is a nonpartisan public policy and research institution.

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# STRATEGIC GLOBAL REPOSITIONING AND FUTURE ECONOMIC DEVELOPMENT IN JAMAICA

*Richard L. Bernal*

## **Introduction: Strategic Global Repositioning**

Strategic global repositioning is a process of repositioning a country in the global economy by implementing a strategic plan. Such plans are designed to consolidate and improve existing production lines while reorienting the economy toward new types of economic activities. In most developing countries, this involves structural transformation (not adjustment) to achieve economic diversification, including export diversification. The need for strategic global repositioning derives from trends in the global economy that portend limited opportunities for industrialization in developing countries.

Many developing countries have attempted a transition from agriculturally based economies that export primary products to an industrialized economy that exports manufactured goods. Their motivations were obvious, given that industrialization was regarded as synonymous with development and high per capita incomes. Conventional wisdom in development economics since the early 1950s has been based on the premise that industrialization is a strategy for transforming developing economies into developed ones. In the vast majority of cases, all developing countries attempted industrialization through an initial phase of import-substitution industrialization. Having nurtured infant industries through protectionist measures and incentives to foreign investment, national economies were expect-

ed to become exporters of manufactured goods, capitalizing on wage differentials between developed and developing countries and taking advantage of raw material and energy availability, where possible.

The reality, however, has been that very few developing countries have succeeded in carrying out these transformations. The few that have succeeded are known as newly industrialized countries (NICs), the most notable examples of which are the Asian Tigers (Hong Kong, Republic of Korea, Singapore, and Taiwan). The world economy has changed, requiring much less low-

wage manufacturing. With great success, the NICs have filled this niche in the international division of labor and attendant industrialization and export opportunities. Therefore, the option of industrialization has been largely preempted and is no longer feasible for the vast majority of developing countries.

This situation, however, is not the disaster that it appears to be, because it is both possible and desirable for some countries with particular attributes to relinquish their unquestioning faith in the procreative power of industrialization and to make an immediate switch to a service-oriented economy. Given the fact that services are the fastest growing component of the world economy, the export of services can provide development that has been elusive thus far. Like industrialization, this is not an option that every developing

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*The views expressed in this paper are those of the author and not those of the government of Jamaica. My gratitude for useful comments is extended to Don Harris, Norman Girvan, Errol Hewitt, Winsome Leslie, Carl Goodridge and Yvonne Peart.—R.L.B.*

country can pursue; countries with the potential must move immediately in order to seize this opportunity.

This paper argues that Jamaica is one of the countries with the potential to become an exporter of services and thereby achieve economic development. If this goal is to be reached, Jamaica must immediately implement a policy of strategic global repositioning. First, the current and expected future trends in the world economy will be expanded. The following sections of the paper discuss Jamaica's potential for strategic repositioning and describe the actions that are necessary for making this a reality.

### **Global Economic Trends**

Current global trends highlight the increasingly limited opportunities for developing countries to become industrialized and the possibilities for the export of services.

### **Globalization of Production and Finance**

In recent years, international trade and capital flows have grown at a faster rate than world gross domestic product (GDP).<sup>1</sup> The volume of world merchandise trade is estimated to have increased at an average annual rate of slightly more than 6 percent during the 1950-1994 period, while the average annual rate of world output grew at approximately 4 percent. During those 45 years, world merchandise output multiplied five and one-half times, and world trade multiplied 14 times, both in real terms.<sup>2</sup> During the 11-year period from 1983 through 1993, the volume of world merchandise exports grew 71 percent, roughly double the 35 percent growth in world output over the period.<sup>3</sup> This trend reflects the progressive globalization of production and finance and the concomitant erosion of national barriers (such as tariffs, quotas, and exchange controls) to the international movement of goods, services, capital, and finance.<sup>1</sup> The globalization of production is a rationalization of resource use on a global scale and is more efficient (in terms of cost) than production confined to national economies. The

location of discrete aspects of the production process reflects an effort to perform each operation where it can be executed most efficiently and effectively. This reflects the allocation of economic activity by the global market on the basis of comparative advantage. There is no point in resisting or attempting to reverse this process.

### **Emergence of Trade Blocs**

The driving force behind globalization is transnational corporate integration through mergers, strategic corporate alliances, and takeovers. Efficiency in resource allocation and profit maximization on a global scale are constrained in a world economy that is fractured into national economies with policies that restrict the degrees of freedom. Transnational corporate integration impels multi-country market integration, initially in a regional context, both as an economic rationalization ex-post facto and as a defense by the nation-state against the inevitable relinquishing of the vestiges of economic sovereignty.<sup>5</sup>

The transition to a truly global market is taking place through the integration of national economies into trade blocs. The deepening of the integration process in the European Economic Community (EEC) and a resurgence of regional trading arrangements in Latin America and Asia are manifestations of a trend within the world economy toward the emergence of trade and economic blocs.<sup>6</sup> This trend could lead to a compartmentalized global economy consisting of 1) an EEC enlarged to a European Economic Area (EEA) by absorbing the European Free Trade Area (EFTA) and parts of Eastern Europe; 2) a Western Hemisphere Free Trade Area (WHFTA) around a core composed of the United States, Canada, and Mexico; and 3) some sort of free trade zone or arrangement linking the countries of Southeast Asia or a grouping including Japan.<sup>7</sup> Countries that are not included or associated with trade blocs, particularly developing countries, could face steep protectionist barriers and could thereby be excluded from these major export markets.

Given the fierce rivalry between existing trade blocs, this situation could marginalize many countries from the growth-stimulating dynamic of industrialized countries.<sup>8</sup>

### **Erosion of Preferential Trade Arrangements**

Preferential trade arrangements for developing countries are likely to be progressively reduced. Developed countries no longer feel obliged to provide special treatment to developing countries, especially those that have minute markets, lack essential raw materials, and have limited strategic importance. Future trade arrangements will be based on reciprocity, given the present global emphasis on free trade. Developing countries must be prepared to adapt to the elimination or erosion of preferential trade regimes, such as the Lomé Convention and the Caribbean and Canada Trade Agreement (CARIBCAN). The European Union Commission responsible for the Lomé Convention has declared its intention to conduct a radical re-appraisal of the convention that will involve the gradual elimination of preferential tariffs.<sup>9</sup> The EU is also planning free trade agreements with developing countries; it has already opened free trade negotiations with South Africa and has recently signed an interregional framework agreement with Mercosur.<sup>10</sup>

Already, the benefits provided by the Caribbean Basin Initiative (CBI) have been diminished by the North American Free Trade Agreement (NAFTA), which has put CBI countries at a disadvantage in terms of access to U.S. markets since NAFTA provides Mexico with special exemptions from tariffs and quotas during specified adjustment periods for certain products.<sup>11</sup> The World Bank has estimated that approximately 36 percent of Caribbean exports to the United States will be subject to displacement by NAFTA.<sup>12</sup> There are also adverse implications for CBI countries in terms of investment because NAFTA will facilitate investment shifts from CBI countries to Mexico.<sup>13</sup>

Jamaica is faced with the dilemma of how and when to participate in NAFTA or in the proposed Free Trade Area of the Americas (FTAA) while maintaining its relationship with the EU through the Lomé Convention.<sup>14</sup> The adverse repercussions of NAFTA on CBI exports to the United States are clearly evident in the apparel industry (Table 1).

**TABLE 1.**  
**GROWTH OF U.S. APPAREL IMPORTS**  
**FROM MEXICO AND THE CBI**  
ANNUAL INCREASE IN QUANTITY OF IMPORTS

<b>Year</b>	<b>Mexico</b>	<b>CBI</b>
1991	24.7%	24.8%
1992	23.0%	25.8%
1993	21.8%	21.8%
1994	50.2%	15.75
1995 Jan.-August	71.6%	26.2%

Source: Major Shippers Report, U.S. Department of Commerce, Office of Textiles & Apparel; U.S. Imports of Textiles and Apparel Under the Multifiber Arrangement: Annual Report of 1994, U.S. International Trade Commission, Publication 2884 (April 1995).

### **Decline of Exports from Developing Countries** <sup>15</sup>

The decade of the 1980s was characterized by low growth in industrialized countries and uneven growth in developing countries. During 1990 and 1991, low-income and middle-income economies stagnated in terms of GDP per capita. The outlook is not encouraging, as GDP growth in the G-7 countries (Canada, France, Germany, Italy, Japan, United Kingdom, and United States) fell from 2.8 percent in 1990 to 1.9 percent in 1991 and to 1.2 percent in 1993. These declines in GDP growth have reduced demand for exports from developing countries and have contributed to a 6 percent decline in non-oil commodity prices (in nominal dollar terms). The volume of merchandise exports from developing countries declined by 2 percent between 1990 and 1991; however, growth in Latin America and the Caribbean increased marginally. The outlook is equally bleak for primary

product exports as technological change is reducing demand by providing synthetic substitutes and reducing raw material input per unit of manufactured goods. During the 1980-1991 period, export unit values of primary commodities and, to a lesser extent, manufactured goods from developing countries were on a downward trend relative to those of developed countries. Commodities declined by approximately 50 percent and manufactures by about 18 percent. Thus, developing countries as a whole have experienced a decline in net barter terms of trade for both types of exports.<sup>16</sup>

The global economy is steadily becoming less material-intensive. As Drucker noted, raw materials and energy accounted for approximately 60 percent of the costs of producing an automobile, which used to be the representative industrial product in the 1920s.<sup>17</sup> The raw material and energy costs needed to produce the representative industrial product of the 1980s the semiconductor microchip, are less than 2 percent of total input costs. In another example, copper wire, for which raw material and energy costs account for close to 80 percent of total production costs, is rapidly being replaced in telephone cables by glass fiber, for which raw material and energy inputs account for only 10 percent of production costs. On a nation-wide scale, Japan increased its industrial production two-and-one-half times between 1965 and 1985, while barely increasing its raw material and energy consumption at all. U.S.-manufactured products contained less than half as much raw material and energy inputs as they had 20 years earlier. Aluminum use is a clear example: in 1972, one pound of aluminum (from bauxite) produced 22 beverage cans, but by 1989 it yielded 30 cans.<sup>18</sup>

### **Shift from Loan Capital to Investment**

The World Bank reports that official development assistance (ODA) declined in real terms by over 3 percent from its 1990 peak, and grants have continued to decline. As a percentage of GNP, official development assistance from industrialized countries has

remained constant at 0.35 percent since 1985.<sup>19</sup> In real terms, U.S. foreign aid will continue to fall, as the government is becoming increasingly preoccupied with domestic issues and as the fiscal deficit persists. In addition, the share of a reduced U.S. foreign aid budget allocated to developing countries is likely to decline even further. Meanwhile, the European Union's aid priorities are now Eastern Europe and the Magreb.<sup>20</sup>

Foreign direct investments (FDI), including equities and bonds, to developing countries have grown dramatically in the 1990s, although the direction of these flows has been uneven between regions and countries. In fact, 15 countries have been the primary beneficiaries. The bulk of these investments have been made in East Asia, notably China, and four countries in Latin America (Argentina, Brazil, Colombia, and Mexico).<sup>21</sup>

### **Reorganization of Corporate Structures**

Today's business environment is dominated by rapid change, with the balance in the seller-customer relationship shifting to customers. Competition has intensified with globalization, which has vastly increased the number of players in the marketplace, and innovations in technology have induced changes. Companies have to be flexible, responsive, competitive, innovative, efficient, and customer focused. The traditional hierarchical and pyramid-shaped organization of corporations is too cumbersome and slow to respond effectively. This has prompted a process of "re-engineering,"<sup>22</sup> that is, "the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed."<sup>23</sup>

An important aspect of corporate reorganization is downsizing and decentralization, through which large corporations reconstitute themselves as networks of small, often autonomous, units. This downsizing trend is illustrated by the fact that Fortune 500 industrial companies have reduced their work force by 25 percent (a total of 4.4 million employ-

ees) since 1979.<sup>24</sup> Downsizing is not a panacea; recent studies have revealed that 1) no correlation exists between corporate performance and the decision to downsize, and 2) severely downsized firms did not do as well as stable firms.<sup>25</sup> Re-engineering, of course, has a human side as it involves a new workplace culture and new mode of organizing work, as well as the adjustment associated with the displacement of labor.

The conventional wisdom is that in the production of most manufactured goods there are important benefits to be derived from increasing size. The relatively small size of the average firm in most developing countries has prevented the realization of economies of scale, and, therefore, output is costly compared to imports and uncompetitive in export markets. However, technology is making small-scale production not only more viable but more profitable. Futurologist John Naisbitt speaks of a global paradox: "The bigger the world economy, the more powerful its smallest players.... As the world integrates economically, the component parts are becoming more numerous and smaller.... The bigger and more open the world economy becomes, the more small and middle size companies will dominate."<sup>26</sup> The recent trend toward strategic corporate alliances has made it possible for networks of small firms to overcome the limitations of size and compete effectively against large corporations.<sup>27</sup> Small firms can ensure their survival and profitability in the global economy by 1) specializing in a single aspect of production or distribution; 2) capitalizing on specific market niches; 3) specializing in "flexible" manufacturing; and 4) concentrating on economies of speed, which are now more important than economies of scale.<sup>28</sup>

### **Decline of Low-wage, Labor-intensive Manufacturing**

**I**nternationalization of the labor market and of employment opportunities is rapidly deepening as a result of the continuous process of spatial relocation of economic activity concomitantly with industrial restructuring.<sup>29</sup> The wide differential in wages impels firms to relocate from high-cost economies to

low-wage countries. For example, the hourly labor cost in the textile industry in 1995 ranged from \$24.23 in Western Germany to 28 cents in Bangladesh.<sup>30</sup> Even taking into account differences in productivity, there is still a large gap in wage differentials. The gap is not being closed: hourly pay in the textile industry in the United States increased from \$11.89 in 1994 to \$12.18 in 1995, while in Mexico it dropped from \$2.27 to \$2.22.<sup>31</sup>

The competition for low wage manufacturing jobs has intensified. Many of the industries that rely on inexpensive labor will be turning increasingly toward locations in Eastern Europe and the poorest developing countries. The political and economic implosions of the Soviet Union and Eastern Europe have led to the reintegration of these areas into the global economy. This has led to a diversion of aid and foreign investment from developing countries, a depression of commodity prices, and the addition of a huge pool of relatively cheap labor. Since 1990 there have been 60,000 joint ventures in Eastern Europe, with a foreign investment value of nearly US\$9 billion.<sup>32</sup> In this context, the workers of both regions are competing for scarce capital, which could lower wages.

Manufacturing is becoming more mechanized and, therefore, utilizes less manpower.<sup>33</sup> In particular, computer technology and the rapid expansion of robotics since the early 1980s have intensified this trend.<sup>34</sup> The number of industrial robots in operation in Japan doubled between 1977 and 1993 and is projected to double again shortly after the year 2000.<sup>35</sup> U.S. production of manufactured goods during the 1980s steadily increased, while employment dropped steadily, so that in 1988 it required only two-fifths of the person-hours of labor it took in 1973 to manufacture the same volume of goods.<sup>36</sup> Jamaica's strategic planning must take into consideration "techno-poles," which are clusters of information-driven, high-technology manufacturing areas such as Silicon Valley or Boston's Highway 128.<sup>37</sup> With the necessary advanced planning, Jamaica could become such a techno-pole.

Developments in biotechnology could have a major dislocating effect on agriculture, causing changes in locations and methods of production. Scientists have warned that if field crops are grown *in vitro*, major portions of the farming enterprise could be eliminated. This, in turn, will displace farmers and farm workers.<sup>38</sup> Not all technological change is labor saving. Zuboff distinguishes between technology that automates and technology that informs; the former is labor saving and labor displacing, while the latter enhances labor and productivity.<sup>39</sup>

### **Growth of Knowledge-based Employment**

Three broad categories of work are emerging, resulting in increasing divergence in remuneration and leading to pronounced labor market segmentation and a skewed income distribution. The three types of work are 1) routine production, 2) in-person services, and 3) symbolic-analytic services. The symbolic analysts, also called knowledge workers, concentrate on problem solving and strategic brokering by manipulating symbols. They generate the highest value-added factor and compete in a global labor market with high international mobility.<sup>40</sup> The other two categories of worker, routine producers and in-person servers, are immobile internationally, but given the mobility of capital, technology, and management, their wages are influenced by lower wages in developing countries and labor-saving technology. By the year 2000 it is estimated that 70 percent of all jobs in Europe and the United States will emphasize “cerebral” rather than “manual” skills. One-half of these so-called “brain-skill” jobs will require personnel with university-level education or equivalent professional qualifications.<sup>41</sup>

### **Growth of Services**

The contribution of services to GDP and employment has increased in both developed and developing countries since the mid-1960s.<sup>42</sup> During the 1980s, services grew at twice the rate of the merchandise trade rate, and by 1990, services represented 36.1 per-

cent of world trade.<sup>43</sup> Furthermore, services account for 61 percent of GDP in industrialized countries and between 35 and 51 percent of GDP in developing countries.<sup>44</sup> The United States generates 72 percent of its GDP in the form of services. In 1991, services accounted for 30 percent of U.S. exports.<sup>45</sup> It is projected that the service sector will account for four out of five jobs in the United States by the year 2005.<sup>46</sup> In Great Britain, service industry exports, especially financial and tourism services, have already exceeded the export of goods.

In 1994, there were 150 non-banking service firms in the Forbes International 500, which excludes the United States. These firms not only include traditional services (such as utilities, insurance, construction, and retailing) but also firms in media and telecommunications and several firms dedicated entirely to the provision of services to businesses. In the United States, the number of service firms exceeded the number of manufacturing firms in the 1995 Fortune 500.

The average annual growth in trade in commercial services between 1980 and 1993 was 7.7 percent, compared to 4.9 percent for merchandise trade. The overall share of services in total trade amounted to 22.2 percent in 1993 (up from 17 percent in 1980), and it is estimated that in the early 1990s service industries accounted for 50 to 60 percent of total FDI flows.<sup>47</sup>

The rapid changes in global economic conditions have eliminated certain strategic economic opportunities and, in the meantime, have created new ones. Jamaica must adapt itself to such changes in the process of its current global repositioning. Within its long-term strategic plans, it must simultaneously prepare itself for anticipated developments — “scenario building” — such as the possible normalization of relations between the United States and Cuba.<sup>48</sup> The following sections discuss the specific attributes of the Jamaican economy and the actions required to put these characteristics to use in the country’s repositioning.

## **Actions Required for Strategic Global Repositioning**

Jamaica is a highly open economy and is sensitive to events in the global economy. This is reflected in 1) a high export/GDP ratio, 2) the high import content of production and consumption, and 3) the importance of foreign capital inflows to gross investment. The structure of Jamaica's exports is also highly skewed in favor of traditional exports (bauxite/alumina, sugar cane, and bananas). These products currently account for 62 percent of the value of total domestic exports. In 1994, bauxite/alumina alone accounted for 51 percent of total exports. If service exports such as tourism are included, data from the Statistical Institute of Jamaica and the Jamaica Tourist Board indicate that bauxite/alumina exports account for 29 percent of total foreign exchange earnings, agriculture (excluding sugar) for 3 percent, non-traditional exports (including apparel) for 19 percent, tourism for 44 percent, and manufacturing for 5 percent. The fact that 73 percent of Jamaica's foreign exchange earnings come from bauxite/alumina and tourism clearly demonstrates the extent of its vulnerability to external events, such as price fluctuations for primary product exports.

Over the years, attempts have been made by successive governments to diversify the economy, as is evident in the growth of the non-traditional export sector. However, at present it is important to build on this trend by moving into new areas of activity and types of services, such as health care and informatics.

The events and trends now taking place at the global level and in the hemisphere pose an unprecedented challenge to Jamaica. The difficulties are not insurmountable, but it is clear that a new development strategy based on the following actions will be required.

### **Abandoning the Traditional Mind Set**

In Jamaica, there must be both a recognition of the need to change and a willingness to innovate. Every process of adjustment begins with changes of mind, outlook, and attitude

and will only commence in earnest when there is a change of mind in both the public and private sectors and when Jamaican entrepreneurs dare to think in new and adventurous ways. Reality clearly contradicts the viability of the entrenched, dominant "industrialization" paradigm. The "industrialization paradigm" emerged when Sir W. Arthur Lewis challenged the colonial orthodoxy, which proposed that industrialization was not possible, and, therefore, the economy should be based on the export of agricultural products.<sup>49</sup> Lewis's argument for export-oriented industrialization financed by foreign investment was overwhelmed by virulent nationalism and economic insularity.<sup>50</sup> Import-substitution industrialization, carried out behind protectionist barriers and rationalized by "infant industry" arguments, soon exhausted the national market. The regional integration mechanism offered a solution, since the amalgamation of economies into a regional market would permit economies of scale and improve efficiency through competition.<sup>51</sup>

Ensuing governments, since the early 1950s, have been locked into a mind-set that equates *industrialization* with the *transition from underdevelopment to development*. This process is viewed as progressing from import-substitution industrialization to the export of manufactured goods. Despite protection and other government support, this transition has not taken place in Jamaica. Although there has been some success with this strategy in the NICs of Asia, perhaps it is no longer viable under the new developments in the world economy.

Jamaica should move away from the traditional approach to development based on industrialization and pursue development based on export of services. The advantages of this strategy are numerous, including the fact that services are the fastest-growing sector in world trade and in the U.S. economy, which is Jamaica's largest trading partner. The jobs created would be relatively high wage and environmentally safe. The prospects for the export of services, especially to the United States, are very encouraging.<sup>52</sup> Many of the 12.5 million new jobs, such as data processing

and accounting, can be undertaken in Jamaica, given the wage differentials and modern communications technology.

The need to focus attention on the expansion of services for the global market should not diminish attention to other sectors and products. While the opportunities for further industrialization are not as propitious, the manufacturing sector should not be abandoned in the efforts to expand service sectors. The substitution of one panacea for another would be detrimental. What is required is balanced development, emphasizing diversification of exports. Hence, the government's recent formulation of a revamped industrial policy is a worthwhile exercise, but the government must be careful not to stop picking winners in order to shape and use the market creatively.<sup>53</sup>

### **Diversifying Exports**

The outlook for the demand and price of raw materials and primary products is not encouraging. In this context, Jamaica must ensure that it is not overly dependent on the export of raw materials, such as bauxite, and agricultural products, such as sugar and bananas. Given the history of fluctuating commodity prices and declining terms of trade relative to manufactured goods, it is important that the export products are competitive in price and viable in the medium to long terms. Both sugar and bananas are marketed under special trade arrangements with the United States and the European Union, and this situation threatens adverse changes. Changes to these regimes would have very serious implications.

There has to be a willingness to look beyond traditional economic activities and toward financial services and the new dynamic sectors in the global economy, such as microelectronics, biotechnology, telecommunications, robotics, and information. The transition from low-wage, labor-intensive activities to technology-based and information-intensive activities will depend on the quality of human resources. The growth sectors of the U.S. economy provide an indicator of where there

are opportunities. The fastest growing 25 firms in the United States were concentrated in computers (retailing, networking, software, manufacturing, health care, leisure/recreation, and financial services).<sup>54</sup> The work force will have to be more skilled, knowledge oriented, and capable of adopting new technology. Management, production, and decisionmaking will have to be "informationalized."<sup>55</sup> Export firms in Jamaica will have to develop the capacity to respond quickly to changes in demand in new and existing markets, especially in the U.S. market. This more than anything else is the secret to success of the newly industrialized export economies of Asia. If product "X" is in demand today, it will be manufactured by Japan tomorrow and by the NICs of Asia at a lower price the following day. It is this ability to respond quickly to changes in the marketplace that determines the success of exports.

Developing countries that are not at the lower end of the wage spectrum must expect low-wage jobs to bypass them. The solution is a combination of increased productivity, product innovation, and the penetration or creation of niche markets. In recent years, Israel has been unable to compete in the European market with imports of citrus fruits from Brazil, Morocco, and other developing countries. Israel has since developed new hybrids of citrus fruits that are sweet, colorful, seedless, and easy to peel. Not only did exports of "easy peelers" jump by 65 percent during the last year, but Israel is exporting this technology to non-competing countries such as South Africa.<sup>56</sup> In addition to innovation, productivity and competitiveness are increasingly determined by the generation of new knowledge or by access to and processing of information. Jamaica must seek to create a technologically advanced and information-based society and must keep up with customization and increased information in such key sectors as apparel.<sup>57</sup>

Traditional sectors, such as export agriculture, can be revitalized by improving the quality and price competitiveness of export staples, such as sugar, bananas, and coffee. In

addition, new export products should be explored. The export opportunities of the traditional sector have not been exhausted but require some imagination and innovation, as can be found in exotic horticulture, banana chips, and "tropical boutique agriculture."<sup>58</sup> Recent successful non-traditional agro-exports include winter vegetables from Mexico, high-value fruit from Chile, and cut flowers from Colombia.<sup>59</sup>

### **Adjusting Proactively**

The only thing that is certain about the world economy is that it will continue to change at an exponential rate. The ability to discern changes, to adopt and adapt to new technology, and to reorganize rapidly will ultimately determine one's capacity to respond. Firms, governments, and individuals must get accustomed to a lack of permanence and must not resist change but recognize that it presents unavoidable challenges and opportunities. Not far in the near future, there will be changes that most economic agents would be apprehensive to contemplate.

The countries that succeed in the new globalization are the countries that pursue "proactive adjustment"; that is, they adjust quickly in anticipation of and in response to global changes in demand and technology. Those countries that pursue "reactive adjustment" — that is, those that react slowly and defensively to events by focusing on protectionism — are not going to survive and will not achieve growth. In this new globalization, it is impossible to insulate production or demand from global competition and global changes. Therefore, it is impossible for countries in this hemisphere to achieve growth if they opt for the route of protectionism. Proactive adjustment that improves competitiveness in the global marketplace must be taken. U.S. President Bill Clinton understands this and has stated the idea during his election campaign and during his presidency.

Defensive and reactive adjustment that aims to preserve industries or to retain aspects of production that can be accomplished at a lower cost in other countries is self-defeating. In the short run, reactive adjustment of this

sort reduces competitiveness of exports and increases prices of domestic goods, thereby reducing demand and increasing inflation. In the long run, entrepreneurs will find ways to import cheaper alternatives and will relocate inefficient aspects of production in other countries in order to retain international price competitiveness and national market shares. For example, garment production in which machine-intensive textiles made in the United States are cut and sewn into garments in CBI countries, such as Jamaica where labor costs are lower, ensures the survival and competitiveness of U.S. firms in both the national market and the global marketplace. The futures of U.S. and Jamaican industries are inextricably bound by an interdependence based on comparative advantage and competitive markets.

### **Improving Human Resources**

Management in Jamaica must become more sophisticated, be constantly in touch regarding developments in international markets, and constantly updated regarding technological innovations. Managerial capacity has improved considerably, and professionalism has increased in recent years. However, there is still room for improvement, particularly in the public sector. In the short run, the private sector's managerial capacity can be upgraded by importing skilled managers and other professionals. This does not imply that foreigners, who are unfamiliar with the country's culture and traditions, should take over top managerial posts. In the short run, there are more than enough skilled Jamaicans overseas who, under the right circumstances, would be willing to return home. Countries must no longer be viewed simply as physical places but as nations without borders. In the long run, this requires a reorientation of post-secondary education away from an emphasis on the arts, toward an emphasis on management, accounting, computer programming, and all aspects of modern technology.

In a business environment characterized by frequent changes that require rapid responses, management and workers must develop a new relationship in which tradition-

al roles and attitudes are replaced by collaborative interaction. The relationship between management and workers and between different levels within the production process will have to change in a way that ensures incentives that maximize productivity. The interaction within the work place will have to be more cooperative and the divisions less rigid, permitting more dialogue between trade unions and management. If productivity is to be increased and innovations encouraged, it is imperative that the atmosphere become less adversarial and more genuinely interactive.<sup>60</sup> The traditional notion of a “worker” will have to be abandoned, and a new concept that recognizes worker participation in managerial decisions and employee stock ownership programs will have to be adopted. These developments will require trade unions to expand their traditional role beyond overseeing wage rates and working conditions to include employment creation/preservation, education/training, and ownership participation. The fact that the number of work stoppages and strikes over the past few years have declined is an indication that this process has already begun.

In Jamaica, the productivity of labor, including workers and managers, needs to be upgraded, and this means improvement in the quantity and quality of education. The importance of this is illustrated by the experience of East Asian countries. The expansion and transformation of education and training during the last three decades has been a key factor in the “economic miracle” of East Asian economies.<sup>61</sup> Improvements in education and training have to be tackled by individual enterprises and by the society as a whole. Firms need to put more emphasis on vocational and on-the-job training. New educational technology (such as multimedia training) can help workers to learn more quickly and more thoroughly; this is particularly useful for workers who are functionally illiterate.

For society as a whole, education will have to become the first priority. In other words, the financial requirements necessary for a well-educated work force should be the

first item on the government’s budget. Specifically, the education budget must be prepared first; any money left should be allocated to the other functions of government.

Developing a well-educated work force will not necessarily require spending more money, but it will require that expenditures be allocated differently. Two requirements must be met in reallocating expenditures. First, the curriculum needs to be changed in a manner that emphasizes reading, English, math, and science — at both primary and secondary levels. This can be achieved by increasing the number of classroom hours devoted to these subjects and decreasing classroom hours in other subjects. The second requirement is that teachers’ salaries should be raised to a level that encourages the return and retention of experienced and qualified teachers (many of whom are currently in private industry, from garments to life insurance). Better teachers will not only help produce a better educated nation but will also improve public knowledge about nutrition, hygiene, sanitation, birth control, preventive health care, and so on.

Education’s emphasis should be on a solid and sound primary education (up to the age of 12 or 13) and should coincide with a reduced emphasis on grammar school education at the secondary level, with greater priority given to technical schools. The curriculum should include more practical, job-related skills and subjects, since only a small fraction of the total high school population will go on to a university. This kind of education program would create a technologically oriented work force with a sound educational foundation, capable of high productivity, including learning new job skills. The production, transfer, and adoption of science-based knowledge is becoming more important each day.<sup>62</sup> With only 3.6 percent of secondary school students enrolled in technical, vocational, or agricultural schools, a great deal of work is required.<sup>63</sup> These needs have been recognized, and the government has planned a number of remedial programs. A National Council on Technical Vocational Education and Training was estab-

lished in February 1994 to address labor force training.<sup>64</sup> Jamaica, like most developing countries, is not without its share of social tensions, poverty, and crime. The best way to address these problems is also through education and training. New educational programs in Jamaica will eventually lead to enhanced employment levels and increased economic activity.

### **Supplementing the Skills Pool with Overseas Nationals**

Increasingly, the world economy will be dominated by knowledge-based industries, especially services, making the quality of human capital a critical factor. For many developing countries, much of their human capital resides outside of their borders. Every effort must be made to repatriate this loss. Just as incentives and special programs exist for foreign investment, similar schemes must be established to induce overseas nationals with professional skills to return home. It might even be necessary to run an advertising campaign to attract skilled foreign professionals, as the Canadian government is now doing quite aggressively.<sup>65</sup> In India, overseas communities and returning professionals and businesspeople have spearheaded several of the new growth sectors, such as computer hardware and software.<sup>66</sup>

Jamaica has produced more than enough qualified, skilled people to enable the economy to venture successfully into the twenty-first century. Most of this human capital, however, is currently residing outside the region. The Returning Residents Unit in the Ministry of Foreign Affairs reported a steady increase in the number of Jamaicans returning home, from 1,152 individuals in 1992 to 2,355 in 1995.

### **Developing Strategic Corporate Alliances**

Corporate integration, consolidation, and restructuring through cross-border mergers and acquisitions is a worldwide phenomenon, resulting from 1) efforts aimed at increasing size; 2) market presence; 3) competition,

which has forced consolidation and pruning; 4) easing of regulations governing mergers; and 5) preparations for more intensive competition from U.S. and Japanese firms in the global marketplace.<sup>67</sup> Traditional rivals are now collaborating in Europe: Air France and Lufthansa plan to merge their hotel chains, and Meridian and Kempinski are sharing marketing and reservation costs.<sup>68</sup> In the meantime, Nissan plans to buy auto parts from a Toyota affiliate.<sup>69</sup> Such collaboration has been a well established pattern in Japan.

In today's global economy, capital has no nationality. Indeed, even bitter political differences and economic rivalry have been swept aside by strategic corporate alliances, as in the case of Mexico's largest construction firm, Empresas ICA, of which Flour Daniel of California now owns 49 percent.<sup>70</sup> Just a few other examples: a Nigerian trade delegation visited South Africa; China and Taiwan will collaborate in building a petrochemical plant in Malaysia; and rivals Toshiba and Samsung (of Korea) will collaborate on computer chips.<sup>71</sup>

Some strategic alliances have already been formed in Jamaica. For example, Jamaica Broilers — the highly successful producer and exporter of poultry, beef, and fish — recently formed two international partnerships that support its objectives of being the most efficient producer in the market and becoming internationally competitive. One of these alliances is a partnership with a U.S.-based, breeder-flock operation for the export of fertile eggs to Latin America and the Caribbean. The other alliance is a fifty-fifty partnership with one of Great Britain's larger egg producers for the purchase of a poultry processing operation — both alliances are aimed at expanding its overseas markets.

Desnoes and Geddes Limited, brewers of the internationally known Red Stripe beer, sold 51 percent of its holdings to Guinness, a long-time licensor of the company. The results have been very positive for the company because, for the first time in many years, consumers were spared the usual shortage of company products at Christmas because its

production line had been modernized. Other examples of strategic alliances include a joint venture between Jamaica Producers Group and Fyffes Group Limited of Ireland to produce bananas for the European market, Grace Kennedy and Company Limited's telecommunications venture with Sprint of the United States, and Telecommunications of Jamaica with Cable and Wireless of Great Britain to upgrade local and international communications.

Some Jamaican firms and financial institutions have become multinational corporations or are branching into the United States, Great Britain, the Caribbean, and Cuba. Some Jamaican entrepreneurs have set their horizons at both the hemispheric and global levels. By merging, some firms can become more viable. Joint ventures with foreign investors are critical for survival since many Jamaican exporters are small compared to the firms and multinational corporations that they compete with in the world market. This small size puts CARICOM exporters at a severe disadvantage; therefore, there is a need for collaborative corporate alliances or mergers to provide a larger capital base and larger pool of resources and expertise.

"Arms-length" international trade is being displaced by intra-firm trade and global marketing networks.<sup>72</sup> Jamaican exporters have suffered in the past from having to deal with middlemen in penetrating the distribution chain in the United States and other export markets. It is paramount that this obstacle to effective marketing be removed as quickly as possible. The best solution is for large exporters or groups of exporters to establish retail outlets in major export markets by strategic transnational alliances.

Transnational corporate alliances and multinational corporations could enhance the obvious complementary relationship, derived from differences in wage levels and factor endowments, between Jamaica and the United States. This complementary situation takes the form of locational differentiation of production, according to maximum efficiency and relative competitiveness in the global market.

For example, the CBI region is the largest supplier of garments and apparel to the United States; 80 percent of these garments are 807-type products, of which U.S. labor and raw materials constitute 70 percent of the finished product. In the absence of this complementarity, both the U.S. textile and apparel sectors would face a flood of "cheap labor" imports.

### **Creating a Business Facilitating Environment**

New communications technology has given increased mobility to professionals who can provide their services by telephone, facsimile, and computer modem. Many of the "telecommuters" are relocating out of large cities to cleaner, quieter, more rural environments, as illustrated by the relocation movement in the United States to the Rocky Mountain states (Montana, Idaho, Wyoming, Colorado, Utah, and New Mexico). In 1992, Utah led the United States in percentage growth of personal incomes and population.<sup>73</sup> This phenomenon is beginning to spread globally. For example, a British fund manager has relocated to the Bahamas, where he manages US\$70 million of investments from his beachfront home and visits London only twice each year.<sup>74</sup>

Jamaica's wage levels and close physical proximity to the United States provide an opportunity to capitalize on the new global dispersion of employment made possible by new communications technology. With sufficient planning, Jamaica could be an excellent location for specific operations of foreign companies, especially software design, data processing, and accounting. These "back-offices" are established when a company transfers particular operations to another country because of the relative advantages the second country provides. This is already happening elsewhere, for example, in the case of Swiss Air, which is moving its accounting department from Switzerland to Bombay, India.<sup>75</sup> Improved communications infrastructure and the quest for a quality of life based

on an unspoiled environment and warm climate could make Jamaica one of the global growth poles for such services.

### **Improving Physical Infrastructure**

Jamaica urgently needs to improve the extent and quality of its physical infrastructure, such as roads, irrigation, electricity, and telecommunications, in order to reduce the operating costs of firms in all sectors. Road transportation and telecommunications now require a quantitative leap in anticipation of increased demands and must use state-of-the-art technology. Under the right conditions, much of the required expansion in physical infrastructure could be financed by private capital, including foreign capital. This has already begun to happen in electricity generation and airport expansion. Multilane, high-speed highways are required in the Kingston metropolitan area to link it with other important cities and towns. Airports and docks need to be enlarged and modernized for tourism and trade. An international airport should be contemplated for Ocho Rios.

### **Modernizing International Marketing**

Undoubtedly, there are several problems with production in Jamaica: inconsistent quality, irregularities in supply, and poor labeling. However, poor marketing also has placed a severe constraint on exports. There are some sectors that have achieved sophisticated levels of marketing, most notably the tourist industry. In other sectors, this weakness has been obviated by strategic corporate alliances, commodity agreements, and subcontracting. In modern marketing one must first listen to the market, then tailor the product to the desires of the consumers, and, only then, market the product.

Immediately, Jamaica needs to catch up with new marketing techniques and technologies, in particular, interactive electronic marketing.<sup>76</sup> Interactive retailing can exist in many forms, including personal computer users linked to online services and Internet-based

retailers, multimedia kiosks, interactive home shopping programs over cable and satellite TV networks, and CD-ROM shopping catalogs. All of these media allow the consumer to purchase by telephone or computer and to pay with a credit card, reducing retailers' costs for product storage and display areas.<sup>77</sup>

The need to develop electronic marketing is suggested by the fact that more than one-third of all households in the United States (Jamaica's largest export market) own personal computers, and the number is growing at a rate of approximately 35 percent per year.<sup>78</sup> The number of Internet users has grown from 25 million in 1993 to 90 million in 1995 and is projected to reach 1 billion by the year 2000.<sup>79</sup>

Jamaica must project a new national image to the global marketplace, as part of the framework of a national marketing plan. Jamaica already has a positive image based largely on tourism advertisements and on interactions with Jamaicans living abroad. Jamaica's current image, however, is not sufficiently businesslike because of current advertising's stress on leisure and a "laid-back" attitude. In fact, Jamaica's tradition of excellence is founded upon the reputation of Jamaicans as enterprising and hardworking. Jamaica has the potential of becoming an international business center, as the essentials of a stable government, a dynamic market-driven economy, and a highly skilled labor force are already in place.

### **Gamering Capital, Technology, and Skills**

Mobilizing capital, technology, and individual skills is necessary for effective competition in the global marketplace. These inputs, necessary for development, can be garnered in the global marketplace. Jamaica has signed bilateral investment treaties (BITs) with several capital exporting countries, including the United States, Great Britain, Holland, and Switzerland, and is currently negotiating with China. These BITs enhance Jamaica's attractiveness to foreign investors because they provide a predictable legal framework for investment. In addition, access

to new technology has been enhanced by the recently concluded U.S.-Jamaica Intellectual Property Rights Agreement.

There is a great need to implement these actions as quickly and as effectively as possible. As mentioned earlier, however, one of the most important of these actions is to abandon the traditional mindset and adopt a service-oriented growth model. The following section examines Jamaica's potential for expanding services.

### **Potential for Expanding Service Sector**

Undoubtedly, there will be some new manufacturing industries in which Jamaica can successfully participate. Consolidating existing industrial production, improving cost efficiency, and enhancing the quality of existing exports from mineral processing, agro-industry, and manufacturing are all important components of Jamaica's economic future. The recently formulated National Industrial Policy<sup>80</sup> will, among other things, attempt to address the reliance on old technology, low capacity utilization, lack of inter-industry linkages, and shortage of skilled labor.<sup>81</sup>

Despite the importance of traditional industry, the fundamental point is that industrialization is not the panacea it has been assumed to be, and now the focus of economic strategy should be shifted toward the development of services for sale to the global economy.

The distinction between service and manufacturing firms is becoming increasingly difficult to make since individual firms are becoming involved in more diversified economic activities. In 1994, for example, General Electric, known as a manufacturing company, earned 40 percent of its revenues from service components of its business. Several of Jamaica's large companies, Grace Kennedy and Company, for example, already exhibit this type of corporate diversification.<sup>82</sup>

Given the rapid expansion of services in the global economy, and given Jamaica's comparative advantage in exporting services, there

should be an immediate, concerted drive to position Jamaica in the global market for services. This strategy includes expanding Jamaica's existing services, such as tourism and data processing, which have already attained international standards in productivity and are competitive in the global marketplace. Actually, Jamaica is already well on its way to becoming a service-dominated economy.

Aside from expanding existing services, Jamaica needs to establish new services crucial for strategic repositioning. The prerequisite for taking advantage of new, non-traditional investment opportunities is the capacity to risk thinking of new ventures and to attempt to supply goods and services that have not been supplied by Jamaican companies in the past. The following section 1) examines Jamaica's unique characteristics that make it well positioned for a service-export economy and 2) examines specific services that may play major roles in repositioning the Jamaican economy.

### **Jamaica's Unique Position in the Global Economy**

Jamaica does have a number of characteristics that make it well-positioned for moving in the direction of service exports. One of the most important features of Jamaica as it attempts to adjust to global transformations is its location. Jamaica's location — in the center of the Caribbean Basin and in the center of the Western Hemisphere — makes it a natural hub for shipping (transshipment and bulk-breaking) and airline traffic. Close proximity to the United States will facilitate delivery of a wide range of services, particularly those involving direct interaction with consumers, as is already the case for tourism.

As an advanced economy, the United States is in a continuous process of shedding labor-intensive activities. Many of these services will be supplied from overseas, or U.S. consumers will have to travel abroad to find affordable health care and retirement services. A concerted effort should be made to capitalize on Kingston's location to transform it into the international business center of the

Caribbean.<sup>83</sup> Cities that have become global business centers provide their home economies with an essential component of successful participation in international trade and finance.<sup>84</sup>

A second important characteristic of Jamaica is that English is the primary language. Thus, Jamaica has an advantage over its immediate neighbors in Central America and the Caribbean, where Spanish or French are the principal languages. English is still the language of international business, and the English-speaking U.S. market is still the largest in the hemisphere.

Relatively low-cost labor is another important factor that will enable Jamaica to compete in the global market. Compared to industrialized countries and many developing countries, Jamaica still has relatively low labor costs; yet, it is still capable of high productivity in the right circumstances. In addition, Jamaica can draw upon a large pool of skilled Jamaican professionals who want to return from abroad. Repatriation of skilled nationals living abroad has been important recently in South Korea, Taiwan, India, and China, countries where skilled professionals with higher education and business experience have returned home from the United States and elsewhere.<sup>85</sup>

Jamaica has produced, over several decades, products and services that are held in high regard in the world market, including rum, coffee, apparel, and award-winning hotels. The achievement of the highest standards in these products and services over so many years is not accidental nor fortuitous. Rather, they indicate Jamaicans' capacity for excellence, and there is no reason why this success should not be attained in new and existing economic activities.

Part of Jamaica's excellent reputation for certain products and services is the result of its proven managerial capacity. Particular cases stand out for their competitive prices and quality. The achievements of the bauxite/alumina companies and of many hotels, for example, demonstrate this capacity. In

1994, Jamaica was voted "Caribbean Island of the Year" by *Caribbean World and Travel* magazine, and Sandals was rated the number-one resort chain in the travel industry by *Cruise and Vacation View* magazines. The Super Clubs chain has also won several international awards. It should be possible to achieve similar standards and competence in other sectors.

In addition to managerial capacity in Jamaica, there has been an explosion of entrepreneurship in the country in recent years. There is a new group of entrepreneurs whose business acumen has been honed by the adversity of economic difficulties over the last two decades. These groups are forming multinational corporations by establishing overseas factories, insurance companies, banks, building societies, and hotels. Jamaican multinationals operate in Great Britain, Canada, United States, Puerto Rico, the Cayman Islands, Cuba, Panama, Trinidad and Tobago, Barbados, Belize, Antigua, and St. Lucia. These entrepreneurs and representative corporations have demonstrated the capability, innovation, technical sophistication, and informed risk-taking necessary for survival in the global marketplace.

The fact that Jamaica is now a market-driven economy complements Jamaica's other unique characteristics. The government has removed the major constraints on private enterprise and the restrictions and regulations that had previously inhibited the operations of the market. This process has involved a comprehensive program of trade liberalization, involving the elimination of quotas and import licensing and a substantial reduction in tariffs. Exchange controls have also been abolished, and there is a market-determined exchange rate system. Rent controls have been discontinued, and price controls are now limited to a few items.

These changes have been accompanied by tight fiscal and monetary policy, reflected in an improved fiscal and balance of payment position. Steps have also been taken to rationalize the civil service, reduce its costs, and improve its efficiency. The public sector has

been trimmed significantly through a comprehensive privatization program. Major privatizations include Air Jamaica, telecommunications, hotels, and sugar factories.

One more characteristic of Jamaica should also be mentioned. Jamaicans have an extensive network of transnational communal economic networks. In some cases, these informal economic networks, based on race, culture, religion, and nationality, may be global. Shared values and a sense of identity permit rapid transnational economic exchanges, such as trade and transfers of money. Jamaica's transnational networks need to be nurtured, facilitated, and put to greater use. These efforts involve an initial recognition that Jamaica is a "nation without borders." The importance of such networks for economic prosperity is illustrated in practice and in analyses such as Kotkin's work on "global tribes."<sup>86</sup>

### **Sector-Specific Potentials for Jamaican Services**

Without doubt, Jamaica has the necessary components and attributes for strategically repositioning its economy in the direction of service industry exports. A number of specific services in Jamaica have distinct possibilities for expansion and deserve special attention.

#### ***Tourism***

In Jamaica, employment in the tourism sector already accounts for 8 percent (72,000 individuals) of the total labor force in full-time employment. Jamaica already provides a wide range of tourist accommodations, with all-inclusive resort hotels playing a prominent role. However, there is room to explore new avenues and attract new segments of the market. Already, the Jamaica Tourist Board plans to spend 70 percent of its 1995-1996 budget on marketing efforts and is beginning to examine the feasibility of expanding into ecotourism. Within the last three years, the Tourist-Board has also developed innovative, fairly successful programs to attract new markets. However, if tourism is to remain a viable

option for Jamaica in the twenty-first century, the country must move beyond these initiatives to consider other possibilities, such as combining health care with tourism.<sup>87</sup> The need to develop new aspects of tourism is made more urgent by the return of lower cost destinations (such as Haiti and especially Cuba) to the tourist market.<sup>88</sup>

#### ***Health Care and Retirement Communities***

The high cost of health care in the United States makes it cheaper for individuals to fly to Jamaica, receive treatment, spend time vacationing, and still save money. Elective procedures, such as cosmetic surgery, physiotherapy, and spa treatments, could be made available in Jamaica at a fraction of the U.S. cost. Cuba has seriously pursued this opportunity since 1988 and, by 1994, received nearly 4,900 patients from all parts of the world, though most were from Latin America and the Caribbean. Furthermore, an increasing number of U.S. residents are going to Mexico for treatment because the cost of a doctor's visit there is as much as 80 percent lower than in the United States, and some drugs are up to 75 percent cheaper.<sup>89</sup>

Health tourism is not an entirely new aspect of the local tourist industry. In fact, the origins of Jamaican tourism were closely related to the health needs of visitors. The Royal Court Hotel is already trying to cater to retirees by keeping a physician on the premises and making spa facilities available.<sup>90</sup>

Usually, off-shore health care and health tourism emerge from an existing modern world-class health sector. However, this sequence could occur in reverse. In other words, the creation of a modern health sector catering to overseas clients would have significant spin-off benefits in upgrading the health system throughout Jamaica. In addition, this could mean that Jamaicans would no longer have to travel abroad for certain kinds of medical treatment but could have them provided by local facilities with payment in U.S. dollars.

The immediate comparative cost advantage is revealed by the fact that a nurse in the United States makes US\$32,000-\$44,000 per year, while the top salary for a nurse in the public health system in Jamaica is US\$16,000 per year.<sup>91</sup> Obviously, nurses working in the private hospital system in Jamaica that cater to an overseas clientele (based on U.S. currency) would receive salaries substantially higher than the prevailing rates in Jamaica but significantly lower than U.S. rates.

Health care services would not only be an attraction for occasional visitors but could also complement the country's attraction for permanent retirees. Jamaica's close proximity to the United States, its year-round warm weather, and its low wage levels constitute an environment suitable for the development of retirement communities. This sector would necessarily not compete with tourist areas, as retirees generally prefer the cooler hill locations, such as those in Costa Rica.<sup>92</sup> There is now a trend toward U.S. citizens retiring abroad because their incomes purchase more abroad than in the United States.

In addition, the day is rapidly approaching when there will be multinational hospitals. A hospital in Washington, D.C., might own a facility in Jamaica to which it could refer certain cases. There is also a huge market for retirement homes offering custodial care. This market would not only permit Jamaican doctors and nurses to earn foreign exchange but would also help stem Jamaica's loss of medical personnel and help rebuild the health service.<sup>93</sup>

Comparative composites for the cost of retiring in various locations reveal that Jamaica is relatively inexpensive. Jamaica is less expensive than the following retirement area: Sarasota, Florida; Okandgan Valley, Canada; Western counties of Ireland; suburbs of San José, Costa Rica; and Guadalajara/Lake Chapala, Mexico.<sup>94</sup>

### ***Informatics/Information Processing***

In other countries around the world, comparative advantages have attracted new businesses in the information sectors, but Jamaica has not fully capitalized on such advantages. In India, where computer expertise is relatively inexpensive, computer software exports have grown tremendously: exports in 1993 totaled over US\$500 million, a substantial increase from the US\$74 million total in 1985.<sup>95</sup> The industry has continued to grow rapidly, with 61 percent of these exports sold in the United States.<sup>96</sup> Another case in Ireland further illustrates the comparative advantages for this service industry. Cigna, a large American health care company, is one of several U.S. companies that has set up back offices in the Irish countryside and have taken advantage of advanced telecommunications technology in order to reduce labor costs. The branch office in Ireland handles around 5,000 medical claims per day, which is equivalent to 20 percent of Cigna's business. The paperwork from doctors, patients, and corporate clients across the United States is flown to Ireland from New York's John F. Kennedy Airport, then collected by courier and driven to the processing site. The information is then entered into the computer in Ireland and transmitted through fiber optic cables back to Cigna's headquarters in Delaware, where (because of the time difference) it arrives in time for the following day's business.<sup>97</sup>

Jamaica has not fully capitalized on the opportunities for overseas sales by the information processing industry, despite the fact that it was identified by both public and private sectors as "an area for immediate action."<sup>98</sup> There is further room for expanding Jamaica's information processing activities. At the present time, about 45 companies are involved in electronic data processing, employing 6,000 people — up from 4,000 workers two years ago. The government's new policy, which allows companies outside free zones to enjoy tax-free benefits, and the government's commitment to computer training initiatives, such as "Jamaica 2000," should

encourage more companies to consider Jamaica for their operations. Already, one U.S. company, ISADRA International, has been approved to operate as a single-entity free zone. The company will bring capital investment of US\$2.4 million and initially will employ 76 Jamaicans.

### ***Business Support Services***

The financial sector in Jamaica has grown rapidly: gross assets of the commercial/merchant banking sector have increased from J\$69.2 million in 1989 to J\$1.1 billion in 1994. In addition, institutions have been spreading their corporate reach to the international arena. The insurance industry has expanded to CARICOM, Panama, and the Dominican Republic, while the Building Societies have established branches in Great Britain. A number of commercial banks have opened offices in the United States and Great Britain. In the area of off-shore financial services, the Bahamas, the Cayman Islands, and, to a lesser extent, Barbados have been involved in off-shore banking since 1979.<sup>99</sup> Jamaica has the right factor mix of lower wages and close proximity to be a convenient, cost-effective locale for back-office operations such as data processing and accounting.

Jamaicans have been purveyors of professional services to regional markets and to the multilateral financial institutions and international agencies. Because of the absence of a free trade regime in services in the region, professional services activities are confined to the national level. There are niche markets outside the region that a few larger companies have exploited, often in partnership with foreign firms. The biggest of these firms are involved in engineering and construction. Technology for low-cost housing, developed by Jamaican companies, has been exported to Trinidad and Tobago, Belize, and Nigeria. There are some constraints facing these firms, such as resource limitations, limited ability to do market research, high cost of bidding, slow payments from overseas clients, and, of course, lack of staff with hands-on experience in the consulting process itself.

With regard to infrastructure, Jamaica rates high among developing countries. With modern international airports and well-equipped seaports, cargo and passenger transportation are easy. Over 30 international shipping lines call regularly and provide oceanic and feeder shipping services to the two international seaports — one in Kingston and the other in Montego Bay. Port Bustamante in Kingston is a modern container transshipment terminal, located on the world's seventh-largest natural harbor. The port has five cargo gantry cranes capable of servicing any container ship afloat. In addition to the container terminal, the port has nine break-bulk wharves, roll-on/roll-off facilities, and a cruise ship pier. An expansion and upgrading program costing US\$80 million is now in progress.

### ***Entertainment***

It has been estimated by the Recording Industry Association of America (RIAA) that 27 million units of Reggae albums, compact discs, cassettes, and single recordings were sold in the United States between 1992 and 1993, earning a revenue of approximately \$270 million. The British Phonographic Industry (BPI) stated that "Dance/Soul Reggae music traditionally accounted for 10 percent of the album market." Urban contemporary music, which includes Reggae, accounts for 7 percent of global recording sales of an estimated US\$25.8 billion. As cited in the Planning Institute of Jamaica's publication, the BPI reports that 4.5 percent of the singles sales and 7 percent of the album sales sold in the United Kingdom are performed or written by Jamaicans.<sup>100</sup> Despite the international success of Jamaican music, the industry has limited formal organization.

Given the vast potential of the entertainment industry, the government should move rapidly toward the creation of an international satellite channel devoted to the promotion of reggae music. This initiative could prove to be extremely valuable, considering the fact that an estimated 99 percent of U.S. households, 60 percent of British households, and 75 percent of Japanese households have a radio.

Furthermore, 98 percent of all U.S. households have at least one television. Such widespread media are ideal mechanisms for the spread of one of Jamaica's most well-known exports — reggae music.

Apart from music and music videos, filmmaking has significant potential in Jamaica. This potential is illustrated by a series of recent productions in the country. In addition to natural attractions, Jamaica offers tax concessions and duty exemptions.<sup>101</sup> To encourage this lucrative industry, much more needs to be done, including an aggressive campaign, such as Ireland's, to attract film companies and productions.<sup>102</sup>

Jamaica has tremendous potential for expanding tourism and entertainment services to the global market. Some action has been taken by the government of Jamaica, and some action has been taken by Jamaican entrepreneurs and corporations, but greater cooperation between public and private groups is necessary to make global repositioning a reality for Jamaica.

## **Implementing Strategic Global Repositioning:**

### ***Private-Public Cooperation***

Jamaica can make its transition through a combination of proactive adjustment and strategic repositioning in the global economy. Strategic planning is a process of continuous dialogue and interaction among the leadership of the private sector, the public sector, trade unions, and social sectors. This process can be augmented by inputs from individuals and organizations abroad. Close, continuous cooperation among the leaders of these sectors is essential in order to formulate strategic planning and targeted implementation. What is needed is a marriage that harnesses the vision and expertise of both the public and private sectors. This cooperation has been a critical factor in the economic successes of Japan and the NICs of Asia, particularly with respect to private-public sector synergy and the allocation of decisions between the market and public administration.<sup>103</sup>

Jamaica's economic horizon, as reflected in the private sector's view of returns on investment and in the government's time frame of economic policy, needs to be extended to the long term. In recent years, the planning perspective was shortened by the need to satisfy quarterly quantitative performance criteria in the International Monetary Fund (IMF) programs of the last 20 years. There is a need for more extensive long-term strategic planning, including "scenario building," especially with respect to anticipating the impact of world events. In addition, there is a need for far-sighted strategic planning to convert Jamaica into a Western Hemispheric "techno-pole."

## **Conclusion**

The key to transforming an economy from "developing" to "developed" is ensuring that the right policies, institutions, and infrastructure are in place at the right time.<sup>104</sup> Jamaica can achieve this transformation if it undertakes a process of strategic global repositioning. Global economic trends are currently at a favorable juncture, and other countries are already moving to take advantage of these opportunities. At this time, the opportunity is at hand, and Jamaica must seize the moment.

## NOTES

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