

## **Dr. Peter Phillips Speech at JSE 12<sup>th</sup> Annual Conference**

1. Salutations
2. One effect of the global crisis of 2008/09 is that it highlighted the economic fragility of Caribbean states; their vulnerability to external shocks and the overarching limitations of the development strategies pursued. In any event so deep were the effects of the crisis that the Caribbean today has still not been able to overcome the negative effects and return to sustained growth.
3. The current situation in the Caribbean could scarcely be bleaker. Growth for the most part has been low across the region - below five per cent on average everywhere except the Dominican Republic. Concomitantly, deficits have been high and public debt high and unsustainable.

Average Gross Debt is 72 per cent of GDP – making the Caribbean the most heavily indebted region in the world. And Jamaica, with a debt to GDP ratio of 122 per cent of GDP is the most highly indebted in the Caribbean followed by Barbados 105 per cent (2015 figures), and Antigua and Barbuda 104 per cent.

As a consequence of high debt investments slowed –

Average unemployment was high – 13.5 percent region-wide, and poverty at unacceptably high levels.

In many respects Jamaica was a microcosm reflecting this wider Caribbean reality.

To that extent the solutions sought and found by Jamaica would be relevant for the wider Caribbean.

These included:

- i) Eliminating budget deficits – and running a balanced budget
- ii) Debt reduction which in turn necessitated the sustenance of a high primary surplus of seven and a half per cent GDP through 2013 to 2016.
- iii) Extensive tax-reform which among other things reduced rates and extended the base on which GCT was applied and reduced effective Corporate Tax Rates.
- iv) Extensive legislative reforms aimed at improving the ease of doing business.

These included:

- Secured interest in personal property
- New Customs legislation that removed duties on productive inputs and enhanced depreciation allowances

- Streamlined Tax Administration Jamaica and enhanced its autonomy

Since implementing these reforms in Jamaica -

- Debt has moved steadily downward
- Growth has returned and gathered momentum steadily
- Unemployment has declined, though it still remains at unacceptably high levels
- Poverty levels currently at approximately 20 per cent of households is still unacceptably high and the situation is likely to have been exacerbated by the shift to indirect taxes which affect low income consumers the greatest.

We should also note that there are still big deficits in the delivery of social services. Notably Education, Health and Security.

Jamaica's accomplishments were reflective of leadership at a variety of levels.

- Politically to commit to the necessary reforms and to explain to the population.
- It could not have been possible either without committed leadership of –
  - i) Private sector – note EPOC and PSOJ through working group on Tax Policy
  - ii) Trade Unions – note – their embrace of wage-restraint

iii) Civil Society in Partnership for Jamaica

The essential point to note was not the making of difficult choices. Rather, it was the willingness of all groups to collaborate and to cede some of their specific sectional interests on behalf of the national priorities for survival.

To move forward to a future of greater wealth and empowerment for the Caribbean's people there needs first of all to be a realization of the need for a new vision

- A vision of countries with vibrant creative populations which must of necessity connect with the wider world economy and integrate with each other.
- This will need active debt reduction efforts through fiscal consolidation.
- Equally, important structural reforms will have to be undertaken to encourage foreign and domestic investment.

The most crucial factor however is how to enable small countries of the Caribbean to augment their scale by collaborating with each other.

In this regard there are some critical issues to take into account. First, to achieve significant scale in economic terms; Caribbean cooperation will need to extend beyond the confines of CARICOM.

- We need first to actively integrate the Dominican Republic, Haiti to a greater degree and selectively those other Latin American countries bordering on the Caribbean. This will encourage diversification of the productive base of our own economies; it would encourage foreign direct investment, and investment flows between the partners.
- In this regard, the Jamaica Stock Exchange should explore the possibilities of allowing companies from these jurisdictions to list in the local stock exchange. Many of our companies are already operating in these jurisdictions. (Grace Kennedy is operating in Costa Rica, El Salvador, Dominican Republic, Belize and Guatemala).
- This will obviously need to be paralleled by actions by Government to negotiate
  - 
  - i) Effective Free Trade Agreements
  - ii) Tax Treaties, and
  - iii) Common regulations and arrangements for doing business.

We should take note however that many risks still persist.

1) The Caribbean, despite success in St Kitts and Jamaica's strenuous efforts, still has a massive debt; (Jamaica's being the greatest) and we remain subject to great climate change based risks from hurricanes and global warming.

- And there are geopolitical and other risks inherent in international financial markets. We cannot afford to be fiscally profligate and run with unprogrammed expenditures for bushing - \$600M or \$800 M.
- There are also risks inherent in the present social inequalities that typify Jamaica and other Caribbean societies. One obvious manifestation of this is the rise in Crime; which is not solely attributable to these inequalities, but is not unrelated, especially given the underfunding of the security sector.
- In this regard taxation policy which places the burden on the most vulnerable in the population, without mitigation is a recipe for instability.

Perhaps the greatest lesson for leadership to be derived from our recent experience is that we need to bring all elements of the population in a genuinely collaborative and equitable partnership in this challenge of building a different future for the Caribbean.

*Peter D. Phillips PhD*  
*Wednesday, January 24, 2017*