

Snapshot Caribbean



Benchmarking FDI Competitiveness in Caribbean Countries



World Bank Group
Multilateral Investment
Guarantee Agency

Multilateral Investment Guarantee Agency

Commonwealth Secretariat

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The Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group was established in 1988 to promote the flow of private foreign investment to developing member countries. In February 2007 the technical assistance unit of MIGA was made part of the Foreign Investment Advisory Service (FIAS), the World Bank Group's investment climate advisory arm, to offer integrated assistance to client governments seeking to increase foreign and domestic investment. Since 1985 FIAS has helped more than 130 countries increase the level and impact of private investments. Combining the investment climate reform work of FIAS with MIGA's investment promotion expertise allows the World Bank Group to help countries enhance the framework for investment, then market the improved environment—all from a single organizational platform.

Snapshot Caribbean, the sixth in a series of studies that benchmark investment costs and conditions, was developed by MIGA's technical assistance team under its Enterprise Benchmarking Program.

The Commonwealth Secretariat, established in 1965, is the main intergovernmental agency of the Commonwealth, facilitating consultation and cooperation among member governments and countries. The Secretariat, through the Commonwealth Fund for Technical Cooperation (CFTC), provides technical assistance to help governments in the social and economic development of their countries and in support of the Commonwealth's fundamental political values. CFTC is a mutual, voluntary fund, and members contribute resources according to their ability and draw on them according to their needs. In delivering technical assistance projects, CFTC collaborates with other development partners to ensure a targeted approach and optimal development impact.

Research for the Caribbean benchmarking study was conducted by Tractus Asia, a private consortium that advises and helps companies build successful businesses in developing countries.

Snapshot Caribbean

Benchmarking FDI Competitiveness in Caribbean Countries

An Analysis of the Export Services, Food Processing,
and Tourism Sectors



BELIZE
DOMINICAN REPUBLIC
JAMAICA
ST. LUCIA

SIXTH IN A SERIES
OF SECTOR ANALYSES

JUNE 2007

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Chapter I: Background and Methodology

As part of MIGA's global Enterprise Benchmarking Program and the Commonwealth Secretariat's enterprise competitiveness development initiatives, a study of three industries was conducted in four Caribbean countries—Belize, the Dominican Republic, Jamaica, and St. Lucia—to compare operating costs and conditions for investors. This report summarizes the study's findings and aims to serve as an investment tool for prospective investors. This chapter presents the methodology used and provides the context for the results obtained.

BACKGROUND

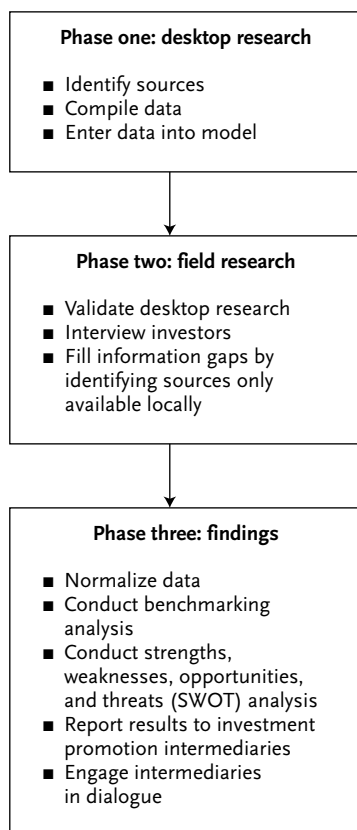
This report uses the location benchmarking approach commonly used by foreign investors and professional location advisers to evaluate alternative global investment sites. Location benchmarking enables investing firms to narrow their site selection options to short lists of locations best suited to their investment projects. Investment promotion intermediaries also increasingly use benchmarking to better understand their locations' competitiveness for foreign direct investment (FDI) and to develop marketing messages.

The Caribbean Enterprise Benchmarking Program was conducted to help investment promotion intermediaries in Belize, the Dominican Republic, Jamaica, and St. Lucia understand their locations' comparative advantages for attracting investment in three sectors: export services, food processing, and tourism operations. The countries were evaluated in each industry based on the costs and operating conditions experienced by existing investors with facilities in these countries.

The countries analyzed in this study were selected in consultation with stakeholders in the region. All the countries (except the Dominican Republic) are members of the Caribbean Community and Common Market (CARICOM), a regional group of 15 states that are predominantly English-speaking. In addition, St. Lucia is a member of the Organisation of Eastern Caribbean States (OECS), an economic subgroup within CARICOM. The Caribbean Single Market and Economy (CSME), aimed at deepening economic integration toward a unified market and economy, was established by CARICOM on 1 January 2006. In addition to promoting free movement of persons and capital, CSME seeks to harmonize investment agreements and codes. The CARICOM members covered by this study are classified as small states—that is, countries with populations of less than 1.5 million. Small states are an important constituency for both the World Bank Group and the Commonwealth Secretariat. Relevant investment promotion intermediaries and government ministries in the countries studied were consulted during the various phases of the study, including in the selection of surveyed sectors. In addition, survey outcomes were circulated to these intermediaries and ministries for their comments and validation. All feedback has been incorporated in the study.

The study was jointly funded by MIGA and the Commonwealth Secretariat's Special Advisory Services Division, and managed by MIGA. The Caribbean study is the sixth in a series under MIGA's global Enterprise Benchmarking Program, following

Figure 1: Phases of research methodology



studies in Sub-Saharan Africa, Southeast Asia, Afghanistan, the Western Balkans, and Sichuan, China.

METHODOLOGY

MIGA's Enterprise Benchmarking Program methodology aims to capture a snapshot of an industry in one location at a point in time, from the perspective of investors. Part of this snapshot reflects objective, quantitative operating costs; another is based on investor perceptions of qualitative operating conditions. Although such perceptions are subjective, they are formed by actual experiences and can significantly influence decisions on investment locations.

Phases of Research

The Caribbean Enterprise Benchmarking Program was conducted in three phases between April and December 2006 (Figure 1). In collecting data on operating conditions and investment motivations, the study mainly relied on first-hand information obtained through interviews with companies currently operating in the three sectors analyzed.

This approach was taken due to the difficulty of finding reliable, comparable data using desktop research. The research team conducted 59 interviews with companies in the three subject industries. On average, five companies were interviewed for each sector per country (Table 1). Given the emphasis on understanding FDI competitiveness, the research team generally sought foreign investors as a targeted sample, but in the absence of a sufficient number of foreign firms to interview, they were supplemented by local firms. Among the companies surveyed, 70 percent were entirely foreign owned, 20 percent were entirely locally owned, and 10 percent were joint ventures between local and foreign firms. The data collected from company interviews (using a standard questionnaire) were supplemented by secondary data from provincial, national, and international sources. (For more details on data sources and definitions, see Appendix III.)

Phase One – Desktop Research: Desktop research was conducted to collect data on critical site selection factors—including infrastructure, real estate, access to markets, and the general business environment—using online and published sources. These data were then compiled and entered into the Enterprise Benchmarking Model.

Table 1: Number and structure of firms interviewed

Sector	Number	Ownership structure		
		100% local	Joint venture	100% foreign
Export services	18	2	2	14
Food processing	21	7	4	10
Tourism	20	3	0	17
Total	59	12	6	41

Phase Two – Field Research: The field research stage started by validating the desktop data gathered during the first phase. Then, two other types of data were collected: data from interviews with companies operating in the sectors being studied that had located in the countries covered by the study, and data not easily obtained through internationally available sources. The interviews were designed to determine each company's reasons for having made its investment and to gather feedback from investors on their operating experiences and their locations' ability to meet their needs in terms of costs and operating conditions.

Phase Three – Findings: Once data were compiled and normalized for each country, the countries' costs and conditions were benchmarked against each other and organized in the form of strengths, weaknesses, opportunities, and threats (SWOT) analysis.

The analysis then ranked, weighted, and aggregated the data based on a location selection methodology (Table 2), and arrived at two composite scores for each country: one for costs and one for quality conditions. (These analyses were presented to each country's investment promotion intermediary but are not publicly available.)

The Enterprise Benchmarking Model is predicated on numerous assumptions about investment decisions and behavior—tested through empirical data gathered from interviews and publicly available rankings of costs and quality conditions, and through hundreds of interviews with companies with international investments. These assumptions can be broken down into two main categories: lower costs make a potential investment site more attractive, and higher quality makes a potential investment site more attractive.

Table 2: Location factors processed by the Enterprise Benchmarking Model

Consideration	Cost factors	Quality factors
Labor	Wages	Potential to recruit local staff Flexibility of labor regulations
Infrastructure	Electricity Water Telecommunications and broadband Natural gas Freight shipment	Power supply Water supply Telecommunications and Internet availability Natural gas supply Shipping transportation availability and reliability
Real estate	Real estate Construction	Availability of land, office space, buildings, and sites None
Access to markets	None	Size of local market Proximity to raw materials, components, and equipment Access to international tourists
General business environment	None	Political, financial, and economic stability

Model Measurements

The benchmarking model processed data on investor cost and quality conditions based on the desktop research and the interviews with investors. As noted, the interviews obtained data from investors on their costs and the quality of their infrastructure and services.

Weighting of Data

Investors do not place equal value on all cost and quality factors. Thus weights were assigned to each factor that investors consider when making location decisions. The benchmarking model processed the data relative to the importance that each location factor plays in a typical investment decision in each of the sectors studied.

Chapter II: Country Snapshots

A snapshot of the three sectors shows that each of the four Caribbean countries analyzed offers a unique set of investment strengths and incentives for prospective investors—potentially contributing to their successes and raising their returns. In addition, all four countries benefit from their proximity to the U.S. market and from various international trade agreements.

Despite recent natural disasters, since the early 1990s all four countries have experienced steady growth in FDI—which averaged \$538 million a year in the two larger countries (Jamaica and Dominican Republic) and \$46 million a year in the two smaller countries (Belize and St. Lucia) between 1994 and 2004. This chapter provides indicators on attributes of each country and brief snapshots of what current investors found beneficial to their investments.

The appeal of free zones

Recent successes with free zones in Asia and Europe have led to renewed interest in developing such zones in Caribbean. Free zones typically provide companies with a better business climate and infrastructure than are available in other parts of the country. Most offer exemptions from import and export duties, streamlined customs and administrative controls and procedures, liberal foreign exchange policies, and income tax incentives. Governments set up these zones for various reasons—chief among them to promote and develop exports, create jobs, and attract FDI. A well-developed free zone can be quite useful to investors, and all four of the Caribbean countries surveyed are developing or expanding such zones.

Belize

2005	
Language	English
Population	283,000
Labor force	110,712
Area	22,970 km ²
Arable land*	3.1 percent
GDP	\$1.0 billion
GDP growth	4.6 percent
GDP per capita**	\$3,669
FDI inflows	\$127.6 million
FDI (percentage of GDP)	11.7

* As percentage of total land.

** Current U.S. dollars.

Note: 2004 data were used if 2005 data were not available.

Source: World Bank, *World Development Indicators 2007*; UNCTAD, *World Investment Directory Online*.

Belize's trade agreements

Belize is party to a number of trade agreements. The country enjoys duty-free access to the U.S. market for most goods under the Caribbean Basin Initiative (set to expire in 2008). Under the Cotonou Agreement, Belize has free market access to the European Union for certain goods, including sugar and bananas. But this preferential access expired for sugar in 2006 and is set to expire in 2009 for bananas. As a member of the Caribbean Community and Common Market, Belize allows free movement of goods and capital among member states and offers common tariffs for imports from nonmember nations. Belize also enjoys duty-free access to the Canadian market for certain goods under the Caribbean-Canada Trade Agreement, and is a member of the World Trade Organization.

BELIZE



Famed for its natural and cultural heritage, the small country of Belize provides investors with a stable, strategic location from which to conduct business. Among the many reasons to choose Belize as an investment location is that it is the only Central American country with English as its official language. It is also a popular tourist destination, boasting the world's second largest barrier reef and an array of Mayan cultural sights.

Its rich soil, good climate, and long coastline have fueled growth in the food processing sector, with production of citrus juices, orange juice concentrate, and seafood increasing significantly in recent years.¹

Most of the country's economy is based on tourism, but the government is diversifying the economy and strengthening agricultural activities.² In 2004 Belize's main exports were agricultural products such as sugar, citrus concentrates, and bananas, followed by marine products and garments. Most exports go to the United States, followed by the United Kingdom, which together account for nearly 90 percent of the country's exports.³

Belize has experienced fluctuating inflows of FDI, recovering quickly after the downturn of FDI in the Caribbean due to natural disasters. Although FDI in Belize dropped to -\$1 million in 2003, it reached a record high of \$128 million in 2004 (Figure 2). And while FDI averaged 2.8 percent of GDP between 1991 and 1995, between 2001 and 2004 it was 5.2 percent (Figure 3). A staggering 85 percent of FDI comes from the United States, followed by Canada (10 percent) and Australia (3 percent). Most investments are in the tourism sector (56 percent), followed by manufacturing (29 percent), medical services and education (9 percent), and other services (6 percent).⁴ Due to its plentitude of agricultural products and marine life, Belize has seen a significant increase in investment in nontraditional agriculture and aquaculture exports.⁵

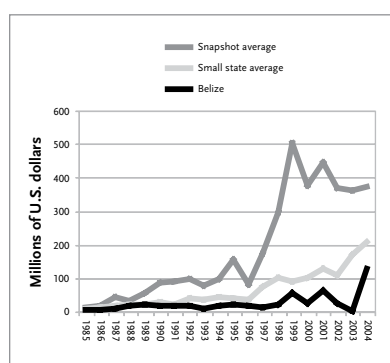
Belize is open to foreign investment, allowing 100 percent foreign ownership of many businesses. Still, a number of business activities—commercial fishing within the barrier reef, merchandising, sugarcane farming, real estate, insurance, internal transportation, accounting, legal services, entertainment, beauty salons, restaurants, bars, and some tourism activities—require licenses that noncitizens cannot acquire.⁶ Both residents and nonresidents can hold foreign exchange accounts. Foreign investors must register with the Central Bank of Belize to facilitate repatriation of profits, dividends, and the like.⁷ As a member of the World Trade Organization, Belize has fulfilled its obligations to implement the Agreement on Trade-Related Aspects of Intellectual Property. Foreign investors that receive developmental concessions are allowed to bring in skilled workers—as long as appropriate training programs are established for Belizean nationals.⁸

Belize offers three investment incentive programs that provide import duty and corporate income tax concessions or exemptions to facilitate and aid industrial development, which is largely in the form of FDI. These programs are the Fiscal Incentive Act, Export Processing Zone Act, and Commercial Free Zone Act. These statutes aim to promote investment in nontraditional crops and value-added products, improve manufacturing and processing activities, and create jobs for Belizeans. In addition, the tourism sector offers the Belize Retirement Incentives Program, which qualifies foreigners over 45 to retire in Belize (including spouse and dependents under 18 and university students under 23). This program provides income tax exemptions and duty waivers for personal effects and certain types of vehicles, such as motor vehicles, boats, and light aircraft.

Belize's proximity to the United States, coupled with its English-speaking population, make it a good location for business in the three sectors covered by this study. The availability and low costs of land are other motivations that current investors noted as positive reasons for investing in Belize.

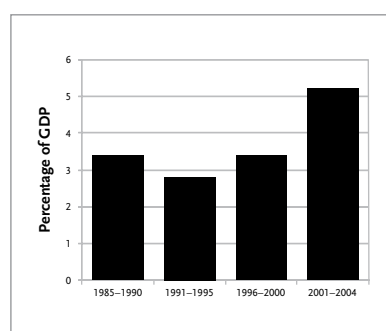
In the export services sector, most of the investors surveyed cited English and bilingual (English/Spanish) language skills as primary reasons for choosing Belize for their business locations. Food processing firms cited good access to raw materials due to Belize's large coastline, which provides access to aquaculture, and the country's booming citrus industry. Investors in food processing also appreciated the availability of land. Few foreign firms have taken advantage of Belize's potential in this sector—and firms willing to invest could find themselves at a “first mover” advantage. In tourism, Belize's well-known natural and cultural beauty is among the main reasons the companies surveyed chose it as their investment destination. This international reputation, coupled with the availability of land, a demand for hotel rooms, and low land prices, make Belize a strong competitor in this sector.

Figure 2: FDI in Belize and comparator countries, 1985–2004



Source: World Bank, World Development Indicators 2007.

Figure 3: FDI as a percentage of Belize's GDP, 1985–2004



Source: World Bank, World Development Indicators 2007.

Belize's export processing zones

In Belize companies located in export processing zones can qualify for tax holidays and corporate income tax and duty exemptions. Four areas have been designated as export processing zones—in San Andres (on 28.5 acres 8 miles south of Mexico), adjacent to the Philip Goldson International Airport (4 acres), Price Barracks (14 acres 9 miles from Belize City), and Data Pro (12 acres), a compound aimed at giving Belize a slice of the offshore trend and attracting investors in export services. (To date only San Andres has a developer and is operational.)

The government allows developers in export processing zones to construct their own buildings and find independent utility providers. In addition, businesses can be granted special export processing zone status without being physically located in one of the four designated zones. Currently, 67 companies enjoy export processing zone status, 45 of them active. There is also a commercial free zone in Corozal whose bonded warehoused merchandise can be sold tax-free.

Dominican Republic

2005	
Language	Spanish
Population	8.8 million
Labor force	3,752,016
Area	48,730 km ²
Arable land*	22.7 percent
GDP	\$18.5 billion
GDP growth	2.0 percent
GDP per capita**	\$2,476
FDI inflows	\$645.2 million
FDI (percentage of GDP)	3.5 percent

* As percentage of total land.

** Current U.S. dollars.

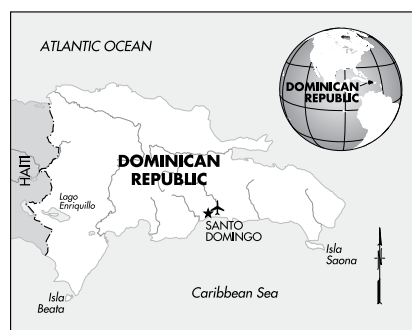
Note: 2004 data were used if 2005 data were not available.

Source: World Bank, *World Development Indicators 2007*; UNCTAD, *World Investment Directory Online*.

The Dominican Republic's special trade agreements

The Dominican Republic is party to a number of trade agreements. In 2005 the United States ratified the Dominican Republic-Central America-U.S. free trade agreement (DR-CAFTA), creating the second largest market for U.S. exports in Latin America. The Dominican Republic already enjoyed free trade benefits to four Central American countries through the Dominican Republic-Central America free trade agreement.¹² In addition, it enjoys duty-free access to the U.S. market for most goods under the Caribbean Basin Initiative and the U.S.-Caribbean Basin Trade Partnership Act of 2000. The Dominican Republic also has longstanding duty-free access to EU markets for certain goods, the most important being sugar and bananas. It also enjoys duty-free access to the Canadian market for certain goods. Finally, the Dominican Republic enjoys trade privileges through the Caribbean Common Market.

DOMINICAN REPUBLIC



With a long history of attracting considerable FDI in a variety of sectors, the Dominican Republic is a regional leader in attracting such investment. Longstanding political stability and a diversifying economy have led many foreign firms to choose the Dominican Republic as an investment destination. Recent success in attracting FDI is due to the country's investor-friendly legal regime, generous incentives, and infrastructure capable of supporting

new technologies, including information technology.⁹

During 2001–05 the main sectors contributing to GDP were manufacturing (15.6 percent)—led by food processing and nontradables—commerce (12.1 percent), and agriculture (11.6 percent). Telecommunications is the country's most dynamic sector.¹⁰ In 2005 exports totaled \$5.8 billion, with primary exports consisting of nickel, sugar, cocoa, and coffee. The United States received 51 percent of exports, followed by Puerto Rico, Canada, Haiti, and the United Kingdom.

FDI in the Dominican Republic is higher than in any other Caribbean country. Though such investment has fallen from its record high in 1999—when inflows exceeded \$1.3 billion—performance in 2004, at \$645 million, was still well above the average for Caribbean countries (Figure 4). Low FDI in 2003 and 2004 was primarily caused by a banking crisis (Figure 5). But the government has made enormous efforts to stabilize the economy, and expects FDI to reach \$1 billion in 2005.¹¹ In 2004 the sectors that attracted the most FDI were tourism (26 percent), energy (23 percent), and telecommunications (19 percent). Most FDI comes from the United States, followed by the European Union (mainly France, Spain, and the Netherlands).

The Dominican Republic's government has implemented a liberal framework for attracting FDI. It makes no distinction between foreign and local companies in terms of ownership restrictions and ability to qualify for investment incentives. Foreign investment is permitted in all sectors except those related to public health and the environment (such as storage and disposal of hazardous or radioactive waste), as well as national security. The government offers full exemption from all taxes, duties, charges, and fees that affect production and export activities in free trade zones.

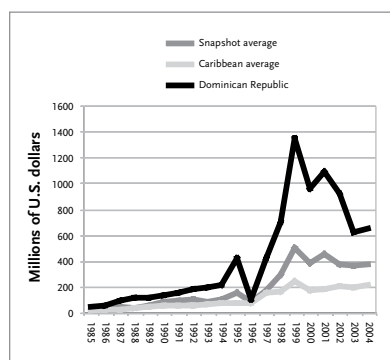
The Dominican Republic has a large, well-trained labor force. Though Spanish is the country's official language, investors can find workers that also speak English. The country's large size means that land is available for tourism and agriculture.

The Dominican Republic has had strong export services for many years, and 40–50 call centers are registered with the Dominican Call Center Association. Investors currently operating in the country cited skilled workers, most of whom are bilingual, as their main reason for choosing it as their investment location. Other favorable investment factors included the country's well-developed, affordable telecommunications infrastructure.

Most food processing companies surveyed said that the Dominican Republic provides a convenient hub for sourcing products to the rest of the Caribbean, aided by the country's low transport costs. Other commonly factors cited included the country's market size and political stability.

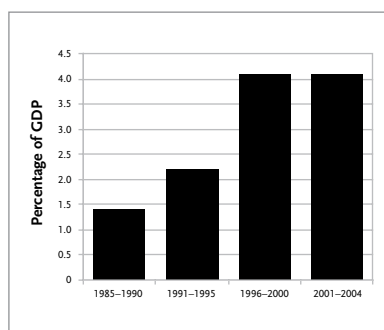
The Dominican Republic attracts more tourists than any other Caribbean country, and has the most air and sea connections. Investors in tourism found the country to be a good starting point and hub for expansion into the rest of the Caribbean. In addition, current hotel operators cited the availability of land and buildings in choosing the Dominican Republic as their investment location.

Figure 4: FDI in the Dominican Republic and comparator countries, 1985–2004



Source: World Bank, World Development Indicators 2007.

Figure 5: FDI as a percentage of the Dominican Republic's GDP, 1985–2004



Source: World Bank, World Development Indicators 2007.

The Dominican Republic's free trade zones

The Dominican Republic offers full exemption from all taxes, duties, charges, and fees that affect production and export activities in free trade zones, which it introduced in 1969. The free trade zones aim to attract high-tech manufacturing (including electronics and electrical components) as well as more traditional manufacturing—such as of automotive parts, medical devices and pharmaceuticals, plastics, metals, injection molding, textiles and footwear, jewelry, and tobacco. The incentives offered last for 25 years for zones on the Haitian border, and for 15 years for all other zones. In May 2006 there were 59 industrial parks and free trade zones in the Dominican Republic, hosting more than 600 companies, providing over 190,000 direct jobs, and occupying 2.1 million square meters. Although there are no performance requirements for foreign investors, few sector-specific incentives are offered to them.

Jamaica

2005	
Language	English (incl. patois English)
Population	2.6 million
Labor force	1,163,952
Area	10,990 km ²
Arable land*	16.1 percent
GDP	\$8.9 billion
GDP growth	0.9 percent
GDP per capita**	\$3,215
FDI inflows	\$601.6 million
FDI (percentage of GDP)	6.8 percent

* As percentage of total land.

** Current U.S. dollars.

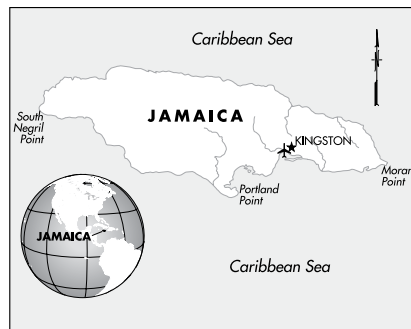
Note: 2004 data were used if 2005 data were not available.

Source: World Bank, *World Development Indicators 2007*; EIU, *2006 Country Brief*.

Jamaica's special trade agreements

Jamaica, a member of the World Trade Organization, benefits from bilateral trade agreements with Canada, China, Costa Rica, the Czech Republic, the Dominican Republic, Hungary, the Republic of Korea, Mexico, Nigeria, Norway, Russia, and the United States. It is also a party to several preferential trade agreements, including the Generalized System of Preferences, Caribbean Community and Common Market, Cotonou Agreement, Caribbean Basin Trade Partnership Act, Caribbean–Canada Trade Agreement, and trade and investment agreements with Columbia and Venezuela and a free trade agreement with the Dominican Republic through CARICOM. As a member of this market, Jamaica is actively involved in negotiations on the establishment of the Free Trade Association of the Americas. CARICOM implemented the Caribbean Single Market and Economy in January 2006. Although CARICOM allows for the free movement of labor, citizens of member countries must obtain permits to work in Jamaica.

JAMAICA



Located near the U.S. market, Jamaica aspires to be a business center for investors seeking a business-friendly and politically stable environment, an English-speaking workforce, and well-developed infrastructure. Recent improvements in the telecommunications sector, including full liberalization and digitalization have made Jamaica one of the top Caribbean destinations for the call center industry.

Jamaica is often seen as a small, open economy based on exports of bauxite, sugar, and manufactured goods. But in recent years there has been growth in service sectors such as tourism, with hotels and restaurants accounting for 9.5 percent of GDP.¹³ Jamaica's main exports are alumina, bauxite, sugar, bananas, rum, coffee, yams, beverages, chemicals, apparel, and mineral fuels. Jamaica's trade partners include the United States (17.4 percent of exports), Canada (14.8 percent), France (13.0 percent), China (10.5 percent), and the United Kingdom (8.7 percent).¹⁴

Jamaica has maintained high FDI since the late 1990s, with figures more than twice the average for Caribbean countries (Figure 6). Jamaica has been able to maintain such high inflows—which averaged \$568 million a year between 1999 and 2004—because of privatization projects, tax incentives for reinvestment by multinational corporations engaged in mining, and an ambitious infrastructure development scheme. In 2003 FDI hit \$721 million, though this fell to \$602 million in 2004. FDI as a share of GDP has risen consistently since 1985, accounting for 6.8 percent in 2004 (Figure 7)—putting Jamaica on par with the Caribbean average. Foreign investment in Jamaica has traditionally come from the United Kingdom, United States, and Canada but is increasingly coming from all over the world, including China and Spain.

Jamaica has a liberal policy toward foreign investment. FDI has been encouraged by all political parties holding office in the country. Accordingly, foreign participation in Jamaica's business sector is common, taking the form of direct ownership, joint ventures, and other contractual arrangements. Incentives for foreign investors are both general and sector-specific, allowing concessions such as relief and exemption from income and corporate taxes and import duties, repatriation of profits, and participation in international trade agreements.

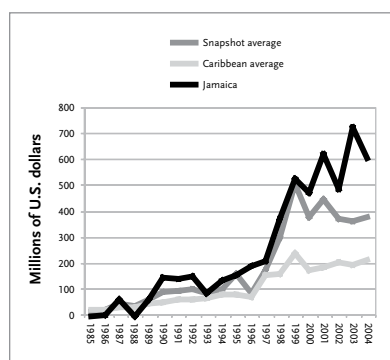
A well-trained, English-speaking workforce and strong infrastructure—including one the world's largest transshipment ports, in Kingston—are some of the main factors driving investors to locate in Jamaica.¹⁵

For export services, surveyed investors chose to offshore services to minimize operating costs, and Jamaica was seen as an optimal nearshore solution. Investors chose Jamaica for its large English-speaking population, political stability, proximity to the United States, and well-developed telecommunications.

Good trade infrastructure—resulting in minimal delays and lost shipments—are among the main reasons that investors located food processing operations in Jamaica. Investors also cited Jamaica’s location, with proximity to export markets and material inputs, as a site selection factor.

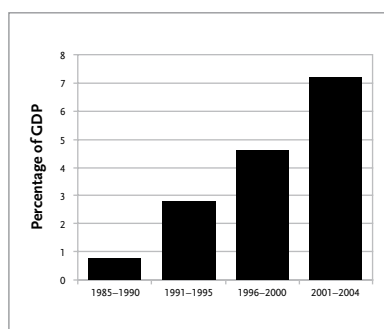
Jamaica’s tourism industry ranks among the world’s top three destinations for FDI in this sector. Being a well-known tourism location, investors surveyed chose Jamaica as an investment location because they considered it a “proven product.” Jamaica’s proximity to the United States, international airports in Kingston and Montego Bay, and government incentives helped attract investors.

Figure 6: FDI in Jamaica and comparator countries, 1985–2004



Source: World Bank, World Development Indicators 2007.

Figure 7: FDI as a percentage of Jamaica’s GDP, 1985–2004



Source: World Bank, World Development Indicators 2007.

Jamaica’s free trade zones

Jamaica has three free trade zones: Kingston Free Zone for break bulk and container cargo; Garmex Free Zone for clothing, electronic, and pharmaceutical companies; and Montego Bay Free Zone, which offers sophisticated imaging, voice, facsimile, and data transmission services for service industries. Each zone provides property maintenance and management services such as security, recruiting assistance, and an onsite customs officer. The Kingston Free Zone offers 72,835 square meters of factory space, no tax on profits, and duty exemptions on imports and exports. The Garmex Free Zone has 48,318 square meters of building space and is focusing on attracting information technology firms. The Montego Bay Free Zone offers 53,226 square meters of factory space and provides benefits similar to the Kingston Free Zone. The Montego Bay zone also works closely with the Human Employment and Resource Training Trust to recruit and train workers.¹⁶

St. Lucia

2005	
Language	English
Population	163,650
Labor force	76,598
Area	610 km ²
Arable land*	6.6 percent
GDP	\$763 million
GDP growth	3.5 percent
GDP per capita**	\$4,276
FDI inflows	\$111 million
FDI (percentage of GDP)	14.6 percent

* As percentage of total land.

** Current U.S. dollars.

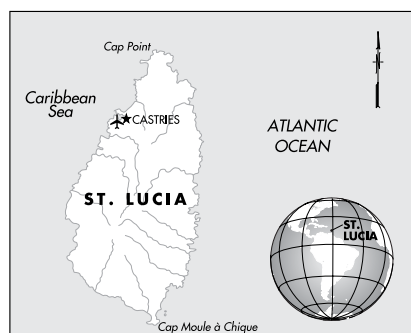
Note: 2004 data were used if 2005 data were not available.

Source: World Bank, *World Development Indicators 2007*; EIU, *2006 Country Brief*.

St Lucia's special trade agreements

St. Lucia is party to several preferential trade agreements, including the Generalized System of Preferences, Caribbean Community and Common Market, Caribbean Basin Trade Partnership Act, Caribbean–Canada Trade Agreement, Cotonou Agreement, and trade and investment agreements with Columbia and Venezuela and a free trade agreement with the Dominican Republic through CARICOM. As a member of this market, St. Lucia imposes its common external tariff, which sets a maximum rate of 20 percent for industrial goods and 45 percent for agricultural products. The United Kingdom is one of St. Lucia's largest trading partners.

St. LUCIA



An incredibly beautiful island in the East Caribbean, with high mountains and pristine coastlines, St. Lucia offers investors a politically stable environment and an investor-friendly business climate. Recent improvements in infrastructure—including roads, communications, water supply, sewerage, and ports—have benefited all sectors of the economy. These improvements, combined with a stable political environment and educated

workforce, have attracted foreign investors in several sectors.¹⁷

Tourism accounts for 48 percent of GDP, followed distantly by manufacturing and agriculture. Exports totaled \$81 million in 2004, with most earnings coming from bananas, followed by cocoa, vegetables, fruits, oils and fats, and manufactured goods. The United Kingdom is St. Lucia's largest trade partner, accounting for 41 percent of its exports—including clothing, cocoa, vegetables, fruits, and coconut oil—followed by the United States (17 percent). The country also exports to Brazil and Trinidad and Tobago. St. Lucia mainly imports food, manufactured goods, and machinery and transportation equipment, with the United States providing 28 percent of imports.

Pushed by hotel investments, FDI has jumped significantly in recent years, reaching \$111 million in 2004 (Figure 8) and accounting for 14.6 percent of GDP (Figure 9). This is a dramatic increase given that FDI averaged about \$50 million a year between 1990 and 2002. Inflows are lower than the average for other small Caribbean states, though this average is skewed by high FDI in Trinidad and Tobago (\$1 billion in 2004).

St. Lucia generally welcomes FDI. Nonresidents can hold shares in companies incorporated in St. Lucia.¹⁸ Companies registered or incorporated in St. Lucia, whether locally or foreign owned, are subject to a flat tax of 33.3 percent. Import duties range from 0–35 percent. For new businesses, most raw materials and capital equipment enter duty free.

Incentives for both local and foreign investment include a tax holiday of up to 15 years, duty-free entry of raw materials, machinery, and spare parts, and, for foreign companies, unrestricted repatriation of profits and capital. The application process for fiscal incentives takes six to eight weeks. Incentives are also provided for certain types of investment projects, including conference centers, residential complexes, commercial and industrial buildings, tourism facilities, water-based activities, tourism projects that encourage preservation of the country's heritage and natural environment, arts and culture, agricultural activities, and fisheries. St. Lucia's government has also identified priority investment areas, including information technology, agriculture, aquaculture, agroprocessing, hotel and resort development, manufacturing and assembly, and financial services.

St. Lucia offers many opportunities for investors seeking to do business in the Caribbean. The island is known for its English-speaking workforce, good business environment (including quick customs procedures), and beautiful, unspoiled natural attractions.

Investors in export services considered the country a good nearshore solution to minimize operating costs. Investors in the sector benefit from a modern, completely digital telecommunications system that offers comprehensive services, including international direct dialing and an integrated services digital network (ISDN).

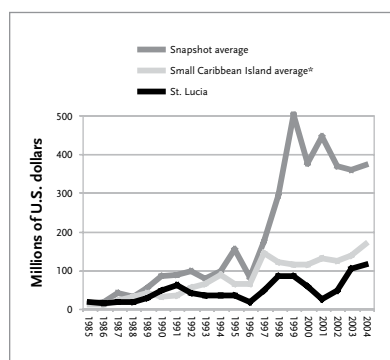
Companies investing in food processing in St. Lucia chose it for its ready access to the Eastern Caribbean market, citing proximity to export markets and material inputs as one of their main location decision factors.

Most interviewed investors in St. Lucia's hotel operations chose the country because they viewed it as an established tourist destination that shows great potential for further growth. Many said that at the time of investment, land was cheap. The island's proximity to the United States was also important in decisionmaking.

St. Lucia's free trade zones

St. Lucia has five industrial estates covering 148 acres and three free trade zones covering 149 acres. The St. Lucia Free Zone, located next to Hewanorra International Airport, includes an administrative building and 11 warehouses. The St. Lucia National Development Corporation manages both the Hewanorra Free Zone and the Vieux-Fort Industrial Free Zone, which have four and nine pre-built factory shells already constructed, respectively. These pre-built factory structures range in size from 1,158–6,096 square meters.

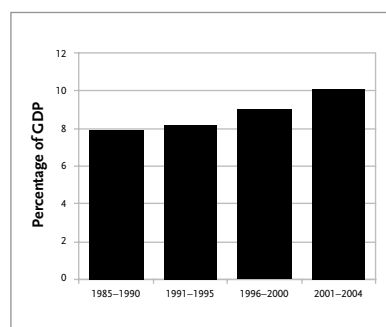
Figure 8: Comparative FDI in St. Lucia and comparator countries, 1985–2004



Note: Small Caribbean islands include Trinidad and Tobago, which accounts for the bulk of FDI to these states and so skews the average.

Source: World Bank, World Development Indicators 2007.

Figure 9: FDI as a percentage of St. Lucia's GDP, 1985–2004



Source: World Bank, World Development Indicators 2007.

Chapter III: Sector Snapshots

To show the viability of the three sectors studied for the four countries covered by this report, these sectors need to be placed in a global context, analyzing their current makeup, market trends, and future prospects. This chapter analyzes each sector—export services, food processing, and tourism operations—first in a global and regional context, then with country-specific summaries of important trends and issues. Each sector brief ends with an overview of what investors perceive as the sector's strengths, weaknesses, opportunities, and threats. The six most important site selection factors—three for quality and three for costs—cited by surveyed investors are reported in Table 3.

Table 3: Six top site selection factors for surveyed investors, by industry (in order of importance)

Factor	Export services	Food processing	Tourism
Quality	Access to markets and supplies	Access to markets and supplies	Access to markets and supplies
	General business environment	General business environment	General business environment
	Potential to recruit local staff/infrastructure	Potential to recruit local staff	Potential to recruit local staff/real estate
Cost	Wage levels	Wage levels	Cost of real estate
	Telecommunications	Cost of real estate	Wage levels
	Cost of real estate	Cost of construction	Cost of construction

EXPORT SERVICES

Export services are those involving call centers and information technology. They include operating call centers for activities such as telemarketing, customer service, sales, or reservations. In addition, services can include data processing and financial services.

In 2006 the global market value for outsourcing information and communication technology services was about \$400 billion.¹⁹ Significant room for growth remains in outsourcing contact centers. IBM estimates that only about 5 percent of contact center agents are located outside companies' home countries. Asian and Pacific countries have the most call centers—21,630 in 2004, a number expected to grow by 9.1 percent a year through 2011.²⁰ The United States is the largest investor in call centers in Asia, and about 70 percent of Asian call centers cater to U.S.-based activities.

Globally, three trends are emerging in the call center industry. First, companies are adopting a specialized customer service approach to cater to different customers' needs. Instead of having one large contact center try to serve all the needs of different customers, companies are creating multiple centers in different locations to serve different markets or specialize in specific service areas. Technological developments allow companies to route calls automatically and seamlessly to different parts of the world.

This has partly led to the second trend, which is a move toward more peripheral locations because traditional call center hot spots have become saturated and labor costs have risen. More investors are investigating lesser-known destinations to benefit from lower costs, untapped labor pools, and first-mover advantages. Finally, many companies are nearshoring their operations to benefit from closer cultural affiliations and easier management, despite slightly higher costs.

The call center industry in the Caribbean has been growing rapidly in recent years. In 2002 the region was home to 48 call centers, providing more than 11,000 jobs for call agents.²¹ More than a quarter of these centers and jobs were in Jamaica. By the end of 2004 the region's call centers employed 25,000 agents—and by 2006 the industry was expected to double in size, providing an additional \$1 billion a year in regional income.²²

The Caribbean has benefited significantly from the nearshoring trend. About 80 percent of call center projects in the Caribbean are funded by U.S. companies, who choose the Caribbean not only for its proximity but also for its familiarity with U.S. culture. This familiarity helps avoid problems with call agents' accents—an issue for some U.S. companies in offshore locations such as India. Because some of the region's hot spots—Jamaica, the Dominican Republic, Puerto Rico, Barbados—are getting more expensive, investors are looking at smaller Caribbean countries to gain competitive advantage.

Export services survey profile

Firms interviewed	18
Ownership	2 local 2 joint ventures 14 foreign
Average investment features	
Amount	\$4.5 million
Office space	1,546 square meters
Employees	499
Annual sales	\$8.2 million

Export services survey in Belize

Firms interviewed	5
Ownership	1 local 1 joint venture 3 foreign
Average investment features	
Amount	\$4.5 million
Office space	475 m ²
Employees	112
Annual sales	\$9.0 million

Surveyed investors chose Belize for its:

- English-speaking workforce
- Proximity to the United States
- Labor availability
- High-quality telecommunications
- Tax holidays
- Political stability
- Qualifying retirement program

Belize

Sector brief

- Most FDI in export services in Belize has been in offshore banking, which the government is promoting through tax and duty exemptions. The country has just one call center, employing 400–500 agents and serving customers in the southern United States.

Material and capital inputs

- On average, 95 percent of surveyed companies' capital equipment was imported.

Labor availability and costs

- Respondents said that labor availability for export services is relatively good. The companies surveyed reported a high availability of unskilled labor, and none had serious problems finding skilled workers.
- Investors can expect higher labor costs relative to Caribbean and global competitors (such as India).
- Three of the five companies said that their workforces were highly productive.

Communications infrastructure

- Belize has only one telecommunications provider, Belize Telecommunications Limited. Given the lack of competition, investment in infrastructure has traditionally been low, and service costs high.
- Still, services are relatively high in quality, with rapid Internet speeds and high call completion rates.
- In recent years two cellular service providers have entered the market, increasing competition and lowering prices for cellular services.

Dominican Republic

Sector brief

- There are seven major call centers in the Dominican Republic, employing about 3,000 call agents. Most of the centers were established to serve English-speaking customers in the United States.
- Many call centers are in cyber parks—including the new Five9 Center of Excellence.
- Most of the survey respondents were call center companies providing customer service, primarily to the United States. Other types of services provided were market research, business process outsourcing, data entry, and a small amount of technical support, also serving customers and companies in the United States.

Material and capital inputs

- On average, 87 percent of surveyed companies' capital equipment was imported. Two of the five firms imported all their capital equipment.

Labor availability and costs

- Surveyed investors reported that labor costs for call centers in the Dominican Republic were low relative to the rest of the Caribbean.
- Field research found that the quality of labor for export services serving English-speaking customers has been satisfactory, especially compared with other Spanish-speaking countries.
- The government sponsors several training programs for export services, including technical training at the Technology Institute of the Americas, Stevens Institute of Technology, and Instituto Nacional de Formación Técnico Profesional (INFOTEP).
- Located in the Cybernetic Park in Santo Domingo, the Technology Institute of the Americas also offers training in specialized, high-technology skills and can tailor programs to meet the needs of high-tech investors in the park.
- In addition, the Dominican Republic has several technology institutes that can provide training for call center and business process outsourcing operations, such as software development and network administration.

Communications infrastructure

- The telecommunications infrastructure at Santo Domingo's Cybernetic Park is the most developed in the Caribbean. The park also offers other high-tech infrastructure, and is located near the airport and main roads.
- Many call centers are located in free trade zones, which offer—in addition to tax and duty exemptions—purpose-built offices, multiple backup generators, and 24-hour security.
- The Dominican Republic's telecommunications market is fully liberalized and competitive, with multiple foreign service providers. The country has multiple fiber-optic rings connecting its main cities and linking it to other Caribbean countries and the United States.

Export services survey in the Dominican Republic

Firms interviewed	5
Ownership	5 foreign
Average investment features	
Amount	\$1.3 million
Office space	1,763 m ²
Employees	360
Annual sales	\$3.8 million

Surveyed investors chose the Dominican Republic for its:

- Low labor costs
- Proximity to the United States
- High-quality workforce
- Excellent telecommunications
- Low overhead costs
- Availability of bilingual call agents
- Investment-friendly atmosphere
- Economic stability

Export services survey in Jamaica

Firms interviewed	5
Ownership	1 local 4 foreign
Average investment features	
Amount	\$5.9 million
Office space	2,976 m ²
Employees	729
Annual sales	\$5.5 million

Surveyed investors chose Jamaica for its:

- English-speaking workforce
- Proximity to the United States
- Political stability
- Easy repatriation of profits
- Educated and trainable workforce
- Excellent telecommunications
- Time zone
- Government commitment to information and communication technology
- Support from the Jamaica Promotion Corporation
- Investor incentives
- Free trade zones

Jamaica

Sector brief

- Jamaica has experienced the highest growth rates in call agents among the four countries surveyed, thanks to contracts from U.S. firms.
- Jamaican companies have been awarded 80 percent of the contracts and jobs created by U.S. firms creating call centers in the Caribbean. In addition, domestic firms own a third of the country's call center market.²³
- In 2002 Jamaica had 13 call centers, employing about 3,000 agents. By 2008 it is expected to have 16 call centers employing nearly 8,000 agents.
- The World Economic Forum ranked Jamaica 54 of 115 countries assessed for its overall information technology environment—higher than its main regional competitors.²⁴
- Most of the companies interviewed were call centers, providing inbound and outbound voice business processing, e-solutions, customer service, and technical support. All the companies served the United States, and one also served Canada.

Material and capital inputs

- All the companies surveyed imported more than 90 percent of their capital equipment. None reported difficulties with customs clearance procedures.

Labor availability and costs

- Jamaica's productive, trainable, English-speaking workforce offers significant advantages.
- Jamaica has a number of institutions catering to the information and communications technology sector, such as the Information Technology Employment Creation and Development Program, Human Employment and Resource Training Trust, and Caribbean Institute of Technology.

Communications infrastructure

- Some call centers use digital service providers to handle international telecommunications through the INTELSAT satellite network, lowering their operating costs.
- All the companies surveyed used satellite or fiber-optic links (10 megabits per second), T-1 lines, Digital Signal 3 (DS3), and E1 lines.

St. Lucia

Sector brief

- St. Lucia has three third-party call centers, serving mainly inbound calls. One of the centers also provides data processing services. The companies are small, employing 107 agents on average.
- Two of the call centers served U.S. companies, while one served companies in the Eastern Caribbean. The first two companies repatriate 100 percent of sales revenue to the United States.

Material and capital inputs

- All the companies surveyed imported 94 percent of their capital equipment, with most coming from the United States.
- Though currently perceived as slow, customs clearance procedures are expected to improve now that the Automated System for Customs Data (ASYCUDA) is being implemented.

Labor availability and costs

- St. Lucia is predominantly English-speaking, though French Creole is widely spoken among locals.
- Due to a lack of training institutions, firms hire international trainers specialized in call center operations.
- Labor costs for call agents in St. Lucia are comparable to its regional competitors, at \$2–3 an hour.

Communications infrastructure

- St. Lucia's sole telecommunications company, Cable & Wireless Limited, provides domestic and international services through an entirely digital system.
- St. Lucia has half a Digital Signal 3 (DS3) connection to Barbados and half a Digital Signal Controller (DSC) connection to Antigua through the Eastern Caribbean Fiber System. Cable & Wireless offers broadband Internet speeds up to 1,544 kilobits per second (kbps).
- In 2003, 80 percent of Internet subscriptions were dialup with 41 leased lines, 179 integrated services digital networks (ISDN), and 979 asymmetric digital subscriber lines (ADSL). As broadband technology has emerged, use of ISDN is being phased out.

Export services survey in St. Lucia

Firms interviewed	3
Ownership	3 foreign
Average investment features	
Amount	\$15.3 million
Office space	3,170 m ²
Employees	107
Annual sales	\$10.3 million

Surveyed investors chose St. Lucia for its:

- English-speaking workforce
- Proximity to the United States and Jamaica
- Political stability
- Time zone
- Investment potential
- Location in the Caribbean

Strengths, Weaknesses, Opportunities, and Threats for Export Services

	Belize	Dominican Republic	Jamaica	St. Lucia
Strengths	<p>Good availability of English-speaking workers</p> <p>Low worker turnover</p> <p>Good landline communications</p> <p>Low rental costs for offices</p>	<p>Good availability of workers at all levels</p> <p>Low wages for workers at all levels</p> <p>Good, cheap telecommunications</p> <p>Low electricity costs</p>	<p>Good availability of higher-level workers</p> <p>Low wages for managers and technical, skilled, and unskilled workers</p> <p>Low international calling rates and electricity costs</p>	<p>Good availability of English-speaking workers</p> <p>Low worker turnover</p>
Weaknesses	<p>Poor availability of higher-level workers</p> <p>High wage rates</p> <p>High international calling rates</p> <p>High electricity costs</p>	<p>Poor availability of English-speaking workers</p> <p>High worker turnover</p>	<p>Long delays in installing landline communications</p>	<p>Poor availability of labor and high wage rates</p> <p>High telecommunications and electricity costs</p> <p>High rental costs for offices</p>
Opportunities	<p>Investors in Belize should take advantage of its English-speaking population and recent upgrades to its Institute of Technical and Vocational Educational Training to develop call centers that offer value added services such as market research.</p> <p>The government offers attractive incentives for offshore banking. Providers of international financial services can benefit from tax holidays and duty exemptions when locating in an export processing zone or if granted such status. Such providers are also eligible for special incentives, including exemptions from corporate income tax.</p>	<p>The government provides support for value added service industries and is making impressive strides to aid high-tech businesses—particularly in the service sector. It is also increasing training to diversify the sector into value added and complex business process outsourcing. Facilities geared to those ends include business incubator services in the Cybernetic Park in Santo Domingo, where approved projects, foreign and local, can establish themselves using park facilities with no fees and lower risks.</p> <p>Customer service for the U.S. Hispanic population—about 40 million people.²⁵</p>	<p>Having already established itself as a major nearshore location for inbound call center services, Jamaica has the potential to move up the value chain to provide more value added services, such as technical support and market research. This is due to the availability of training institutes for skilled workers and Jamaica's English-speaking population.</p>	<p>St. Lucia could attract U.S. and U.K. companies as a location for low-value added call centers, given its English-speaking population and location in the same time zone as the eastern United States.</p> <p>Opportunities also exist to attract call centers with operations in other Caribbean countries, to reduce operational risks.</p>
Threats	<p>Belize Telecommunications Limited's monopoly will cause it not to face pressure to introduce innovative services and lower costs to maintain Belize's competitiveness with other Caribbean countries.</p> <p>Labor shortages.</p>	<p>The cost of quality certification for call centers is currently too high for some smaller operations.</p> <p>Bilingual labor shortages.</p>	<p>A drop in demand for export services.</p>	<p>Labor shortages.</p> <p>High telecommunications costs because of monopoly held by Cable and Wireless Limited.</p>

Major cost and quality factors for export services (U.S. dollars)

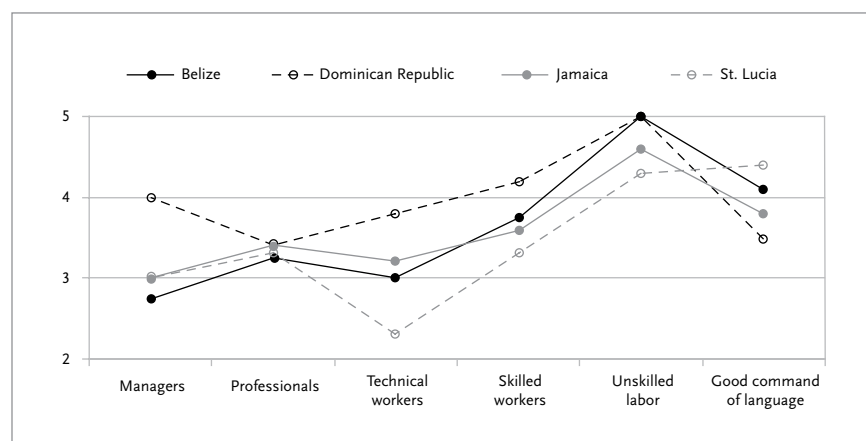
Indicator	Belize	Dominican Rep.	Jamaica	St. Lucia
Annual wage rates				
Managers	48,300	31,275	35,447	52,583
Professionals	45,000	16,219	26,630	26,483
Technicians	32,750	11,063	18,004	25,750
Skilled workers	19,138	6,263	8,763	11,183
Unskilled workers	12,178	2,316	4,859	6,500
Utilities				
Local calls (per minute)	0.03/0.05*	0.03	0.01	0.05/0.06*
Int'l calls (per minute)	2.67	0.18	0.26	0.99/1.25*
Electricity (per minute)	0.16/0.23*	0.17	0.12	0.79
Broadband (per month)	89.50	75.00	39.95	55.19
Real estate (m²/year)				
Central office rental	151	253	187	262
Occupancy charge**	20	10***	37	1

* Peak/ off-peak.

** Percentage of annual lease rate.

*** Does not include utilities.

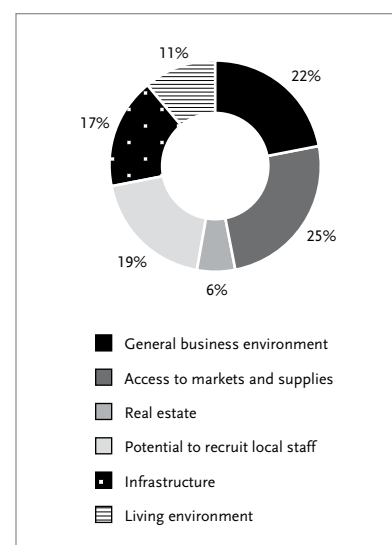
Labor availability (Index of 0 to 5, with 5 representing good availability)



Factors influencing investments in export services

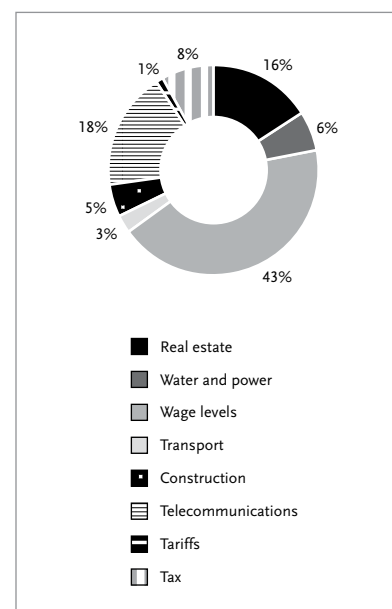
Quality factors

Firms consider quality factors—such as access to markets and supplies, the general business environment, and the potential to recruit local workers—the most important factors for their decisions on investments in export services.



Cost factors

Influential cost factors cited by investors in export services included, above all, wage levels, followed distantly by telecommunications and real estate costs.



General business environment

	Belize	Dominican Rep.	Jamaica	St. Lucia
Economic, financial, and political stability				
<i>Institutional Investor</i> country credit rating ^a	28.7	31.6	34.8	n.a.
Euromoney country risk poll ^b	36.1	36.6	41.1	41.7
Doing business and bureaucracy				
Number of procedures required to start a business	9	10	6	6
Number of days required to start a business	45	73	8	40
Intellectual property protection ^c	n.a.	3.4	3.6	n.a.
<i>Doing Business</i> rigidity of employment index ^d	10	42	4	13

a. Based on biannual surveys of leading commercial banks; 100 is best in a range of 1–100.

b. Rating of the political and economic performance of 185 sovereign countries; 100 is best in a range of 1–100.

c. Based on a survey that asks executives to rate aspects of business in their countries; 7 means “most protected” in a range of 1–7.

d. Composite of difficulty of hiring new workers, restrictions on expanding or contracting the number of working hours, and difficulty and cost of dismissing redundant workers.

FOOD PROCESSING

Food processing includes activities that add value to agricultural and aquacultural raw materials for domestic or export consumption. Such activities include dehydration, production of concentrates, meat packing, milling, and canning.

Food processing involves a vast array of products, from fruits, vegetables, and staple foods (wheat, corn, rice) to marine and meat products. As such, it is difficult to quantify industrial data on a global scale—especially without focusing on a specific product or subsector. Still, the most significant trend affecting the food processing industry in recent years has been the phenomenal growth in demand for organic foods. The organic food industry totaled nearly \$14 billion in 2005 in the United States alone; the EU market was estimated at 21 billion euros in 2004. Worldwide, the organic food market has been growing by 20–24 percent a year in recent years.

A second recent trend affecting the global food processing industry is the growing demand for ethnic and specialty foods. This trend reflects growing ethnic minority groups around the world, increasing international free trade, and changing consumer tastes. Products such as spices and tropical fruits, once available only in their countries of origin, are now widely available in U.S. and EU supermarkets. In 2005 the ethnic food market in the United States alone was worth \$75 billion.

The Caribbean is a traditional producer of many agricultural products, including spices, hot sauces, rum and other beverages, sugar, and tropical fruits such as bananas. The region imports about \$1.5 billion in agricultural produce each year and relies heavily on exports of its agroprocessed and agricultural products to the U.S. and EU markets. Both markets offer Caribbean countries trade privileges, in the form of duty exemptions, on most of their exports—the United States through the Caribbean Basin Initiative and the European Union through the African, Caribbean, and Pacific States regime. The Caribbean Basin Initiative privileges are set to expire in 2008. In addition, one of the Caribbean's two main agricultural products, bananas, receives preferential EU access, though that is set to expire in 2009. (Preferential access for sugar, the region's other main agricultural product, expired in 2006.) The end of these trade privileges will have a massive impact on the region's food processing industry.

Still, the demand for Caribbean sauces and spices is growing in the European Union, United States, and other developed markets—providing Caribbean companies with a competitive advantage. The region also stands to benefit from growing global demand for organic and ethnic foods.

Food processing survey profile

Firms interviewed	21
Ownership	7 local 4 joint ventures 10 foreign
Average investment features	
Amount	\$30 million
Factory floor space	18,829 m ²
Employees	326
Annual sales	\$33 million

Food processing survey in Belize

Firms interviewed	5
Ownership	1 local 4 foreign
Average investment features	
Amount	\$22.6 million
Factory floor space	2,568 m ²
Employees	307
Annual sales	\$16.9 million

Surveyed investors chose Belize for its:

- Land availability
- Availability of raw materials
- Business opportunities in aquaculture and citrus
- Prevalence of traditional growing methods
- Good agricultural and corporate practices
- Market access
- Infrastructure and facilities
- Availability of managers and professionals

Belize

Sector brief

- Belize's two main processed food products are sugar and citrus juice and concentrates. In 2004 production of these products accounted for about 40 percent of the country's exports, or \$204 million.²⁶
- The citrus industry is Belize's largest agribusiness, with export earnings from grapefruit and orange juices and concentrates worth about \$40 million in 2004.²⁷ The European Union is the country's largest market for sugar.
- In 2004 manufacturing of food products and beverages accounted for \$87.9 million of Belize's GDP—12 percent more than in 2003.
- The companies interviewed manufactured a large variety of products, including processed shrimp, flour, shrimp feed, and frozen citrus concentrates.

Material and capital inputs

- On average, 95 percent of surveyed companies' capital equipment was imported.
- There is good availability of local inputs, including citrus, bananas, and sugar cane, as well as a well-developed aquaculture feed industry that can supply the demand from the aquaculture industry. But most packaging material is imported, and there are no canneries in the country.

Labor availability and costs

- Labor costs in Belize's agriculture sector are quite high relative to the other countries surveyed.
- Most of the companies surveyed reported very good availability of skilled and upper-level workers.

Transport and trade Infrastructure

- Although Belize's highway system links the rest of the country to Belize City, many areas are connected to highways only through unpaved feeder roads.
- Two of the country's three largest ports mainly process exports of citrus concentrates and bananas.
- The Belize Agriculture and Health Authority is quite active in certification and inspection. It helps companies obtain U.S. and EU certifications for fishery and aquaculture exports, and ensures that fruit and vegetable exports are medfly-free.
- The port of Belize has cold storage facilities, though the international airport does not.

Dominican Republic

Sector brief

- The Dominican Republic has long been a major producer of sugar, coffee, cocoa, and tobacco. Its main exports include sugar cane (\$73.3 million in 2005), sugar cane rum (\$25.9 million in 2005), and cigars (\$25.5 million in 2005). The country has 105 large food processing companies, most of which are locally owned.
- Although the majority of food processing is carried out by local manufacturers, the Dominican Republic has received investments from a number of multinational processed food companies, including Frito-Lay, Cadbury Schwepps, and Nestlé—most of whom produce for local and regional markets.
- Many foreign investors in food processing (including Kraft Foods) are located in the country's free trade zones.
- The country has abundant agricultural raw materials, such as fruits and vegetables. It is also the world's largest exporter of organic bananas.
- All the companies interviewed produced processed foods, including dairy and meat products as well as juices. Four of the five companies exported less than 10 percent of their products, with most going to neighboring Haiti and a small portion to the rest of the Caribbean.

Material and capital inputs

- Among the companies surveyed, on average, 80 percent of raw materials, 75 percent of components, and more than 90 percent of capital equipment were imported.

Labor availability and costs

- The Dominican Republic has low labor costs, particularly for unskilled labor—an advantage for the food processing industry.
- All foreign companies interviewed indicated that, apart from unskilled labor, there is insufficient availability of labor in all categories.

Transportation and trade infrastructure

- The Dominican Republic has some of the best transportation infrastructure in the Caribbean. Its highway system connects all major cities and is in good condition.
- The country has 12 ports—including the Caucedo Megaport, whose maritime terminal and logistics center enjoy free zone status. The ports serve both the Atlantic Ocean and the Caribbean Sea. They also have refrigeration services for containers.
- There are also nine international airports in the Dominican Republic, and three new ones are expected to be built exclusively for exports of perishable fruits and vegetables.

Food processing survey in the Dominican Republic

Firms interviewed	5
Ownership	1 local 2 joint ventures 2 foreign
Average investment features	
Amount	\$72 million
Factory floor space	62,538 m ²
Employees	772
Annual sales	\$90 million

Surveyed investors chose the Dominican Republic for its:

- Political stability
- National strategy for food processing
- Good relations between government and private sector
- Good location to serve Caribbean market because of low freight costs
- Market size
- Economic stability
- Raw materials

Food processing survey in Jamaica

Firms interviewed	6
Ownership	2 local 1 joint venture 3 foreign
Average investment features	
Amount	\$19.2 million
Factory floor space	10,973 m ²
Employees	166
Annual sales	\$28.2 million

Surveyed investors chose Jamaica for its:

- Access to the Caribbean Community and Common Market
- Infrastructure
- Liberalized trade
- General stability
- Proximity to the United States
- Free trade zones
- Large population/high demand
- Good telecommunications, roads, and water supply
- Availability of trainable workers
- Land availability
- Good climate

Jamaica

Sector brief

- Food processing is relatively new to Jamaica. The country has about 60 food processors, most of which are locally owned. More than a third of food processing firms are in Kingston and St. Andrew.²⁸ The rest are in rural areas.
- Most food processing companies are small: 20 percent have fewer than 10 regular employees, 50 percent have 10–49, and 30 percent have 50 or more.
- The food processing sector now accounts for a quarter of nontraditional manufactured exports. Major products include ackee (the national fruit), callaloo, fruit juices, jams, sauces, and seasonings.
- Both local and foreign food processing firms have been successful in exporting traditional Jamaican sauces and seasonings to West Indian communities in Canada, the United Kingdom, and the United States.
- The companies surveyed manufactured a wide range of products, including cheese, flour, biscuits, juices, sauces, and seasonings. Most products were exported to North America, Trinidad and Tobago, the Dominican Republic, other member states of the Caribbean Community and Common Market, and Europe.

Material and capital inputs

- The companies interviewed reported that, on average, more than 90 percent of their capital equipment was imported from North America. In addition, nearly 75 percent of raw materials were imported.
- About 50 percent of packaging material was imported, mainly from North America and Europe.

Labor availability and costs

- Technical and management positions are often filled with expatriates from Australia and the United States who have experience in the food processing industry.

Transportation and trade infrastructure

- Investors were generally pleased with Jamaica's port infrastructure and rarely experienced delayed or lost shipments.
- Jamaica has two active ports with container handling capabilities. Kingston Harbor, the largest port, handles 80 percent of the island's imports. It has a modern container terminal, large break-bulk wharf with roll-on/roll-off facilities, and a dry bulk terminal with more than 40 hectares of container yard space. In addition, more than 30 shipping lines serve Jamaican ports. Cold storage facilities are available.
- The Jamaican Bureau of Standards provides companies with technical expertise on upgrading facilities and manufacturing processes in order to obtain certifications (such as Hazard Analysis and Critical Control Points, Good Manufacturing Practice, and U.S. Food and Drug Administration).

St. Lucia

Sector brief

- St. Lucia's food processing sector is mainly comprised of small, locally owned manufacturers that supply the domestic market. Only four foreign investors are involved in the country's food processing industry.
- Although St. Lucia imports 40 percent of its food from the United States, food and beverage production is the largest subsector in manufacturing.
- The companies surveyed manufactured a wide range of products, including ice cream, frozen bread, condiments, soft drinks, and seasonings. Most of their products were exported to North America, the United Kingdom, other member states of the Caribbean Community and Common Market, and Europe.
- One of the food processing companies surveyed dominates the domestic market, having established itself as a household brand. Others export about a quarter of their production to North America, Europe, and other member states of the Caribbean Community and Common Market.

Material and capital inputs

- The surveyed companies reported that they imported all of their capital equipment, from China, India, Europe, and North America.
- Nearly three-quarters of raw materials were imported, including skim milk, sugar, and flour from the United States, Guyana, and France. Fruits, margarine, shortening, shrink film, and cartons were sourced locally.
- Although corrugated boxes can be sourced locally, about 80 percent of packaging material is imported—mainly from North America and Europe. None of the investors interviewed was located in a free zone, but all received duty-free concessions on raw materials because of the Caribbean Community and Common Market.

Labor availability and costs

- Labor costs for food processing in St. Lucia are considerably lower than in most of the other countries surveyed. This is especially the case for managers.
- Four of the five companies interviewed reported difficulty in finding the right personnel. One company viewed St. Lucia as having a sufficient labor pool.

Transportation and trade infrastructure

- St. Lucia has two ports: Port Castries in the north and Port Vieux Fort in the south. Refrigeration and warehousing are readily available at both, though consignments are typically transhipped through Jamaica.

Food processing survey in St. Lucia

Firms interviewed	5
Ownership	3 local 1 joint venture 1 foreign
Average investment features	
Amount	\$1.4 million
Factory floor space	4,764 m ²
Employees	47
Annual sales	\$2.1 million

Surveyed investors chose St. Lucia for its:

- Good water supply
- Duty-free raw materials from other member states of the Caribbean Community and Common Market
- Government incentives
- Relatively cheap labor
- Good port facilities
- Central location in the Caribbean
- Efficient telecommunications and utilities
- Low cost of living

Strength, Weaknesses, Opportunities, and Threats for Food Processing

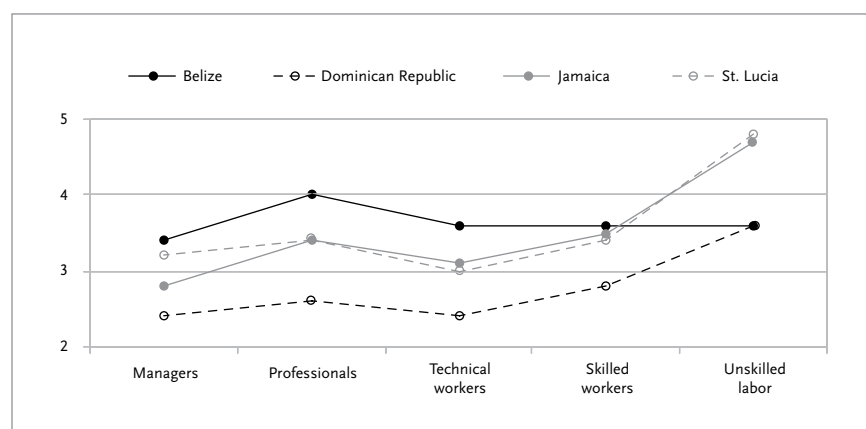
	Belize	Dominican Republic	Jamaica	St. Lucia
Strengths	Good availability of skilled and upper-level workers	Ease of sourcing local raw material inputs	Good general business environment, with quick port and business startup procedures	Good availability of unskilled and upper-level workers
	Low sale prices for industrial sites	Low wage rates for most categories of labor		Low wage rates for all level of workers
	Ease of sourcing inputs such as raw materials, chemicals, and equipment	Low lease prices for industrial sites and low warehouse construction costs	Good availability of skilled and upper-level workers Low wage rates for managers	
			Low warehouse construction costs	
Weaknesses	High wage rates	Poor availability of skilled and upper-level workers	Poor availability of managers	Poor availability of technical and skilled workers
	High lease prices for industrial sites	High worker turnover and low productivity	High wage rates for most categories of labor	High sale prices for industrial sites and high warehouse construction costs
	High warehouse construction costs	Unreliable utilities		
		High sale prices for industrial sites		
Opportunities	Processing of nontraditional agricultural products such as peppers, papayas, cacao, and cashews.	The Dominican Republic could leverage its success in exporting niche products (such as organic bananas and hand-rolled tobacco) to North America to include other organic fruits (such as melons and mangos) as well as “consumer ready” prepackaged foods.	Low labor costs and proximity to major markets make Jamaica competitive for cultivating and exporting organic foods—such as bananas, coffee, citrus, and yams—as a way to diversity its reliance on traditional commodities.	Although the local market is small, St. Lucia enjoys a steady flow of tourists. Hotels in St. Lucia import 75 percent of their food—and if local firms can better supply their demand, a relatively large market will open. As a built-in incentive, the government requires that 40 percent of hotel food and beverages be sourced locally in order to enjoy special duty status.
	Belize has strong citrus and sugar production capabilities; it could more fully exploit this advantage by developing its capabilities in downstream processing operations.	The Competitiveness National Council is building clusters of beverage producers to attract FDI in the sector, with the aim of exporting to the rest of the Caribbean.	With competitive labor costs, the ability to import needed raw materials and indirect manufacturing inputs, duty-free access to diverse export markets, and a stable political and economic climate, Jamaica may be a suitable regional manufacturing base for processed and packaged foods.	Specifically, there are opportunities in artisanal and specialty food products. These niche products can be manufactured by small operations and are usually in high demand in upscale hotels.
	Investments in supporting industries and infrastructure for food processing.	Similarly, the U.S. Agency for International Development (USAID) has funded several projects to develop clusters, such as a project to develop a strategy for the fruit and vegetable cluster in the Santiago region.		
	Given the growth of the aquaculture industry in Belize, there is growing demand for specialized feed produced by its byproducts.			
Threats	Production of organic produce.			
	Expiration of preferential trade arrangements.	Rising energy costs, coupled with a lack of reliable electricity.	Unreliability of local produce inputs.	Competition from countries with larger workforces.
	Inadequate investment in warehousing and specialized cargo and handling facilities.	Lax enforcement of health and safety regulations.	Phasing out of vital trade agreements.	

Major cost and quality factors for food processing (U.S. dollars)

	Belize	Dominican Rep.	Jamaica	St. Lucia
Annual wage rates				
Managers	68,750	61,021	58,840	24,993
Professionals	49,667	21,882	40,580	24,324
Technicians	22,000	11,755	21,560	21,059
Skilled workers	21,925	5,877	11,100	8,187
Unskilled workers	9,813	3,418	6,025	4,850
Average fringe benefits (% of wage)*	4	39	12	12
Real estate costs (per square meter)				
Sale price for industrial sites	0.3	11–30	2.8–3.4	31–314
Annual lease price for industrial sites	291	24–48	97	860–1,194
Annual lease price for standard factory	291	40–60	97	n.a.
Occupancy charge (% of lease price)	18–30	16	10	n.a.
Warehouse construction costs	538–1,076	525	538	1,711

* May include optional benefits.

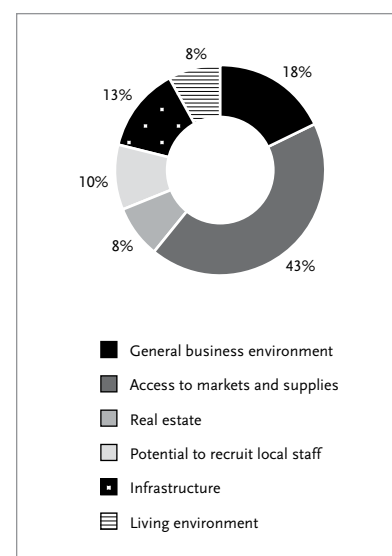
Labor availability (Index of 0 to 5, with 5 representing good availability)



Factors influencing investments in food processing

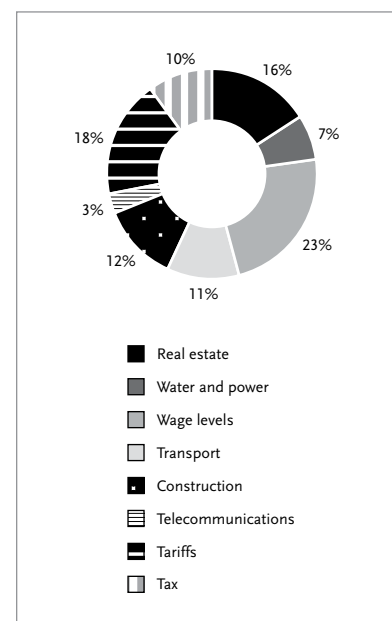
Quality factors

Firms consider quality factors—such as access to markets and supplies, the general business environment, and the infrastructure—the most important factors for their decisions on investments in food processing.

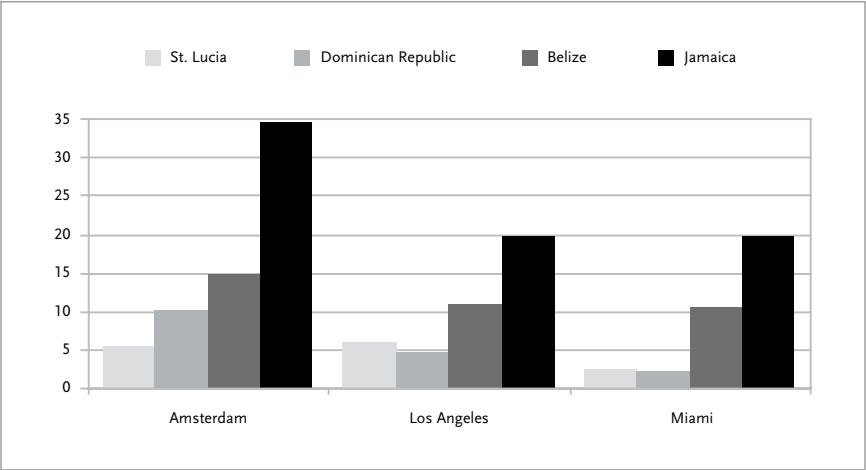


Cost factors

Influential cost factors cited by investors in food processing included, above all, wage levels, followed by tariffs and real estate.

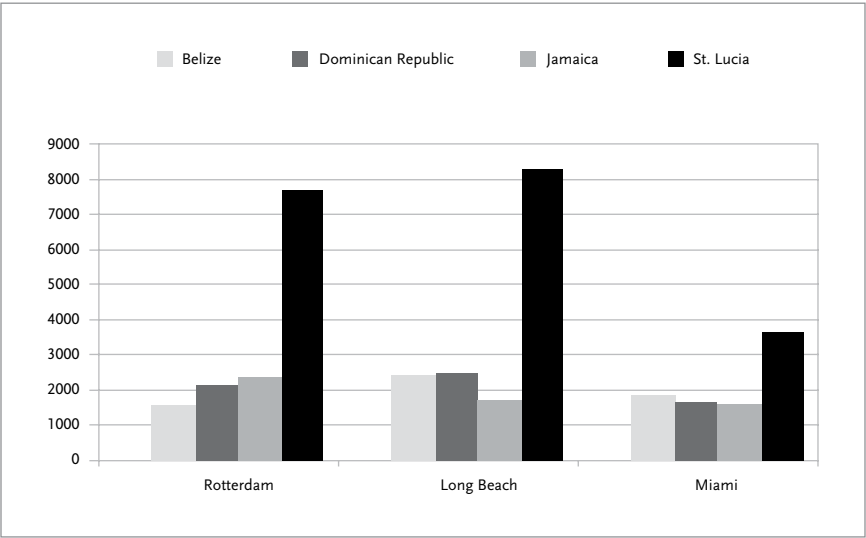


International air freight rates, by destination (U.S. dollars per kilogram)



Note: Data are for the regular rate for general cargo under 45 kilograms.

International sea freight rates, by destination (U.S. dollars per 40 foot container)



TOURISM

Tourism operations mainly involve the hotels and resorts that serve the tourism industry. Caribbean hotel operations vary significantly based on the type of facilities offered—which include business hotels, all-inclusive resorts, renovated colonial mansions, and remote bungalows for eco-tourists—and the impact of severe weather incidents and the natural attractiveness of sites. (All-inclusive hotels typically provide lodging, meals, beverages, and onsite activities as part of the daily room rate.)

International and domestic visitors are the main drivers of growth for the world's hotel industry. In 2004 there were 763 million international tourist arrivals globally.²⁹ The hotel industry benefits from growth in tourist arrivals, and in 2005 made \$45.2 billion in investments around the world—64 percent more than in 2004.

The hotel industry has seen a shift in its ownership structure from the owner-occupier model to a separation of management and ownership, as operational responsibilities are passed to hotel management companies. Another notable trend has been increasing investment from developing regions: in 2005 Asia invested \$1.5 billion in European hotels, while the Middle East invested just under \$1 billion.³⁰ The number of tourists from developing countries is also increasing. Between 2003 and 2004 the number of international tourist arrivals originating from Asia and the Pacific rose 28 percent, while the number from the Middle East increased 18 percent.³¹

The Caribbean's tourism industry is experiencing growth similar to that of the global industry. In 2005 tourism accounted for 15 percent of regional GDP, and between 2003 and 2005 the number of visitors to the Caribbean rose 19 percent. In 2004 more than 18 million international tourists visited the Caribbean, 7 percent more than in 2003. Still, international tourist arrivals to the Caribbean account for just over 2 percent of the global total. In 2004 capital investment in the region's tourism industry totaled \$7.4 billion, equal to 22 percent of total capital investment.

Given the hurricane-related risks of hotel ownership in the Caribbean, many hotel brands are benefiting from the global trend of separating management from ownership and have sought to lower their risks by taking on management contracts of Caribbean hotels without ownership. But despite the global increase in the number of tourists from developing countries (particularly from Asia and the Middle East), the Caribbean remains largely unaffected by this trend. Most of the growth in the region's tourism has been spurred by increasing visits from Americans, along with a smaller increase in European tourists.

Tourism survey profile

Firms interviewed	20
Ownership	3 local 17 foreign
Average investment features	
Amount	\$50 million
Rooms	297
Employees	414
Annual sales	\$17 million

Tourism survey in Belize

Firms interviewed	5
Ownership	5 foreign
Average investment features	
Amount	\$7.2 million
Rooms	46
Employees	86
Annual sales	\$3.1 million

Surveyed investors chose Belize for its:

- Demand for hotel rooms
- Beautiful scenery, reefs, Caribbean sea, and Mayan ruins
- Land availability
- Proximity to the United States
- Availability of “green” recreation
- Friendly, service-oriented workers

Belize

Sector brief

- Tourism has been an important strategic industry for Belize’s economic growth since the early 1980s, and is now the largest contributor to such growth.
- Since 1999 tourist arrivals (excluding those from cruise ships) have grown by nearly 30 percent a year. In addition, arrivals from cruise ships have increased phenomenally: in 2000 there were 58,131; in 2004 there were 851,436.
- In 2005 Belize experienced 9 percent annual real growth in tourism demand.³² Such growth is expected to continue by nearly 5 percent a year over the next decade, which would make Belize’s tourism industry the second-fastest growing in the Caribbean over the long term.
- The number of hotels in Belize jumped from 390 in 1999 to 539 in 2006—when the hotel industry employed 3,770 people and generated \$46.3 million in revenue. Of these hotels, 23 have U.S. investors.
- Most foreign investors in this sector are small-scale, lifestyle investors who run niche hotels specializing in eco-tourism or themed beach resorts.
- Most of the hotels interviewed were non-all-inclusive, leisure resorts located at major tourist destinations—either on the beaches in Ambergris Caye and Placencia or inland.
- In 2004 about 60 percent of overnight tourists were from the United States, followed by the European Union (14 percent), Guatemala (7 percent), Canada (5 percent), and Belizeans living abroad (3 percent).³³
- Surveyed hotels reported an average annual occupancy rate of 67 percent, with an average stay of 4.7 nights.

Material and capital inputs

- Most of the meat and alcohol served by the hotels surveyed were sourced abroad, either by direct importation or, more commonly, through local importers and distributors. Other food and rum came from local sources.
- All linens, towels, and furniture were imported from the United States.

Labor availability

- Although the surveyed hotels reported a good availability of skilled workers, they found an insufficient availability of general managers, second-tier managers, and supervisors.

Transportation infrastructure

- Two local airline companies provide sufficient, relatively inexpensive, well-run connections from Belize City to major tourist destinations.
- The two largest cays that are the main tourist destinations off Belize’s coast can also be accessed by water taxis, which run multiple trips daily and cost half as much as flights.

Dominican Republic

Sector brief

- Tourism is the Dominican Republic's biggest earner of foreign exchange. Between 1996 and 2005 the sector attracted more than \$2 billion in foreign investment, with \$544 million in 2005 alone.
- Most of the country's tourists come from the United States and the European Union. In 2004 the country welcomed 3.5 million tourists, or 29 percent of the Caribbean total—the most in the Caribbean. In 2005 there were more than 4 million tourist arrivals.
- The country's 550 registered hotels include many foreign-owned hotels, ranging from small, renovated colonial mansions to multimillion-dollar, all-inclusive resorts. Most of the world's major hotel chains have locations in the country, which has more than 60,000 hotel rooms.
- The average hotel occupancy rate is much higher in resort and tourist areas than in Santo Domingo. The average occupancy rate rose 4 percent in the first five months of 2006 over the same period in 2005.
- Four of the five hotels surveyed were business and leisure hotels in Santo Domingo. One was an all-inclusive resort on the east coast of the country. All five hotels target and offer facilities for business conferences, and most of their customers come from the United States and Europe.

Material and capital inputs

- Among the hotels surveyed, most got their food and nonalcoholic beverages from local producers. Alcoholic beverages (except Dominican rums and beers, and certain cuts of beef and fish) were imported, generally through local importers and distributors.
- All linens, towels, and furniture were imported from the United States and Europe, also mainly through local importers and distributors.

Labor availability

- Supervisors and frontline employees are readily available for this sector, though a number of surveyed firms reported a shortage of general managers, second-tier managers, and food and beverage workers—especially food and beverage managers and chefs.

Transportation infrastructure

- The Dominican Republic is well connected to the United States and European Union by commercial air carriers, with many direct flights.
- The country has eight international airports, including one in each of its main tourist areas (Puerto Plata, Punta Cana, and La Romana).
- Reliable paved highways provide access by road from Santo Domingo to most major tourist destinations on the coast, and are sufficiently served by private bus companies.

Tourism survey in the Dominican Republic

Firms interviewed		5
Ownership		1 local 4 foreign
Average investment features		
Amount	\$14.5 million	
Rooms	203	
Employees	183	
Annual sales	\$5.2 million	

Surveyed investors chose the Dominican Republic for its:

- Natural and cultural resources
- People's hospitality
- Central location in the Caribbean
- Opportunities for growth in all-inclusive resorts
- Availability of beach property
- Infrastructure
- Demand for high-end hotel rooms

Tourism survey in Jamaica

Firms interviewed	5
Ownership	1 local 4 foreign
Average investment features	
Amount	\$109 million
Rooms	566
Employees	166
Annual sales	\$55 million

Surveyed investors chose Jamaica for its:

- International recognition as a tourist destination
- Proximity to the United States
- Strong investment climate
- Access to airports
- Quality of labor
- Tropical climate and natural beauty
- Stable economy
- Tax incentives

Jamaica

Sector brief

- Jamaica has been a major tourist destination since the 1960s. With the nationalization of the sector in the 1970s, most foreign investors pulled out of Jamaica—and stayed out until the policy was reversed in the 1980s.
- About 62 percent of hotels in Jamaica are locally owned.³⁴ Jamaica has developed an internationally recognized brand, Sandals, that led to the popularity of all-inclusive hotels in the region. Today chains dominate the hotel industry.
- In 2004 just over half of the country's 16,000 hotel rooms were all-inclusive. The rest provide only lodging; no meals are included. An additional hotel 5,100 rooms are expected to be in operation by 2010.³⁵
- In 2005 Jamaica's GDP grew by 3 percent, mainly due to tourism and construction. That year the country had 1,478,663 tourist arrivals, with more than two-thirds coming from the United States.³⁶ Jamaica's hotels and tourism are among the world's top three destination sectors for FDI.
- Most of the hotels interviewed were all-inclusive; one was a conventional hotel in Kingston. The average visitor stayed about a week in the all-inclusive resorts and three days at the hotel in Kingston. Hotel occupancy rates average 77 percent, but are low during hurricane season.

Material and capital inputs

- Some of the hotels surveyed reported importing more than 80 percent of food and beverages from the United States, while others buy a lot of their beverages, vegetables, and poultry locally.
- Nearly all furniture, fixtures, equipment, linens, and china are imported from the United States and Europe duty free under the Hotel Incentives Act.

Labor availability

- General and second-tier managers are hard to find. As a result, hotels often hired expatriates with hotel management expertise and experience.
- Nevertheless, surveyed investors were highly satisfied with the supply of labor and the availability of industry-specific training institutions, including four hotel management schools.

Transportation infrastructure

- Jamaica has excellent air transportation infrastructure, with two international airports—Norman Manley International Airport in Kingston and Sangster International Airport.
- The Sangster airport is undergoing a \$200 million expansion, set for completion in July 2008.
- Every week there are 270 direct flights to and from the United States and Europe. A total of 20 airlines serve Jamaica, including both regional and international carriers.

St. Lucia

Sector brief

- Tourism is the largest contributor to St. Lucia's economy, accounting for 48 percent of GDP in 2004.³⁷
- In 2005 tourist arrivals totaled 317,939, with about one-third coming from the United States. According to the hotels surveyed, most guests come from the United States or Europe.
- St. Lucia saw arrivals from North America and Europe increase in 2005 due to the redirection of tourists caused by the 2004 tsunami in the Indian Ocean.
- All-inclusive hotels dominate the country's hotel industry, popularized by the internationally recognized brand from Jamaica, Sandals. Sandals operates three hotels in northern St. Lucia.
- The hotels interviewed included both all-inclusive and conventional hotels.
- St. Lucia offers a wide range of activities, from horseback riding to natural attractions. The island has marketed itself as a honeymoon destination. In 2005, 3,578 weddings took place in St. Lucia.³⁸

Material and capital inputs

- All the hotels surveyed imported more than 75 percent of their food and beverages, and nearly 100 percent of their meat. Foods such as lobster, steak, alcoholic beverages, and chicken are imported from the United States.
- Nearly all furniture, fixtures, equipment, linens, and china are imported from the United States and European Union duty-free under the Hotel Incentives Act.

Labor availability

- The hotels interviewed often hired expatriates with hotel management expertise and experience—especially food and beverage directors.
- Four of the five hotels reported little trouble finding unskilled workers.

Transportation infrastructure

- St. Lucia has two airports, one regional and one international. There are about 15 flights a week to and from London and 36 flights a week to and from major U.S. cities, such as Miami and New York.

Tourism survey in St. Lucia

Firms interviewed	5
Ownership	1 local 4 foreign
Average investment features	
Amount	\$36.3 million
Rooms	218
Employees	284
Annual sales	\$12.2 million

Surveyed investors chose St. Lucia for its:

- Natural beauty
- International recognition as a tourist destination
- Good weather
- Affordable land
- Proximity to Jamaica
- Growing market and potential
- Good, stable labor conditions

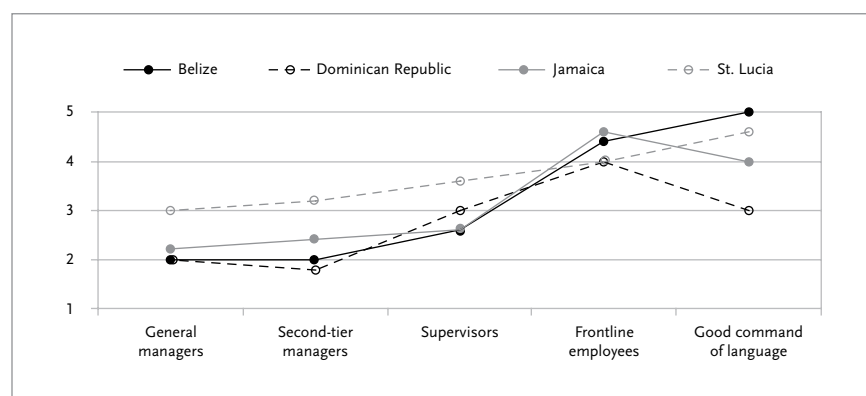
Strength, Weaknesses, Opportunities, and Threats for Tourism

	Belize	Dominican Republic	Jamaica	St. Lucia
Strengths	<p>Good availability of frontline workers</p> <p>Ease of finding workers with a good command of the desired language</p> <p>Low sale prices for hotel land and low construction costs for high-end hotels</p> <p>Low wage rates for second-tier managers and frontline workers</p>	<p>High number of direct flights to the United States and Europe</p> <p>Low annual worker turnover</p> <p>Low wage rates</p> <p>Low construction costs for mid-level and budget hotels</p>	<p>High number of direct flights to the United States and Europe, and a monthly direct flight to Asia</p> <p>Very low annual worker turnover</p> <p>Low hotel construction costs</p>	<p>Good availability of mid- and high-level workers</p> <p>Ease of finding workers with a good command of the desired language</p> <p>Low sale prices for hotel land</p> <p>Low wage rates for general managers and supervisors</p>
Weaknesses	<p>Poor availability of mid- and high-level workers</p> <p>High annual worker turnover</p> <p>High wage rates for general managers and supervisors</p> <p>Low number of direct flights to the United States, and no direct flights to Europe or Asia</p>	<p>Poor labor availability</p> <p>Difficulty of finding workers with a good command of the desired language</p> <p>High sale prices for hotel land and high construction costs for high-end hotels</p> <p>No direct flights to Asia</p>	<p>Poor availability of mid- and high-level managers</p> <p>High wage rates</p> <p>High crime rates</p>	<p>High wage rates for frontline workers</p> <p>High annual worker turnover</p> <p>High hotel construction costs</p> <p>Low number of direct flights to the United States and Europe, and no direct flights to Asia</p>
Opportunities	<p>Potential exists to develop four- and five-star resorts because today there are no such internationally recognized hotels.</p> <p>Eco-tourism could be developed in many areas, including river lodges and jungle treks in the Orange Walk and Cayo districts, which are near rivers and Mayan ruins.</p> <p>Business hotels and convention facilities can be developed since no such facilities exist. Investors could benefit from the rise in the number of business travelers, which grew 46 percent between 1999 and 2004.³⁹</p>	<p>Both the public and private sectors have expressed interest in moving away from all-inclusive hotels. Doing so would pave the way for diversifying hotel types along the coast and in major resort areas, providing more options and attracting a more varied group of tourists—whose spending would not be primarily limited to their resorts.</p> <p>Medical tourism provides an opportunity for investment, and the government has shown interest in developing it.</p>	<p>Several new highways present opportunities for developing new hotels in underdeveloped tourist destinations. One highway, currently being built, will link the three top tourist areas—Ocho Rios, Negril, and Montego Bay—giving visitors greater mobility around the island and contributing to its attractiveness.</p> <p>China has given “approved destination” status to Jamaica, allowing Chinese tourists to visit. Though the number of tourists may not be large initially, the Chinese are increasingly active in the Caribbean due to its energy resources.</p>	<p>St. Lucia should take the opportunity to raise awareness of itself as a destination because it is hosting the Cricket World Cup 2007. The government has made tourism a high priority by building a highway and increasing incentives for foreign investors.</p> <p>Due to its extremely small size, St. Lucia would benefit by promoting investment in hotels to smaller specialized developers catering to the world’s elite, emulating successful, exclusive tropical tourist destinations such as Pangkor Laut in Malaysia and the Maldives.</p>
Threats	<p>A looming labor shortage is the greatest threat facing the industry.</p> <p>A continued rise in fuel prices will drive construction costs much higher.</p> <p>Continued environmental degradation.</p>	<p>Continued high growth in the hospitality industry could lead to labor shortages.</p> <p>Continued insufficient investment in electricity generation.</p> <p>Continued environmental degradation.</p>	<p>Continued environmental degradation.</p> <p>Insufficient security provisions to combat high crime rates.</p> <p>Competition from other markets.</p>	<p>Competition from larger, better-known Caribbean destinations.</p>

Major cost and quality factors for tourism (U.S. dollars)

	Belize	Dominican Rep.	Jamaica	St. Lucia
Annual wage rates				
General managers	60,369	58,899	75,750	59,400
Second-tier managers	23,753	23,099	40,100	45,000
Supervisors	18,305	12,367	12,088	10,500
Frontline employees	5,371	4,447	6,750	8,010
Average fringe benefits (% of wage)	n.a.	n.a.	20	20
Taxes (percent)				
Sales or value added tax	9	16	16.5	18
Hotel tax	9	n.a.	8.25	n.a.
Business tax	10	n.a.	n.a.	n.a.
General services tax	11	10	n.a.	n.a.
Real estate costs (per square meter)				
Sale price for hotel land	0.8	53	n.a.	17
Hotel construction costs				
Five-star hotel	2,482	4,400	2,584	2,690
Mid-level hotel	1,654	1,312	1,830	2,690
Budget hotel	1,241	919	1,184	2,690
Additional investment factors				
Annual occupancy rate (%)	66.7	73.2	77.0	69.0
Average length of stay (days)	4.7	3.2	5.0	9.0

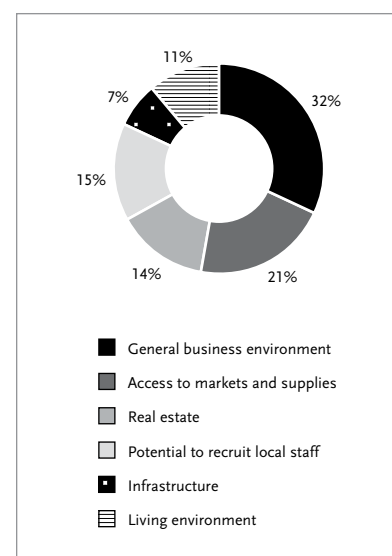
Labor availability (Index of 0 to 5, with 5 representing good availability)



Factors Influencing Investments in tourism

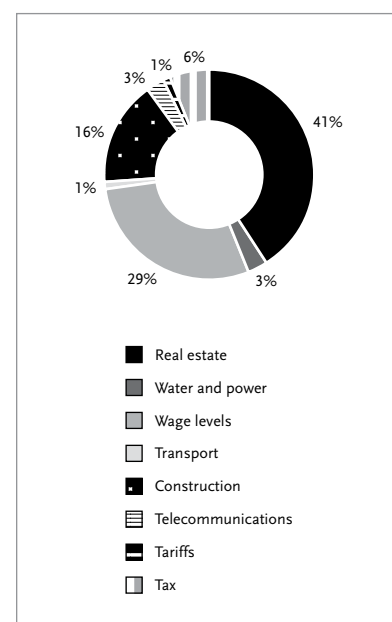
Quality factors

Firms consider quality factors—such as access to markets and supplies, the general business environment, and the potential to recruit local workers—the most important factors for their decisions on investments in tourism.

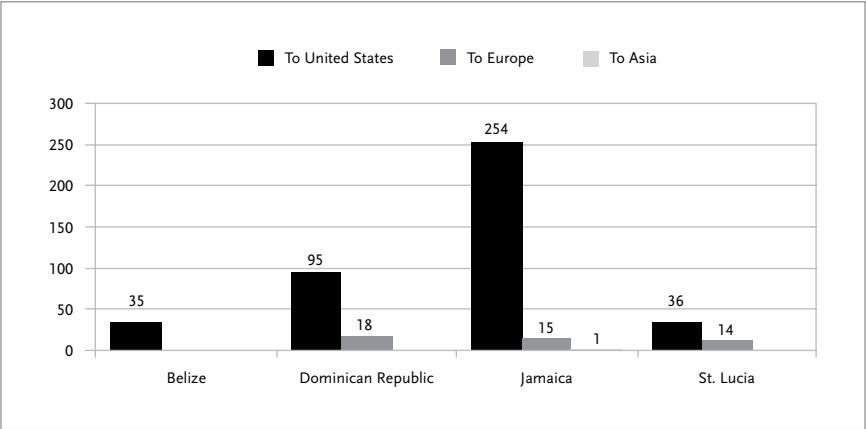


Cost factors

Influential cost factors cited by investors in tourism included, above all, real estate costs, followed by wage levels and construction costs.

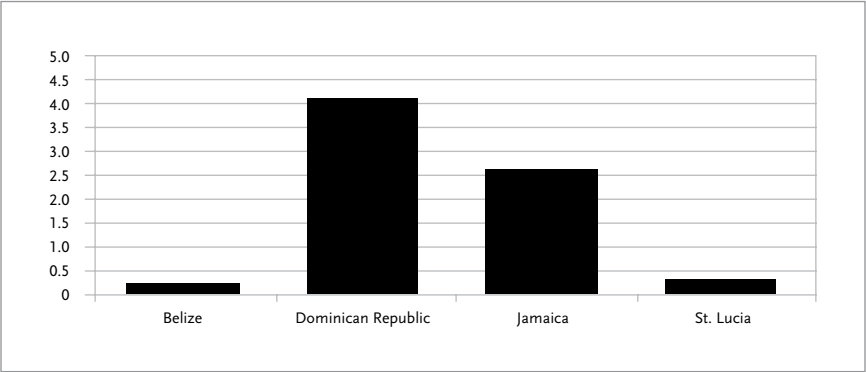


Direct flights per week



Note: Data for Asia are for flights per month.

Annual passenger arrivals (millions)



Note: Data for Belize and St. Lucia are for 2004; data for the Dominican Republic and Jamaica are for 2005.

Appendixes

- I. Acronyms and Abbreviations
- II. Data Tables
- III. Data Sources and Definitions
- IV. Investment Promotion Intermediaries in Snapshot Countries
- V. Endnotes

Appendix I: Acronyms and Abbreviations

CARICOM	Caribbean Community and Common Market
EU	European Union
FDI	foreign direct investment
GDP	gross domestic product
MIGA	Multilateral Investment Guarantee Agency

Appendix II: Data Tables

The tables below present the study's findings for each major investment factor by country, including both quantitative and qualitative data collected through desktop and field research. The field research consisted of interviews with companies operating in the four subject countries. In addition, many tables below include data for comparator countries and economies, including El Salvador, India (sometimes for the entire country; sometimes just for the city of Pune), and Mexico. Data are for 2005 unless otherwise indicated. For more information on the individual data points, see Appendix III.

Table A2.1: General business environment in the four countries surveyed and comparators

Indicator	Belize	Dominican Rep.	Jamaica	St. Lucia	Mexico	India
Economic, financial, and political stability						
<i>Institutional Investor</i> country credit rating ^a	28.7	31.6	34.8	n.a.	65.2	57.1
Euromoney country risk poll ^b	36.1	36.6	41.1	41.7	63.2	56.5
Doing business and bureaucracy						
Number of procedures required to start a business	9	10	6	6	8	11
Number of days required to start a business	45	73	8	40	27	35
Corruption perception index ^c	3.5	2.8	3.7	n.a.	3.3	3.3
Intellectual property protection ^d	n.a.	3.4	3.6	n.a.		
<i>Doing Business</i> rigidity of employment index ^e	10	42	4	13	41	38
Labor relations ^f	n.a.	5.8	4.2	n.a.		

a. Based on biannual surveys of leading commercial banks; 100 is best in a range of 1–100.

b. Rating of the political and economic performance of 185 sovereign countries; 100 is best in a range of 1–100.

c. Measures countries in terms of perceived corruption among public officials; 10 is best in a range of 0–10.

d. Based on a survey that asks executives to rate aspects of business in their countries; 7 means “most protected” in a range of 1–7.

e. Composite of difficulty of hiring new workers, restrictions on expanding or contracting the number of working hours, and difficulty and cost of dismissing redundant workers.

f. Based on a survey that asks executives to rate aspects of business in their countries; 7 means “easiest labor relations” in a range of 1–7.

Table A2.2: Tax rates in the four countries surveyed and comparators (percent)

Indicator	Belize	Dominican Rep.	Jamaica	St. Lucia	Mexico	India
Corporate tax rate	25	30	33.3	30.0–33.3	28	33.66
Sales or value added tax rate	10	16	16.5	None	15	12.5
Annual property tax rate	1	1 ^a	0.5	2.5/10 ^b	10	10

a. When property value is more than \$156,250.

b. 10 percent on foreign-owned property, 2.5 percent on locally owned.

Table A2.3: Access to markets for export services in the four countries surveyed and comparators

Indicator	Belize	Dominican Rep.	Jamaica	St. Lucia	Mexico	India
Trade performance current index	185	75	185	72	19	47
Trade performance change index	185	38	185	73	60	40

Note: The two indexes are based on International Trade Center rankings of country-level trade competitiveness for information technology and consumer electronics; 1 is the highest in a range of 1–184. A score of 185 was given to countries for which no ranking was available.

Table A2.4: Access to markets for food processing in the four countries surveyed and comparators

Indicator	Belize	Dominican Rep.	Jamaica	St. Lucia	Mexico	India
Trade Performance Current Index	78	93	95	108	75	56
Trade Performance Change Index	138	58	122	22	114	26

Note: The two indexes are based on International Trade Center rankings of country-level trade competitiveness for processed food; 1 is the best ranking in a range of 1–184. A score of 185 was given to countries for which no ranking was available.

Table A2.5: Number of direct flights per week and annual passenger arrivals for the four countries surveyed and a comparator

Indicator	Belize	Dominican Rep.	Jamaica	St. Lucia	Mexico
Flights to United States	35	95	254	36	4088
Flights to Europe	0	18	15	14	400
Flights to Asia	0	0	1 ^a	0	n.a.
Annual passenger arrivals	230,680 ^{**}	4,081,430	2,614,495	298,431 ^b	20,100,000

a. Flight per month.

b. Data are for 2004.

Table A2.6: Availability of real estate in the four countries surveyed

Indicator	Belize	Dominican Rep.	Jamaica	St. Lucia
Vacancy rate for industrial buildings (percent)	10	5.8	n.a.	n.a.
Vacancy rate for offices (percent)	22	5.8	n.a.	n.a.
Availability of agricultural land (hectares)	152,000	3,696,000	513,000	20,000

Table A2.7: Real estate costs in the four countries surveyed and a comparator
(U.S. dollars per square meter)

Indicator	Belize	Dominican Rep.	Jamaica	St. Lucia	India (Pune)
Sale price for industrial sites	0.3	11–30	2.8–3.4	31–314	33–35
Sale price for hotel land	0.8	53	n.a.	17	n.a.
Annual lease price for industrial sites	291	36	97	80	19
Annual rental cost for Class A offices	151	253	187	262	120
Annual rental cost for Class B offices	69	117	131	193	100

Table A2.8: Construction costs in the four countries surveyed and comparators
(U.S. dollars per square meter)

Indicator	Belize	Dominican Rep.	Jamaica	St. Lucia	Mexico	India (Pune)
Standard factory costs	827	525	538	1,711	n.a.	225
Office building costs	1,654	600	875	1,883	300–400	360
Five-star hotel costs	2,482	4,400	2,584	2,690	8,000	n.a.
Medium-level hotel costs	1,654	1,312	1,830	2,690	5,000	n.a.
Budget hotel costs	1,241	919	1,184	2,690	3,500	n.a.

Table A2.9: Utility costs in the four countries surveyed and comparators
(U.S. dollars)

Location	Telecommunications costs (per minute)			Internet costs (per month)	Electricity costs		Water costs (per cubic meter)
Snapshot countries	Local calls	Calls to adjacent countries	Calls to United States	High-bandwidth	Usage charge for industrial use (per kilowatt-hour)	Demand charge for industrial use (per kilovolt-ampere)	For industrial use
Belize	0.05	1.43	2.67	89.50	0.20	0.25	14.87
Dominican Rep.	0.03	0.10	0.18	75.00	0.17	8.00	0.30
Jamaica	0.01	0.26	0.26	39.95	0.12	10.66	7.56
St. Lucia	0.06	0.50	1.25	55.19	0.79	0.79	1.96
Comparators							
El Salvador	0.02	0.34	0.10	64.51	0.08	12.00	0.26
India (Pune)	0.03	0.26	0.16	26.67	0.09	7.78	0.43
Mexico	0.13	1.50	0.70	31.20 ^a	n.a.	9.74	n.a.

a. Data for other locations are for 256 kilobits per second (kbps); the figure for Mexico is for 512 kbps.

Table A2.10: International sea freight rates from the four countries surveyed and a comparator, by destination and container type
(U.S. dollars per 40-foot container)

	Rotterdam		New York City		Long Beach		Yokohama		Singapore		Miami	
Location	Standard	Refrigerated	Standard	Refrigerated	Standard	Refrigerated	Standard	Refrigerated	Standard	Refrigerated	Standard	Refrigerated
Snapshot countries												
Belize	1,567	3,917	2,727	n.a.	2,427	n.a.	2,017	5,000	1,467	4,467	1,867	3,267
Dominican Rep.	2,147	3,972	1,890	4,754	2,500	5,900	2,400	6,681	2,250	6,681	1,650	3,500
Jamaica	2,400	3,650	1,700	2,350	1,700	2,500	2,000	3,850	2,000	3,650	1,600	1,900
St. Lucia	7,680	8,880	3,656	4,735	8,255	9,855	5,230	6,535	3,050	4,155	3,656	4,735
Comparator												
India (Pune)	2,200	3,200	4,823	5,855	4,290	5,365	2,469	3,580	1,250	2,250	4,823	5,855

Table A2.11: International air freight rates from the four countries surveyed and a comparator, by destination airport
(U.S. dollars per kilogram regular rate for general cargo under 45 kilograms)

Location	Amsterdam Schiphol (AMS)	New York City (JFK)	Los Angeles (LAX)	Tokyo Narita (NRT)	Singapore Changi (SIN)	Miami (MIA)
Snapshot countries						
Belize	14.8	11.0	11.0	16.1	16.1	10.7
Dominican Rep.	10.1	3.6	4.8	15.9	12.7	2.4
Jamaica	34.6	20.0	20.0	34.6	34.6	20.0
St. Lucia	5.6	6.0	6.0	2.5	2.5	2.5
Comparator						
India (Pune)	222.8	306.0	369.0	135.0	101.3	341.1

Table A2.12: Labor market indicators for export services in the four countries surveyed

Indicator	Belize	Dominican Rep.	Jamaica	St. Lucia	Average
Availability of managers	2.8	4.0	3.0	3.0	3.2
Availability of professionals	3.3	3.4	3.4	3.3	3.3
Availability of technical workers	3.0	3.8	3.2	2.3	3.1
Availability of skilled workers	3.8	4.2	3.6	3.3	3.7
Availability of unskilled workers	5.0	5.0	4.6	4.3	4.7
Ease of finding workers with command of desired language	4.1	3.5	3.8	4.4	4.0
Number of weekly work hours per employee	43.0	42.0	41.0	40.0	41.5
Percentage of unionized workers	0.0	0.0	0.0	0.0	0.0
Average annual worker turnover (percent)	5.3	27.0	30.2	3.5	16.5

Note: Data on the availability and ease of finding labor are ranked on an index of 1–5, with 5 indicating good availability.

Table A2.13: Labor market indicators for food processing in the four countries surveyed

Indicator	Belize	Dominican Rep.	Jamaica	St. Lucia	Average
Availability of managers	3.4	2.4	2.8	3.2	3.0
Availability of professionals	4.0	2.6	3.4	3.4	3.4
Availability of technical workers	3.6	2.4	3.1	3.0	3.0
Availability of skilled workers	3.6	2.8	3.5	3.4	3.3
Availability of unskilled workers	3.6	3.6	4.7	4.8	4.2
Ease of finding workers with command of desired language	4.8	4.5	4.2	4.8	4.6
Number of weekly work hours per employee	43.0	45.2	43.5	40.0	43.0
Percentage of unionized workers	5.0	11.0	15.0	0.0	7.8
Average annual worker turnover (percent)	8.5	21.0	8.9	2.3	10.2

Note: Data on the availability and ease of finding labor are ranked on an index of 1–5, with 5 indicating good availability.

Table A2.14: Labor market indicators for tourism in the four countries surveyed and a comparator

Indicator	Snapshot countries					Comparator
	Belize	Dominican Rep.	Jamaica	St. Lucia	Average	Mexico
Availability of general managers	2.0	2.0	2.2	3.0	2.3	3.2
Availability of second-tier managers	2.0	1.8	2.4	3.2	2.4	3.2
Availability of supervisors	2.6	3.0	2.6	3.6	3.0	3.0
Availability of frontline employees	4.4	4.0	4.6	4.0	4.3	3.0
Ease of finding workers with command of desired language	5.0	3.0	4.0	4.6	4.2	2.6
Number of weekly work hours per employee	41.0	45.4	40.0	36.4	40.7	48.0
Percentage of unionized workers	0.0	0.0	0.0	0.0	0.0	0.0
Average annual worker turnover (percent) ^a	24.0	11.0	1.5	12.5	12.3	1.2

Note: Data on the availability and ease of finding labor are ranked on an index of 1–5, with 5 indicating good availability.

a. Numbers are generally high due to seasonal variations.

Table A2.15: Import indicators for food processing in the four countries surveyed (percentage of total needed for production)

Indicator	Belize	Dominican Rep.	Jamaica	St. Lucia
Raw materials	26	57	78	72
Components	41	88	60	80
Equipment and chemicals	79	99	91	81

Table A2.16: Infrastructure for export services in the four countries surveyed

Indicator	Belize	Dominican Rep.	Jamaica	St. Lucia	Average
Quality of landline communications	4.3	4.2	3.6	4.0	4.0
Quality of mobile phone communications	4.0	4.4	3.4	3.7	3.9
Number of days to install a landline	8.0	11.0	27.0	142.0	47.0
Quality of Internet services	4.2	4.2	4.0	3.2	3.9
Number of days to install Internet connection	10.0	21.0	14.0	56.0	25.0
Hours of blackouts experienced per month	1.0	67.0	2.0	1.5	17.9
Hours of brownouts experienced per month	1.0	16.0	1.0	0.5	4.6
Average number of hours of generator usage per month	1.0	3.0	1.0	6.0	2.8
Number of days per year of water supply shortage	3.0	0.0	1.0	n.a.	1.3

Note: Data on the quality of infrastructure are ranked on an index of 1–5, with 5 indicating good quality.

Table A2.17: Infrastructure for food processing in the four countries surveyed

Indicator	Belize	Dominican Rep.	Jamaica	St. Lucia	Average
Quality of landline communications	3.2	4.2	4.0	4.6	4.0
Quality of mobile phone communications	2.4	4.0	3.8	4.2	3.6
Number of days to install a landline	5.0	52.0	40.0	8.0	26.0
Quality of Internet service	4.2	4.0	3.5	4.2	4.0
Number of days to install Internet connection	16.0	8.0	7.0	11.0	11.0
Hours of blackouts experienced per month	26.0	219.0	2.0	1.0	62.0
Hours of brownouts experienced per month	8.5	6.0	0.0	0.0	3.6
Average number of hours of generator usage per month	4.0	13.5	3.0	1.0	5.4
Number of days per year of water supply shortage	n.a.	4.0	n.a.	n.a.	4.0
Quality of public wastewater treatment system	1.0	1.4	2.5	5.0	2.5
Quality of public solid waste management system	1.6	1.8	2.5	5.0	2.7
Number of alternative sites considered during investment process	0.3	2.4	1.0	2.0	1.4

Note: Data on the quality of infrastructure are ranked on an index of 1–5, with 5 indicating good quality.

Table A2.18: Infrastructure for tourism in the four countries surveyed and a comparator

Indicator	Snapshot countries					Comparator
	Belize	Dominican Rep.	Jamaica	St. Lucia	Average	Mexico
Quality of landline communications	3.0	4.8	4.0	3.4	3.8	4.2
Quality of mobile phone communications	2.6	4.2	4.2	3.4	3.6	4.0
Number of days to install a landline	3.0	3.0	14.0	9.0	7.0	16.0
Quality of Internet service	4.0	4.4	3.2	3.0	3.7	4.0
Number of days to install Internet connection	3.0	3.0	18.0	11.0	9.0	3.0
Hours of blackouts experienced per month	15.0	95.0	4.0	1.0	29.0	1.0
Hours of brownouts experienced per month	2.0	27.0	1.0	1.0	8.0	0.0
Average number of hours of generator usage per month	2.0	2.0	0.0	1.0	1.0	n.a.
Number of days per year of water supply shortage	5.0	1.0	0.0	0.0	2.0	1.0
Quality of public wastewater treatment system	1.8	2.2	3.5	4.0	2.9	3.8
Quality of public solid waste management system	1.0	2.4	3.7	4.0	2.8	3.8

Note: Data on the quality of infrastructure are ranked on an index of 1–5, with 5 indicating good quality.

Table A2.19: Indicators of living standards for export service companies in the four countries surveyed

Indicator	Belize	Dominican Rep.	Jamaica	St. Lucia	Average
Cost of living	3.0	3.4	2.8	2.0	2.8
Safety	2.8	3.0	3.5	4.0	3.3
International schools	2.5	4.4	3.0	n.a.	3.3
Local schools	3.0	3.0	2.8	3.0	3.0
Health care	2.3	3.8	3.3	1.0	2.6
Recreation activities	2.3	4.0	4.5	3.3	3.5
Housing	2.8	4.0	3.5	3.3	3.4

Note: Data are ranked on an index of 1–5, with 5 indicating good quality.

Table A2.20: Indicators of living standards for food processing companies in the four countries surveyed

Indicator	Belize	Dominican Rep.	Jamaica	St. Lucia	Average
Cost of living	2.2	2.2	2.3	2.4	2.3
Safety	3.0	2.8	2.7	3.4	3.0
International schools	2.0	3.0	2.8	n.a.	2.6
Local schools	3.2	3.0	2.8	4.0	3.3
Health care	2.4	2.8	3.0	3.0	2.8
Recreation activities	4.2	3.0	3.3	3.0	3.4
Housing	2.8	2.8	3.5	3.0	3.0

Note: Data are ranked on an index of 1–5, with 5 indicating good quality.

Table A2.21: Indicators of living standards for tourism companies in the four countries surveyed and a comparator

	Snapshot countries					Comparator
	Belize	Dominican Rep.	Jamaica	St. Lucia	Average	Mexico
Cost of living	2.4	3.3	2.2	2.8	2.7	1.6
Safety	2.4	2.1	2.4	3.2	2.5	2.6
International schools	n.a.	4.2	3.4	n.a.	3.8	2.6
Local schools	2.8	2.8	3.8	4.1	3.4	3.4
Health care	2.4	3.8	2.8	2.4	2.9	3.0
Recreation activities	3.2	3.6	3.4	3.6	3.5	2.6
Housing	3.0	2.8	3.4	3.1	3.1	2.4

Note: Data are ranked on an index of 1–5, with 5 indicating good quality.

**Table A2.22: Wage levels for export service companies
in the four countries surveyed**
(annual gross salary, U.S. dollars)

Type of worker	Belize	Dominican Rep.	Jamaica	St. Lucia
Managers	48,300	31,275	35,447	52,583
Professionals	45,000	16,219	26,630	26,483
Technical workers	32,750	11,063	18,004	25,750
Skilled workers	19,138	6,263	8,763	11,183
Unskilled workers	12,178	2,316	4,859	6,500

**Table A2.23: Wage levels for food processing companies
in the four countries surveyed**
(annual gross salary, U.S. dollars)

Type of worker	Belize	Dominican Rep.	Jamaica	St. Lucia
Managers	68,750	61,021	58,840	24,993
Professionals	49,667	21,882	40,580	24,324
Technical workers	22,000	11,755	21,560	21,059
Skilled workers	21,925	5,877	11,100	8,187
Unskilled workers	9,813	3,418	6,025	4,850

**Table A2.24: Wage levels for tourism (hotel) companies
in the four countries surveyed and a comparator**
(annual gross salary, U.S. dollars)

Type of worker	Belize	Dominican Rep.	Jamaica	St. Lucia	Mexico
General managers	60,369	58,899	75,750	59,400	30,500
Second-tier managers	23,753	23,099	40,100	45,000	16,280
Supervisors	18,305	12,367	12,088	10,500	14,160
Frontline employees	5,371	4,447	6,750	8,010	6,080

Appendix III: Data Sources and Definitions

This appendix provides details on the quantitative and qualitative data collected for this study, both through desktop and field research, and the sources used.

GENERAL BUSINESS ENVIRONMENT

Economic, financial, and political stability

Country credit ratings

Source: *Institutional Investor* country risk ratings

This index is based on biannual surveys of leading commercial banks, and captures their perceptions of country risks. The index is widely cited in publications by the International Finance Corporation and other World Bank Group members.

Country risk ratings

Source: *Euromoney* country risk ratings

These data are from *Euromoney*'s semiannual ratings of the political and economic performances of 185 sovereign countries. To obtain the overall country risk score, *Euromoney* assigns a weighting to nine categories: political risk (25 percent), economic performance (25 percent), debt indicators (10 percent), debt in default or rescheduled (10 percent), credit ratings (10 percent), access to bank finance (5 percent), access to short-term finance (5 percent), access to capital markets (5 percent), and forfeitures (5 percent).

Doing business and bureaucracy

Number of procedures required to start a business

Source: World Bank, *Doing Business in 2007*

The *Doing Business* survey examines the startup of commercial and industrial firms. It counts all procedures required to incorporate and register a firm. A procedure is defined as any interaction of the company founder with external parties such as government agencies, lawyers, auditors, and notaries.

Number of days required to start a business

Source: World Bank, *Doing Business in 2007*

The *Doing Business* survey examines the startup of commercial and industrial firms. It counts the number of calendar days required to incorporate and register a newly formed company.

Corruption perception index

Source: Transparency International

This index measures the degree to which corruption is perceived to exist among public officials and politicians. The index is the composite of corruption indexes from independent sources. Countries are given an index score of 0–10, with 10 indicating no perceived corruption and 0 indicating extreme perceived corruption.

Intellectual property protection

Intellectual property protection index

Source: World Economic Forum, *Global Competitiveness Report*

These data are from the World Economic Forum's annual scoring on the protection of intellectual property rights. The range is 1–7, with 7 representing the highest level of protection and 1 the lowest.

Flexibility of labor environment

Rigidity of employment index

Source: World Bank, *Doing Business in 2007*

This index measures how difficult it is to hire new workers, how rigid restrictions are on expanding or contracting the number of working hours, and how difficult and costly it is to dismiss redundant workers. Scores are indexed on a scale of 0–100, with a higher value indicating that labor regulations are more rigid.

Social climate

Source: World Economic Forum, *Global Competitiveness Report*

The World Economic Forum conducts an annual Executive Opinion Survey of firms around the world. Entrepreneurs and business executives rate labor-employer relations in their countries on a scale of 1 ("generally confrontational") to 7 ("generally cooperative").

Tax rates

Corporate tax rates

Source: Local tax authorities

- Belize—Belize Trade and Investment Development Services
- Dominican Republic—Internal Revenue Office
- Jamaica—Internal Revenue Department
- St. Lucia—Internal Revenue Department

Data on the highest corporate tax rate in each country were entered into the Enterprise Benchmarking Model.

Sales tax rates

Source: Local investment promotion intermediaries and tax authorities

- Belize—Belize Trade and Investment Development Services
- Dominican Republic—Internal Revenue Office
- Jamaica—Internal Revenue Department
- St. Lucia—Internal Revenue Department

Data on sales and value added taxes were entered into the benchmarking model.

Property tax rates

Source: Local investment promotion intermediaries and tax authorities

- Belize—Belize Trade and Investment Development Services
- Dominican Republic—Internal Revenue Office
- Jamaica—Internal Revenue Department
- St. Lucia—Internal Revenue Department

Data on property tax rates were entered into the benchmarking model.

ACCESS TO MARKETS

Export competitiveness

Current export performance

Source: International Trade Center, Trade Performance Current Index

The International Trade Center's Trade Performance Current Index measures the trade performance of 14 sectors in 184 countries. It provides a static view of a country's recent export performance, ranked between 1 and 184. If a country did not show up in the index, it means that it was not a big performer in trade in that industry. In such cases a value of 185 was entered in the Enterprise Benchmarking Model. The center's index for processed foods and fresh fruits were used in the model.

Change in Export Performance

Source: International Trade Center, Trade Performance Change Index

The International Trade Center's Trade Performance Change Index measures recent changes in the export performance of 14 sectors in 184 countries. If a country did not show up in the index, it means it is not a big performer in trade in that industry. In such cases a value of 185 was entered in the Enterprise Benchmarking Model. The center's Index for processed foods and fresh fruits were used in the model.

Access to international tourists

Number of weekly direct flights from the country

Source: Local international airports

- Belize—Philip Goldson International Airport
- Dominican Republic—Las Americas International Airport
- Jamaica—Sangster International Airport and Norman Manley International Airport
- St. Lucia—Hewanorra International Airport

Data were collected on the number of weekly direct flights from each country to the United States, Europe, and Asia. A direct flight is defined as one with a single flight number that originates in the studied country and terminates or discharges passengers in the United States, European Union, or Asia. Direct flights are not necessarily nonstop, as long as passengers remain on the same aircraft.

Annual passenger arrivals

Source: World Tourism Organization

Data on the number of annual arrivals of tourists were collected as an indication of the size of the current market for hotels and other tourism services in each country.

REAL ESTATE QUALITY

Availability of land

Source: Company interviews

Firms were asked about the number of industrial, agricultural, hotel, or office sites within the country that they considered when making their initial investment decisions. The greater the number of sites, the higher the quality score calculated by the Enterprise Benchmarking Model.

Availability of agricultural land

Source: World Bank, World Development Indicators, availability of arable areas

The *World Development Indicators* report data from the United Nations Food and Agriculture Organization's annual survey of agricultural land. The availability of arable land is gathered and noted in thousands of hectares for each country surveyed.

Vacancy rate for industrial sites and buildings

Source: Local real estate agencies, free zones, and industrial estates

The vacancy rates or percentage of available industrial sites and buildings within 20 kilometers of the capital city were gathered and entered into the Enterprise Benchmarking Model.

REAL ESTATE COSTS

Land costs

Sale prices of industrial sites

Source: Local real estate agencies, investment promotion intermediaries, free zones, and industrial estates

- Belize—Chancellor Group
- Dominican Republic—CB Richard Ellis; King Sturge; Colliers Jardine, real estate agencies, free zone authorities
- Jamaica—leading local construction companies
- St. Lucia—leading local construction companies

The costs of buying industrially zoned land or industrial estates were researched and entered in the Enterprise Benchmarking Model as the cost per square meter. These data were verified in company interviews, when respondents were asked how much they paid for their sites.

Sale prices of hotel land

Source: Local real estate agencies and investment promotion intermediaries

- Belize—Chancellor Group
- Dominican Republic—leading local construction companies
- Jamaica—leading local construction companies
- St. Lucia—leading local construction companies

The purchase prices of land in locations suitable for tourist development—beaches, game parks, and city centers—were researched and entered into the Enterprise Benchmarking model as the cost per square meter.

Lease prices of Industrial sites

Source: Local real estate agencies, free zones, and industrial estates

- Belize—Chancellor Group and Belize Trade and Investment Development Services
 - Dominican Republic—real estate agencies and free zone authorities
 - Jamaica—real estate agencies and free zone authorities
 - St. Lucia—leading local construction companies
- The costs of annual leases for industrially zoned land and industrial estates were researched and entered into the Enterprise Benchmarking Model.

Office space costs

Lease prices of Class A office space

Source: Local real estate agencies and office building management companies

- Belize—Chancellor Group
- Dominican Republic—CB Richards Ellis, local real estate companies
- Jamaica—real estate agencies
- St. Lucia—real estate agencies

Class A office space is defined as offices in or near the center of the capital city. These costs were entered into the model as the price per square meter for a one-year lease.

Lease prices of Class B office space

Source: Local real estate agencies and office building management companies

- Belize—Chancellor Group
- Dominican Republic—Cushman & Wakefields, real estate agencies
- Jamaica—real estate agencies
- St. Lucia—real estate agencies

Class B office space is defined as office buildings within 20 kilometers of city centers. These costs were entered into the model as the price per square meter for a one-year lease.

Construction costs

Standard factory construction costs

Source: Local engineering and construction companies

- Belize—MENA Group
- Dominican Republic—leading local construction companies
- Jamaica—leading local construction companies
- St. Lucia—leading local construction companies

The price of construction of a concrete block warehouse was entered into the Enterprise Benchmarking Model as the cost per square meter of construction. The average warehouse construction cost was also used as a proxy for the construction of a simple factory shell, since there is little difference in cost. This study did not investigate the cost of outfitting a factory with machinery.

Cost of office building construction

Source: Local engineering and construction companies

- Belize—MENA Group
- Dominican Republic—leading local construction companies
- Jamaica—leading local construction companies
- St. Lucia—leading local construction companies

The construction price of a class A office building was entered into the Enterprise Benchmarking Model as the cost per square meter of construction. This study did not investigate the cost of outfitting an office complex with furnishings and equipment.

Cost of hotel construction

Source: Local engineering and construction companies

- Belize—MENA Group
- Dominican Republic—leading local construction companies
- Jamaica—leading local construction companies
- St. Lucia—leading local construction companies

The average construction costs of a budget hotel, a medium-level hotel, and a five-star hotel were entered into the Enterprise Benchmarking Model as the cost per square meter of construction. This study did not investigate the cost of outfitting a hotel with furnishings and equipment.

UTILITY COSTS

Telecommunications costs

Source: Telecommunications companies

- Belize—Lynx Technologies, local telecommunications companies
- Dominican Republic—Lynx Technologies, local telecommunications companies
- Jamaica—local telecommunications companies
- St. Lucia—local telecommunications companies

Data were gathered on the per minute cost of landline telephone calls from the capital city for domestic calls, calls to neighboring countries, and calls to the United States.

Monthly high-bandwidth Internet charges

Source: Internet service providers

- Belize—Lynx Technologies, local broadband Internet providers
 - Dominican Republic—Lynx Technologies, local broadband Internet providers
 - Jamaica—local broadband Internet providers
 - St. Lucia—local broadband Internet providers
- Data were gathered on the monthly charges for a 256 kilobits per second (kbps) Internet connection.

Electricity capacity demand charges

Source: Local electricity utilities

Data were collected on charges levied by power companies for the maximum capacity of electricity demanded for low- to medium-voltage power, measured in kilowatts or in kilovolt-amperes.

Electricity use charges

Source: Local electricity utilities

Data were collected on charges per kilowatt-hour for industrial electricity use during peak operating periods.

Water costs

Source: Local utility companies

Data were collected on the charges per cubic meter for water used for industrial and agricultural uses.

TRANSPORTATION COSTS

Sea freight costs

Source: Freight forwarders and sea freight companies

- Belize—Belize Ship Handlers Limited
- Dominican Republic—local freight forwarding companies
- Jamaica—local freight forwarding companies
- St. Lucia—local freight forwarding companies

The costs of shipping a regular 40-foot container, a refrigerated 40-foot container, and bulk items per kilogram were calculated from the capital city of each country—including overland transportation to the nearest port—to the ports in Rotterdam (Netherlands), New York City, Long Beach (California), Yokohama (Japan), Singapore, and Miami (Florida). Costs do not include insurance, handling charges, or other fees.

Air freight costs

Source: United Parcel Service

The costs of shipping parcels weighing 45 kilograms or less by air were calculated from the capital city of each country to Kennedy International Airport (New York City), Los Angeles International Airport, Schiphol International Airport (Amsterdam), New Tokyo International Airport (Narita), Changi International Airport (Singapore), and Miami International Airport (Florida). Costs did not include insurance, handling, or other charges.

LABOR MARKET QUALITY

Potential for recruiting local staff

Availability of qualified workers

Source: Company interviews

Companies rated their satisfaction in recruiting local workers for five categories of job positions: management, professional, technical, skilled, and unskilled workers. Satisfaction ratings were made on a scale of 1–5:

- 5: There are many qualified candidates—it is an employer's market.
- 4: There is a large enough pool of qualified workers, and the company usually has no difficulty hiring employees.
- 3: The company has to search hard, but eventually finds the right personnel.
- 2: At least half of the time, the company can find the right workers after a lengthy search.
- 1: It is impossible to find the right workers.

Mastery of desired language skills

Source: Company interviews

Companies listed the languages they require employees to speak in the workplace. They rated the ease with which they found workers with satisfactory command of those languages. Satisfaction ratings were made on a scale of 1–5:

- 5: There are many qualified candidates—it is an employer's market.
- 4: There is a large enough pool of qualified workers, and the company usually has no difficulty hiring employees.
- 3: The company has to search hard, but eventually finds the right personnel.
- 2: At least half of the time, the company can find the right workers after a lengthy search.
- 1: It is impossible to find the right workers.

Average weekly working hours

Source: Company interviews

Companies were asked to indicate the average weekly working hours per employee. The responses often differed from the legally mandated workweek length, and varied by industry. The longer the workweek, the more attractive the working environment was considered for investors.

Percentage of unionized workers

Source: Company interviews

Companies were asked the percentage of workers in their companies that belonged to labor unions. The Enterprise Benchmarking Model is programmed under the assumption that investors prefer low levels of unionization.

Average annual worker turnover

Source: Company interviews

Companies were asked the average annual turnover rate among their employees. Annual turnover refers to the number of employees who resigned voluntarily in the past year, divided by the total number of employees. Investors prefer lower turnover rates.

ACCESS TO INPUTS AND OUTPUTS

Availability of raw materials

Source: Company interviews

Companies were asked the percentage of raw materials that they imported for use in their production. "Raw materials" refer to any inputs that have not undergone significant processing, such as raw cotton, timber, sugar, milk, and steel ingot. It is assumed that locations where raw materials can be sourced locally are more attractive to investors than those where raw materials must be imported.

Presence of Suppliers or Clusters Network

Availability of components

Source: Company interviews

Companies were asked the percentage of components that they imported for use in their production. "Components" refer to inputs that have undergone significant processing or transformation, such as yarn, fabric, precision molded plastic, and engines. It is assumed that locations where components can be sourced locally are more attractive to investors than those where components must be imported.

Availability of capital equipment and chemicals

Source: Company interviews

Companies were asked the percentage of equipment and chemicals that they imported for use in their production. "Equipment" and "chemicals" refer to all capital inputs, including machinery, computers, telephones, fertilizers, and hotel furnishings. It is assumed that locations where capital equipment and chemicals can be sourced locally are more attractive to investors than those where capital equipment and chemicals must be imported.

INFRASTRUCTURE QUALITY

Telecommunications

Quality of telephone services

Source: Company interviews

Companies were asked to rate the quality of landline and mobile telecommunications on a scale of 1–5:

- 5: Connections are always clear, calls are never dropped, and lines are never down
- 4: Connections are usually clear, calls are almost never dropped, and lines are almost never down.
- 3: Connections are sometimes not clear, some calls are dropped, and lines are sometimes down.
- 2: Connections are sometimes not clear, there is a problem with dropped calls, and lines are often down.
- 1: Connections are never clear, calls are always dropped, lines are often down or no landline is available, and mobile telephones are required for communication.

Length of time to install landline telephone service

Source: Company interviews

Companies were asked the length of time that it normally takes to install a new telephone landline.

Information technology Infrastructure

Quality of Internet services

Source: Company interviews

Companies were asked to rate the quality of high-speed (greater than 256 kilobits per second) Internet services on a scale of 1–5:

- 5: Service is always operational; never down or disconnected.
- 4: Service is usually operational; almost never down or disconnected.
- 3: Service is sometimes not operational; sometimes down or not operational.
- 2: Service is sometimes not operational, with frequent disconnections.
- 1: High-speed Internet connections are not available.

Length of time to install Internet services

Source: Company interviews

Companies were asked how long it normally takes to install Internet service in their locations.

Power supply

Number of blackouts

Source: Company interviews

Companies were asked how many hours a month they experienced total losses of power without the use of backup generators. Firms that were totally reliant on generator power were considered to be under permanent blackout conditions, and a value of 300 hours a month was entered in the Enterprise Benchmarking Model.

Number of brownouts

Source: Company interviews

Companies were asked how many hours a month that they experienced reductions in voltage lower than the minimum voltage specified for their systems, or upward spikes in their power supplies.

Water supply

Source: Company interviews

Companies were asked how many days a year they experienced a shortage of water supply from public water providers. Companies that did not have access to municipal water supplies and that relied on their own wells or private delivery systems were considered to experience a permanent shortage of water. A value of 365 was entered in these cases—except for horticulture firms, which are typically in rural areas not served by municipal water supplies.

Waste treatment

Source: Company interviews

Companies were asked to rate the quality of public waste treatment system on a scale of 1–5:

- 5: Public waste treatment facilities provide first stage (solid particle removal), second stage (aeration, organic matter killed), and third stage (removal of heavy metals and chemicals) biological and chemical treatment to the highest international standards. Tap water is chlorinated and potable.
- 4: Public waste treatment facilities provide first, second, and third stage biological and chemical wastewater treatment, but tap water is not potable.
- 3: Public waste treatment facilities provide first and second stage treatment only. Wastewater smells.
- 2: Public waste treatment facilities provide first stage treatment only. Wastewater is harmful to the environment.
- 1: Public wastewater treatment is not available. Raw sewage freely enters the environment, or the company has its own treatment facility.

QUALITY OF LIVING STANDARDS

Cost of living, level of safety, and quality of schools (international and local), health care, recreational activities, and housing

Source: Company interviews

Companies were asked to rate living standards in the investment location on a scale of 1–5. Responses differed depending on whether the interviewee was local or foreign.

- 5: Very cheap/safe/excellent
- 4: Fairly cheap/safe/excellent
- 3: Mediocre, but not ideal.
- 2: Fairly expensive/dangerous/bad
- 1: Very expensive/dangerous/bad

OPERATING COSTS

Labor costs

Source: Company interviews

Data on labor costs were collected during company interviews and aggregated by industry sector for analysis by the Enterprise Benchmarking Model. Company officials were asked to indicate the average annual gross salaries of workers, including expatriates. For export services, five job categories were covered:

- Managers: Call center managers
- Professionals: Financial officers, lawyers, and consultants
- Technical workers: Network technicians
- Skilled workers: Data entry clerks, customer service agents, and senior call agents
- Unskilled workers: Entry-level call agents and entry-level data entry operators

For the food processing industry, five job categories were covered:

- Managers: Factory managers
- Professionals: Engineers, financial officers, lawyers, consultants
- Technical workers: Mechanics, quality control supervisors
- Skilled workers: Senior line workers, chemists
- Unskilled workers: Drivers, janitors, farmhands, entry-level line workers

For the tourism/hotel industry, four job categories were covered:

- General managers
- Second-tier Managers: assistant general managers, food and beverage directors
- Supervisors: Head waiters, chefs, banquet and event coordinators
- Frontline employees: Waiters, hosts, janitors, front desk staff, bellhops

Gross salaries include wages and benefits such as mandatory pension or social security contributions, health care, transportation, lodging, and any other benefits paid by employers. Companies were instructed to provide average salary information for the types of workers that typically fill the above positions. The higher were labor costs, the lower was each location's desirability for potential investors.

Appendix IV: Investment Promotion Intermediaries in Snapshot Countries

To learn more about investing in these Caribbean countries, please contact the agencies responsible for promoting investment:

Belize

The Belize Trade and Investment Development Service (Beltraide) aims to be a one-stop service provider for investors. It has two main departments: Business and Investment Facilitation and Export Promotion and Marketing. Beltraide focuses its promotion efforts on five sectors: tourism, agriculture (especially nontraditional agriculture—defined as anything other than sugar, banana, or citrus farming), agroprocessing, international financial services, and furniture manufacturing. The service is headed by Lourdes Smith.

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www.belizeinvest.org.bz

Dominican Republic

The Centro de Exportación e Inversión de la República Dominicana (Dominican Republic Center for Export and Investment), known as CEI-RD, is the country's one-stop investment promotion intermediary. It has three main departments: Export Promotion, Investment Promotion, and a Training Center.

CEI-RD aims to “strategically promote the valuable conditions that the Dominican Republic offers as an investment destination and foreign trade developer, by pursuing priority areas as defined by the Government, to increase employment, technological transfer and the social welfare of the Nation.” The agency organizes and participates in trade missions both overseas and locally as well as provides tools to assist investors (such as an export directory). The organization is headed by Eddy Martinez.

CEI-RD
Av. 27 de Febrero esq. Av. Luperón
Santo Domingo
República Dominicana
Tel: +1.809.530.5505
www.cei-rd.gov.do

Jamaica

The Jamaica Promotion Corporation is the government agency responsible for promoting exports and encouraging, expanding, and diversifying foreign investments. It offers trade and investment facilitation services, technical assistance, post-implementation services, and trade commission services, and has offices in Kingston, Montego Bay, London, and New York. The corporation is run by Lisa Bell.

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www.investjamaica.com

St. Lucia

The St. Lucia National Development Corporation (NDC) was established in 1971 to promote the country's economic development. It is the island's main development agency and investors' link to relevant government ministries and related organizations.

The organization functions as an investment, trade, and export promotion agency, providing a range of business-oriented services to the public—including, among other things, attracting foreign investment to St. Lucia, sourcing technical assistance for enterprises, promoting locally manufactured products through regional and international trade missions and exhibitions, and identifying sites for hotel development.

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Appendix V: Endnotes

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