

Caribbean & Central American Countries of the Future 2015/16

COSTA RICA RETAINS ITS POSITION AS THE LEADING DESTINATION FOR FDI PROJECTS IN fDi's CARIBBEAN & CENTRAL AMERICAN COUNTRIES OF THE FUTURE 2015/16 RANKING. **SCOTT FISHER** REPORTS



It was a year of mixed results for global FDI in 2014. According to greenfield investment monitor fDi Markets, capital investment across the world increased by an estimated 1% from \$642bn in 2013 to \$649bn in 2014, while job creation rose by an impressive 17% to 1.84 million. However, FDI project numbers actually fell by 1% to 12,069. The Caribbean and Central America region experienced an even sharper decline, recording an 8.89% decrease in the number of FDI projects from 2013 to 2014.

Some countries in the region bucked this trend. Just over one-third of locations in the ranking recorded significant increases in the number of FDI projects they attracted.

Top trio

Costa Rica retained its position as the leading destination for FDI projects in fDi's Caribbean & Central American Countries of the Future 2015/16 ranking, winning 29 in 2014, four more than Panama. Costa Rica's stable political and economic structures play a large role in continuing to attract investors, particularly those involved in hi-tech manufacturing, as companies take advantage of the country's well-educated workforce. In addition, the government is

pursuing a policy of making Costa Rica "the Silicon Valley of Latin America". Billion-dollar technology giants such as Acer and Microsoft are investing in the country, indicating that the policy is already paying off. Costa Rica has a free-trade agreement with its primary FDI source market, the US, which aided its ranking as the top destination in the Business Friendliness category.

Ranking first in the Human Capital and Lifestyle category, the country's emphasis on education is borne out by the fact it has the highest number of tertiary-level education institutions in the region, as well as the largest number of international business schools. Costa Rica also performed strongly in the Economic Potential and Connectivity categories, ranking second and sixth, respectively.

Panama maintained its number two position overall, topping the Economic Potential and Connectivity categories, as well as making the top five of the remaining three categories. Between 2009 and 2013, Panama's GDP averaged double-figure growth rates in GDP, which contributed to its high ranking in the Economic Potential category. Panama has begun to reap the rewards of major infrastructure projects

announced in 2011, such as the expansion of the Panama Canal and investments in roads and airports, allowing it to maintain a distinct edge on its competitors and ultimately win the Connectivity category. This, coupled with the free-trade agreement with the US, enabled Panama to increase its inward FDI projects by 47% between 2012 and 2014.

Improved performances in the Economic Potential (fourth), Connectivity (third) and Business Friendliness (second) categories helped Puerto Rico move up to third place overall in the 2015/16 rankings, a climb of three positions from the 2013/14 rankings. However, amid continuing uncertainty over the territory's public finances along with the looming threat of a default on its debt, the economic climate in Puerto Rico may change significantly in the coming months.

With the decline in the number of FDI projects from 2013 to 2014 in major sectors such as financial services, and hotels and tourism, for countries in the region there will be greater competition for fewer projects. As such, it is important that countries encourage infrastructure and skills development, as well as look to emerging sectors and subsectors. ■

CARIBBEAN & CENTRAL AMERICAN COUNTRIES OF THE FUTURE

TOP 10 CARIBBEAN & CENTRAL AMERICAN COUNTRIES OF THE FUTURE 2015/16 – OVERALL RESULTS

RANK	COUNTRY
1	Costa Rica
2	Panama
3	Puerto Rico
4	Dominican Republic
5	Guatemala
6	Cayman Islands
7	El Salvador
8	Bermuda
9	Nicaragua
10	Trinidad and Tobago

TOP 10 CARIBBEAN & CENTRAL AMERICAN COUNTRIES OF THE FUTURE 2015/16 – ECONOMIC POTENTIAL

RANK	COUNTRY
1	Panama
2	Costa Rica
3	Cayman Islands
4	Puerto Rico
5	Bermuda
6	Dominican Republic
7	Guatemala
8	Turks & Caicos Islands
9	Honduras
10	Nicaragua

TOP 10 CARIBBEAN & CENTRAL AMERICAN COUNTRIES OF THE FUTURE 2015/16 – HUMAN CAPITAL AND LIFESTYLE POTENTIAL

RANK	COUNTRY
1	Costa Rica
2	Grenada
3	British Virgin Islands
4	St Vincent & the Grenadines
5	Barbados
6	Cayman Islands
7	Panama
8	Puerto Rico
9	Aruba
10	Bahamas

TOP 10 CARIBBEAN & CENTRAL AMERICAN COUNTRIES OF THE FUTURE 2015/16 – CONNECTIVITY

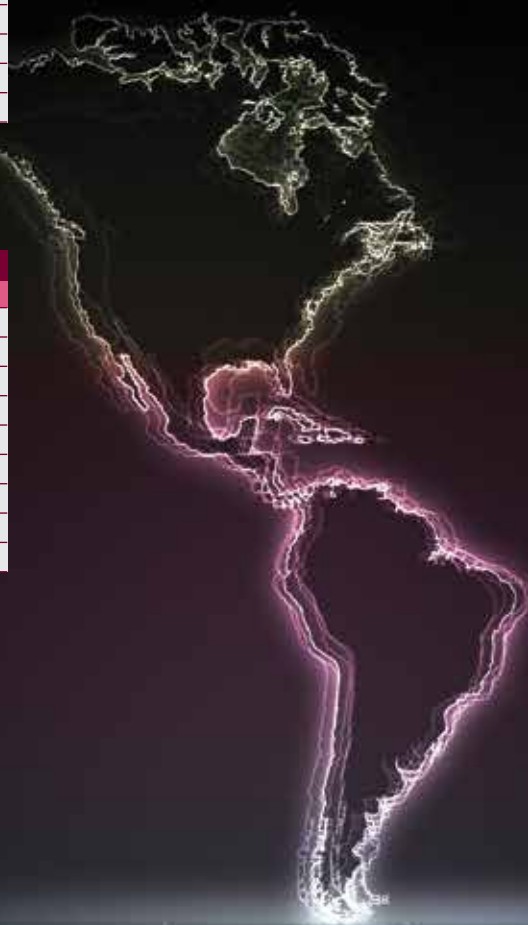
RANK	COUNTRY
1	Panama
2	Dominican Republic
3	Puerto Rico
4	Bahamas
5	Guatemala
6	Costa Rica
7	Jamaica
8	Curacao
9	El Salvador
10	Trinidad and Tobago

TOP 10 CARIBBEAN & CENTRAL AMERICAN COUNTRIES OF THE FUTURE 2015/16 – BUSINESS FRIENDLINESS

RANK	COUNTRY
1	Costa Rica
2	Puerto Rico
3	El Salvador
4	Guatemala
5	Dominican Republic
6	Panama
7	Nicaragua
8	Jamaica
9	Honduras
10	Trinidad and Tobago

TOP 10 CARIBBEAN & CENTRAL AMERICAN COUNTRIES OF THE FUTURE 2015/16 – COST EFFECTIVENESS

RANK	COUNTRY
1	Trinidad and Tobago
2	Panama
3	St Vincent & the Grenadines
4	Barbados
5	Dominican Republic
6	Dominica
7	El Salvador
8	Belize
9	Saint Lucia
10	Antigua and Barbuda



FDI strategy

TOP 10 CARIBBEAN & CENTRAL AMERICAN COUNTRIES OF THE FUTURE 2015/16 – FDI STRATEGY

RANK	COUNTRY
1	Jamaica
2	Trinidad and Tobago
3	Dominican Republic
4	Barbados
5	Saint Lucia
6	Belize
7	Grenada
8	Dominica

Jamaica's leading efforts

The Caribbean island nation of Jamaica takes the top prize for FDI strategy among the Caribbean and Central American countries. Jamaica's Trade and Investment agency (Jampro) laid out its commitment to improving the conditions for foreign investors, which means donor agencies work with Jampro to provide sponsored training and activities for staff, fostering professional development that will ultimately benefit investors.

Agency employees also enjoy the benefits of job rotation, allowing them to gain knowledge and experience of other areas of the business, of other job functions and in other departments. This results in a workforce with a wealth of expertise to offer potential investors and help them to achieve their goals.

To attract potential investors to Jamaica's shores, Jampro introduced the 'shovel-ready investment programme', an initiative focused on stimulating and expediting investment in the target sectors of tourism, agro-business, BPO and manufacturing. Investment packages are drawn up as part of the initiative so that by the time of engagement with prospective investors, many of the development processes and bureaucracy have already been addressed.

The aim of the initiative is to cut red tape for the investor and shorten the timescale for completing the project. Performance-based financial incentives are also offered to investors, with the aim of reducing import costs and corporate income tax. The agency also focuses on digital marketing strategy, integrating its website with direct marketing and social

media efforts, as well as its business blog and public relations activities.

Trinidad and Tobago's activities abroad

InvesTT, Trinidad and Tobago's investment promotion agency, boosts its effectiveness by routinely sending staff for best-practice training at similar agencies, including ProNicaragua and InvestHK.

The agency is also establishing a presence abroad, recently opening an office in Japan and considering offices in South Korea, China and the Middle East region. InvesTT's overseas missions and attendance at international events keep Trinidad and Tobago on the radars of potential investors.

Emigrants are encouraged to promote their home country as part of InvesTT's diaspora strategy. Digital marketing takes places via a dedicated website, digital marketing campaigns, an e-newsletter and social media targeted at an audience of possible investors.

Dominican Republic in third place

The Export and Investment Centre for the Dominican Republic provides a one-stop shop where all investment processes are made more efficient for investors. All government services are located here to make dealing with licences, permits and certificates less time consuming.

Two years since its inauguration, the centre has realised investment projects worth more than \$2bn, which have created over 14,500 jobs. As a further incentive to investors, the time it takes to acquire a building permit has been cut from 60 to 45 days. The centre recently restructured and updated its website, which now features an official investment guide and a promotional video.

The Dominican Republic's National Free Zones Council established free-trade agreements with major economies, including the US and the EU, making doing business in the country more attractive and cost-effective for investors. The council also employs a social media engagement strategy through search engine optimisation for its website, making it visible for enquiring investors. ■

METHODOLOGY

To create a shortlist for fDi's Caribbean & Central American Countries of the Future 2015/16, the fDi Intelligence division of the Financial Times collected data using the specialist online tools fDi Markets and fDi Benchmark.

In total, 29 locations were analysed for the study. Data was then collected for these 29 locations under five categories: Economic Potential, Business Friendliness, Human Capital and Lifestyle, Cost Effectiveness and Connectivity. Locations scored up to a maximum of 10 points for each data-point. These scores were then weighted by importance to the FDI decision making process in order to compile both the subcategory rankings as well as the overall Caribbean & Central American Countries of the Future 2015/16 ranking.

In addition, surveys were collected under a sixth category, FDI Strategy. This category is the only qualitative category and does not feed into the overall result. For this category, there were nine submissions for eight locations. Locations submitted details about their strategy for promoting FDI, which were then scored by fDi's judging panel. In previous rankings, FDI Strategy had been included in the overall ranking, however, in order to separate totally qualitative and quantitative data, we chose to list FDI Strategy as a standalone ranking. ■

"As a country, we have made huge strides to improve the business environment in order to enhance its attractiveness to global entrepreneurs and foreign investors seeking opportunities in our country"

Diane Edwards, president, Jampro

Caribbean & Central American Countries of the Future

LIST OF DATAPOINTS

ECONOMIC POTENTIAL

- Population growth rate
- Unemployment rate
- Inflation
- GDP (purchasing power parity, PPP, international \$m)
- GDP per capita (PPP, international \$)
- GDP growth (average annual growth, 2009 to 2013)
- Outward FDI (January 2010 to December 2014)
- Outward FDI per 100,000 people (January 2010 to December 2014)
- Inward FDI (January 2010 to December 2014)
- Inward FDI per 100,000 people (January 2010 to December 2014)
- Percentage growth in FDI projects (2012 vs 2014)
- Nominal growth in FDI projects (2012 to 2014)
- FDI in research and development, and design, development and testing (January 2010 to December 2014)
- FDI in manufacturing (January 2010 to December 2014)
- Number of megaprojects by capital expenditure (more than \$100m) (January 2010 to December 2014), excluding estimates
- Number of megaprojects by capital expenditure (more than \$100m) per

- 100,000 people (January 2010 to December 2014), excluding estimates
- Number of megaprojects by jobs (more than 1000 jobs) (January 2010 to December 2014), excluding estimates
- Number of megaprojects by jobs (more than 1000 jobs) per 100,000 people (January 2010 to December 2014), excluding estimates
- Number of patents 2005 to 2014
- Number of patents 2005 to 2014 per 100,000 people
- Percentage growth in number of patents (2005 to 2012 vs 2005 to 2014)
- Nominal growth in number of patents (2005 to 2010 vs 2005 to 2014)
- Average annual growth in imports (2012 to 2013)
- Average annual growth in exports (2012 to 2013)
- Imports per capita (2013, \$)
- Exports per capita (2013, \$)

HUMAN CAPITAL AND LIFESTYLE

- Labour force (percentage of population)
- Literacy rate
- School life expectancy
- Secondary enrolment 2014
- Tertiary enrolment 2014
- Education expenditure (percentage of gross national income)
- Number of higher education institutions

- Number of international baccalaureate schools
- Human Development index (2013)
- Birth rate, crude per 1000 people (2014)
- Death rate, crude per 1000 people (2014)
- Number of physicians per 1000 people
- Life expectancy (2014)

COST EFFECTIVENESS

- Cost of establishing a business
- Cost of registering a property
- Cost of construction permits
- Cost to export (\$ per container)
- Cost to import (\$ per container)
- Corporation tax rate
- Total tax rate, % of profit

CONNECTIVITY

- Upload speed (kilobytes/second)
- Download speed (kb/s)
- Growth in internet users
- Percentage of people using the internet 2013
- Number of airports with paved runways
- Number of international destinations served
- Percentage growth in international destinations served
- Nominal growth in international destinations served
- Number of ports (medium plus)

- Container port traffic (TEU, 20 foot equivalent units)
- Liner Shipping Connectivity index (2014)
- Telephone mainline subscribers (2013)
- Growth in telephone mainline subscribers 2007 vs 2013
- Mobile phone subscribers (2013)
- Growth in mobile phone subscribers 2007 vs 2013
- Access to electricity (% of population)

BUSINESS FRIENDLINESS

- Companies in the knowledge-based sector (2014)
- Proportion of companies within the knowledge-based sector (2014)
- Companies in the knowledge-based sector per 100,000 people
- Jobs created by all inward FDI
- Expansion/co-location projects
- FT Global 500 companies
- Corporation tax rate
- Days taken to start a business
- Index of firing costs
- Index of Economic Freedom
- Corruption Perception Index
- Strength of Investor Protection index
- Country risk score



The Free (Economic) Zones of Curaçao. BUSINESS OPPORTUNITIES

ATTRACTIVE INCENTIVES:

- 0% Import duties
- 0% Sales tax
- 2% Profit tax
- Easy business establishment

Why Curaçao?

The Caribbean island Curaçao offers an ideal environment for international businesses. Curaçao is well-known for its strategic location in the Caribbean region, its stable political structure and economy, a well-developed infrastructure with excellent sea and air connections, excellent international financial services and state-of-the-art telecommunication facilities. Check www.curinde.com for more information.



The Caribbean Gateway to the World

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