From Colonialism to "Neoliberal Capitalism": Low Wage "Special Economic Zones". Integrating Developing Countries into Global Supply Chains: The Case of Jamaica

Part I

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In one of his video lectures for the course, "Decent Work in Global Supply Chains" offered by Global Labour University, Professor Praveen Jha discussed the extent to which developing and emerging economies have been integrated into the global supply chains or whether integration has this integrated perpetuated the condition of dependency.

Before delving into my analysis, I would like to share an overview or background of how free zones, as valuable mechanisms in the global supply chains (GScs), have evolved over time or the background on how they were introduced.

Professor Jha's discussion is quite relevant and applicable to the Jamaican context as it is a small island developing state in the Caribbean region that has a unique labour, a political and economic history that is inextricably linked with indigenous dispossession, chattel slavery among peoples of African descent, colonialism, indentured and other forms of unfree labour and accumulation of capital and profits by former Empires, private interests and corporations.

There are many challenges that have subverted Jamaica's economic and social development since its political independence in 1962, including but not limited to low levels of growth, the struggle to industrialize, higher unemployment rates, particularly among young people and women and high debt. The first regime of free zones was introduced in 1976 to solve the problems of industrialization, curbing high unemployment, growing debt and creating benefits for the local industry.

The success of this regime was that there was a broad-based participation of labour unions and legislation passed to protect workers' interests and the majority of disenfranchised Jamaicans. In terms of establishing backwards and forward linkages, this was unsuccessful under the import substitution industrialization (ISI) model because there were restrictions on capital inflows that stifled growth and heavy government spending on social services, and vulnerability to external shocks such as stagflation from the OPEC oil crisis led to high debt with the balance of debt payment problems.

The first regime of zones continued under the export-oriented industrialization (EOI) model and the neoliberal phase of capitalism (the 1980s to early 2000s) amidst the attempt to meet balance of debt payment obligations by the IMF and World Bank, attract foreign direct investment and create jobs to solve the ongoing labour problems. The first regime of zones failed due to a combination of domestic and external reasons. In terms of domestic reasons, the first regime of zones was unsuccessful because they heavily depended on sectors or industries (garment assembly, manufacturing and informatics in the 1990s) that were predicated on the use of cheap labour, low and semi-skilled labour and because they were low-valued added, there was little to no benefits for the local economy.

From a public policy perspective, the first regime zones failed at the domestic level because there was little or no strong policy coordination among government ministries, agencies and bodies with respect to the promotions, marketing, and policies to attract and retain investment, creating a robust regulatory framework for zone establishment and investing significantly in social and physical infrastructure (physical space for zone occupancy), investment in research and development and higher-value-added economic activities and industries that would benefit the local economy and quality education, skills development and training of the working age population and labour force in areas that would prepare them for higher value-added and decent jobs and sectors that are globally competitive. Externally, the old regime of zones were unsuccessful in significant changes in the international trade environment, with investors relocating to other countries where there is cheaper labour, lower labour standards and fewer red tapes or bureaucratic procedures involved in establishing zones, greater competition in sectors and industries and the as a small island developing state, the old regime of zones in Jamaica are even more vulnerable to external shocks such as economic crises (stagflation).

It is against this background, the Special Economic Zones (SEZs) were introduced under the Andrew Holness-led government administration (2016- present) to replace the old free zone regime. Special Economic Zones have been introduced in accordance with World Trade Organization (WTO) obligations concerning international competitiveness and to promote foreign direct investment and economic growth through job creation. It has been reported that there are over 200 Special Economic Zones in Jamaica, and they have provided jobs for over 50,000 Jamaicans and have been hailed by government officials, including the Prime Minister, The Most Honourable Andrew Holness, as a vital component of integration in global supply chains (Jamaica Gleaner, June 14, 2022).

Some of the significant strengths of the new regime of zones are greater policy coordination among government ministries, bodies and agencies and more transparent and stronger guidelines in national legislation regarding prohibiting economic activities within zones that violate environmental protection, heritage and labour laws. Greater policy coordination among ministries, bodies and agencies is evident in the fact that the Ministry of Foreign Affairs and Trade promotes the wide array of international trade agreements and developments in transport and information communication technologies that makes Jamaica an attractive location for foreign investment while JAMPRO promotes and markets Jamaica as an ideal place in the Caribbean region for foreign direct investment because of its highly adaptable and productive labour force, close geographic proximity and affinity to North America, stable parliamentary democracy and attractive benefits for investors.

The Jamaica Special Economic Zone Authority (JSEZA) regulates and provides guidelines to developers, occupants and users in zones. It also recognizes that under the old regime of zones, there was little record keeping among zone occupants or companies in the zones and as a result, this hindered aspects of development and thus, recently, stipulates occupants to provide information on how their proposed economic activity will contribute to the local economy and other vital data upon their application for approval to be a developer or occupant or zone user under the Special Economic Zone Regulation, 2017. Despite the fact that there has been a surge in foreign direct investment towards SEZs as part of the global supply chains in the Caribbean (up by 39% or USD$3.8 billion), according to the 2022 World Investment Report, SEZs as a strategy of development have perpetuated problems of dependency, hindering the social components of development that are not captured in dominant econometric data such as GDP and FDI (decent work deficits, people's sense of well-being and dignity, quality of life associated with the work they do and or non-productive activities).

Additionally, foreign investors and multi-national companies can still wield considerable leverage over domestic, regulatory and investment policy framework that suits their interests. The Developers and zone occupants are entitled to several benefits, including custom duty exemptions, 12.5% income tax for developers or zone occupants, promotional tax credit, exempted from paying income taxes derived from rentals or properties in the zone and for an occupant, one of their legal rights under the SEZ Regulations, 2017 (Section 39 1 h) is to transfer funds freely in and out of Jamaica in accordance with the Act and applicable law. This confirms Italian Marxist, Gramsci's concept of hegemony and is in congruence with the assertion posed by Dr. Michael Fichter in one of the video lectures for this course about corporations and private interests aligned to corporations who use hegemony through both coercion and consensus.

One of the most prominent sectors or industries in Jamaica's Special Economic Zones is business product outsourcing (BPO) which offers a wide range of services from low value-added services such as call centres (outbound and inbound calls from clients from across the world) and higher value-added services such as information technology, technical support services, administrative services, legal services and health services but the sector is still plagued by chronic decent work deficits.

There are varying subjective experiences of workers in the call centres or BPO sector, which is highly dependent on the sector size, company size and policies for workers' labour, trade union representation and human resource management policies.

However, the overarching picture is that these jobs have decent work deficits, including low wages, long and inflexible working hours, deplorable working conditions, limited or no social protection measures for workers, limited or no occupational health and safety, discrimination and different forms of abuse and harassment, and prohibition of workers' rights to engage in social dialogue, collective bargaining, right to strike and for trade union representation- according to the International Trade Union Confederation (ITUC) Reports in 2011 and 2021. Numerous local newspaper articles (Jamaica Gleaner, Jamaica Observer, Jamaica Star and Nationwide News) have shared testimonials from workers in call centres or the BPO sector explaining that their working conditions are akin to slavery, gruelling working hours, they face verbal abuse from supervisors when their daily productivity targets are not met, discriminatory attitudes and comments from clients based in North America, no sick leave policy and have to be rushed to a hospital in near-death conditions and where health policies or insurance or promised, they have been denied, and with respect to their rights to social dialogue, there is a testimony that expressed that no one is on the side of call centre workers.

In the current pandemic context, local newspaper articles have highlighted that before lockdown protocols, many call centres had to be closed because their workers contracted COVID-19, and there are other workers who reported under anonymity explaining that their call centre had not put in adequate health and safety protocols to keep their employees safe and other testimonies that highlight the fear of speaking about breaches in their rights and an account of a female worker who was sexually assaulted and had to migrate out of fear of the repercussions for reporting the issue.

Representatives from trade unions, academia, think tanks and civil society organizations have proposed progressive recommendations that would better protect workers while ensuring economic growth. These recommendations include but are not limited to more flexible working hours and arrangements for workers in the BPO sector, changes in contractual arrangements to ensure enhanced job security and social protection, greater measures to ensure that workers are healthy and safe and sound investment climate, the focus of the Jamaican government still remain economic growth through job creation and not necessarily the types of jobs that are created. This case example is ideal for illustrating the paradoxes of integrating into the Global Supply Chains and that when the meaning of development is equated with economic growth and FDI injection, it comes with severe social costs, especially deficits in decent work.

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