

THE NEED FOR EFFECTIVE CORPORATE GOVERNANCE

(First of a two-part article by Mr. Philip Marshall, Chairman, CG Committee)

The events of the past year in supposedly well-regulated and developed markets and the on-going public attention through high profile corporate scandals and collapses, has forced governments, regulators and boards of corporations to carefully reconsider fundamental issues of corporate governance as essential for public economic interest.

As global competition for capital increases, investment capital will follow the path to those countries and enterprises that have adopted efficient governance standards. Investors are insisting on high standards of governance

A McKinsey study has revealed that investors are willing to pay a premium of up to 35% on shares in such companies, a measure of the significance placed upon effective governance.

THE ROLE OF THE PSOJ'S CORPORATE GOVERNANCE COMMITTEE (CG)

The PSOJ's CG Committee was established in the latter part of 2001. The initial mission of the Committee is to develop a keen awareness of the core principles of effective corporate governance among those charged with the leadership and direction of significant organisations in Jamaica. It is to be noted that these principles may not all be enshrined in our legislation.

The initial membership of the CG Committee comprises representatives of major business associations, professional bodies, and tertiary institutions.

The CG Committee is currently, establishing formal relationships with other stakeholder organisations, in the private sector, public sector and the industry regulatory bodies.

THE NEED FOR TRAINING EDUCATION FOR ALL DIRECTORS

The Companies Act 2001 will impose higher standards of care and diligence on those who serve as Directors.

It is to be noted that this statutory duty will also be owed by officers, secretaries and agents of the company, particularly those acting in managerial positions.

Also whereas formerly, a distinction was made between executive and non-executive directors, modern trends in corporate governance and legislation place the same standard of duty of care on both.

Good corporate governance requires that the board must govern the corporation with integrity and enterprise in a manner which entrenches and enhances the licence it has to operate.

The PSOJ, in conjunction with the Commonwealth Association of Corporate Governance (CACG), recently and most successfully launched its first major initiative with the first ever regional Director Certification program a 5 day workshop in Ocho Rios.

Future training initiatives of the CG Committee are being planned and links to knowledge resources will be published when these are operational.



Corporate Governance participants at a session held June 18-23 at Grand Lido Sans Souci, Ocho Rios.

CRIME REPORT

There were many crime related activities during the months of May and June. The Minister of National Security and the government have taken certain measures that should impact positively on the crime levels; the PSOJ has been supporting the police in their fight against crime. There has also been an increase of violence in our schools and an increase in the number of police who have died violently.

GOVERNMENT ACTIVITIES IONSCAN and Drug Couriers

The governments of Britain and Jamaica signed a Memorandum of Understanding on May 22, which seeks to stop the trafficking of cocaine from Jamaica to Britain.

The agreement includes training and technical assistance to the Jamaican police by the British government as well as the provision of IONSCAN machines for the two international airports which will enhance the effectiveness and efficiency levels of the Narcotics police in the detection of trace amounts of cocaine on travellers and/or their baggage/packages. Seventy persons intercepted at Jamaican airports up to 20th June.

Plans to Screen Visitors

Jamaica is not only faced with the problem of drug couriers, it now faces the possibility of harbouring known drug smugglers. There have been increased activities of go-fast boats involved in the trafficking of cocaine in our coastal waters coupled with an increased presence of South American visitors in sections of the country where drug activities have increased. In Parliament on June 18, the Minister outlined new plans to screen visitors as one measure of eliminating the presence of drug traffickers and gun smugglers into the country.



Ad Campaign

Additional actions taken by the government in the fight against drug trafficking included the launch of its advertising campaign warning the public of the inherent physical dangers involved in transporting cocaine as "drug mules" as well the harsh penalties of the law if caught.

Interdicted Prison Warders Return to Work

Minister Phillips signed an agreement on May 10th for 600 of the 800 correctional officers interdicted in 2000 for going on an illegal strike to be reinstated and 100 to be retired. The prison system was severely understaffed on account of the enforcement of the interdiction and assistance was obtained from soldiers of the JDF.

The boosting of the numbers of the correctional officers in the penal system is welcomed given the recent escape of inmates at the Tower Street Adult Correctional Centre (formerly the General Penitentiary).

Recommendations to increase security and prevent future escape attempts at the prisons include installation of closed circuit television for the entire exterior and the use of cellular phone jammers.

Signing of the Crime Plan and the Political Code of Conduct

The fight against crime was strengthened when the Government and Opposition Party signed a Crime Plan and a Code of Conduct in Parliament on Tuesday, June 11. The National Committee on Crime and Violence formulated the Crime Plan, which is a set of 16 recommendations on ways to solve the high crime rate in the country. The recommendations spoke to efforts to eliminate the root causes of crime and violence and called for a bi-partisan approach to addressing crime and violence.

The Political Code of Conduct addresses the behaviour of the political parties during the campaign for general elections. The code calls for the revival of the Political Ombudsman and also calls for political parties to refrain from making inflammatory statements that could incite violence among supporters.

New Chief of Staff of the Jamaica Defence Force (JDF)

On Saturday, May 11, Major General John Simmond the outgoing JDG Chief of Staff passed the baton to Rear Admiral Hardley Lewin, the new head of the JDF. Rear Admiral Lewin, in his address, said that his vision was for a defence force that was ready and capable of conducting a range of operations in the protection of the nation and the well being of its citizens.

PSOJ Advocate Against Crime and Violence

The PSOJ in keeping with its focus on crime, launched a PHONE-IN session at the PSOJ office on Thursday, June 13th between the hours of 7.00-9.00 p.m. The aim of the PHONE-IN was to encourage citizens to support the police in their fight against crime by passing on information they might have on crime related matters. Citizens were invited to call and speak directly to either the Commissioner of Police, Chief of Staff of the JDF, Chaplain of the JCF, Monsignor Richard Albert or Mr. Peter Moses. The PHONE-IN programme will be hosted by the PSOJ monthly.

Violence in Schools

May is designated child's month and for May 2002, there had been an unusually high level of violence among school children reported in the news including fighting among students of Frome Technical High School in Savanna-La-Mar. There were members of rival gangs who had a long standing feud between them. This caused the injury of two 11 grade students and the arrest of 8 boys. The implicated students were later suspended for 10 days by the school administration.

Murders, Police Killings and Police Corruption

For the period January 1 to May 12 there were 333 reported murders representing an increase of 18 over the corresponding period last year. For this period, cleared up rates were 47% and 51% respectively. The gun, knife and machete were the main weapons used in these murders for the January 1 to May 12, 2002 period.

The gun was used in 66% of the murders, the knife in 22% of the cases and the machete in 4% of the cases. Reprisal 34%,

Domestic 28% and Drug/Gang Related 18% remained the top three motives for murder.

For the period January 1 to June 12, 2002, 401 persons died violently. Included among those killed were 6 policemen, 4 of whom were killed during the month of May. By June 30th, 455 persons met violent deaths since the beginning of the year with 8 policemen included in the count. For the month of June, 4 policemen were killed.

Source: Statistics Dept., Police Commissioners Office MURDER BY MONTH JAN.1-MAY 12, 2000-02

Month	2002	2001	2000
Jan.	79	74	57
Feb.	82	64	75
Mar.	71	71	61
Apr.	71	81	88
May	30	25	39
TOTAL	333	315	320

The police killings have resulted in denouncements from the Ministry of National Security. The new chairman of the Police Federation, Sergeant Steve Brown has called for the resumption of hangings and has voiced the opinion that Human Rights Groups operating in Jamaica are anti-police. Both the Jamaicans for Justice and the Families Against State Terrorism (FAST) have sought audience with the police body. The Jamaicans for Justice wanted to discuss common issues among them and FAST to empathize with the family members of slain policemen.

Commissioner of Police, Mr. Francis Forbes, warned members of the police force about engaging in corrupt activities at the June 2002 Federation's 59th Annual Conference. Regarding corruption in the police force, 29 police were dismissed during 2000 and most of them were for corruption charges; 16 dismissed during the period January to October 2001 for corruption and in May 2002, 2 policemen were charged with corruption.

The Director of Public Prosecutions ruled also that 4 policemen from the Hunts Bay Police Station should be charged with the murder of a boat builder of Spanish Town Road that occurred approximately two years ago. This charge came as a result of a complaint being made to the Police Public Complaints Authority.

By: Dawn Johns-Gordon - PSOJ Research Officer

THE EXPERIENCE OF THE PRIVATE SECTOR PARTICIPATION IN THE FORMULATION OF TRADE POLICY

James Moss-Solomon, Chairman, PSOJ Trade Policy Committee (Second Part of a three-part article presented at the Caribbean Transnational Conference.) The first part of this article appeared in our March/April issue:

PROBLEMS

iv) PRIVATE SECTOR BUY IN

- Based on my observation of Private Sector "buy in" across the region, we still have a long way to go. Many firms believe that the CSME will have no impact on them. The sooner we get the message out, is the sooner we will be able to convince our colleagues that they need to gear themselves towards the dismantling of protection.
- Protection is possible to a certain degree, but can only assist those who are prepared to make the necessary changes in order to become world competitive, and cannot be used ad-indefinitum for the inefficient. This is a reality, which has the potential for causing rifts between the Private and Public Sector, and one, which readily fans the flames of political indecision.
- The early policy decisions were largely made by the Governments and as I mentioned previously this was not their fault, as we failed to grasp the opportunities to the process by trying to find ways around these agreements when they do not suit our individual purpose.
- Our action has therefore led to the highly disparate levels of implementation, as evidenced by the long list of restrictions, which make investment and establishment by firms within the region more difficult than for external investors.

v) PUBLIC UNDERSTANDING

- There is a generally low level of public understanding of the importance and implication of the CSME. The average "man in the street" does not grasp the opportunities implied, or the changes necessary to ensure success in the new environment.
- We of the Private Sector are similarly uninformed, misinformed, and worse than that, seemingly uninterested.

- Firms seem to be more interested with protection rather than taking an objective view of the opportunities.
- Major leaders of the Private Sector are more concerned with domestic events, and leave the international involvement to their "second eleven".
- This bears no reality to the scale of opportunities offered by the CSME and further globalization.
- We seem to have established a level of comfort by not doing anything except objecting to all previous arrangements.

As I conclude the problem areas, there seem to be no other alternative than for the Private Sector, Government, Civil Society to put aside their differences and join in urgently forming a working partnership in order to protect our negotiating positions in the year 2002. This cannot wait, on Ministers, Government changes, or Private Sector Associations still espousing protectionism, and must be seen as our most urgent business priority.

This will include participation in negotiation; sourcing and seconding expertise where necessary, shared funding, and shared information in order to complete the necessary industry studies required for a successful conclusion to our agreed policy direction.

B. OPPORTUNITIES

i) CSME

The concept allows for a broadening of participation in markets through the Right of Establishment. This will allow firms to spread their risks across larger markets, and gives some protection from the vagaries of a single country.

Additionally services can be established across the region gaining similar benefits.

A real opportunity arises from the movement of people within the Single Market. In my opinion, this should not only encompass professionals and other selected categories, but should include a wide range of skilled and semi-skilled workers. To do other than this would be to limit the opportunity for thousands of construction and agricultural based workers, who need the ability to move to wherever work and /or land respectively becomes available.

There will be additional benefits in the years to come after we fully realize the potential advantages of a Single Market as opposed to a Common Market. We need to encourage our Governments to participate in meaningful public education programmes so that our citizens may be well informed and prepared to go beyond the restraining factors of insularity.

ii) FTAA

The urgency of a single negotiating platform cannot be over emphasized. It is our only defensive mechanism for successfully concluding the arrangements for our benefit. The Developed countries have rich markets, and the developing countries of South America have large populations. We have neither; therefore we lack key strengths, which must be augmented through solidarity.

The free movement of people to the developed world must be another key negotiating strategy. There will be some dislocation of jobs in the early years of the FTAA in small developing countries, and we must insist on our rights to be able to move freely to where the new employment opportunities will exist.

We need to utilize our nationals currently residing in the developed countries in order to further our access and growth in those markets. I call this the "Trojan Horse Strategy". We have seen it used successfully by the Chinese, Italians, and Indians in the past century. It is now our turn and we must convince our Governments to look at these assets "outwardly", rather than only as means of remittance flows.

iii) ACP/EU

The phasing out of preferences will have a dramatic effect on our traditional bulk commodities such as sugar, and bananas. It does not seem possible to immediately discontinue production of these items as that would lead to even greater unemployment levels. Our focus therefore, must be to make these industries as efficient as possible in the short term, so that we can explore additional options.

A mindset change is required immediately. We need to consider a value-added approach to traditional

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agriculture and stop competing in the world bulk commodities market.

As an example, if we invert our thinking, sugar becomes only a by-product, and molasses becomes the major focus, then we are able to produce

more rum and related alcoholic products, which can be branded. If we decide not to sell our sugar on the world markets when preferences are removed, then we need to consider what other branded products can be produced using our sugar, which would be then a valuable by-product. This is an urgent Research

and Development requirement.

The argument set forward above applies equally to bananas, rice, and spices.

(The conclusion of this paper will appear in the next issue of the PSOJ News)

JOB CREATION AWARDS

The fifth Job Creation Award Ceremony, organised by the Private Sector Organisation of Jamaica (PSOJ) and sponsored by Cable and Wireless Jamaica Ltd., was held on Tuesday, June 25, 2002 at the Terra Nova All-Suite Hotel.

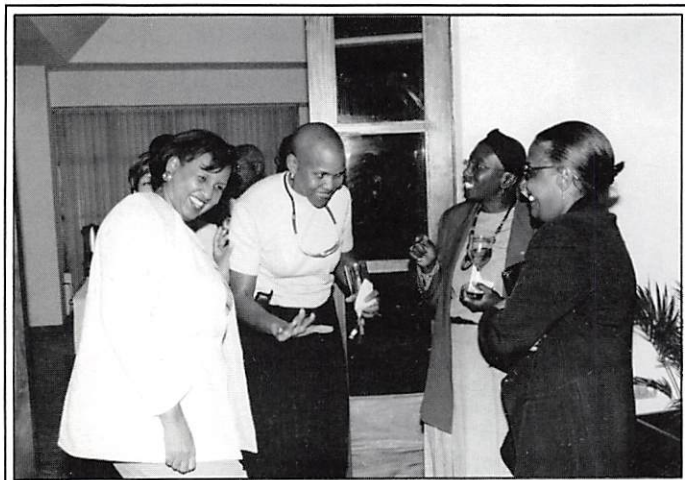
Four companies were recognized at June's ceremony, to which members of the business community were invited. They were:

- TSD Jamaica Ltd., a telemarketing company operating out of Montego Bay;
- Continental Baking Company Limited, this company started out with 25 employees in 1952 and now employs approximately 500 persons with 51 persons being employed within the past six months;
- H.D. Hopwood, another long standing company which created 29 permanent jobs within the last 6 months, to meet the needs of its expanding business;
- Wrap Your World whose mission statement is "Thank You for buying Jamaican", employs over 500 workers through their cottage industry concept, which is "Back to Basics". Wrap your World has been in operation for four years and has employed a minimum of 45 persons within the last six months.

The guest speaker for the function was Mr. Gary Barrow, President, Cable & Wireless Jamaica Ltd.

SOIREE

Picture of the Evening



Women of the PSOJ having fun at the recently held Soiree on Tuesday, June 4 at the PSOJ Secretariat.

UPCOMING EVENTS

DATE	ACTIVITY	VENUE
• July 11	Phone-in Session	PSOJ Secretariat
• July 12	Private Regional Drug Seminar	Negril
• July 23	Job Creation Awards Breakfast	Terra Nova Hotel
• July 26	Private Regional Drug Seminar	Ocho Rios
• August 8	Phone-in Session	PSOJ Secretariat
• August 27	Job Creation Awards Breakfast	Terra Nova Hotel
• October 7-11	Corporate Governance Seminar	Grand Lido San Souci

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We Welcome Our New Family

By 1st August, the Jamaica Exporters' Association (JEA) would have relocated from their previous offices to the PSOJ Secretariat. We take this opportunity to welcome them, as we all work together to strengthen The Private Sector.