

Island Economies of the Future 2019/20 Winners

CYPRUS IS RANKED FIRST IN fDi's ISLAND ECONOMIES OF THE FUTURE RANKINGS, FOLLOWED BY THE DOMINICAN REPUBLIC AND SRI LANKA. CATHY MULLAN AND NAOMI DAVIES DETAIL THE RESULTS



Cyprus is ranked in first place in fDi's second biennial Island Economies of the Future ranking, with the Dominican Republic retaining its second place and former top-placed Sri Lanka nudged into third position.

Between 2014 and 2018, Cyprus recorded 153 outward FDI projects, according to greenfield investment monitor fDi Markets. The south European island nation had the highest level of outward FDI of all locations in the study, with its top five investing companies accounting for more than three-quarters of all capital investment from Cyprus's outward FDI in the time analysed. Karo Resources, a mining company based in the southwestern city of Paphos, invested in a platinum mine in Zimbabwe in May 2018, at a cost of \$4.2bn. The project will comprise a coal mine and a 300-megawatt solar power station.

Cyprus enjoys an innovative culture, recording more than 130 patents between 2008 and 2017, according to the United States Trade and Patent Office. This was a contributing factor to the country's first place ranking for Economic Potential. Cyprus also boasted the highest number of companies in the knowledge-based sector on a per capita basis, which with high FDI job creation per capita and low rates of corporation tax, put it first for Business Friendliness. Investors in Cyprus can start a business in six days and the country scores well on various indices, including the Index of



Top spot: Cyprus has displaced Sri Lanka in fDi's second Island Economies of the Future ranking

Economic Freedom from the Heritage Foundation and the World Bank's Ease of Doing Business Ranking.

Dominican rebound

Dominican Republic, which ranks second overall, enjoys a healthy economy with relatively low unemployment rate of 5.2% and an average annual GDP growth rate of more than 5% between 2014 and 2018.

The country has experienced a rebound in FDI since the 48% decline in project numbers between 2014 and 2015. Since then, it has experienced year-on-year growth in project numbers, reaching a peak in 2018 with 22 investments. Investment in the hotels and tourism sector has mirrored the overall investment pattern, increasing steadily since 2015 after a decline between 2014 and 2015. Between 2014 and 2018, hotels and tourism

accounted for more than 40% of all investment into the country. The country boasts three ports and performs well on the World Bank's Liner Shipping Connectivity Index, while six international airports bring passengers from 69 destinations around the world, helping its first-place ranking in Connectivity.

Sri Lanka is ranked third in this year's study, also ranking second for Economic Potential, fourth in Business Friendliness and sixth for Connectivity. Eighteen investors chose to expand operations in the country between 2014 and 2018, the most of any location. In August 2018, UK-based Chartered Institute for Securities & Investment announced its expansion in Colombo, crediting the expansion decision to the country's "highly educated, English speaking, service-oriented, adaptable workforce". ■

TOP 10 ISLAND ECONOMIES OF THE FUTURE 2019/20 – OVERALL

| RANK | COUNTRY |
|------|--------------------|
| 1 | Cyprus |
| 2 | Dominican Republic |
| 3 | Sri Lanka |
| 4 | Mauritius |
| 5 | Jamaica |
| 6 | Puerto Rico |
| 7 | Bahamas |
| 8 | Seychelles |
| 9 | Maldives |
| 10 | Cuba |

TOP 10 ISLAND ECONOMIES OF THE FUTURE 2019/20 – HUMAN CAPITAL AND LIFESTYLE

| RANK | COUNTRY |
|------|-----------------------|
| 1 | Cuba |
| 2 | Cyprus |
| 3 | Grenada |
| 4 | Barbados |
| 5 | Bahamas |
| 6 | Antigua and Barbuda |
| 7 | Mauritius |
| 8 | Saint Kitts and Nevis |
| 9 | Maldives |
| 10 | Dominican Republic |

TOP 10 ISLAND ECONOMIES OF THE FUTURE 2019/20 – CONNECTIVITY

| RANK | COUNTRY |
|------|---------------------|
| 1 | Dominican Republic |
| 2 | Cyprus |
| 3 | Cuba |
| 4 | Bahamas |
| 5 | Trinidad and Tobago |
| 6 | Sri Lanka |
| 7 | Jamaica |
| 8 | Puerto Rico |
| 9 | Barbados |
| 10 | Mauritius |

TOP 10 ISLAND ECONOMIES OF THE FUTURE 2019/20 – COST EFFECTIVENESS

| RANK | COUNTRY |
|------|-----------------|
| 1 | Vanuatu |
| 2 | Timor-Leste |
| 3 | Cape Verde |
| 4 | Madagascar |
| 5 | Mauritius |
| 6 | Maldives |
| 7 | Solomon Islands |
| 8 | Samoa |
| 9 | Fiji |
| 10 | Sri Lanka |

TOP 10 ISLAND ECONOMIES OF THE FUTURE 2019/20 – ECONOMIC POTENTIAL

| RANK | COUNTRY |
|------|---------------------|
| 1 | Cyprus |
| 2 | Sri Lanka |
| 3 | Seychelles |
| 4 | Dominican Republic |
| 5 | Puerto Rico |
| 6 | Bahamas |
| 7 | Mauritius |
| 8 | Antigua and Barbuda |
| 9 | Jamaica |
| 10 | Cuba |

TOP 10 ISLAND ECONOMIES OF THE FUTURE 2019/20 – BUSINESS FRIENDLINESS

| RANK | COUNTRY |
|------|---------------------|
| 1 | Cyprus |
| 2 | Jamaica |
| 3 | Mauritius |
| 4 | Sri Lanka |
| 5 | Dominican Republic |
| 6 | Seychelles |
| 7 | Puerto Rico |
| 8 | Saint Lucia |
| 9 | Antigua and Barbuda |
| 10 | Trinidad and Tobago |



JAMPRO
TRADE & INVESTMENT JAMAICA

DoBusiness
JAMAICA

INVEST • TRADE • CONNECT

Explore business opportunities in Jamaica | Link buyers and suppliers in global markets | Get insight on Jamaica's business climate

HEAD OFFICE, 18 Trafalgar Road
Kingston 10, Jamaica
Toll Free: +1 888 INVESTJA | 468-3785
+1 877 JAMVEST | 526-8378 (North America)

#DoBizJA 
dobusinessjamaica.com

FDI Strategy

NAOMI DAVIES TAKES A LOOK AT THE FDI STRATEGIES OF A NUMBER OF LEADING ISLAND ECONOMIES

DOMINICA

Dominica endured major damage during September 2017's Hurricane Maria. Invest Dominica Authority has been at the forefront of the country's recovery, with an FDI strategy centred on BPO, eco-tourism and manufacturing. The government agency has increased training in strategic social media use to better reach potential investors and will soon launch a new website to provide easier access to information. The local government has implemented an island-wide programme to repair roads and replace bridges affected by the hurricane and talks are under way for a larger cargo port and a new international airport.

CYPRUS

Invest Cyprus's FDI strategy focuses on a range of sectors, including ICT, education and film making. The agency offers a range of corporate tax incentives while all companies are subject to a corporate tax rate of 12.5%, one of the lowest in Europe. Invest Cyprus co-operates with international consultants and media groups on promotional campaigns across target markets and recently launched websites for its Study in Cyprus and Launch in Cyprus initiatives. Applied research is encouraged by way of EU and national funding and an attractive intellectual property box is in place for new companies and investors. The agency also encourages companies to set up their international and regional headquarters in Cyprus, highlighting its geostrategic location between three continents.

TRINIDAD AND TOBAGO

Trinidad and Tobago's national investment promotion agency, InvestTT, aims to improve burgeoning activities in sectors such as manufacturing, ICT, maritime services, tourism, agribusiness and creative industries. One its main initiatives is Tamana InTech Park, where it collaborates with other state agencies to attract ICT and manufacturing invest-



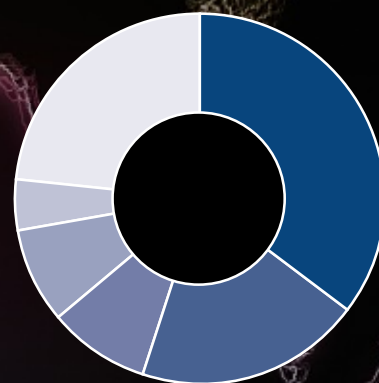
Bouncing back: Dominica has worked to rebuild after the devastation of hurricane Maria

ment. The agency also hosts events to attract FDI and attends numerous summits and conferences to promote it. InvesTT redesigned its website in November 2017 and employs video testimonials, a proactive social media strategy and online advertising.

BARBADOS

Invest Barbados continues to review and strengthen its marketing strategy, building awareness of the country's international business sector. It is expanding into new and existing markets through seminars and road shows, as well as hosting educational and industry conferences with local professionals. It is currently upgrading its website to be more interactive and user friendly, and offers an active customer care programme to address client concerns and potential roadblocks. Medical tourism remains a focus for the island, which has three international medical schools with another four expected to open shortly.

PROPORTION OF OUTWARD CAPITAL INVESTMENT FOR TOP FIVE COMPANIES, CYPRUS, 2014-2018



Source: fDi Intelligence



JAMAICA

The Jamaica Promotions Corporation (Jampro) employs more than 100 staff in its Kingston headquarters; a regional office in St James; and international branches in New York, Toronto and London. In January 2019, the government signed a \$15m agreement with the Inter-American Development Bank in a bid to encourage growth in higher value-added digital segments. The five-year Global Services Sector Project will be executed by Jampro and aims to create 50,000 jobs by 2023 and increase the value of exports of global services by 2.6% by 2024.

SAINT LUCIA

The lion's share of Saint Lucia's inward FDI is in the tourism sector. The island's economic development body, Invest Saint Lucia, offers access to several fiscal incentives including a tax holiday of up to 15 years, an export allowance and unrestricted repatriation of profits

SAINT LUCIA OFFERS ACCESS TO FISCAL INCENTIVES INCLUDING A TAX HOLIDAY OF UP TO 15 YEARS



and capital. The agency also recently hosted a BPO showcase for potential investors. Several infrastructure developments are in progress and Saint Lucia recently broke ground on a highly anticipated redesign of Hewanorra International Airport, estimated to be worth \$175m.

GRENADA

Tourism forms the cornerstone of the Grenada Investment Development Corporation's (GIDC's) FDI strategy. In recent years, the country has seen a significant increase in new resorts, hotels and

marinas, as well as an expansion of community-based tourism products and services, product enhancements and marketing. Investment opportunities can also be found in agribusiness, education, health, ICT and energy. In 2019, GIDC will unveil several new marketing initiatives aimed at attracting greater investment, which include billboard advertisements, a new promotional video and website upgrade. It will also participate in regional and international conferences, trade shows and expositions, and host investment webinars with potential foreign investors. ■

SPOTLIGHT ON DOMINICA ADVERTISEMENT FEATURE



DOMINICA: A PLACE OF PROMISE, A DESTINATION OF INTEGRITY

Dominica is progressively working towards becoming the first climate resilient country in the world. The announcement was made by the Honourable Prime Minister Roosevelt Skeritt, following the devastation by Hurricane Maria in 2017. This is intended to increase sustainable investment in both brown and green field projects where investors will be encouraged to adopt new building practices, incorporate innovative uses of renewable energy and increase value added through the use of available natural

resources. An aggressive promotional plan now focuses on the development of key sectors to include eco-tourism projects, bottled spring water export, renewable energy and agro-processing and manufacturing utilizing local products and natural resources.

Recently, the Climate Resilience Execution Agency for Dominica (CREAD) was launched. CREAD's mandate is to lead and coordinate strategic initiatives across sectors in Dominica. It will bolster the ability of the business community, public services, and social sector part-

"AN AGGRESSIVE PROMOTIONAL PLAN NOW FOCUSES ON THE DEVELOPMENT OF KEY SECTORS"

ners to build strong and resilient communities, develop adaptive infrastructure, accelerate economic growth, strengthen institutional systems, and enhance Dominicans' capacity to respond to the local impacts of global climate change, and set an example for the rest of the world on how to respond to the challenges of a changing climate. Several international partners are part of the CREAD initiative. An ongoing program by the Government to improve the business climate, along with a range of flexible operational incentives will be offered to investors, who have chosen Dominica as their investment destination of choice in an location which is on the brink of business expansion.

Sponsored by



www.investdominica.com

Sri Lanka still most diversified island

Sri Lanka has once again been named **fDi**'s most diversified economy, with a score of 0.284. Between 2014 and 2018, the Indian Ocean island received 156 FDI projects across 26 sectors, according to greenfield investment monitor **fDi** Markets. More than 17% of these projects were in the financial services sector, followed by food and tobacco (almost 10%) and business services (more than 8%).

In 2016, the London Stock Exchange established a service centre in Colombo, which resulted in the creation of 400 jobs, the largest project by job creation in Sri Lanka's financial services sector in the time analysed. Recent investments in the sector have come from Bank of China, Doha Bank and US-based Visa International.

New Zealand's job boost

New Zealand is in second place in this year's index with a score of 0.339. While total FDI projects between 2017 and 2018 decreased in the country, it is worth noting the average number of jobs and capital investment per project. Average capital investment peaked in 2018

at \$53m, from a base of \$28.5m in 2014 and a low of \$18m in 2016. The average number of jobs created per project reached its lowest in 2016, when 48 jobs were created per project on average. By 2018, this figure had climbed to 75, just below the 2014 peak of 79.

One of the largest investments into New Zealand in 2018 came from Synlait Milk, a subsidiary of China-based Bright Food, which established a manufacturing facility in North Waikato at a cost of \$189m.

Mauritius rises from 11th place in 2018 to third position this year, with a score of 0.376. The largest investments into Mauritius were in the business services sector (US-based Convergys established a contact centre in capital Port Louis in 2016, creating 600 jobs) and in warehousing, when South Africa-based XtraSpace established two storage units in the country with an estimated investment of \$220m.

Methodology

The index is created based on the Hirschman Index (the most widely used measure of trade and com-

FDI DIVERSIFICATION INDEX 2019 – ISLAND ECONOMIES

| RANK | COUNTRY | SCORE |
|------|---------------------|-------|
| 1 | Sri Lanka | 0.284 |
| 2 | New Zealand | 0.339 |
| 3 | Mauritius | 0.376 |
| 4 | Cuba | 0.412 |
| 5 | Dominican Republic | 0.414 |
| 6 | Malta | 0.427 |
| 7 | Jamaica | 0.439 |
| 8 | Cyprus | 0.465 |
| 9 | Saint Lucia | 0.475 |
| 10 | Papua New Guinea | 0.503 |
| 11 | Barbados | 0.513 |
| 12 | Fiji | 0.529 |
| 13 | Cape Verde | 0.575 |
| 14 | Trinidad and Tobago | 0.688 |
| 15 | Seychelles | 0.749 |

Source: fDi Intelligence

modity concentration). The formula is adapted to focus on FDI rather than exports, and is run for both projects and capital investment. An average of the two scores is used to create the **fDi** Diversification Index score. The lower the score, the more diversified an economy is; the higher the score the more specialised the economy is. ■

METHODOLOGY

To create a shortlist for **fDi**'s Island Economies of the Future 2019/20, the **fDi** Intelligence division of the Financial Times collected data using the specialist online tools **fDi** Markets, which

tracks announced greenfield FDI projects, and **fDi** Benchmark.

In total, 31 island economies were analysed. Data was then collected for these locations under five categories:

Economic Potential, Business Friendliness, Human Capital and Lifestyle, Cost Effectiveness and Connectivity.

Locations scored up to 10 points for each data-

point, which were weighted by importance to the FDI decision making process to compile the subcategory rankings and the overall 'Island Economies of the Future 2019/20' ranking. ■

LIST OF DATAPPOINTS

ECONOMIC POTENTIAL

- Economic Potential
- Population
- Average annual population growth (%) 2014-2018
- Unemployment rate
- Inflation rate
- GDP (PPP Current \$m)
- GDP per Capita (PPP Current \$)
- Average annual growth in GDP 2014-2018
- Average annual forecasted GDP growth (2019-2023)
- Outward FDI 2014-2018
- Outward FDI per 100,000 people 2014-2018
- Inward FDI 2014-2018
- Inward FDI per 100,000 people 2014-2018
- FDI in R&D and DDT 2014-2018
- FDI in advanced manufacturing 2014-2018
- Number of mega projects by capex (over £100m) including estimates 2014-2018
- Number of mega projects by capex (over £100m) per 100,000 people including estimates 2014-2018
- Number of mega projects by jobs (over 1000 jobs) including estimates 2014-2018
- Number of mega projects by jobs (over 1000 jobs) per 100,000 people

- including estimates 2014-2018
- Capital expenditure on R&D and DDT Projects (\$m) 2014-2018
- Number of patents 2008-2017
- Number of patents per 100,000 people 2008-2017
- Imports per capita (2017) (\$)
- Exports per capita (2017) (\$)

HUMAN CAPITAL AND LIFESTYLE

- Literacy rate (%)
- Secondary enrollment rate (%)
- Tertiary enrollment rate (%)
- Number of physicians per 1000 people
- Life expectancy
- Education expenditure (% of GNI)
- Labour Force (as % of working age population)
- Birth rate, crude (per 1,000 people) 2018
- Death rate, crude (per 1,000 people) 2018
- Number of IB schools
- Political stability and absence of terrorism/violence

COST EFFECTIVENESS

- 4*/5* hotel in city centre (\$ per night)
- Petrol prices (\$ per litre)
- Minimum wage (\$ per month)
- Cost of registering a property (absolute value using GNI)
- Cost of construction permits (% of

- warehouse value)
- Cost of establishing a business (absolute value using GNI)
- Cost of establishing an electricity connection (absolute value using GNI)
- Total tax rate, % of profit
- Corporation tax rate (%)
- Country purchasing power parity/exchange rate

CONNECTIVITY

- Environmental Performance Index 2018
- Liner shipping connectivity index (2018)
- Companies in the transportation sector per 100,000 people
- Upload speed (kb/s)
- Download speed (kb/s)
- Percentage of people using the internet (%)
- ICT Development Index
- Fixed-broadband subscriptions per 100,000 people
- Mobile cellular subscriptions per 100,000 people
- Number of ports (medium +)
- Number of international airports
- Number of international destinations

BUSINESS FRIENDLINESS

- Total number of companies within

- hi-tech manufacturing sector 2018
- Total number of companies within hi-tech service sector 2018
- Total number of companies within the knowledge-based sector 2018
- Proportion of companies within hi-tech sector 2018
- Proportion of companies within hi-tech service sector 2018
- Proportion of companies within the knowledge based sector 2018
- Number of companies within hi-tech sector 2018 (per 100,000 people)
- Number of companies within hi-tech service sector 2018 (per 100,000 people)
- Number of companies within the knowledge based sector 2018 (per 100,000 people)
- Number of jobs created by all inward FDI 2014-2018
- Number of jobs created by all inward FDI per 100,000 people 2014-2018
- Number of expansion/co-location projects 2014-2018
- Corporation tax rate (%)
- Days taken to start a business
- Ease of Doing Business Rank 2018
- Index of Economic Freedom 2018
- Strength of Investor Protection Index
- Fragile States Index 2018
- fDi Diversification Index 2019