# STRUCTURALLY ADJUSTED JAMAICA OR, FUTURE PAWNED

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When Jamaica and the International Monetary Fund (IMF) are discussed, more often than not the mind wonders back to the last years of the Manley Government, when the then prime minister did not submit to the demands of the Fund but called elections and in October 1980 lost them by a large margin. This phase in Jamaica's history, although only of three years duration, has been researched and described frequently and in depth.

The conservative Jamaica Labour Party (JLP) and its prime minister Edward Seaga immediately after taking office resumed negotiations with the IMF. In the meantime, Jamaica has been living for 8 years under the regime of IMF agreements, the 4th at present, and they are publicly referred to as "dictates". Surprisingly little is known about these agreements which have become a decisive factor in the life of the Jamaican people and which have changed it drastically.

This presentation, therefore, is about what has been happenning in the eighties, about "restructuring" as prime minister Seaga termed it, or rather, "structural adjustment" which is the technical term the IMF and the world bank are using. The paper will follow the sequence of agreements, will probe into their professed intention and will analyse their actual consequences.

But at first a look at the agreements. If we remember, the controversial points leading to the break with the IMF in the late seventies were two demands put to the Manley-government which the Fund was taking a hard line on: Firstly further devaluation and secondly massive public sector redundancies. The first agreement between the conservative JLP government with the IMF contained no such demands. Just as no pressure was put on the new government to terminate public sector employment schemes. On the other hand the JLP was granted economic targets that entailed by far more consumer imports than conceded to its predecessor. In other words the agreement did spell out the classic conditionalities of structural adjustment programmes like import liberalisation, removal of all kinds of subsidies, including those on basic food items, cuts in the public budget, increase in revenue, provision of export incentives, divestment of government–owned business, including public utilities, and a decrease in the circulation of money. Thus the IMF took pains to complement the political victory of the JLP at the polls with an economic and social underpinning that it would need for its consolidation in power.

As usual the so-called stabilization agreement was to last for 3 years. Within this period the foundations for the process of restructuring were to be laid and for this purpose the IMF, the world bank, and US AID together credited Jamaica 2 billion US dollars. 2 1/2 years later the agreement was suspended. Jamaica was unable to meet some of the test requirements and subsequently the IMF stopped payments of its tranches. What had happened?

Within this time span imports, more then half of them made up of luxury consumer items, had risen by 50%, export had fallen by one third, total production was down one fifth, the budgetary deficit was up one fifth. The relation between external debt and Gross National Product which in 1980 had been around 80% jumped up to a 140%, the debt ratio which in 1980 was a 120% now ranged at to 220%. It was only now that talk of a Jamaican debt crisis came up.

The second agreement of November 1983 now turned out to be extremely strict: more than 300% devaluation, public sector layoffs amounting to one third of the labour force in the sector. These were the exact conditionalities which 4 years earlier were the reason for the PNP's (People's National Party) break with the Fund and which initially the JLP had been spared. This agreement, too, did not run its full course. In August 1985 there was a third agreement which was supposed to extend over a 21 months period, but was suspended after no more than 6 weeks. In October 1985 the PNP called for a wake with a subsequent silent march to the seat of the national bank in the early morning hours. Shortly afterwards prime minister Seaga asked the three main donors of the island, IMF, world bank, and USAID, "to take a fresh look" at the situation of restructured Jamaica. A special mission comprising the three organizations came to Jamaica, held talks with the government and business representatives, and in spring of 1986 submitted a report – in which it insisted on continuation of a strict austerity course. Seaga refused, and for over a year a situation existed which was referred to as "IMF impasse". There simply was no agreement. The government was able to take this course because of unexpected savings from lower oil prices on the world markets. In March 1987, the IMF consented to a fourth agreement which deviates from the classic course of neoliberal structural adjustment. Reintroduction of basic food subsidies was permitted, import regulation, and an inflation rate not exceeding 10%. Most important the recently adopted practice of the Jamaican government, manipulating the exchange rate to remain stable was allowed to continue. Since then first fragile signs of economic improvement can be observed.

Against this background an economic advisor of Michael Manley has discribed the situation of Jamaica in the eighties as such:

> The fact is that every action of significance it took over the period was influenced by the anticipated reactions of the IMF or the perceived impact which it could have on the conditions of the Agreement in force. Within such a framework, government actions were guided by what would seem to be the most relevant section of the current Agreement. As such the idea of long-term economic planning became more and more remote as senior State technicians were fully occupied in either implementing and monitoring the current programme or involved in negotiating a future agreement. (Davies 1986)

Before turning to the effects of restructuring, let us discuss shortly the intentions of IMF policy directives, or rather the stated intentions. With this year's annual meeting of IMF and world bank attracting much attention this is widely discussed at present and shall therefore only be summarized here.

A country is supposed to enjoy sufficient growth for it to pay back its debt. The IMF and in the eighties, this was not always the case, the world bank too, are convinced firstly that outward-oriented countries show better results than do inward-oriented ones. And secondly, what has been called private enterprise is a better engine of growth than government. And the IMF and the world bank are convinced, that their convictions are general truths, applicable everywhere and under any circumstances but unfortunately not always heeded. Jamaica for instance, with its inward-oriented strategy of the seventies or, to put it in the language of the time, its strategy of self-reliance, according to IMF and world bank took a totally wrong turn. From a worldmarket perspective this resulted in distorted productive structures and a standard of living which in actual fact the country could not afford. Therefore Jamaica needs to be structurally adjusted and, clearly, some "assistance" to that effect has to be given.

It would not be difficult to show point by point how and to what extent the individual elements of structural adjustment do not achieve their stated targets, but space does not allow to do so here. In truth the aims of structural adjustment fall wide off the mark. That fact in itself could be cause for some serious discussion about the real if not stated intentions of structural adjustment. However, this presentation will confine itself to a rather cursery view on aggregate data.

Three years are supposed to be sufficient time for structural adjustment to be effective. We have seen already what devastating results it had achieved from 1983 to 1985. But maybe more time is needed; maybe after, say 6 to 8 years, things look quite different?

They do look different. Now

- the national debt has gone up to 4,2 billion US dollars. 1980 it was 1,2 billion.
- the debt ratio, that is the relation between total debt and total export earnings has risen to 262% (1980: 125%), the ratio to the GNP is 150%, that is twice at high as 1980.
- the actual GNP lies 20% below that of 1972.
- exports have fallen 16%.
- in addition to 20.000 redundancies in the public sector a further 20.000 jobs have been lost in the industrial sector, mostly in small industries; production capacity is at 50%, the investment rate at 60%.
- debt and debt service increase faster than do production and export.

Growth has not been achieved. On the contrary, there is now hardly any chance for the country to produce itself out of its debt. To put it more clearly: the very debt that will chain the country for years to its "donors" to a large extent has been created through structural adjustment.

And something else looks different now.

- According to statistics collated by the Caribbean Food and Nutrition Institute, in 1979 a family of the size of 5 had to spend 92% of its then minimum wage to secure basic food requirements, in 1985 it was 250%. Local dishes, formally more common to poor people, have grown into hardly affordable festive meals. Akee and Saltfish. Saltfish 185% more expensive. Vegetable soup with flour dumpling. Flour 214% more expensive. Tinned milk, the main source of milk for poor people, 83% more expensive, chicken neck and back, most important source of animal protein for poor people, 74% more expensive.
- Electricity and water rates more than doubled, the price of cooking gas has tripled. Many women returned to cooking with coal on an old wheel rim.
- The Rent Assessment Board, once set up as a protective device for people against excessive rent demands, now became the very agency that ruthlessly effects rent hights and evictions in protection of middle class interests. Housing construction has dwindeld down to 30% of what it was in the seventies. Housing conditions are increasingly dense and desperate.
- Schooling has become a precious good difficult to access. Transport, school uniforms, school books, everything has gone up over more than 300%, the rate of devaluation, that is. Because of the cuts in government spending the basic school programme has been suspended alltogether. Spending on primary schools has fallen one

third, on teachers training two thirds. Sometimes funds allotted are not released. Government owes them to the institution, but delays the actual disbursement in order to meet specific IMF targets. Tertiary education institutions like the College of Arts, Science, Technology and the University of the West Indies now attract a cess.

- Nearly 50% of all teachers have left the schools. Many of them joined the ranks of a rather recent species, the informal commercial importer (ICI). These are higglers who import foreign consumer goods which are high in demand. Low salaries for highly qualified people cause them to leave the educational system. In agreement with IMF stipulations wage raises are not to excede 15% and, in fact, after an extended strike, teachers got an increase of 13% for the whole of 8 years. On the other hand working conditions in the educational sector became more unbearable. Now the average primary school class counts 55 children. All over the island schools are vandalized by poor people of the area. Particularly after summer holidays benches, chairs, lavatories, basins, whole wooden walls are found missing and government had threatened to stop financing the necessary repairs.
- Medical care becomes equally difficult to access. Vaccination programmes, mosquito control, preventive examinations in school – government money is to be saved – are curtailed or terminated alltogether. One institution training nurses has been closed, the other one did not take in new students for years. Training in midwivery was suspended for a couple of years. The widely acclaimed community–health–aid–programme providing a link between curative and preventive medicine has been terminated alltogether. Many rural hospitals and health centres have been closed or "downgraded", meaning that their equipments and their services have been scaled down substantially. Formerly freely rendered services of the public health system as for instance pre– and ante–natal health care, delivery, prescribed medication, now have to be payed for. Oftentimes the staff does not have the heart to insist on the money. Consequently many health centres work with highly fictional budgets. Their patients simply cannot pay and government does not disburse its funds in time due to IMF targets that have to be met. On the other hand, in order to keep specialists on the island, public hospitals have reintroduced private wards.

Government provisions for health and education are the only option for the large majority of the people to secure their future. It is in these areas that basic decisions about the quality of their lives and their chances in society are being made. Deterioration in these sectors does not reflect immediately in numbers and figures. It is their future pawned out.

In a few years from now donor agencies – this trend has already begun – will "identify" development projects of undebatable social need and great human urgency. Rehabilitation will follow structural adjustment and again it will all be part of development policy dialog.

But to return to the topic of growth. One growth industry does exist. It lies in the Kingston Free Zone. This is where US based firms place usually old equipments into brandnew turn-key factory space provided for by the Jamaican government with donor credits to be serviced and payed back eventually. So far about 15.000 women have been hired. In piece labor they add a few stitches to brassieres or precut hosery fabrics, before the value added product leaves the free port to be shipped back to the US, in the process attracting a substantial amount of various sorts of subsidies and exemptions. The much herolded Caribbean Basin Initiative secures certain benefits for such production in the US, too. Therefore further factory space is in high demand. Further benefits but temporary construction work and piece labour do not accrue to the country. Linkages to local production do not exist.

Trade unions are not admitted to the free zone. The women earn between 80 and 90 Jamaican dollars per week with the purchasing power of the Jamaican dollar lying under that of the deutschmark. Just the same, it is not the issue of remuneration that brought the recent cry for union representation, but rather insufficient facilities such as cantines, resting space and, at the end of the day, a refreshing shower in order to make the way home with a sense of respectability. Foremost, however, it is the unaccustomed reduction to an element of the labour force and nothing but that, and the more often than not white expatriate manager to whom no trade union will form an arbitrating link and who are frequently compared with the overseer of the oldtime plantation society. The issue of the free zone has be discussed widely in the media, and there is always a tint of shame in it. A quarter century after independence for badly needed jobs to come around only in this form and under these conditions is indeed a most painful experience.

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Jamaica's debt situation has attracted by far less attention in the international debate than that of, say, Mexico, Peru, Brazil, Ghana, Tansania, to name but a few. Consequently little consistent information can be found. I personally owe a lot to the work of Omar Davies, professor at the U.W.I. Dept. of Economics and economic advisor to Michael Manley.

I want to express my gratitude for the generous provision with information and reflection not easily to be found in academic quarters. Few of his writings, however, are available in accessable print.

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