

Occasional Paper: **Globalization, Liberalization and Sustainable Human Development: Progress and Challenges in Jamaica**

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This report was prepared for and presented at the National Workshops in Kingston (20 February 2001) and Montego Bay (21 February 2001) on the challenges facing Jamaica as it manages its integration into the global economy in pursuit of sustainable human development. These workshops were organized under the aegis of the UNCTAD/UNDP Global Programme. Participants included government ministers, senior policy-makers from various ministries, representatives of the business community, academics and other members of civil society.

The views expressed by the authors do not necessarily represent those of UNCTAD or UNDP.

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REPORT OF THE JAMAICA NATIONAL WORKSHOP

Kingston and Montego Bay, 20-21 February 2001

Workshops were held in both Kingston and Montego Bay to discuss the findings of the Jamaica country assessment. They were attended by senior government officials and members of civil society, academia and the business community.

The assessment praised Jamaica's success in attracting significant levels of FDI, but noted that real growth rates have only averaged 0.1 per cent over the last decade. This is because interest rates have been kept high by a huge debt burden and fiscal deficit. High interest rates have in turn restricted domestic investment, dampening the island's entrepreneurial energy. Moreover, they have led to an appreciation in the exchange rate, encouraging imports and discouraging exports. Policy makers therefore need to tackle the debt problem and foster macroeconomic stability and fiscal discipline.

At the same time policy-makers should promote the small and informal business sectors, which are ideally placed to bring about economic growth, through increased competition, the development of new products and services, the exploitation of e-commerce opportunities, and the exploration of new sectors. Local entrepreneurs are also seeking policies to assist increasing flows of outward investment.

School enrolment at primary and secondary levels is good relative to other countries in the region. However, higher education enrolment stands at only 4 per cent. With rising global educational rates, Jamaica needs to develop a passion for education to remain competitive. Training workers in customer service and marketing will bring long-term benefits to the tourist trade.

Less competitive sectors are likely to see major job losses, and support nets should be set up to prevent the victims of reform efforts from falling into long-term poverty traps. Demographic changes have led to an unusually large number of workers relative to dependents. However, coupled with a high rate of emigration by the well-qualified, this has resulted in increased urbanisation, fragmented families and a rise in crime. With the potential costs and perceptions of crime so significant as to threaten growth, preventive action in this area is an important first step towards tackling poverty and strengthening Jamaica's image.

However, emigration in itself will not harm the economy. Studies have shown that the remittances, mainly from the US and UK, make up for lost tax revenue. Jamaica needs to sustain its human development achievements. Along with sound macroeconomic management, the island needs to build on its traditional strengths like tourism by seeking out new sectors and business innovations, injecting new skills, such as IT, into the economy, and fostering alliances with international producers and distributors to facilitate these changes. Furthermore, such reforms must be communicated effectively in order to build the necessary political capital to help deliver change.

Overall, the country assessment and national workshops have contributed to raising the capacity of Jamaican people, institutions and enterprises to cope with issues related to globalization. It is intended that the points identified will form an input to Jamaica's action plan.

CONTENTS

List of Tables and Figures	9
Overview	11
I. Introduction	15
A. Background: The UNCTAD/UNDP Programme	15
B. Background: The UNCTAD/UNDP Framework	16
C. Background: The UNCTAD/UNDP Jamaica Country Assessment Study	18
II. Liberalization: Jamaica and the Global Economy	21
A. Overview: Sphere One	21
B. Trade liberalization	21
C. Liberalization of Foreign Direct Investment	25
D. Freeing of Non-FDI Capital Flows	27
E. Macroeconomic Adjustment	29
F. A Liberal Environment	30
III. Growth: The Jamaican Domestic Economy	35
A. Overview: Sphere Two	35
B. The Jamaican Economy	35
C. Jamaican Competitiveness	37
D. Achieving Growth in Jamaica	39
IV. Human Development in Jamaica	45
A. Overview: Sphere Three	45
B. Human Development or Sustainable Human Development?	45
C. Jamaica's Human Development	47
D. Social Capital	53
E. Gaining from Social and Human Capital	58
V. Conclusions: Strategic Points of Entry	63
A. Policy Framework Review	63
B. The Threats Facing Jamaica	64
C. Jamaica's Opportunities	65
D. Strategic Points of Entry	66
E. Tomorrow's Jamaica	69
References	71
Annexes	77
I. Caribbean Community and Common Market (CARICOM)	78
II. Decomposition of Differences in Per-Capita Income	83
Tables	85
Figures	99

LIST OF TABLES AND FIGURES

TABLES

1. Trade in goods and services in Jamaica, 1980–99
2. Foreign direct investment (FDI), financial capital and trade flows: a comparison of Jamaica and its neighbours, circa 1999
3. Share of major merchandise export items in Jamaica’s total merchandise exports, 1980–99
4. Tourism in Jamaica, 1980–99
5. Composition of merchandise imports to Jamaica, 1991–98
6. Direction of Jamaica’s merchandise exports and imports, 1990–98
7. Indicators of market access to Jamaican products under alternative free trade arrangements, 1999
8. Foreign direct investment (FDI) inflows in Jamaica and selected other countries, 1970–2000
9. Average annual net private capital flows
10. Money supply, prices, and interest and real exchange rates in Jamaica, 1990–99
11. Growth of Jamaica’s financial sector, 1990–98
12. Moody’s ratings for Jamaica and a comparison group
13. Trends in real GDP, real per-capita GDP and population in Jamaica, 1970–98
14. Average annual growth rate of real per-capita GDP for Jamaica and selected other Caribbean countries, 1970s–1990s
15. Average gross domestic savings rate (as a % of GDP) for Jamaica and selected other countries, 1960–98
16. Wages, prices, productivity and unit labour costs, 1972–98
17. Labour productivity in agriculture and manufacturing in Jamaica and selected other countries, 1995–98
18. Jamaica’s real per-capita GDP under various productivity growth scenarios
19. Decomposing differences in (Log) of per-capita GDP

20. Budget deficits and tax revenues in Jamaica, 1990–99
21. Jamaica’s tax regime, 1992, 1997 and 2000
22. Growth and development in Jamaica, 1970–95: a comparison with other island economies
23. Jamaica’s achievements in health: a comparative look, circa 1998
24. Jamaica’s achievements in health: changes across time, 1970–98
25. Public health expenditures in Jamaica, 1980–98
26. Jamaica’s achievements in education: a comparative look, circa 1998
27. Public education expenditures in Jamaica, 1980–98
28. Poverty and inequality in Jamaica and selected other countries, circa 1996
29. Crime in Jamaica, 1990–98
30. Simulating the impact of improved openness, demographics and health on per-capita GDPs in 2015

FIGURES

1. Overlapping policy spheres
2. Remittances
3. Crude death rate
4. Infant mortality rate
5. Crude birth rate
6. Total fertility rate
7. Population growth rate
8. Ratio of working-age to non-working populations

OVERVIEW

BACKGROUND

1. This paper presents results from the Jamaica Country Assessment Study, which is part of the UNCTAD/UNDP Programme on Globalisation, Liberalisation, and Sustainable Human Development in Jamaica. It draws together work from country papers, meetings, interviews and other sources to present an overview of Jamaica's current development position; an assessment of how Jamaica should react to globalization; and a discussion of how Jamaica can achieve the ultimate goal of the development process: sustainable human development.
2. The paper analyses Jamaica's position in light of an analytical framework developed for the UNCTAD/UNDP Programme by Agosin and Bloom (2000). This framework identifies three overlapping and interlinked policy spheres. *Sphere One* covers integration into the global economy and the liberalization of markets; *Sphere Two* addresses the needs for economic growth; and *Sphere Three* concerns sustainable human development. The framework argues that only a balanced portfolio of policy interventions in each of these spheres is likely to yield mutually reinforcing and positive results, creating a "virtuous spiral" as growth in one area leads to gains in another.

SPHERE ONE: LIBERALIZATION AND JAMAICA

3. In the 1990s, Jamaica liberalized its economy to a great extent, with both of Jamaica's major political parties advocating basically liberal policies. Significant foreign direct investment (FDI) has been attracted. Jamaica has stepped up its involvement in the Caribbean Community and Common Market (CARICOM), and the proposed Free Trade Area for the Americas (FTAA) offers significant access to new markets. Simultaneously, however, Jamaica is losing its privileged access to European Union markets, and its primary goods (mainly bauxite, sugar and bananas) look increasingly uncompetitive in world markets.
4. Jamaica's macroeconomic policy has made achieving low inflation a priority. However, a fiscal deficit and a huge debt burden have kept real interest rates high, while the exchange rate has tended to appreciate. The result is an economic environment that has encouraged imports and discouraged exports, making it hard for Jamaican business to take advantage of the opportunities liberalization offers.

SPHERE TWO: ECONOMIC GROWTH

5. Following an economic boom in the 1950s and 1960s, Jamaica has struggled to achieve economic growth. Real growth rates averaging 0.1 per cent of gross domestic product (GDP) throughout the 1990s compare poorly with rates among many of Jamaica's Caribbean neighbours, other middle-income countries and the global average. Liberalization has not, as yet, delivered the expected economic benefits.

6. Several decades of consistently poor productivity, particularly in manufacturing and services, lie at the heart of the economy's malaise. This finding is of particular importance given the rapid growth in the importance of these sectors. New products and services need to be developed, and new sectors explored. As well as increases in productivity, economic growth needs competition. "New-breed" enterprises, survivors from the rigorous 1990s economic climate, small businesses and the informal sector can all contribute.

7. Growth requires macroeconomic stability and fiscal discipline. There is little scope for increased tax revenue, although further privatizations are planned. The credibility of Jamaica's policy-makers and institutions will also be crucial in reassuring international and domestic audiences.

SPHERE THREE: SUSTAINABLE HUMAN DEVELOPMENT

8. Jamaica's human development indicators are relatively positive. The population's health is good relative to that of comparison countries. Although spending on public health is static, the area of private health care is growing. HIV/AIDS is currently at relatively low levels in Jamaica and early action in this area now would be highly beneficial, in particular considering the future costs of inaction.

9. In the schools, pass rates in basic English and mathematics are rising from previously poor levels, and enrolments at the primary and secondary levels are good relative to those of comparison countries. Dropout rates after secondary education are extremely high, though, and tertiary enrolment rates are barely 4 per cent among 19- to 24-year-olds. Jamaica has made a number of efforts to support training, although the quality of such training is variable.

10. Demographics offer a potential opportunity to Jamaica as a "baby boom" creates a period with an unusually large number of workers relative to dependents. There are also demographic pressures, including increased urbanization and fragmenting families. Emigration further complicates this picture, as large numbers of often well-qualified Jamaicans leave the island.

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