

INSTITUTE OF CURRENT WORLD AFFAIRS

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FJM--20 Jamaica I
An economic overview

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Dear Mr. Nolte:

During the 1960's Jamaica began to transform its economy from total dependency upon sugar and banana production to a more industrialised system based upon mining bauxite, the development of light industry and the promotion of tourism. During the 1970's this economic transformation should become more explicit. Sugar and bananas will continue to decline as a source of wealth for the island. Eventually lands in sugar will have to be diversified to grow other marketable crops for domestic use. At the same time the bauxite industry should expand to encompass the processing of more alumina and perhaps, before the end of the decade, the reduction of alumina into aluminium. Light manufacturing should also increase, though at a slower pace than in the 60's, since legislative incentives such as tax-holidays and duty-free imports will have to be curtailed. Tourism will be greatly expanded as well; and with the addition of new air routes to Europe, Africa and Asia, Air Jamaica would be able to provide even greater income to this industry.



As a result of these economic trends, there should be a breakup of the traditional lines of authority and power relationships which have characterised Jamaican society for the past forty years. Certainly the influence of the plantocracy will be greatly diminished. The traditional export-import merchants, so characteristic of a small underdeveloped country, should also suffer reduction of personal power and status. And although doctors, lawyers and other professionals will remain important, their place in society as the only trained men of the community will be undercut by equally influential men in commercial industrial fields.

Indeed, a new elite has already begun to emerge. Great influence has accrued to financiers, middle men and brokers for expatriate capital which has moved into the industrial and tourist complex. Contractors, real estate developers and other entrepreneurs will continue to acquire greater influence. And these men in turn will naturally form closer links with the expatriate sources of capital and management technique.

Nevertheless, an economic scenario such as the above presupposes nothing of the social and political factors which could create radical changes. Such social factors include the high number of unemployed--particularly among the young; the crowded conditions of the cities; the rise in unskilled, jobless city-dwellers; and the low standard of living in rural Jamaica. Concomitant with these social inputs, one must be aware of the expanding consciousness of black dignity--a cultural revolution--black culture and the rising expectations of young people throughout Jamaica who demand a redistribution of power throughout the society.

Though at the present time, the current political leaders of Jamaica are very aware of the social factors outlined, they have, from all evidence, decided that there is time to allow the scenario to evolve without rapid or dramatic alterations of the existing system.

However, there are significant reasons to think that a younger generation of leaders, men who view economic development in more dynamic terms, could arise and alter the programme drastically. Thus, as an older order is discarded and another, not so different, is being programmed by a new elite, there is already yet a third, an underground scenario taking shape--a scenario which may be the cause of the confrontation to come.

The third largest island in the Caribbean, Jamaica lies five hundred miles south of Miami, Florida, ninety miles southeast of Cuba and one hundred miles west of Haiti. The island is only 150 miles long and 50 miles wide, though due to several mountains it takes a full day's drive to move from one end of the island to the other.

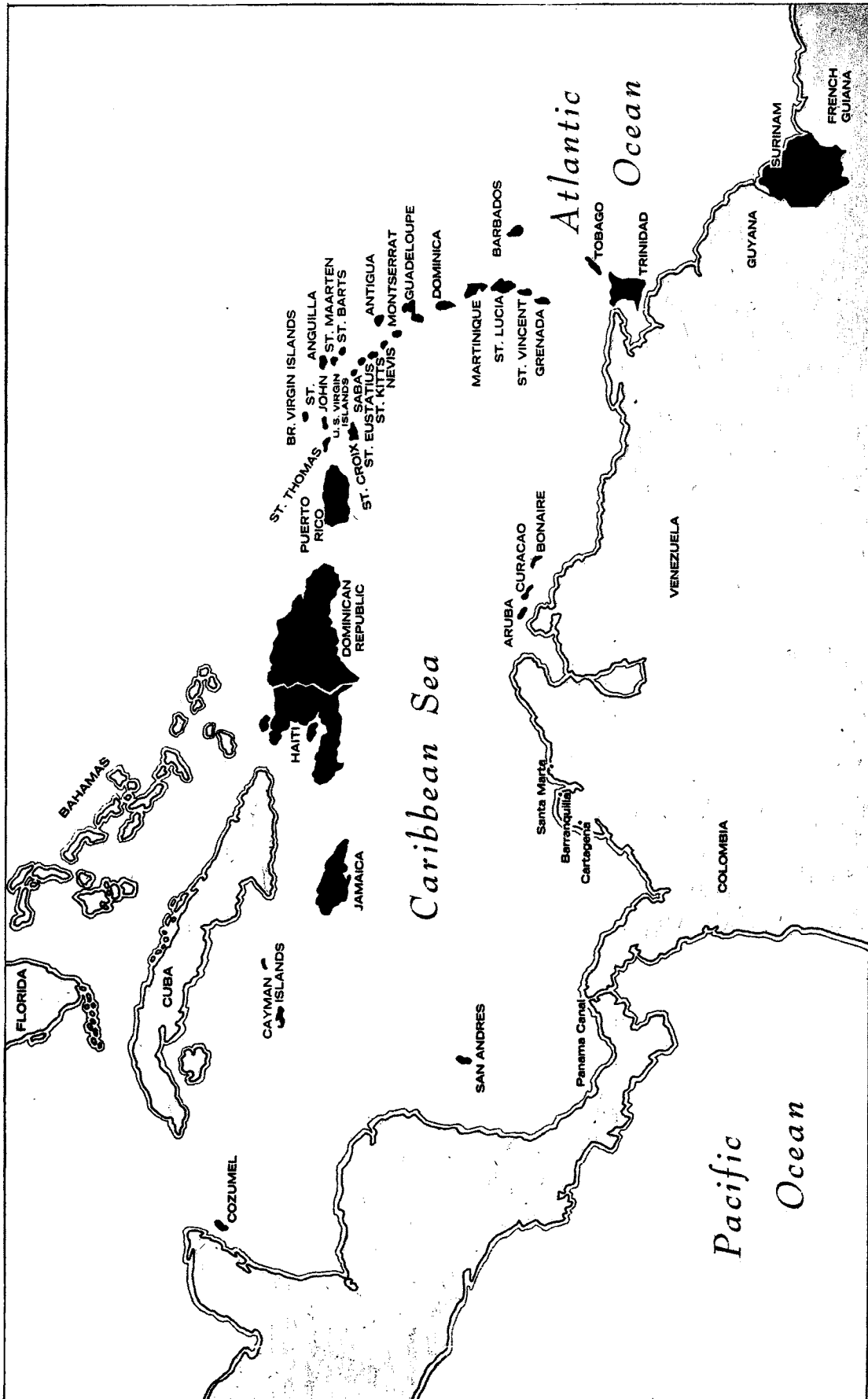
Numbering over two million inhabitants, the majority of Jamaicans are of African or Afro-European origin. This population, one of the fastest growing in the world (39 per 1,000), even surpassing India's rate of growth, also has one of the lowest death rates in the world (7.9 per 1,000). Such a high birth rate and high population density (1,050 persons per square mile of cultivable farm land) coupled with massive unemployment has the obvious political implications.

Columbus was the first to discover Jamaica in 1494. Following him, the first settlement of Spaniards arrived on the island in 1509. They found it already populated with a very peaceful people called Arawaks. However, the Spaniards were cattlemen who needed the Arawaks as herdsmen and field hands. Enslaved, the original inhabitants of Jamaica were finally decimated by the Spaniards and at the end of the sixteenth century the Arawak population was almost entirely exterminated.

With the loss of Arawak labour, the Spanish began importing Africans to work their settlements. The first Africans were brought to Jamaica in 1517. These slaves served the Spanish settlers until 1655, when the English invaded and captured the island for themselves.

The English were farmers who cultivated the land and devoted land almost exclusively to planting sugar, which required large numbers of cheap labour. So following the Spanish lead, the English began importing Africans in large numbers. By the middle of the 18th century the African slave population outnumbered the European seven to one. These Africans were from various tribes, though the majority came from the west coast of Africa. With different temperaments, languages and customs there were Ibos from the Niger Delta; Akim, Ashanti and Fanti from the Gold Coast; Mandingoes from the region between the Niger and the Gambia; Pawpaws from Dahomey; and others from the Congo and Angola. The peaceful Ibos and the more aggressive people of the Gold Coast were the most numerous.

From 1655 until 1835, the plantation and slavery were the basis of the Jamaican economy; and though in 1835 slavery was abolished, the economic system remained essentially a pure plantation in which all decisions taken were made in the interest of the metropolitan country. This system, with some minor adjustments, operated in Jamaica so long as the British governed the territory as a Crown Colony. As a result, when political Independence came in 1962, Jamaica remained almost totally dependent upon Great Britain for artificial support of its main export products: sugar and bananas.



For three hundred years, the October rains in Jamaica have marked the coming of cooler weather signaling preparations for harvesting the ripened sugar cane crop. Farmers repair their interior roads leading to the cane, check their cane-carts and trucks and begin contracting cutters from nearby villages. Then, beginning in early January, the cutting and grinding begins-usually ending in late spring when planting is started for next season's crop.

The cut cane is loaded onto carts or special trucks and hauled to one of 16 factories still milling cane. These factories, located on the biggest sugar estates, continuously grind and operate on three shifts each day, six days a week. Only on Sunday afternoon will the mills halt for repairs and cleaning for the week ahead.

The cane stalks are crushed by huge steel rollers until most of the sugar juice has been extracted. The residue, which is called bagasse is then fed to fires stoking the steam engines below. The steam engines boil the juice until first a thin brown syrup, then sugar crystals are formed. Centrifugal bins then spin the crystallized sugar until all the molasses is squeezed through tiny perforated holes in the vessel. Finally, from these bins, the sugar is scraped, dried and stored for shipment.

Under right conditions, a ton of sugar can be ground from about eight tons of cane. In Jamaica, there are about 27,000 cane farmers who supply an average of two million tons of cane to the 16 factories each year. Most of these farmers are small land owners, their plots running between one and three acres. These small-holdings are located in the hilly country above the southern coastal plains where, in 1835 following the abolition of slavery, the freed slaves migrated. At first these farms were adequate; but over the years they have become fragmented into vast numbers of tiny plots which exist today.

Living conditions on these farms are very poor. Estimates show that only 1% of these holdings has electricity. Only 5% have plumbing on the premises. Frustrated by living at a subsistence level, large numbers of these country people migrate to Kingston in search of better living conditions and work. These people constitute the bulk of the 650,000 people crowded, unskilled and jobless, in the poorer sections of Kingston.

At the opposite extreme, there are the 1050 larger farms or estates which claim a total acreage of nearly one million acres. These are the large plantations located along the southern coastal plain which cultivate the better lands and export to foreign markets.



Interior of 19th century Sugar plant



Cutting cane

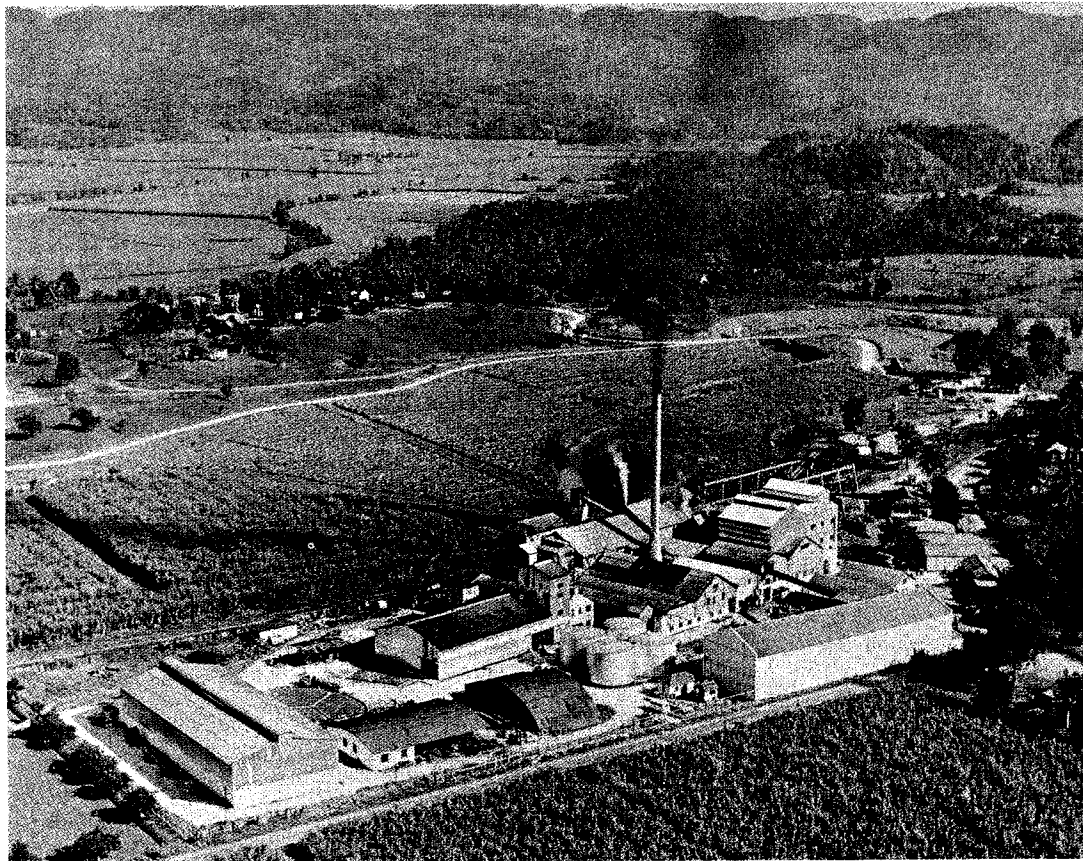
The larger estates are facing hard times, however. The sugar industry as a whole is hard pressed to remain in operation at all. For example, in the past two years, over 4,000 of the smaller farmers have abandoned their operations while 6 of the bigger estates have also closed down. Last year the Jamaican sugar industry was unable to meet its international quota commitments because the cane crop had "short-fallen" approximately 100,000 tons. As a result, the country not only failed to bring in desperately needed foreign exchange, but Government was also forced to import sugar for domestic consumption from Great Britain, the traditional customer of Jamaica's sugar. This year's crop also seems to be short. After four months of cutting and grinding, actual production was 30,000 tons less than had been projected.

Difficulty in employing cutters, finding adequate transportation for the cane and the high costs of production have crippled the industry. The sudden expansion of bauxite and tourism deprives the sugar estates of large numbers of skilled and unskilled workers. Truck owners who transport cane are also very reluctant to work the cane fields. These men have been lured by the better wages and more appealing jobs in the other industries. In addition, the past two years production costs have exceeded sales. In 1968, total sales amounted to \$J97.75 per ton of sugar produced, while costs ran an average of \$J100.00 per ton. In 1969, the selling price for a ton of sugar was \$J100.00, but costs again exceeded that figure.

For the past three years, cane farmers have been pressing Government to grant them permission to mechanize the loading and cutting operations in order to avoid the labour difficulties they have encountered. Finally, after two and a half years, the estates have been given permission to purchase mechanical cutters and loaders which may avert immediate disaster.

One of those to comment on the plight of Jamaican sugar was Sir Ian Lyle, president of Tate and Lyle of Great Britain and owner of one of the largest estates in Jamaica:

"We welcome the continuing evidence of the Government's interest in the well-being of the industry, which has been reflected in a healthier atmosphere and in an improvement of our company's prospects. However, there are long term problems still to be overcome and this year the bad weather and bad juice content has meant a serious drop in production which will put the Jamaican company again into a loss position".



One of Jamaica's 15 sugar factories still operating

The long term problems about which Sir Ian Lyle spoke may not be resolved so easily. The high costs of production remain and there are convincing arguments against retaining for Jamaica an industry which utilizes 200,000 acres of the very best farm land, employs large human resources (60,000 men), and invests approximately \$75 million so inefficiently. Further, it is not only a question of the net profit or loss for one company, or even the industry itself, so much as it is a matter of net returns to the country. Observations by critics of the sugar industry, particularly economists at the University of the West Indies, have pointed out that there are other factors to consider apart from the condition of the balance sheet of Tate and Lyle. There are social costs such as loss to Jamaica of profits made locally but repatriated to British-owned parent companies, the cost of importing foodstuffs which otherwise might be grown on land now ineffectively controlled by sugar, the cost of dehumanising 60,000 workers who must support approximately 240,000 dependents on an average wage of only \$J10 a week, the hidden costs of a subsidy which in reality returns to Great Britain, thanks to a burdensome preferential trade agreement.

The alternative, of course, is diversification. In fact, much serious and constructive work has been done by West Indian economists outlining such a programme. Among the most effective is the work of the Guyanese economist Dr. Clive Thomas who was recently expelled from Jamaica for alleged subversive activities. Thomas' comments on the sugar industry and diversification, however, go to the core of the problem:

"As soon as the issue of diversification is raised, the plantation boys throw their hands in the air and shout the question, why use our lands for this if there is other idle land in the community. Put in this way their question raises an even more profound and disturbing issue. How can a poor, land-hungry island economy really have 'idle land'. And if this land is idle what are the institutional restraints which prevent it from going into production. My answer in brief is the plantation system and any programme of land tenure reform in the country must be based on the elimination of these private latifundias and latifundistas. It is the plantation system which contributes to the fact that 0.7% of the farms of Jamaica occupy 56% of the total acreage while 71% of the farms occupy 12% of the total acreage."

Thomas' programme for diversification involves four steps. First is a forestation programme which would utilize "useless" or hilly farm-land. This would center on the feasibility of a pulp and paper manufacturing industry. The second step would be diversification of good lands into vegetable production. These locally grown foods would hopefully develop a whole series of secondary industries such as canning and processing. The third act of diversification would be meat and dairy farming. Imports of beef and dairy products would suggest that at least 226,000 acres would be required to programme such an industry. The fourth step would be the production of wheat and maize. This would not only replace present cereal imports which Thomas values at \$27 million but provide Jamaica with another series of secondary industries. These and other products, Thomas feels, could go a long way toward solving the Jamaican unemployment problem which will be examined further below.



Jamaican agriculture is facing another current crisis. The banana industry, ranking fourth as an island export producer, is confronted with extinction as a result of a paradoxical dispute with its own marketing agent, Britain. This confrontation, initiated by United Fruit, is a pure example of a small, underdeveloped economy's vulnerability to the whims of foreign control.

Jamaica's banana industry was started in the mid-19th century. Ex-slaves who had fled the low-lands and sugar plantations found that they could grow bananas on their small land holdings in the hill country where they had settled. With the help of a few Kingston merchants who served as middle men to American schooner captains, the hill people developed a considerable trade. By 1890 these growers had control of 25% of Jamaica's total exports.

At the same time, however, United Fruit began its large expansion into the banana industry. By 1910 the American company had control of 860,000 acres of banana growing land in Jamaica, Costa Rica, Columbia, Panama, Honduras and the Dominican Republic. In an effort to counter the hold United Fruit had on production, shipping and marketing, the banana growers of Jamaica established their own shipping and marketing organization in 1929. This was called the Jamaica Banana Growers Association. Since then, the Association has grown into a company representing the true banana interests of Jamaica, which controls 25% of the total banana export to Great Britain. The other 75% is controlled by the United Fruit subsidiary.

The current dispute between the banana growers, represented by the Jamaican Banana Board, and the United Fruit group erupted when United Fruit announced that it wished to terminate its present marketing contract with the Jamaica growers. United Fruit's aim was to expand its own markets in the United Kingdom by importing bananas from other areas--notably Africa--which U.F.'s contract with Jamaica prohibits. It would not take a very great volume of such imports for United Fruit to break open the United Kingdom market and destroy the West Indian banana industry which is protected by a U.K. subsidy.

The motivation behind United Fruit's move is, according to local Association members, an attempt to destroy its main competitor for the British market, Geest Bananas Ltd. For some time, Geest, in conjunction with the Windward Island group, has been cutting into the United Fruit market. The reason for this is Geest's own ability to market a better quality of banana (see FJM--8: St. Lucia Bananas, Politics and Poverty). Fyffes and United Fruit, while not able to compete with Geest in terms of quality, apparently decided that with greater volume from Africa, Geest could be undercut with lower prices.

What is at stake in this dispute is a banana industry worth \$14 million which employs 34,000 farmers and 35,000 labourers. Until the current troubles, Jamaica had been protected by the United Kingdom's preferential duty and an imposed quota of 4,000 tons of bananas from all non-commonwealth Caribbean growers. Without this protection, the Jamaican industry, which provides 52% of all bananas imported by the United Kingdom, would have collapsed.

As a result of the "banana war" between the Fyffes group and Jamaica, two essential weaknesses of the Jamaican industry have become clear. The first is the obvious plight of a nation's principal exporter in so precarious a position as to be effected by and dependent upon a single foreign company's decisions. The second is the more complex problem of the United Kingdom subsidy of the banana industry.

It is recognized that without the preferential treatment accorded the Jamaican banana industry, the Jamaican produce would not be competitive on the world market. In fact, bananas from Central America or Africa could even survive on the British market after duties have been imposed. The 4,000 ton quota is what saves the Jamaicans. What will happen if Britain enters the Common Market and is forced by her European partners to abandon such quota systems?

The solutions to these problems require a reorganisation of the production and sale of Jamaican bananas, a reorganisation which would alter the artificial and dependent character of the Jamaican banana industry. Again it is the proposal of a West Indian economist George Beckford, which seems to offer the most feasible alternative.

Beckford, an agricultural economist at the University of the West Indies, first suggests a rationalization of the land patterns used to grow bananas and points out that the high cost of production is linked to "locational diseconomies" in the industry.

"Bananas for export are produced more or less indiscriminately in various parts of Jamaica. It is of some interest to note that in Central and South America....banana production is restricted to the most ecological areas. This is a result of the fact that the industries there were developed by private, foreign-owned fruit companies which were given an option on the most suitable lands. The Jamaican industry, by contrast, was grafted onto an infra-structure designed for sugar production and developed by numerous smallholders who had limited access to suitable lands.What is implied is thatsubstantial economies could be derived from shifts in the location of production....such shifts would have several major effects. First, the elimination of marginal producing areas would lower the over-all average cost of banana production. Second, concentration of production would....facilitate disease control and improvements in technology. Third, the costs of purchasing and transporting fruit to ports would be considerably reduced. Fourth, administration of the industry would be less unwieldy....And fifth, production of foodstuffs for the home market could be increased if, as appears, land withdrawn from bananas is suitable for this purpose."

With reference to the shipping and marketing difficulties with United Fruit, Beckford thinks that "clearly the solution lies in the direction of doing our own shipping and marketing".

"The most obvious way of achieving this is to expand the Jamaica Banana Producers Association into a National Line capable of handling the entire trade. One difficulty would be the high cost of new ships. But when one considers that some 75% of current marketing costs consists of freight and commission to marketing agents, it would seem that investments of this type would pay high returns in terms of national income creation. Another solution could be to secure access to supplies from other West Indian islands. One way would be to expand the company with share capital subscriptions by Windward Island growers and partly with capital subscribed by all West Indian governments to transform the company into the West Indian Banana Growers Association. This would be the nucleus of a regional shipping line which would handle more and more of our trade with the rest of the world."

Beckford's proposals emanate from the same sort of desire for national autonomy and West Indian regionalism which sparked the analysis of the sugar industry done by Dr. Clive Thomas. And though their evaluations seem utopian or overly harsh to some, it is clear that the present condition of sugar and bananas requires such radical thinking. Whether conditions change through use of foresight or by force of circumstances is yet to be determined; but it is most likely that radical changes will come. Perhaps Britain's entry into the Common Market will be one of the crucial factors forcing Jamaica to utilize more effectively her own resources in the manner Beckford has suggested.

Much of Jamaica is mountain and plateau capped by thick layers of Tertiary limestone. These lands are not very good for cultivation; but they have other value. A million years of tropical weathering have covered the limestone with layers of red clay, which though infertile, is the basis of the billion dollar Jamaican bauxite industry.

Latest figures available indicate that bauxite is the greatest foreign exchange earner for the country. The industry accounts for nearly 50% of the island's exports, contributes approximately 9.8% to the gross domestic product and pays \$18.5 million or roughly 9% of total Government revenue in royalties and taxes. Bauxite employs about 8,000 workers.

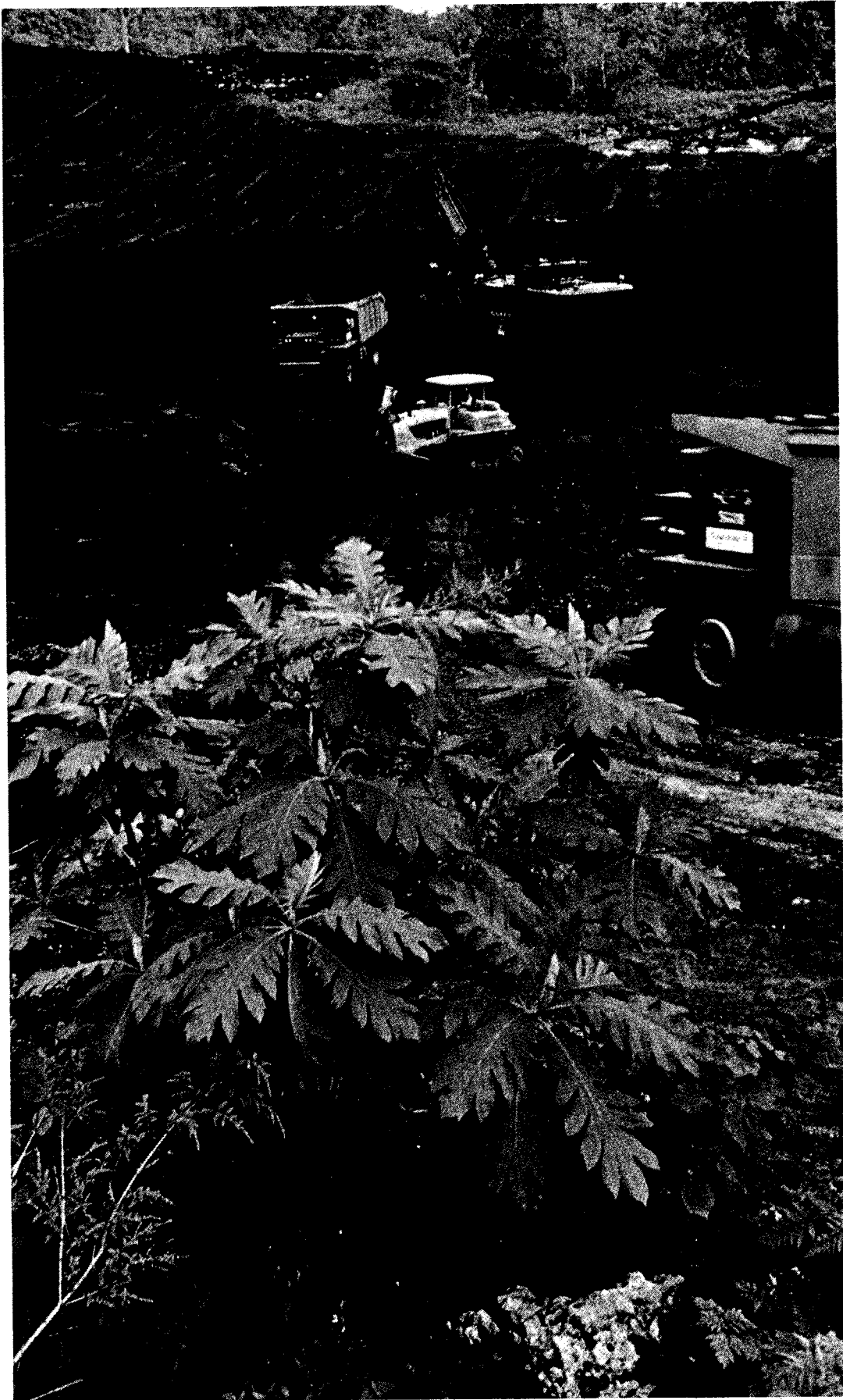
The uses of bauxite were first made known in France where it was discovered in a small town called Les Baux. France remained the sole producer and leading source of information about aluminium until the First World War when the United States developed its own industry. Bauxite was first discovered in Jamaica in 1869.

Bauxite, a chemical compound of aluminium oxide, iron oxide, silica, titania and water, is the base ore from which aluminium is extracted. This extraction is accomplished in three stages. In the first stage, the bauxite is mined and de-hydrated. The second stage, called beneficiation, is a process which separates the aluminium oxide from the bauxite by washing the ore with hot caustic soda. In the smelting or third stage, the metal is separated from the oxide (reduction) using an electrolytic process which is very costly and very complex. On the average, production of one ton of aluminium requires two tons of alumina which in turn is obtained from four tons of de-hydrated bauxite.

It is important to understand that at each of these stages, the value of the product is greatly increased. Specifically, one ton of pre-fabricated aluminium has 17 times the value the equivalent of mined and dried bauxite. For example, assuming that it takes 4 units of bauxite to process 2 units of alumina from which 1 unit of aluminium is manufactured, then calculating that those 4 units of bauxite are valued at \$25.00, the value added for 2 units of alumina is \$105.00, that of 1 unit of aluminium is \$382.50 and the same unit of aluminium, semi-fabricated, \$918.00. This then makes the question of where the various stages of processing take place very important.

Aluminium itself ranks first among the world's non-ferrous metals. It is utilized by the construction and transportation industries. However, more electrical and packaging industries are beginning to use aluminium since the metal is light, resistant, reflects light, is non-toxic and has an electrical conductivity greater per pound than any other metal.

Although the aluminium industry encompasses five continents, and 28 different countries mine bauxite, the United States together with Canada process between themselves 45% of the world's aluminium output. Jamaica and the other Caribbean bauxite producers (Guyana, Surinam, Haiti and the Dominican Republic) supply 90% of the raw materials used in North American aluminium production. Jamaica alone contributes 47% of that total and is the leading producer of bauxite in the world. Only Australia and Guinea rank ahead of the island in total bauxite reserves.



The North American industry and therefore 45% of the world's supply of aluminium is controlled by four companies: Alcoa, Reynolds and Kaiser in the United States and Alcan in Canada. Recently, two other companies, Revere and Anaconda, have entered the industry laterally from copper. All of these companies have plants located in Jamaica. Three of these companies--Anaconda, Kaiser and Reynolds--have formed a consortium, Aluminium Partners of Jamaica (ALPART) in order to operate Jamaica's third and largest alumina production plant. The other two alumina plants are owned by Alcan. Two more alumina plants are scheduled to go into production by 1971. One is to be owned by Alcoa, the other by Revere. Finally, in addition to their partnership in ALPART, Kaiser and Reynolds also have larger bauxite mining rights on the north coast of the island.

Since 1952 when the first load of bauxite was shipped to North America, total export of de-hydrated bauxite has amounted to 81.4 million tons. In addition to this export, another 23.1 million tons has been mined and then converted into alumina. (Total alumina thus exported amounts to 9.6 million tons.)

In return, the producers have paid Government \$124 million in taxes and royalties for exported bauxite and an additional \$72.6 million for the alumina. Thus the industry has paid approximately \$200 million in taxes and royalties. Total investment for plant and facilities amounts to \$335 million to date.

With new plants due to start production, the bauxite industry will be mining 21 million tons of ore and processing 4.87 million tons of alumina annually by 1973. It is estimated by Government that the industry's total payments to Jamaica will amount to \$52 million per annum and that the total investment made by the six companies will by that time amount to \$535 million.

At a glance, one can see that the bauxite industry has and will continue to be a vital part of the Jamaican economy. The tremendous initial investment in plants and facilities, the building up of the island's infra-structure, and the substantial amount of royalties and taxes paid have been significant contributions to the economic growth of Jamaica.

There are difficulties, however. As most younger West Indian economists recognise, under existing organizational and financial arrangements, the potential of the bauxite industry has not been fully exploited. Norman Girvan, economist at the University of the West Indies has completed a recent study of the bauxite industry in the Caribbean and now argues that "relative to its potential, the industry's contribution to economic development has been low". Girvan insists that there is need to "rationalize" the operational structure of the bauxite industry in four ways: first, in terms of the

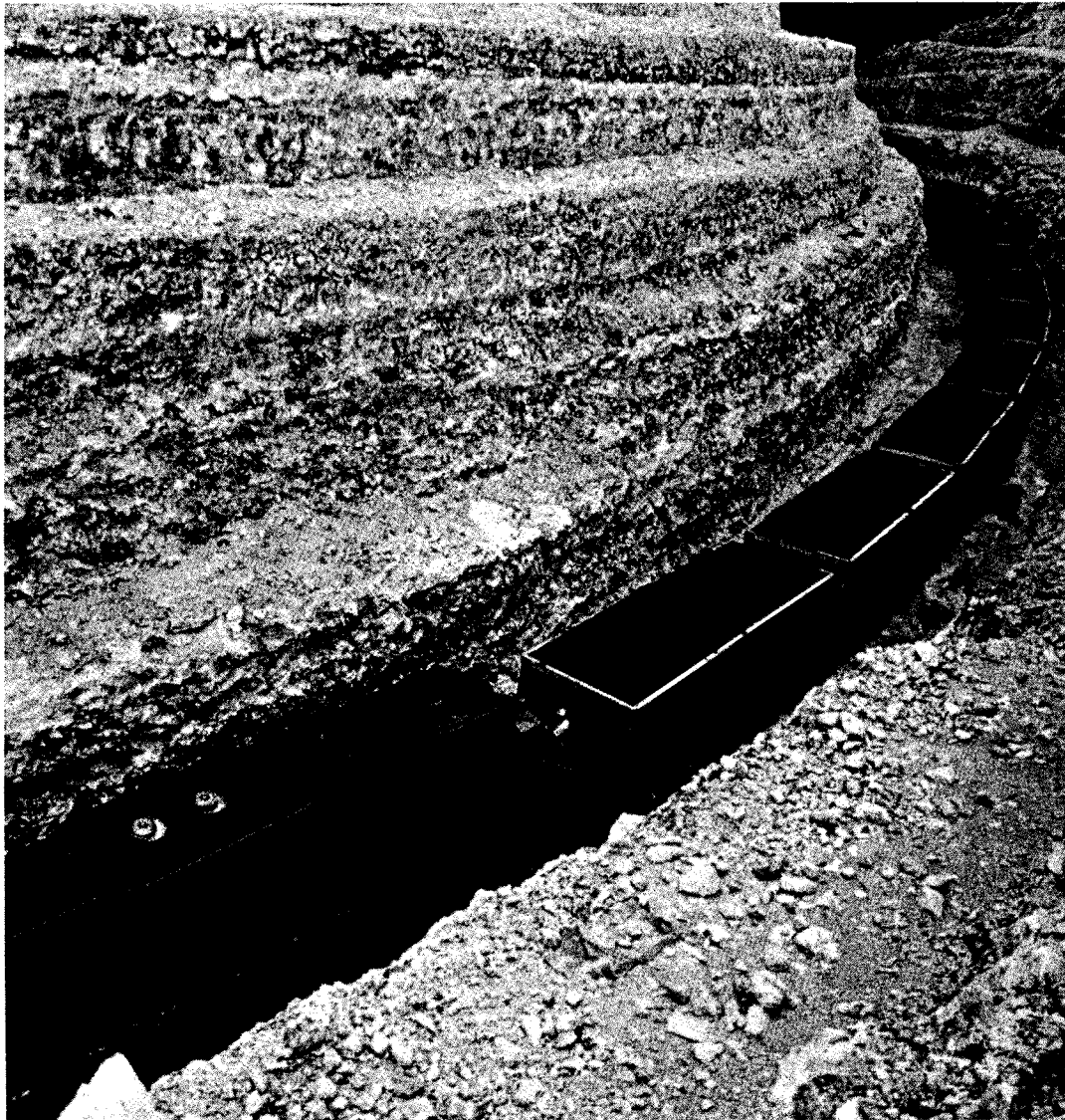
financial arrangements, specifically income taxes, made with foreign companies; second, in respect to the Caribbean participation in the various stages of processing; third, regarding depletion problems and rates; and fourth, the manner in which the Caribbean can profit rather than lose from any technological advances made within the industry.

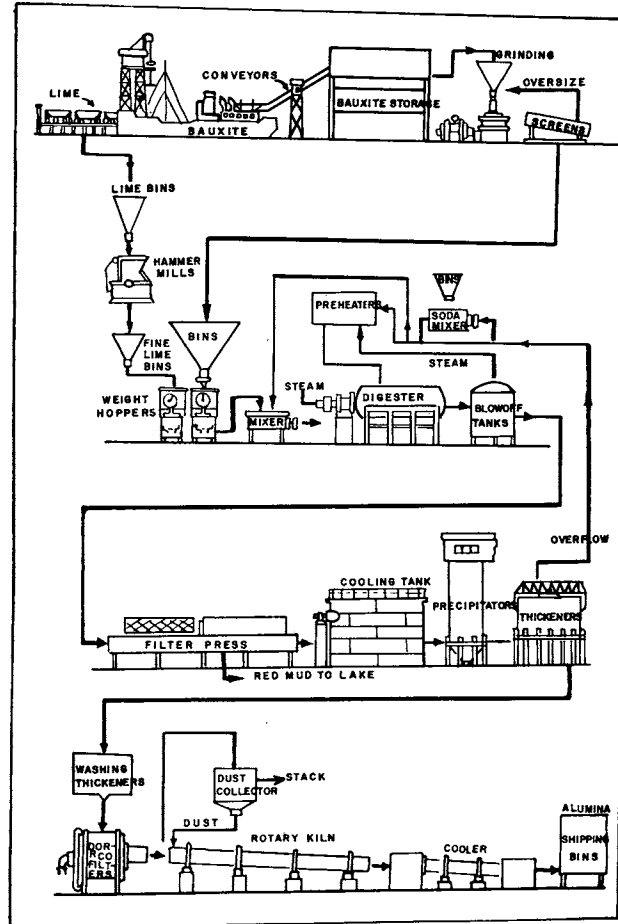
With respect to the very complex problem of taxation, there is sound evidence that the American Aluminium industry has been undervaluing the bauxite they have been mining in Jamaica. As a result, these companies have been paying less tax than what should have accrued to the Jamaicans. Specifically, the local American plants have been fixing one price on bauxite for the benefit of the Jamaican Government and another, much higher for the United States Internal Revenue Service. Figures available suggest that the American Aluminium industry or the United States Government owes Jamaica \$50 million as a result of this duplicity. (This problem was explained to envoy Nelson Rockefeller when he visited Jamaica as part of his Latin America tour. He was asked if he could arrange to do something about it. There may be a conflict of interest, however, since Rockefeller is a major shareholder in Anaconda Aluminium.)

The problem is a difficult one, since the bauxite is transferred from one branch to another of the same international company. Thus, the producer cannot be taxed in the normal manner of deducting cost from income. An accounting procedure called transfer pricing must therefore be used to determine value. As Girvan correctly suggests, the Jamaican Government at first "naively accepted the Corporation's evaluations with the result that while the average price of U.S. aluminium rose by 20% and the value of domestic bauxite by 80% the price set on imports.....hardly changed at all"

Dealing with the problem of participation in all stages of processing involves the issue of how the Jamaicans can share in the increased income as bauxite moves from red dust to metal ready for fabrication. As suggested above, the value of the finished aluminium is seventeen times that of the unprocessed bauxite. To date, Jamaica has secured only a very low share of the profits which could be made. This is a result of the industry's very high demand for capital investment and the fact of foreign ownership.

Girvan proposes regional cooperation as a solution to the capital demand problem. Pointing out that there are four other Caribbean states now mining or processing bauxite, Girvan suggests that mutual sharing of resources and investment in a nuclear powered smelting plant would provide the region with access to the profits now enjoyed by the four North American companies.





Bayer Process of Alumina Production

The economics of bauxite depletion are tied to the problem of processing outlined above. Since the location of aluminium processing is outside of Jamaica, Government has had to encourage the mining of as much ore as possible for maximising revenue from taxes. Further, as Girvan figures, "at current levels of output with currently known reserves.....Jamaica's deposits will be exhausted in 55 years". If output increases, however, the reserves will be fully depleted within 24 years. Girvan estimates that:

"When reserves come near exhaustion Kaiser will shift output to Australia and Reynolds will probably shift emphasis to Guyana. Alcoa and Alcan will probably shift to alumina production in Australia as well. Thus by the end of the present century, the Caribbean could be faced with the prospect of secular stagnation of its mineral industry and the retrospect of insufficient exploitation of its potential during its existence."

The fourth point Girvan emphasised was the fact that any technological innovations produced in the bauxite-alumina-aluminium industry were in the interests of the foreign companies rather than local needs of the Caribbean state. Research, for example, on the commercial production of aluminium from clay is certainly in the interest of companies headquartered in the United States where bauxite reserves are almost depleted. Jamaica would hardly benefit from this type of research, however. Another example is the lack of interest on the part of the North American companies in researching cheaper forms of electricity since in Canada and in the United States these companies already have sufficient power to operate their aluminium smelters. On the other hand, such a break-through is just the sort of innovation Jamaica needs.

But on the contrary, Jamaica and the other bauxite producers of the Caribbean are totally dependent upon the needs of the foreign corporations now engaged in mining operations within the region. And while the needs of the corporations, profitability and growth, may appear to benefit the states in which they are operating, the reality of the situation is quite different. The profits generated from bauxite are intra-corporate rather than intra-national or regional.

Girvan's proposal means a change in this pattern. He suggests a regional, bauxite-alumina-aluminium industry would make use of the resources of the Caribbean in the interests of the member states. A necessary accompaniment to such a rationalization of the area's resources would be a change in the industry's organization. For "even if the suggested production plans were possible under foreign ownership the accrual of profits abroad would remain a major cost". But more important for Girvan is the fact that such

a re-organization of the industry is "fundamentally prohibited by the structure of the international corporations, whose framework diverges basically from that of the region.....Organizational rationalization will require that the agencies of resource allocation be the public authorities of the region".

How this is to be accomplished in the face of capital shortage, limited technical personnel, maneuverability and independent markets is yet a subject for debate. The fact that such "re-organization" is necessary is not. Girvan proposes that a "phasing out" of the international companies and a "phasing in" of the regional network be accomplished through a regional shareholding plan under the direction of a regional development programme. Acquiring surplus, reorientating technical and educational programmes and developing market contacts with East and West Europe, Asia and Africa, represent portions of the comprehensive innovation suggested.

Thus, the re-organization required in the bauxite industry parallels in many respects the same need for change in the sugar and banana industries. Meanwhile, however, Government has implicitly rejected these alternatives. Instead, the current political leaders have determined to press the sugar and banana industries into maintaining existing levels of production and employment; to insist that the bauxite industry reform and if possible expand itself; and to concentrate public energy and resources on other sectors of the economy such as tourism and light manufacturing. The hope is that the latter will take up the economic slack should the agricultural sectors collapse.

Since Independence in 1962, there has been a rapid expansion of the manufacturing, construction and tourist sectors of the Jamaica economy. Latest figures indicate that in recent years manufacturing and construction together have accounted for nearly 30% of gross domestic product. The manufacturing sector has been the largest contributor to the gross domestic product while construction has been the fastest-growing industry (outside of bauxite) on the island. The rise in tourism has partially accounted for this. But even in its own right, tourism has become the country's greatest source of foreign exchange. Together, the three sectors provide employment for approximately 70,000 workers.

The expansion of these industries has been a result of the "lavish attention" Government has afforded them in an attempt to cut high unemployment figures. Government has also been spurred by the fear that the collapse of the agricultural sector of the economy would bring even greater unemployment.

Consequently, diagnosing the greatest impediments to rapid expansion of these industries, Government determined that the small size of the domestic market as well as the lack of capital and technical efficiency were the biggest stumbling blocks. The solution was an adaptation of the incentive-legislation programme developed by the Puerto Rican Government's "Operation Bootstrap". The model called for long-term tax holidays, accelerated depreciation allowances, duty free importation of raw materials, a protected monopoly on the domestic market, subsidised factory space and freedom to export accrued profits. These incentives in addition to "cheap labour" were meant to be the spur to investors to establish industries and thus cut unemployment in Jamaica.

Incentive legislation is, however, coming under increasingly hostile criticism from younger economists and politicians throughout the Caribbean. In Jamaica, assessment of the merits of an industrialisation-by-incentive programme must be viewed as a stop-gap measure which does not really solve the country's economic problems. With 20,000 additional jobs required each year, most recent figures available show that only 1100-2300 new jobs were provided by incentive legislation annually. And if an industry imports all its raw materials, pays little or no direct taxes, repatriates its profits and pays low wages, it is doubtful the country is gaining much in terms of contribution to its national or foreign exchange earnings.

Beyond all that, however, one of the severest weaknesses of the present method of economic expansion is its inclination to measure rate of growth in terms of per-capita income or gross domestic product rather than in terms of income distribution between families, occupational groups or amongst the urban and rural communities. In Jamaica today, there is some indication that certain segments of the population are worse off than before as a result of price rises and unequally distributed economic development. Recent studies at the University of the West Indies indicate that an upper 5% of Jamaican households accumulate 30% of the country's total income while the bottom 60% grossed only 19% of the total.

What in effect has happened as a result of Jamaica's recent economic shifting of development from the agricultural to the industrial sector is simply a shift of power and wealth from the large land-owning classes to the urban entrepreneur. (This analysis would exclude the 8,000 hourly paid bauxite workers who are relatively well paid but form an uncharacteristic wage-earning enclave.) As a result of the decline in the agricultural sector, a new urban mandarin has emerged, a mandarin who exercises the residual powers of the weakened estate owners along with new powers derived from an alliance made with the foreign investor. Essentially, these are the local financiers, contractors and real estate brokers



Sir Neville Ashenheim

who have capitalized on the new developments in the manufacturing, tourist and construction industries. These men, perhaps classically represented by Sir Neville Ashenheim, Aaron Matalon or Abe Issa, form an inter-connected power elite who are (along with other elites from professional and political sectors of the society) literally running the country.

Sir Neville Ashenheim, for example, is Minister of State in the Ministry of Finance and Planning, Leader of Government Business in the Senate and former Jamaican Ambassador to the United States. He is also now representing Jamaica in talks with Elders and Fyffes over the recent "banana war" controversy, having recently been appointed Chairman of the Jamaica Banana Board. Sir Neville is also an owner or controller of no less than 45 different corporations and businesses including four insurance companies, six development companies, one bank, two public service corporations and Jamaica's only daily-circulated newspaper, The Daily Gleaner.

While Ashenheim deals mainly in finance and exercises considerable power as a middle man for foreign investment, Aaron Matalon is more representative of the new Jamaican mandarin. Matalon is extremely powerful in the real estate and contracting business--what one knowledgeable businessman called "a big time operator". Indeed, he may be the biggest commercial operator in Jamaica. The Matalons have moved into low cost housing, land development and more recently into motor cars, pharmaceuticals, clothing and a super market. In all, Matalon has control of 25 different companies.

Abe Issa is powerful in the tourist trade and at one time, he gave up his business to help Government run the tourist industry. He was the chairman of the Jamaican Tourist Board, receiving a dollar a year for that position. But in time he has recovered what he lost. Issa controls 34 different companies including five hotels and several hotel development operations. He is one of the reasons 51% of all Jamaican hotels are locally owned.

These three men are representative of Jamaica's new mandarins. And although the Ashenheim, Matalon and Issa families have been in Jamaica for decades, it is only now that their power has become so economically pervasive. How these men, the political leadership and the labour movement inter-act will be the subject of FJM--21.

Yours,

Frank McDonald

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