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## JAMAICA'S FOREIGN POLICY: MAKING THE ECONOMIC DEVELOPMENT LINK

REPORT

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JAMAICA'S FOREIGN POLICY:  
MAKING THE ECONOMIC DEVELOPMENT LINK

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## Executive Summary

The foreign policies of small states are often dominated by economic considerations both in relation to the general lack of diplomatic resources and the fact that economic development is the main goal of foreign policy. This accurately describes the Jamaican case.

Jamaica's foreign policy often exhibits a "translation dilemma," whereby ostensibly economic growth-inducing agreements are signed, but the country fails to realize the consequent economic potential. Jamaica's experience with the Sugar Protocol under the Lomé Agreement is a prime example of this "translation dilemma."

Jamaica currently finds itself in a precarious position vis-à-vis the international economy. Aid and other forms of developmental assistance have dried up as our traditional preferential access to European markets is coming to an end. China and Latin America are two new poles attracting our foreign policy attention, but more detailed cost-benefit analyses need to be conducted to ascertain the extent to which developmental benefits will accrue from our engagement with these regions. Jamaica should seek to further integrate with North America, since this region represent the leading export destination, a leading source of remittances, and the home of a large segment of the diaspora.

In view of the way forward, Jamaica needs to consistently apply a pragmatic approach to the formulation of foreign policies, emphasizing the need to translate agreements into concrete economic benefits, thereby using our limited diplomatic capital to the most beneficial end.

## INTRODUCTION

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“[Prime Minister Portia Simpson-Miller visited Brazil in July 2006, where she] negotiated a Line of Credit in the amount of US\$100 million in the first instance, through Brazil's National Bank of Economic and Social Development (BNDES). The money will be used to finance the importation of machinery and agricultural equipment, mainly for harvesting sugar cane, as well as for the production of sugar, alcohol and ethanol.”

*“Buchanan accounts for the PM’s trips,” Sunday Gleaner February 4, 2007*

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This quote above aptly captures the question that we want to answer here: How does Jamaica’s foreign policy contribute to its economy? In the quote, Jamaica’s Information Minister, Donald Buchanan, is defending the Prime Minister and the government against media reports that money had been overspent for official travel. Part of the justification for the expenditures was the claim that there would be gains forthcoming—specifically, economic developmental gains—from the trips the Prime Minister had made. Indeed, for Jamaica and other small and developing countries, much if not all of their foreign policy is directly and/or indirectly geared towards economic development, in one way or another. This is an established truism in both the academic and policy literature relevant to small state/developing country foreign policy. <sup>1</sup>What has been less investigated, however, is putting this truism to the empirical test. That is, there has been very little in the way of actually measuring the impact of a country’s foreign policy on its economy. This quote is particularly relevant to our specific task not only because it firmly alludes to the economic gains to be had from the expenditures made on this trip, but because the specific gains are to be had in the sugar industry—an industry that has consumed large amounts of Jamaica’s foreign policy resources over the past 30 years.

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Jamaica's foreign policy has generally been backward-looking, whether in fighting past legacies (as happened during the 1970s) or preserving past traditions (whether in sugar or the desire to preserve inefficient manufacturing firms). What we are calling for is a foreign policy that takes account of our current asset endowment, and the challenges and opportunities in the world economy, and then crafts a pragmatic approach based on what we believe will raise the country's economic growth rate.

There have been many foreign policy successes in Jamaica's history. This paper focuses on assessing the agreements that Jamaica entered into, on the basis of how these agreements have affected Jamaica's economic growth. One recurrent theme of Jamaica's foreign policy history is the inability to translate foreign policy successes into economic growth-inducing benefits. We here argue that, on paper, the Lomé Agreement, the Caribbean Basin Initiative, and even CARICOM, to name a few, are all potentially economic growth-inducing agreements, but Jamaica has consistently encountered problems in actually harnessing the economic growth potential of these agreements. We refer to this phenomenon in the paper as the "translation dilemma." This translation dilemma, we find, is a pervasive feature of Jamaica's foreign policy and it is imperative that more emphasis be placed on not only formulating economic growth-inducing foreign policies and entering into potentially economic growth-inducing agreements, but also unearthing the potential dormant in extant agreements.

Part I of this paper sets the stage by providing a brief discussion of Jamaica's foreign policy history since 1962. Part II is an attempt to highlight inherent aspects of the translation dilemma by conducting a case study of Jamaica's experience with the Sugar Protocol. Jamaica had numerous problems in translating the Sugar Protocol into tangible economic growth benefits. Mauritius' use of sugar to diversify their economy is included in an attempt to show how the translation could have taken place in Jamaica. The third part of this paper highlights where Jamaica currently stands in relation to its engagement with the international community. It argues that it is imperative that Jamaica has to better maneuver in the current international economic and

political system. It summarizes some of the key points of the paper and provides some recommendations as to the way forward for Jamaican foreign policy and its potential to contribute to Jamaica's economic growth.

## PART I: BACKGROUND TO JAMAICA'S FOREIGN POLICY

### THE CONVENTIONAL WISDOM

The economist John Kenneth Galbraith coined the phrase “conventional wisdom” in 1958 to denote those comfortable ideas “which are esteemed at any time for their acceptability.”<sup>2</sup> In this regard, the conventional wisdom regarding Jamaica is that we are fundamentally and utterly disadvantaged by the international system, and that much of what happens, especially with regard to our economic performance, can be explained as having happened **to** us because of system forces which overshadow national level efforts, are beyond our control, and which inevitably work to the disadvantage of small, less developed, post colonial economies.<sup>3</sup> In this context one can readily understand the sentiment behind Georges Fauriol’s infamous statement that “small states to do not have a foreign policy, they merely have a policy of existence.”<sup>4</sup>

This is not all conspiracy theory: It is well established in the literature that, in general, small states’ interaction with the external world is conditioned primarily by external variables, so that, for example, small states are price takers, not price makers, and small states are reactive, not proactive. Moreover, it is also accepted, regardless of one’s position on the ideological spectrum that small states, including and in particular Jamaica, must heavily factor in the external environment, both economically and politically, in planning for their

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<sup>2</sup> Ruth Marcus, “A Positive in Going Negative?” *Washington Post* 7 June 2006, A23. <<http://www.washingtonpost.com/wp-dyn/content/article/2006/06/06/AR2006060601306.html>> (26 August 2006)

<sup>3</sup> Where the conventional wisdom stems or emerges from what is supposed to be critical and academic analysis of the issues, particularly as published in books, scholarly journals, and news articles, or as expressed in the university classroom (whence it filters down among the population at large) it is essential to bear in mind that the University of the West Indies, Mona, whence much of that printed matter and course content originates, is populated by many architects, policy makers and decision makers of the 1970s—those who were trying to take Jamaica out of what they perceived as the cycle of underdevelopment that was inherent in the modern world economic system. Further, they were politically opposed—to the Seaga government of the 1980s, and the policies pursued during that decade. At the same time, the JLP has not had cause to boast of a strong intellectual or academic component to its internal polity or its political ideas and ideals, and this is reflected in the dearth of published critical analysis by anyone in support of or agreement with their policies in the 1980s.

<sup>4</sup> Georges A. Fauriol *Foreign Policy Behavior of Caribbean States: Guyana, Haiti, and Jamaica* (Lanham, MD: University Press of America, 1984).

development. That said, however, not all small states portray themselves as long suffering victims of “the wicked international system” in the way that the dominant discourse suggests has been the case for Jamaica. Nor is it the case that all small states have experienced the deplorable economic performance that Jamaica has since its independence, though most if not all experienced the same external shocks that Jamaica claims set it so far back.

There is another point to be made in this preamble regarding Jamaican foreign policy in general: We are known in the Caribbean and indeed in the wider world to speak with a voice much bigger than our small size might suggest, and accordingly we enjoy a certain amount of international and diplomatic prestige (as well as a lot of pride and “feel-good sentiment” at home). Indeed, other participants in the JEP have noted with consternation that to boil Jamaica’s international relations down to how they redound on the economy would be to adopt a narrow and self-interested view on what our foreign policy means. Theoretically and politically it is a realist approach to foreign policy and international relations that puts self-interest at the top of a country’s international relations agenda. Jamaica for most of its life as a sovereign state, in one way or another, has pursued a liberalist view of international relations, advocating autonomy for sovereign states and ostensibly claiming non-alignment (as during the Cold War, but also more recently with regard to the US’s ‘war on terror’), as it seeks to fulfill what it today calls a “principled foreign policy”.

But this project calls for an assessment of the impact of Jamaica’s foreign relations on Jamaica’s economy, not for an overall review of the pros and cons of Jamaica’s diplomatic efforts and achievements. In so doing, this assessment is unavoidably realist and conservative. This paper therefore seeks to answer the simple—yet important—question: what good does our diplomacy do for us?

In answering this question we will intentionally focus on the economic gains obtained from some of our foreign policy activities since 1962.<sup>5</sup>

### SMALL SIZE

Jamaica by any definition of small size qualifies as a small state. Armstrong and Read point to the fact that, inter alia, small states have fewer natural resources, have a small market size and tend to be open economies.<sup>6</sup> Given these features of small size, the argument is that these states are somewhat disadvantaged and have to find innovative ways to ensure their economic survival. This notion of smallness as a debilitating feature is inherent in Jamaica's foreign policy. Many of our foreign policy postures can be traced back to the argument that the small size of Jamaica is a negative attribute and foreign policies should be instituted to get some level of concessions from the international community to mitigate against these features. This paper will focus on two such policies—our negotiation and use of the Lomé Conventions and the CARICOM negotiations in Part II. It will be shown that both these issues are intricately linked to the issue of small size.

In the foreign policy literature many argue that small states by virtue of their unique characteristics exhibit certain foreign policy features. The major argument is that small states are more focused on economics as the leading driver of their foreign policy. Braveboy-Wagner argues that in the Caribbean, foreign policies are geared towards the attainment of three things—development, territorial and political security, and prestige (in that order).<sup>7</sup> Economics in this schema is therefore very important. Small states focus on

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<sup>5</sup> The prestige gains obtained by Jamaica from its foreign policy activities are difficult to quantify. Undoubtedly, there are significant economic benefits from our stature in the international community. For example, China sees Jamaica as the leading voice in the Caribbean and has expressly stated that they are interested in Jamaica because of the influence Jamaica has with other CARICOM countries. We could therefore argue that in the China case that Jamaica's international prestige allows for us to obtain concessionary loans and grants that we otherwise would not have been able to access.

<sup>6</sup> Harvey W. Armstrong Robert Read, "The Phantom of Liberty?: Economic Growth and the Vulnerability of Small States," *Journal of International Development* 14, no.4 (2002).

<sup>7</sup> Braveboy-Wagner, Jacqueline, "The English-speaking Caribbean States: A Triad of Foreign Policies," in *Small States in World Politics: Explaining Foreign Policy Behavior*, ed. Jeanne Hey (Boulder, Colorado: Lynne Rienner, 2003).

economics because in most instances security is guaranteed.<sup>8</sup> The focus on the economic consequences of Jamaica's foreign policy is therefore legitimated by the existing academic literature as well as by the political discourse, as evidenced in the opening quotation. It is consistently argued that small states by definition must have growth-related objectives at the centre of their foreign policy. If this is indeed the case, then the best way to evaluate Jamaica's foreign policy spending is to focus on the economic consequences of our foreign policy expenditure.

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<sup>8</sup> This is related to the idea that the norms of non-intervention and the general prohibition on the use of force by one country against another mean that there is less of a threat of colonization or other invasions (for the most part). As a result, small states that often are without an army focus less on military security and more on economic security. This is not only the case in the Caribbean, but is also seen around the world.

## JAMAICA'S FOREIGN POLICY HISTORY IN BRIEF

### Period A: 1962-1972

#### We're with the West – Seeking Entry into the World System

##### *Context*

**J**amaica gained its independence from Great Britain in 1962, making it the first English-speaking island of the Caribbean to do so. With the cutting of colonial ties and the realization of independence came the responsibility of managing one's own international affairs. From 1962 onwards the Jamaican government was charged with the task of charting the island's foreign policy, but the legacy of colonialism and the historical linkage to the west would play a determining role for some time to come.

In the first decade of independence the strong allegiance of Jamaica to the West was well exhibited, although the conceptualization of a western center and the focal point of allegiance did shift. According to Randolph Persaud there was a significant, "shift of center of economic gravity and military power from Great Britain to the United States" leading up to and immediately following independence.<sup>9</sup> Persaud cites evidence from the trade and investment patterns of the island to back up this claim.<sup>10</sup> During this period the world economy was experiencing a post-war boom, due in part to rapid transformations in industrialization taking place in the United States. Jamaica would have been experiencing a pull, economic and otherwise, to the North Atlantic region or the "West" – and perhaps most of all to the steadily growing great industrial power, the United States.

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<sup>9</sup> Randolph B. Persaud, *Counter-Hegemony and Foreign Policy: The Dialectics of Marginalized and Global Forces in Jamaica* (Albany: State University of New York Press, 2001), 4.

<sup>10</sup> Persaud 2001, 78. Trade in the sterling area dropped from 55% in 1953 to 39% in 1962, whereas the percentage of imports from the dollar area increased from 33% in 1953 to 42% in 1962. Percentage exports going to the sterling area dropped from 62% to 30%, and grew in the dollar area from 31% to 58%, over the same time period of 1953-1962.

Within Jamaica theories of modernization and Arthur Lewis's more specific small island approach to industrialization, through import-substitution and export-orientation, were taking hold.<sup>11</sup> Diversification of industry in a movement away from sugar monoculture was being heralded as the route to development. Jamaica moved into manufacturing and services through bauxite and tourism, the two engines of growth.

### *Ideology*

According to Persaud the JLP government made it known that it was not interested in "traditional aid", but instead was seeking foreign investment. Looking to the government's *Five Year Plan* launched at independence, Persaud highlights the emphasis that was placed on securing foreign capital – of the 5.6million pounds put toward the Industrial Development Cooperation, 200,000 went into small businesses, only 25,000 went into training, despite unemployment rates of over 25%, and 1.1million went into industrial promotion, in effect for the attraction of foreign investment.<sup>12</sup> This was clearly the chosen route of economic development.

The expressed aim of the government was to project a positive image to the potential investors of the Western world. This preoccupation with aligning the image of Jamaica with what was deemed desirable by the Western powers was not limited to the leadership. Professors Wendell Bell and J. William Gibson found in their studies of the elite of Jamaica in 1962, that a "substantial majority" stated a preference for Jamaica's alignment with the western nations.<sup>13</sup> This initial approach to foreign policy has been deemed by some as "cautious" and "conservative" and in retrospect has been dubbed as the years during which Jamaica was unequivocally "with the West".<sup>14</sup>

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<sup>11</sup> Anthony Payne and Paul Sutton, *Charting Caribbean Development* (Gainesville: University Press of Florida, 2001), 4.

<sup>12</sup> Persaud 2001, 126.

<sup>13</sup> Mills in Nettleford 1989, 134.

<sup>14</sup> Mills 1998, 133.

### *Multilateral Relations*

In the UN Jamaica consistently voted with the west, especially on contentious issues in the context of the Cold War, the only departure being on issues of African liberation.

### *Caribbean Relations*

Jamaica, not dissimilar to other “bigger states” in the English-speaking Caribbean, carefully guarded its sovereignty despite an early dependence on regional strategies and the easy likelihood of the outside world viewing Jamaica and the other states within the Caribbean as one grouping.<sup>15</sup> A weariness towards any federalist approach persisted in Jamaica’s foreign policy. Yet, an important aspect of Lewis’s economic development strategy was the establishment of a customs union to assist in overcoming some of the obstacles posed by the smallness of these island economies. William Demas resuscitated this aspect of Lewis’s theory with the help of other regionalist advocates, and by 1968 the Caribbean Free Trade Association (CARIFTA) was established with Jamaica as a member.<sup>16</sup> Jamaica also played an active role in the negotiations with Europe vis-à-vis Britain concerning preferential trade with the Caribbean region.

**CUBA** – Relations with Cuba would become an integral aspect of Jamaican foreign policy in the future, but at Independence the government fully supported the position of the United States and maintained no diplomatic ties with their northern neighbor. Jamaica was also active in enforcing the embargo against Cuba.

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<sup>15</sup> Braveboy-Wagner 2003, 32

<sup>16</sup> Payne and Sutton 2001, 6.

## Period B: 1972-1980 (Part 1)

### The only hope is Change – Challenging the World Order

#### *Context*

By the early 1970s most formerly colonized countries of the Caribbean, Africa and Asia had gained their independence. As the ranks of developing countries grew, the discontent and malaise felt within these countries at the slow pace of progress and the inequality in distribution of the gains that had been made thus far also grew. The theories and approaches previously taken towards development came under question, and in some cases under harsh critique. In the Caribbean, an association of intellectuals and professionals called the New World Group (NWG), critiqued elements of both Lewis's and Demas's approach to development. NWG contended that Lewis and Demas, along with most of their contemporaries, had ignored the inherent disadvantages that small dependent economies were placed at in the exploitation of their own natural resources.<sup>17</sup>

#### *Ideology*

The stated ideology of the Jamaican government throughout this period, under the leadership of Michael Manley and the People's National Party, was *Democratic Socialism*. This ideology underpinned the policy making process as it pertained to both the domestic and international spheres. In fact, for the leadership, both spheres were closely intertwined. In Persaud's interpretation it was Manley's view that "Jamaican foreign policy must be aimed at changing the world, for it is only thus that real changes can be accomplished at the domestic level."<sup>18</sup> Manley and his party situated the government's foreign policy in direct opposition to the policy that had been pursued since independence. In the *Principles and Objectives* of the PNP circulated circa 1972, the foreign policy of the country up until that point was described as "a servile relationship with imperialism".<sup>19</sup> In addition, any resistance from international capital due to this

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<sup>17</sup> Ibid., 7.

<sup>18</sup> Persaud 2001, 169.

<sup>19</sup> Ibid., 139.

stance would be rationalized as “an inherent feature of the evil of imperialism and, by extension, of the fight of small developing countries, like Jamaica, against it.”<sup>20</sup>

### *International Economic Relations*

It has been asserted that one of the more significant successes of this era of Jamaican foreign policy was the establishment of the International Bauxite Association (IBA) in 1972. The IBA was a cartel style organization, inspired by OPEC and intended to garner greater bargaining power for bauxite producing countries. Its membership included Australia, Guinea, Guyana, Surinam and Yugoslavia. Jamaica was not only a founding member of the IBA, but a critical driving force behind the conceptualization of the association. For the PNP and Manley the IBA represented a step in the right direction of countering the exploitative relations between industrial capital, multinational companies and Third World resources.<sup>21</sup> The formation of the IBA in addition to the bauxite levy that Manley had imposed on foreign owned aluminum companies in Jamaica in an attempt to increase the percentage of sales revenue remaining in the country greatly upset the North American bauxite interests. As a result, there was a dramatic decrease in bauxite production, of 33% from 1974 to 1976, as a substantial portion of production was diverted away from Jamaica.<sup>22</sup>

The first Lomé Agreement came in effect in 1975. Jamaica served as a leading voice in the negotiations and the Agreement was widely acknowledged as one of the major foreign policy victories for the Caribbean. The Lomé Convention provided non-reciprocal benefits to the ACP members in the form of duty-free access to the European Community markets and an elaborate system of development aid under the aegis of the European Development Fund. The Fund was expected to facilitate their industrial development and the diversification of the mainly agricultural economies characteristic of most ACP members at that

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<sup>20</sup> Holger Henke, *Between Self-determination and Dependency: Jamaica's Foreign Relations 1972-1989* (Kingston: University of the West Indies Press, 2000), 52.

<sup>21</sup> Persaud 2001, 146.

<sup>22</sup> Magnus Blomstrom and Bjorn Hettne, *Development Theory in Transition: The Dependency Debate and Beyond, Third World Responses* (London: Zed Books, 1984), 114.

time. In the Jamaican context the Agreement was heralded as an important lifeline and the banana and sugar industries were the main beneficiaries.

### *Multilateral Relations*

Throughout this period the government was most active in North-South issues, inspired by a notion of Third World “solidarism”.<sup>23</sup> Perhaps most significantly, the PNP foreign policy approach included full participation and support of the Non-Aligned Movement (NAM). The country held a seat on the Coordinating Bureau of the NAM, which allowed it to act as a broker between “countries with divergent perspectives” and to further “reconcile their positions with the objectives of the Movement”.<sup>24</sup> NAM meetings were used to prepare countries for the G77 bloc negotiations within the UN Trade and Development Conference (UNCTAD) and elsewhere. Jamaica played a pivotal role in these fora, often as chair or chief negotiator of the G77 countries.<sup>25</sup>

### *Caribbean Relations*

During this period CARIFTA was “deepened” into the Caribbean Community (CARICOM), which the Jamaican government fully signed on to. The Treaty of Chaguaramas calls for “the harmonization or coordination of foreign policy” among member states. Jamaica sometimes aided and sometimes harmed this movement towards foreign policy harmonization. The country sometimes championed the cause of the wider region, as it did on Law of the Sea issues and throughout the first successful Lomé negotiations with Europe, which concluded in 1975 and in which the government played a significant role.<sup>26</sup> At other times the Jamaican government was seen as acting out of its own selfish interests. For instance, in the *Financial Times* on November 6, 1975, Quentin Peel stated, “It is his [Manley’s] wooing of both Mexico and Venezuela which has alienated the other regimes of the English Caribbean, particularly Dr. Eric Williams in Trinidad. Both Latin countries are now deeply involved in major

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<sup>23</sup> Persaud 2001, 72.

<sup>24</sup> *Ibid.*, 155.

<sup>25</sup> *Ibid.*

<sup>26</sup> Mills 1989, 150.

Jamaican investment projects.”<sup>27</sup> Manley, in his commitment to south-south relations, often went above and beyond the heads of his closest neighbors.

## Period B: 1972-1980 (Part 2)

### Retreat and Surrender – The World Order is Resistant

#### *Context*

The PNP government’s very active position in international affairs and high profile in the NAM resulted in mixed reactions. According to Don Mills, “in many quarters outside of the country it brought, for the most part, very positive and favorable reactions. But at home the government was severely criticized by the JLP for some of its activities and policies and for its alleged neglect of domestic issues”.<sup>28</sup> Criticism of the government’s foreign policy was not limited to the opposition party, and in the later years of Manley’s PNP government contentions grew both at home and abroad over issues such as the management of debt, relations with the Western powers and

**CUBA** – The geopolitical and strategic importance of Cuba during this era cannot be overlooked. In fact, Jamaica’s relations with the United States and the West on a whole were perhaps most greatly influenced by Jamaica’s position and actions vis-à-vis Cuba. As mentioned above, Manley’s government established full diplomatic relations with Cuba, and furthermore, the Prime Minister developed a close rapport with the Cuban leader, Fidel Castro. Where Jamaica could be of material assistance to Cuba Manley sought to strengthen ties, in 1974 trade relations were opened and in 1975 the Prime Minister with Foreign Minister Thompson and an entourage of PNP leaders, government officials, private sector representatives and media persons paid an official visit to Cuba to bolster exchange between the two islands.<sup>1</sup> Where material assistance was not possible Manley lent support through “sensitive symbolic diplomacy”. For example, a Cuban plane carrying troops to the liberation wars in southern Africa stopped off at the Norman Manley International airport in Kingston while en route. This action served no purpose other than to extend Jamaica’s symbolic support of Cuba’s involvement in the liberation wars.<sup>1</sup>

The close ties between Jamaica

<sup>27</sup> Ibid., 167.

<sup>28</sup> Ibid., 146.

alignment with Cuba.

Leading up to the 1980 election the government attempted a rapprochement with the United States and entered into a courtship with the IMF, two actions that registered as an about-face in light of stances previously taken. The good will engendered between the Jamaican government and the western powers was short-lived as important other aspects of Jamaica's foreign policy remained to the left of what would be tolerated. Furthermore, the 1979 international climate of Soviet invasion in Afghanistan, leftist inspired Sandinista (Nicaragua) and FSLN (El Salvador) rebellions in South America and the resurgence of "hyper liberal economic orthodoxy" in America and Britain, ensured that Manley and the Jamaican government's foreign policy approach of Third World solidarity and democratic socialism would not be tolerated for much longer.<sup>29</sup>

#### *Rapprochement with the United States*

From 1977-1980 much energy was spent on "normalizing relations" with the United States. This was a considerably easier task because of the election of President Jimmy Carter who pledged to tolerate ideological pluralism in the region.<sup>30</sup> Foreign Minister Patterson paid regular visits to Washington, paving the way for the successive 1977 visits of Rosalyn Carter, the first lady, and Andrew Young, the

and Cuba were the cause of much domestic and international debate. Leader of the opposition, Edward Seaga, often claimed that the region was under communist threat from the "red triangle" being erected between Havana, Cuba, Georgetown, Guyana and Kingston, Jamaica. . Speculations were that this triangle was closely linked to the "Soviet loop".<sup>1</sup> Despite building controversy the government maintained its ties and close relations with Cuba. According to Persaud, a key aspect of Manley's foreign relations was a reconfiguration of the "signifying chain or system of equivalence" associated with Cuba. The pre-1972 chain of Cuba = communism = repression = totalitarianism = terror = Castro was actively disputed, and in its place a new chain was established with Cuba = anti-imperialist = Non-Aligned = Third World leader = freedom fighters = neighbor = Fidel<sup>1</sup>

<sup>29</sup> Persaud 2001, 185.

<sup>30</sup> Ibid., 180.

United States permanent representative to the UN. Shortly after these visits President Carter wrote a letter to Prime Minister Manley in which he gave his “tacit approval” to the ideals of democratic socialism.<sup>31</sup> Relations between the two countries were considerably strengthened, but the honeymoon was not long lasting.

### *The Relationship with the IMF*

The international oil crisis of 1973-1974 coupled with the state expenditure costs of the PNP government’s social reforms had detrimental effects on the Jamaican economy. Import bills soared, as did accompanying public debt.<sup>32</sup> Prime Minister Manley turned to the IMF in the troughs of economic crisis despite the major recommendation made in the Emergency Production Plan (EPP) to take a route of greater self-reliance. The EPP, also called the “People’s Plan”, was written by the National Planning Agency and incorporated the contributions of thousands of Jamaicans, garnered from both written proposals and motions made at numerous meetings held across the island.<sup>33</sup> The effort was not able to persuade Manley to take a truly more socialist route to development. Instead, Manley successfully petitioned for the support of the Prime Ministers of Australia, Canada (Trudeau) and Britain (Callaghan) in his attempt to secure an “agreeable” rescue package

**CUBA**—The close ties between Jamaica and Cuba were the cause of much domestic and international debate. Leader of the opposition, Edward Seaga, often claimed that the region was under communist threat from the “red triangle” being erected between Havana, Cuba, Georgetown, Guyana and Kingston, Jamaica. Speculations were that this triangle was closely linked to the “Soviet loop”.<sup>1</sup> Despite building controversy the government maintained its ties and close relations with Cuba. Despite efforts being made to “normalize” relations with the United States and to secure emergency funding from a primarily western institution, Manley persisted in the one aspect of Jamaica’s foreign policy that placed the greatest strain on the island’s relationship with the United States – that is, vocal and unapologetic support of Cuba. Manley consistently expressed support for the Cuban regime and for its leader, Fidel Castro. This expressed support on three matters in particular made relations with the United States especially tense, a) the matter of Cuban troops in Angola fighting for the liberation of that country, b) the demand for the return of the territory occupied at Guantanamo as a United States military base to the people of Cuba, and c) the matter of the termination of the embargo.<sup>1</sup> Jamaica’s activities around these three issues made the United States particularly uncomfortable. The last straw came in 1979 at the sixth NAM Summit being held in Havana. In a speech he delivered before hundreds of Cubans, Manley spoke out passionately on the ills of imperialism and extolled the virtues of Castro’s Cuba and the Soviet model. In light of the events that were transpiring in the world at that moment as well as the attacks being waged within the United States against Carter’s more pluralist approach, which was being perceived as too lenient and weak, Manley’s speech had the effect of revoking any tolerance than the United States had been willing to grant the country.<sup>1</sup> The attitude towards Jamaica became one of: you’ve made your bed – now lie in it.

<sup>31</sup> Ibid., 182.

<sup>32</sup> Payne and Sutton 2001, 72.

<sup>33</sup> Persaud 2001, 175.

from the IMF.<sup>34</sup> The first package was in fact agreeable to the Jamaican government, but after two subsequent failed tests in December of 1977 and December of 1979, new terms had to be negotiated and much harsher conditions were imposed on Jamaica. Manley's lasting sentiment was that the IMF recipe could never work for an economy like Jamaica's, "so structurally dependent" and "so lacking in productive capability".<sup>35</sup>

### *Outcomes*

It is clear that in the 1970s there was a concerted effort to replace pragmatism especially economic pragmatism with the more ideological concerns of Third World solidarism.<sup>36</sup> In terms of foreign investments, the government often spoke with two voices. This is clearly seen in this statement by PJ Patterson that is quoted in Henke:

"I wish to emphasize that my Government continues to welcome foreign investment. In doing so, however, we cannot sacrifice the sovereignty of (sic) our people and must ensure that the level of foreign investment never places us at the sole mercy of external interests or make our people subordinate in our own country."<sup>37</sup>

Investors—both local and international—did lose confidence in the country as a stable place to invest despite many assurances that investor rights would be protected.

In terms of our efforts to cultivate new allies, there were, arguably, gains from the friendships we made during the 1970s—that our economy did not lose entirely from our efforts to chart a more autonomous path in our foreign relations. With regard to inputs that benefited our economy we would consider the technical assistance and scholarships from Eastern European countries that were then under the yoke of the Soviet Union. As just a sample we know that in 1975 Cuba offered 183 scholarships to Jamaicans, in 1976 a total of 1,133 scholarships were awarded from all bilateral diplomatic partners, and in 1978-9 520 scholarships were awarded to Jamaicans from Soviet Bloc countries alone. These scholarships in the areas of medicine, engineering, and

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<sup>34</sup> Ibid.

<sup>35</sup> Payne and Sutton 2001, 81.

<sup>36</sup> Henke 2000, 52.

<sup>37</sup> Ibid., 53.

other technical areas benefited the recipients, and the organizations they returned to, which in many cases was the civil service.

## Period C: 1980-1988 (Part 1)

### We're with the West, Again – Working within the World Order

#### *Context*

The period of the 1980s was marked by a swing of the ideological pendulum, from the left position of the late 1960s and 1970s back to the center and right of center. This swing was reflected in the election of center and right of center governments in Europe, North America and the Caribbean. Most significantly for Jamaica, Margaret Thatcher and Ronald Reagan were elected to office in Great Britain and the United States respectively. In this new climate negative attitudes toward North-South dialogue and the proposals concerning the NIEO were “strongly confirmed”.<sup>38</sup>

#### *Ideology*

In Anthony Payne’s analysis Edward Seaga, as the leader of the JLP and the Prime Minister throughout the 1980s, was the first Jamaican leader to explicitly acknowledge the importance of the United States and its prescriptions for the Caribbean, clearly moving beyond a broader conceptualization of the west and choosing the United States as a focal point.<sup>39</sup> Some have argued that the approach of this era was simply, “we’re with the west, again”<sup>40</sup> but a more accurate portrayal of the governing ideology underpinning Jamaica’s 1980s foreign policy would read along the lines of, “we’re with the United States”. Prime Minister Seaga sought out a “special relationship” with the United States and with Ronald Reagan personally. As such, he was dubbed “Reagan’s man in the Caribbean” or “America’s man in the Caribbean”.<sup>41</sup> Seaga’s rise to leadership of the Jamaican government was well received in Washington, mainly because it was believed that this man of Harvard education would be a staunch follower of the neo-liberal prescription for economic growth in the region.

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<sup>38</sup> Mills 1989, 155.

<sup>39</sup> Anthony Payne, *Politics in Jamaica* (Kingston: Ian Randle, 1994), 203.

<sup>40</sup> Persaud 2001, 198.

<sup>41</sup> Mills 1989, 158.

### *Multilateral Relations*

Jamaica's allegiance to the United States was made evident through the country's multilateral relations. Even before assuming the position of Prime Minister in Jamaica Seaga was active in fostering United States leadership in multilateral fora. At a breakfast meeting held in Washington during September of 1977 Seaga called for the formation of a conservative equivalent of the Socialist International, he stated that this was yet "another area of leadership and another area of influence for the United States".<sup>42</sup> Seaga's calls did not go unanswered as during this era the International Democratic Union was established with both Reagan and Thatcher giving their strong backing.<sup>43</sup> Issues such as the NIEO were placed on the "back-burner" and the previous active role and high profile of the country's foreign policy was noticeably limited. Mills attributes this shift, at least in part, to the fact that while in opposition the JLP and Seaga loudly critiqued the government for pursuing international objectives at the cost of domestic issues.<sup>44</sup>

The aim of Jamaica's foreign policy in the 1980s was the development of the export sector and the search for "investments, markets, and bilateral and multilateral aid (in this order)."<sup>45</sup> The CBI was an important developmental result of the foreign policy stance of the government in the 1980s and was a direct result of Seaga's personal lobbying in the US for a Caribbean "Marshall Plan."<sup>46</sup> The fact is, however, that there were limits to the benefits accruing from the CBI. Henke argues that, "...restrictions and limitations with regard to accessibility to the large US market made it abundantly clear that the US by no means intended to create a string of independent and competitive export producers in its 'backyard'".<sup>47</sup> One prime example of this fact lies in the Thurmond-Jenkins Bill of 1985 wherein the US Congress legislated limits to the importation of textiles from all over the world. This action blatantly ran counter

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<sup>42</sup> Persaud 2001, 196.

<sup>43</sup> Mills 1989, 162.

<sup>44</sup> *Ibid.*, 160.

<sup>45</sup> Henke 2000, 134.

<sup>46</sup> *Ibid.*

<sup>47</sup> Henke 2000.

to “the spirit of the CBI.”<sup>48</sup> Despite problems like this the CBI did serve to increase Jamaica’s foreign exchange earning capacity. This is another instance where our lobbying accrued an agreement that ostensibly held tangible benefits to the Jamaican economy.

### *Caribbean Relations*

Seaga and the JLP were not alone in the Caribbean region in their embrace of the neo-liberal prescriptions for economic growth and development. In 1984 the CARICOM countries drafted and signed the *Nassau Understanding*, which effectively endorsed the structural adjustment programmes (SAPs) being pushed by “the nexus” of the IMF, World Bank and United States Agency for International Development (USAID).

Seaga played the role of championing the cause of the United States in the region. He played a prominent role in the establishment of the Caribbean Democratic Union, an affiliate of the international organization.<sup>49</sup> Most importantly he advocated for President Reagan’s Caribbean Basin Initiative (CBI), extolling the virtues of the initiative along the lines of free entry to the markets of the United States (with important exceptions), incentives for encouraging investment and a sizeable increase in aid and technical assistance.<sup>50</sup> The Jamaican government also made a proposal for a CARICOM-Canadian agreement along similar lines as the CBI, the CARIBCAN. Similar to the previous government the JLP and Seaga took an active interest in the Lomé Accords and were heavily involved in the renegotiation of the terms of that agreement throughout the 1980s.

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<sup>48</sup> Ibid., 135.

<sup>49</sup> Mills 1989, 162.

<sup>50</sup> Ibid., 158.

## Period C: 1980-1988 (Part 2)

### Limits to Western cooperation – Finding space to maneuver within the World Order

#### *Context*

Similar to the previous government, the JLP and Seaga in the latter part of their leadership of the country made certain decisions and took certain actions that could be read as an about-face when looked at in relation to the foreign policy positions previously taken. The mid to late 1980s was marked by a strong backlash against the neo-liberal prescriptions of the United States and the IMF/World Bank/USAID nexus. In numerous camps it was felt that the medicine being dished out by the great power too often did more harm than good. Despite its strong pro-United States rhetoric, not even the Jamaican government was impervious to this strong current of public opinion and protest.

#### *The Relationship with the IMF*

By the mid 1980s the cozy honeymoon that had existed between the Jamaican government and the Reagan administration and IMF staff came to a conclusion. After failing to meet the standards set out by several successive IMF performance tests, and after Prime Minister Seaga fully exhausted the option of traveling to Washington to personally secure a waiver and more time to meet the goals laid out by the IMF, the Jamaican government fell out of favor with the powers that be in Washington. From then on Jamaica was subjected to harsher conditions on loan packages, conditions that were reminiscent of those enforced in the 1970s. It was at this point that the once avid supporter of the Reagan administration and the IMF, Prime Minister Seaga, began to speak out against the prescribed economic policies. At the IMF annual conference held in Seoul circa 1985, Seaga gave a speech indicting the “huge toll in human suffering” that had been exacted in Jamaica as a result of the “over hasty reforms of the IMF”.<sup>51</sup> On other occasions Seaga leveled “strong criticisms” at some of the policies of the Fund, although it can be argued that he continued to support the broad approach of the institution. In regard to Jamaica in

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<sup>51</sup> Payne and Sutton 2001, 117.

particular Seaga argued that the Fund's perception of the situation in the country was "unfair and unfavorable".<sup>52</sup>

The mid 1980s was therefore marked by a departure from the neo-liberal economic doctrine previously ascribed to, at least in rhetoric and posturing, by the Jamaican government.<sup>53</sup> Up until that point an important aspect of the economic foreign policy of the JLP government was expressed agreement with the neo-liberal rhetoric and conservative approach to economic management espoused by the United States under Reagan.

**CUBA AND GRENADA** – On coming to office Seaga almost immediately expelled the Cuban ambassador from Jamaica, and within one year of taking over the leadership of the government all trade ties to Cuba had been severed. The pro-United States foreign policy certainly extended to issues pertaining to Cuba. In fact, Seaga and the JLP had been vigilant in their anti-Cuba/anti-Fidel rhetoric throughout Manley and the PNP's reign over the government, and once in power their foreign policy towards Cuba reflected their long held negative sentiment towards communism.

Another matter of critical importance was that of the Grenada invasion. Grenada's revolutionary government represented in the Caribbean psyche the very last bastion of anything resembling the previous Jamaican government's democratic socialism. When the United States invaded Grenada in 1983 the Jamaican government aided the effort by providing personnel.<sup>1</sup> The revolution was successfully brought down by the invasion and on the heels of this success the JLP called a snap election, which the PNP boycotted and the JLP subsequently won all seats by default.<sup>1</sup> Seaga was able to point to the defeat of leftist politics and economics in Grenada as the final demise of all such ideological leanings in the region. The invasion also made evident the unqualified hegemony that the United States now exercised in the region.<sup>1</sup>

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<sup>52</sup> Mills 1989, 159.

<sup>53</sup> Payne and Sutton 2001, 119.

## Period D: 1989/90-Present

### The Need to Diversify – The World Order Shifts Dramatically

#### *Context*

If the post Cold War era can be characterized as one of significant geopolitical shifts, dramatic new developments and an unprecedented opening up of the established world order, then one might view the changes as inauspicious for a small state such as Jamaica in that its own interests will fall through the newly opened spaces. Hey asserts that the ending of the Cold War has brought both positives and negatives for small states. Positive in that small peripheral states are no longer facing the risk of becoming insignificant pawns in a larger power struggle between two world powers, and negative in that the strategic importance of many small states vis-à-vis the powers that establish the new world order has substantially diminished. Small states can no longer play ideologically warring superpowers off each other to their benefit.<sup>54</sup> In short, the small state is guaranteed less attention and concern in the post Cold War world.

Jamaica, and the wider Caribbean region, was de-prioritized on the agenda of most of the world's power centers. Following the collapse of the Berlin Wall the European bloc turned its focus inward, deepening its integration process with the signing of the Single European Act (SEA) and channeling its energy and resources towards the democratization, liberalization and rebuilding of Central and Eastern Europe. The United States also turned its interests elsewhere, to Eastern Europe and the Middle East, and most significantly to the North American region with the signing of the North American Free Trade Agreement (NAFTA).

The United States, as the Jamaican government's patron of choice from the previous era, indicated from early in the 1990s that it would be dealing with the Caribbean as a small part of the wider Latin American region. This was evidenced by President George Bush Senior's Enterprise for the Americas

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<sup>54</sup>Jeanne Hey, ed. *Small States in World Politics: Explaining Foreign Policy Behavior* (Boulder, Colorado: Lynne Rienner, 2003), 1.

Initiative (EAI). The Free Trade Area of the Americas (FTAA) talks, which were subsequently launched, further the tendency of the hemisphere hegemon to regard the Caribbean and Latin America as one unified grouping.<sup>55</sup> By this logic, the smaller states of the Caribbean must compete with the larger and more developed states of the Latin American continent, states such as Brazil. In short, the post Cold War international environment is one in which less has been guaranteed for states such as Jamaica, and one in which fierce competition accompanies any attempt made by a country to secure its own interests.

### *Ideology*

The ideology underpinning Jamaica's foreign policy continued to be one of openness and liberalization, though this tended to have been clouded by populist political rhetoric that often harks back to the seventies. For the most part, Manley and then Patterson expanded on the general policy direction of the previous JLP government, regarding an acknowledgement of the importance of the United States and its prescriptions for the region as well as exhibiting a willingness to work within the dominant neo-liberal free trade paradigm.<sup>56</sup> While making an attempt to adhere to the discipline of the free trade regime, Jamaica has sought to argue its case for continued "special and differential treatment" and preservation of preferential linkages. An important aspect of the rationale behind Jamaica's foreign policy is that as a small and vulnerable developing economy Jamaica ought to be guaranteed some preferential access to markets, along with other concessions. This is a critical sticking point for the country's foreign policy as this period marks the expiration of most of its preferential trade agreements. These include: the Lomé Accord first negotiated between ACP countries and Europe in 1975 and renewed for four successive periods, the Caribbean Basin Initiative established in 1982/83 and the Caribbean-Canadian preferences first negotiated in 1986.<sup>57</sup>

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<sup>55</sup> Payne and Sutton 2001, 17.

<sup>56</sup> Payne 1994, 203.

<sup>57</sup> Braveboy-Wagner 2003, 36.

### *International Economic Relations*

A significant aspect of the economic foreign policy has remained centered around the management of relations with international financial institutions and lending bodies. The management of international trade has become increasingly important and challenging for the government. The World Trade Organization (WTO) banana dispute concerning English ACP banana producers, including Jamaica, and their preferential access to European markets, painfully exhibited the deteriorating prospects for Jamaica and the wider Caribbean region in the traditional trading arena.<sup>58</sup> As a result, Jamaica has had to put considerable energy towards the exploration of new trading avenues, though the extent to which this energy has yielded tangible results is questionable.

### *Caribbean Relations*

The Caribbean's post-1990 "new regionalism", as it has been termed by Anthony Payne, can be seen as an attempt to simultaneously widen and deepen already existing regional ties.<sup>59</sup> The Association of Caribbean States (ACS), an organization that was prompted by the 1992 West Indian Commission report *Time for Action*, which highlighted the need for closer Caribbean-Latin America relations, has taken on the task of widening regional efforts. Other efforts at fostering closer Caribbean-Latin American integration have been initiated by business interests, such as the Washington based Caribbean/Latin American Action (C/LAA) group, whereas some efforts have been championed by the region's governments, for example, the Caribbean Basin Technical Advisory Group (CBTAG) set up by Puerto Rican President Hernandez Colon. Prime Minister Manley was particularly given to efforts of Caribbean-Latin American collaboration.<sup>60</sup> More recently, the Patterson government has been active in efforts towards deepening Caribbean integration. These efforts include the Caribbean Single Market Economy and the Caribbean Court of Justice. It is however questionable the extent to which these initiatives will result in positive growth, whether directly or indirectly, for the domestic economy.

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<sup>58</sup> Payne and Sutton 2001, 17.

<sup>59</sup> Payne 1994, 207.

<sup>60</sup> Ibid.

Braveboy-Wagner (among others) asserts that in the post-Cold War era considerable attention has been paid to Caribbean regionalism as a route to economic development and as an overall economic strategy. It has been suggested that the Caribbean is being forced to look inward and the latest thrust of regional integration has not been as a result of the region's own design, but out of the perception of there being no other option.<sup>61</sup> Along these lines the Regional Negotiating Machinery (CRNM) was established in 1997 to "oversee the process of negotiating trade agreements with key external countries and integration movements".<sup>62</sup> The Caribbean has attempted to lobby for the continuation of ACP-EU trading preferences and to make an application for NAFTA parity. But the ACP-EU trading system is on a gradual but definite track of being phased out, and the CARICOM request for NAFTA parity was blocked ardently by labour interests in the US Congress (an obstacle that did not hinder Jamaica from making a separate albeit unsuccessful bid for entrance into the trading bloc.)<sup>63</sup> It seems that with the closing of one door the Caribbean has sought to open another – the door to more meaningful Caribbean regionalism, though again, what this could and will mean for Jamaican domestic economic growth is questionable.

#### *Economic Development and Jamaica's Foreign Policy Behaviour*

Earlier in this paper it was noted that small states tend to have a foreign policy heavily biased towards domestic developmental goals. But that does not really tell us anything about the complexion of our specific foreign policies. As the brief history of Jamaica's foreign policy highlights, Jamaica has consistently had development at the top of the list of foreign policy goals, but the policies pursued have been very different across government administrations. One method of characterizing our foreign policy vis-à-vis development goals is provided in the literature on Latin American foreign policy development. Coleman and Quiros-Varela provide a categorization of foreign policies in Latin America.<sup>64</sup> The argument is that Latin American states, similar to Jamaica,

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<sup>61</sup> Braveboy-Wagner 2003, 35.

<sup>62</sup> Ibid.

<sup>63</sup> Ibid., 38.

<sup>64</sup> Kenneth M. Coleman and Luis Quiros-Varela, "Determinants of Latin American Foreign Policies: Bureaucratic Organizations and Development Strategies," in *Latin*

have development as one of their most important foreign policy goals. The specific policies pursued are, however, inextricably linked to the domestic developmental goals. Coleman and Quiros-Varela argue that, “the choice of a development strategy is often a choice of whom one wishes to attract as an external ally and of which conflict one is willing to risk with which supranational economic actor.”<sup>65</sup>

Coleman and Quiros-Varela identify three types of development strategies: conservative, reformist, and revolutionary.<sup>66</sup> A conservative development stance relates to the belief that development will only take place if there is a move away from traditional production and a shift to more modern sectors. The resulting foreign policy is one that focuses on the attraction of investment and technology, and importantly, an increasing alignment with industrialized countries. Countries with a ruling government that is characterized as reformist believe that development ultimately rests on the development of the modern sector, but attempts are made to incorporate the traditional sector in the development process. The resulting foreign policy for this type of government will be one that exhibits an openness to investment, but these investments are treated with some level of skepticism and, as a result, certain conditions are placed on the type or activities of foreign investors. The revolutionary development programme emphasizes the dependence of the country on foreign entities and advocates a more self-sufficient approach to development. As such, the corollary foreign policy is one that is hostile to foreign investment and is often attempting to change the rules of the international economic system.

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*American Foreign Policies: Global and Regional Dimensions*, eds. Elizabeth G. Ferris and Jennie K. Lincoln (Boulder, Colorado: Westview Press, 1981).

<sup>65</sup> Coleman and Quiros-Varela 1981, 41.

<sup>66</sup> Michael T. Snarr (2006) builds on the Coleman and Quiros-Varela typology and provides another popular typology that describes the three ideal types as conservative, moderately radical, and radical. This typology is often used in the literature on Latin America, but it directly borrows from the original Coleman and Quiros-Varela framework.



**Table 1. Jamaica's Developmental Ideology**

| PERIOD       | DEVELOPMENT STANCE                     | SPECIFIC AIMS  |
|--------------|--|--|
| 1962-1972    | FDI facilitation                       | Economic diversification, labour absorption                  |
| 1972-1980    | Self-reliance and Distributive Justice | Expansion of social programmes, decreasing social inequality |
| 1980-1989    | State-directed Development             | Restoration of investor confidence                           |
| 1989-present | Neoliberal Reforms                     | Market-led development                                       |

Having identified our development outlook over the period, Figure 2 below aims at mapping Jamaica's foreign policy using the data in table 1 in conjunction with the Coleman and Quiros-Varela typology. We see that the government was quite conservative in the 1960s and 1980s in terms of their welcoming of foreign investment and the expressed alignment with the West—particularly the US. The period since 1989 is harder to classify. As will be seen later, since 1989 there is a mixture of conservatism and reformism and in many instances the rhetoric and the actual policies implemented are quite different. The 1970s is the period that comes closest to the revolutionary development stance, but it is not at the far end of the continuum precisely because Jamaica again had a more revolutionary rhetoric and the actual policies were more reformist in nature. Table 2 below diagrammatically incorporated the development stance of the various government administrations with the foreign policies pursued. This table serves as a summary of Jamaica's foreign policy history as it pertains to development.



## PART II: QUANTIFYING THE BENEFITS OF JAMAICA'S FOREIGN POLICY

### A CASE STUDY OF JAMAICA'S EXPERIENCE WITH THE SUGAR PROTOCOL

The translation dilemma vis-à-vis Jamaica's foreign policy refers to the inability to translate economic agreements into tangible economic growth-inducing benefits. One of Jamaica's major foreign policy successes relates to the negotiation of the Lomé Agreement. This Agreement was hailed across the ACP countries as nothing short of glorious. The original Lomé Agreement signed in 1975 provided concessionary access to the European market. The Sugar Protocol, which was annexed to the Agreement, was especially important for Caribbean states that were heavily reliant on this industry. This case study highlights the benefits accruing from the Sugar Protocol and assesses the potential benefits with the actual development of the sugar industry since 1975. This case is one of the best examples demonstrating the "translation dilemma" associated with Jamaica's foreign policy.

A leading Trinidadian sugar negotiator once said that the problem with using accounting methods to assess the sugar industry's viability is that "accounting cannot factor in history—and there are many valid historical arguments to keep the sugar industry alive." But at the end of the day we can't eat history, nor can diplomatic idealism go very far in promoting an economy's dynamism.

Jamaica started sugar production in the seventeenth century and the economy was quickly set up around the sugar plantation with enslaved African people providing forced, unpaid labour to these sugar plantations. Sugar production is therefore an important part of Jamaica's past. However, that definitely does not explain why the country continues to produce sugar when it is plagued by low yields, insufficient capital and high production costs.

Writing about Jamaica and the state of the country's sugar industry in the early 1800s, Sherlock and Bennett state:

Jamaica planters faced strong competition from European beet sugar, and from Mauritius, Brazil, Puerto Rico, Fiji and Cuba, countries continuing to rely on slave labor. They either had to improve efficiency through controlled expenditure and use new, improved equipment: ploughs, harrows, steam engines to turn the mills, or go bankrupt. . . . While all of this was taking place the price of sugar continued to decline, mainly because of inefficient management practices.<sup>68</sup>

The above quote helps to point out the problems that Jamaica has had with sugar production since the period of enslavement. Sugar was only profitable when planters could utilize unpaid labour. Once that 'concession' was no longer available, production became unprofitable. The economy is however still somewhat reliant on sugar production and more specifically the foreign currency obtained from the export of sugar.

Prior to 1975 when the Lomé Convention was signed, Jamaica, like most developing countries had embarked on an economic plan of industrialization following the import substitution industrialization (ISI) model. The ultimate aim was to diversify the economy out of agriculture and into manufacturing, but in 1975 sugar was still one of the main agricultural exports and foreign exchange earners. The industry was not only historically significant and essential for the foreign exchange that it provided, but the industry also employed significant numbers of rural unskilled workers. The Sugar Protocol was therefore an important lifeline for Jamaica and it meant that we would not have to displace numerous workers and upset a delicate social balance in the rural areas dependent on sugar production. It is important to note that this is still one of the primary arguments in favour of continually resuscitating the industry.

As the Sherlock and Bennett quote above shows, Jamaica in 1838 was already uncompetitive in the production of sugar and in 1975 they remained uncompetitive. Jamaica could not compete with the price of beet sugar or sugar cane produced in other parts of the world and it was obvious that Jamaica

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<sup>68</sup> Philip Sherlock and Hazel Bennett, *The Story of the Jamaican People* (Kingston: Ian Randle Publishers, 1998).

needed to move away from sugar and into new industries. This move never really took place. We must therefore look at the link between the Sugar Protocol and the continued reliance on an industry that was very uncompetitive.

The Sugar Protocol was annexed to the original Lomé Convention signed in 1975 and has remained a component of all subsequent Conventions. Article 1 of the Sugar Protocol states:

“The Community undertakes for an indefinite period to purchase and import, at guaranteed prices, specific quantities of cane sugar, raw or white, which originates in the ACP states and which these States undertake to deliver to it.” (Lomé Convention 1976)

Under this protocol the ACP sugar-producing countries would be ensured a guaranteed market, but they would be allotted specified yearly quotas. In one respect this protocol is seemingly more restrictive than the general provisions of the Lomé Convention as there was a limit to the duty-free market access. On the other hand, it was more favorable than the general Lomé provisions in that ACP countries had a guaranteed price for their exports of sugar, which was above the world price. This access and guaranteed price was very important as the sugar industry was highly protected and subsidized around the world. Article 3 of the protocol sets out the different quotas for sugar-producing ACP members. There was an initial guarantee of over 1.2 million tons of sugar from ACP countries. The four Caribbean countries accorded quotas at the time, Barbados, Guyana, Jamaica and Trinidad and Tobago, were allotted almost one-third of the entire initial ACP quota.

Ostensibly, the Sugar Protocol, and the Lomé Convention in general, appear to be a dream agreement. Jamaica was one of the leading negotiators of this agreement and the money spent on the negotiations was well placed. The successful negotiation of the Lomé Convention can be seen as an important foreign policy victory for Jamaica and other ACP countries. The problem—especially vis-à-vis sugar—was that the mere signing of the agreement meant that we did not need to immediately halt sugar production. Many argue that herein rests the problem with the Sugar Protocol. On one hand it allowed us to

delay the displacement of sugar workers and to continue earning vital foreign currency, but on the other hand it made us delay the dismantling of an already problem-laden industry.

What are the problems being faced by the sugar industry in Jamaica? The production costs are very high and the yield of the crop is low. This would be detrimental to any industry in any country, but the sugar industry has survived because there has been little incentive to diversify out of sugar. The issue of incentives is therefore crucial.

Davenport (1992) assumes quite an extreme position regarding the issue of preferences, arguing that preferences like the Lomé Agreement cause more harm than good in developing countries. Thus, he concludes, in relation to the impending loss of preferences for African states, that those states have less to lose than they probably imagine.<sup>69</sup> He further argues that “the ACP states, perhaps in particular the African countries, could actually gain something from the elimination of their trade preferences. It would help to break a certain psychological dependence on the EC market and make them more aggressive in searching for new markets.”<sup>70</sup>

This paper, for the most part, agrees with Davenport’s position. The Lomé preferences have led to some amount of psychological dependence on trade concessions, but we cannot overlook the fact that they have been helpful to many ACP economies. In the Caribbean, many economies would have been devastated in the 1970s without these concessions.

### Rehabilitation of the Sugar Industry

In 2000 the Prime Minister of Jamaica PJ Patterson stated that the aim of the attempts at viability were to get production costs down from US\$0.30 to US\$0.20 per pound of sugar (Jamaica Gleaner [Kingston], 30 March 2000). It is quite interesting to note that in Brazil for example the cost of production is

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<sup>69</sup> Michael Davenport, “Africa and the Unimportance of Being Preferred,” *Journal of Common Market Studies* 30, no. 2 (June 1992).

<sup>70</sup> *Ibid.*, 247.

under US\$0.08 per lb. Minister of Finance, Omar Davies also stated that “Sugar and traditional agriculture is a major plank in going forward in the 21<sup>st</sup> century.” (Jamaica Gleaner [Kingston], 21 October 1999)

In the 1994/1995 fiscal year the government of Jamaica, which owned most of the sugar plantations, embarked on a divestment of the industry. The government hoped that through privatizing the industry the new investors would be in a position to invest in the necessary capital equipment to move the industry towards profitability. The privatization experiment did not last long because the investors began experiencing significant losses almost immediately and were unwilling to provide additional support to the industry. By 1998 the government had to re-take control of the industry from the private sector after which the government embarked on a massive investment programme in the industry.

After the 1998 reacquisition of the industry the government invested J\$3 billion into the industry and another \$3 billion in 1999. This must be viewed against a backdrop of a country experiencing high levels of internal and external debt and little economic growth.

**Table 4. Jamaica’s sugar production and export earnings**

| YEAR | Production (metric ton) | Export Earnings (US\$) |
|------|-------------------------|------------------------|
| 1994 | 126094                  | 72529000               |
| 1997 | 171002                  | 99799000               |
| 1998 | 167517                  | 98000000               |
| 1999 | 177694                  | 101622000              |
| 2002 | 138400                  | 75000000               |
| 2003 | 128535                  | 68276000               |

Source: FAO data, 2004

From the table above we see that sugar exports after the massive investment on the part of the government have not increased. Since 1998 sugar production has actually decreased, as have export earnings. Also, Jamaica's sugar quota to the EU currently stands at 126,000 tons. Since the government intervention, the sugar industry has exceeded this level by only very small percentages. This is another indication that Jamaica is producing in an area that it is not efficient. Table 2 compares Jamaica's export of sugar with that of other sugar producers. Jamaica's sugar exports fetched a price almost four times that of Brazil and three times that of Cuba's exports of sugar. The value of Mauritius' export of sugar was almost that of Jamaica, but it is also an ACP member.

**Table 5. Value of Sugar Exports**

| <b>Country</b> | <b>Value of sugar export per metric ton (US\$)</b> |
|----------------|--|
| Brazil         | 146  |
| Cuba           | 166  |
| Mauritius      | 499  |
| Jamaica        | 542  |

Source: FAO data, 2004

These figures further elucidate the extent not just of Jamaica's problems with the production of sugar, but also the country's uncompetitiveness vis-à-vis other sugar producers. One of the key reasons that sugar production continued was that there was a secure and guaranteed market available wherein sugar exports could obtain a high price.<sup>71</sup> The production costs in Jamaica actually exceed the world prevailing price for sugar. If the Sugar Protocol did not exist

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<sup>71</sup> There are other important domestic considerations that have led to the continued government support of the sugar industry. Primary among these considerations is the fact that the industry employs significant numbers of unskilled labor and there is no alternative for these laborers. The government has argued consistently that a move away from sugar would be unfeasible given the social impact it would have on the country.

Jamaica would have been unable to sustain the sugar industry. The question that must, however, be asked is were there other factors other than perverse incentives that led to the underperformance of the sugar industry despite the foreign policy victory inherent in the Lomé Convention? An analysis of Mauritius and how the state actively used the sugar industry as the basis upon which diversification of the economy would take place is quite useful in pointing to some of the domestic impediments to Jamaica utilizing the Sugar Protocol for more significant developmental gains.

### *Mauritius and Sugar*

Mauritius is an interesting case study to juxtapose with the Jamaican experience with sugar. We have chosen Mauritius due to the fact that it exhibits, in its early stages of development, many of the characteristics of the Jamaican economy. Mauritius gained independence from the United Kingdom in March 1968 and has a multi-party parliamentary democracy; it became a republic in March 1992.<sup>72</sup> When Mauritius was discovered by the Dutch it was extremely economically unattractive.<sup>73</sup> It was a barren island with no indigenous people, no spice or precious metals; only a large dodo bird was to be found.<sup>74</sup> Sugar cane was eventually introduced to the island to much success, as Mauritius became the most efficient producer of sugar in the British Empire. In fact, they were the largest sugar producer in the 1850s producing more sugar than Trinidad and Jamaica combined.<sup>75</sup>

African slaves manned the sugar plantations until the abolition of slavery in 1835.<sup>76</sup> The social structure of Mauritius changed dramatically after this point. Indentured Indian labourers were imported to the island to work on the sugar plantations. The indentured system however came under attack in the 1920s due to a number of realities at the time. There was a decline in sugar prices due

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<sup>72</sup> WTO, *Trade Policy Review Mauritius 1995* (Geneva, WTO Secretariat, 1996).

<sup>73</sup> Ibrahim Alladin, *Economic Miracle in the Indian Ocean: Can Mauritius Show the Way?* (Mauritius: Editions de l'Océan Indien, 1993).

<sup>74</sup> Ibid.

<sup>75</sup> See Alladin 1993 and Thomas Meisenhelder "The Developmental State in Mauritius" *The Journal of Modern African Studies* 35, no. 2 (June 1997).

<sup>76</sup> Aladin 1993.

to the increases in worldwide sugar production and also due to the introduction of beet sugar production.

At Independence in 1968 Mauritius was faced with a seeming Malthusian problem of population outstripping food production. Mauritius was a mono-crop economy and was therefore highly vulnerable to realities on the international sugar market. Due to its location it was also vulnerable to natural disasters and primarily cyclones a situation very similar to Jamaica's. Mauritius, like Jamaica, was a part of the British Empire and as such after independence both were parts of the ACP group and were able to obtain preferential access to the British market for sugar. As such, both economies were guaranteed a market and a higher price for their sugar in spite of what obtains on the international market.

Mauritius, however, recognized that it needed to diversify its economy and therefore devised a strategy to do so which centred on the country's preferential access to the British market. Its aim was simple yet effective—meet the quotas under Lomé and release land and labour to other sectors by increasing efficiency in production.<sup>77</sup> The industrialization of Mauritius henceforth could not have taken place without the sugar industry. The government improved sugar production by employing more efficient techniques and technology. The increased sugar production had a guaranteed market and the government used the excess income to invest in new sectors and to diversify the economy.

In 1961 the Meade Report was commissioned and published. The aim of this report was to devise a strategy aimed at increasing the standard of living of the Mauritian populace.<sup>78</sup> Recommendations included diversification of the economy and industrial capacity development. These recommendations became the backbone of the government's economic philosophy in the 1980s.<sup>79</sup>

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<sup>77</sup> Meisenhelder 1997.

<sup>78</sup> Ibid.

<sup>79</sup> Alladin 1993.

Mauritius set up a development coordinating entity much like the MITI in Japan. This agency was thee Mauritius Export Development and Investment Authority (MEDIA). The first focus was on the implementation of Export Processing Zones (EPZs). They soon discovered that they did not possess the requisite labour supply and domestic markets for an internally oriented process of industrialization (Meisenhelder 1997). EPZs were a way to industrialize quickly but the government decided to focus this externally by focusing on export-oriented EPZs. The government provided incentives to both local and foreign investors to set up in tax-free industrial zones and produce manufactured items for export.<sup>80</sup>

EPZs were envisioned as entities that had the potential to positively enhance the Mauritian economy. They would provide necessary foreign exchange, create employment, attracting foreign capital and advanced technology, create linkages between EPZ industries and the domestic economy. It is important to note that the government actively encouraged local investment in the EPZs. Resultantly, significant profits were retained in Mauritius and not repatriated by foreign firms. In addition, there was the potential for more linkages in the domestic economy and resultantly more positive spillovers.

Mauritius' economy has expanded rather dramatically over the past three decades. Between 1973 and 1999, real GDP in Mauritius grew 5.9 percent a year, on average, compared with 2.4 percent for sub-Saharan Africa as a whole.<sup>81</sup> Mauritius not only witnessed economic growth, but also significantly developed a more equitable distribution of the economic gains. The income gap between the richest and the poorest Mauritians has narrowed considerably: the Gini coefficient, a measure of income inequality, with 0.0 representing total

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<sup>80</sup> Jamaica tried a similar EPZ strategy in the 1980s. Matthew Roberts (1992), in his study of EPZs in Jamaica and Mauritius, points to the fact that in the Jamaican context that investments were primarily from abroad and as such little linkages developed and little retainment of profits. Mauritius was therefore better able to benefit from the establishment of EPZs.

<sup>81</sup> Arvind Submaranian, "Mauritius: A Case Study". *Finance and Development* 38, 4 (2001).

equality and 1.0 representing total inequality, declined from 0.5 in 1962 to 0.37 in 1987.<sup>82</sup>

### ENGAGING IN A FUTILE EFFORT TO RESUSCITATE A MORIBUND INDUSTRY?

“The landscape of cane fields and plantation houses tells the history of three hundred years of colonialism. ... the sugar industry is generally loathed and associated with appalling working conditions and wholly inadequate pay, yet its decline means unprecedented hardship.”<sup>83</sup>

The sugar case in Jamaica is one prime example of the waste of not only diplomatic resources, but also precious government revenue that could have assisted in the development of other sectors. After years of government support the Jamaican sugar industry remains inefficient, unskilled, and uncompetitive, thereby providing little positive impact on future development.

The concessions obtained via the Sugar Protocol proved to be an important lifeline for many sugar producers including Jamaica. At the time of Emancipation in 1838 Jamaica was already uncompetitive in sugar production and was lagging behind other producers. Today, little has changed and Jamaica finds itself dependent on the sugar revenue and employment creation accruing from the Sugar Protocol.<sup>84</sup>

Thirty-two years after the signing of the Sugar Protocol, and the Lomé Agreements in general, Jamaica still needs the concessions as much as they did upon signing. In addition to the secured market access and price, the Jamaican government has subsidized the industry quite heavily and has made significant levels of investment into the sector. Despite all this, Jamaica is still unable to meet its allotted quota.

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<sup>82</sup> Ibid.

<sup>83</sup> Michelle Harrison, *King Sugar: Jamaica, the Caribbean and the World Sugar Industry* (New York: New York University Press, 2001), 3.

<sup>84</sup> The dependence on the foreign currency from sugar exports has declined since 1975. In 1975 sugar exports represented 20 percent of Jamaica's total export earnings. This percentage declines to 4.5 percent of total export earnings.

The problems associated with sugar are linked to many factors. At one level there is the fact that Jamaica is relatively small in land area and this limits the extent to which production can be expanded so as to take advantage of cost reductions from economies of scale. At another level, the presence of preferences can be seen as thwarting innovation. It should be noted that non-traditional agricultural exports which received less government assistance and no guaranteed markets or prices performed much better than sugar and other traditional exports.

Ironically, however, Jamaica's experience with sugar can be used as an effective tool in pointing the way forward. Though the decision by the EC to cut sugar prices was met with much consternation, it is indicative of the changing tide in the global economy. Trade has become increasingly liberalized and all states are required to compete on equal footing. Gone are the days of trade preferences and aid inflows. In addition, after spending so much time and energy and financial resources in negotiating and maintaining these preferences they failed to spur the expected economic growth.

But having said that, there are many individuals and groups in Jamaica that oppose the dismantling of the sugar industry. On the face of it, their arguments are valid. The dismantling of the sugar industry would exacerbate an already pressing unemployment problem. In addition, sugar exports represent one of the leading earners of foreign exchange. Given these valid points the question therefore becomes, what will be the cost to the economy of dismantling the industry? Handa and King (2006) argue that the sugar industry represents a small percentage of GDP. In addition, the approximately 30,000 displaced sugar workers "are very low paid unskilled workers already below the poverty threshold."<sup>85</sup> They conclude that the effects on the general economy would be adverse in the short run, but the medium term impact will be small. There is therefore a role for the state to play in terms of assisting the displaced workers to militate against the short run effects.

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<sup>85</sup> Sudhanshu Handa and Damien King, *How Sweet Is It?: The Elimination of EU Sugar Trade Preferences in Jamaica*, unpublished 2006, 18.

This paper began with a quote highlighting Jamaica's intention to more actively resuscitate the sugar industry in relation to the expanded production of sugar, alcohol and ethanol. The question that must be asked is whether or not this agreement is too little too late in relation to sugar production and it may be more prudent to focus on the production of alcohol and ethanol which were also alluded to in the agreement.

Ethanol production for example has been a component of the National Industrial Policy for years and little has been done to really get the industry going. In this year's State of the Union Address George Bush stated that ethanol production would be a key component of the US' strategy to limit their dependence on foreign oil. Since that announcement corn prices have increased and it is expected that in the future, ethanol will become an important source of energy. The timing of the Jamaica-Venezuela agreement alluded to in the opening quotation is important, but as this paper argues, there is the translation dilemma. Given the current international climate especially in relation to energy the agreement has prima facie validity. The more important consideration relates to actually getting the potential benefits from this agreement. Our experience with Lomé shows us that the agreement is not the end-all. In order for the agreement to be of some benefit to the Jamaican populace it must be translated and this is the aspect where we often see the least amount of dialogue, action and results.

## PART III: WHAT ARE THE MAJOR LESSONS?

This section of the paper is aimed at providing a simple, yet practical discussion of the state of Jamaica's foreign policy today. It points to some of the important features of the current international economic and political system and will highlight some of the recommendations emanating from the discussion in the previous sections.

### Foreign Policy Cannot Be Divorced From Domestic Policy

Foreign policy and domestic policy are intricately linked. Domestic policies provide the framework within which foreign policy outcomes can be translated into positive economic outcomes. The "translation dilemma" pointed to in this paper shows that instances where our foreign policy is viewed as a failure is more accurately described as a failure of domestic mechanisms and policies to provide the framework within which foreign policy gains can be translated into tangible and sustainable economic outcomes.

### Development Assistance and Aid are Relics of the Past

Traditionally, Jamaica has been the recipient of significant amounts of aid and preferential access to both North American and European markets. During the Cold War period developing countries around the globe could expect development assistance and other forms of aid for simply proclaiming that they were 'with the West.' Since that time the international political and economic systems have changed immensely and governments in developing countries around the globe have by extension also had to change. Jamaica's receipt of aid has declined to the extent that Official Development Assistance (ODA) is no longer an important category contributing to Jamaica's GDP.

Jamaica was also the beneficiary of preferential market access from both Europe and North America. The most notable of these arrangements are the Lomé Agreements with Europe and the Caribbean Basin Initiative with the US. The WTO rulings vis-à-vis the banana and sugar preferences enjoyed by ACP countries shows quite potently that the international trading system is

increasingly predicated on freer trade. As a result, these types of preferential arrangements are quickly becoming relics of the past.

There is little to nothing Jamaica can do to stem this tide. Europe—the major provider of preferences to Jamaica—has already started relaxing some portions of its preferences. There are also no new poles willing to open their markets to Caribbean exports as the US or EU did. China and some Latin American countries such as Venezuela and Brazil are often portrayed as possible contenders for the Caribbean’s allegiance. China has provided valuable development funds to Jamaica, but the fact remains that Jamaican exports (excepting bauxite) are currently unable to access Chinese markets. In the Latin American case, their economies—especially in relation to agricultural products—are competitors with Jamaica and therefore do not represent new markets for Jamaican exports.

### The Waste of Diplomatic Resources

Jamaica is known internationally for its high visibility and engagement in issues pertinent to developing countries. In fact, Jamaica has, on numerous occasions, espoused a foreign policy predicated on morality and ideology instead of pure pragmatism. Jamaica’s diplomatic visibility has, however, come at a high cost. To remain visible Jamaica needed to maintain consulates and embassies around the world and equally as important, to set up missions to multilateral organizations such as the UN or WTO. Championing Third World causes is an expensive endeavor.

Significant amounts of diplomatic resources have also been spent on securing preferential agreements or extending these agreements when their status was challenged. This has proved costly for two reasons. First, preferences have not accorded the developmental benefits that were hoped and secondly, these very preferences stymied the development of more efficient and competitive industries.

### CSME: How Much of a Benefit?

In 2006, Jamaica contributed J\$237.9 million to the CARICOM Secretariat. This amount represents over 24 percent of the Secretariat’s budget. Table 5

below highlights Jamaica's recent contributions to regional bodies. It would be useful to empirically assess the extent to which Jamaica has gained any value-added from that contribution, whether in terms of increased exports, or otherwise. Currently, there is a dearth of such studies.

**TABLE 6. Jamaica's Contribution to Regional Institutions (2001-2007)**

| <b>YEAR</b> | <b>CARICOM<br/>(J\$M)</b> | <b>OAS<br/>(J\$M)</b> | <b>ACS<br/>(J\$M)</b> |
|-------------|---------------------------|-----------------------|-----------------------|
| 2001        | 84.0                      | 8.3                   | 2.417                 |
| 2002        | 83.29                     | 8.135                 | 1.97                  |
| 2003        | 81.76                     | 7.92                  | 1.15                  |
| 2004        | 133.164                   | 9.895                 | 2.153                 |
| 2005        | 158.598                   | 11.773                | 2.638                 |
| 2006        | 237.934                   | 3.175                 | 0.916                 |
| 2007        | 263.388                   | 11.546                | 3.6                   |

It must be pointed out that questioning the efficacy of our CARICOM contributions is in no way an indication of anti-regionalism. It is in fact, an important step in moving from an ideologically based foreign policy to one based on pragmatism. The reality is that Jamaica's resources are limited and they must be directed to the most productive ends.

Even in questioning our CARICOM spending we are cognizant of the fact that CARICOM has an important role to play in the Caribbean. The fact is that the EU, Canada and the Commonwealth group will only have discussions or negotiations with CARICOM as a bloc. It is far too costly for them to negotiate on an individual basis with the numerous Caribbean states. Based simply on this issue, CARICOM is quite important and Jamaica must support its activities.

Statistics show that since 1973 Jamaica has recorded a trade deficit with CARICOM countries for every year. This points to the fact that the trade gains may not be the most beneficial aspect of the CSME. Other important

components of the CSME relate to investment flows and labour mobility. Jamaica has already earned significant investment flows from other CARICOM states and Jamaicans are expected to be the largest beneficiary of labour mobility initiatives. What we are therefore calling for in the CARICOM case is an assessment of the actual benefits to be derived and the identification of the areas in which Jamaica stands to gain the most benefit.

### Economic Threats and Opportunities: the China, Latin America, Europe, and the USA

#### *China*

The world, it seems, is currently caught up in “China Mania.” Discussions of development routinely point to China’s developmental success and the fact that China is investing vast amounts into developing countries. Jamaica too is caught up in the euphoria. China has indeed invested in many local ventures, but at a diplomatic level, we must ascertain how much benefit this engagement with China will provide in terms of aiding Jamaica’s competitiveness.

China’s interest and deepening relations with Latin America got off to an earlier start than its relations with the Caribbean, and therefore it might be useful to look at some of the realities that are now emerging in that relationship. The first point to note is that Latin America is increasingly recognizing that China is not so much interested in anything beyond their primary exports. It is unprofitable to export manufacturing products to China. Instead, exports from Latin America’s manufacturing sectors are facing direct competition from Chinese exports. Interests in several Latin American countries are therefore increasingly viewing China as more rival than benign friend.<sup>86</sup>

A look at China’s productive investments in Jamaica indicates that China’s major interest is in bauxite—a necessary resource in the continued development of China. There was much discussion of Jamaica’s gain of tourists after China’s designation of an approved tourist destination. The fact is, however, that the expected influx of tourists is not a foregone conclusion and is

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<sup>86</sup> See IADB, *The Emergence of China: Opportunities and Challenges for the Caribbean* (Washington D.C.: Inter-American Development Bank, 2006).

heavily contingent on the continued growth of the Chinese economy and the continued rise of the middle-class in China.

China has participated in and provided funding for many necessary projects, but Jamaica must be mindful of the future effect on the Jamaican economy. Interests in some African countries that have also been receiving assistance from China are beginning to complain that a large percentage of China's investments are unrelated to direct productive activities that would secure the future development of their economies. The argument is that the Chinese government has spent more money on projects such as the building of palaces or other "show projects" rather than on projects that directly aid in the development of the ordinary citizen. China is indeed willing to fund many projects, but Jamaica should be strategic in directing these funds to avenues that will be the most productive and assist Jamaica in its quest to move forward in the global age.

### *Europe*

Since the 'discovery' of Jamaica in 1492, Europe has been one of the primary destinations for Jamaica's traditional exports. This is changing very quickly. Europe is gradually removing the preferences that we have relied upon for so long and thereby limiting market access for our exports. In terms of development assistance, the EU has indicated that they will direct aid to the Least Developed Countries (LDCs). Jamaica ranks as a middle-income developing country, making us ineligible for significant aid flows from Europe. Despite these facts, the Caribbean, and Jamaica more specifically, receives significant amounts of aid from Europe. The aid especially in the areas of the environment and private sector development have undoubtedly served to assist Jamaica. The challenge again is for Jamaica to make the best use of the available aid and to continue lobbying for aid that directly assists in making enhancing Jamaica's growth potential while at the same time making Jamaica's development more sustainable.

### *Latin America*

Hugo Chavez is also attracting increasing international attention. Jamaica has to a large extent embraced Chavez and the credits accorded us under the PetroCaribe Agreement. This embrace of Chavez needs to be tempered with an injection of reality. In view of this, three points are pertinent. First, PetroCaribe is not a grant; it is a credit, and it is foolhardy to hope that we will not have to repay it at some point in the future. Second, Chavez's impact is inextricably linked to prevailing high oil prices. This point is supported by the fact that Chavez was elected to office in 1998 and only gained popularity in the last two or three years. Third, Chavez's rise and influence is based on a seeming 'cult of personality.' The reality is that Chavez is situating himself as a foil against George Bush and his influence is also linked to the fact that George Bush is the current president of the United States. Building a future with a country that has an eccentric leader that is the basis of their external policies necessitates a very delicate balancing act. Chavez's influence and power is likely ephemeral and Jamaica must keep this reality in mind.

An important player to watch in Latin America is Brazil. Brazil's international influence has expanded in tandem with its economic development. The regional influence of Brazil is evident in the fact that Brazil is leading the peacekeeping troops in Haiti. In addition, Brazil was one of the leading players behind the challenge in the WTO of European export subsidies in relation to sugar.

On a positive note, Jamaica could serve to benefit from the expansion of our contacts with Brazil. Brazil is one of the leading exporters of foodstuff, but the major problem thwarting the expansion of our imports of Brazilian products is the underdeveloped transportation links between the two countries. The improvement of transportation between Jamaica and Brazil could therefore prove useful in lowering the import costs of necessary food items. The recent conclusion of an air services agreement between Brazil and Jamaica could be a positive development in this regard.

### *North America*

The United States and Canada remain the primary destination for Jamaican exports of goods and services.<sup>87</sup> In addition, a significant percentage of the remittance flows to Jamaica originate in North America. This indicates the importance of this region to any articulated foreign policy that Jamaica may espouse. Our close proximity to this region makes it an important area that we should try to integrate with. In addition, the diaspora in North America is also very large. The effort to have dialogue with this section of the Jamaican citizenry should continue and also be expanded.

### *The Role of the State: Playing a Supporting Role*

Both China and India also provide important insights into the role of the state. The state has not relinquished all influence in the economy, but is instead playing a more facilitating role in the development of these economies. This includes the focus on education and building a more skilled workforce to providing necessary infrastructure for the dive into globalization. In instances where resources are scarce—as in Jamaica—it is imperative that any government assistance provided to industry be of the sort that is effective and flexible. Assistance should be effective in terms of facilitating competitiveness and flexible in terms of recognizing when an industry should be left to die and moving these precious resources to the support of other ventures.

### *The Role of the Private Sector*

In a small country where development is the *raison d'être* for foreign policy it is logical to conclude that the private sector—as the real engine of the economy—must be an integral part of both the devising of foreign policy and the actual translation of agreements to economic growth gains. In the Mauritius case the private sector participation in the diversification of the economy was crucial. The government provided the framework, but it was primarily the private sector that translated government policies into actual economic growth. The Jamaican

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<sup>87</sup> In 1970 exports to the United States and Canada represented 10 percent of Jamaica's total exports while Europe represented under 2 percent of Jamaica's exports. By 1980 the North American percentage grew to 38 percent and the European percentage

private sector should therefore be an important part of the foreign policy process and current attempts to incorporate them should be enhanced.

### Further Studies Necessary

This brief discussion of CARICOM points to the need for further analyses. The Orane Report was on the right track. It stated that Jamaica needed to rationalize its embassies around the world and it recommended that we close some of the embassies so as to save resources. In a country with a debt problem and limited resources we must consistently assess the gains accruing from any spending undertaken by the government. The foreign policy arena is one important area that therefore demands further assessment. Jamaica spends significant amounts of money on simply running the Foreign Ministry. For example, for the 2006-2007 budget, J\$1.56 billion was approved for the Ministry of Foreign Affairs and Foreign Trade. This figure does not include our spending on export promotion or investment attraction and does not include our spending on maintaining a mission to the WTO in addition to other foreign policy related activities conducted by other government ministries. Given the amount of money that we spend on our diplomacy and the fact that this diplomacy is primarily aimed at the acquisition of developmental benefits, it is even more imperative that cost-benefit analyses become an important component of the foreign policy-making process.

### Moving Forward in a Globalized World

Globalization is a fact and no amount of wishful thinking will send it away. Trade theories have repeatedly shown that small countries benefit more from international trade than large countries. There are several avenues available for Jamaica to exploit, but before that can be done, there needs to be a recognition that one need not only be a victim in this process, but we can in fact reap much benefits. The much-discussed Asian Tigers are a prime example of the type of thinking that should be embraced, as they too were relatively small in terms of market size. Instead of focusing on developing a manufacturing sector focused on supplying the local market (as Jamaica did with its ISI policies in the 1960s and 1970s); they chose to produce for the international market and therefore embarked upon an export-oriented development strategy. The strategy did have

significant government input and it did involve picking industries and focusing attention on those industries. Jamaica's agricultural exports are to a large extent uncompetitive, but the manufacturing sector could have developed along a more export-oriented line.

The Dominican Republic is another example of the embrace of globalization that is necessary to move forward. The government decided that it would embrace globalization in rhetoric and in actuality and has been successful in bringing its citizens on board. The pro-globalization attitude that is evident in our policies needs to be articulated clearly in populist political rhetoric. As the economy embraces globalization it is inevitable that some dislocation of workers and industries will be necessary. This is precisely why there is a need to engage the wider public by explaining the policy goals and why difficult decisions need to be taken.

The only way forward is to embrace globalization and try to tap into the advantages inherent in the movement, while at the same time engaging the population in the dialogue so that we move in unison. This process will necessitate significant changes to the structure of the economy, but such changes cannot be avoided for much longer.

### Recommendations

- **Pragmatism not Ideology:** There is an unavoidable scarcity of resources in Jamaica and it is imperative that they be put the best end. Ideological appeals in the context of the current global economic arrangement will fall on deaf ears. When devising foreign policies officials should conduct more in-depth studies of the expected effects and consistently evaluate the extent to which the expected goals are being met.
- **Conserve on Diplomatic Resources:** Stop wasting time trying to secure preferential arrangements. Instead, Jamaica should use the available diplomatic resources towards entrenching Jamaican economic interests in viable nodes in North America and possibly elsewhere.

- **Our Best Hopes Lie With North America:** The reality is that the biggest market for our products is North America. In addition, the remittances that we have become so heavily dependent on originate in North America. China and Latin America are poles that we should exploit to the extent possible, but we should accept that the avenues for exploitation are limited.
- **Mobilize the Diaspora:** The Diaspora is a major untapped resource. In recent years more has been done to engage this important group and it is imperative that such attempts be expanded. This group can be valuable in providing necessary FDI and portfolio investments.
- **Embrace Globalization (In reality and in populist political rhetoric):** Globalization is a fact. Countries that have feared best are in fact those that have embraced the possibility of significant benefits. This process necessitates significant changes to the structure of the Jamaican economy and will result in the dislocation of some workers. The best way to deal with this is to engage in a new dialogue that incorporates the private sector and the wider public.

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