

# Jamaica Will Not Devalue Currency

*This is the first of two articles  
on the Jamaica economy*

When Michael Manley won his landslide victory in Jamaica last month, the pundits at *Newsweek* and the *Economist* expected a 40 per cent devaluation of the Jamaican currency and another downward slide in the island's economy to follow shortly thereafter. The Jamaican opposition leader Edward Seaga, who prides himself on his connections to the International Monetary Fund, originated reports that the devaluation was a condition for a \$130 million loan that Manley had reportedly requested to keep the country afloat.

When foreign exchange sales were suspended by the Bank of Jamaica one week after the election, the devaluation was thought to be imminent.

But two weeks later, the foreign exchange markets remain suspended, and it is clear that Manley is intent on avoiding devaluation and the sharp inflation and cut in imports that would entail.

At a meeting with the Private Sector Organization last week Manley's government made it clear that devaluation would only be a last resort and that a thorough reassessment of the economy will take place between now and the end of the current fiscal year in April.

His determination was expressed even more strongly in a speech this week in which he said devaluation was absolutely unacceptable. Manley called it inadmissible to allow precisely those social welfare and development programs which have benefited the majority of the Jamaican people to be interrupted because of the crisis. While calling for increased productivity, he presented an austerity package consisting of further cuts in luxury imports and increased taxes for upper income brackets and designed to preserve the basically sound potential of the Jamaican economy which is located in the development of its workforce.

Manley's determination to draw a bottom line on austerity is no doubt influenced by Britain's unprecedented refusal last year of an IMF austerity package. His ultimate success in revitalizing Jamaica's economy in light of the international depression which has destroyed the markets for Jamaica's primary products, will depend on establishing a link to the tremendous series of trade and development deals negotiated recently between combinations of Italy, the Arab countries and the Comecon. Financing and markets must be established for the regional industrial development of the Caribbean, including the development of Jamaica's and Guyana's bauxite. CARICOM, the regional development organization in which Jamaica is a leading member can be a key factor in this.

An important category of these recent trade deals has involved the development of aluminum processing. A month ago an Arab consortium agreed to finance a \$1.4 billion aluminum processing project in Guinea and two weeks ago a similarly valued project for aluminum refi-

ning in Yugoslavia financed by Libya alone was announced.

The strength of Manley's economic policy has always been his social welfare programs. He has increased health facilities, provided free education up to a university level, started a Cuban-style literacy program, housing construction projects, and Project Land-Lease, which has so far given 10,000 peasants good flat land, most of which was previously untilled. All of this augurs a trend toward increased employment of Jamaica's idle skilled and semi-skilled labor and a broad upgrading in the educational level and productivity of the peasantry. Manley clearly understands that this is essential to strengthening the depressed agricultural sector, which is the most serious weakness of the Jamaican economy, and to developing the skilled labor force to man processing and related industries.

With outrageous incompetence *The Economist*, which Karl Marx once called "that optimist conjuror of all things menacing the tranquil minds of the monetary community," has called for eradicating exactly that aspect of the Jamaican economy which is its strong point. Last month they asserted "It would be a genuinely creative act in Jamaican politics" for Manley to transfer the bulk of his investments in education programs to labor intensive agricultural complexes, wishfully suggesting that otherwise the Land-Lease program and the sugar growing co-ops, which increased cane production a respectable percentage this year, are likely to fail.

The real problems for Jamaica's economy — the depressed state of its sources of foreign exchange, the bauxite and sugar industries — have been exacerbated notoriously in the last year. Bad press in the United States, which resulted from the political violence which began in early 1976, caused a sharp drop in Jamaica's tourist trade, its other major source of foreign exchange. In the panic that followed wealthy Jamaicans smuggled more than \$200 million out of the country. Net foreign reserves, which in April, 1975 were \$142 million, declined into the negative. The Jamaican election, embellished with a flashy Cuba-scare, became the subject of international attention.

The victory of Prime Minister Manley's Peoples National Party has set the stage for a renewed development of the economy. Already Manley has predicted an upturn following a remarkable third quarter rise of 61 per cent in bauxite and alumina exports over the second quarter. Post-election tourism has broken out of its manufactured slump, with Christmas business up sharply over the previous period and exceeding seasonal projections which had been based on the slump. Expressions of conciliation have come from the important private sector leaders, in the interest of restructuring the economy, and from the opposition leaders, in the interest of national peace.

The second article in this series will analyze the underlying structure of the economy on which Manley's development policies are based, including the problems of the agricultural sector, and the prospects for regional development.