

A man in a blue shirt is shown in profile, looking through a telescope. The telescope's lens is focused on a globe of the Earth, which is the central focus of the image. The background is a vibrant green and yellow gradient. The text is overlaid on the image in a bold, white font with a dark red shadow.

THE JAMAICA HUMAN DEVELOPMENT REPORT 2005

S U M M A R Y

**Global Challenges
A WORLD OF OPPORTUNITIES**

GLOBALISATION & THE MACROECONOMY

Situation Analysis & Implications

Global forces have taken on a more fierce and pervasive thrust in recent decades. The year 1990 seems to have been a turning point in that march because global flows then reached unprecedented magnitudes, because developing and emerging economies became important participants in the global economy, and because capital flows to developing economies bound them more tightly and more perilously to the global one. The year 1990 was also a break point in Jamaica's external attitude, heralding a more liberal trade, payments and investment regime.

There is evidence that changes to the structure of production and employment after 1990 reflect the impact of these developments. As world incomes have increased and demand has shifted toward services, so Jamaica's foreign exchange earnings have reflected that shift, and not only in tourism. Manufacturing, especially of final goods, has been transferred from domestic production to imports. The changes in the garment and business processing sectors fully reflect the impact of globalisation. Even the growth of telecommunications, mostly due to technological innovations, is attributable at least in part to Jamaica's changed attitude to, and developments in, the global economy.

Notwithstanding these changes however, globalisation's promise of economic growth and rising prosperity, in evidence in economies with a longer history of liberal trade, has yet to be realized. Material living standards in Jamaica have not risen at all during the decade and a half of this most recent and most global era. Further, even the structural changes seem muted considering the magnitude of the global developments and domestic policy shifts that have ushered them in. The weakness of the effects are due to fiscal developments and their debt, interest rate and exchange rate consequences, which produced an economic contraction and a financial crisis, the resolution of which created a further obstacle to the resource transfer that would have been required. An implication of this assessment is that more profound structural transformation and positive growth consequences are still to come with the subsiding of the after effects of these events.

In other aspects of the economy, however, the impact of global opportunities was deep and far-reaching. Access to international capital markets allowed the government to effect a successful disinflation programme while having the underlying fiscal imbalances manifest instead as rising debt. Private capital inflows, in part to finance that debt, supported a currency over-valuation whose real side consequence may have been the recession and a partial contributor to the financial crisis. And if global exposure was not sufficiently clear on the basis of these developments, global connectivity was demonstrated by the currency bubble of 2003 – the quintessential globalisation event.

Thus, globalisation, while not creating a trajectory of rising prosperity as it may have done elsewhere, has nonetheless had an unmistakable impact on the Jamaican economy over the last fifteen years. It has motivated clear structural shifts, generated foreign direct investment and portfolio inflows, facilitated the lowering of inflation and the accumulation of external debt, created a long episode of currency overvaluation, contributed to a protracted recession, and allowed a currency crisis.

All the foregoing suggest a substantial misallocation of the economy's resources during that period as interest rate developments and currency revaluation were the proximate incentive for a shift of resources away from investment, which would have promoted the expected economic growth, towards present consumption. But it would be unfair to lay that misallocation at the gateway of globalisation. It is fiscal deficits that divert resources from future to present consumption, as it did in the 1970s and early 1980s. Globalisation only changes the proximate signal for that resource shift from inflation and credit shortages to the market signals of interest rates and the exchange rate.

Jamaica's exposure to the global economy is much greater now than at any other time in its economic history. The character of the macroeconomy today – rising service share, high debt, moderate inflation, currency volatility, rapid change – is very much a reflection of that exposure. But globalisation's full impact has not yet been felt. The next fifteen years will almost certainly reveal a greater impact for global forces on the Jamaican macroeconomy than the last fifteen.

THE FINANCIAL SECTOR & GLOBALISATION

Situation Analysis

In Jamaica, liberalization of the financial sector took place in two phases. The first, occurring during the 1980s, involved the reform of interest rate policies, the relaxing of credit controls, and the development of money and capital markets. During this phase new players entered the sector, operating with the low capital limits allowed by the legislation of the period.

The second phase of liberalization took place between 1990 and 1991. In this period, there was complete removal of credit controls, total deregulation of savings rates, differential cash reserve requirements across different types of financial institutions, and liberalization of the foreign exchange system with respect both to current and capital account transactions

Government regulators responded to liberalization, of the foreign exchange market in particular, by rapidly acquiring newly-discovered foreign exchange. The significant expansion of foreign exchange reserves, in the absence of sterilization, led to a dramatic growth in the supply of money and the related rapid growth of inflation.

After the rapid money supply expansion, high inflation and significant currency depreciation that followed liberalization, the Jamaican government sought to establish macro-economic stability. The principal tool of policy was tight monetary policy, resulting in high cash reserve ratios and significant increases in interest rates on government securities. The result, by the mid-1990s, was a decline in inflation, but significant increase in nominal and real interest rates. In particular, post-liberalization interest rates became highly positive.

Some enterprise managers had their own response to liberalization. They created financial conglomerates to respond to the regulatory arbitrage opportunities created by differential cash reserve requirements and differences in the levels of supervision of different sub-sectors of the financial system, with some elements of the financial system, particularly insurance companies, facing particularly weak regulators.

A number of these entities began with low levels of deposit market share and so they aggressively sought to attract deposits in a liberalized interest rate environment by offering very attractive deposit interest rates. Additionally, insurance companies began to offer interest-sensitive insurance products in an attempt to maintain their share of the savings market in a high interest rate environment.

Typically, the short-term funds realized through these interest sensitive products were invested in commercial real estate. Jamaica's insurance companies had often invested in real estate. Commercial real estate had traditionally been a safe haven for insurance companies in the context of the inflation, exchange rate depreciation and negative real interest rates that had typified the Jamaican economy over the preceding two decades.

This was not the case during the mid-1990s, however. With the downturn of the real estate and stock markets influenced by the sudden transition from negative to positive real interest rates, coupled with the move to short-term interest-sensitive policies, insurance companies began to experience liquidity problems. With the government's need to intervene in two financial institutions in 1994 and 1995, holders of interest sensitive policies became unnerved and began to rapidly encash their policies.

With their mismatch of assets and liabilities, the insurance companies had no ability to fund the encashment from their own resources, and so they turned to their affiliate commercial banks for liquidity support. The commercial banks were faced with severe cash demands from their affiliate companies, in addition to the declining confidence of their own customers. Consequently, they were forced to obtain liquidity support from the Central Bank through high-cost overdrafts. The contagion spread, and a systemic crisis developed.

At its conclusion, the government had provided financial support for seven of the country's eleven commercial banks, seven of its nine life insurance companies and numerous related merchant banks and building societies, at a cost, that was to eventually amount to the equivalent of, approximately, 40% of the Jamaican Gross Domestic Product.

The role of management practice in the Jamaican financial sector crisis is important. Of the eleven commercial banks in operation in Jamaica prior to the financial crisis, only four did not require assistance from FINSAC, including all three foreign owned commercial banks. There was also significant difference in managerial performance across these institutions, with foreign-owned banks operating more conservatively and efficiently, basically following the guidelines of their parent companies which had more stringent restrictions in some areas than did Jamaican legislation.

Since one element of globalisation is economic liberalization, it is reasonable to conclude that the globalisation process helped to create the conditions precedent for the Jamaican financial sector crisis. While financial sector liberalization does not necessarily lead to financial sector crisis, it has in many cases done so.

Although mismanagement of liberalization ought not to be viewed as a necessary part of the globalisation process, a key institution that forms part of the "international financial architecture," the International Monetary Fund, has been criticized for imposing on countries financial sector liberalization without consideration for the proper sequencing of the liberalization process and the creation of the appropriate institutional and regulatory structure.

Globalisation however assisted Jamaica with respect to the ability and speed with which the country was able to recover from the financial crisis. The presence of foreign banks gave Jamaican depositors the option of moving their funds to locally-based, but foreign-owned, institutions in which there was a sense of confidence.



In the Jamaican case, not only did the globalisation process assist in reducing the level of the financial sector crisis through the presence of foreign institutions, it further helped in the process of rehabilitation within the Jamaican financial sector. FINSAC's ownership of the majority of the commercial banking and life insurance sectors ended when, within five years, it privatized these entities by selling them to regional financial institutions, or, in one case, an institution owned by the wealthiest member of the Jamaican diaspora. Foreign direct investment became critical to the rehabilitation process.

Liberalization of the Jamaican financial sector has had some clear social benefits. One of these lies in the increased level of remittance activity that has accompanied financial sector and foreign exchange liberalization. This level of remittance activity has had a critically important social impact and helps explain the limited negative balance of payments impact of the financial sector crisis.

The Government of Jamaica's decision to protect pensioners and depositors, including those based in rural Jamaica, during the financial sector crisis was also made largely on the grounds of the challenges that widespread loss of deposits and pensions would have had for processes of social integration in Jamaica.

3 One lesson for the Jamaican government is the importance of active and comprehensive regulation of the financial sector and the enforcement of appropriate prudential standards. This lesson has not been lost on the Jamaican government as it has engaged in a systematic process of strengthening regulatory institutions since the financial sector crisis.

4 Another lesson is that countries must engage in their own processes of development thought, while they strive to benefit from the experiences of other countries. Although there is a substantial body of comparative and historical development knowledge, too few countries focus on these experiences and, instead, are overly responsive to development fads and slogans. International development partners can assist in this process by adopting a more critical ear to supposed development orthodoxy, while putting additional credence in country-specific analysis.

5 Clearly, the ability of countries to take advantage of globalisation policies is going to be related to the nature of their institutional apparatus. Going forward, the management of globalisation has to recognize the importance of complementary institution-building and social protection to the globalisation process.

6 The overall lesson is that governments have a management role that is complementary to the role of private enterprise. The development process in Jamaica, and elsewhere, will require that the "rolled-up" sleeves of enterprise managers will have to interact very closely with the "visible hand" of government involved in managing infrastructure, social protection, the rule of law and the country's regulatory apparatus, among other critical functions that government is uniquely equipped to perform.

Recommendations

1 The Jamaican financial sector demonstrates both the potential benefits and the costs of the process of globalisation. At the same time, the liberalization of the Jamaican financial sector has come at a significant cost to the Jamaican economy. The tightening of fiscal policy in order to improve the country's debt dynamics and create a stable macro-economy, and taking steps to ensure that prudent fiscal operations are institutionalized are critical initiatives the Jamaican Government will need to implement if the country is to achieve the benefits of liberalization and globalisation of the financial sector.

2 Although the debt problem is not simply a consequence of the fact of liberalization, it is linked significantly to the manner in which liberalization was managed, particularly the poor sequencing of the liberalization process. This occurred not only in Jamaica, but also around the world, and is linked, in no small part, to the fact that multilateral advisers on the subject of liberalization had themselves ignored the importance of institution-building as a part of liberalization processes.

GLOBALISATION & JAMAICA'S RURAL ECONOMY

Situation Analysis

In the Jamaican context the rural economy refers to economic activity outside the Kingston Metropolitan Area (KMA), Montego Bay and major towns. It is associated with the predominance of extractive and production type industries, including agriculture, forestry, mining, oil and gas extraction, and natural resource-based tourism.

A substantial portion of the Jamaican population is in the rural areas, and of the island's area in square miles, approximately 95 percent has been classified as rural. About 72 percent of Jamaica's poor live in rural areas and agriculture is their main source of employment. Women comprise 62 percent of the rural adult population.

The Jamaican agricultural sector is dualistic in nature. There is a large-scale traditional sector that produces crops such as sugarcane, banana and coffee for the export market. Then there is a small-scale sector that accounts for the greater proportion of farm labour and produces a wide range of crops, mainly for the domestic market.

Apart from the government, the sugar industry is the single largest employer of labour, directly employing approximately 41,000 workers during the cropping season and an estimated 28,000 workers during the rest of the year. In 2000, it was estimated that approximately 200,000 persons derived their livelihood directly and indirectly from the industry. Foreign exchange earnings in 1998 and 1999 averaged just over US\$95 million annually, or 49 percent of the value of all agricultural exports for the two years.

Like many African, Caribbean and Pacific (ACP) states, Jamaica is a beneficiary of the Sugar Protocol with the EU, whereby the EU purchases specific quantities of cane sugar at guaranteed prices. The majority of Jamaican sugar is sold under such preferential marketing agreements at prices approximately double the world free market price. Jamaica also has a minimum guaranteed market for sugar sold in the United States.

Despite the preferential treatment and the importance of the sector to the economy, sugar production has declined over the years because of high production costs, adverse weather conditions and frequent labour disputes. As is the case with many preferential market agreements, there has been mounting pressure for reductions in both prices and volumes of sugar traded under the Sugar Protocol. Sugar is under intense threat from increased global competition.

In the banana industry, changes in export quality requirements during the 1980s, led to radical restructuring. Many small- and medium-sized producers left the industry and large-scale banana farms were set up which allowed better pre and post harvest handling technologies. This transition dealt a severe blow to the rural economy through job losses and effects on related industries.

In the mid 1990s, the American firm Chiquita led a protest against the preferential treatment that the industry in the Caribbean enjoyed with the European Union. The WTO endorsed the U.S. position, and the banana regime in the EU was declared to be in violation of the non-discrimination rules that govern international trade. The result was a tremendous fallout, particularly for countries economically dependent on banana.

The EU, recognizing this negative impact on the region, established a Special Framework of Assistance (SFA) for ACP banana-producing countries geared at increasing the international competitiveness of banana exporters and assisting with the diversification of agricultural activities.





For a small developing country, Jamaica has been characterized by diversified manufacturing. Sugar, condensed milk, rum, edible oils, cloth carpet and shoes are some of the more basic manufactured goods. Production also includes heavier industrial goods, such as sulfuric acid, detergents, fertilizers, gasoline, petroleum, batteries, and steel. In 1985 the sector accounted for 20 percent of GDP, but by 2003 this had fallen to 14 percent. Manufacturing employed 7 percent of the labour force in 2003.

Regarded as the engine of growth under the structural adjustment policies, manufacturing received renewed government attention in the 1980s. Several government-sponsored programmes were introduced or reorganized to provide technical assistance, financing, export promotion, and marketing assistance, but manufacturing has continued to struggle with regard to productivity and competitiveness. Throughout the 1990s into 2003 the sector experienced several bouts of negative growth, largely due to the particularly high interest rate regime that characterized the Jamaican economy following the liberalization of the foreign exchange market and the financial sector crisis of the 1990s. Most recently, in parliamentary discussions on the global competitiveness of the industry, it was noted that there was much needed by way of the preparedness of many firms for regional integration.

Jamaica is the third largest producer of bauxite ore in the world and fourth in the production of alumina, the refined product. Jamaica's bauxite total reserves are estimated at two billion tons. More than one billion tons, enough to last 100 years at current rates of production, are easily accessible. Jamaica's alumina capacity is approximately three million tons per year. Jamaica is a member of the International Bauxite Association (IBA), established in 1974, which groups the majority of the world's main producers and has its headquarters in Jamaica. The Jamaican Bauxite Industry is run by several foreign companies along with the government of Jamaica.

The environmental impact of Jamaica's bauxite mining symbolizes the majority of mining or heavy industrial operations. Bauxite mining is land extensive, noisy and dusty. Mining pits are often interspersed with small rural communities, requiring companies relocate the people and/or to monetarily compensate them. There is loss of habitat for Jamaica's unique plant and animal species and decreased water retention capability of the soil after mining. The production of each ton of alumina produces approximately one ton of red mud waste or residue. Jamaica's limited land mass cannot accommodate the disposal of such high volumes of waste material.

Recommendations

- 1 For agriculture, it is necessary to do the assessments to determine whether or not to move away from the less competitive crops (sugar, banana) toward those that are more competitive (coffee, non traditional). Because of government's resource constraints, leading economies in the global arena and development agencies should be encouraged to take a more active role in facilitating this transition.
- 2 More interventions like the EU's Special Framework of Assistance (SFA) are needed, whereby assistance is geared toward increasing competitiveness, enhancing efficiency and diversifying agriculture. Provisions must also be made for necessary retraining of farmers into more competitive alternate industries, as well as a public education component promoting awareness of the need to change.
- 3 Given the trend of job losses in the agricultural and manufacturing sectors during the 1980s and 1990s, it is expected that as global trade in the sector intensifies with further liberalization, women will suffer more than men. It is therefore necessary to do gender specific analysis on the implications of globalisation across these industries, and to take greater steps toward promoting gender equality, especially in the rural areas.
- 4 One important issue surrounding globalisation is the need for government to provide a social safety net to minimize globalisation's negative impact on certain areas of the society. In doing so the Jamaican government must be careful to avoid the urban bias that has characterized much of the development efforts of the past. Rural development efforts should focus on institution building to foster self-sustainability and independence.
- 5 In seeking to carry out this delivery of social assistance, government may find itself constrained by globalisation's privatization, fiscal reform and deregulation of markets and limited by its fiscal obligations, particularly the debt burden. The government must seek to negotiate longer transition periods, a widening of safeguards and temporary trade restrictions to give certain sectors time to 'right-size', and debt forgiveness. Such assistance may be forthcoming, particularly if it is packaged and geared toward the country becoming more globally competitive.
- 6 In order to better realize the benefits of globalisation, the Caribbean region has to better implement new technologies, facilitating the transition from a largely primary-commodity based trade to that which is more scientific and knowledge-based.

GLOBALISATION & GOVERNANCE

Situation Analysis

Jamaica is among the more globalised states in the contemporary international community as is evidenced by high levels of Foreign Direct Investment (FDI) inflows into the island and of international trade goods as percentages of GDP, its membership in almost 50 international inter-governmental organizations and its trans-national people to people contacts affecting both urban and rural communities with relatively high levels of international telephone traffic, international tourism travel and cross-border transfers, in particular remittances.

The intensification of globalisation has restricted the autonomy of Jamaica's governmental mechanisms, particularly in the area of economic and social policy making. Between the late 70's and the mid 90's, agreements entered into by successive governments with the IMF and the World Bank carried with them conditionalities which curtailed government's freedom of policy choice particularly in relation to fiscal matters, and which tied to varying degrees the hands of both the executive and legislative arms of the Jamaican state in critical areas of taxation and budgetary expenditure, particularly in the vital areas of education and health. On top of this, Jamaica's membership in the World Trade Organization in 1995, following on its participation in successive rounds of the GATTs, carried with it significant commitments to facilitate trade liberalization.

The role of transnational economic enterprise - legal transnational corporations in the first instance and illegal transnational criminal enterprise in the second - is a crucial aspect of globalisation in Jamaica. Both have been facilitated by the technological revolution in communication, transportation and information which lies at the heart of contemporary globalisation. Both the transnational corporation and organized transnational crime have a real and growing influence on governance in Jamaica.

In relation to transnational corporations, given the hegemony of corporate globalisation, developing states, like Jamaica, in competition with other states have had little alternative but to make themselves attractive to FDI. To achieve this goal, governments have had to constrain their policy options to facilitate attraction of FDI even when such options may not be desirable in terms of impact on other sections of the national community. On the other hand, there can be little doubt that one positive of globalisation is greater availability of foreign investment as a source of technology transfer, employment creation and income generation.

In relation to transnational criminal enterprise the danger to democratic governance in Jamaica is clear, present and growing. The proceeds of globalised criminal activity - particularly in illicit narcotics and arms trafficking - raise the prospect of 'state capture' in Jamaica, starting with community power structures and spreading to corrupt key actors and ultimately critical organs of the state. In the short run, the proceeds of organized crime are already accelerating changes underway in the relationship of Jamaicans towards the state.

The Jamaican electorate has become increasingly disengaged from the state and de-aligned from the political parties. At the same time, alienation from formal politics and disrespect for politicians has been accompanied by vulnerability to the influence of cash-rich criminal elements in the inner cities and a rising tide of protest-demonstrations on 'parish pump' issues.

Recommendations

- 1 Given the multi-dimensional and multi-layered relationship between Jamaican governance and the globalisation process, policy initiatives need to be pursued at different levels by various agents - the government, civil society and the private sector.
- 2 Policy initiatives need to be developed and pursued within a broad national consensus and evaluation on globalisation - its positives and negatives for Jamaica. In other words a consensus must be developed that corporate globalisation displays a 'democratic deficit' which has to be significantly reduced if small, vulnerable island states like Jamaica are to take advantage of a more level playing field.
- 3 Developing democracy at the global, hemispheric, regional and national levels has to be the unifying and overarching policy goal of different elements of the Jamaican community in respect of the governance dimension of globalisation.
- 4 There is need for a flexible but aggressive policy, at the regional, hemispheric and global levels, in building issue - specific alliances and partnerships. These have to be based more on current national interest than on past historical association.
- 5 For common perspectives to come more to the fore and inform a common national action programme, radical reforms in Jamaica's governance arrangements are urgently required. These would aim to reduce 'vested interest' in sustaining destructive rivalry between government and opposition, adversarial relations between capital and labour, antagonistic postures between civil society and the state and, most of all, exclusionary opportunity structures disadvantaging the weak and the vulnerable.
- 6 It is necessary to broaden and deepen the dialogue between international development partners and regional entities, and the Jamaican players at the governmental, non-governmental and private sector levels to produce a more profound and finely nuanced grasp of Jamaica's relationship with the globalisation process.
- 7 A prevailing gap in 'transformational leadership' at all levels needs to be closed in respect of the capacity to overcome divisions and to build cohesion across different social segments and the ability to complement technocratic competence with inspirational quality.

GLOBALISATION & EDUCATION

Situation Analysis

The Education sector is financed mainly by Government of Jamaica (GOJ) budgetary allocations supplemented by funds from bilateral and multilateral agencies, the private sector and non-governmental organizations (NGOs). Students at the secondary and tertiary levels also contribute to the cost of their education through a Cost Sharing Scheme (CSS) introduced in 1994.

For the financial year 2003/04, the GOJ allocated some 8.8 per cent (\$23.1B) of its total budget to education. Of this allocation, approximately 96.0 per cent was devoted to recurrent expenditure of which 73.0 per cent was allocated to salaries. The major share of the overall GOJ budget, 35.2 per cent, was allocated to secondary level schools, followed by 34.4 per cent to the primary level. The tertiary and early childhood levels received 17.3 per cent and 5.3 per cent of the budget respectively.

Jamaica's public education system serves over 96 per cent of all students currently attending school. There are approximately 2 908 educational institutions with some 999 schools in the public school domain served by some 23 804 teachers. An emerging feature of the Jamaican tertiary level education sector is the introduction of a range of programmes being offered locally by overseas universities.

Global policy trends in entrenching the right to education challenge Jamaica to examine the extent to which its education system supports efforts in this regard. Jamaica's impressive enrolment levels have to be measured alongside dubious educational outcomes and limited access at higher levels of the system, especially for children in the lower socio-economic groups.

Although careful attention must be paid to the discussions surrounding the General Agreement on Trade in Services (GATS), the opening up of the education market at the tertiary level may serve to realign public spending on education to ensure that the vulnerable groups benefit from government investment in the sector.

To be effective and useful, education has to be flexible enough to meet the changing needs of societies and students in diverse settings. This is one challenge posed to education by the global movement. Jamaicans have always sought opportunities for social and economic improvement outside the borders of the island. With this strong migratory tendency, Jamaicans demand an education system that is flexible, adaptable and has both local and international currency. Moreover, the Jamaican worker is no longer competing only with Jamaicans for the available jobs, as the labour market opens up under globalisation.

A new and challenging feature of this international integration of the Jamaican educational system is the recruitment of Jamaican teachers to work in schools overseas.





Recommendations

Since 1997, approximately 2000 highly qualified Jamaican teachers have been recruited to fill vacancies in schools in the United States of America and England.

In the absence of any legal power to prohibit migration of skilled workers, countries like Jamaica have begun thinking in terms of training sufficient workers in specific professions to adequately supply the local market, while making excess capacity available for managed export of these services.

- 1 It is critical for Jamaica that while the international policy environment retains a focus on primary enrolment, the country's attention shifts to the quality of the output at the primary level as this is a crucial determinant of secondary school outcome.
- 2 Primary and secondary education must continue to be regarded as public goods, falling outside the ambit of the GATS.
- 3 Jamaica must develop a comprehensive plan for training workers in specific professions for export.
- 4 The government must examine the potential impact on the Jamaican education system and on Jamaican families, of the absence of trained teachers, as well as mothers, fathers and caregivers, when professionals such as teachers migrate.



GLOBALISATION & HEALTH

Situation Analysis

The Jamaican health system and health care delivery have experienced considerable changes especially over the past 10-15 years with the advent of health reform and Jamaicans enjoy reasonably good health and health care.

In 2002, Jamaica's health system ranked 53rd overall in the world, but was said to be the eighth most effective health system. Despite its high ranking there are still issues around equity of access and responsiveness of the health system, some of which seem to have been exacerbated by the processes of decentralisation and cost recovery.

Government spending on health is skewed to the secondary and tertiary provision of both health services (67%) reflecting the traditionally high cost of providing services at these levels. Government expenditure on health has fallen from about 6% in the late 1990's to less than 4% in 2000 and the years following.

In Jamaica the main health concerns are the levels of chronic diseases, the epidemic of HIV/AIDS and the levels of morbidity associated with violence. Western lifestyles have permeated developing countries resulting in significant increases in chronic diseases associated with that lifestyle.

The country has gone through an epidemiological transition over the past fifty years with a shift from infectious and communicable diseases such as malaria, typhoid and tuberculosis to chronic non-communicable diseases such as diabetes, hypertension and malignant neoplasms as the leading causes of death.

There has been a significant increase in the prevalence of chronic diseases, much of which can be attributed to the epidemiological transition of declining mortality and declining incidences of non-communicable diseases resulting in aging of the population. However, changes in dietary patterns over time, with a shift towards higher consumption of food from animals and sugar and salt and low or declining consumption of complex carbohydrates are associated with the increased prevalence of chronic disease.

The rise in these diseases cannot be attributed solely to the influences of globalisation. However, it seems likely that factors associated with globalisation have certainly played a role in shaping the health status of Jamaicans today.

Under the TRIPS agreement pharmaceutical companies are being allowed a 20-year patent protection for drugs. This has implications for manufacturing of generic drugs and ultimately the cost of treatment.

Opening up of markets has meant increased availability of pharmaceutical products in Jamaica and consequently, increased competition between companies. The usual argument is that this favours the consumer, but advertising by these companies through their medical representatives can skew prescribing habits towards expensive drugs instead of generic ones.





Recommendations

- 1 Evaluation of health reform processes should be undertaken to determine weaknesses and strengths in order to implement systems that address issues of equity and quality of health care.
- 2 There should be education of the medical profession and the public regarding generic drugs to ensure that the consumer makes informed choices regarding medications.
- 3 There should be regulation of pharmaceutical representatives to ensure that the consumer is protected.
- 4 The development of a multi-sectoral body comprised of agencies/individuals involved in the provision of services impinging on health and health tourism should be considered in order to fully exploit the opportunities in health tourism while protecting the interests of the Jamaican population.



GLOBALISATION & LABOUR

Situation Analysis

Globalisation has transformed the Jamaican labour market from being dominated by agriculture and manufacturing to becoming services-oriented.

It seems to have had a positive impact on the quality of employees, as persons are remaining in school longer and thus, the higher levels of jobs now have relatively more workers. On the negative side, there is a clear shift in employment opportunities and there is little to suggest that urban unemployment is being reduced. However, this seems to be more of a function of rural/urban migration which thereby skews the data on employment created in the KMA.

Clearly there is also a negative impact on labour standards and protection at work, as more persons are being engaged under non-traditional work arrangements. In Jamaica, all of the fundamental rights at work that are guaranteed by the various statutes and which reflect the International Labour Organisation's (ILO) norms are predicated on the assumption of the traditional contract of employment. Furthermore, these contractual arrangements have tended to be concentrated in the areas of employment such as manufacturing and agriculture.

The loss of employment in these sectors has had a devastating effect on trade union membership. This is particularly important because in Jamaica there are a number of rights that are only available to unionised workers. Only workers who are members of a trade union with recognized bargaining rights for the workers concerned are able to have their matters brought before the Industrial Disputes Tribunal (IDT).

This is an area of vulnerability for Jamaican workers given that the great majority of Jamaican employees are outside of union protection.

Studies carried out by Carl Stone (1988) and Orville Taylor (2003) suggest that the total percentage of the employed labour force that is unionised is between 18 and 20 percent. This means that the majority of the employed labour force in Jamaica, some 740,000 workers, are unable to utilise that system to appeal against unfair treatment at work. These persons must resort to Jamaica's Ministry of Labour and/or the courts for redress. Of course the latter can only be sought if the individual has the financial means to utilise it.

This is compounded by the emerging reality of 'contract work' which is becoming a real alternative work arrangement for employers to offer to their workers. There is reason to believe that it is increasing in popularity as a means of coming to terms with the demands for a flexible labour market imposed by the process of globalisation. Such employments are of pivotal significance when worker rights are determined.

Globalisation has a particular significance for developing countries such as those in the English-speaking Caribbean. As participants in the world economy they have to compete in a world characterized by all of the features of trade liberalisation. On the other hand they have high labour standards, even by global norms and entrenched trade unionism. In the absence of rigid international labour minimums which are directly enforceable the regional economies are at a clear disadvantage in competing against other countries with significantly lower labour standards. The consequences are loss of traditional forms of employment and increase in non-traditional areas of employment and economic activity.





The Jamaican economy has historically had a large agricultural sector irrespective of the fact that it has contributed a reducing percentage of GDP over the past decades. An area of traditionally high employment, it has subsisted with non-modern technology, labour intensiveness and protection. Among the protections that it has customarily received is in regard to banana and sugar cane production. Habituated to preferential treatment from European countries under earlier Lome agreements the sector is unaccustomed to direct competition. The erosion/removal of these preferential agreements as a result of WTO rulings has exposed the vulnerability of local industries. With increased competition there has been a reduction in the demand for agricultural labour on the whole, but more so for low/unskilled labour.

What seems to emerge in the decade 1992 to 2002 is an increase in the percentage of the labour force engaged part-time and that which is working for lengthy hours. Some 7.5 percent of workers worked 49 or more hours in 1992; by 2002 this doubled to 15.5 percent. However, persons working fewer than 25 hours per week grew from 3.3 percent to 5.4 percent (STATIN 1992-2002). While this might suggest to some that the labour force has increased its productivity during the period, it also indicates that an increased danger is being presented by workers working inordinately long hours.

Recommendations

- 1 It is critical that the government continues to foster a climate of tripartism with the objective of building a national consensus. In building this national consensus care must be taken to include other stakeholders, not normally involved in the dialogue.
- 2 Two critical pieces of legislation must be amended: The Employment (Termination and Redundancy Payment) Act of 1974, and the Labour Relations and Industrial Disputes Act of 1975. The former must be amended to include a) a ceiling on the total number of days a worker can be laid off in a six-month period, b) a wider schedule regarding occupational diseases, c) protection of workers' entitlements via a national Severance Payment Fund.
- 3 Statutes that guarantee basic rights to workers must be modified to accommodate 'contractors' who are in fact workers but engaged under disguised contracts. A challenge, which is specifically related to the JEF and other employer groups, is to find innovative working arrangements which guarantee flexibility in the labour market while maintaining the basic standards of work.
- 4 Trade Unions must become more involved in protecting workers from the inevitable process of re-trenchment and re-deployment, which comes with employers' adjusting working arrangements to compete. They should be directly involved in re-training and re-sensitising workers in the creation of a polyvalent multi-skilled workforce. They could also find ways of investing workers' funds/dues to cushion them in the eventuality of loss of job due to the changes associated with globalisation.
- 5 Irrespective of the initiatives taken at the national level it is difficult to operate outside of the context of international relations. Although the WTO has shied away from putting labour standards in its international trade standards it is clear that this could lead to advantages to countries with poor labour standards and human rights. Until this is in place then the process of globalisation will be essentially an inequitable one.
- 6 At the regional level there is the Caribbean Single Market and Economy (CSME) which does not only comprise free trade and movement of capital within the region but also free movement of people. Attendant to the latter is a regional commitment to common labour standards.

GLOBALISATION & CRIME & SECURITY

Situation Analysis

A part of the new global order is a global underground economy, based on the trade of criminalized commodities, that threatens the security of weak states some of which may be found in the Caribbean.

Criminal networks have become a force “exploiting globalization”, and crime a “globalising force.” The opportunities presented by globalisation have been successfully exploited to foster the growth of Jamaican organized crime. Within the last two decades, Jamaican networks have become important players in the international drug trafficking and in the major drug retail markets of the world.

The Ministry of National Security of Jamaica estimated that in 2001, cocaine trans-shipped through Jamaica had a street value (in the USA) of US\$ 3-3.6 billion, the equivalent of between 40% and 50% of Jamaica’s GDP. In terms of total merchandise trade for 2001, the value of the drug trade was estimated (at) between 65% and 78% of total legitimate trade. In other words, the drug trade is valued at more than three quarters of all imports and exports for Jamaica in 2001.

Globalisation facilitates a growth in tourism and the accompanying economic benefits to Jamaica but it also presents easy targets for global terrorism and increases the demand for various illicit services such as prostitution, including child prostitution, and imported hard drugs. Interconnectedness means greater exposure to the threats faced by the people and countries to which Jamaica is connected.

Another aspect of globalisation - economic liberalization - is strongly associated with increasing inequality (at least in the short term), and inequality is strongly correlated with high violence and homicide rates. Liberalization may result in economic and social disruptions that radically alter crime patterns. Globalisation has helped to alter life style expectations via the media and communication, travel, migration and generally greater contact with life styles in the developed countries. Life goals are no longer limited by opportunities (legal and illegal) in the local environment, and the material and acquisitive aspirations of the people better fit that of the capacity of the developed countries than a relatively poor developing country. This kind of strain engenders crime and is difficult to control by social crime preventions measures that offer low wage temporary employment and similar measures that the state and society are able to provide.

Interdependencies are complicated by power disparities in the international system. These disparities have serious implications for local authorities’ options in responding to social inequality and in shaping priorities in crime control. They determine which global crime problems – human- trafficking, drug-trafficking, or arms-trafficking – are given priority, and which problems are defined as global or national.

Recommendations

- 1 The integration of the Jamaican underground with the global underground economy and the problems it presents for law enforcement in developed countries means these countries have an interest in effective crime control in Jamaica, and presents opportunities for mutually beneficial cooperation in improving the local criminal justice system.
- 2 Jamaica, as a signatory to a number of agreements and conventions with respect to the control of crime, including the United Nations Convention against Transnational Organized Crime and the UN Convention against Corruption, must honour the spirit of these conventions by ensuring their effective implementation.
- 3 Jamaica has signed and/or ratified various international protocols and conventions related to the control of trafficking and manufacture of illegal weapons. Since proper regulation of the manufacture and sale of such weapons is vital to the control of illegal transfers across borders, major manufacturing and source countries must sign on to these conventions and some diplomatic initiative should be taken to encourage the USA to sign these conventions.
- 4 There should be consensus on a set of basic principles for treating with the cross-border movement of all criminalized commodities and a clear understanding of the duties and responsibilities of exporting, transshipment and receiving countries. Linked to this, there must be just procedures and mechanisms for evaluating nations and censuring them for failure to comply.



- 5** A strong, authoritative and effective local criminal justice system is needed and as such the police reform/modernization project should be accelerated and the responsible parties held to account for its implementation. Capacity building, altering relations with the people (especially in poor urban communities) and improving accountability and service delivery, are important aspects of this process.
- 6** The formation of a National Council on Crime Prevention and Control would provide a framework for improved accountability of the institutions of the criminal justice system and for the development of partnerships involving the state and various legitimate interests in the society.
- 7** Efforts at strengthening and modernizing the criminal justice system must entail concerted anti-corruption efforts. Controlling corruption is a condition for breaking the power of organized crime and reducing violent street crime.

- 8** Violence and crime prevention may be better integrated with policies in other social fields (for example housing and education policy) thus allowing for more effective outcomes.
- 9** The strengthening of state institutions responsible for security, law enforcement and justice, and development of a framework for consensus-building would open up possibilities for other important measures such as de-garrisoning the inner-city communities, and promoting peace-building, mutual understanding and respect across community borders.
- 10** Democratic security must rest on greater equality and access to opportunity which promotes greater social solidarity. This means increasing the investments in the social infrastructure. Greater equity may also be achieved by pulling more persons into the tax net and ensuring tax compliance. This potentially improves social solidarity as it may allow for programmes which create greater opportunities for the poor and reduce inequality.



GLOBALISATION & CULTURE

Situation Analysis

As a process of interconnectivity globalisation has had both positive and negative impact on Jamaica. In the music industry the international popularity of reggae and now dancehall, has been due not only to the organised tours that take these “reggae ambassadors” all over the globe, but also the distribution of the music by the large producing companies such as Virgin Atlantic, VP, Sony and EMI.

Helping to sustain the attraction for Jamaican music are the annual music festivals reaching into every continent. This year alone, according to one website, 211 reggae music festivals have been scheduled, not counting those in Jamaica itself. Globalisation has thus facilitated the export of Jamaica’s music. There is also a constant flow of artistes from abroad who visit Jamaica to record their songs and rhythms, or having recorded abroad come to do the mixing here.

For all the international popularity of Jamaican music, however, it remains disappointingly only a small fraction of world sales. According to information from JAMPRO Jamaican music took a 3% share of the US\$ 32b world sales in 2003, or US\$1b, but the country received only 25%, or US\$250m.

The close identity between Jamaican music and the Rastafari movement has helped the latter in its global spread. Aware of this growing attraction, Rastafari leaders have been staging a number of international conferences since the early 1980s, the last being a “Global Reasoning” held on the Mona Campus of The University of the West Indies in 2003, which attracted participants from North America, Europe and Africa.

Globalisation in its interconnectivity aspect has influenced how the genders perceive themselves and define their sexuality and roles, and has helped to advance other human rights. Jamaica has been undergoing a social revolution in the status and role of women. Women have become more organized, and under the pressure they exert important pieces of legislation been passed and certain noticeable shifts in attitudes are discernible.

Masculinity also has been coming in for its share of influence that may be directly attributed to globalisation, as the growing strength of the gay rights movement in the Western world has had the effect of bringing homosexuality out into the public domain. The formation and activism of the organization Jamaica Federation of Lesbians, All-Sexuals and Gays, known by its acronym J-FLAG, is a notable development that would not have been possible were the country not susceptible to developments in North America, particularly, and in Europe.

Gay-rights activism recently dealt a telling blow to the notoriously homophobic lyrics of certain prominent DJ artistes in causing the cancellation of overseas tours and a threat of withdrawal of sponsorship by major transnational producing companies, and eliciting an apology from Beenie Man for lyrics that invoke violence against gays. While it is not expected that homophobia will be defeated any time soon, by aiming at the income-





earning power of Jamaican music the campaigns of organizations such as OutRage are bound to temper the homophobic excesses of dancehall.

The impact of globalisation has not always been positive, and there are at least two areas in which it presents a dilemma. To begin with, under the trade liberalisation that forces countries to drop their barriers to the free movement of capital and services, American fast-food chains have been targeting the national market, but catering also to the tourism sector. Popular among the middle classes they introduce American tastes, and possibly the health problems associated with such foods, including obesity.

On the whole cable television is seen as posing serious cultural challenges. The concern lies not so much in the volume of information provided, the immediacy of the medium or the level of access it gives to processes or events of critical importance to the world. Rather, it lies in what Nettleford loves to call the “CNNization of consciousness,” - the subconscious mental shift in the awareness of what constitutes one’s “groundings”. CNN purports to present world coverage of events, but in necessarily doing so through American eyes it envelopes the viewer into an American worldview, in which the universe is centred in New York and Washington.

Local broadcast and advertising interests and cultural workers have neither the resources nor the technical and technological capacity to adequately compete at the same level of sophistication.

Recommendations

1 There is need for caution in how the country adopts the new evangelism of neo-liberalism, which by demanding a level playing field for all players simply guarantees the dominance of the able over the disabled.

2 The key to combating the negative effects of globalisation does not lie in a defensive, garrison-type posture towards heritage and culture—given the openness of Jamaican culture, this could not be a workable option - but in engaged development focusing on nurturing an inherent sense of self. Nurturing requires care, and if the country is serious about the effects of globalisation, serious investments will have to be put into this effort.

3 Cultural agencies need to be targeted beneficiaries of investments, beginning with the Jamaica Cultural Development Commission (JCDC) and the Edna Manley College of the Visual and Performing Arts. Other agencies, groups and ensembles must also be included.

4 Investments in schools are critical for three reasons. First, as the next generation of decision-makers, artists, professionals and citizens, what our children do with the legacies passed on to them will be determined by how well this generation develops in them self knowledge without arrogance. Second, it is the schools that are the mainstay of the JCDC Festival movement, year after year reproducing the art of storytelling, the poems of Louise Bennett, the folk dances and songs, but equally the dub poets of contemporary culture, dancehall moves and DJ lyrics. Thirdly, for the continued development of Jamaican music, there is a need to invest in music education from the primary school level.

5 There is a need for structured development of the Jamaican music industry. The industry, at least at the level of production is unstructured, if not disorganized outright. One result is corruption at all levels. Structuring the industry will not be easy and will demand much courage, but unless it is done and done in a way that enables a more broadened base of aspirants freely to display their talent, then it is debatable how much longer Jamaica can maintain its international reputation. The government may be the only agency able to bring together the varied interests.

6 Finally, there is no way to escape the need for continued development of a local film and television industry. Notwithstanding the cable power of American culture, a market does exist for locally produced shows, if one is to make sense of the burgeoning network of local cable television stations targeted mainly at the youth and the religious.

GLOBALISATION & TOURISM

Situation Analysis

Globalisation has had a positive impact on travel, resulting in larger numbers of visitors, and projected increases that would result in greater revenue earning. There has also been an expansion in all types of tourism, some of which represent niche markets for Caribbean destinations. During the 1990s, 'mass tourism' markets gave way to niche market tourism and the development of a variety of tourism products ("eco", "sports", "heritage" etc.).

Globalisation has also been characterized by the liberalization of air spaces across the world. This has resulted in the possibility of greater competition among airlines and increased airlift for Jamaica over the years.

An emerging trend is the consolidation and vertical integration of European tour operators. During the 1990s tour operators started to consolidate and began buying hotels in the destinations that they sent their clients to. They are now able to offer much more competitive prices than locally owned hotels and this weakens local policy makers' ability to exercise control over the reservations side of the product and to establish better and fair prices for their rooms

One of the important dimensions of globalisation is the rise of trading blocs. In the Americas, the bloc that is most likely to dominate trade in services, like tourism, is the Free Trade Area of the Americas (FTAA), due to be inaugurated in 2007.

In most cases, over half of the tourism industry's earnings flow out of the local economy. The exceptionally high import content of the industry suggests there are relatively few inter-sectoral linkages between the domestic economy and the tourism sector.

Increase in tourist arrivals has resulted in a number of environmental impacts. According to some estimates, tourists in the Caribbean generate twice as much solid waste per capita as local residents. The increasing numbers have also resulted in higher energy consumption and use of freshwater resources.

While there is no clear evidence which shows that tourism is a major cause of HIV/AIDS in Jamaica, it would appear that a correlation exists, in that resort areas tend to have comparatively high prevalence rates. It may be argued that the very nature of tourism allows for risk-related behavior patterns that are themselves correlated with the spread of HIV/AIDS.

Globalisation may have its greatest impact in the short-run on labour relations, wage levels and incentives to the tourism industry. Liberalized trade in goods and services will provide higher quality goods at lower prices to consumers. This will create pressure on labour for flexibility, a higher level of training and increasing productivity. In addition, multiple tasks may be performed by the same worker as new technologies make certain jobs redundant and employers seek to subcontract out certain kinds of tasks.





Recommendations

- 1 The social carrying capacity needs of resort areas must be addressed, in order to tackle growing social problems. Growth in the number of stopover tourists should be accompanied by the provision of adequate housing, schools, recreational facilities and other infrastructure for growing local populations. In addition there is a need for social policies to address the needs of the growing number of women involved in the sex trade industry.
- 2 The mix of small versus large hotels must be based not only on financial considerations but also on the long term evolution of the industry. The capacity of the small hotel sector may need to be further developed, with a view to tapping into the European market.
- 3 It is not yet clear whether the tourism industry will in the future fall under WTO rules which disallow subsidies in the interest of free trade. Given the global nature of the industry, it appears that a sensible strategy would be to begin to reduce the government's contribution and create a genuine public/private sector partnership in the industry.
- 4 Increased training and productivity of workers should be accompanied by improved remuneration for the industry to remain competitive and maintain a committed workforce.
- 5 To help rural communities, tourism should be strategically integrated with other industries in the country. The tourism product has a natural linkage with agriculture, craft production, jewelry and furniture manufacture.
- 6 The contributions of attractions are often greater (in dollars per person terms) than those of the hotel sector and more effort must therefore be devoted to creating upgrading and maintaining the attractions, which will allow for greater multiplier effects in communities.
- 7 Great synergies can be achieved if the tourism product is linked to the music and entertainment industry especially in communities where visitors might mingle with local citizens. This is a potentially lucrative but unexplored dimension of Jamaica's tourism.
- 8 Globalisation will mean greater regional competition and a struggle to maintain market share among competing countries. Rather than fighting for market share through open competition, Caribbean countries can cooperate on joint marketing and promotion of the region and cooperation in other areas.
- 9 Cruise ships provide passengers with a glimpse of the island and should be viewed as an opportunity to entice them to return to Jamaica for a longer duration. Tourism interests and policy makers need to collaborate to ensure that the activities of the cruise industry are consistent with the development of a viable and sustainable tourism industry.



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