An Exploration of Alternative Methods of External Financing for the Jamaican Economy in the Eighties

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The poor economic performance of the Jamaican economy in recent years can be directly related to the severe shortage of foreign exchange with which the country has had to cope. This shortage reflects a fall in production and prices in the leading foreign exchange earning activities of the country. In response to this foreign exchange crisis the country was forced to impose severe restrictions on import spending for consumption and investment. The investment spending restrictions has meant that productive capacity in a number of sectors critical to economic recovery has been severely impaired. As a result, even if such unfavourable market conditions of the late seventies, as falling prices for major agricultural exports, were to be reversed, it is unlikely that there could be a strong positive production response to take advantage of such a situation.

The purpose of this paper is to explore what opportunities might exist for mobilizing adequate foreign exchange to make it possible to revitalize production. Two broad issues will be examined. The first concerns the possibility of the country being able to realize increased inflows of foreign exchange from official, as well as, private sources. The second involves the matter of steps which might be taken to achieve a high level of efficiency in the allocation of available foreign exchange and the possibility of developing non traditional sources of supply. In the following section of the paper a brief review will be conducted of recent developments in the country's international payments position. This review will serve both to highlight the particular characteristics of the international payments problem and provide an appropriate base for evaluating various options for mobilizing foreign exchange.

Developments in International Payments, 1976-1981

Jamaica maintained strict controls on import spending between 1976 and 1980. As a result, there were moderate merchandise trade surpluses in 1977 and 1978 and moderate deficits in 1979 and 1980. Further evidence of the degree of constraint on import spending is revealed in the fact, that the level of spending on imports in 1976, was not surpassed until 1979. The restrictions on imports were reduced in 1981 as part of the new government's programme for economic recovery. The subsequent growth in imports combined with the poor performance of the export sector resulted in a more than four fold increase in the merchandise trade deficit. The deficit on services also remained fairly stable between 1976 and 1980. Increased outflows associated with servicing external debt were matched by increase inflows from tourism. Private transfers made an important positive contribution to current receipts after 1978. The current account deficit in 1980 was approximately one half that of 1976. The large increase in the deficit in 1981 could be traced directly to developments in the merchandise trade balance.

In spite of the relative stabilization of the current account balance, developments in the capital account gave rise to substantial losses in foreign exchange reserves and increases in external indebtedness. There were large private capital outflows in each year, except 1977 and 1981. Increased external borrowing by the Government was required to support current external spending. However, in most years government borrowing was virtually off set by the private capital outflows. It is interesting to note that the cumulative current account deficit between 1978 and 1980 of US $377.4 million was less than the cumulative private capital outflow of US $397.9 million. Annual balance of payments summaries for the period are presented in Table 1.

Table 1

Jamaica Balance of Payments Summaries, 1976-1981

US $Mn

	1976	1977	1978	1979	1980	1981[1]
Merchandise Trade Balance	-131.9	93.5	44.5	-67.9	-75.4	-327.8
Exports (F.O.B.)	659.7	760.2	794.5	814.7	962.7	980.4
Imports (F.O.B.)	791.6	666.7	750.0	822.6	1038.1	1308.2
Services Balance	-176.7	-181.6	-156.9	-154.7	-163.5	-204.0
Foreign Travel	46.9	60.2	136.4	184.5	228.9	272.2
Investment Income	-115.6	-138.2	-178.6	-202.6	-233.9	-296.7
Other	-108.0	-103.6	-114.7	-136.6	-158.5	-179.5
Transfer (net)	6.0	20.0	25.7	80.0	90.8	105.0
Private	2.0	15.1	15.2	70.0	81.8	95.0
Official	4.0	4.9	10.5	10.0	9.0	10.0
Current Account Balance	-302.6	-68.1	-86.7	-142.6	-148.1	-426.8
Net Capital Movements	48.3	56.9	9.8	-10.4	60.2	261.9
Official	79.2	-5.9	178.9	71.2	207.4	249.2
Private	-30.9	62.8	-169.1	-81.6	-147.2[2]	12.7[2]
Overall Balance	-254.3	-11.2	-76.9	-153.0	-87.9	-164.9
Allocation of SDRs	-	-	-	10.0	10.0	10.0
Change on Reserves: Minus = Increase	261.9	16.1	77.5	143.0	77.9	154.9
Errors & Omissions	-7.6	-4.9	-0.6	-	-	-

[1] Provisional.

[2] Includes Net Errors & Omissions.

Source: Bank of Jamaica. Report and Statement of Accounts, Annual.

The role played by external borrowing in this period is more clearly revealed when one examines the foreign exchange cash flows passing through the Bank of Jamaica. These flows are summarized annually in the bank's foreign exchange budget. Foreign exchange budgets for the years 1977 to 1981 are presented in Table 2. In two years 1977 and 1981, external borrowing accounted for almost 40 percent of total foreign exchange inflows, with the International Monetary Fund being the largest single source of funding. The dependence on external borrowing and, in particular, the reliance on the International Monetary Fund carried important implications for the past, as well as, future performance of the economy. The negotiations conducted by the Government with the Fund between 1976 and 1980 were carried out in a highly charged atmosphere. This was due to the fact, that the conditions which the Fund imposed for providing balance of payments support under the Extended Fund Facility, was in direct conflict with some of the basic tenets of the government's strategy for economi c development.1/ Consequently, on the two occasions when the Government concluded loan agreements with the fund, they were subsequently suspended, as the Fund conditionalities was believed to be working against important goals of policy. For example, the insistence of the Fund on a smaller fiscal deficit, on easing of price controls and the removal of subsidies for some food items seemed in direct conflict with the Government's objective of promoting a greater degree of equity in the society.

In spite of the widespread reservations about the Fund's conditionalities the majority view was that agreement with the institution had to be reached, if the country were to gain access to anything approaching the required level of external financial support. Consequently, the extended acrimonious negotiations with the Fund and the uncertainties surrounding the prospects for agreement

Table 2

Foreign Exchange Budgets: 1977-1981

US $ Mn

	1977	1978	1979	1980	1981
Sources					
Liquid Reserves	4.2	6.6	21.0	18.8	6.1
Bauxite and Alumina receipts	374.1	262.5	278.0	367.8	333.2
Sugar and other agricultural exports	205.3[1]	168.0[1]	85.1	84.7	64.8
Non traditional exports	-	-	111.1	80.1	57.0
Crude oil facility	-	-	17.2	7.3	-
Tourism	72.0	98.3	145.1	160.1	168.3
Loan receipts	183.5	367.2	292.0	235.0	513.9
I.M.F.	22.0	53.1	184.2	9.8	243.6
Other	161.5	314.1	107.8	225.2	270.3
Other receipts	64.4	70.2	106.3	107.2	149.2
Total	903.5	972.8	1055.8	1061.0	1365.7
Loans % Total	20.5	37.8	27.7	22.2	37.6
Uses					
Public debt	191.9	278.5	273.9	263.3	437.8
Oil imports	567.3[2]	560.0[2]	176.1	255.0	293.1
Non oil imports	-	-	401.4	235.2	298.1
Other	137.7	113.3	185.6	170.8	234.9
Total	896.9	951.8	1037.0	1046.3	1363.9

[1] Includes agricultural and non traditional exports.

[2] Oil and non oil exports.

Source: Bank of Jamaica, Report and Statement of Accounts, Annual.

only served to compound the difficulties faced by domestic producers. The uncertainties surrounding the availability of funds caused long delays in the granting of approval for the importation of raw materials and capital goods.

There was increased reliance during the 1976 to 1980 period on costly short term loans and tied lines of credit. This had two negative consequences. The short term borrowing increased the weight of debt service charges and the tied lines of credit added on undesirable element of rigidity to the allocation of foreign exchange. The structural adjustments, which were essential for economic recovery, required the support of long term programme financing. In summary, when one considers the secular stagnation of the economy during that period it is clear that external borrowing had virtually no net development significance.

The country is placed in the unenviable position of requiring large external financial inflows to revive domestic production, while being faced simultaneously with a heavy burden of external debt service charges. The seriousness of this dilemma is underscored when one considers the developments in external payments in 1981. In that year the newly elected Government concluded an agreement with the Fund for balance of payments support over a three year period under the Extended Fund Facility. This agreement provided cash inflows of approximately US $244 million during that year. The agreement, in the words of the Bank of Jamaica, acted as a catalyst in the mobilization of foreign exchange. Gross loan receipts were more than twice the level received in 1980. Agreement was reached with a Steering Committee of Commercial Banks for the deferral and refinancing of all Government debt to foreign commercial banks maturing during the fiscal years 1981/82 and 1982/83. In spite of these very positive developments, debt service charges absorbed 57 percent of the cash inflows from exports of goods and services and 32 percent of gross foreign exchange receipts.[2/]

The Prospect for Increased Foreign Exchange Inflows

Two broad sources of external financing can be identified. One source involves primarily concessional funding. This consists of the bilateral flows from governments of the major industrial countries and funding from the various multilateral agencies. The other source is the commercial flows from private lending institutions and direct investment flows. As far as the prospect for major increases in concessional inflows is concerned, the outlook is far from good. In the case of the bilateral flows from governments there are two factors working against major increases. The most significant factor is the severe economic resession being experienced by the major donor countries. Consequently, there is not only the matter of whether they will increase their disbursements to meet the modest targets suggested by such groups, as the Brandt Commission, but whether there might be a slackening in disbursements, as was the case during the seventies. Recently, the Government of Canada decided to transfer funds it had committed to foreign aid to its programme for dealing with domestic employment.[3/] The second important factor is the attitude of the United States Administration, traditionally the major source of concessional finance, towards foreign assistance. Their position is to deemphasize direct government to government support and to place greater emphasis on encouraging direct investment flows as the principal means of achieving required resource transfers.

These factors will also have an important impact on the size of the potential flows from multilateral agencies. The industrial countries exercise effective control over the operation of these agencies and have blocked attempts by developing countries, which would have resulted in major increases in the lending capacity of these institutions. Their resistance in large measure is indicative of their overiding concern with global inflation and the associated conviction that any dramatic increase in the lending capacity of these institutions would compound the difficulties of dealing with this problem. Evidence of this is seen in the strong resistance of the industrial countries to having Special Drawing Rights emerge as an important source of unconditional finance to support development. Not only have they resisted all the "link" proposals, but, in addition, have exercised their influence to have the rate of interest on SDR's raised to the equivalent of a market rate. The potential importance of the SDR link in providing additional concessional financing support is partially revealed when one considers the following factors. As of the end of April 1982 a total of SDR's 21.4 billion had been allocated to all countries. Approximately 63 percent of this allocation, SDR's 13.4 billion, went to the OECD countries. In only four of these countries, Australia, Canada, The United Kingdom and New Zealand, was there substantial use of the amounts allocated. In most instances holdings either approximated or were substantially in excess of net cumulative allocations, as of that date. The situation is exactly the opposite for the vast majority of developing countries. In the Caribbean the only exception was Trinidad and Tobago.[4/] In addition, there is continued strong resistance to major increases in the resources of the World Bank and its affiliates. The resistance of the United States towards allowing the Inter American Development Bank to expand its lending ability will have a decidedly negative impact on Caribbean countries.[5/]

In the circumstances it is obviously important for Jamaica to work along with other developing countries towards realizing an increase in the availability of concessional finance. It is very unlikely that such pressures will be fruitful in the short term.

Let us now turn to a consideration of the prospects for increased flows from private sources. In this instance our attention will be focussed on a number of specific issues, which are of particular importance to Jamaice and other CARICOM countries. The Caribbean Basin Initiative encapsulates the approach of the Government of the United States towards the economic crisis faced by countries in the region. The Initiative places particular emphasis on the role of the private sector and US private investment in helping countries on to a path of economic recovery. It then provides the appropriate setting for evaluating the prospects for large increases in direct investment flows. There are two major features of the Initiative which are of potential significance in this regard. One is the proposal that special tax incentives should be offered to US firms to encourage investment in the region. The other feature is the proposal to exempt products manufactured in the region from import duties for a period of 12 years.[6/] The duty exemptions coupled with the tax incentives could potentially make countries in the region important centres of off shore manufacturing activities for US firms.

If a country is to be successful in attracting direct investment from external sources, the prospective investors must be satisfied with the prospect for earning high profits and that such profits can be repatriated easily. Given the Jamaican international payments situation, it would seem that these conditions would require direct investment geared to production for the export market. This makes the 12 year import duty exemption on regional exports the most significant feature of the Initiative. However, the exclusion of textile and apparel products from preferential duty treatment, commodities in which Jamaica has a demonstrated production capability and could be attractive areas for foreign investors, weakens the potential impact of the program. The country could potentially aspire to become an important off shore location for the assembly of electrical and electronic products. There are, however, some important factors which might limit such an occurence. The leading United States producers of these items have already established major production facilities in South East Asia. The incentive to locate in that area was the low cost of labour. Labour costs in Jamaica are higher than those in that region. Jamaica and other Caribbean countries do hold a clear advantage in terms of location. It is by no means certain that this locational advantage could offset the labour cost advantage held by those countries, which are currently the major off shore producers. Moreover, the current protectionist sentiment in the United States, which has been encouraged by the very high rates of unemployment, raises serious doubts as to whether the proposed duty exemptions would likely receive congressional approval.

The poor state of the economies of the other major industrial countries also limits the prospects of those countries being major sources of direct investment. Business firms in those countries are being subject to a great deal of pressure by governments and labour organizations to increase their levels of investment at home. One might argue that until there is a significant turn around in the global economy from the current state of recession, there is not likely to be any major increase in direct investment flows.

As far as the question of potential flows from commercial lending institutions is concerned, the central issues is that of the credit worthiness of the country. The heavy external borrowing by Jamaica in the late seventies and the resulting very high debt service requirements reported earlier, could mean that the country is close to the limits of its borrowing capacity. It is recognized that the assessment of credit worthiness by lending institutions will not be based entirely on indicators, such as debt service ratios. Lending institutions will be more concerned with the development potential of the country. The assessment of development potential will be based on a number of quantitative, as well as, qualitative considerations. The former would be based on judgements concerning the outlook for the leading economic sectors and the prospects for the emergence of new dynamic growth sectors. The latter would be based primarily on views concerning the effectiveness of a government in managing the economy, and that the country is pursuing the correct development strategy. Developments in the international economy, in particular the payments difficulties of a country like Mexico, which had been thought of as having particularly strong growth prospects, has caused the private lending institutions to adopt a far more conservative posture. These institutions have been forced to pay increased attention to the level of their exposure in any one country. At a recent meeting of international commercial bankers, agreement was reached to establish an institute which would conduct in depth studies on the performance of individual countries.[7/] The studies produced by that body would then provide an independent assessment of risk to the banking community. Developments of this sort are a clear indication that the major commercial lenders are likely to become more restrictive in their lending practices.

In summary, a great deal of difficulty is likely to be experienced in attracting external financial flows from what might be considered traditional sources. Consequently, there will be a greater need to ensure that the available foreign exchange is mobilized in the most effective way to support the development effort.

Effective Mobilization of Foreign Exchange

In this section consideration will be given to the internal initiatives which might be taken towards achieving a high level of efficiency in the allocation of foreign exchange. It is argued here, that an important first step in this direction, would be to limit the amount of foreign exchange transactions, which take place outside the banking system. This raises the question of the actual or potential size of these transactions and the measures which could be taken to control this activity. It is clearly impossible to arrive at precise estimates of the order of magnitude of these transactions in past years. There are, however, a number of indirect approaches which might be taken to gain some sense of the potential size of these transactions.

One potential source of what might be considered a leakage of foreign exchange is the tourist sector. The industry, after experiencing a virtual collapse in 1977, began to show strong signs of recovery in the subsequent years. This was reflected primarily in steady increases in the number of long stay visitors. In spite of these developments the cash inflows into the Bank of Jamaica from tourism increased very slowly between 1979 and 1981. Receipts, as reported in Table 2, rose from US $145 million in 1979 to US $168 million in 1981. Moreover, receipts in 1981 were only US $8.2 million above the level in 1980. At the same time the Bank of Jamaica estimated, that gross tourist expenditure in 1981, amounted to US $281 million.[8/] In both 1980 and 1981, the Bank's estimates of gross tourist expenditure was in excess of 50 percent of the amount recorded in the foreign exchange budget and attributed to that sector.

It is a well known fact that black market traders are very active in the main tourist centres. Their willingness to purchase foreign exchange at rates substantially above that of the official declared rate has undoubtedly siphoned off considerable foreign exchange from the official market. The reason why such activity should be cause for concern is that such transfers of funds to the highest bidder provides no assurance that the scarce foreign exchange will be directed to what might be deemed the priority investment areas. Given the scarcities of consumer goods and the strong pent up demand for these items, these funds would likely be directed to finance imported consumer goods. Some evidence of this can be found when one examines the pattern of import activity in 1981.

In 1981, the Government, as part of its programme for economic recovery, decided to embark on a policy of deregulation as a means of providing a greater stimulus to the private sector. A major feature of this new policy was the liberalization of import licencing. Importers could obtain licences freely, as long as they could fund their imports without relying on the banking system. According to the Bank of Jamaica[9/] the value of these so called "no funds" imports, excluding the self financed imports by the mining sector, amounted to US $230 million. This represents 19 percent of imports for that year. In the same report it was stated that a significant share, US $180 million, was in support of imports of raw materials and capital goods. On the surface, it might appear that the new programme has been effective in partially releiving some of the bottlenecks, which had in the past restricted investment. However, when one examines the functional classification of capital goods imports, the subsector which showed the greatest percentage increase between 1980 and 1981 was transport equipment. The functional import classification for these two years is set out in Table 3. A major part of this would consist of automobiles which might more properly be deemed durable consumer goods. In fact the apparent abuse of the licensing system with respect to the importation of automobiles is currently taking on the dimensions of a national scandal. Supporting evidence of this contention is revealed in the recent action taken by the Trade Board to recall all licences issued for the importation of motor vehicles, as part of an effort to tighten up the system.[10/]

In a situation where every effort has to be directed towards realizing the maximum national benefit from very scarce foreign exchange, the proliferation of this "no funds" importing activity imposes a serious constraint on effective foreign exchange management. It is also clear that this licensing provision provides an impetuous to the growth in black market foreign exchange activity.

Table 3

Functional Classification of Imports, 1980-1981

US $ Mn

	1980	1981[1]	Change	% Change
Consumer Goods	132.0	193.4	61.4	46.5
Food	72.8	104.9	32.1	44.1
Other	59.2	88.5	29.3	49.5
Raw Materials	841.8	994.7	152.9	18.2
Petroleum	446.9	498.8	51.9	11.6
Other	394.9	495.9	101.0	25.6
Capital Goods	197.5	296.7	99.2	50.2
Construction Materials	47.3	67.0	19.7	41.6
Transport Equipment	34.8	63.7	28.9	83.0
Other Machinery and Equipment	105.3	152.3	47.0	44.6
Other Capital Imports	10.1	13.7	3.6	35.6
Total	1171.3	1484.8	313.5	26.8

[1] Provisional.

Source: Bank of Jamaica, Report and Statement of Accounts, 1981.

A flourishing black market in foreign exchange is a clear indication of the fact that the official exchange rate understates the value which the society attaches to foreign exchange. Given the potential wastes to society associated with black market activity, it is necessary to consider the initiatives which might be followed by the monetary authority, with a view to limiting its growth.

One seemingly obvious course of action would be to eliminate the price advantage of the black market by depreciation of the currency. If one were to take the view that the market is the best guide to what the appropriate price for foreign exchange ought to be, then the black market rate would be the guide as to the extent of the required depreciation. There are a number of reasons why exchange rate depreciation might initially be rejected as an appropriate policy response to this problem. In any economy the appropriate level for the exchange rate has to be determined on the basis of what rate best serves to most effectively mobilize economic resources. In a small open economy like Jamaica, where its major exports are priced in foreign currency and which relies heavily on import for productive inputs and consumption goods, it is generally accepted that currency depreciation would have mainly an inflationary impact on the economy, while having a negligible impact on foreign exchange receipts.

It might be argued, however, that the operation of a parallel black market places the economy in a position where it experiences all the negative effects which would arise from a currency depreciation, without any of the potential benefits. The costs of foreign exchange purchased on the black market will be passed on in the form of higher prices irrespective of whether the funds are used to purchase consumer goods or capital goods and raw materials. This is made easier when elimination of various price controls is a central element in the deregulation process. The potential benefits to the economy, arising from an official depreciation designed to curtail the black market, would be that more foreign exchange could be directed to supporting production, as opposed to consumption. How could such an outcome be realized? The breakdown in production in the past years and the resulting scarcities created a large pent up demand for consumer goods. As long as these shortages exist, dealers on the black market will be prepared to pay virtually any price for foreign exchange, as they will be assured of recovering their outlays from the sale of consumer goods.

In spite of the obstacles which would have to be overcome it is clear that a strong effort ought to be made to curb black market activity. As a first step, changes in procedure for granting no funds licences is required. The changes could be as follows. Approval could be granted freely for imports of capital equipment and raw materials. At the same time the use of this procedure for imports of consumer goods could be constrained by imposing a low ceiling on the amounts which could be financed in this way. However, such measures would not be of any particular significance unless, at the same time, steps were taken to offset the price advantage held by the black market. This means that some consideration must be given to changes in the organization of the foreign exchange market and the exchange rate regime. A possible approach would be to organize a dual market system embodying a dual exchange rate structure. Transactions associated with the mining industry, involving such things as the levy, royalty payments and transfers to cover local expenses, could continue to be conducted at the existing official rate. Purchase of foreign exchange to finance food imports could also be conducted at the official rate. An internal free market should then be organized for the purchase of foreign exchange. The commercial banks could operate this market acting as agents for the Central Bank. The banks could be given a free hand in the setting of buying rates. The proceeds of these purchases would be credited to the Bank of Jamaica and the banks would recover their outlays plus a service charge for operating the market. The Central Bank could then establish a schedule of selling rates designed to meet its allocative goals and minimize its losses. The overall effect might be a lesser defacto depreciation of the currency than is currently the case with the unorganized system.

The measures suggested would have no effect on influencing the purchase of foreign exchange associated with capital flight from the country. The level of this kind of activity is directly related to the degree of public confidence in the country's future and more specifically confidence in the way in which the economy is managed by the Government.[11/]

Let us now turn to a consideration of what might be done to tap an underexploited source of foreign exchange, the expatriate community. This community has in the past made an important contribution to foreign exchange receipts through their transfers in support of relatives. The balance of payments data contained in Table 1 shows that in 1979 and 1980, these transfer receipts were greater in value than the merchandise trade deficit. The issue being raised here concerns what steps could be taken to encourage members of that community to hold part of their discretionary savings in such a way as to provide an additional pool of foreign exchange. The following conditions would have to be satisfied in order to attract such savings. Individuals would have to be assured as to the security of their savings and moreover, the yield on these savings would have to be comparable with what could be earned in their countries of residence. Although the objective would be to attract long term savings, it would nevertheless, be important to guarantee ready access to these savings. Ideally, these savings instruments should be in a form which would allow participation by a wide cross section of the community.

A drive to harness such savings would require a substantial promotional effort. This immediately raises the question of promotion costs in relation to the expected yield. One way of possibly minimizing these costs would be to have the savings drive concentrated over a very short period of time and targeted at those cities where there are large expatriate groups. Some appreciation of the potential financial inflows from this source might be gained when one considers the following factors. It is estimated that between 1970 and 1980 in excess of 214,000 Jamaicans migrated to North America.[12/] Given the historical pattern of migration it might be expected that the expatriate population in North America would be in the area of 1 million people. If, from this large group, 200,000 people would be willing to purchase on average $500 worth of Jamaican bonds this would result in an inflow of $100 million. In view of the strong attachment of many members of this community to their home country, if they were provided with an opportunity to invest in their country, with the assurance that their investments were secure, this would likely provoke a very positive response on their part. It should not be beyond the capabilities of the monetary authority and commercial banks to establish a framework, which would provide these safeguards.

Footnotes

1. The central issues underlying the dispute between the Government of Jamaica and the IMF are stated in the joint articles by Norman Girvan, Richard Bernal and Wesley Hughes, "The IMF and the Third World: The Case of Jamaica" in Development Dialogue, 1980:2.

2. Bank of Jamaica, Report and Statement of Accounts, 1981.

3. Economic Statement to the House of Commons, Ottawa, October 1982 by the Hon. Marc Lalonde, Minister of Finance, Canada.

4. Estimates based on data published in the IMF Annual Report, 1982.

5. Report on opening of the IDB meeting in Rio de Janeiro where the US wished to limit the growth of loans to 13.5 percent by the Bank as opposed to the 18 percent desired by the poorer nations. Reported in The Jamaican Weekly Gleaner, Monday, October 25, 1982.

6. The main features of the Initiative were outlined in a speech by US President Reagan to the Organization of American States, February 1982.

7. Report on the proceedings of the meetings held in New York City reported in the Toronto Globe and Mail.

8. Bank of Jamaica, Report and Statement of Accounts, 1981.

9. Ibid., p. 10.

10. "Trade Board Recalls Licences for Importation of Motor Vehicles", The Jamaican Weekly Gleaner, Monday, October 25, 1982.

11. In the period between 1976 and 1980 there was significant capital flight reflecting the hostile attitude of the private sector to the policies of the government. This is clearly shown in the developments in the capital account of the country's balance of payments reported in Table 1. With the election of a government strongly committed to supporting the private sector, the flight of capital ought to be reduced. In 1981 there was a modest inflow of private capital.

12. Reported in an address by the Hon. Pearnel Charles, Minister of Public Utilities and Transport, Jamaica, in the Jamaican Weekly Gleaner, Monday, October 25, 1982.