Restructuring Jamaica's Economic Relations with Socialist Countries, 1974–80

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The objective of this article is to review the efforts of the Manley Administration to develop Jamaica's economic relations with socialist countries during the period from 1974 to 1980. Attention is directed particularly to examining the difficulties confronted in increasing and broadening these relations as part of an attempt to implement a democratic socialist development strategy. This experience is instructive because it illustrates (a) some of the problems involved in economic relations between developing countries and socialist countries; and (b) the difficulties inherent in expanding trade with socialist countries as a part of a policy of diversification of trade relations.

RESTRUCTURING EXTERNAL RELATIONS DURING TRANSITION

The theory of the transition to socialism has neglected the transformation of international economic relations, the focus being almost exclusively on internal economic, political and institutional transformation,[1] and that state control and planning which

> makes it possible to avoid anarchy in the development of foreign economic relations, helps to maintain the balance between exports and imports and finally, reduces the country's economic and financial dependence on other states by sealing off access to the economy for foreign capital. (Fedorenks [ed.] 1979: 250)

There are two reasons for the inadequacy of the study of how to transform international economic relations: (a) changing the structure of foreign economic ties requires a long period of time and the creation

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of the necessary internal and external prerequisities (Solodovnikov and Bogoslovsky 1975: 205); and (b) the theory of the transition to socialism was developed out of the experience of economies in which the extent of foreign trade was small in relation to total economic activity. Present-day underdeveloped countries are characterized by large amounts of foreign trade in relation to total economic activity and by inflows of foreign capital being a major determinant of accumulation and reproduction. Therefore, in the transition to socialism in developing countries, (a) the reorientation of foreign economic relations is a more fundamental and complex problem, both quantitatively and qualitatively; and (b) the internal and external aspects of economic transformation must be carried out simultaneously. It is the complementarity which C. Y. Thomas emphasizes when he states that:

> the fundamental strategy must be one aimed at severing the traditional and newer links with international capitalism... Two priorities of political action immediately follow from this. The first is to ensure complete local state-ownership of all the dominant means of production... The second priority which really derives from the first, is the complementary need for decisive intervention by the state in foreign trade. (Thomas 1974: 75–6)

DEMOCRATIC SOCIALISM (1974–80)

In 1974, the People's National Party (PNP), led by Michael Manley, reaffirmed its commitment to democratic socialism. The ideological radicalization reflected the intensification of the economic crisis of dependent capitalism (Bernal 1985a) and the resolution of differences within the party in favour of a platform of democratic socialism (Manley 1982: 119–30). The PNP's philosophy of democratic socialism consisted of the following tenets:

(i) The exploitation of man by man which is inherent in capitalism must be abolished (PNP 1974).

(ii) Democratic socialism is not a phase between capitalism and communism, but is an objective in itself (Hearne [ed.] 1976: 171).

(iii) A multi-party political system would be central to the democratic process (API 1974: 1).

(iv) National self-determination and sovereignty over the country's

resources to reduce external dependency and the establishment of a self-reliant economy (PNP 1980: 10).

Democratic socialism was seen as the only strategy which could provide economic development as distinct from economic growth, because 'the capitalist economic system does not possess the kind of dynamic which can resolve the basic contradictions which exist in the Jamaican economy' (API 1974: 51). The 'major obstacle in the path of our development', General Secretary Dr D. K. Duncan stated, 'is the domination of our economy by the imperialist system by which foreign interests have exploited our people and natural resources' (Duncan 1980: 13; PNP 1974: 1). Socialism would be constructed within the framework of a planned, mixed economy, with the state sector leading and directing economic transformation (PNP 1980: 6), and with subsidiary roles for private enterprises and cooperatives. The Principles and Objectives of the People's National Party explains that in the economic sphere, socialism requires social ownership and/or control of the means of production, distribution and exchange which must begin with a dominant public sector which owns and/or controls the commanding heights of the economy — e.g. bauxite and other mineral resources, financial institutions, foreign trade and public utilities (PNP 1980: 8–9 *et passim*). Social ownership, though fundamental, is not the only basis for the exercise of social control. Control can be exercised directly by the people through co-operatives and other participatory institutions and indirectly by the state acting on behalf of the working people or by workers' participation in private enterprise (PNP 1980: 26).

The transition to a democratic socialist economy must entail changes in internal social relations and economic structures and in external economic relations. Restructuring external economic relations would involve a progressive diversification away from traditional patterns of trade and capital flows. This would entail increased relations with socialist and Third World countries, but was not intended to jeopardize links with advanced capitalist countries. Mr Manley explained that:

> It is obviously important for Jamaica to retain its friendship with this (North Atlantic) part of the world, and if possible to extend and deepen its economic relations with the United States, Canada and Great Britain. However, the perpetuation of dependence upon these three relationships is inimical to Jamaica's long-term interests and is only favoured by those who remain frozen in the postures of yesterday. (Manley 1974: 124)

> Jamaica can only benefit if we begin to look for new trading partners . . . new sources of technical assistance and investment aid. (Lewis 1981: 54)

The Principles and Objectives of the PNP states that: 'The development of principled relations with socialist countries is also essential to the diversification of our foreign trade and the overall development of our economy' (PNP 1980: 59). The Emergency Production Plan of 1977 explained that democratic socialism entails the construction of a self-reliant economy. This required diversification of international economic relations by 'the development of closer economic contracts with socialist countries of Eastern Europe . . . the strengthening of our relations with the People's Republic of China . . . the extension of our contracts with like-minded Third World countries' (NPA 1978: 115). More specifically, it was the intention to 'pursue initiatives for economic cooperation with the socialist countries of Eastern Europe in the process of diversifying and widening the range of international markets and sources' (NPA 1978: 116). In addition, the plan intended to 'explore the possibilities for increasing our trade with the People's Republic of China and possibilities for utilizing more technical assistance from that country' (NPA 1978: 117). These objectives required some reorganization of the National Planning Agency and of the Ministries of Industry and Commerce and of Foreign Affairs.

ECONOMIC AND POLITICAL BACKGROUND

The Jamaican economy is an open, dependent, capitalist economy which attained 'independence' in 1962, after nearly 300 years of British colonialism. There is a high degree of openness, i.e. international transactions are large in relation to total economic activity. The importance of foreign trade is indicated by the ratios of exports to GDP and imports to GDP. In the 1970s, exports/GDP fluctuated between 29 per cent and 51 per cent, while imports/GDP varied between 33 per cent and 53 per cent (Bernal 1985b). This is a structural feature, as similar figures for the period from 1832 to 1960 demonstrate (Eisner 1961; Jefferson 1972). The composition of imports reveals that raw materials, capital goods, oil and food accounted for over 80 per cent of total imports during the 1970s. The high degree of openness of the economy makes it vulnerable to the repercussions of external events. This acute vulnerability is compounded by the concentration of exports on two or three primary

products, and the concentration on two or three markets. There is a similar concentration of sources of imports (Bernal 1985b). The pattern of international trade reflects (a) Jamaica's role as a producer of raw materials and tropical foods in the international division of labour of world capitalism; and (b) the extensive integration with the developed capitalist countries, in particular the United States, Great Britain and Canada.

The high degree of openness indicates macroeconomic disarticulation — i.e. divergence between consumption and production. The limited extent of intersectoral linkages is reflected in the high import content of production — e.g. between 43 and 57 per cent in manufacturing (Ayub 1977: 60–1; NPA 1982: 9), 40 per cent in tourism (Jefferson 1972: 178–9), 20 per cent in export agriculture and 25 per cent in construction and installation (Daniel et al. 1980). The process of economic growth is dependent on the volume of imports, which is determined in turn by foreign exchange earnings and the price of imports. The quantum of foreign exchange is a function of export earnings and inflows of foreign capital, i.e. private foreign investment, loans, aid. Given the traditional trade deficit (Bernal 1985b), a surplus on capital movements has been critical in financing this gap. During the period from 1951 to 1980, the contribution of foreign capital inflows to gross investment averaged 29.2 per cent per annum (Bernal 1984b: 3–4). The inflows of foreign investment led on the prominence of foreign capital especially in bauxite/alumina, export agriculture, banking and tourism (Bernal 1984b).

During the period from 1962 to 1972, the government was formed by the Jamaica Labour Party whose economic policy was one of dependent capitalism. According to the Minister of Finance in 1969: 'The first essential is that developing countries should ensure that a favourable climate exists for foreign private investment', and 'The second essential is for the establishment of the necessary institutional framework to facilitate foreign private investment' (Seaga 1969a: 8). This strategy relied on inducing foreign capital by tax incentives and cheap labour. Local capitalists sought to ensure a subordinate role in partnership with foreign capital, as Mr Seaga explained: 'The days of wholly owned foreign enterprises are rapidly passing: joint venture is the new pattern' (Seaga 1969b: 24–8). Foreign policy prior to 1972 was 'characterized by a certain isolationism vis-à-vis the Caribbean and the wider world outside the North Atlantic' (Lewis 1981: 47). There was hostility to communism and no official diplomatic relations with socialist countries. Foreign policy in this regard was summed up

by Prime Minister Bustamante as 'I am for the West. I am against communism' (Eaton 1975: 202), and this was adhered to by the subsequent Shearer administration (Bell 1965: 168). Early in 1970, while leader of the opposition, Michael Manley pointed to the need for 'overcoming the insularity' (Manley 1970) of previous foreign policy. This need arose both from political pragmatism and from the need for a wider range of international contacts to expedite economic development. 'National economic development' was viewed as 'the supreme objective of Jamaica's foreign policy (*Daily Gleaner*, 7 December 1973: 1). And it was felt that broadening economic and diplomatic ties, especially with the Third World, was essential to reducing dependence on metropolitan countries, reducing the incidence of the deteriorating terms of trade (between developing and developed countries), facilitating collective negotiations in international fora and regulating the operations of the multinational corporation (Manley 1974: 123–37). In February 1972, the People's National Party led by Michael Manley was elected, and during 1972–4 it commenced a programme of economic growth with redistribution and social reform within the framework of dependent capitalism. The main features of this policy were to:

(a) alleviate the worst hardships of the poor through, for example, subsidies on basic foods, rent control and a national minimum wage;

(b) reduce unemployment through special employment programmes, skilled training and a national literacy campaign;

(c) redistribute the means of production without changing the mode of production — e.g. land lease;

(d) stimulate economic growth through increased aggregate demand and increased budget expenditure;

(e) create a mixed economy in which the private sector was dominant; David Coore, Minister of Finance, stated that 'in our economy the primary impetus for economic growth comes through the private sector' (JIS 1978: 17–18).

Jamaica has traded with socialist countries since the Bolshevik Revolution, as exports of pimento to the Soviet Union continued a tradition dating from the Tsarist era. This was not shown in either Jamaican or Soviet trade statistics, since trading was conducted through commodity dealers in New York and/or London. There was also a very small amount of imports from China. The value of trade with all socialist countries was J$2.8 m in 1970 and J$7.8 m in 1971

(see Table 1), which was less than 1 per cent of Jamaica's foreign trade.

Table 1. *The Value of Trade between Jamaica and Socialist Countries (in JSms)*

Year	Imports	Exports	Balance
1970	494,301	2,374,822	+ 1,880,521
1971	556,983	7,292,817	+ 6,735,834
1972	3,232,980	4,093,052	+ 860,072
1973	1,166,321	8,409,136	+ 7,242,815
1974	4,109,082	34,038,592	+29,929,509
1975	4,845,976	30,670,718	+25,824,742
1976	5,370,554	5,624,359	+ 253,805
1977	2,142,886	2,512,034	– 369,148
1978	11,662,932	22,469,867	+ 10,797,935
1979	15,010,838	3,607,527	– 11,403,311
1980	9,878,612	90,132,949	+80,254,337
1981	8,764,443	15,890,258	+ 7,125,815
1982	10,559,900	17,311,966	+ 5,210,871

Source: External Trade, various years. Kingston: Department of Statistics.

DEVELOPMENT OF ECONOMIC RELATIONS WITH SOCIALIST COUNTRIES

The initiation and development of economic relations with socialist countries was part of the democratic socialist development strategy, but the urgency for rapid development of these relations derived from the severe balance-of-payments problems of the latter part of the 1970s (Girvan, Bernal and Hughes 1980: 113–55). The immediate objectives were securing export markets for bauxite and alumina, import credits and aid. During the years from 1972 to 1974, the Manley administration did little to extend relations with socialist countries. In June 1972, the government sent a trade mission to Austria, Czechoslovakia, Hong Kong, Japan, the People's Republic of China, Poland, the Soviet Union and Yugoslavia (*Daily Gleaner*, 20 June 1972: 1). In March 1974, the Agreement on Technical Co-operation with Yugoslavia was signed, and in December 1975, General Secretary of the PNP D. K. Duncan held discussions with diplomatic representatives of the CMEA countries at the request of Prime Minister Manley. Agreements with socialist countries were put in place after mid-1976, almost two years after the adoption of demo-

cratic socialism by the PNP. During the years from 1976 to 1980, the Manley regime managed to increase the quality of economic contact and the volume and value of trade with socialist countries. At the time it demitted office, many developments were still at the exploratory stage; for instance, trade and technical assistance agreements with the Democratic Republic of Germany and with Bulgaria and Poland had not been signed. The agreements signed with Romania were confined to cooperation in the fields of education, science and culture, while the trade agreement with Czechoslovakia signed in 1978 had not been fully utilized. Economic relations between Jamaica and socialist countries were conducted within the framework of long-term bilateral intergovernment agreements (see Appendix 1). These agreements take the form of trade agreements, technical assistance, economic, technical and scientific cooperation, commodity loan agreements (lines of credit) and construction of production facilities — e.g. the Protocol on Construction of a Cotton Polyester Spinning and Weaving Mill with China.

The Manley government realized that restructuring external economic relations required active state intervention to replace local merchants and multinational corporations. By 1974, major exports (e.g. bauxite, alumina, sugar, bananas, coffee and pimento) were under the control of state-owned companies.[2] State intervention in imports was carried out through the State Trading Corporation (STC)[3] which was established in November 1977. On 19 January 1977, Prime Minister Manley announced in Parliament that the 'Government proposes as rapidly as possible to take control of all imports which are deemed to be essential for national development and in the public interest' (GOJ 1978: 2). The STC was created as 'an umbrella organization which will be responsible for importation and exportation of all commodities defined by the government as critical to the drive for economic sovereignty and essential to the national interest' (*Daily Gleaner*, 2 December 1977: 1). The Five Year Development Plan of 1978–82 stated that 'The State Trading Corporation, through its subsidiaries, will expand its operations ultimately to control all imports deemed essential to national development' (NPA 1978: 81). The STC was integral to modifying the traditional pattern of foreign trade and developing trade with socialist countries. This is clearly revealed in the objectives which it was charged to pursue. The objectives are to:

(a) put the country in the position to take full benefits from the opportunities created by government-to-government relations:

(b) diversify sources of supply so as to reduce dependence on traditional trading partners and provide a basis for greater economic independence;

(c) ensure that the greatest value is achieved from the expenditure of foreign exchange;

(d) benefit from operational savings brought about by bulk buying, 'buying net' improved credit facilities, lower shipping charges, and so further improve the value obtained from the use of our foreign exchange and provide better prices to the consumer;

(e) stabilize prices of basic commodities through appropriate pricing strategies (GOJ 1978).

The STC is a holding company with the following subsidiaries:

(a) Jamaica Nutrition Holdings Ltd (JNH), which is in charge of importing all basic food items such as cod fish, corn, wheat, soya beans, milk powder, rice, flour, canned fish and chicken necks and backs;

(b) Jamaica Pharmaceuticals and Equipment Supplies Ltd (JPES), which has the right to be the sole importer of pharmaceuticals, raw materials for pharmaceuticals and medical equipment;

(c) Jamaica Building Materials Ltd, which can import lumber, iron, steel, cement and household fixtures.

The STC achieved some breakthroughs in trade with socialist countries. The JNH entered into a contract with the China National Cereal, Oils and Foodstuffs Import and Export Corporation for the purchase of 2,420 metric tons of rice worth US$907,500. The JPES, after receiving tenders from 131 suppliers in eighteen countries, decided to purchase drugs and medical equipment from Medicor Works of Hungary. An order for US$3.02m was placed after a team from the Ministry of Health visited Hungary and inspected medical equipment. The transaction was financed by a line of credit for eight years at 7 per cent rate of interest.

EXPANSION OF RELATIONS

The most important partner among the European socialist countries was the Soviet Union, with thirteen agreements and protocols. The volume and value of trade increased significantly, with the main commodity being exports of alumina and bauxite. In 1978, some

62,000 tons of bauxite were exported, and it was agreed that 50,000 tons of alumina per annum would be purchased from 1980 to 1983. It was also agreed that the Soviet Union would purchase 250,000 tons of alumina per annum between 1984 to 1990, commencing when the proposed South Manchester alumina plant began production.

Pimento exports, traditionally the main export to the Soviet Union (Rodriquez and Pimento 1979), increased during 1978 and 1979, and there were prospects for further increases. Jamaica has had a favourable balance of trade with the Soviet Union, and there were indications that it was hoped that Jamaica would increase its imports. A range of imports were identified, and 300 Lada automobiles valued at US$800,000 were purchased and delivered. Surprisingly, little was achieved in imports of machinery, especially since they could be paid for under a line of credit of up to ten years at 4.5 per cent. Trans-Jamaica Airlines and the Jamaica Tourist Board were unsuccessful in their attempts to utilize the 1977 protocol on the delivery of machinery and equipment. There was a change of government before negotiations by the National Sugar Company for tractors could be concluded.

The Soviet Union agreed to furnish substantial technical assistance in fishing, involving the establishment of a deep-sea fishing fleet, research on the availability and utilization of fish, a fishery development plan and manpower training in the Soviet Union and on its vessels. A Soviet vessel which operated in Jamaican coastal waters between June and October 1978 filed a preliminary report. A final report was prepared after a second phase of research from October 1979 to March 1980 involving two ships. Seven Jamaicans received training on Soviet ships, but ten scholarships available for training were not utilized. Negotiations on the purchase of fishing trawlers were not completed and were not pursued after 1980.

Under the scientific and cultural agreement, in 1978 twenty students began long-term programmes of training in various fields. This represents less than half of the scholarships available. Ten students completed a short-term (ten month) course in cooperative organization and management. A protocol between the Ministry of the Public Service and the Soviet Ministry of Higher and Specialized Secondary Education was signed on 9 June 1980, which provided an additional 165 scholarships, ten of which were taken up in 1980–1. The provision of training in Jamaica did not commence because of difficulties in operationalizing three industrial training centres. A number of projects were being considered, including geological surveys for

minerals, equipment for the Jamaica Broadcasting Corporation, technical assistance in economic planning and feasibility studies for a cement factory and a caustic soda plant. The conduct of relations was facilitated by Aeroflot's weekly flight to Kingston.

Economic cooperation between Cuba and Jamaica has been the most wide-ranging of all relations with socialist countries. A diversity of goods was traded and the value and volume of trade increased, in particular food imports. Cuba's quick response to requests for imports — e.g. sugar, condensed milk and milk powder — helped to relieve shortages of basic foods. Furthermore, in 1980 Cuba granted a line of credit worth US$5m. Perhaps as important was Cuba's considerable advice and assistance in initiating and developing economic relations with other socialist countries. Economic relations with Cuba began in 1974, with the establishment of an airline link between the two countries. In 1975, the Agreement for Technical, Scientific and Economic Cooperation was signed. The secretariat responsible for implementing the agreement was JUCEPLAN (Cuba) together with the National Planning Agency (Jamaica). The formal decision-making body was the Joint Commission on Cuba-Jamaica Economic Cooperation. Each year, the Joint Commission met to vet and approve an annual programme of projects. To date, there have been four programmes: 1976–7, 1977–8, 1978–9 and 1979–80.

In agriculture, Cuba and Jamaica had exchanged manpower, information and samples in livestock, plantain, cocoa, coconut, grains, tubers, bananas, sugarcane and vegetables. Joint research was conducted on smut resistant varieties of sugarcane. A quarantine greenhouse was provided to the Sugar Industry Authority to facilitate the research programme, and construction of micro-dams by Cuban workers was undertaken in which six micro-dams were constructed and the equipment for a micro-dam construction unit valued at J$1.5m was donated. Fifty tractors were promised, and by August 1979 twenty-two were delivered and were in operation on government farms. Three Cuban technicians trained Jamaicans on the use and maintenance of these tractors during a three-month training programme. In fisheries, Cuban technicians completed a report on the establishment of facilities for training in fishing and associated maritime activities. Joint research is being carried out on the Pedro Banks, and by 1980 three Jamaicans had completed the first year of a fisheries course in Cuba.

In the construction sector, Cuban workers have built a number of schools, including the Jose Marti Agricultural School near Spanish

Town valued at J$6m, the Garvey/Maceo Secondary School which began operations in May 1980, and the G. C. Foster Physical Education College, a residential institution with a capacity for 600 students, which was opened in September 1980. Other projects completed include a sports complex at Denbeigh and high schools at Vernamfield and Montpelier. Two 'Sandino' Prefabrication Plants, each with a capacity of 500 units per annum, have been delivered. The value of each plant is US$1.2m. One plant is situated in Falmouth and the other in Kingston; the former served housing schemes at Stairtower and in Falmouth.

More Jamaican students were studying in Cuba than in any other socialist country. In 1980, there were nine medical students and eleven in dentistry at the Institute of Advanced Medical Studies. Five students are being trained as Nurse Anaesthetists, and sixty-three are in various stages of 'degrees' in physical education and sports coaching. By March 1983 there were 142 students in Cuba on scholarships arranged by agreement between the PNP and Cuban Communist Party: thirty in medicine, fifteen in dentistry, fourteen in fishery and marine technology, six in engineering, six in economic planning, two in veterinary science, two in architecture and sixty-three in physical education at both the diploma and university level. Many other students were in Cuba on scholarships awarded through the government. The total number of Jamaicans studying in Cuba in October 1981 was 206. Some 1,000 youths had completed one-year courses in construction in Cuba by 1980. Training in construction was also provided for 350 workers in Jamaica on sites manned by Cubans.

Exchanges of technical and scientific personnel included a delegation from the National Planning Agency sent to JUCEPLAN in January 1980. A draft protocol was agreed on between the Scientific Research Council and its Cuban counterpart for a programme of cooperation and research. Exchanges have taken place between the Geology Division of the Ministry of Mining and its Cuban counterpart on seismology. The projects in mining consisted of geological analyses of marble deposits, and ten Cubans were trained in hotel management in Jamaica. Four Cuban linguists taught Spanish at the Government Language Training Center, and under the Scientific, Education, Sports and Cultural Agreement of 1975, there were several cultural and sports exchanges. Cuban choreographers, dancers and musicians spent periods at the Jamaica School of Dance and the Jamaica School of Music.

The Cuban government has rendered significant assistance in the

Jamaican Health Services, providing medical attention for the poor in rural areas especially. The size of the contingent varied from forty in August 1979 to fifty-eight in February 1980. Services have been in psychiatry, histopathology, clinical haematology, dentistry, neuro-surgery, urology, paediatrics, surgery, obstetrics, gynaecology and general medicine. Doctors were stationed at sixteen hospitals and health centres in Kingston, St Andrew, Montego Bay, Savanna-la-Mar, Linstead, Falmouth, Black River, May Pen, Little London, Ramble, White House, Williamsfield, Chester Castle, Petersfield, Negril and Grange Hill. Over 250,000 patients were treated between October 1976 and November 1978.

A number of agreements exist between the Republic of China and Jamaica including two commodity loan agreements, a technical assistance agreement signed in 1974, a trade agreement and a protocol on the construction of a cotton textile mill. The mill, which cost US$15m, was financed by an interest-free twenty-year loan and recently commenced production. Chinese technicians are currently completing the training of the work-force. Projects under consideration involve agriculture and rural development, with priority areas being terracing, soil conservation, irrigation, farm tool production, craftwork and inland fishery. A team of economists from the National Planning Agency visited China in 1978.

Jamaica developed substantial cooperation with Hungary despite the fact that trade and technical assistance agreements were not signed until early 1978. Three lines of credit totalling US$33.5m have been made available to Jamaica for the purchase of drugs, medical equipment, small machinery and food. These lines of credit are being fully utilized, although there was a long delay in the importation of drugs. A joint venture, Jamag Ltd, has been established and funded by a US$15m line of credit. Projects which are at various stages of development are the manufacture of bicycles, pharmaceuticals and cheese, and rabbit breeding. Training is being provided to the Inland Fisheries Division of the Ministry of Agriculture, and scholarships for the study of engineering at Hungarian institutions have been made available. Hungary will be providing technology and engineering in the construction of the South Manchester alumina plant and also offered to supply machinery and equipment for the plant. Bauxite mining and processing is a Hungarian speciality — Hungary provided assistance in mining and beneficiation to Guinea after the nationalization of its industry. Assistance and consultancy in alumina plant design have been provided in Ghana and India (Dobozi 1978: 124).

Despite a growing amount of trade with Poland, a long-term agreement had not been signed, although drafts of trade and technical cooperation agreements are being considered. At present, trade consists of exports of pimento; in fact Poland secures all its supplies of pimento from Jamaica. Good prospects exist and were being investigated for the sale of alumina after 1982, when Poland's existing contractual arrangements for purchasing alumina come up for review and renewal. Protocols provided training in scientific, technical and industrial areas, but it is only very recently that scholarships were taken up. There is scope for much more trade and technical cooperation. Imports from Poland have been inhibited by unavailability of lines of credit, possibly because of the economic difficulties which Poland had been experiencing. In 1980, a small number of 'Polski' motor cars were imported.

Economic relations with Germany, Bulgaria, Czechoslovakia and Romania are very limited, being confined to a very small amount of trade. This is the result of ignorance on both sides about available commodities and the institutional mechanisms of foreign trade. Further economic cooperation has been slow to develop, with diplomatic relations at an earlier stage of development. Foreign trade has not increased significantly during the period of democratic socialism in Jamaica. Many possibilities for increased trade and technical assistance have not been explored with sufficient vigour. Prospects exist for the export of bauxite and alumina to Bulgaria, imports of machinery, motor vehicles and scrap-iron recycling technology from Germany and exports of tropical foods to Romania. Training opportunities have not been pursued, including sports training in Germany.

Yugoslavia is the outstanding example of the failure to develop trade and cooperation. It was the first socialist country with which Jamaica signed an agreement. In 1974, a technical cooperation agreement was concluded and a trade agreement in 1977. The only substantive project to emerge was an investigation into the utilization of marble deposits.

THE EXTENT OF ECONOMIC RELATIONS

In 1974, the PNP government announced a commitment to create the economic base for a democratic socialist society. An integral part of this strategy was an increase in economic relations with socialist countries. Six years later, a start had been made, but economic relations with socialist countries had increased marginally and cer-

tainly did not represent a major diversification away from the traditional integration with the developed capitalist countries. Little progress was made in reducing dependence on developed capitalist countries for capital, loans and external financing. Trade with socialist countries increased from virtually nothing in 1972 to 0.9 per cent of imports and 2.4 per cent of exports in 1978. During the 1950s and 1960s, trade with socialist countries never exceeded 1 per cent of total foreign trade. Exports, which fluctuated considerably, consisted almost entirely of exports of bauxite and alumina to the Soviet Union. In 1978, total exports to socialist countries amounted to J$22,469,867, of which alumina exports to the Soviet Union represented 83.8 per cent of J$18,821,019. Most of the rest of the exports to socialist countries was accounted for by pimento exports to Poland and the Soviet Union. Imports increased very significantly from J$556,983 in 1971 to J$15,010,838 in 1979 and involved a wide range of commodities. Imports from socialist countries included motor vehicles, chemicals, medicines, vitamins, herbicides, paper (printing and writing), tools, fabric, sugar, wines, condensed milk, canned fish and tableware. Exports included pimento, rum, cigars, cigarettes, bauxite, alumina, handicrafts (straw, bamboo, cosmetics and dried flowers). The main sources of imports were China, Yugoslavia and Cuba. In 1978 and 1979, Cuba supplied over 40 per cent of total imports from socialist countries.

Foreign capital inflows as a percentage of gross domestic investment did not decrease (Bernal 1984b: 4), and capital inflows continued to come almost entirely from the developed capitalist countries. There was a decline in the inflow of foreign investment accompanied by a sizeable flight of local capital. The Manley government sought to increase economic activity and aggregate demand by increases in budget expenditure, financed in part by loans from transnational commercial banks (Bernal 1981). Loans from socialist countries were very small in number; the amounts took the form of loans for specific projects or of lines of credit and were not fully utilized.

PROBLEMS IN DEVELOPING RELATIONS

Given the difficult and constraining context in which economic relations with socialist countries were to be developed, several obstacles and problems retarded the process. The most important one was the failure of the PNP government to take decisive measures to

create a dominant state sector which could enable it meaningfully to pursue a democratic socialist development strategy. Planning was never implemented, even though it was advocated. The National Planning Agency was never given the necessary legal power to enforce decisions. Indeed, it did not even have the legal authority to compel the provision of statistical data from government departments and state enterprises. In a review of the planning experience two former senior officers of the NPA stated that:

> for the period 1972–78, the Government operated without a National Development Plan although the governing party, the PNP, had articulated certain policy guidelines concerning its view of the State's role in the economy. During this period, the State's involvement in the economy expanded greatly, only partly deliberately and even in such instances, the expansion was for the most part ad hoc. As such, the institutional framework which developed in response to this ad hoc expansion was hardly likely to be a cohesive one or one easily suited to guidance from a planning system. In any case, there had been no attempt to develop the planning system in a structural way. (Davies and Witter 1980: 71)

The state directly or indirectly achieved control over only a small amount of the means of production. By mid-1979, it controlled the bauxite/alumina and sugar industries and owned half of the accommodation capacity of the tourist industry. By mid-1979, there were 187 state enterprises of which 146 were 100 per cent state owned. The eighteen largest non-financial state enterprises had total revenues and expenditures of $1.8bn (Mills 1981: 46). Many of the state enterprises were acquired as salvage operations and not as a deliberate policy of state ownership. Most of the companies which were not acquired as salvaged operations were those which had been generating or could generate little or no profits, because of run-down capital stock or the necessity to keep the price of the goods and services produced as low as possible, and to maintain high employment levels (Brown and McBain 1983: 90–3).

There are six principal causes which explain the limited progress made in expanding economic relations with socialist countries.

(a) The People's National Party was never united and wholeheartedly committed to democratic socialism. A split in the party widened and became antagonistic especially after the 1976 general election. This meant that the Cabinet was often split on important issues, e.g. whether to submit to or break with the IMF. In many instances, ministers were charged with implementing policies with which they had ideological differences.

(b) The requirements of IMF stabilization programmes contradicted democratic socialist development strategy (Bernal 1983). For instance, the Fund was opposed to the expansion of state enterprises and of the State Trading Corporation, and pressed for a contradiction of the role of the state. In March 1980, the PNP mandated the government to terminate negotiations with the Fund and implement a non-IMF economic path. The PNP document outlining this strategy states that 'the PNP cannot be true to its social and economic goals and objectives within the framework of an IMF programme' (PNP 1980: 2).
(c) There was significant suspicion and anti-communist hostility towards economic relations with socialist countries, especially from the capitalists. Some 45 per cent of Jamaicans were opposed to Manley's visit to the Soviet Union in 1979, and in mid-1980, 45 per cent expressed the view that Jamaicans 'had something to fear from Cubans' (Stone 1981: 47, 50–1). The business community, which in the early 1960s was unanimously in support of Western alliances, disapproved of links with socialist countries (Moskos and Bell 1964). Survey data show that roughly 58 per cent of the business community regarded the socialist bloc as a threat and nearly 80 per cent included North America in their choice of 'optimal allies' (Phillips 1977: 160–1). In 1972, the Jamaica Manufacturers' Association declared their opposition to a trade mission to Austria, Czechoslovakia, Hong Kong, Japan, the People's Republic of China, Poland, the Soviet Union and Yugoslavia, and refused to send a representative with it (*Daily Gleaner*, 20 June 1972: 1). When Jamaican youths received training in Cuba, the Chamber of Commerce, through its President, strongly condemned this policy:

> One would have thought that sending our youths to areas like these (Canada, USA, UK) which are so advanced technically, in many different ways, would have been to better advantage — unless the purpose of this mission is purely for indoctrination, [since] the youths, unable to judge for themselves, will favour the system of Communism and return to try to foster this system here. (*Daily Gleaner*, 16 April 1975: 2)

Upon the announcement that Prime Minister Manley would visit the Soviet Union, the President of the Private Sector Organization of Jamaica protested that 'large groups of Jamaicans of all classes, colours, and income status, who remain deadly scared of communism', and warned of a 'fear that your government and Party are slowly but surely binding themselves to the International Communist Movement' (*Daily*

Gleaner, 28 March 1978: 1). Opposition was particularly virulent when economic interests were directly threatened. There was a sustained attack against the State Trading Corporation (*Daily Gleaner*, 28 November 1977) and its subsidiaries (*Daily Gleaner*, 2 December 1977) by the Jamaica Manufacturers' Association and the Jamaica Chamber of Commerce (*Daily Gleaner*, 21 November 1977: 2). Douglas Vaz of the JLP described the establishment of the STC as the start of 'economic slavement' (*Daily Gleaner*, 22 November 1977: 1, 17). The government responded by modifying the scope of the STC to handling a limited number of commodities, mostly basic foods, instead of pursuing the original conception.

The JLP and the *Daily Gleaner* consistently opposed relations with Cuba (Lewis 1983). One editorial claimed that under 'the guise of being non-aligned, Mr. Manley has been strengthening Jamaica's ties to the Soviet-Cuban axis to such an extent that Jamaica now automatically follows the Cuban line in world issues' (*Daily Gleaner*, 17 August 1978: 1). The JLP argued that relations with socialist countries would jeopardize those with traditional allies, in particular with the United States. Hugh Shearer warned that Jamaica would be drawn into ideological warfare (*Daily Gleaner*, 4 December 1972: 12). There was also concern that trade with Cuba would contravene US regulations and result in a loss of aid.[5] It was also claimed that under the guise of training in Cuba, there really was communist indoctrination (*Daily Gleaner*, 16 April 1975: 2).

(d) Economic relations with socialist countries were hampered by the lack of a centrally directed and coherent administrative apparatus. Expertise in dealing with socialist countries was centralized, despite the formation of a government/party committee. There was a lack of coordination, since responsibility for functions was either fragmented or overlapping. The administrative responsibility for initiating, developing and monitoring economic relations with socialist countries was shared by several different sections of the government. The Ministry of Foreign Affairs was charged with initiating and maintaining diplomatic relations, while the National Planning Agency was assigned the responsibility for development of projects and monitoring programmes. Individual state enterprises and ministries each handled their own exports and imports. There were also different perceptions of the usefulness and feasibility of economic relations with socialist countries. The Ministry of Foreign Affairs was sceptical and accused the 'Left' of the PNP of merely going through the 'motions'. The National Planning Agency recognized the potential and urgency of

these relations but was often constrained administratively and politically.

(e) The bureaucracy in the state sector did not operate as efficiently as it could have in exploring possibilities, implementing projects and expediting transactions. In addition to the difficulties of inadequate managerial skills and low morale, the bureaucracy exhibited suspicion and hostility towards relations with socialist countries, born partly out of ignorance and partly out of ideological differences. Only 1.2 per cent of the civil servants believed that there should be direct government control of major sectors of the economy (Mills and Robertson 1974: 334). In one instance, mistrust of officials from socialist countries was taken to the point of not providing a copy of the five year development plan — a document available to the public (Interview 1981)! In many instances, the complex system of foreign trade in the Soviet Union (Gruzinov 1979: 9–33) moved more quickly than the Jamaican state bureaucracy (Interview 1981).

(f) A major cause of the limits on progress in expanding trade with socialist countries was ignorance of the procedures and institutions in these countries. Given the complexity of the socialist trade system, the ignorance even within the 'Left' of the PNP was both unnecessary and unpardonable. There was considerable naïvety about the speed with which centrally planned economies could accommodate increased imports from new trading partners and the degree of sympathy for a government committed to democratic socialism rather than Marxist-Leninism.

COSTS OF THE LIMITED DEVELOPMENT OF RELATIONS

The limited expansion of economic relations with socialist countries involved the following costs, i.e. foregone benefits:

(a) The opportunity to expand trade and diversify the traditional pattern of international trade to reduce the conception of export markets and import sources was not fully utilized. The possibility of exporting bananas to socialist countries was not pursued. The FAO reported that 'Undoubtedly an area which, in quantitative terms, offers very considerable potential for expansion of banana consumption is the centrally-planned economies' (FAO 1974: 1). Banana imports to the Soviet Union and the socialist countries of Eastern Europe increased from 137,000 tons in 1970 to 252,000 tons in 1973 (FAO 1974: 14). Similarly, the commitment given by socialist countries —

e.g. the Soviet Union (Manzhuls 1981) and the German Democratic Republic (SPC 1977: 72) — to purchase increasing amounts of manufactured goods from developing countries was not investigated, as local capitalists concentrated exclusively on the world capitalist market. Virtually no effort was made to purchase manufactured goods from socialist countries. Instead, efforts focused on securing basic foods where lines of credit were available. The interest expressed by the Soviet Union in purchasing manufactured foods from Jamaica, either from the state or private sector, was not explored (Interview 1981). Consequently, the pattern of trade between Jamaica and the socialist countries did not differ significantly from the traditional pattern of trade between Jamaica and the developed capitalist countries: i.e. Jamaica exported primary products. This problem is not confined to Jamaica, as the pattern of trade between socialist countries and developing countries is similar to that between developing countries and developed capitalist countries, in which developing countries export primary products and import manufactured consumer and capital goods (Pertot 1973: Olechowski and Yeats 1981: 121–34) primarily of natural or processed primary commodities (Paine 1978: 263–71). A concentrated effort by the developing countries and socialist countries is required. The UNCTAD secretariat recommends that 'further expansion in mutual trade could be attained through making the economic relations more comprehensive by applying various forms of cooperation, including trade and payment arrangements, cooperation in production, technical cooperation credit arrangements and multilateral cooperation, in particular tripartite industrial cooperation and cooperation in third countries' (UNCTAD 1979: 15).

(b) In any economy experiencing an acute shortage of foreign exchange, as was the situation in Jamaica's economy between 1977 and 1980, the ability to trade on barter terms would have represented important relief, reducing the pressure to hold international reserves and to make payment on a current basis in convertible currency. Other forms of counter-trade (Mo Huh 1983: 63) were neglected, e.g. counter-purchase arrangements, i.e. when an exporter agrees to purchase from an importer a specific value of goods from a list within a specified time period); and buy-back agreements (when an exporter provides equipment, technology or complete plant and accepts goods produced by the importer as partial or full payment). Use of these could have increased productive capacity but were not tried.

(c) The amount of aid available from socialist countries is considerably

less than that available from developed capitalist countries (Holzman 1976: 174) and is made available to a limited number of countries (Nayyar [ed.] 1978: 3). Despite this, Jamaica could have benefited to a larger extent had it presented viable projects and more strenuously pursued securing lines of credit. The advantages would have been, first, more generous terms — i.e. longer repayment periods and lower interest rates than with aid from developed capitalist countries (Nayyar [ed.]1978: 10; Holzman 1976: 180). Secondly, socialist aid could have been applied to finance projects which multilateral aid institutions and bilateral aid agencies of developed capitalist countries would not fund because of ideological objections.

(d) Trade with socialist countries could have helped to diversify the traditional pattern of foreign trade and so reduce dependency on developed capitalist countries, some of which might view a transition to democratic socialism with disfavour. Susceptibility to politically motivated economic manipulation from these countries could pose a serious constraint on economic transformation, as in Chile during the Allende years (Petras and Morley 1975: 79–118). Furthermore, trade with socialist countries could have assisted in reducing price fluctuations for primary product exports.

An indication of the extent of the missed opportunities can be gauged by the experiences of the Allende government in Chile which, like the PNP, attempted a policy of expanding relations with socialist countries. Chile's imports from socialist countries increased from 2.5 per cent of total imports in 1971 to 77 per cent in 1973, while exports amounted to 6.3 per cent of total exports in 1973. Total credit available to purchase capital goods at the end of 1972 was US$484m. Suppliers' credit in 1973 was US$25m; credit in foreign currencies granted by the Soviet Union was US$100m in 1972; and short-term credit from banks in socialist countries was roughly US$70m in 1973 (Guardia 1979: 82–3). More concretely, in the period after 1980, the JLP government was not able to maintain the level of bauxite/alumina exports (see Table 1), with the consequent loss of foreign exchange earnings.

CONCLUSION

Developing countries exhibit a high degree of openness, which means that economic transformation requires that serious attention be directed to external economic relations. The democratic socialist

development strategy followed by the PNP government of 1974–80 involved diversified external economic relations, as an integral part of the process of economic transformation. Strengthening economic relations with socialist countries was an important aspect of this process of diversification. During the six-year period, only limited progress was made, with the exception of an increase in exports of bauxite and alumina to the Soviet Union. While the expansion of economic relations with socialist countries was not a panacea, the foregone opportunities were costly, especially in the context of the balance-of-payments situation of the late 1970s. The principal reasons for the limited development of economic relations with socialist countries was the lack of ideological unity within the People's National Party which formed the government during 1974–80. The disunity in the political directorate was exacerbated by the attempted compliance with IMF stabilization programmes which were in contradiction with the PNP's development strategy. The lack of consensus on policy reduced efforts to establish efficient institutional mechanisms within the state to coordinate and extend relations with socialist countries. The absence of clear and consistent directives permitted a fragmentation of responsibility among a number of agencies. Ideological disarray prevented the government from responding decisively to the hostility of the JLP and the business organizations and to the indifference of sections of the state bureaucracy, which was partly due to ignorance and suspicion.

APPENDIX 1. AGREEMENTS SIGNED BETWEEN JAMAICA AND SOCIALIST COUNTRIES UP TO JULY 1980

China	
Technical Assistance Agreement	12 February 1974
Protocol on Construction of a Cotton Polyester Spinning and Weaving Mill	26 September 1976
Trade Agreement	26 September 1976
Commodity Loan Agreement	26 September 1976
Commodity Loan Agreement	26 September 1978
Czechoslovakia	
Trade Agreement	30 November 1978
Hungary	
Agreement on Technical and Scientific Cooperation	14 February 1978
Agreement on a Programme of Technical and Scientific Cooperation for 1979–80	23 February 1979

Trade Agreement	14 February 1978
Romania	
Agreement on Cooperation in the Fields of Education, Science and Culture	July 1976
Soviet Union	
Economic and Technical Cooperation Agreement	30 November 1976
Protocol to Agreement on Economic and Technical Cooperation	November 1976
Trade Agreement	December 1977
Protocol on the Establishment of USSR Trade Representation in Jamaica	December 1977
Protocol on the Delivery of Machinery and Equipment	December 1977
Agreement on Merchant Navigation	7 April 1978
Agreement in the Field of Fisheries	11 April 1979
Agreement on Principles of Cooperation between Sports Organizations	16 November 1978
Cultural and Scientific Cooperation Agreement	22 November 1978
Programme of Cultural and Scientific Exchanges for 1978–9	22 November 1978
Air Transport Agreement	20 December 1978
Agreement regarding Deliveries of Jamaican Alumina during 1980–3	11 April 1979
Protocol between the Ministry of the Public Service of Jamaica and the Ministry of Higher and Specialized Secondary Education of the USSR relating to the Training of Specialists in Higher and Secondary Specialized Institutions of the USSR 1980–4	9 June 1980
Yugoslavia	
Agreement on Technical Cooperation	27 March 1974
Trade Agreement	9 November 1977
Cuba	
Air Transport Agreement	October 1974
Agreement for Technical and Scientific Cooperation in the Construction Sector	26 March 1975
Basic Agreement for Economic, Scientific and Technical Cooperation	12 July 1975
Agreement on Cultural and Educational Cooperation	12 July 1975
Protocol on the General Conditions Governing the Implementation of the Agreement for Economic, Scientific and Technical Cooperation	28 May 1977
Memorandum of Understanding for Joint Cooperation	28 May 1977

NOTES

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1. See Bettelheim 1975; Andreyev 1977; Kozlov et al. 1977; Sweezy and Bettelheim 1971.

2. This is not unusual in agricultural commodities; Kostecki estimates that about one-third of international trade in agricultural commodities is conducted by various state trading organizations. State trading is also significant in metals and oil (Kostecki 1982: 214–15).

3. For a review of the overall operations of the State Trading Corporation see the State Planning Commission 1977 on the role of state trading organization in managing imports.

4. This section draws on information in government files and papers.

5. This issue was mooted by the US Chargé d'Affaires in Jamaica (*Daily Gleaner*, 7 December 1972), and assurance was given that trade with Cuba did not violate any US restrictions (*Daily Gleaner*, 7 December 1973).

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— — (16 April 1975) 'C of C Wants Government to Abandon Youth Trip to Cuba', p. 2.

— — (14 July 1975) 'Cuba — Jamaica Economic Commission Established', p. 1.

— — (10 June 1977) 'Government Makes Huge Profits'.

— — (2 November 1977) 'Shearer: Socialism Will Not Motivate People to Produce', p. 1.

— — (21 November 1977) 'JMA, C of C Against State Trading Corporation', p. 2.

— — (22 November 1977) 'Vaz: Start of Economic Enslavement by the Government', pp. 1, 17.

— — (28 November 1977) 'No Intent to Disrupt Trade Channels', p. 1.

— — (2 December 1977) 'State Trading Corporation to Observe Government Policies', p. 1.

— — (13 December 1977) 'No Sound Reason for the State Trading Corporation', p. 8.

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