

As it proceeds with its ambitious recovery programme, the Seaga Government faces substantial external and domestic hurdles. In general, the trade balance deteriorated in 1981 as export performance fell short of projections. Imports rose partly as a result of liberalization of licensing and partly due to increased purchases of raw materials, agricultural inputs and capital equipment in support of the recovery programme. The bauxite/alumina industry continues to suffer from soft world demand for aluminum. Output in 1981 of 11.6 million metric tons represented a 3 percent decline from the 1980 level. There is concern that production will drop below 10 million metric tons this year, even if a second bauxite sale to the US strategic stockpile goes ahead. In the agricultural sector, the major export crops (sugar and bananas) continue to feel the effects of years of decline, and mismanagement, as well as labour difficulties, disease and adverse weather conditions. The government is optimistic in its predictions of recovery though, reflecting its hopes for the success of rehabilitation programmes in both crops. However, based in part on a series of labour walkouts mid-way through the crop, it is unlikely that the 1982 target for sugar production, 220,000 metric tons, will be reached. Jamaica continues to experience difficulty in meeting its sugar commitment to the European Community and satisfying its own needs. After bauxite/alumina, tourism has traditionally been Jamaica's second foreign exchange earner. Prospects in this sector are brighter. Preliminary figures for the 1982 winter season show at least a 15 percent increase in tourist revenues over the 1981 season. This improvement reflects in part the active government promotional campaign in the USA and Europe and is notable particularly at this time of recession in Jamaica's main tourist markets. Although there has been a turnaround in manufacturing, with .4% growth recorded in 1981, progress is slow -- only 1 - 2% growth is predicted in this sector for 1982.

In summary, performance during 1981 and the forecast for 1982 are mixed. Jamaica is currently carrying a very heavy debt load, with debt service obligations in 1981 totalling \$438 million out of the \$514 million received in loans. The government has, though, managed to clean up arrears on import payments which had totalled over \$100 million a year ago. Jamaica's economic outlook over the medium to longer term will depend on a few key elements: the confidence of international private investors in Jamaica's economy and its success in attracting new foreign investments, as well as the strength of Jamaica's export markets for bauxite, tourism and agriculture. Of continuing importance will be the price of imported petroleum and the success of government programmes to promote energy conservation and to develop other energy sources, be they domestic oil, hydro power or other alternative sources.

Investment Climate

The challenge facing the Jamaican Government is to create an atmosphere conducive to renewed foreign investment. As part of its very active investment promotion activities, the government has established the