

Life and debt: jamaica and the imf essay sample

[Economics](#)



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Through the eyes of Westerners taking holidays on the beautiful beaches of Jamaica, most will only be exposed to the bountiful sunshine constantly spraying across their faces, the perfect turquoise tropic waters surrounding the island, and the rich fruit that tastes so fresh it leaves you feeling as if it must have been picked off the tree only mere moments ago. In *Life and Debt*, the film portrays Jamaica from two substantially clashing views. First, it is highlighted as a perfect vacation spot. It shows how rich the country is in tourism and how ideal the ocean-front property surrounding the island truly is. However, the film counters the natural beauty of Jamaica with the harsh realization of the widespread unrelenting veracity of poverty that grips this small island nation. When Jamaica was granted its independence from Great Britain, the tiny nation lacked sufficient economic strength to survive on its own. Throughout the time Great Britain ruled over the island, she had taken Jamaica's ample natural resources in the name of the Crown. Economically, when a nation does not have enough natural resources to survive, the situation turns very bitter in a short amount of time.

Jamaica soon realized they were not able to finance what was needed to meet the needs of its citizens. Jamaica sought financial assistance through the private banking system, but was denied repeatedly. The country had no choice but to resort to the International Monetary Fund (IMF) to borrow money from. The IMF's role is that of a "helping hand." As per Jamaica and the IMF's agreement, the IMF established a five-year plan with Jamaica. This included the placement of stringent restrictions on what the tiny nation could spend the money on. As the Jamaicans slowly realized, this deal would serve them no purpose, except indebting the nation even further. The island was

forced to cut certain government programs and devalue their currency to meet IMF demands. Jamaica was essentially bullied into expanding imports and diminishing exports.

The island's debt keeps rising and the capacity to export their own goods is becoming alarmingly reduced as time advances. In this never ending cycle, Jamaica is repeatedly forced to ask for loans, which the IMF and the island know that they cannot afford to repay. Since Jamaica can't repay these loans, it is forced to take out different loans to finance the past balances and to meet the country's current fiscal demands. With every new loan, come harsher and harsher impositions due to Jamaica being forced to breach the previous loan's agreement in order to attain the new funding from the IMF. This process is in a perpetual circle of a cycle and will not cease until the IMF decides to cut the impoverished nation off and deny further loans. As Jamaica and the IMF both realize, when the IMF decides to cease the flow of capital to Jamaica, the tiny nation will still be forced to follow certain stringent economic policies the IMF desires the nation to abide by. These restrictions will undoubtedly harm Jamaica's economic outlook for several years to come. The Jamaican Situation

Life and Debt showcases how the IMF's harsh restrictions on the Jamaican economy are affecting the normal citizens of the island. In nearly every situation presented, the individual is facing extreme disrepair and is losing hope on a daily basis. These limitations that are being artificially imposed on the Jamaican economy are severely damaging a broad range of traditional industries across the nation. The IMF's "investments" have brought about the near extinction of a once thriving dairy industry. In its place, is the <https://assignbuster.com/life-and-debt-jamaica-and-the-imf-essay-sample/>

severely under-priced, powdered milk industry that is heavily subsidized by the United States. Jamaica was once home to proud farmers and a prosperous agriculture industry. This, too, has greatly decayed as an influx of cheap produce is shipped from the U. S. The prices are so low that the local farmers can no longer compete with the giant multinational corporations that are sending the discount produce into Jamaica. At one point during the film, an IMF spokesman blatantly suggests that Jamaicans completely give up on their rich history of producing fresh bountiful produce and solely focus their arable lands on the production of peppers.

And if that fails, they always have tourism, says the IMF. Since adoption of the demands mandated by the IMF, the Jamaican economy and citizens have become a dumping ground for cheap goods. For example, the poultry industry sends shiploads of US consumer rejected dark meat parts to the island at a fraction of the cost compared to local grown, high-quality poultry. In addition to being forced to purchase cheap products comes the accompanying risk of receiving goods not fit for human consumption. In Life and Debt, a shipment of chicken that was estimated to have been frozen for over 28 years was sent to the island. When it was discovered, the shipper claimed that it was all a big mistake and that the load was actually supposed to have been shipped to Haiti. The owners requested the shipment be released and sent on its way, but the Jamaicans did not release it due to the risk of the meat being sent for human consumption. The economic restrictions the IMF places on Jamaican imports and exports were not enough to satisfy the demands of the IMF. In addition to the aforementioned burdens

placed upon the Jamaican economy, the IMF endorsed the establishment of Jamaican Free Zones.

These zones were put into place in 1976. The Free Zones were designed to encourage foreign investment and international trade within Jamaica.

Businesses operating within these zones are responsible for no tax on their profits, and are further exempted from customs duties on imports and

exports for all areas of production. They are also completely exempt from import licensing requirements. However, these businesses must export 85

percent of their products outside of the Caribbean Community (CARICOM)

according to the IMF agreement. Thousands of Jamaican women, with little of prospect for employment, work long hours in harsh conditions within

Jamaica's Free Zones. Many western corporations use the cheap labor these workers provide to assemble the imported materials into expensive products

that are shipped immediately to outside markets. The workers in the Free

zones average a wage of only \$30 per week. These free zones provide no

economic growth to the Jamaican government or the citizens within. These

Free Zones are essentially viewed as not even being part of the island, but

as independent land plots not under Jamaican authority. The Free Trade

Conundrum

Free Trade is essentially defined as international trade that is free of such government interference as import quotas, export subsidies, and protective

tariffs. The concept of free trade is one that is steeped in opinions on both

sides of the question. Free trade can work if it is truly free in nature. That

seems to be the problem with all nations that are having issues with the

adoption of this economic policy. In that same regard, it is not necessarily

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the country's fault that they are struggling with the realization of the benefits of free trade. Fault is mainly within the country's that are promoting the idea of free trade. These established countries are causing problems for the newly adopting countries. As displayed throughout Life and Debt, Jamaica is struggling with the idea of free trade due to the fact that the industries the country has historically been prosperous within are struggling to adapt to the complex and ever-changing demands of the global economy. Having said that, the IMF is choking what little life the Jamaican economy once had by imposing the import and export restrictions on Jamaica. By flooding the Jamaican market with cheap produce, cheap dairy products and cheap processed meats, the IMF is literally choking the life out of the Jamaican farmers and the people.

These individuals cannot directly compete with the prices of the multinational corporations and are slowly being driven from existence. By keeping Jamaica's economy as being heavily reliant on imports and not allowing them the benefits of exporting goods, the IMF has literally enslaved the small island nation. If the IMF would ease restrictions placed upon the island, adopt a policy of limited debt forgiveness in combination with a refinancing package and thus made terms more favorable for the struggling Jamaican economy, growth could occur and some industries could be saved. However, the IMF will never cease their continued interference through the use of export limitations, the promotion of an import-heavy economy, and the reimplementation of certain protective tariffs that the Jamaican economy needs in order to compete with multinational corporations. The execution of these things could save the Jamaican economy, and at the very least, it

could improve certain economic indicators to boost the financial system within Jamaica. Conflicting Views of the IMF

The views of the World Bank and the IMF severely conflict with the views presented in Life and Debt. The official aim of the World Bank is essentially maintaining the responsibility for financing economic development. The World Bank's lone purpose is to promote economic and social progress in developing countries by helping to raise productivity so that citizens of the world may live a better life. The IMF was designed as a voluntary and cooperative institution. It attempts to equalize economic practices that are injurious to the overall economic well-being of fellow member nations and minimize the damages caused by these practices. The rule of the institution is essentially that it requires members to allow their currency to be exchanged for foreign currencies freely and without restriction. The members must keep the IMF informed of changes they contemplate in financial and monetary policies that will affect fellow members' economies. In addition to these rules, members must modify these policies on the advice of the IMF to accommodate the needs of the entire membership as a whole. The IMF demands frequent reports on members' economic policies and prospects.

They will, in turn, debate, comment on, and communicate to the entire membership so that other members may respond in full knowledge of the facts and a clear understanding of how their own domestic policies may affect other countries. The IMF is convinced that an essential condition for international prosperity is a systematic monetary system that will promote trade, create jobs, expand economic activity, and raise living standards

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throughout the world. In Life and Debt, The IMF is portrayed as accomplishing exactly the opposite of their stated intentions within Jamaica. Since adoption of the guidelines put forth by the IMF, poverty has been widespread, industries have been severely damaged, and citizen's vitality has been ruined. These facts completely undermine the purpose the IMF/ World Bank purportedly serve. In my view, the IMF and World Bank attempt to perform the best they can, but their methods and guidelines are extremely flawed in relation to their assistance with struggling economies.

Conclusion

Life and Debt offers an informative look at the current state of the Third World within the Caribbean as these economies struggle through the post-colonial world and trek their way into the global economy. The film also portrays the vast amount of power and influence that is exerted by the IMF and World Bank. The smaller economies of the world are essentially under economic control of the IMF and World Bank and therefore must conform to the strict demands set forth by these institutions. Although the IMF and World Bank advertise their selves as out to help struggling economies, the proof of their " help" has yet to be displayed. These institutions cause more long-term harm to the economies of the countries who seek their assistance. In addition to essentially losing sovereignty over their economy, Jamaican politicians must also conform to the will of the International bankers that basically own the local economy. In conclusion, as far as globalization is concerned, the IMF and World Bank hamper the benefits that globalization allows the world by imposing their own set of protective tariffs upon their investments. These organizations are essentially being given control of small

economies to use to their advantage and the submissive governments in need of assistance can do little to counter the strength of the IMF and World Bank.