

New Jamaican Leader's Stance Opens Doors to U.S., Western Aid

By Terri Shaw

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Jamaica's new, pro-business prime minister, who defeated leftist Michael Manley in an election last November, has received substantial help from the Reagan administration in putting together a \$1.1 billion package of aid designed to bring new life to the island's weakened economy.

The relative ease with which the government of Edward Seaga was able to raise the financing from Western nations, commercial banks and international lending agencies contrasts sharply with the difficulties Manley faced in his dealings with the Western business community.

Partly because of international economic conditions and partly because of local mismanagement, the Jamaican economy deteriorated sharply during the nine years Manley was in office. Manley's friendship with Cuba and his active role in promoting such Third World causes as a restructuring of the world economic order also scared off many Jamaican businessmen and foreign investors.

Diplomats, international bankers and other observers attribute much of the Seaga government's fund-raising success to its open and welcoming attitude toward foreign investment and the Western economic system in general. Also a factor, these observers say, is Seaga's firm anticommunism, which was the basic theme of his campaign against Manley.

Although loans from international financial institutions are supposed to be made on economic, rather than political grounds, politics is inevitably

a factor, say many bankers and diplomats, who asked that their names not be published. In an underdeveloped country reliant on oil imports like Jamaica, access to hard currency in the form of loans or foreign aid can make or break a government.

Seaga was the first head of government to visit President Reagan in the White House, and Reagan then urged David Rockefeller, chairman of Chase Manhattan Bank, to head a committee of top U.S. corporate executives to seek new foreign investment for Jamaica.

With this kind of backing, it was not surprising that the the pieces in Jamaica's economic rebuilding program began to fall into place. The key elements of the island's external financing for the coming year are:

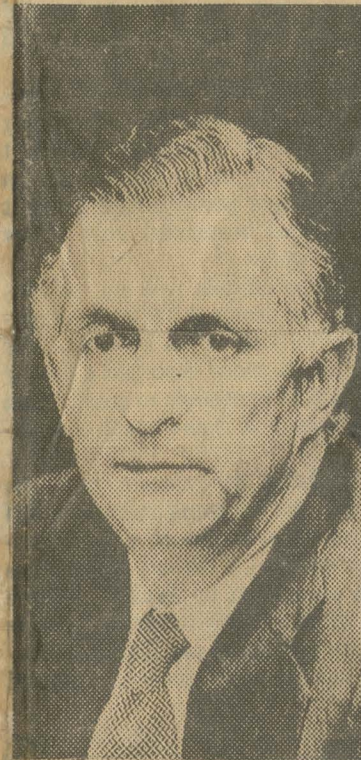
- The International Monetary Fund, which imposed strict conditions on loans to the Manley government, is expected to approve next week a three-year package totaling \$697 million, without some of the conditions. In the first year, Jamaica would receive \$308 million.

- A meeting of "donor nations" held in Jamaica last month under the auspices of the World Bank produced pledges totaling \$350 million for next year. Jamaican officials hope to increase the total by another \$100 million.

- Representatives of 100 commercial banks worked out a renegotiation of about \$103 million of Jamaica's debt and pledged to obtain \$70 million in new loans. The agreement, which still must be approved by the banks, would yield about \$150 million

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EDWARD SEAGA
...adopts capitalist economics

for Jamaica in the coming year, experts say.

- Shortly after Seaga's election, the United States made available more than \$60 million in new aid, including \$1.5 million in military sales credits. A Jamaican official and diplomatic sources said the Jamaicans hope to receive about \$50 million more in

"project assistance" from the United States and other countries.

Manley said in a speech here last week that during his administration "the fact of our relationship with Cuba became a point of contention bordering on hysteria" both inside Jamaica and in Jamaica's relations

with the United States and the international business community.

"It's difficult to persuade foreign investment to come when people are told you are on the verge of a communist takeover," he said.

Manley, whose government was unable to abide by IMF guidelines and eventually broke with the fund, said the IMF would give the new government "terms not as harsh as the terms required of us."

Other sources confirmed that the new IMF loan does not require a devaluation, as the IMF did when Manley was prime minister, and does not include wage control guidelines as the earlier agreements did.

Michael Moffitt, an economist who has made a study of the IMF using Jamaica as a case study, said the devaluations the Manley government agreed to in 1977, 1978 and 1979 fueled inflation, which, combined with wage controls, caused serious discontent.

If Seaga does not have to devalue, he said, "you do him a favor economically and politically."

Moffitt works at the Institute for Policy Studies, a leftist research institution that sponsored Manley's speech last week and has cosponsored a series of international meetings on the IMF with agencies of Manley's government and other groups.

Other sources said the IMF will not require a devaluation as a condition for the new loan to Jamaica, because the 1978 devaluation had contributed to making the country's exports competitive and there is no further need for such a measure.

Bankers and State Department sources attributed Seaga's success in obtaining help to the increased confidence inspired by his capitalist economic policies and pro-U.S. political stance.

Jamaica's finance secretary, Horace Barber, said in a telephone interview that bankers and businessmen "believe this government has developed a better environment for a recovery program. The whole atmosphere has changed. The business sector is more 'bullish.'"

The renegotiation of the \$103 million debt with 100 commercial banks was agreed on only four months after Seaga's election, while the same bank steering committee had turned down a request by the Manley government for a renegotiation last year.

Manley's supporters interpret the steering committee's decisions as evidence that the banks are helping a politician whose policies they like after contributing to Manley's defeat. The bankers maintain that their decisions were based on economic factors and that the Manley government had proven to be a poor credit risk.

Along with bank loans and foreign aid, Jamaica expects a substantial increase in foreign investment in the coming year. State Department and business sources said the aluminum companies, which had cut back their activities in Jamaica under the Manley government, are thinking about major expansion programs. The sources said there has also been lively interest in tourism, agriculture and manufacturing.