

# CRS Report for Congress

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### Jamaica: Political and Economic Conditions and U.S. Relations

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#### Summary

Although Jamaica has a stable parliamentary democracy and is a middle-income developing country, the government of Prime Minister P.J. Patterson faces several significant challenges. These include a violent crime wave fueled by gangs and drug trafficking; high external debt, estimated at 135% of gross domestic product, that could constrain the government's social expenditures; and an adult HIV/AIDS infection rate of over 1%. U.S. relations with Jamaica are close and characterized by significant economic linkages and cooperation on such bilateral issues as anti-drug trafficking measures, hurricane reconstruction support, and efforts to combat the AIDS epidemic. Overall U.S. foreign aid to Jamaica amounted to about \$41 million in FY2005 (with \$18 million for hurricane assistance) and an estimated \$19 million in overall aid for FY2006. This report will not be updated. For further information, see CRS Report RL32160, *Caribbean Region: Issues in U.S. Relations*, and CRS Report RL32001, *AIDS in the Caribbean and Central America*, both by Mark P. Sullivan.

#### Political and Economic Situation

An English-speaking Caribbean nation with a population of about 2.7 million, Jamaica has a stable parliamentary political system stemming from its history of British colonial rule. Two political parties — the People's National Party (PNP) and the Jamaica Labor Party (JLP) — have dominated the political system since before the country's 1962 independence. In the 1970s and 1980s, the two parties had distinct ideological differences, with the PNP under Michael Manley (1972-1980) espousing democratic socialism and increasing state ownership of the economy, and the JLP under Edward Seaga (1980-1989) adopting a policy of economic liberalization and privatization. When Michael Manley returned to power in 1989, however, his PNP government did not roll back the JLP's pro-business policies, but instead adopted a similar approach. Since that time, there have been few ideological differences between the two parties.

Current Prime Minister Percival J. "P.J." Patterson of the PNP has led the government since 1992 when Michael Manley resigned for health reasons. Since then, Patterson's PNP has won three elections, the last in October 2002, and new elections are

due by October 2007. After 13 years in office, Patterson announced in September 2005 that he would retire from office in early 2006. The PNP has set February 25, 2006 for the election of a new party leader at a special conference attended by some 4,000 delegates. The three main contenders are Peter Phillips, Minister of National Security; Portia Simpson-Miller, Minister of Local Government; and Omar Davies, Minister of Finance. Phillips reportedly has the support of the party leadership while Simpson-Miller has grass-roots party support. The opposition JLP has been headed by popular politician Bruce Golding since February 2005, when long-time party leader Edward Seaga stepped down.<sup>1</sup>

The Jamaican economy — based largely on tourism (the country's largest source of employment), bauxite production, and sugar — was hit hard by Hurricane Ivan in 2004. As a result, economic growth was constrained to 1.2% in 2004. An expected strong recovery in 2005 did not materialize because of poor weather conditions that further damaged the agricultural sector and stifled growth in the tourism sector. Estimated economic growth in 2005 was 1.8%. Remittances from Jamaicans living abroad have become a leading source of foreign exchange, and amounted to an estimated \$1.5 billion in 2004. Unemployment, which averaged about 11.5% in 2005, has been a persistent problem. There also has been concern about the increase in inflation over the past year, with a 2005 annual rate of almost 16% that was fueled by oil price increases and the impact of poor weather conditions on food prices.<sup>2</sup>

In an effort to combat rising oil prices, Jamaica was the first Caribbean nation in September 2005 to sign on to PetroCaribe, a Venezuelan program offering oil on preferential terms. Under the program, countries pay market prices for 50% of the oil within 90 days, with the balance paid over 25 years at an annual rate of 2%. When the price of oil rises over \$50 per barrel, the interest rate would be cut to 1%.<sup>3</sup> Since 1980, Jamaica and other Caribbean nations have benefitted from preferential oil imports from Venezuela (and Mexico) under the San Jose Pact, and since 2001, Venezuela has provided additional support for Caribbean oil imports under the Caracas Energy Accord. PetroCaribe, however, would go further with the goals of putting in place a regional supply, refining, and transportation and storage network, and establishing a development fund for those countries participating in the program. Under the new program, Jamaica will import 21,000 barrels per day, up from 14,000 barrels per day.<sup>4</sup> There has been some U.S. concern that the program could be an attempt by Venezuela's President Hugo Chávez to increase his country's influence in the Caribbean, but Prime Minister Patterson maintains that there are "no strings attached" to the Venezuelan program.<sup>5</sup>

At present, the Jamaican government faces several difficult challenges. Violent crime has surged in recent years, and the government has been criticized for not doing enough to curb it. With more than 1,600 murders in 2005, crime will likely be an issue in the next general election. In his 2006 New Year's address to the nation, Prime Minister

<sup>1</sup> "Jamaica Country Report," Economist Intelligence Unit, Dec. 2005.

<sup>2</sup> Ibid.

<sup>3</sup> "Venezuela: Caribbean Will Receive 190,000 bpd," *Latinnews Daily*, Sept. 8, 2005.

<sup>4</sup> "Jamaican Politics: Government Signs on to Petrocaribe," *EIU Viewswire*, Oct. 11, 2005.

<sup>5</sup> Carol J. Williams, "Chávez Extends and Oil-Rich Hand to Neighbors," *Los Angeles Times*, Sept. 13, 2005.

Patterson said that crime was Jamaica's most pressing problem, and he urged all Jamaicans to play a greater role in the fight against crime and violence.<sup>6</sup> In the economic sphere, the country's external debt has risen substantially in recent years to an estimated \$6.2 billion at the end of 2004, with the debt to gross domestic product (GDP) ratio estimated to be around 135%. In 2005, external debt was estimated to have grown to \$7.1 billion. The government has made debt reduction a priority, although this could constrain government expenditures for services in education, healthcare, and security and could impede progress at improving socio-economic conditions in the country. Other Caribbean nations, with the exception of Haiti and Guyana, have higher levels of human development, as measured by the United Nations annual index of human development indicators. With a per capita income of \$2,900 (2004), Jamaica is classified by the World Bank as a lower-middle income developing economy. The country has an adult HIV prevalence rate over 1%, with over 22,000 people living with AIDS. While the government has a national plan in place to combat the epidemic, the Joint United Nations Program on HIV/AIDS (UNAIDS) maintains that the general lack of access to antiretroviral drugs in Jamaica contributes to a high mortality rate.<sup>7</sup>

## **U.S. Relations**

U.S. relations with Jamaica are close, and are characterized by significant economic linkages and cooperation on bilateral and transnational issues. Some 10,000 Americans, many dual nationals, live in Jamaica, and over 700,000 American tourists visited Jamaica in 2005, accounting for over 70% of tourist arrivals.<sup>8</sup>

Caribbean nations such as Jamaica that depend on tourism expressed concerns about a proposed State Department initiative that would have required a passport, beginning December 31, 2005, for those traveling to and from the Caribbean to enter or re-enter the United States. The State Department subsequently revised the Caribbean deadline to December 31, 2006, the same passport deadline for air and sea travel from Canada, Mexico, and Central and South America. In 2005, some 50% of Americans traveling to Jamaica did not have a passport.<sup>9</sup>

In the aftermath of the September 2001 terrorist attacks in the United States, security concerns have become a major U.S. interest in the Caribbean, including in Jamaica. U.S. assistance to Jamaica has helped strengthen airport and port security, and Jamaica has complied with the new security standards of the International Ship and Port Facility Security Code. In July 2005, Jamaica augmented its cargo inspection system at the Port

<sup>6</sup> "Jamaican Premier Calls for United Front Against Crime in New Year Message," *BBC Monitoring Americas*, Jan. 2, 2006.

<sup>7</sup> UNAIDS, *2004 Report on the Global HIV/AIDS Epidemic*, June 2004.

<sup>8</sup> "Background Note: Jamaica," U.S. Department of State, November 2005; "Organization of Eastern Caribbean States (OECS), Country Report," Economist Intelligence Unit, Dec. 2005, p. 33.

<sup>9</sup> "OECS, Country Report," Economist Intelligence Unit, Dec. 2005, p. 33.

of Kingston, reportedly in line with requirements of the U.S. Container Security Initiative, as part of an effort to boost its role as a regional transshipment center.<sup>10</sup>

Rising crime is a major security challenge throughout the Caribbean, including Jamaica, which had the highest murder rate in the world in 2005 with a rate of 60 persons per 100,000 inhabitants.<sup>11</sup> Gangs involved in drug trafficking, extortion, and violence are responsible for much of the crime. Some observers believe that criminals deported from the United States have contributed to the region's surge in violent crime in recent years, although some maintain that there is no established link. Jamaica has advocated the development of an international protocol to govern the process for the deportation of criminals.<sup>12</sup>

**U.S. Foreign Assistance.** Over the years, Jamaica has received considerable amounts of U.S. foreign assistance. Over \$500 million was provided in the 1990s, making Jamaica the second largest recipient of assistance in the Caribbean. From FY2000-FY2006, U.S. foreign assistance to Jamaica has averaged almost \$23 million annually. This included \$18 million in supplemental funds for hurricane disaster assistance in FY2005. Jamaica was hard hit by Hurricane Ivan in September 2004, which killed 31 people and caused significant damage to housing and the agriculture sector. In addition to an immediate recovery program focusing on repairing community infrastructure (such as health clinics and water and sanitation systems), an expanded U.S. recovery program has targeted home construction, business recovery, and the rehabilitation of schools.<sup>13</sup> The Peace Corps has had a presence in Jamaica since 1962, and currently has over 100 volunteers in the country working on youth development, environmental education, and community health projects. Jamaica has also benefitted from participation in the U.S. Presidential Initiative known as the Centers for Excellence in Teacher Training (CETT), a public-private partnership that focuses on strengthening reading in grades 1-3. A regional Caribbean center is based in Jamaica. In addition to regular U.S. foreign aid funding, Jamaica also could become eligible for Millennium Challenge Account (MCA) funding beginning in FY2006 when the per capita income threshold for MCA-eligibility increases to \$3,255 or below.

For FY2006, the Administration is providing an estimated \$19.4 million in assistance for Jamaica, with \$10.9 million in Development Assistance, \$3.3 million in Child Survival and Health funding, \$1.3 million in military assistance, and \$1 million in International Narcotics Control and Law Enforcement assistance. The U.S. Agency for International Development (USAID) maintains a Mission in Jamaica implementing a variety of development projects. These include projects to help companies meet the challenges of globalization, and to improve economic and social conditions by targeting inner-city communities. Environmental projects assist community-based nongovernmental organizations in natural resource management. Health projects are aimed at improving

<sup>10</sup> "Jamaica Steps up Cargo Inspections," *Homeland Security & Defense*, July 27, 2005.

<sup>11</sup> "Jamaica Named Murder Capital of the World," *BBC Monitoring Americas*, Jan. 2, 2006.

<sup>12</sup> "Jamaica Wants Protocol to Deal with Deportation of Criminals," *BBC Monitoring Americas*, Sept. 24, 2005.

<sup>13</sup> U.S. Agency for International Development,"Hurricane Ivan Recovery Program in Jamaica, Status as of Sept. 30, 2005."

reproductive health and enhancing the country's ability to deal with the HIV/AIDS epidemic. Education projects are designed to improve literacy and numeracy levels among youth, while democracy projects help civil society organizations become more actively engaged in advocacy issues related to crime, violence, and governance.

**HIV/AIDS.** As noted above, the HIV/AIDS epidemic remains a significant health challenge for Jamaica and other Caribbean nations. For over a decade, USAID has been the lead U.S. agency providing assistance to Jamaica to combat the epidemic. Since FY2001, the United States has provided \$1.3 million annually for USAID's HIV/AIDS projects in Jamaica. The work has focused on prevention activities, such as voluntary counseling and testing, institution strengthening, and support to non-governmental organizations, especially those working with high-risk groups. USAID has also provided assistance to care and support to those affected by the disease, and for FY2006, special emphasis will be given to public-private partnerships to combat the epidemic.

USAID has also focused on fighting stigma and discrimination against people living with AIDS in Jamaica. In recent years, human rights organizations have criticized Jamaica for pervasive homophobia and targeted violence against gay men that has also carried over to violence against people living with AIDS and organizations providing HIV/AIDS education and services. In June 2004, Jamaica's leading gay rights activist, Brian Williamson, was murdered, while on November 30, 2005, Steve Harvey, a noted Jamaican AIDS activist, was murdered in what some news reports have characterized as a hate crime. UNAIDS condemned Harvey's murder, and called on the Jamaican government to bring his killers to justice and address homophobia and other causes of stigma and discrimination that are fueling the spread of AIDS.<sup>14</sup>

**Trade and Investment.** Since 1984, Jamaica has been a beneficiary of the Caribbean Basin Initiative, a U.S. preferential trade program for imports from the region, and in 2000 was designated a beneficiary of the Caribbean Basin Trade Partnership Act, which provides NAFTA-like tariff treatment until 2008, including preferential treatment for qualifying textile and apparel producers. Yet Jamaica's manufacturing exports to the United States have declined in recent years, in large part because of competition from such low-cost producers as the Dominican Republic and Honduras. In 2004, the United States exported \$1.4 billion in goods to Jamaica (led by oil, machinery, and electrical goods), and imported about \$320 million from Jamaica. U.S. investment in the country is estimated to be over \$1 billion, with over 80 U.S. firms operating in the country.

Jamaica remains on the U.S. Watch List for those countries with underlying intellectual property rights problems. According to the Office of the United States Trade Representative, while Jamaica's trademark and copyright laws are generally in line with international standards, the United States remains concerned over continued problems with Jamaica's delay in enacting patent legislation to meet its obligations under the World Trade Organization Trade-Related Aspects of Intellectual Property Agreement (TRIPS) and the U.S.-Jamaica bilateral intellectual property agreement.<sup>15</sup>

<sup>14</sup> "UNAIDS Condemns Killing of AIDS Activist in Jamaica," Press Statement, UNAIDS, Dec. 7, 2005.

<sup>15</sup> "2005 Special 301 Report," Office of the United States Trade Representative.

Along with other Caribbean nations, Jamaica has participated in negotiations for a Free Trade Area of the Americas (FTAA) through the Caribbean Regional Negotiating Machinery of the Caribbean Community (CARICOM), although negotiations for the FTAA have been stalled since 2004. While some CARICOM nations, like Jamaica, are enthusiastic about the FTAA, other Caribbean nations, especially the smaller countries of the region, have reservations about its impact. While participating in the FTAA negotiations, Caribbean nations argue for special and differential treatment for small economies, including longer phase-in periods. CARICOM has also called for a Regional Integration Fund to be established that would help the smaller economies meet their needs for human resources, technology, and infrastructure. With the stalling of FTAA negotiations and the United States moving forward with free trade agreements and negotiations with other Western Hemisphere nations, Prime Minister Patterson has suggested that the Caribbean might pursue its own free trade agreement with the United States, especially since the CBTTPA benefits will expire in 2008.

**Drug Trafficking.** Jamaica — a major transit country for South American cocaine and the Caribbean's largest producer and exporter of marijuana — cooperates closely with the United States on counter-narcotics efforts, with the United States contributing equipment, technical assistance, and training to assist the government in strengthening its capabilities. According to the State Department's March 2005 International Narcotics Control Strategy Report, Jamaica's law enforcement cooperation with the United States is considered excellent in most areas, and the country has made progress toward disrupting the trafficking of large quantities of cocaine. However, the report noted some U.S. concerns about Jamaica's abilities to prosecute drug traffickers and to eradicate cannabis. Although marijuana is illegal in Jamaica, it remains the most frequently used illegal drug in the country. In October 2004, the Jamaican government launched Operation Kingfish, an inter-agency effort to target groups involved in drug trafficking and other crimes. As a result, Jamaica captured the leader of the notorious Gideon Warriors gang in February 2005 and killed a leader of the Clansmen gang based in Spanish Town in October 2005.

**Trafficking in Persons.** In June 2005, the Department of State placed Jamaica on its Tier 3 list for Trafficking in Persons, maintaining that the government did not comply with the minimum standards for the elimination of such trafficking and was not making any significant efforts. According to the Department's trafficking report, Jamaican children are trafficked internally for the purpose of sexual exploitation. By September 2005, however, Jamaica had avoided U.S. sanctions by taking positive actions so it could be moved to the Tier 2 Watch List. According to the presidential determination, Jamaica, while not fully complying with the minimum standards for the elimination of trafficking, made significant progress to bring itself into compliance in terms of prosecution, protection, and prevention efforts. These included the establishment of a police anti-trafficking unit in the Jamaica Constabulary Force as well an anti-trafficking coordinator within the office of the Prime Minister; an increase in the number of police officers working with child victims and in law enforcement actions to combat trafficking; and an increase in education efforts on trafficking within the police and the public at large. (See CRS Report RL33200, *Trafficking in Persons in Latin America and the Caribbean*, by Clare M. Ribando.)