

A STUDY
OF
JAMAICAN POST-WAR TERMS OF TRADE, 1945 - 1953

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SUBMITTED TO THE FACULTY OF GRADUATE STUDIES AND
RESEARCH, Mc GILL UNIVERSITY, IN PARTIAL FULFILMENT
OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS
IN ECONOMICS.

APRIL 19, 1955.

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INTRODUCTION

Jamaica, the largest of the British West Indian islands, comprises an area of about 4,400 square miles and has a population of approximately one and one-half million people. Throughout the island's history, the economy has been predominantly agricultural; consequently, foreign trade has been and continues to be a very important aspect of the economy.

In the 1920's, the value of Jamaica's foreign trade was almost forty per cent of national income, in the late 1930's, the proportion had increased to almost sixty per cent and after World War II, in the late 1940's, it was reduced to approximately forty per cent once more.

In this thesis, the study is concentrated upon a particular aspect of Jamaican trade, that is, the Terms of Trade, and also upon a specific period of time -- the post-war period from 1945-1953; the primary aim is to describe and to analyse the trend of Jamaican terms of trade during these years and, finally, in the light of the analysis, to project this trend

into the near future.

One great difficulty in analyses of this nature is the selection of statistical data. The use of data from various sources, in which the methods of collection, classification and computation are different, may possibly reflect trends which are not only inconsistent, but also misleading.

In view of this fact, trade data selected for this study, are based primarily upon two methods of classification and computation. One is the Standard International Trade Classification (S.I.T.C)¹, which has been recommended by the Statistical Commission of the United Nations Economic and Social Council (ECOSOC) to most governments, for use. However, where trade data, based upon this classification are unavailable, I have resorted to data based upon the National Commodity Classification which, in turn, is based upon a "Minimum List" of Commodities for International Trade Statistics, prepared in 1938 by the League of Nations and suggested for use to most governments. The distinction

¹ For a detailed description of methods of classification and computation based upon the S.I.T.C, see United Nations, Year Book of International Trade Statistics, (Statistical Office, Department of Economic Affairs, New York) 1952, pp.5-8.

will be indicated in Tables wherever it is thought necessary or significant. Import and export value indices², used in this study, and on which the Jamaican terms of trade have been computed are based entirely upon the Standard International Trade Classification.

Chapter I comprises merely a presentation of facts on Jamaican Trade in a semi-historical form.

Chapter II defines the Terms of Trade concept, indicates the trend of Jamaican Terms of Trade and gives a preliminary discussion on the period 1945-53, as a whole.

Chapters III - V give a period-by-period analysis, of the trend and in

Chapter VI, some predictions are made on the future trend of Jamaican terms of trade in the light of the analysis of previous chapters.

²

For a detailed description of the methods used in computing these indices see Supplement to United Nations Monthly Bulletin of Statistics (Statistical Office, New York) 1950, pp.71-81.

CHAPTER 1

VOLUME, COMPOSITION AND DIRECTION OF JAMAICAN TRADE

Historical Background The pattern of Jamaica's trade has been historically conditioned in an environment of Colonialism and Mercantilism. For over two and one-half centuries,¹ the pattern of Jamaican trade remained essentially unchanged. Metropolitan England was furnished with agricultural commodities, which she could not herself produce and in return for which she exported manufactured goods. Manufacturing industries in Jamaica were not only discouraged, but virtually prohibited by various regulations, some of which are summarised as follows:

1. Colonies must not process their raw materials; manufacturing must be left to the metropolitan country.
2. Produce of the Colonies must be sent exclusively to the metropolitan market from which necessities of the Colonies must be bought.²
3. Colonies must not emphasize products which are produced

¹Dating from 1655, when Jamaica first became a British Colony.

²In the case of Jamaica, certain foodstuffs and lumber could be bought from the Mainland Colonies, which afterwards became the United States of America.

by the metropolitan country, but rather products which the metropolitan country would otherwise have to purchase from foreign countries.

4. Foreign trade of the Colonies must be done only by metropolitan shipping.³

One direct consequence of all this was that Jamaica, over the centuries, became a country greatly dependent on import trade for most of her necessities, possessing neither the freedom nor the capital to develop her own manufacturing potentialities. Even sugar-refining became a metropolitan and not a Jamaican industry. Further, Jamaica possessed no important mineral resource, nor were her crops peculiar to her soil; the major crop, sugar-cane, was common to other West Indian islands. The effect of all this was the evolution of a Jamaican economy dependent primarily upon a single export crop.⁴ In the light of such a heritage, the reason for Jamaica's unfavourable balance of trade, over the centuries, becomes evident.

PRE-WAR PERIOD 1910-38

Volume of Trade By 1938, the volume of Jamaica's trade, also her balance of trade position, had improved immensely. Volume of trade, in 1938, increased by approximately 50 per cent since 1911,⁵ while import and export trade increased by approximately 55 and 45 per cent, respectively.

³Navigation Acts.

⁴Sugar at first, then later export trade expended to include other crops.

⁵Trade statistics for earlier years are unavailable.

The balance of trade, during this period, improved to such an extent that the average export value of the five years immediately preceding World War I almost balanced average import value for the same period. The figures of Table 1 clearly illustrate the trend of volume of trade during this period.

T A B L E 1

VOLUME OF TRADE 1910 - 1938

(Value in million £)

	<u>Average</u> <u>1910-14</u>	<u>1919</u>	<u>1933</u>	<u>1938</u>
Import	2.8	5.1	4.4	6.5
Export	2.7	.6	2.7	4.9
Volume	5.5	5.7	7.1	11.4
Balance of Trade	.1	4.5	1.7	1.6

Source: Hand Books of Jamaica (Jamaica Government
Printing Office, Kingston) Series 1923-1939.

Composition of Trade Up to 1938, the composition of Trade, and particularly export trade, also expanded considerably. By then, no less than twelve commodities were included among the export items of Jamaica, all of which, however, were agricultural goods as may be seen from Table 11, p.5 . Imports remained fundamentally unchanged, (though much more inclusive) including manufactured goods, raw

materials and even some agricultural products.

Direction of Trade Immediately preceeding World War II, about 66 per cent of the value of Jamaica's imports came from the United Kingdom, the United States and Canada. Approximately 33 per cent of the value of imports came from the United Kingdom, 15 per cent from the United States of America and 18 per cent from Canada. The rest was shared, in very small quantities, by neighbouring Caribbean countries and other countries of the British Empire. Similarly, Jamaican export trade was done primarily with the same three markets. The United Kingdom took nearly 60 per cent of total value of the colony's exports while Canada took about 27 per cent and the United States of America about five per cent. These three markets, therefore, took approximately 92 per cent (9n value) of Jamaican export trade, the rest being taken chiefly by Caribbean markets. As the data of Table III, p.6 show, while imports from the United Kingdom and Canada increased, in the former case, very considerably, imports from the United States of America decreased greatly. On the other hand, exports to the United Kingdom and the United States decreased, in the former case very slightly and in the latter considerably, while exports to Canada increased greatly.

TABLE 11

COMPOSITION OF EXPORT TRADE 1919 - 1938

Export Products	Percentage of Value of Total Exports		
	1919	1933	1937 ^a
Bananas	(^c)	42.8	55.3
Sugar, unrefined	23.8	17.8	18.0
Coffee	6.4	9.2	3.0
Pimento	3.3	2.9	3.1
Coconuts & Copra	5.1	5.8	2.0
Cocoa	5.2	1.4	1.6
Logwood Extracts	6.5	4.3	1.6
Dye woods	2.1	2.9	1.1
Ginger (Spice)	... ^b	1.3	1.5
Rum	16.7	2.0	5.5
Grapefruit	(^c)	2.5	.9
Tobacco	1.1	1.2	.4

Source: Hand Books of Jamaica

^aFigures for 1938 are unavailable.

^bUnavailable

^cAll fruits classified together (22%)

T A B L E 111
DIRECTION OF IMPORT & EXPORT TRADE 1919-38

Countries from or to which goods are imported or exported	Percentage of Total Value of Imports & Exports					
	1 9 1 9		1 9 3 3		1 9 3 8	
	Import	Export	Import	Export	Import	Export
United Kingdom	19.9	63.4	40.2	56.3	33.7	59.1
Canada	10.6	6.9	16.3	27.8	18.1	27.1
United States	66.1	23.8	16.0	9.4	14.9	4.8
Other countries	3.4	5.9	27.5	6.5	33.3	9.0

Source: Hand Books of Jamaica [Compiled.]

POST WAR PERIOD 1946 - 1953

Volume The volume of Jamaican trade increased considerably over the post war period. Total value⁶ of trade between 1946 and 1953, also export and import values for the same period rose by nearly 300 per cent as can be seen in Table IV p. 8. After taking into account price changes, the quantum export index as shown in Table V p. 8 rose through sixty-six points within the period, while the corresponding import index rose through sixty-two points. The Balance of Trade, shown in the last column of Table IV, fluctuated greatly during the period and had an overall increase of nearly £6 million in 1953 over the balance of 1946, but one significant change was noticeable in 1953; while export value rose by approximately 40 per cent over the value for 1952, import value dropped by an approximate 2 per cent. A comparison of the quantum indexes for 1952 and 1953⁷ gives a similar picture, of a great increase in exports relative to imports.

⁶Some allowance must be made for price changes however.

⁷See Table V, p. 8

T A B L E 1 V

VOLUME OF TRADE 1946 - 53

Value in million £

Year	Total Import	Total Export	Total Vol. of Trade	Balance of Trade (+ or -)
1946	12.45	8.75	21.20	- 3.70
1947	18.94	10.21	29.15	- 8.73
1948	19.68	11.42	31.10	- 8.26
1949	19.23	12.31	31.54	- 6.92
1950	22.38	15.91	38.29	- 6.47
1951	30.69	17.83	48.52	-12.86
1952	36.11	18.59	55.70	-17.52
1953	35.26	25.73	60.99	- 9.53

Source: United Nations, Year Book of International Trade Statistics, 1953, p.257

T A B L E V

QUANTUM INDEXES

1948 = 100

<u>Year</u>	<u>Export</u>	<u>Import</u>	<u>Year</u>	<u>Export</u>	<u>Import</u>
1946	94	74	1950	117	115
1947	98	97	1951	121	117
1948	<u>100</u>	<u>100</u>	1952	115	129
1949	108	98	1953	160	136

Source: United Nations, Statistical Year Book, 1954 p. 370.

Composition of Trade Jamaican post-war export trade has had a few changes in its composition, the most significant being the addition of Cement and Bauxite to the export list, also the cessation⁸ of coconut and coconut products as exports. There have been a few changes also in the relative importance of different export crops, such as a marked decline in the export of Rum between 1948 and 1953; coffee was superseded by cocoa in the late forties, a situation which was reversed in 1949, but again corrected itself in 1952. Sugar maintained its supreme importance over the period 1946-1953 and Bananas, which was the island's most important export crop in the inter-war period of the thirties, became second in importance in the post-war period and even third in 1951.

As for import trade, the post-war composition has undergone some significant changes, although the basic pattern⁹ remains unaltered. An outstanding example of a post-war change in the pattern of import trade is the case of cement. In 1946, cement was among the chief import commodities; in 1952 it fell to a very insignificant place and in 1953, it not only ceased being an import commodity, but was even exported.¹⁰

⁸Oil and Fat Agreement 1948. It was agreed among British West Indian Islands not to export Coconut products unless the domestic demand was satisfied. Disease also affected production.

⁹that is, importation of manufactured goods and raw materials.

¹⁰In 1953, 15,000 tons were exported to other West Indian islands.

Coal provides another example. As a natural consequence of the transition from steam to diesel Locomotives, coal fell from a third¹¹ position on the import list in 1938 to a very insignificant position in 1952. Other examples are to be found in the cases of condensed milk, cotton piece goods and Rice, in which there has been either a complete cessation of importation of the commodity, or a fall from a position of importance to one of insignificance among imported goods.

The post-war trend of the composition of Jamaican trade is illustrated in Tables VI to IX, which give both the National Commodity Classification and the Standard International Trade Classification.

¹¹Third, by "Weighting," according to Standard International Trade Classification, recommended by United Nations.

T A B L E VI
CLASSIFICATION OF IMPORTS 1950

C L A S S	1 9 5 0	
	L	%
Food, drink and tobacco	5,375,113	24.0
Fatty substances and waxes (not food)	122,683	0.6
Chemical & allied products	1,302,440	5.8
Rubber	48,061	0.2
Wood & cork	723,772	3.2
Paper	717,131	3.2
Hides, skins & leather, etc.	92,003	0.4
Textiles	3,032,390	13.6
Clothing articles (all materials)	1,395,068	6.2
Products for heating, lighting, etc.	1,997,821	8.9
Non-metallic minerals, etc.	932,052	4.1
Precious stones & metals, etc.	5,981	.0
Base metals & manufactures	2,033,991	9.1
Machinery, apparatus, etc.(vehicles)	3,965,471	17.7
Miscellaneous commodities	587,168	2.6
Returned goods, etc.	43,358	0.2

Source: Central Bureau of Statistics, "External Trade of
Jamaica, 1950" (The Government Printer, Kingston)
TABLE III, p.6.
(National Commodity Classification)

T A B L E VII
COMPOSITION OF POST-WAR IMPORT TRADE

Weight in thousand Metric tons
Value in Million f

Commodity	1 9 4 8		1 9 5 1		1 9 5 2	
	Weight	Value	Weight	Value	Weight	Value
Motor Vechicles	1639 ^a	0.87	989 ^a	1.0	1360 ^a	1.78
Fuel Oil	129	0.59	63.8	0.35	201.5	1.30
Coal	39.7	0.14	24.6	0.15	9.8	0.06
Motor spirit	39.6 ^b	0.27	51.6 ^b	0.60	55.1 ^b	0.63
Wheaten flour	44.8	1.79	64.1	2.42	75.7	2.54
Rice	7.9	0.50	20	1.19	13.6	1.02
Textiles-cotton	14.9 ^c	1.31	12.2 ^c	1.14	11.9 ^c	1.31
Cement	48.8	0.30	81.8	0.76	5.1	0.06
Milk	0.7	0.08	1.0	0.13	1.1	0.14
Others	-	-	-	-	-	-
Total Imports	19.68		30.69		36.11	

Source: United Nations: Year Book of International Trade Statistics, 1953; p.258
[Standard International Trade Classification.]

^anumber ^bLitres (million) ^cMetres (million)

TABLE VIII
PERCENTAGE VALUES OF EXPORT PRODUCTS TO TOTAL VALUE
OF EXPORTS

PRODUCT	P E R C E N T A G E								
	1945	1946	1947	1948	1949	1950	1951	1952	1953 ^a
Bananas	7.2	19.0	20.6	20.8	19.2	14.4	7.3	10.5	
Sugar unrefnd.	39.0	32.2	26.7	32.1	39.0	39.4	36.6	39.1	
Coffee	4.8	1.2	1.4	1.2	1.1	2.3	2.1	2.4	
Pimento	4.7	2.2	1.5	2.0	3.4	1.9	3.4	2.3	
Coconuts & copra	...	...	...	...	0.1	...	...	...
Cocoa	0.8	0.8	1.4	3.1	1.7	1.4	1.7	4.2	
Logwood ex-tracts	1.3	1.1	1.7	1.4	.5	1.2	1.0	0.6	
Woods-logwood	0.3	0.3	.2	...	.029	.0	.0	..	
Ginger	3.1	1.9	1.2	1.1	1.1	2.3	2.9	1.5	
Rum	16.3	23.0	25.9	18.3	10.9	10.64	9.3	6.9	
Grapefruit	0.1	0.3	.6	0.9	1.3	1.2	.6	.5	
Tobacco-cigars	6.2	6.4	9.1	4.5	3.2	3.8	3.7	3.2	

Source: Hand Books of Jamaica, Jamaica Government Printing Office, Kingston, 1952 & 1954
[National Commodity Classification]

^aNot available

T A B L E 1
COMPOSITION OF EXPORT TRADE
Weight in thousand metric Tons
Value in Million £

Commodity	Weight	Value	Weight	Value	Weight	Value
	1948		1951		1952	
Sugar (raw)	153.4	3.58	212	6.32	202.5	7.03
Essential Oils	42.0 ^a	0.05	105.9 ^a	0.26	0.1 ^a	0.20
Bananas	6.1 ^b	2.32	3.7 ^b	1.27	4.6 ^b	1.89
Coffee (raw)	1.3	0.13	1.1	0.36	1.1	0.36
Rum	8.5 ^c	2.04	9.7 ^c	1.60	7.5 ^c	1.24
Pimento	2.2	0.22	3.3	0.59	2.0	0.42
Cocoa (raw)	1.9	0.35	1.2	0.30	0.2	0.06
Others						
"						
"						
Total Exports		11.15		16.56		17.26

Source: United Nations, Year Book of International Trade Statistics, 1953, p.259
[Standard International Trade Classification.]

^aLitres (thousands) ^bStems (millions) ^cLitres (millions)

Direction of Trade: By 1945, at the end of World War II, the direction of Jamaica's import trade was greatly distorted from pre-war channels. Imports from the United Kingdom had fallen severely while imports from Canada and the United States of America increased, particularly from Canada. Within the first two years of the post-war period, while the percentage shares of the United Kingdom and the United States of America rose, that of Canada dropped from 41 per cent to 28.5 per cent of total imports. By 1948, the pre-war pattern of direction was almost regained.¹² Imports from Canada and the United States fell considerably in relation to imports from the United Kingdom and after 1949, the relative differences between percentage shares among Jamaica's three major import markets widened. One very significant change in the direction of import trade, over the period, was the increasing percentage share of the import trade which passed on to markets other than those of the United Kingdom, the United States and Canada. Examples of new import markets were the Caribbean countries, New Zealand, Holland, Japan and France.

There was a similar change, though less marked, of increasing export to new markets and, while exports to the United Kingdom and Canada

¹² Compare Table III, p. 6 and Table X, p. 17

increased considerably during the post-war period, exports to the United States of America remained small. Jamaican exports to Caribbean markets also increased substantially during the post-war period.

TABLE X
DIRECTION OF TRADE 1946 - 53
Value in Million

Y E A R	UNITED KINGDOM				C A N A D A				UNITED STATES				T O T A L	
	IMPORT		EXPORT		IMPORT		EXPORT		IMPORT		EXPORT		IMPORT	EXPORT
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	Value
1946	2.67	21.4	5.48	63.7	4.01	34.5	2.21	26.0	3.20	25.7	.49	5.1	12.45	8.75
1947	3.79	20	7.91	79.2	5.1	28.5	1.65	12.6	6.38	33.7	.31	2.84	18.94	10.21
1948	7.76	39.4	8.39	74.7	3.91	18.3	1.90	17.1	3.83	19.4	.36	3.2	19.68	11.42
1949	8.67	45.1	7.80	61.8	2.47	12.9	3.12	25.9	3.17	16.5	.45	3.7	19.23	12.31
1950	9.60	42.9	8.60	56.87	2.20	9.96	2.9	26.14	3.19	14.27	.78	4.56	22.38	15.91
1951	10.07	41.3	12.68	59.5	4.14	11.6	3.80	22.5	3.57	20.0	.95	6.0	30.69	17.83
1952	11.83	41.1	14.77	66.6	4.35	12.0	2.55	14.2	4.01	20.7	1.36	8.4	36.11	18.59
1953 ^a	-		-	-	-	-	-	-	-	-	-	-	35.26	25.73

Source: (i) Year Book of Statistics (United Nations) 1953; p.259

(ii) Hand Books of Jamaica 1952; pages 200-212 [Compiled]

^aOfficial breakdown unavailable.

CHAPTER 11

JAMAICAN TERMS OF TRADE 1945 - 1953

A: CONCEPTS

Introduction There are many possible interpretations of the terms of Trade concept; also, there are many controversial points often presented in discussions of the concept. The problem of measuring the terms of trade, the questions of what is really measured by the terms of trade and how satisfactory is such a measurement, are examples of some of the common points of controversy.

In view of these differences, the purpose of this section of the present chapter is to present, briefly, the chief interpretations of the terms of trade concept and to indicate the particular interpretation in the light of which Jamaican post-war terms of trade will be examined; no attempt will be made to enter into a discussion of the many controversial problems.

In section B of this chapter, the statistical data and a brief outline of the trend of Jamaican terms of trade are presented and section C gives a preliminary discussion on the factors which affected Jamaican post-war terms of trade during the period 1945 - 1953 as a whole.

Net Barter Terms of Trade Taking the very simple and unrealistic

Ricardo-Mill two-country, two-commodity analysis, let us suppose that country A exports only one homogenous commodity, say cloth, to country B, and imports a single homogenous commodity from country B, (wine). The terms of trade to country A would be the terms on which A exchanges a unit quantity of cloth for B's wine, or in the more general form, the terms on which country A exchanges its exports for its imports; in fact, the terms of trade in this sense, would be the ratio of A's export price to its import price.

But it is a factual condition, also, that more than two goods are involved in the exports and imports of any country; consequently some average price of exports and imports must be used. The averages generally used are the export and import price indexes and the simplest notion of the terms of trade concept, also a measurement frequently employed, is that of a ratio between the export price index and the import price index of a country. This is generally described as the "Barter Terms of Trade". Such a ratio for any given period of time, compared with a similar ratio of another period of time is called the "Net barter terms of trade" and may be expressed, algebraically, as

$$\frac{P_X^1}{P_M^1} : \frac{P_X^0}{P_M^0}$$

where P represents price index, X exports, M imports and the superscripts "0" and "1" represent a base period and a subsequent period of time, respectively.

Gross Barter Terms of Trade The 'gross barter terms' of trade differs from the 'net barter terms' in that the former describes a ratio between the physical volume of exports and the physical volume of imports. The distinction between 'net barter' and 'gross barter' terms of trade is made in view of the fact that a country's transactions with foreign countries include not only exports and imports of merchandise, but also transactions, such as, payments for interests and profits on foreign investments, transfer payments, and so on, and many such payments are made in merchandise.

In brief, there are two sets of transactions-- merchandise for merchandise and merchandise for 'invisible' goods. Prof. Tausig, who made the distinction between 'net barter' and 'gross barter' terms of trade, sums it up succinctly in the following passage:

"What in fact takes place is that each year, one mass of goods comes in as imports, another mass of goods goes out as exports. These two masses -- always reckoned in physical quantities-- represent what I would call the gross barter terms of trade."¹

The Barter Terms of Trade concept, net or gross, is fundamentally a measurement in terms of goods and is often referred to as the "Commodity terms of trade". In the words of D.H. Robertson, it "is the most natural and the most immediately relevant to discussion of changes in the balance of payments."²

¹F.W. Tausig "The Change in Great Britain's Foreign Trade Terms after 1900." Economic Journal, 1925, XXXV, p.2

²D.H. Robertson, "The Terms of Trade", International Social Science Bulletin (Spring 1951) Vol.III, No.1.p.29

Single Factoral Terms of Trade A more sophisticated view of the terms of trade concept is that known as the 'Single factoral' terms of trade, which relates to a ratio of the volume of imports over which a unit of productive power of a country exercises command. In this sense, changes in efficiency, due say to technological development, are incorporated into changes of a country's terms of trade. As an example, if the ratio $(\frac{X}{L})^3$ is taken as the efficiency rate, the single factoral terms of trade may be expressed algebraically as $(\frac{P_X}{P_M}) \cdot (\frac{X}{L})$ and there would be an increased gain from trade when

$$\frac{\left\{ \left(\frac{P_X'}{P_M'} \right) \cdot \left(\frac{X}{L} \right)' \right\}}{\left\{ \left(\frac{P_X^0}{P_M^0} \right) \cdot \left(\frac{X}{L} \right)^0 \right\}} > 1$$

The significance of the difference between a 'single factoral' and a 'barter' concept may be illustrated by a hypothetical case. Let us suppose the barter terms of trade of Country A to have deteriorated, due probably to a fall in export price. It would appear, prima facie, that Country A has become "worse off" but, in fact, this may not be so. There might have been some technological improvement in productive efficiency, which lowered cost of production and consequently enabled the same resources, or even less resources, in

$^3(\frac{X}{L})$ is an index of the efficiency in production of export commodities; X = exports and L = labour, which is conveniently taken to represent productive factors.

Country A to exchange against the same amount of imports as before the change.⁴ Obviously in the 'single factoral' sense, the terms of trade have remained unchanged or even improved, while in the 'barter' sense, the terms have deteriorated. Moreover, a change in the quality or composition of the goods traded would affect the former, but not necessarily the latter. The single factoral sense is most relevant to discussion of changes in the absolute standard of living of a country.

Double Factoral Terms of Trade Another interpretation similar to that of the Single Factoral Terms of Trade is that which makes the essential point, not the terms on which a country exchanges its exports for imports, but the terms on which it exchanges its productive factors, particularly labour, for the productive factors of another country. This concept is adequately summed up by Mrashall in the following sentence:

" it seems better to suppose either country to make up her exports into representative 'bales'; that is, bales each of which represents aggregate investment of her labour (of various qualities) and her capital."⁵

In this sense, the concept of terms of trade is most fundamental and is often referred to as the "true" terms of trade. Viner⁶ calls it the "double factoral" terms of trade. This is the interpretation most relevant to discussions on relative national standard of living.

⁴ Assuming technology is unchanged in countries with which Country A trades.

⁵ Alfred Marshall, Money, Credit and Commerce. P.159

⁶ Jacob Viner, Studies in the Theory of International Trade (Harper & Bros., New York, 1934) p.319.

The different interpretations of the concept given in this section may be classified into two basic concepts of terms of trade. One is the Barter Terms of Trade, which relates to a commodity ratio and the other, the Factoral Terms of Trade, which relates to a ratio of productive factors and, in particular, the factor Labour.⁷ It is difficult to assess the latter in view of its immeasurability.

For this and other reasons, the Jamaican post-war terms of trade will be analysed in this thesis within the concept of the "Commodity" or "Net Barter" terms of trade and wherever the expression 'terms of trade' is used, without qualification, it is meant in the 'net barter' sense.

⁷The factoral terms of Trade is sometimes called the "Labour Terms of Trade."

B : STATISTICAL DATA AND TREND OF TERMS OF TRADE

T A B L E X I
(Base - 1948)

YEAR (1)	Unit Value Indexes		
	Export (2)	Import (3)	Terms of Trade (4)
1938	31	31	100
1941	45	39	115
1942	56	54	104
1943	57	65	88
1944	64	70	91
1945	69	70	98
1946	82	86	95
1947	91	99	92
1948	<u>100</u>	<u>100</u>	<u>100</u>
1949	91	97	94
1950	100	105	95
1951	113	125	90
1952	130	133	98
1953	134	126	106

Source: United Nations - Statistical Year Book , 1954, p.375

Columns (2) & (3) Indexes based on Standard
International Trade Classification.

Column 4 $\frac{\text{Export Index Value}}{\text{Import Index Value}}$

It can be seen from Column 4 of Table XI on the previous page, that Jamaican post-war terms of trade (between the years 1945-53,) was, on the whole, fairly stable, though with a slightly declining trend up to 1951. At the end of World War II, in 1945, Jamaica emerged with its commodity terms of trade slightly deteriorated from its pre-war level in 1938. For the next two years, the situation gradually worsened, then made a marked recovery in the following year, 1948, when the terms of trade were again at the pre-war level. But the recovery was transient; the following year brought an unfavourable turn and reversed the 'trend' by a number of points almost as large as that of the increase in the previous year. The situation improved insignificantly in 1950 but again deteriorated, and to its worst for the post-war period, in the following year. Since 1952, there has been marked and steady improvement and, though statistics for the full year have not yet been available, there is all the evidence from monthly figures that there has been no relapse, nor worsening, of the terms on which foreign trade was conducted in 1953.

The picture may be more clearly visualised with the aid of a graphical representation, (as shown in Fig. I) which indicates the trend of Jamaican Commodity Terms of Trade over the period 1945 - 1953.

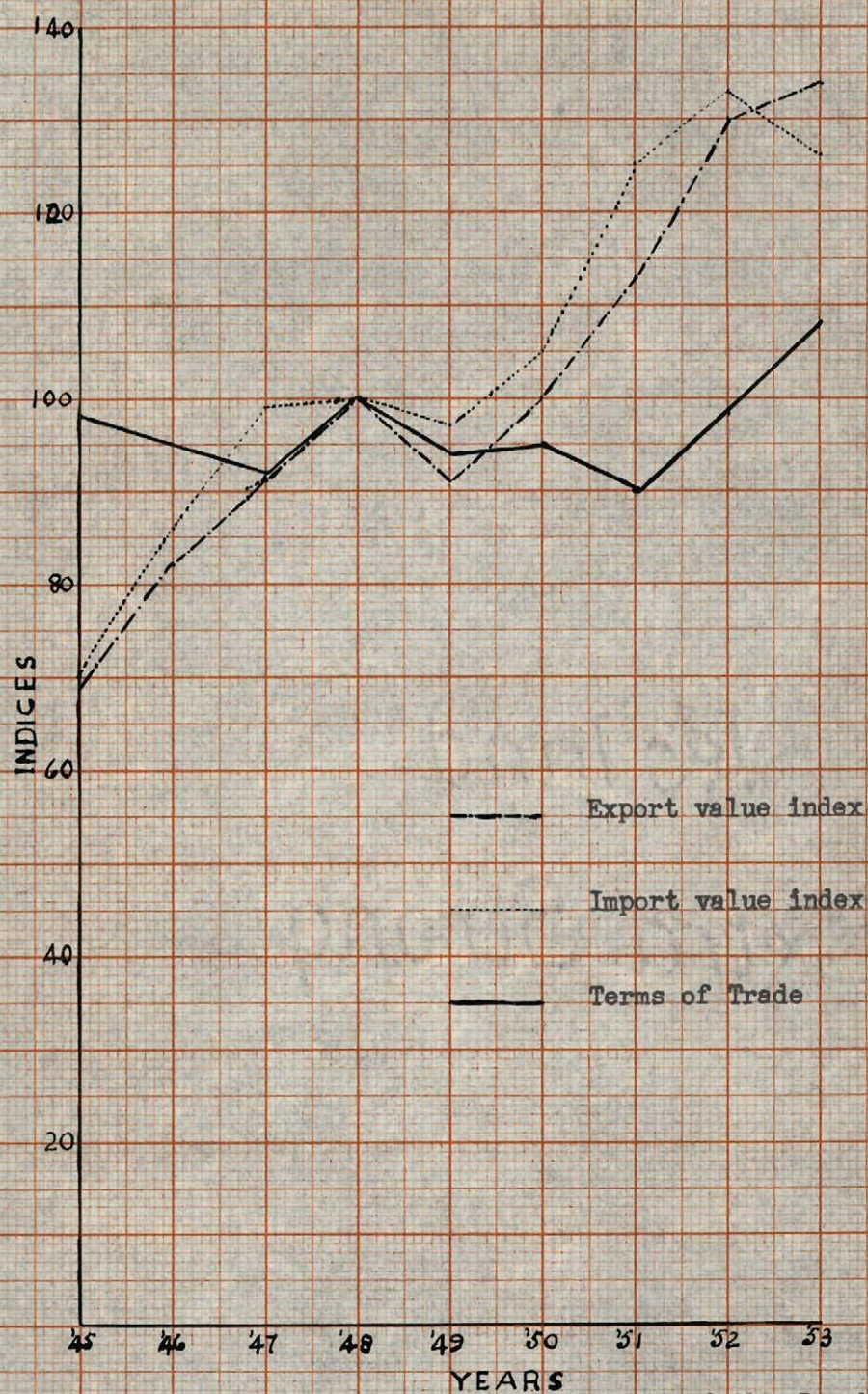


Fig. 1 Graphic Illustration of Trend of the Jamaican Terms of Trade.

C: PRELIMINARY ANALYSIS OF FULL PERIOD

If the year 1948 be excluded, the trend of the terms of trade, during the period, lends itself to a convenient division into two parts. The first is inclusive of the years 1945-51, during which Jamaican terms of trade showed a slightly and gradually declining trend; the second part ranges over the years 1952 and 1953, during which there was a steadily rising trend. A more detailed year-by-year examination, however, reveals that for every year between 1947 and 1952 there was some change in the trend, though slightly in most years, toward the opposite direction.

This regular change in direction would seem to suggest that after the first two years of the post-war period, the tendency was toward a rising trend in Jamaican terms of trade, but certain counter-acting forces were at work, in alternate years, to reverse the upward trend. Such forces or events would seem, (looking at Fig. 1, P. 26) to have been in the years 1949 and 1951. The full period, therefore, lends itself, for an analysis of the terms of trade, to a more natural division into three time-periods which are summarised below:

1. The years 1945-48, during which post-war adjustments were being ironed out.
2. The years 1949-51, a critical period, during which Jamaican trade experienced the impact of certain adverse events or forces.

3. The period 1951-53, which was one of marked improvement in Jamaican terms of trade.

These three periods, in chronological order, are analysed in Chapters 3, 4, 5, respectively.

But before a period-by-period analysis is undertaken, the question arises as to what significant factors have been responsible for determining the general trend of Jamaican terms of trade over the period, as a whole. There were those factors which favoured a rising trend, and other offsetting factors which contributed towards a deteriorating trend. Further, the most fundamental factors determining any country's terms of trade evidently lie in the Import and Export Demands, or, to be more specific, the relative intensity and elasticity of the country's import and export demands. For this latter reason, a further break-down for analysis is a subdivision into those factors which affected Jamaica's import trade and those which affected her export trade during the period under review.

First, the island's three chief import and export markets were in countries⁸ whose economies had been disrupted and dislocated by war. They had become highly-g geared war economies with a shift away

⁸ United, Kingdom, Canada, and the United States of America.

from the production of consumption goods, both for their domestic and export markets. This naturally had some post-war repercussions on Jamaican import and export trade. Bulk purchasing over a wide range of commodities, including rice, flour, cornmeal, cod fish, corned beef, bacons, tea, condensed milk, cheese, butter, potatoes, and a number of others, had to be undertaken by Government, and in addition, the importation of others, like shoes and textiles, was supervised.

Secondly, the scarcity of dollars,⁹ in the sterling bloc countries, among which Jamaica is included, redirected Jamaican trade, particularly import trade, into unnatural channels, that is, channels other than those which might have been determined by a free international price structure. Jamaican trade, at the end of World War II, was highly controlled by a Trade Administrator's Department.¹⁰ After the war, measures had to be taken to conserve dollar currency and dollar expenditure was limited only to articles essential to the life and economy of Jamaica.

⁹U.S. dollars

¹⁰Established in 1939. It was replaced by a Trade Control Board, which was first appointed in 1949.

¹¹Jamaica's post-war dollar expenditure has been limited each year to a maximum approved by the Secretary of States for the Colonies.

Control over imports, both in currency and quantity, was effected by means of import licensing. As might be expected, this changed the pattern of imports, particularly from Canada and the United States, and so much so that, in order to cushion the effect, a 'Token Import Scheme',¹² had to be instituted between the British Government and the governments of the United States and Canada in 1949, whereby additional dollar expenditure could be incurred without counting against Jamaica's allocation. In the meanwhile, in accordance with government policy to remove controls where it was possible, a number of articles were returned to free trade within ceilings. As examples, Pickled fish was freed in 1948, and pickled meat in 1953; the bulk purchase of flour ceased in 1954.

These factors also indirectly affected export trade in that there was a tendency of redirection of exports to certain desirable markets, from which dollars could be earned.

Thirdly, during the post-war period Jamaica's agricultural

¹² This scheme, which was instituted on a tentative basis in 1949, was temporarily abandoned soon after it commenced, but was again implemented in 1951 and has been operating since. In 1953, the scheme was revised to make it more flexible and to give importers and consumers a wider range of articles for choice. Both the Canadian and United States schemes together provided for an annual expenditure, in addition, of about 3 $\frac{1}{2}$ million dollars.

and industrial development had very marked improvements. Due to war shortages of many imported goods, domestic industries were developed at a very rapid rate. Between 1945 and 1953, almost three hundred new factories were registered. In the more recent years of the period under review, an Industrial Development Corporation was formed, which has been giving financial and technical aid to industries under the categorisation¹³ of new industries and industries whose development will cause either a reduction in imports or an increase in exports. Not only has much been achieved in the increase of exports of manufactured goods, but also, there has been marked reduction of manufactured import commodities, as a direct result of industrial development over the post-war period. Examples of some important industries established between 1946 and 1953 were The Aruguanabo Textiles Factory, Jamaica Cement Industry, Boots and Shoes Industry, Garments and Preserves Industries. In addition, developments in Canning and Handicraft industries have made very significant contributions to the country's terms of trade both by reducing imports and increasing exports at a time when world prices were rising.

Agricultural developments¹⁴ also made direct contributions to export trade. The two leading exports, Sugar and Bananas increased

¹³There are other categories which are not directly relevant for our purpose.

¹⁴An Agricultural Development Corporation was formed in late 1951.

by approximately 600 and 100 per cent respectively between 1945 and 1953.¹⁵

A fourth factor, which supplemented Agricultural and industrial developments, was a series of Legislation enacted, during the post-war period, to provide a climate more favourable and encouraging to both local and foreign investors and for the development of pioneer industries. Assistance was also given by tax and tariff concessions.

Examples of such legislative acts were

1. The Textiles Industry (Encouragement) Law of 1947
2. The Cement Industry (Encouragement & Control) Law of 1948.
3. The Manufacture of Buttons (Encouragement) Law of 1949.
4. The Pioneer Industries (Encouragement) Law of 1949.

Other general factors which affected Jamaican terms of trade during the period 1946 - 53 were the lack of shipping facilities,¹⁶ a reorientation in the policy of marketing exports , United States high tariff policy in the post-war period, the post-war increased purchasing power in Jamaican economy as a result of an almost full-employment economy and the development of Mining in Jamaica.

¹⁵Part of this increase may be explained by improved shipping facilities.

¹⁶An inter Caribbean shipping service has been recently inaugurated.

There were special factors also such as the Devaluation of the £ Sterling and the Hurricane of 1951 which are more fully treated in Chapter 4.

As it was mentioned earlier, these factors influenced the terms of trade in two directions; some were contributory to an appreciating trend, while others contributed to a depreciating trend in Jamaican terms of trade. The net effect was a fairly stable trend, with a slight imbalance towards the latter until 1951, by which time the export price index had moved through 44 points,¹⁷ since 1946, and the export quantum index¹⁸ through 59 points, compared with corresponding movements of the import price index through 50 points and the import quantum index through 47 points. However, since 1951, this imbalance has been reversed; the former forces have gathered momentum, while, at the same time, the latter have been diminished in their effects. Consequently, the imbalance has been turned towards an appreciating trend, and at the end of 1953, the export price index showed an overall rise (during the period 1946 - 53) through 65 points, compared with a 56 point rise in the import price index; similarly the quantum index for exports rose through 98 points relative

¹⁷See Table XI, p. 24

¹⁸See Table V, p. 8

to a sixty-six point rise in the quantum index for imports.

Before proceeding to a period - by - period analysis, an important point to bear in mind is the relatively small size of Jamaica and, consequently, of her exports and imports in relation to world supply and demand. For this reason Jamaica's export and import prices are rather determined by conditions in the world market than by any change in Jamaica's supply of or demand for goods. In brief, Jamaica's export and import prices are more given to, than determined by her.

CHAPTER 111
PERIOD OF ADJUSTMENT 1945-48

1
TABLE XII

Year	Export price index	Import price index	Terms of trade
1945	69	70	98
1946	82	86	95
1947	91	99	92
1948	100	100	100

¹ Source: Reproduced from Table XI, p.24

During the first three years of the post-war period, the disruptions and distortions of Jamaican Trade, caused by World War 11, were being ironed out. Table XII, above, shows that for these years, up to 1947, the terms of trade depreciated, but in 1948 turned in favour of Jamaica. The purpose of this chapter is to show how certain factors in the adjustment process affected the terms of trade during these years.

As a direct result of the war, there was a tremendous increase of disposable income and purchasing power in the Jamaican economy.

The mobilisation of the United States of America's man power in World War II and the consequent shortage of her labour force, meant a vast outlet for Jamaican agricultural labourers to work on farms in the United States. Besides, Jamaican man power was also directly mobilised, on a large scale, for the purpose of defense abroad and at home. Jamaican farm workers in the United States and Jamaican recruits in the Royal Air Force, the Canadian Air Force and other defense units became sources of a steady income flow, as means of support to their dependents at home. In addition, there was fairly wide regimentation by the Jamaica Battalion and the Jamaica Home Guard, which provided employment for many. On the other hand, during World War II, many commodities, particularly imported commodities, could not be had, due to controls on imports and lack of shipping space. At the outbreak of war in 1939, price controls were placed on many domestic goods in order to maintain reasonable prices for commodities which were relatively scarce. The list of price-controlled goods extended very rapidly and in 1944, at least 80 categories of food stuffs were on the controlled list in addition to articles other than foodstuff.

The sum effect was a great lack of opportunity to spend. With this practically full-employment situation and very limited spending opportunities, due to war time restrictions, savings increased considerably during the war. The post-war period of 1945-48 therefore

came into a heritage of a vast accumulated disposable income and a considerably increased purchasing power. But, as is common to most countries described as "underdeveloped", Jamaica's marginal propensity to consume is very high. Further, the historical tradition of Jamaica, among other Caribbean countries, has been one of greater emphasis on importing, rather than producing manufactured goods and certain foodstuff. Strengthening this tendency, is the close proximity to the United States and the consequent imitation of the latter's standard of living. The sum effect is that Jamaica's marginal propensity to import has been very high. The gradual relaxation of import restrictions² in the early post-war period and at the same time, a vast accumulation of disposable income in the hands of a people characterised by a high marginal propensity to import, naturally resulted in an increase of imports, when post-war world prices were rising. A partial reason for an increase of Jamaica's import value index through a range of 30 points between 1945 and 1948 therefore becomes evident.

Another very powerful factor, which affected Jamaican terms of trade, was the dollar scarcity phenomenon of this period.

²The wartime restrictions of imports were not for the purpose of conserving dollars; rather they were due to factors such as shipping space. This relaxation of restrictions is therefore not inconsistent with the post-war import restrictions for the primary purpose of conserving dollars.

Jamaica being a British colony, import restrictions fall within the framework of the United Kingdom's trade policy. Generally, imports from dollar currency areas, during the years of 1946 - 53, were allowed only if such commodities were regarded as essential and urgently required and, or, could not be obtained from soft-currency areas.³ The effect of all this was a distortion of Jamaica's import trade from normal channels into which it might have flowed in a world of free multilateral trade. Consequently certain import commodities had to be purchased in dearer markets.

The most outstanding example probably was in the category of goods classified as "Motor vehicles and Parts", as shown in the Table below.

T A B L E X I I I
IMPORT OF MOTOR VEHICLES, PARTS, ETC.
(Value in thousand £)

Countries	1945	1946	1947	1948
United Kingdom	7.1	143.2	187.2	624.1
British Possessions.	29.0	188.3	175.4	88.5
United States	51.4	72.2	70.9	68.5

Source: Hand Books of Jamaica

³ Sterling Bloc & other countries outside "Dollar area".

In 1945, importation of this category of goods from the United Kingdom and the United States was about eight per cent and sixty per cent, respectively, of the total value; the corresponding proportions for 1948 were approximately eighty and eight per cent.⁴ The average price paid for an English motor car, during that period, exceeded that at which comparable American or Canadian motor cars could have been put on the Jamaican market, but importation was prohibited since these were markets in 'hard-currency' areas.⁵ Numerous other examples may be cited -- for example, electrical appliances, machine goods, iron and steel. Many of Jamaica's major imports had to be bought at substantially higher prices as the figures of Table XIV show.

The factors, so far mentioned, in this chapter, have been those which affected the island's import trade. Export trade was also unfavourably affected. Jamaican export trade consists primarily of Agricultural products for which the export demand elasticity is not comparatively high; in addition, the range of the island's export is small compared with a wide range of import trade, though there was some amount of restriction on the latter. As a result of post-war price increases, Jamaican export trade stood to gain as it is shown

⁴ Some allowance should be made for price changes.

⁵ Dollar areas.

T A B L E X I V
 EXAMPLES OF PRICE INCREASES OF SOME OF JAMAICA'S IMPORTS
 1938 and 1946 - 1948

Commodity	Unit	1938	1946	1947	1948
Wheaten flour	196-lb				
	bag	613.6	642.7	577.1	502.3
	£	65.1	1,525.6	1,975.2	1,791.6
Tea	lb.	89.8	69.2	169.2	182.3
	£	8.0	9.2	30.5	38.0
Cornmeal	196-lb				
	bag	70.6	19.0	21.4	22.8
	£	58.6	39.3	60.1	67.5
Rice	Lb	42110.8	14946.9	11,520.7	17472.0
	£	195.2	423.8	368.6	500.7
Agricultural Machinery	£	28.8	112.4	166.8	196.1
Fertilizers	tons	24.8	8.4	11.1	16.5
	£	58.3	142.8	205.7	317.3
Cement	tons	29.7	30.7	53.9	48.0
	£	88.2	162.5	322.2	300.4
Footwaar	doz.prs.	113.7	51.0	69.9	64.3
	£	201.9	312.9	499.8	434.4
Lumber	ft.	142.9	52.3	85.4	39.1
	L-	160.2	163.0	288.9	104.4

Source: Central Bureau of Statistics "External Trade of
 Jamaica - 1950"., Table VI pp-8-9.

later in this chapter; however, on balance, the relative gain from a limited export trade might have been outweighed by the loss from a comparatively wide-range import trade in a world trade of higher prices, and more so from the fact that Jamaica's import demand in certain directions,⁶ where price increases were very high, was increased. A typical example was Agricultural machinery. In 1938, the island's import of agricultural machinery valued approximately £28.6 thousand; in 1946 the value amounted to about £112.4 thousand, and in 1947 to £166.8 thousands.⁷ The vast increase was due largely to very high prices rather than to a quantum increase. The comparative rise of the export price index through 22 points and of the import price index through 29 points between 1945 and 1947, as shown in Table XII at the beginning of this chapter, illustrates the net effect.

Jamaican export trade was to some extent affected also by the United States post-war policy of high tariffs. Certain Jamaican exports to the United States fell considerably in volume and not without some effect on prices. Two significant examples of the effect of the United States tariff policy on Jamaican exports were

⁶Demand for producers' goods, particularly machineries, was increased as a result of post-war developments in Jamaica.

⁷Central Bureau of Statistics "External Trade of Jamaica" 1950, (Government Printer, Kingston) p. 9.

the cases of Coffee and Tobacco. Between 1945 and 1947, the United States market was closed to Jamaican coffee largely for the reason of prohibitive tariffs. During these years, only a token export of 25 lbs of Jamaican coffee at a value of £1 entered the United States market. Tobacco export to the United States declined from approximately 29,000 tons in 1945 to 6,000 tons in 1947 and 11,000 tons in 1948 with a decline in price of about eight per cent in 1947.⁸ Logwood extracts provide another example; in 1946 export of Logwood extracts to the United States was 2,340 cwt. at a value of £6,240; in the following year export of Logwood extracts fell to 413 cwt at a value of £-760.⁹

Even certain exports to the United Kingdom suffered a set back in that the dislocations of the United Kingdom's economy weakened its purchasing power and so lessened Jamaica's export to this market. Sugar, Jamaica's most important export crop declined by over twenty thousand tons between 1946 and 1947; Pimento export declined by over two million lbs. between 1945 and 1947. The lack of shipping services in this period also

⁸Hand Book of Jamaica

⁹Central Bureau of Statistics, "External Trade of Jamaica, 1950," (The Government Printer, Kingston) Table IX, p.15.

helped to aggravate the unfavourable export situation. However, in many cases, there were significant reductions in volume of exports but not in export price. In fact, most of the staple export crops were exported at higher prices as the statistics in Table XIV p.40 illustrate; thus while these post-war adjustments affected the balance of trade situation very adversely, they were less reflected in Jamaican terms of trade.

These were the major factors which contributed to the deteriorated terms of trade of Jamaica during the first three years of the post-war period. On the other hand, there were powerful offsetting factors which explained why the terms of trade did not decline more rapidly or to a greater degree. As a direct result of the war, Jamaican imports were severely restricted. The scarcity of dollars in the Sterling area countries necessitated an austerity programme for imports, and although the country's export trade was also restricted, due primarily to lack of shipping facilities, import trade restrictions were more severe; only essential goods, both for consumption and production, were allowed to be imported from dollar areas and the shipping problem automatically restricted imports from sterling areas. Moreover, the United Kingdom, Jamaica's largest import source, was unable to fill this import gap, since it was a period when her dislocated economy was undergoing post-war readjustments. The result was that there was some check to Jamaica's

importation of certain commodities which were then traded at increased world prices.

But while Jamaican imports contracted, of necessity, Jamaican domestic production advanced considerably to fill the gap created by these restrictions. Both industrial and agricultural developments made rapid strides. Examples of new commodities from domestic manufacturing industries were boots and shoes, glazed clay, tiles, paints, canned products (eg. Tomatoes, Citrus products) and alabaster crafts. There were also industries based upon Agricultural products such as sugar by-products, grass-drying, basketry and prepared animal feeds. It can hardly be said that the new industrial developments had a positive effect on export trade during this period; however they made indirect contributions to an improvement in Jamaica's balance of trade and terms of trade, in that, these new home-produced commodities were substituted for many goods previously imported and so reduced the necessity for Jamaica's importation of many high priced foreign goods.¹⁰

Probably, the most powerful factor which contributed favourably to Jamaican terms of trade during the immediate post-war period was the general increase of world prices and, particularly, prices of agricultural products.

¹⁰
"High priced" in a relative sense. Post-war world prices were on the whole higher than pre-war prices.

With the post-war increase in demand for consumption goods, prices on the whole increased substantially. Agricultural products being primarily consumption goods, in addition to the fact that the economy of many countries had been dislocated by the war and so became largely dependent on importing agricultural products, world prices, particularly, for these products, rose considerably. In such a world situation, Jamaican export trade, which is almost one-hundred per cent agricultural products, had much to gain. Many of her major export crops were sold at substantially higher prices though in some cases at reduced volumes for reasons, among others, which were mentioned earlier in this chapter. At the same time a few exports like Bananas, Citrus and Rum, increased substantially, not only in volume, but also in prices, as Table XV below illustrates.

T A B L E X V
EXAMPLES OF PRICE INCREASES OF JAMAICAN EXPORTS
1938 and 1946-48

Commodity	Unit	QUANTITY IN MILLIONS				VALUE IN £, '000			
		1938	1946	1947	1948	1938	1946	1947	1948
Bananas	Stems	23.80	5.81	5.52	6.09	2916.9	1630.7	2049.2	2321.1
Rum	gals.	.99	1.99	2.31	1.87	247.9	1973.9	2570.3	2043.7
Grapefruit	No.	13.8	3.05	6.64	11.50	38.4	23.2	62.4	109.9
Cocoa	lb	5.28	3.19	3.58	4.22	47.0	69.9	1431	351.3

Source: *ibid*, TABLE IX, pp.14-15

Another significant factor which affected Jamaican terms of trade favourably, during these years, was a new government outlook and policy towards the marketing of Jamaican export crops. The war time dislocations of markets created, inter alia, the necessity for Jamaican export crops to be brought under the control of a central organisation.¹¹ The Marketing Department was reorganised with extended scope for marketing of export crops and its achievements made significant contributions to Jamaica's export trade between 1945 and 1948. In 1945, regular shipments of Bananas to the United Kingdom was resumed and in 1947 an Agreement¹² was signed with the Ministry of Food in the United Kingdom for the purchase of Jamaica's full supply of Bananas. Nor must the part played by the Jamaica Banana Producer's Association, and the cooperative assistance got from the British Government, be overlooked. The island's banana exports, under the buffeting of war and plant diseases, had reached an alarmingly low ebb during the last years of World War II. It was largely through the persistent appeals from the Association, that the Agreement of 1947 was secured, which resulted in immediate and substantial increases in volume and price of banana exports.

¹¹The Department of Commerce and Industries, otherwise called "The Marketing Department".

¹²This Agreement terminated in March 1953.

The marketing of Citrus was another example. In 1946 an agreement, made with the United Kingdom, provided for the purchase of substantial quantities of citrus from Jamaica. In addition, the Commissioner of Commerce and Industries negotiated, in that same year, a contract with the Internal Marketing Organisation of New Zealand¹³, which was similar to the Agreement with the United Kingdom. In both cases provisions were made for annual negotiations regarding prices.

Further, there was the International Emergency Food Council of 1947 which became responsible for marketing Jamaica's export of cocoa, all of which was sold to Canada at a higher price in 1947, and yet higher in 1948.

In all three examples given, not only did the marketing contracts secure increases in the respective quantities of exports, but also quite substantial increases in prices. These contracts were largely responsible for the volume and price increases in the exports of bananas, cocoa and citrus as shown in Table XIV, p. 40

¹³ This contract terminated in 1950.

It has been shown in this chapter that there were certain major factors, such as an increase of disposable income and a high marginal propensity to import, the dollar scarcity phenomenon, the nature and composition of Jamaican export trade and the dislocations in Jamaica's export markets, which contributed towards an unfavourable trend of Jamaican terms of trade during the immediate post-war period of 1945 to 1948. On the other hand, there were powerful offsetting factors, such as severe restrictions on imports, industrial and agricultural developments, prompt and effective marketing schemes and rise in world prices, particularly prices of agricultural goods.

The net effect was a moderate decline in Jamaican terms of trade for the first two years, but by 1948, the adjustments and re-adjustments had almost ironed themselves out and had brought about, not only a check in the unfavourable trend, but a favourable turn in the trend of Jamaica's terms of trade. Import prices were already levelling off, in some cases even decreasing, or at the worst, increasing at a diminishing rate; for example, in 1948, the prices of wheaten flour, and certain kinds of fish,¹⁴ among other commodities, showed slight percentage falls from their respective

¹⁴ Staple import commodities.

prices in 1947.

The unit index value of imports, which gives a clear over-all picture of import prices, showed a rise by only one unit in 1948, compared with sixteen units in 1946 and thirteen units in 1947.¹⁵

On the other side, export prices were yet rising, and in many cases, still substantially. The export value index showed a rise through nine points in 1948 compared with thirteen points in 1946 and nine points in 1947. It is apparent, therefore, that by 1948, the period of adjustment having been almost spent, the stage was then set for some improvement in Jamaican terms of trade and the rise of the terms of trade from 92 to 100¹⁶ in 1948, was an indication that the influence of the unfavourable factors were being outweighed by the influence of the favourable factors by the end of that year.

¹⁵ See Table XII p.35

CHAPTER IV

THE 'CRITICAL' PERIOD 1949 -51

The term 'critical', is ascribed to this period primarily for the reason that the most significant single factors, which contributed to a deterioration of Jamaican post-war terms of trade, occurred during this period. These were:

1. Devaluation of the £ sterling in 1949
2. The Hurricane in 1951.

The main object of this chapter is to indicate in what ways each of these factors affected and helped to worsen Jamaican terms of Trade.

The 1949 Devaluation By the Autumn of 1949, the dollar scarcity phenomenon had become so acute that the £ sterling was depreciated, in terms of United States dollar, by over thirty per-¹cent. Before any attempt is made to analyse the particular effects of this event on Jamaican terms of trade, a theoretical model will be outlined, briefly, to show how the depreciation of any country's currency is likely to affect its terms of trade, after which the Jamaican situation will be analysed within the framework of this model.

¹
Prior to September 1949 the £ valued approximately \$4.00; After devaluation, the £ = \$2.8 approximately.

The immediate and short run effect of a devalued currency is an increase in import prices of the country, say Country A, whose currency has been devalued; a unit of its currency now exchanges for less foreign currency and consequently for less imports. Other things remaining unchanged, however, export prices are unaffected for the moment, since Country A is paid for its exports in its own currency. On the other hand, Country A's exports become cheaper to countries whose currencies have appreciated as a result of the devaluation. This may cause an increase in demand by such countries for the exports of Country A, which have been made cheaper by a depreciation of its currency. If this is so, the logical effect of an increase in demand will be an increase in the prices of Country A's export commodities. At the same time, Country A's demand for imports, from countries whose currencies have appreciated, should fall as a consequence of higher prices, and this in turn should lead to a fall in import prices to Country A. The long run tendency therefore, in this particular case, is for exports of Country A to expand and imports to contract until a new equilibrium is established. But the expansion of Country A's exports may cause either a fall in its exports price, in which case Country A's terms of trade may deteriorate further, or a rise in its export price, which will partly offset the deterioration of its terms of trade, previously caused from a rise in import prices. With these several and possible alternatives, the long run effect of a devaluation on Country A

becomes indefinite and therefore unprofitable.

Moreover, if the intensity and elasticity of demand for Country A's exports are very low, its exports will hardly be affected both in volume and price, and from the export aspect, the terms of trade will hardly be affected. Similarly, the intensity and elasticity of A's demand for imports from countries whose currencies have appreciated will determine whether imports of Country A will contract and so possibly lead to a fall in import prices for Country A in the long run.²

Within the framework of this model, the Jamaican situation may now be examined. We will consider, first, the effect on import prices for Jamaica. Undoubtedly, there was the immediate short run effect of the 1949 devaluation of the £ sterling in causing a rise in Jamaican import prices; this is clearly illustrated in Table XI p. 24. Between 1949 and 1950 the import value index rose through eight points and in the following year, through twenty points.³ For this reason, per se, Jamaican terms of Trade deteriorated.

One logical and natural effect to have expected was a fall in Jamaica's demand for imports from dollar areas, in particular, the United States and Canada, and in turn, a fall in import prices of goods from these countries; but it was hardly so, in the case

² Yet, in such a case, Country A's terms of trade will have deteriorated for the reason of Exchange Rate.

³ The rise for 1951 also partly reflected the impact of another event which is discussed later in this chapter.

of Jamaica, for different reasons. First, Jamaica's demand for imports from dollar areas in 1949 was very inelastic. Imports included many of Jamaica's essential foodstuffs, such as flour, rice, fish (dried and salted) cereals, animal feeds, paper and others. As a consequence of the post-war dollar scarcity problem, import restrictions, both foreign exchange and quantitative restrictions,⁴ had already limited imports from dollar areas only to goods which were considered very essential and could not be had from 'soft-currency' markets. When devaluation of £ sterling became effective in 1949, therefore, Jamaica had an almost in - elastic demand for dollar area imports and although the direction of Jamaican import trade was somewhat shifted to a greater percentage from the United Kingdom and soft-currency areas and less from the United States and Canada, the changes were in no way drastic, as Table XVII shows.

⁴Jamaica's exchange restrictions fall within the framework of the United Kingdom policy of Exchange controls. Importation by Jamaica in the post-war period was done under a dual system of general licenses issued for imports from "Sterling area" countries and Special Licenses for imports from "Dollar area" countries. Dollar expenditure must be submitted annually for approval by the Secretary of States for the Colonies.

From about 1948, the dollar problem was becoming so acute that the United Kingdom began to tighten on import restrictions even harder.

T A B L E **XVI**
EXAMPLES OF JAMAICAN IMPORT PRICES, 1948-50

Commodity	Unit	Quantity in million			Value in thousand £		
		1948	1949	1950	1948	1949	1950
Salted Fish	lb	13.3	11.6	10.3	515.6	591.4	541.6
Tea	lb	.18	.12	.18	38.0	35.5	43.9
Wheaten flour	196 lb bag	.51	.57	.61	1,491.7	1,690.8	1,769.4
Fertilizers	tons	.17	.13	.13	317.3	287.9	307.1
Lumber	ft.	7.48	8.46	6.82	210.1	263.7	300.4

Source: Central Bureau of Statistics, "External Trade of Jamaica 1950"
(Government Printer, Kingston) TABLE VI, pp.8-9

T A B L E X V I I
P E R C E N T A G E V A L U E O F I M P O R T S , 1 9 4 8 - 5 0

Country	P E R C E N T A G E		
	1948	1949	1950
United Kingdom	39.43	45.09	42.90
Canada	20.89	15.72	12.03
United States	19.44	16.51	14.27

Source: Hand Book of Jamaica (Reproduced from
Table X , p. 17).

Much of the reduction in the value and volume of Jamaican imports from the United States and Canada was affected by tighter exchange and quantitative restrictions by the United Kingdom for the expenditure of dollars by Jamaica, but this did not help to cause any reduction in import prices.

In the second place, reduction of Jamaican imports from large countries like the United States and Canada have virtually no effect on world prices in view of the comparatively small magnitude of Jamaica's import demand from these countries; import prices of goods from such large countries like the United States are determined for, and not by Jamaican demand and the only reduction of import prices from dollar currency areas to Jamaica were such as might have been caused by a decrease in demand from the sterling bloc countries, as a whole; even this was not very great since most of the sterling area countries had already restricted imports from dollar areas to mere essentials before devaluation became effective in the Autumn of 1949.

The conclusion, therefore, is that, as a consequence of the devaluation, Jamaican import prices rose considerably and consequently the terms of trade deteriorated, other things being unconsidered.

So far, the import aspect has been dealt with. Our next

step is to consider the effect of the 1949 devaluation on Jamaican export prices. Returning to our model, the natural long-term effect is likely to be an expansion of exports in Country A, and particularly so, if the intensity and elasticity of demand for its exports are high. In the case of Jamaica, the expansion effect to dollar area markets was almost negligible, which again may be explained primarily by the fact of the size of Jamaica and also the nature of her export trade. Jamaica being a small country, the range of her export trade is fairly limited and her exports, particularly to the United States and Canada, her two chief dollar sources, are very small. In 1948, out of a total export trade valued at £11.42 millions, the value of exports to the United States was £0.36 million--an approximate 3.5 per cent and to Canada⁵ £1.9 million, approximately 17 per cent. The fact of a small export trade, per se, does not necessarily mean that exports could not have expanded, but in addition, the exports of Jamaica, in 1949, were almost a hundred per cent agricultural products for which the export demand elasticity is relatively low; the elasticity and intensity of the United States³ demand for the few products such as coffee, pimento and rum, which she then bought from Jamaica, were also very low; sugar and bananas

⁵The Canadian dollar, then, was below parity in relation to the U.S. dollar (One Canadian dollar = 90c in U.S. currency)

Jamaica's leading export crops were not marketed in the United States, to which country Jamaica's exports were made cheaper by the devaluation.

For these, and other reasons, there was hardly that expansion effect on Jamaican exports to the United States, which might have been expected as a result of an increase in demand by the United States for Jamaican products. This can be seen from the figures of Table XVIII below. In fact, in some cases, Jamaican exports to the United States even declined in volume in 1949 and 1950.⁶

T A B L E XVIII
SOME OF JAMAICA'S EXPORTS TO THE UNITED STATES
1948 - 50

Commodity	QUANTITY AND VALUE			
	Unit	1948	1949	1950
Coffee	lb	1,482	900	-
	B	46	66	
Pimento	lb	1,534,383	1,394,794	1,074,020
	B	72,031	72,466	72,916
Ginger	lb	1,454,058	1,128,780	1,246,739
	B	57,850	68,751	165,712

Source: Central Bureau of Statistics, "External Trade of Jamaica 1950", p.15

⁶ One possible reason was the high tariff policy of the United States mentioned in Chap.III, p. 41 Another reason was a shift in the direction of Jamaica trade.

Some of these very conditions described, in relation to the United States, were applicable to Canada,⁷ though with some exceptions. Canada bought a substantial amount of Jamaican sugar and, on the whole, Jamaican exports to Canada did increase more significantly than in the case of the United States of America.

T A B L E XIX
EXAMPLES OF JAMAICAN EXPORTS TO CANADA
1948 - 50

Commodity	Unit	1948	1949	1950
Sugar	tons	54,814	115,166	122,172
	⁷	1,301,840	2,722,379	3,296,400
Rum	gals.	110,850	168,598	134,466
	^h	142,241	120,890	124,707
Cocoa (raw)	lbs.	4,220,776	4,113,925	1,382,120
	^h	351,350	203,569	108,974
Pimento	lbs.	135,177	321,288	143,600
	^h	6,313	16,453	15,231

Source: *ibid*, p.15

⁷See Table XIX

One common and significant fact revealed in Tables XVIII and XIX was that of a rise in prices of certain Jamaican exports to the United States and Canada around the years 1948-50. This should not be attributed only to the Devaluation but also to the secular rising trend in world prices which had started before devaluation, and continued after devaluation.

There was yet one aspect of the devaluation effect, in the case of Jamaican trade, which was given no place in our model. It was assumed in the model that trading was done only between two countries or two trading units, that is, between Country A and the rest of the world regarded as a single sphere. Under such conditions, there could be no distortion in the direction of trade.

If, however, the more realistic assumption of multilateral trade and a possible redirection of trade is taken, then a devaluation would tend to redirect the trade, and particularly the import trade of Country A away from countries whose currencies⁸ have been appreciated.

As a result of the 1949 devaluation, world trade was to some extent redirected. Trading within the 'Sterling Bloc' and other

⁸Since prices are higher in such markets.

soft-currency countries increased. Naturally, there was some change in the direction of Jamaican trade; import trade was increased with the United Kingdom, other Caribbean countries like Trinidad, the Bahamas and distant countries like Holland, while export trade was increased to Canada, the British West Indies, Holland and other such countries.

T A B L E X X
EXPORT TRADE WITH CERTAIN COUNTRIES
1948 - 50

Country	PERCENTAGE		VALUES
	1948	1949	1950
United Kingdom	74.7	62.5	58.1
Canada	17.06	26.49	26.62
United States	3.23	3.51	4.64
Holland	.32	.38	1.27
Germany	.15	1.03	1.99

Source: *ibid*, Table IX p. 15

With the general increase in demand for the products of these soft-currency countries, among which Jamaica was included, there was the advantage of higher export prices to be gained by Jamaica. However, there was, in fact, not much of this gain⁹ since there was no export product, which the island supplied in large quantities, relative to world supply, to have determined world price, but for bananas, the price of which was on the rise about this time, and a rise which could not be directly attributed to the devaluation. On the whole, both volume and value of Jamaican export trade did show a rise. Between 1949 and 1950 the export quantum index and the export price index rose through nine points each. It may be somewhat farfetched, however, to attribute all to the direct effect of the depreciation of the £ sterling in view of the size of Jamaica and the characteristic nature of its export trade. A partial explanation of this rise could be the rising trend that was mentioned in Chapter III, a trend which began around 1948, when the export value index also had a rise through nine points.

⁹The gain from a general increase in export prices from this aspect, must be weighed against the loss from an increase in import prices. There is a true gain only when export price increases more than import prices.

In examining the Jamaican situation within the framework of our model, it would be pointless to enquire into the next stage to an expansion of exports, that is, whether such an expansion causes a rise or a fall in export price, since it has been shown that there was no considerable expansion of Jamaican exports as a direct result of the devaluation; moreover any expansion, as there might have been, had an almost neutral effect on her export prices, in view of the fact that Jamaica's relatively small exports could not have had any significant effect on world prices.

It has been shown that, whereas Jamaican import prices rose quite considerably as a direct result of the 1949 devaluation, export prices rose less significantly and not wholly as a direct result of devaluation. The logical conclusion, therefore, of the effects of the devaluation on Jamaican terms of trade is that there was a deterioration in the country's terms of trade, a fact which is reflected in the indexes of Table XI, p. 24 where the terms of trade show a decline through five points in 1949 and another five points between 1949 and 1951.

It is difficult however to evaluate the full impact of this event on Jamaican terms of trade, for the reason that the effects became overshadowed by another event which also affected, considerably, the terms of trade.

The Hurricane In 1951, occurred a devastating hurricane in Jamaica, which caused a loss of over twenty million pounds. This very transient event of approximately twenty-four hours probably affected Jamaica's trade more considerably than the six years of World War II. Such a fact is understandable in the light of the nature of Jamaican export trade which consists primarily of Agricultural products and which depends primarily on only two major crops sugar and Bananas.¹⁰ Sugar and Bananas, the two leading exports suffered most severely while other export crops such as pimento, cocoa and coffee bore heavy losses. As shown in Table XX, there were steep declines in the island's major export crops, which resulted directly from the hurricane.

T A B L E X X I
EXPORTS OF MAJOR CROPS 1950 -52

	1950	1951	1952
Bananas	5,773(stems)	3,702 (stems)	4,554 (stems)
Sugar	221,582(tons)	213,928 (tons)	198,372 (tons)
Citrus	406,228(boxes)	55,462 (boxes)	47,658 (boxes)
Cocoa	1,084(tons)	1,181 (tons)	211 (tons)
Coffee	1,667(tons)	1,316 (tons)	1,337 (tons)

Source: Ministry of Trade & Industry "A Review of the
Developments in Trade & Industry in Jamaica," (1944-52)
(Government Printer, Kingston) pp.12-20

¹⁰Bananas are highly susceptible to a complete loss by Hurricanes.

Yet the effect of a partial extinction of the country's export trade did not directly account for a deterioration in its terms of trade; rather the very adverse effects were more directly reflected in the Balance of Trade situation. Total import value rose from £22.3 millions in 1950 to £30.7 millions in 1951, and to £36.1 millions in 1952, compared with total export values of \$15.1 millions in 1950, £16.5 millions in 1951 and £17.2 millions in 1952. There was some effect however on the terms of trade from the aspect of export trade. Around this time, world prices were rising as a result of world tension and the Korean War.¹¹ Jamaican agricultural products were being sold at higher prices and so might have contributed to more favourable terms of trade; the partial extinction of certain export crops, therefore, meant less favourable terms than it might have been otherwise. The facts that total export value rose slightly and the export value index had an annual rise through thirteen points in the face

¹¹ With the economy of most big countries again being geared to defence production, (in many cases between 40 to 45% of National income has been spent on defence since 1950) consumption goods again became more scarce and therefore commanded higher prices in the international market.

of a decline in the volume¹² of exports can be explained only in the price increases of exports around this time.

The greater effect of the hurricane impact on Jamaican terms of trade, however, came through imports rather than exports. From sheer necessity, there were steep rises in imports and particularly in the importation of foodstuff and building materials as the data of Table XXII illustrate. Much of these imports came from dollar area countries where import prices to Jamaica were very high for at least two reasons -- first, because of increases in world prices¹³ and secondly because of the recent currency devaluation mentioned earlier in this chapter. These were among the powerful factors which contributed to the twenty-point rise of the import value index in 1951--the greatest annual rise in average import price over the whole post-war period.

It has been shown above that the effects of the hurricane on Jamaica's export trade was not only the direct and partial extinction of many export crops, which had very adverse effects on the balance of trade situation, but also an elimination of the price

¹²See Table XXI, p. 64

¹³Korean War situation.

TABLE **XXII**

IMPORTS OF CERTAIN FOODSTUFFS AND BUILDING MATERIALS

1950-52

Commodity	Unit	Q U A N T I T Y			V A L U E I N £		
		1950	1951	1952	1950	1951	1952
Fish-canned	lb	1,775,778	2,525,708	2,248,004	137,260	216,151	244,590
Fish-dried & salted	lb	10,306,519	12,229,027	11,364,596	541,612	627,338	683,156
Rice	lb	20,509,447	44,050,780	30,033,318	496,842	1,188,382	1,021,906
Flour	bag-196 lb	602,693	720,967	764,563	1,769,489	2,417,222	2,533,942
Lumber	ft.	6,819,788	11,664,585	13,829,626	300,438	540,274	665,720
Cement	ton	55,922	80,503	4,998	373,652	758,017	60,744

Source: Central Bureau of Statistics, "External Trade of Jamaica, 1952"
(Government Printer, Kingston) TABLE V, p.8

advantages that might have been gained from the then increasing world prices. On the other side, it caused considerable increases in imports, most of which had to be bought at high prices. The net effect, therefore, was a deterioration of the terms on which Jamaica had to trade.

In conclusion, between 1949 and 1951, the cumulative effect of a devaluation of Jamaica's currency by over thirty per cent and a hurricane damage of over twenty million pounds, each of which has been shown to affect Jamaica's terms of trade unfavourably, was a deterioration of Jamaican terms of trade to its worst, in 1951, for the whole post-war period.

C H A P T E R V
THE PERIOD OF RECOVERY AND IMPROVEMENT

1952 -

Introduction It is probably premature to analyse this period, with any great degree of certainty, merely on the trade statistics of two years -- 1952 and 1953; however the monthly trade figures for 1954¹ would seem to suggest neither a reversal nor significant deviation from the improving trend of Jamaican trade, which began in 1952 and continued through 1953. One very significant fact was that within one year of a £20 million loss, which followed closely upon a currency devaluation, of over 30 per cent, there was a definite recovery of Jamaican terms of trade from a deteriorating trend.² Some of the important factors which determined this speedy recovery and improvement were:

1. the prompt measures of assistance and rehabilitation both local and foreign, after the hurricane.
2. marked changes in the composition of Jamaican trade, as a result of rapid developments in Industry and Agriculture.
3. the increase in world prices of agricultural products around this period.
4. a reorientation of Government policy towards orderly marketing of Jamaican export crops and protection of Jamaican trade.

¹See Table XXVI, p.90

²See Table XI, p.24

Rehabilitation and Assistance In early September 1951,³ a Hurricane Recovery Programme was locally inaugurated, with the primary purpose of providing food and shelter for hurricane victims and resettling areas which were severely destroyed. In addition, the United Kingdom Government announced, within one month after the disaster, the provision of financial assistance to the Government of Jamaica to the amount of £4,600,000 towards the cost of repairs, rehousing and restoration of Agricultural production.⁴ There were also less outstanding contributions such as gifts from foreign countries, in the forms of foodstuff and clothing. Later, in November of the same year, the United Kingdom Government again made available a sum identical to the first, and under the same conditions, towards the cost of reconstruction in Jamaica.

The immediate effects of these and other similar measures of assistance on the country's terms of trade were probably not very positive. Rather, the essential contribution was in the fact that the necessity for importation of foodstuff was greatly reduced; commodities such as flour, rice, fish, fruits were received partly as gifts while farmers were given financial aid in the cultivation of 'garden crops,' such as vegetables.

³ The Hurricane occurred August 27-28.

⁴ £3,100,000 was a grant and; £1,500,000 was interest free loan.

Rehabilitation loans were made to most of the export industries, which had suffered severely, the most outstanding loan being the Government Rehabilitation Loans to the Banana industry, totalling over £666,000. Other export crops, such as cocoa, citrus and coffee were also given assistance under Government rehabilitation loans. By 1953, Jamaica's major export crops were again placed on foreign markets, in some cases even in greater volumes as the data of Table XXIV, p. 75 illustrate, and though this fact, per se, did not necessarily mean increased prices for export crops, prices were, in fact, rising for other reasons which will be mentioned later in this chapter. Consequently, the prompt measures of assistance and rehabilitation did contribute indirectly to the rise shown in the export value index between 1952 and 1953 and, thus, indirectly to the improvement in the terms of trade. There was also the indirect contribution by a retardation of the rate of increase in the import price index, since the free gifts of goods like flour, rice and fish received by Jamaica in late 1951 to early 1952, also the cultivation of 'short period' crops, reduced significantly the necessity for importing some of these goods at high prices from dollar areas.

The sum effect, therefore, was a contribution, though probably relatively small, to a favourable turn in Jamaican terms of trade in 1952.

Increases in World Prices The data of Table XI, p. 24 show that the improved terms of trade in 1952 and 1953 largely resulted from a rise in the export value index, particularly in 1952, in which there was a rise through 17 points, the highest annual rise for the whole post-war period. Total export value, in 1953, showed an increase of 40 per cent over the value for 1952.⁵ The fundamental reason for this improvement was the increase in prices of many Jamaican staple export products, which was largely due to increases in world prices as a result of the Korean War. Jamaica's three chief export markets were in countries whose economies were again becoming highly geared for war; resources were being diverted from the production of consumers goods to defence production; consequently, consumption goods became relatively scarce. Moreover, the need to feed armed forces aggravated the situation. In view of these facts, the demand for consumption goods, including Jamaican agricultural crops, increased while the supply became more scarce; the logical effect was an increase in world prices of such commodities.

Most of Jamaica's major export products such as Bananas, sugar and Coffee were traded at substantially higher prices. In 1953, the price of sugar, per ton, was increased by over 30 per cent above the price in 1951, while there was an increase of approximately 8 per cent in the price of Bananas between 1952 and 1953.⁶

⁵ See Table X, p. 17

⁶ See Table XXIII, p. 73

Another outstanding example of a rise in the price of Jamaican export commodities was coffee. Between 1951 and 1953, coffee price rose by over 140 per cent; there were also increases in prices of other export commodities like pimento and citrus. Table XXIII gives examples of price increases of three of Jamaica's major export crops during the period 1951-53. Other examples are given in Table XXIV, p.75

T A B L E XXIII
EXAMPLES OF RISE IN STAPLE EXPORT PRICES
1951-53

Commodity	1951	1952	1953
Sugar (per ton)	£32-10-0	£38-10-0	£42-6-8
Bananas (per count bunch)	£0-6-0	£ 0-7-2	£0-8-6
Coffee (per ton)	£162-0-0 ^a	£292-0-0 ^a	£400-0-0 ^a

Source: Barclay's Bank Over Seas Survey 1951, 1952, 1953.

[Compiled.]

^aAverage price

One significant offsetting factor, during this period, was the decline in tobacco export value, which was due primarily to the re-opening of the United Kingdom market in 1951 to Cuban cigars, in addition to the fact that in 1948 a fifty per cent duty was imposed by the United Kingdom on Jamaican tobacco entering its market.⁷ In 1951, tobacco export from Jamaica valued £630,000; in the following year total value declined to £500,000 and for the first nine months of 1953 the value of tobacco exported was merely £306,000.⁸ The price of tobacco fell by 15 per cent, approximately, between 1951 and 1953. Ginger, was another export product whose export price fell in 1952 and yet further in 1953.

Coinciding with higher prices in 1952-53, were considerable increases in the volume of most export crops, which could not be attributed only to price attractions and agricultural developments. Favourable weather conditions in the years 1952 and 1953 contributed significantly to increases in the volume of crops like Bananas and Sugar cane. These increases in volume, however, contributed more directly to a favourable balance of trade than to the country's terms of trade.

⁷ The United Kingdom is Jamaica's chief tobacco export market.

⁸ Barclay's Bank, Overseas Survey 1951, 1952, 1953.

T A B L E XXIV
STAPLE EXPORTS - VOLUME AND VALUE
1951-53

Commodity	Unit	QUANTITY AND VALUE		
		1951	1952	1953
Bananas	Stem	3,701,721	4,553,899	10,216,002
	h	1,267,381	1,887,107	4,582,635
Sugar	tons	212,677	199,377	277,053
	h	6,345,906	7,029,893	10,066,257
Grapefruit	box	91,808	71,387	380,503
	h	95,180	83,934	-
Tobacco	lb.	232,898	272,617	551,988
	h	630,572	511,625	473,255
Bauxite	ton	Nil	399,000	1,251,810
	h		500,000	1,300,000
Coffee	lb	2,505,027	2,493,448	3,438,430
	h	359,330	356,189	609,940
Cocoa	lb	4,025,999	4,124,208	5,032,115
	h	513,273	649,108	619,983
Rum	gal	1,892,919	1,287,150	947,250
	h	1,224,323	759,128	916,836
Coconuts	-	-	-	-
Pimento	lb	7,191,767	4,490,807	6,903,103
	h	587,722	417,768	699,213
Ginger	lb	2,989,418	3,044,611	4,480,808
	h	497,965	262,444	202,145
Molasses	tons	22,775	25,958	76,137
	h	229,301	206,577	314,688

Sources: Central Bureau of Statistics, "External Trade of Jamaica 1952,"

1. (Government Printer, Kingston) Table VII, p.11

2. Department of Agriculture "Annual Report for year ended December 1953," pp.3-5.

Changes in the Composition of Jamaican Trade Since 1952,

there have been significant changes in Jamaican trade, both import trade and export trade, which have played some part in the improvement of the terms of trade. There has been a complete or almost complete cessation in the importation of goods such as cement, condensed milk, rice, certain types of cotton goods, paper, cardboard, motor car batteries and others. In 1951, one of Jamaica's leading imports was cement; approximately 80,000 tons were imported at a cost of £758,000.⁹ By 1953, Jamaica's own cement industry was able to supply the full domestic requirement. Condensed milk also ceased to be imported. Rice import dropped considerably in 1952, also in 1953 and though some rice is still imported, the price has been reduced. Much of Jamaica's rice imports during the post-war period came from Caribbean markets.¹⁰ With the recent trend of development in rice production in Jamaica and many other Caribbean countries, the export demand for rice in these countries has been decreased and consequently the import price has fallen.

In the case of cotton goods, not only has there been a reduction but, with the return to Japanese market for imported manufactured

⁹"External Trade of Jamaica, 1952". Bulletin of Statistics
(Central Bureau of Statistics, Jamaica) TABLE V, p.8

¹⁰Primarily British Guiana

cotton goods, the price of imported cotton goods has also fallen.

A reduction of imports does not necessarily mean a fall in prices but as it is shown in the examples cited, among others, the reduction of these imports have also been accompanied by fall in prices and in certain cases these prices, some of which were paid in dollars and were therefore higher than they would otherwise have been, were eliminated from the computation of Jamaica's import price index, since such goods were no longer imported. This undoubtedly contributed to the relatively slow rise of the import value index in 1952 and the actual decline in 1953.¹¹

Moreover, there has been some change in the direction of trade, particularly since 1953. Jamaica's import trade has shifted slightly from dollar currency areas to countries like Japan, Australia, Holland, the United Kingdom and, most of all, to British Caribbean markets. Compared with a nine per cent import trade with British Caribbean markets in 1951, Jamaica's import from these markets, together, was about fifteen per cent of the total value of import trade in 1953. These changes in the direction of trade, naturally resulted in lower prices of imports for the reason of more favourable exchange rates with these soft-currency areas. Goods, such as mechanical appliances, electrical equipments, cameras, cornmeal, building materials and others, most of which were purchased from dollar-currency markets, are now either largely produced at home or bought in soft-currency markets.

¹¹ See Table XI, p.24

T A B L E XXV
EXAMPLES OF REDUCTIONS IN IMPORTS 1951 - 53

Commodity	Unit	Q U A N T I T Y A N D V A L U E		
		1951	1952	1953
Cement	ton	80,503	4,998	Nil ^a
	£	758,017	60,744	
Coal	ton	24,237	9,657	6,580
	£	150,938	63,758	36,021
Milk				
Condensed	lb	2,303,792	2,371,888	444,570
& evaporated	£	125,083	143,344	15,380
Rice	lb	44,050,780	30,033,318	24,597,727
	£	1,188,382	(b)	989,560
Cotton goods	yds.	13,288,213	1,234,226	(b)
	£	1,139,296	296,490	

Sources: 1. "External Trade of Jamaica 1952," Table V, p.8

2. Department of Agriculture, "Annual Report 1953" p.6

^a15,000 tons exported

b Unavailable

In the export trade, there have been significant changes also. Mineral deposits, particularly Bauxite, were exported for the first time in 1952, when approximately 400,000 tons of Bauxite at a value of £500,000 were exported from Jamaica¹² and for the period January to September 1953, production had exceeded the million-ton mark¹³, all of which was exported and also at a higher price, since the ore exported in 1953 was further processed in Jamaica.¹⁴ Some other new products exported since 1951, were gypsum, cement, molasses, canned products, shoes and small quantities of Jamaican handicrafts.

Beside the immense contribution of these additional exports to the country's balance of trade situation, there was also a contribution towards a favourable trend in the terms of trade, in that, previously, Jamaica exported only agricultural products, the prices of which are relatively low, and imported manufactured goods, the prices of which are relatively high. Since 1952 these new export commodities were either manufactured goods or minerals

¹² Central Bureau of Statistics, "External Trade of Jamaica, 1952." Bulletin of Statistics, (Government Printer, Kingston) Table X, p. 16.

¹³ Barclay's Bank, "Overseas Survey 1953" (Lombard Street, London) p. 137

¹⁴ The ore was partly dehydrated in Jamaica.

and therefore Jamaica has been able to gain some of the advantages of selling more and buying less of the relatively higher priced manufactured goods.

Changes in the composition of trade have been cited as a factor which contributed to Jamaica's improved terms of trade in 1952-53; but we may even go one step back to the factor or factors of causation which have made such changes. The chief factor here was a reorientation¹⁵ of government outlook toward economic development in late 1951 to early 1952, when a gigantic scheme of economic development was instituted under a twofold programme of agricultural and industrial development, each being entrusted to a Development Corporation¹⁶

At this point a short diversion from the main discussion will be made, to describe, briefly, each of these two programmes which have been the fundamental factors, not only in improving Jamaican trade since 1952, but also in the improvement of Jamaican economy, as a whole.

Agricultural Development An Agricultural Development Corporation (A.D.C.) was set up in 1952, to which was entrusted the task of development and expansion of the country's agricultural possibilities in

¹⁵ Probably, this was precipitated by the hurricane disaster. (August, 1951.)

¹⁶ The Agricultural Development Corporation and the Industrial Development Corporation.

in addition to assisting in rehabilitation of the hurricane-devastated areas. The most significant example of the A.D.C.'s contribution towards a change in the composition of Jamaican trade was the expansion of domestic rice industry in 1952 and 1953, which has been the corporation's main activity since its inception. In the former year, rice production increased from 4,000 to 7,000 acres and in the latter to 14,000 acres¹⁷, all through the direct instrumentality of the A.D.C. Another example of expansion through the direct instrumentality of the A.D.C. was the Pineapple cultivation to meet the needs of the new factory established in 1953 for the canning of pineapples. The A.D.C. was also empowered to make loans at such rate of interest as they may deem fit for agricultural projects by private individuals, which also has been an indirect contribution to Jamaican trade.

Industrial development To run concurrently with the A.D.C, was established an Industrial Development Corporation (I.D.C.) in 1952, with wide powers to "stimulate, facilitate and undertake the development of industry in Jamaica."

¹⁷Barclay's Bank . "Overseas Survey 1953" (Lombard Street, London) p.138.

[The Corporation estimates that at least 25,000 acres of rice are required to meet Jamaica's domestic demand.]

The Corporation was instituted primarily to provide some capital, required for industrial expansion and to endeavour, by means of financial assistance and all forms of promotional work, to give to industry a momentum which, it is hoped, will develop the industrial potentialities of the island to its fullest.

A Five Year Development Plan has also been incorporated into this scheme and provides an allocation of £50,000, per year, for the primary purpose of research.

Great success in industrialisation has been achieved since the institution of the I.D.C. and it is assessed that already, approximately 15 per cent of Jamaica's internal income now results from manufacturing industry¹⁸. Some new or resuscitated industries which have resulted directly from this programme since 1952, are, The Garment Industry, Textiles, Knitting, Handicrafts, Boots and Shoes, Canned Industries, Cement, Bauxite, Paints, Cattle Feeds, and many others, and examples of some direct effects of the newly manufactured goods on Jamaica's trade have been mentioned earlier in this chapter.

Policy of Orderly Marketing and Protection Here we return to the main discussion. Supplementing the other factors already

¹⁸

I.D.C., "Report on Industry", 1953-4 (I.D.C. of Jamaica)
p. 60 [Second Annual Report.]

discussed, for the improvement of Jamaican terms of trade, was a new outlook in the policy of marketing export crops. The marketing of most of Jamaica's export crops which was controlled by a Marketing Department¹⁹ during and after the war, was relinquished to statutory bodies set up under specific laws. One outstanding example, was the Cocoa Marketing Law of 1951, which came into effect in February 1952, when a Cocoa Marketing Board was set up with powers to 'regulate all aspects of the Cocoa industry.' The Board then appointed foreign agents, through the Commissioner of Commerce and Industries, for the marketing of Cocoa abroad. A direct result was a 33 per cent price increase of cocoa in 1953, over the price of 1950.²⁰

Another example was the Citrus Marketing Plan in 1951, by which the Citrus Growers' Association was made responsible for the exportation of citrus; its first achievement was the securing of a contract with the Ministry of Food in the United Kingdom for the supply of concentrated orange juice, to a maximum of 2,750 tons²¹ per annum, for a period of ten years. The price was allowed to

¹⁹Otherwise called "The Department of Commerce and Industry.

²⁰See Table XXIVp. 75

²¹This figure was later revised and a new maximum of 4,000 tons set.

to vary and, since then, there has been some increase of the price received each year.

There was also the Banana Board Law in 1953, by which a Banana Board was established for the purpose of, inter alia, exportation and marketing of bananas. Achievements of this Board have been an Ocean Transport Agreement with the Elders and Fyffes Ltd. of London, and a Marketing Agreement with the Jamaica Producers Steamships Company for the transportation and marketing, respectively, of all Jamaican Bananas for a period of twelve years.²² The effect however can hardly be of significance to the period under review.

In addition to marketing plans, some contribution to an improvement in Jamaican trade has been made by recent protection given to certain industries. The case of Jamaican Shoes Industry (1952) was an outstanding example. This industry, which was established during the war, when the importation of shoes was greatly reduced, was on the verge of collapse in early 1952, by which time foreign competition had returned. Government therefore placed quantitative restrictions on the importation of shoes; the result was that by the end of 1953,

²² Ministry of Trade and Industry, "A Review of the Development of Trade and Industry in Jamaica 1944-54" (Government Printer, Kingston) p.13

not only did shoes cease to be imported, but were also exported to Caribbean markets. Beside the favourable effect this had on Jamaica's balance of trade, there was the contribution of retardation to a rise in the import value index, since shoes were previously bought in dollar-currency markets where prices were generally higher as a result of the devaluation discussed in Chapter IV.

For these various reasons, and possibly others, between 1951 and 1953, the value index of Jamaican export trade rose by twenty-one points, compared with a one-point rise in the import value index, while the terms of trade appreciated by sixteen units; the greatest for any two consecutive years in the post-war period. An even more significant feature of the improvement in the terms of trade for this period was the fact that in 1953, while the export value index continued to rise, the import value index declined by no less than seven units.

C H A P T E R VI

FUTURE TREND OF JAMAICAN TERMS OF TRADE

Introduction In previous chapters, the trend of Jamaican terms of trade was analysed in the light of trade statistics for the period 1945-53. Since there are no such statistical data on which the future terms of trade may be analysed, any attempt to forecast the trend must, obviously, be of a speculative nature and the correctness, or incorrectness, of such predictions can be tested only by time.

The present chapter aims primarily at a projection of the trend of Jamaican terms of trade into the future, say five to ten years, or so. This will be done from a consideration of certain aspects of development during recent years, also of possible developments in future years both in Jamaican and world trade. The particular aspects dealt with are:

1. The present and future world trade situation in relation to Jamaican Trade.
2. Jamaica's economic development in recent years, and the possibilities of future development.

3. The scope for expansion of Jamaican export markets.

World War Situation It was mentioned at the end of Chapter II and elsewhere in this thesis that, Jamaican trade being comparatively small in relation to total world trade, the island's export and import prices are determined for, rather than by Jamaica. Naturally, it follows that the future trend of Jamaican terms of trade largely depends on the future conditions of world trade and world prices.

In view of developments in international politics, in recent years, particularly since the 1950's, it seems evident that defence production will continue, for the next three to five years at least, to dominate national production in most of the world's major countries. This suggests that the scarcity of consumption goods, including agricultural products, in World market, will exist for some years hence; consequently the increase in prices of agricultural products, which has been one of the fundamental factors contributing to the favourable trend in Jamaican terms of trade since 1951, is likely to continue, or at least not to reverse itself, for some time in the future. There is, of course, the unfavourable phase (to Jamaica) of an increase in world prices to be considered. Jamaica not only sells but also buys in a market of higher prices; however the rate and pattern of economic development of Jamaican economy within

recent years and the probability of a continuation for the next five years, or so, point toward less buying and more selling¹ in a world market of higher prices. Moreover the relative price increases of agricultural products in world markets have been higher than those of many other types of goods -- a fact which has been largely responsible for the favourable turn in the terms of trade of most agricultural countries in the post-war period.

Granting an improved situation in international politics, a cessation of cold war activities and a consequent reduction of defence production in most economies, in the near future, it is still likely that the relatively high prices for agricultural products will be maintained, in view of the very rapid increase in world population since the post-war period; this rate of increase continues to be high. Several demographers have made forecasts of a very substantial increase of population in the next few decades. Spengler, who cites many of these estimates, suggests that world population, estimated at 2.4 billion in 1950, will range from 3.4 billion to 3.9 billion by the year 2000.² Although the population in 2000 is not quite relevant for our immediate purpose, since no attempt is being made to project a trend so distant into the future, the significant point is that the rate of increase is relatively high and since this

¹This will be dealt with later in the present chapter.

²Spengler, "Population Theory" A Survey of Contemporary Economics (Bernard Haley ed. Irwin, Homewood, Illinois) 1952, Vol. II, p. 94

increase had begun, at least almost a decade ago, its effects become relevant even for the immediate future.

In view of these facts, it is highly probable that world demand for agricultural products will continue, for some years, to be relatively high; Jamaica's export trade is primarily agricultural, the logical inference, therefore, is that the high export prices will continue to make favourable contributions to Jamaican terms of trade for some years to come.

Jamaica's Economic Development Economic development, per se, does not necessarily mean an improvement of the country's terms of trade, since it does not follow logically that export prices will be increased or import prices decreased; moreover Jamaica's supply and demand are not sufficiently great to affect export and import prices. However, in a given world market of high prices, it is highly probable that not only will a country's balance of trade situation, but also its terms of trade will improve, if it increasingly buys less and sells more on the international market. This was shown, in Chapter V, to be the situation in Jamaica since 1952 and will be shown subsequently to be a probable situation for some years hence. Although the trade statistics for the full year of 1954 are, at present, unavailable, monthly trade data for the earlier part of the year indicate no reversal of the rate of im-

provement for the two previous years; rather they reveal an increased rate of improvement in the balance of trade, as the data of TABLE XXVI illustrate.

T A B L E XXVI
SOME MONTHLY TRADE DATA - 1953 and 1954 COMPARED
(Value in million U.S. Dollars)

Months	EXPORT		IMPORT	
	1953	1954	1953	1954
January-March	17.2	24.8	23.4	24.5
January-April	24.2	35.1	30.9	32.2

Source: United Nations, Direction of International Trade,
Monthly Issue - January 1955, p. 49

The fact that more is being sold and less bought is due primarily to recent trends in economic development. In making predictions on the future terms of trade, therefore, important aspects to be considered are the possibilities of Jamaica's economic development and the extent to which these possibilities are being explored and exploited.

It would be impossible to describe here, in such a limited space, the various developmental schemes, both agricultural³ and industrial⁴

³ For a good source of information see "Investigations, 1953" (Department of Agriculture-Jamaica) Bulletin No.53, (New series.)

⁴ For a good source, see "Report on Industry, 1953-54" (Industrial Development Corporation-Jamaica)

which have been instituted since 1952 and their significant achievements even at the initial stages. In addition to those mentioned in Chapter V, pp. 80-82, a few other examples are given here. In crop agronomy, there have been successful tomato fertiliser experiments, Irish potato variety experiments, banana spacing and fertilizer experiments, the results of which are being applied on island-wide scale; in livestock breeding, new breeds of cattle⁵ by cross fertilization have been developed, which are being widely accepted by farmers; veterinary research has produced encouraging results; a combined scheme of investigation into the 'unknown' disease of Coconuts and Panama Disease of Bananas has been initiated and a research unit has now been set up.

On the industrial side, in addition to achievements of the Industrial Development Corporation, mentioned previously in this thesis, there has been a recently formed subsidiary company (The End Products Agency Ltd.) to the I.D.C., to assist the development of high labour-content industries and, through this subsidiary company, active efforts are being made to obtain assembly and finishing work from abroad; one achievement already, has been a contract from Canadian Companies for finishing hand work on Gloves, all of which are re-exported.

⁵"Jamaica-Hope"; "Jamaica Brahman", "Jamaica Red", "Jamaica Black"

Further, industrial estates are being established for the purpose of developing industries. Already, 18 acres have been purchased, three factories have been in the course of erection and in late 1954, two parcels of land of approximately 100 and 50 acres, respectively, were recently taken over by the Corporation, from Government, for the purpose of developing industry.⁶

Jamaica also offers many advantages for industrial development. There are excellent industrial sites, good internal communications, well developed banking, commercial services, abundant labour supply and accessibility by regular shipping and airline services, in normal times, to West Indian, North American, Central American and South American markets. In addition, Research⁷ and Protection of infant industries⁸ have been making, and should continue to make favourable contributions to Jamaica's economic development. There has also been the establishment of an additional Ministry -- The Ministry of Production -- since January, 1955 for the purpose of a balanced programme of Agricultural and Industrial development.

6

I.D.C. "Report on Industry" 1953-54.

⁷ There is an Institute of Social and Economic Research of the University College of the West Indies; also under the Five Year Plan for Jamaica a grant of £50,000 p.a. is made to the A.D.C. primarily for the purpose of Research.

⁸ See examples of Legislative Acts p.32

The effects of all these various phases of agricultural and industrial development on the future terms of trade, cannot be predicted with much of a certainty, as it has been said before. Besides, the real effects of some of these developmental schemes on the country's trade may become significant only in the distant and not the immediate future. However, with other things being equal and increasing prices in the international market, it seems reasonable to predict some amount of improvement or, at least, no unfavourable turn in the near future terms of trade, as a result of Jamaica's economic development.

A related aspect, of which nothing or very little has been said, is the increasing productivity of Jamaican labour by the application of modern technological methods. To quote from the I.D.C. Report on Industry for 1953-54⁹ :

" The growing acceptance of products made in Jamaica provides good evidence of the increasing productivity and quality of workmanship of Jamaican labour."

But improved technology and productivity would more directly affect the Factorial and not the Net barter terms of trade which is being analysed.

Scope for Expansion of Jamaican Export Market Up to this point, the analysis in the present chapter has been done on the implied

⁹ op.cit. p.58

assumption that markets for Jamaican exports are unlimited. One vital question which must always be answered prior to the establishment of a new industry, or the expansion of an existing industry primarily for foreign markets, is "Does an adequate Market exist; if so, is it likely to expand or not?" and if none exists, another question arises; "What scope is there for the creation of an export market for any particular product?"

One of the chief deterring factors to an improvement in Jamaican terms of trade was the lack of diversification in Jamaican export trade; not only were export commodities few and limited, but export markets were also few. This situation has been gradually changing in recent years. Examples of new exports since 1952 have been shown on page 79, and there has been expansion to markets such as Germany, Holland, the Dutch West Indies and others.

To deal first with existing markets for Jamaica's exports, the United States of America, which is in such close proximity to Jamaica and which possesses such an extensive and expansive market, took only 3-5 per cent of Jamaica's export between 1946 and 1952; however there has been a gradual rise since 1952. None of Jamaica's two leading export commodities, sugar and bananas has been marketed in the United States since the post-war period; at the same time, the United States imports all her Bananas and some amount of her sugar;

moreover at the rate of population growth, it is estimated that within the next twenty years, or so, the United States' demand for agricultural foodstuff should be increased considerably. In view of these facts, and considering there are no natural major obstacles in the way of preventing export of Jamaican Bananas, particularly, and other products to the United States, it becomes evident that there are potentialities in this direction. Similar potentialities can be found in Canadian market (for Jamaican exports) which has expanded considerably since the post-war period. Bananas, sugar and cocoa are examples of Jamaican products which provide great possibilities for increased exports to Canada.

Probably, greatest of all the potential sources for Jamaican export products, particularly manufactured goods, are the Caribbean markets. Jamaica has the advantage of being the most advanced, industrially, or among the most advanced, of the British Caribbean islands. She has been able to produce many manufactured goods at comparatively lower costs than most of the other islands, and so has greater competitive advantages in bidding for Caribbean markets. With the scarcity of dollars and the effects of the 1949 devaluation on the direction of trade, Jamaica's competitive advantage in these markets has been enhanced. In addition, Jamaica's geographical position, in relation to the Caribbean islands and the Central American countries, is ideal for trading with these countries.¹⁰

¹⁰In view of this fact, an international oil firm is at present erecting immense bunkering facilities to attract a large number of ships which have to sail to other zones for refueling.

Nor are the possibilities of the more distant markets to be overlooked. New Zealand offers much scope for the marketing of Jamaican citrus; Holland, Germany and other European countries provide scope particularly for coffee, cocoa, spices and beverages.

The metropolitan market has been virtually omitted, not because of its unimportance, but for the reason that, already, over 60 per cent of Jamaican export trade is done with the United Kingdom.

In the light of this brief survey, it becomes obvious that there is much scope for future expansion of Jamaican export trade; moreover, the possibilities cited apply only to current crops; there are high probabilities of many new export commodities (for the next five to ten years) such as cotton goods, knitted goods, gloves, boots and shoes, preserves and bakery products. There is even high probability of oil deposits¹¹, (which are now being explored) in Jamaican soil and deposits of marble and iron are now being evaluated.

But potential markets, per se, though a necessary condition, are not a sufficient condition on which a prediction of any improvement in future trade can be made. The important question is "To what extent Jamaica has been exploring and exploiting these potentialities?" An answer to this question is partly given in that section of Chapter V dealing with

11 The Canadian Base Metals Corporation Ltd. has been given licenses to explore Jamaican oil potentialities.

a reorientation in the policy of marketing export crops and the success which has been achieved between 1951 and 1953.¹² Most of the marketing contracts have been long term contracts ranging between ten to twelve years, and many carry provisional clauses for periodic revisions or sliding scale of prices. The current plans and operations in improved shipping, improved harbour facilities, The End Products Agency Ltd., participation in Exhibitions and Fairs of foreign countries (eg. Canadian Exhibitions and the British Industrial Fair) are a few examples of factors whose full effects on Jamaican export trade have not yet been realised and should, *ceteris paribus*, contribute favourably to her trade in future years.

It has been shown that, not only is there scope for expansion of markets for Jamaican export products, but also that these potentialities have been and are being explored; in short, the necessary and sufficient conditions for future expansion, in relation to export markets, do exist. Again, since an increase in volume of exports, *per se*, does not necessarily cause an appreciation of the terms of trade, predictions on the future terms of trade become even more speculative.

¹² See pp. 82-84

When all the factors are taken into account, however, and particularly in view of the high probability of increasing world prices of agricultural products for some time, it seems reasonable to expect an improvement or, at least, no depreciation in Jamaican terms of trade for the next five to ten years.

Before ending this chapter, there is one possible offsetting feature which may be mentioned here. This is the seemingly unfavourable effect which certain Clauses of the General Agreement on Trade and Tariffs may have on the future trend of Jamaican Trade. As an example, there is a 'discriminatory tariff' clause, which rules that no new preferences in tariff must be introduced, nor must the margins of preferences, existing in the British Commonwealth in 1949, be increased.¹³ These constrictions have made it virtually impossible, in many cases, for Jamaica to increase tariffs on certain goods imported from other countries outside the Commonwealth, if such goods are available from the latter.

¹³ Jamaica is probably the only large British West Indian island which is not actually a signatory of the General Agreement on Trade and Tariffs. However, she is equally affected by its rulings since the United Kingdom represents the colonies and, in addition, preferences received by other Commonwealth countries from Jamaica would still fall within the prohibitive clauses.

countries. On the other hand, the United Kingdom and other Commonwealth countries are virtually barred from discriminating by tariffs, in favour of Jamaican or any other Commonwealth export products, because by such an act the margin of preference would be increased. This condition presents a problem in that the prohibition limits Jamaica's protection of her infant industries and, consequently, could limit development of certain industries which would provide commodities for export or reduce the necessity for importing certain goods in the future. Should this be the case, the effects would be more directly reflected in the balance of trade situation; however, the possibility of its indirect and unfavourable effect upon the terms of trade in that it could contribute to Jamaica's buying more and selling less in a world market of high prices, cannot be discounted.

S U M M A R Y

The analysis, in this thesis, has revealed that Jamaican post-war terms of trade, which has been treated entirely in the 'net barter' sense of the concept, remained fairly stable up to 1951, after which there was a marked improvement in the trend. But for the first two years of post-war readjustments, there seemed to have been a tendency toward a rising trend, which was checked and even reversed by the impact of a devaluation of the £ sterling in 1949 by over thirty per cent, followed two years later by a Hurricane, which caused damage to the extent of approximately twenty million pounds.

In the face of these events, which had very adverse effects on the island's trade, the terms of trade did not decline very greatly, due largely to certain offsetting factors, such as the increase in world prices during and after the Korean War.

Since 1952, there has been considerable improvement in Jamaican terms of trade, largely for reasons such as high prices on the international market, rapid economic development and advantageous marketing contracts secured by Jamaica for many of her

export commodities and in view of the possible continuation of these developmental and marketing plans, also the high possibility of world prices for agricultural products remaining high, it is reasonable to assume that Jamaican terms of trade will continue to improve for some years.

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^aSome Statistical data used for illustrations in the text
were also obtained from Periodicals cited above.

A-P-P-E-N-D-I-X

APPENDIX

TABLE A-I
BANANA EXPORTS 1938 and 1944 - 1953

<u>Year</u>	<u>Quantity(Stems)</u>	<u>Value (£)</u>
1938	23,698,552	2,916,956
1944	1,117,015	198,285
1945	1,796,903	359,205
1946	5,812,640	1,630,742
1947	5,519,526	2,049,259
1948	6,095,038	2,321,064
1949	6,530,158	2,269,178
1950	5,772,679	2,115,720
1951	3,701,720	1,267,381
1952	4,466,787	1,887,111
1953	10,216,022	4,600,641

Source: Institute of Social and Economic Research,
U.C.W.I, Jamaica. Social and Economic Studies (1954)
Vol.III, No.2, pp.223-224

TABLE A-II

SUGAR EXPORTS: 1938, and 1944 -53
(Unrefined)

Year	Quantity (Tons)	Value (£)
^a 1938	105,034	859,500
1944	131,947	1,859,035
1945	118,285	1,938,315
1946	148,695	2,762,158
1947	100,278	2,081,948
1948	150,251	3,561,488
1949	190,867	4,624,167
1950	218,006	5,770,773
1951	208,686	6,132,717
1952	195,270	6,810,253
^b 1953	270,626	9,886,005

Source: Hand Books of Jamaica, 1952, 1952, 1954
Chap. VII(in each)

^a Central Bureau of Statistics, External Trade of Jamaica, 1950
Table IX p.15

^b Department of Agriculture, Annual Report 1953, p.3

TABLE A-III
RUM EXPORTS: 1938 and 1944-1953

Year	Quantity (Gals.)	Value (£)
1938	889,821	247,892
1944	561,687	605,101
1945	829,434	780,025
1946	1,995,040	1,973,972
1947	2,306,119	2,570,344
1948	1,869,924	2,043,750
1949	1,640,864	1,292,768
1950	2,363,090	1,559,414
1951	2,131,189	1,601,574
1952	1,658,399	1,241,170
1953	947,250	916,836

Sources: loc. cit.

TABLE A-IV
COFFEE EXPORTS: 1938 and 1944 - 53
(Raw)

<u>Year</u>	<u>Quantity (lbs.)</u>	<u>Value (b)</u>
1938	9,452,456	132,907
1944	4,798,566	196,503
1945	5,617,466	237,563
1946	2,228,400	106,362
1947	3,061,843	138,313
1948	2,822,102	128,911
1949	2,404,760	131,115
1950	2,972,402	341,416
1951	2,505,027	359,330
1952	2,493,448	356,189
1953	2,989,847	514,304

Sources: loc.cit.

TABLE A - V
COCOA EXPORTS: 1938 and 1944-53
(Raw)

Year	Quantity (lbs.)	Value (£-)
1938	5,282,484	47,020
1944	4,581,380	103,461
1945	1,995,187	41,870
1946	3,191,256	69,919
1947	3,575,035	143,111
1948	4,221,176	351,366
1949	4,118,725	203,897
1950	2,428,545	204,028
1951	2,644,722	299,407
1952	472,815	60,680
1953	2,358,130	216,356

Sources: loc. cit.

TABLE - VI
TOBACCO EXPORTS: 1938 and 1944-53
(Cigars)

<u>Year</u>	<u>Quantity (lbs)</u>	<u>Value (£)</u>
1938	32,272	17,028
1944	154,882	155,738
1945	14,018,926	308,920
1946	15,972,626	547,581
1947	28,200,223	905,638
1948	16,398,653	501,925
1949	200,570	385,827
1950	240,328	563,794
1951	232,771	630,571
1952	272,620	581,625
1953	173,561	439,668

Sources: loc.cit.