

**ADDRESS
BY
PRIME MINISTER HON P J PATTERSON
AT
QUARTERLY LUNCHEON
OF
JAMAICA CONFEDERATION OF TRADE UNIONS
AT
ALAHAMBRA INN
ON
THURSDAY NOVEMBER 28, 1996**

SALUTATIONS

Welcome the opportunity to join in your quarterly luncheon.

Progressively, we have been commencing our yuletide observances earlier and earlier. In that vein, I wish to extend early Christmas greetings to the national leadership of Jamaica's trade union movement.

It is that time of year when your members look forward to enjoying with their families some of the fruits of the well deserved rewards which you have been able to secure for them by vigorous and effective representation.

They will have a lot for which to be truly thankful.

Jamaica
Our country has been undergoing a period of adjustment as
W we grapple with the requirements for synchronising our
economy with the rapid and revolutionary developments
unfolding in the international market-place.

This process of adjustment is now virtually complete.

Our borrowing relations with the IMF have now ended and
structural adjustment loans are no longer necessary.

The ~~ln~~ ^{from} ~~for~~ ^{of} \$59.5 million
DB

The Trade Union Movement and its membership know^s only too well the pain and sacrifices^{that} we have suffered during the preceding period. ^{of} ~~Therefore~~ ^{the} TUM It has a vested interest and must therefore be resolute in helping to make sure those ^{days of} ~~traumatic~~ ^{to the Jamaica Psyche} days never return.

But to do so, there are pitfalls we must avoid and mistakes that we should never repeat.

To chart our course safely, we have to look carefully at the world around us and not simply believe that because we are a blessed island, we can do what we please, regardless of ^{taking place} ~~what is happening~~ ^{global environment} in the world around us.

What are the essential features of the new environment in which we are forced to exist?

- ▶ There is a strong growth in world trade, which is no longer based on traditional markets and non-reciprocal access for our exports.
- ▶ There is increasing competitiveness spurred on by the dismantling of trade barriers and the removal of restrictions on the movement of capital.

- ▶ There is a fierce scramble for investment capital and entrepreneurs. 85 percent of foreign direct investment is currently between developed countries ← *Not from*
- ▶ The bulk of development assistance is being diverted to low-income developing countries, a category which *is internationally defined &* does not include Jamaica.
- ▶ Regional integration movements are enveloping large areas of the world economy -

China, the Asian countries and those of the Pacific Rim are about to create the world's largest Free Trade Area. This was decided in Manila only last week.

It will embrace Mexico, Chile, the USA and Canada. This means that the goods from the Asian Tigers will be afforded similar terms of access to those we are likely to obtain by 2005, when the Free Trade Agreement of the Americas comes into being.

Obtaining access to the market is one thing - being able to penetrate it effectively means that the price, the quality and our reliability must all be right.

Plainly put, simply to survive, we will have to compete in a Hemispheric market with the biggest and the best. Our fortunes in the new millenium will depend on how we position ourselves in the global marketplace from now.

In preparing for this, we face an immediate task. It is to maintain stability in the key macro-economic areas so as to improve domestic savings and local investment. This is essential in order to pursue the goal of increased job creation in those areas where we enjoy a competitive advantage.

The recurring bouts of economic instability and loss of competitiveness, which have characterized the last 2 decades have their root in the weakness in the savings - investment - production cycle and the disjuncture between incomes and productivity.

is not going to
A rise in real incomes cannot be achieved by catching up with price inflation.

ing these basic
No long term stability and growth can be sustained without correction of these ailments.

The major challenge of this period has therefore been to conquer inflation.

This process is not painless, but it can be made less painful by adopting a consensual approach.

We have within our grasp the possibilities of cooperation in a social partnership to exercise moderation on vital areas of economic decision-making and ^{by} behaviour.

All the social partners will be expected to exercise moderation and restraint: the Government on inflation, the ^{taxes} private sector on prices and the Unions on wages.

No partner can expect a draw without putting in the proper share. Everyone has to bring what is due to the table before anyone can collect each partner's draw.

In terms of inflation

We have seen a significant reduction in the rate of inflation over the last nine months - October 0.5% and ~~5.6%~~ ^{6.2%} since April. ~~5.6%~~ ^{6.2%}

11-15%

We will reach the target set for the fiscal year. But everything has a price. The Fiscal Budget '96-97' has been forced to provide higher levels of support to control liquidity and meet our ^{for public} expenditure obligations. These changes will ^{Estimates} be reflected in the Supplementary Budget.

New income tax
threshold —

Consolidation of these trends can be accomplished if the partners are willing to work together. Such consolidation will allow for workers to achieve real increases in their ^{actual} pay. It will permit interest rates to be reduced, ^{for} as inflation rates continue downwards into single digits. ~~By these means,~~ it will be possible to steadily remove the barrier of high interest rates which has been an important tool to stabilise the economy, but constitutes a major obstacle to investment and economic expansion.

^{we} It is based on these considerations that I have made the call for a Social Partnership.

I regard it as the pivot around which all else must turn. ✓

It is the foundation on which we must seek to build. ✓

to VC. Tu Khu

I believe the National Industrial Policy provides the necessary basis for a clear, coherent, and consistent set of policies to guide the Jamaican economy on a path of renewed growth and development.

It paves the way for our entry into the 21st century.

The stability generated from a Social Partnership is essential to provide a sound foundation for substantial growth and meaningful development.

This has been the experience in a number of other countries. *nd Barbados & Mexico*

Through a Social Partnership, we seek to create a more investment-friendly environment and hence, *thereby* lay the basis for increased investment, both local and foreign.

The social partnership is neither a political gimmick, nor a cosmetic device.

Other countries have long recognized that the effect of harsh fiscal and monetary measures, usually required to achieve single-digit inflation, eventually result in an unwillingness to moderate both price and pay movements.

The greatest advantages of having a Social Partnership would be ^① employment generation and real improvements in living standards for our workers; ^② price stability for the consumer; ^③ an increase in production and a boost in productivity levels. ~~||~~ → All these would be of benefit to the entire nation.

opportunity

I want to use this occasion to once again emphasise its importance to anything and everything which we, as a nation, will need to do, as we prepare to meet the *start the new year.* challenges of the future.

The talks have been in progress over the past nine months.

We are now up to draft number nine of the proposed agreement.

SOCIAL PARTNERSHIP

What is the state of play?

The ninth draft of the Agreement has incorporated all of the outstanding issues which have been raised by the three social partners. Why then the hesitancy to sign and to have us proceed together to the implementation stage?

hand in hand

The hurdles we have to clear as time goes by only serve to confirm the imperative and the urgency of putting in place the measures and machinery about which there is no outstanding agreement.

The Partners will agree on a Terms of Reference and establish a working group to report within six months of signing this protocol on the appropriate mechanism for implementing a Productivity Scheme. ✓

For the government's part, we have already carried through on most of the vital steps agreed for the short term, i.e., money supply control, reducing ✓ inflation and stabilising the exchange rate.

The results are demonstrably clear.

We are proceeding quickly to deal with BOJ reform and overhaul of tax administration.

We have agreed how to approach the issue of sub-standard wages and to keep the minimum wage under constant review. Far-reaching labour market reforms are now being drafted by the Chief Parliamentary Counsel in accordance with the consultations that have recently been completed. ✓

Government stands ready to put in place the agreed mechanisms for consultations and the monitoring of the partnership agreement, once it has been signed.

We have worked assiduously to conclude an agreement, in the best interest of the overall economy and society.

“Let not succeeding generations ask of you - “Ye did run well, who did hinder you from finishing the course?”

I expect you all will accept the overwhelming need to cooperate for the benefit of present workers, to promote growth for new workers and to create the wealth which is required to raise living standards and solve the various social problems.

pls let us accept

→ No one else is going to do it for us.

The Movement has in the past, responded positively and decisively to the many challenges which this country has faced.

Here again!

Yet another opportunity now presents itself for the Movement to write another page in the history book.

I urge the Unions to seize the moment and enable us as one nation, united in purpose, to face the future undaunted and to move forward in confidence.