

# Caribbean business environment

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Firstly, here are some of the consequences of regional trade arrangements: Accumulation or growth effects. If closer integration improves the efficiency with which factors are combined it is also likely to induce rater investment. While this additional investment is taking place, countries may experience a medium-term growth effect. If such investment is associated with faster technical progress or accumulation of human capital as identified in the long-run growth rates may also be improved.

Investment effects. More emphasis is now given to the impact of regional Integration on production via the effect on foreign direct investment and investment creation and diversion. Transactions costs and regulatory barriers. The traditional theory of customs unions was developed in the context of ruff reductions but, as noticed above, the welfare effects of Integration can be quite different If the barriers removed are cost-increasing barriers.

Following the SUE experience with Implementing its Single Market program, there Is now greater awareness of the importance of barriers which raise transactions costs in inhibiting trade, and of the value of removing them. Importance of credibility. Many of the effects identified in the modern theory, especially those related to or requiring investment, assume that the integration effort is credible and will not be reversed. If credibility is lacking, and there is uncertainty among investors, their behavior is unlikely to be influenced.

The emphasis on credibility assumes the existence of enforcement mechanisms which will ensure the implementation of commitments entered

Into when a country joins a regional integration scheme. Regional trade agreements reduce the tariffs between the countries which are part of the trade agreement. Regional trade agreements reduce tariffs between countries, but does not allow these countries to increase tariffs on countries which do not participate. Tariff reductions allow people to purchase goods from other countries at lower prices.

The gains from learning valuable skills from foreign markets that can subsequently be transferred back to the home country. Integration also has many benefits such as: gains in trade, economies of scale, limited fiscal capabilities and cultural centralization. With deeper levels of integration foreign investment will increase. The lack of resources in the Caribbean will increase more integration and also the people will get to learn other trades from the different countries. Also will adopt and enhance strategies which will help the efficiency and improve competition in the region and the US.