

The advantages and disadvantages of caricom single market and economy essay sampl...

[Economics](#), [Trade](#)



Introduction

Throughout the world many countries have tried to form strong alliances for varying reasons and among the top of that list would be for war and trade.

The Caribbean as a region has found it necessary to form such an alliance, not for war but for trade. The need for such alliance gave way to the birth of a Single Market for the Caribbean region – The CARICOM Single Market and Economy (CSME).

In order to understand the advantages and disadvantages of such a single market one must seek to understand what is meant by a single market and how the SCME come about.

What is a Single Market?

Although the concept of a Single Market was never precisely defined, it may be interpreted as a single large economic space – covering a large geographical areas- with common policies on product regulation and freedom of movement of all the factors of production . This single market structure promotes the removal of all physical (borders), technical (standards) and fiscal (taxes) barriers among member states. Therefore the goal that movement of capital, labour, goods and services between the members would become as easy as within any one particular state. The CARICOM Single Market & Economy – A Brief History

The Caribbean Community (CARICOM) consists of fifteen (15) small-sized countries, situated along the Caribbean Sea, and including 6 million inhabitants. It is the smallest “ economic bloc” in Americas, if not in the

world. The CARICOM Single Market & Economy is the vision of these 15 CARICOM states to build shared prosperity by removing trade barriers.

The history of the CARICOM Single Market & Economy dates as far back as 1968 where the Caribbean Free Trade area was established. The CARIFTA served the purpose, though limited, of removing tariffs and other barriers to the trade of goods within the Caribbean region. This integration process was strengthened via the signing of the Treaty of Chaguaramas in 1973. This treaty included provisions to create a common market in the region with measures to protect the regional industries by implementing a common external tariff. Additionally, the treaty also contained provisions for the removal of barriers relating to the movement of capital, the establishment of businesses, the provision of services and the co-ordination of economic policies.

In years following the signing of the treaty some Caribbean economies, as a result of borrowings from multinational lending institutions, underwent structural adjustment as a condition to the loan(s). At the core of the adjustment programs were programs of economic, financial and trade liberalization that went above their commitments as expressed in the Chaguaramas Treaty. This led to the decision of CARICOM Heads of Government to make a decision to expand their initial vision of a common market into a fully fledged Single Market Economy.

By 2002, the proposed single market, as opposed to the CARIFTA arrangement, would not only see the removal of barrier of trade in goods but

also services, technology, capital, free movement of skilled persons in an environment where Caribbean citizens would enjoy new and unfettered rights to establish businesses anywhere in the region. The overall aim is to make the Caribbean region stronger and provide faster, wider and deeper access to international markets, an opportunity that individual countries would not be able to enjoy.

The members of the CSME are:

- Antigua
- Barbuda
- Jamaica
- Barbados
- St. Kitts & Nevis
- Belize
- Saint Lucia
- Dominica
- St. Vincent & The Grenadines
- Grenada
- Suriname
- Guyana
- Trinidad & Tobago

ADVANTAGES OF THE csme

The benefits to be derived from the implementation of the CSME are discussed below.

FREE MOVEMENT OF LABOUR

The CSME provides the legal framework for free movement of people. Free movement of labour is one of the features of the CSME and one of its many advantages. This then means that the ability to recruit skilled workers will increase for members across the region. Chapter 3 of the Revised Treaty provides for skilled personnel and their families as well as business enterprises to take advantage of job opportunities within the CSME. The term "skilled workers" include:

- o University Graduates
- o Artistes, Sports Persons, Musicians & Media Workers
- o Non-Wage Earners/Service Providers to establish Business - includes managerial, supervisory & technical staff

This legal framework will remove the requirement of CARICOM nationals to obtain work permits in order to work in another Caribbean country. However, individuals will be required to possess a CARICOM Skills Certificate.

THE RIGHT OF ESTABLISHMENT

This feature of the CSME provides for the removal of restrictions to the establishment of economic enterprises, companies, or other legal entities thereby giving CARICOM nationals the right to engage in self-employment or to create & manage economic enterprises in any Member State. These established economic enterprises however, must be substantially owned (50% or more in equity) or controlled by CARICOM citizens (Ch. 3, Art. 32). With this right comes a greater scope for job creation and poverty eradication - . This must be complemented by improved access to training and skills development at the national level. This also promote an enhanced

framework for small business development e. g. niche marketing, formation of partnerships and joint ventures

Global Market Penetration

■ The CSME will provide enhanced opportunities to penetrate third country markets. This is one of the greatest advantages of the CSME as it encourages intra-regional trade and allows CARICOM states to negotiate as a single entity. The unification of the Caribbean as a region provides a platform from which the Region can speak with a common voice in the crucial trade negotiations in which the countries of the Region are involved i. e. the World Trade Organization (WTO), the Free Trade Area of the Americas (FTAA) and the European Union. The need for unity in these various negotiating theatres is absolutely crucial if the concerns of the Region are to be addressed by the wider international community. Perhaps, with this one voice, the region may soon be a force to reckon with in the next round of World Trade negotiations.

HARMONIZATION OF QUALITY STANDARDS

The CSME will provide for harmonised quality standards across the Region. These standards will apply to both goods and services. A Regional Accreditation Body is to be established and there is also the Caribbean Accreditation Authority for Education in Medical and other Health Professions, which was inaugurated in July 2004. The latter currently applies to six (6) member states including Jamaica. CULTURAL EXCHANGE & GREATER HUMAN & SOCIAL DEVELOPMENT OPPORTUNITIES. This regional integration will enhance opportunities for cross-cultural interaction. The CSME will

promote a greater sense of regional identity and individuals, communities and or groups will benefit from greater exposure to cultural norms and practices from across the region.

GREATER MARKET ACCESS

There will be improved market access for service providers, particularly in the professional sectors such as consultancy services, nurses, engineers, architects and teachers. Service providers will also enjoy equal treatment in terms of market access. Firms will also have increased opportunity to access a wider capital market at competitive rates, thus allowing the productive sectors to be more competitive at the regional and international levels.

INCREASED CONSUMER CHOICE

Opening up of markets in the region will allow consumers a wider range of choices in terms of goods and services. This will in turn force manufacturers and service providers to improve on the quality of their offerings and at the same time making them more affordable.

GREATER HUMAN & SOCIAL DEVELOPMENT

As a united region greater efforts can be made to focus on intra-regional human and social development. There have been major emphases on trade in goods and services as well as the free movement of persons. This however is paralleled by the newer information technology, science and technology and knowledge based development which demand new skill compositions for jobs and, consequently, new approaches to education and training. With this

in mind the CARICOM Secretariat has sought to collaborate with public and private sector agencies and academic and policy institutions in rethinking the content of, and process for the development of the Region's human resources.

ECONOMIES OF SCALE

One of the characteristics of Caribbean economies is its small size. On their own they are unable to take advantage of economies of scale and engage in heavy manufacturing. The CSME presents hopeful prospects for increased economies of scale particularly from natural resource rich locations.

POOL OF RESOURCES

Opportunity to pool collective resources to concentrate on selected areas of economic activity which can bring tangible benefits to us in Jamaica and the Region as a whole. For example: shipping, tourism, music and entertainment, including management services associated with those activities.

DISADVANTAGES OF THE CSME

Despite the proposed benefits to be gained through the CARICOM Single Market & Economy, there are concerns that the CSME will have negative impacts. These negative implications include (but not confined to):

INCREASED COMPETITION

One of the major issues for each state is whether its current businesses and workforce can survive the increased competition when businesses that are more successful enter the local market. This then raises concerns about whether their local economy can survive the transition. It appears, from all indications, that the CSME is about survival.

For businesses that do not have the resources or capacity to compete we will see them withering away. This concern not only affects businesses but also the workforce particularly the unskilled. The Governments and people of the region are concerned about the potential for an increase in local unemployment as a result of more persons competing for the few available jobs. The onus then is on each member state to develop their capacity and prepare to deal with economic calamity. Failing this there will be a major fall out in the local business arena.

Restrictions on Movement of Labour

Though one of the attractive feature of the CSME is the free movement of labour among member states, there are restrictions on who will be permitted to move hassle free. This is one of the most debated CSME issue. The free movement of labour is limited to qualified and skilled persons. Therefore, the idea that with the implementation of the CSME will result in mass movement of unskilled persons to more prosperous member states seems far-fetched. How do theses individuals then benefit from this feature?

INADEQUATE RESOURCES & SOCIAL IMPACT

- The free movement of labour also has negative implications as it relates to available recourses and social climate. In addition to hassle free movement across member states, individuals also have access to property either for residential or business purposes. One possible disadvantage is that criminals will also have the rite to move from one country to the next as they please. In doing so they may be urged to take part on the trafficking of illegal drugs. This presents an avenue to create regional crime syndicates and so will require additional or strengthening of the various defense authorities (police, soldiers etc).

- Another social impact is that people are also moving from poor to richer countries so that they can have a better life. This is resulting in cheaper labour services and is evident in the case of Barbados and their sugar cane industry. There is a short supply of workers in the island to help harvest the canes. The relaxed restrictions on the movement of people will create a new group of people to pull from and inevitably there will be some willing to do this manual labor cheaper than usual. In addition to an over supply of labour - resulting in cheap wages-, this can become a breeding ground for social unrest between local and foreigners. The intermingling of locals and foreigners will also see the introduction of new cultures, some of which may be unwelcomed.

- The movement of people across borders will expose locals to any disease foreigners maybe be carrying. This will create a strain on the Health services and in many Caribbean Countries this is already a sore point. • The influx foreigner into he local markets with the right to own property can negatively

affect the agricultural sector in that it will result in a shortage of land for the local farmers. Many are fearful that sufficient measures will not be in place to deal with these negative externalities on the social environment of their country.

LOSS OF FOREIGN AID

The integration of the Caribbean region could prove hazardous for those countries that have access to foreign aid and preferential trade arrangements in that they will lose these privileges. This is because the integration will make them ineligible for these subsidies, which they enjoyed, from the larger developed nations. The concern here is whether the CSME will be strong enough and commanding enough to save those industries in member states that for many years, even decades, depended on these foreign aid or subsidies to survive. The question to ask here is: Will the existence of the CSME be beneficial to all the territories participating in its activities?

THE REMOVAL OF TRADE BARRIERS - THE FLIP SIDE

Though free trade can prove to be very beneficial to the region we cannot turn a blind eye the possible negative implications. These include: i) national products will no longer dominate certain markets ii) It may also cause a rise in production cost in order to meet the regional standards iii) government will not be able to protect certain industries unless they can show just cause that imports will be a detriment to that industry

BRAIN DRAIN

A brain drain of qualified persons from the OECS into the larger member states of the Region where it is perceived that professionals and more highly skilled persons are more highly remunerated.

Weakness in Monitoring of Capital Movement

The free movement of capital carries its own share of disadvantage. This capital will mostly come in the form of money and so the disadvantage in this is that financial institutions might lose track of persons trying to break the law. These law-breaking activities may take the form of money laundering or they might try to commit fraud. Since there is no market border this will aid in illegal activities.