

# The caricom single market and economy economics essay



**ASSIGN  
BUSTER**

Geographically, the Caribbean is defined as the area washed by the Caribbean Sea and is sometimes termed the Caribbean Basin.[1]This includes the islands of the Lesser and Greater Antilles as well as other mainland territories. The Caribbean is a relatively large area diversely different from other mainland territories. A Caribbean way of life is displayed by people in and of the region because of its inimitable identity. Historically, the Caribbean is the region that experienced European colonization, slavery, indentureship and the plantation system. As a result the region experienced the rule of the English, Spanish, French and Dutch.

Political leaders of the region saw the need to strengthen ties between Caribbean countries, and their aim was thus to achieve regional integration which was fulfilled with the establishment of the West Indian Federation in 1958. The Federation aimed to strengthen the movement for self-governance, promoting economic development and an attempt to safeguard the democratic system of government. As a result of the unified voice facilitated by the Federation Caribbean countries then moved away from colonialism and towards independent status.

Smaller states were now able to fortify effectiveness in dealing with international bodies. This epitomised the slightly successful nature of a unified voice as it achieved what a single voice could not. The premise of the Federation was unity and camaraderie among Caribbean countries for the mutual benefit of all member states. The Federation sought to establish federal institutions and structures that would support it. An example of this was the strides made towards regional education which led to the expansion of the University College of the West Indies (UCWI) established in 1948.

<https://assignbuster.com/the-caricom-single-market-and-economy-economics-essay/>

The end of the Federation in January 1962 gave rise to what is now the Caribbean community and reinforced its importance. The new Caribbean Free Trade Association (CARIFTA) came into effect on May 1, 1968. CARIFTA intended to unite the economies of the recently independent states and give them a joint presence on the international scene. CARIFTA sought to balance regional development by increasing, diversifying and liberalising trade and also by setting up rules to ensure fair trade. This would ensure that the benefits of the trade were equitably distributed among member states.

CARIFTA also sought to promote the development of the coconut industry, as well as other industries which were of great significance in many Less Developed countries (LDCs).[2]Not only did the LDCs of the Caribbean benefit from this but so too did the more developed countries. With the signing of the Treaty of Chaguaramas, which came into effect on August 1, 1973, Caribbean Community and Common Market (CARICOM) was now established. The Treaty was signed by Barbados, Jamaica, Guyana and Trinidad & Tobago and came into effect on August 1, 1973.

Subsequently the other eight Caribbean territories joined CARICOM, which effectively replaced and extended work of the Caribbean Free Trade Association (CARIFTA) because although there was now a free trade area, it did not facilitate the free movement of labour and capital, or the coordination of agricultural, industrial and foreign policies. With the establishment of CARICOM it was now the aim to provide for formation of a common external tariff and a common protective policy for trade with countries outside of the region.

The objectives of a CARICOM were full use of labour, full employment and full exploitation of the other factors of production of natural resources and capital; competitive production leading to greater variety and quantity of products and services to trade with other countries. It was expected that these objectives would in turn provide improved standards of living, work and sustained economic development.[3] This was done by removing fiscal, legal, physical, technical and administrative barriers off trade within member states so that goods, services, capital and people can move freely throughout the Caribbean Community.

CARICOM however, poses a number of benefits to member states, as with the removal of tariffs, this single market economy will establish greater political and economic strength from the fifteen member states. As a result of this smaller states will now be better able to negotiate with a regional title as opposed to an individual one. Greater opportunities for employment, trade, investment and production are now available for members of the Caribbean Community. Also with the diversification of this single market economy the dependence on trade outside the region is lessened due to the availability and quality of goods within the region.

CARICOM creates new possibilities for all member states, for example Jamaica who gained independence on August 1st, 1962 is still tied by a monarch appointed by the queen. As a result of this it limits their political sovereignty. Jamaica's economy is heavily dependent on trade, as the country's resources of bauxite and alumina allow its export of these commodities. They also export sugar, banana, coffee, tobacco, rum, yams, wearing apparel and some chemicals. The United States is Jamaica's leading

<https://assignbuster.com/the-caricom-single-market-and-economy-economics-essay/>

trade partner and accounts for 40% of their exports and imports as they supply almost 50% of their food needs.[4]

Their economy is highly import-dependent because of their limited resources. They do not produce their own oil, and they do not consume natural gas.[5] Jamaica's energy needs are fully met by petroleum imports, they import, oil, machinery, industrial supplies, construction materials and food. Nearly 40% of the imports were from the US while another 17.6% came from Trinidad and Tobago and 11.7% from Venezuela. Consequently, Jamaica has a large trade deficit due to its large amounts of imports of oil and food items.

Due to Jamaica's import needs they stand to gain more by actively participating in trade within the Caribbean community. The cost of importing oil, machinery, industrial supplies, construction materials and food from within the single market economy is more cost effective than importing from the United States and the United Kingdom. There are countries within the Caribbean that produce oil and natural gas and it is traded among member states for other materials which benefits all countries of the region as a result of the removal of tariffs that make trade easier and more harmonious.

Barbados among other countries of the Caribbean also stands to gain by actively participating in the import and export of goods and services within the single market economy. Approximately 30.7% of Barbados imports are from the United States and 6.5% of imports are from the United Kingdom[6]. Importing goods and services from the Caribbean Community will be more

cost effective, also goods, services, capital and people can now move freely in and around the Caribbean single market economy.

Subsequently, Barbados who was granted independence in 1966 has made a full transformation, moving from a low income economy to one that has lived off production of sugar. They now have a medium income, as they used various offshore sectors as well as tourism to boost their economy Barbados, trade which includes, imports, exports and trade are actually secure.

Barbados exports are estimated to be around \$385 million annually.[7]They export sugar, molasses, rum, manufactured goods, chemicals and electrical components. Their annual import however is estimated to be around \$1, 585 billion.

The benefits of CARICOM are not only limited to Jamaica and Barbados, all members benefit from trade conducted within the region. As a result of the amendment of the Treaty which established the Caribbean Community, and the ratification of nine key protocols, there now has to be agreement on regional standards for the production of goods throughout the Community, removal of restrictions on trade in services, elimination of the need for passports by CARICOM nationals traveling within CARICOM; free movement of capital, and the establishment of the Caribbean Court of Justice (CCJ) which will replace the Privy Council as final court of Appeal. This will provide a solid judicial foundation for the success of the CSME as it will protect and enforce a range of rights.

Over time the members of the Caribbean community has been making strides and gravitating towards a single market economy which has widened

their economic mass. As a result this single market economy has been recognised as a single economic space where goods, services, people and capital move freely. The single market and economy has achieved its Caribbean Court of Justice (CCJ) which has appellate jurisdiction and a regime governing the free movement of goods is fully implemented. Also a harmonization of standards whereby goods and services has to be of an acceptable standard and regional accreditation that allows for the free movement of persons.

The achievements of CARICOM thus far are significant in the expansion of trade.[8]One of the main achievements of CARICOM is the regional stimulation of trade, investments, regional ownership and joint development of resources. With the participation of all member states CARICOM can and will rise to its truest potential achieving all its initial objectives, and reaping the benefits conducive to free trade within the region. A unified voice is louder than a single voice and if Caribbean integration is the aim United the Caribbean shall stand and divided they shall fall.