

# Caribbean Economies and Globalisation

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Caribbean economies are small, open, and heavily dependent on trade. Understanding the organisations that govern regional cooperation, the pressures of globalisation, and the digital shift toward e-commerce is essential for Section 8 of the CSEC syllabus.

### Characteristics of Caribbean Economies

Caribbean economies share three defining characteristics:

**Small market size** -- Caribbean nations have small populations and limited domestic demand. This restricts the scope for economies of scale and makes export earnings vital to growth.

**Resource constraints** -- Most Caribbean countries lack diverse natural resources. Many import petroleum products, making their economies vulnerable to oil price increases. The primary export earners are typically tourism, agricultural commodities (sugar, bananas), and financial services.

**Nature of dependency** -- Caribbean economies depend heavily on:

- Preferential trading arrangements to gain access to larger markets
- Economic aid from developed countries
- Remittances sent home by nationals living abroad
- Imports of food, fuel, machinery, and manufactured goods

The historian Eric Williams captured this structural dependency in the phrase: "we consume what we do not produce and produce what we do not consume" -- illustrated by the export of bananas alongside the import of apples.

### Economic Challenges

Caribbean economies face a cluster of persistent macroeconomic problems:

- High rates of unemployment and inflation
- Debt burdens that consume large shares of government revenue
- Depreciating exchange rates

- Low rates of economic growth
- Social problems including crime and violence
- Vulnerability to external shocks (natural disasters, global recessions, commodity price swings)

## Key Concepts and Terms

**Debt burden** -- the interest and principal repayments on accumulated national debt. It becomes a burden when a government must devote a large share of its budget to debt servicing rather than development spending.

**Structural adjustment** -- the conditions imposed by the IMF when a country borrows from it. These typically include: reducing government spending, privatising or divesting state-owned enterprises, and opening the economy to market forces.

**Laissez-faire** -- an economic philosophy of minimal government intervention, leaving resource allocation entirely to market forces.

**Trade liberalisation** -- the reduction or removal of government barriers to trade (tariffs, quotas, regulations) to allow the free flow of goods and services based on comparative advantage.

**Globalisation** -- the process by which economies, societies, and cultures become interconnected through trade, communication, and the movement of goods, capital, labour, and technology.

**Bilateral agreement** -- a binding trade contract between two countries granting each other favourable trading terms.

**Multilateral agreement** -- a binding trade contract among several countries outlining general trading preferences.

**Foreign Direct Investment (FDI)** -- a long-term investment in which an investor acquires or establishes a productive facility in a foreign country. Forms include greenfield investment (building new facilities from scratch) and brownfield investment (purchasing existing facilities).

**Preferential tariff** -- a reduced or eliminated customs duty applied to imports from countries with which a free trade agreement exists. The benefit flows to both parties: consumers in the importing country pay lower prices, and exporters gain easier access to foreign markets.

**Economic integration** -- the harmonisation of economic policies among countries through the partial or total removal of trade barriers and the fostering of regional cooperation.

## Stages of Economic Integration

Study Vault