

2005 - - BRACING FOR LANDING

A look at the preparedness for the arrival of CSME and the major challenges of 2005 for Caribbean businesses.

Overwhelming challenges face the fifteen CARICOM member states, as they move toward a January 2005 deadline for the establishment of the Caribbean Single Market and Economy (CSME). This regional initiative proposes the removal of trade barriers, the free movement of capital and people, and the production of quality goods and services for local consumption and export. As the smallest of the CARICOM member states, my home country of Nevis will also be affected by the policies of the CSME and should be equipped to address the issues that accompany regional integration. The success of this initiative is highly dependent on key sector leaders including those in the business community throughout the region.

With the fruition of the CSME, businesses in CARICOM Member states will soon have the opportunity to provide goods and services to a consumer base of over 14 million compared to their own individual markets. With this increased consumer base comes the issues of product quality and quantity, labour size and performance, of international alliances.

In order for the CSME to effectively compete in the regional arena, it will have to provide products equal in quality and quantity to those provided by European and North American markets. To achieve this goal Caribbean enterprise will have to first consider the demand of its consumer base. Priority should be given to the manufacture of products in greatest demand. Companies should then mass-produce the selected products for export under the highest quality assurance standards, instead of products in small quantities.



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With an increase in production may have to consider expansion, as well as consolidation with local and regional companies of similar interest. Amalgamation of companies will ensure that more products are produced on a larger scale with less input costs. Additional production costs may also be defrayed by the information of international alliances as new investors seek to claim their share in this new trading bloc.

Another alternative lies in the identification of new markets and investment in new products. Banana based agro-processing industries such as paper, cosmetics and animal feed can be explored in the Windward Islands, for example, where export profits of the fruit are declining, due to competition from other producers.

An increase in production, and new market investments will unquestionably have an impact on the labor force. With freedom of movement under CSME there will be a readily available regional workforce as some businesses restructure and require new employees. With demanding customers and cutthroat competition by other companies throughout the region as well as

worldwide, business should bear in mind that training of new as well as existing staff is a crucial part of the equation in putting out a quality product. The freedom of movement policy can also be counter effective by drawing a large number of persons into a country where the supply far exceeds the demands for workers causing a country to experience growth in unemployment. The Bahamas for example has expressed concern that the unregulated migration under CSME will have "serious social and political implications".

In addition to the above-mentioned issues, private businesses as well as governments are now faced with recalculating their profits as they adjust for the removal of tariff barriers. Currency differences and other sources of indirect revenue can also complicate the trading process among CSME states.

With the kinks yet to be ironed out under the CSME policies, the member nations are expected to form an alliance with roughly twenty other nations and join the Free Trade Area of the Americas (FTAA). This proposed trade agreement will target 800 million people, more than US\$13 trillion in production of goods and services, and be responsible for more than US\$3.4 billion in trade. If businesses are to flourish under the formation of CSME and the FTAA, individual governments must first invest the time required to formulate a common fiscal policy that takes into account the regulations of each member state. Whether or not these policies are formulated by January 2005, businesses should educate themselves on the issues that accompany the CSME, or brace for a real bumpy landing.