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## USA tariff on Caribbean countries: 2025

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*Abstract: Tariff is a very important tool for any country to generate revenue and to have good bilateral relations. More exports to any country determine a good foreign policy. Similarly, the US-Caribbean relationship has been friendly since the colonial era, driven by sugar, agro-products, trade, geostrategic interests, slavery, tourism, security, remittances, and other factors. The new tariff policy has disrupted the entire trading system in the Caribbean and around the world. It has impacted the entire economy of this nation, leading to industry shutdowns, unemployment, and inflation. Perhaps this is a good lesson for the Caribbean community: to pursue new market opportunities rather than depend on a single country.*

### **Introduction**

Caribbean nations are vital to the USA and global strategic interests. These countries are reliant on former colonial powers and exports. These countries are now challenged by the new United States tariff policy. These tariffs, intended to protect US industries and advance foreign policy, have disrupted Caribbean trade, weakened supply chains, distorted trade flows, and caused economic instability. As small, vulnerable economies, they depend on regional unity for strength, but current policy has threatened this stability. While the US acknowledges this region as a crucial partner, its exports remain exposed to broader global trade policies and trends. However, changes in trading policy are a natural phenomenon, and alternative protective measures are necessary to avoid fallout. The tariff policy has been paused for a few months, and diplomatic negotiations are underway to reduce them. The CARICOM community are working together to avoid this catastrophe.

### **Historical Links: US-Caribbean**

The Caribbean and the USA are deeply interconnected by centuries of trade, colonisation, and geopolitics. The US has significant political and economic dominance in this region, with fertile soil and new market opportunities for finished goods. In the 1898 Spanish-American War, Caribbean immigrants shaped American culture and demography. The US, a global power, has

traded extensively with these countries since the 20th century, with ties dating back to the colonial period, when sugar and enslaved people were exchanged. Caribbean nations export sugar, bananas, coffee, rum, and other agricultural products. During the Cold War, the USA sought to prevent communist influence in the Caribbean, particularly after the Cuban Revolution, which challenged the USA in various ways.

In response to mutual trade interests, both the US and Caribbean trade relations adopted the Caribbean Basin Initiative (CBI) in 1983, during President Ronald Reagan's term. The primary objectives were to support economic progress and regional stability by providing Caribbean countries with preferential access to American markets through reduced tariffs or duty-free arrangements. This policy led to increased exports of textiles, agricultural, and finished goods to the US. Beneficiary nations included Jamaica, Barbados, Trinidad and Tobago, the Dominican Republic, the Bahamas, Haiti, and Belize. The main goals were as follows:

- 1; promoting exports for growth
- 2; encouraging private investment
- 3; Eradication of BPL and unemployment
- 4; Precautions for economic and political instability
- 5; stopping the communist ideology

In 2000, the Caribbean Basin Trade Partnership Act further advanced these trade benefits. Taxes on exports like textiles (from Haiti, Jamaica, and the Dominican Republic) and apparel were reduced, attracting more foreign direct investment and boosting job creation. This policy also increased regional competition with Mexico, especially after the North American Free Trade Agreement was established.

### **Meaning of Tariff**

Before discussing tariff disputes between the USA and Caribbean nations, it is important to clarify the term itself. Tariffs are government-imposed taxes on imported products, serving various purposes, such as:

- 1; to protect local productions
- 2; to gain revenue
- 3; balancing trade deficits
- 4; countering hegemonic trading
- 5; strengthening the diplomatic and geo-political agendas

### **CARICOM, Caribbean Regional Integration**

The CARICOM community was formed to respond to external economic threats and challenges by engaging in coordinated negotiations with major economies such as the US. Its main priorities include:

- 1; integration and market prosperity:
- 2; negotiations
- 3; market prosperity
- 4; protection

However, it faced some challenges like

- 1; limited market size
- 2; diverse interests
- 3; foreign trade dependence
- 4; ineffective bargaining power

### **US Tariff on Agro and Metal Products**

Caribbean economies export sugar to the US market, but tariffs have hurt Jamaica, Guyana, and Barbados. Prices fluctuate, and these countries cannot compete in international markets, so many sugar industries have failed. This has led to factory closures, rural unemployment, losses in export revenue, and migration to cities or other countries. Bananas, another key export, also struggle to compete with large producers in Latin America. This has weakened the banana industry. Rice is produced and exported by many Caribbean countries, including Guyana, the Dominican Republic, Cuba, Haiti, and Belize. Caribbean has blocked US rice imports to protect the domestic paddy and prevent competition from US rice.

Steel and aluminium exports were not major for the Caribbean, but in 2018, President Trump introduced more protectionist trade policies under Section 232 of the Trade Expansion Act. These measures have continued to affect the region. For example, Trinidad and Tobago's manufacturing industries faced higher costs due to US tariffs. This raised production expenses and reduced export competitiveness. As industries shut down, FDI fell, and shipping and logistics costs rose, making production less attractive.

Cuba is a communist country that joined with the Soviet Union during the Cold War. The US imposed a trade embargo, which caused economic hardship for Cuba by restricting trade, investment, funding, grants, and aid. These restrictions made it hard for Cuba to access American markets, advanced technology, foreign investment, and financial support. The US used these tactics to pressure Cuba to change its communist system and to promote democracy, human rights, and political freedoms. These embargoes are among the most controversial parts of US-Caribbean relations.

Haiti is a developing economy with unstable governance and a high risk of natural disasters; it has advantages in trade with the United States. There were schemes like the HOPE Act and the HELP Act that offered zero tariffs on Haitian textile products. It encourages textile manufacturing and employment, and attracts FDI. Their economy has improved gradually. Rum represents the principal export to the USA for Jamaica, Barbados, and Trinidad and Tobago. The rum industries of these countries have been significantly affected by recent tariffs.

### **Trump's Tariff: Caribbean Effects**

Trump's tariff policy has significantly strained US-Caribbean trade relations. Higher tariffs caused economic instability in the region by reducing employment, limiting foreign exchange, and disrupting industries. Tariffs ranging from 10- 15 per cent—and up to 38 per cent in Guyana—harmed exports, discouraged investment, and raised fears of long-term negative impacts. Since

CARICOM relies on the US for both exports and imports, these tariffs threaten the economic stability and prosperity of Caribbean nations.

The new tariffs on Caribbean exports have directly resulted in reduced demand—especially for products like rice—in US markets. This lowered demand has led to layoffs, business closures, and a decline in foreign investment, all of which have contributed to trade imbalances and rising national debt. These consequences underline how US tariffs directly undermine export revenue, employment, and economic health in Caribbean countries.

- 1; Limit export revenue
- 2; Spike in unemployment
- 3; Discourages Foreign Direct Investment
- 4; Trade deficits

There have also been indirect impacts on the tourism sectors of the Bahamas, Barbados, and Antigua and Barbuda. Due to reliance on tourism, economic downturns or recessions in the USA have reduced visitor arrivals, negatively affecting Caribbean economies.

#### **Tariff: Counterbalance**

- 1; Diplomatic efforts: High-level talks to protect small, vulnerable island economies.
- 2; Improvement in agriculture- encouraging local agriculture production, light manufacturing and establishing new economic ties with Latin America, Africa, the UK and Canada; it has to go a long way.
- 3; Tourism: Preferring local tourism for maintaining the country's economy.

Caribbean responses focus on reducing dependence on traditional exports by diversifying the economy. Strategies include expanding tourism, financial services, digital industries, and renewable energy, as well as forming new partnerships outside the US. These measures are driven by the need to build resilience and collective bargaining power as a response to US tariffs and external economic shocks. For instance, Guyana faced particularly high tariffs due to geopolitical dynamics involving the US and China, linking local economic pressures to broader international strategies.

#### **Caribbean: USA Diplomatic Visit**

USA visit to Jamaica, Guyana and Suriname focused on trade, Cuban medical programme, energy security, organised crime, migration, and escalating rivalries with China and Venezuela. Barbados PM Mia Mottley raised questions about the US tariff on Chinese-built ships, which could dramatically increase shipping costs. Tariffs could add between US\$1,500 and US\$4,000 to the cost of importing a single container. Trinidad and Tobago's tariff increased from 10% to 15%. Guyana's President Irfan Ali appreciated the USA's support for the country's territorial integrity and sovereignty. US-Guyana signed a new security memo which targets narco-trafficking, smuggling and human trafficking. The main agenda for the US-Caribbean is to push back against Chinese and Venezuelan influence and to restore US hegemony in this region. (Caribbean Insight: 7)

However, Trump announced a 90-day pause on the high tariffs and levied 90 per cent, the same as all Caribbean countries except Canada, China and Mexico. Caribbean countries are fond of

American products. Some Island countries import 70 per cent of their household items from North America. The finished goods of the USA are made with raw materials mostly from those countries. Most of the imported products from Caribbean countries come via the USA. Chinese products enter the US with a 125% tax, are re-exported with an additional 10% tax. Shipping costs to the Caribbean and local import duties significantly increase prices, while incomes and wages are very low.

Due to rising raw material prices, many projects are on hold, and the cost of food items has also increased dramatically. Caribbean countries are choosing a smarter way to buy only local products. These countries frequently face natural disasters like earthquakes and hurricanes, and the COVID pandemic is still not over, which has led to economic damages and the tariffs add more misery. For many centuries, the Caribbean contributed significantly to the USA's prosperity by supplying many products the USA didn't import, creating a trade imbalance. The problems have been cultivated, as it has relied too long on the US and has not diversified into other markets worldwide. Both countries are working to address this to sustain their good relations, and the 10% tariff will not prevent their goods from reaching US markets. The manufacturing industry has not improved due to a smaller market size, high labour costs, and geographical remoteness. The most distorted were the Chinese ships entering US ports, subject to a \$1.5 million per-docking tax, which increased freight costs and led to price hikes on household items, as most of them come from China. Overcoming these economic problems requires diversifying the market, which should be done gradually; it won't happen overnight. Mostly, the private sector decides the new market system, not the government; therefore, it's not going to be an easy task. The best way out of this crisis is to negotiate, and these communities are working hard to keep product prices lower.

In recent years, there were geopolitical rifts between the US and China. The external factor was China's growing interest in the Caribbean through loans, infrastructure development, construction, and shipping, which raised concerns for the USA as its holdings were weakening. Caribbean communities are persistently working to become self-sufficient and are increasingly creative in their agricultural production and light manufacturing. It is creating a market network across Africa, Central and Latin America, the UK, Europe, and Canada. Those countries learned a good lesson in trusting and relying on only one or two markets.

### **Caribbean Challenges**

- 1; Weakened bargaining power
- 2; Single market dependence
- 3; Pressure from climate change

### **Tariff: Criticisms**

The implementation of the US tariffs, from 10 per cent to 38 per cent, on the Caribbean nations and Guyana drew brutal criticism, widened regional trade deficits and inflation, and targeted developing economies. It has ignored the preferences of the agro products and manufacturing sectors. Some of the main criticisms are:

- 1; Inflation: Caribbean countries are heavily dependent on the US for their exports, and these tariffs affect Caribbean consumers.

2; Trade Rivalry: Caribbean countries import more from the US than they export. Experts made points that “reciprocal” tariffs will backfire on their economy, as it is highly vulnerable due to its small size.

3; Underestimating Agreements: The tariff has failed to achieve its long-term objectives- such as the Caribbean Basin Economic Recovery Act (CBERA), which was constructed to support regional development.

4; Distorted Supply Chain: US restrictions on certain (Chinese) goods hike the price of raw materials and shipping, which Caribbean importers subsequently have to pay.

### **Future Prospects**

The continent's future will depend on many parameters.

- 1; Trade Liberalisation
- 2; Support in development
- 3; Diversifying the supply chain
- 4; Strategic competitions

### **Conclusions**

Both the USA and the Caribbean have benefited from trade, especially the economies of the CARICOM community, which have benefited from preferential trade arrangements such as the Caribbean Basin Initiative. However, the tariff has disturbed the smooth functioning of the trading system. Many industries were affected, like sugar, textiles, agriculture and manufacturing. These countries' economies are small, developing, open and dependent on exports to the USA; even a small change in the tariff has tremendous economic fallout. The consequences are beyond economic; they affected employment, investment, regional diplomacy and geopolitical stress. Shutting down and reduced export potential weaken purchasing power, as wages are low or non-existent for the Caribbean community. The effects are all interconnected; a single change in trade policy triggered a chain of reactions.

However, China's growing influence in this region has heightened the strategic importance of trade policy in the Caribbean, as its hold in the region has become a power game. In the future, a balanced approach to trade is very important for market access, development cooperation and the concerns of the Caribbean community. A strong reciprocal trade relationship contributes to economic growth, stability, prosperity and investment.

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