

## ABSTRACT

### **NAFTA: Its Implications for the Caribbean Information Processing Industry**

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The North American Free Trade Agreement (hereafter NAFTA), was launched on January 1, 1994. An examination of existing literature of its impact on the Caribbean reveals a dominant view that the trade agreement will have a negative impact on this Region. This notion emanates from the fundamental subject matter of the Agreement - the elimination of tariff and non-tariff barriers among and **only among** NAFTA participating countries - the United States of America (USA), Canada, and Mexico. Countries outside NAFTA are not included in this preferential trading arrangement and hence are excluded from the benefits thereof. Thus, while there is the possibility that the Agreement may facilitate Caribbean trade expansion with a larger NAFTA market, it may also mean that the reduction of tariffs on Mexican imports into US and Canadian markets may reduce or eliminate trading preferences which the US allows the Caribbean under the Caribbean Basin Initiative (CBI).

These concerns are speculative given that there is little empirical research on the effects of NAFTA on US/Caribbean bilateral trade and, furthermore, since the fifteen year period for the total elimination of tariffs on intra-NAFTA country trade has not yet

expired. However, these concerns are real. How the Caribbean deals with the NAFTA challenge is a source of concern and there are varied opinions on an appropriate course of action. One suggestion is for the identification and fostering of new industries in which Caribbean capabilities can be profitably employed and for which there is global interest. This thesis identifies the information processing industry as one such industry. In addition to evaluating the current state of the information processing industry globally, and describing the trends and market growth projections, this thesis seeks to highlight the information processing industry in the Caribbean and Mexico, illustrating sources of competitive advantage of this industry, especially as they pertain to the Caribbean's position in this area.

The thesis finds that global opportunities exist for the Caribbean information processing industry. One critical lesson though, is that becoming internationally competitive in the global information processing industry is a formidable task. To meet the challenge of an increasingly competitive international setting Caribbean firms engaged in information processing activities cannot afford to rest on their laurels, but must make sustained efforts not only to cultivate present sources of competitive advantage, but also look for new ways to sustain the advantage.