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### **Caricom Pays for Trinidad's Oil in US Dollars**

Even though Guyana became Caricom's largest oil producer in 2023, no Caricom country imports oil from that country. In fact, Guyana imported US\$21 million of fuels, oils and distillation products from Jamaica in 2024, a reflection of the fact that Jamaica has an oil refinery and Guyana does not. Barbados and the Eastern Caribbean Currency Union (ECCU) do import some fuels from Trinidad and Tobago, until recently Caricom's only major oil and gas producer, although their main suppliers are the US and India. There is minimal intra-Caribbean trade in fuels; the Caribbean market is too small to make it profitable to refine crude oil at home or to ship it across the Caribbean Sea for sale within the region. The region's refineries were all built to serve the North American market, and the residual amounts they sell within Caricom have stagnated with the closure of refineries in Trinidad, Aruba and elsewhere.

What is of significance for the balance of payments of Caricom countries is the fact that Guyana's payments to Jamaica, Barbados' payments to Trinidad and Tobago, and all other fuel purchases among Caricom members are made in US dollars, just like these countries' oil imports from the US and India. It makes no difference to Guyana or to Trinidad whether they sell oil to Barbados or the US because the

price is the same in either case and payment is always in US dollars. Equally, it makes no difference to Barbados whether it buys in the US or in Trinidad, because the impact on the foreign currency market is the same. Across the region, the specific terms of individual contracts may matter, but it is of no consequence whether the source of the product is Guyana, Trinidad or an extra-regional supplier.

In the absence of a single currency in common use throughout the region intra-Caricom trade does not provide any foreign currency benefit to member countries. Imports of food, pesticides and other manufactured products from member countries are paid for in US dollars, just like imports from non-member countries. With the advent of oil production in Guyana, there is now no prospect of that country becoming the bread basket of Caricom, but that makes no difference to the balance of payments of any member country because imports of food from Guyana are paid for in US dollars, just like all other imports.

Prior to 1971, when the US went off the gold standard, the countries that now form the Caribbean Community all had local currencies that were fixed to the US dollar, at 4 dollars 80 cents Eastern Caribbean currency per US dollar, 83 cents Jamaican per US dollar and one dollar Bahamian per US, a rate which remains unchanged (The EC dollar was the common local currency for countries from St Kitts south to Guyana, and the Jamaican dollar was also used in Belize). The value of the local currency never changed, and the local issue was fully backed by US dollars or an equivalent amount of pounds sterling. Local currencies were therefore readily accepted across the region.

In the 1970s, when currency values in the region began to diverge, Caricom central banks devised a regional clearing mechanism, the Caricom Multilateral Clearing Facility (CMCF) to facilitate regional circulation of local currencies. However, the CMCF broke down in the early 1980s and has never been replaced.

The last credible attempt to establish a regional Caricom currency came in 1982 when the Heads of Government agreed to a proposal made in *Time for Action*, the report of the West Indian Commission, for a single currency pegged at par to the US dollar. It was to have been implemented in stages by countries, based on criteria related to the stability of individual country currencies, and minimum levels of foreign currency reserves, government deficits and levels of government debt. The agreement was never put into effect because neither Trinidad and Tobago nor Jamaica, which together made up two-thirds of Caricom's GDP, met the criteria.

By now, over 30 years later, there is no prospect that Caricom countries will use any common currency for trade, finance and commerce, other than the US dollar, the world's currency. Caricom leaders and the populations of the region should consider adapting their exchange rate strategy to this reality.

*My Economic Letters may be found under "[Commentary](#)" at [DeLisleWorrell.com](http://DeLisleWorrell.com). I welcome your comments from [the website](#).*