

NOVEMBER 2018



INCREASED ECONOMIC
GROWTH AND DEVELOPMENT
THROUGH TRADE



OUR MISSION: A HIGHER QUALITY OF LIFE

Every Bahamian wants a higher quality of life. We want to enjoy good health, proper shelter, sound education, steady jobs with good pay, profitable businesses and wholesome communities. We want good governance, national development and pride of achievement. In short, we want peace, prosperity and progress. These things are not possible in a modern world without a robust economy, and a robust economy is not possible without domestic and global **trade**.

WHAT IS TRADE?

To enjoy a life of quality, we have to trade. Trade is **buying** and **selling**. Through buying and selling, we get the things we need and desire, such as food, drinks, clothing, shelter, education, healthcare, recreation, government services, etc. This buying and selling, when it occurs in a rule-governed, equitable context, helps all to live a better life. *For example, a mother buys her baby's diapers with money she earned selling her labour to her employer; her employer buys her labour using money he earns selling his products to his customers; and his customers buy from him using money earned by selling their labour, land or some other asset. Everything turns on trade. The economy is created, sustained and grown through trade – the buying and selling of products and services.*

PRODUCTS VS SERVICES

To live a quality life, we buy and sell **“products”** and **“services”**. A product is a tangible thing we buy that produces benefits such as food, clothing, a television or medicine. A service is an intangible activity we buy that also gives us a benefit. Such services include a haircut, medical examination, or legal advice. We can take a product with us when we buy it, but a service is usually only used at the time it is given.

Trade in products is known as **“merchandise trade”**, while trade in services is known as **“service trade”**. All the products and services we buy and sell bring us benefits, and these benefits enhance the quality of our lives. The more products and services we sell, the more money we earn, the more wealth we build, the more things we can buy and increase our standard of living. The fewer products and services we sell, the less we earn, the less wealth we build, the less we can buy, causing our standard of living to decrease. We can only buy more and more goods and services, if we are able to earn more money selling more and more goods and services. **Trade brings wealth and wealth brings trade.**

DOMESTIC VS FOREIGN TRADE

Some of the products and services we buy and sell are produced right at home and bought and sold right at home. These include fish, conch, lobster, construction, insurance, and the like. When this local buying and selling happens, we call it **“domestic trade”**. Many products and services we buy—such as cars, cell phones, refrigerators, and some medical care—are produced abroad. When we buy these products and services from abroad, it is called **international or foreign trade**. When we sell products or services to others outside our country, including lobsters, conch,



straw work, hotel stays, trusts, etc., this is called “international” or “foreign” trade. Actually, the dollars we earn from selling products and services to others enable us to afford to buy products and services from them. For example, we earn enough US dollars from tourism, financial services and foreign investment to afford to buy billions of dollars of good and services from the USA and other countries around the world. In fact, it is our ability to earn foreign currency that keeps our dollar’s value equal to the US dollar’s value. **Trade, in particular international trade, gives us strong purchasing power.**

MODES OF TRADE

The products and services we buy are supplied to us through different **modes** or **means of trading**. There are really four modes of trade, which are:

- **Mode 1:** **Cross-border**, where the product or service is sold from us to others abroad or from them to us; for example, a car bought by a Bahamian from a US dealership or underwriting services bought by a Bahamian insurance company from a foreign underwriting provider.
- **Mode 2:** **Consumption abroad**, where we go abroad and buy and use products or services while there; for example, where a Bahamian goes to the US to study in university or vacations in Orlando;
- **Mode 3:** **Commercial presence**, where a product or service is provided by a foreign company, which has set up a business in our country; for example, the Canadian banks or foreign food franchises operating in The Bahamas;
- **Mode 4:** **Presence of natural persons**, where products and services are sold by foreigners who actually travel to our country to sell to us or we travel to their countries to sell our goods and services to them.

These modes of trade create multiple opportunities to do business, generating jobs, income and prosperity, especially if they are freely done.

FREE VS RESTRICTED TRADE

Trade, buying and selling, can be **free** or **restricted**. Imagine a world where no one was allowed to buy and sell; a world of absolutely no trade. In that world, everyone would have to produce everything they needed (food, clothes, houses, etc.) for themselves by themselves. Since no one can know everything or have enough time to make everything they need, no one would be motivated to produce anything, because they would not be allowed to sell what they produced. People would have to slave alone to get anything they wanted, and because their knowledge and time would be limited, they could only produce a few things. The world would be a much different place, having fewer goods and services, no businesses, no jobs, little prosperity and much more poverty. **A world with total restriction on trade would be dark.**

Now imagine a world where everything could be bought and sold freely at any time, in any way; everything (food, drinks, explosives, drugs, sex, etc.). People would be able to sell anything to each other, at home or abroad, without any rules or regulations, without any regard as to whether such products or services are harmful to people or country or the world. In a world like that lots of people could make lots of money, but it would mean chaos for millions of us. Explosives, even nuclear weapons, could be sold anywhere to anyone, including to despots who want to suppress the rights of others, even to the point of taking away their freedom or killing them. Food for which the sell-by-date or shelf life has expired or food that wasn't properly sanitized could be sold all over the world causing severe health issues. Guns could be sold to children and mentally ill people without challenge. Countries could bargain with each other to sell weapons that could annihilate their neighbours. **A world with absolutely free trade, but no rules, would be in chaos.**

Imagine, also, a world where trade was free but where some people, the powerful, could do whatever they wanted, while others, the less powerful, were not allowed to do what they wanted. In this world, the rich and powerful would buy and sell all they want from and to whomever they want at any price they want. They would buy products from the little guys dirt cheap and then sell poor quality products to the same less fortunate people at exorbitant prices. If these big players wanted to prevent others from selling to them, they would ban their products or place quotas on them; and when they did not want to make it obvious that they were restricting trade, they would use excessive technical rules that are impossible for the little guys to meet. In this free, but unfair trade world, life would be miserable for many and combative for all. When countries trade unfairly, it lowers prosperity and causes conflicts in the world. This happened prior to World War II and contributed to the start of it. **Trade without rules can lead to war.**



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RESTRICTIONS ON TRADE

A country can prevent its citizens and business people from buying from or selling to other countries; that is, restrict international trade. They can do this by the following:

1. **Embargoes**, which represent the most extreme example. This is the case where a country does not allow any purchases from or sales to all or some foreign countries;
2. **Revenue tariffs or customs duties**, where the country levies a charge on foreign products entering the country or products being exported from the country, which makes both the incoming product and outgoing product more expensive but doesn't limit the amount flowing;
3. **Quotas**, where a country places a limit on the quantity of goods imported into the country, so that the price is not impacted but the quantity is for some specified period; and
4. **Technical barriers**, where a country establishes standards (minimum quality requirements) and licensing procedures that limit imports.

These restrictions have both benefits and cost, but both experience and research has shown that trade restrictions mostly hurt rather than help countries in the end.

RULES-BASED TRADE IS FREER AND FAIRER

When people can buy and sell freely but with rules that apply to all then trade is also fairer. We see this taking place every day in our country. We can go into a food store and pay money to receive an item and know that the store must give us the item in exchange for our money. If the store does not do so, we can take the store to court and when our case is proven, the store will be found guilty of unfair trade practice. Similarly, if we take an item and don't pay for it, we can be charged with theft. All across the country, we are able to buy and sell on the basis that there are rules that all of us must obey when we do so.

What is true for individuals is true for countries. If countries have rules that guide how they allow their companies to buy and sell, then each country should have the opportunity to buy from and sell to each other freely and fairly. In this situation, countries can produce what they are best at and sell to others, and all can prosper accordingly. Small countries and big countries can exploit their strengths and produce goods and services that they trade with each other. In the process they can all prosper and the world with them. **In a world with free trade, rules help all to prosper.**

COUNTRIES, LIKE PEOPLE, CAN BREAK RULES

Free trade and fair trade would work well, if people were not prepared to break the rules to get an advantage for themselves. Companies sometimes cheat customers and customers sometimes cheat companies. It happens every day. Sometimes they get caught and sometimes they don't. We all agree that we need rules and we need courts to enforce them. Countries, like companies and people can cheat each other, even though there are rules governing their trade. **If international trade, so necessary for global prosperity, is to continue and grow, then rules have to exist and someone must enforce them. This is why the World Trade Organization (WTO) exists.**

THE WTO AND RULES OF TRADE

In 1948, following World War II, fourteen (14) countries signed on to rules for trade in goods known as the General Agreement on Trade and Tariffs (GATT). By 1994, 128 countries had signed onto the agreement. As it became more evident that the GATT needed an entity to oversee it, the signatories of the GATT agreed to form an organization to do so. They called it the World Trade Organization (WTO), which came into existence on January 1, 1995. The WTO has its headquarters in Geneva, Switzerland.

The World Trade Organization is an organization of governments created to regulate international trade in goods, services, investments and intellectual property between the member countries. It has a court of independent judges that hears and determines disputes among members. Members negotiate rules of trade in what are known as “Rounds” of negotiation. There have been eight (8) rounds of the WTO producing about sixty (60) agreements governing trade among the members. The major agreements are: The General Agreement on Trade and Tariffs (GATT), General Agreement on Trade in Services (GATS), the General Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), the Agreement on Agriculture, the Agreement on the Application of Sanitary and Phytosanitary Measures, the Agreement on Technical Barriers to Trade, the Agreement on Customs Valuation and since February 2017 the WTO’s Trade Facilitation Agreement.

Today, of the approximately \$15 trillion of trade in the world, 98% is done by the 164 members of the WTO. Studies confirm that the WTO has been responsible for a significant boosting of world trade and that if it did not exist, most countries would face large increases in tariffs on their exports. Even regional agreements use the WTO as a base standard for their drafting, hence the expression “WTO plus”. **The ultimate aim of the WTO is to lower barriers to trade; that is, to establish rules among its members that avoid restrictions on export of goods, services, and capital; and to avoid abuse of intellectual property rights.**

WHO OWNS AND CONTROLS THE WTO?

The WTO is member driven. It operates on a budget of some \$200 million, which its members fund. The highest decision-making body of the WTO is The Council of Ministers. The Council of Ministers is made up of trade ministers from each member country. The Council of Ministers must approve every rule and agreement of the WTO. All approvals are by consensus, which means that all is agreed or nothing is agreed. Negotiations of the WTO by its members, through trade ministers, are done at what are called “Rounds of Negotiations”. Since its inception, there have been eight rounds, the most recent of which has been without agreement, as developing countries expressed concerns about a number of issues, especially agricultural subsidies by developed countries. The day-to-day policy and decision making of the WTO is done by the General Council which comprises ambassadors and diplomatic representatives from the member countries.

THE MAIN RULES OF THE WTO

All that the WTO agreements set out to do can be summed up as one main objective, which is “trade without discrimination”. To promote this aim, the WTO has several major principles that are as follow:

- **Most-favoured-nation (MFN).** This principle seeks to ensure that benefits given to one member coun-

try be given to all. For example, if the USA gives a lower duty for a product to Germany or Canada, it must give The Bahamas the same lower duty if The Bahamas is a WTO member. Similarly, if The Bahamas gives the USA a lower duty, then it must do the same for all other members of the WTO. Under strict conditions, however, special rates of duty can be given to members of a regional group, like CARICOM, or to less developed countries.

- **National Treatment.** This principle seeks to ensure that once a foreign product has entered the local market, it is treated the same as a local product. This is also true for a foreign-service, trademark, copyrights and patents. National treatment, however, only applies to a product, service or item of intellectual property once it enters the local market; so charging customs duty on an import is not a violation of national treatment, even if locally-produced products are not charged the same tax.
- **Freer trade gradually through negotiations.** Lower trade restrictions encourages trade. Opening markets help to grow economies but requires adjustments for countries, especially developing ones. The WTO agreements allow countries to introduce changes gradually, through “progressive liberalization”. Developing countries, like The Bahamas, usually receive a longer time to fulfil their obligations.
- **Predictability through binding and transparency.** A commitment to not raise a trade barrier gives businesses a sense of future opportunities. It provides stability and predictability that lead to investments, business and job creation, competition and better choices for consumers. The WTO system seeks to encourage governments to make the business environment stable and predictable by “binding” their commitments, which, for goods, create ceilings on customs tariff rates.
- **Promoting fair competition.** While the WTO is sometimes described as a “free trade” institution, it does allow tariffs and, in limited circumstances, other forms of protection. The WTO is more a rules-based organization committed to “open, fair and undistorted competition”.
- **Encouraging development and economic reform.** The WTO contributes to development of countries, allowing developing countries flexibility in the time they need to implement the system’s agreements.

The rules applied by the WTO were created by, and adopted by the countries that are members of the WTO. They were approved and ratified by the trade ministers of those countries and can be changed at any time if they do so by consensus.

WHAT DOES THE BAHAMAS TRADE?

In 2015, The Bahamas sold about \$400 million in merchandise (agriculture, fisheries, manufactures, fuels, etc.) to the world and bought about \$2.3 billion in merchandise from it. So, in terms of total trade, The Bahamas does about \$3 billion in trade in goods. The bulk of the country’s trade, however, is in services, where it does about \$5 billion in international trade in services, most in the form of tourism and financial services. It is with the foreign currency earned through its exports in services and foreign investment inflows that The Bahamas pays for most of its imports of goods from abroad. **This means that The Bahamas relies heavily on international trade to maintain its standard of living, and to improve our standard of living, we will have to increase our trade with other countries, most of which are members of the WTO and are applying the rules of that organization.**

THE BAHAMAS AND THE WTO

When the WTO was formed on January 1, 1995, every CARICOM country, except The Bahamas, joined. The Bahamas did not join because it was heavily dependent on customs duties for government revenue. In order to join the WTO, the country would have had to lower its customs duties significantly and replace the revenue with some other form of taxation such as income, or corporate gains. Since its offshore finance industry was built on the promise of “no taxation”, introducing these new taxes would have undermined this lucrative sector.

By 2000, The Bahamas had measurably reduced its dependence on duties for government revenue, though they remain the largest component of tax receipts, and was exploring other forms of taxation. The offshore finance sector had also undergone enormous changes globally and had become less reliant on no taxation as a brand. Given these changes, the nation needed to boost its growth prospects in the long term through greater international trade, more efficient domestic business, and the safeguards of a rules-based trading system. To support this objective, The Bahamas made a decision in 2000 to become an observer of the WTO, and then in 2001 to accede to it.

THE BAHAMAS' ECONOMY NOW AND INTO THE FUTURE

Today, The Bahamian economy's major sectors are tourism, financial services, and wholesale and retail trade. All of these sectors are highly dependent on international free trade. Tourism depends on foreign tourists purchasing hotel stays and entertainment from The Bahamas and using hotels largely owned by foreign investors. The financial services industry, especially the offshore sector, depends on wealthy foreign clients moving their wealth and presence to The Bahamas and using, mostly, foreign-owned financial institutions to do so. The domestic financial sector is dominated by foreign-owned banks that also service both local and international customers. Local wholesalers, and retailers, mostly Bahamians, import the bulk of their supplies (more than 80%) from foreign suppliers. These sectors, which control some 75% of the Bahamian economy, are highly dependent on international trade and are likely to do so for the foreseeable future.

As The Bahamas looks to accelerate economic growth and development in order to boost job creation and wage increase through entrepreneurship and innovation, it will need to secure even more benefits from international trade. For consideration in this connection are increased domestic exports, digital commerce, inward foreign direct investment, global alliances, transfer of knowledge, and research and development. As it further trades in the international community, The Bahamas will want to do so on the same footing as its trading partners, all of whom are members of the WTO, trading under the rules of that organization. This is the underlying basis of the country's decision to accede to the WTO.





THE MEANING OF ACCESSION TO THE WTO

Accession to the WTO means becoming a member of the WTO. To become a member of the WTO a country has to go through a process that involves: (1) Request for membership by formal letter to the Director General of the WTO, which, once accepted, leads to the appointment of a Working Party; (2) Fact finding – in which the details of a country's existing trade profile is determined; (3) Negotiations in which the country participates in multilateral negotiations on the general rules of the WTO, plurilateral discussions on agricultural support and export subsidies, and bilateral negotiations for market access for goods and services; (4) Finalization of the Working Party's report on the negotiation process; and (5) Adoption of the report and terms of accession, which is ultimately approved by ministerial conference with membership following within thirty days after ratification. The Bahamas first applied for accession in May 2001 and its Working Party was established on July 18, 2001. It is now at the negotiations stage of the accession process. This process can be followed at https://www.wto.org/english/thewto_e/acc_e/a1_bahamas_e.htm

BENEFITS OF ACCEDING TO THE WTO

The Bahamas will benefit significantly from joining the WTO. These benefits include

1

Increased economic growth and development. WTO membership will make the Bahamas' economy more attractive to local and international investors because it will create more certainty and ease in doing business; lower the cost of doing business; and encourage creativity and innovation by better protecting intellectual property rights. This will happen because the rules of the WTO lower barriers to business, encourage competition, support innovation, and increase transparency in international trade.

2

Increased opportunities for Bahamian exports. Members of the WTO lower tariffs and other barriers to trade for members of the WTO. This means that Bahamian exports, existing and potential, can gain greater access to world markets. Our agriculture, fisheries, crafts, arts, music, manufactured goods, and others can benefit from this access.

3

Higher employment. As domestic and international business expands in The Bahamas, and as Bahamian exports to the world expand, more and better jobs will be created. This will mean higher employment and lower unemployment for Bahamians.

4

Better income for Bahamian workers. As The Bahamas becomes a more efficient, growing, modern economy, trading on its competitive advantages, it will, over time, create more sophisticated jobs that pay higher than average income.

5

Lower cost of living for Bahamian consumers. WTO members will result in lower duties on goods imported into The Bahamas. This will lower the cost of those products and therefore lower prices in the stores in The Bahamas. Because competition laws and policies will be enacted, and consumers will have greater access to information, businesses will face heightened pressures to pass savings on to consumers.

6

Increased choices for Bahamian consumers. As there are fewer restrictions on trade preventing limitations on what consumers can buy and from whom, Bahamians will have access to better and greater

variety of products.

7

Modernization in government services. The rules of the WTO call for competition safeguards, intellectual property rights protections, food standards, transparency, consultation, etc. These measures will require The Bahamas government to adopt new and more efficient processes, which will help to modernize the way the public service works.

8

Better trade relations with partners. WTO membership will create clearly defined rules for all doing business in The Bahamas and therefore decrease opportunities for discrimination between businesses in The Bahamas. Both Bahamian and foreign businesses will have safeguards against discrimination and unfair practices. In the event of disputes, The Bahamas will have access to the dispute settlement mechanism of the WTO.

9

Stronger Alliance with trading partners. WTO membership helps create certainty and cooperation among members. This strengthens their alliances and helps them to work better together to create a shared prosperity.

OUR NEGOTIATING TEAM

In mid-2017, The Bahamas reconstituted its WTO Negotiating Team comprising senior technical officers of various Government Ministries and Agencies. These Ministries and Agencies include the Ministry of Finance; the Ministry of Financial Services, Trade & Industry and Immigration; the Office of the Attorney General and Ministry of Legal Affairs; the Ministry of Agriculture and Marine Resources; the Ministry of Foreign Affairs; the Ministry for Grand Bahama; the Ministry of Labour; the Central Bank of The Bahamas; and the Bahamas Investment Authority.

The Negotiating Team is responsible for providing the technical inputs required to conduct bilateral and multilateral negotiations with The Bahamas' trading partners. Many members of the the Negotiating Team have participated in technical training workshops sponsored by the WTO and other international organizations to get a better understanding of the Agreements that fall under the WTO.

Members of the Negotiating Team meet the following criteria:

- Have an understanding of international trade rules. Ideally, they should have had some training on WTO rules and matters;
- Have a strong grasp of the current policy positions of their respective Ministries or Agencies and intimate involvement in the formulation and/or implementation of such policies;
- Have a clear understanding of the national sensitivities as it relates to the mandate of their respective Ministries or Agencies; and
- Be sufficiently senior to represent the position of their respective Ministries or Agencies at an international level and to actively participate in consultations with the WTO Secretariat and negotiations with member states of the WTO.



Mr. Zhivargo Laing, the Executive Director of The Government and Public Policy Institute at The University of the Bahamas and former Cabinet Minister and Senator, currently serves as the Chief Negotiator.

The Cabinet has named a Cabinet Subcommittee on International Trade and Investment. The members of the Subcommittee are the Minister of Financial Services, Trade & Industry and Immigration, the Deputy Prime Minister and Minister of Finance, the Attorney General, the Minister of Foreign Affairs, the Minister of Labour, the Minister of Agriculture & Marine Resources and the Minister for Grand Bahama. The Cabinet is updated regularly on matters arising under the WTO Accession agenda.

H.E. Andrew Staines, Deputy Permanent Representative of the United Kingdom to the WTO was elected by the General Council of the WTO on 8th May, 2018 to serve as the Chairman of the Working Party on the accession of The Bahamas to the WTO. Ambassador Staines has working knowledge of key areas which would be of interest to The Bahamas, **inter alia**, the World Trade Organization (WTO), the World Intellectual Property Organization (WIPO), the International Telecommunication Union (ITU), the United Nations Commission on Trade and Development (UNCTAD) and the International Trade Centre (ITC). He has worked at the Commonwealth Secretariat and is responsible for the United Kingdom's \$100 million Aid for Trade programme in Geneva, having secured technical support for the Africa, Caribbean and Pacific Group over the past five years, overseeing partnership with the Commonwealth small states office and WTO input into the prosperity themes for the Commonwealth Heads of Government Meeting. Having worked at Deloitte, Ambassador Staines is familiar with the financial services sector and tourism issues, the two main pillars of the Bahamian economy. In addition, he worked at the Embassy of the United Kingdom in Washington and should prove to be a valuable asset for The Bahamas in the negotiations with the United States.

THE CONSULTATION PROCESS

The Bahamas will be required to make tariff commitments on imported goods (i.e. in its Goods Offer the Government will have to set import duties at a maximum rate that the Government agrees not to exceed, except in very limited circumstances), as well as commitments on the level of openness of various services sectors within the Bahamian economy (i.e. in its Services Offer the Government will liberalise specific service sectors under certain circumstances).

The drafting of the Goods and Services Offers to be used in the negotiations have had the input of industry stakeholders as a result of consultations. The Ministry of Financial Services, Trade & Industry and Immigration carried out extensive consultations with stakeholders across the various economic sectors within The Bahamas.

Consultations were held in New Providence from 16th April to 4th May, 2018, in Grand Bahama from 16th to 18th May, 2018, in Exuma on 6th June, 2018, in Long Island on 8th June, 2018, in Abaco on 14th June, 2018, and in Eleuthera on 15th June, 2018.

The overall tenor of the New Providence consultations was that members of the private sector were concerned about the impact that WTO accession would have on their businesses and about a lack of information regarding how WTO accession will benefit The Bahamas.

The Cabinet has been briefed about concerns raised by Stakeholders during the consultations namely:

- (i) the ease and cost of doing business is a significant impediment to competitiveness;
- (ii) the lack of information regarding how the Government revenue shortfall will be made up as a consequence of tariff rate reductions;
- (iii) exchange controls are a significant impediment to Bahamian businesses competing internationally;
- (iv) the lack of access to capital puts Bahamian businesses at a disadvantage vis-a-vis foreign competitors; and
- (v) while there may be restrictions on foreign participation in selected economic sectors, they are circumvented through prolific fronting.

The consensus was that in order for The Bahamas to be prepared for WTO accession, the issues (i) through (v) should be addressed by the Government as a matter of priority.

The consultative process and the input received from the private sector were instrumental in the formulation of the revised Goods Offer and the revised Services Offer, and were submitted to the WTO Secretariat on 26th July, 2018 and 1st August, 2018, respectively.

Based on the outcome of negotiations, further consultation with industry stakeholders may be required to ensure that the requests of our trading partners – and the overall requirements to accede to the WTO – are tenable and mutually beneficial.

WTO MEMBERSHIP HAS ITS CHALLENGES

Joining the World Trade Organization will pose some challenges to The Bahamas, as it adjusts to the rules and principles of the organization. The most significant challenges are as follows:

- **Government Revenue.** The Bahamas raises some 27% of its revenue through customs duties. When it joins the WTO, it will have to lower its average duty rate, now about 30% (the highest in the Western Hemisphere) to the about 15%. This will result in the loss of about \$135 million in revenue, according to a Vulnerability Study commissioned by the Government. However, this figure was based on the 2012 version of the Goods Offer. The 2018 Revised Goods Offer, which will form the basis of the present negotiations, has been drafted to minimize revenue losses as far as possible. The amount of revenue foregone will ultimately be determined on what is negotiated.

In addition, another study commissioned by the Government – an Economic Revenue Study – which includes a dynamic equilibrium model can project not only potential revenue losses, but also the impact of the final Goods and Services Offers on various sectors of the Bahamian economy as well as the impact on employment, GDP Growth and poverty. The Economic Revenue Study is also reviewing the possible multiplier effect of lowered customs duties, i.e. that there may be an increase in imports, given the lowered duties



The Bahamas will need to find ways to replace any lost revenue. The options are to grow the economy, find alternate sources of revenue, increase existing levies or reduce existing tax concessions and subsidies. A review of the existing concessionary regime is contemplated in the near term. These are all policy considerations for the Government.

- **Increased competition for vulnerable sectors.** As duties are lowered on the products with which they compete, domestic manufacturing sectors might face stiffer competition. This can be limited, however, as The Bahamas submits higher rates of duties for competing products on these goods during its Goods Offer during the negotiations while making more substantial reductions on areas that do not pose a threat.
- **Cost of adjustment.** Besides revenue loss from lower customs duties, there are costs associated with meeting certain standards and requirements of WTO accession, such as new legislative changes and the creation and/or strengthening of national institutions. While these costs might arise in light of WTO membership, they represent costs the country would ordinarily have to bear as it modernizes to improve its economic and development prospects. The Bahamas, however, does have access to support from the WTO, IDB and other regional and international organizations in the adjustment process.

PUTTING OUR INTEREST FIRST

Accession to the WTO is a negotiation process. We are not being forced to do anything. We will negotiate to advance our country's interests. While we fully expect to join the WTO, we will only do so once negotiations have successfully led to net benefits for our country. Our negotiations are being informed by the Bahamian business sector, Bahamian private sector experts, public sector technical experts and international field experts. Studies have been undertaken to determine the extent of benefits, vulnerability and strategies for adjustment. At all times, it is our aim to put The Bahamas in a better position. This will remain our aim, and if we cannot achieve it, we will not accede.

The WTO process itself is less onerous for The Bahamas, as it gained great trade negotiation experience from negotiating the more extensive WTO-plus Economic Partnership Agreement (EPA). The Bahamas along with other CARICOM Member States and the Dominican Republic (together referred to as CARIFORUM Member States) signed the EPA with the European Union almost ten years ago.

MYTHS ABOUT THE WTO

The WTO, like many global organizations, has its pros and its cons. It is also the subject of many false and misleading statements. In order to facilitate clarity and to have a clear understanding of international trade and the rules the WTO oversees, it is important to do away with the untruths/myths that some perpetuate about this organization established by the governments of the world. The most popular among these myths for Bahamians are discussed below.

- **Someone is forcing us to join the WTO.** The WTO is a voluntary organization. The Bahamas is a sovereign nation. The Bahamas does not need any country's permission to join anything and is not being forced to join the WTO. The Bahamas, by act of its own sovereign will, chose to seek membership in the WTO. It can withdraw from the process anytime it wishes and, if it joins, can withdraw anytime it wishes. It is in pursuit of benefits that will accrue to the Bahamian people that accession is pursued.

- **We are giving up our sovereignty.** As a country that trades extensively with other countries in the world, The Bahamas is always conscious of its actions and their implications for others. The richest and most powerful country in the world, the USA, is our closest trading partner. It is in the WTO by its own choice. It is our sovereignty that allows us to join the WTO and that sovereignty is not diminished by doing so. As has been seen in many rounds of negotiation that failed in the WTO, even small countries can express objections to developments and bring negotiations to a halt.
- **The Bahamas cannot benefit from WTO accession.** Economic growth, export opportunities for Bahamian businesses, lower prices for Bahamian consumers, greater ease of doing business, more efficient public services and more are real benefits from WTO accession.
- **Walmart will be able to come in.** A country cannot be forced to allow any company into its borders to do business. Rather, countries make those allowances based on the obligations it negotiates during their accession. While The Bahamas does not see any reason a Walmart would want to locate in its market given its size, it will negotiate favourable maintenance of this restriction on our wholesale and retail sector.
- **There will be free movement of people.** The WTO has no rules that require free movement of people; none whatsoever. It does have rules for trade facilitated by the presence of natural persons' mode. This is only about temporary movement of people to fulfil commercial activity.
- **We do not trade anything.** The Bahamas trades goods and services, \$3 trillion worth. Many of the products we buy and sell need a free trade environment to get the best quality and the best price. Our services in tourism and financial services are our largest exports, and if we could not trade them in an unrestricted manner, our economy would be gravely poorer. The Bahamas does trade, and trades a lot. It owes its quality of life and standard of living to what we trade, and it needs to be able to continue to trade and grow that trade in a rules-based, orderly global environment.

WHAT SHOULD BAHAMIANS DO IN LIGHT OF THE WTO

Dr. Olivia Saunders, Bahamian economist and professor of Economics at the University of The Bahamas, was asked whether Bahamians ought to be concerned about the challenges of joining the WTO, she answered, *"Of course they should, but challenges are never a reason not to move forward. If that was the case, we would not have achieved many things we have achieved."*

Our nation cannot remain as it is. It must change in order to make progress and prosper even more. Joining the WTO is only one of the tools being used by the Government to increase growth and economic development. The Government is also seeking to:

- **Level the playing field for Bahamians to compete with international players;**
- **Make it easier to do business in the country;**
- **Make the public service more efficient and effective;**
- **Support local businesses through funding and non-funding support;**
- **Increase the use of technology and make The Bahamas more digitally savvy; and**
- **Expand educational opportunities for all Bahamians.**

Many Bahamian businesses are, and many more have to:

- **Get the facts and study the issues;**
- **Ensure that their value proposition is sound;**
- **Optimize their operations;**
- **Pursue customer service excellence;**
- **Employ technology strategically in the conduct of their business;**
- **Look abroad for scaling opportunities; and**
- **Network internationally for greater global competitiveness.**

Many Bahamian citizens are, and many more have to:

- **Be properly informed;**
- **Make inquiries about the issues;**
- **Commit to lifelong education;**
- **Sharpen their skillset;**
- **Seek entrepreneurial opportunities; and**
- **Look to take advantage of coming international opportunities.**

CHANGE IS COMING TO THE BAHAMAS WITH OR WITHOUT THE WTO

Whether The Bahamas joins the WTO or not, things are changing rapidly in our world. If we do not adopt a strategic posture that enables us to offer greater value to the world, we will not be able to maintain the quality of life we now enjoy, much less improve upon it. Competition in almost every sector of the economy is global and fierce; technological advancement is changing the way we do business and causing many current skills to be obsolete; information access is almost instantaneous, making mistakes and successes more highly impactful; and customers and investors are more sophisticated, demanding more for less. In this world, Bahamians must be best in class and The Bahamas must be ahead of the curve. The WTO might help us get there, but if it doesn't, we need to find all the ways that will help us do so. Failure is not an option for us.

THE US STEEL TARIFFS

The US President implemented steel tariffs against China claiming that China is taking advantage of the US in trade. In keeping with the rules of the WTO, China responded with tariffs equivalent in value to what the US did. The American President is also threatening similar action against Germany, Canada and Mexico. The US stock markets and global markets have reacted to this issue negatively, causing drops in their indices. It is generally agreed, even by US lawmakers and economists, that a trade war will slow the US economy and the global economy. This is in keeping with the general understanding of the benefits of free trade. It is unlikely that this trade war will persist but the rules of trade created by the WTO is what is likely to keep it from getting out of hand.



Ministry of Financial Services, Trade & Industry and Immigration
www.bahamasministryoffinancialservices.com

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