



REMARKS BY

**THE HONOURABLE ZHIVARGO LAING, M.P.
MINISTER OF STATE FOR FINANCE**

**LUNCHEON MEETING
ON
THE ECONOMIC PARTNERSHIP AGREEMENT
(EPA)**

**Little Harbor Cay Room
Westin and Sheraton Resort
Freeport, Grand Bahama
Thursday, April 3, 2008 at 2:00 p.m.**

Acknowledgements

- President Gregory Moss
 - Executives of the Grand Bahama Chamber of Commerce
 - John Delaney, Chairman of the Trade Commission
 - Officials from the Ministry of Finance
-

Good afternoon,

This luncheon meeting represents a valuable opportunity for me to clarify some of the issues surrounding the Economic Partnership Agreement. In particular, I would like to use this opportunity to clarify the mis-information concerning the Economic Partnership Agreement (EPA) and the Caribbean Single Market and Economy (CSME).

Position on the Caribbean Single Market and Economy (CSME)

In the same way that businesses engage with each other via written contracts, governments define their commitments with each other via various types of treaties. The treaty that established the Caribbean Single Market and Economy (CSME) is known as the Revised Treaty of Chaguaramas. The Government of The Bahamas has indicated its reservations to participating in the Caribbean Single Market and Economy. The position of The Bahamas with respect to the CSME and CARICOM is similar to the status of the United Kingdom with respect to the European Union. The United Kingdom is a member of the European Union but does not participate in the some aspects of the EU that deal with monetary union. So while the rest

of Europe has the euro, as a common currency the United Kingdom still uses the pound sterling. The Bahamas participates in the Caribbean Community but has not signed on to the CSME.

The Caribbean Negotiating Bloc

The Caribbean countries, which are all very small economies in a global context have traditionally negotiated as a bloc. The Caribbean bloc has a trade agreement with the United States, the Caribbean Basin Initiative (CBI) and a trade agreement with Canada, the Caribbean.

In the Lome Conventions which preceded the Economic Partnership Agreement (EPA), the European Union negotiated with the African Caribbean and Pacific (ACP) countries. During the Economic

Partnership Agreement (EPA) negotiations, the ACP countries were divided into six regions, Africa was divided into four regions, west, east, central and southern Africa. The Pacific countries were grouped together and the Caribbean countries, which included the CARICOM countries and the Dominican Republic formed the negotiating group called the Forum of Caribbean countries or CARIFORUM. The Bahamas is apart of the CARIFORUM group. The negotiations with Europe that resulted in the EPA were not to advance the single market and economy but were designed to define the new trading relationship with Europe consistent with the rules of the World Trade Organization.

Differences between the CSME and the EPA

There are three key elements that make the EPA different from the CSME.

First. Free Movement of Goods

The signatory countries of the CSME do not apply a tariff to goods imported from other CSME countries. They also apply a Common External Tariff (CET) on goods imported from outside the signatory countries.

The Bahamas is not a member of the CSME so goods from other CARICOM countries attract the same duties at our borders as goods from other countries. It also means that exports from The Bahamas to countries in the CSME attract the CET. Under the EPA, goods have been placed in several baskets, from 0-25. The basket

represents the timeframe for the duty to be reduced to relatively low levels. So, the 5 year baskets represents those goods whose duty rate will be reduced over the next five years from 25% as an example to a low level of say 5%. This means that EU and CARIFORUM goods imports will face lower duties on import into The Bahamas. The EPA introduces the concept of 'reciprocity'. The issue of reciprocity means that the same good from The Bahamas going to the EU or CARIFORUM will also be subject to the lowering rates of duty at their borders. Goods exported to the CARIFORUM countries would not be subject to the CET.

The Bahamas is not a member of the CSME so it will continue to have the right to change tariffs

relative to non-EU and CARIFORUM countries without reference to the CET. Importantly for The Bahamas, the goods schedule that was negotiated maintains the existing dutyfree quota free access to the EU market.

The final point I wish to make is that there is an exclusion basket. The exclusion basket comprises all the goods, which were considered sensitive that were not included in any of the baskets. These are mainly agricultural and goods that are manufactured in the region. These goods have not been included in any of the baskets and are not subject to liberalization.

Second. Right of Establishment

The EPA will provide EU and CARIFORUM companies with rights of establishment according to what is known in the trade jargon as 'offers made in the services schedule'. This schedule outlines the areas where The Bahamas is offering or providing an opening for companies to establish a commercial presence. This offer is prepared for each service activity so an area such as 'hotels with more than 100 rooms' will reflect the current status where the sector is open to the right of establishment. In another area, to reflect the National Investment Policy or other sensitivities, there will be no offer on right of establishment. This offer is not being prepared in isolation. There are on-going consultations with the private sector and the

Trade Commission to ensure that the offer is discussed as widely as possible.

Third. Free Movement of Labour

There is no free movement of persons associated with the EPA. The EPA does however, allow the temporary movement of persons for specific periods of defined groups of persons like managers, graduate trainees and contractual service providers who are associated with companies.

The last point I wish to address deals with the issue of regional integration. The EPA has regional integration as one of its objectives. There is no commitment in the text to regional integration. The text states that the 'pace and content' of regional integration should be

determined by the sovereign states. The Bahamas is not the only country in the CARIFORUM group that is not a member of the CSME. Haiti and the Dominican Republic which are also Parties to the Agreement are not apart of the CSME.

There are many references in the text to regional cooperation and collaboration. At the government and private sector levels, there are existing mechanisms for regional collaboration and cooperation, whether it is through the Caribbean Financial Action Task Force, customs collaboration, private sector collaboration through professional bodies or at the NGO level. In areas specified in the Agreement, such as customs administration, environment as an example opportunities for cooperation and collaboration will be strengthened.

Ladies and gentlemen, the Economic Partnership Agreement represents the new trade realities. Countries are seeking to define their trading relationships with their partners through trade agreements that are predictable and transparent. As a very open economy that depends on international trade, The Bahamas must remain engaged in the negotiation and implementation of trade agreements. The EPA is likely to be the first trading agreement that we sign. The Caribbean Basin Initiative with the United States and CaribCan with the Canadians are likely to be replaced by similar trade agreements. I therefore encourage you to remain informed and to use the Trade Commission and the Chamber of Commerce to ensure that the views and comments of the Grand Bahama

community are articulated and included in the formation of this nations trade policy.

Thank you.