



## **Trade in The Bahamas 101**

### **Trade in Goods**

#### **How do items enter The Bahamas?**

We all bring items into the country, whether we go to Florida for the weekend and bring items on a plane, or on a boat we all engage in trade activities. Most items enter The Bahamas on ships and the bulk of items are imported by wholesalers and retailers. Some of the most frequently imported items are fuel, cars, milk, sugar, and bread. These items are most often resold to Bahamian consumers.

#### **How do importers get their items?**

We're all familiar with Customs agents at the airport, and likewise they're stationed at most ports of entry in The Bahamas. Customs agents are at ports of entry for several reasons; however one of the most important reasons is to collect Customs Duties.

#### **What are Customs Duties?**

Custom duties, also referred to as 'tariffs', are charged on most items imported into The Bahamas. Tariffs make up a substantial portion of Government revenue and the collection of these duties is very important. The Government collects over \$340 million in customs duty each year and these funds are used to provide services to Bahamians including education, and health care.

Over 90% of tariffs are calculated as a percentage of the value of the item imported, for example, the tariff on T-Shirts is 25%; if you import \$1,000 worth of T-Shirts, you are required to pay Customs \$250. While some tariff rates are as high as 60% (mattresses), many items which are considered necessary for the public good are duty free (vitamins, deodorant, infant related items).

Some tariffs are high to provide a competitive advantage to local producers. This is the primary reason that the duty on boiled sweets, bleach and water is 60%.

#### **How do Tariffs Impact Trade?**

Many economists believe that high tariffs restrict trade, and that they should be reduced to minimal levels to encourage trade in efficiently produced items and to provide lower prices to consumers. However a reduction of tariffs may make it easier for imported items to compete with locally produced ones.

#### **Why is this important?**

Trade is important for all economies; even large countries like the United States and China are not self sufficient and must trade with one another. To ensure that countries can easily trade with each other they negotiate 'trade agreements' that provide the terms on which items enter and exit their territory. After the Second World War the major economies decided to form an agreement between themselves to ensure that their locally produced items could be exported to one another. This Agreement was

called the General Agreement on Tariffs and Trade (GATT). The GATT ultimately became the largest existing trade organization; the World Trade Organization (WTO) in 1995.

### **What is the World Trade Organization?**

As indicated, the World Trade Organization (WTO) was formed from the GATT, which dates back to 1947 and covered only trade in goods. In 1995 the WTO was instituted by 123 countries, and covered not only Trade in Goods but also Trade in Services<sup>1</sup>, and Trade Related Matters, which include product regulations, intellectual property rights and fresh food sanitary policies. The WTO is the leading international trade body, in fact in the 16 years since formation, 31 countries have joined, and the WTO now covers more than 95% of world trade. However The Bahamas is not yet a member.

### **What isn't The Bahamas a Member of the WTO and why is The Bahamas now seeking membership?**

The Administration in 1995 did not think it was necessary for The Bahamas to join, but application was made for membership in 2001. For several years not much occurred, however in 2009 the process for accession (the WTO refers to the process of joining as 'acceding') was rejuvenated. The decision was made to revive the accession process as the necessity of becoming a member was being more evident. Countries which are part of the WTO appear more investment friendly as they must abide by certain internationally accepted principles. Investment is very important for the Bahamas; the major sectors of our economy are tourism and financial services; and both these sectors are heavily dependent on the free flow of goods and services.

### **What work has to be completed to be accepted as a member?**

As stated, the WTO has 'rules' on how countries should operate. This does not mean that Governments cannot make decisions independent of the WTO, it just means that laws must be fair to both locals and foreigners. As such, the Government will have to change some laws to reflect these fair practices.

Another major component of joining is the reduction of tariffs. Remember, tariffs are taxes charged on imported (and not locally produced) items. WTO members will encourage the reduction of tariffs so that their exports may enter the Bahamas more easily.

The Bahamas will also have to draft a 'Services Schedule' but you can read more about that in 'Trade in Services.'

### **How will joining the WTO impact Bahamians?**

Bahamians stand to benefit greatly from the WTO, for example:

- i. Import duties will decrease and this means that Bahamian businesses and consumers will pay less for many items
- ii. Transparency: because legislation will change to reflect international practices, certain Governmental procedures will now be explicitly stated in law; and
- iii. Bahamian exporters would have more favorable access to over 100 countries; this will make it easy for Bahamian businesses to sell their goods abroad.

### **Are there any trade agreements outside of the WTO?**

Yes! There are many trade agreements outside of the WTO however they are always between a smaller amount of countries. These smaller trade agreements are usually referred to as Free Trade Agreements or Regional Trade Agreements. In 2008 The Bahamas became party to its very first trade agreement, the

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<sup>1</sup> See Trade in Services pamphlet for more information.

Economic Partnership Agreement (EPA) which is between several Caribbean states and the European Union.

**Has becoming a member of the EPA benefitted The Bahamas?**

Yes. Most of the crawfish exported out of The Bahamas is imported into the European Union, without the EPA this market access would have been significantly limited to the detriment of Bahamian fishermen.

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