



Trade in The Bahamas 101

Trade in Services

What do you mean by Trade in Services?

When people think of 'trade' they usually think of the trade of goods first, however global trade includes many more aspects. While trade agreements originally only covered the trade in goods, countries quickly realized that the services trade was equally as important.

Trade in Services typically means the consumption of intangible items. When you pay your cell phone bill you do not walk away with anything, however you've paid for the time you spent receiving and placing calls. The same remains true for many other sectors, for example:

- i) **Air travel**, planes carry you from point a to point b, after arriving to your destination you do not leave with an item, the price you paid was for the service the airline provided you with
- ii) **Real estate services**, when a house is purchased through a realtor, a portion of that sale is due to the realtor for the service he/she provided to you: finding you your dream home!

Why was the trade in services included in trade agreements?

All tangible items require services to make it to the marketplace. Even the most basic product has some level of services input. Take for example onions grown in Long Island, in order to make it to Potters Cay it requires maritime services to get to Nassau. Due to the overarching influence of service providers it was felt that without the inclusion of services rules, global trade would not advance to its greatest potential.

Is the trade in services important to The Bahamas?

Very! Our two biggest sectors: Tourism and Financial Services are considered service sectors. In fact The Bahamas is considered a services economy.

Even though the services trade is 'intangible' it can still be traded!

How are services traded?

There are 4 'modes' for the services trade, these are

Mode 1: Cross border trade. Cross border trade occurs when a service is consumed without the producer or consumer having to travel. For example, it is possible for an architect in Florida to draft building plans for a company in Mexico and provide these electronically via e-mail.

Mode 2: Consumption abroad. Consumption abroad involves the consumer traveling to an alternative location and purchasing a service. This mode is extremely significant to the Bahamas; millions of tourists travel to The Bahamas to consume for example tour guide services every year! Conversely, Bahamian students travel all over the world to consume education services.

Mode 3: Commercial presence. When the Carnival comes to Nassau every Christmas, they have participated in Commercial presence as they have established a physical presence in the

country. Other instances of commercial presence include offices for foreign companies, such as those for airlines and international shipping companies.

Mode: 4 Temporary presence of natural persons. Mode 4 often gets confused with immigration matters; however it is distinct from that. Trade practitioners realized that in order to take full advantage of the other 3 modes sometimes persons would have enter another country. Mode 4 is generally reserved for certain prescribed types of individuals. These persons typically request entry to establish commercial presence, offer consultancy services, or have come to work in an international firm. Their entry always has a limited time frame, and they are usually permitted entry for less than a year.

How do trade agreements impact services?

When negotiating services in trade agreements Governments are required to make commitments in the 4 modes discussed above. Most trade agreements cover 12 services sectors, these are: 1. Business Services, 2. Communication Services, 3. Construction and Related Engineering Services, 4. Distribution Services, 5. Educational Services, 6. Environmental Services, 7. Financial Services, 8. Health related and social services, 9. Tourism and travel related services, 10. Recreational, cultural and sporting services, 11. Transport services and 12. Other services not included elsewhere.

Ok, tourists come here. Is it really possible for me to take my services abroad?

Yes! Bahamian companies are already participating in services abroad. Think Bank of Bahamas, and Conch Haven, both in Miami, Florida.

Where can I find more information on what countries and sectors I can sell my services in?

Below is the contact information for the Ministry of Finance which has responsibility of trade matters and can refer you to the relevant information.

For more information on Trade in The Bahamas please contact:

Economics Unit
Ministry of Finance
Cecil Wallace Whitfield Centre
PO Box N 3017
Nassau, The Bahamas
(242) 327-1530
(242) 327-6673