

Why and When Should the Bahamas Join the WTO?

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Over the next few weeks, this column will present a series of articles that will help explain the World Trade Organisation (WTO) and its relevance to the Bahamian economy. The WTO is an intergovernmental organization that deals with global trade rules between nations. Its primary function is to facilitate and govern the orderly and unencumbered flow of trade within the legal guidelines established. The WTO formally began on January 01, 1995 under the "Marrakesh Agreement" and was initially executed by 123 countries on April 16, 1994, replacing the 1948 General Agreement on Tariffs and Trade (GATT), which was also a multilateral international trade agreement. GATT was formed to effect a relatively large reduction on national tariffs and other trade barriers. The intent of GATT was also to remove the trade preferences of participating countries on a shared and mutually advantageous basis. The Bahamas was not a signatory to GATT.

GATT was especially beneficial for small, developing member countries, as many were essentially considered the "free-riders" of GATT. They benefited from GATT's liberalized trade system, negotiated by more developed countries, but were only required to make limited commitments. This all ended, however, when WTO came into effect in 1995. The playing field was levelled and larger developed countries and smaller developing countries had to commit to similar trading rules. WTO member countries had to agree not to raise their tariffs and import duties on goods and services above the approved target levels. Member countries are subject to a broad ranging set of rules relating to investments and intellectual property. The dispute resolution mechanism, which can result in violating countries being taken to court, is one of the most distinctive aspects of WTO, and distinguishes it greatly from GATT.

The Bahamas has flirted with the WTO since 2001, when it first made application for membership, but, to date, has not yet fully committed to becoming a member. Actually, the Bahamas is the only CARICOM country that has not joined the WTO. Ryan Pinder, former Minister for Trade and Investment, indicated during a WTO Ministerial meeting on December 05, 2013 in Bali, Indonesia, that "as a small island developing country heavily dependent on international trade and investment, it is becoming more apparent to us that the most effective way of securing access to foreign trade, attracting foreign direct investment and securing long-term market access to foreign markets, comes through membership in the WTO". Given the benefits of WTO membership as expressed by Mr. Pinder, why then has the Bahamas not accelerated its membership?

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Many of the WTO countries are active in trade relations and have opened offices in Geneva, Switzerland, staffed with expert trade negotiators to advance their trade agendas. Small countries like the Bahamas, however, are at a disadvantage due to the lack of funding and technical expertise required to complete the WTO accession process. Thus, they have little to no influence over the organization's trade rules, and are ill equipped to adequately represent their countries' interests. In the case of the Bahamas this was more or less confirmed when Mr. Pinder told Ministers of Finance at the December 2013 WTO meeting that the Bahamas' accession was challenging because of the country's limited technical expertise and the high costs related to accession. It was projected by the former Minister for Trade and Investment, during a discussion in Parliament that the Bahamas was on track to make a decision on accession to the WTO by the end of 2014. It is now 2016 and the Bahamas appears to be no closer to fulfilling the obligations necessary for joining the WTO. Fortunately for the Bahamas, the WTO agreements contain a number of conditions that allow developing and "least-developed countries" additional forbearance, which include, among other provisions, extra time to satisfy their commitments.

Supporters of trade agreements, like WTO and GATT, argue that such agreements are essential for participating countries' economic stimulus and growth, which is expected to translate into increased employment, wage growth, and by extension, improved prosperity for the citizenry. So, given the Bahamas' relatively small trade flows, how can the country really benefit from accession to the WTO when the benchmark to measuring the success of WTO membership is the level of world trade? The Bahamas is considered an imports country with a relatively small manufacturing and production capacity. Actually, total non-oil exports for the country were \$378.69 million in 2015, down from \$523.84 million recorded in 2013. The Bahamas' major exports, by country and region, include the U.S (\$308.61 million); European Union Countries (\$23.54 million) and other countries (\$30.80 million). The Bahamas also trades with the U.K., however in recent years exports to the U.K. have declined from a high of \$30.53 million in 2013 to \$4.82 million in 2015. Similarly, exports to Canada have sunk to \$5.98 million at the end of 2015 from \$22.77 million in 2013. Trade exports to Caribbean Commonwealth Countries are also relatively low at \$4.92 million in 2015. Given the Bahamas' minimal level of exports, the challenge with trade liberalization agreements like the WTO is striking the right balance between costs and benefits with global trading partners. There is a chance that ascension could cause unfair competition by allowing for the saturation of foreign products into the local market at substantially lower prices. This may result in local companies being choked out of the market and profitability challenges for the remaining businesses. Private local enterprises must adapt if they are to successfully compete on the world stage. As well, the government must do more to prepare local industries for WTO by significantly reducing the cost of energy, improving the country's deteriorating

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infrastructure and eliminating market inefficiencies. Policy makers should also engage in widespread national debates on WTO. They must ensure that negotiations are open, that all stakeholders are involved in the discussions, and that they are knowledgeable about the possible economic impact of WTO on the Bahamas.

As successive administrations have committed to the Bahamas joining the WTO, the government must ensure that the country has a highly qualified team of human and technical resources to negotiate the best agreement for the Bahamas, while simultaneously protecting the country's key industries.