The Bahamas’ bid for WTO membership. The last remaining non-WTO member in the Western Hemisphere

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Abstract

This paper examines whether the Bahamas should join the World Trade Organization (WTO). Since 2001, The Bahamas has had a few unsuccessful attempts for accession to the WTO. In 2018, The Bahamas renewed its efforts to accede to the WTO by December 2019. Although WTO member states welcome this planned accession, it is fiercely opposed by the Bahamian populace. The conventional belief is, as a small developing nation, The Bahamas stands to lose more from a WTO accession. Opponents also argue accession to the WTO will hurt tourism, The Bahamas’ main economic sector, and harm small business owners (SBOs). In addition, a WTO accession would devalue the Bahamian dollar (BSD), currently on par with the USD and hurt economic development. Survey results for this research revealed the Bahamian opposition to The Bahamas’ accession to the WTO stemmed from misconceptions and persons lacking a general knowledge about the WTO. After WTO accession, negative changes to the tourism sector will be minimal. Due to foreseeable benefits to the tourism sector, and the national development goals, this paper suggests The Bahamas continue its efforts to accede to the WTO. However, its intention to join the WTO by December 2019 should be delayed. The Bahamas government should continue its investment in educating the Bahamian public about this trade body and, including its endeavor to join and negotiations with the WTO.

Keywords: The Bahamas, WTO, tourism, CARICOM, Bahamian government

1. Introduction

The Bahamas is considered one of the wealthiest countries in the Americas. In 2016 it had the second highest per capita GDP (over USD 20,568) in the Americas and the Caribbean. The Bahamas is also the only nation in Americas/Western Hemisphere that is not a member of the World Trade Organization (WTO). The Bahamas has made numerous previous attempts to accede to the WTO. In 2001, 2010 and 2012, The Bahamas applied for full WTO membership. However, it remains one of 23 nations that hold ‘observer status’. In 2018, The Bahamas renewed its efforts for WTO accession. Bahamian authorities regard its application for full WTO membership as the “most strategic decision the Government has ever made.” Although Bahamian authorities have the full support of WTO members. In its intention to secure WTO membership by December 2019, there has been fierce opposition from the Bahamian public. The Bahamian public remains uneasy and fearful about The Bahamas’ accession attempt. Bahamians believe accession to WTO will hurt the Bahamian economy that has recently started to recover. This paper examined the Bahamian government’s 18-year WTO ambition, and the implications for The Bahamas should it secure WTO membership. By analyzing the economic, political and social aspects of The Bahamas’ WTO accession attempt, the aim of this paper is to determine whether it a wise decision for The Bahamas to join the WTO? This paper is divided into four key sections. Section two discusses why The Bahamas renewed its efforts to become a full-WTO member after an 18-year hiatus? Section three discusses the benefits of WTO accession for The Bahamas. Section four discusses reasons The Bahamas government has faced opposition

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1 According to “The accession process—the procedures and how they have been and applied,” ‘observer status’ allows a government to become acquainted with the WTO and its activities, and to prepare and initiate negotiations for accession to the WTO agreement. See https://www.wto.org/english/news_e/news19_e/acc_bhs08apr19_e.htm

from the public in its WTO efforts. Section five analyses the impact of WTO membership on the tourism industry, the primary economic driver for The Bahamas. The findings of this research are summed up in the conclusion.

The Bahamas’ renewed efforts for WTO membership
Since winning the Bahamas general elections on May 2017, the Free National Movement (FNM), one of three national parties in The Bahamas sought ways to revitalize a stagnant Bahamian economy and achieve sustainable economic growth in the 21st century [3]. The FNM, with its liberalist’s perspective on trade, believed accession to the WTO would bring economic prosperity and opportunities for the Bahamian people (WTO, 2019.5). The WTO also aligned itself with the FNM party’s guiding principles [4]. The Bahamas inability to accede to the WTO after four attempts [5] stemmed mainly from compliance issues. The Bahamas needed to reform laws governing foreign and domestic trade. Other issues included the establishment of necessary enforcement infrastructures, such as intellectual legislation and amendments such as copyright and trademark initiatives. The Bahamas government also needed to modernize its tariff act and bring into force a ‘Customs Management Act’ [6]. Since re-launching its WTO journey in 2017, The Bahamas has taken an aggressive approach to become a WTO member. At the Fourth Meeting of the Working Party on April 5th, 2019, The Bahamas was invited to submit a revised Legislative Action Plan, with newly enacted WTO-related legislation for review by the Working Party of the WTO. In addition, in April 2019, the Bahamas’ WTO negotiating team held bilateral negotiations with members of the Working Party, to discuss the openness of the Bahamian economy, subsidies provided to the agriculture sector, and its execution of The Bahamas’ foreign trade mechanism (Symonette, 2019) [6]. Since re-launching its WTO journey in 2017, The Bahamas has taken an aggressive approach to become a WTO member. At the Fourth Meeting of the Working Party on April 5th, 2019, The Bahamas was invited to submit a revised Legislative Action Plan, with newly enacted WTO-related legislation for review by the Working Party of the WTO. In addition, in April 2019, the Bahamas’ WTO negotiating team held bilateral negotiations with members of the Working Party, to discuss the openness of the Bahamian economy, subsidies provided to the agriculture sector, and its execution of The Bahamas’ foreign trade mechanism (Symonette, 2019) [6]. Some issues are also beyond the Bahamian government’s control. According to a WTO expert, accession to the WTO has become more difficult over time. It has taken some members up to twenty years to join the WTO (Vangrasstek, 2019) [7]. Should The Bahamas accede to the WTO in 2020, it would have taken 19 years for WTO accession. Today, this timeframe is not unusual.

7 One example includes Russia. It took Russia twenty years to join the WTO.
8 OAS, the world’s oldest regional organization, consists of 35 independent countries of the Americas that constitute the main political, juridical, and social governmental forum of the region. Article 2(f) of OAS Charter, ratified for all members, is to promote, by cooperative action, their economic, social and cultural development.


(CARICOM) [9]. In 1983, The Bahamas relied heavily on these regional organizations as well as its bilateral agreement with the United States for economic growth. However, these regional organizations have had little impact on the Bahamian economy. In addition, bilateral trade has favored the United States. In early 2017, the Progressive Liberal Party (PLP), the main opposition of the FNM took an aggressive approach towards economic development. However, due to poor economic performance, weak governance, and corruption allegations, it lost the 2017 general elections, despite a 1.3 per cent in economic growth that year. Please see figures 1 and 2. Under FNM leadership, the International Monetary Fund’s (IMF) believe The Bahamas has ‘turned a corner’ [10]. Despite global uncertainties and the trade war between, China and the United States, the world’s largest economies, The Bahamas’ economic growth is expected at 2.1 percent in 2019 (ORG, 2019).
2. The Benefits of a WTO membership for the Bahamas

The Geneva-based WTO, which replaced the General Agreement on Tariffs and Trade (GATT) in 1995, creates a legal framework for its 164-member states, who collectively conduct 97 per cent of total world trade. The principal objective throughout the WTO is to promote a more efficient economy by reducing barriers to trade and making an investment regime more transparent and predictable (Vangrasstek, 2019). Open trade is important because it boosts economic growth and helps countries to develop. This is critical for developing countries which constitute 75% of all WTO members (WTO, 2019). Trade helps countries generate income and increase employment (Balaam and Dillman, 2014). There is a general misconception that a WTO membership guarantees increased trade flows. Trade increases the likelihood of economic benefits and employment, but the primary benefit of a WTO membership is that it provides opportunities for the member (WTO, 2019). In 2014, at the WTO opening training conference in The Bahamas, a representative of the U.S. envoy stated: “trade liberalization provides the framework for advancement for current and future development in The Bahamas.” One should take this comment from a U.S. representative with a grain of salt. After all, the U.S. is currently the winner in bilateral trade with The Bahamas. In addition, U.S. businesses would be the biggest beneficiaries of a Bahamas WTO accession, but The Bahamas will also benefit. In addition, the Bahamas’ WTO accession will convince other foreign investors that The Bahamas is committed to adhering to trade rules. This will increase FDI and bring the needed technologies to The Bahamas. A WTO membership will give The Bahamas access to the WTO trade dispute settlement body. Due to low trade volumes, logistical costs (mostly high shipping costs), and tariffs, most Bahamian exporters have been reluctant to export beyond OAS (including the United States), and the CARICOM Member States. Although logistical expenses are unlikely to decrease, WTO accession will reduce tariffs and grant The Bahamas access to 164 WTO trade partners. The Bahamas’ credibility as a free trade nation will also increase with a WTO membership. Foreign investors in The Bahamas often complain about the bureaucratic and cumbersome approval process for procurement of foreign direct investment (FDI). According to the United States Department of State Bureau of Economic and Business Affairs, The Bahamas’ investment procedures and legislations lack transparency. There is also concern from foreign investors about possible political interference in trade and investment affairs. As a non-WTO member, the Bahamian government employs non-tariff barriers to trade. This includes reserving certain sectors to Bahamian investors and the seasonal prohibition on imports. Nine sectors (such as retail and wholesale, fisheries, small business, small-scale construction projects) are currently reserved only for Bahamian investors. Currently, tariffs on non-agricultural tariffs in The Bahamas are unusually high. After WTO accession, the average customs’ duty in The Bahamas, 19 per cent, and non-agricultural tariffs, currently 35% and on some selected consumer goods (65%) will decrease (Vangrasstek, 2019). Although high tariffs are meant to protect domestic producers, and are a source of government revenue, the costs are passed on to domestic producers and the consumers (end user and industrial consumers) (Vangrasstek, 2019). Lower tariffs will benefit producers and consumers after The Bahamas’ WTO accession.

3. The opposition of the Bahamas’ WTO accession goal

The Bahamas government has been surprised by the vigorous national debate, and the fierce opposition it has encountered since re-launching its’ WTO membership efforts in 2017. The Bahamian public question the government’s WTO membership and plans, and whether the changes will be good for small island development states (SIDS) such as The Bahamas. Survey results for this paper support the above claim that most of the Bahamian populace lack knowledge about the WTO. The survey results also showed that most Bahamians are misinformed about the WTO. The survey participants were 70.6 per cent female and 29.4 male were of differing ages. Results showed that 52.9 per cent of survey participants were uncertain whether The Bahamas should become a full WTO member. Only 35.3 of participants supported The Bahamas becoming a full WTO member. 11.8 participants opposed The Bahamas joining the WTO. Although 100% of survey participants had some college education, 58.8 per cent of survey participants stated they lacked knowledge about the WTO’s trade mechanism. Results showed that only 29.4 per cent of survey participants knew The Bahamas is the only country in the Caribbean/American that is not a full WTO member. Opponents often referenced the negative economic impact WTO accession has on other developing nations, especially other Caribbean neighbors. Haiti remains the most impoverished country in the Western Hemisphere despite its WTO membership. Although referencing the impact of the WTO on other Caribbean states is

11 As of 29 July 2016, there were 164 WTO member states. Available at https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm
12 According the United States Bureau of Economic and Business Affairs, The Bahamas conducts 85 percent of its international trade with the United States. In 2017, U.S. exports to The Bahamas exceeded USD 2 billion. This was USD 1.7 billion surplus for the United States. Available at https://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/inde.html#wrapper
15 88.2% of survey participants identified as Bahamian nationals. 5.9%
were foreign residents that reside in The Bahamas. 5.9% identified as other.

17 Age range of participants and percentage: 18-25 (64.7%), 26-34 (11.8), 35-49 (17.7%)

18 Survey results showed 64.7 had some college/university education. 35.3 percent were university/college graduate.

19 Critics references the devaluation of Jamaica and Haiti’s currency despite their accession to GATT (currently the WTO) (Vangrasstek, 2019).

understandable, it should be noted that countries such as Haiti joined under the General Agreement on Tariffs and Trade (GATT). Most of the countries in the trade system dating back to the founding of the GATT made few trade commitments to the WTO. Countries that have recently joined the WTO and that have done so in the context of domestic economic reform have generally benefited from its WTO membership (Vangrasstek, 2019) [16].

The majority of those surveyed are not aware of the potential benefits for The Bahamas should it accede to the WTO. 76.5 per cent of survey participants stated they were unsure of whether a WTO membership would hurt the Bahamian economy. 70.6 per cent of those surveyed were unsure of the impact of the WTO on small businesses, and 76.5 per cent were uncertain of the effect on the tourism sector. 17.7 per cent of participants agreed accession to the WTO would hurt the Bahamian economy, while 5.9 per cent stated a Bahamas WTO accession would harm the tourism sector.

The Bahamian government has organized numerous town hall meetings and public lectures to better educate the public (including The Bahamian government on WTO membership). The Bahamian government believe WTO accession is good for The Bahamas despite the changes that will occur [20]. However, whether these are positive or negative changes will be based on its negotiations with other WTO members. In February 2019, WTO experts began advising The Bahamas on its negotiating strategy as a future WTO member. During a February 2019 public lecture on the WTO, a WTO expert, Vangrasstek stated: “You (The Bahamas) are going to have to make some important decisions on your negotiating strategy, and you’re going to have to pursue your negotiations with your partners bearing in mind that not every country is expected to give up the protections it had in place.

This is a negotiation and one of the things negotiation experts always say is ‘you don’t get what you deserve’ you get what you negotiate.”

There are risks involved in joining the WTO. However, there are more foreseeable benefits for a Bahamas’ accession. As Vangrasstek (2019) [16] emphasized, there are winners and losers in any trade negotiation, but the net effect for a country will be positive. Vangrasstek continued, consider the concession a country makes during WTO negotiations, as investments. Bahamian authorities should welcome critiques from the Bahamian public about its WTO ambition. By joining the WTO, a country makes commitments about and predicts its future domestic policy. There is no longer a distinction between domestic and international trade. Both the government and the private sector has an interest in what trade policy will be. Trade policies affect some of the national policies. These include social policies, environmental policies, fiscal policies and foreign policies (Vangrasstek, 2019) [16].

4. Effects of WTO accession on the Bahamas’ tourism sector

The Bahamas’ export earnings are highly concentrated and extremely dependent on the tourism industry. The tourism sector is the largest industry and main economic driver, contributing more than 50 per cent of GDP (US State Department, 2019) [14]. The tourism industry, which employs more than half of the Bahamian workforce also receives the majority of FDI. Annually, The Bahamas receives more than six million tourists, mostly Americans. To supply fuel and food needs for the tourism industry, The Bahamas is heavily dependent on U.S. imports. Tourism also provides a foreign exchange (US Dollars), which enables the Bahamian dollar (BSD) to remain on par with the USD. However, in recent years, The Bahamas has seen increased FDI in the tourism sector, primarily from China, which quickly becoming an important trading partner.

According to Huang Qingguo, Ambassador of the People’s Republic of China to The Commonwealth of The Bahamas, in 2017, trade between China, Latin America and Caribbean countries was USD 257.85 billion, an 18.8 per cent increase from 2016 (Huang, 2018) [4]. After accession to the WTO, FDI in the tourism sector will continue to increase. This would create more jobs, and improve technology and innovation needed in the industry. The increased competition after accession to the WTO will encourage Bahamian investors in the industry to improve service efficiency and innovate.

4.1 Economic consequences on the tourism sector

The Bahamas is a middle-income economy, which is heavily reliant on the tourism industry. According to Zhivargo Laing, the Chief WTO Negotiator, “the tourism industry in The Bahamas has always been open for FDI. Therefore, there is nothing for The Bahamas to negotiate” (Vangrasstek, 2019) [16]. Therefore, the economic consequences for this industry will be minimal.

The cost for the private sector, mainly, SBOs will stem primarily from expenses to upgrade and innovate their businesses. Increased competition will decrease costs in the hotel sector for consumers.

4.2 Political consequences

The tourism sector is the bread and butter for the Bahamian economy. Should The Bahamas accede to the WTO in 2020, Bahamians will expect instant benefits, such as high employment in key sectors, such as tourism. The private sector will monitor the impact of accession on SBOs in the tourism sector. The FNM risk losing the next general elections if there are no noticeable benefits by 2022. In 2017, the delayed opening of the $2.1 billion Chinese-owned mega hotel resort, Baha Mar, which affected employment, played a role in the PLP losing a The Bahamas General elections. WTO opponents will also monitor the U.S. approach to trade after The Bahamas’ WTO accession. Vangrasstek (2019) [16] states: “the trading system adapts to the global distribution of power, with markets tending towards openness when there is a hegemon [21] and towards closure of discrimination when there is not.” The bilateral
trade relationship with The United States, its largest trading partner for decades, has favoured the United States. According to Vangrasstek, “a leader either hobbles itself or enables its challengers (The Paradox of Hegemony). The multilateral trading system created by the West has resulted in China’s rise, which now is a major player in open trade. In 2015, China imported USD 2.59 billion to The Bahamas. The current trade dispute between the United States and China will result in demands from The Bahamian public to be transparent about trade negotiations with China and the United States, both, major trade partners with The Bahamas. After WTO accession, opponents will monitor the trade practices of both nations. Excluding the EU, most trade disputes between WTO members involve the United States and China [23].

4.3 Social consequences
Trade can increase employment, but increased competition from importers can become taxing on businesses thus causing layoffs. The uncertainties of the benefits of joining the WTO has caused anxiety [23]. The Bahamian public fears that accession to the WTO will negatively affect their lives and that of future generations. The social and economic impact of a WTO accession is believed to increase

23 Vangrasstek (2019) defined ‘hegemon’ is a country that has both the economic interest in maintaining an open market, and the political influence to coerce, compel, or convince other countries to go along with it in creating an open market—based on the theory of hegemonic stability.

24 As of 2019, The United States was the respondent in 153 cases. China was the respondent in 43 cases. See “Dispute by member.” WTO. Accessed April 7, 2019. https://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm

During a speech to the WTO Working Party in April 2019, The Bahamas Minister of Financial Services, Trade & Industry, and Immigration stated the anxiety The Bahamian public have about The Bahamas’ possible accession. Available at: https://www.wto.org/english/news_e/news19_e/acc_bhs_09apr19_e.pdf

healthcare, education, and housing costs due to the influx of foreign workers. The Bahamas’ poor education and healthcare systems are stretched due to the large population of Haitian migrants. This research showed that there appears to be underlying mistrust between the leadership and The Bahamian public. Mistrust between the government and the public will likely increase if the tourism sector is harmed after WTO accession.

5. Conclusion
The Bahamas should join the WTO. However, The Bahamas should not rush to meet its self-established December 2019 accession goal. The Bahamas should simultaneously continue careful preparation for its accession while educating The Bahamian public, the majority of which remain unaware of the benefits for The Bahamas. The benefits of WTO accession will result in greater trade liberalization, unprecedented economic growth, and a technologically advanced and efficient tourism sector. It will reduce consumer costs and increase employment. Accession to the WTO will not only benefit The Bahamas, but it will also benefit members of CARICOM, OAS and the world economies. Most importantly, it will bring The Bahamas closer to becoming a global citizen.

References

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