

SMALL STATES IN TRANSITION – FROM VULNERABILITY TO COMPETITIVENESS

BAHAMAS

**THE NEED FOR A UNIQUE STRATEGIC FRAMEWORK – THE
NATIONAL RESPONSE**

THE BAHAMAS AND ITS TRUE NEGOTIATING IDENTIFY FOR THE PURPOSES OF INTERNATIONAL TRADE AGREEMENTS

The Bahamas is an archipelagic state located in the Atlantic southeastwardly from the Coast of Florida and northwards of the Republic of Cuba. The Bahamas consists of approximately 700 islands, cays and drying rocks, most of which are unpopulated, most of which comprise very small land masses and virtually all of which are unconnected to each other by means or causeways of bridges, most of which are unpopulated and therefore undeveloped and such population as exists does not exceed 350,000 persons which is limited to 10 or so of the islands in the archipelago which population is projected by a fairly recent United Nations report to grow to about 500,000 people by the year 2050.

Such land as exists is mostly not arable land and its paucity of population and other factors mitigates against The Bahamas enjoying or being able to benefit from any appreciable economies of scale which might, given other circumstances, accrue to a country so as to assist it in developing traditional export-oriented industry.

The Bahamas, through bitter experience and painful trial and error throughout its history, has developed during the mid and latter part of the 20th Century into a substantial and almost entirely serviced-based economy.

This result has been dictated by the matters set out above and also dictated by the fact that The Bahamas possesses little in the way of traditional natural resources which could possibly have turned its development to other directions in the more traditional vein. The Bahamas has in fact been successful in achieving this transformation and today enjoys a per capita income based upon GDP which places it certainly at the top of the Caribbean sub-region of the western hemisphere and ranks it third or fourth in the hemisphere as a whole.

This happy state of affairs is today being threatened by economic developments of a global nature which are sweeping the globe and threatening to engulf all countries but in particular the smaller and more vulnerable countries such as The Bahamas.

The Bahamas, like the rest of the countries in the Caribbean and elsewhere, is being pushed to become engaged in the globalisation of economies and economic activity which is occurring and is expected to continue to occur at least for the rest of this century.

The Bahamas is therefore faced with solving an almost unsolvable problem which is what can it do to preserve as much as possible its present social, economic and cultural life while playing a role in the globalisation process without so enmeshing itself in the new rules of trade that it completely destroys its identity and probably its well being.

Negotiations for the FTAA seem at present to be in a state of suspension; this suspension does not help to establish what is to happen in the future; this appears to be reinforced by the desultory and somewhat contradictory outcome on trade matters of the recently concluded Summit of the Americas in Monterrey, Mexico.

The Bahamas is not a member of the WTO, although it is working very hard to prepare its application for accession with an intent to join and that is hoped to be accomplished in February of this year. The Bahamas is also engaged in a huge

internal debate concerning whether it should enlarge its membership in CARICOM by signing the Revised Treaty of Chaguaramas. Putting aside for the moment the consideration of CARICOM, The Bahamas is facing enormous challenges so far as the FTAA and WTO memberships are concerned and they generally contain similar if not indeed identical challenges which we must consider.

I might add before proceeding that negotiations of the outstanding matters for WTO seem to have landed the WTO in a sea of disarray and those negotiations as well appear to be suspended for a period of time.

The apparent hiatus therefore which concerns both the FTAA and WTO would appear to give to The Bahamas an opportunity of additional time in which to consider how it should approach these negotiations so as to maximise its benefits from joining these organisations (which I believe The Bahamas must) and to consider as well the special terms and conditions upon which it should allow itself to become so engaged.

I would also like to add that much, if not all that I say is, to a large extent, if not fully equally applicable to other Caribbean nations as they approach the FTAA and to some extent the WTO.

I am of the view that The Bahamas, as have many small states, been approaching these negotiations under false or mistaken identities. The Caribbean nations are not the equivalents in interest or needs or concerns with the United States, Canada, Argentina, Brazil or any other mainland industrialised or semi-industrialised country. The Bahamas and countries like it are unique in the world. They are, if anything, what the United Nations has in its wisdom named Small Island Developing States. These states exist in the Atlantic, in the Indian Ocean, in the Pacific Ocean and indeed more generally they follow the equator right around the world within a few hundred miles of that latitude. For the most part, they are not connected to each other by road works, nor do they have much in the way of maritime transport which connect them to each other. There is in some cases very limited air transport, but for the most part they strive and exist in semi-isolation.

When one studies the various documents published through or by the United Nations concerning the Small Island Developing States or "SIDS" as they are called, one can readily see that most of the SIDS in the world face the same problems. For example, they have limited land areas upon which they are producing agriculture, their populations are generally small, they produce very little of that which they must consume because of the small land mass area with which they have to work and the relative smallness of their population, they are unable to benefit from the economies of scale in any significant part of productive activity which might support an export industry. For these reasons, therefore, SIDS have generally become service-oriented economies. As such, they rely very heavily on imported goods in order to survive and as a result of that feature, they generally rely upon customs duties on imports as the one of the principal sources of government revenue.

For these and for many other reasons which could be detailed, SIDS are especially vulnerable to external economic shocks from virtually all sources. For example, whether in the Atlantic regions or elsewhere they do face danger from hurricanes or cyclones which have from time to time devastated whole countries or significant parts of a SIDS.

They are especially vulnerable as well economically to disruptions of a financial or economic nature which may occur elsewhere and from which the SIDS will have difficult recovering because in most cases they do not have a domestic economy capable of supporting it, and because they rely upon imports in order to support their

level of living, adequate foodstuffs, medicines and so on become difficult to obtain because they suffer from losses of hard currency during periods of recessions and insofar as supply of foodstuffs are concerned, I have already noted that most SIDS, like The Bahamas, do not have adequate arable land or populations in order to become agriculturally sufficient and food security therefore becomes a serious difficulty.

Other shared problems are that SIDS generally are afflicted by serious shortages of fresh water supplies, they do not handle waste management in an effective manner and another example of a problem affecting SIDS would be that since they are all coastal entities, waste disposal, excluding jettisoned oil from passing ships present great problems for them because it has an affect on the viability or life of coral reefs which surround most of these islands and help replenish adequate stocks of fisheries upon which most of them use either as a food or as an item for export.

Bearing these things in mind, one can readily see why SIDS might be concerned by the general attempt by the WTO to require a reduction in tariffs (customs duties for example) in the case of the WTO and in the case of the FTAA, the total elimination of tariffs because were a SIDS to be required to follow those requirements they would give up their major or one of the major sources of revenue upon which they rely to keep their country economically stable. Further, the fact that these rules-based agreements contain dispute settlement mechanisms for disputes which can be of great assistance to SIDS in the event a dispute should arise between a SIDS and another member country of these organisations, this alleged benefit appears quite illusory.

The truth is that most SIDS, if any, could afford the very high monetary costs which they would have to bear for lawyers and other advisors to bring a case before one of these tribunals and so while the benefit exists, it is hardly likely to be of any assistance, and as a general comment, many of the provisions of these agreements really have little relevance to activities of SIDS. They really concern more than any other type of entity the more industrialised powers among us and so I think if The Bahamas and other SIDS are to become members of those organisations, the proposed agreements must be substantially modified to deal with SIDS as unique entities rather than trying to cover them all by agreements which are intended to cover everyone. In other words, the idea of a "one-size-fits-all" approach will not work as far as SIDS are concerned.

What then is the answer?

The WTO agreements and the FTAA proposed agreements contain provisions promising special and differential treatment for all economies and especially lesser-developed countries. This is an admirable promise.

The main difficulty is that in the case of the WTO, having arisen from the rules of GATT, the provision on special and differential treatment in the WTO is far different and less effective and some would say less useful than those same provisions originally were under the GATT. Be that as it may, the fact is that so far as I am aware, no special and differential treatment has yet been extended in any substantive way to any lesser-developed countries or small vulnerable state or a SIDS.

The same can be said concerning the similar provisions contained in the proposed FTAA agreement where special and differential treatment is promised for smaller economies. So elusive has that proved to be that those who are negotiating

the FTAA agreements have yet to be able to come up with an agreed definition as what a Small Economy might be.

The answer, because of this unwillingness or inability to proceed on the special and differential treatment provisions so far as smaller countries are concerned opens the door for action and some leadership by the smaller countries themselves. In this regard, The Bahamas has itself unique problems, opportunities and interests as do most other SIDS, if indeed not all of them. According to the United Nations, all of the countries in CARICOM are designated as SIDS including Belize, Suriname and Guyana, even though the latter three are in fact mainland countries. The Bahamas along with other SIDS concerned with these negotiations whether for FTAA or WTO or both should begin establishing their own unique negotiating identity. By that I mean they must force the other states with which they negotiate to see them not through the eyes of industrialised countries, but to see SIDS through the eyes of SIDS. Our interests, our concerns, our needs, our affairs, our opportunities must all be spelled out. SIDS must not be allowed, must not allow themselves to be stampeded willy-nilly into accepting provisions of an agreement which holds the prospect of serious harm.

This may be accomplished in a number of ways. For example, there is no conceivable reason why, for example in the FTAA proposed agreement, that a niche chapter of that agreement could be devoted entirely to the concerns and opportunities of SIDS and SIDS as a gesture of good will and out of an intention to support the one agreement in principle, should not agree to be bound by other principles or chapters of the agreement as and when the need for their application to SIDS arises and subsequent negotiations sessions have taken place and have resulted in an agreement to that effect. To proceed as we are now proceeding with Small Island Developing States negotiating these agreements in all their complexity and in some cases irrelevancy to SIDS is nonsense. SIDS are citizens of the world and they should be respected as such. They should be treated as unique individuals and they should not be forced to change systems or taxation or accept damage to their environments and dislocation of their economies (as occurred in the Windward Islands as a result of the banana case in which SIDS were not even allowed to appear to defend their interests).

Only in this way can there be a just resolution to this drive for freer trade which must be conducted with a sense of propriety, justice and democracy. It cannot be too much to ask that the edict from ancient times be appropriately applied to these matters and that is the edict which requires one to treat one's neighbour as one would himself wish to be treated.