

A Primer on Exporting to The Bahamas¹

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Introduction

Every year the U.S. Department of State publishes extensive Country Commercial Guides for a large number of countries. These guides provide a great deal of information useful to individuals interested in developing exports markets either through direct exports or direct foreign investment. This paper provides an abridged version of the *Country Commercial Guide for The Bahamas* as well as supplemental information of direct relevance to agribusiness firms. It is hoped that the information contained in this report provides a useful starting point for individuals interested in exploring export or investment opportunities in The Bahamas.

Note: County Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact Stat-USA by telephone (1-800) STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at <http://www.stat-usa.gov>, <http://www.state.gov>, and <http://www.mac.doc.gov>. They can also be ordered as a hard copy or on diskette from the National Technical Information Service (NTIS) by telephone (1-800) 553-NTIS. American exporters seeking

general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by telephone (1-800) USA-TRADE; or by fax (202) 482-4473.

Economic and Political Overview

The Bahamian economy is primarily dependent on tourism, followed by the financial services sector. Relying on a service-based economy, The Bahamas' per capita income, which was US\$15,000 in 2000, is now almost US\$18,000. The GDP (Gross Domestic Product) increased from US\$4.99 billion in 2001 to US\$5.12 billion in 2002. Unemployment rose from 6.9% in 2001 to 9% in 2002.

Despite its small size, The Bahamas is a significant market for U.S. exports. More than 80% of the tourists to The Bahamas are American citizens and residents. Therefore, continued growth in the Bahamian economy depends largely on U.S. prosperity.

Aside from the tourism, financial services, and construction sectors, another principal growth industry is agriculture and fisheries. The island nation imports over US\$250 million in foodstuffs annually,

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accounting for 80% of its food consumption. The agriculture and fisheries sectors account for 5% of the GDP. About 5% of the full-time workforce is employed by this sector, and an even larger portion is temporarily employed during lobster season. The government recognizes that for the country to become self-sufficient, the quality and variety of crops released on the market must improve. Therefore the Bahamian government welcomes foreign investment aimed at increasing agricultural production, particularly specialty food items. The government officially lists food processing, mariculture, fruits and nuts, dairy production, and winter vegetables as targeted areas for foreign investment.

The Bahamas has much to offer for potential investors, including a stable democratic government; timely repatriation of corporate profits; relief from both personal and corporate income taxes; close proximity to the United States; extensive air and communication links; a skilled pool of professionals; and designation under Canada's CARIBCAN Program, the Caribbean Basin Initiative (CBI), and the European Union's LOME IV Agreement. The Bahamian government encourages foreign investment in the tourism and banking sectors, as well as in agricultural and industrial areas.

Marketing U.S. Products and Services

There are a number of factors that should be considered in exporting products to The Bahamas. This section provides a brief overview of many critical factors that must be considered.

Establishing a Business

Companies seeking to establish a representative office in The Bahamas must first obtain a business license. Licenses are issued following application to and approval by Bahamas Investment Authority (BIA) in the Office of the Prime Minister. The BIA can be contacted at the following address: Bahamas Investment Authority, Ministry of Financial Services and Investments, Sir Cecil Wallace Whitfield Centre, Post Office Box N-7770, Nassau, Bahamas (telephone 242-327-5970; fax 242-327-5907).

Distribution / Sales Channels

Bahamian government policy prohibits foreign investors from opening retail and wholesale outlets; local wholesalers, several of whom specialize in particular lines, normally purchase goods intended for sale to the general public. The usual business practice is for wholesalers to make purchases directly from their counterparts in Florida, which is why such a large portion of third-country products are imported to The Bahamas through the United States. Most wholesalers and some retailers, however, are willing to make direct purchase arrangements. In some cases, Bahamian retail outlets or wholesalers will enter exclusive distributorship arrangements with foreign firms.

Performing Due Diligence

There is no local equivalent of a Dunn and Bradstreet to check the bona fides of banks, agents, or customers. However, the business community is small so local attorneys or other Bahamian contacts may be able to assist. Information may also be obtained from the following address: the Bahamas Chamber of Commerce, Post Office Box N-665, Nassau, Bahamas (telephone 242-322-2145).

Information on mortgages, security interests in personal property, and corporate document filings may be obtained from the following address: The Registrar General, Post Office Box N-532, Nassau, Bahamas, (telephone 242-322-3316).

The Embassy's Commercial Section is willing to assist in verifying the bona fides of potential business partners and customers.

Direct Marketing

Many Bahamians use credit cards and can order items by mail or telephone for delivery to The Bahamas if the exporter is willing to ship. However, import duties levied on the sales price and freight of small shipments often make such orders economically unviable. Many Bahamians prefer to shop in person in Florida to benefit from exemption from Customs duties.

Franchising

There are a number of American franchises in The Bahamas. Most franchises are successful because they appeal to the local community and the three million plus tourists who visit The Bahamas. Although Bahamian government policy prohibits American foreign retail chains from opening outlets in the country, various contractual distributorship and franchise arrangements are possible.

Joint Ventures / Licensing

International investors are encouraged to establish joint ventures with Bahamian partners, although the Bahamian partner must have majority ownership. The choice of a Bahamian partner is left to the discretion of the investor. Joint ventures between international investors and Bahamians are eligible to access funding from The Bahamas Development Bank (BDB). However, the equity of the overseas investor may not be borrowed from the BDB or from the domestic capital market. Bahamians may, however, borrow a percentage of their contribution from the BDB or the domestic capital market. An established joint venture is not debarred from accessing BDB funds.

Advertising / Trade Promotion

Advertising for any legal item or service, whether sold in The Bahamas or in the United States, can be purchased freely in any local newspaper or publication. Radio and television advertising can also be purchased for local radio and television stations.

Selling to the Government

Businesses intending to market goods or services to the Bahamian government or businesses seeking to enter the Bahamian commercial market are advised to seek the advice of the U.S. Embassy in Nassau at an early stage. The government has a nominally open procurement process for purchasing supplies, equipment, and services, although some government contracts are not put out to open bid. The Embassy's Commercial Office offers a number of services tailored to specific businesses seeking local distributors, including the Commerce Department's "Gold Key Service", for modest fees. Visitors can

speaking, by appointment, with a trade specialist in the Embassy's Commercial Section, located in the Embassy in downtown Nassau at 42 Queen Street. The office can be contacted at the following addresses: Economic-Commercial Section, U.S. Embassy, Post Office Box N-8197, Nassau, Bahamas, or Am-Embassy Nassau/Economic Section, Department of State, 3370 Nassau Places, Dulles, VA 20189-3370, Washington, DC 20521-3370 (Nassau telephone 242-322-1181 or 242-323-7180; fax: 242-328-3495 or 242-356-0222).

Need for a Local Attorney

As in the United States, most business transactions may be carried out without an attorney. Persons wishing to consult or retain local counsel, however, are advised to contact the Commercial Section for a list of local attorneys.

Agribusiness Industry Prospects

The Bahamas has a relatively sophisticated consumer goods market and most major U.S. producers are well represented here. Some local food brokers say that Bahamians prefer brand name products, so it is often difficult to sell large quantities of unknown brands unless the quality is exceptional. The only barriers to entry of most food imports are duties and stamp taxes. The Bahamian government charges import duties on most items, including food products. The duties generally range from 0% to 35% plus 2% to 7% percent stamp tax on some items. There is no duty on market basket items (e.g., bread, rice, sugar, corned beef, and baby foods). The government occasionally bans imports of certain food products such as bananas and poultry products, to protect local production.

Trade Regulations and Standards

Trade Barriers

The Bahamian government raises nearly 60% of its total revenue from import tariffs, so the tariffs tend to be high. The basic *ad valorem* tariff is 35%, but the following agricultural products have separate tariff rates that are subject to change:

- Fine cut tobacco -- 210%
- Cigars -- 200%
- Cigarettes -- 210 % + 7% stamp tax
- Bottled water -- 70%
- Cheese -- 15%
- Pasta -- 10%

To protect domestic agricultural producers, permits are required to import more than 50 pounds of whole chickens or chicken parts; lamb or mutton; or pork legs, shoulders, or hams into The Bahamas. Permits are also required to import fruits and plants such as bananas, vegetables, and cut flowers. Permits may be denied if a locally grown surplus exists.

Customs Valuation

Most imported goods are valued based on their actual cost according to an invoice. Customs only honors discounts of up to 3% given by U.S. exporters. Freight and shipping charges are included in the assessed value.

Import Controls

Permits are required for certain imports. Applications for permits for agricultural products should be made to the Ministry of Agriculture.

Entry forms are required by Bahamian Customs for goods coming by air, sea, or post. A genuine invoice (copy or original) is required. Goods may be cleared through Customs without a proper invoice if the importer leaves a deposit (usually double the estimated duty) and agrees to present an invoice at a later time.

Free Trade Zones / Warehouses

The City of Freeport on the island of Grand Bahama is a major free trade zone.

Membership in Free Trade Agreements

The Bahamas is a beneficiary of the U.S. Caribbean Basin Initiative Basin Initiative (CBI), the European Union's Lome IV Agreement, and Canada's CARIBCAN Program. Although The

Bahamas participates in the political aspects of the Caribbean Community (CARICOM), it has not entered any joint economic initiatives with other Caribbean states. The Bahamas has recently expressed interest in becoming a member in the World Trade Organization (WTO), and is an active participant in Free Trade Area of the Americas (FTAA) negotiations.

Investment Climate in Brief

- The Bahamian government typically encourages and offers incentives for foreign investment in most sectors of the economy, except those the government reserves exclusively for Bahamian citizens. Some reserved sectors significant to the agriculture industry are wholesale and retail operations; commission agencies engaged in the import/export trade; crustacean, mollusk, and sponge fishing operations; and shallow water scale-fish.
- The government has targeted agro-industries, food processing, and mariculture as businesses for foreign investors.
- Benefits of investing in the Bahamas:
 - stable, democratic government.
 - corporate and personal income tax relief.
 - timely repatriation of profits of approved investments.
 - proximity to the United States.
 - extensive airline links.
 - well-developed telecommunications links.
 - skilled, professional workforce.
 - excellent tourism and conference facilities.
 - tariff relief under the Caribbean Basin Economic Recovery Act.
 - Bahamian dollar is fixed on par with the U.S. dollar.

- Large-scale agricultural projects may be difficult to staff:
 - low-wage and low-skill jobs do not appeal to most Bahamians.
 - government does not typically permit foreign laborers to staff these jobs, even on a temporary basis.
- Government will withdraw or refuse the license of a foreign business if it is perceived to compete with existing Bahamian businesses or appears too dependent on foreign labor.
- Bahamas Investment Authority (BIA), the government's central point of contact for foreign investment questions, provides a "one-stop-shop" to assist foreign investors with initial investment application approval and to cut through red tape for approved investments. Potential investors may contact BIA at the following address: Bahamas Investment Authority, Post Office Box N-7770, Nassau, Bahamas, (telephone 242-327-5970; fax 242-327-5907).
- There is no evidence of government expropriation.
- Contractual and other disputes are not uncommon between Bahamians and foreign investors or exporters; however, there is no history of major investment disputes.
- There is no taxation on income, sales estates, or inheritances.
- The Agricultural Manufacturers Act allows any materials necessary for the construction, alteration, or repair of an agricultural factory, as well as any machinery or supplies used in establishing such a factory, to be imported duty free. An agricultural factory refers to any factory established for the purpose of manufacturing or preparing agricultural or horticultural produce of the Bahamas for sale or export.
- Secured interest in property is recognized and enforced, but is subject to long delays.
- Business licenses are issued on a discretionary basis and often result in a lack of transparency in decisions to renew or authorize the authority of a business.
- Projects in The Bahamas are sometimes eligible for financing from the U.S. Export-Import Bank and multilateral institutions such as the Inter-American Development Bank (IDB), or the Overseas Private Investment Corporation (OPIC).
- Some Bahamians are suspicious of expatriate employees and investors. This makes foreign investors targets for criticism in the news media and Parliament.
- In 2002, the Bahamian government signed a Tax Information Exchange Agreement (TIEA), which will permit U.S. tax deductions for expenses of business conventions held in the Bahamas beginning in 2005.

Business Customs

Travel Information and Visas

American citizens do not require a passport or visa to enter The Bahamas, but proof of citizenship, such as a birth certificate or voter registration card accompanied by a photo ID, is required, as well as a return ticket to the United States. American citizens traveling to The Bahamas or any area where they may have some concern about local conditions can contact the U.S. Department of State's Citizens Emergency Center at telephone (202) 647-5225 for the most up-to-date information.

American business travelers are encouraged to obtain a copy of the "Key Officers of Foreign Service Posts: Guide for Business Representatives", available for sale from the U.S. Superintendent of Documents at the U.S. Government Printing Office, Washington, D.C. 20402 (telephone 202-512-1800; fax 202-512-2250).

Business travelers to The Bahamas seeking appointments with U.S. Embassy Nassau officials should contact the Commercial Section in advance (telephone 242-332-1181, extensions 4225 or 4226; fax 242-328-3495; Internet usemb.state.gov/nassau

Business Infrastructure

The national language of The Bahamas is English, sometimes spoken with a distinctive local accent and the use of colorful local expressions. Due to the proximity of The Bahamas to the United States and the extensive familiarity of most Bahamians with Americans and American culture, business customs tend to be similar to those in the United States. Business dress is more formal in The Bahamas than elsewhere in the Caribbean or in Florida; a business suit and tie are recommended for men and conservative business dress for women. Business attire generally follows the standards of the Northeastern United States. Bahamians shake hands on meeting, sometimes exchange business cards, and address first-time business acquaintances by their last names. Conversations generally move to a first-name basis a bit more slowly than in the United States. Firm appointments for business meetings are advisable. Although Bahamians are not punctual for meetings, foreign visitors should be timely.

In addition, The Bahamas is very much a consensus-driven society in which people often disguise personal feelings beneath a surface cordiality. Business meetings in The Bahamas tend to be very pleasant, and Bahamians often end a meeting with an air of agreement even if real differences remain. Thus, Bahamian partners may still retain some reservations even after meetings that ended with firm handshakes and pleasantries. Bahamians at the middle levels of business or government must often gain final approval from more senior officials.

Bahamian businesses tend to operate on a tighter financial margin than their American counterparts, often juggling financing from one commitment to another. Therefore, for initial or large sales, a businessman should require a deposit against future payment for goods or services delivered and should expect that some delays may occur with subsequent payments.

Business lunches are common in The Bahamas, and invitations to discuss matters over lunch in a quiet restaurant are common practice. Bahamians tend not to drink very much at business lunches and usually expect lunch to last from 60 minutes to 90 minutes only. Business dinners are relatively rare. Bahamians

do not often invite new acquaintances to their homes for dinner. When they do so, dinners at the homes of well-to-do Bahamians tend to be elaborate and formal affairs, at which business attire for men and conservative evening wear for women is appropriate. A small gift for the hostess, such as flowers, and a follow-up thank you note are appropriate acknowledgments.

Acceptable topics of conversation include: sports; the tourist business; the beauty of the islands; the weather; and unique or distinctive aspects of Bahamian culture such as the local cuisine, Junkanoo, local music, art, architecture, and history. While Bahamians are comfortable with discussing most topics, drug trafficking and race relations are sensitive topics and should be avoided during initial contacts.

Since much of Bahamian social life revolves around church, an invitation to a church service is a sign of personal respect and affection. Many churches in The Bahamas have proud traditions of gospel choir singing, and church services can be quite lively. Dress at church services is usually formal with conservative business suits for men and colorful, sometimes elaborate, dresses for women.

Both Freeport and Nassau have a wide variety of hotels and resorts (many of which have business centers). Taxis are readily available downtown and near hotels. Rental cars are available, but are more expensive than in the United States. No specific health precautions or vaccinations are necessary.

Useful Web Sites

BAHAMAS:

- Bahamas Investment Authority
<http://www.jimduke.com/bahamas>
- Bahamas Agricultural and Industrial Corporation <http://www.bahamasb2b.com/baic>
- TheBahamaWeb <http://www.bahamaweb.com>

UNITED STATES:

- USDA Foreign Agricultural Service
<http://www.fas.usda.gov>

- US Export Programs Guide
<http://infoserv2.ita.doc.gov/ticwebsite/tic.nsf/AF34FA880278BDD5825690D00656C6F/F69FD0CF72B7713B58525691900746F18?OpenDocument>
- Internet Guide to Trade Leads
<http://infoserv2.ita.doc.gov/ticwebsite/tic.nsf/504ca249c786e20f85256284006da7ab/ef7db94aef24919885266470049c1cd?OpenDocument>
- US Trade Finance Resources
<http://infoserv2.ita.doc.gov/ticwebsite/tic.nsf/AF34FA880278BDD5825690D00656C6F/F69FD0CF72B7713B58525691900746F18?OpenDocument>
- Basic Guide to Exporting
<http://www.unzco.com/basicguide/index.html>

HEMISPHERIC:

- Hemispheric Guide on Customs Procedures
http://alca-ftaa.iadb.org/hgcp_eng.htm
- Hemispheric Trade and Tariff Database
http://alca-ftaa.iadb.org/eng/ngmadb_e.htm