



# MINISTRY OF FINANCE

## TRADE BRIEF

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# CUSTOMS MANAGEMENT AND THE EPA

## INTRODUCTION

The Economic Partnership Agreement describes the framework for the trading relationship between the European Union (EU) and the Forum of Caribbean countries (CARIFORUM). Since customs authorities are responsible for the collection of duties and the import and export of goods, the EPA has very specific and detailed provisions on all aspects of customs management. This publication will attempt to highlight the major customs issues that will impact the Customs Department and its clients.

This publication will address customs issues in the same manner in which they are addressed in the EPA; **customs duties, trade defense instruments, non-tariff measures, customs and trade facilitation, Protocol I Concerning the Definition of the Concept of “Originating Products” and Methods of Administrative Cooperation and Protocol II on Mutual Administrative Assistance in Customs Matters.**

### 1. Customs Duties

The most important feature of the chapter is that it provides the authority for duty-free entry of goods from The Bahamas into the EU. It also commits the Government to eliminate customs duties on exports within 3 years of signing the Agreement and prohibits the charge of any surtax or charge that is applied for revenue purposes or to protect domestic products. Fees and other charges should

reflect the cost of providing the service.

This chapter also provides for a schedule to reduce the duty on goods imported into The Bahamas from the EU over a 25 year 'phase in' period. All goods that are traded between countries are given a code based on the harmonized Commodity Description and Coding System. In negotiating the EPA, all the traded goods were placed into one of seven 'baskets'; excluded, 0, 5, 10, 15, 20, 25. The basket indicates the period during which tariff rate on the goods will be reduced to zero. The goods in the excluded basket will not be subject to tariff reductions. The goods in the excluded basket are mainly food products. The items that will face no duties when the EPA is signed are live bovines and swine, seeds and tubers, cereals, propane, some medicines and reagents, fertilizers, fungicides, newspaper and journals, laboratory equipment, agricultural tools, agricultural equipment, fishing vessels and carriages for disabled persons. It also states the conditions for the suspension of duty-free access to the EU which are fraud and irregularities.

### 2. Trade Defence Instruments

There are two main trade defence instruments. These are anti-dumping and countervailing measures. Anti-dumping and Countervailing measures are duties imposed by the country being offended to affect the dumping of products.

I. The Parties to the EPA are from the European Community (EC): Belgium, Czech Republic, Denmark, Germany, Estonia, Greece, Spain, France, Ireland, Italy, Cyprus, Latvia, Lithuania, Luxemburg, Hungary, Malta, Netherlands, Austria, Poland, Portugal, Slovenia, Slovak Republic, Finland, Sweden, United Kingdom, Bulgaria and Romania and on the other CARICOM and the Dominican Republic.

This chapter outlines the conditions under which these measures may be applied.

### **3. Non-tariff Measures**

The most important issue is that this chapter prohibits any type of restriction on imports or exports. It does not allow the introduction of new subsidies contingent on export or an increase in an export subsidy on agricultural products. The chapter does not however, prevent the payment of subsidies to national producers.

### **4. Customs and Trade Facilitation**

This chapter aims to improve the legislative, procedural and administrative capacity of customs organizations at the national and regional levels and seeks to improve cooperation on customs matters between CARIFORUM and the EU at the international level.

Customs legislation and procedures will be based on international standards<sup>1</sup>. This chapter commits The Bahamas to:

- (a) enforcement of legislation to protect trade;
- (b) ensuring that requirements for economic operators are fair, protect against fraud and provide appropriate penalties;
- (c) apply a single administrative document;
- (d) modernize customs procedures which includes risk assessment, simpler import and export procedures and less regulation of authorized traders;
- (e) fair requirement and procedures for import, export and goods in transit;
- (f) maintain a system of binding rules in customs matters particularly as they relate to tariff classification and rules of origin based on national legislation;
- (g) develop systems that would facilitate the electronic exchange of information between traders, related agencies and customs departments;
- (h) facilitate transit movements;
- (i) maintain transparent and non-discriminatory rules for the licensing of customs brokers; and
- (j) avoid the requirement for pre-shipment

inspections.

It also commits The Bahamas to consultation with the business community on legislative proposals and to make administrative notices which include hours of operation, contact points, international ports and entry procedures publicly available.

### **5. Protocol I Concerning the Definition of the Concept of “Originating Products”**

There is reference made to this Protocol in the chapter on Customs Duties. The main purpose of this protocol is to outline the conditions under which goods may be considered to be exported to the EU duty-free and the procedures that must be followed to facilitate their export.

#### For goods

The protocol considers CARIFORUM as one territory and allows for originating products to be made up of materials or products processed or worked between countries provided that their level of processing meets the minimum standards set out in the protocol.

It also allows for the use of goods and materials from other African and Pacific States into a goods provided that it: (a) meets the requirement for minimum processing and (b) there is an agreement on administrative cooperation between the country of origin and the destination country.

The products that are included are: minerals from the soil or seabed, fruits and vegetables, live animals, products from animals, products from the territorial waters, used articles for the recovery of raw materials, waste and scrap resulting from manufacturing, products extracted from outside the marine soil or subsoil, goods produced from any of the above.

<sup>1</sup>The international standards are contained in the Kyoto Convention, World Customs Organization Framework on Standards to Secure and Facilitate Global Trade, World Customs Organization Data Set, Harmonized System Convention, World Trade Organization Article VII concerning customs valuation.

The Protocol defines the conditions under which products from vessels or factory ships would be considered as originating. These conditions are:

- (a) ships registered in an EC or CARIFORUM State;
- (b) ships which sail the flag of an EC or CARIFORUM State;
- (c) ships which are 50% owned by EC or CARIFORUM nationals or companies

#### Items for exhibition

Products may be exported under this Protocol for exhibition purposes and may be sold afterward provided that this information is provided in the certificate.

#### Origin certification

Goods entering the EU or CARIFORUM must be accompanied by either a movement certificate EUR.1 or in specific cases an invoice declaration. The following goods are exempted: goods in personal luggage that does exceed EUR1200, small packages between private persons and parcels that do not have a value that exceeds EUR500.

### **6. Protocol II on Mutual Administrative Assistance in Customs Matters.**

This Protocol seeks to expand the issues outlined in the chapter on Customs and Trade Facilitation. The Protocol also seeks to ensure that customs procedures adequately prevent, investigate and address contraventions to legislation.

The protocol does not include assistance to recover duties, taxes or charges. It does however require Bahamas Customs to provide information from EU or CARIFORUM customs authorities on the customs procedures applied to goods exported from or into The Bahamas.

The provisions on assistance allow the EC or CARIFORUM authorities within national legislation to undertake special surveillance of persons, places or assembly or shipment and the means of transportation if there are reasonable grounds to believe that that there has been a contravention of legislation.

The customs authority is committed to respond to requests for assistance provided they do not comprise sovereignty, public policy, security or industrial or professional secrets. Documents provided between customs authorities may be used in evidence and the agency that provided the documents notified of these use. Officials of customs authorities may be required to appear in judicial and administrative matters. In these cases the claims on the other applicant party shall be limited to interpreters, translators, experts and witnesses.