SLIPPERY SLOPES

How Hong Kong Empowers Rich Countries to Choke LDCs

A Rapid Assessment of Effectiveness of Market Access

উন্নয়ন অন্বেষণ
Unnayan Onneshan
The Innovators
centre for research and action on development

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I. INTRODUCTION

A monkey sets to scale up a greased poll. Each day it climbs three feet of the poll while it falls down two feet in the next day. How long will it take to climb up a sixty-foot high poll?

The trade deal in Hong Kong struck out a fate as proverbial as the arithmetical problem a primary school student is asked to solve. The sum, however, provides a prospect for the monkey to climb atop the poll, while the future of the least developed countries (LDCs) still hangs on the balance as to their ability to see light at the end of the tunnel.

The commentaries in circulation are unequivocal that the World Trade Organisation (WTO) needed a 'success' in Hong Kong for its survival as the usefulness of the multilateral institution had come into question from left to right, accentuated by the collapse of ministerials in Cancun and Seattle, and for failing to deliver on promises made time and again in Marrakesh, Singapore, Geneva, and Doha that developing world would enjoy better livelihood and the disadvantaged would be lifted out of poverty. A deal was de rigueur, and that was arrived at: no matter at what expenses.

The establishment was, thus, quick to grasp the headlines about the Ministerial Declaration, stating that "many described [it] as significant progress both since the July 2004 "package" and after six days of intensive negotiations in Hong Kong which the chairperson described as "working like a dog".[1] The French-Socialist-turned-EU-trade-dipolomat-turned-top-trade-mandarin Pascal Lamy added a 'touch of colour': "we now have enough fuel in the tank to cruise at the right negotiating altitude." Others have said that the nouveau riche of the post-colonial world - Group of 20 developing countries that coalesced in Cancún exulted in its ability to "scoring in a big way in areas of key concern to them, including agriculture, non-agricultural market access and development issues."[2] Cuba and Venezuela formally expressed their reservations on the texts on non-agricultural market access and services. Almost all the ministers in the preceding informal heads of delegations meeting, nevertheless, described the agreement as not fully meeting their expectations.[3]

It is far more required to examine, internalise and expose the 'success' and thus calls for a thorough line-by-line examination of the deal, struck in a traditional negotiating tactic of pressure cooker environment, leaving most of the Membership dogged in wondering which proposals make economic sense, and which are mere adjectival exuberance, while the big players trade away minor gains to showcase victories. A comprehensive scrutiny is needed as the rich countries fielded vast teams of lawyers, experts and negotiators to make sure that they get the result they want.[4] Combine this with the negotiating process, such as exclusive Green Rooms, faces a monumental struggle.

This rapid assessment falls far short of the required level of analysis and provides a brief account on the deal. The second part contains an illustrative exercise that examines the effectiveness of the deal through looking at a single item of agreement - duty-free-quota-free access provided to the products of LDCs - by taking exportables of a single country to a single country market. A series of such exercises is needed for fuller understanding. The final part ends with some recommendations for the internal reflection and elements of strategy the LDCs may choose for their onward journey.

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II. NEGOTIATIONS IN HONG KONG: A QUICK REVIEW

The collapse of the fifth ministerial meeting of the World Trade Organisation in Cancún was revived by an agreement in Geneva in July 2004, otherwise known as "July Package" to carry out the Doha Work Programme (DWP). The July Package outlined the principles to continue the work on reform measures in agriculture sectors, liberalisation of industrial and service sectors and issues on trade facilitation. The deadline for negotiations under the DWP was extended from January 2005 to the end of the Hong Kong Ministerial.

In the run up to the Hong Kong Ministerial, the scope of negotiations in Geneva was curtailed to mainly focus on six specific issues - agriculture, market access for non-agriculture products, services, rules, trade facilitation and special and differential treatment (SDT) for LDCs. Therefore progress were minimal in Geneva. Deadlines and meetings had come and gone, with most countries repeating known positions. Against this backdrop expectation of the outcome from the Hong Kong Ministerial was 'recalibrated' to mainly concentrate on certain issues of agriculture and LDCs-specific SDTs.

Prior to the Hong Kong Ministerial three drafts were released from Geneva. However, divergences between developed and developed countries remain in the contents of these drafts. In Hong Kong two revised drafts were circulated with some moderation and amendments in each of the drafts. Members have agreed on some specific issues related to e.g. agriculture, and LDC package with some implementational deadline. Little improvements have made on the major issues. Deadline was extended till the end of April 2006 to take decisions on these major critical issues.

Agriculture

Export subsidies were predominant throughout as the debate between the subsidy superpowers - the EU and the USA – continued till the end of the negotiations in Hong Kong. While the USA declared to eliminate all forms of export subsidies by the end of 2010, it insisted the EU to do so, which was intransigence to committing any deadline till the last day of the negotiations. However, minor progress was made at the end with continuous pressure from the USA, G- 20 led by Brazil and India.

• An end date of 2013 was agreed for export subsidies. The elimination of export subsidies would help little to the farmers of developing countries as it is a minor part, constituting 3.6 per cent of the overall EU farm supports. The EU will also be able to provide 5 billion Euros per year under AOA rules.

• Pleasing plate for the developing countries in agriculture, as said in press conferences, is that they have the provision to decide for themselves which products need to be protected to safeguard food security, rural development, and the livelihoods of poor farmers under the Special Products and Special Safeguard Mechanism (SSM). The number of products will be negotiated in Geneva. But the draft did not accept the G-33 proposal.

• The deadline for reduction in domestic support was set on April 30, 2006. Although languages of the text was strengthend on a real cut in domestic subsidies with higher linear cuts in higher band and the loopholes in Blue Box support were tightened, it was not unambiguous that the dumping would continue.

The negotiations remained complete silent about the principle governing the provision of subsidy. The negotiations were nowhere nearer to upturn the arrangements in agriculture to ensure that domestic support should be allowed to farmers in those countries, who need these but not to those living in the countries with abundant financial resources. If such an arrangement, including a no-string-attached global fund was established, it is only then that Doha Round will be development oriented.

The negotiations also maintained heightened silence about the Bretton Woods Institutions that had forced the LDCs to eliminate subsidies to needy farmers under unilateral liberlisations carried out as a part of structural adjustment, continue preaching to eliminate whatever subsidies are given, and do not allow

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these countries to support the small farmers, even at the allowable di minimis level. The negotiation did not deal with and come up with proposals for net-food-importing countries (NFICs).

Cotton

The official negotiators portrayed the Hong Kong Ministerial successful by showcasing that the African cotton producers made progress on their long demand for cutting in trade distorting cotton subsidies of the developed countries. It was agreed that all form of export subsidies by developed countries would be eliminated by 2006. There are two major issues which remained unaddressed. First, the deal was much not wining as it failed to make a dent on the domestic subsidies under which the majority of trade distorting supports is reported. It also failed to respond on the WTO dispute settlement ruling issued in favour of Brazil, asking the USA to eliminate all distorting subsidies by September 2005.

Food Aid

The row over food aid – cash and/or kind - between the EU and the USA at the WTO trade negotiations effectively put the other concern of the net-food importing countries such as compensation mechanism to balancing the food security and the livelihoods of the poor farmers on the backburner.[5] Playing their LDC (least developed countries) card, the rich nations continued bidding to outdo each other on the contentious issue of food-aid surpassing the implications of commercial displacements of the net food importing LDCs. The focus was absolutely away from increasing farm productivity, enhancement of capacity building through technological advancement and infrastructure development and ensuring price stability with lessening input costs.

Riding on the humanitarian issues, the USA rather wanted to continue its existing food aid donations in the kind, but EU that preferred aid in cash said it was another means of subsidization and thus detrimental to trade and called for "radical reform" to the US system of food aid for poor countries. The EU accused the US of procuring food at half the price to flood the poor nations. The US, on the other hand, refused to budge saying that this was food supplied to the poorest of countries in emergency situation like drought and floods. In the end, members agreed to bring discipline to prevent the abuse of food aid under a new framework yet to be decided. Proposals were tabled to make distinction at least between two types of food aid: emergency food aid and food aid to address other situations.

The real problem is that the dumping of non-emergency food aid continues to undermine local farmers. The compensation mechanism to balancing the food security and the livelihoods of the poor farmers stayed behind.

Non-agricultural Market Access (NAMA)

The NAMA text, based primarily on the proposals made by developed countries, stipulated reduction of industrial tariffs in both developed and developing countries. LDCs were kept away from this mathematical wizardy of tariff rate cuts as text in this context promised these countries to provide duty-free and quota-free market access based on Annex-F (the difficulties associated with the agreed discipline is given in the later section). The concern for the LDCs of their product of export interest remained the same. Developing countries fiercely opposed the developed-countries-backed Swiss Formula that cuts higher tariffs more than the lower ones since the formers' tariffs are generally higher and in direct contradiction of the "less than full reciprocity" promised in Doha.

The adopted non-linear Swiss formula contains the possibility of leading most of the developing countries to de-industrialisation. The negotiators left for Geneva to detail out the coefficients. Like agriculture, the deadline for modalities on NAMA was set on April 30, 2006. It is unambiguous that high co-efficient is needed to protect local industries, but given the current negotiation tactics employed by rich countries, it would be very difficult for many developing countries to negotiate in their interests.

The text absolutely ignored the erosion of preferences. Non-agricultural products of LDCs remain at a disadvantageous position at the current stage of multilateral trading system. Their products would further become

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incompetitive vis-à-vis the products from developing countries with the possible multilateral trade reforms. For example, average tariff imposed by the EU for Bangladeshi products are zero if covered by rules of origin in comparison to competing countries. With the possible tariff cuts latter's product would be more competitive in the same market than the former.

Services

The negotiations on services text testified how the rich countries wielded their power. A non-negotiated text was annexed from Geneva and the brackets were removed in Green Rooms. The G90, ASEAN groups and LDCs made substantial alternative proposals for Annex C, but were largely ignored.

There was nothing in the text, which could tantamount to progress as far as Mode 4 of the Service Agreements is concerned. The text lacked commitment, remained vague, indicating uncertainty as the following paragraphs illustrate:

Paragraph 3 of Annex C states that "Members shall pursue full and effective implementation of the modalities for the Special treatment for Least-Developed Country Members in the Negotiations on Trade in Services (LDC Modalities…." With regards to the effective implementation of the LDC Modalities Paragraph 9 (a) further states that "Developing appropriate mechanisms for according special priority including to sectors and modes of supply of interest to LDCs in accordance with Article IV:3 of the GATS and paragraph 7 of the LDC Modalities."

There abovementioned paragraphs did not provide any timeline about when LDC Modalities on services would be implemented. Concrete guidelines were not given on the mode 4 issues including visa arrangements, classification of services.

What is newly adopted in Annex C among others is that in addition to the bilateral negotiations, the request-offer negotiations would be pursued on a "plurilateral" basis in accordance with the principles of the GATS and Procedures for the negotiations on Trade in Services despite strong resistance from many of the developing countries.

It is however not defined in the text whether LDCs are subject to the plurilateral negotiations. If so then it would be difficult for the LDCs to cope up with the plurilateral approach in opening up the service sectors given the level of negotiating capacities. The text also contains some worrying deadlines (para 11b). Plurilateral requests are to be submitted within two months (end February 2006 or 'as soon as possible thereafter'), to which countries are obliged to respond by 31 July 2006.

Duty-free, quota-free (DFQF) market access for LDCs

The rhetoric of a special development package for the LDCs was aired in Hong Kong, and was told that, for sure, this Ministerial would deliver on the promise of market access.

The text remains a diktat and contains a wide range of ambiguities, to serve the interest of a few countries. The Text neither provided binding commitment, nor covered all products, nor granted the preferential treatment on a permanent basis, with keeping the option of reversibility of the treatment wide open. DFQF will be provided for all LDCs on a 'lasting basis' (not binding, not permanent) by 2008 for at least 97 per cent of all products. The decision was a step back from the Doha mandate of full DFQF access.

The Text did not provide any timeline for the remaining tariff lines. This signals a grave danger that if these remaining are to occur, would be made operational at the end of the round, implying that the rich country would swallow the rules that negatively impact on the lives of masses of LDCs while benefiting a few multinationals of the rich countries, as happened in the Uruguay Round negotiations – the developing world were compelled to sign TRIPS, GATS, TRIMS while areas of interest to South such as agriculture was held in abeyance for future negotiation.

For example, three per cent comprises some 339-tariff lines in the US market while LDCs tend to export a limited range of products. The similar level of exclusion would also allow Japan to continue to protect rice, fish, and leather goods and footwear.

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Aid for Trade

Yet another phoney face of the WTO surfaced at the Hong Kong Ministerial when its developed members became more vocal to integrate the aid for trade mechanism to expand the export of poor countries while suppressing the LDCs prime concern of duty-free and quota-free market access.

The USA and Japan, which deviated from the earlier commitment made in Doha to give full duty-free and quota-free market access to LDCs, chose a new technique to 'jump start' the stalled talk.

The United States said it would double its aid-for-trade grants to developing countries to $2.7 billion per year by 2010, and Japan already promised to provide $10 billion to help resource scarce countries develop their export capacity. The EU also announced that it would boost its annual contribution of the so-called aid for trade by euro 1 billion (US$1.8 billion) by the year 2010, bringing its total to euro 2 billion (US$ 2.4 billion) a year.

It was evidently clear that the money promised was not new money and would be provided as loans. The aid would be stringed-attached one, by linking with liberalisation. Moreover, there are possibilities that such aid for trade would be reduced to those of another trade related mechanism, such as IF (Integrated Framework), JITAP (Joint Integrated Technical Assistance Programme) and TIM (Trade Integration Mechanism), which have the hardly helped the LDCs to address the supply-side constraints.

Undeniably, the LDCs require resources to spur growth, to increase their share, but the experience with such mechanisms points out that the resources are not channelled wherein these countries needed those, rather the international creditors are much ideologically driven without looking at the ground reality and are interested to pursue their agenda at the expense of development and the people at large.

Summing Up – Issues beyond Hong Kong

It was no surprise that attitudes of the developed countries towards their poorer counterparts remain unchanged as the agreement reflects that rich countries were intransigent towards their poorer counterparts. While agreements on limited issues were made in Hong Kong, most of the difficult decisions were put off to a further meeting by the end of April 2006 to be held in Geneva. It is far from clear why rich countries that were unable to show the necessary leadership in Hong Kong will behave any differently in a few months' time.

The WTO decision-making process functions through a system known as 'passive consensus,' whereby any WTO member country which is not actively opposing a position is taken to be in favour of it. The system of passive consensus also allows for more powerful countries to use an armoury of threats and pressures in order to win over opposition. In addition to the imbalance in terms of resources, there is also evidence of a wide range of underhand practices being used at the WTO, including the threat of aid budgets being cut or essential loans being blocked, the threat of a loss of trade preferences, and personal attacks on delegates who defend against the powerful.

As the dust begun to settle from the talks in Hong Kong, a variety of people are talking about a further boost in bilateral trade arrangements that the Cancún talks aspired to replace. Yet positing multilaterlism against bilaterlism is a caricature as the politics essentially remains of "Smith abroad, Keynes at home" i.e. protection of key areas in home front a la John Maynard Keynes but securing market access abroad to ensure the system expands a la Adam Smith. In the multilateral arena, with no Cold War to prosecute, the US pushed for and obtained restricted application of special treatment in market access negotiations in the Doha mandate since all countries have to sign up for the final deal on the basis of a "single undertaking" (nothing is agreed until everything is agreed).

The United States hegemonises the rest of the world to its own rhythms and structure. The US maintains the hegemony through intense competition between exporters in the rest of the world via which it earns an inflow of imports at constantly decreasing prices relative to the price of the US exports. By forging a comprador class throughout the

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world the US has institutionalised material reasons for supporting the framework; and its accomplices in international aid industry and other institutions ensure that elites and masses would never unite in nativistic reactions to the US' own dominance or demand "nationalistic" development policies that nurture competitors to its industries. To supervise this international framework the US wants international organisations that look like cooperatives of member states and carry the legitimacy of multilateralism, but that the US can control according to the principle of unilateral cooperation ("We'll cooperate provided we get to set the rules and can veto outcomes we don't like").

The WTO is all about free trade. A closer look at the history reveals a very different story: all of today's developed countries did not practice free trade and laissez-faire industrial policy as its domestic counterpart but promoted their national industries through tariffs, subsidies, and other measures. The UK and the USA were in fact often the pioneers and frequently the most ardent users of interventionist trade and industrial policy measures in their early stages of development. Most of the rest of the world was forced to practise free trade through colonialism and through unequal treaties; the obvious exception to this was the USA, which maintained very high tariff barriers even during this period. The current orthodoxy advocating free trade and laissez-faire industrial policies seems "kicking away the ladder" that they used in order to climb up where they are to quote Cambridge economist Ha-joon Chang. Moreover, these countries preach free trade; yet maintain a system of differential rules of international trade. Overall, the Northern countries retain trade barriers that cost developing countries US$700 billion a year in lost income. This is some fourteen times the amount that poor countries receive in aid. In Hong Kong the most powerful trading nations failed to agree to 'free trade' access (i.e. no tariffs and quotas) for all exports from the world's 50 poorest countries.

Persuaded by a doctrine that 'freer' trade within the framework of a rule-based multilateral trading system would add an impetus to their economic development, many developing countries and the least-developed countries (LDCs) signed the Uruguay Round agreements establishing WTO. The post-Uruguay Round period has witnessed an almost inexorable process of marginalisation of LDCs from the mainstream of global prosperity. Consistent with their sharply declining share in world trade, GDP growth in many LDCs had slackened in the post - Uruguay Round period, and indeed several of these countries had experienced economic regression. The LDCs are facing continuous marginalisation in world trade with their market share declining from 2.5 per cent in the 1960s to 0.7 per cent in 1980s and further down to 0.4 per cent in the 1990s. In 1980 median income in the richest 10 percent of countries was 77 times greater than in the poorest 10 percent; by 1999 that gap had grown to 122 times.

Further, there have been concerted efforts by some organisations including the World Bank to provide estimates of the economic gains from trade liberalization. The numbers produced by massive "computable general equilibrium" (CGE) trade models exercises are typically reported as if they were hard, objective facts, providing unambiguous numerical measures of the value of liberalization. Discussion of these reports often suggests that the sheer size of the estimates itself makes a powerful case for liberalisation.[6]

In 2003, as trade negotiators approached the Cancún WTO meetings, World Bank projections promised $832 billion in estimated gains from global trade liberalization, the majority – $539 billion – going to the developing world. These seemingly robust numbers were cited far and wide, by developing country negotiators and NGOs alike, in their clarion call for deep liberalisation.

New projections, from the same World Bank sources, estimate potential welfare gains at just $287 billion – just one-third their level two years ago. Developing country gains dropped to just $90 billion, a "loss" in two years of over 80 per cent. More discouraging still, developing countries' share of global gains has fallen from about 60 per cent to just 31 per cent, hardly a good advertisement for this socalled "development round" of global trade talks.

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While presentations of modelling results exhibit the 'net' benefits, they rarely highlight the losers from trade liberalisation. For the Doha Round, among the losers are governments. According to UNCTAD, tariff revenue losses could be as high as US$60 billion for the developing world. These costs are rarely considered in the debates over trade liberalisation, and dwarf the potential gains of just US$16 billion now projected by the World Bank.

III. A RAPID ASSESSMENT OF EFFECTIVENESS OF MARKET ACCESS GIVEN IN HONG KONG

It has already been said that DFQF market access into developed countries was the prime agenda of the negotiations of most of the LDCs including Bangladesh. However, the modalities on market access adopted in Annex F at the end of the Ministerial excluded three per cent of the products, defined at the tariff line, from DFQF. For example, if we consider all products at 8-digit level of the US Harmonised Tariff Schedule, it means that the USA would be able to protect some 339 lines of products under its tariff lines. If the tariff line is considered less than 8-digit level, number of tariff lines under protection would come down, but the range of product coverage would be widened.

This section contains an illustrative exercise that examines the effectiveness of the deal through looking at DFQF provided to the products of LDCs, by taking exportables of a single country to a single country market. For this purpose a trend analysis of Bangladesh exports into the US market has been conducted for the periods between 2001 and 2004. Since the US uses 8-digit level, the Harmonised Tariff Schedule has been assumed at that level. The dutiable export values for four different years have been taken into account. The effective import duties for each of the products, defined at the 8-digit level tariff lines, were derived from exportable value of the products and the import duties collected for the exportable amount by the US government.

Trends

The Table – 1 shows that export to the USA increased to $2073.58 million in 2004 from only $538.3 million in 1990 with average annual growth rate of 25.68 per cent. In EU, export was 501.1 million euro; by 2004 the exports have gone up to 42225.18 million euro, reflecting an annual growth rate of 56.2 per cent.

The EU and Canada had already given the DFQF market access to Bangladeshi products, though a chunk of her exports was not able to avail DFQF access due to EU's stringent rules of origin. Here the effectiveness of availed 97 per cent DFQF market access is subject to scrutiny in the US market, which is considered as the single largest destination of Bangladesh's products.

Exports in US market declined since 2001 after the 9/11; Bangladesh exports in the US market grew marginally in 2004. From the trend analysis, it was found that Bangladesh exports concentrated only between 385 to 402 products, defined at 8-digit tariff lines, during the last four years (see Table 2).[7]

This means that around 85 per cent to 90 per cent of total exports from Bangladesh may be excluded from DFQF facility, if the tariff line is defined at 8 digit level and members having difficulties, as mentioned in the text, with all products that are exported from Bangladesh. If the tariff line is defined at less than 8-digit level

Table -1: Export Share of Bangladesh in USA and Global Markets

Indicators	Bangladesh's Export Share 1990	1995	2000	2004
BD's Global Export (million US$)	1556.44	3407.24	5034.92	5796.91
BD's Export to USA (million US$)	538.3	1256.98	2209.88	2073.58
Global X to USA (million US$)	517524.42	770821.46	1258080.21	1525268.44
BD's Share in USA(%)				
BD's X to EU (million ECU)	501.1	1259.8	2108.8	4225.18
Global X to EU (million ECU)	1124992.1	1480193.9	1886766.3	..
BD's Share in EU (%)	0.04	0.09	0.11	..
BD's Export to Canada (million in US$)		64.75	105.88	203.30

Source: Authors' calculation from various publications of Bangladesh Export promotion Bureau and US ITC

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then it might be the case that all products would be excluded from such facility since the exportables are limited.

Products that have been exported during the last four years are almost the same and have little variation, approximated as 7 to 12 per cent,[8] from one year to another. Bulk of these exports fall under textile and clothing category, especially those of woven and

The Table - 2 shows that bulk of the exports faced tariffs between the range of 15 and 20. Share of exports that faced tariff range between 25 and above had also been increasing over the years, implying that products that Bangladesh has comparative advantages face higher tariff in the US market. The fourth column of the table shows the number of products that faced tariff peaks. These products are treated as sensitive

Table- 2: Bangladesh Exports Trends and Tariff Structures in the USA (2001 -2004)

Year	Total Dutiable Exports (X) (US$ in mn)	No. of Products X At 8 dig. level	No. of Prod. Face Tariff Peaks	Tariff Range (%)						
				0<5	=5<10	=10<15	=15<20	=20<25	=25<30	30 and above
2001	2218.67	385	132	3.9	32.98	0.92	32.44	11.93	8.2	4.32
2002	1997.91	389	132	3.07	36.91	0.87	34.29	11.90	8.66	4.27
2003	1948.05	398	144	2.42	36.11	1.22	44.63	0.1	10.8	5.18
2004	2073.58	402	112	2.16	31.57	3.05	45.61	0.83	11.24	5.16

Notes : Effective import duties have been taken into account, which derived from the total value of dutiable exports from Bangladesh into the USA Source: Authors' calculation from the USITC database

knitting, defined at 2-digit level of Harmonised Tariff Schedule (HTS), i.e. HTS 61 and HTS 62.

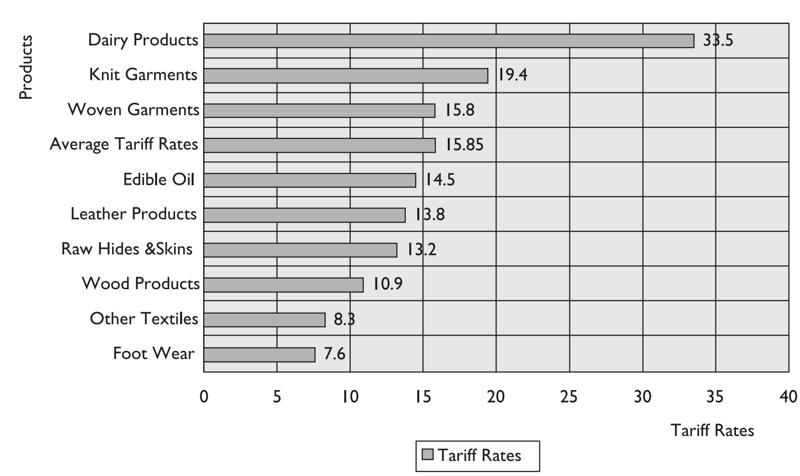
Tariff Peaks

Detailing the analysis further, it shows that in every year since 2001, over 60 per cent of the total exports from Bangladesh to the USA faced tariff peaks [9] i.e. products faced tariff between 15 per cent and above. On an average around 105 products of Bangladeshi origin faced tariff peaks based upon the data of the four-year period. This means that only two-third of the total exports value was constituted by about one-fourth of the total products, which faced higher tariff in the US market. Around 90-95 per cent of these products fall under HTS62 and HTS61.

products by the USA (a list of these products that fall under different categories is available with the Unnayan Onneshan).

The Figure – 1 shows the average effective tariff rates in term of broad categories. This has been calculated from the data available by the US ITC for 2004. The average import duty on Bangladeshi products was 15.85 in that year. Dairy products faced higher tariff in the US market. The average import duty on dairy products was 33.5 per cent, followed by knit garments and woven garments, respectively at 19.4 per cent and 15.8 per cent. Most of the knit and woven items faced tariff peaks, as detailed below, within the range between 15 per cent and 35 per cent.

Figure 1: Average Tariff Rates Imposed on Different Products by the USA in 2004



Source : Authors' calculation from the USITC database

Bulk of the exports faced tariffs between the range of 15 and 20.

Most of the knit and woven items faced tariff peaks.

Table-3: Share (%) of Woven and Knit Items of Total Bangladesh Export into the USA

Category	2001	2002	2003	2004
HTS 61	21.61	24.2	25.7	24.3
No. of Products at 8-digit level	(89)	(86)	(99)	(87)
HTS 62	65.04	63.2	64.6	65.8
No. of Products at 8-digit level	(153)	(154)	(148)	(157)
Other Categories	8.35	21.1	9.7	9.9
No. of Products at 8-digit level	(143)	(150)	(151)	(158)

Notes: HTS 61 and and HTS 62 are categories at two digit levels respectively for knit and woven garments
Source : Authors' calculation from the USITC database

Product Decomposition

Product decomposition shows that textile and clothing (T&C) dominates the bulk of the exports from Bangladesh to the United States.

Within the T&C, HTS 62 (mainly woven) and HTS 61 (mainly knit) represent the large shares. Table - 3 shows that over the last four years these two categories dominated over 90 per cent of the total exports whereas shares of other products was little below 10 per cent.

About two-third of the total exportable products, defined at the 8-digit level, fell within the woven and knitting, which are respectively

Table - 4: US Tariff Structures on Knit and Woven Items

Year 2004					
Category	Total X (US $ in mn)	0<10 (%)	=10<15 (%)	=15<25 (%)	=25<35 (%)
HTS 62	1365.3	28.55	3.57	54.94	12.93
No. of Prod. at 8 digit level		(76)	(31)	(30)	(20)
HTS 61	499.29	22.36	2.42	42.48	32.74
No. of Prod. at 8 digit level		(22)	(22)	(25)	(18)
Year 2003					
HTS 62	1257.7	35.03	1.3	50.51	13.16
No. of Prod. at 8 digit level		(71)	(12)	(45)	(20)
HTS 61	499.80	23.3	0.97	46.6	29.12
No. of Prod. at 8 digit level		(21)	(17)	(40)	(21)
Year 2002					
HTS 62	1263.5	36.96	0.8	50.97	11.26
No. of Prod. at 8 digit level		(69)	(14)	(48)	(23)
HTS 61	493.3	21.44	0.69	54.33	23.54
No. of Prod. at 8 digit level		(21)	(13)	(3 3)	(19)
Year 2001					
HTS 62	1443.06	38.41	0.9	49.42	11.26
No. of Prod. at 8 digit level		(70)	(16)	(45)	(20)
HTS 61	479.55	22.25	0.97	52.77 (35)	24.1
No. of Prod. at 8 digit level		(20)	(13)	(35)	(21)

Notes: HTS 62 includes woven garments; HTS 61 includes knit garments, values given in the brackets are number of products, defined at 8 digit level, in woven and knit category, which has been exported into USA in four years
Source: Authors' calculation from the USITC database

over the last four years these two categories dominated over 90 per cent of the total exports

under the HTS 62 and HTS 61. Other categories constitute around one-third items. The Table-4 shows that around 60 to 65 per cent of the total woven exports faced tariff peaks, which is within the range of 15 to 35 per cent while 75 per cent to 80 per cent of the total knitting exports faced tariff peaks. Share of woven, which faced tariffs greater than zero but less than 10 is declining over the periods while share of knitting within the tariff range is almost, steady.

It is discernable from the Table - 4 that number of woven items at the 8 digit level, which faced tariffs in the range of 0<15 (less than 15 per cent but greater than zero) is greater than the number of products that faced tariff in the range of 15 per cent but less than 35 per cent. However, shares of exports that faced tariff rate 15 per cent and above were much higher, accounting to around 60 – 65 per cent shares of exports.In case of knit items, around 75 per cent to 80 per cent of the total knit exports faced tariffs between the range of 15 per cent and 35 per cent.

The above export trend analysis shows that numbers of products that faced tariff peaks are smaller compared to number of products that faced tariff less than 15 per cent. However, shares of that few products that faced tariff peaks were much higher than compared to the shares of products that faced tariff less than 15 per cent. This implies that the three per cent exclusion is enough to choke main exportables.

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Summing Up

Next course of negotiations is expected to finalise the tariff lines based on the decision of the member countries, which would chart out the lists of products they are having difficulties to giving DFQF market access. The scope of negotiations, however, remains to minimise the negative list as much as possible.

Therefore, it is inevitable for Bangladesh to bargain for some of those few products, which faced tariff peaks by the USA, to ensure duty-free and quota-free market access in the next course of negotiations. Negotiators from Bangladesh side thus have to be specific corresponding to the tariff lines, in which Bangladesh has comparative advantage, for further negotiations.

Given the scenario, clearly, Bangladesh would not have much benefit from the availed DFQF market access as its exports concentrated mainly on few products and very limited number of destinations. Apprehension is that many of the products under different tariff lines, in which Bangladesh has export interests might be excluded from DFQF market access - at least the US proclamation portends of such apprehension. Bangladesh could reap some benefit if she is capable enough to bargain with her bilateral counterparts to avail such facilities for some of the particular products, if not all, in which she has particular export interests. However, this requires a lot of ground work and, of course, it is inevitable to upgrade her negotiation skills.

IV. LOOKING BEYOND HONG KONG

It is imperative that every LDC conducts an internal reflection to chart out strategies in order to derive optimal outcome from the Round. The following section is an attempt at that direction.

Immediate Steps

Obviously the point of reference would be to consolidate the gains in Hong Kong and making the movement forward on the basis of negotiating unity arrived at Hong Kong. There is no denying the fact of strengthening the alliance and the fruition which could follow from such co-operation as the post-Hong Kong milieu points to the sheer urgency of instituting and consolidating a result-oriented LDC bloc.

The following steps appear necessary:

• The most essential requirement is to strengthen the political unity and technical cohesion in order to present a common view on the important issues. It may be useful to have the meetings at the level of Ministers.

• Special efforts are needed to keep the group united and voice the position of group in unison. There must be total transparency within the group. For example, if some member of the group is not present in any formal or informal meeting or discussion, it should be immediately briefed by those present so that the members deliver the common position.

- There should also be linkages of the group with some other developing countries though outside of group, who have similar interest on some specific issues. Such linkages should be forged with full transparency within the group itself.

- The capitals of the countries should widen the consultations on the WTO issues within their countries. In countries of larger size, efforts should be made to enhance the awareness at the regional levels and at lower levels.

- The LDCs should promote institutions and organisations to continue their efforts for analysing various issues from the perspective of the LDCs. Their technical expertise should be tapped for the preparation of responses to the proposals of the developed countries.

Broad Principles

Taking a holistic view: Outcomes of Doha Round would be offered as a single undertaking. It is imperative while carrying out negotiations on specific agreements (provisions) efforts should be made to maximise the total benefit from the full range of negotiation. This implies a thought-through identification of the bargaining chips in order to enhance welfare gains in areas of more vital importance to them.

Building issue-based coalition: There is no denying that it will be unwise to define the negotiating stance exclusively on a single approach basis. There will be some issues where a particular country or countries would need to pursue agendas of its direct interest which may apparently be in conflict with the position of other countries (e.g. transition period). On the other hand, there will be many other systemic issues where the LDCs may join together on the efforts of other developing countries outside the group. In picking up partners it is important to look at concrete circumstances as well as the issues relating compatibility and commonalities of interests.

Rolling the log :[10] The members representing the AU-ACP-LDCs are also heterogeneous and in circumstances would like to be guided within the context of single-minded win-lose terms. This process is fortified by biases stemming from nationalist political mindsets. The process may be exasperated by the insistence of "my-gain-biases", which may impede the ability of the parties to "trade off". Thereby a process of logrolling, essentially a trial and error approach, enables negotiators to experiment with various packages of offers that will satisfy both themselves and the other negotiating parties. This would enable each member government to get its preferred outcome on its highest priority issue, and may increase the likelihood of the parties reaching an overall agreement.

Crosscutting accommodation: The WTO experience to date has been unsuccessful in accommodating the interests of every member due to the biases in coverage of negotiations. Therefore, the group has to move forward with a package approach which has to be comprehensive and cuts across all sectors, allowing one country to obtain its objectives in a given sector and "payoff" another for accommodating those interests by granting concessions in another sector.

Bridging solution: There is a need for active engagement at different levels. A continued process of engagement by the policymakers and the epistemic community may lead to the invention of new options that meet needs.

Parallel move for FTA negotiations: There may be a parallel move for negotiating FTAs. The negotiation must be guided by a thought-through understanding on the implications of FTAs on production structure, trade patterns, and competitiveness as well as on government revenue. The extent of impact on production structure, trade patterns, and national competitiveness depends very much on existing industrial structure and trading patterns among potential partners. Moving towards a tariff-free trade may also result in loss of revenue. A necessary conditions, therefore, is to develop and implement a realistic alternative source of government revenue, such as a sales or excise tax, or an income tax some of which may be more difficult to collect.

Outcomes of Doha Round would be offered as a single undertaking. It is imperative while carrying out negotiations on specific agreements (provisions) efforts should be made to maximise the total benefit from the full range of negotiation.

Need for Adequate and Continuous Preparation

In post-Hong Kong period, it needs to be pointed out that the WTO meeting in Hong Kong is the beginning of a new phase, and complicated the task due to sheer time limitation. This implies for high degree of preparation for actively participating in the negotiations to come. Keeping this in view, there is need to mobilise resources for technical preparation in order to protect areas of interest and launch a concerted effort with coalition partners towards capturing the initiative from the very beginning of the new phase.

Within the milieu of trade policymaking process, such preparations have to be embodied at least in five focal areas in a coordinated fashion: the Ministry of Commerce, Permanent Mission in Geneva, Chambers of Commerce and Industries, the institutions involved in policy research and analysis, and the concerned civil society organisations.

• The capacity of the Ministry of Commerce, particularly the unit looking after multilateral negotiations (e.g.WTO Cell in Bangladesh) has to start functioning with significantly strengthened human and other technical resources so that it may provide necessary leadership in the negotiation process. Resources available from the on-going technical assistance programmes or other future programme may be used for this purpose. The WTO Advisory Committee will have to monitor and provide effective guidance to the whole process while specifics have to be carved out by activating the WTO Working Groups on different issues.

• The Permanent Missions in Geneva needs to be equipped for effective participation in the negotiation process. The governments have to come to terms with financial constraints to increase the strength of the Mission in Geneva. The LDCs may approach the development partners to create a secretariat for the WTO LDC Consultative Group.

• Targeted efforts need to be undertaken to promote national research and analytical capacity in the backdrop of scarcity of trade policy analysts in general, and specialists in WTO matters in particular.

• The trade bodies need to acquire a critical level of internal competence so that it may articulate their "felt need" and propose strategic options to the government. The representatives of the major market actors, the Chamber leaders have to work as a conduit for transmittal of signals (information) to the government emanating from the evolving global economic scene.

• Given the far-reaching impact, which the WTO rules and regulations usually have on the livelihood and welfare of the common citizens, the concerned civil society organisations have to be engaged in advocating the issues of national interests.

Research to Underpin Negotiations

The purpose of policy-research is not to provide governments with ready-made negotiating briefs but to provide information to officials about the trade-offs they face – the likely costs and benefits of different options, technical solutions to practical problems, insight into the various linkages that exist in an issue area, etc. Accordingly, the main objective of studies will be to analyse the impact of various proposals so far submitted by the WTO members and to prepare inputs for developing strategy with a view to pursuing the interests of Bangladesh as well as least developed countries in on-going WTO negotiations in the post Hong Kong phase.

In post-Hong Kong period, it needs to be pointed out that the WTO meeting in Hong Kong is the beginning of a new phase, and complicated the task due to sheer time limitation. This implies for high degree of preparation for actively participating in the negotiations to come.

Foot Notes

[1] http://www.wto.org/english/thewto_e/minist_e/min05_e/min05_18dec_e.htm, accessed on 25 Dec. 2005.

[2] Press release issued by the Indian Minister for Commerce and Industry, available at http://commerce.nic.in/Dec05_release.htm#h17, accessed on 25 Dec. 2005

[3] http://www.wto.org/english/thewto_e/minist_e/min05_e/min05_18dec_e.htm, accessed on 25 Dec. 2005.

[4] The G7 countries had 939 delegates in Hong Kong, up from 805 in Cancun, almost twice the total number of the delegations from the 32 LDCs, having 471 delegates. The EU had 832 members in its delegation, up from 651 in Cancun. The USA topped with a massive 356, up from 212 in Cancun while Japan stood second with 229. On the other hand, 46 countries had less than 10 delegates (including Bolivia, 7; Rwanda, 7; Honduras, 6; Nicaragua, 6; Chad, 8; Colombia, 9; Niger, 8; Burundi, 3; The Gambia, 2; Mauritania, 4). For details, see http://www.unnayan.org/ldc_bulletin/hk_bulletin_dec17.pdf

[5] For details, see http://www.unnayan.org/ldc_bulletin/hk_bulletin_dec16.pdf

[6] For a detailed analysis of the new modelling projections, see Frank Ackerman, 'The Shrinking Gains from Trade: A Critical Assessment of the Doha Round Projections' GDAE Working Paper No. 05-01, October 2005. For a detailed analysis of the 'costs' of the Doha Round see Kevin P. Gallagher (editor). 2005. 'Putting Development First: The Importance of Policy Space at the WTO'. ZED Books.

[7] There might be 1%-2% errors and omissions in calculation.

[8] Export variation is determined on random selection of some particular categories and of some particular year.

[9] Tariff peaks are relatively high tariffs, usually on "sensitive" products, amidst generally low tariff levels. For industrialized countries, tariffs of 15 per cent and above are generally recognized as "tariff peaks."

[10] This approach requires establishment of issues of concern in a comprehensive setting to negotiate on each individual member country priorities on these issues. If it appears that issues at stake are narrowly focussed, the negotiation needs to engage in "unbundling" or "unlinking" of issues into more issues, which may then permit the logrolling process to begin.

Unnayan Onneshan in Hong Kong

A four-member team of Unnayan Onneshan – Rashed Al Mahmud Titumir, Jakir Hossain, M Nazrul Islam and M Iqbal Ahmed - attended the Hong Kong Ministerial conference. The team closely monitored the entire negotiation process. The observations and the insights gathered have been disseminated through six numbers of **LDC Trade and Development Perspective,** which were also circulated in people's congregations at the Victoria Park as well as to negotiators, media and NGOs in Hong Kong Convention and Exhibition Centre (HKCEC). The web versions of the Perspective were uploaded on a day-to-day basis and are available at www.unnayan.org.

Besides, the organisation arranged three discussion meetings at the NGO Centre in HKCEC during December 15 and 17 in the sideline of the Ministerial conference to create awareness on the concerns of LDCs among the government delegates, members from civil society, journalists, NGO activists from different countries of the world.

The activities are sequel to the organisation's programme, **"Trade Negotiations and the Livelihood of the People."** The organisation also held a two-day long *"People's Solidarity Forum for Fair Trade"* which was held on 2 - 3 December 2005 in Dhaka. The event was co-organised by 10 civil society organisations (CSOs) and Networks and also adopted Dhaka Declaration. The research centre also organised numerous national and regional seminars and consultation meetings in collaboration with universities and CSOs.

নিশ্চিত করো ন্যায্য বাণিজ্য

MAKE TRADE FAIR

উন্নয়ন অন্বেষণ
Unnayan Onneshan
The Innovators
centre for research and action on development

This rapid assessment provides a brief account on the outcome of the Hong Kong Ministerial. The rhetoric of a special development package for the LDCs was aired in Hong Kong, and was told that, for sure, this Ministerial delivered on the promise of market access. The second part of the report examines the claim and contains an illustrative exercise that analyses the effectiveness of the deal by taking exportables of a single country to a single country market. Given the scenario, clearly, the country in question would not have much benefit from the availed market access as her exports concentrated mainly on few products. Apprehension is that many of the products under different tariff lines, in which she has export interests might be excluded from the market access - at least the US proclamation portends of such apprehension. The country could reap some benefit if she is capable enough to bargain with her bilateral counterparts to avail such facilities for some of the particular products, if not all, in which she has particular export interests. However, this requires a lot of ground work and, of course, it is inevitable to upgrade her negotiation skills. The final part of the report, thus, ends with some recommendations for the internal reflection and elements of strategy the LDCs may choose for their onward journey.

Trade Negotiations and the Livelihood of the People (TNLP) Papers

Undercutting Small Farmers
Rice Trade in Bangladesh and WTO Negotiations

Unkept Promises
Non-agricultural Market Access at the WTO
A Case Study of Apparel Trade of Bangladesh

Dodging Development
Doha Round and Least Developed Countries

Riding on the Road
Options for LDCs in the Hong Kong WTO Ministerial Conference

Slippery Slopes
How Hong Kong Empowers Rich Countries to Choke the LDCs
A Rapid Assessment of Effectiveness of Market Access

LDC Trade and Development Perspective
A Regular Bulletin on Trade and Development Issues

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