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Non-agricultural Market Access at the WTO

A Case Study of Apparel Trade of Bangladesh

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

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SUMMARY

Out of 5,350 words used in the Doha Ministerial Declaration more than 40 per cent are devoted to developing and least developed countries (LDCs), but the current negotiations at the WTO indicates contradiction with the principle and, as such, would further deepen the crisis of de-industrialisation and accentuate the unemployment and poverty crisis in these countries.

The interim negotiating text - the Annex B of the 'July Package' adopted by the WTO General Council on 1 August 2004 or 'Framework for Establishing Modalities in Market Access for Non-Agricultural Products' – is a reproduction of the rejected draft of the failed Cancun Ministerial Conference and lists in particular the formula for tariff reduction, treatment of unbound tariffs, flexibilities for developing countries, the sectoral component and preference erosion issues. The text remains biased and unbalanced towards the interests of industrialised countries, while window dressing the issues of LDCs with fuzzy 'best endeavours' languages.

The Northern protection regimes stumble the entry of LDCs' products into their markets through two walls – (a) tariff barriers such as tariff peaks, tariff escalation, non-advelorem tariffs, and tariff rate quota and (b) non-tariff barriers like rules of origin, anti-dumping, countervailing and sanitary and phyto-sanitary measures, discriminatory government trading practices and technical barriers to trade.

The discrimination is obtrusive as the products of the LDCs (4.91 per cent) faced 500 per cent higher import-weighted average tariff rates in 2004 compared to those of the developed world (0.98 per cent) for inflowing into the US market.

Bangladeshi products, on an average, faced 15.87 per cent above the MFN applied tariff rate in the USA, which is 3.7 per cent in 2004. Of Bangladesh's total exports of US$2073.58 million 51 per cent confronted tariffs between 15 and 20 per cent whereas 9 per cent of the exports encountered over 30 per cent, mostly between 32 per cent and 37.5 per cent. The products of Bangladesh were not given duty free status.

The US imposed US$329.12 million tariffs on US$2.07 billion Bangladesh's exports, higher than those imported from Canada, Sweden, Belgium, Switzerland and Spain, which possess greater shares in the US market and have many-fold higher per capita GDP.

The knit and woven apparels constituted 95 per cent of total textile and clothing exports to the USA in 2004. But the average tariffs faced by these were 15.79 per cent and 19.37 per cent respectively. The dairy products encountered highest tariff (33.48 per cent) amongst the commodities. These differentiations imply that the trade regimes are hostage to a few powerful interest groups and corporations.

The market access barrier is also conspicuous in other major destination of Bangladeshi export i.e. EU, which boasts of its GSP regime with zero duty under EBA, but its stringent rules of origin only allow 61.3 per cent of all exports of Bangladesh and 57.4 per cent of RMG export in 2002 to reap the preferential benefit - a profound example of giving on the one hand and shackling on the other.

The multilateral liberalisation of the WTO threatens further blow by erosion of preferences in the backdrop of unilateral liberalisation at the aegis of the World Bank and the IMF, reducing the exports to one or a few products in the context of squeezed productive capacity and de-industrialisation. The quota free regime witnessed surge of China's RMG export growing by 65.5 per cent in January-July, 2005, compared to the corresponding period of the previous year while India accounted for 27.2 per cent growth compared to Bangladesh's growth of RMG export by 20.5 per cent. But the IMF-launched Trade Integration Mechanism (TIM) has served more for liberalisation than offsetting erosion of preference while a global fund to address the supply side constraints facing the LDCs has remained elusive. The policy space for development including industrial policies is constrained by TRIPS, TRMS and regional trade agreements. The WTO shows off for 'less than reciprocity' commensurate with development, but powerful Members demand more than full, while kicking away the special and differential treatments to unactionable constructive ambiguities.

While every developed economy has increased income with high levels of protection for its domestic industries, the developing world including Bangladesh is asked to continue to liberalise, with their fortresses untouched, accentuating de-industrialisation, unemployment, environmental degradation, and worsening poverty.

If the NAMA negotiations continue to remain as it is, by failing to provide secured, meaningful and predictable market access through duty-free and quota-free access to all products of LDCs, with relaxed rules of origin, exemption from antidumping, countervailing and safeguard measures, no-string-attached mechanisms to offset erosion of preference, and to address supply side constraints, it will be counted as yet another deception for the most of humankind languishing in the LDCs including Bangladesh.

"We recognize the particular vulnerability of the least-developed countries and the special structural difficulties they face in the global economy. We are committed to addressing the marginalization of least developed countries in international trade and to improving their effective participation in the multilateral trading system. We recall the commitments made by ministers at our meetings in Marrakesh, Singapore and Geneva, and by the international community at the Third UN Conference on Least-Developed Countries in Brussels, to help least-developed countries secure beneficial and meaningful integration into the multilateral trading system and the global economy. We are determined that the WTO will play its part in building effectively on these commitments under the Work Programme we are establishing."

- 3rd paragraph of WTO Doha Declaration

INTRODUCTION

The people of Bangladesh and their compatriots in other least developed countries were promised time and again including in Marrakesh, Singapore, Geneva, and Doha that they would enjoy better livelihood and the disadvantaged would be lifted out of poverty by "improving effective participation in the multilateral trading system' and trade ministers are "committed to addressing the marginalization of least-developed countries in international trade." It is timely to provide an independent review of implementation vis-à-vis the commitments made in such gatherings as they again meet from December 13 to 18, 2005 to take decision on how the governments have lived up to their promises.

Out of 5,350 words used in the Doha Ministerial Declaration of the World Trade Organisation, more than 40 per cent are devoted to developing and least developed countries (LDCs). People were promised again in the interim negotiating text, which has come to be known as the 'July Package', adopted by the WTO General Council on 1 August 2004, following the Cancun fiasco, wherein the Ministers were supposed to review the progress of work and agree on certain areas in accordance with the mandate of Doha.

The July Package is up in arms with the 'principle' as the General Council 'rededicates... recommits... and places the needs and interests of developing and least-developed countries at the heart of the Doha Work Programme,' and 'reiterates the important role that enhanced market access, balanced rules, and well targeted, sustainably financed technical assistance and capacity building programmes can play in the economic development of these countries.'

The people of these countries awai the fulfilment of the promise and commitment of their preferential market access as these countries find towering barriers on their products' entry into the markets, especially to the developed economies, while they were compelled to lift all the barriers to their home market through unilateral liberalisation, with the Polonius sermon of magical progress can be derived through export-led strategies.

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The interim negotiating text - the Annex B of the 'July Package' adopted by the WTO General Council on 1 August 2004 or 'Framework for Establishing Modalities in Market Access for Non-Agricultural Products' – is a reproduction of the rejected draft of the failed Cancun Ministerial Conference and lists in particular the formula for tariff reduction, treatment of unbound tariffs, flexibilities for developing countries, the sectoral component and preference erosion issues. The text, as has been voiced by many, remains biased and unbalanced towards the interests of industrialised countries, while window dressing the issues of LDCs with fuzzy 'best endeavours' languages.

A protectionist regime stumble the entry into their markets, chiefly, through two blocks – (a) tariff barriers such as tariff peaks, tariff escalation, non-advelorem tariffs, and tariff rate quota and (b) non-tariff barriers like rules of origin, anti-dumping, countervailing and sanitary and phyto-sanitary measures, discriminatory government trading practices and technical barriers to trade.

Bangladesh – a home of 140 million people with area about the size of Wisconsin of USA – is one of the poorest countries in the world. The average per capita income is just $445, less than that of Pakistan ($470), India ($688) or even Bhutan ($660). About 41 per cent of the total population live below the poverty line and 37.6 per cent of the labour force remaining in either unemployment or under employment.

Bangladesh swallowed a series of unilateral liberalisation measures, with changes in export basket concentrating into a single sector and narrowed down export destinations. Thanks to distortion practised by the developed world to protect their markets through recently phased-out Multi-fibre Arrangement (MFA) and abundance of low-waged labourers, the ready-made garment (RMG) sector accounts for about 75 per cent or $6.4 billion in the 2004-05, up from less than 3 per cent in 1983.

The negotiating issue of non-agricultural market access (NAMA) and the promised preferential market has been illustrated though investigating into barriers Bangladesh's major export, apparel faces into its major markets – European Union and United States of America (USA).

TRADE POLICY REFORMS IN BANGLADESH

Bangladesh has gone through a substantial liberal trade approach adopting wide-ranging policy reforms since 1980s under the dictate of the World Bank and the IMF initially through the Structural Adjustment Programme (SAP) and subsequently through the Enhanced Structural Adjustment Programme (ESAP) in 1990s. Bangladesh's liberalization policies can be segregated into three phases:

The first phase of reforms started with the introduction of a new industrial policy in 1982. In the area of tariff reforms, SAPs emphasized rationalization of the import regime, simplification and reduction of effective protection, elimination of negative and restricted lists of industrial imports, and facilitation of import of raw materials and intermediate and capital goods including required imports for direct and indirect exporters. The liberalization measures included among others, a shift from a positive list of import controls to a negative list, the reduction in the number of banned commodity imports and the introduction of the duty drawback facilities.

The second phase of reforms was initiated in 1986 and covered a period up to 1991. During this phase, the number of quantitative restrictions (QRs) decreased from 478 to 239. This phase also saw the rationalization of tariffs, reduction in the number of tariff slabs.

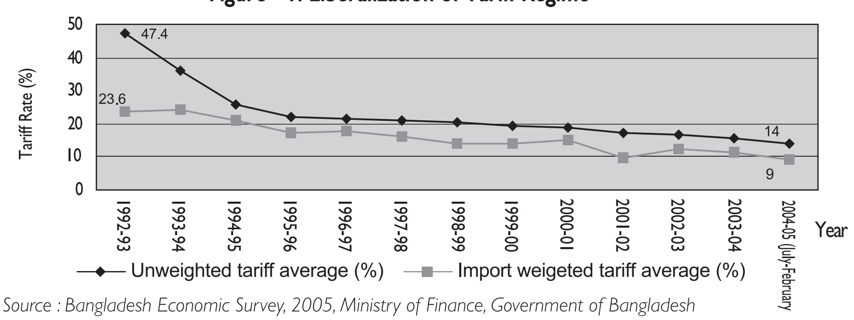
The third phase of reforms started in 1991, with 'simplification' of the trade regime by removing the tariff barriers and squeezing the slabs further so as to bring the parity between the operative tariff rates and the statutory tariff rates.

The most recent import policy (2003-2006) aims at further simplification of the import regime to respond to globalization and to facilitate further liberalization in light of the WTO agreements and gradual removal of import protection.

Tariff Reform

Throughout the 1990s, with pressure from the IFIs, Bangladesh has consistently reduced import duties. Average un-weighted rate of customs duty fell from 47.4 per cent in 1993 to 13.52 percent in 2005. During the same period, import weighted average customs duty fell from 23 per cent to 9.1 per cent. The share of bound duties has reduced to13.2 per cent in 2003, while the share of duty-free tariff lines increased nearly four-fold in a decade, from 4 per cent in 1992 to over 15 per cent in 2002. The maximum import duty was reduced massively from 350 per cent in 1992 to 25 percent in 2005 (Figure – 1).

Figure - 1: Liberalization of Tariff Regime



Source : Bangladesh Economic Survey, 2005, Ministry of Finance, Government of Bangladesh

Abolition of Quantitative Restrictions (QRs)

There has been substantial phasing out of quantitative restrictions (QRs) in three stages since the early 1990s. The first slashing of QRs was done under the import policy order for 1991-93, which reduced the number of items in the import control list from 325 to 193. During 1993-1997, the number of restricted items ranged between 111 and 120. The import policy order for 2003-2006 brought the number further down to 63 of which only 23 are due to trade reasons. As a result, the share of total HS 4-digit tariff lines subject to QRs fell more than three-fold from over 6 per cent in 1993 to less that 2 per cent in 2003. Today, the remaining restrictions are in large part maintained on public interest grounds such as health and environmental concerns and cultural and religious considerations.

The maximum import duty was reduced massively from 350 per cent in 1992 to 25 percent in 2005

The share of total HS 4-digit tariff lines subject to QRs fell more than three-fold.

Export, Import and Migrant Workers

As reforms and liberalization measures were pursued, predictably the international trade has increased as the Table-1 shows export propensity, import penetration and trade-GDP ratio for Bangladesh during 1993-2005. During this period both export and import have increased remarkably. The surge of import was, however, much higher than export. The table also presents the rising trend of trade deficit as the export stands at 72.2 per cent of import in 2005, from 49.5 per cent in 1991. Also there was a phenomenal growth of workers' remittances from 379 million US dollars to 3848 million dollars, a rise of 1000 per cent, which keeps the balance of the economy afloat.

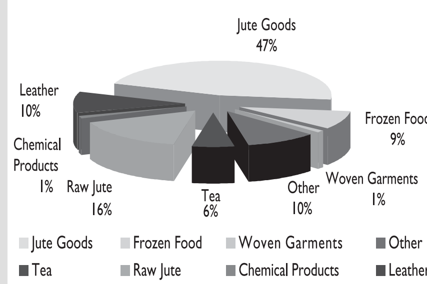
Table – 1: External Sectors of Bangladesh Economy **US$ in Mn**

Variables	1981	1991	2001	2005
Export (X)	724.9	1718.0	6008.0	8573
Import (M)	1954.1	3472.0	9362.9	11870
Trade (X+M)	2680	5190	15370.9	20443
Trade Deficit	1229.2	1754	3354.9	3297
Remittances (R)	379.0	764.0	1882.0	3848
FDI	-	23.5	222.3	540
GDP	19811.6	30974.8	47825.8	57800.1
Trade- GDP Ratio	13.52	16.76	32.14	35.37
X as % of M	37.1	49.5	64.2	72.22
(X+R) as % of M	56.5	71.5	84.3	124.2

Source : Calculated from various publications of Bangladesh Bank and Government of Bangladesh

The type of policy reforms persuaded under the SAP failed to address the problems of weak supply base as well as underlying structural, institutional and related constrains to growth and diversification. The unabated import growth following the drastic cut in import duties has resulted an ever increasing trade deficit of US$3.29 billion with a current account deficit of US518 million, resulting a massive depreciation of the local currency. Between 1994-95 and July, 2005 taka has been depreciated by 60.4 per cent against the US dollar. As the country is largely dependent on food import, the currency depreciation also had a negative impact on inflation, which stood as high as 7.35 per cent (annual average) in June 2005.

Figure - 2: Share of Different Items in Exports in FY 1981 - 82



Source : Export Promotion Bureau

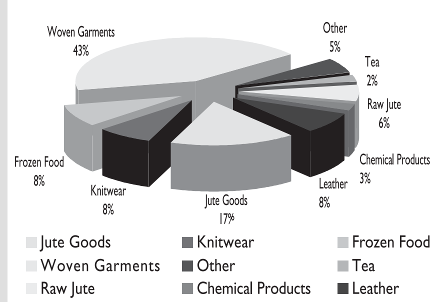
Concentration of Exports

Bangladesh's exports have marked significant shifts since 1990s to an RMG-centric one. The ready-made garments constitutes 74.15 per cent of the total export earnings in 2004-05, up from just little above 1 per cent in 1981-82 (Figures – 2, 3 and 4) – thanks to the MFA that expired on December 31, 2004 .

In terms of destinations, exports underwent important changes over the decades. The USA and the EU became the most important destinations of Bangladeshi products in the global market. Bangladesh's exports to the two major export markets registered growth through out the 1990s. While in 1981-82, the American region accounts for only 9 per cent of the total Bangladesh's exports, the share rose to 28 per cent only in the USA in 2004-05. The EU has become the largest market for Bangladeshi goods with export share increasing to 53 per cent from 17 per cent during the same period. This transformation is clearly discernable from the figures 5, 6 and 7.

In EU, although UK remained a major export destination, Germany, France, Italy, Spain, Belgium and the Netherlands has emerged as important markets. These countries account for over 87 destinations of Bangladeshi products in the global market. Bangladesh's exports to the two major export markets registered growth through out the 1990s. While in 1981-82, the American region

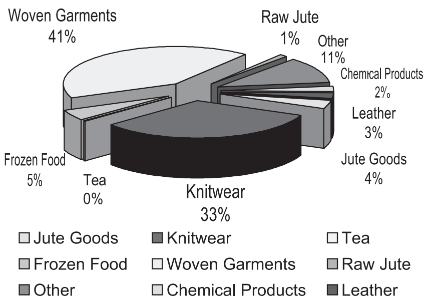
Figure - 3: Share of Different Items in Exports in FY 1990 - 91



Source : Export Promotion Bureau

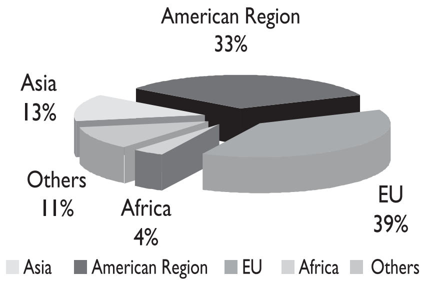
There was a phenomenal growth of workers' remittances from 379 million US dollars to 3848 million dollars, a rise of 1000 per cent, which keeps the balance of the economy afloat.

Figure - 4: Share of Different Items in Exports in FY 2004 - 05



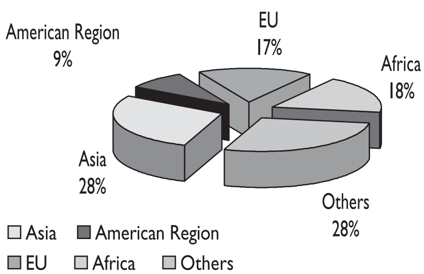
Source : Export Promotion Bureau

Figure - 6: Major Export Destinations in FY 1990 - 91



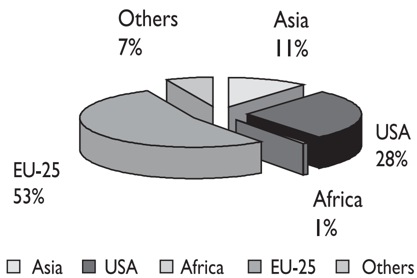
Source : Export Promotion Bureau

Figure - 5: Major Export Destinations in FY 1981 - 82



Source : Export Promotion Bureau

Figure - 7: Major Export Destinations in FY 2004 - 2005



Source : Export Promotion Bureau

Table – 2: Export Share of Bangladesh in USA and Global Markets

Indicators	Bangladesh's Export Share			
	1990	1995	2000	2004
BD's Global Export (million US$)	1556.44	3407.24	5034.92	5796.91
BD's Export to USA (millionUS$)	538.3	1256.98	2209.88	2073.58
Global X to USA (US$)	517,524	770,821	1,258,080	1,525,268
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		$64,746,356	$105,882,346	$203,302,175

Source : Calculated from various publications of Export Promotion Bureau and ITC

accounts for only 9 per cent of the total Bangladesh's exports, the share rose to 28 per cent only in the USA in 2004-05. The EU has become the largest market for Bangladeshi goods with export share increasing to 53 per cent from 17 per cent during the same period. This transformation is clearly discernable from the figures 5, 6 and 7.

In EU, although UK remained a major export destination, Germany, France, Italy, Spain, Belgium and the Netherlands has emerged as important markets. These countries account for over 87 per cent of the total exports of Bangladesh to EU 15 in 2004. Among others only Canada accounts for some sizable amounts of 3.51 per cent.

The Table - 2 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 has gone up to 42225.18 million euro, reflecting an annual growth rate of 56.2 per cent.

Poverty, Growth, Employment and De-industrialisation

The economy has expanded over the last two decades at an average rate of four per cent in Bangladesh.[2] The reformers, mainly the World Bank, have attributed the modest expansion to the reforms initiated under the structural adjustment programmes (World Bank, 2002). While the Bank (2002, 1995) has extended eulogy on the country's move from stability to growth, others are more sceptics.[3] The verdict appears to be relatively consensual so far as stability is concerned, but is mixed, at best, on growth. The holders of the later view points out that investment and growth have been inadequate, and potentially below what could be achieved.

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The country is engulfed in a low rate of reduction in poverty, precipitated by a crisis in the creation of productive unemployment, with lesser than required rate of economic growth, in the backdrop of unabated rise in inequality. The historical rate of decline in poverty shows a slowed down trend: around one percentage point a year since the early nineteen nineties, while in the recent time (1999 – 2004) the rate averages at about 0.52 per cent. The income inequality (Gini coefficient) has continued to rise as is concentration of wealth: around three-fifths of total income or consumption is accrued by the highest two quintiles of the population, while the lowest three quintiles receive about two-fifths.

The total number of unemployed population witnessed nearly a four-fold increase from 0.6 million in 1989 to 2.2 million in 1999-2000. A total of 8.3 million, more than 19 per cent of the employed labour of 42.8 million was underemployed in 1999-2000 compared to 1.4 million (4 per cent of the employed labour) in 1983-84, an extremely high increase in the number of the people who work less than 35 hours per week. Of the total number of underemployed labour, nearly 59 per cent were females. Total youth employment shows a decline in employment by 1.2 million during the decade. The youth unemployment rate was recorded at 15 per cent while the unemployment rate for the labour force as a whole increased from 2 per cent to 3.7 per cent during the 1990s. The rate is higher amongst the educated youth: more than 63 per cent of the unemployed youth has secondary or post-secondary and higher education.

Box - 1 Near-Demise of Jute Industry

The Government of Bangladesh had signed an agreement with the World Bank back in February 1994 for US $247 million jute sector adjustment credit. This jute sector reform project was the World Bank's attempt to 'help' industrialization in Bangladesh. The World Bank's program, however, involved closing down nine of the 29 public mills and downsizing two large public mills, reduction of the workforce in the public sector and the privatization of the remaining 18 public mills.

In the name of reforms, the Jute Sector Credit of the World Bank has caused virtually demise of the industry, which once had been one of the largest employment generation sectors and top source of export revenue earnings. The jute industry was one of the key industries in Bangladesh after the independence, controlling about 63 per cent of the total export of Bangladesh in 1981-821. Between 1971-72 and 1981-82 the production of jute has also increased to 586,800 tons from 320,400 tons2. However, the trend reversed after 1982 as the country had gone through a large-scale privatization/ de-industrialization of jute industries. Overall performance of the industry had deteriorated gradually with production falling steeply in the subsequent years. The trend is more visible in the following table.

Production and Export of Jute ('000 tons)

Year	Production	Export	Year	Production	Export
1971-72	320.4	224.6	1982-83	569.8	514
1973-74	500.2	445.2	1991-92	416.4	407.7
1975-76	477.9	446.2	1994-95	425.4	384.2
1977-78	555.1	530.8	1997-98	408.9	236.5
1979-80	531.8	447.7	2000-01	327.7	265.9
1981-82	586.8	537.4	2003-04	286.1	192.0

Source : Bangladesh Jute Mills Corporation

The latest blow came when the government was forced to close down the Adamjee Jute Mills located in the Narayanganj, 35 kilometers away from the capital city Dhaka. A staggering 30,000 workers lost their jobs as a result of the closure. Thousands of families had been displaced after the closure. Livelihood of many of them became uncertain.

The World Bank's jute sector reform policies have only served to penalize the Bangladeshi people. World Bank's lack of strategy and inability to establish new factories or modernise and promote older ones in the public or private sector has forced Bangladesh to 'downsize' or 'close' factories down.

The World Bank's Jute Sector Credit that held back the government to go ahead with strong industrial policy has made an attempt to eventual demise of the jute sector. The policy prescriptions of the lending giant so far included reduction of manpower, closure of jute mills, and golden handshakes. It, however, did not prescribe policies for Balancing, Modernization and Replacement (BMR) of the jute mills, which were most important for the survival of the golden fiber.

Adamjee jute mill is only the latest victim of a series of closures which has seen 29 other mills put out of action. More closures are expected to follow.

Nevertheless, jute, the golden fiber, still earns livelihood for millions of marginal farmers and industrial workers. Almost every fourth person of the country still depends on jute economy for living. At present, there are 49 jute-spinning mills in the public sector. The jute sector of Bangladesh has made significant contribution to the national economy both in terms of employment and export revenue earnings. Jute is still the third largest export earning sector.

In the wake of the existing condition of world demand vis-à-vis present condition of Bangladesh jute industry, the root causes of the World Bank's policy of closure of jute mills have not clearly been defined.

The country is engulfed in a low rate of reduction in poverty, precipitated by a crisis in creation of productive unemployment, with lesser than required rate of economic growth, in the backdrop of unabated rise in inequality.

The total number of unemployed population witnessed nearly a four-fold increase.

The unemployment rate is higher amongst the educated youth: more than 63 per cent of the unemployed youth has secondary or post-secondary and higher education.

One of the most significant impacts of reforms is that Bangladesh had to go through a massive de-industrialization under the SAP since 1980s. The successive government had been forced for privatization/de-industrialization to get loan from the multilateral lending agencies without considering the social consequences. Many of the industries, especially labour-intensive jute, textile and cotton industries, had been either closed down or handed over to the private sector. To expedite the process, the GOB has established Privatization Board (now Privatization Commission) in 1993 following the instruction of the World Bank and the IMF. According to Bangladesh Economic Survey, 60 industries have been divested since the establishment of the Commission. Moreover, nine more industries have been set to privatize soon (though neither the government nor any one from the IFIs conducted a study about the present condition of the industries, which have been handed over to the private sector till date). As a result, many of the people had to lose their jobs, causing serious social implications.

In the name of reforms, the Jute Sector Credit of the World Bank has caused virtually demise of the industry, which once had been one of the largest employment generation sectors and top source of the export revenue earnings. The jute industry was one of the key industries in Bangladesh after the independence, controlling about 63 per cent of the total export of Bangladesh in 1981-82The utmost set back came when the Adamjee Jute Mils, the biggest jute mill of the country was closed down in 2002. Around 30,000 employees had to lose their job (Box – 1).

The reform thus has resulted employment losses due to privatization or downsizing and closing down of public sector enterprises. In the absence of reliable statistics, especially on the latter two categories, it is difficult to obtain an aggregate picture of the employment implications of reform efforts.

Shrinking Policy Space

The World Bank and the IMF have played dominant role on Bangladesh to pursue substantial liberal trade policy with showing little care about the possible economic impacts resulting from the reforms. In fact the two IFIs have seemingly seized the fiscal and monetary authorities of Bangladesh, including the government's budgetary action. The latest instance, as shown in the Box - 2, suggests that the World Bank has forced the government to cut the import duties on 3,352 items by 1.5-2 per cent just after one-and-half months of passage of budget by the Parliament for the fiscal 2005-06. It has been reportedly said that the multilateral lending agency set the import duty cut as a precondition for the disbursement of a $200m development support credit.

Box - 2

Bangladesh Loses Budgetary Authority - Govt cuts import duty on 3,352 items for $200m WB's loan

The National Board of Revenue on Tuesday slashed import duty on 3,352 items of agricultural, luxury and finished products, and industrial raw materials by 1.5–2 per cent through a statutory regulatory order. The move, first of its kind in the country, comes only a month and a half after the passage of the national budget for the 2005-06 fiscal year in the parliament.

The sources in the industrial sector fear the duty cut will trigger an import surge, straining an already precarious balance of payments situation, and also hit the textile, ceramic, rubber, plastic and furniture industries hard. They say the decision has been made at the insistence of the World Bank. The multilateral lending agency set the import duty cut as a precondition for the disbursement of a $200m development support credit.

The World Bank vice-president for South Asia Praful C Patel, during his recent visit to Bangladesh, asked Saifur to reduce the current tax incidence between 0.90 and one per cent at the import level as a precondition for the $200 million development support credit, the sources claimed. The finance and planning minister, M Saifur Rahman, dismissed suggestions that the decision had been made at the insistence of the World Bank and said it was aimed at arresting the price spiral of essential commodities. 'The decision has nothing to do with the World Bank's pressure as we have slashed the import duty taking into consideration the plight of the consumers and the recent devaluation of taka against dollar,' he told journalists at his planning ministry office.

Import duty has been lowered to 6 per cent from 7.5 per cent for 1,491 items and 13 per cent from 15 per cent for 1,861 items. A two per cent duty cut will lower the price of imported coconut, cashew nut, dried chilli, ginger, turmeric, cereal, apricot, peach, crude oil, cocoa beans, transformer oil, plastic tube, rubber plate, paper board, raw silk, cotton, yarn and man-made filament. 'What the country does not need now is cheaper cashew nut, cereal, apricot and peach amid a crisis in the foreign exchange reserve,' an industrialist told the New Age. 'There should have been an increase in import duty on luxury items to ease the current dollar crisis.' The duty cut will deprive local farmers of fair price for turmeric and ginger, and land a severe blow on paper, textile and plastic industries, he added.

Source: The Daily New Age, Aug 17, 2005

In the name of reforms, the Jute Sector Credit of the World Bank has caused virtually demise of the industry, which once had been one of the largest employment generation sectors and top source of the export revenue earnings.

The World Bank has forced the government to cut the import duties on 3,352 items by 1.5-2 per cent just after one-and-half months of passage of budget by the Parliament for the fiscal 2005-06.

MARKET ACCESS AND APPAREL TRADE OF BANGLADESH

A discussion on market access pertains to barriers of entry into markets, which are manifested mainly through two walls. The first relates to tariff barriers such as tariff peaks, tariff escalation, non-advelorem tariffs, and tariff rate quota while second concerns non-tariff barriers like rules of origin, anti-dumping, countervailing and sanitary and phyto-sanitary measures, discriminatory government trading practices and technical barriers to trade. The section illustrates the case of barriers in entry to markets of developed world through barriers faced by apparel of Bangladesh, the largest exports of the country in its major destinations, namely the USA and EU.

The apparel sector, which now overwhelmingly dominates the country's external trade, has constituted about 74.2 per cent or $6.4 billion in the 2004-05, up from less than 3 per cent in 1983. Over the years around 4000 RMG units have been established, which has been employing about 1.8 million people, more than 90 per cent of whom are women. The significance of the RMG sectors employment does not lie merely in sheer numbers, but also in its social implications as nearly 90 per cent of RMG workers are women coming from the poor strata of society. The employment of women has been the key to the success of Bangladesh in such critical areas like female education, family planning and health care. In addition, the sector provides business to, and thus promotes the development of, other key sectors of the economy, including banking, transportation, insurance, and even the housing and hotel industries.

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The working condition of RMG workers is subject to a variety of deprivation.

Box - 3

Working condition in RMG sector

The working condition of RMG workers is subject to a variety of deprivation. The process of deprivation starts at the very beginning of their employment. Incredible as it may seems, no formal appointment letter is issued to the employees contractually defining their terms of employment. The Minimum Wage Ordinance enacted in 1994, has collectively been kept unimplemented by the owners. Many complain that the wages are paid on an irregular basis. Moreover the wages and overtime money often do not correspond with the real hours worked for.

Furthermore, Bangladesh's wage level is very low compared to other countries in the world. The daily wage rate of RMG workers compares unfavourably with that of similar categories of workers in both the public and private sectors. Low wages go a long way in explaining the attractiveness of Bangladesh-made garments to foreign buyers. Abundant, readily available labour and its low opportunity cost lead to a low wage levels, providing a comparative advantage to female labour in particular operations in RMG production cycle.

The low-wage keeps their daily life in total uncertainty and such sense of insecurity causes especially single or divorced women, who live by themselves or are in charge of a number of dependents like old parents and children, have to live a life full of complete anxiety, fear and vulnerability. They have to depend on the "goodwill" of the landlord or the nearby shopkeeper or on predatory exchange systems amongst the host of 'mercy' givers. Many complain about irregular payment of their salaries severe mental problems or sleeping and eating disturbances. The new environment has not yet led to a development of social security system balancing the insecurity.

Whilst workers engaged in the formal sector are entitled to various non-wage benefits, such as accommodation and transportation facilities, subsidized meals, medical allowances, bonuses, pension, a provident fund and insurance benefit according to the Factory Act, 1965, the garments workers are, by and large, deprived of such benefits.

Woman workers are particularly deprived of their legal rights and remain more exposed to exploitation within their particular spheres of work. Available research indicates that the extent of violation of the fundamental rights of women is five times higher compared to their male colleagues. The female workers tend to be underpaid and exposed to physical assault by both fellow colleagues and employers. After paying for accommodation, transportation etc., most of the women workers hardly has enough money left to spend on food. As a result, most female workers remain malnourished, which eventually deteriorated their health.

Malnutrition among the garment workers is a harsh reality. Although the women have gained access to paid work, high living cost often consumes out the lion's share of the workers' income. In addition, lack of adequate sanitation facilities also spreads diseases among the workers and impact on their productivity. Excessive working hours sap the energy of workers, negatively affect their health and lead to tension which again impacts on their productivity.

The working hours for the garment workers are about 12 hours a day, with only half-hour to one-hour lunch break. These long working hours with short lunch break have detrimental effects on their reproductive health.

Source : Titumir (2003)[4]

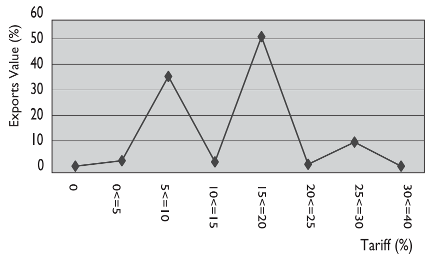
Notwithstanding the contribution of apparel trade in the economy of Bangladesh, the working condition of RMG workers is subject to a variety of deprivation (Box – 3). A great deal of critical feminist scholarship says that the 'comparative advantage of women's disadvantage' explains why women are preferred in labour-intensive industries like RMG. The disadvantageous cultural construction of the female labour force in terms of nature and inheritance works to the advantage of the manufacturers. They say that the "nimble fingers" of young women workers and their capacity for hard work facilitated the recruitment of women for unskilled and semi-skilled work in labour-intensive industries at wages lower than men would accept, and in conditions that unions would not permit.

Tariff Barriers at US Market

The discrimination is obtrusive as the products of the LDCs (4.91 per cent) faced 500 per cent higher import-weighted average tariff rates in 2004 compared to those of the developed world (0.98 per cent) for inflowing into the US market (Table – 3). Moreover, tariffs on many consumer and labour-intensive products, in which developing and LDCs have comparative advantage, face tariff peaks and tariff escalation. The poor countries like Bangladesh that export primarily labour-intensive goods, such as textiles and clothing are hard hit by industrial countries' tariff policies. One can clearly see the disparate effects of these tariffs by looking at the effective tariff rates—the amount of import duties collected as a percent of total imports—of different countries.

Exports from Bangladesh face high tariffs when they enter into the United States. On an average, the USA imposed 15.85 per cent import duties on Bangladeshi products – rates far in excess of the average tariff rates in the USA (Figure – 8). Ironically, bulk of the exports from Bangladesh into the USA face tariff peaks.[5] It is estimated that 51 per cent of the total exports value worth US$2073.58 million into the USA faced tariffs between 15 and 20 per cent while 9 per cent of the exports faced tariffs over 25 to 30 per cent in 2004. Bangladesh exports none of the products, which have been given duty free in the official Harmonized Tariff Schedule of the United States. These tariffs, which are in effect taxes applied to import from Bangladesh at the US border, raise the cost of products imported from Bangladesh.

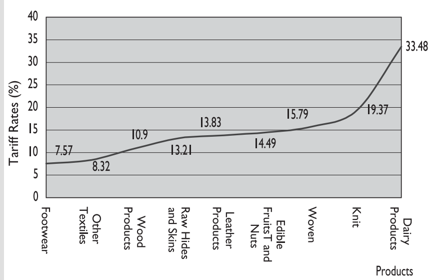
Figure - 8: Distribution od US Tariffs Over the Bangladesh's Exports in 2004



Source : Estimated by the authors from data available at USITC website

Textile and clothing that represent 94.5 per cent of total exports of all Harmonised Tariff Schedule items face even higher tariff barriers in the US market. On an average, T&C face 16.74 per cent duty. Among others, dairy products face duty by 33.48 per cent, edible fruits and nuts by 15.79 per cent and leather products by 13.8 per cent (Figure -9).

Figure 9: Tariff Peaks of the Products 2004



Source : Estimated by the authors from data available at USITC website

Table - 3: Import-weighted Average Tariffs in the United States

Group of countries	1996	1998	2000	2002	2004
Developed countries	1.73%	1.33%	1.05%	1.09%	0.98%
Developing and Transitional economy	2.89%	2.73%	2.14%	2.12%	1.80%
Least developed countries	4.65%	6.80%	7.27%	6.02%	4.91%

Source: Estimated by the authors from data available at USITC website

A further product decomposition at HTS 2-digit tariff line shows that within T&C, HTS 62 (mainly woven apparels) and HTS 61 (mainly knit apparels) represent the large shares. These two categories alone constitute 94.5 per cent of total textile and clothing exports from Bangladesh to the USA. Tariffs faced in the US market are 19.37 per cent for knit apparels and 15.79 for woven apparels.

The discrimination is obtrusive as the products of the LDCs (4.91 per cent) faced 500 per cent higher import-weighted average tariff rates in 2004 compared to those of the developed world (0.98 per cent) for inflowing into the US market

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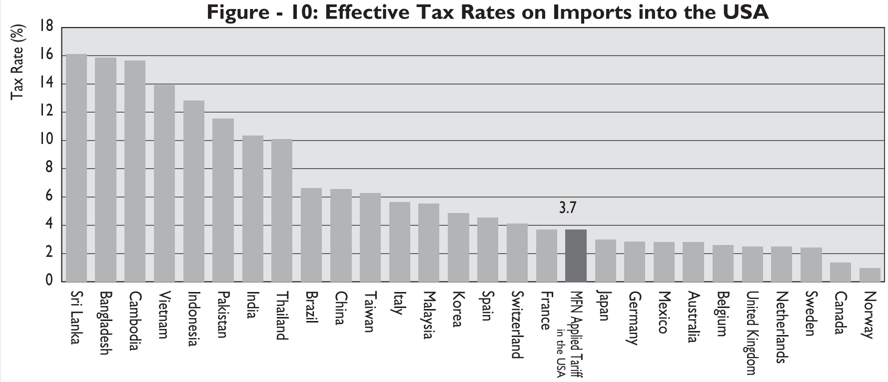
Tariffs faced in the US market are 19.37 per cent for knit apparels and 15.79 for woven apparels.

Pervasiveness of market access barrier has also been accentuated in the trade policy of the US government in the semblance of the Harmonised Tariff Scheduled. Over the years, poor countries have been deceived by the complexity of tariff structure of the developed countries and trailed behind in the trade negotiations as far as market access is concerned. The developed countries often claim that they have lower tariff rates vis-à-vis the developing and least developed countries and pursued the latter to reduce their tariff rates. However, the evidence shows that the way they have designed the tariff lines are anti-poor, benefiting only developed countries themselves. For example, the WTO statistics shows that the MFN applied tariff rate (simple average) in the USA is 3.7 per cent for all products and 3.3 per cent for non-agricultural products in 2004. However, the rate rises steeply for the developing and least developed countries. As it has been shown that average US import tax for Bangladeshi products is 15.85 per cent, for Sri Lanka it is 16.12 per cent and for Cambodia the tax is 15.68 per cent; the average import taxes range between 11 per cent and 14 per cent for India, Pakistan, Indonesia and Vietnam. In contrast, tax rates for many of the developed countries like Norway, Canada, Sweden, Netherlands and UK range between less than one per cent and 2.5 per cent, far below the US applied tariff rate for developing and LDCs. Such pervasiveness of tariff discriminations clearly undermines the export potential of poor countries like Bangladesh (Figure – 10).

Figure - 10: Effective Tax Rates on Imports into the USA



Pattern of customs revenue collection in the USA also confirms the pervasiveness. It has been found that there is an inverse correlation between the share of US imports from the rich and poor countries and the respective share of customs revenue. By taking into account the data of the US Department of Commerce for 2004, one can get the magnitude of the trade discrimination between rich and poor countries. It is estimated that in 2004, the US customs has collected more revenue from the exports of poor countries that have often struggle with low per capita income for their little share of exports compared to the developed countries that possessed a lion share of the US imports and have higher per capita income. For instance, US imposed US$329.12 million tariffs on imports from Bangladesh, far above than those of developed and developing countries (Table – 4).

Table – 4 : Tariffs Paid by Products Originating from Bangladesh vis-à-vis Some Rich Economies

Country	Per Capita GDP US$)*	Exports to USA (US$ Mn)	Tariffs Paid (US$ Mn)
Bangladesh	445	2,073.57	329.12
Canada	31,500	7,253.88	100.06
Sweden	28,400	5,205.04	127.16
Belgium	30,600	4,804.46	125.48
Spain	23,300	3,827.63	173.62
Switzerland	33,800	4,241.71	175.65
Malaysia	9,700	4,237.80	234.62
Pakistan	470	2,552.57	294.88

Souce : US Trade Commission, Tariffs data calculated from data available with the US Department of Commece.

The Table -4 illustrates that Bangladesh, which has one of the lowest per capita GDP's in the world, export only US$2.07 billion in 2004 due to high tariff barriers in the US market. Tariff imposed for Bangladeshi products by the USA in 2004 was US$329.12 million, higher than those of the products imported from Canada, Sweden, Belgium, Switzerland and Spain, which posess greater shares in the US market and have higher per capita GDP.

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Thus the overall effect of the discriminatory tariff barriers has dampened the US import demands – for products like textile and clothing in which Bangladesh has comparative advantages –stymieing the overall growth of national income and employment generation.

Non-Tariff Barriers at EU

EU is Bangladesh's largest RMG market. The country's exports to the EU have been growing faster than those to the USA, and the EU replaced the USA as Bangladesh's most important apparel market in 1994 (Table – 5). In fiscal 2004, Bangladesh's RMG export to EU accounts for 59.6 per cent while that to USA accounts for 31.57 per cent.

Therefore, market access barrier is also conspicuous in other major destination of Bangladeshi export i.e. EU, which boasts of its GSP regime with zero duty under EBA, but its stringent rules of origin only allow a portion to reap the preferential benefit - a glaring example of giving on the one hand and exacting on the other.

The frozen food, which is the second largest export earners of the country, remains under strain at the EU border.[6] Health and quality standards issues of the EU are the concern for Bangladeshi shrimp exporters. Major disruptions came in 1997 when EU imposed sanctions on Bangladesh's exports of shrimp on account of

Table – 5: Trend of RMG Exports of Bangladesh in the EU Market

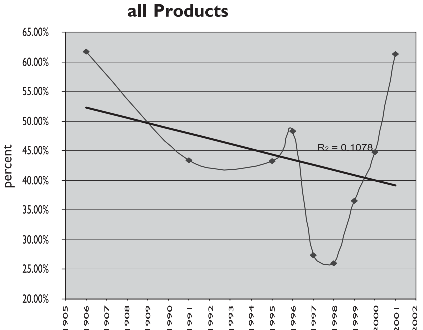
Year	Export to EU (US$ million)	Growth of Export Earnings (%)	Market Share (% value) (Extra EU)	Export of Qty (tons)	Growth Qty (%)	Market Share Extra-EU (% in qty)	Price per Ton
1990	415.1	-	1.06	132050	-	3.19	0.0031
1994	1026.9	-	2.09	198803	-	2.38	0.0052
2000	2493.1	-	4.02	329431	-	4.37	0.00757
2001	2630.9	5.527255	4.20	358670	8.88	4.12	0.00734
2002	2691.3	2.295792	4.12	376437	4.95	4.31	0.00715
2003	3602.5	33.85724	4.65	462374	3	4.89	0.00779
2004	4,783.80	32.79112	5.39	-	-	-	

non-compliance with EC health and environmental standards in Bangladesh's frozen food sector. Subsequently, the effort of GOB to overcome the problem through supporting the improvement of quality control and ensuring congenial atmosphere within the factories had enabled to get rid of the initial set back. However, the EU's overriding health and quality standard issues under the sanitary and phyto-sanitary measures remain as a threat that often woes the shrimp exporters.

Rules of Origin Hinders Bangladesh's Export to EU

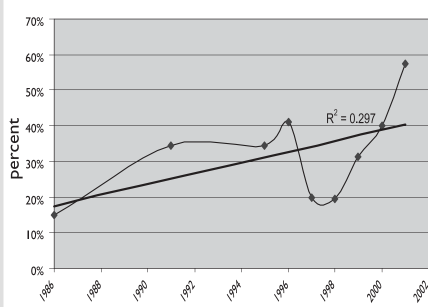
A major portion of the of RMG exports from Bangladesh to EU have failed to avail the benefit from EU-GSP facility due to stringent Rules of Origin - a condition that requires high value addition in the country of origin. Our estimates suggest that in 2002 the overall EU-GSP utilisation rate was 61.3 per cent of Bangladesh's total exports to the EU (Figure – 10). In case of T&C, the utilisation rate fell short of the average rate. Bangladesh was able to utilise 57.4 per cent of the GSP in T&C during the period compared to the level of 40 per cent in 2000 (Figure – 11).

Figure -11 : Bangladesh: GSP Utilization Rate, all Products



Source : Calculated from Various EC documents

Figure-12 : Bangladesh: GSP Utilization Rate, Textile and Clothing



Source : Calculated from Various EC documents

Discriminationtory Trade Preferances

The developed countries have continued to indulge in unfair trade practice by creating discriminatory trading blocs within themselves

EU, which boasts of its GSP regime with zero duty under EBA, but its stringent rules of origin only allow a portion to reap the preferential benefit - a glaring example of giving on the one hand and exacting on the other.

and even among the LDCS. NAFTA allows tariff-free and quota-free exports from Mexico to the US and Canada (and between other member countries). Similarly, under the auspices of the Europe Agreements, some East European countries, viz., the Czech Republic, Hungary, Poland, Romania, and the Slovak Republic, have been granted preferential access to the EU market and since 1998 all exports to EU from these countries have been enjoying quota- and duty-free access. This implies that certain countries have continued to have the opportunity of duty-free access to the markets that are of crucial interests for Bangladesh.

While giving duty-free access, the USA has discriminated the LDCs. Thirty-four African LDCs have been given duty-free access by the USA under the US Trade Development Act, depriving 15 other LDCs including Bangladesh.. One can argue that not providing preferential treatment to certain non-African LDCs is inconsistent with the recognition of the Doha Commitment to give duty-free market access to all LDCs.

Anti-dumping

The developed countries often use trade-restricting instruments like anti-dumping duties and safeguard measures, targeting the products of LDCs, in which they have comparative advantages. For example, the US imposed anti-dumping duties on cotton shop towels manufactured in Bangladesh. This sort of anti-dumping action clearly reflects the intentions of the developed countries' restrictive trade practice policy.

Erosion of Preference

The current NAMA negotiations are about reduction in tariffs, implying that the countries which enjoy preferential margins will witness their erosion of preferences. The LDCs are expected to lose from such move. This has been illustrated through market dynamics witnessed by phasing out of quota as these allowed certain segments of market reserved for apparels of Bangladesh. Though the emerging trends cannot portray the real competitive pressure, the available data give a strong impression that growth of exports in the quota free world would have serious implications. Any such implication has a direct bearing on the livelihood of Bangladeshi workers (Figure – 12).

Between 1990 and 2000, Bangladesh's exports of RMG increased to US$2205 million from US$438.3 million with an average annual growth rate of 40.3 per cent in the quota regime (Table – 6). However, since 2002 exports have fallen absolutely reflecting the impact of partial phasing out of qouta. Up to the second phase of ATC integration, which was completed in the beginning of 1998, Bangladesh was not much affected.[7] The third phase of integration took place in January 2002 and the available data show that Bangladesh's market lost in the products liberalised in this round. In 2001, export earnings from quota items integrated in Phase III were US$298 million, which conceded a huge decline to reach only about US$150 million. Consequently, the significance of Phase-III MFA-constrained products in Bangladesh total apparel export to the US had fallen. In fact, exports marked a negative growth both in terms of value and volume. The Table - 7 shows that in terms of value exports declined by 9.76 per cent and 2.56 respectively in 2002 and 2003 while quantity had declined by 1.6 per cent and 3.5 per cent during the corresponding periods. Though the apparel exports had gained some ground in terms of value in the following year, the volume continued to decline in the pre-MFA phase out regime. Failure to protect the market in the liberalised categories in the third phase together with failure to expand exports in other non-quota items has resulted in the declining trend in market share. China's share has gone up significantly after the Phase III integration, as is shown in the table-7.

When the quota was abolished completely in January 1, 2005, apparel exports to the USA increased by 20.48 per cent in terms of value and 19.11 per cent in terms of volume in the first seven months compared to the corresponding period of 2004.

The developed countries often use trade-restricting instruments like anti-dumping duties and safeguard measures, targeting the products of LDCs.

The US imposed anti-dumping duties on cotton shop towels manufactured in Bangladesh.

Bangladesh total apparel export to the US had fallen. In fact, exports marked a negative growth both in terms of value and volume.

Table – 6· Trend of RMG Exports of Bangladesh in the US Market

Year	Export to US (US$ Million)	Growth of Export (%) Earnings of	Market Share Export of in terms quantity (in Value million SMEs*)	Growth (%)	Quantity	Market (%) in terms quantity	Share of Price per SME
1990	438.3	-	1.57	220	-	1.8	1.99
1994	927.4	111.59	2.32	487	-	2.82	1.9
1995	1115	20.23	2.54	603	23.82	3.29	1.85
1996	1178	5.65	2.57	625	3.65	3.28	1.88
1997	1498	27.16	2.77	765	22.4	3.34	1.96
1998	1695	13.15	2.81	866	13.20	3.34	1.96
1999	1757	3.66	2.75	911	5.20	3.18	1.93
2000	2205	25.50	3.08	1131	24.15	3.44	1.95
2001	2205	0	3.14	1169	3.36	3.56	1.89
2002	1990	-9.75	2.76	1150	-1.63	3	1.73
2003	1939	-2.56	2.5	1110	-3.48	2.63	1.75
2004	2065	6.498	2.48	1109	-0.09	2.36	1.86
2004 upto July 31	1115.17		2.41	630.24		2.18	1.77
2005 upto July 31	1343.53	20.48	2.66	750.69	19.11	2.8	1.79

Source : U.S. Department of Commerce, Office of Textiles and Apparels; U.S. International Trade Commission
*Quantity is measured by square meter equivalents (SMEs) in the U.S. market.

It is also evident from the Table - 7 that the share of RMG in the US market also increased marginally during the period. Although, it is too early to comment whether the present trend would be sustainable in future, that depends on a number of factors – both internal and external – including that of the further development of the WTO in the upcoming Ministerial.

in the post MFA period. At least, the present trend of the trade of textile and clothing gives an indication of it despite the short-term growth. The seven months data show that China and India remained the dominant suppliers of textile and clothing with their shares increasing in the post-MFA period. During January-July, China's apparel exports to the USA have increased by 65.5 per cent whereas India's export has grown

Table – 7: Comparative Market Shares of RMG in the USA, 1990 to July 31, 2005 9 (Value in %)

	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004 July 31	2005 July 31
World	100		100	100	100	100	100	100.00	100	100	100	100	100
Bangladesh	**1.57**	**2.54**	**2.57**	**2.77**	**2.81**	**2.76**	**3.076**	**3.14**	**2.76**	**2.50**	**2.48**	**2.41**	**2.66**
Brazil	0.81	0.53	0.40	0.27	0.21	0.20	0.31	0.3	0.46	0.52	0.49	0.56	0.52
China	12.73	10.92	10.65	11.16	9.77	9.62	9.10	9.31	12.11	14.99	17.48	17.07	25.82
Columbia	0.66	0.89	0.73	0.71	0.65	0.64	0.62	0.54	0.51	0.70	0.76	0.76	0.72
Costa Rica	1.39	1.74	1.55	1.57	1.38	1.30	1.16	1.07	1.01	0.77	0.63	0.65	0.55
Egypt	0.33	0.73	0.68	0.72	0.77	0.67	0.72	0.72	0.66	0.69	0.68	0.69	0.65
Hong Kong, China	13.60	9.99	8.78	7.59	7.66	7.00	6.56	6.27	5.59	4.93	4.75	4.33	2.98
India	2.84	3.67	3.78	3.72	3.79	3.74	3.82	3.75	4.15	4.15	4.36	4.60	5.35
Indonesia	2.49	3.04	3.25	3.46	3.27	3.07	3.32	3.63	3.23	3.07	3.15	3.23	3.39
Korea Rep.	9.73	5.16	4.46	4.23	4.37	4.53	4.29	4.17	3.99	3.32	3.10	3.11	2.09
Maldives	0.06	0.03	0.02	0.035	0.05	0.08	0.14	0.14	0.16	0.12	0.01	0.10	0.01
Pakistan	1.53	2.20	2.20	2.21	2.36	2.31	2.56	2.74	2.75	2.86	3.06	3.13	3.13
Peru	0.28	0.35	0.37	0.41	0.41	0.51	0.57	0.547	0.55	0.67	0.83	0.85	0.93
Sri Lanka	1.57	2.33	2.48	2.52	2.46	2.31	2.34	2.41	2.16	1.93	1.90	1.82	1.92
Thailand	2.13	3.22	3.05	3.08	3.25	3.25	3.41	3.48	3.05	2.68	2.63	2.52	2.35
Uruguay	0.19	0.03	0.03	0.02	0.02	0.02	0.02	0.016	0.01	0.02	0.02	0.014	0.01
Vietnam	0	0.04	0.05	0.05	0.05	0.06	0.07	0.07	1.32	3.21	3.26	3.34	3.048
CBI,NAFTA,AGOA Andean	13.11	25.53	28.86	31.69	32.81	34.47	33.96	33.23	32.25	30.20	28.85	-	-

Source : ITCB

Notwithstanding one cannot shrug off the fear that the Bangladesh might lose her market share by 27 per cent compared to the same period of the previous year (Table – 8).

Table – 8: Growth of RMG in the USA, 1990 to July 31, 2005

Exporters	1990	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004 July 31	2005 July 31	%
World	27936	39981	43953	45915	54002	60397	63743	71692	70240	72183	77434	83311.7	46232.34	50579.2	9.402
Argentina	47	7	9	7	8	9	5	7	11	19	17	24.5	12.434	14.559	17.09
Bangladesh	438.3	927.4	1115	1178	1498	1695	1757	2205	2205	1990	1939	2065	1115.17	1343.53	20.48
Brazil	225	321	234	184	148	124	130	225	232	332	406	407.8	256.851	263.795	2.7
China	3,556	4,931	4,800	4,890	6,024	5,900	6,129	6,527	6,536	8,744	11,609	14,56	7891.66	13,058	65.46
Columbia	185	384	390	334	381	392	409	444	376	370	539	636.3	349.6	366.63	4.87
Costa Rica	388	693	766	710	850	831	831	829	753	730	594	524	300	278.82	-7.06
Egypt	92	254	319	312	389	465	424	518	509	474	535	564.3	320.29	330.08	3.06
El Salvador	70	421	607	748	1,079	1,203	1,363	1,616	1,646	1,709	1,758	1,757	992.47	972.47	-2.02
Guatemala	206	612	698	806	971	1,145	1,244	1,498	1,614	1,669	1,773	2,677.5	1098.67	1106.86	0.75
Honduras	118	648	921	1,223	1,663	1,879	2,164	2,328	2,348	2,444	2,507	2,677.5	1518.93	533.389	0.95
Hong Kong, China	3,799	4,406	4,391	4,031	4,100	4,623	4,465	4,707	4,403	4,032	3,818	3,959	2003.696	1509.06	-24.7
India	793	1,520	1,614	1,736	2,010	2,287	2,384	2,741	2,633	2,993	3,212	3,633.40	2127.359	2706.82	27.24
Indonesia	696	1,170	1,336	1,493	1,872	1,973	1,959	2,380	2,553	2,329	2,376	2,620.20	1519.266	1715.24	12.9
Korea Rep.	2,719	2,449	2,267	2,047	2,288	2,638	2,887	3,072	2,931	2,881	2,568	2,579.7	1438.456	1057.32	-26.5
Macao, Chaina	393	607	764	761	930	1,027	1,047	1,166	1,134	1,148	1,282	1,473.2	761.227	545.285	-28.4
Maldives	17	12	12	11	19	31	53	93	97	113	94	81.10	47.838	4.717	-90.1
Pakistan	428	768	965	1,011	1,197	1,427	1,475	1,835	1,924	1,983	2,215	2,546.0	1447.687	1585.09	9.49
Paraguay	10	3	0	0	0	0	1	1	0	2	4	1.20			
Peru	78	130	152	171	221	246	324	406	384	395	516	691.60	392.418	470.775	19.97
Sri Lanka	438	892	1,025	1,139	1,362	1,488	1,470	1,677	1,698	1,527	1,493	1,585.2	839.513	968.971	15.42
Thailand	594	1,234	1,417	1,400	1,661	1,964	2,074	2,447	2,441	2,203	2,072	2,198.2	1163.116	1190.02	2.31
Uruguay	54	17	13	12	12	12	12	13	11	10	14	17.20	6.616	7.046	-6.49
Vietnam		3	18	24	26	29	38	50	49	952	2,484	2,719.7	1545.72	1535.76	-0.64
CBI,NAFTA,AGOA, Andean	0	0	0	0	0	0	0	0	0	0	0	0.00			

China's apparel exports to the USA have increased by 65.5 per cent whereas India's export has grown by 27 per cent compared to the same period of the previous year.

Amongst other countries Sri Lanka, Pakistan and Indonesia have been able to increase their shares during January-July. However, exports from Maldives, Korean Republic, Macao, Hong Kong, Costa Rica, Vietnam and El Salvador have slid during the period.

Decomposition of textile and clothing category at HTS 2 digit level shows magnitude of competitiveness of China and India in the post MFA regime. Four categories – 60, 61, 62, and 63 are the main export items of these countries including Bangladesh (Table – 9). More than 99 per cent of the textile and clothing exports from Bangladesh to the USA come from these categories whereas in case of China and India, the four categories accounts for respectively 95 per cent and 90 per cent of the total textile and clothing exports to the USA. Bangladesh achieved a moderate growth in category 61 (knit apparel) and 62 (woven apparel) whereas category 63 attained a marginal gain and there was no export in category 60. However, in comparison with that of China and India, which has achieved a remarkable growth in all these categories (as it is discernible from the following table), the performance of Bangladesh is not rosy at all. Thus the threat still remains for Bangladesh in the categories in which she has comparative advantage.

Table - 9: Exports of RMG of Some Important Categories in the Post-MFA Regime

HTS Category	Bangladesh 2004 Jan-Jul	Bangladesh 2005 Jan-Jul	Bangladesh %	India 2004 Jan-Jul	India 2005 Jan-Jul	India %	China 2004 Jan-Jul	China 2005 Jan-Jul	China %
	Value in US$ in Mn			Value in US$ in Mn			Value in US$ in Mn		
60 Knitted Or Crocheted Fabrics	0	0	0	1.94	5.96	205.9	37.19	64.78	74.2
61 Articles Of Apparel And Clothing Accessories, Knitted Or Crocheted	235.00	304.7	29.7	360.85	512.49	42	1,922.52	3,696.07	92.3
62 Articles Of Apparel And Clothing Accessories,Not Knitted Or Crocheted	753.59	910.10	20.80	975.75	1305.32	33.8	3,.624.86	6,269.7	73
63 Made-Up Textile Articles Nesoi; Needlecraft Sets; Worn Clothing And Worn Textile Articles; Rags	57.61	61.85	7.4	435.48	534.30	22.7	1,663.32	2,086.18	25.4
Total	1,046.19	1276.66	22.02	1,774.02	2,358.06	32	7,247.89	12,116.73	67
Share of Total Textile and Clothing Exports in USA (%)	99.75	99.93		89	90.86		94.92	95.79	

Souce : Calculed from the data available with the US International Trade Commission

A comparatively better picture is revealed in the EU market where Bangladesh has been enabling itself to maintain a steady exports growth with raising its share to 5.39 per cent from only 1.06 per cent in 1990, as a portion of RMG is enjoying GSP, but it also implies the fear of loss of erosion as even with facing against duty free environment China has been dominating for years, controlloing19.59 per cent of the total market shares of textile and clothing in 2004 (Table – 10).

Now it is evident from the above table that China and India are expected to gain most in the coming years of the quota-free regime. And export expansion from these two sources alone can hinder the export prospects of many LDCs including Bangladesh, which has been enjoying and /or enjoyed preferential treatment. This leaves an LDC like Bangladesh in a vulnerable position as the Box – 4 reveals the rise of some countries in the face of preferential treatment. If such margin weakens these countries risk further marginalisation.

Table – 10: Comparative Shares of RMG Market in the EU

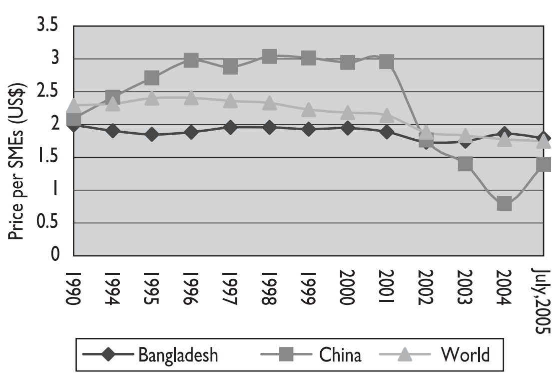
	1990	1994	2000	2001	2002	2003	2004
Extra-EU15	100	100	100	100	100	100	100
Bangladesh	1.06	2.09	4.01	4.20	4.12	4.65	5.39
China	8.56	11.34	14.08	14.38	16.01	17.68	19.59
HongKong,China	8.11	6.35	4.73	3.77	3.38	3.04	2.80
India	5.30	6.16	5.90	5.94	5.78	5.83	6
Indonesia	2.45	3.77	3.60	3.37	2.87	2.54	2.40
KoreaRep.	3.65	2.06	2.88	2.49	2.25	2.02	1.87
Pakistan	2.50	2.73	2.46	2.5	2.77	2.93	3.14
SriLanka	0.57	1.10	1.32	1.16	1.11	1.05	1.17
Thailand	2.58	2.17	1.90	1.66	1.62	1.55	1.59
Vietnam	0.08	0.60	1.17	1.15	1.047	0.83	0.98

Export expansion from China and India alone can hinder the export prospects of many LDCs including Bangladesh, which has been enjoying and /or enjoyed preferential treatment.

Box - 4
China Factor

Today China is leading the race of the world apparel trades that may soon drive out many LDCs including Bangladesh. Since December 2001 China has been a member of the WTO and enjoys a range of benefits. These benefits include the 2005 quota phase-out; automatic quota increases as stipulated in the ATC; and the growth-on-growth provision whereby, under the ATC and as a new WTO member, the country receives benefits accorded to other member countries during the past seven years. These changes have had a tremendous impact on China's performance in the major importing markets. For example, US textiles and clothing imports from China increased by 65.5 per cent in the first seven months after the quota expired since January 1, 2005, while overall textile and clothing imports of the US increased by little over 9 per cent - a trend that confirmed the potential gain of China in the quota-free era. The Chinese exporters reduced their prices in order to gain a greater share in the market. They were able to do so, among other reasons, because quota rents were reduced and Chinese enterprises increased their productivity by investing heavily in new machinery and technology. The impact of the vast increase in Chinese exports can already be seen in the first three phases of the quota integration. For example, in the 29 categories of garments removed from quota in 2002, China's share in the US market increased to 59 per cent from 31 per cent. In these 29 categories China's exports to the US increased by 290 per cent while exports from the rest of the world in the same category fell by 14 per cent . The Chinese supremacy in the textile and clothing is also evident in the quota-free Japanese market. In 2001, Japan imported more than two-thirds of its total garment requirements from China, an increase of 66% over ten years. If the Japanese example is repeated in other markets it would create deep concerns for many exporting countries, especially the smaller ones. The scenario is similar in the EU Market. Between 2001 and 2004, Chinese exports of textiles and apparel rose by 93 per cent in the EU countries. The products in which quotas were withdrawan in 2002, China's exports to the EU increased by 164 per cent in volume. This gives a hint of Chinese dominance in the quota-free regime.

Comparision of Unit Price of RMG of Bangladesh and China vis-à-vis the World Price in the US Market



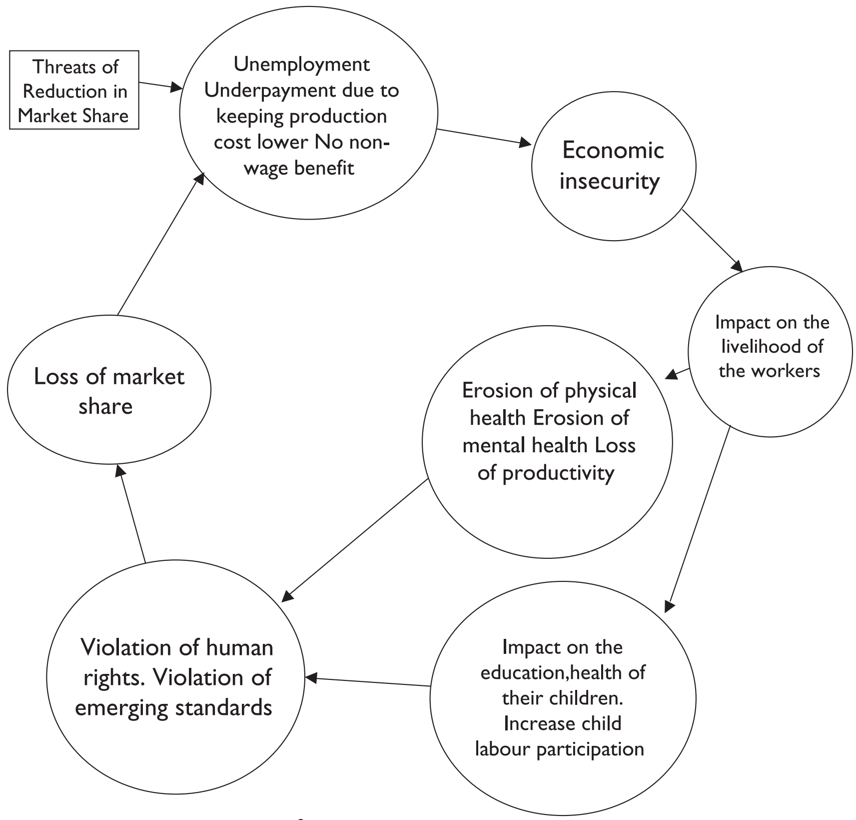
Source : Estimated from US OTEXA

More alarming is the price effect. Export price of China's textile and clothing in the US market has fallen precipitously when the quota had phased out partially in three stages. For example, in 2001 export price per SME of textile products of China in to the USA market was US$2.96, which fell down by 40 per cent to US$1.76 in 2002 as China started to take advantage of the quota. On the other hand, the price of Bangladeshi products in the US market has dropped by 8.5 per cent while the world price had fallen by 12 per cent. By 2004, the price per unit further declined by almost 55 per cent to US$0.8 taking full advantage of lower price, in which no one can compete. As a consequence, China has gained extremely large market shares of textile and clothing.

The impact of the vast increase in Chinese exports can already be seen in the first three phases of the quota integration.

China has gained extremely large market shares of textile and clothing as a consequences of price effect.

Figure - 12: A Cycle of Vulnerability in RMG Sector



Source : Titumir and Hossain (2005)[8]

PUTTING PROMISES INTO PRACTICE

Having missed all the deadlines on NAMA leading up to Cancun, the process for negotiations on the issue remains biased towards the interests of industrialised countries. This is evident from none but the latest move by the WTO through launching the 'July Package' to pep up the Doha Development Round. The interim negotiating text for the NAMA in the July Package – also known as 'Framework for Establishing Modalities in Market Access for Non-Agriculture Products - adopted by the WTO General Council on August 1, 2004. The package is nothing but a reproduction of the rejected draft of the failed Cancun Ministerial Conference and lists in particular the formula for tariff reduction, treatment of unbound tariffs, flexibilities for developing countries and the sectoral components.[9] The text remains biased and unbalanced towards the interests of industrialised countries, while window dressing the issues of LDCs with fuzzy 'best endeavours' languages.

It is undesirable that the process in which the key decisions were taken for the finalisation of the July Package was not by participation of all members. Such a negotiation process is also in contravention to the Doha Declaration (paragraph 49), which says, "the negotiations shall be conducted in a transparent manner among participants in order to facilitate the effective participation of all."

Besides the NAMA text is full of vague and ambiguous provisions. None of the 17 paragraphs of the text have specified any specific commitments. Instead, as before, the text has been designed through words like 'recognise', 'reaffirm', 'acknowledge', and 'encourage'. For example, Paragraph 2 of the Annex states: "we reaffirm that negotiations on market access for non-agricultural products shall aim to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non tariff barriers." However, there is no deadline on when

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such negotiations would begin or conclude. Thus the July package gives little indication that the text would enable to make a breakthrough in the upcoming trade talks, since NAMA has been a very contentious issue in the WTO agenda.

The July Package, which is set to propel the trade negotiations in the upcoming Ministerial, has shown little interests for the LDCs as usual. One of the issues of tremendous interest to LDCs, i.e. trade preferences has been vaguely dealt with. Paragraph 10 of Annex B merely calls upon developed countries and others who so decide, "to grant on an autonomous basis duty free and quota free market access for non-agricultural products originating from LDCs by the year [...]". There was no clear-cut deadline by which they would be given the duty free access. This clearly lacks the intent of interests of the developed countries. Besides, it is a well-established fact that stringent RoO is a more important issue than just trade preferences which had not been addressed.

In addition, while a significant proportion of tariffs on industrial products have had binding WTO commitments made on developed countries, this is not evenly spread across countries and products. There are also many instances where the WTO bound commitments are well above applied tariff rates, contributing to a lack of certainty on market access. On the other hands, though the LDCs shall not be required to apply the formula for tariff reductions nor participate in the sectoral approach as mentioned in the July Packages, it asserts that in the upcoming negotiations the LDCs are expected to substantially increase their level of binding commitments.

Neither does the text consider the vulnerabilities of the local industries, the existence of which only depends on the market access of the developed countries. Moreover, about some other important issues for LDCs, such as that of technical assistance, the 31 July text is even weaker than the Doha Round.

In addition, it is also important to note that the nexus between trade and aid in the context of economic development of LDCs is not reflected in the text of NAMA. The text fails to relate the issue of supply side capacity building assistance to the issue of market access in a meaningful way. But the IMF-launched Trade Integration Mechanism (TIM) has served more for liberalisation than offsetting erosion of preference while a global fund to address the supply side constraints facing the LDCs has remained elusive. The policy space for development including industrial policies is constrained by TRIPS, TRMS and regional trade agreements. The WTO shows off for 'less than reciprocity' commensurate with development, but powerful Members demand more than full, while kicking away the special and differential treatments to unactionable constructive ambiguities.

While every developed economy has increased income with high levels of protection for its domestic industries, the developing world including Bangladesh is asked to continue to liberalise, with their fortress untouched, accentuating de-industrialisation, unemployment, environmental degradation, and worsening poverty.

If the NAMA negotiations continue to remain as it is, by failing to provide secured, meaningful and predictable market access through duty-free and quota-free access to all products of LDCs, with relaxed rules of origin, exemption from antidumping, countervailing and safeguard measures, no-string-attached mechanisms to offset erosion of preference, and to address supply side constraints, it will be counted as yet another deception for the most of humankind languishing in the LDCs including Bangladesh.

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NOTES

[1] Polonius, Lord Chamberlain of Claudius's court in Shakespeare's drama, Hamlet, is a pompous, conniving old man, who is the figure responsible for guiding and instructing the hero, but he inverts the figure by being overly concerned with his own social/political position, Polonius is a difficult, puzzling, and seemingly malleable for a reason: the necessity of "his job". He accomplishes what he must accomplish—management of a political world—by wearing masks, playing games, setting traps and by concealing "his considerable and considered ambitions.

[2] The overall GDP growth has been modest; the per capita GDP rate has risen from 1.7 per cent in 1980s to nearly 3 per cent during 1990s, Muqtada, M (2003), "Promotion of Employment and Decent Work in Bangladesh: Macroeconomic and Labour Policy Considerations," in Employment and Labour Market Dynamics – A Review of Bangladesh's Development, 2002, Dhaka: Centre for Policy Dialogue and University Press Ltd.

[3] For instance, Khan (1996) states that "these reforms have so far failed to improve the rate and quality of growth of the economy perceptively"

[4] Titumir, R. A. M. (2003). "International Restructuring and Bangladesh Women Garment Workers," Social Science Review (Dhaka University Studies - Part-D), Vol. 19, No. 2.

[5] Products that face tariff 15 per cent or above defined as tariff peaks

[6] Exports of frozen food makes up US$420.74 million in fiscal 2005. There are about one million people involved in downstream and upstream activities related to shrimp culture in Bangladesh. Number of processing units is about 150.

[7] Bangladesh's exports of RMG from products integrated in Phase II stood at US$64.5 million in 1998. By the end of 2003, receipts from these export categories increased marginally to US$73.1 million, i.e., Bangladesh managed to prevent absolute fall in revenues in these quota items.

[8] Titumir, R. A. M. and J Hossain, (2005). "Workers Income Security and Minimum Wage in Bangladesh in the Era of Globalisation," Dhaka: Unnayan Onneshan- The Innovators and Karmajibi Nari.

[9] When Annex B was presented to WTO members in its draft form on July 16, 2004, the Chair of the General Council and the WTO Director General issued a covering letter confirming that it was simply a reproduction of Annex B of the Derbez text presented to the WTO's Cancun Ministerial Conference on September 13, 2003.

The people of Bangladesh and their compatriots in other least developed countries were promised time and again including in Marrakesh, Singapore, Geneva, and Doha that they would enjoy better livelihood and the disadvantaged would be lifted out of poverty by "improving effective participation in the multilateral trading system" and trade ministers are "committed to addressing the marginalization of least-developed countries in international trade." It is timely to provide an independent review of implementation vis-à-vis the commitments made in such gatherings as they again meet from December 13 to 18, 2005 to take decision on how the governments have lived up to their promises.

The interim negotiating text - the Annex B of the 'July Package' adopted by the WTO General Council on 1 August 2004 or 'Framework for Establishing Modalities in Market Access for Non-Agricultural Products' – is a reproduction of the rejected draft of the failed Cancun Ministerial Conference and lists in particular the formula for tariff reduction, treatment of unbound tariffs, flexibilities for developing countries, the sectoral component and preference erosion issues. The text remains biased and unbalanced towards the interests of industrialised countries, while window dressing the issues of LDCs with fuzzy 'best endeavours' languages.

If the NAMA negotiations continue to remain as it is, by failing to provide secured, meaningful and predictable market access through duty-free and quota-free access to all products of LDCs, with relaxed rules of origin, exemption from antidumping, countervailing and safeguard measures, no-string-attached mechanisms to offset erosion of preference, and to address supply side constraints, it will be counted as yet another deception for the most of humankind languishing in the LDCs including Bangladesh.

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