



Bangladesh's Interest in Reforming Global Trade Governance

Workshop on
South Asian Regional Dialogue on
Global Economic Governance and Trade
New Delhi: 29 April 2008

Presentation by
Fahmida Khatun
Senior Research Fellow
Centre for Policy Dialogue (CPD)
Dhaka



I. Introduction

- Bangladesh has been able to integrate into the global economic system through, inter alia, increased participation in international trading system during the last two decades or so.
- At the same time Bangladesh is faced with several challenges in terms of supply capacity, product and market concentration, falling terms of trade and limited market access which impede its export growth.
- A successful outcome of Doha “Development” Round is considered to be important for Bangladesh in alleviating some of these problems.



Trends in Bangladesh's Integration into the Global Economy: From Aid to Trade

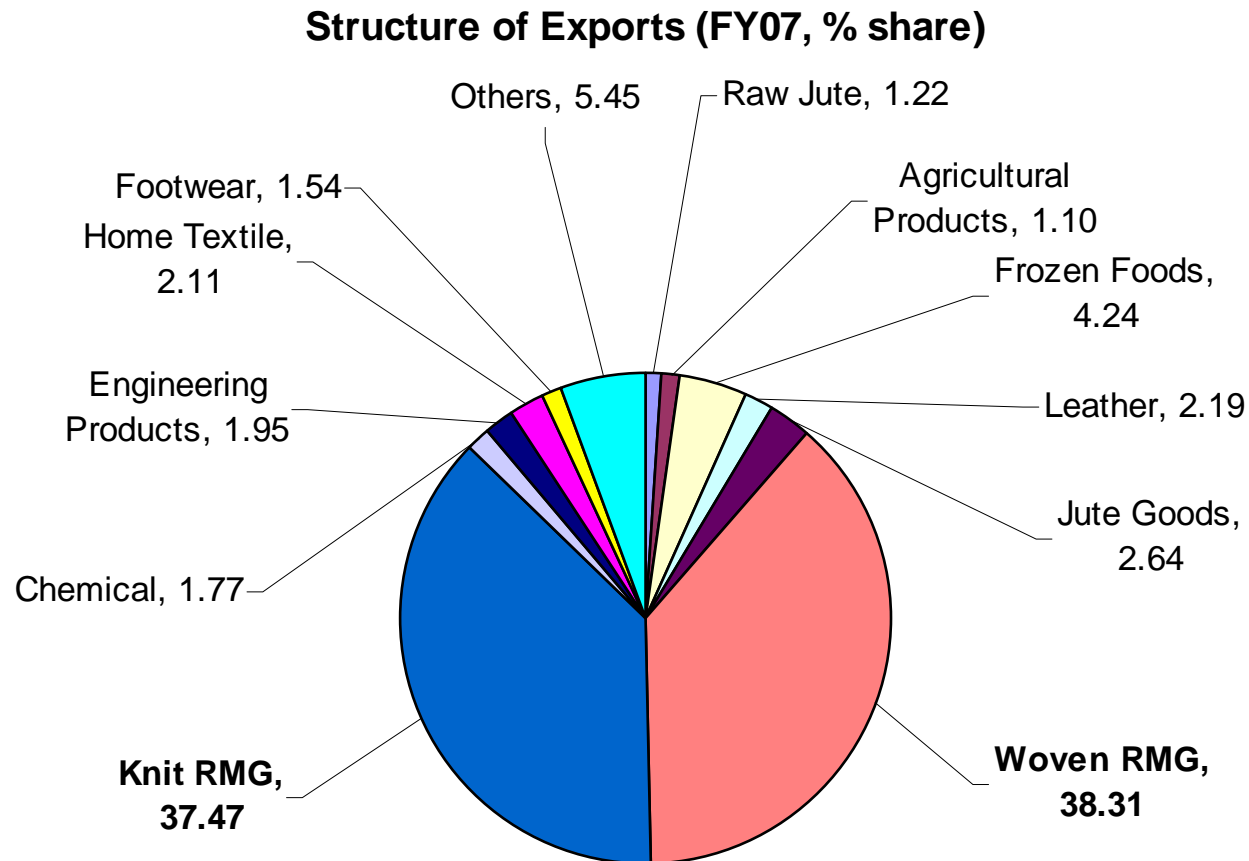
(MIn \$)

	FY 1981	FY1991	FY 2001	FY 2007
Export (X)	725	1718	6467	12154
Import (M)	1954	3472	9335	17157
Remittance (R)	379	764	1882	5978
ODA Disbursed	1146	1733	1369	1625
FDI (net)	n/a	24	550	760
Total (1-5)	4204	7710.5	19603.4	37673.2
GDP (Current Price)	19812	30975	47826	67726
<i>Degree of Openness (Export + Import as % of GDP)</i>	<i>13.5</i>	<i>16.8</i>	<i>33.0</i>	<i>43.3</i>
<i>Extent of Globalization</i>	<i>21.2</i>	<i>24.9</i>	<i>41.0</i>	<i>55.6</i>
<i>X as % of M</i>	<i>37.1</i>	<i>49.5</i>	<i>69.3</i>	<i>71.0</i>
<i>(X+R) as % of M</i>	<i>56.5</i>	<i>71.5</i>	<i>89.4</i>	<i>105.8</i>
<i>ODA as % of GDP</i>	<i>5.8</i>	<i>5.6</i>	<i>2.9</i>	<i>2.4</i>
<i>ODA As % of Export</i>	<i>158.1</i>	<i>100.9</i>	<i>21.2</i>	<i>13.3</i>

Fahmida Khatun: BD's Interest in Global Trade

Structure of Bangladesh's Exports: Nature of Product Concentration

- ❑ RMG continues to account for overwhelming share of export (75.8% of total export)



Structure of Bangladesh's Exports: Nature of Market Concentration

Destination	Value (US\$ million)					Share (%)				
	<i>FY03</i>	<i>FY04</i>	<i>FY05</i>	<i>FY06</i>	<i>FY07</i>	<i>FY03</i>	<i>FY04</i>	<i>FY05</i>	<i>FY06</i>	<i>FY07</i>
EU (25)	2777.9	3658.7	3945.7	4707.5	5451.52	56.6	64.4	61.4	59.6	59.2
U.S.	1867.6	1628.6	2026.1	2631.3	3047.23	38.0	28.6	31.6	33.3	33.1
Canada	144.6	256.4	307.9	368.2	408.6	2.9	4.5	4.8	4.7	4.4
Japan	15.3	19.8	16.3	17.9	20.89	0.3	0.3	0.3	0.2	0.2
Australia	2.8	3.7	7.3	8.6	10.41	0.1	0.1	0.1	0.1	0.1
India	3.9	2.8	0.8	1.1	2.75	0.2	0.1	<i>insig</i>	<i>insig</i>	<i>insig</i>
Others	100.1	116.0	113.6	166.3	269.84	2.0	2.0	1.8	2.1	2.9
Total	4912.1	5686.1	6417.7	7900.8	9211.24	100.0	100.0	100.0	100.0	100.0

Structure of Bangladesh's Exports: Trends in Terms of Trade

- If the export price levels of FY2000 are taken to be 100, average export prices had come down to about 86 by FY2007. Bangladesh is required to export more of her goods in exchange for the same amount of import.

(Base: FY2000 = 100)

	Export Price Index	Import Price Index	Terms of Trade
FY2000	100.00	100.00	100.00
FY2001	102.40	107.53	95.24
FY2002	104.82	115.61	90.67
FY2003	107.44	124.57	86.25
FY2004	115.07	129.62	88.78
FY2005	118.82	134.21	88.54
FY2006	121.18	139.50	86.88
FY2007	124.21	145.14	85.59



II. Interest of Bangladesh in the Multilateral Trading System

Bangladesh is one of the founding members of the WTO. It maintains that a transparent, open and rule based in MTS is in its best interest.

Bangladesh intends to accelerate and consolidate its export growth through the successful completion of the DDR:

- *through agreement specific outcomes, and*
- *improvement of systemic issues.*

Although Bangladesh, as an LDC, is exempted from taking any reduction commitment under the DDR it has a number of offensive interests to address under the current negotiation including in the areas of NAMA, Agriculture, Services, Rules and Trade Facilitation.



II.1 Agreement Specific Negotiations

Challenges of Implementation of DFQF Market Access for All Products for All LDCs

The HK Ministerial decision on DF-QF market access did not go far enough to satisfy Bangladesh and other LDCs' aspirations.

- *Whether DF-QF market access for 97 per cent of tariff lines will be commercially meaningful?*
- *Will there be one 97 per cent list for all LDCs? Will it be 97 per cent of all tariff lines or tariff lines exported by LDCs? Will these be tariff lines at 8-digit or 6-digit level of HS code?*



Agreement Specific Negotiations

Challenges of Implementation of DFQF Market Access for All Products for All LDCs

- When would be the beginning of implementation period?
- Will there be a time line for phase-out of the 3 per cent exclusion list?
- Will there be any DFQF commitment for market access in developing countries 'declaring themselves in a position to do so'?
- Will the rules of origin be simplified and transparent?
- Will there be an effective monitoring mechanism for the DFQF?
- How the impact of preference erosion will be offset?



Preference Erosion

- Any reduction in the most favoured nation (MFN) tariffs by developed and developing countries will lead to preference erosion for Bangladesh.
- As Bangladesh's exports is concentrated in a single non-agricultural product, reduction in duty under NAMA will affect its competitiveness.
- The loss may be to the tune of US\$ 202 million (Lima and Olarreaga 2004) to US\$ 222.4 million (Subramanian 2003). CPD estimated that the figure may run up to US\$ 400 million annually (Rahman 2005).
- There will be substantial preference erosion for Bangladesh in the markets of the EU, Japan and Canada.



Rules of Origin

- The use of simple and transparent rules of origin (RoO) in trade preferential schemes is important for effective participation of Bangladesh in MTS.
- Provisions similar to the Canadian GSP which stipulates 25 percent domestic value addition is found to be most LDC friendly.



Agriculture

Interests of Bangladesh in agriculture negotiation are in the areas of domestic support, export subsidy, market access and food aid.

- Reduction in domestic support by developed countries is likely to increase comparative advantage of some agricultural products (non-cereal), such as fruits and vegetables.
- Elimination of export subsidies as well as domestic supports is likely to increase food prices globally. Increase in food prices will negatively affect net food importing LDCs.



Agriculture

- **If there are market opportunities to export more of other agricultural products particularly fruits and vegetables, Bangladesh may offset the negative impact on balance of payment.**
- **The composition of the lists of Special Products and Sensitive Products will have implications for LDCs such as Bangladesh.**
- **Food Aid is an important developmental resource of Bangladesh. Flexibilities in monetization of food aid will be useful for Bangladesh.**



Services

Implementation of LDC Modality and market access for low skilled labour under Mode 4 are the major concerns for Bangladesh.

- ⑩ A mechanism should be developed so that developed country Members can grant “permanent, non-reciprocal, special priority solely to LDCs, notwithstanding any provisions of the GATS”.
- ⑩ Collective proposal of the LDCs regarding opening up of sectors under Mode 4 by non-LDC membership needs to be responded.



Rules

Negotiations in the area of WTO Rules focus on the implementation of Anti-dumping Agreement, and Agreement on Subsidies and Countervailing Measures (SCM).

- There should be a moratorium on anti-dumping duty on LDC exports for a certain period of time.
- 10 LDCs need exemption from proposed rules on prohibition of fisheries subsidies to develop their fisheries sector.



Dispute Settlement

- ⑩ LDCs' participation in the Dispute Settlement Body (DSB) is rather rare. DSB system is complex, lengthy and expensive.
- ⑩ Bangladesh is the first LDC to lodge complaint in the DSB and successfully resolve it at the consultation stage. The case involved India's antidumping duties on lead acid battery import from Bangladesh.



Trade Facilitation

- Bangladesh enthusiastically participates in the Trade Facilitation negotiations.
- Technical and financial support are required to conduct self-assessment and priority needs exercise.
- Coordinated and sustained flow of funding required to address the cost of implementation of the trade facilitation measures.
- LDCs will determine whether capacity to implement TF measures has been acquired or not.
- LDCs will individually notify their implementation plans after entry into force of any new TF agreements.



II.2 Addressing the Systemic Issues

- *Special and Differential Treatment (S&DT), Implementation, Aid for Trade are the major issues of interest for Bangladesh in this cluster.*

S&DT and Implementation

Two items were at the centre of Doha work programme concerning developing countries:

- Strengthening S&DT for developing countries, and
- Resolving the problems from implementation of the WTO agreements.



S&DT and Implementation

Doha Declaration obligates the WTO to make S&DT provisions “precise, effective and operational” as most of the S&DT provisions are under “best endeavor” clauses, and are in vague language.

- 88 agreement specific proposals for amendments to existing S&D provisions
- Discussions on S&DT and implementation issues have made no progress, except on 22 issues.
- These 22 issues have little or no commercial value.
- Only 5 proposals are specific to LDCs.

All these issues remain marginalised in the current negotiations, and often partially dealt with agreement specific provisions.



Aid for Trade

Aid for Trade (A4T) is not a DDR negotiating agenda. A4T is not a substitute for effective market access for the LDCs. Funds for A4T must be *predictable, adequate and unconditional*.

- How to measure *additionality* of resources?
- What mechanism should be used for delivery, implementation and monitoring? Make use of existing mechanisms, like the Enhanced IF, or create a new mechanism?
- What will be the role of the WTO in case of managing and implementing such funds?
- **A4T will have important implication for the ongoing global discourse on**
- ***Aid Effectiveness* (Paris Declaration).**

Fahmida Khatun: BD's Interest in Global Trade



III. Concluding Remarks

- Bangladesh is keen to complete DDR negotiations as early as possible; but not interested in a result with low substance which will not benefit LDCs.
- LDCs need to participate effectively in the DDR negotiations.
- Multiple unilateral tariff preference schemes need to be streamlined so that no discrimination is practised between Asian and African LDCs.



III. Concluding Remarks

- Bangladesh insists on exhausting the Geneva Process before convening any (mini) Ministerial to approve the Ag-NAMA modalities and to give “signal” to services negotiations.
- It is important to establish policy linkages and policy coherence in the areas of emerging issues: food and energy security, climate change, migration etc.



*Thank You for Your
Attention*