

# 4<sup>th</sup> POLICY APPRECIATION WORKSHOP ON WTO AND BANGLADESH

DHAKA, JANUARY 29, 2004

## The Cancun Ministerial Meeting: Market Access for Non-Agricultural Goods and its Relevance for Bangladesh

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# The Cancun Ministerial Meeting: Market Access for Non-Agricultural Goods and its Relevance for Bangladesh

- ❑ Market Access Issues and the LDCs: Increasing Importance, but Growing Concerns
- ❑ Bangladesh's Points of Interest as Regards Negotiations on NAMA in the WTO
- ❑ Treatment of NAMA in the Draft Cancun Ministerial Declaration
- ❑ A Critique of the Draft Text from Bangladesh Country Perspective



# I. Market Access Issues and the LDCs: Increasing Importance, but Growing Concerns

## ❖ *Treatment of Market Access for Non-Agricultural Goods in the GATT*

- The first seven GATT Rounds focused primarily on enhanced market access for industrial goods
- Even when during the UR GATT sectors such as Agriculture and Services were included in the negotiations, Market Access for Industrial goods remained at the heart of GATT negotiations
- Major areas of Negotiations were:
  - Addressing the specific taxes and their conversion into ad-valorem duties
  - Tariffication of the NTBs
  - Bringing down the Average Tariff Rates through:
    - Binding the tariff rates
    - Tariff liberalisation schedule
    - Reduction of Tariff Peaks and Tariff Dispersion
    - Addressing Tariff Escalation



## I. Market Access Issues and the LDCs: Increasing Importance, but Growing Concerns (Cont.)

- Important Decisions on Market Access for Non-Agricultural Goods During UR-GATT
  - Developed countries committed to bound 99% of their tariff lines (from previous 78%)
  - Developing countries committed to bound 73% their tariff lines (from previous 23%)
  - Average tariffs on industrial goods imported by developed countries were reduced by
    - : 40% on imports from all countries
    - : 37% on imports from developing countries
  - Average tariffs imported by developing countries were reduced by:
    - 25% on imports from all counties
    - 21% on imports from other developing countries
  - Phase out of MFA Quota was agreed through the ATC
  - Under S&DT LDCs were allowed to bind their tariff rates at higher level and take lower reduction commitments



# I. Market Access Issues and the LDCs: Increasing Importance, but Growing Concerns (Contd.)

## ❖ *Market Access Concerns of Bangladesh*

- Increasing exposure of LDC economies to the fluctuating fortunes of the global market
- Supply Side Limitations and Demand Side Constraints
  - Translating LDC Comparative advantages into competitive advantage: establishing supply side capacities
  - Translating LDC Competitive advantages into Revealed Comparative advantage in the market place: surmounting demand side constraints



# I. Market Access Issues and the LDCs: Increasing Importance, but Growing Concerns (Contd.)

## ❖ *GROWING IMPORTANCE OF MARKET ACCESS FACTORS IN LDC ECONOMIES: THE CASE OF BANGLADESH*

### Extent of Globalisation of Bangladesh Economy

Item	1981	1991	2001	2003
1. Export (X)	724.9	1718.0	6008.0	6548.4
Primary Goods (%)	35.0	17.8	7.5	7.1
Industrial Goods (%)	65.0	82.2	92.5	92.9
2. Import (M)	1954.1	3472.0	9362.9	9141.3
3. Remittance (R)	379.0	764.0	1882.1	3062.0
4. ODA	1146.0	1732.0	1588.0	1442.0
5. FDI	n/a	23.5	222.3	96.2
<i>Total (1-5)</i>	<i>4204.0</i>	<i>7709.5</i>	<i>19063.3</i>	<i>20289.9</i>
GDP	19811.6	30974.8	47825.8	51898.1
Extent of Globalization (%)	21.2	24.9	39.9	39.1
X as % of ODA	63.3	99.2	378.3	454.1
(X+R) as % of ODA	96.3	143.3	496.9	666.5
X as % of M	37.1	49.5	64.2	71.6
(X+R) as % of M	56.5	71.5	84.3	105.1
DSL as % of (X+R)	7.7	12.8	7.6	6.1

Source: Based on CPD-IRBD Database (2003)



# I. Market Access Issues and the LDCs: Increasing Importance, but Growing Concerns (Contd.)

## ❖ MARKET ACCESS ISSUES OF CONCERN FOR LDCs

Category	Market Access Issues
Trade Barriers	<ul style="list-style-type: none"><li>■ <i>Tariff escalation</i></li><li>■ <i>Tariff peaks</i></li><li>■ <i>Tariff dispersion in manufacturing products</i></li><li>■ <i>Complex and non-transparent tariffs (e.g. non-ad valorem tariffs)</i></li><li>■ <i>Tariff Rate Quota (TRQ)</i></li></ul>
Non-Trade Barriers	<ul style="list-style-type: none"><li>■ <i>Rules of Origin (RoO)</i></li><li>■ <i>Export/Import Quota, Quantitative Restriction (QR)</i></li><li>■ <i>Voluntary Export Restraint (VER)</i></li><li>■ <i>Discriminatory Government Procurement Practices</i></li><li>■ <i>Anti-dumping and Countervailing Duties, Predatory pricing and price discrimination</i></li><li>■ <i>Sanitary and Phytosanitary Measures (SPS)</i></li><li>■ <i>Technical Barriers to Trade (TBT)</i></li><li>■ <i>Subsidies (particularly agricultural subsidy by the OECD countries)</i></li><li>■ <i>Multifarious trade and market distorting practices</i></li></ul>



## I. Market Access Issues and the LDCs: Increasing Importance, but Growing Concerns (Contd.)

### ❖ *RULES OF ORIGIN: A CONSTRAINING FACTOR*

Year	1980-96	1996-98	1998	October 2000	2002
Woven-RMG	2 Stage Conversion	2 Stage Conversion	2 Stage Conversion	2 Stage	Offered 2 Stage Under RC
Knit-RMG	3 Stage Conversion	Derogation to 1 Stage Conversion (Under Quota)	2 Stage Conversion	2 Stage	Offered 2 Stage Under RC
GSP Utilisation Rate		41.2%	19.9%	39.9%	

Note: Stages are:  
Stage 1: Cotton-Yarn (Spinning)  
Stage 2: Yarn-Fabrics (Weaving)  
Stage 3: Fabrics-RMG (Cutting and Making)



## I. Market Access Issues and the LDCs: Increasing Importance, but Growing Concerns (Contd.)

❖ *BANGLADESH'S EXPORTERS PAY MORE THAN FRANCE!*

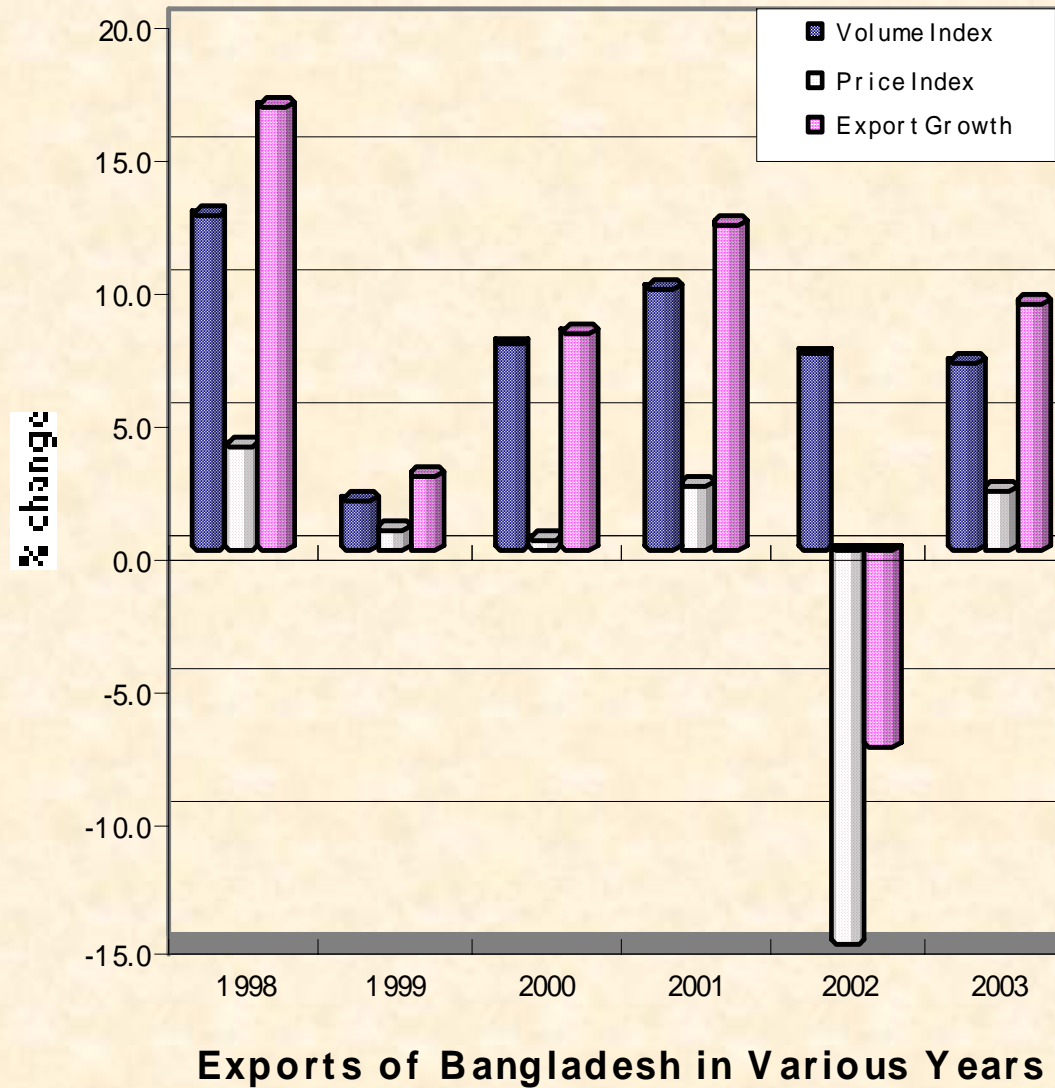
Country	Per Capita GDP	Exports to US	Tariffs Paid	As %
Bangladesh	\$370	\$2.353 billion	\$331 million	14.1%
France	\$24,170	\$30.023 billion	\$330 million	1.1%
Norway	\$33,470	\$5.173 billion	\$24 million	0.5%
Singapore	\$30,170	\$14.899 billion	\$96 million	0.6%
Pakistan	\$460	\$2.228 billion	\$240 million	10.8%
Saudi Arabia	\$6,900	\$12.359 billion	\$65 million	0.5%

Source: US DoC



# I. Market Access Issues and the LDCs: Increasing Importance, but Growing Concerns (Contd.)

Figure 1: Deteriorating Terms of Trade: More in Volume, Less in Value





## II. Bangladesh's Points of Interest as Regards Negotiations on NAMA in the WTO

### ❖ *Major Market Access Issues in Doha Declaration*

- Recognition that the integration of the LDCs into the multilateral trading system requires commercially meaningful market access, support for the diversification of their production and export base, and trade-related technical assistance and capacity building.
- Commitment to move towards the objective of duty-free, quota-free market access for products originating from LDCs.
- "Negotiations shall aim, by modalities to be agreed, 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, in particular on products of export interest to developing countries".
- "Negotiations shall take fully into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments".
- Adoption of the framework for modalities for negotiations on non-agricultural products set out in Annex B of the Declaration.



## II. Bangladesh's Points of Interest as Regards Negotiations on NAMA in the WTO (Contd.)

### ❖ *Dhaka LDC Ministerial and LDC Civil Society Forum Declarations: Demands in the area of Market Access*

- Binding commitment on duty-free and quota-free market access for all products on a secure, long-term and predictable basis
- Flexible and simplified rules of origin to match the industrial capacity of LDCs in order to raise their market share in world trade
- Binding commitment from LDC trading partners guaranteeing a substantive and concrete increase in the market share of the LDCs in the world trade
- Resolving, by Cancun, all implementation-related issues and concerns, and all S&D proposals with a view to strengthening them and making them precise, effective and operational as mandated by the Doha Declaration



## II. Bangladesh's Points of Interest as Regards Negotiations on NAMA in the WTO (Contd.)

### ❖ *Dhaka LDC Ministerial and LDC Civil Society Forum*

#### *Declarations: Demands in the area of Market Access (Contd.)*

- Moratorium on antidumping, countervailing and safeguard measures;
- Devising appropriate compensatory and other mechanisms to fully address the erosion of preference margins due to lowering of MFN tariffs
- Reduction or elimination of tariff peaks, high tariffs and tariff escalation, as well as non-tariff barriers
- Duty-free and quota free market access should be an integral part of the modalities which means Developing Countries should also commit to such preferential treatment
- No undertaking on tariff reduction commitments in this round of negotiations
- LDCs shall be given full flexibility to determine the coverage of their binding undertakings, which they will undertake on an autonomous basis
- Ensure that duty-free and quota-free market access is not nullified by non-tariff measures
- Targeted technical assistance shall be provided to LDCs to address supply side constraints.



## II. Bangladesh's Points of Interest as Regards Negotiations on NAMA in the WTO (Contd.)

❖ *A Negotiating Group on Market Access (NGMA) was Created as Part of DDA Work Plan*

### *WTO-NGMA Formula*

As part of negotiations a number of meetings of NGMA were held and a large number of proposals, particularly relating to Modalities, have been submitted by member countries.

The various modalities can be categorized into following five broad categories:

- Request and offer
- Formulae
- Sector by sector
- Zero for Zero
- Mixed

A list of formulae were submitted by some members to the NGMA. Based on different submissions, the chairman of the NGMA has prepared a document 'Draft Elements of Modalities for Negotiations on Non-Agricultural Products', WTO, *TN/MA/W/35/Rev.1* 19 August 2003.



## II. Bangladesh's Points of Interest as Regards Negotiations on NAMA in the WTO (Contd.)

### *Approaches to Tariff Reduction*

The application of the formula will be based on the following elements:

- base rate: tariff reduction or elimination on all non agricultural products from the bound rates after full implementation of current concessions. However, for unbound items, the basis for commencing the tariff reductions shall be two times the MFN applied rate;
- the base year for MFN applied tariff rates shall be 2001;
- HS nomenclature: negotiations to commence on the basis of Harmonized System (HS) 1996, and negotiations to be finalized in HS2002 nomenclature; and
- for import data, the years 1999-2001, hereinafter "reference period", shall be used in order to mitigate yearly fluctuations.



## II. Bangladesh's Points of Interest as Regards Negotiations on NAMA in the WTO (Contd.)

All non-agricultural tariffs shall be reduced on a line-by basis using the following formula applied to the base rates:

$$t_1 = \frac{B \times t_a \times t_0}{B \times t_a + t_0}$$

where,

$t_1$  is the final rate, to be bound in *ad valorem* terms

$t_0$  is the base rate

$t_a$  is the average of the base rates

$B$  is a coefficient with a unique value to be determined by the participants (member countries of the WTO).



## II. Bangladesh's Points of Interest as Regards Negotiations on NAMA in the WTO (Contd.)

### *Sector-by-Sector/Zero-by-Zero Approach*

The NGMA has also proposed a sectoral elimination approach, in addition to the application of formula, for seven sectors: Electronics & Electrical goods; Fish & Fish products; Footwear; Leather goods; Motor Vehicle parts & components; Stones, Gems & Precious Metals; and Textile & Clothing.

### *Supplementary Modalities*

In addition to the above two approaches the NGMA proposes that member countries should adopt other procedures for *additional tariff reduction and elimination*.



### III. Treatment of NAMA in the Draft Cancun Ministerial Declaration

- ❖ *LDC Market Access Concerns: Reflections in the Draft Ministerial Text (Annex B: Framework for Establishing Modalities for Non-Agricultural Products)*
- Revision 2 proposed a non-linear approach, taking note of the tariff peaks of different products. There was also a proposal as regards non-tariff barriers (NTBs) with a view to identify, examine and categorise the NTBs. A deadline of October 31, 2003 was proposed. Subsequently, negotiations were to start based on request-offer on horizontal or vertical approach. It was agreed that the LDCs would be exempted from such measures but they were expected to *substantially expand* the coverage and increase their level of binding commitments.



### III. Treatment of NAMA in the Draft Cancun Ministerial Declaration (Contd.)

- Agree on the following elements regarding the formula:- product coverage shall be comprehensive without a priori exclusions;-
- Tariff reductions or elimination shall commence from the bound rates after full implementation of current concessions; however, for unbound tariff lines, the basis for commencing the tariff reductions shall be [two] times the MFN applied rate in the base year;
- All non-*ad valorem* duties shall be converted to *ad valorem* equivalents in the basis of a methodology to be determined and bound in *ad valorem* terms;
- Credit shall be given for *autonomous liberalisation* by developing countries provided that the tariff lines were bound on an MFN basis in the WTO since the conclusion of the Uruguay Round
- It was recognised that NTBs are an integral and equally important part of the negotiations. Participants were instructed to intensify their work on NTBs. In particular, all participants encouraged to make notifications on NTBs by 31 October 2003 and to proceed with identification, examination, categorization, and ultimately negotiations on NTBs.



### III. Treatment of NAMA in the Draft Cancun Ministerial Declaration (Contd.)

- In recognition of the need to enhance the integration of LDCs into the multilateral trading system and support the diversification of their production and export base, developed-country participants and other participants *who so decide*, were called upon to grant on an *autonomous basis* duty-free and quota-free market access for non-agricultural products originating from least-developed countries by the year [. . .].
- The draft *urged* the developed and developing countries to consider elimination of low tariffs
- least-developed country participants were not required to apply the formula nor participate in the sectorial approach; however, as part of their contribution to this round of negotiations, they are *expected* to substantially increase their level of binding commitments.



### III. Treatment of NAMA in the Draft Cancun Ministerial Declaration (Contd.)

#### ❖ *Points of Interest for LDCs and Bangladesh in the Draft Declaration*

- Reaffirmation of Doha Ministerial Declaration as regards effective integration of LDCs into the multilateral trading system
- Acknowledgement of seriousness of market access concerns expressed in the Dhaka Declaration
- Willingness to “expeditiously pursue the objective of duty-free, quota-free market access” for products originating in LDCs
- Negotiating Group was directed to conclude its work on establishing modalities by [...] and to take the necessary further steps to ensure the conclusion of negotiations by the agreed date. (Rev.2 Sep 13, 2003)
- Willingness was Expressed to take additional measures, both at border and otherwise, for progressive improvements in LDC market access
- The draft Proposed to Accord credit for Autonomous Liberalisation



## IV. A Critique of the Draft Text from Bangladesh Country Perspective

### *The Spirit of the Draft Text:*

- The nexus between trade and aid in the context of economic development of LDCs is not reflected in the text on NAMA.
- The text fails to relate the issue of supply side capacity building assistance to the issue of Market Access in a meaningful way.
- The critical importance of the role of Market Access as a tool to attain the goals of the MDGs was not recognised.



## IV. A Critique of the Draft Text from Bangladesh Country Perspective (Contd.)

- The text talks of duty free and quota free market access but the language is ambiguous [shall/should].
- The demand of LDCs for bound duty free and quota free regime was addressed inadequately, by “calling upon” the developed countries to consider it on an “autonomous basis”, which virtually means to push the countries to negotiate the duty and quota free market access bilaterally, or plurilaterally.



## IV. A Critique of the Draft Text from Bangladesh Country Perspective (Contd.)

- One of the priority demands of LDCs was putting moratorium on anti-dumping and countervailing duties on products originating from the LDCs, which was not addressed in the draft text. Bangladesh should demand inclusion of binding text in the modalities of negotiations.
- Another demand for granting non-reciprocal credit for autonomous liberalization, undertaken prior to 1995 by LDCs, was not addressed appropriately in the revision 2. Bangladesh should offer an alternative more binding text.



## IV. A Critique of the Draft Text from Bangladesh Country Perspective (Contd.)

- The text includes the issue of flexible rules of origin in Article 26 of the draft in a manner which does not ensure commercially meaningful market access for the LDCs. Bangladesh should propose a revised text: “ Members shall adopt and implement rules of origin which would help LDCs to realize the potential benefits accruing from preferential tariff treatment of their products in the markets of developed countries” .
- A cautionary note: RoO relate to issues which would require careful examination by Bangladesh.



## IV. A Critique of the Draft Text from Bangladesh Country Perspective (Contd.)

### ❖ *MAJOR DEVELOPMENTS SINCE CANCUN*

In October 28, 2003 meeting, approximately 30 WTO Members gathered for the first 'green room'-style informal meeting. It was agreed that the point of departure would be the draft (revision-2,) circulated in Cancun (on September 13, 2003) for future negotiations. It has been proposed that NAMA will be one of the four areas where the stalled negotiations could start immediately.



## IV. A Critique of the Draft Text from Bangladesh Country Perspective (Contd.)

**TABLE: MARKET ACCESS IMPLICATIONS FOR BANGLADESH UNDER LINEAR REDUCTION FORMULA AND SWISS FORMULA**  
(in MIn US\$)

Market	Share of Top 13 Products in Respective Market	Tariffs	Tariff Reduction after Linear Cut (%)			Tariff Reduction after Applying Swiss Formula (coefficient)		
			10%	25%	50%	10%	25%	50%
US Market	59.7%	116.6	11.6	29.2	58.9	62.7	37.4	22.5
EU Market	81.1%	92.2	9.2	23.1	46.1	40.7	22.8	13.2

Source: CPD Study on Market Access Issues in the Context of DDR: Bangladesh's Interests and Concerns, February, 2003.



## IV. A Critique of the Draft Text from Bangladesh Country Perspective (Contd.)

### ❖ *Market Access under Flexible RoO: Potential for Bangladesh's Export Expansion*

EU	Export from Bangladesh	Post-EBA Impact	
	Amount in Mln USD	With RoO	Without RoO
Apparel	1013.3	8.03	100.2
Textiles	577.1	52.7	45.4
US Market	Current Export		Benefits of Zero-tariff Access
	2400.0		1080.0

Source: Simulation Exercise Carried out under CPD's "Trade Policy Programme" (2003)



*Thank You*  
*for*  
*Your Attention*