

Report No. 17

**SETTING THE AGENDA FOR WTO  
MINISTERIAL MEETING: THE  
BANGLADESH PERSPECTIVE**

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**Centre for Policy Dialogue**

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*The Centre for Policy Dialogue (CPD), established in 1993, is an innovative initiative to promote an ongoing process of dialogue between the principal partners in the decision making and implementing process. The dialogues are designed to address important policy issues and to seek constructive solutions to these problems. The Centre has already organised a series of such major dialogues at local, regional and national levels. These dialogues have brought together ministers, opposition front benchers, MPs, business leaders, NGOs, donors, professionals and other functional groups in civil society within a non-confrontational environment to promote focused discussions. The expectation of the CPD is to create a national policy consciousness where members of civil society will be made aware of critical policy issues affecting their lives and will come together in support of particular policy agendas which they feel are conducive to the well being of the country. The CPD has also organised a number of South Asian bilateral and regional dialogues as well as some international dialogues.*

*In support of the dialogue process the Centre is engaged in research programmes which are both serviced by and are intended to serve as inputs for particular dialogues organised by the Centre throughout the year. Some of the major research programmes of CPD include **The Independent Review of Bangladesh's Development (IRBD), Governance and Development, Population and Sustainable Development, Trade Policy Analysis and Multilateral Trading System and Leadership Programme for the Youth.** The CPD also carries out periodic public perception surveys on policy issues and developmental concerns.*

*As part of CPD's publication activities, a CPD Dialogue Report series is brought out in order to widely disseminate the summary of the discussions organised by the Centre. The present report contains the highlights of the dialogue held at Hotel Sheraton, Dhaka on November 20, 1999 on the theme of **Setting the Agenda for WTO Ministerial Meeting: The Bangladesh Perspective.***

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*Dialogue on*  
**SETTING THE AGENDA FOR WTO MINISTERIAL MEETING:  
THE BANGLADESH PERSPECTIVE**

**i) The Dialogue**

As part of its on-going dialogue programme, the Centre for Policy Dialogue (CPD) organised a dialogue on *Setting the Agenda for WTO Ministerial Meeting: The Bangladesh Perspective* on 20<sup>th</sup> November, 1999 at Hotel Sheraton, Dhaka. Professor Rehman Sobhan, Chairman, CPD moderated the dialogue. A position paper was prepared by Professor Mustafizur Rahman, Dr Debapriya Bhattacharya and Mr Rashed A M Titumir on the theme of *Setting the Agenda for the Next WTO Round: Perspectives from Bangladesh on the Seattle Ministerial*. The paper focused on Bangladesh's possible stand on major issues which were expected to come under discussion at the *Seattle Ministerial*. The paper was circulated amongst the dialogue participants. The dialogue, attended by Mr. Tofail Ahmed, Minister for Industries and Commerce, Government of Bangladesh (GOB), Mr. Alamgir Farrouk Chowdhury, Secretary, Ministry of Commerce, GOB and Dr. Iftekhar Ahmed Chowdhury, Head of Bangladesh Mission, Geneva, was also participated by a cross-section of top level policy makers, experts, political leaders, academics and leaders of various civil society groups (list of participants is annexed). This dialogue report presents a summary of the key note presentation and subsequent discussion.

It needs to be mentioned here that although the Seattle Ministerial Meeting has already been held and no final declaration was agreed upon by the participants the issues raised both in the keynote paper as well as in the course of the discussion in the dialogue continue to remain relevant and important. This is specially so since a new Ministerial Meeting is scheduled to be held in Geneva in January 2000 and all such issues will once again come under scrutiny and will be discussed at the meeting.

**ii) Initial Remarks by Professor Rehman Sobhan**

Professor Rehman Sobhan initiated the dialogue informing the participants that CPD sees its role in the Bangladesh civil society as a catalyst and a facilitator in bringing together the broader constituencies - the civil society who are stakeholders in the development process of the country. The objective of the present dialogue was to bring together professionals, experts, policy makers and business community in order to collectively put forward some concrete suggestions which might then be taken up by the Bangladesh delegation to the Seattle Ministerial. It was CPD's intention to reach out, through such dialogues, to the broader constituency of people, the workers, the farmers in rural areas, the women of Bangladesh all of whom in various ways were going to be exposed to the multidimensional implications of the world trading system. Stressing the need for public consultation in matters of national interest Professor Sobhan mentioned that it was the Bangladesh government which was going to be the main user and

beneficiary of the inputs provided by such dialogues since the GOB would be able to take on board a broad appreciation of the concern of the civil society by involving them in the processes of discussion. Through such interaction a societal consensus behind policies of the government could be built. Dwelling on the role of the commerce minister at Seattle, Professor Sobhan hoped that his negotiating position would reflect the concerns of the electorates, built on inputs from a broad range of professional expertise within the country and views of a variety of stakeholders arising out of a participatory consultative process. Professor Sobhan hoped that the dialogue participants would be able to contribute to such a process through active participation and open discussion.

Professor Sobhan informed the participants that CPD has taken up a programme "Trade Policy and Multilateral Trading System" under which an on-going research will be conducted in order to (a) assess the implications of the various provisions of WTO on the Bangladesh economy and (b) to help the Bangladesh government in designing appropriate policy responses to avail of the opportunities and address the challenges emanating from the process of globalisation. He also informed the participants that as part of the programme CPD will actively collaborate with the Centre for Trade Policy and Law (CTPL) which is situated in Ottawa. The CTPL has proven expertise in multilateral trade negotiations and CPD will be able to draw on this resource. Thus, CPD would be able to bring in a broad constituency of experts who have actually been exposed to global negotiations at the international level. This collaborative programme also envisages capacity building in Bangladesh in terms of trade related issues through joint dialogues, seminars and workshops. Professor Sobhan informed the participants that as part of the aforementioned programme the CPD has prepared a position paper titled *Setting the Agenda for the Next WTO Round: Perspectives from Bangladesh on the Seattle Ministerial* which would serve as the keynote paper for initiating the discussion. The paper was prepared by Professor Mustafizur Rahman, Dr. Debapriya Bhattacharya and Rashed A. M. Titumir. Professor Sobhan also mentioned that the CPD was in touch with a broader constituency of people within the SAARC region who are engaged in working on WTO issues. An initiative has been undertaken to set up a SAARC task force to develop a collective capacity for a SAARC negotiating position to be taken up at any future round of trade talks.

Professor Sobhan's introductory remarks was followed up by a presentation made by Dr. Debapriya Bhattacharya who highlighted the major issues and arguments put forward in the paper. The paper made an analysis of the built-in agenda and the positive agenda set forth by the Uruguay Round and the subsequent Ministerial Meetings and also focused on the new issues which were expected to be discussed during the Seattle Ministerial. The paper also put forward a Bangladesh civil society perspective on the possible negotiating strategies which the Bangladesh delegation could pursue at the Seattle Ministerial.

### iii) Summary of the Background Paper

In their key-note presentation "Setting the Agenda for the Next WTO Round: Perspectives from Bangladesh on the Seattle Ministerial", the authors observed two distinctive trends during the period in which the World Trade Organisation (WTO) came into being following the conclusion of the Uruguay Round (UR) of the multilateral trade negotiation (MTN). In the face of continued marginalisation of the developing countries in the global trade and investment, these countries have been trying to pursue a proactive approach in their effort to more effectively integrate their economies in the MTS. The developed countries in their turn have not been able to keep their commitments towards their weaker trading partners. Moreover, the developed countries have stepped up their efforts towards an early launching of a new round of MTN and have attempted to broaden its scope through inclusion of "new" issues. In this backdrop, focusing on the balance sheet for the LDCs in terms of the macro indicators in the post-GATT phase, the built-in agenda, positive agenda and their implementation modalities, and implications of potential new issues, the paper presenters articulated a strategic approach which Bangladesh could follow at the time of negotiations for a new round.

Emphasising the need for an informed approach towards a new Round of MTN, the keynote presenters sought to answer whether there was any substance to the claim of deepening marginalisation of the LDCs in the post-URA period. An analysis of economic trends in the post-UR periods showed that the world output experienced a growth of 2.9 percent during the first three years of the post URA (1995-97) as compared to 1.8 percent during the preceding three years (1991-94). The improvement in global economic performance in the post-URA was also shared by the developing countries with the South Asian economies growing at a rate of 6.8 percent per year during 1994-96; what is perhaps of more importance is that the LDCs recorded an impressive recovery from the 1.1 percent recorded during 1991-94 to an average growth rate of 4.9 percent in 1994-97.

However, the paper noted that the apparent upswing in global output only meant that the lost heights of the 1980s was somewhat recaptured, and that the improved economic performance of the LDCs in the post URA period in comparison to the world wide performance was not strong enough to stave-off the creeping decline of their share in the global production (0.9 percent in 1996). In 1998 the world output, as a consequence of the Asian Crisis slipped to 2.0 percent. Such a deceleration in the growth rate had been a common feature across regions and countries. The paper stated that the current level of the volume of investment and savings in LDCs as a percentage of GDP was about 16 percent and 10 percent respectively. This was way below the level required for attaining a sustained rate of growth. In comparison the evident changes in the structure of production, measured in terms of sectoral contribution to GDP growth and the consequent transformation of the economy in all advanced countries, the production structure of the LDCs as a group did not undergo any perceptible change in the post-URA period. The apparently high incremental growth observed in the manufacturing sector in 1995-96 (13.3 percent) compared to 1991-94 (1.5 percent) failed to make any visible impact in terms of transferring due to the sector's small weight in the production structure of the LDCs, mostly because of the relatively small share of the manufacturing sector in

the GDP (8.9 percent in 1995-96 and 7.9 percent in 1995-96). The share of agriculture in GDP remained predominant and the output expansion largely underpinned by growth in the service sector.

The paper stated that world trade seemed to have received a fillip following the conclusion of the URA as it grew at an average rate of 7.8 percent during 1995-97 in comparison to 6.0 percent registered during 1990-95. However, the shares of LDCs in world exports and imports had at best stagnated at 0.4 percent and 0.6 percent respectively; between 1994 and 1998 share of the low income economies in global exports and imports had only marginally increased from 4.7 percent to 6.7 percent in case of exports and from 5.0 percent to 5.5 percent in case of imports. Referring to Bangladesh's share in global export, the paper noted that between 1989/90 and 1997/98 period, in spite of the country's impressive export expansion, this share had come down from 0.09 percent to 0.06 percent. In assessing further the performance of LDCs in the area of trade the authors pointed out to the striking contrast between the terms of trade of the developed and developing countries. The paper observed that there was a secular downward trend in terms of trade for the LDCs in the period between 1980 and 1996 (taking 1980 as base year, the terms of trade for LDCs was 77.8 in 1991-94, and 60.0 in 1995-96). Citing recent data, the paper argued that the LDCs had failed to take advantage of the tariff reduction induced price changes during the post-URA period -- in 1998 the terms of trade of the developed countries rose by 1.4 percent, whilst those of the developing countries as a whole dropped by 3.9 percent.

According to the paper, the fragility of LDCs' recent economic performance was quite evident in case of real resource flows - official as well as private- to the LDCs. The quantum of net transfer of resources including technical assistance started to decline in 1995. Net private capital inflows as percentage of GDP declined from 1.7 percent in 1991-94 to 1.5 percent in 1995-96. Share of ODA in LDCs' GDP decreased to 15.9 percent from 17.0 percent during the corresponding period. The process of marginalisation of the LDCs in the post-URA period was most revealing in case of net financial flow. FDI inflow to the LDCs averaged USD 2155 million during 1995-98 which though registering a rise from the USD1507 million in 1991-94, as a share in global FDI inflow fell from 0.76 percent to 0.47 percent over the matched period.

Reviewing the outcome of the Uruguay Round market access negotiation, in particular focusing on what the developing countries agreed to versus what they had received in those negotiations, the paper argues that the developing countries were doubly disadvantaged both as a "giver" as well as "receiver". The tariff concessions which the developed countries received following the URAs was equivalent to 36 per cent of the corresponding imports whilst the figures for the developing countries was only equivalent to 28 per cent of their imports. More importantly, the depth of the cut was higher in developing countries than the developed countries -- the reduction level received by the developed countries was 1.4, as compared to the 1.0 received by the developing countries. On the other hand, the developing countries provided concession at a level of 2.3, whilst the depth of cut made by the developed economies was only 1.0.

To further highlight LDCs' experience with liberalisation the paper focused on *conversion of non-tariff barriers (NTBs)* in agricultural sector, and showed that the tariff equivalents for the base period 1986-88 chosen by Members are far higher than the "true" tariff equivalents, and the announced base tariff rate exceeded the actual tariff rate (the so-called "*dirty tariffification*"). For EU and US such shifts were 61 per cent and 44 per cent respectively. For many products, post-UR tariff rates were fixed at high levels in both developed and developing countries, but they were relatively high in the former. This in effect would allow the developed countries more manoeuvring power in future when negotiations on agricultural tariff reductions would be initiated, the paper argued.

As regards the *Removal of Quota in Textiles and Clothing*, the paper noted that most often complaints were voiced to the effect that importing member had weighted their liberalisation towards products which were either not under restraint in that country, or had insignificant domestic value addition or concerned products in which developed economies did not have comparative advantage (for example, yarns and fabrics rather than apparels). It was also argued that the developed countries had overused transitional safeguards or had applied antidumping and other WTO-legal restrictions disproportionately against textiles and clothing. The integration schemes of the developed countries were heavily back-loaded in order that actual liberalisation in textile trade takes place as near to the full integration of the MFA into ATC as possible. The United States, for example, had only met its obligation to integrate 33 percent of its textiles and clothing categories into GATT 1994 in a way that has eliminated only one percent of its MFA restrictions. Although Norway has liberalised at a faster rate than was actually required by the agreement and 85% of its imports have been integrated; as against this the EU has eliminated only 7 percent and Canada only 14 percent of MFA restrictions. The paper argued that the "integration" had been skewed away from products on which the developing countries had traditionally enjoyed comparative advantage which included few categories of apparels and some categories of sophisticated textiles. Thus, in essence, many of preferential measures promised to LDCs including technical assistance, safeguard clauses, S&D status, derogation commitments, best endeavor provisions, and flexibility clauses had remained largely unrealised.

The paper emphasised the need for a clear understanding about the problems of implementation of URA and also new directions of negotiations pertaining to various provisions of the built-in agenda which WTO provisions envisages to be carried out at a certain specified period according to agreed schedules. This was deemed to be of critical importance to Bangladesh. In the course of the Seattle Ministerial, discussion was expected to focus on three areas: (a) specific provision review; (b) general review and (c) continuing negotiations. Important components of the major agreements negotiated under the Uruguay Round were expected to set the agenda for some of the future negotiations to be initiated at Seattle; the broad guidelines along which such reviews will be undertaken in future negotiations will, in fact, be defined in the course of the Seattle Meeting. From this vantage point the paper considered it vital for Bangladesh to design a thoughtful strategic response to each of the important issues in the built-in agenda which might come under discussion in the course of the Seattle Meeting, and, in the process, to be able

to influence the discussion in such a way that the country position gets adequately reflected in the *Ministerial Text* which was expected to be adopted at the Meeting.

Referring to the reviews relating to specified provisions particularly in the Uruguay Round Agreement on *Subsidies and Countervailing Measures*, the paper argued that the prevalence of non-actionable subsidies across countries had an in-built danger to perpetuate the inequalities between our domestic firms and firms from developed countries with which they are to compete in a liberalised market framework. This is particularly important since indigenous firms lack the capacity to engage in R&D, and lack the financial resources to acquire or develop new and advanced technologies. In addition, the subsidies for R&D activities is considered as *non-actionable* whilst assistance provided for development, diversification and upgradation of productive base of developing countries is to be treated as either *actionable or prohibited*. The paper further emphasised that Bangladesh should press for the removal of definitional ambiguities as regards what is actionable, non-actionable and prohibited subsidies; *transparency* in the area of applicability of these three types of subsidies was considered to be vital. The paper pointed out that under current provisions export subsidies had to be phased out within a stipulated period when a 'competitiveness threshold' defined by market penetration of 3.25% of world trade for a particular product for two consecutive years is reached. Bangladesh should argue for *exemption of LDCs* from this type of export competitiveness thresholds, the paper argued. Failing this, Bangladesh should ask for this to be explicitly stated that in case a LDC falls below the level of export competitiveness threshold, it would be permitted to put a brake on phasing out of export subsidy or apply for reinstatement of the subsidies and also put a cap on countervailing duties. Since many of the traditional export items of Bangladesh such as jute, tea are susceptible to frequent market fluctuations, and since there is a cash compensation scheme in place in Bangladesh, such amendments could provide a much-needed safety net.

Coming to issues related to Agreement on *Trade-Related Aspects of Intellectual Property Rights* (TRIPs) the authors underpinned that by definition protection of IPRs was targeted to benefit the developed countries. Although the principles and objectives of the provisions in the agreement on IPR refer to technological development in LDCs and DCs, the agreement does not spell out in what ways these are to be enforced. The paper called for implementation of TRIPs through the following measures:

- Operationalise Article 66.2 (Transfer of Technology) on fair and advantageous terms
- Ensure compliance of patenting provisions with convention on bio-diversity
- Treat essential drugs endorsed by WHO as exceptions to 27.3 of TRIPS
- Ensure flexibility in enforcing *sui-generis* protection regime to suit to the country's seed supply system
- Strike a balance between rights of IPR holders and rights of users
- Ensure non-patentability of plant materials available in international germplasm and other depositories
- Put to scrutiny current provisions pertaining to protection of geographical indications under Articles 22, 23 and 24.

With regards to *Dispute Settlement Process and Agreement on Antidumping*, the paper mentioned that over the recent years a number of developing countries had faced harassment through anti-dumping litigation. Bangladesh had in the past been subjected to ADDs imposed on the export-oriented terry towel sector of the country. The paper argued that the present system of excluding anti-dumping from the general dispute settlement process is proving to be onerous for DCs and LDCs. The paper put forward the following recommendations:

- Amend Article 17.6 to bring anti-dumping within the ambit of general dispute settlement process
- Demand exclusion of LDCs' from anti-dumping sanctions
- Increase substantial quantities test from 20% to 50% for the LDCs
- Increase threshold volume from 3% to 10% for the LDCs.

Within the General Reviews which were stipulated under URA to be initiated at particular intervals to assess implementation and operation of the specific agreements, *Agreement on Textiles and Clothing (ATC)* was an area where it was expected that conflicts of interest will be voiced by participating Ministers from the developing countries. A divergence of opinion amongst participants from the LDCs was not unexpected here. The paper envisaged that it was unlikely that an agreement favouring a more prolonged period of MFA phase out would be agreed upon by the participating countries since this would gain little support from the majority of textile and apparels exporting developing countries. According to the paper, Bangladesh was expected to get the support of many LDCs if she argued for enhancement of the quota at an accelerated rate. It was argued that Bangladesh should ask for new provisions which called upon the developed countries to exercise caution before embarking upon anti-dumping investigations that inhibit the export prospects of textiles from LDCs. The paper called for concrete commitments from the developed countries to support backward linkage activities, duty free access for all LDC exports of textiles/apparels, and provision that no anti-dumping action may be taken against LDCs for 3 years subsequent to the full phase out of MFA.

Dwelling on the *Agreement on Custom Valuation* the paper stated that the LDCs, whose export are to a large extent import-driven, are facing formidable difficulties because of lack of adequate measures, and also ambiguities in the interpretation of specific provisions. Such ambiguities were benefiting the exporters of the developed countries. According to the paper, Bangladesh was also likely to suffer since relevant Articles are not adequate enough to deal with the issue of collusion between exporters and importers which was likely to lead to under-valuation of goods. Custom authorities did not have any means at their disposal to check the veracity of prices, when such collusions resulted in selling of the product at specially reduced prices, i.e. the exporters dumped their product. The agreement, as it stands now, needs to be amended and Bangladesh should argue for:

- Provisions to guarantee that no dumping takes place through collusion between exporters and importers
- Extension of transitional period for compliance under Article 20 of the Agreement and a more realistic timeframe for the LDCs

- Provisions inscribing concrete and substantial technical assistance on custom valuation and pre-shipment inspection.

As regards the *Rules and Procedures Governing the Settlement of Disputes (DSU)*, the paper argued that the procedures and timeframes set for the process were cumbersome and such that it might require about twenty-eight months before a country obtains final relief after a dispute process was formally entered into. It was apprehended that the process might cause grave damage and leave irreversible adverse effect on the economy of LDCs because of the weak trading links and structures. The authors suggested the following measures:

- Review the provision relating to suspension of concessions within 30 days as provisioned under Article 22.2 of DSB
- Provision for compensation arising out of loss owing to measures enforced following notification of dispute
- Reduced legal requirements for cases initiated by the LDCs
- Creation of a special *technical assistance fund* for legal assistance to LDCs.

As regards implications of domestic content requirement provisions for encouraging domestic economic activities and encouraging foreign exchange savings, the paper argued that Bangladesh could make a case for removal of restrictions under the rules of origin (ROO) or call for amendment to the *Trade-Related Investment Measures (TRIMs)* Agreement. It was stated in the paper that specific provisions should be included in the Agreement to provide developing countries the necessary flexibility to implement development policies which could help reduce the disparities the LDCs faced *vis-à-vis* the developed countries. The paper called upon Bangladesh to argue for an open-ended extension of the transitional period to be granted to those countries which have not yet fulfilled their respective notification requirements.

Highlighting the problems which were emerging with regard to the criteria used to determine the existence of a balance of payment problem the paper noted that Bangladesh should argue for extending the definition of *Balance of Payment Problem*, for bringing flexibility in the restrictive measures allowed under Article 17.b, and for allowing LDCs to take non-price measures. In addition to reviews, a number of WTO agreements have provisions which mandated further negotiations in specific areas and specified sectors. In case of *new negotiations* on *Trade in Services*, there remained four areas of contention. These were (a) Movement of natural persons as a means of providing services; (b) Financial services; (c) Air transport and maritime services; (d) Telecommunication services. The paper suggested that in order to advance negotiation in these areas Bangladesh should work towards:

- Strengthening of Article 4.1(C) to enhance market access in terms of modes of services of special export interest to LDCs
- Adding radical new provisions (this could be an *occupational approach*) to facilitate movement of natural persons
- Resisting the pressure to bring WIPO within the ambit of WTO

For *new negotiations as regards Trade in Agriculture* the paper argued that Bangladesh should demand:

- Quota-free access for LDC agri-products
- Exemption for LDCs in the area of commitments on domestic support (AMS) and subsidies
- Elimination of agri-subsidies in the developed countries
- Provision of technical assistance in agri-sector to be enhanced and this to be made concrete, operational and contractual
- Article 10.2 to be made mandatory to allow flexibility in implementation of sanitary and phytosanitary (SPS) measures.

The paper noted that as the process of GATT negotiations moved on from one round to another in the course of the last few decades, the developed countries were increasingly recognising that successful comprehensive agreement on the multilateral trading system (MTS) required that the concerns of the LDCs had to be taken on board. At the time of launching of the Uruguay Round (1986), the Ministerial Declaration stated that "there is a need for positive measures to facilitate the expansion of trading opportunities for the least developed countries". The need for such support was reinforced during the UR (1986-1993) where it was observed that through out the negotiations the developing countries in general and the LDCs in particular had been passive reactors to the agendas set by developed countries. At Marrakesh (1994), the Ministers once again adopted a *Decision on Measures in favour of LDCs* which reiterated the appeal for expeditious implementation of the provisions favouring the LDCs in various agreements. The positive trade agenda, an important outcome of the initiative originating from the Singapore Ministerial Meeting (1996), was a recognition of the fact that the current phase of globalisation may have diverse impacts on different countries. The three goals of the positive agenda which are of vital interest to the LDC were (a) enhancement of the process of structural transformation and reversal of further marginalisation of the LDCs in world trade; (b) promoting LDC integration into international trade and the global economy on equal footing and from a position of strength and (c) stimulating economic growth of LDCs through trade, more specifically through export led growth strategies.

To address some of the emerging issues in this area the first Ministerial Conference in Singapore adopted an *Integrated WTO Plan of Action for the Least-Developed Countries* which "envisaged closer co-operation between the WTO and other multilateral agencies assisting least-developed countries" in the area of trade. The Plan of Action envisaged "demand-driven" Integrated Framework (IF) which was supposed to extend trade-related technical assistance to LDCs. The IF was mandated to assist LDCs to enhance their global competitiveness and trade opportunities by addressing four key constraints. These included (a) supply side constraints; (b) constraints in the area of trade promotion and trade support services; (c) market access constraints and constraints in the area of WTO-compliance that inhibit global integration of LDCs. Subsequent to the Singapore Ministerial Declaration, a *High Level Meeting (HLM)* on the Integrated Initiatives for Least-Developed Countries' Trade and Development was held in 1997. This meeting had endorsed an Integrated Framework (IF) for Trade-Related Technical

Assistance. The declaration of the *Second Ministerial Conference* of the WTO which was held in Geneva in May 1998 recommended follow-up measures on the decisions of the HLM as regards the LDCs. The paper noted that from the experience of LDCs including Bangladesh during the post-Singapore period, it could be safely argued that precious little had so far been done for the implementation of the IF commitments. Under the circumstances Bangladesh should vigorously pursue the idea in the Seattle Meeting to the effect that Article II of GATT, which talks about endeavours for technical assistance and cooperation to be provided to LDCs by developed countries is made *obligatory*. The paper suggested that Bangladesh should call for separate provisioning in the budgets of key development agencies in order to provide technical assistance to the LDCs. In this connection, the authors thought that the proposal on Technical Assistance for Capacity Building submitted by Bangladesh, Lesotho, Nigeria, Senegal, the United States and Zambia, though did not go far enough, appeared to be a step in the right direction.

As regards Special and Differential Treatment for the LDCs, the paper informed that the S&D status given to the LDCs was to be implemented through: (a) exemptions; (b) delays in implementation; (c) preferential disciplines; (d) flexible scheduling; (e) best effort provisions; (f) technical assistance and (g) safeguard measures. The authors argued that in most cases promises in these areas had not been matched by concrete actions. In this context, the paper recommended that Bangladesh's approach could be a three-pronged one. *Firstly*, it was to be ensured that the S&D status favouring the LDCs continued to be an integral part of the new multilateral trade negotiations; it was to be designed in a manner which was responsive to specific needs of LDCs and took into account the level of their economic development. *Secondly*, Bangladesh should seek that all S&D provisions are converted into concrete obligatory commitments. *Thirdly*, it needs to be ensured that preferential treatment by developed countries will, in accordance with the *Enabling Clause*, be implemented in a manner which is generalised, non-discriminatory and non-reciprocal.

The paper cautioned that the approach to establishing a positive agenda for the developing countries and the LDCs should not be limited to a search for a single common position applicable for all countries. It was underpinned diversity in the levels of economic development and economic interests dictated this. Thus, the paper emphasised, the strategy should be to identify the different interests which should inform the positive agenda and then to build coalitions to firm up the negotiating position relating to the various issues. According to the paper areas could include: (a) new issues of importance to the developing countries; (b) market access issues; (c) non-tariff aspects; (d) movement of labour; (e) equal participation in the WTO. The paper emphasised that Bangladesh's approach at the Seattle Ministerial should be to seek support for new measures in the positive agenda with special emphasis on preemptive steps to contain the potential negative effects which might emerge from any future negotiations involving "new" issues.

The paper noted that for more than a decade major developed countries have tried to bring "new" issues into fold of the GATT, and subsequently, within the ambit of the WTO. For example, this was the case with *trade and environment* as regards which the

terms of reference of a work programme for the WTO Committee on Trade and Environment (CTE) was designed following the Marrakesh Ministerial Decision. It was mentioned at the time of the Marrakesh Declaration that two Working Groups would be set up to study the association between *trade and investment* and *trade and competition policy*. Subsequently, these issues got included in the WTO discourse. Similarly, a Plurilateral Agreement on *Government Procurement* was adopted in Marrakesh which was signed mostly by developed countries. In Singapore, some major developed countries proposed that WTO should study the issue of *transparency in government procurement* practices which would subsequently form the basis of a multilateral proposal. An earlier attempt to include "new" issues in WTO agenda relates to the proposal on linking trade and labour standard. A compromise formula got included in the Singapore Declaration, the paper noted.

It was proposed in the paper that given the historical experience with "new" issues, Bangladesh should do her best not to allow any work plan to be adopted as regards any of the "new" new issues or any "old" new issues for that matter. The paper mentioned that WTO was a "single undertaking", meaning that a member had to accept all agreements. Refusal to sign on to one of the agreements meant that either that particular country could not be a member of the WTO, or had to leave. This makes it risky or even dangerous for new issues to be negotiated in the WTO. It was pointed out in the paper that if there was agreement to negotiate a new issue like the investment treaty, and subsequently a good majority of countries reached an agreement, those countries which refused to agree would be put under intense pressure to change their position. The danger of having to leave the WTO was always present. Accordingly, the paper argued, new issues of interest to the developed countries should be allowed to be raised only after adequate groundwork by the developing countries and LDCs.

Since Bangladesh has committed itself to an export-led growth strategy she could not afford to be a *fence-sitter* in any future MTN. By following a strategy of *positive engagement* on a *pro-active agenda*, Bangladesh could maximise the opportunities available within the WTO regime. She should be aware of the possible pitfalls involved in the process. In this context the paper put forward following four-pronged approach which Bangladesh could pursue during the Seattle Ministerial.

- *Maximum emphasis on full and faithful implementation of the UR commitments and subsequently undertaken obligations by the developed countries towards the LDCs.* Bangladesh should continue to hammer the need to carry out an independent review of the impact of UR on the less and least developed countries before accepting fresh obligations under a new round.
- *Energetic participation in mandated reviews under the built-in-agenda to address the provisions inhibiting trade expansion of the less developed countries.* Certain agreements (e.g. ATC) and specific provisions (e.g. CVD and subsidies) which are of special interest to Bangladesh has to be kept under close and continuous scrutiny.

- *Creative development of a strengthened positive agenda reflecting the trade-related capacity building needs of the LDCs.* Bangladesh has to make vigorous effort to highlight issues of particular interest to her (e.g. movement of natural persons and zero tariff access) while defining the scope for next MTN.
- *Positive opposition to attempts of the developed countries in the past to include non-trade issues within the scope of next MTN.* Bangladesh should try to invoke the participation of relevant intergovernmental agencies (e.g. UNCTAD) for dealing with specific new issues (e.g. competition policy). Settled issues (e.g. Singapore consensus on labor standards) should not be allowed to be reopened.

The paper stated that operational implications of the above described strategic approaches essentially meant resisting any attempt at launching a new round till comprehensive assessment of the post-UR developments have first been made. However, according to the paper such resistance will be, to a large degree, of tactical nature as the built-in-agenda also requires negotiations for increased market access in the areas of agriculture and services. Given the prevailing pattern of industrial tariff spikes in developed countries, Bangladesh may agree to UR built-in-agenda follow-ups *plus* market access negotiation in industrial goods. Given the lack of negotiating capacity for a round with extended agenda, it would be to the best interest of Bangladesh to limit the scope of next MTN to a *minimalist agenda*. As the outcomes of UR were offered as a single undertaking which had served developing countries poorly, negotiations on specific agreements (provisions) should be made in such a way as to maximise the total benefit from the full range of negotiation. Thus, the paper argued the country should identify the *bargaining chips* which it could give away to the trading partners in order to enhance welfare gains in areas of more vital importance.

The paper argued that notwithstanding Bangladesh being a LDC and a leader of the group for that matter, it would be unwise to define its stance exclusively by the perspective of low-income countries. There were issues pertaining to which Bangladesh ought to pursue agendas which were direct interest to her. Such a position may apparently be in conflict with the position of other developing countries (e.g. transition period of ATC), the authors conceded. However, there remained a number of other systemic issues where Bangladesh may piggy-back on the efforts of other developing countries (e.g. TRIPS related aspects). The authors emphasised that it was important to pick and choose not only issues, but also coalition partners depending on concrete circumstances and contexts.

Whilst urging for the need to articulate an informed and forward-looking national position for the Third Ministerial, the authors pointed out that the WTO meeting which was scheduled to take place in Seattle is *just the beginning* of a new phase. The authors put forward the argument that if in case Seattle meeting after all, agreed on launching of a new round of MTN, with whatever agenda, Bangladesh had to be adequately prepared for active participation in the negotiating process for the next three years, and even more. Keeping this in view, Bangladesh needed to mobilize her own scarce resources towards technical preparation for such negotiations in order to protect its areas of interest, and to

be able to launch a concerted effort with issue-based coalition partners for capturing the initiative from the very beginning of the negotiations process. Accordingly, the paper concluded such preparations had to be embodied at least in five focal areas within Bangladesh's economic policymaking process. These were *the Ministry of Commerce, Chambers of Commerce and Industries, Bangladesh's Permanent Mission in Geneva*, the institutions involved in policy research and analysis, and the concerned *civil society organisations*. The success of Bangladesh's efforts in this area would critically hinge on co-ordination and co-operation amongst these agencies, the authors emphasised.

**iv) Intervention by Dr. Iftekhar Ahmed Chowdhury, Head of Bangladesh Mission, Geneva**

Dr. Iftekhar Chowdhury highlighted the major aspects of the Uruguay Round and their possible implications for Bangladesh's future trade performance. In his speech, Dr. Chowdhury pointed out one particular waiver of considerable interest to Bangladesh was that the developing countries were not necessarily bound by Article 1 of the GATT and stipulates that which they can accord to by full or zero tariff treat. Article I applies to goods under the National Treatment Provision which require that internal taxes and regulations must not be so applied as to favour domestically produced goods over imported products. The waiver also allows for enjoyment of zero tariff access for commodities exported by countries such as Bangladesh.

Dwelling on the decision making process in the WTO, he informed that there had been a severe opposition to one man one vote provision of Article 9 --- larger players such as U.S., E.C, Japan and Canada have vehemently opposed this provision. Although decisions ought to be taken on a consensus basis, smaller and weaker members were not in a position to influence the decision. He thought that developing countries are further disadvantaged owing to complex procedures of the WTO. The developing countries are also no match for developed countries in terms of technical expertise. This holds good both for government delegations as well as for private sector lobbyists and the MNCs.

He was of the opinion that globalisation could lead to further marginalisation of the LDCs and there was a danger that these countries may be altogether excluded from the benefits emanating from the globalisation. Following the URA the average tariff on imports from LDCs into the developed countries would be 30% higher than the average tariff of imports from other developed countries. As tariffs come down LDCs will tend to lose out since customs duties account for almost four-fifths of the revenues accrued to the LDCs. He pointed out that WTO has so far mainly concentrated on demand side issues, and little attention has been paid in order to address the supply side constraints which tend to compound problems of LDCs. Dr. Chowdhury called for appropriate measures to improve this situation.

Dr. Chowdhury thought that preferential tariff reduction or zero tax market access was not enough. EU had earlier made a proposal to provide zero tariff access to a large number of items, however, such access was not of much consequence to the LDCs. LDCs should be allowed to decide about the pace of the process of liberalisation and

about ways and means to shelter their vulnerable and strategically important sectors from competition from developed country imports. By changing the thrust of the S&D, for instance in agriculture, predominantly agrarian economies with large numbers of small scale producers should be exempted from the market opening provisions of the WTO which requires these countries to open up their market to unfair competition from subsidised imports dumped by industrialised countries. The array of non-tariff barriers which the LDCs currently face must also be eliminated. There should be co-ordinated efforts by developed countries to simplify and harmonise prohibitively complex rules of origin. There was a need for institutional reforms within the structure of the WTO itself. The sub-committee on LDC could be converted into a full committee, so that it could report directly to the council and also ensure enhanced participation. As regards accession, Dr. Chowdhury mentioned that Bangladesh supports speedier accession for the seven LDCs which were now waiting to be given WTO membership status.

To emphasise his arguments Dr. Chowdhury pointed out that the total number of commodities of LDC's export interest do not amount to more than 18 and that any preferential treatment would make absolutely no dent on the trade performance of the developed countries. Nonetheless, it should also be granted that such a process should be fair and transparent. He pointed out that implementation of certain undertakings by developing countries may have a negative impact on trade performance of the LDCs. This was particularly true for Bangladesh's RMG sector. Whilst a more open international textile and apparels market is expected to benefit developing countries as a whole, there is an apprehension that many LDCs such as Bangladesh will be negatively affected. He believed that in the near future Bangladesh's RMG sector will need to be globally competitive; otherwise the sector may face closure. He mentioned three options: making the RMG industry competitive by 2004 through establishment of backward linkages and other corrective measures; technical assistance to enhance competitiveness; and graduation to another industry e.g. computer software.

Referring to the draft declaration of the Seattle Ministerial Dr. Chowdhury mentioned that developing countries were under tremendous pressure to eliminate the language within the brackets. "But we have said that we would rather take our language package in square brackets in Seattle than to lose them on the ways" - he informed participants.

Concluding his remarks Dr. Chowdhury said, "in today's world trade is a very powerful instrument which can be converted into a major tool for economic development". He believed that unless focus is set on adopting appropriate measures to address the mounting challenges, Bangladesh will confront a serious situation in the near future. The WTO must be given a *human face*. However, the test of negotiating skill and diplomacy will depend on how far the developing countries and LDCs are able to influence the process of framing of the rules in the WTO in a way that will guarantee maximum benefits to those countries. We must intellectually accept the fact that to survive we need to become a viable trading entity in a multilateral system which is run on rule based foundations and on the strength of competitive power. Bangladesh in essence has no other option but to prepare herself towards this, he emphasised.

**v) Intervention by Mr. Tofail Ahmed,  
Hon'ble Minister for Industry and Commerce, Government of Bangladesh**

In his speech, Mr. Tofail Ahmed stressed on GOB's position as regards the forthcoming Seattle Ministerial. Highlighting the fact that most of the LDC officials had scant knowledge about WTO, its rules and provisions, about the process and procedures of ministerial meetings and about how a common decision is achieved, Mr. Tofail Ahmed pointed out that at the time of Singapore Ministerial Meeting a number of concrete commitments were undertaken by the participating countries. Unfortunately, he noted, in the first Ministerial Meeting proposals pertaining to the issue of market access had to be withdrawn due to lack of supports from LCD's. The issue was subsequently carried over to the high level ministerial meetings for more in-depth discussion. At the end market access issues were included in the ministerial declaration following a lengthy process of persuasion and bureaucratic hassles. In this connection, he highlighted the reluctance even of countries such as India in providing market access to neighbouring LDCs. A proposal for awarding market access to 24 Bangladeshi items in Indian market was accepted *in principle*; however, this could not be firmed up through further negotiations and is yet to be implemented. He mentioned that in practice, when a LDC demand market access, any of the members of G7 or G15 might have the prerogative of not agreeing to this request.

Mr. Ahmed thought that the position of the LDCs was not very strong to pursue such a demand and cited the findings of a study conducted by the UNCTAD which shows that LDCs are in a danger to be further marginalised as a consequence of global integration if appropriate steps are not undertaken on an urgent basis. In this regard Mr. Tofail Ahmed thought that a common approach among the members countries belonging to particular regional economic co-operation groups was very critical to design common policies to address the challenges of global integration. In this context it was important to have a common approach to the second ministerial meeting of the SAARC countries. He thought that without a specific demand it is hard to reach a common decision.

Mr. Ahmed noted that Bangladesh was getting zero tariff access to US market; Bangladesh was also receiving guaranteed market access through the system of quota allocation. He informed the participants that although Bangladesh's export growth was slightly higher than that of Pakistan, in absolute terms she was no match for countries such as India - India's exports amounted to 35 to 40 billion USD every year. India's export growth was only 2% in recent year; however in absolute term Bangladesh's total export was even less than what India earned from export of diamond each year. The significance of a small quantum growth in India was quite different from a 5 to 6% growth in Bangladesh. Mr. Ahmed reiterated that he would try to negotiate a common approach amongst the SAARC members prior to the Seattle Ministerial.

Coming to the issues of a new round of negotiation, Mr. Tofail Ahmed informed the participants that a large number of countries were interested in a new round of negotiation -- a millenium round rather than just a review of the URAs. Countries which were at first strongly opposed to a new round have also started to shift their position

favouring a round since each of the countries were negotiating on bilateral and plurilateral basis in order to maximise their respective benefits. Developed countries were aware that they are supposed to offer the LDCs with technical assistance and ODA as per WTO decision, he added. He informed that EU was interested for a comprehensive round of negotiation whilst US was interested for sectoral rounds of negotiation. He opined that the developing countries and LDCs were trapped between these two options. Given this context, he thought that Bangladesh strategy for the Seattle ministerial meeting should be not to go against a new round, nor would it be wise to argue for new round of negotiation, but to press for a comprehensive assessment of how far the commitments given during the UR and subsequent Ministerial Meetings had actually been implemented on the ground. The demand for duty free market access on non-reciprocal basis would be high on Bangladesh's negotiating agenda.

Highlighting Bangladesh's liberalisation experience and her entry into the process of globalisation, Mr. Ahmed told the dialogue participants that Bangladesh had provided a high degree of market access to the developed countries not as part of the WTO negotiation process but under the structural adjustment reforms of the 1980s and early 1990s. He noted that WTO's fundamental aim was tariffication and reduction in tariffs --- tariffs has come down in Bangladesh from 350% to 37.5% over the last decade whilst the corresponding reductions in the industrialised countries was from 40% to about 4%. The range and degree of tariff reduction cut in the developing countries was as a matter of fact, much higher than that of the developed countries. He informed that in some areas, particularly in areas where we have the capacity to export in the industrial countries, the tariff rates continued to remain very high in order to give protection to their industries. The Minister argued that any further tariff reduction was bound to hurt Bangladesh's domestic industries. He informed the participants that Bangladesh has withdrawn most of the tariff and non-tariff barriers and argued that market access ought to be given to LDCs such as Bangladesh as a compensatory measure. He further informed the participants that Bangladesh will ask for enhancement of quota in order to ensure greater market access in the US markets in the run up to the full phase out of the MFA and integration of the trade in textiles and apparels into the ATC.

Mr. Tofail Ahmed reiterated Bangladesh's opposition to attempts geared towards bringing social clause and labour standards within the ambit of WTO negotiations and argued that such issues should not be connected to trade. He was of the opinion that compliance with labour standards needs to be discussed in the ILO not the WTO. He recollected that when the issue of child labour was raised in connection with trade, Bangladesh had to suffer much.

## **vi) Discussion**

A lively discussion took place following the presentation of the keynote paper. The attention of the participants was drawn to a number of issues which were perceived by them to be of critical importance to Bangladesh's national interest and which according to the participants, needed careful attention of Bangladesh delegation as it prepared its *brief* for the Seattle Ministerial. The following report gives a succinct

summary of the major points raised in the course of the dialogue and highlights the major arguments put forward by the various participants in support of their respective views.

### ***Market Access***

Market access issues received heightened interest of the dialogue participants since Bangladesh, as leader of the LDCs has been arguing for zero-tariff access for LDCs for quite some time, specially since the Singapore Ministerial Meeting. A number of participants observed that zero-tariff access was only a part of the enhanced market access agenda and that phasing out of non-tariff and other market access barriers should be given due importance during the Seattle Ministerial.

Professor Ali Rashid, Member, Tariff Commission was of the opinion that the issue of market access will be largely covered if the implementation of the various provisions of the UR agreement is given due attention. He considered that it was only the non-implementation of the various agreements that had restrained LDCs' access to various markets. Supporting this line of argument yet another participant mentioned that many developed countries have bound their tariffs at such high levels that it was not possible for the developing countries to compete in those markets due to such prohibitive tariffs. This was true specially in case of agri-products. Coming to the issue of anti-dumping duties in this regard, Mr. Syed Jamaluddin, Secretary General, FBCCI pointed out that it was extremely difficult to tackle the anti-dumping procedures initiated by a developed country against a firm from the developing country. It was very difficult for a small firm to show that it was not dumping its product because of lack of relevant expertise in this regard. On the other hand, it was also difficult for the LDCs to prove that products are actually being dumped in their countries. This was because the existing procedures were such that the industries have to make out a case and then come to the tariff commission to initiate investigation. Bangladeshi industries were not capable of collecting the data and information required to prove such cases. Bangladeshi manufacturers were very small, and lacked education which made it difficult to start anti-dumping procedures against a foreign company. He was of the opinion that the anti-dumping rules should be made easier and proposed that the tariff commission should be empowered to initiate such investigations.

### ***Inclusion of New Issues***

There was a strong opposition amongst dialogue participants against inclusion of most of the *new issues*, which were being pushed by a number of developed countries. Drawing attention to the various new issues including environment, investment, competition policy, government procurement, trade facilitation, labour standards, industrial tariffs which were expected to be raised in the course of the Seattle Ministerial, Mr. Alamgir Farrouk Chowdhury, Secretary, Ministry of Commerce, GOB, informed participants that the EU was interested in bringing all such issues within the ambit of the next round of trade negotiations. He, however, opposed inclusion of such new issues, and was of the opinion that all these issues should be debated in appropriate fora and should not be linked with trade. As far as labour standards were concerned, Mr. Chowdhury

opined that the issue should be discussed in the ILO, where they can be studied in depth and appropriate measures could then be taken by the ILO to tackle the emerging problems.

### ***Inclusion of the Positive Agenda***

Positive agenda was in-built in the UR and these were expected to come up in any future round of negotiations. An important component of the positive agenda was the issue of industrial tariffs which a number of participants thought should be brought further down. Some of the participants thought that industrial tariffs in some of the commodities exported by LDCs were still high in the markets of developed countries. Mention was made of textiles, leather, agro-products and some other goods. Professor Ali Rashid differed with the keynote presenters and was of the opinion that the industrial tariffs should not be included in the agenda of discussion. He thought that the developed countries would gain much more compared to the developing countries from such inclusion. He informed that the tariffs in developing countries were already at very low levels. According to him, if a 25-35% reduction was agreed upon, this would mean that the industrial tariffs in developed countries would come down to 1.5% from the present level which was about 4-5%, whereas this in effect would require the developing countries to bring down their tariffs by a significant margin. Dr. Rashid was of the opinion that tariff peaks should be controlled and tariff escalation should be eliminated.

### ***Special and Differential (S&D) Treatment***

Most of the participants thought that S&D treatment provided the LDCs with a breathing space and the various provisions relating to S&D status of the LDCs needed further strengthening. Professor Ali Rashid, however, doubted whether it would be feasible to make S&D treatment obligatory, as was suggested in the paper. He was of the opinion that the prevailing architecture of the S&D in the URA was not right, and there remained a number of loopholes in the S&D provisions which allowed the developed countries to circumvent the issues. He thought that conversion of S&D into obligatory commitments would hardly materialise since the developed countries were very much simply opposed to such a move. Accordingly, it would be more prudent to seek and search as to try to plug in the holes in the S&D provisions.

### ***Movement of Natural Persons***

A number of participants opined that the developed countries are more interested in the free flow of capital and commodities and not of labour. In this context Professor Mainul Islam, DG, Bangladesh Institute of Bank Management (BIBM) argued in favour of free movement of natural persons across borders. He argued that the prevailing wisdom to the effect that only capital should flow freely across countries but labour should not, was to the advantage of developed countries and discriminated against the developing countries and the LDCs. The latter group of countries had comparative advantage in cheap, mobile labour and it was highly disadvantageous for them not to be able to export the only commodity in which they had comparative advantage, i.e. labour.

Mr. Hasanul Haque Inu, General Secretary, National Socialist Party (JSD), pointed out that it was highly unlikely that the industrialised countries would allow Bangladeshi engineers to move freely to other countries. He emphasised the need for conducting negotiations whereby industrialised countries would be willing to relax their respective immigration laws.

### ***Scope for Changes in the Ministerial Text***

Informing the participants that it would not be possible to talk about Bangladesh's problems as regards textile or, for that matter, any other issues unless they were included in the text of the Meetings. Dr. Toufiq Ali, Additional Secretary, Ministry of Foreign Affairs pointed out that Bangladesh did not have much opportunity to include new items into the text of the Meeting. He mentioned that some areas were under square brackets, for example the draft of 19th October, is 32 pages long with additional 300 pages suggested by countries which had not been included in the text. As a result, he thought that discussion in Seattle will be limited to few issues. An important issue was whether we were going to go in for a new round of trade negotiations. If that be the case we should probably agree on what such a round ought to cover. Should it cover the existing issues or what was being proposed by the EU? It is a difficult choice, he opined. He thought that the tendency so far had been to take up individual issues and to see how we can deal with those rather than to look at it in a manner which the EU projects to be a comprehensive approach. Unless full range of issues were covered, he thought that it would be difficult to achieve a balance in future trade talks. Negotiations ought to be carried out in a manner in which concessions received in one area is reciprocated by giving up claims in the other.

Agreeing with Dr. Toufiq Ali's argument, Mr. Jamaluddin also thought that there remains very little scope to introduce changes in the Ministerial text as it stood. He considered that only marginal changes could be made in the ministerial declaration which had been discussed earlier in Geneva.

### ***Technical Assistance***

The issue of technical assistance to the LDCs was considered to be very crucial for Bangladesh and a number of participants drew attention of the Bangladesh delegation to forcefully argue the case for concrete TA measures to forcefully argue the case for concrete TA measures favouring the LDCs. Most of the participants thought that precious little has so far been achieved in this area and the provisions of the URA and the decisions subsequent Ministerial Meetings have largely remained unrealised. Drawing attention to the lack of implementation of the technical assistance provisions despite the commitments made during the URA round, Mr. Jamaluddin informed participants that Bangladesh has not even received 10 million USD whilst the requirements as per technical needs assessment study amounted to more than 200 million USD. He proposed that in the course of the next round the financial assistance earmarked for TAs should be quantified and this then should be made available to the LDCs.

Mr. Hasanul Haque Inu pointed out that since the WTO was mandated to extend technical help to countries such as Bangladesh, the TAs may not be of much help if it only concentrates on raising the supply capability. He thought that if Bangladesh did not have commodities to export owing to narrow supply base, even the zero tariff status will be of little help. Therefore, he argued that Bangladesh needs to diversify its exports. In order to do that Bangladesh would require both technical and financial assistance from the multilateral agencies.

### ***Future of Bangladesh's Ready-made Garments Industry***

Projecting his opinion that the Agreement on Textiles and Clothing (ATC) was a reality which Bangladesh ought have to accept, Mr. Alamgir Farrouk Chowdhury thought that the ready-made garments industry of Bangladesh had attained the scale of efficiency which was required in order to compete with such countries as India and China. He was of the opinion that when an American buys Bangladeshi goods, he did not do so because Bangladeshi exporter had a quota, but because Bangladeshi apparels goods were cheap and of good and acceptable quality. He thought that our price competitiveness and quality assurance will continue even after 2005 when MFA will be phased out. However, he noted, backward linkages had to be developed. GOB will extend all support to enhance domestic capacities in this area. Extending this argument further Professor Mustafizur Rahman, Research Director, CPD cited one of his earlier works on the technological aspects in the RMG sector of Bangladesh where they have found that whenever the RMG units have gone for higher technology, blending of comparative advantage in labour and appropriate technology have generated excellent result in terms of cost effectiveness, productivity, competitive strength and profitability such units may be expected to remain in business even after January 2005. Referring to the twenty five thousand crore fund created by India to stimulate technological upgradation in the textile and jute sectors, Professor Rahman emphasised the need for providing assistance to entrepreneurs of the ready-made garments industries in Bangladesh. He was of the opinion that the Government had a crucial role to play in this regard.

### ***LDC Interests and Need for Strategic Coalition***

According to the participants although Bangladesh belonged to the LDC group of countries, and was, as a matter of fact spokesman of the LDC group in the WTO, she would need to project an open mind during future negotiations. She should be ready to co-operate with other non-LDC countries and be prepared to build issue-specific coalitions. Emphasising this point Professor Mainul Islam pointed out that there cannot be a kind of common interest for all developing countries. He argued that strategic coalitions had to be built around particular issues. He mentioned that the role of UN system was being marginalised and WTO was taking over more and more functions from the jurisdiction of UN agencies should be highlighted. In his opinion globalisation process was a manifestation of the process of recolonisation, and this could be seen from what the developed countries were arguing for in such areas as intellectual property rights or investment measures. Bangladesh has already been made a safe heaven for foreign capital.

But the dividends are yet to emerge - more capital is flowing out of the country rather than flowing in. He argued that issues of currency convertibility hurt the developing countries, thus, such as Bangladesh should not agree with whatever was imposed on them; rather they should build up platforms to fight for the interest of their countries. Coalition building was an essential ingredient of such a strategy and common fronts should be formed towards this.

Mr. Hasanul Haque Inu was of the opinion that the pace of liberalisation had been very fast in Bangladesh. In doing so Bangladesh has suffered terribly in terms of industrialisation, employment and development. He thought that Bangladesh should claim compensation under the special provisions to make good the losses she has suffered due to fast liberalisation. He suggested that all countries who have suffered in similar ways must form strategic coalitions in order to be able to influence future negotiations and get the maximum benefit out of all such agreements.

### **vii) Concluding Remarks by Professor Rehman Sobhan**

Professor Rehman Sobhan in his concluding remarks mentioned that after 2005 Bangladesh will be operating in an open market where she will be required to compete with RMG exports from China, India, Vietnam, Laos, Cambodia and other countries in the global market. He mentioned that it was generally accepted that Bangladesh will have to build a considerable number of backward linkage industries in textiles sector in order to cope with the emerging challenges in the area of RMG exports. This will also enhance Bangladesh's capacity to increase her domestic value addition. The need for export diversification was becoming increasingly important since that was the only way to reap the benefits if and when developed country markets do open up. In this connection Professor Sobhan made the observation that the problem which Bangladesh seems to be facing was that it did not have any specific agenda to establish the necessary backward linkage industries, nor for ensuring export diversification in near future. He noted that there was neither the resources required to underwrite the investments nor was there any counterpart financial interventions forthcoming for this purpose. Referring to a point raised by Professor Rahman pertaining to the 25 thousand crore fund to support the textile and jute sector in India, he enquired whether the GOB had any similar financial plan in mind and whether Bangladesh would be willing to promote a form of interest rate subsidy to enable potential entrepreneurs to access credit which will be required to realise the investments. And if Bangladesh intended to give subsidised credits to her entrepreneurs would that be permissible under WTO provisions pertaining to permissible subsidies, he enquired.

Professor Sobhan thought that the LDCs have for all practical purposes been going through a process of de-industrialisation. For Bangladesh to participate in the globalisation process successfully, it was essential that she expands her industrial base and also diversify her exports. He thought that such operative issues ought to be put at the centre of the Seattle Ministerial and for that matter any future round of negotiations. Professor Sobhan enquired whether mechanisms to create new manufacturing capabilities

to effectively access the opportunities in the global markets was going to emerge out of the process that was being put in place in the global trading system. In this regard, he called for designing a comprehensive package of domestic policy interventions and global TA support system. Only then what has been projected as regards LDC's opportunities originating from globalisation will actually happen. However, he noted that he had not seen any substantial agenda either in the government of Bangladesh, or amongst the LDCs, or in the international community for promoting industrialisation and industrial diversification in the LDCs. He told that he was not sure as to where should we go from here since the multilateral agencies have long since given up any attempt to go for any serious promotion of industrialisation in the LDCs. Without such support the opportunities promised to LDCs will continue to remain unrealised wishes. He recalled that industrial support policies formed the core of development strategies of the 1960s and 1970s. He thought that supply side capability ought to be put in place. Even if Bangladesh was seeking market access in India at zero tariff this will at best lead to an additional 50 million dollars worth of exports. This was because Bangladesh at present had only a limited number of items to export to India. This will continue to be the case if there was no industrialisation in the country and exports remained undiversified. Professor Sobhan emphasised the inclusion of concrete agendas pertaining to this in the negotiation process and mentioned that the achievement in the forthcoming negotiations will be measured in terms of our capacity in place by the year 2005. We must project what should be our manufacturing capacity in order to export 10 billion dollars worth of software 5 billion dollars worth of leather goods and footwear in the global markets. He cautioned that negotiation in abstract was not very helpful and urged that the Bangladeshi negotiating team should have very concrete agendas in mind derived from the clearly defined vision of what we would like to have in place in the Bangladesh economy by next fifteen years. Only in that case will we have some very concrete issues to negotiate on, and be able to determine what we want and what we are willing to give up in order to get what we want.