

**Road to Hong Kong Ministerial of the WTO:
Anticipating the “First Approximations”
from Bangladesh Perspective**

Paper 49

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The Centre for Policy Dialogue (CPD), established in 1993, is a civil society initiative to promote an ongoing 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 dialogues at local, regional and national levels. The CPD has also organised a number of South Asian bilateral and regional dialogues as well as some international dialogues. These dialogues have brought together ministers, opposition frontbenchers, MPs, business leaders, NGOs, donors, professionals and other functional groups in civil society within a non-confrontational environment to promote focused discussions. The CPD seeks 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.

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)*, *Trade Related Research and Policy Development (TRRPD)*, *Investment Promotion and Enterprise Development*, *Ecosystems and Environmental Studies*, *Human Resource Development*, *Gender Issues and Social Protection*, *Governance and Policy Reforms*. The CPD also carries out periodic public perception surveys on policy issues and developmental concerns.

Dissemination of information and knowledge on critical developmental issues continues to remain an important component of CPD's activities. Pursuant to this, CPD maintains an active publication programme, both in Bangla and in English. As part of its dissemination programme, CPD has decided to bring out **CPD Occasional Paper Series** on a regular basis. Dialogue background papers, investigative reports and results of perception surveys which relate to issues of high public interest will be published under its cover. The Occasional Paper Series will also include draft research papers and reports, which may be subsequently published by the CPD.

Monitoring the WTO negotiations in Geneva and assessing their impact and implications for Bangladesh economy continues to remain a major objective of implementation of CPD's TRRPD programme. The present Occasional Paper is the output of a Tracking Mission to Geneva undertaken by a group of CPD researchers to assess the ongoing WTO negotiations.

The paper makes an analysis of the state of play of negotiations at the WTO under the Doha Round as of May 2005. The paper takes stock of the emerging trends in various areas of negotiations and seeks to project the possible outcomes ('First Approximations') of the upcoming General Council Meeting to be held in July 2005. The paper further anticipates the road map to the Hong Kong Ministerial and attempts to situate the interests and concerns of Bangladesh and other LDCs in this context.

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LIST OF ACRONYMS

ABI	Argentina, Brazil and India
ACWL	Advisory Centre on WTO Law
ADD	Anti Dumping Duty
AGOA	African Growth Opportunity Act
AVE	Ad Valorem Equivalent
BRIC	Brazil, Russia, India and China
BTA	Bilateral Trade Agreement
CAFTA	Central American Free Trade Agreement
CIEL	Centre for International Environmental Law
CoA	Committee on Agriculture
CPD	Centre for Policy Dialogue
DDR	Doha Development Round
EC	European Commission
ENT	Economic Needs Test
EU	European Union
FIPs	Five Interested Parties
GATS	General Agreement on Trade in Services
GSP	Generalized System of Preferences
IATP	Institute for Agriculture & Trade Policy
ICFTU	International Confederation of Free Trade Unions
ICTSD	International Centre for Trade and Sustainable Development
IGTN	International Gender and Trade Network
ILO	International Labor Organization
ISCO	International Standard Classification Of Occupations
ITC	International Trade Centre
LDC	Least Developed Country
MFA	Multi-Fibre Arrangement
MFN	Most Favored Nation

NAMA	Non-Agricultural Market Access
NFIDC	Net Food Importing Developing Countries
NTBs	Non-Tariff Barriers
QUNO	Quakers United Nations Office
RTA	Regional Trade Agreement
S&D	Special and Differential
SEATINI	Southern and Eastern African Trade Information and Negotiations Initiative
SPs	Sensitive Products
SPS	Sanitary and Phytosanitary
SSM	Special Safeguard Mechanisms
TA	Technical Assistance
TMNP	Temporary Movement of Natural Persons
TRIMs	Trade Related Investment Measures
TRRPD	Trade Related Research and Policy Development
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
USA	United States of America
WTO	World Trade Organization

I. THE CPD TRACKING MISSION

A five member delegation of experts from the Centre for Policy Dialogue (CPD) undertook a WTO Tracking Mission in Geneva during 16-25 May 2005 (*see Annex 1 for the names of the CPD delegation*). During the mission, the CPD delegation members met Dr Supachai Panitchpakdi, Director General, WTO and other senior officials and experts from the WTO. CPD researchers also met experts from various intergovernmental organisations including the UNCTAD, ILO, UNEP and World Bank. The mission members also met country delegates from Bangladesh, Canada, the EU, Iceland, India, the USA, and Zambia (LDC coordinator in the WTO), and Chairs of Negotiating Groups (Non-Agricultural Market Access, and Trade and Environment). Discussions were also held with a large group of Geneva based NGOs and civil society organisations dealing with international trade issues (*see Annex 2 for the list of organisations and persons met*).

In connection with the preparation and implementation of the tracking mission, CPD received full support and cooperation from the permanent mission of Bangladesh in Geneva, particularly from HE Dr Toufiq Ali, Ambassador and the Permanent Representative of Bangladesh to the WTO.

The purpose of CPD's WTO Tracking Mission was to assess Bangladesh's potential gains and losses from the ongoing Doha negotiations and to contribute to Bangladesh's preparation for the forthcoming LDC Trade Ministers' Conference in Livingstone, Zambia (25-27 June 2005) as well as for the Sixth Ministerial Meeting of the WTO in Hong Kong (13-18 December 2005).

The Tracking Mission was undertaken as a part of CPD's *Trade Related Research and Policy Development* (TRRPD) programme which generates research inputs and contributes to trade policy related capacity building in Bangladesh. CPD recognises that the ongoing Doha Round negotiations under the WTO will have far-reaching implications for the Least Developed Countries (LDCs) such as Bangladesh. In view of this, CPD has been closely following the negotiations at the WTO focusing on a number of issues of vital interest and concern to Bangladesh, particularly in the areas of liberalisation of trade in agricultural products, industrial goods and services as well as intellectual property rights, trade remedies and special and differential treatment provisions.

II. THE STRATEGIC OUTLOOK

Hong Kong Outcome

- A new set of decisions (“First Approximations”) benchmarking the progress in negotiations under the Doha Round is expected to be adopted in the WTO General Council meeting to be held on 27 and 29 July 2005. The anticipated July Decisions of 2005 will be less comprehensive than the July Framework of 2004.

Indeed, given the slow and disparate progress in negotiations, WTO is keen to lower the “ambition level” regarding the outcomes of the upcoming General Council meeting. This implies that most of the major negotiating battles will be back loaded during the run up to the Hong Kong Ministerial. In that sense, one will witness hectic negotiations during September-November 2005 and possibly leading right in to the Ministerial itself.

- In this context, the Hong Kong Ministerial will be an important milestone in the Doha Round, particularly because the earlier Ministerial at Cancun failed to deliver a consensus. In fact, the desirable outcomes at the Hong Kong Ministerial will be to a large extent dictated by the schedule of deadlines for the Round.

Concretely, for a smooth ratification of the outcomes of the Doha Round by the USA, the agreement with all its schedules will need to be put before the US President before July 2007. This is important as the so-called Fast Track or the “Trade Promotion Authority” of the US President runs out in July 2007. Approximately six months will be necessary for preparing the schedules, accordingly the negotiations have to be wrapped up by December 2006. To this end, Hong Kong Ministerial must produce, complete with dates and numbers, the full modalities for negotiations (and identify the remaining problems), allowing for at least a good twelve months for substantive negotiations.

Negotiating Agenda and Recent Developments

- During the run-up to the Hong Kong ministerial, five clusters of negotiating issues have to be addressed. These are:

- Agriculture
- Non-agriculture Market Access (NAMA)
- Services (GATS)
- Rules
- “Development” provisions

However, agriculture continues to remain the first among the equally critical issues as it was in Cancun. As pressure is being built up in agriculture, all other agenda remain locked in slow motion, if not in a state of paralysis.

- One can identify two broad (extreme) negotiating positions among the WTO members. One group (mostly the developing countries) maintains that agriculture is the “engine of negotiations” and positive outcomes from this area will generate positive knock-on effects for the rest of the Doha agenda. Conversely, another group (largely developed countries) reckons that in order to obtain success in agriculture, there has to be “progress in tandem” in other areas.
- The recent lull in negotiations was also predicated by the upcoming leadership transition at the WTO. The process of selection of the new Director General of the WTO has been non-acrimonious this time and this is expected to protect the goodwill for the negotiations. Moreover, Mr Pascal Lamy, now incumbent to the job is also expected to apply his experience and drive to clinch a successful trade deal.
- The stagnating trade talks may also get a political boost at the High-level Plenary Meeting of the United Nation’s General Assembly dedicated to review progress in fulfilment of commitments contained in the UN-Millennium Declaration. It may be recalled that the Millennium Development Goal Number Eight specifically deals with trade dimensions of development.

However, in case the Hong Kong Ministerial fails to deliver a successful and balanced outcome, it will put the multilateral trading system at substantial risk. These risk factors emanate inter alia from a possible negative vote in France on the proposed EC constitution, early general elections in Germany, CAFTA negotiations in the USA.

In many respect, till now LDCs have been playing a defensive role. The developed countries attitude have been mainly informed by the notion that since LDCs are not expect to take any commitment in the DDR, they should also not expected much. LDCs themselves are also not coming forward with aggressive proposals in various negotiating groups. However, there is a growing recognition that developments in the various negotiating groups will have direct implications in terms of LDC competitiveness. Erosion of preferences under the various GSP schemes, in view of the ongoing negotiation on tariff reduction, is emerging as a major concern. Fast pace reduction under sectoral negotiations may also end up with similar result. Negotiations to reduce subsidies on cotton may also expose difference of interests among LDCs. As one negotiator told the CPD team: 'countries are only beginning to show their teeth'.

III. CORE ISSUES UNDER NEGOTIATIONS

3.1 Agriculture

Background

- Agriculture was the deal breaker in Cancun. Some progress was made in subsequent negotiations and the July Package 2004 agreed to reduction of export credit subsidies and separate discussion on cotton through a sub-committee on cotton. However, major unresolved issues remain as regards domestic support, market access, and modalities for special products and special safeguard mechanisms for developing countries.

State of the Negotiations

- There is some progress in negotiations on agriculture, but a lot more needs to be done for a meaningful agreement in Hong Kong.
- On the issue of Market Access, members have agreed for substantial improvements in market access for all agriculture products. As per the agreement, a tiered approach will be used to reduce tariffs. Progressive tariff reductions will be achieved through deeper cuts in higher tariffs with flexibility for sensitive products. For implementation of tiered approach, conversion of specific tariffs (\$ X per tonne) to ad valorem equivalents –

AVEs (% of value of import) is essential. Agreeing to a commonly accepted formula for AVEs has become a major issue of contention in the current negotiations and members have spent a lot of time on this. Members have now agreed on the formula for AVE conversion.

- It is agreed that Members will be allowed to designate a certain number of sensitive products. Improvement of market access will be achieved through combinations of tariff quota for each of the *sensitive products*. “Sensitive Products (SPs)” provision would be applicable for both developed and developing countries and this would allow them some flexibility in increasing their market access. Upcoming meeting of the Committee on Agriculture (on 30 May – 3 June 2005) will discuss issues related to SPs and special safeguard mechanisms (SSM). It is not clear yet what will be the criteria for designation of SPs, how many products can be designated as SPs, how SSM would be operated etc.
- In case of *Domestic Support*, members agreed on: (i) Commitment to reduce overall trade-distorting domestic support on the basis that higher levels of subsidies are subject to deeper cuts. A down payment of 20 per cent will be provided in the first year of implementation; (ii) Blue Box will be capped to 5 per cent of the value of production. However, new criteria for the Blue Box are yet to be negotiated and agreed; (iii) Green Box criteria will be reviewed and clarified. There is apprehension that changes within the *Blue Box* relating to allowable areas for the purpose of domestic support would shift allowable subsidies, rather than any actual reduction. Thus, there is apprehension that through switching of boxes developed countries may window-dress their domestic support measures.
- In case of *Export Competition*, members have already agreed for “complete elimination of agricultural export subsidies”. However, no time frame or road map for such elimination has been agreed so far. Under this commitment, export credits, export credit guarantees or insurance programmes with repayment periods beyond 180 days will also be eliminated; at the same time those of 180 days and below will be disciplined. Members also agreed for new disciplines on state trading enterprises. However, modalities for these are yet to be agreed.

- Least-developed countries will have full access to all special and differential treatment provisions and they will not be required to undertake reduction commitments. The text on agriculture added that developed Members, and developing country Members in a position to do so, should provide duty-free and quota-free market access for products originating from least-developed countries. Thus, it appears that a definitive “shall” is still missing in the July text which is essential for improving market access for agricultural products originating in LDCs.
- Modalities for identification and designation of special products (SPs) and special safeguard mechanisms (SSMs) for developing countries are yet to be agreed.
- A special sub-committee on cotton is dealing with the issue of cotton subsidy. The sub-committee had two meetings on this issue; however, no significant progress has been achieved on this issue. One African country, Rwanda, is asking for considering other commodities of export interest to African countries instead of considering only cotton on a priority basis. However, there is an apprehension that this may dilute the “cotton issue”.

Likely Outcome

- The problem with AVE calculation and designation of SPs has so far kept the market access issue as vague aspiration. There has been some progress and negotiations on these are continuing in Geneva. It is expected that “first approximation” would be possible by second week of July, i.e. during the Beijing ministerial meeting. A major challenge for LDCs particularly for net food importing developing countries (NFIDC) like Bangladesh would be the likely increase in food prices due to increased liberalisation and reduction in domestic support and export subsidy by the food exporting countries. This problem may be aggravated because of the stringent rules on SPS. Sanitary and Phytosanitary (SPS) measures are a major challenge for export of agricultural commodities to the developed country markets particularly EU. However, reopening of discussions on SPS would not be possible because this is not in the Doha mandate.

- Reduction or elimination of subsidy on cotton is likely to raise the market price for cotton (at least in the short run) which will negatively affect Bangladesh's apparels and textile sector by pushing up the cost of raw materials.

Negotiations Reality

- Progress in negotiation in agriculture is viewed as “engine for further progress” in negotiations in other areas. Modalities accepted for AVEs and special products in agriculture may also influence negotiators in NAMA.
- Progress in agriculture has till now been rather slow and negotiators in Geneva have lowered their ambition level compared to their expectations three-four months back. Resignation of Ambassador Tim Grosser as Chair of Committee on Agriculture (CoA) may further slow down the process.
- Erosion of tariff preference on export of agricultural commodities from LDCs is likely to have negative impact on export potential of LDCs such as Bangladesh which might negatively affect balance of payment situation of LDCs.
- Role of Five Interested Parties, popularly known as FIPs (USA, EC, Brazil, India and Australia) has been reduced in the negotiation process. It may be recalled that FIPs played an important role in formulating the July Package 2004.

Bangladesh's Interests and Strategy

- As mentioned earlier, a definitive “shall” is still missing in the agriculture negotiation related text which is essential for improving market access for agricultural products originating in LDCs. Bangladesh and other LDCs need to pursue this. It was clearly evident from discussion with various organisations that it is unlikely that LDCs will get zero-tariff market access for their agro-products that will be bound in the WTO.
- Developed countries as well as LDCs are considering only the defensive interests such as “no reduction commitments”; however they are reticent on offensive interests such as market access, issue of preference erosion, and

implications of food price increase. Bangladesh and other LDCs must identify their offensive interests for the negotiations.

3.2 Non-agricultural Market Access (NAMA)

Background

The modalities for negotiations on market access for non-agricultural products agreed under the July 2004 framework of the WTO aim at (a) reducing tariffs, including reduction or elimination of tariff peaks, high tariffs and tariff escalation; (b) eliminating (or accelerated reduction of) tariffs in particular sectors (the so-called *sectoral*); (c) reducing non-tariff barriers and (d) provision of special and differential treatment and less than full reciprocity in reduction commitments by the developing countries and LDCs. It was agreed that (a) the product coverage would be comprehensive, and without *a priori* exclusions, (b) tariff reduction was to commence from bound rates, (c) that all non ad-valorem duties will be converted to ad-valorem equivalents and (d) credit shall be given for autonomous liberalisation by developing countries provided that the tariff lines are bound on an MFN basis.

Negotiations on the abovementioned four areas are being carried out in the Negotiating Group on NAMA which is chaired by Ambassador Stefan Johannesson of Iceland. The NAMA group conducted a number of formal meetings, open ended consultations and also discussed relevant issues at Ministerial Meetings at Davos and the Mombasa Mini-Ministerial Meeting. The last meeting of the NAMA Negotiating Group was held on 25-29 April, 2005 where the Chair presented summary of the progress and the unfinished task.

Issues Under Consideration

There are a number of issues around which current negotiations are being carried out in Geneva. These include:

Formula for Tariff Reduction: A major objective of the current round of negotiations is to arrive at an agreed formula for reduction of tariffs. As of now there are five proposals on the table. At present negotiations are taking place in three core areas: (a) number of coefficients; (b) criteria for establishing the coefficients and (c) whether

coefficients should be independent of flexibilities. It appears that members are moving towards a *non-linear, Swiss or Swiss-type formula* that would ensure deeper cut for higher tariffs and smaller cut for lower tariffs. Proposals by ABI (by Argentina, Brazil and India), USA, Chile, Columbia and Mexico all try, in varying degrees, to reconcile *ambition and flexibility*. There is an inbuilt recognition in current negotiations that if developing countries are not provided with alternatives to address their sensitivities (revenue concern, protection of domestic industries), the level of ambition of the final deal would be reduced to a 'lowest common denominator'. Thus, the proposals submitted for consideration contain provisions for either keeping a certain percentage of tariff lines unbound or/and exclude a certain percentage of tariff lines from reduction commitments. Some developing countries are proposing differentiated Swiss coefficients for rich and poor countries to reflect the *less than full reciprocity* in commitments as stipulated in July 2004 package.

One of the emerging tensions in this area relate to the hardening of the stance being maintained by the developed countries which are saying that they could agree to either differentiated coefficients that allow lower tariff reduction by developing countries, or allow developing countries to maintain unbound tariffs on certain items, but *not both*. Developing countries are wanting concessions on both grounds. Though the LDCs are not expected to undertake tariff reduction commitments, there is an 'expectation' that they will bound more of their industrial goods. It will be difficult for LDCs such as Bangladesh to come out of the Round without binding more industrial products, particularly in view of the fact that some LDCs have already bound most of their products (e.g. Senegal has bound all industrial goods).

Sectoral liberalisation: The July 2004 package envisaged that there will be an attempt to come to a *zero for zero* liberalisation in certain sectors, meaning tariffs on those sectors will be brought down to zero under an accelerated pace, provided sufficient number of member countries (*critical mass*) agree to such a proposal. As of now there is little progress in this area, although towards Hong Kong Ministerial Meeting there could be some agreement on certain sectors if the *critical mass* is reached. Developing countries want any commitment on their part as regards the sectoral to be voluntary and not binding. Bangladesh and other LDCs are apprehensive that if sectorals include items such as textiles, leather goods and fisheries products (which was there

in an earlier proposal by US) it will erode their preferences under the GSP Schemes. There appears to be a sensitivity to this concern reflected in an intent to either (a) leave out from the 'sectoral' sectors of interest to LDCs or (b) to have a lower pace of reduction of tariffs on these items.

Ad-valorem Equivalents (AVE): There is a commitment in NAMA to bind tariffs in terms of ad-valorem equivalents. This would require all non-tariffs to be tariffed. Although this work is supposed to be not as complex as in agriculture, not much progress has been achieved here. Some members have suggested that once AVE estimation modalities have been agreed in the current negotiations in agriculture, member countries would undertake similar exercise to estimate their own AVEs. Others are of the opinion that NAMA should thrash out its own methodology for AVEs. There is little likelihood of any agreement on this in the July approximation.

Non-Tariff Barriers: There has been little progress on dealing with the NTBs. Members have agreed to work on identifying the NTBs and notifying these during the NAMA negotiations. Some have suggested that NTB-related issues should rather be discussed in the *Committee on Trade Facilitation*.

Defensive and Offensive Interests of Bangladesh

Bindings of Tariffs: As an LDC Bangladesh will not be required to undertake any tariff reduction commitment on NAMA. LDCs are also not required to participate in the discussion on the *sectoral*. However, with only three percent of her industrial products bound in the WTO, there is a pressure on Bangladesh (and also some of the other LDCs) to take commitments to bound the non-bound industrial products. The homework here must be done taking into account the level of operative tariffs and strategic export interest. Bangladesh's offensive interest lies in ensuring that items of her export interest does not get into the *Sectoral*.

Preference Erosion: By all counts *preference erosion* is becoming an increasingly important issue of concern for Bangladesh and other LDCs. As the developed and developing countries bring down their tariffs under the current round of negotiations, the margin of preferences enjoyed by the LDCs will gradually decline, leading to

substantive erosion of competitive strength of their products which are currently enjoying GSP facilities in the preference-donor countries. Some studies show that Bangladesh will be a major loser in terms of the value of preference erosion, perhaps to the tune of about US\$ 300 in view of current exports. This is a major concern for Bangladesh and is an issue that is gaining increasing attention in the WTO. To offset this, the LDCs are renewing the demand for *global zero-tariff access* for all products from the developed countries. Essentially, for Bangladesh, this would mean getting zero-tariff access in the US market as other major markets are covered by GSP schemes. This could provide a short-term trade-off for tariff preference erosion. For example, tariff on Bangladesh's products in US market at present amounted to about US\$ 300 million.

However resistance to any such global zero-tariff initiative was clearly discernible in the context of current negotiations. Two developments here are to be noted (a) there is an overall resistance from developed countries to bound such commitments in the WTO - any such initiative was to be implemented on an *autonomous basis*; (b) developed countries are demanding that *advanced* developing countries (meaning Brazil, Russia which is under accession, India and China, the so-called *BRICs*) should also commit to provide such preferential treatment to the LDCs. However, we have noted a stiff resistance on the part of the 'advanced' developing countries to be so categorised. These countries have indicated that they would rather deal with preferential treatment of LDCs through regional trading arrangements. There is a tension here for LDCs since on the one hand they would not like to alienate these advanced developing countries, and on the other hand, they are also aware that these advanced developing countries are not ready to give much concession in bilateral and regional trading fora.

Likely Outcome

The NAMA Chair has noted that there is a desire to achieve a *first approximation* on modalities for negotiating tariff reduction by August 2005. This may as well be a reality although this will require further work on coefficient(s), the pace of reduction and on flexibilities. As regards sectoral, there may be some progress towards the Hong Kong Ministerial; however, any decision in this regard will perhaps have to be

political, at the Ministerial level. LDCs must be vigilant that items of their export interest are either excluded or slow-paced. It is highly unlikely that LDCs will get a firm commitment, bound in the WTO, towards a global zero-tariff access. The issue of preference erosion will get increasingly recognised and LDCs must hammer this issue persistently and consistently. The issue of preference erosion must be seen as the contribution of LDCs to the DDR negotiations. Commensurate offsetting measures favouring LDCs in view of the impending tariff erosion must be seen as a *non-negotiable* outcome of the current negotiations.

3.3 Services (GATS)

State of the Negotiations

- Negotiations on trade in services have not yet seen any significant progress.
- Although the revised date for advancing the market access negotiations by completing the *offer-request* process as stipulated in the July Package was May 31, 2005, only a few countries have submitted their revised offer. Canada is only the country which has till now submitted its revised improved offer. There are some reservations about the quality of the offer which could be improved significantly. Some countries consider Canadian proposal as a reference point; other countries are expected to follow the Canadians.
- Only on the regulatory issues negotiations have made some progress. The regulatory issues are expected to make progress in market access for mode 4, but only for the skilled categories of service providers. The issues of ENT, mutual recognition, transparency in information related to TMNP are being discussed now. GATS visa issue might be the most tangible outcome of the Doha Round. Classification issue is back on the negotiating table.
- A few member countries submitted requests on mode 4 using ISCO-88 categories. It is to be mentioned here that the CPD did a comprehensive analysis for identification of potential skill categories of service providers in the light of LDC modalities relating to paragraph 9 and ISCO-88 classification of occupation.
- A new group titled “friends of mode 4” has emerged, however, the focus of the activities of the group is only with the current classification of the services.

The core members of the group is Brazil, Columbia, India and Philippines. There is another group of 32 member countries, which is led by Canada.

- Most of the developed countries still have strong reservations on market opening under mode 4; they do not think that any progress is possible in the Doha Round on mode 4. Developing countries have pushed the regulatory issues and have made some progress in this area. They are not showing any tangible interest in mode 4 related less skilled labour movements.

Likely Outcome

- There is little opportunity that July approximation will provide any result on GATS other than reaffirmation of negotiations objectives and revision of deadlines.
- In July approximation a benchmarking exercise can emerge, which may not be positive for LDCs as they have little participation in offer-request process. Once the benchmarking is initiated, non-participation of LDCs in the negotiation process will not be considered.
- The ambition on GATS is not very high. Any progress on GATS will critically depend on progress in agriculture and NAMA. If the July approximation fails to produce tangible results in agriculture and NAMA (which is difficult) and the outcome is back-loaded towards Hong Kong, then one can expect nothing on services from the Hong Kong Ministerial Meeting. If there is any outcome, that will benefit only developed and developing countries.

Negotiations Reality

- It is apprehended that given the preference erosion in NAMA and agriculture, lack of progress in offering duty-free and quota free access to LDCs products, reduction of flexibility in binding tariffs, the outcome of the Doha Round may turn out to be negative for Bangladesh and many other LDCs. Only tangible progress in Mode-4 could have offset the loss from the restructuring the multi-lateral trading system.
- Non-WTO related issues are real road block to progress in mode 4. The Geneva based negotiators are not sensitive towards the LDC issues in general and mode 4, in particular.

- It is true that there are little expectations of the member countries from the LDCs in terms of market opening commitments. European Commission revised its requests to Bangladesh and reduced the number of requested categories of services from nine to two. On the other hand, demanding market opening in mode 4 is being considered *illogical* as the LDCs are not taking any market opening commitments.

Bangladesh's Interests and Strategy

- LDCs as a group can leverage in other areas of negotiations. For example, G-20 can take over the mode 4 issues covering the interest of developing countries and LDCs. In exchange, LDCs can provide support to G-20.
- Bangladesh and other LDCs should submit requests on mode 4 as early as possible. The noise outside the negotiation tables is important but will be effective only if there is an active participation in negotiation process by the countries. The countries also should consider offering market opening in some areas, which are already open under autonomous liberalisation. The offers can be tailored to protect national interest.
- It is not only developed countries, which are indifferent to the legitimate demand of the LDCs; it is also LDCs, which are not serious about their mandate and role in the WTO negotiations process. Any progress to be made in terms of mode 4 needs a fresh look in other areas and a concerted effort and initiative both in the Capital and Geneva.

3.4 S&D Treatment of Developing Countries and LDCs

Background

In recognition of the difficulties faced by LDCs and developing countries to implement obligations under the WTO and to gain from the multilateral trading system these countries have been given some flexibilities in fulfilling the obligations under the WTO. But these are often articulated in vague language, under best endeavour clauses. These include longer time frame for implementation of obligations, preferential market access, waiver from various WTO obligations and

technical and financial assistance. The Doha declaration obligates the WTO to make S&D provisions 'precise, effective and operational'.

State of the Negotiations

- Progress on S&D treatment during the post Cancun period has been slow due to the disagreement over agreement specific issues as well as cross cutting issues such as the principles and objectives of S&D treatment, and eligibility to receive it.
- There are 88 agreement specific proposals for amendments to existing S&D provisions under a number of WTO agreements made by a large number of developing and least developed countries out of which 28 were prepared for Cancun, 22 were screened out at the special session on S&D and 5 proposals are specific to the LDCs.
- Developing countries have argued that the July package (2004) requires concrete recommendations for the problems highlighted in the agreement specific proposals by July 2005. Accordingly there needs to be specific progress in this area. The mandate for cross-cutting issues only calls for reporting to the General Council. Also, the date for this has not been specified.
- Developed countries, on the other hand, argue that cross-cutting issues should be included at the same time as agreement specific proposals, but with freedom to propose cross-cutting solutions.
- Members decided to move forward by looking at the 5 agreement specific proposals and differential treatment proposals put forward by the LDCs. These are: *Proposal 22/23: Understanding in Respect of Waivers of Obligations* (Special consideration of requests from developing LDC members for waivers of WTO obligations); *Proposal 38: Enabling Clause*, (Decision on Differential and More Favourable Treatment, Reciprocity and Full Participation of Developing Countries (to ensure that the extent and pace of liberalisation shall be determined in consultation with the government of LDCs); *Proposal 84: Agreement on Trade Related Investment Measures* (Exemption of LDCs from TRIMS); *Proposal 88: Measure in Favour of LDCs* (for LDCs to not be required to make commitments prejudicial to their

development need or capacity); *Proposal 36: Enabling Clause para 3b* (for the mitigation of negative impacts of erosion of preferences for LDCs).

Likely Outcome

- The level of ambition and pace of discussions will be influenced by the overall progress in the Doha round. The slow pace of agriculture negotiations in particular could also constrain progress in S&D negotiations.
- The discussions on the LDC proposals revealed that many of the proposals were not articulated in a clear, concise manner and often failed to LDCs in an appropriate manner address the concerns and needs.

LDC Strategy

- LDCs have not been active in coming up with appropriate S&D proposals to be considered in the negotiation committee. Most of the proposals suffer from lack of clarity of language. Countries should consider redrafting the proposals to reflect their needs with the help of experts as well as WTO Secretariat.

3.5 Negotiations on Rules

State of the Negotiations

- Issues on anti-dumping (AD), subsidies and countervailing measures are being discussed at present in the WTO Negotiating Group on Rules. Some members are interested to amend current rules to ensure safeguarding of their own interests in these areas. As of now about 170 submissions have been made by member countries. An emerging area of contention is the proposal made by some countries to review the various Regional Trade Agreements (RTAs) in order to examine whether the various RTAs and Bilateral Trade Agreements (BTAs) violate fundamental WTO rules and disciplines.
- The need for clarification of the anti-dumping agreement with regard to material retardation (that is, the stultifying effect that the dumping of foreign goods can have on the development of a domestic industry) has been brought up in the discussion.

- Members (Indonesia, Mexico, Malaysia and India) were asked to give an update on various on-going anti-dumping investigations.
- The issue of fisheries subsidies has been brought up for discussion in the Rules group by Brazil. The proposal suggests for incorporating S&D treatment for developing countries into the fisheries subsidy discipline under discussion in the Rules Group. The submission proposes that developed countries should assume a higher level of responsibility and bear the greatest part of burden resulting from a broader prohibition on fisheries aimed at restoring stocks or keeping them at a sustainable level.

Likely Outcome

- Anti-dumping practices of various countries are being debated, and clarification of anti-dumping negotiations is being sought. The current debates will continue in the next meeting of the Anti-Dumping Committee in November 2005 where a negotiated outcome will be sought.
- Though the idea on how to integrate S&D considerations within disciplines on fisheries subsidies have been well received, it will be difficult to convince the developed countries which provide subsidies to their fisheries sector and argue that the reason for fisheries depletion is not subsidy but lack of proper management.

LDC Strategy

- Bangladesh has both defensive and offensive interests in this area in view of anti-dumping cases against her by India (which has been favourably resolved) and Brazil (on jute, now under consideration).
- LDCs should articulate proposals to the effect that anti-dumping duties (ADD) are not imposed on items of their export interest, particularly on apparels in view of the difficulties emanating from MFA phase-out.
- Problems of LDCs as regards their underdeveloped domestic industries should be forcefully articulated. The implications of various anti-dumping measures need to be understood by LDCs through appropriate homework.
- LDCs should argue for greater assistance in establishing sustainable fisheries and be allowed capacity enhancing subsidies.

IV. BANGLADESH PERSPECTIVES

There is a real apprehension that Bangladesh may come out as a loser from this round. This may happen because of the adverse changes in the terms of trade that may happen as a result of the current negotiations. One of the major reasons for underpinning such an outcome is the erosion of preferences, enjoyed at present by Bangladesh, in the context of the envisaged reduction of the Most-Favoured Nation (MFN) tariffs. This situation will be further aggravated if deeper cuts in tariffs are agreed upon in sectors of vital interest to Bangladesh such as textile, leather, footwear and agro-processed products.

On the other hand, due to reduction of export subsidies and domestic support in agriculture sector of the developed countries, global food prices are expected to rise in the short term. Obviously, this will enhance food import bills of Bangladesh as it remains a net food importing country. There is also an apprehension that this welfare loss will disproportionately affect the poor in Bangladesh. At the same time, reduction of subsidies in cotton in the USA may lead to scaling up of its prices, and will enhance input costs for textiles and apparels for Bangladesh.

Bangladesh could have compensated this potential welfare loss through a number of ways: (i) by accessing global zero-tariff for all products originating in the LDCs. For all practical purposes this would mean getting zero-tariff access to the US market; (ii) flexibility in the rules of origin that will improve utilisation of preferential treatment currently on offer; (iii) preferential market access in the advanced/large/matured developing countries.

Market access under services negotiations, particularly under Mode-4, also could have provided some respite. However, all assessments as of date suggest that 'this will not fly'.

The consensus proposals on S&D provisions for LDCs appear to have little economic value. As of today availability of funds for the technical assistance (TA) to be channelled through the WTO is of insignificant volume.

The proposals of Trade Facilitation which are TA-tied, even if they move forward, will not give rise to new trade opportunities, though perhaps these will improve the competitiveness of Bangladesh export in the global market.

In this context, it becomes extremely important that Bangladesh and other LDCs pursue a proactive engagement in all areas of the ongoing negotiations. The success will depend on how well LDCs prepare their offensive agenda (relative changes in market opportunities due to liberalisation in developed and developing economies), since the defensive agenda (no new obligations) has been more or less agreed upon. Hopefully, the upcoming Livingstone Meeting of the LDC Trade Ministers will provide an opportunity to revisit and consolidate the LDC position.

But possibly the LDCs will need to mobilise larger political support in the global arena, particularly from the G-8 countries under the new UK leadership. The high level plenary of the UN General Assembly to be held in September 2005 will also provide one such opportunity.

One of the key determinants of an LDC-friendly outcome of the Doha Round will be the ability of Bangladesh to catalyse a preparatory process for developing appropriate negotiating positions for Bangladesh. To that end the government will need to draw upon the collective strength of all domestic stakeholders.

CPD on its own has initiated a series of activities to complement the national efforts to prepare effectively for the Hong Kong Ministerial (*see Annex-3 for details*).

Annex 1
List of CPD Team Members of Geneva Tracking Mission
Geneva; May 17 – 25, 2005

Name	Designation
1. Dr. Debapriya Bhattacharya	Executive Director
2. Professor Mustafizur Rahman	Research Director
3. Dr. Uttam Kumar Deb	Senior Research Fellow
4. Dr. Fahmida Khatun	Senior Research Fellow
5. Dr. Ananya Raihan	Research Fellow (on leave)

Annex 2
List of Persons Met by CPD's Geneva Tracking Mission
Geneva, May 17 – 25, 2005

I. World Trade Organization (WTO)	
1. Mr. Supachai Panitchpakdi	Director General
2. Mr. Rufus Yeraxa	Deputy Director General
3. Mr. Alain Frank	Director, External Relations Division
4. Mr. Patrick Low	Director, Economic Research and Statistics Division
5. Ms. Carmen Luz Guarda	Director, Market Access Division
6. Mr. Ian Huxtable	Senior Counsellor, Trade Negotiations Committee
7. Mr. Patrick Rata	Counsellor, External Relations Division
8. Ms. Rene Huxtable	Fellowship Officer, Institute for Training and Technical Cooperation
9. Mr. Shishir Priyadarshi	Counsellor, Development Division
10. Mr. John Finn	Counsellor, Agriculture and Commodities Division
11. Ms. Marc Bacchetta	Counsellor, Economic Research and Statistics Division
12. Ms. Dolores Halloran	Fellowship Officer, Institute for Training and Technical Cooperation
13. Mr. Toufiqur Rahman	Economic Affairs Officer, Development Division
14. Ms. Doaa Abdel Motaal	Counsellor, Trade and Environment Division

II. INTER-GOVERNMENTAL ORGANIZATIONS

<i>Advisory Centre on WTO Law (ACWL)</i>	
15. Mr. Leo Palma	Deputy Director
<i>UNCTAD</i>	
16. Mr. Bonapas Onguglo	Economics Affairs Officer, Division on International Trade in Goods and Services, and Commodities
17. Mr. Ralf Peters	Associate Economic Affairs Officer, Trade Negotiations and Commercial Diplomacy Branch
18. Mr. Martine Julsaint Kidane	Expert, Trade Negotiations and Commercial Diplomacy Branch
19. Mr. Taisuke Ito	Associate Expert, Division on International Trade in Goods and Services, and Commodities
<i>UNEP</i>	
20. Mr. Hussein Abaza	Chief, Economic and Trade Branch
<i>World Bank</i>	
21. Mr Carsten Fink	Senior Economist, International Trade

<i>ILO</i>	
22. Mr. Rolph van der Hoven	Senior Research Adviser, International Policy Group, Policy Integration Department
23. Ms. Azita Berar-Awad	Director, Policy Integration Department
24. Mr. Rizwanul Islam	Director, Recovery and Reconstruction Department
25. Mr. Muhammed Muqtada	Senior Economist, Employment Strategy Department
26. Mr. Moazam Mahmood	Senior Technical Specialist (Poverty Reduction), National Policy Group, Policy Integration Department
<i>South Centre</i>	
27. Mr. Yash Tandon	Executive Director
28. Mr. Rashid Kaukab	Coordinator, Trade and Development Programme
29. Mr. Wisa E. Bernal	Team Leader, Trade on Goods and Services
30. Mr. Vincente Paolo Yu	Team Leader on International Governance
31. Ms. Sabrina Varma	Team Leader on Trade in Services
32. Ms. Gale Raj	Project Officer on Trade in Services
33. Ms. Darlan Fonseca-Marti	Project Officer, Non-Agriculture Market Access
<i>ITC</i>	
34. Ms. Sabine Meitzel	Chief, Business Advisory Service
35. Ms. Elisabeth Piskolti-Caldwell	Business Advisory Services Officer
36. Ms. Laurent Matile	Senior Officer, Trading System
37. Ms. Jean-Sibastien Roure	Adviser on Legal Aspects of International Trade and Multilateral Trading system
38. Mr. Francesco Geoffroy	Chief, Office for International Programmes
39. Mr. Matthias Knappe	Senior Market Development Officer, Market Development Section
40. Ms. Doreen Conrad	Chief, Trade in Services Section
41. Mr. Friedrich von Kirchbach	Chief, Market Analysis Section
42. Mr. Thierny Paulmier	Associate Expert, Market Analysis Section

III. COUNTRY DELEGATIONS

<i>Bangladesh</i>	
43. H.E. Mr. Toufiq Ali	Ambassador and Chair, Negotiating Committee on Trade and Environment
44. Mr. Md. Motaher Hussain	Economic Minister
45. Mr. Daniul Islam	Second Secretary
<i>Canada</i>	
46. Ms. Adair Heuchan	Counsellor, Trade and Development
47. Ms. Pamela Cooper	Counsellor
48. Mr. Frederic Seppey	First Secretary
49. Mr. Rambod Behbordi	First Secretary
50. Mr. Patrick Picard	Second Secretary

European Commission	
51. Mr. Peter Thompson	Deputy Head of Delegation
52. Mr. Joachim Graminsky	First Counsellor
Iceland	
53. H.E. Mr. Stefan H. Johannesson	Ambassador and Chair, Non-Agricultural Market Access (NAMA)
India	
54. H.E. Mr. Ambassador Ujal Singh Bhatia	Ambassador and Permanent Representative of India to the WTO
USA	
55. Mr. David Shark	Deputy Chief of Delegation
Zambia	
56. H.E. Mr. Love Mtesa	Ambassador and LDC Coordinator

IV. NON-GOVERNMENTAL AND CIVIL SOCIETY ORGANIZATIONS

57. Mr. Maitin Watson	Representative, Global Economic Issues, Quakers United Nations Office (QUNO)
58. Ms. Aimee Gonzales	Senior Policy Advisor, Trade and Investment Unit, WWF
59. Mr. Christophe Bellmann	Programmes Director, ICTSD
60. Ms. Bernice Lee	Strategic Knowledge Manager, ICTSD
61. Ms Heike Baumuller	Programme Manager, Environment and Natural Resources, ICTSD
62. Mr. Chandra Kanta Patel	Representative, SEATINI
63. Ms. Alexandra Strickner	Director, Trade Information Project, Institute for Agriculture & Trade Policy (IATP)
64. Mr. Romain Beninzo	Advocacy Officer, Oxfam International
65. Ms. Maria Julia Oliva	Staff Attorney, Centre for International Environmental Law (CIEL)
66. Mr. Alee van Vaerenbeach	Centre for International Environmental Law (CIEL)
67. Ms. Linsey Sherman	Centre for International Environmental Law (CIEL)
68. Ms. Maria Cristina Gueco	International Gender and Trade Network (IGTN)
69. Ms. Esther Busser	Officer, International Confederation of Free Trade Unions (ICFTU)

Annex 3

CPD Programmes in View of the WTO Hong Kong Ministerial

Major Events

- Geneva Tracking Mission (16-25 May, 2005)
To get insights and in-depth understanding of the ongoing Doha Round negotiations in Geneva, and make policy recommendations to the Government of Bangladesh
- Press Briefing after Geneva Tracking Mission (29 May, 2005)
To share the experience of Geneva Mission in terms of developments and prospects of Doha Round negotiations, and strategies for Bangladesh
- Press Briefing before LDC Forum 2005 (Fourth Week of September 2005)
To inform the objectives, activities and issues for discussion of the Forum
- Pre - Hong Kong Global LDC Civil Society Forum (3-5 October, 2005)
To create an opportunity to advocate stakeholders' concerns and provide a platform for interaction on issues of interest among various civil society organisations, networks, and special interest and advocacy groups from various regions of the globe
- Pre - Hong Kong Dialogue (Third Week of November 2005)
To discuss issues of concerns for Bangladesh and LDCs, and possible strategies
- Participation in the Hong Kong WTO Ministerial (13-18 December, 2005)
To get first hand experience on the Ministerial activities and output
- Symposium at Hong Kong during the Ministerial (Second Week of December 2005)
To flag LDC concerns and interests at the Ministerial. The Symposium will be co-organised with ICTSD, Geneva
- Press Briefing after Hong Kong Ministerial (Third Week of December 2005)
To share the experience and CPD's analysis on the outcome of the Ministerial

Other Activities

- Generating policy inputs for the Ministry of Commerce, Government of Bangladesh
- Dissemination of the *LDC Forum Declaration* among LDC Trade Ministers and other global stakeholders
- Global networking among civil society and non-government organisations to advance LDC interests
- Publication of research reports, policy briefs and analytical works highlighting Bangladesh's and LDC interests.

Appendix A

List of CPD's Trade Related Publications

Books

- The Textile and Clothing Industry of Bangladesh in a Changing World Economy (2001)
- Globalisation and Gender: Changing Patterns of Women's Employment in Bangladesh (2001)
- Phasing Out of the Apparel Quota: Addressing Livelihood Concerns in Bangladesh (2003)
- Globalisation and the LDCs: Perspectives from the Asia-Pacific Region (April 2004) *
- Bangladesh in the Global Trade Regime: Labour, Environment, Agriculture, Export and Trade Negotiations (February 2005)
- Surviving in a Quota-free World: Prospect of Bangladesh's Clothing and Textile Industry (forthcoming)
- *বৈশ্বিক বাজারে বাংলাদেশের পোশাক শিল্পের সুযোগ-সুবিধা* (2005)

Occasional Papers

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| Paper 3 | Setting the Agenda for the Next WTO Round: Perspectives from Bangladesh on the Seattle Ministerial (January, 2000) |
| Paper 5 | Bangladesh-EU Development Relationship: Major Features and Emerging Issues (July, 2000) |
| Paper 6 | USA Trade and Development Act 2000: A Response from Bangladesh Perspective (July, 2000) |
| Paper 7 | Experience with Implementation of WTO-ATC and Implications for Bangladesh (September, 2000) |
| Paper 8 | The WTO, ATC and Textiles and Clothing in A Global Perspective: What's in it for Bangladesh? (September, 2000) |
| Paper 9 | Regional Cumulation Facility Under EC-GSP: Strategic Response from Short and Medium Term Perspectives (November, 2000) |
| Paper 11 | Seeking Fair Market Access for Bangladesh Apparels in the USA: A Strategic View (November, 2000) |
| Paper 12 | Third UN Conference on the LDCs: Making It work for Bangladesh (November, 2000) |
| Paper 13 | Making the Special and Differential Provisions of WTO Agreements Effective for the Least Developed Countries: Perspectives from Bangladesh (December, 2001) |
| Paper 14 | Promoting Bangladesh's Interest in the Fourth WTO Ministerial (February, 2002) |
| Paper 15 | The Ongoing WTO Negotiations On Agriculture: Issues and Options for Bangladesh (February, 2002) |
| Paper 19 | China's Accession to the WTO: Consequences for Bangladesh's Export- Oriented RMG Sector (January 2003) |

- Report No. 57 Doha Declaration on WTO-TRIPS and Public Health: What is in it for Bangladesh (March 2003)
- Report No. 70 Environmental Debates in the WTO: Defining Bangladesh's Interests (July 2004)
- Report No. 72 Surviving in a Quota Free World: Will Bangladesh Make It? (**September, 2004**)
- Report No. 73 In Search of New Products and New Markets for Bangladesh (September, 2004)
- Report No. 75 Dispute settlement in the WTO: How Friendly is it for the LDCs (December 2004)
- Report No. 76 Cancun WTO Ministerial: An Ex Post Assessment
- Report No. 78 Regionalism Vs Multilateralism: What Could Bangladesh Learn form the Global Experience (May 2005)

*Out of Print