Agriculture in WTO July Package: Issues and Concerns for Bangladesh

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The present paper titled ***Agriculture in WTO July Package: Issues and Concerns for Bangladesh*** has been prepared under the CPD programme on *Trade Related Research and Policy Development (TRRPD)*. This programme aims at strengthening institutional capacity in Bangladesh in the area of trade policy analysis, negotiations and implementation. The programme, *inter alia*, seeks to project the civil society's perspectives on the emerging issues emanating from the process of globalisation and liberalisation. The outputs of the programme will be available to all stakeholder groups including the government and policymakers, entrepreneurs and business leaders, and trade and development partners.

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Abstract

This paper reviews the state of negotiations as regards agriculture and the developments in the context of the July Package. The paper also brings out the major points of contentions and analyses possible impacts of various negotiating proposals for Bangladesh's agricultural sector and its economy. Moreover, the paper comes up with possible strategies for Bangladesh in view of the ongoing negotiations on agriculture in the WTO.

1. BACKGROUND OF THE NEGOTIATION ON AGRICULTURE

The Uruguay Round Agreement on Agriculture (AoA) set up a framework of rules and disciplines, and initiated a process of gradual reductions in protection and trade-distorting support in agriculture. But this was only the first phase of the reform. Article 20 of the Agreement on Agriculture (AoA) committed members to start negotiations on continuing the reform at the end of 1999 (or beginning of 2000). Accordingly, new round of negotiation began in March 2000.

Negotiations on agriculture are related to the three pillars of the AOA: (i) market access, (ii) domestic support, and (iii) export competition. In addition to these three pillars, negotiations are also related to other rules such as Special and Differential (S&D) Treatment.

This paper briefly describes the developments in the negotiation on agriculture, key issues and major debates and emerging coalitions in the negotiation. It also identifies Bangladesh's priorities for negotiations in agriculture. Finally, the paper puts forward some proposals for Bangladesh's negotiating position.

2. DOHA MANDATE AND POST-CANCUN DEVELOPMENTS

2.1 Doha Mandate

The Fourth WTO Ministerial Meeting held in Doha in November 2001 provided a new work programme for negotiations in agricultural trade by making the objectives more explicit, and by setting deadlines. Doha Declaration also recognised the progress already achieved in the agriculture negotiations that began in March 2000. WTO

members agreed to undertake "comprehensive negotiations aimed at substantial improvements in market access; reductions of, with a view of phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support." They agreed that (i) the *modalities for negotiations* should be established no later than March 31, 2003, (ii) a *draft schedule of commitments* to be submitted no later than the Fifth WTO Ministerial meeting in Cancun, and (iii) the negotiations, as a whole, to be concluded by January 1, 2005.

At Doha, Ministers also agreed that the negotiations in agriculture would take account of the development needs of the developing countries, including food security and rural development. The Ministers took note of the "non-trade concerns" (which includes food security) reflected in the negotiating proposals submitted by the Members and confirmed that these concerns will be taken into account in the negotiations as provided for in the AoA.

2.2 From Doha to Cancun

As a follow-up of Doha Declaration, two phases of discussions were held until February 2002 and a large number of WTO-members submitted negotiating proposals. The third phase of negotiations was targeted for reaching an agreement on the "modalities" for further reforms. The "modalities" are targets (including numerical targets) for achieving negotiation objectives and rules-based issues. This phase was scheduled to be completed by 31 March 2003. Although the target of reaching an agreement on "modalities" by 31 March 2003 was not achieved, there were some concrete developments in this phase.

Stuart Harbinson, the then chairperson of the committee on agriculture (CoA), in his personal capacity prepared and circulated an overview paper on 18 December 2002, a first draft on "modalities" on 17 February 2003 and a revised draft on "modalities" on 18 March 2003. The Harbinson's Revised Draft suggested three-pronged approach and separate level of commitments for developed and developing countries; duty and quota-free access for agro-commodities originating in LDCs to the developed country markets; and exemption of LDCs from new reduction commitments. The Draft also proposed elimination of safeguard mechanism for developed countries and provision for Special Products (SPs) and Special Safeguard Mechanism (SSM) for developing countries. Although Harbinson's revised draft was discussed during the negotiation

meeting held on 25-31 March 2003 but there was no agreement on "modalities". From April to July 2003, both informal and formal meetings were held on a wide range of issues. Some member countries were not ready to accept the revised first draft of the modalities paper as a reference material for discussion. During the Montreal meeting (informal meeting of trade ministers of 25 countries held in Montreal during 28-30 July 2003) the issue of agriculture topped the agenda but no agreement could be reached. Major differences were related to the reduction in import tariffs, domestic farm subsidies and export subsidies. During the Montreal meeting the idea that the EU and the US should jointly draft a new proposal was floated. This proposal received support from the participants. So, a joint EU-US initiative was launched at the conclusion of the meeting. The EU-US joint proposal was prepared and presented on 11 August 2003 in Geneva when WTO members met in preparation for the Cancun meeting. The EU-US joint proposal lacked specificity since it left blank spaces where critical percentages and other figures were called for in terms of tariff reduction, reduction in domestic support and export subsidies. The EU-US joint proposal also excluded key elements of Harbinson's draft such as "Special Product (SP)" and Special Safeguard Mechanism (SSM) targeted for developing countries.

Members did not agree on the EU-US joint proposal. Rather, in response to the EU-US joint proposal, different countries and country groups placed counter proposals. Through these proposals developing countries proposed: (i) to tighten rules to supervise the cuts in domestic subsidies to farmers in the US, Europe and Japan; (ii) to eliminate export subsidies; (iii) to go for deeper cuts in tariffs in developed countries to allow greater market access for exports from developing countries; and (iv) to lower tariff cuts for developing country's food sectors so that they can maintain food security and promote rural development. In this process, it became clear that it might not be easy to reach a conclusion at Cancun. However, it was hoped that outstanding issues in agriculture would be decided at the political level through consultations in Cancun.

To achieve the target of having a declaration in Cancun, the Chairman of the General Council issued a "skeletal draft" on July 18, Revision 1 on August 24, 2003 and Revision 2 during the September meeting at Cancun. Final discussion in Cancun was based on Revision 2 of the draft declaration. This is also called as "Derbez Text." Derbez Text did not put the exact numbers concerning to cuts in domestic and export

support. So, it was not clear how deep the agreed cuts would have been. Consequently, till the end it remained unclear to what extent the developed countries were willing to listen to the demand of developing countries and the LDCs regarding agricultural subsidy. From the LDCs perspective, the positive development at Cancun was that these countries were exempted from tariff reduction commitments. However, the language was not definitive enough on the issue of providing zero-tariff market access to agriculture products from LDCs since the text was square bracketed in "shall" and "should" and thus its mandatory nature (a definitive shall) was left to be decided through negotiations in Cancun. The other problem in the Derbez Text was inclusion of the extension of so-called Peace Clause which provides space to the developed countries to carry on with their pre-Uruguay Round trade distorting measures in agriculture. Extension of Peace Clause disappointed G-21. In the case of Special Safeguard Mechanism (SSM) on Special Products (SPs), which was originally a proposal for safeguarding the agriculture in developing countries, it was opened for all developed and developing countries. LDCs and the developing countries had strong demand for substantial reduction in the wide-ranging agricultural subsidies allowed under the *Blue Box* and *Green Box* provisions. Developed countries agreed to cap some of these, albeit at high threshold levels. Ministers failed to have any agreement. Wide difference among demands of the developed and developing countries constrained them to have any agreement. Thus, reaching consensus on modalities for agriculture as well as in other issues was left to the negotiators in Geneva.

2.3 Developments after Cancun

The first negotiating session on agriculture since Cancun was held on March 22-26, 2004. Tim Groser, Ambassador of New Zealand, was formally appointed as new chairman of the Committee on Agriculture (CoA). The discussions were positive and Members left with a commitment to try to reach agreement on a framework by mid-summer. A framework agreement would identify the concepts and approaches to be used in eventual agreement. At a later stage, agreement would be reached on specific rules and reduction commitments. Another session was held during April 19-23, 2004 to continue to work towards an agricultural framework. Market access remained the most difficult issue with wide gaps between the positions of Members. The shape of a

potential outcome in domestic support and export competition is clearer, but still far from agreed. As next steps, a series of meetings were held in June 2004.

During the early June 2004 meeting, the G-20 developing country alliance—led by Brazil, India and South Africa—presented a new plan, which put the onus firmly on richer states to make largest concessions. EU expressed their willingness to negotiate an end to export subsidies, so market access and reduction in domestic support were the critical issues. Thus, in June 2004, negotiations were edging forward, with some consensus emerging on elements of a possible deal, but many difficulties remained.

July 2004 was significant for WTO negotiations. After two weeks of intensive day and night negotiations and 2 revised versions, a text was agreed upon in Geneva on 31 July 2004. WTO members agreed on a framework package to keep the Doha Round trade negotiations alive. This framework package is popularly known as "July Package." The key grouping of Five Interested Parties (FIPs)–comprising the US, EC, Brazil, India and Australia – met on agriculture on 27 and 28 July, and eventually agreed on a text that formed the basis for the final agreement in July. The 31 July framework emphasises the need to push ahead with the talks in agriculture. It was agreed that detailed and comprehensive modalities for negotiations would be developed in the next phase. These agreed modalities will then be placed before the next WTO Ministerial meeting for approval.

3. AGRICULTURE IN THE "JULY PACKAGE": AN OVERVIEW

The framework for future agriculture negotiations was adopted as a priority issue in the July framework and was included as Annex A. Annex A of the text includes a 7-page framework for establishing modalities for negotiation and liberalisation in agriculture. Members recognised the limited progress made so far in the Doha Round and postponed the 1 January 2005 deadline for concluding the talks until the sixth WTO Ministerial Conference to be held in Hong Kong, China, in December 2005.

In the "July Package", the General Council recognised the importance of cotton for a certain number of countries and its vital importance for developing countries, especially LDCs. The inclusion of cotton as part of the agricultural negotiations may be considered as progress. It may be recalled that elimination of cotton subsidies was a major issue of debate during the Cancun ministerial. Cotton initiative was a proposal

by Benin, Burkina Faso, Chad and Mali to eliminate cotton subsidies worldwide. The Annex A categorically mentioned that the cotton issue will be "addressed ambitiously, expeditiously, and specifically within the agriculture negotiations" (WTO, 2004). It added that the provisions of this framework provided a basis for this approach, as does the sectoral initiative on cotton. It also mentioned that the Special Session of the Committee on Agriculture shall ensure appropriate prioritisation of the cotton issue independently from other sectoral initiatives. A subcommittee on cotton will meet periodically and report to the Special Session of the Committee on Agriculture to review progress. The document specifically mentioned, "Work shall encompass all trade-distorting policies affecting the sector in all three pillars of market access, domestic support, and export competition, as specified in the Doha text and this Framework text" (WTO 2004). Thus, inclusion of the cotton issue in agriculture negotiation virtually excluded the cotton issue from a fast track resolution and by the time the cotton subsidies are expected to be eliminated under the general liberalisation formula, the African cotton producers may as well become extinct category because of the existing market distortions.

On the issue of *Market Access*, members 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. Members will be allowed to designate a certain number (to be negotiated) of sensitive products. Improvement of market access will be achieved through combinations of tariff quota for each of the sensitive products. "Sensitive Products" provision would be applicable for both developed and developing countries and this would allow them some flexibility in increasing their market access. "Sensitive products" were a long-standing demand from the EC and the G-10 group of agricultural products importing countries such as Switzerland and Japan. There is a concern that the provision of sensitive products might limit meaningful increase in market access required for developing countries.

In the 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) New criteria for the *Blue Box* will be negotiated in the

next phase. Blue Box will be capped to 5 per cent of the value of production; (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. It is argued that the text will permit the developed countries to protect sensitive products while not providing enough options to the developing countries to protect sectors of their agriculture system which are essential for food security. By expanding the *Blue Box* and insisting on increased market access for most products without sufficient protection for crops necessary for food security, the framework has the potential to enhance scope for dumping which has caused significant damage to farmers around the world. Apparently, the July draft will allow the developed countries to window-dress their domestic support measures.

In the case of *Export Competition*, members agreed for "complete elimination of agricultural export subsidies" [paragraph 18]. However, there is no time frame or road map for such elimination. It needs to be appreciated that the inclusion of a commitment by the developed countries to do away with export subsidies is a major achievement of the July General Council Meeting. 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, the issue of the future use of monopoly powers will be subject to further negotiations. When the elimination of subsidies takes place, this will get rid of a few of the most trade distorting subsidies which had enabled the dumping of agriculture exports from rich countries, and had unfairly kept out farm products originating in the developing countries from the international market.

The "July Package" on agriculture allowed provisions for "special products" and Special Safeguard Mechanism (SSM) for use by developing country Members. "Special products" provision would be available to the developing countries for additional flexibility or exemptions. It may be recalled that provisions for special products were a long standing demand from the developing countries. On special and differential treatment, the "July Package" allows longer implementation periods for the phasing-out of all forms of export subsidies. The agriculture text also grants special consideration for the maintenance of monopoly status for those developing

country State Trading Enterprises (STEs) enjoying special privileges to preserve domestic consumer price stability and to ensure food security. This is in addition to longer implementation periods for phasing-out of all forms of export subsidies by developing country members.

Most importantly, 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. LDCs must have to negotiate for this.

Most WTO members welcomed the agriculture text. WTO Director General Supachai Panitchpakdi considered this as a "truly historic" achievement. He was particularly appreciative of the phase out of export subsidies and "the significant breakthrough in cotton trade." US Trade Representative Robert Zoellick told, "We have laid out a map for the road ahead" but he noted that, "the speed limits for how far and how fast we will lower trade barriers" remained to be negotiated. EC Trade Commissioner Pascal Lamy said, "The Doha Round is back on track"; however, he cautioned that "we have walked only half of the way." Brazilian Foreign Minister Celso Amorim described the agreements as "a good deal for trade liberalisation" as well as "a good deal for social justice" and opined that, "This is the beginning of the end of subsidies." India's Commerce Minister Kamal Nath opined, "This more than adequately addresses India's concerns" for reductions in domestic support. Chinese Ambassador to the WTO, Sun Zhenyu, said, "Generally speaking, the framework is not bad, though the developing countries are not fully satisfied."

In short, we can say that the text simply laid down the basic pillars and a "framework" for conducting future talks. Thus, "July Package" is the beginning rather than an end.

4. POTENTIAL IMPACTS OF VARIOUS PROPOSALS

In the July Package, it was agreed that tariff reduction negotiation will be following a tiered approach. However, details are to be negotiated. It may be recalled that Harbinson's draft (also referred to as Revised First Draft) on modalities proposed a

tiered formula for tariff reduction. The Revised First Draft on "modalities" proposed differential level of commitment for developed and developing countries. It suggested three bands of tariff rates for developed countries to be implemented over a 5-year period and four bands of tariff rates plus a "special products" category for developing countries to be implemented over a 10-year period. Details of Harbinson's proposal for tariff reduction are listed in Table 1.

TABLE 1: PROPOSED TARIFF CUTS IN HARBINSON'S REVISED FIRST DRAFT ON MODALITIES

Tariff Rate	Average Cut	Minimum Cut for Any Product
Developed Countries		
90%+	60%	45%
15-90%	50%	35%
0-15%	40%	25%
Developing Countries		
120%+	40%	30%
60-120%	35%	25%
20-60%	30%	20%
0-20%	25%	15%
Special products	10%	5%

Source: WTO (2003).

During the Cancun Ministerial meeting, Derbez Draft proposed a "Blended Formula" in which products are separated into two groups—one applying the Uruguay Round and the other using a Swiss Formula. Reduction commitments in tariff were proposed on the basis of bound tariffs. Details are listed in Table 2. The Derbez Text proposed reduction in domestic support by developed and developing countries by 60 per cent and 20 per cent respectively. On the other hand, reductions in export subsidy by developed and developing countries were proposed at the rate of 80 per cent and 70 per cent, respectively. There was no mention about the percentage of tariff cuts. These were left blank in the Derbez Text.

TABLE 2: PROPOSALS MADE IN THE CANCUN (DERBEZ DRAFT)

Countries	Reduction (%) in	
	Export Subsidy	Domestic Support
Developed Countries	80	60
Developing Countries	70	20

Source: World Trade Organisation.

Future negotiations for tiered approach may be based on Harbinson's proposal and Derbez Draft. However, it is most unlikely that any of these would be adopted. Therefore, a conservative approximation for tariff reduction, as reported in Table 3, may be made about the likely outcome. Our conservative approximation notes that developed and developing countries will reduce their tariffs by 36 per cent and 24 per cent, respectively. In case of domestic support, developed and developing countries are expected to reduce their support by 55 per cent and 37 per cent, respectively. On the other hand, developed and developing countries are expected to reduce their export subsidy by 45 per cent and 30 per cent, respectively.

TABLE 3: CONSERVATIVE APPROXIMATION OF TARIFF CUTS, REDUCTION IN EXPORT SUBSIDY AND DOMESTIC SUPPORT

Country Category	Reduction (%) in		
	Out of Quota Tariff Cut	Export Subsidy	Domestic Support
Developed Countries	36	45	55
Developing Countries	24	30	37

A comparative assessment of impacts of the abovementioned three scenarios on various indicators, such as bound and applied tariff, domestic and export subsidy, welfare (producers surplus, consumers surplus, government revenue), prices (domestic consumer and producer price, world price), volume and costs of exports and imports, change in production and consumption of various agricultural commodities in Bangladesh, was conducted. Results of the exercise are reported below.

For estimating potential impacts of trade liberalisation commitments likely to be made at the WTO, we have used the ATPSM (Agricultural Trade Policy Simulation Model) software version 3.0 developed by UNCTAD and released in January 2005. ATPSM is a deterministic, comparative advantage partial equilibrium model. The model contains of a system of equation that represent supply, demand and trade flows for different agricultural goods (ATPSM, 2005). The model is static and deterministic, and there are no stochastic shocks or other uncertainties. There is an extensive coverage of agriculture commodities and the model considers interrelationships between the agricultural commodities in both supply and demand (for example, when competing for land or consumer preferences). The model is capable of accounting for three different economic agents within each economy: producers, consumers and

government. Therefore, we were able to quantify the potential impacts of trade liberalisation under discussion at the WTO on Agriculture on various indicators and on the economy of Bangladesh

Potential Impact on Tariff Reduction

We have analysed the impacts of various proposals on reduction in applied and bound tariffs. Our analysis indicates that under conservative scenario both average applied and average bound tariffs for agricultural products are likely to decrease to 27.33 per cent in EU, 16.29 per cent in USA, 50.56 per cent in Japan, 0.77 per cent in Australia, 16.60 per cent in Canada (Table 4). In the developing countries, bound rate of tariffs will be decreased more than the applied tariff rates. As is known, bound tariff rates are generally much higher in the developing countries than their applied tariff rates. Bound tariff rates in developing countries (Brazil, India, Korea, Malaysia, Pakistan, South Africa, Sri Lanka, Thailand and Russia) are likely to decrease in the range of 1.02 percentage point (in Russia) and 22.76 percentage point (in Korea, Republic of). Likely impact on applied and bound tariffs of agricultural products, using Conservative, Harbinson and Cancun Proposal, is reported in Annex 1.

TABLE 4: IMPACT ON APPLIED AND BOUND TARIFF RATES OF AGRICULTURAL PRODUCTS IN DEVELOPED AND DEVELOPING COUNTRIES

(Change in Percentage points)

Country	Applied Tariff		Bound Tariff		Change in Tariff (percentage point)	
	Initial (%)	Final (%)	Initial (%)	Final (%)	Applied Tariff	Bound Tariff
Australia	1.20	0.77	1.20	0.77	-0.43	-0.43
Brazil	9.90	9.70	33.26	25.27	-0.20	-7.98
Canada	25.94	16.60	25.94	16.60	-9.34	-9.34
EU	42.71	27.33	42.71	27.33	-15.38	-15.38
India	19.19	18.07	80.21	60.96	-1.12	-19.25
Japan	79.00	50.56	79.00	50.56	-28.44	-28.44
Korea Rep.	40.24	38.13	94.84	72.08	-2.11	-22.76
Malaysia	13.26	12.38	44.75	34.01	-0.88	-10.74
Pakistan	29.52	29.32	83.71	63.62	-0.21	-20.09
Russia	4.23	3.22	4.23	3.22	-1.02	-1.02
South Africa	6.86	6.46	44.70	33.97	-0.40	-10.73
Sri Lanka	18.94	17.95	39.68	30.16	-0.99	-9.52
Thailand	41.25	34.37	56.96	43.29	-6.87	-13.67
USA	25.45	16.29	25.45	16.29	-9.16	-9.16

Source: Calculated from ATPSM Database, UNCTAD, Version 3.

Potential Impacts on Domestic Support

As per the Agreement on Agriculture (AoA), if a country's Domestic Support Expenditure (DSE) is below its *de minimis* level, then Total Aggregate Measure of Support (AMS) is considered as zero. *De minimis* level of AMS for developed and developing countries is, respectively 5 and 10 per cent of the total value of their agricultural production. Thus, domestic support provided by Australia, Bangladesh, Brazil, Canada, India, Malaysia, Pakistan, South Africa, Sri Lanka, Thailand and Russia is considered to be zero. In 1999-2001, average level of DSE in EU, USA, and Japan was US$ 31.37 billion, 5.86 billion and 4.47 billion, respectively (Table 5). During the same period, DSE in Korea was US$ 8.68 billion. If the commitments are made as per conservative approximation, discussed earlier, then DSE is expected to decline by 55.5 per cent in EU, 53.4 per cent in USA, 58.7 per cent in Japan and 41.5 per cent in Korea.

TABLE 5: POTENTIAL IMPACTS ON DOMESTIC SUPPORT EXPENDITURE IN SELECTED DEVELOPED AND DEVELOPING COUNTRIES

(In Million US$)

Country	Initial Support	Likely Level of Final Domestic Support			Per cent Change in Domestic Support		
	(1999-2001)	Harbinson	Cancun	Conservative	Harbinson	Cancun	Conservative
Australia	0	0	0	0			
Brazil	0	0	0	0			
Canada	0	0	0	0			
EU	31377.3	12512.0	12496.4	13972.8	-60.1	-60.2	-55.5
India	0	0	0	0			
Japan	4446.7	1633.6	1614.3	1835.3	-63.3	-63.7	-58.7
Korea Rep.	8675.1	6769.0	6762.0	5073.1	-22.0	-22.1	-41.5
Malaysia	0	0	0	0			
Pakistan	0	0	0	0			
Russia	0	0	0	0			
South Africa	0	0	0	0			
Sri Lanka	0	0	0	0			
Thailand	0	0	0	0			
USA	5862.6	2518.7	2479.6	2730.2	-57.0	-57.7	-53.4

Source: Calculated from ATPSM Database, UNCTAD, Version 3.

Potential Impacts on Export Subsidy

During 1999-2001, average level of export subsidy expenditure (ESE) in EU was US$ 2.38 billion (Table 6). Level of ESE in USA, Canada and South Africa was US$ 61.5 million, US$ 52.2 million and US$ 11.4 million, respectively. If the ongoing negotiation results commitments as assumed in the conservative approach, then potential impact on decline in ESE in EU, USA and Canada will be 43 per cent, 40

per cent, and 40 per cent, respectively. On the other hand, decline in South Africa is likely to be 24 per cent.

TABLE 6: POTENTIAL IMPACTS ON EXPORT SUBSIDY EXPENDITURE IN SELECTED DEVELOPED AND DEVELOPING COUNTRIES

(In Million US$)

Country	Initial Support Level	Likely Level of Final Support as Subsidy			Likely Change in Export Subsidy (%)		
	(1999-2001)	Harbinson	Cancun	Conservative	Harbinson	Cancun	Conservative
Australia	0	0	0	0	0	0	0
Brazil	0	0	0	0	0	0	0
Canada	52.22	11.91	12.08	31.34	-77.19	-76.87	-39.98
European Union	2384.13	502.94	501.07	1358.60	-78.90	-78.98	-43.01
India	0	0	0	0	0	0	0
Japan	0	0	0	0	0	0	0
Korea Rep.	0	0	0	0	0	0	0
Malaysia	0	0	0	0	0	0	0
Pakistan	0	0	0	0	0	0	0
Russia	0	0	0	0	0	0	0
South Africa	11.39	3.84	3.63	8.65	-66.27	-68.15	-24.06
Sri Lanka	0	0	0	0	0	0	0
Thailand	0	0	0	0	0	0	0
United States	61.53	14.41	14.02	37.05	-76.58	-77.21	-39.79

Source: Calculated from ATPSM Database, UNCTAD, Version 3.

Potential Impact on Prices and Welfare Gains

An analysis of likely impact of various negotiating proposals on domestic producer, consumer and world prices revealed that average prices of agricultural commodities will be increased by 2.27 per cent under conservative approximation, 2.63 per cent under Cancun proposal and 3.27 per cent under Harbinson's proposal. This change is likely to occur in domestic producer and consumer prices and also in world price.

If the negotiation results commitments in tariff cuts, reduction in domestic support and export subsidy, then what would be the impact on economic welfare in Bangladesh? To answer this question, we have analysed the welfare impacts using Harbinson, Cancun and Conservative approximation. Results of the analysis are reported in Table 7. If commitments are made as per the conservative scenario, then producers surplus in Bangladesh are expected to be increased by US$ 161.8 million. On the other hand, consumers surplus and government revenue are likely to decrease by US$ 162.4 million and US$2.2 million, respectively. Thus, total welfare is likely to decline by US$ 2.8 million. Welfare gains (losses) for different agricultural commodities are reported in Table 8. Product specific analysis indicated similar

situation. That is, producers surplus are likely to increase while consumers surplus and government revenue will decrease.

Projected decrease in total welfare is likely to occur because Bangladesh is a net food importing country. Bangladesh also imports a large amount of agricultural commodities. It is most likely that prices of agricultural commodities at the international market are going to be increased as a result of decrease in domestic support and export subsidy. Implication of this finding is that Bangladesh as a net food importing developing country must raise its voice for a mechanism which will take care of such consequences. Detailed study is required to come up with proposal by Bangladesh to offset this type of negative consequences. Bangladesh should negotiate for measures like technical and financial support to increase its trade capacity so that the country can gain in the long run. Projected increase in producers surplus implies that special provisions such as duty-free and quota-free market access for agricultural commodities from LDCs someway would be able to minimise the negative impacts. It is pertinent to note that Deb (2005) has shown that Bangladesh agriculture was very much responsive to the prices and trade policy pursued during FY1981-2004 period. The study also added that as a result of liberalisation of agricultural trade areas under wheat, sugarcane, pulses and oilseeds have declined while areas under maize, HYV rice, and different vegetables have increased.

TABLE 7: POTENTIAL IMPACTS ON WELFARE GAINS BY BANGLADESH

(In Million US$)

Welfare Type	Harbinson	Cancun	Conservative
Change in Producers Surplus	212.8	130.7	161.8
Change in Consumers Surplus	-213.2	-131.7	-162.4
Change in Government Revenue	-2.8	-2.1	-2.2
Change in Total Welfare	-3.17	-3.1	-2.8

Source: Calculated from ATPSM Database, UNCTAD, Version 3.

TABLE 8: PRODUCT SPECIFIC WELFARE IMPACT OF "CONSERVATIVE" SCENARIO IN BANGLADESH

(In Million US$)

Products	Change in Producer Surplus	Change in Consumer Surplus	Change in Govt. Revenue	Total
Livestock	-0.72	0.72	0.00	0.00
Bovine meat	0.00	0.00	0.00	0.00
Sheep meat	11.71	-11.67	-0.04	0.00
Poultry	3.17	-3.14	-0.03	0.00
Milk, conc.	0.00	-0.39	0.07	-0.32
Butter	1.86	-1.86	-0.13	-0.13
Cheese	0.20	-0.19	0.00	0.01
Wheat	9.89	-10.57	-0.35	-1.03
Rice	74.41	-74.05	0.00	0.37
Barley	0.02	-0.02	0.00	0.00
Maize	0.01	-0.04	0.00	-0.03
Pulses	1.72	-1.80	-0.06	-0.14
Tomatoes	1.67	-1.66	-0.03	-0.01
Apples	0.00	-0.02	0.00	-0.02
Citrus fruits	0.29	-0.29	-0.16	-0.16
Bananas	7.15	-7.04	-0.01	0.10
Other tropical fruits	6.92	-6.89	-0.45	-0.42
Sugar, raw	32.84	-32.40	0.00	0.45
Sugar, refined	2.79	-3.01	-0.57	-0.78
Tea	2.00	-1.97	-0.07	-0.03
Tobacco leaves	1.70	-1.70	-0.13	-0.13
Hides & skins	0.58	-0.59	0.00	-0.01
Oilseeds, temp.	2.12	-2.22	-0.14	-0.24
Oilseeds, trop.	0.35	-0.35	-0.04	-0.04
Cotton	0.20	-0.26	0.00	-0.06
Vegetable oils	0.87	-0.98	-0.11	-0.21
Total	161.76	-162.36	-2.23	-2.83

Source: Calculated from ATPSM Database, UNCTAD, Version 3

Potential Impact on Production, Consumption and Trade

Likely impact of various proposals on production and consumption level and on import cost and export revenue of Bangladesh is reported in Table 9. Estimated results indicated that if the conservative approximation is materialised, then production will increase by 0.65 per cent. Export revenue is likely to be increased from US$ 2.6 million in 1999-01 to US$ 118.2 million. On the other hand, import cost is likely to be decreased from US$ 68.6 million in 1999-01 to US$ 51.1 million (i.e. 25.6% decrease in import cost). Product specific impact scenario for export, import, production and consumption is reported in Tables 10-15.

TABLE 9: POTENTIAL IMPACT ON EXPORT, IMPORT, PRODUCTION AND CONSUMPTION OF BANGLADESH

Description	Initial Level	Likely Situation Under Alternate Proposals			Per cent Change Under Alternate Proposals		
	(1999-2001)	Harbinson	Cancun	Conservative	Harbinson	Cancun	Conservative
		Final	Final	Final	Change (%)	Change (%)	Change (%)
Export Revenue (Million US$)	2.6	156.4	91.1	118.2	5956.5	3429.5	4479.0
Import Cost (Million US$)	68.6	45.9	52.1	51.1	-33.1	-24.1	-25.6
Production (000 MT)	33357.7	33643.0	33515.5	33573.5	0.86	0.47	0.65
Consumption (000 MT)	33372.4	33285.2	33443.4	33650.7	-1.09	-0.62	0.83

Source: Calculated from ATPSM Database, UNCTAD, Version 3.

TABLE 10: IMPACT ON BANGLADESH'S EXPORT REVENUE OF "CONSERVATIVE" CENARIO

(In Thousand US$)

Products	Initial Export Revenue (1999-2001)	Likely Export Revenue	Changes in Export Revenue	Per cent Change in Export Revenue
Livestock	0.00	2574.05	2574.05	—
Bovinemeat	3.93	4.29	0.36	9.12
Sheepmeat	2.71	4008.16	4005.45	147602.91
Poultry	882.54	2956.62	2074.08	235.01
Milk, conc.	15.90	17.77	1.87	11.74
Butter	1.28	99.98	98.71	7735.54
Cheese	68.47	261.60	193.13	282.06
Wheat	22.20	23.36	1.16	5.22
Rice	18.57	44613.33	44594.76	240126.84
Barley	1.32	0.98	-0.33	-25.32
Maize	16.70	12.02	-4.68	-28.00
Sorghum	1.42	0.99	-0.43	-30.38
Pulses	7.94	8.03	0.09	1.14
Tomatoes	0.00	2038.21	2038.21	—
Roots & tubers	15.81	16.12	0.31	1.94
Citrus fruits	11.75	12.06	0.31	2.67
Bananas	26.71	8721.56	8694.85	32550.36
Other tropical fruits	18.38	6679.28	6660.90	36233.35
Sugar, raw	0.00	40909.91	40909.91	—
Sugar, refined	3.85	4.06	0.20	5.29
Cocoa, proc.	6.70	6.77	0.06	0.94
Tea	719.32	4040.98	3321.66	461.78
Tobacco leaves	315.12	536.98	221.86	70.40
Tobacco, proc.	183.66	183.66	0.00	0.00
Hides & skins	93.01	93.69	0.68	0.73
Oilseeds, temp.	1.76	1.82	0.06	3.54
Oilseeds, trop.	1.10	273.98	272.88	24747.31
Rubber	11.19	11.19	0.00	0.00
Cotton	98.98	100.69	1.71	1.72
Vegetable oils	32.00	32.44	0.44	1.37
Total	2582.34	118244.59	115662.25	4478.96

Source: Calculated from ATPSM Database, UNCTAD, Version 3.

TABLE 11: IMPACT ON BANGLADESH'S EXPORT LEVEL OF "CONSERVATIVE" SCENARIO

(In M. Ton)

Products	Initial Export (1999-2001)	Likely Export Level	Change in Export Level	Percent change in Export
Livestock	0.00	2035.64	2035.64	—
Bovine meat	2.00	2.09	0.09	4.34
Sheep meat	1.00	1447.33	1446.33	144633.42
Poultry	656.00	2154.39	1498.39	228.41
Milk, conc.	9.00	9.00	0.00	0.00
Butter	1.00	72.20	71.20	7119.97
Cheese	36.00	125.23	89.23	247.85
Wheat	183.00	184.72	1.72	0.94
Rice	89.00	210496.07	210407.07	236412.44
Barley	16.00	11.46	-4.54	-28.40
Maize	150.00	106.64	-43.36	-28.91
Sorghum	16.00	11.27	-4.73	-29.59
Pulses	15.00	15.05	0.05	0.33
Tomatoes	0.00	2449.32	2449.32	—
Roots & tubers	177.00	177.00	0.00	0.00
Citrus fruits	25.00	25.39	0.39	1.56
Bananas	56.00	17882.23	17826.23	31832.55
Other tropical fruits	25.00	8995.15	8970.15	35880.59
Sugar, raw	0.00	158339.83	158339.83	—
Sugar, refined	12.00	12.21	0.21	1.75
Cocoa, proc.	4.00	4.00	0.00	0.00
Tea	318.00	1758.33	1440.33	452.93
Tobacco leaves	104.00	174.60	70.60	67.89
Tobacco, proc.	11.00	11.00	0.00	0.00
Hides & skins	64.00	63.97	-0.03	-0.04
Oilseeds, temp.	8.00	8.07	0.07	0.86
Oilseeds, trop.	4.00	980.11	976.11	24402.83
Rubber	18.00	18.00	0.00	0.00
Cotton	84.00	84.43	0.43	0.52
Vegetable oils	126.00	126.22	0.22	0.18
Total	2210.00	407781.00	405571.00	18352.00

Source: Calculated from ATPSM Database, UNCTAD, Version 3.

TABLE 12: IMPACT ON BANGLADESH'S IMPORT COST OF "CONSERVATIVE" SCENARIO

(In Million US$)

Products	Initial Import Cost (1999-2001)	Likely Import Cost	Changes in Import Cost
Livestock	0.06	0.00	-0.06
Sheepmeat	0.18	0.00	-0.18
Pigmeat	0.05	0.06	0.01
Poultry	0.13	0.00	-0.13
Milk, conc.	2.46	2.65	0.19
Butter	0.35	0.00	-0.35
Cheese	0.02	0.00	-0.02
Wheat	19.20	13.11	-6.09
Rice	2.20	0.00	-2.20
Barley	0.00	0.24	0.24
Maize	2.05	2.43	0.39
Sorghum	0.00	0.06	0.06
Pulses	10.02	8.88	-1.15
Tomatoes	0.07	0.00	-0.07
Roots & tubers	0.09	0.09	0.00
Apples	0.74	0.74	0.00
Citrus fruits	0.57	0.15	-0.42
Bananas	0.02	0.00	-0.02
Other tropical fruits	1.44	0.00	-1.44
Sugar, refined	6.30	4.02	-2.28
Coffee, green	0.03	0.03	0.00
Coffee, proc.	0.07	0.07	0.00
Cocoa, proc.	0.07	0.07	0.00
Tea	0.18	0.00	-0.18
Tobacco leaves	0.86	0.00	-0.86
Tobacco, proc.	1.09	1.75	0.67
Hides & skins	1.81	1.86	0.05
Oilseeds, temp.	4.91	2.17	-2.74
Oilseeds, trop.	0.23	0.00	-0.23
Rubber	0.29	0.29	0.00
Cotton	4.96	4.77	-0.19
Vegetable oils	8.19	7.63	-0.56
Total	68.64	51.08	-17.56

Source: Calculated from ATPSM Database, UNCTAD, Version 3.

TABLE 13: IMPACT ON BANGLADESH'S IMPORT LEVEL OF "CONSERVATIVE" SCENARIO

(In M. Ton)

Products	Initial Import Level (1999-2001)	Likely Import Level	Changes in Import Level	Per cent Change Import Level
Livestock	46.00	0.00	-46.00	-100.00
Bovine meat	2.00	2.04	0.04	2.17
Sheep meat	66.00	0.00	-66.00	-100.00
Pig meat	38.00	45.32	7.32	19.27
Poultry	100.00	0.00	-100.00	-100.00
Milk, conc.	1391.00	1343.53	-47.47	-3.41
Butter	272.00	0.00	-272.00	-100.00
Cheese	8.00	0.00	-8.00	-100.00
Wheat	158235.00	103628.79	-54606.21	-34.51
Rice	10547.00	0.00	-10547.00	-100.00
Barley	32.00	2790.86	2758.86	8621.45
Maize	18387.00	21595.13	3208.13	17.45
Sorghum	32.00	691.69	659.69	2061.53
Pulses	18936.00	16635.48	-2300.52	-12.15
Tomatoes	84.00	0.00	-84.00	-100.00
Roots & tubers	993.00	985.07	-7.93	-0.80
Apples	1352.00	1329.22	-22.78	-1.68
Citrus fruits	1223.00	322.02	-900.98	-73.67
Bananas	35.00	0.00	-35.00	-100.00
Other tropical fruits	1958.00	0.00	-1958.00	-100.00
Sugar, raw	2.00	0.00	-2.00	-100.00
Sugar, refined	19621.00	12101.66	-7519.34	-38.32
Coffee, green	23.00	22.98	-0.02	-0.08
Coffee, proc.	15.00	14.95	-0.05	-0.30
Cocoa, proc.	42.00	41.84	-0.16	-0.39
Tea	81.00	0.00	-81.00	-100.00
Tobacco leaves	284.00	0.00	-284.00	-100.00
Tobacco, proc.	65.00	104.96	39.96	61.48
Hides & skins	1244.00	1266.62	22.62	1.82
Oilseeds, temp.	22333.00	9617.06	-12715.94	-56.94
Oilseeds, trop.	847.00	0.00	-847.00	-100.00
Rubber	468.00	468.00	0.00	0.00
Cotton	4208.00	4001.14	-206.86	-4.92
Vegetable oils	32242.00	29670.66	-2571.34	-7.98
Total	**295212.00**	**206679.04**	**-88532.96**	**-29.99**

Source: Calculated from ATPSM Database, UNCTAD, Version 3.

TABLE14: IMPACT ON BANGLADESH'S PRODUCTION OF "CONSERVATIVE" SCENARIO

(In M. Ton)

Products	Initial Production (1999-2001)	Likely Production Level	Changes in Production Level	Per cent Change in Production
Livestock	607086.00	608020.61	934.61	0.15
Bovine meat	1.00	1.04	0.04	4.34
Sheep meat	168575.00	169196.02	621.02	0.37
Poultry	113533.00	114308.85	775.85	0.68
Butter	12410.00	12484.06	74.06	0.60
Cheese	1000.00	1059.00	59.00	5.90
Wheat	1807000.00	1824010.42	17010.42	0.94
Rice	22655880.00	22747914.66	92034.66	0.41
Barley	4667.00	3341.72	-1325.28	-28.40
Maize	8000.00	5687.49	-2312.51	-28.91
Sorghum	1000.00	704.10	-295.90	-29.59
Pulses	378893.00	380125.75	1232.75	0.33
Tomatoes	99333.00	101099.98	1766.98	1.78
Citrus fruits	40333.00	40961.09	628.09	1.56
Bananas	580000.00	586258.09	6258.09	1.08
Other tropical fruits	732000.00	735444.77	3444.77	0.47
Sugar, raw	4974841.00	5061758.30	86917.30	1.75
Sugar, refined	197751.00	201212.37	3461.37	1.75
Tea	51333.00	51546.51	213.51	0.42
Tobacco leaves	33667.00	33767.94	100.94	0.30
Tobacco, proc.	158333.00	158333.40	0.40	0.00
Hides & skins	51499.00	51476.35	-22.65	-0.04
Oilseeds, temp.	343667.00	346612.22	2945.22	0.86
Oilseeds, trop.	78174.00	78931.51	757.51	0.97
Rubber	3067.00	3067.00	0.00	0.00
Cotton	14167.00	14240.21	73.21	0.52
Vegetable oils	241524.00	241948.63	424.63	0.18
Total	**33357734.00**	**33573512.10**	**215778.10**	**0.65**

Source: Calculated from ATPSM Database, UNCTAD, Version 3.

TABLE 15: IMPACT ON BANGLADESH'S CONSUMPTION OF "CONSERVATIVE" SCENARIO

(In M. Ton)

Products	Initial Consumption (1999-2001)	Likely Consumption Level	Changes in Consumption Level	Per cent Change in Consumption
Livestock	605984.97	607132.00	-1147.03	-0.19
Sheep meat	167748.68	168640.00	-891.32	-0.53
Pig meat	45.32	38.00	7.32	19.27
Poultry	112155.46	112978.00	-822.54	-0.73
Milk, conc.	1333.53	1381.00	-47.47	-3.44
Butter	12411.86	12681.00	-269.14	-2.12
Cheese	933.77	972.00	-38.23	-3.93
Wheat	1927453.48	1965051.00	-37597.52	-1.91
Rice	22537418.58	22666338.00	-128919.42	-0.57
Barley	6121.13	4683.00	1438.13	30.71
Maize	27175.98	26237.00	938.98	3.58
Sorghum	1384.53	1016.00	368.53	36.27
Pulses	396746.19	397814.00	-1067.81	-0.27
Tomatoes	98649.67	99416.00	-766.33	-0.77
Roots & tubers	808.07	816.00	-7.93	-0.97
Apples	1329.22	1352.00	-22.78	-1.68
Citrus fruits	41257.73	41531.00	-273.27	-0.66
Bananas	568376.86	579980.00	-11603.14	-2.00
Other tropical fruits	726448.63	733932.00	-7483.37	-1.02
Sugar, raw	4903418.47	4974843.00	-71424.53	-1.44
Sugar, refined	213301.82	217360.00	-4058.18	-1.87
Coffee, green	22.98	23.00	-0.02	-0.08
Coffee, proc.	13.95	14.00	-0.05	-0.32
Cocoa, proc.	37.84	38.00	-0.16	-0.43
Tea	49788.17	51096.00	-1307.83	-2.56
Tobacco leaves	33593.33	33847.00	-253.67	-0.75
Tobacco, proc.	158427.36	158387.00	40.36	0.03
Hides & skins	52679.00	52679.00	0.00	0.00
Oilseeds, temp.	356221.21	365992.00	-9770.79	-2.67
Oilseeds, trop.	77951.40	79017.00	-1065.60	-1.35
Rubber	3517.00	3517.00	0.00	0.00
Cotton	18156.92	18291.00	-134.08	-0.73
Vegetable oils	271493.06	273640.00	-2146.94	-0.78
Total	**33372406.18**	**33650732.00**	**278325.82**	**0.83**

Source: Calculated from ATPSM Database, UNCTAD, Version 3.

Potential Impact on Bangladesh's Balance of Trade

What would be the likely situation in the case of Balance of Trade for agricultural commodities? During 1999-2001, Bangladesh had a deficit trade balance in its agricultural trade amounting to US$ 66.05 million (Table 16). Bangladesh's trade balance situation is likely to change enormously if the AOA negotiation results commitments as per the conservative assumption. Bangladesh will experience positive trade balance in agriculture and the net value of trade balance is likely to be US$ 67.17 million. Bangladesh will have positive trade balance in livestock, sheep meat, poultry, cheese, rice, tomatoes, banana and other tropical fruits, tea, and tobacco leaves. Exports of these commodities from Bangladesh are likely to be increased substantially. On the other hand, trade deficit for wheat, maize, oil seeds, cotton, and vegetable oils will increase further as a result of increased import. Trade deficit for various fruits, such as apples, citrus fruits, will also increase further. Bangladesh must plan accordingly and take appropriate policies to materialise the likely gains in trade by increasing its trade capacity.

TABLE 16: POTENTIAL IMPACT OF ALTERNATE PROPOSALS ON BANGLADESH'S TRADE BALANCE

(In Million US$)

Products	Initial Situation (1999-2001)	Likely Balance Situation Under Alternative Proposals		
		Harbinson	Conservative	Cancun
Livestock	-0.06	3.02	2.57	0.95
Sheep meat	-0.18	5.95	4.01	6.33
Pig meat	-0.05	-0.06	-0.06	-0.06
Poultry	0.75	4.05	2.96	2.78
Milk, conc.	-2.44	-2.75	-2.63	-2.71
Butter	-0.35	0.39	0.10	0.19
Cheese	0.05	0.34	0.26	0.31
Wheat	-19.18	-10.49	-13.08	-11.76
Rice	-2.18	57.91	44.61	25.06
Barley	0.00	-0.33	-0.24	-0.26
Maize	-2.03	-2.56	-2.42	-2.41
Sorghum	0.00	-0.08	-0.06	-0.07
Pulses	-10.02	-8.30	-8.87	-8.80
Tomatoes	-0.07	2.72	2.04	2.90
Roots & tubers	-0.07	-0.07	-0.07	-0.07
Apples	-0.74	-0.74	-0.74	-0.74
Citrus fruits	-0.56	0.02	-0.14	-0.17
Bananas	0.01	12.09	8.72	10.17
Other tropical fruits	-1.42	7.93	6.68	7.67
Sugar, raw	0.00	54.93	40.91	29.37
Sugar, refined	-6.29	-2.54	-4.02	-4.34
Coffee, green	-0.03	-0.03	-0.03	-0.03
Coffee, proc.	-0.07	-0.07	-0.07	-0.07
Cocoa, proc.	-0.06	-0.06	-0.06	-0.06
Tea	0.54	5.28	4.04	4.12
Tobacco leaves	-0.55	0.80	0.54	0.70
Tobacco, proc.	-0.90	-1.73	-1.57	-1.65
Hides & skins	-1.71	-1.88	-1.76	-1.91
Oilseeds, temp.	-4.90	-1.21	-2.17	-3.70
Oilseeds, trop.	-0.23	0.44	0.27	0.04
Rubber	-0.28	-0.28	-0.28	-0.28
Cotton	-4.86	-4.62	-4.67	-4.78
Vegetable oils	-8.16	-7.60	-7.59	-7.67
Total	-66.05	110.46	67.17	39.08

Source: Calculated from ATPSM Database, UNCTAD, Version 3.

Potential Impact of Duty-Free and Quota-Free Market Access for LDCs

In the July Package, it was agreed that developed members and developing country members in a position to do so to [sometimes referred to as advanced developing countries] should provide duty-free and quota-free market access for products originating from least developed countries. Therefore, it is most intriguing to know the likely impacts of such provision an initiative.

Duties imposed on agricultural commodities imported from Bangladesh during 1999-2001 were about US$ 1.23 million to the developed countries as duty for exporting various agricultural commodities to the developed country markets. Table 17 reports the estimated amount of duty paid for different agricultural commodities exported by Bangladesh. It is evident from the table that Bangladesh has paid approximately US$ 0.56 million for export of poultry products and approximately US$ 0.64 million for export of tobacco leaves.

Duty imposed on agricultural commodities imported from Bangladesh during 1999-2001 was US$ 1.2 million in EU, US$ 2.27 thousand in USA, and US$ 1.2 thousand in Japan. EU through its Everything But Arms (EBA) has given duty-free access for products from LDCs in 2001. Japan is also providing now duty-free market access for LDC products under GSP. USA is yet to approve such schemes. It appears from the analysis that duty-free access for LDC commodities to the US market would be beneficial for Bangladesh to increase its exports.

We have also tried to estimate the situation in selected developing countries. In 1999-2001, import duty earned from Bangladesh's agricultural export to India is about US$ 29.59 thousand (Table 18). On the other hand, Russia has import duty of US$ 28.80 thousand on agricultural exports by Bangladesh. During the same period, Korea had import duty amounting to US$ 10.19 thousand. Implication of this research finding is that Bangladesh must negotiate for duty-free access of its agro-commodities to the advanced developing country markets.

TABLE 17: TARIFF REVENUE EARNINGS FROM BANGLADESH'S AGRICULTURAL EXPORTS IN SELECTED DEVELOPED COUNTRIES, 1999-2001

(In US Dollar)

Products	EU	USA	Japan	Australia	Canada	Total
Bovine meat	355	0	0	0	0	355
Poultry	562695	0	0	0	4	562699
Milk, conc.	783	6	2	0	0	791
Butter	217	519	0	0	0	736
Cheese	1901	259	0	0	1	2161
Wheat	0	0	24	0	0	24
Rice	631	1263	0	23	0	1917
Maize	260	0	0	0	0	260
Pulses	13	0	0	1	0	14
Bananas	1124	0	0	0	0	1124
Other tropical fruits	1143	225	0	0	0	1368
Sugar, raw	0	0	0	0	0	0
Sugar, refined	102	0	0	0	0	102
Cocoa, proc.	0	0	1239	0	0	1239
Tea	15923	0	0	0	0	15923
Tobacco leaves	637220	0	0	0	0	637220
Total (USD)	**1222367**	**2272**	**12665**	**24**	**5**	**1225933**

Source: Calculated from ATPSM Database, UNCTAD, Version 3.

TABLE 18: TARIFF REVENUE EARNINGS OF SELECTED ADVANCED DEVELOPING COUNTRIES FROM BANGLADESH'S AGRICULTURAL EXPORTS

(In US Dollar)

Product	Brazil	India	Korea Rep.	Malaysia	Russia	Thailand	Total
Milk, conc.	0	4333	0	0	0	8	4341
Butter	0	0	0	0	0	0	0
Cheese	0	3138	0	0	0	0	3138
Barley	0	0	0	1	0	0	1
Pulses	0	0	0	0	0	8	8
Roots & tubers	0	1342	0	200	0	0	1542
Citrus fruits	0	1974	0	0	0	0	1974
Other tropical fruits	0	9130	0	0	0	2	9132
Tea	0	6127	27	34	28806	0	34994
Tobacco leaves	0	0	0	1	0	0	1
Oilseeds, trop.	0	0	0	4	0	0	4
Cotton	0	3547	10165	542	0	0	14254
Vegetable oils	0	0	0	0	0	1	1
Total	**0**	**29591**	**10192**	**782**	**28806**	**19**	**69390**

Source: Calculated from ATPSM Database, UNCTAD, Version 3.

Deb (2005), using ATPSM (version 2.2), showed that total net benefit from duty-free and quota-free market access for agricultural commodities (crop) to the developed country markets might result net benefit worth 662 thousand dollars. In his estimation, 20 developed countries/economic territories were included. These are Australia, Brunei, Canada, Cyprus, EU, France, Hong Kong, Iceland, Israel, Japan, Kuwait, Macao, Netherlands, New Zealand, Norway, Slovenia, Switzerland, Taiwan, United Arab Emirates, and USA. The study added that if Bangladesh is allowed duty-and quota-free market access to the developed country markets, then it can substantially gain from export of rice, tea, and tobacco leaves. However, potential benefit from export of cotton linters and oilseeds would be negligible.

It is clear from the analysis that if Bangladesh gets duty-free and quota-free market access in the developed and advanced developing country markets, then it will substantially benefit.

5. ISSUES AND CONCERNS FOR BANGLADESH

As mentioned earlier, the July text exempts Bangladesh, as an LDC, from undertaking any reduction commitments in agriculture. However, in terms of getting duty-free and quota-free market access, the July text did not provide the required mandatory commitment from the developed member countries. The delegations from the LDCs got little opportunity to raise this issue due to the limitation in time and scope to enter the *Green Room* discussions.

Bangladesh along with other LDCs must negotiate for duty-free and quota-free market access for LDC agro-products. If the ongoing negotiations do not result in considerable market opening in the OECD countries, Bangladesh will not be able to realise the potential export opportunities that it has in the agriculture sector. If the farm subsidies and high tariff rates continue to persist in the developed countries, in spite of the ongoing negotiation, this will restrain market access of Bangladesh's agriculture goods in the developed world markets and also limit, albeit indirectly, market access in other countries because of the lower global prices on agriculture goods which originate from those type of subsidies. Already there are signs that developed countries will arrive at some sort of consensus by giving important concessions to each other during the ongoing negotiations in agriculture.

If there is little headway in opening up of the agriculture markets, then the enhanced market opening provided to the LDCs, under such initiatives as the "Everything But Arms" initiatives of European Union (EU-EBA), will be of little significance. Exports from the LDCs will hardly be able to compete with domestic agro-producers of OECD countries who will remain competitive thanks to the subsidies they will continue to receive. Countries such as Bangladesh will not be able to benefit much under those circumstances. On the other hand, demand for quality control and compliance with health and hygiene standards is on the increase. Oftentimes these standards, implemented by the competent authorities in the developed countries, are more stringent than the standards required by the WTO. The HACCP (Hazard Analysis Critical Control Point) standard of the EU is a case in point. Bangladesh's export of food products, more particularly that of shrimp, has in the past been subjected to sanctions on the ground of non-compliance with HACCP. If appropriate assistance is not put in place, then this type of requirements, both WTO originated and national or regional, will have detrimental impact on exports of agro-products from LDCs, such as Bangladesh.

The interests of LDCs as regards the various concerns articulated above are threefold. Firstly, Bangladesh and other LDCs would benefit if they get duty-free and quota-free access to the developed country markets for their agricultural products. Secondly, it will be in Bangladesh's advantage if the ongoing negotiations do result in substantial de-subsidisation in developed countries. However, one would need to keep in mind here that in a way continuing high tariff rate will provide relatively higher preferential margin to LDCs such as Bangladesh, particularly in the EU market, in view of the EU-EBA. So, Bangladesh's interest will lie more in an outcome that ensures market based domestic prices for farm products in regions such as EU. Thirdly, Bangladesh will need to take a more proactive interest in other ongoing negotiations which will have important implications in terms of trade capacity building in agriculture. This relates to the positive agenda, S&D provisions, transfer of technology, enabling clause, and assistance under integrated framework initiative. In addition, Bangladesh should also pursue an energetic policy to ensure that initiatives such as the Millennium Development Goals (MDGs), originating from the Monterrey consensus with its poverty reduction targets, are implemented by keeping in view the concerns and interests of LDCs in the area of agriculture. Such support would need to be

targeted to the entire spectrum of the concerns and interests of the LDCs: food security, production and research capacity building in agriculture as well as enhancement of market access opportunities. It would be in Bangladesh's interest to pursue a strategy of issue specific coalition building with respect to various negotiating items on the agenda on agriculture in the WTO.

6. PROPOSALS FOR BANGLADESH'S NEGOTIATING POSITION

Bangladesh will need to engage more proactively in the ongoing WTO negotiations on agriculture and make alliance with countries having similar interests. It is often said, "In the WTO countries do not get what they deserve, they get what they negotiate." Therefore, Bangladesh should be actively involved in the negotiations and press for implementation of the commitments by developed countries, particularly on commitments related to S&D treatments for LDCs. Developed countries should stop subsidies and allow duty-free and quota-free access for products from LDCs. The "July Package" has asked, "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." As mentioned earlier, "should" is not a mandatory word in the WTO. Therefore, Bangladesh along with other LDCs must negotiate for a definitive "shall" rather than only "should".

In view of the concerns of the LDCs with regard to the negotiation on agriculture, Bangladesh shall demand for the following:

Duty-free Market Access: LDCs must be given effective market access, bound in the WTO, for their all agricultural products through duty-free market access in the developed country markets. Such market access ought to be immediate and predictable.

Market Access in Advanced Developing Countries: Bangladesh must negotiate for zero-tariff market access to the advanced developing countries for all agricultural products originating from LDCs. This negotiation possibility has already been ushered through the July Framework.

Elimination of Export Subsidies: Bangladesh shall demand for a rapid phase out of all forms of export subsidies, including any subsidy component in export credits and any abuse of food aid.

Ensure Market Based Price: In order to ensure market based price for agricultural products in the developed countries, and putting an end to exports below their production costs, Bangladesh shall demand that adequate discipline be put on different types of domestic support provided under various boxes, including the Green Box.

Zero Reduction Commitment by LDCs: In view of the centrality of agriculture for food security and employment in the LDCs, Bangladesh shall support the agreement that LDCs shall not be required to undertake any commitments for reduction of tariffs and domestic support in the context of the ongoing negotiations in agriculture.

Special Products (SPs) and Special Safeguard Mechanisms (SSMs): Bangladesh may support the introduction of the concept of SPs and SSMs in the Agreement on Agriculture. It may demand that the developing countries be exempted from any reduction commitments for products designated as SPs.

Non-tariff Barriers (NTBs): LDCs are often constrained by various non-tariff barriers and undue implementation process of standards imposed on the SPS ground. Bangladesh may negotiate with members to ensure WTO compliance and transparent evaluation criteria for NTBs, and ensure that standards are not set beyond the required scientific limit.

Technical Assistance and Capacity Building: Bangladesh may also demand that the LDCs shall be provided adequate technical and financial assistance to improve agricultural productivity and infrastructure, and for development of facilities and systems for compliance with SPS and various certification requirements.

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ANNEX 1: IMPACT ON APPLIED AND BOUND TARIFF RATES IN DEVELOPED AND IN DEVELOPING COUNTRIES

(Change in Percentage points)

Country	Conservative Scenario						Cancun Scenario						Harbinson Scenario					
	Applied		Bound		Applied	Bound	Applied		Bound		Applied	Bound	Applied		Bound		Applied	Bound
	Initial (%)	Final (%)	Initial (%)	Final (%)	Change	Change	Initial (%)	Final (%)	Initial (%)	Final (%)	Change	Change	Initial (%)	Final (%)	Initial (%)	Final (%)	Change	Change
Australia	1.20	0.77	1.20	0.77	-0.43	-0.43	1.20	0.94	1.20	0.94	-0.26	-0.26	1.20	0.67	1.20	0.67	-0.53	-0.53
Brazil	9.90	9.70	33.26	25.27	-0.20	-7.98	9.90	9.85	33.26	20.03	-0.05	-13.22	9.90	9.69	33.26	23.34	-0.21	-9.92
Canada	25.94	16.60	25.94	16.60	-9.34	-9.34	25.94	20.74	25.94	20.74	-5.21	-5.21	25.94	10.93	25.94	10.93	-15.01	-15.01
EU	42.71	27.33	42.71	27.33	-15.38	-15.38	42.71	27.37	42.71	27.37	-15.34	-15.34	42.71	19.78	42.71	19.78	-22.93	-22.93
India	19.19	18.07	80.21	60.96	-1.12	-19.25	19.19	18.90	80.21	41.98	-0.28	-38.24	19.19	17.61	80.21	51.45	-1.58	-28.76
Japan	79.00	50.56	79.00	50.56	-28.44	-28.44	79.00	59.09	79.00	59.09	-19.91	-19.91	79.00	32.82	79.00	32.82	-46.19	-46.19
Korea Rep.	40.24	38.13	94.84	72.08	-2.11	-22.76	40.24	22.63	94.84	26.97	-17.61	-67.87	40.24	36.90	94.84	59.17	-3.34	-35.67
Malaysia	13.26	12.38	44.75	34.01	-0.88	-10.74	13.26	3.91	44.75	8.02	-9.35	-36.73	13.26	12.30	44.75	27.95	-0.96	-16.80
Pakistan	29.52	29.32	83.71	63.62	-0.21	-20.09	29.52	28.88	83.71	43.01	-0.64	-40.70	29.52	29.31	83.71	53.64	-0.21	-30.07
Russia	4.23	3.22	4.23	3.22	-1.02	-1.02	4.23	3.62	4.23	3.62	-0.61	-0.61	4.23	3.17	4.23	3.17	-1.06	-1.06
South Africa	6.86	6.46	44.70	33.97	-0.40	-10.73	6.86	6.72	44.70	19.46	-0.14	-25.24	6.86	6.44	44.70	29.68	-0.41	-15.02
Sri Lanka	18.94	17.95	39.68	30.16	-0.99	-9.52	18.94	18.73	39.68	26.07	-0.21	-13.61	18.94	17.68	39.68	27.79	-1.26	-11.89
Thailand	41.25	34.37	56.96	43.29	-6.87	-13.67	41.25	36.13	56.96	37.97	-5.11	-18.99	41.25	31.06	56.96	37.48	-10.19	-19.48
USA	25.45	16.29	25.45	16.29	-9.16	-9.16	25.45	19.77	25.45	19.77	-5.68	-5.68	25.45	11.52	25.45	11.52	-13.93	-13.93

Source: Calculated from ATPSM Database, UNCTAD, Version 3.