# Current State of Doha Round Negotiations on Agriculture: Issues, Concerns and Strategies for Bangladesh

*Occasional Paper: 85*

*Uttam Deb*
*Muhammad Al Amin*

Publisher

**Centre for Policy Dialogue (CPD)**
House No 40/C, Road No 11 (new), Dhanmondi R/A
Dhaka-1209, Bangladesh
Tel: (880 2) 8124770, 9141703, 9141734
Fax: (880 2) 8130951
E-mail: info@cpd.org.bd
Website: www.cpd.org.bd

First Published December 2009
© Centre for Policy Dialogue

*Disclaimer:* The views expressed in this paper are those of the authors alone and do not necessarily reflect the views of CPD.

Tk. 80

ISSN 1818-1570 (Print), ISSN 1818-1597 (Online)

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 group 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 the CPD include *Macroeconomic Performance Analysis*, *Agriculture and Rural Development*, *Eradication of Poverty*, *Trade, Regional Cooperation and Global Integration*, *Investment Promotion, Infrastructure and Enterprise Development*, *Climate Change and Environment*, *Human Development and Social Protection*, and *Development Governance, Policies and Institutions*. The CPD also conducts periodic public perception surveys on policy issues and issues of developmental concerns. With a view to promote vision and policy awareness amongst the young people of the country, CPD is also implementing a *Youth Leadership Programme*.

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 been bringing 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 are published under this series. The Occasional Paper Series also include draft research papers and reports, which may be subsequently published by the CPD.

The present research report titled **Current State of Doha Round Negotiations on Agriculture: Issues, Concerns and Strategies 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 have been made available to all stakeholder groups including the government and policymakers, entrepreneurs and business leaders, and trade and development partners.

This paper has been prepared by *Dr Uttam Deb,* Head, Research Division, CPD and *Mr Muhammad Al Amin*, Research Associate, CPD.

**Assistant Editor:** *Anisatul Fatema Yousuf,* Director, Dialogue & Communication, CPD.
**Series Editor:** *Mustafizur Rahman,* Executive Director, CPD.

# Contents

*Acronyms* ..... *ix*

1. INTRODUCTION ..... 1

2. REVISED DRAFT MODALITIES FOR AGRICULTURE ..... 3
   2.1 Domestic Support ..... 3
   2.2 Market Access ..... 6
   2.3 Export Competition ..... 9
   2.4 International Food Aid ..... 10

3. IMPORTANCE AND POTENTIAL OF AGRICULTURAL TRADE FOR BANGLADESH ..... 11
   3.1 Trends in Agricultural Trade ..... 12
   3.2 Agricultural Products with Export Potentials ..... 17
   3.3 Potential Agro-products for Export to the USA ..... 18

4. POTENTIAL IMPACTS OF PROPOSED MODALITIES ON BANGLADESH ..... 20
   4.1 Potential Impact on Tariff Reduction ..... 24
   4.2 Potential Impact on Domestic Support ..... 25
   4.3 Potential Impact on Total Welfare ..... 25
   4.4 Potential Welfare Gains for Bangladesh ..... 26
   4.5 Potential Impact on World Prices ..... 28
   4.6 Potential Impact on Production, Consumption and Trade ..... 29

5. ISSUES, CONCERNS AND STRATEGIES FOR BANGLADESH ..... 35
   5.1 Issues and Concerns for Bangladesh ..... 35
   5.2 Negotiating Strategy for Bangladesh ..... 36

6. CONCLUSIONS ..... 37

References ..... 38

# List of Tables, Figures and Box

***Tables***


| | | |
|---|---|---|
| Table 1 | Domestic Support Cut Possibilities | 4 |
| Table 2 | AMS Reduction Possibilities | 5 |
| Table 3 | Possibility of Tariff Cuts in the Developed Countries | 7 |
| Table 4 | Possibility of Tariff Cuts in Developing Countries, Recently Acceded Members, and Small and Vulnerable Economies | 7 |
| Table 5 | Product Coverage in the WTO Agreement on Agriculture (AoA) | 11 |
| Table 6 | Trends in Agricultural Exports of Bangladesh: 1991-2006 | 12 |
| Table 7 | Trends in Agricultural Imports of Bangladesh: 1991-2006 | 14 |
| Table 8 | Major Agricultural Export Items (6-digit HS) of Bangladesh: TE 2006 | 15 |
| Table 9 | Bangladesh's Agricultural Export to the USA: TE 2006 | 19 |
| Table 10 | Agricultural Products Considered for the Present Study | 20 |
| Table 11 | Draft Modalities Scenario, 6 December 2008 | 23 |
| Table 12 | Potential Impact on Applied and Bound Tariff Rates in Developed and Developing Countries | 24 |
| Table 13 | Potential Impact on Domestic Support Expenditure in Selected Developed and Developing Countries | 25 |
| Table 14 | Potential Impact on Total Welfare in Selected Developed, Developing and Least Developed Countries | 26 |
| Table 15 | Potential Impact on Total Welfare in Selected Developed Countries | 26 |
| Table 16 | Welfare Impact on Bangladesh: Change from Base Level | 27 |
| Table 17 | Product Specific Potential Impacts on Welfare Gains in Bangladesh | 27 |
| Table 18 | Potential Impact of Negotiation Outcome on World Prices | 29 |
| Table 19 | Potential Impact on Production and Consumption of Bangladesh | 30 |
| Table 20 | Potential Impact on Agricultural Production in Bangladesh | 31 |
| Table 21 | Potential Impact on Consumption Level in Bangladesh | 31 |
| Table 22 | Potential Impact on Export and Import Levels in Bangladesh | 33 |
| Table 23 | Potential Impact on Bangladesh's Export Level | 33 |
| Table 24 | Potential Impact on Bangladesh's Import Level | 34 |


***Figures***


| | | |
|---|---|---|
| Figure 1 | Trends in Agricultural Exports of Bangladesh :1991-2006 | 13 |
| Figure 2 | Trends in Agricultural Imports of Bangladesh :1991-2006 | 14 |


***Box***


| | | |
|---|---|---|
| Box 1 | Milestones to WTO Negotiation on Agreement on Agriculture (AoA): the way to the Seventh Ministerial | 2 |

# Acronyms

| | |
|---|---|
| AMS | Aggregate Measurement of Support |
| AoA | Agreement on Agriculture |
| ATPSM | Agricultural Trade Policy Simulation Model |
| DDA | Doha Development Agenda |
| DDR | Doha Development Round |
| DSE | Domestic Support Expenditure |
| EBA | Everything But Arms |
| EC | European Community |
| EU | European Union |
| FAO | Food and Agriculture Organization |
| GSP | Generalized System of Preferences |
| HS | Harmonized System |
| HYV | High Yielding Variety |
| LDC | Least Developed Country |
| NTB | Non-tariff Barrier |
| R&D | Research and Development |
| RMG | Readymade Garment |
| S&D | Special and Differential |
| SPS | Sanitary and Phytosanitary |
| SP | Special Product |
| SSG | Special Safeguard |
| SSM | Special Safeguard Mechanism |
| SVE | Small and Vulnerable Economy |
| TBT | Technical Barriers to Trade |
| TNC | Trade Negotiations Committee |
| US | United States |
| USA | United States of America |
| UN COMTRADE | United Nations Commodity Trade Statistics Database |
| UNCTAD | United Nations Conference on Trade and Development |
| WTO | World Trade Organization |

## 1. INTRODUCTION

The agreement on agriculture (AoA) of the World Trade Organization (WTO) was negotiated in the Uruguay Round (1986-94) and was the significant first step towards fairer competition and a less distorted sector. It includes specific commitments by WTO member governments to improve market access and reduce trade-distorting subsidies in agriculture. The developed country Members implemented these commitments over six years (1995-2000) and the developing country Members over 10 years (1995-2004).

The WTO Members agreed to initiate negotiations for continuing the agricultural trade reform process one year before the end of the implementation period, i.e. by the end of 1999. Accordingly, negotiations started in early 2000 under Article 20 of AoA. During the Doha ministerial conference in November 2001, Members decided to include the developments in agriculture negotiations under the Doha Development Round (DDR) scheduled to complete and part of the single undertaking by 1 January 2005. All the deadlines set in DDR were failed and the Cancun ministerial ended without any ministerial declaration. In July 2004 (actually on 1 August 2004), the WTO Members agreed on a framework package to keep the DDR trade negotiations alive. This framework package is popularly known as "July Package" or "August Framework".[1] Follow-ups on July Package continued but there were limited progress before the sixth WTO ministerial conference held in Hong Kong, China on 13-18 December 2005. In Hong Kong, Members agreed to conclude the DDR negotiations successfully in 2006 and submit comprehensive draft schedules based on modalities no later than 31 July 2006. However, Members failed to agree on modalities by July 2006. The DDR negotiations were suspended for an indefinite period through the general council meting held in July 2006. On 16 November 2006, WTO Director General Pascal Lamy asked all the negotiating groups to hold informal meetings, focusing only on technical works. Accordingly, soft resumptions were made.

Current negotiations on agriculture are on the latest Revised Draft Modalities for Agriculture (TN/AG/W/4/Rev. 4; 6 December 2008) circulated by the Committee on Agriculture in its special session on 6 December 2008. This version of the draft modalities is basically a revised version of several earlier documents circulated by Ambassador Crawford Falconer, Chairperson of the Negotiation Committee since July 2007. The seventh ministerial held on 30 November to 2 December 2009 in Geneva ended with the expectation of attaining a concrete solution no later than the end of 2010, using the modalities circulated on 6 December 2008. Box 1 summarises the milestones to the development in agriculture negotiations or the way to the current draft of the modalities for agriculture.

[1]The General Council Meeting of WTO was held on 31 July-1 August 2004. The decisions about the "July Package" were adopted actually on 1 August. Therefore, the package is also known as "August Framework."

**Box 1: Milestones to WTO Negotiation on Agreement on Agriculture (AoA): The way to the Seventh Ministerial**

- Uruguay Round (1986–94) negotiation: The Agreement on Agriculture (AoA) was adopted. Domestic support, market access and export subsidy are the major pillars of AoA. The developed country Members implemented the commitments over six years (1995-2000) and the developing country Members over 10 years (1995-2004).
- By the end of 1999, the WTO Members agreed to initiate negotiations for continuing the agricultural trade reform process.
- At the November 2001 Doha ministerial conference, the agriculture negotiations became a part of the single undertaking in which virtually all the linked negotiations are to be ended by 1 January 2005.
- All the deadlines set in Doha were failed and the Cancun ministerial ended without any ministerial declaration.
- In July 2004 (actually on 1 August 2004), the WTO Members agreed on a framework package to keep the DDR trade negotiations alive. This framework package is popularly known as "July Package" or "August Framework".
- In Hong Kong ministerial (13-18 December 2005), Members agreed to conclude DDR negotiations successfully in 2006 and submitted comprehensive draft schedules based on modalities no later than 31 July 2006.
- The DDR negotiations were suspended for an indefinite period through the general council meting held in July 2006.
- On 16 November 2006, WTO Director General Pascal Lamy asked all the negotiating groups to hold informal meetings, focusing only on technical works. Accordingly, soft resumptions were made.
- On 17 July 2007, Chairperson of the Negotiation Committee on Agriculture Ambassador Crawford Falconer circulated a revised draft "modalities".
- On 8 February 2008, Committee on Agriculture circulated the Revised Draft Modalities for Agriculture.
- On 19 May 2008, Committee on Agriculture circulated another Revised Draft Modalities for Agriculture.
- On 10 July 2008, Committee on Agriculture circulated another Revised Draft Modalities for Agriculture.
- The mini ministerial held in Geneva (21-30 July 2008) collapsed on the issue of special safeguard mechanism in agriculture for developing countries.
- On 6 December 2008, Committee on Agriculture circulated another Revised Draft Modalities for Agriculture.
- The seventh ministerial held in Geneva (30 November to 2 December 2009) ended with the expectation of attaining a concrete solution no later the end of 2010 using the modalities circulated on 6 December 2008.

**Source:** Compiled from the WTO website www.wto.org

The present paper attempts to analyse the implications of various negotiating proposals put forward in the latest draft of 6 December 2008. Specific objectives of the study are as follows:

1. To review various proposals made for enhancing market access, reduction in domestic support and elimination of export subsidy;
2. To analyse the importance and potential of agricultural trade for Bangladesh;
3. To quantify the impacts of the proposals on reduction in tariff, domestic support and export subsidy in important developed and developing countries;
4. To analyse potential impacts of the negotiating proposals on Bangladesh economy particularly on the agriculture sector; and

5. To suggest some negotiating strategies for Bangladesh to be pursued in the on-going WTO negotiations on agriculture.

The paper is organised as follows: after introduction, section two reviews various negotiating modalities proposed in December 2008 Draft. Section three analyses the importance and potential of agricultural trade for Bangladesh, while section four attempts to estimate likely impacts of the proposed modalities for Bangladesh's agriculture and its economy. In section five, some concerns and negotiating strategies for Bangladesh are presented and finally, section six concludes.

## 2. REVISED DRAFT MODALITIES FOR AGRICULTURE

The Revised Draft Modalities (December 2008) has five sections and fourteen annexes. Five sections are: Domestic support (Section I), market access (Section II), export competition (Section III), monitoring and surveillance (Section IV) and other issues (Section V). Annex A provides product specific blue box limits of the United States. Annex B includes proposed amendments on Annex 2 of AoA. Annex C provides basis for the calculation of tariff quota expansion. Annex D provides tariff escalation list. Annex E is on tariff quota under fill mechanism. Annex F provides illustrative list of indicators for the designation of special products. Annex G includes list of tropical and alternative products. Annex H provides indicative list of preference erosion products. Annex I deals with small and vulnerable economies. Annex J is on export credits, export credit guarantees or insurance programmes. Annex K deals with agricultural exporting state trading enterprises. Annex L deals with the issue of international food aid. Annex M is on monitoring and surveillance issue. Annex N describes the tariff simplification methodology. The new draft has seven attachments also.

The following sub-sections will elaborately review the proposals regarding domestic support, market access, export competition and international food aid having significant implications for Bangladesh's agriculture and economy.

### 2.1 Domestic Support

The Section I of the Revised Draft Modalities on Agriculture deals with domestic support. Proposals on different issues pertaining to domestic support are described under seven sub-sections:

- Overall reduction of trade-distorting domestic support: A tiered formula;
- Final bound total aggregate measurement of support (AMS): A tiered formula;
- Product-specific AMS limits;
- De minimis;
- Blue box;
- Green box; and
- Cotton: Domestic support.

#### *2.1.1 Overall Trade-distorting Support (OTDS)*

Substantial reductions, expected in OTDS according to the proposal, will be under three bands. The base level of OTDS will be the sum of (a) the final bound total AMS specified in

Part IV of a Member's schedule plus (b) for developed country Members, 10 per cent of the average total value of agricultural production in the 1995-2000 base period (this being composed of 5 per cent of the average total value of production for product-specific and non-product-specific AMS respectively). For developing country Members it will be 20 per cent and base period will be 1995-2000 or 1995-2004 as may be selected by the Member concerned; plus (c) the higher of average blue box payments as notified to the Committee on Agriculture, or 5 per cent of the average total value of agricultural production in the 1995-2000 base period.

Table 1 summarises the proposed reduction in OTDS. It is also proposed that developed country Members with high relative levels of OTDS in the second tier (at least 40 per cent of the total value of agricultural production in 1995-2000) will undertake an additional effort.

**Table 1: Domestic Support Cut Possibilities**

| Band | Thresholds (USD Billion) | Cut (Per cent) |
|---|---|---|
| 1 | > 60 | 80 |
| 2 | >10 -≤60 | 70 |
| 3 | ≤ 10 | 55 |
| Down payment (immediate cut) | 33 per cent for bands 1 and 2 (including US, EU and Japan) and 25 per cent for the remaining band. | |
| Implementation period | Cuts will be made over five years for developed countries and over 8 years for developing countries. | |

**Source:** Revised Draft Modalities for Agriculture, 6 December 2008, page-4-5.

For developed country Members, the reductions will be implemented in six steps over five years. For Members in the first two tiers the base OTDS will be reduced by one-third on the first day of implementation. The remaining reductions will be implemented annually in five equal steps.

Developing country Members with no AMS commitments will not be required to undertake reduction commitments in their base OTDS and the net food importing developing countries (NFIDCs) will be exempted from reduction commitments. Very recently acceded Members (RAMs) and small low income RAMs with economies in transition will not be required to undertake reduction commitments in their base OTDS.

### *2.1.2 Aggregate Measurement of Support (AMS) Reduction*

Table 2 summarises proposed reduction in the final bound total AMS where cuts will be under three bands. The developed country Members with high relative levels of final bound total AMS (at least 40 per cent of the total value of agricultural production) will undertake an additional effort in the form of a higher cut than would otherwise be applicable for the relevant tier. For the developed country Members, reduction in final bound total AMS will be implemented in six steps over five years. Reduction in the final bound total AMS applicable to the developing country Members will be two-thirds of the reduction applicable for developed country Members. NFIDCs and recently acceded Members with economies in transition will not be required to undertake reductions in the final bound total AMS.

**Table 2: AMS Reduction Possibilities**

| Band | Threshold (USD Billion) | Cut (Per cent) |
|---|---|---|
| 1 | >40 | 70 |
| 2 | > 15 - ≤ 40 | 60 |
| 3 | ≤ 15 | 45 |
| Down payment (immediate cut) | 25 per cent for band & 1 and 2 (which include US, EU and Japan) | |
| Implementation period | Cuts will be made over five years for developed countries and over 8 years for developing countries. | |

**Source:** Revised Draft Modalities for Agriculture, 6 December 2008, page-6-7.

The Revised Draft Modalities has proposed that the *product-specific AMS limits* will be specified in the schedules of all developed country Members other than the United States. For the United States only, the product-specific AMS limits specified in their schedule will be the resultant of applying proportionately the average product specific AMS in 1995-2004 period to the average product specific total AMS support for the Uruguay Round implementation period (1995-2000) as notified to the Committee on Agriculture. Where a Member has after the base period specified introduced product specific AMS support above the *de minimis* level provided for under Article 6.4 of the Uruguay Round Agreement on Agriculture, and it did not have product-specific AMS support above the *de minimis* level during the base period, the product-specific AMS limit specified in the schedule may be the average amount of such product specific AMS support for the two most recent years prior to the date of adoption of these modalities, for which notifications to the Committee on Agriculture have been made.

The *de minimis* levels will be reduced by no less than 50 per cent effective on the first day of the implementation period. Furthermore, where, in any year of the implementation period, a lower level of *de minimis* support than that resulting from application of that minimum percentage reduction would still be required to ensure that the annual or final bound OTDS commitment for that year is not exceeded, a Member will undertake such an additional reduction in what would otherwise be its *de minimis* entitlement. For developing country members with final bound total AMS commitments will be reduced by at least two-thirds of the reduction rate specified above. The timeframe for implementation will be three years from the first day of implementation. The developing country members with no final bound total AMS commitments or with such AMS commitments, but that either allocate almost all that support for subsistence and resource-poor producers, or that are NFIDCs will continue to have the same access as under their existing WTO obligations to the limits provided for product-specific and non-product-specific *de minimis*. Recently acceded Members will not be required to undertake reduction commitments in *de minimis.*

It may be mentioned here that there will be cap for products as well as for support under different boxes. It is proposed that the blue box support will not exceed 2.5 per cent of the average total value of agricultural production in 1995-2000 base period. For all Members other than the United States, the limit to the value of support that may be provided to specific products as blue box entitlements will be the average value of support provided to those products at an individual product level during 1995-2000. For the United States, the

limits will be [110] [120] per cent of the average product specific amounts. It would result from applying proportionately the legislated maximum permissible expenditure under the 2002 farm bill for specific products to the overall blue box limit of 2.5 per cent of the average total value of agricultural production during 1995-2000. In case of green box, it is proposed that it will be minimally trade distorting. The revised draft also proposed to allow some flexibilities for developing countries on account of food stock holding payments under the green box.

### *2.1.3 Domestic Support for Cotton*

The revised draft proposed that AMS support for cotton will be reduced using the formula proposed in the current draft which requires more cut than any other products. The reductions for trade-distorting domestic support on cotton shall be implemented over a period, which is one third of the implementation period.

## 2.2 Market Access

Section II of the Revised Draft Modalities on Agriculture deals with market access related issues. Proposals on different issues pertaining to market access are described under seven sub-sections:

- Tiered formula for tariff reductions;
- Sensitive products;
- Other Issues;
- Special and differential treatment;
- Least developed countries;
- Cotton market access; and
- Small and vulnerable economies.

Substantial reductions in tariffs are expected. The Revised Draft Modalities has proposed different rates of reduction in bound tariffs for developed and developing countries. Table 3 summarizes the proposed reduction in bound tariff for developed countries, where reduction would be in four tariff bands. Proposed reduction in tariff for developing countries, recently acceded members, and small and vulnerable economies would also be in four bands, Table 4 summarises the. In brief, the revised draft has followed the principle of higher rate of tariff, deeper the level of cut. It has been proposed that the developed countries shall reduce their bound tariffs in six equal annual instalments over five years and developing countries shall reduce their final bound tariffs in eleven equal annual instalments over ten years. The minimum average cut for developed country is 54 per cent and the maximum average reduction for developing countries is 36 per cent. The cut of developed countries is subject to minimum average (54 per cent) whether the cut for developing countries is subject to maximum average (36 per cent).

**Table 3: Possibility of Tariff Cuts in the Developed Countries**

*(in Per cent)*

| Tariff Band | Threshold | Range of Cut |
|---|---|---|
| Band 1 | >0 - ≤20 | 50 |
| Band 2 | >20 - ≤50 | 57 |
| Band 3 | >50 - ≤75 | 64 |
| Band 4 | >75 | 70 |
| Implementation period | Five years | |

**Source:** Revised Draft Modalities for Agriculture, 6 December 2008, page-14.

**Table 4: Possibility of Tariff Cuts in Developing Countries, Recently Acceded Members and Small and Vulnerable Economies**

*(in Per cent)*

| Tariff Band | Threshold | Range of Cut | | | |
|---|---|---|---|---|---|
| | | Developing Country | Recently Acceded Member | Small and Vulnerable Economies | Least Developed Country |
| Band 1 | >0 - ≤30 | 2/3 of 50 (i.e. 33.33 ) | 30.66 | 29.99 | No Tariff cut |
| Band 2 | >30 - ≤80 | 2/3 of 57 (i.e. 38) | 34.96 | 34.00 | |
| Band 3 | >80 - ≤130 | 2/3 of 64 (i.e. 42.66) | 39.25 | 38.43 | |
| Band 4 | >130 | 2/3 of 70 (i.e. 46.20) | 42.50 | 41.58 | |
| Implementation period | | Ten years | Two more years than developing countries | | |

**Source:** Revised Draft Modalities for Agriculture, 6 December 2008.

It is pertinent to mentioned here that non-advalorem tariffs will be converted to advalorem tariff equivalents (AVEs) following the formula agreed in July 2006.

### *2.2.1 Special Products, Sensitive Products and Special Safeguard*

Each of the developing country Members will be entitled to self-designate special products (SPs) guided by indicators based on the criteria of food security, livelihood security and rural development. There will be 12 per cent of tariff lines available for self-designation as SPs. Up to 5 per cent of lines may have no cut. The overall average cut shall, in any case, be 11 per cent. On the other hand, developed country Members will have the right to designate up to 4 per cent of tariff lines as sensitive products (sep). Where such Members have more than 30 per cent of their tariff lines in the top band, they may increase the number of sep by 2 per cent, subject to some constraints.

In case of special safeguard (SSG), the developed country Members will reduce to 1 per cent of scheduled tariff lines the number of lines eligible for the SSG on the first day of implementation, and it will have been eliminated no later than the end of the seventh year of implementation. At no time, during this seven years may the total duty applicable on a tariff line exceed the pre-Doha round tariff binding. If a tariff line included in the 1 per cent SSG entitlement is declared sensitive, the tariff quota expansion applicable to a two-thirds deviation will apply. In addition, products subject to delayed implementation will not be subject to other flexibilities reducing quota size other than sub-allocation. The standard

implementation period for in-quota rate reductions will apply to tariff lines included in the 1 per cent SSG entitlements.

For the developing country members, the SSG coverage will be reduced to no more than 2.5 per cent of tariff lines on the first day of implementation. For small and vulnerable economies (SVEs) the SSG coverage will be reduced to no more than 5 per cent of lines over 12 years. The terms and conditions of the SSG will remain unchanged from the terms and conditions in the Uruguay Round Agreement on Agriculture except that the tariff rates concerned will be updated to reflect the outcome of the Doha Round negotiations.

### *2.2.2 Special Safeguard Mechanisms - Deal Breaker at the July Mini Ministerial 2008*

Special safeguard mechanism (SSM) will have no *a priori* product limitations as to its availability, i.e. it can be invoked for all tariff lines in principle. A price- and a volume-based SSM will be available. In no circumstances may any product be, however, subject to the simultaneous application of price- and volume-based safeguards. Nor will there be application of either of these measures if SSG, a measure under General Agreement on Tariffs and Trade (GATT) Article XIX, or a measure under the Agreement on safeguards is in place.

As regards the volume-based SSM, it will be applied on the basis of a rolling average of imports in the preceding three years (hereafter "base imports"). On this basis, the applicable triggers and remedies will be set as follows:

- where the volume of imports during any year exceeds 110 per cent but does not exceed 115 per cent of base imports, the maximum additional duty that may be imposed on applied tariffs will not exceed 25 per cent of the current bound tariff or 25 percentage points, whichever is higher;
- where the volume of imports during any year exceeds 115 per cent but does not exceed 135 per cent of base imports, the maximum additional duty that may be imposed on applied tariffs will not exceed 40 per cent of the current bound tariff or 40 percentage points, whichever is higher;
- where the volume of imports during any year exceeds 135 per cent of base imports, the maximum additional duty that may be imposed on applied tariffs shall not exceed 50 per cent of the current bound tariff or 50 percentage points, whichever is higher; and
- where, formally, these triggers could be met, but the absolute level of imports is manifestly negligible in relation to domestic production and consumption, remedies would not be applied.

### *2.2.3 Least Developed Countries*

The least developed country (LDC) Members are not required to undertake reductions in bound duties (para 151 of the revised draft). According to para 152 of the revised draft, developed country Members will, and developing country Members declaring themselves in a position to do so should:

- Provide duty- and quota-free market access on a lasting basis, for all products originating from all LDCs no later than the start of the implementation period in a manner that ensures stability, security and predictability.
- Members facing difficulties at this time to provide market access as set out above will provide duty- and quota-free market access for at least 97 per cent of products originating from LDCs, defined at the tariff line level, no later than the start of the implementation period. In addition, these Members will take steps to progressively achieve compliance with the obligations set out above, taking into account the impact on other developing country Members at similar levels of development, and as appropriate, by incrementally building on the initial list of covered products.
- Developing country Members will be permitted to phase in their commitments and will enjoy appropriate flexibility in coverage.
- Provide meaningful enhanced market access for all LDCs.
- Ensure that preferential rules of origin applicable to imports from LDCs will be transparent, simple and contribute to facilitating market access in respect of agricultural products.

According to the document TN/MA/W/74, developed country Members will inform the WTO Members, by a date to be agreed, of the products that will be covered under the commitment to provide duty-and quota-free market access for at least 97 per cent of products originating from LDCs defined at the tariff line level. The agreement on the date by which this information to be provided will be concluded prior to the date of the special session of the ministerial conference to be held to take decisions regarding the adoption and implementation of the results of the negotiations in all areas of the Doha Development Agenda (DDA) (the "Single Undertaking").

As a part of the review foreseen in the decision, the Committee on Trade and Development will monitor progress made in its implementation, including preferential rules of origin. The details of the monitoring procedure will be defined and agreed by the Negotiating Group on Market Access by the time of the submission of final schedules. Under the monitoring procedure, members will annually notify the Committee on Trade and Development the implementation of duty- and quota-free programmes, including the steps taken and possible timeframes established to progressively achieve full compliance with the decision and the corresponding rules of origin. The first notification under this monitoring procedure will be made by the start of the implementation of the results of the DDA. The Committee on Trade and Development will review such notifications and will report annually to the general council for appropriate action.

**2.3 Export Competition**

Section III of the Revised Draft on Modalities on Agriculture deals with export competition related issues. Proposals on different issues pertaining to export competition are described under six sub-sections:

- General;
- Scheduled export subsidy commitments;
- Export credits, export credit guarantees or insurance programmes;
- Agricultural exporting state trading enterprises;

- International food aid; and
- Cotton.

Para 152 of the Revised Draft mentioned, the Developed country Members will eliminate their remaining scheduled export subsidy entitlements by the end of 2013. This will be effected on the basis of:

- Budgetary outlay commitments being reduced by 50 per cent by the end of 2010 equal annual installments from the date of entry into force, with the remaining budgetary outlay commitments being reduced to zero in equal annual installments that all forms of export subsidies are eliminated by the end of 2013.
- Quantity commitment levels being applied as a standstill from the commencement until the end of the implementation period at the actual average of quantity levels the 2003-05 base period. Furthermore, throughout the implementation period, will be no export subsidies applied either to new markets or to new products.

Para 163 adds: The "Developing country Members will eliminate their export subsidy entitlements by reducing to zero their scheduled export subsidy budgetary outlay and quantity commitment levels in equal annual instalments by the end of 2016."

Para 164 adds: "In accordance with the Hong Kong Ministerial Declaration, developing country Members will, furthermore, continue to benefit from the provisions of Article 9.4 of the Agreement on Agriculture until the end of 2021, i.e. five years after the end-date for elimination of all forms of export subsidies.

**2.4 International Food Aid**

There is commitment to maintain adequate levels of food aid. General disciplines for all food aid transactions would be observed. Food Aid will be needs driven and provided fully in grant form and will not be tied to commercial exports of goods or services. It is also proposed that food aid will not linked to market development objectives of donor.

Two types of food aid—emergency and non-emergency—will be allowed. Emergency food aid would be provided after declaration and assessment by UN agencies while non-emergency food aid will have to maintain general discipline plus need assessment. Food aid will take into account of local market conditions of the same or substitute products. Donors are encouraged to procure food aid from local or regional sources and they will be encouraged to shift towards cash-based food aid.

There will be no monetisation for food aid inside the Safe Box, except for the least developed countries where there is a demonstrable needs to do so for the sole purpose of transport and delivery. Such monetisation will be carried out solely within the territory of the recipient least-developed country such that commercial displacement is avoided or, if not feasible, at least minimised.

Monetization of in-kind food aid in non-emergency situations shall be prohibited except where it is in conformity with the given provisions. The provisions include meeting direct nutritional requirements of the least developed and NFID country Members, funding the

internal transportation and delivery of the food aid to, or the procurement of agricultural inputs to low-income or resource-poor producers in, those Members. Monetization will be carried out within the territory of the recipient least developed or net food-importing developing country. Additionally, commercial displacement will be avoided.

## 3. IMPORTANCE AND POTENTIAL OF AGRICULTURAL TRADE FOR BANGLADESH

The current draft modalities, as regards duty- and quota-free market access, indicate there is scope for limited market access for agricultural products in effective sense. Therefore, it is very important to identify agricultural products having potential for exports so that a realistic negotiating strategy may be pursued to safeguard Bangladesh's interest in the Doha Round. To this end, an in-depth analysis of Bangladesh performance in agricultural trade at the aggregate and product levels is important.

A major limitation in analysing the performance of agricultural trade particularly in connection with WTO is the definition of agriculture itself. The WTO definition of agriculture is different from conventionally understood agriculture. Table 5 shows the product coverage in the WTO agreement on agriculture. Usually, all crops, livestock and primary dairy processing, and fisheries and forestry activities are included in agriculture. However, the WTO definition excludes fish and fish products, and jute (among crops) but includes certain tree products such as sorbitol, manitol, essential oils, glue and such other items. The definition also includes some industrial items such as cigarettes that are processed from agricultural products. Annex 1 of the AoA specifically mentions that the product coverage under the agreement will not limit the product coverage on the application of sanitary and phytosanitary (SPS) measures. Importantly, LDCs including Bangladesh are negotiating for duty- and quota-free market access for all products originating in LDCs rather than only agricultural products. In this context, agricultural items, excluded in the WTO definition, have significant importance to Bangladesh. Total export of fish and fish products (HS 030192; 030269; 030329; 030333; 030379; 030410; 030420; 030530; 030559; 030613; 030624; 030741) from Bangladesh in 2006 was USD 538.2 million accounting for 4.60 per cent of total export earnings of Bangladesh. Export earning from raw Jute (HS 5303.10) by Bangladesh in 2006 was USD 134.4 million, accounting for 1.15 per cent of total export earnings of Bangladesh. Thus, an attempt has been made to include fish and fish products in the analysis of agricultural trade performance of Bangladesh.

**Table 5: Product Coverage in the WTO Agreement on Agriculture (AoA)**

| (I) HS Chapters 1 to 24 less fish and fish products, **plus*** | | |
|---|---|---|
| (II) | | |
| HS Code | 2905.43 | (mannitol) |
| HS Code | 2905.44 | (essential oils) |
| HS Heading | 33.01 | (sorbitol) |
| HS Headings | 35.01 to 35.05 | (albuminoidal substances, modified starches, glues) |
| HS Code | 3809.10 | (finishing agents) |
| HS Code | 3823.60 | (sorbitol n.e.p.) |

*(Table 5 contd.)*

*(Table 5 contd.)*

| (I) HS Chapters 1 to 24 less fish and fish products, **plus*** | | |
|---|---|---|
| (II) | | |
| HS Headings | 41.01 to 41.03 | (hides and skins) |
| HS Heading | 43.01 | (raw furskins) |
| HS Headings | 50.01 to 50.03 | (raw silk and silk waste) |
| HS Headings | 51.01 to 51.03 | (wool and animal hair) |
| HS Headings | 52.01 to 52.03 | (raw cotton, waste and cotton carded or combed) |
| HS Heading | 53.01 | (raw flax) |
| HS Heading | 53.02 | (raw hemp) |

**Source**: WTO Agreement on Agriculture.
**Note:** *The product descriptions in round brackets are not necessarily exhaustive.

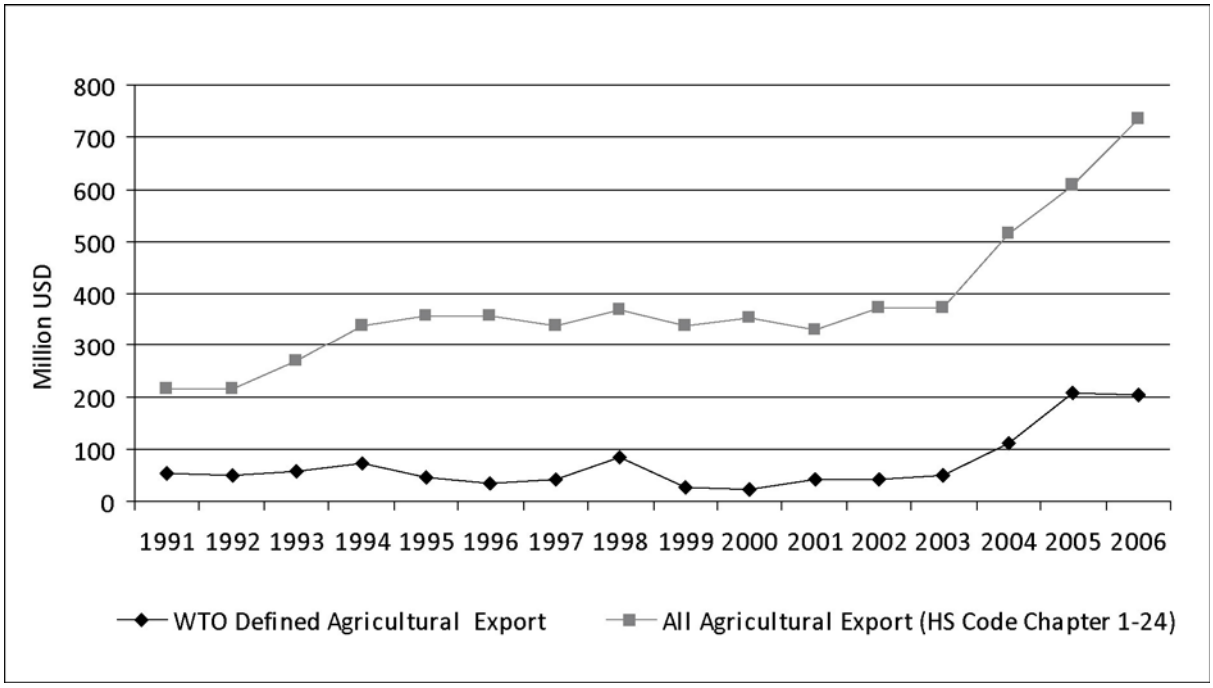
Availability of trade data series reflecting all agricultural commodities of Bangladesh is another limitation for such analysis. For example, the Food and Agricultural Organization's (FAO) data series on agricultural trade include primary and processed crops, and livestock products but exclude fish and fish products. UN COMTRADE data do not have ready definition of agriculture (WTO or traditional definition). Under these circumstances, summation of all export and import items included in Chapter 1-24 of the HS code system reported in UN COMTRADE is used. This has surely underestimated the total agricultural export and import levels of Bangladesh. This is the limitation of the study and we should be careful about the definition of agriculture used here while interpreting and citing the research findings of the study.

### 3.1 Trends in Agricultural Trade

Value of all agricultural exports from Bangladesh has increased from USD 215.2 million in 1991 to USD 733.2 million in 2006 (Figure 1). On the other hand, value of WTO defined agricultural exports has increased from USD 55.2 million in 1991 to USD 203.3 million in 2006. During this period, total export of goods from Bangladesh has increased from USD 1690.2 million in 1991 to USD 11696.7 million in 2006. Thus, share of WTO defined agriculture as per cent of total export has decreased from 3.2 per cent in 1991 to 1.7 per cent in 2006 (Table 6).

Figure 2 reveals that Bangladesh's import of all agricultural products has increased from USD 547.6 million in 1991 to USD 2649.8 million in 2006. Import of WTO defined agricultural commodities has increased from USD 644.3 million in 1991 to USD 3511.0 million in 2006. Total import of all goods by Bangladesh has increased from USD 3136.6 million in 1991 to USD 15688.5 million in 2006. Thus, share of WTO defined agricultural imports to the total imports of Bangladesh has increased from 20.5 per cent in 1991 to 22.3 per cent in 2006. On the other hand, share of all agricultural imports to the total imports of Bangladesh has decreased from 17.4 per cent in 1991 to 16.8 per cent in 2006 (Table 7).

**Figure 1: Trends in Agricultural Exports of Bangladesh: 1991-2006**




**Source:** Authors' calculation based on data collected from UN COMTRADE.

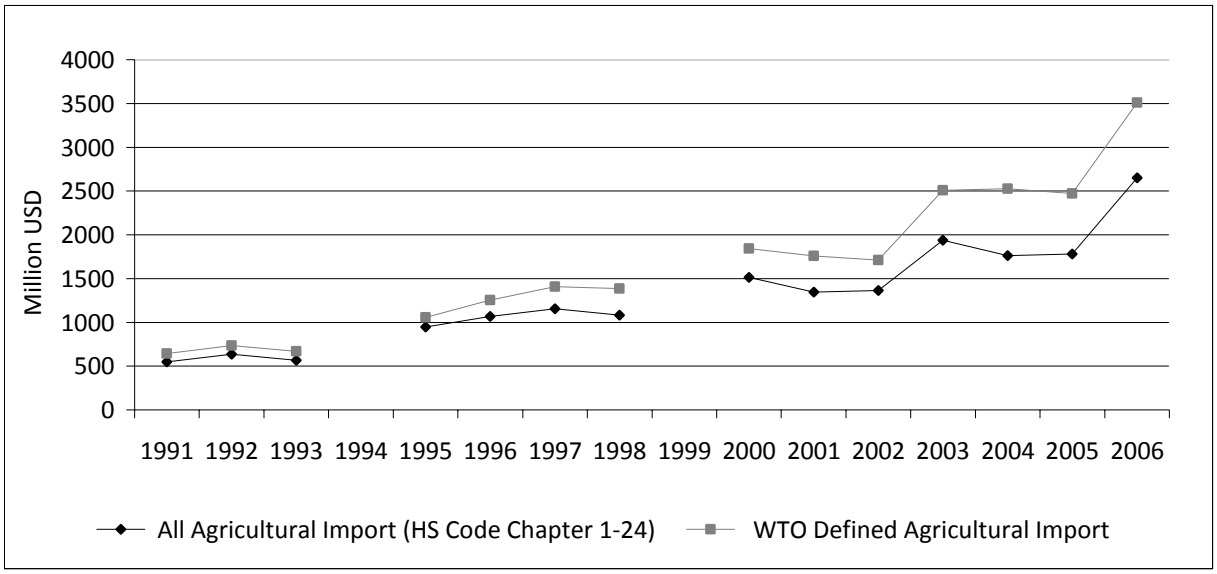
**Table 6: Trends in Agricultural Exports of Bangladesh: 1991-2006**

*(in Million USD)*

| Year | Total Export | All Agricultural Export (HS Code Chapter 1-24) | WTO Defined Agricultural Export | Per cent Share of Agricultural Export to Total Export | |
|---|---|---|---|---|---|
| | | | | All | WTO Defined |
| 1991 | 1690.2 | 215.2 | 55.2 | 12.70 | 3.20 |
| 1992 | 1941.6 | 215.5 | 49.9 | 11.10 | 2.50 |
| 1993 | 2253.1 | 268.7 | 57.5 | 11.90 | 2.50 |
| 1994 | 2483.3 | 339.8 | 71.3 | 13.60 | 2.80 |
| 1995 | 3407.2 | 358.3 | 46.5 | 10.50 | 1.30 |
| 1996 | 3538.5 | 358.4 | 35.4 | 10.10 | 1.00 |
| 1997 | 4017.5 | 340.0 | 43.2 | 8.40 | 1.00 |
| 1998 | 5056.9 | 368.6 | 83.6 | 7.20 | 1.60 |
| 1999 | 4936.2 | 337.2 | 28.3 | 6.80 | 0.57 |
| 2000 | 5034.9 | 353.0 | 23.7 | 7.00 | 0.47 |
| 2001 | 5388.7 | 331.2 | 44.0 | 6.10 | 0.81 |
| 2002 | 5417.2 | 371.5 | 42.7 | 6.80 | 0.78 |
| 2003 | 6403.4 | 374.0 | 50.6 | 5.80 | 0.79 |
| 2004 | 8267.4 | 516.1 | 110.7 | 6.20 | 1.30 |
| 2005 | 9331.5 | 609.6 | 207.0 | 6.50 | 2.20 |
| 2006 | 11696.7 | 733.2 | 203.3 | 6.20 | 1.70 |

**Source:** Authors' calculation based on data collected from UN COMTRADE.

**Figure 2: Trends in Agricultural Imports of Bangladesh: 1991-2006**




**Source:** Authors' calculation based on data collected from UN COMTRADE.

**Table 7: Trends in Agricultural Imports of Bangladesh: 1991-2006**

*(in Million USD )*

| Year | Total Import of Goods | Import of All Agricultural Goods (HS Code Chapter 1-24) | Import of WTO Defined Agricultural Goods | Per cent Share of Agricultural Import to Total Import | |
|---|---|---|---|---|---|
| | | | | All | WTO Defined |
| 1991 | 3136.6 | 547.6 | 644.3 | 17.4 | 20.5 |
| 1992 | 3467.0 | 637.1 | 735.5 | 18.3 | 21.2 |
| 1993 | 3525.7 | 566.3 | 667.4 | 16.0 | 18.9 |
| 1994 | n.a | n.a | n.a | n.a | n.a |
| 1995 | 5438.4 | 947.2 | 1058.1 | 17.4 | 19.4 |
| 1996 | 6225.3 | 1067.3 | 1255.6 | 17.1 | 20.1 |
| 1997 | 6784.4 | 1156.0 | 1407.1 | 17.0 | 20.7 |
| 1998 | 7017.9 | 1081.9 | 1384.0 | 15.4 | 19.7 |
| 1999 | n.a | n.a | n.a | n.a | n.a |
| 2000 | 7572.2 | 1514.1 | 1842.3 | 20.0 | 24.3 |
| 2001 | 8096.5 | 1346.8 | 1759.2 | 16.6 | 21.7 |
| 2002 | 9215.1 | 1364.3 | 1711.2 | 14.8 | 18.5 |
| 2003 | 10145.6 | 1937.8 | 2507.6 | 19.1 | 24.7 |
| 2004 | 11372.7 | 1763.1 | 2528.0 | 15.5 | 22.2 |
| 2005 | 12630.5 | 1781.1 | 2473.3 | 14.1 | 19.5 |
| 2006 | 15688.5 | 2649.8 | 3511.0 | 16.8 | 22.3 |

**Source:** Authors' calculation based on data collected from UN COMTRADE.

It is pertinent to know the composition of agricultural exports from Bangladesh. Table 8 lists 51 agricultural export items of Bangladesh which were identified by calculating average annual export of different agricultural commodities at 6-digit HS classification during 2004-06. The analysis reveals that the annual average export of agricultural products from Bangladesh during this period was USD 619.7 million (Table 8). Top most export item was frozen shrimps and prawns (HS 030613) accounting for 63.7 per cent of the agricultural export from Bangladesh. The second most important agricultural export item was other

vegetables, fresh or chilled (HS 070990) accounting for 7.1 per cent of total agricultural exports. Other nuts, fresh or dried (HS 080290), parts of plants, without flowers or buds, (HS 060499), and frozen salmonidae excl. Pacific, Atlantic, Dan (HS 030329) captured 3.8, 3.5, and 3.4 per cent share of total agricultural export earnings in the same period. Other major agricultural export items having more than 2 per cent share to total agricultural exports, are black tea (fermented) and partly fermented tea (HS 090240), and tobacco, partly or wholly stemmed/stripped (HS 240120). Besides these, fresh or chilled fish (HS 030269) captured 1.8 per cent export share in this period.

**Table 8: Major Agricultural Export Items (6-digit HS) of Bangladesh: TE 2006**

*(in '000 USD )*

| HS Code | Product | TE 2006 | Rank among Agricultural Export Item | Percentage Share of the Product | Compound Rate of Growth |
|---|---|---|---|---|---|
| 030613 | Frozen shrimps and prawns | 394561.48 | 1 | 63.67 | 14.79 |
| 070990 | Other vegetables, fresh or chilled, nes | 44190.41 | 2 | 7.13 | -0.23 |
| 080290 | Other nuts, fresh or dried, nes | 23580.78 | 3 | 3.80 | 110.50 |
| 060499 | Parts of plants, without flowers or buds | 21454.21 | 4 | 3.46 | 127.93 |
| 030329 | Frozen salmonidae (excl. Pacific, Atlantic, Dan) | 21115.30 | 5 | 3.41 | -8.84 |
| 090240 | Black tea (fermented) and partly fermented tea, | 14085.07 | 6 | 2.27 | -34.35 |
| 240120 | Tobacco, partly or wholly stemmed/stripped | 12836.08 | 7 | 2.07 | 10.97 |
| 030269 | Fresh or chilled fish, nes | 11363.59 | 8 | 1.83 | 11.46 |
| 240220 | Cigarettes containing tobacco | 4662.21 | 9 | 0.75 | -107.06 |
| 081090 | Other fruit, fresh, nes | 4533.99 | 10 | 0.73 | 428.12 |
| 030624 | Crabs (excl. frozen) | 4454.02 | 11 | 0.72 | -7.33 |
| 030530 | Fish fillets, dried, salted or in brine, but no | 3240.77 | 12 | 0.52 | -11.53 |
| 100610 | Rice in the husk (paddy or rough) | 3210.89 | 13 | 0.52 | 65.01 |
| 100630 | Semi-milled or wholly milled rice | 2825.94 | 14 | 0.46 | 45.26 |
| 030410 | Fresh or chilled fish fillets | 2469.77 | 15 | 0.40 | -13.89 |
| 030420 | Frozen fish fillets | 2468.32 | 16 | 0.40 | 122.27 |
| 240310 | Smoking tobacco with or without tobacco substitute | 2423.01 | 17 | 0.39 | 104.28 |
| 030741 | Cuttle fish and squid, live, fresh or chilled | 2360.97 | 18 | 0.38 | 0.94 |
| 030379 | Frozen fish, nes | 2241.63 | 19 | 0.36 | 23.69 |
| 110520 | Potato flakes, granules and pellets | 2068.77 | 20 | 0.33 | 192.82 |
| 030559 | Dried fish, not smoked (excl. cod) | 1957.40 | 21 | 0.32 | 0.11 |

*(Table 8 contd.)*

*(Table 8 contd.)*

| HS Code | Product | TE 2006 | Rank among Agricultural Export Item | Percentage Share of the Product | Compound Rate of Growth |
|---|---|---|---|---|---|
| 071190 | Other vegetables and mixture of vegetables pro | 1881.87 | 22 | 0.30 | 330.10 |
| 200980 | Juice of other single fruit, unfermented | 1792.56 | 23 | 0.29 | 187.27 |
| 170111 | Raw cane sugar, in solid form | 1777.38 | 24 | 0.29 | -428.83 |
| 190590 | Other bread, etc, nes; communion wafers | 1768.84 | 25 | 0.29 | 64.68 |
| 240110 | Tobacco, not stemmed/stripped | 1390.72 | 26 | 0.22 | -73.19 |
| 070190 | Other potatoes, fresh or chilled | 1238.30 | 27 | 0.20 | 91.97 |
| 090700 | Cloves (whole fruit, cloves and stems) | 1182.47 | 28 | 0.19 | 20.01 |
| 190190 | Other food preparations of flour, etc, nes | 1144.52 | 29 | 0.18 | 0.32 |
| 030192 | Live eels | 1131.10 | 30 | 0.18 | 72.41 |
| 210690 | Other food preparations, nes | 1069.55 | 31 | 0.17 | 45.42 |
| 040900 | Natural honey | 1028.56 | 32 | 0.17 | 394.69 |
| 190490 | Prepared cereals in grain form (excl. maize) | 919.55 | 33 | 0.15 | 81.14 |
| 090230 | Black tea (fermented) and partly fermented tea | 895.38 | 34 | 0.14 | 2.41 |
| 100620 | Husked (brown) rice | 846.44 | 35 | 0.14 | 49.88 |
| 050510 | Raw feathers for stuffing; down | 807.49 | 36 | 0.13 | 20.48 |
| 030549 | Smoked fish (excl. salmon and herrings) | 803.96 | 37 | 0.13 | 2.84 |
| 030520 | Livers and roes, dried, smoked, salted or in brine | 779.73 | 38 | 0.13 | -17.64 |
| 190410 | Prepared foods obtained by the swelling or roas | 769.16 | 39 | 0.12 | 34.05 |
| 091091 | Spice mixtures | 733.40 | 40 | 0.12 | 19.80 |
| 071080 | Vegetables, frozen, nes | 675.01 | 41 | 0.11 | -15.46 |
| 050690 | Bones and horn-cores (excl. ossein) | 672.14 | 42 | 0.11 | 57.90 |
| 150790 | Soya-bean oil (excl. crude) and fractions | 604.93 | 43 | 0.10 | -210.00 |
| 200490 | Other vegetables preserved other than by vinegar | 584.27 | 44 | 0.09 | 23.18 |
| 190530 | Sweet biscuits; waffles and wafers | 516.90 | 45 | 0.08 | 49.13 |
| 030333 | Frozen sole | 504.24 | 46 | 0.08 | 106.06 |

*(Table 8 contd.)*

*(Table 8 contd.)*

| HS Code | Product | TE 2006 | Rank among Agricultural Export Item | Percentage Share of the Product | Compound Rate of Growth |
|---|---|---|---|---|---|
| 050400 | Guts, bladders and stomachs of animals (excl. frozen) | 418.05 | 47 | 0.07 | 20.04 |
| 030490 | Frozen fish meat (excl. fillets) | 337.16 | 48 | 0.05 | -104.92 |
| 050610 | Ossein and bones treated with acid | 314.54 | 49 | 0.05 | 33.14 |
| 240290 | Cigars, cigarillos, cigarettes, etc, not contai | 248.93 | 50 | 0.04 | -161.47 |
| 030622 | Lobsters (excl. frozen) | 164.49 | 51 | 0.03 | -107.86 |
| | Others | 10632.18 | | 1.72 | 26.81 |
| | Total | 619738.40 | | 100.00 | 17.57 |

**Source:** The Table has been generated by authors, using data extracted from UN COMTRADE.
**Note:** The products, having export earnings of at least, USD100 thousand has been considered for analysis.

### 3.2 Agricultural Products with Export Potentials

One way of identifying export potentials of various agricultural commodities is to calculate comparative advantage of the product at the export parity level. This arduous task is often constrained by availability of necessary data. Another way of identifying export potential is to analyse the growth trends in export of the commodity in recent years. In this regard, estimation of rate of growth in value of exports of exported commodity is essential. Table 8 shows an analysis of annual compound rates of growth of various agricultural commodities exported by Bangladesh in 2004-2006.

It is observed that two commodities, namely other nuts, fresh or dried (HS 080290) and parts of plants, without flowers or buds, (HS 060499), comprising 3.8 and 3.5 per cent shares of total agricultural export earnings, achieved tremendous growth of 110.5 and 127.9 per cent respectively during 2004-2006. Frozen shrimps and prawns (HS 030613) and other vegetables, fresh or chilled (HS 070990), covereing 63.7 per cent and 7.1 per cent of agricultural export earnings, showed 14.8 per cent, and -0.23 per cent growth during the considered period. Among other agricultural products having more than two or near two per cent share in total export earnings, black tea (fermented) and partly fermented tea, (HS 090240) and frozen salmonidae excl. Pacific, Atlantic, Dan, (HS 030329) and tobacco, partly or wholly stemmed/stripped (HS 240120) showed -34.4, -8.8 and 10.9 per cent export growth during the same period.

It was also observed that eight commodities had relatively very low share (0.73-0.04 per cent) to the total exports from Bangladesh but had high growth (generally more than 100 per cent per year) during 2004-2006. These were: Other fresh fruit (HS 081090), frozen fillets fruits (HS 030420), smoking tobacco with or without tobacco substitute (HS 240310), potato flakes (HS 110520), other vegetables and mixture of vegetables (HS 071190), unfermented juice of other single fruit (HS 200980), natural honey (HS 040900), and frozen

sole (HS 030333). In addition, nine commodities, having 0.11 to 0.36 per cent shares among total export earnings, achieved moderate growth of 19 to 42 per cent in this period. These were: Other potatoes, fresh or chilled (HS 070190), other bread (HS 190590), raw feathers for stuffing (HS 050510), bones and horn cores (HS 050690), frozen fish (HS 030379), cloves (whole fruit, cloves and stems) HS (090700), live eels (HS 030192), other food preparations (HS 210690), prepared cereals in grain form (HS 190490) and husked brown rice (HS 100620). Therefore, these commodities may also play an important role in the future exports of agricultural commodities from Bangladesh.

### 3.3 Potential Agro-products for Export to the USA

Bangladesh enjoys duty- and quota-free market access to most of its products in EU under EBA (Everything but Arms), in Japan, Canada and Australia through special GSPs (Generalized System of Preferences) offered by respective countries. The USA, on the other hand, yet not provides duty- and quota-free market accesses to all products of Bangladesh instead of allowing limited GSP. Therefore, in effective sense duty-free and quota-free market access would give real market access in the US. Therefore, it is important to identify agricultural products important to Bangladesh as an export item to the USA. Table 9 lists the top 29 agricultural export items (HS 6-digit level) of Bangladesh to the USA. Table 9 also reveals that during the period 2004-06, Bangladesh's total value of yearly agricultural exports (HS 01-24) to the USA was USD 168.4 million, which was 27.2 per cent of all agricultural exports of Bangladesh. Among these 29 items, only one, shrimps and prawns, frozen (HS 030613), accounted for about 94.7 per cent of total agricultural export value to the USA, having 8.8 per cent growth rate during 2004-2006. Other mentionable agricultural export items to the USA, having more than one per cent share, was frozen salmonidae excl. Pacific, Atlantic, Dan (HS 030329) with 0.68 per cent negative growth in the same period.

During this period, other bread, etc, nes; communion wafers, rice (HS 190590), vegetable products used primarily for human con (HS 121299), frozen Pacific salmon (HS 030310), peas, fresh or chilled (HS 070810), prepared cereals in grain form (excl. maize) (HS 190490), other food preparations of flour (HS 190190), vegetable products (HS 140490) achieved more than 100 per cent growth in the USA while prepared foods obtained by the swelling or roas (HS 190410), frozen fish fillets (HS 030420), and frozen vegetables (HS 071080) observed more than 50 per cent negative growth (Table 9). However, tobacco, not stemmed/stripped (HS 240110), globe artichoke, fresh or chilled (HS 070910), and Frozen fish meat (excl. fillets) (HS 030490) observed (330.3, 222.3, and 52.8 per cent) tremendous negative growth during the considered period which had 0.73, 0.05 and 0.02 per cent share in total agricultural export earnings during the considered period (2006-2008).

Bangladesh is worthy of getting 97 per cent duty- and quota-free access of its products in the USA market as per the decision in Hong Kong Ministerial Meeting. It is observed that in 2008, Tobacco, partly or wholly stemmed/stripped (HS240120), other vegetables, fresh or chilled (HS 070990), other food preparations (HS 210690), and Other food preparations of flour (HS 190190) faced 46.7, 2.4, 1.3 and 0.63 per cent preferential tariff in the USA market.

**Table 9: Bangladesh's Agricultural Export to the USA: TE 2006**

*(in '000 USD)*

| HS Code | Product | TE 2006 (Value in '000 USD) | Percentage Share of the Product | Rank among Agricultural Export Items | Compound Rate of Growth | MFN Tariff 2008 | Preferential Tariff Rate 2008 |
|---|---|---|---|---|---|---|---|
| 030613 | Frozen shrimps and prawns | 159446.49 | 94.70 | 1 | 8.84 | 0.00 | 0.00 |
| 030329 | Frozen salmonidae excl. Pacific, Atlantic, Dan | 1838.55 | 1.09 | 2 | -0.68 | 0.00 | 0.00 |
| 240110 | Tobacco, not stemmed/stripped | 1225.60 | 0.73 | 3 | -330.29 | na | na |
| 240120 | Tobacco, partly or wholly stemmed/stripped | 1114.60 | 0.66 | 4 | -23.35 | 77.78 | 46.67 |
| 050510 | Raw feathers for stuffing | 706.62 | 0.42 | 5 | 26.24 | 0.00 | 0.00 |
| 190590 | Other bread, etc., nes*; communion wafers, rice | 682.18 | 0.41 | 6 | 109.05 | 2.25 | 0.00 |
| 190410 | Prepared foods obtained by the swelling or roas | 537.40 | 0.32 | 7 | 58.43 | 1.10 | 0.00 |
| 030420 | Frozen fish fillets | 374.28 | 0.22 | 8 | 77.45 | 0.00 | 0.00 |
| 030379 | Frozen fish, nes | 207.84 | 0.12 | 9 | 17.47 | 0.00 | 0.00 |
| 100630 | Semi-milled or wholly milled rice | 193.94 | 0.12 | 10 | 29.03 | 11.20 | 0.00 |
| 200490 | Other vegetables preserved other than by vinegar | 156.87 | 0.09 | 11 | -13.58 | 7.20 | 0.00 |
| 070990 | Other vegetables, fresh or chilled, nes | 144.24 | 0.09 | 12 | 26.88 | 13.93 | 2.37 |
| 071080 | Vegetables, frozen, nes | 135.87 | 0.08 | 13 | 84.43 | 10.80 | 0.00 |
| 100620 | Husked (brown) rice | 132.82 | 0.08 | 14 | -37.59 | 0.00 | 0.00 |
| 100610 | Rice in the husk (paddy or rough) | 128.58 | 0.08 | 15 | 5.50 | 0.00 | 0.00 |
| 030192 | Live eels | 121.06 | 0.07 | 16 | -26.88 | 0.00 | 0.00 |
| 190530 | Sweet biscuits; waffles and wafers | 107.45 | 0.06 | 17 | 9.08 | na | na |
| 070910 | Globe artichokes, fresh or chilled | 91.30 | 0.05 | 18 | -222.29 | na | na |
| 121299 | Vegetable products used primarily for human con | 75.05 | 0.04 | 19 | 118.37 | na | na |
| 071022 | Shelled or unshelled beans, frozen | 57.24 | 0.03 | 20 | 34.39 | 5.60 | 0.00 |
| 030310 | Frozen Pacific salmon | 55.26 | 0.03 | 21 | 157.36 | 0.00 | 0.00 |
| 070810 | Peas, fresh or chilled | 45.69 | 0.03 | 22 | 245.29 | 0.00 | 0.00 |

*(Table 9 contd.)*

*(Table 9 contd.)*

| HS Code | Product | TE 2006 (Value in '000 USD) | Percentage Share of the Product | Rank among Agricultural Export Items | Compound Rate of Growth | MFN Tariff 2008 | Preferential Tariff Rate 2008 |
|---|---|---|---|---|---|---|---|
| 030410 | Fresh or chilled fish fillets | 43.40 | 0.03 | 23 | 31.53 | 0.00 | 0.00 |
| 030569 | Other fish salted or in brine but not dried or | 38.41 | 0.02 | 24 | 0.00 | na | na |
| 030490 | Frozen fish meat (excl. fillets) | 36.69 | 0.02 | 25 | -52.83 | na | na |
| 190490 | Prepared cereals in grain form (excl. maize) | 34.94 | 0.02 | 26 | 176.05 | na | na |
| 190190 | Other food preparations of flour, etc, nes | 34.57 | 0.02 | 27 | 114.95 | 10.81 | 0.63 |
| 210690 | Other food preparations, nes | 34.17 | 0.02 | 28 | 81.36 | 8.40 | 1.33 |
| 140490 | Vegetable products, nes | 32.21 | 0.02 | 29 | 227.50 | na | na |
| | Others | 541.69 | 0.32 | | 36.17 | | |
| | Total | 168375.03 | 100.00 | | 9.20 | | |

**Source:** Authors' calculation based on data collected from UN COMTRADE.
**Note:** The products, having at least USD 30,000 export earnings, have been considered for analysis.
*nes denotes not elsewhere specified.

## 4. POTENTIAL IMPACTS OF PROPOSED MODALITIES ON BANGLADESH

We have studied potential impacts of likely outcome of successful completion of Doha Round negotiations for Bangladesh agriculture for 34 agricultural commodities including relevant agro-products (Table 10). As mentioned earlier, implementation of trade liberalisation commitments may be made at the 6-digit HS code level, but for general understanding, it is easier to comprehend and report on a group of commodities. Considering the ease in estimation, interpretation and communication of research findings, the grouping available in ATPSM software was used. Thus, 34 agricultural commodities included in this study represent relevant agro-products under these categories.

**Table 10: Agricultural Products Considered for the Present Study**

| Products Studied | Comprised |
|---|---|
| Livestock | Cattle; buffaloes; sheep; goats |
| Bovine meat | Offals of cattle, edible; meat of cattle, boneless; meat of beef (dried, salted, smoked); meat of buffaloes; offals of buffaloes (Edible) |
| Sheep meat | Meat of sheep; offals of sheep (edible); meat of goats; offals of goats |
| Pig meat | Meat of pigs; offals of pigs (Edible); pork; bacon and Ham |
| Poultry | Meat of chickens; offals liver chik; meat of ducks; meat of geese; offals liver g. se; offals liver duck; meat of turkeys; offals liver turk; pigeon meat, other birds |

*(Table 10 contd.)*

*(Table 10 contd.)*

| Products Studied | Comprised |
|---|---|
| Milk, Concentrate | Milk whole condensed; milk whole evaporated; milk skimmed evaporated; milk skimmed condensed; milk whole dried; milk skimmed Dry |
| Butter | Butter cow milk; ghee, butter oil of cow milk; butter of buffalo milk; ghee oil of buffalo; butter, ghee of sheep milk; butter of goat milk |
| Cheese | Cheese of whole cow milk; cheese of skimmed cow milk; whey cheese; processed cheese; cheese of buffalo milk; cheese of sheep milk; cheese of goat milk |
| Wheat | Wheat; flour of wheat |
| Rice | Rice paddy; rice husked; milled/husked rice; rice milled; rice broken; rice flour |
| Barley | Barley; barley flour and grits |
| Maize | Maize; Flour of Maize |
| Sorghum | Sorghum; flour of sorghum |
| Pulses | Beans dry; broad beans dry; peas dry; chick-peas; cow peas dry; pigeon peas; Lentils; bambara beans; vetches; lupins; pulses nes; flour of pulses |
| Tomatoes | Tomatoes fresh; tomato juice concentrated; juice tomatoes; paste tomatoes; tomato peeled |
| Roots and tubers | Potatoes; potatoes flour; frozen potatoes; tapioca of potatoes; sweet potatoes; cassava; flour of cassava; tapioca of cassava; cassava dried; yautia (cocoyam); taro (cocoyam); yams; roots and tubers nes; flour of roots and tubers; roots and tubers dried |
| Apples and pears | Apples; apple juice single streng; apple juice concentrated; pears; quinces |
| Citrus fruits | Oranges; juice of oranges; orange juice concentrated; tang. mand. clement. satsma; tangerine juice; lemons and limes; lemon juice single-streng; lemon juice conc.; grapefruit & pomelo; juice of grapefruit; grape-fruit juice concentrate; citrus fruit nes; juice of citrus fruit nes; citrus juice conc. |
| Bananas | Bananas; plantains |
| Other tropical fruits | Watermelons; melons incl. cantaloupes; figs; figs dried; mangoes; avocados; pineapples; pineapples cand; juice of pineapples; dates ; pineapple juice conc ; mango juice ; mango pulp; persimmons; cashew apple; kiwi fruit; papayas; fruit tropical fresh nes; fruit tropical dried nes |
| Sugar, raw | Sugar cane; sugar beet; cane sugar; beet sugar; sugar crops nes; sugar raw centrifugal; sugar non- centrifugal |
| Sugar, refined | Sugar refined |
| Coffee, green | Coffee green |
| Coffee, proc. | Coffee roasted; coffee subst. cont. coffee; coffee extracts |
| Cocoa beans | Cocoa beans |
| Cocoa, processed | Cocoa paste; cocoa butter; cocoa powder & cake; chocolate processed nes |
| Tea | Tea; mate; extracts tea, mate, prep.; tea nes |
| Tobacco leaves | Tobacco unmanufactured |
| Oilseeds, temperate | Soybeans; sunflower seed; rapeseed; jojoba seeds; safflower seed; sesame seed; mustard seed; poppy seed; linseed; hempseed |
| Oilseeds, tropical | Groundnuts in shell; groundnut shelled; coconuts; coconuts desic; copra; oil palm fruit; palm nuts kernels; karite nuts (sheanuts); castor beans; tung nuts; melon seed; tallow tree seeds; kapok fruit; kapok seed shell; kapok seed shled; seed cotton; cottonseed |
| Vegetable oils | Oil of soybeans; oil groundnuts; oil of coconuts; oil of palm; oil palm kernel; butter of karite nuts; oil of castor beans; oil of sunflower seed; oil of rapeseed; oil of tung nuts; jojoba oil; oil of safflower seed; oil of sesame seed; oil of mustard seed; oil of poppy seed; vegetable tallow; stillingia oil; oil of kapok; oil of ctnseed; oil of linseed; oil of hempseed |

*(Table 10 contd.)*

*(Table 10 contd.)*

| Products Studied | Comprised |
|---|---|
| Hides and skins | Hides fresh cattle; hides wet salted cattle; hides dry s. cattle; hides nes cattle; skins wet salted calves; skins dry s. calves; skins nes calves; hides wet salted buffaloes; hides dry salt buf; skins fresh sheep; skinswet salted sheep; skins dry sltsheep; skins nes sheep; skins with wool sheep; karakul skins; skins wet salted goats; skins dry slt goat; skins nes goats; skins fresh pigs; skinswet sltdpigs; skins dry sltdpigs; skins nes pigs; hides wet salted horses; hides dry slt horses; hides unsp horse; hides wet salted camels;<br>hides dry slt cam; hides unsp camels; skins of rabbits; hides wet salted nes; hides dry slt nes; hides nes |
| Cotton | Cotton lint; cotton carded, combed; cotton waste; cotton linter |
| Rubber | Rubber nat latex; rubber nat dry |

**Source:** Agricultural Trade Policy Simulation Model (ATPSM) handbook.

Detailed discussion on the Modalities 2008 related to agriculture in Section II of this paper has clearly shown that the committee has proposed:

(i) There will be three bands for reductions in the final bound total AMS and in the overall cut in trade-distorting domestic support, with higher cuts in higher bands.
(ii) Elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect to be completed by the end of 2013 for developed country and by the end of 2016 for developing country.
(iii) All final bound tariffs shall be reduced using the tiered formula and Members will adopt four bands for structuring of tariff cuts.
(iv) As regards special products for developing countries, there will be flexibility to self-designate an appropriate number of tariff lines as special products guided by indicators based on the criteria of food security, livelihood security and rural development. There will be 12 per cent of tariff lines available for self-designation as special products. Up to 5 per cent of lines may have no cut. The overall average cut will, in any case, be 11 per cent. On the other hand, developed country members shall have the right to designate up to 4 per cent of dutiable tariff lines as sensitive products.
(v) LDCs would be exempted from any reduction commitment as regards tariff, domestic support and export subsidy for agricultural products.

Considering the above mentioned proposals, a scenario has been defined as regards market access (tariff cuts, sensitive and special products), reduction in domestic support and export subsidy. Countries has been divided into three categories- developed, developing and LDCs. Table 11 presents the draft modalities scenario, 6 December 2008.

**Table11: Draft Modalities Scenario, 6 December 2008**

*(in Per cent)*

| Country Grouping | Market Access | | Reduction in Export Subsidy | Reduction in Domestic Support |
|---|---|---|---|---|
| | Tariff Cut | Special Product/ Sensitive Product | | |
| Developed countries | If tariff is > 75, then reduce tariff by 70 | 4% sensitive products | 100 | 80 by EU, 70 by US and Japan, and 55 by other developed countries |
| | If tariff is >50 and ≤ 75, then reduce tariff by 64 | | | |
| | If tariff is >20 and ≤50, then reduce tariff by 57 | | | |
| | If tariff is >0 and ≤20, then reduce tariff by 50 | | | |
| Developing countries | If tariff is >130, then reduce tariff by 46 | 12% special products | 100 | 37 |
| | If tariff is >80 and ≤130, then reduce tariff by 43 | | | |
| | If tariff is >30 and ≤80, then reduce tariff by 38 | | | |
| | If tariff is >0 and ≤30, then reduce tariff by 33 | | | |
| LDCs | 0 | | 0 | 0 |

**Source:** Defined by authors, based on the Revised Draft Modalities for Agriculture, 6 December 2008.

The scenario assumes that there would be substantial tariff cuts with greater flexibility for developing countries and LDCs will be exempted from any reduction commitments. There will be generous provision for sensitive (4 per cent of tariff lines) and special products (12 per cent tariff lines) and reduction in domestic support will be substantial. During the Uruguay Round, commitment in reduction of domestic support was based on country categories (developed, developing and LDCs) rather than level of support provided by individual countries. The scenario attempted to incorporate that type of spirit for reduction in domestic support by assuming that EU will reduce their support by 80 per cent, and US and Japan by 70 per cent while developing countries will reduce by 37 per cent and no reduction commitment for LDCs.

A comparative assessment of the impacts of the above mentioned scenario on various indicators, such as bound and applied tariff, domestic support, welfare (producer surplus, consumer surplus, government revenue), prices (world price), volume of exports and imports, change in production and consumption of various agricultural commodities in Bangladesh, was conducted. For estimating potential impacts, the ATPSM (Agricultural Trade Policy Simulation Model) software version 3.1 released in January 2006 developed by United Nations Conference on Trade and Development (UNCTAD) and Food and Agriculture Organization (FAO) was used. World price, production, export, import and consumption level data for Bangladesh have been updated using FAO database by authors. Consumption data have been compiled by the summation of production and import and the deduction of export level. ATPSM is a deterministic, comparative advantage partial equilibrium model. The model contains a system of equation that represents supply, demand and trade flows for different agricultural goods (ATPSM, 2006). 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 Draft Modalities under the above mentioned scenario about the successful completion of Doha Round talks on agriculture on various indicators and on the economy of Bangladesh. It does not capture many important economic variables. For example the model does not include population growth, investment flow, input productivity, wage rate etc in its structure. we could not include most recent data in some cases due to unavailability. For instant, production, consumption, and trade data have been up dated up to 2005.

### 4.1 Potential Impact on Tariff Reduction

This paper analysed the impacts of proposed modalities of 6 December 2008 on reduction in average applied and average bound tariff rates. The analysis indicates that both average applied and average bound tariff rates for agricultural products are likely to decrease to 22 per cent in EU, 5 per cent in USA, 58 per cent in Japan, and 17 per cent in Canada (Table 12). In the developing countries, bound rate of tariffs will be decreased more than the applied tariff rates. It is because bound tariff rates are generally much higher than applied tariff rates in the developing countries. Bound tariff rates in developing countries (Brazil, India, Korea, Malaysia, Pakistan, South Africa, Sri Lanka, Thailand and Russia) are likely to decrease between 2 percentage point (in Russia) and 42 percentage points (in Pakistan), while applied tariff rates in these countries are likely to decrease by 0.07 percentage point (in Pakistan) to 15 percentage points (in Malaysia).

**Table 12: Potential Impact on Applied and Bound Tariff Rates in Developed and Developing Countries**

| | Initial Tariff (Per cent) | | Final Tariff (Per cent) | | Change in Tariff (Percentage Point) | |
|---|---|---|---|---|---|---|
| | Applied | Bound | Applied | Bound | Applied | Bound |
| EU | 32 | 32 | 10 | 10 | -22.00 | -22.00 |
| United States | 10 | 10 | 5 | 5 | -5.00 | -5.00 |
| Japan | 86 | 86 | 29 | 29 | -58.00 | -58.00 |
| Australia | 0 | 1 | 0 | 1 | 0.00 | 0.00 |
| Brazil | 12 | 39 | 12 | 25 | -0.12 | -14.00 |
| Canada | 25 | 25 | 8 | 8 | -17.00 | -17.00 |
| India | 41 | 92 | 35 | 54 | -6.00 | -38.00 |
| Korea Rep. | 61 | 98 | 45 | 63 | -16.00 | -35.00 |
| Malaysia | 34 | 47 | 19 | 26 | -15.00 | -21.00 |
| Pakistan | 16 | 100 | 16 | 58 | -0.07 | -42.00 |
| South Africa | 18 | 47 | 15 | 28 | -3.00 | -19.00 |
| Sri Lanka | 24 | 48 | 23 | 31 | -1.00 | -17.00 |
| Thailand | 32 | 59 | 26 | 34 | -6.00 | -26.00 |
| Russia | 6 | 6 | 4 | 4 | -2.00 | -2.00 |

**Source:** Calculated from ATPSM, UNCTAD, Version 3.1.

### 4.2 Potential Impact on Domestic Support

As per the AoA, if a country's domestic support expenditure 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 per cent and 10 per cent of the total value of their agricultural production. Thus, domestic support provided by Australia, Brazil, Canada, India, Malaysia, Pakistan, South Africa, Sri Lanka, Thailand and Russia is considered zero. In 1995-2000, average level of domestic support expenditure (DSE) in EU and USA was USD 139608 million, USD 48300 million and in Japan and Korea Rep in 1999-2001 was USD 7466 and USD 12930 million respectively (Table 13). If the commitments are made then total DSE is expected to decline by 80 per cent in EU, 70 per cent in the USA, Japan and Korea.

**Table 13: Potential Impact on Domestic Support Expenditure in Selected Developed and Developing Countries**

*(in Million USD )*

| Country | Initial Level of Support (1995-2000) | Likely Level of Domestic Support | Percentage Change in Domestic Support |
|---|---|---|---|
| European Union | 139608 | 27846 | -80 |
| United States | 48300 | 14490 | -70 |
| Japan | 7466 | 2005 | -70 |
| Australia | 0 | 0 | 0 |
| Brazil | 0 | 0 | 0 |
| Canada | 0 | 0 | 0 |
| India | 0 | 0 | 0 |
| Korea Rep. | 12930 | 3879 | -70 |
| Malaysia | 0 | 0 | 0 |
| Pakistan | 0 | 0 | 0 |
| South Africa | 0 | 0 | 0 |
| Sri Lanka | 0 | 0 | 0 |
| Thailand | 0 | 0 | 0 |
| Russia | 0 | 0 | 0 |

**Source:** Calculated from ATPSM, UNCTAD, Version 3.1.
**Note:** Initial level of support for Japan and Korea Rep. relates to 1999-2001.

### 4.3 Potential Impact on Total Welfare

In world trade, most of the agricultural commodities have long been treated as the most protected commodities. So any significant liberalisation measure in this sector will likely to have huge welfare implications. Table 14 shows the potential impact of proposed modalities on total welfare in selected developed, developing and least developed countries. Here total welfare is the sum of the change in producer surplus, consumer surplus and the change in government revenue. It is observed that European Union and Japan will gain huge welfare. They experience total welfare gain due to gains in both consumer surplus and government revenue (Table 15) which together is greater than the large producer surplus losses. The producer surplus loss is due to the sharp reduction in tariffs, which lowered domestic prices despite the increased world prices. The significant increases in government revenues reflect reduced expenditure on domestic support and export subsidies. Australia, Canada and

United States will gain relatively lower welfare. The USA is gaining lower welfare due to huge consumer surplus loss (Table 15).

**Table 14: Potential Impact on Total Welfare in Selected Developed, Developing and Least Developed Countries**

*(in Million USD )*

| Country | Welfare Effect |
|---|---|
| European Union | 11910.63 |
| United States | 418.26 |
| Japan | 6952.51 |
| Australia | 753.81 |
| Canada | 624.28 |
| Mexico | -980.61 |
| Argentina | 334.58 |
| Brazil | 158.08 |
| China | -314.62 |
| Russia | -554.39 |
| Thailand | 33.74 |
| Malaysia | 116.44 |
| Afghanistan | -5.66 |
| Bangladesh | -117.26 |
| India | -82.00 |
| Maldives | -3.80 |
| Nepal | -0.53 |
| Pakistan | -58.00 |
| Sri Lanka | -32.54 |

**Source:** Calculated from ATPSM, UNCTAD, Version 3.1.

**Table 15: Potential Impact on Total Welfare in Selected Developed Countries**

*(in Million USD )*

| Welfare Type | EU | USA | Japan |
|---|---|---|---|
| Change in consumers surplus | 39970.84 | -4629.51 | 18433.41 |
| Change in producers surplus | -70462.32 | -307.77 | -13612.27 |
| Change in government revenue | 42402.11 | 5355.54 | 2131.36 |
| Change in total welfare | 11910.63 | 418.26 | 6952.51 |

**Source:** Calculated from ATPSM, UNCTAD, Version 3.1.

Among developing countries, Argentina, Brazil, Thailand and Malaysia will gain welfare, in the exercised scenario while Mexico, China and Russia will have moderate loss in welfare. All the SAAARC countries will have welfare loss. Among the SAARC countries Bangladesh will have the highest welfare loss (117.26 million USD) while Nepal will have the lowest level of welfare loss (only 0.53 million USD).

### 4.4 Potential Welfare Gains for Bangladesh

Welfare gains derive from the changes in consumer surplus, producer surplus and government revenue. The simulation results reveal that if the proposed modalities being implemented then Bangladesh will face huge amount of welfare loss (USD 117 million). It is due to the larger amount of loss in consumer surplus and government revenue. Though Bangladesh will gain significant amount of producer surplus (USD 486 million) but it will not be

sufficient to compensate the losses derived from consumer surplus (USD 586 million) and government revenue (USD 17 million) (Table 16). Likely higher world price will raise domestic price and will affect producer surplus positively. On the contrary, it will affect consumers negatively and will generate huge loss in consumer surplus. The higher world price also supposes to reduce import and eventually may hamper government's revenue earning.

**Table 16: Welfare Impact on Bangladesh: Change from Base Level**

*(in Million USD)*

| Welfare Type | Amount |
|---|---|
| Change in consumers surplus | -586.85 |
| Change in producers surplus | 486.71 |
| Change in government revenue | -17.13 |
| Change in total welfare | -117.26 |

**Source:** Calculated from ATPSM, UNCTAD, Version 3.1.

The study also attempts to measures product specific impacts on welfare gains in Bangladesh. Table 17 reveals that the following six agro-products will have significant amount of losses in total welfare: Rice (USD 17), wheat (USD 27), refined sugar (USD 16), vegetable oil (USD 27) and concentrated milk (USD 29). This is due to larger amount of loss in consumer surplus and government revenue loss than smaller amount of producer surplus gain. However, tobacco leaves, maize and raw sugar will achieve higher producer surplus gain which is enough to compensate consumer and government revenue loss.

**Table 17: Product Specific Potential Impacts on Welfare Gains in Bangladesh**

*(in Million USD )*

| Product | Change in Consumer Surplus | Change in Producer Surplus | Change in Govt. Revenue | Total |
|---|---|---|---|---|
| Livestock | -4.13 | 4.11 | -0.42 | -0.45 |
| Bovine meat | -21.78 | 22.04 | -0.02 | 0.24 |
| Sheep meat | -10.39 | 10.42 | -0.02 | 0.01 |
| Pig meat | -0.01 | 0.00 | 0.01 | 0.00 |
| Poultry | -4.77 | 4.99 | 0.00 | 0.21 |
| Milk, conc. | -34.66 | 0.01 | 5.32 | -29.33 |
| Butter | -8.28 | 7.68 | -0.57 | -1.17 |
| Cheese | -0.72 | 0.71 | -0.10 | -0.12 |
| Wheat | -44.06 | 17.52 | 0.13 | -26.41 |
| Rice | -291.62 | 287.36 | -12.37 | -16.63 |
| Barley | -0.02 | 0.02 | 0.02 | 0.02 |
| Maize | -1.35 | 0.63 | 1.22 | 0.49 |
| Sorghum | 0.00 | 0.00 | 0.03 | 0.03 |
| Pulses | -2.33 | 1.17 | -0.01 | -1.17 |
| Tomatoes | -2.92 | 2.84 | -1.12 | -1.20 |
| Roots and tubers | -10.68 | 10.68 | -0.58 | -0.59 |
| Apples | -1.25 | 0.00 | 0.03 | -1.22 |
| Citrus fruits | -1.61 | 0.74 | -0.27 | -1.14 |
| Bananas | -8.22 | 8.31 | -0.02 | 0.07 |
| Other tropical fruits | -17.44 | 17.42 | -3.36 | -3.38 |

*(Table 17 contd.)*

*(Table 17 contd.)*

| Product | Change in Consumer Surplus | Change in Producer Surplus | Change in Govt. Revenue | Total |
|---|---|---|---|---|
| Sugar, raw | -50.68 | 51.08 | -2.17 | -1.77 |
| Sugar, refined | -26.42 | 12.19 | -1.75 | -15.98 |
| Coffee, green | 0.00 | 0.00 | 0.00 | 0.00 |
| Coffee, proc. | -0.04 | 0.00 | 0.00 | -0.04 |
| Cocoa beans | 0.00 | 0.00 | 0.00 | 0.00 |
| Cocoa, proc. | -0.10 | 0.00 | 0.01 | -0.08 |
| Tea | -0.81 | 0.97 | -0.09 | 0.07 |
| Tobacco leaves | -1.42 | 1.92 | -0.10 | 0.40 |
| Hides and skins | -20.35 | 19.43 | -0.39 | -1.31 |
| Oilseeds, temp. | -1.92 | 1.17 | -0.16 | -0.91 |
| Oilseeds, trop. | -0.51 | 0.50 | -0.20 | -0.20 |
| Rubber | -0.19 | 0.15 | -0.01 | -0.05 |
| Cotton | -0.03 | 0.01 | 0.00 | -0.02 |
| Vegetable oils | -18.12 | 2.66 | -0.18 | -15.64 |
| **Total** | **-586.85** | **486.71** | **-17.13** | **-117.26** |

**Source**: Calculated from ATPSM, UNCTAD, Version 3.1.

Implication of this finding is that Bangladesh, as a NFID 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 these types of negative consequences. Bangladesh may think of measures like technical and financial support to increase its trade capacity so that Bangladesh can gain in the long run. Projected increase in producers' surplus implies that special provisions such as duty- and quota-free market access for agricultural commodities from LDCs someway would be able to minimise the negative impacts. It may be mentioned here that Deb (2005) has shown that Bangladesh agriculture was very much responsive to the prices and trade policy pursued during FY1981-2004 period.

### 4.5 Potential Impact on World Prices

The study reveals a significant price impact due to in-built propositions mentioned in the proposed draft modalities. Implementation of the proposed draft will affect the global price of agricultural commodities. It is estimated that the average price of agricultural commodities will increase by 4.84 per cent. This rise in world prices would be mainly due to the reduction in domestic supports and export subsidies in the developed and developing countries. This price increase is likely to have significant impact on Bangladesh since it is a net food importing country. It may reinforce rising inflationary pressure and likely to worsen the current account balance of Bangladesh. Eventually, it may adversely affect the food security and poverty situation of this country. The study found that only the price of Cocoa beans and Coffee green would decrease insignificantly which is 0.15 per cent and 0.35 per cent respectively.

On the other hand, prices of concentrated milk (23 per cent), hides and skins (24 per cent), butter (21 per cent), cheese (16 per cent) and barley (10 per cent) will increase enormously. The price of bovine meat (5 per cent), poultry (5 per cent), rice (3 per cent), wheat (8 per cent) and refined sugar (6 per cent) will also increase significantly (Table 18). Since a number of items are within the consumption basket of LDCs and developing countries, hence net importing countries may have adversely affected due to the increased price.

**Table 18: Potential Impact of Negotiation Outcomes on World Prices**

*(in USD /MT)*

| Product | Initial World Price (2005-07) | Likely World Price | Percentage Change in World Price |
|---|---|---|---|
| Livestock | 4208.00 | 4214.52 | 0.15 |
| Bovine meat | 2591.00 | 2702.13 | 4.59 |
| Sheep meat | 4075.00 | 4139.65 | 1.59 |
| Pig meat | 2361.00 | 2546.02 | 7.84 |
| Poultry | 838.00 | 878.46 | 4.83 |
| Milk, conc. | 2879.00 | 3543.09 | 23.07 |
| Butter | 2286.00 | 2768.37 | 21.10 |
| Cheese | 3190.00 | 3708.29 | 16.25 |
| Wheat | 175.00 | 168.70 | 8.14 |
| Rice | 311.00 | 251.98 | 2.85 |
| Barley | 129.00 | 141.44 | 9.64 |
| Maize | 123.00 | 125.48 | 2.02 |
| Sorghum | 133.00 | 134.24 | 0.93 |
| Pulses | 529.33 | 532.20 | 0.54 |
| Tomatoes | 820.00 | 838.81 | 2.29 |
| Roots and tubers | 89.33 | 91.36 | 2.27 |
| Apples | 548.33 | 570.24 | 4.00 |
| Citrus fruits | 875.00 | 886.71 | 1.34 |
| Bananas | 662.00 | 672.06 | 1.52 |
| Other tropical fruits | 735.33 | 749.31 | 1.90 |
| Sugar, raw | 254.00 | 260.74 | 2.65 |
| Sugar, refined | 321.00 | 339.40 | 5.73 |
| Coffee, green | 1766.00 | 1765.96 | -0.35 |
| Coffee, proc. | 4763.87 | 4915.32 | 3.18 |
| Cocoa beans | 1708.00 | 1705.41 | -0.15 |
| Cocoa, proc. | 1676.00 | 1755.12 | 4.72 |
| Tea | 1068.00 | 1084.70 | 1.56 |
| Tobacco leaves | 3030.00 | 3077.61 | 1.57 |
| Hides and skins | 1453.33 | 1793.87 | 23.53 |
| Oilseeds temp. | 219.67 | 222.78 | 1.42 |
| Oilseeds, trop. | 266.00 | 268.02 | 0.76 |
| Rubber | 1851.00 | 1876.72 | 1.39 |
| Cotton | 1276.00 | 1276.15 | 0.01 |
| Vegetable oils | 768.00 | 780.53 | 1.63 |
| **Total** | | | **4.84** |

**Source**: Calculated from ATPSM, UNCTAD, Version 3.1.

## 4.6 Potential Impact on Production, Consumption and Trade

It is expected that the successful completion of current Doha Round Negotiation will have significant effect on world agricultural production, consumption, and trade flows. The proposed withdrawal of domestic support, export subsidies and reduction in tariff by developed and developing countries are likely to replace global production and trade from more inefficient source to less inefficient destination. This replacement dynamics, which is supportive to comparative advantage theory of trade economics, eventually may bring change in consumption habit of global people. In this perspective, it is pertinent to assess the likely

direction and magnitude of change in production, consumption, and trade flows of Bangladesh with respect to the on-going WTO modalities of agricultural negotiation.

### *4.6.1 Potential Impact on Production and Consumption*

Our simulation exercise reveals that the successful completion of current Doha Round Negotiation through the modalities proposed on 6 December 2008 have significant impact on changing agricultural production pattern in Bangladesh. Even though the aggregate production is likely to change insignificantly (0.85 per cent only), the product level change is mentionable (Table 19).

**Table 19: Potential Impact on Production and Consumption of Bangladesh**

| Indicator | Initial Level 2003-05 | Likely Change | Change in Per cent |
|---|---|---|---|
| Production (‘000 MT*) | 55341.83 | 55810.22 | 0.85 |
| Consumption (‘000 MT) | 61175.69 | 60613.77 | -0.92 |

**Source:** Calculated from ATPSM, UNCTAD, Version 3.1.
**Note:** *MT denotes metric ton.

It is found that the production of bovine meat, sheep meat, poultry, butter, cheese, wheat, rice, tomatoes, citrus fruits, raw sugar and refined sugar, hides and skins, and tropical oilseeds will increase in Bangladesh. Among them, the production of bovine meat will rise by 116 per cent, cheese by 10 per cent, sugar and raw sugar by 3 per cent and wheat production by 4 per cent. On the other hand, barley, maize, and sorghum production will fall by 54, 55, and 56 per cent respectively (Table 20).

In case of consumption, the study reveals that the proposed liberalisation modalities likely to raise the consumption of bovine meat, barley, maize, and sorghum (Table 21). Though consumption basket of Bangladesh covers insignificant portion of the products mentioned above however it might have effect in the long run. On the other hand, the consumption of rice, wheat, poultry, milk, butter, cheese, tropical fruits, sugar, pulses, and tomatoes likely to decrease due to the price hike (Table 21). Most of the items remain within the import basket, creates significant impact on both consumer level and to some extent on government revenue earnings.

**Table 20: Potential Impact on Agricultural Production in Bangladesh**

*(in MT)*

| Product | Initial Production (2003-2005) | Likely Production Level | Change in Per cent |
|---|---|---|---|
| Livestock | 607086.00 | 608566.27 | 0.24 |
| Bovine meat | 183600.00 | 397280.28 | 116.38 |
| Sheep meat | 140000.00 | 143582.72 | 2.56 |
| Pig meat | 0.00 | 0.00 | 0.00 |
| Poultry | 122578.00 | 124590.09 | 1.64 |
| Milk, conc. | 14.00 | 14.00 | 0.00 |
| Butter | 12410.00 | 12593.30 | 1.48 |
| Cheese | 1000.00 | 1097.48 | 9.75 |
| Wheat | 1245358.00 | 1267969.33 | 1.82 |
| Rice | 38131005.00 | 38409920.64 | 0.73 |
| Barley | 1413.00 | 656.85 | -53.51 |
| Maize | 238331.00 | 107645.75 | -54.83 |
| Sorghum | 2274.00 | 1015.27 | -55.35 |
| Pulses | 370766.00 | 371568.41 | 0.22 |
| Tomatoes | 114623.00 | 117777.60 | 2.75 |
| Roots and tubers | 4370791.00 | 4370791.00 | 0.00 |
| Apples | 0.00 | 0.00 | 0.00 |
| Citrus fruits | 48236.00 | 49152.99 | 1.90 |
| Bananas | 751675.00 | 757155.37 | 0.73 |
| Other tropical fruits | 992254.00 | 1001304.43 | 0.91 |
| Sugar, raw | 6581825.00 | 6727843.93 | 2.22 |
| Sugar, refined | 500600.00 | 515990.07 | 3.07 |
| Coffee, green | 0.00 | 0.00 | 0.00 |
| Coffee, proc. | 0.00 | 0.00 | 0.00 |
| Cocoa beans | 0.00 | 0.00 | 0.00 |
| Cocoa, proc. | 8.00 | 8.00 | 0.00 |
| Tea | 57553.00 | 57787.01 | 0.41 |
| Tobacco leaves | 39333.00 | 39456.59 | 0.31 |
| Hides and skins | 51499.00 | 57948.76 | 12.52 |
| Oilseeds, temp. | 343667.00 | 345986.67 | 0.67 |
| Oilseeds, trop. | 211025.00 | 214329.72 | 1.57 |
| Rubber | 5200.00 | 5244.07 | 0.85 |
| Cotton | 43208.00 | 43210.22 | 0.01 |
| Vegetable oils | 174500.00 | 175098.04 | 0.34 |
| Total | 55341832.00 | 55925584.87 | 0.01 |

**Source:** Calculated from ATPSM, UNCTAD, Version 3.1.

**Table 21: Potential Impact on Consumption Level in Bangladesh**

*(in MT)*

| Product | Initial Consumption (2003-2005) | Likely Consumption Level | Change in Per cent |
|---|---|---|---|
| Livestock | 611239 | 610017 | -0.20 |
| Bovine meat | 183573 | 239866 | 30.66 |
| Sheep meat | 140010 | 138520 | -1.06 |
| Pig meat | 36 | 47 | 29.81 |
| Poultry | 118931 | 116846 | -1.75 |
| Milk, conc. | 41581 | 38821 | -6.64 |

*(Table 21 contd.)*

*(Table 21 contd.)*

| Product | Initial Consumption (2003-2005) | Likely Consumption Level | Change in Per cent |
|---|---|---|---|
| Butter | 14146 | 13288 | -6.07 |
| Cheese | 1107 | 1038 | -6.21 |
| Wheat | 3237861 | 3121185 | -3.60 |
| Rice | 39078351 | 38806036 | -0.70 |
| Barley | 1580 | 2372 | 50.13 |
| Maize | 519917 | 546686 | 5.15 |
| Sorghum | 2511 | 3981 | 58.57 |
| Pulses | 742656 | 741347 | -0.18 |
| Tomatoes | 120046 | 118627 | -1.18 |
| Roots and tubers | 4395644 | 4346460 | -1.12 |
| Apples | 44670 | 43160 | -3.38 |
| Citrus fruits | 106459 | 105616 | -0.79 |
| Bananas | 751572 | 741586 | -1.33 |
| Other tropical fruits | 1007588 | 988241 | -1.92 |
| Sugar, raw | 6635498 | 6529575 | -1.60 |
| Sugar, refined | 1123260 | 1089332 | -3.02 |
| Coffee, green | 63 | 63 | 0.00 |
| Coffee, proc. | 177 | 170 | -3.80 |
| Cocoa beans | 0 | 0 | 0.00 |
| Cocoa, proc. | 953 | 932 | -2.16 |
| Tea | 48753 | 47627 | -2.31 |
| Tobacco leaves | 28227 | 28016 | -0.75 |
| Hides and skins | 57406 | 57406 | 0.00 |
| Oilseeds temp. | 569420 | 562100 | -1.29 |
| Oilseeds, trop. | 215121 | 213342 | -0.83 |
| Rubber | 6289 | 6271 | -0.28 |
| Cotton | 172235 | 172223 | -0.01 |
| Vegetable oils | 1198814 | 1182975 | -1.32 |
| Total | 61175694 | 60613773 | -0.92 |

**Source:** Calculated from ATPSM, UNCTAD, Version 3.1.

### *4.6.2 Potential Impact on Trade Flows*

The simulation exercise reveals that the export of agricultural products from Bangladesh will increase significantly (Table 22). However, the export of maize and sorghum will decrease by 49 and 50 per cent. Besides, the export of poultry will increase by 108 per cent, roots and tubes by 618 per cent, tropical fruits by 792 per cent, raw sugar by 5839 per cent, bananas by 7918 per cent, tropical oil seed by 3476 per cent (Table 23). These products will observe this type of magnificant increase in percentage form due to lower base export level. The study also shows that the export level of bovine meat will increase from 60 MT to 142661 MT and sheep meat from 10 MT to 4,919 MT, if the current Doha Round negotiation ended successfully with the modalities proposed in December 2008 agricultural negotiation draft. The study also reveals that the export of rice will increase by 1 per cent and tea by 11 per cent.

The study indicates that the import of agricultural commodities will decrease by 11 per cent if the current draft modalities being implemented (Table 22). Import of livestock will decrease by 65 per cent, butter by 60 per cent, wheat by 7 per cent, rice by 48 per cent, raw sugar by 100 per cent, refined sugar by 8 per cent, and tobacco leaves will decrease by 6 per cent

(Table 24). On the other hand, the import of livestock, pig meat, barley, maize and sorghum will increase by 65, 30, 880, 51 and 968 per cent respectively.

**Table 22: Potential Impact on Export and Import Levels of Bangladesh**

| Indicator | Initial Level 2003-05 | Likely Change | Change in Per cent |
|---|---|---|---|
| Export Level ('000 MT) | 50.94 | 425.44 | 735.15 |
| Import Level ('000 MT) | 5884.80 | 5229.00 | -11.14 |

**Source**: Calculated from ATPSM, UNCTAD, Version 3.1.

**Table 23: Potential Impact on Bangladesh's Export Level**

*(in MT)*

| Product | Initial Export (2003-05) | Likely Export Level | Change in Per cent |
|---|---|---|---|
| Livestock | 0 | 0 | 0 |
| Bovine meat | 60 | 132171 | 220185 |
| Sheep meat | 10 | 4753 | 47429 |
| Pig meat | 0 | 0 | 0 |
| Poultry | 3667 | 7635 | 108 |
| Milk, conc. | 43 | 43 | 0 |
| Butter | 7 | 7 | 1 |
| Cheese | 0 | 55 | 0 |
| Wheat | 7 | 7 | 2 |
| Rice | 2407 | 2419 | 0 |
| Barley | 0 | 0 | 0 |
| Maize | 10 | 5 | -49 |
| Sorghum | 30 | 15 | -49 |
| Pulses | 360 | 361 | 0 |
| Tomatoes | 10 | 10 | 3 |
| Roots and tubers | 3390 | 24331 | 618 |
| Apples | 0 | 0 | 0 |
| Citrus fruits | 153 | 156 | 2 |
| Bananas | 193 | 15476 | 7918 |
| Other tropical fruits | 1436 | 12807 | 792 |
| Sugar, raw | 3153 | 187270 | 5839 |
| Sugar, refined | 20 | 21 | 3 |
| Coffee, green | 0 | 0 | 0 |
| Coffee, proc. | 43 | 43 | 0 |
| Cocoa beans | 0 | 0 | 0 |
| Cocoa, proc. | 8 | 8 | 0 |
| Tea | 9110 | 10141 | 11 |
| Tobacco leaves | 16496 | 16545 | 0 |
| Hides and skins | 310 | 344 | 11 |
| Oilseeds temp. | 0 | 0 | 0 |
| Oilseeds, trop. | 23 | 823 | 3476 |
| Rubber | 7 | 7 | 1 |
| Cotton | 9366 | 9366 | 0 |
| Vegetable oils | 623 | 625 | 0 |
| Total | 50942 | 425444 | 735 |

**Source:** Calculated from ATPSM, UNCTAD, Version 3.1.

**Table 24: Potential Impact on Bangladesh's Import Level**

*(in MT)*

| Product | Initial Import Level (2003-05) | Likely Import Level | Change in Per cent |
|---|---|---|---|
| Livestock | 4153 | 1463 | -64.77 |
| Bovine meat | 33 | 0 | -100.00 |
| Sheep meat | 20 | 0 | -100.00 |
| Pig meat | 36 | 47 | 29.81 |
| Poultry | 20 | 0 | -100.00 |
| Milk, conc. | 41610 | 38850 | -6.63 |
| Butter | 1743 | 704 | -59.64 |
| Cheese | 107 | 0 | -100.00 |
| Wheat | 1992510 | 1852222 | -7.04 |
| Rice | 949753 | 490229 | -48.38 |
| Barley | 167 | 1632 | 879.42 |
| Maize | 281596 | 424905 | 50.89 |
| Sorghum | 267 | 2847 | 967.47 |
| Pulses | 372250 | 370149 | -0.56 |
| Tomatoes | 5433 | 887 | -83.67 |
| Roots & tubers | 28243 | 0 | -100.00 |
| Apples | 44670 | 43160 | -3.38 |
| Citrus fruits | 58376 | 56633 | -2.99 |
| Bananas | 90 | 0 | -100.00 |
| Other tropical fruits | 16770 | 0 | -100.00 |
| Sugar, raw | 56826 | 0 | -100.00 |
| Sugar, refined | 622680 | 574003 | -7.82 |
| Coffee, green | 63 | 63 | 0.00 |
| Coffee, proc. | 220 | 213 | -3.06 |
| Cocoa beans | 0 | 0 | 0.00 |
| Cocoa, proc. | 953 | 932 | -2.16 |
| Tea | 310 | 0 | -100.00 |
| Tobacco leaves | 5390 | 5110 | -5.19 |
| Hides & skins | 6217 | 652 | -89.51 |
| Oilseeds temp. | 225753 | 216335 | -4.17 |
| Oilseeds, trop. | 4119 | 0 | -100.00 |
| Rubber | 1096 | 1043 | -4.85 |
| Cotton | 138393 | 138379 | -0.01 |
| Vegetable oils | 1024937 | 1008541 | -1.60 |
| Total | 5884804 | 5228998 | -11.14 |

**Source:** Calculated from ATPSM, UNCTAD, Version 3.1.

## 5. ISSUES, CONCERNS AND STRATEGIES FOR BANGLADESH

### 5.1 Issues and Concerns for Bangladesh

Trade liberalisation proposals put forward through the December 2008 Draft has important implications and concerns for Bangladesh. These are listed below:

- *Increase in global price:* Reduction in domestic support and export subsidy by developed and developing countries is likely to increase food prices globally that will negatively affect net food importing countries including Bangladesh.
- *Greater market access possibility:* Reduction in applied and bound tariff rates is likely to provide greater market access for Bangladeshi products in both the developed and developing countries. Bangladesh's export level may increase substantially. Export of bovine meat, sheep meat, poultry, roots and tubers, raw sugar, tropical oilseeds, banana, and rice might increase.
- *Loss of total welfare:* Total welfare from trade liberalisation arises from three sources: Changes in producer surplus, changes in consumer surplus and changes in government revenue. The study reveals that Bangladesh might experience loss in total welfare after implementation of the proposals mentioned in the revised draft. This loss will arise as the net change to be derived from the positive changes in producer surplus is dominated by the negative changes in consumer surplus and reduction in government revenue.
- *List of sensitive products:* Bangladesh as an LDC is exempted from tariff reduction. Therefore, it is not important for us how much of the tariff lines that a country will be allowed to designate as Sensitive Products. But the tariff reduction on the Sensitive Products will reduce our preferences in the countries where we are getting GSP facilities. Since, individual country will decide the product for inclusion in its sensitive list. At this stage, it is not possible to determine its real erosion of preferences unless the exact list of products is available. However, we have to seek and negotiate for the exclusion of our interest product from sensitive list.
- *Cotton price:* Reduction in domestic support and export subsidies in cotton is likely to increase cotton price globally, which is likely to negatively affect the readymade garment (RMG) sector of Bangladesh.
- *Possibility of preference erosion:* Preference erosion is an important issue for Bangladesh since we get GSP facilities in many markets especially in European Union. Paragraph 149 of the latest draft modalities proposed two alternative options for addressing preference erosion. The first option is straight forward for which there will be no tariff cut for the listed items for ten years. Tariff cut will start after ten years. The second option is relatively complicated. It linked the preference erosion with the tariff value during pre-Doha period and trade volume (US $ 50,000 or 3% receiver's total agricultural products). Most of the agricultural export from Bangladesh would not fall under the second option and will be deprived from the flexibility to be granted for addressing preference erosion. Therefore, Bangladesh should choose the first option. However, the important concern is that the list of items in Annex-H needs to be examined immediately so that the items that have

export interest to Bangladesh could be included in the list. We should immediately analyze the list before conclusion of negotiations on this particular issue.

- *SSM and Bangladesh:* Bangladesh has limited interest on the negotiations on SSM. Our bound duties for most of the agricultural products are 200 per cent, while the average applied duties are 25 per cent or below. If the situation arises to apply SSM (defined in a very complicated way in Paragraph 133-142 of the current document of draft modalities), we cannot expect to increase import duties beyond the existing bound levels.

## 5.2 Negotiating Strategy for Bangladesh

In view of the current state of negotiation at WTO, Bangladesh needs to adopt a comprehensive and coordinated strategy for advancing its interests in the ongoing negotiations, which may include the following:

- *Duty- and quota-free market access:* The issue of market access is very important for Bangladesh. Transforming market access potential into reality is a major challenge. Therefore, the concerns have to be more active to ensure proper activation of the modalities. Bangladesh should negotiate about the issue of selecting agricultural commodities for the exclusion list comprising 3 percent of the tariff lines. In this context, sub paragraph 152 (b) of current draft insists to provide meaningfully enhanced market access for all LDCs. Bangladesh may propose to add the word "commercially" before the word meaningful of this sub paragraph and to end the issue within the Doha implementation period. Bangladesh may also seek market access in developing countries like China, Brazil and India so that we may get greater access in these markets.
- *De minimis Support:* Developed countries and developing countries have to reduce their *de minimis* supports. LDCs are eligible to provide the same *de minimis* level of support as mentioned in Article 6.4 (b) of the WTO Agreement on Agriculture (AOA). Total support provided by Bangladesh to its agriculture sector ranged 0.28 to 0.56 of the agricultural GDP. Therefore, Bangladesh will be comfortable with the *de minimis* to be allowed even after reduction.
- *Food Aid:* As a net food importing country, Bangladesh may suffer from food price rise as a result of negotiations in agriculture. To compensate for the negative shock on domestic support Bangladesh may seek unconditional food aid. Bangladesh should also negotiate for provision to monetize the food aid if needed, to bear the cost of transportation at the international and domestic level.
- *Capacity Building and Technical Assistance*: In order to address challenges related to agricultural trade Bangladesh should insist on including the provision of capacity building and technical assistance in the negotiation modalities.
- *No Export Restriction on food items imported by LDCs*: For ensuring food security, Bangladesh may pursue to establish the obligation that "no non-LDC Member shall apply any export restriction on food items imported by any LDC" as per the Dar es Salam Declaration adopted by the LDC Trade Ministers' Conference held in Dar Es Salaam, Tanzania on 14 - 16 October 2009.

- *Proactive Engagement in other WTO negotiations:* Bangladesh has to take a more pro-active interest in other ongoing negotiations on positive agenda, S&D provisions, transfer of technology, enabling clause, and assistance under integrated framework initiative trade capacity building of LDCs must be a mandatory activity under "Aid for Trade" particularly in the areas of (i) market information (ii) human resource development, and (iii) development of facilities and systems for compliance with SPS requirements in developed countries especially in case of exports of shrimp and other agricultural commodities.

## 6. CONCLUSIONS

Negotiating proposals put forward through the current Revised Draft Modalities on Agriculture have important implications for Bangladesh agriculture. These proposals are likely to create net loss in economic welfare but production and export of some commodities will increase. It is expected that exports of livestock, sheep meat, bovine meat, poultry, hides and skins, banana, other tropical fruits (water melon, melons, pineapples, papaya), tomatoes, roots and tubers (potato, radish, carrot, taro *(kachu)*, stolon of taro *(kachur lati)*) and tea will be increased. On the other hand, average international price of agricultural commodities may increase by about five percent which might adversely affect Bangladesh and other net food importing countries. In recent times, food security of Bangladesh and other net food importing countries have also been threatened by export restrictions imposed by different food exporting countries. To mitigate such adversity Bangladesh should pursue the demands of the Dar es Salam Declaration which categorically demanded that "no non-LDC Member shall apply any export restriction on food items imported by any LDC". Bangladesh should also demand unconditional food aid for LDCs so that they are compensated for the negative shocks on their food security.

The present study also shows that Bangladesh may be benefited through duty-free and quota-free (DF-QF) export of various agricultural products identified in this paper at HS 6-digit level. We should strengthen our negotiation capacity to include these products under DF-QF facility to ensure market access for these agricultural products in the USA. However, market access alone would not deliver the desired results. The country will face some challenges such as lack of supply side capacity to exploit the opportunities. To this end, Bangladesh must have to take a more pro-active interest also in other on-going WTO negotiations such as trade related intellectual property rights (TRIPS), trade related investment measures (TRIMS), sanitary and phyto-sanitary measures (SPS), fisheries subsidies, and Aid for Trade. We should demand for support under "Aid for Trade" particularly in the areas of market information, human resource development, and development of facilities and systems for compliance with SPS requirements in developed countries especially in case of exports of shrimp and other agricultural commodities. In accelerating our exports, we would also require to design appropriate fiscal and monetary incentives to stimulate investment and production in the country. Establishment of SPS compliant facilities and certification system for exporting and importing agro-commodities, and enacting laws for preservation of biodiversity and community knowledge, plant variety protection act will be necessary.

**REFERENCES**

CPD. 2008. *Training Manual on WTO and Bangladesh Trade Policy*. Dhaka: Centre for Policy Dialogue (CPD).

Deb, U. 2005: *Agriculture in the WTO July Package: Issues and Concerns for Bangladesh*. CPD Occasional Paper 53. Dhaka: Centre for Policy Dialogue (CPD).

Deb U. and Das, N.C. 2006. *The Hong Kong Declaration and Agriculture: Implications for Bangladesh*. CPD Occasional Paper 60. Dhaka: Centre for Policy Dialogue (CPD).

FAO. 2003. *WTO Agreement on Agriculture: The Implementation Experience*. Rome: Developing Country Case Studies, Food and Agriculture Organization of the United Nations (FAO).

------. 2009. FAOSTAT Agricultural Database, Food and Agriculture Organization of the United Nations. http://apps.fao.org/.

Peters, R. and Vanzetti, D. 2004. *User Manual and Handbook on Agricultural Trade Policy Simulation Model (ATPSM)*. Policy Issues in International Trade and Commodities, Study Series No. 24. New York and Geneva: United Nations.

Poonyth, D. and Sharma, R. 2003. *The Impact of the WTO Negotiations Modalities in the Area of Domestic Support, Market Access and Export Competition on Developing Countries: Results from ATPSM*. Paper presented at the international conference on "Agricultural Policy Reform and the WTO," 25-26 June, Capri, Italy.

Siam, G.M. 2005. *Impact of Agricultural Trade Liberalization between the EU and Mediterranean Countries*. Project Report. Cairo: Centre for Agricultural Economic Studies, Faculty of Agriculture, Cairo University.

WTO. 2000. *WTO Agreements Series: Agriculture*. Geneva: World Trade Organization (WTO).

------. 2001. *Ministerial Declaration Adopted on 14 November 2001.* WTO doc.WT/MIN (01)/Dec/1. Geneva: World Trade Organization (WTO).

------. 2005. *Ministerial Declaration Adopted on 18 December 2005 at the Sixth Ministerial Conference held in Hong Kong.* WTO doc. (WT/MIN (05)/Dec; 22 December 2005(05-6248)). Geneva: World Trade Organization (WTO).

------. 2006. *Doha Work Programme: Timelines for 2006.* (JOB (06)/13; 06-0409), Geneva: World Trade Organization (WTO). January 30.

------. 2008a. *Revised Draft Modalities for Agriculture.* TN/AG/W/4/Rev.1. Geneva: World Trade Organization (WTO). February 8.

------. 2008b. *Revised Draft Modalities for Agriculture.* TN/AG/W/4/Rev.1. Geneva: World Trade Organization (WTO). December 6.