

CPD Occasional Paper Series

**SEEKING FAIR MARKET ACCESS FOR BANGLADESH
APPARELS IN THE USA: A STRATEGIC VIEW**

Paper 11

**Dr Debapriya Bhattacharya
Professor Mustafizur Rahman**

Price Tk 30.00

Centre for Policy Dialogue

House No 40/C, Road No 11, Dhanmondi R/A, GPO Box 2129, Dhaka-1209, Bangladesh

Tel: 8124770; Fax: 8130951; E-mail: cpd@bdonline.com

Website: www.cpd-bangladesh.org

November, 2000

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

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

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

The present paper, **Seeking Fair Market Access for Bangladesh Apparels in the USA: A Strategic View**, has been prepared under the CPD programme on *Trade Policy Analysis and Multilateral Trading System*. The authors of the paper are **Dr Debapriya Bhattacharya**, Executive Director, CPD and **Professor Mustafizur Rahman**, Research Director, CPD. The Trade Policy Analysis programme of the CPD aims at strengthening institutional capacity in Bangladesh in the area of trade policy analysis, negotiations and implementation. The programme, *inter alia*, seeks to project the civil society's perspectives on the emerging issues emanating from the process of globalisation and liberalisation. The outputs of the programme will be available to all stakeholder groups including the government and policymakers, entrepreneurs and business leaders, and trade and development partners.

The programme has received support from the *Canadian International Development Agency* (CIDA) and is being implemented in collaboration with the *Centre for Trade Policy Law* (CTPL), Ottawa, Canada.

Assistant Editor: *Ayesha Banu*, Coordinator (Dialogue & Communication), CPD
Series Editor: *Dr Debapriya Bhattacharya*, Executive Director, CPD

CONTENTS

I	The Context and The Challenge	1
	<i>Role of the RMG Sector in the Bangladesh Economy</i>	1
	<i>Implications of Dismantling of the MFA</i>	2
	<i>Relevance of US Market During the Transition</i>	3
II	The Options and Responses	4
	<i>Demand for Changes from ATC Perspective</i>	4
	<i>Demand for Changes from WTO Perspective</i>	8
	<i>Demand for Changes from Bangladesh-US Bilateral Perspective</i>	11
	<i>Demand for Changes from Trade-Aid Perspective</i>	13
	<i>Demand Changes by Highlighting National Collateral Measures</i>	13
III.	Concluding Observations	14

Table and Boxes

Tables

Table 1 : Structure of Bangladesh's T&C Exports	1
Table 2 : Share of US Markets in RMG Export of Bangladesh	3
Table 3 : Results of the First and Second Stages of ATC Integration Programme by Canada, USA, EU and Norway	5
Table 4 : US Integration Programme of Textile and Clothing in the Fourth Stage	6
Table 5 : Quota Fill Rate of Major Categories of Bangladesh's RMG Exports to USA (1997)	7
Table 6 : Dynamics of Imports of Textile Related Machineries	13
Table 7 : Tariff Rates of Selected Apparel Categories	10

Boxes

Box 1 : Major Categories of Bangladesh's Export Interest Under Restriction in USA	4
---	---

I. The Context and the Challenge

Role of the RMG Sector in the Bangladesh Economy

The readymade garments (RMG) sector of Bangladesh has come to occupy a special position in the design and implementation of the export-led growth strategy which Bangladesh has been pursuing over the last two decades. The sector has been able to sustain a momentum of robust growth for over the last decade and half (1985-2000), registering a real growth rate of 12% which is about three times higher than that of the GDP over the matched period. By any reckoning, this should be recognised as quite a remarkable record of export performance.

Exports from the RMG sector of Bangladesh has registered a quantum leap from a meagre \$ 1.0 million in 1978 to \$ 4.2 billion in 2000 – currently accounting for 76% of total export of the country. More importantly, *out of every dollar* of incremental export from Bangladesh *about 85 cent* is at present contributed by the RMG sector. The trends in growth of the textiles and clothings (T&C) exports from Bangladesh in the 1990s may be observed in Table 1.

Table 1: Structure of Bangladesh's T&C Exports

(million USD)						
Year	Woven Garments	Knitwear	Specialised Textiles	Textile Fabrics	Tents	Total Textile and Clothing
1990-91	735.621	131.199	23.196			890.016
1991-92	1,064.004	118.569	18.431			1,201.004
1992-93	1,240.481	204.545	29.008			1,474.034
1993-94	1,291.646	264.136	31.833	0.284	4.406	1,592.305
1994-95	1,835.087	393.261	32.883	3.852	12.083	2,277.166
1995-96	1,948.814	598.319	41.265	5.873	14.448	2,608.719
1996-97	2,237.947	763.296	51.958	8.068	14.455	3,075.724
1997-98	2,843.327	940.307	58.205	25.960	21.451	3,889.250
1998-99	2,984.740	1,035.360	76.320	26.238	25.846	4,148.505

Source: Compiled from EPB data.

The apparel sector currently accounts for more than *a fourth* of value addition and about *two fifth* of employment in Bangladesh's manufacturing sector. About 1.5 million strong *highly feminized labour force* is presently employed in about 2800 RMG factories of the country. The sector generates strong positive externalities, *inter alia*, in the form of increased economic activities in such areas as banking, insurance, transportation, real

estate, hotels and tourism, packaging and recycling, consumer goods and utility services. A rough estimate shows that the sector, through linkage effects, generates about \$ 2.0 billion worth of domestic economic activities. About 80 per cent of the garment accessories used in RMG exports, amounting for nearly \$ 0.5 billion, is now locally produced.

Understandably, given the dimensions of the preponderant role of RMG exports in the Bangladesh economy, any adverse developments in this sector is going to have not only serious *economic* and *developmental implications*, but also destabilising *social* and *political* consequences for the country.

Implications of Dismantling of the MFA

Although the Government of Bangladesh (GOB) played an exemplary pro-active role in providing policy support to the growth of the RMG sector¹, the emergence and growth of the Bangladesh RMG took place, largely, within the ambit of regulated discipline of the *Multi-Fibre Arrangement* (MFA). In spite of its highly discretionary nature, the MFA regime, with its *relative predictability*, had been a "blessing in disguise" for Bangladesh.

With the conclusion of the *Agreement on Textiles and Clothing* (ATC) under the *Uruguay Round* (UR) multilateral trade negotiations (1987-1993), both the context and the content of trade in T&C are set to undergo important changes. Of all the agreements negotiated in the course of the UR, the ATC is perhaps the singlemost important one from the perspective of Bangladesh. This is also true for a number of other developing countries and least developed countries (LDCs).²

Given the potential impact the ATC may have on Bangladesh's overall development prospect and on the future of the country's apparel sector in particular, the country needs to closely monitor the implementation of the ATC. Indeed, the early signals transmitted by the emerging global trading regime, subsequent to the incipient integration of T&C into the

¹ These supports came in the forms of allowing opening of back-to-back letters of credit, concessional interest rate, bonded warehouses for imported inputs, income tax rebate, etc.

²According to GATT Secretariat, in 1994, the most important product category in industrial exports (excluding fuels) for the 88 developing countries participating in the Uruguay Round was textiles and clothing (22%), followed by electric machinery (14%) and metals (11%). Out of the 54 developing countries producing textiles and clothing for 34 countries the importance of T&C in their total exports was either high (21-50% for 18 countries) or very high (51-100% for 12 countries).

WTO system, indicate that important structural shifts are underway. These shifts, underpinned by erosion of quota premium, gradual phasing out of quota and competition from new entrants are manifested in important changes in markets and sourcing of apparels. These signals, having medium to long term implications for global trade in T&C, need to be treated as *wake up calls* and *warning bells* for Bangladesh's RMG industry.

Thus, in the wake of dismantling of the MFA the Bangladesh's apparel sector is bracing for new competitive challenges.

Relevance of US Market During the Transition

Four developed countries, viz. USA, EU, Canada and Norway were maintaining quotas on imports of T&C at the time of signing of the UR agreements. Bangladesh was one of the two LDC members of the GATT, exports of which were subject to quota in both the US and Canadian markets³. The number of categories of RMG under quota for Bangladesh was 21 in the USA and 10 in Canada⁴. Incidentally, Bangladesh's apparels did not face any quota restrictions in the European market.

The importance of the US markets for Bangladesh's RMG sector is clearly evident from Table 2. Although, its share has declined in the last five years, yet the USA accounts for about 42% of total RMG exports of Bangladesh. Moreover, about 70% of the RMG exports to USA from Bangladesh is currently carried out under quota. Some of the major categories exported under quota is presented in Box 1.

Table 2: Share of US Markets in RMG Exports for Bangladesh

(%)

	Woven RMG	Knit-RMG	Total RMG
1994-1995	49.5	24.9	45.2
1998-1999	49.4	25.4	41.8

Source: Computed from EPB Data

³ At the signing of the UR agreements, the USA maintained quota on imports from 47 countries of which 37 were GATT members. Canada maintained quotas on apparels exports from 37 countries. EU maintained 209 quotas for exports from 21 countries.

⁴ The number of categories under quota was actually 31. The number of restricted categories would be 21 if *merged* quotas are considered.

Box 1: Major Categories of Bangladesh's Export Interest Under Restriction in USA

- 340 (M&B cotton shirts, not-knit)
- 347 (M&B cotton trousers, breeches & shorts)
- 348 (W&G cotton trousers, slacks, shorts)
- 352 (cotton underwear)
- 647 (M&B MMF trousers, breeches & shorts)
- 648 (W&G MMF trousers, slacks, shorts)

It is from this vantage point that Bangladesh will need to define its coping strategy under the MFA integration schedule and to articulate appropriate policy positions to extract maximum possible concessions from major trading partners such as USA. This is more pertinent in view of any possible review of the provisions agreed in the UR in the context of the ATC. In fact, the current nature of global trade in T&C suggests, that favourable *early changes* in the US markets during the run-up to the total phase-out of MFA will greatly enhanced the resilience of Bangladesh's RMG sector in the post-MFA scenario.

II. The Options and Responses

How Bangladesh deals with the consequences of the post-MFA regime will to a great extent depend on how it manages the transition process under the remaining period (approximately four years) of the ATC. Consequently, the country's ability to address the transitional issues will be largely contingent upon its greater and sustained access for RMG exports particularly to the US markets – both within and outside the quota regime. Such an approach will entail *bringing about changes* in the rules delimiting the status of Bangladesh's RMG exports in the US markets. These changes may be viewed from both *bilateral* as well as *multilateral* perspectives. The following paragraphs highlight some of the major arguments in favour of such changes and indicate the remedies available in this regard.

A. Demand for Changes from ATC Perspective

(i) Integration Under Stages I and II Did Not Benefit Bangladesh

An analysis of Integration Programme of the USA and Canada (and also that of the EU) shows that *the integration schemes are back loaded*: in value terms the major part of the

trade in T&C will be integrated only in the last stage of the implementation of the ATC, i.e. on January 1, 2005. Out of the four major T&C items, apparels as a group, in its overwhelming part in value as well as volume terms, is scheduled to be integrated only at the last stage. This clearly evident from information presented in Table 3.

Table 3: Results of the First and Second Stages of ATC Integration Programme by Canada, US, EU, and Norway

(Percentage)

Countries	Integration Stages	In Volume (Percentage of Total 1990 Imports)					In Value ¹
		Tops & Yarns	Fabrics	Made-ups	Clothing	Total	Total
Canada	1	9.60	4.33	1.28	1.14	16.36	13.04
	2	0.64	2.09	14.30	0.24	18.61	16.70
	Total	10.24	6.42	15.58	1.38	34.97	29.74
USA	1	8.46	1.65	4.19	1.92	16.21	6.62
	2	8.00	2.51	4.54	1.98	17.03	10.73
	Total	16.46	4.15	8.73	3.90	33.24	17.35
EU	1	4.39	8.14	3.48	0.38	16.40	8.7
	2	11.63	2.22	2.06	2.09	17.99	12.92
	Total	16.01	10.36	5.54	2.47	34.39	21.62
Norway	1	3.51	11.95	0.65	0.15	16.26	7.40
	2	6.58	2.38	11.14	4.16	24.26	16.55
	Total	10.09	14.33	11.80	4.31	40.52	23.95

Note: 1. UNCTAD Secretariat estimates.

In the first two stages of the integration the *US* has so far eliminated on quotas only two categories of apparels, EC has eliminated 14 out of a total of 219, Canada has eliminated 29 out of 295 quotas, whilst Norway has done away with 51 out of 54 quotas. The process has contributed little towards realizing the ATC objectives of progressive phase out of quota restrictions since only 3% of total products that were under quota in 1990 have been integrated in the first two stages. The coverage of integration at each stage in terms of categories of export interest to the developing countries and the LDCs has been minimal.

In the concrete case of Bangladesh, categories integrated under the first two stages did not include items which had significant importance for the country's apparel exports to the US market. Among the items for which Bangladesh face quota restrictions in the US market, only two categories are to be derestricted on January 1, 2002. These are *gloves* (331) and *silk trouser, shorts* etc. (847). Thus, for all practical purposes, the quota regime of apparel market in the USA has so far remained mostly unaffected for Bangladesh.

Table 4: US Integration Programme of Textile and Clothing in the Fourth Stage

Product Group	Share in 1990 Total Imports of T&C	Share of the Fourth Stage Integration in 1990 Total Imports of T&C	Fourth Stage Integration as Percentage of Total 1990 Import of the Group
Tops and Yarn	22.38	2.64	11.80
Fabrics	21.03	12.21	58.06
<i>Clothing</i>	<i>37.81</i>	<i>31.31</i>	<i>82.81</i>
Made up Textiles	18.78	2.55	13.57
Total	100.00	48.71	-

Source: Calculated from USA notifications to the TMB

The above mentioned trend is not expected to change till the fag end of the integration process under the ATC (December 31, 2004). As Table 4 reveals, according to the US Integration Programme submitted to the Textile Monitoring Body (TMB), *four-fifth* of the apparel products will be integrated into the ATC only at the last stage.

In view of the above, Bangladesh should argue that it be given greater market access for its apparel exports in the USA since it has not benifitted much from the MFA integration so far. The ideal option in this respect from Bangladesh perspective is to have a totally quota-free regime in the US market with immediate effect. The second-best solution is to have immediate access to US market under enhanced quota facility.

(ii) Enhancement of Quota will Guarantee Greater Market Access

Quota fill rates of major categories of Bangladesh's apparels export to the US market have continued to remain robust over the past years. According to Table 5, RMG export from

Bangladesh has reached the quota frontier for many categories (e.g. 347/348 and 352/652). Saturation of quota, coupled with growth performance in non-quota items (e.g. 359 and 659), indicates that the country could potentially enhance its apparel exports to the US markets, if the USA agrees to enhance the currently applicable quota limits to Bangladesh.

Table 5: Quota Fill Rate of Major Categories of Bangladesh's RMG Exports to US (1999)

Merged Category	Total Export (million US\$)	Fill Rate (%)
347/348	236.946	100.0
359 ¹	198.558	-
340/640	191.137	87.3
341	121.146	87.4
352/652	96.854	95.6
659 ¹	92.358	-
647/648	90.613	95.0

Note: 1. Categories not under quota

Source: Major Shippers' Report, OTEXA; Textile Status Report, US Treasury

(iii) Early Integration of the MFA for the LDCs

As it stands now, there is very little possibility that a more protracted MFA phase out could be agreed upon by the WTO members. Article 5 of the ATC specifically mentions against the extension of the phase-out period. Thus, opening up agreed provisions will be very difficult to push through in the WTO. Furthermore, whilst many developed countries would rather welcome such a move, most of the (non-LDC) developing countries will vehemently oppose it.

Under the circumstances, it appears that it will be in Bangladesh's interest to build up a case for an early and accelerated implementation of the MFA for the LDCs. This would mean bringing forward the phase-out for the LDCs by one stage and, thereby provide the LDCs a virtual quota-free access at least from January 1, 2002 when the Stage 3 of the ATC will be initiated.

(iv) Inclusion of S&D Status for LDCs in the ATC

Provision 2 of Article 1 of the ATC stipulates that Members agree to use the provisions of paragraph 18 of Article 2 and paragraph 6(b) of Article 6 in such a way as to permit meaningful increases in access possibilities for "small suppliers" and the development of

commercially significant trading opportunities for "new entrants" in the field of textiles and clothing trade. A footnote to Article 1 further states that, ***to the extent possible, exports from LDC members may also benefit from this provision.*** Bangladesh should seize on this caveat and pursue a case for quota-free access to the US market.

In other words, there is nothing in the ATC which restrains the USA from providing quota free market access to Bangladesh. Rather, in providing such access it will be implementing a specific instruction provided for in the ATC which would conform to the letter and spirit of the Agreement as well as other commitments favouring the LDCs under the WTO. Now that the United States has provided this facility to two-thirds of the LDCs under the USTDA 2000, it should be urged upon it to take initiative to bring about suitable amendments to ATC in order that such facilities be also extended to all the LDCs.

(v) Review of the ATC Integration Scheme

The ATC provides for a major review of the operations of the agreement to be conducted by the Council for Trade in Goods (CTG) before the end of each stage of the integration process. ATC empowers the CTG to take such decisions, by consensus, as it deems appropriate to ensure that the balance of rights and obligations in the Agreement is not upset. According to paragraph 2.11 of the ATC, *the respective programmes of integration shall be notified in detail to the TMB at least 12 months before their coming into effect.* Although the USA has already submitted plan of integration for the third and fourth stages, existing rules do allow USA to revise the plan. In this light, Bangladesh should, on an urgent basis, start bilateral negotiations with the USA with respect to its plan for the next stages of integration.

According to paragraph 2.10 of the ATC, *nothing in the agreement prevents a member from integrating products earlier than provided for in an integration programme already in place.* But any such integration will take effect at the beginning of an agreement year contingent on at least three months prior notification. So there is little scope, at this point of time, for mid-phase negotiation for the ongoing phase, which ends on December 31, 2001. So the thrust of Bangladesh's strategy should be concentrated on the Stage 3.

B. Demand for Changes from the WTO Perspective

(i) Implementation of the Draft Seattle Declaration

The concerns, criticisms and debates as regards implementation process of the ATC were documented in the *Major Review of the Implementation of the Agreement on Textiles and Clothing in the First Stage of the Integration Process* which was adopted by the General Council on February 16, 1998. Later on, these concerns were reiterated in various proposals and statements submitted by many countries to the WTO in the wake of the Seattle Ministerial Declaration. One of the most persistent voices which has been taking a highly critical stand on the ATC has been that of the *International Textile and Clothing Body* (ITCB), which is an organisation of 24 developing countries, who are major exporters of T&C products. The group also includes Bangladesh.

Many of the demands raised by institutions such as ITCB and also by other stakeholders in the various countries were incorporated in the *Draft Ministerial Declaration* (dated October 19, 1999) for the Seattle session under the heading *Textiles* vide paragraph 21(e). The said draft included the following proposals on quota issue. Bangladesh can make good use of these proposals in strengthening its case for seeking greater market access in the USA.

- Importing (developed, restraining) countries shall, on the first day of the Stage 3 when the WTO Agreement comes into effect (i.e. January 5, 2002) integrate products which accounted for not less than 50 percent of the total volume of the Member's 1990 imports.⁵
- The importing countries will apply growth-on-growth for Stage 3 with effect from January 1, 2000 instead of January 1, 2002.
- The restraining countries should apply the methodology employed by the EU in implementing the growth-on-growth for small suppliers and *extend the same treatment to least developed countries*.
- Any resulting growth rates lower than 6 percent should be increased to that percentage.

⁵ The initial demand of the developing countries was that developed, restraining countries integrate, on January 1, 2002, not less than 50 percent of the Member's 1990 total volume of imports *that were under specific quota limits*. There seems to have been significant watering down of this demand at the time when this was included in the Draft Declaration. The ITCB has vehemently criticised this manoeuvre.

The draft submitted by the EU at the Seattle did in fact called for allowing zero-tariff and quota-free access to all products of LDCs. Since the Seattle Ministerial failed to come up with an unanimous Ministerial Declaration, the only option remaining for Bangladesh in realising this "draft consensus" is to pursue strong negotiations on both bilateral and multilateral basis.

(ii) Addressing High Import Tariffs on Apparels

Although average tariff rates in developed countries have come down from 6.3 per cent during pre-UR period to about 3.8 per cent after the UR, tariff rates in the T&C sector, and more particularly, on items of critical importance to Bangladesh have continued to remain at very high levels. This is clearly evident from Table 7.

Table 7: Tariff Rates of Selected Apparel Categories

Bangladesh's Exports exceeding \$ 30 million		Bangladesh's Exports between 10-30 million	
Items	Avg. Tariff Rate (%)	Items	Avg. Tariff Rates (%)
Knit-shirts MB	22.2	Dresses	13.5
Non-knit Blouse WG	19.77	Coats MB	17.8
Cotton Trousers MB	16.6	Cotton Coats WG	8.9
Non-knit Shirts M	21.03	Knit Blouse	20.77%

Source: BGMEA

Such relatively high tariffs (more than 20 per cent) on items of its export interest obviously undermine Bangladesh's competitive strength. Bangladesh could argue that whilst it is understandable that, the US may like to continue to keep high tariffs on T&C products to provide protection to domestic industries, its domestic industries will not be significantly affected if zero-tariff access is provided to LDCs such as Bangladesh which together account for only an insignificant part of total US imports.

(iii) Compensation for Non-Implementation of the Integrated Framework

Bangladesh should also argue that the much hyped trade-related capacity building Technical Assistance (TA) Programme, which was envisaged under the Integrated Framework (IF) initiative of the six multilateral institutions including the World Bank and IMF, is yet to culminate into any concrete measures. *Even though Bangladesh has articulated her TA needs through a comprehensive and participatory study which was presented at a Round Table Meeting (RTM) in presence of major prospective donors, nothing tangible has come out of this exercise.* In view of the frustrating state of the IF initiative, Bangladesh could seek, as a compensating measure, special treatment within the WTO by way of a faster integration of the MFA into the ATC for the LDCs.

C. Demand for Changes from Bangladesh-US Bilateral Perspective

(i) EU-Parity in the US Market

Bangladesh could also ask for duty-free access which in effect would mean claiming EU-parity in the US market since Bangladesh's export is already allowed quota-free access in the EU market. Bangladesh can point out that in a recent move the European Commission has proposed opening its markets to all goods except arms from the world's poorest countries.⁶ The plan would mean going beyond all previous EC commitments by extending *duty free and quota-free* access for 919 tariff lines⁷ leaving out only 25 lines related to the arms trade. As the predominant trade power, USA is expected to match the EU gesture to LDCs, and ATC could be one of the most appropriate platform to reflect it.

(ii) Extension of Market Access Facility Provided under US TDA2000

The recently announced US TDA provides a duty-free and quota-free access to 33 of the 48 LDCs. The stringent rules of origin (ROO) criteria under the USTDA has been made flexible for not only the LDCs in the Sub-Saharan and the Caribbean but also for other developing countries of these regions having per capita income less than \$ 1500 per annum. It has been noted elsewhere that the Act may have negative implications for Bangladesh's

⁶ The 'Everything but Arms Access Plan for Poorest Countries' was announced by the EC on 20 September, 2000.

⁷ Three commodities, rice, sugar and banana will be integrated in stages.

exports of RMG to US markets since in many categories, even at 10 digit level of disaggregation, Bangladesh has to compete with a number of countries from the region⁸. Building up a case on possible (unintended) negative impact of the TDA2000 on Bangladesh's future export performance, the GOB could urge the government of USA to extend the zero-tariff and quota-free facility in case of exports of Bangladesh apparels on a bilateral basis. At a minimum, Bangladesh could strengthen her argument for quota expansion (to 30%) in the US market (in place of 17% as envisaged under the second stage of MFA phase-out). Bangladesh has been arguing for such an expansion for quite some time and the TDA2000 strengthens the validity of Bangladesh's request. Bangladesh should forcefully argue that such *divide and rule* policy is a digression from the spirit of WTO and the three Ministerial Meeting which have traditionally looked at the interests of LDCs as a homogenous group.

(iii) Inability to Claim US GSP Scheme

It should be pointed out that the major part of Bangladesh's export of woven-RMG to the US market are not currently eligible for preferential treatment under US GSP scheme, since *Bangladesh is at present unable to comply with the value addition criteria with respect to many important export products going to the US market.*⁹ Thus, at least a quota-free entry of Bangladesh apparels to US market will, albeit only partially, offset the advantages enjoyed by countries which are in a position to better avail of the US GSP facilities.¹⁰

(iv) The China in the WTO

Developments such as early entry of China into the WTO could not be foreseen during the UR negotiations. China's imminent accession to WTO is expected to have important implications for exports from the LDCs as it is a major competitor of the LDCs with respect

⁸ See the details D Bhattacharya and M Rahman, *USA Trade and Development Act 2000: A Response from Bangladesh Perspective*. CPD Occasional Paper No. 6, Dhaka, July 2000.

⁹ US value addition criteria requires a 30 per cent local value addition for availing the GSP.

¹⁰ Bangladesh is facing further problem with regard to utilisation of GSP facilities in connection with the USA's demand respecting full implementation of trade union rights in the export processing zones (EPZs) in Bangladesh.

to many T&C categories including those which are restricted under quota.¹¹ This added factor should be brought into play in arguing for a quota-free entry into the US market.

ATC currently provides for safeguard measures against surge in flow of T&C products from a single source. Since such apprehension remains potent in post-MFA scenario due to the possibility of China's entry in the WTO, one may argue for safeguard measures entailing a more "disciplined market" favouring other sources of supply (i.e. from the LDCs). Such an approach may also find support from the domestic T&C industries in the USA.

D. Demands Changes from Trade-Aid Perspective

Compensation for Non-Inclusion in the Recent Debt Reduction Initiative

The recently announced debt reduction initiative which will substantially reduce debt of the developing countries and LDCs do not include Bangladesh. Bangladesh, thus, is not making claims on the resources of developed countries and international financial institutions in the form of debt forgiveness. In view of this, Bangladesh could seek preferential treatment in area of trade from the USA which is also a major source of ODA in Bangladesh.

E. Demand Changes by Highlighting National Collateral Measures

Impress GOB's Commitment to the Apparels Sector

Bangladesh should forcefully point out that it has undertaken various fiscal, financial and institutional initiatives to develop a competitive apparel sector in the country. Thanks to the GOB's prudent policy framework, a new generation of vibrant backward and forward linkage industries, led by the private sector, is emerging in the T&C sector. Figures on import of textiles related machineries provided in Table 6 reflect considerable growth in textile production capacities – both in fabrics and apparels – in the recent past. This implies that once the critical phase of run-up to MFA phase-out is over, Bangladesh's textile sector will be prepared, up to a point, to confront the onslaught of competitive pressures of the quota free regime.

¹¹A policy paper on implications of China's entry in the WTO for Bangladesh is currently being prepared at the CPD.

Table 6: Dynamics of Imports of Textile Related Machineries

(in million taka)

4 digit code	Type of Machineries	Imports by Category					
		FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	Total FY 95-99
8445	a. Machine for preparing textile fibre	861.0	2862.0	2613.0	2467.0	1593.0	10396.0
8446	b. Weaving machine (looms)	420.0	1272.0	936.0	286.0	430.0	3344.0
8447	c. Knitting machine (stitch-bonding)	479.0	1049.0	673.0	736.0	637.0	3574.0
8448	d. Auxiliary machine for extrude-draw machines (text.)	222.0	302.0	377.0	288.0	303.0	1492.0
	Total	1982.0	5485.0	4599.0	3777.0	2963.0	18806.0

Source: Compiled from ETAC Data Base, NBR

Concluding Observations

Now is possibly the most opportune time for Bangladesh to pursue its case for greater access for its apparel exports in the US market. This is underscored by the recent vibrancy in the Bangladesh-US bilateral relationship as well as from the momentum gained in multilateral fora in favour of the LDCs. Whilst arguing for its case, Bangladesh should be emphatically pointed out that, in the backdrop of the dismal performance of the low income countries in the 1990s, Bangladesh's demonstrated success in the field of development and democracy should be rewarded by adequate trade supportive measures leading to its sustainable economic performance. In fact, such trade supportive measures in the T&C sector would allow the country to cope with the challenges of globalisation whose interface with poverty alleviation is perhaps nowhere such strong as in Bangladesh.

The foregoing arguments may inform the bilateral talks between Bangladesh and the USA governments during the upcoming visit of the Bangladesh's Prime Minister to the USA scheduled to start from October 15, 2000. Bangladesh should also sustain a forceful campaign for duty-free and quota-free market access during the run-up to the "Third UN Conference on the LDCs" to be held in Brussels in July 2001.