

CPD Occasional Paper Series

**China's Accession to the WTO:
Consequences for Bangladesh's
Export-Oriented RMG Sector**

Paper 19

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The present paper titled **China's Accession to the WTO: Consequences for Bangladesh's Export-Oriented RMG Sector** has been prepared jointly by *Professor Mustafizur Rahman*, Research Director, CPD and *Dr. Ananya Raihan*, Research Fellow, CPD, under the Programme on Trade Policy Analysis and Multilateral Trading System which was implemented by CPD in collaboration with the Centre for Trade Policy and Law (CTPL), Ottawa.

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CHINA'S ACCESSION TO THE WTO: CONSEQUENCES FOR BANGLADESH'S EXPORT-ORIENTED RMG SECTOR

INTRODUCTION

At its inception in 1995, the World Trade Organization, a multilateral institution governing international trade in goods and services, enlisted 76 countries as members out of a potential total of 170 which fulfilled the preconditions for accession to the WTO. Although China is the world's eight largest trading economy, (according to WTO statistics for 2000, excluding Hong Kong, China ranks eighth for world trade, after US, Germany, Japan, UK, France, Canada, Italy), it remained outside the WTO. (Update needed: China joined the WTO on Dec. 11, 2001.) China's accession to the WTO entailed a complex and lengthy process. The process of accession to the WTO is made up of two components: (1) multilateral negotiations between the acceding country and a WTO working group on accession, which first reviews the differences between the acceding country's trade regime and WTO rules, and then sets out the general terms of accession; and (2) bilateral negotiations between the acceding country and WTO members that establish the specific market access conditions for goods and services. These bilateral accords are then multilateralised in the *Protocol of Accession*. Under the WTO's *Most Favoured Nation* principle, any agreement between two members applies to all members. Initially, China agreed to apply WTO rules throughout its territorial boundaries, to make its trading regime transparent, and to maintain independent tribunals for review of administrative trade actions. Secondly, China agreed that it would hold several bilateral negotiations with other parties and would take the necessary steps in order to accede to the WTO. The absence of *Permanent Normal Trade Relations* (PNTR) (*requires footnote explaining PNTR*) agreements with the USA acted as a major barrier to China's accession. The US-China WTO bilateral agreement was signed on Nov. 15, 1999, which, in effect, paved the way for the US to vote in favour of China's accession to the WTO. Earlier, China had already concluded bilateral negotiations with its other major trading partners: the EU, Brazil and India. Bilateral negotiations were also completed with other small trade partners such as Costa Rica, Ecuador, Guatemala, and Mexico. Over the last 15 years all critical milestones were achieved, and important agreements were signed by China, to ensure that it could accede to the WTO.

China's long march to the WTO has been closely followed by other member countries with great interest, and in some cases, great concern. On the one hand, many countries are optimistic that China's entry into a rule-based system will be beneficial to the global trading system and there will be important positive externalities as a result. On the other hand, China's accession to the WTO is a source of concern for many countries, which perceive China as a threat to their presence in the global market. At first, many nations were worried that such a large, highly regulated economy would disrupt the WTO's rule-based economy, which is committed to the

principles of free trade. Others believe that a global rule-based trading regime cannot truly evolve without the active involvement of China. Specialists who look at China's accession from an optimistic perspective, tend to agree that the expected changes in trading patterns arising out of China's accession may result in short-term economic losses for certain sectors in some countries. However, they stress that the dynamic benefits of China's WTO accession will outweigh these economic dislocation costs, particularly over the long-term (Groombridge 2000). Nevertheless, developed and developing countries and the least developed countries (LDCs) tend to have different perspectives on the short and medium to long-term impacts of China's accession to the WTO. It should be noted that in order to satisfy the WTO rules and obligations, China agreed to undertake a number of liberalizing and market-opening reforms. For example, US firms will subsequently enjoy unprecedented access to China's burgeoning market economy as a result of the ongoing reforms. According to the Goldman Sachs' estimate, China's accession to the WTO could lead to additional exports worth US \$13 billion by 2005 (Groombridge 2000). Other economies are looking forward to finding their own niches in the Chinese market for their own goods and services.

As was mentioned earlier, many developing countries and LDCs are apprehensive about China's entry into the global trading system as a member of the WTO. Bangladesh, in many ways epitomises this guarded approach to the issue. As is well known, Bangladesh's major strength in the external sector is the textiles and clothing sector, particularly the ready-made garments (RMG) sector. In the context of the Agreement on Textiles and Clothing (ATC) negotiated during the Uruguay Round, Bangladesh's RMG sector is going to face formidable challenges in the global market specifically in view of the phasing out of the Multi-Fibre Arrangement (MFA) under the ATC. As the world's most important clothing exporter, accounting for more than 15 percent of the world's total apparel exports, China is perceived as a major threat to Bangladesh's apparel exports during the post-MFA era. The staged phase out of quotas by January 2005 is going to radically change the environment in which global trade in textiles and clothing will take place in the post-MFA era. The set of common exports from Bangladesh and China also includes other goods. Given this background, it is important to have an in-depth study regarding the possible impact of China's accession to the WTO on Bangladesh's external sector performance, with a specific focus on Bangladesh's export-oriented RMG sector.

This paper is divided into three sections. Section I focuses on the features of economic reforms in China, China's trade patterns and the implications of its accession to the WTO. Section II focuses on the impact of China's accession on global apparel markets and issues of concern for Bangladesh's export-oriented RMG Sector. Section III presents detailed, category-specific analysis of the relative competitive situations of China and Bangladesh in terms of price competitiveness, revealed comparative advantage, productivity, etc.

SECTION I: CHINA'S ACCESSION TO THE WTO IN THE CONTEXT OF ECONOMIC REFORMS

External Sector Reforms in China

China's Economy Prior to Economic Reforms

Prior to 1979, China maintained a centrally planned economy. To support rapid industrialisation, the central Government during the 1960s and 1970s undertook large-scale investments in physical and human capital. As a result, by 1978 nearly three quarters of industrial goods were produced by centrally controlled State Owned Enterprises (SOEs) according to centrally planned output targets. Foreign trade was limited to obtaining only those goods which could not be made or obtained in China.

As is well documented, in 1979 China introduced several economic reforms. The central government initiated price and ownership incentives for farmers, that enabled them to sell a portion of their crops in the open market. The Chinese government established four special economic zones for the purpose of attracting foreign investment, boosting exports, and importing high technology products into China. The government also decentralised economic policymaking in several sectors especially in trade. State price controls on a wide range of products were gradually eliminated.

In the past few years China has created a basis for full participation in the global trading regime of the WTO by establishing greater transparency in its economic policies and putting in place institutional and legal systems especially those that guide the investment regime.

Economic Growth in China

Economic reforms in China have appreciably accelerated the overall economic growth of the country during the last two decades. The post-reform growth rate was much higher than the growth during the pre-reform period (see Table 1). In the pre-reform period the average real GDP growth rate was 5.3 percent (covering the period from 1960 to 1978). Real GDP had been growing at an average annual rate of 9.7% during the period from 1979 to 1999 which made China the world's fastest growing large economy. Even, during the Asian financial crisis the growth rate of China was enviable at no less than 7 percent per annum.

Economists point out two major factors which worked in favour of China's rapid economic growth: (a) large scale investment, and (b) productivity gain due to reallocation of resources. In 1979, domestic savings as a percentage of GDP was 32%; this had increased to 42.7% in 1998, the highest saving rate in the world. Foreign direct investment (FDI) also experienced an exponentially high growth in the post-reform period. The amount of utilised FDI in China grew from \$636 million in 1983 to \$45.6 billion in 1998. The cumulative amount of utilised FDI at the

end of 1999 reached \$308 billion. The US was the third largest investor in China accounting for 8.0% (\$24.6 billion) of total FDI from 1979 to 1999. Productivity gain was a critically important factor contributing to the unprecedented economic growth. This was largely due to the policy of reallocating resources to more productive uses, especially in sectors which had previously been heavily controlled by the central government, including such sectors as agriculture, trade and services. According to the IMF's purchasing power parity (PPP), this rapid economic growth made China the world's third largest economy after the US and Japan.

TABLE 1: CHINA'S AVERAGE ANNUAL REAL GDP GROWTH RATES

Time Period	Average Annual % Growth
1960-1978 (pre-reform)	5.3
1979-1999 (post-reform)	9.7
1995	10.5
1996	9.7
1997	8.8
1998	7.8
1999	7.1
Jan-June 2000	8.2

Source: Official Chinese Government Data reported by World Bank, *World Development Report* (various issues), and DRI/McGraw-Hill, *World Economic Outlook*, various issues.

China's Trade Patterns

As mentioned above, reforms have led China to becoming one of the largest trading powers in the world. China's exports rose from \$14 billion in 1979 to \$195 billion in 1999. The export growth rate was 6 percent in 1999. Imports rose from \$16 billion to \$166 billion over the same period. The annual growth rate for imports was 18% in 1999. From a trade deficit nation in the mid 1980s, China became a trade surplus economic power. The trade surplus in 1999 was \$29.1 billion. As a trading power, China jumped from the 27th position in 1979 to 8th position in 2000. According to World Bank projection, China could become the second largest economy in the world by the year 2020.

TABLE 2: CHINA'S MERCHANDISE WORLD TRADE

Period	Exports	Imports	(in billion US\$)
			Trade Balance [surplus/deficit]
1979	13.7	15.7	-2.0
1985	27.3	42.5	-15.3
1990	62.9	53.9	9.0
1993	91.6	103.6	-11.9
1994	120.8	115.6	5.2
1995	148.8	132.1	16.7
1996	151.1	138.8	12.3
1997	182.7	142.2	40.5
1998	183.8	140.2	13.6
1999	194.9	165.8	29.1

Source: Data from the IMF, *Direction of Trade Statistics*, various years and Official Chinese Statistics.

In 1999, China's major trading partners were Japan, the US, the EU, Hong Kong and South Korea. It should be noted here that China's trade statistics differ considerably from those of its major trading partners due to the fact that a significant share of China's trade (both exports and imports) is processed through Hong Kong. On the basis of Chinese trade statistics, the US was the second largest importer from China, and its fifth largest export destination. Based on US data, Chinese exports to the United States as a percentage of total Chinese exports have risen from 15.3% in 1996 to an estimated 42.0% in 1999.¹

China's manufacturing sector grew rapidly because of its relatively cheap labour, which provided it with a comparative edge in the international market. The share of Chinese manufactured exports in total exports rose from 50% in 1980 to 90% in 1999 while at the same time manufactured imports to total imports rose from 65% to 84%. The top five products imported by China in 1999 constituted 34% of total Chinese imports. On the export side, the share of articles of apparel and clothing accessories was 21.2% of total exports by China; the top five export products covered 48.5% of China's total exports in 1999. Evidently apparel is a critically important export sector in China's global export basket.

TABLE 3: CHINA'S TOP TRADING PARTNERS

Country	Total Trade	Exports	Imports	(in billion US \$)
				Trade Balance
Japan	66.2	32.4	33.8	-1.4
US	58.5	44.4	14.1	30.3
EU15	55.7	30.2	25.5	4.7
Hong Kong	43.8	36.9	6.9	30.0
South Korea	25.0	7.8	17.2	-9.4
All Countries	360.7	194.9	165.8	29.1

Source: Official Chinese Trade Data.

TABLE 4: MAJOR EXPORTS OF CHINA: 1999

Commodity	Total (\$ billion)	% of Total Exports
Articles of apparel and clothing accessories	41.3	21.2
Electrical machinery equipment and parts	32.9	16.9
Footwear and parts	8.7	4.4
Vehicles, aircraft and ships	6.6	3.4
Toys	5.1	2.6
Total top 5	94.6	48.5

Source: Official Chinese Trade Data.

¹ This estimation was taken from Wayne M. Morrison, *China's Economic Condition*, The National Council for Science and the Environment.

TABLE 5: MAJOR CHINESE IMPORTS: 1999

Commodity	Total (in \$ billion)	% of Total Imports
Electrical machinery and parts	23.9	14.4
Mineral fuels and related materials	8.9	5.4
Primary Plastics	8.8	5.3
Office machines and automatic data processing machines	7.7	4.7
Iron and Steel	7.2	4.3
Total top 5	56.5	34.1

Source: Official Chinese Trade Statistics.

China's Accession to the WTO and its Implications

Being one of the fastest growing economies in the world, China's entry in the global market both as an exporter and an importer, is going to have multidimensional implications for the Chinese economy and other economies. The implications may be better understood through an examination of the rationale for joining the WTO, as perceived by China itself, as well as examining the interests of developed countries in this undertaking (see Box 1 and Box 2).

BOX 1: CHINA'S RATIONALE FOR JOINING THE WTO

- (a) *Seeking recognition as a global power:* China wants to be acknowledged as one of the world's great powers and its exclusion from the WTO was perceived as an obstacle to this goal;
- (b) *Demand of newly emerging market forces:* China's external sector has expanded considerably and the emerging market forces have created increased domestic pressure for lower tariffs on foreign inputs and greater access to the growing foreign market;
- (c) *A more proactive role when trade disciplines are being put in place:* While rules are still being formulated on important issues such as agricultural liberalization, government procurement, investment, and labour standards, China wants to have a role in formulating those rules;
- (d) *Concern for raising competitive strength:* Integration into the international market and the WTO system of global governance will help China gain in terms of productivity and improving the situation with domestic allocation of resources; and
- (e) *A handle on the dispute settlement mechanism:* The accession would give China access to the dispute resolution process in the WTO, reducing unilateral trade sanctions or unilateral restrictions on China's exports.

The Chinese government projects that China's accession to the WTO would increase its GDP by USD 23.64 billion, or 1.5 percent by 2005. While estimating that some 10 million new jobs in agriculture, auto and other sectors will be created, Chinese economists also project that WTO membership will create 12 million jobs in other sectors such as textiles, toys, and footwear. According to projections, the textile and apparel sector is expected to experience rapid growth after China's accession to the WTO. China's entry into the WTO would not only permit expansion of labour intensive exports, but also imports will expand in accordance with the growth in exports².

² "China's WTO Entry to Boost GDP 1.5%, Report." China Online, November 18, 1999. www.chinaonline.com.

BOX 2: INTERESTS OF DEVELOPED COUNTRIES IN CHINA'S ACCESSION TO THE WTO

- (a) Reduced tariff on agricultural products (from the current average 31.5 percent to 14.5 percent by 2004) will increase the scope to export more to China, especially grains, meat, grapes, poultry and swine;
- (b) The accession will open trading and distribution rights progressively over three years, which will facilitate the process of gaining distribution control through a single wholly-owned network nationwide;
- (c) Joint ventures and wholly owned foreign enterprises will be allowed, which will substantially enhance logistic facilities to the warehousing companies and freight forwarders;
- (d) The accession will facilitate the capture of a slice of the USD 45 billion telecom market by 2003;
- (e) The accession will facilitate the capture of the computer and internet market, which will experience hyper growth under a zero tariff by the year 2005;
- (f) Tariffs for cars will be reduced to 25 percent and for auto-parts to 10 percent by 2006. This reduction will increase market share for foreign cars in China; and
- (g) The financial market will be a very lucrative niche for foreign banks and insurance companies.

Source: PWC. "China's WTO Entry Brings Exciting Opportunities," www.pwcglobal.com/china/china20.01-q.htm, 2001.

SECTION II: CHINA'S ACCESSION TO THE WTO AND PROBABLE IMPACT ON THE GLOBAL APPAREL MARKET

Impact on the Global Textiles and Clothing Industry

As we have seen China is a major player in the global apparel market. For Bangladesh, apparels is the single most important export sector. Thus, the issue of the possible consequences of China's entry into the global apparels market is of critical significance. In assessing the impact of China's accession to the WTO one has to consider two factors: (a) the impact of China's accession during the MFA phase out period, (b) the impact of the MFA phase out under the ATC.

Existing literature indicates that not only the US but also the Southeast Asian nations, who are China's primary competitors in labour-intensive manufacturing, will face short-term dislocation due to the competitive pressure.

Developed countries protect their domestic market through the quota regime, which restricts global supply, and as a consequence, there is a quota premium that raises prices. Implementation of the ATC is expected to bring along a downward pressure on price, which is expected to induce more demand leading to more supply of textiles and clothing. Once the quota regime is phased out, demand for textiles in the apparels producing countries is expected to go up as domestic apparels exporters will need more fabrics if they are to be competitive in the global market under a quota-free regime. Low-cost producers such as China, having strong backward linkage in textiles will be in an especially advantageous position in the context of the evolving changes.

Increased competition due to the accession of China to the WTO and the MFA phase out will press the developed countries' producers to adopt new strategies including greater specialization, outward processing, etc. The strategy of outward processing may perhaps benefit some of the developing countries.

It is interesting to note that fearing an import surge in this sector resulting from Chinese membership in the WTO, the US negotiated provisions in the bilateral *accession agreement* for using safeguards with an expiring time frame of 2008. This apprehension should serve as a warning bell to countries such as Bangladesh. For example, the International Trade Commission (ITC) projects "...much of this increase in China's exports of textiles and apparel comes at the expense of the other suppliers to the US market..." (Groombridge 2000). Though it is somewhat premature to speculate which countries will suffer most, still it is safe to argue that those countries which have weak competitive strength but have survived in the context of the MFA are likely to suffer. Due to the abolishing of quotas under the ATC in the first place, China would primarily be displacing other producers. Due to the price reduction in lower priced goods, the US economy will benefit significantly.

During the MFA era, the combination of strong protection with liberal preferences for some suppliers led to a diversion of imports by the developed countries to less protected, but possibly less efficient, developing country suppliers. So, the effects of the MFA phase out and China's accession will be two-fold: on the one hand, the import pattern will shift substantively, and on the other hand, developing countries will also get an opportunity to supply high-value-added products of clothing.

Hertel et al. (1996) simulated the effect of the abolition of the MFA up to 2005 and found that the Asian exporters will gain from the implementation of the ATC (see Table 6).

TABLE 6: WELFARE GAINS (INCREASE IN REAL INCOME) UNDER THE ATC REGIME

(in million USD)

<i>Regions</i>	<i>Quota Growth Acceleration</i>	<i>MFA Abolition</i>
NIEs	111	-6310
China	-522	5872
Indonesia	1019	2487
Malaysia	242	-881
Philippines	321	-167
Thailand	873	711
Latin America	585	-4296
SSA	-78	-597
South Asia	1056	1960
Rest of the World	402	10707

Source: Hertel et al. "Liberalizing Manufactures Trade in a Changing World Economy", in Martin, W. and Winters, L.A.(eds.). *The Uruguay Round and the Developing Countries*. Cambridge; New York: Cambridge University Press (1996), Table 7.9

Probable Impact of China's Accession on Bangladesh's External Sector

The framework of impact analysis of China's accession to the WTO should have two dimensions: one is the geography of the trade and the other is the product concentration in trade. Geographical dispersion of Bangladesh's trade is presented in Table 7 from which it is observed that more than 80 percent of Bangladesh's exports are concentrated only in two regions: the USA (39.53 percent) and the EU (44.45 percent). Compared to this, exports to China constitute a very insignificant proportion, only 0.2 percent of total exports.

TABLE 7: GEOGRAPHICAL DISPERSION OF BANGLADESH'S EXPORTS

	(in million US\$)					
	FY1998	% of total	FY 1999	% of total	FY2000	% of total
Total Exports	5161.2	100.00	5312.86	100.00	5752.20	100.00
to USA	1929.21	37.38	1968.45	37.05	2273.76	39.53
to EU	2243.78	43.47	2462.92	46.36	2556.95	44.45
to China	48.5	0.94	10.61	0.20	10.56	0.18

Source: Export Promotion Bureau, Bangladesh, Export Statistics (1999-2000).

In terms of product concentration, the top six export products from Bangladesh to US and EU markets are woven garments, knitwear, shrimp, raw jute, jute manufactures and leather, which account for more than 93 percent of exports to these two markets. Woven garments and knitwear alone account for more than 85 percent of total exports to the US and the EU. The share of these two items was 87.8 percent of total exports from Bangladesh to the US and 85.01 percent of exports to the EU in 2000. The six products mentioned above cover 79.72 percent of total exports to China. Major exports from Bangladesh to China mainly constitute shrimp, raw jute, jute manufactures and leather, however the value of exports is negligible. The volume of exports to China was only 10.56 million USD in 2000, which is about 23 times less than that of the US and around 25 times less than that of the EU.

TABLE 8: PRODUCT CONCENTRATION OF BANGLADESH EXPORTS – 1999-2000

	(in million US\$)					
Items	USA		EU		China	
	1999	2000	1999	2000	1999	2000
<i>(figures need to be checked)</i>						
Woven Garments (%)	75.03	75.03	75.03	75.03	75.03	75.03
Knitwear (%)	13.37	13.37	13.37	13.37	13.37	13.37
Shrimp (%)	4.84	4.84	4.84	4.84	4.84	4.84
Raw Jute (%)	0.01	0.01	0.01	0.01	0.01	0.01
Jute Manufactures (%)	0.71	0.71	0.71	0.71	0.71	0.71
Leather (%)	0.08	0.08	0.08	0.08	0.08	0.08
Others (%)	5.96	5.96	5.96	5.96	5.96	5.96
Total Exports (%)	100.00	100.00	100.00	100.00	100.00	100.00
Total Exports (in Million US\$)	1968.45	2273.76	2462.92	2556.95	10.61	10.56

Source: Export Promotion Bureau, Bangladesh, Export Statistics (1999-2000).

As was shown in Table 3, the US and the EU are amongst the top five trading partners of China with a trade volume of 58.5 billion USD and 55.7 billion USD respectively, which together account for about one-third of China's total exports in 1999. From Table 4 it is evident that articles of apparel and clothing accessories, which fall under the ATC discipline, accounted for 41.3 billion USD of exports in 1999, which is 21.19% of the total exports of China over the corresponding year.

As is shown in Table 9, China's clothing exports are eight times higher than the total exports of Bangladesh. China's share in world clothing exports increased from 9 percent in 1990 to 16.2 percent in 1999, which is a significant rise. Over the same period, Bangladesh's share increased from 0.6 percent to 2.1 percent. Although Bangladesh's market share growth rate in global clothing exports during the 1990s was higher than that of China, the fact of the matter is that, China did indeed start from a higher base, and in terms of absolute exports China's export growth is much more significant.

TABLE 9: COMPARATIVE DATA OF CLOTHING EXPORTS IN 1999

	(in billion US \$)		
	Value	Share in World Exports (%)	
	1999	1990	1999
China	30.08	9	16.2
Bangladesh	3.79	0.6	2.1

Source: WTO, *Trade Policy Review, Bangladesh*, , 2000.

The above data as regards the relative comparative advantage, originates from the market shares of Bangladesh and China and corresponds to the period prior to China's accession to the WTO. China's cheap labour and higher productivity are factors to reckon with in the context of the future environment in which Bangladesh will need to compete following China's accession to WTO.

The US Market

The export performance of Bangladesh in apparels products was quite robust during the 1990s (see Figure 1) and disaggregated export figures (see *Appendix: Table 1*) proved that Bangladesh was able to register a significant increase in the production of several product categories. Compared to many other developing countries, (Table 10) Bangladesh's export growth rate was very high in the 1990s. However, China's export performance is still more outstanding. As regards the quota utilization rate (QUR) of apparels categories to the US market, both China and Bangladesh have very high quota utilization rates in some selected categories (see Table 11): in 6 categories Bangladesh has high quota fill rates, where China's QUR is low; similarly China has high QUR in 6 categories where Bangladesh has low QUR (see *Appendix: Table 2*). It is to be noted that countries have discretion in fulfilling quotas from various items belonging to the same category. China, with its strong backward linkage, and relatively strong capacity in the

production of high quality items, tends to choose its quotas from higher (price-wise) product items in the categories. Thus, for example, though both China and Bangladesh post high QUR in certain categories, Bangladesh tends to utilize the quota from the lower end of the market while China does the same from the higher end of the market. This is evident from the average price of the products in the same category accrued to China and Bangladesh. As a matter of fact, as Table 12 and Table 13 show, the average price of products exported to the US by China is found to be 50% higher than that of Bangladesh in most cases. Once quotas are phased out, China’s current restrictions will be eliminated and it will then be allowed to export low priced items in the same category in addition to the current higher end items. This is an important change which Bangladesh may expect once quota restrictions are withdrawn in the US market. On the other hand, both countries have high QUR which they share with some other countries.

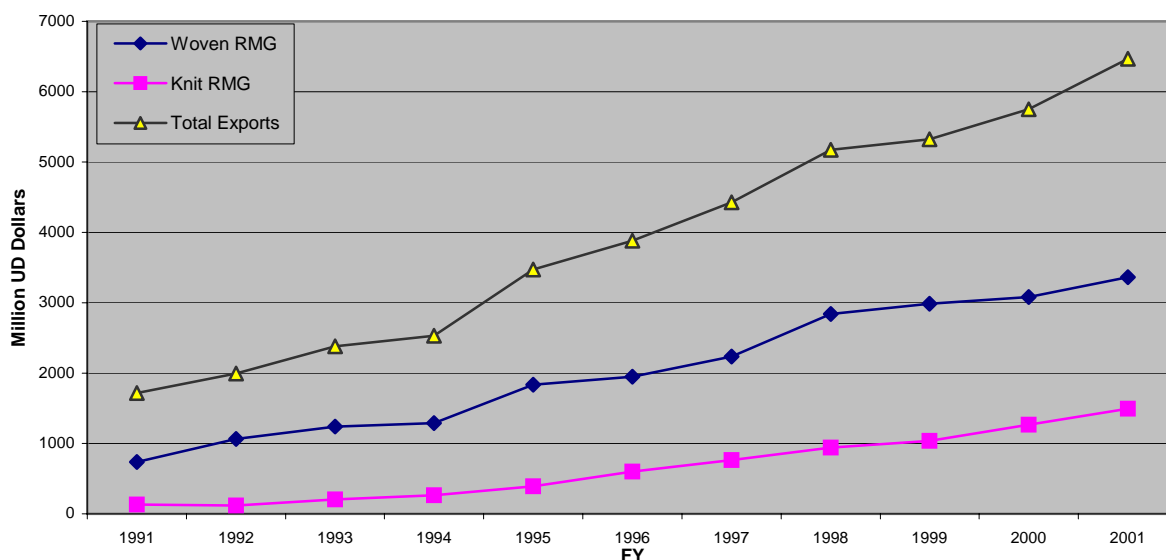
TABLE 10: EXPORTS OF APPARELS (MFA) OF SELECTED COUNTRIES

(in million US\$)

Year	1999	2000	% Growth	Year-to-Date 11/ 2000	Year-to-Date 11/ 2001	% Change in 11/2001
Country						11/2000
Bangladesh	1753.872	2204.676	25.70	2072.240	2076.089	0.19
China	6128.820	6527.482	6.50	6113.787	6110.619	-0.05
India	2384.301	2740.671	14.95	2571.317	2450.561	-4.70
Pakistan	1475.086	1834.747	24.38	1715.760	1814.712	5.77
Sri Lanka	1469.917	1677.398	14.12	1551.576	1587.512	2.32

Source: OTEXA, Trade Data, various years.

FIGURE1: GROWTH OF RMG EXPORTS IN BANGLADESH, FY 1991-2000



Source: Export Promotion Bureau, Bangladesh, *Annual Report*, various years.

TABLE 11: COMPARATIVE PICTURE OF QUOTA UTILIZATION RATE IN THE US MARKET IN 21 T&C CATEGORIES¹, 2001

Country \ Category	High ³	Relative ²	Low
Bangladesh	6	9	6
China	6	8	7
India	0	1	12
Pakistan	0	6	9
Sri Lanka	0	5	13

- 1 In some cases the total number of categories for some countries is less than 21, because, in some items, there is no export from these countries.
- 2 Relative means, there are other countries which have high QUR, close to the QUR of the respective country.
- 3 High means the QFR is at high levels whilst quota fill and the performance of other countries is far below when compared with the particular country.

Source: Derived from the data of *Textile Status Report*, US Treasury.

In addition, the tariff rates applied to important export categories of Bangladesh are also considerably high in the US market (Table 12). If Bangladesh fails to achieve any preferential treatment in the US market under a revised Generalized System of Preferences (GSP), in the context of the prevailing market access conditions, China's higher productivity will definitely give it a competitive edge in the US market.

TABLE 12: TARIFF RATES OF SELECTED APPAREL CATEGORIES IN THE US

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, *Annual Report*, various years.

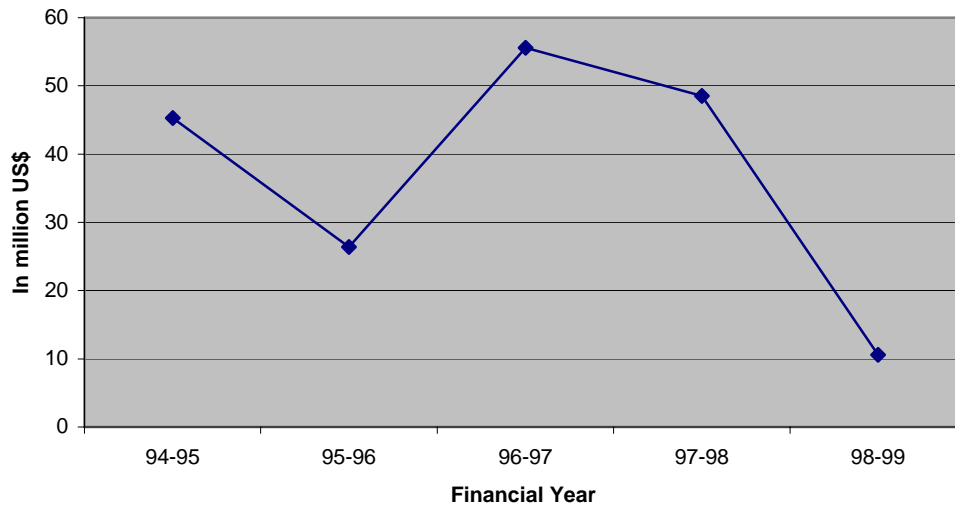
(add notes explaining abbreviations, "MB", "WG", "M")

SECTION III: CONSEQUENCES OF CHINA'S ACCESSION TO THE WTO FOR BANGLADESH'S EXPORT ORIENTED RMG SECTOR

Impact of China's Accession to the WTO on Bilateral Trade between China and Bangladesh

It has already been mentioned that Bangladesh's exports to China have been rather insignificant (see *Appendix: Table 5*) – only 10.61 million USD in 1999. The trend has been erratic. At the aggregate level exports to China have been on secular decline since 1997 (see Figure 2). Bangladesh's exports to China in 1997 were 55.6 million USD, which fell drastically to a level of only 10.61 USD in FY1999. At a disaggregated level, except for shrimp, jute manufacturing, and textile fabrics, exports of all other items have fallen quite significantly since the mid 1990s (see *Appendix: Table 5*).

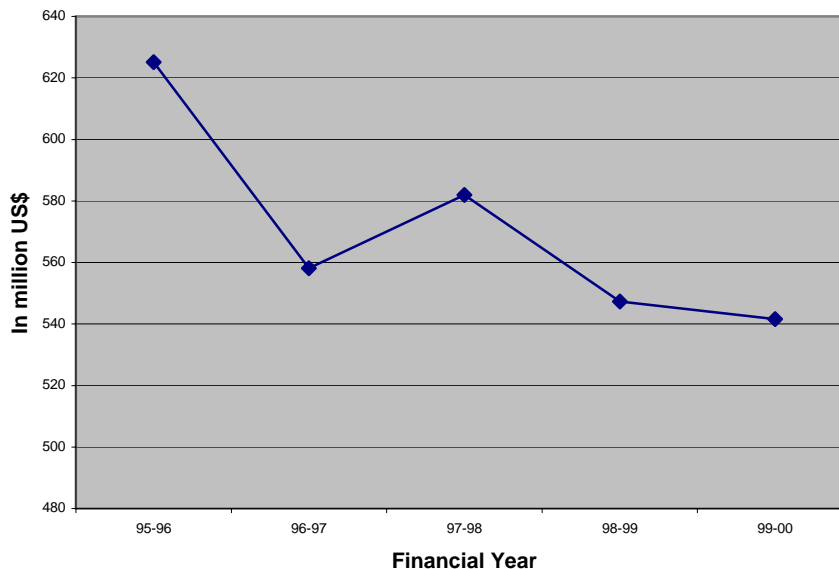
Figure 2: Trend of Bangladesh's Exports to China



Source: EPB, *Export Statistics*, various years.

There has also been some decline in Bangladesh's imports from China (see Figure 3). Bangladesh's imports from China came down from \$625.17 million in FY1996 to \$541.57 million USD in FY2000. Major products of import from China are cotton all types (22.5% of total import from China), silk yarn (7.5%) and knitted or crocheted fabrics (7.5%). The structure of imports from China has not changed significantly over recent years but has remained rather unchanged, though in terms of absolute figures imports have suffered some decline.

Figure 3: Bangladesh's Imports from China



Source: Bangladesh Bank, Statistics Department.

The downturn in Bangladesh's exports to China requires some discussion. The main reason for this decline in Bangladesh's exports to China is the fall in the export of raw jute in recent years. In 1998, Bangladesh's export of raw jute to China was worth 35.85 million USD, whereas export earnings from this sector were reduced to as low as 2.77 million USD in 1999.

Bangladesh has already liberalised its imports dramatically. Consequently, China's accession is not likely to have serious implications in terms of Bangladesh's import sourcing. However, in accordance with commitments undertaken as part of the accession agreement, China will need to reduce tariff and non-tariff barriers significantly. As a result, access to Chinese markets will be eased. As part of the accession deal, China will cut average tariffs from 16.8 percent to 9.4 percent. The tariff on agricultural products will be reduced to an average of 17 percent by the year 2004. This tariff reduction may potentially create scope for enhancing the export of shrimp, frozen food and raw jute from Bangladesh.

The US will apply the WTO Agreement on Textiles and Clothing (ATC) to China in the same manner as with other countries. However, it should be noted that under the US-China bilateral WTO accession agreement, a safeguard clause provides a mechanism to address possible market surges in the US consequent to China's accession. The mechanism allows the imposition of quotas if market disruption is significant. The provision covers all products under the ATC as of January 1, 1995. The safeguard mechanism remains in effect until December 31, 2008. In addition, the US will apply the WTO Agreement on Textiles and Clothing (ATC) to China in the same manner as with other countries.

The product specific safeguard mechanism addresses imports solely from China rather than from the entire world. The anti-surge safeguards will continue even after phase out of the MFA, until 2008. The threat of quotas may restrain China's apparels exports to the US, and thereby have some beneficial impact on Bangladesh's exports to the US market. However, it is perhaps logical to expect that in assessing any potential negative implication of China's incremental increase in exports to the US, the US government will be guided by geo-political considerations rather than whether it has hurt Bangladesh's particular interests or not.

Competitive Advantage

Although there is a general concern regarding Bangladesh's competitiveness over China, price competitiveness data computed for Bangladesh (US market unit price multiplied by the price deviation of major Bangladeshi products from average world price) leaves some scope for optimism, at least for some particular products at the Harmonized Tariff Schedule (HTS) 10-digit level, in the short-run (*Appendix: Table 3*). According to the estimates, Bangladesh has significant price advantage in some products (at the HTS 10-digit level) over other countries, except Pakistan. Bangladesh was able to increase its price competitiveness situation with China

in some of the apparel items (see Table 13). In these selected items, Bangladesh's prices are below world market prices, whereas China's prices are above the world average level. In a very few non-quota items, Bangladesh also enjoys price competitiveness over China. In the previously stated context, it is expected that Bangladesh will be able to continue to retain market share in the US at least in the case of the abovementioned apparel items. It is to be noted that the products selected in Table 13 and *Appendix: Table 3* are based on Bangladesh's export performance in 1999, for both quota and non-quota categories. The US plan to phase out quotas on Chinese exports of textiles and garments is a significant issue in this context. The data would suggest that quota withdrawal does not make Bangladeshi exports automatically price uncompetitive vis-à-vis China. However, from a dynamic perspective, the economies of scale accrued to China in the context of a quota-free regime may create a situation where Bangladesh's price advantage in those selected items may be eroded. It is important for Bangladesh to negotiate with the major trade partners under the ATC integration mechanism to accelerate the quota expansion facility for LDCs, which may provide Bangladesh with some added advantage during the run-up to the MFA phase out.

TABLE 13: PRICE ADVANTAGE OF BANGLADESH OVER CHINA IN THE US MARKET IN CATEGORIES OF IMPORTANCE FOR CHINA

Product Category	1995	1999
HTS Code 6205202065 (Quota) MFA Category: 340	36.61	49.97
HTS Code 6208210020 (Quota) MFA Category: 351	44.92	82.93
HTS Code 6110202065 (Quota) MFA Category: 338	75.41	81.63
HTS Code 6204622010 (Non-Quota) MFA Category: 359	22.38	57.67
HTS Code 6211420070 (Non-Quota) MFA Category: 359	64.23	29.03

Source: Calculated on the basis of data in *Appendix: Table 3*.

In the EU market, the situation is somewhat complicated as far as Bangladesh is concerned. In the EU market all the potential competing countries of Bangladesh have prices lower than the world prices for the selected apparel products. Bangladesh faces tough competition in items under HTS Code 62114210 from countries such as India, Pakistan and Sri Lanka. If the price competitiveness of Bangladesh and China is compared, in some major selected categories Bangladesh fares better compared to China – there is a general improvement in price competitiveness over China between 1995 and 1999. The prices in all categories other than HTS 62114210 are at least 50 percent lower than what is offered by China. It should be noted here, that the price competitiveness in apparel products at the eight-digit level does not have any great

relevance. As these prices are average prices of all items in a particular category, the low average price would mean that Bangladesh has concentrated its exports in the low priced items in that category, and China's higher average price might mean that China exports more costly items with high value addition. However, this comparison is useful in the sense that in that particular category there may be some products in which Bangladesh enjoys absolute price advantage over China.

TABLE 14: PRICE ADVANTAGE OF BANGLADESH OVER CHINA IN THE EU MARKET IN IMPORTANT CATEGORIES FOR CHINA, %

Product Category	1995	1999
HTS Code 62052000 (Quota)	27.94	58.83
MFA Category: 340		
HTS Code 62082100 (Quota)	76.81	108.65
MFA Category: 351		
HTS Code 61102010 (Quota)	14.00	59.53
MFA Category: 338		
HTS Code 62046231 (Non-Quota)	27.84	76.91
MFA Category: 359		
HTS Code 62114210	-30.86	13.30
(Non-Quota)		
MFA Category: 359		

Source: Calculated on the basis of data in *Appendix: Table 4.*

There are two types of advantages enjoyed by Bangladesh over China in the EU market: firstly, there is no quota in place, which is not the case for China which has to operate under a quota regime; secondly, Bangladesh enjoys duty free access in the EU market subject to compliance with the two-stage rules of origin requirement.

Though in both the US and the EU markets China has price disadvantage vis-à-vis Bangladesh in some categories, its share in both markets is increasing consistently. The reason for this is the wider product range which China is able to offer when compared to Bangladesh. Moreover, the US-China & EU-China agreements clearly indicate that China will enjoy more favourable market access to these important markets in the future (this is not true.). Under a quota-free regime China is expected to concentrate on expanding its share in the EU market following its accession to the WTO.

Productivity

International competitive advantage in a product group is ultimately maintained and improved through continuous improvement in productivity. Though Bangladesh has an advantage in terms of cheap labour, the low productivity actually erodes the competitive strength in the product

market. Low productivity driven by a low level of technology also prevents movement up along the demand curve. Figures for 1993³ show that the hourly wage rate in Bangladesh's garments sector was low compared to some selected countries, however, the country's productivity was significantly low compared to other countries. As a result, Bangladesh was unable to translate its comparative advantage in cheap labour into competitive advantage in cheap products. Compared to China, the wage rate is 56% lower in Bangladesh. It is difficult to comment on the current extent of wage/cost advantage enjoyed by Bangladesh over China since adequate data is not available. There is a possibility that the cost advantage may have narrowed down, partly because of a higher rate of devaluation in some of the competing countries.

TABLE 15: HOURLY WAGE COSTS OF SELECTED COUNTRIES IN THE GARMENT SECTOR IN 1993

Countries	US\$
Bangladesh	0.16
China	0.25
India	0.27
Pakistan	0.27
Sri Lanka	0.35

Source: UNIDO, *Annual Report*, 1994.

TABLE 16: PRODUCTIVITY AND WAGES IN APPAREL SECTOR (IN US\$)

Countries	Annual Wages	Labour Productivity	Share of Wages (%)
Bangladesh	340.9(1992)	890.1(1992)	38.3(1992)
China	-	-	-
India	627.5(1994)	3,146.1(1994)	19.9(1994)
Pakistan	1553.5(1991)	3236.1(1991)	48.0(1994)
Sri Lanka	653.1(1993)	1,876.1(1993)	464(1993)

Source: UNIDO, *Annual Report*, various years.

Note: Figures in parenthesis are the available years of data reported.

It is evident from available projections that China's apparel market will expand at a more rapid pace after its integration into the WTO. The advantage of scale economies will increase productivity of Chinese labour further, which might threaten the market share of products even at the lower end of the demand curve for apparel products.

Revealed Comparative Advantage (RCA)

As was pointed out earlier, apparel products exported from Bangladesh to overseas markets, particularly the EU and the US, cater mainly to the lower segment of the demand curve – which would imply that these products are not highly price sensitive. In the 1980s many developing countries such as Bangladesh and Sri Lanka did not have comparative advantage in most of the

³ The wage statistics are not available after the year 1993.

categories of clothing. However, over the course of time, these countries were able to capture significant market share in some of the low price items (Islam 2000).

According to the latest available information on revealed comparative advantage (RCA) for products in the US market, Bangladesh has $RCA > 1$ in three 10-digit level items, 6205202065, 6208210020, and 6204622010. India has $RCA > 1$ in 6211420070 and Sri Lanka in 6110202065. China's RCA is much lower than other countries in these items. Other than in the items, mentioned in Table 17, China's RCA is comparatively better than the competing countries. In the case of RCA in the EU market, it is difficult to draw any conclusion in favour of any country, as the RCA is calculated for the 8-digit level product categories, where in many items within a category, different countries have different RCA in different products. However, higher RCA for a category can be explained as a better position for some items within a category. RCA estimates reveal that there are some products within particular categories where Bangladesh enjoys competitive advantage. In the EU market, Bangladesh has $RCA > 1$ in two categories (62052000 and 61102010), whereas India, Pakistan and Sri Lanka have $RCA > 1$ in one category (62082100, 62114210 and 62046231 respectively). China does not have $RCA > 1$ in any of the aforementioned categories.

The product items mentioned in Tables 17 and 18 are major export items of Bangladesh to the US and the EU markets. This speaks of the country's competitive strength. However, the estimated RCAs need to be considered in the context of current market distortion.

TABLE 17: REVEALED COMPARATIVE ADVANTAGES OF SELECTED ECONOMIES IN 1999 IN THE US MARKET

HTS Code	Bangladesh	China	India	Pakistan	Sri Lanka
6205202065	2.84	0.26	2.32	1.72	2.08
6208210020	6.0	1.07	3.36	0.93	1.32
6110202065	0.87	0.21	1.49	6.7	9.48
6204622010	12.4	0.59	0.71	2.02	1.52
6211420070	1.75	1.14	12.95	0.14	0.79

Source: Compiled from USITC, *Data Web*.

TABLE 18: REVEALED COMPARATIVE ADVANTAGES OF SELECTED ECONOMIES IN 1999 IN THE EU MARKET

HTS Code	Bangladesh	China	India	Pakistan	Sri Lanka
62052000	42.17	3.8	24.51	2.61	8.96
62082100	0.4	1.6	5.7	3.4	4.7
61102010	2.92	0.48	0.36	2.13	0.88
62046231	1	0.1	0.1	2.15	18.70
62114210	0.4	1.1	2.16	12.27	0.83

Source: Compiled from COMEXT, *Data Web*.

CONCLUDING REMARKS

The analysis presented in the foregoing sections demonstrates that China's accession to the WTO has important implications for Bangladesh's export-oriented RMG sector. Bangladesh's RMG sector is handicapped because of weak backward linkage as a result of which competitiveness of the sector is seriously undermined. Lack of adequate backward linkage also means that Bangladeshi exporters require relatively long lead-time to respond to orders placed by potential buyers. In the context of a quota-free regime, following the phase out of the MFA in January 2005, much of the current market distortion will be removed. Consequently, countries with strong backward linkage in the textile sector will fare better under the market regime in a liberalised trading environment.

Our analysis has shown that Bangladesh has demonstrated competitive strength both in non-quota markets, as well as in the exports of some apparel items in the quota market. The RCA for the products in the US market shows that Bangladesh has $RCA > 1$ in three 10-digit level items as distinct from China which has lower RCA in those items, which testifies to Bangladesh's competitive power vis-à-vis China in some segments of the global apparel market. In the case of RCA in the EU market, the analysis also shows that Bangladesh does have $RCA > 1$ in some of the categories, in which even China, India, Pakistan and Sri Lanka have $RCA < 1$. It is possible to argue, in light of above information, that Bangladesh might be able to retain market share in some of the categories in EU and US markets even in the context of the phase out of the MFA regime.

The analysis shows that Bangladesh has significant price advantage in some products (at the HTS 10-digit level) over most of its major competitors. Bangladesh was able to prove its price competitiveness vis-à-vis China in some of the apparel items. As an analysis reveals, in the case of five selected items, Bangladesh's prices are below world market prices, whereas China's prices are above the world average level. In a very few non-quota items, Bangladesh also enjoys price competitiveness over China. In the above context, it is expected that Bangladesh will be able to continue to retain market share in the US, at least in the apparel items mentioned above. In the EU market, on the basis of comparison of price competitiveness positions for Bangladesh and China, it has been shown that in some major selected categories, Bangladesh fares better than China – there is a general improvement in the price competitiveness environment for Bangladesh over China between 1995 and 1999. Our analysis of selected items shows that, prices of four categories offered by Bangladesh, other than HTS 62114210, are at least 50 percent lower than what is offered by China.

However, several factors will need to be taken into account. Firstly, as countries are freed from quota restrictions, they are likely to try to penetrate hitherto unexploited markets. China would also be expected to produce apparel items on the lower end of the demand curve where it has

been reluctant to go until now because of the peculiarities of the quota regime. Secondly, the price scenario in the global fabrics market is also expected to change in the context of the MFA phase out. RMG exporting countries which had been supplying fabrics in the global market will now be in a position to export more RMG products, rather than fabrics. This may push up the global price of fabrics, which may potentially undermine the competitive strength of fabrics-importing countries such as Bangladesh. Thirdly, our analysis has shown that although Bangladesh wage levels are relatively low compared to China, China's productivity is higher because of its capacity to blend labour and technology. From this perspective also, China is going to pose a serious competitive threat to Bangladesh during the post-MFA phase.

Analysis presented in the paper shows that China's accession has serious implications for the export-oriented RMG sector of Bangladesh. Bangladesh will need to design appropriate strategies in order to address the emerging concerns originating from China's entry into the WTO. Admittedly, Bangladesh will need to immediately undertake the task of raising its competitive strength in the global apparels market if it is to ensure that the robust performance demonstrated by its export-oriented RMG sector is to continue during the post-MFA phase. Evidently both domestic supply side issues as well as global market access issues will need to be adequately addressed in order to ensure this.

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APPENDIX: TABLE 1: GROWTH OF EXPORTS OF SOME SELECTED CATEGORIES OF BANGLADESH IN US MARKET

Category	% change between 1991 and 1992	% change between 1992 and 1993	% change between 1993 and 1994	% change between 1994 and 1995	% change between 1995 and 1996	% change between 1996 and 1997	% change between 1997 and 1998	% change between 1998 and 1999	% change between 1999 and 2000	% change between YTD Nov/2000 and YTD_Nov 2001
239	17.43	33.64	32.64	34.84	26.56	50.23	21.42	-12.49	32.73	32.47
340	91.04	-21.15	57.16	1.91	11.63	14.83	11.84	-12.37	29.65	-2.39
341	125.45	110.24	-23.62	7.56	-38.62	29.39	12.31	43.55	21.50	-15.33
347	30.91	-2.86	36.79	36.16	12.92	18.71	6.05	29.51	7.32	-17.09
348	16.75	5.14	-8.51	-14.67	-11.13	58.84	4.91	28.97	14.74	32.04
359	60.89	-1.64	111.98	110.22	53.10	35.17	17.28	2.71	9.42	-1.48
647	48.12	-12.53	6.19	28.53	9.66	26.00	31.39	-6.72	29.71	10.20
659	108.82	132.74	27.64	55.44	13.22	8.85	-6.74	8.56	64.05	-20.25

Absolute figures in FY1991 and FY2000

Source: OTEXA, Trade Data (internet).

APPENDIX: TABLE 2: QUOTA FILL RATE OF DIFFERENT COUNTRIES IN RMG SECTOR, 2001

Category	(in percent)						
	Bangladesh	China (Main Land)	India	Nepal	Pakistan	Sri Lanka	Turkey
237	79.5	64.9	-	-	20.0	22.7	-
331	56.4	85.4	-	-	75.8(MW 631)	72.7(MW 631)	-
334	100.0	68.0	93.9 (MW634)	-	83.0(MW 634)	-	-
335	86.5	94.9	65.8(MW 635)	-	73.7(MW 635)	48.2 (MW835)	40.8
336/636	84.0	52.4(ONLY 336) 79.9(ONLY 636)	67.3	42.0	51.3	68.7(MW 836)	31.1
338/339	94.2	89.8	85.8	-	100(338); 76.2(339)	99.6	87.1(MW 638/639)
340/640	98.5	78.1(ONLY 340) 90.5(ONLY 640)	76.3	46.2(ONLY 340) 36.8(ONLY 640)	57.2	71.9	10.4
341	74.8	85.6	68.0	26.1	15.8 (MW 641)	[43.5]	20.6(MW 641)
342/642	91.0	90.1(ONLY 342) 78.9(ONLY 642)	55.2	30.0	41.3	63.6(MW 842)	22.5
347/348	89.0	88.0	80.6	78.2	91.4	96.5(MW847)	55.8
351/651	91.3	98.0 (ONLY 351) 91.8 (ONLY 651)	73.6	-	100.0	88.4	97.5
352/652	90.0	100.0(ONLY 352) 94.6(ONLY 652)	-	-	99.5	97.9	94.5
363	70.2	81.9	77.6	58.7	100.0	46.6	-
369-S*	79.7	5.4	72.5	83.7	89.4	36.6	35.1
634	100.0	93.9	-	-	-	-	-
635	99.9	97.9	-	-	-	86.2	-
638/639	84.8	97.6	-	-	69.8	54.2(MW 847)	-
641	84.2	95.0	56.6	0.8	-	[25.3]	-
645/646	81.0	97.8	-	-	-	26.6	-
647/648	97.6	64.2(ONLY 647) 82.0(ONLY 648)	72.8	-	-	-	-
847	91.3	54.7	-	-	-	-	-

*QUOTA FOOTNOTES

369-S ONLY HTS NO 6307.10.2005

Quota fill rates are given within [] for the Quotas that are given within () in the original data sheet.

MW: Merged With

Source: Compiled from USITC Data Base.

APPENDIX: TABLE 3: IN THE US MARKET UNIT PRICE* DEVIATION OF MAJOR BANGLADESHI PRODUCTS FROM AVERAGE WORLD PRICE

Country	HTS Code 6205202065 (Quota)		HTS Code 6208210020 (Quota)		HTS Code 6110202065 (Quota)		HTS Code 6204622010 (Non-Quota)		HTS Code 6211420070 (Non-Quota)	
	MFA Category: 340		MFA Category: 351		MFA Category: 338		MFA Category: 359		MFA Category: 359	
	1995	1999	1995	1999	1995	1999	1995	1999	1995	1999
Bangladesh	-16.49 (62.83)	-20.97 (59.72)	-9.67 (58.32)	-16.04 (55.60)	-1.19 (57.01)	14.55 (58.31)	-16.90 (87.18)	-4.97 (85.48)	-13.63 (49.93)	9.39 (73.67)
China	6.51 (85.83)	8.87 (89.56)	16.53 (84.52)	30.07 (101.71)	41.80 (100.00)	62.15 (105.91)	2.61 (106.69)	44.33 (134.78)	18.44 (82.00)	30.78 (95.06)
India	4.89 (84.21)	-3.50 (77.19)	13.96 (81.95)	20.52 (92.16)	-0.11 (58.09)	23.11 (66.87)	-18.36 (85.72)	-16.44 (74.01)	0.45 (64.01)	5.66 (69.94)
Pakistan	-20.38 (58.94)	-30.52 (50.17)	-22.48 (45.51)	-21.08 (50.56)	-9.12 (49.08)	15.01 (58.77)	-47.00 (57.08)	-21.95 (68.50)	-9.94 (53.62)	31.23 (33.05)
Sri Lanka	-0.73 (78.59)	-4.32 (76.37)	32.47 (100.46)	24.51 (96.15)	33.06 (91.26)	49.72 (93.48)	-17.54 (86.54)	-2.53 (87.92)	9.03 (72.59)	10.9 (75.18)
World	0.00 (79.32)	0.00 (80.69)	0.00 (67.99)	0.00 (71.64)	0.00 (58.20)	0.00 (43.76)	0.00 (104.08)	0.00 (90.45)	0.00 (63.56)	0.00 (64.28)

Source: Compiled from the USITC Data Web.

Note: Figures in Parentheses are the Actual Prices per Dozen

* Unit Price Indicates Price per Dozen

APPENDIX: TABLE 4: IN THE EU MARKET UNIT PRICE* DEVIATION OF MAJOR BANGLADESHI PRODUCTS FROM AVERAGE WORLD PRICE

Country	HTS Code 62052000 (Quota)		HTS Code 62082100 (Quota)		HTS Code 61102010 (Quota)		HTS Code 62046231 (Non-Quota)		HTS Code 62114210 (Non-Quota)	
	MFA Category: 340		MFA Category: 351		MFA Category: 338		MFA Category: 359		MFA Category: 359	
	1995	1999	1995	1999	1995	1999	1995	1999	1995	1999
Bangladesh	-8.83 (8.66)	-8.32 (1042)	-11.01 (6.77)	-7.6 (9.25)	-8.21 (7.50)	-11.98 (7.66)	-7.81 (7.65)	-9.31 (8.75)	3.69 (14.00)	1.07 (12.33)
China	-6.41 (11.08)	-2.19 (16.55)	-5.81 (11.97)	2.45 (19.30)	-7.16 (8.55)	-7.42 (12.22)	-5.68 (9.78)	-2.58 (15.48)	-0.63 (9.68)	2.71 (13.97)
India	-3.90 (13.59)	-5.45 (13.29)	-0.47 (17.31)	-2.00 (14.85)	-6.81 (8.90)	-5.64 (14.00)	-1.85 (13.61)	-3.78 (14.28)	-1.84 (8.47)	-2.72 (8.54)
Pakistan	-8.33 (9.16)	-11.29 (7.45)	-8.94 (8.84)	-7.83 (9.02)	-8.09 (7.62)	-12.3 (7.34)	-5.99 (9.47)	-8.78 (9.28)	-3.44 (6.87)	-6.25 (5.01)
Sri Lanka	-4.24 (13.25)	-4.49 (14.25)	5.5 (23.28)	8.82 (25.67)	-2.02 (13.69)	-2.74 (16.90)	-4.86 (10.60)	-4.78 (13.28)	-0.12 (10.19)	2.68 (13.94)
World	0.00 (17.49)	0.00 (18.74)	0.00 (17.78)	0.00 (16.85)	0.00 (15.71)	0.00 (19.64)	0.00 (15.46)	0.00 (18.06)	0.00 (10.31)	0.00 (11.26)

Source: Compiled from the COMEXT Data Web.

Note: Figures in Parentheses are the Actual Prices per Metric Ton

* Unit Price Indicates Price per Metric Ton

APPENDIX: TABLE 5: TREND IN EXPORTS FROM BANGLADESH TO CHINA

(in million US\$)

Commodities	FY97		FY98		FY99		FY00	
	Dollar	% of total	Dollar	% of total	Dollar	% of total	Dollar	% of total
Shrimp	0.97	1.7	1.78	3.7	3.05	28.8	4.52	42.81
Raw Jute	37.39	67.3	35.85	73.9	2.77	26.1	.21	2.04
Jute Manufactures	0.12	0.2	2.87	5.9	2.06	19.5	.01	.12
Leather	4.66	8.4	0.81	1.6	1.04	9.8	3.39	32.12
Frozen Fish	3.52	6.3	2.47	5.1	0.56	5.3	.59	5.60
Jute Yarn and Twine	0.71	1.3	0.62	1.3	0.30	2.8	.25	2.38
Other Manufactured goods	0.36	0.6	0.59	1.2	0.28	2.7	.12	1.16
Textile fabrics	0.12	0.2	0.21	0.4	0.23	2.2	.14	1.35
Tortoise and turtles	0.56	10.0	1.00	2.1	0.13	1.2	-	-
Knitwear	-	-	-	-	0.05	0.5	-	-
Tea in Bulk	1.86	3.3	0.65	1.3	0.03	0.3	-	-
Others	5.33	9.6	1.65	3.4	0.11	1.1	1.31	12.42
<i>Total</i>	55.6	100	48.5	100	10.61	100	10.56	100
<i>Growth Rate</i>	110.6%		-12.76%		-78.12%		-.47%	

Source: Bangladesh Export Promotion Bureau.

APPENDIX: TABLE 6: IMPORTS OF BANGLADESH FROM CHINA

Commodities	FY97		FY98		FY99		FY2000	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Cotton (all types), cotton yarn and thread and cotton fabrics	85.71	15.4	127.6	21.9	123.19	22.5	123.69	22.8
Machinery and mechanical appliances,	84.07	15.1	76.99	13.2	90.3	16.5	91.54	16.9
Silk yarn and thread, silk fabrics	41.69	7.5	43.99	7.6	41.2	7.5	17.31	3.2
Electrical machinery and other related articles	29.06	5.2	17.81	3.1	18.94	3.5	15.80	2.9
Knitted or crocheted fabrics	22.71	4.1	32.12	5.5	40.79	7.5	42.81	7.9
Man made staple fibers	18.75	3.4	30.37	5.2	27.26	5	38.88	7.2
In organic chemicals, organic ,inorganic compounds	16.64	3	16.73	-	19.15	3.5	20.61	3.8
Organic chemicals	6.79	1.2	-	-	-	-	7.48	1.4
Articles of apparel and clothing, accessories	-	-	6.82	1.2	12.91	2.4	14.61	2.7
Zinc and articles	-	-	18.12	1.8	13.8	2.5	11.15	2.1
Fertilizer	11.02	2	-	-	-	-	6.98	1.3
Others	241.73	43.1	211.45	40.5	159.73	29.1	150.71	27.8
<i>Total</i>	558.17	100	582	100	547.27	100	541.57	100

Source: Bangladesh Bank Statistics Department.

APPENDIX: TABLE 7: THE US-CHINA & EU-CHINA MARKET ACCESS AGREEMENTS

	US-China Agreement	EU-China Agreement
Goods		
<ul style="list-style-type: none"> ▪ Tariff Concessions 	<ul style="list-style-type: none"> ○ China will eliminate tariffs on information technology products by 2005. ○ China will cut auto tariffs from 80-100% to 25% by 2008. ○ Auto parts tariff will be cut to an average of 10% by 2006. ○ Textile safeguard will be in effect until December 31, 2008, which is after the WTO Agreement on Textiles and Clothing expires. ○ Tariff will be reduced to an overall average of 17% by Jan 2004. ○ On US priority agricultural products, tariff will be reduced from an overall average of 31.5% to 14.5% by Jan 2004 at the latest. ○ Wine: 65 to 20%. 	<ul style="list-style-type: none"> ○ China's current tariff is close to that of EU on China's exports. ○ All spirits subject to same treatment: 65% to 14%. ○ Wine: 65% to 14%. ○ Butter: 30% to 10 %. ○ Milk powder: 25% to 10%. ○ Mandarins: 40% to 12%. ○ Olives: 25% to 10%. ○ Pasta: 25% to 10%. ○ Rape oil: 85% to 9%. ○ Wheat gluten: 30% to 18%.
<ul style="list-style-type: none"> ▪ Quotas 	<ul style="list-style-type: none"> ○ China has agreed to eliminate quotas and other quantitative restrictions with phase ins limited to 5 years. ○ China will eliminate all existing quotas upon accession for the top US priorities. 	<ul style="list-style-type: none"> ○ Fertiliser NPK: quota improved; immediate relaxation of existing restrictions. ○ Rape oil: quota improved.
General WTO Principles/Agreement		
National Treatment		Specific commitment to apply WTO national treatment principle to: <ul style="list-style-type: none"> ○ Pharmaceuticals pricing ○ After-sales service of imported goods ○ Retail of imported cigarettes ○ Retail of imported spirits.
State Trading	<ul style="list-style-type: none"> ○ Introduction of private trading in Agriculture. ○ New rights to import and distribute. 	<ul style="list-style-type: none"> ○ Silk: gradual opening of export sector to private traders. ○ Crude and processed oil: Gradual opening export sector to private traders. ○ Fertilisers: gradual opening of export sector to private traders.
Sanitary and Phytosanitary Measures	<ul style="list-style-type: none"> ○ SPS agreement concluded. ○ China also agreed to the elimination of barriers that are not based on scientific evidence. 	<ul style="list-style-type: none"> ○ SPS agreement concluded.
Export Subsidies	<ul style="list-style-type: none"> ○ China has agreed to the elimination of subsidies on agricultural products. 	<ul style="list-style-type: none"> ○ Elimination of export subsidies on industrial goods, and on offset requirements in civil aircraft sector.