Star BUSINESS

E-mail: business@thedailystar.net

NOTE FROM CPD

Suspension of Doha talks: Next steps for Bangladesh

Negotiations under WTO's Doha Development Round (DDR) had to be suspended in July 2006 mainly on the account of the impasse over negotiations on agriculture. The major contentions related to reduction commitments with respect to agricultural tariffs and farm subsidies by various countries, and the attendant derogations to be allowed to developing country members. There is widespread apprehension that if no critical breakthrough is achieved in key negotiating areas concerning agriculture and non-agricultural market access (NAMA) within the next six to eight months, the Doha Round negotiations may suffer total failure. The fact that the US Trade Promotion Authority (TPA), which gives the US President “fast-track” authority, expires in mid-2007, is also likely to contribute to this outcome.

As is known, LDCs are not required to undertake tariff reduction commitments under the DDR negotiations. But they do have an interest in a positive outcome in view of the duty-free quota-free (DF-QF) initiative, the 'Development Package' and the S&D promised under the DDR. However, taking note of the recent developments in the DDR negotiations, it will be advisable for Bangladesh to prepare itself for the worst case scenario.

It needs to be pointed out that the recent meeting of G-20 held in Rio-de-Jeneiro, Brazil during 9-10 September 2006 does provide some cause for hope. In this meeting, major developing country players such as China, Brazil and India have indicated their readiness to restart the stalled negotiations. Developed countries also have indicated their positive response in this regard. There is an urgency in this respect since US Congress is to debate on a new Agricultural Policy in March 2007 and once this is put in place, it will be difficult for US negotiators to undertake any commitment that goes beyond what is stipulated in the Agricultural Policy.

In this backdrop, the Centre for Policy Dialogue (CPD) suggests that the Government of Bangladesh should fruitfully utilise the current hiatus in preparing itself for the new situation. In this connection the government will be well advised to focus on the following three areas.

1. An assessment of possible implications of suspension of DDR for Bangladesh

Bangladesh's key interests in the context of the DDR had been market access in NAMA and Services Sectors (Mode 4). DF-QF initiative, as set out in Hong Kong, addressed this interest, albeit only partially. However, cognisance needs also be taken of the fact that the issue of market access also lies at the heart of all our bilateral and regional agreements with our trading partners. Bangladesh also enjoys preferential market access under various Generalised System of Preferences (GSP) initiatives operated by the developed countries (such as the EU-EBA). Hence, the suspension of Doha talks is not likely to adversely impact on Bangladesh's existing market access concern. However, a multilaterally agreed commitment would have given predictability and security to Bangladesh's access to global market as provided under the preferential schemes.

At present, two key concerns before Bangladesh are: (i) If the DDR negotiations are not concluded within the stipulated time frame (i.e. by 31 December 2006), what will be the fate of the Annex F (S&DT) of the Hong Kong Ministerial Declaration? and (ii) Will the suspension of DDR negotiations result in suspension of the work on defining the coverage of the 97 per cent list for DF-QF market access as regard products originating from LDCs? It is pertinent to note in the present context that apparels, the most important export item for Bangladesh, has been kept out of the so called Development Package. The DF-QF negotiations in the WTO could have given Bangladesh an opportunity to gradually expand preferential market access in the US market. Failure of current negotiations will have negative implications from this perspective.

Bangladesh should also continue the task of identifying services sector where it could ask for market access under Mode 4.

2. The 20-20-20 Formula: Building scenarios for possible outcomes

The 20-20-20 Formula, proposed by WTO Secretary General Pascal Lamy, appears to be a strategically positive approach as far as interests of the developing countries and LDCs are concerned. According to the formula (i) US was asked to limit farm subsidies to US$20 billion, (ii) EU was asked to accept the G-20 formula of cutting its farm subsidies to 54%, and (iii) developing countries such as India were asked to tap their industrial tariff at 20%. Besides, the Philippines has come up with a proposal to add a fourth '20%' (20-20-20-20) with the new percentage indicating the exemption of agricultural tariff lines as Special Products. However, the proposed 20-20-20 (and 20) formula appears to be a good point of departure for building possible outcome scenarios and identifying their complications for Bangladesh. Once these results are in hand, Bangladesh will be able to lend her goodwill to the pursuit for arriving at a consensus on formula, coefficient, derogation and subsidy reduction now being debated and discussed in different formal and informal fora of the WTO.

3. Aid-for-Trade package

The Aid for Trade (A4T) Task Force was established in February, 2006 with a mandate to provide Members with recommendations as regards how A4T "might contribute most effectively to the development dimension of the Doha Development Agenda." The Task Force came up with its final recommendations at the General Council held during 27-28 July, satisfying the July deadline set by the Hong Kong Ministerial Conference. The recommendations (WTO Doc: WT/AFT/1), for both donors and recipients, stressed on the need for additional, predictable, and effective financing to enhance trade related supply-side capacity of the developing countries and the LDCs to better integrate into the multilateral trading system and benefit from liberalised trade and increased market access in both goods and services. Though the recommendations were applauded by the WTO Members, it was only in the form of 'Taking Note' rather than a formal adoption of the recommendations. The GC Meeting decided to consider the panel's report at its upcoming October 2006 meet.

In Hong Kong, Japan announced development assistance in the areas of trade, production and distribution infrastructure to the tune of $10 billion over three years; the US announced Aid-for-Trade grants amounting to $2.7 billion a year by 2010; and the EU and its member States announced trade-related development assistance of €2 billion (about $2.5 billion) per year by 2010.

Under the present circumstances, Bangladesh may explore, as advised by the WTO Task Force, the possibility of establishing a National Committee on Aid for Trade, which will be mandated to do the following.

(i) Identify Bangladesh's trade related supply-side constraints and collaborate with the WTO and other concerned parties (i.e. donor agencies) to ensure a dedicated proportion of the proposed A4T package for LDCs and propose a modality for distribution among LDCs that takes into account the size of the economy; and

(ii) Design strategies to monitor whether there is a double or triple counting on account of resource commitments to MDGs and PRSP particularly in view of the fact that the “new resources” are not subject to traditional aid conditionalities.

CPD reckons that since the mantle of LDC leadership in the WTO has once again been passed on to Bangladesh, it could be an important player in the current discussions on salvaging the stalled negotiations. The country will also have to prepare itself so that it rises to the occasion and lives up to the expectations of the other LDCs.

Delhi mulls open sky accord with Asean

PALLAB BHATTACHARYA, *New Delhi*

India is examining an Asean proposal for an open skies agreement to boost air connectivity between it and the economically-booming South East Asia.

“Some informal discussions have taken place and we are considering a party to the proposed open skies accord with Asean. However, no formal offer has been to us by the Asean as yet,” Indian Civil Aviation Secretary Ajay Prasad told reporters here yesterday.

India now has a limited open skies agreement with Asean countries but it has not been implemented in the form shaped by the previous BJP-led government three years ago.

At present, India operates open skies policy with the United States and a limited open skies accord with Britain. While a liberal bilateral agreement with Sri Lanka is in place, flight entitlements in the case of other countries is restricted by agreements from time to time.

Open skies agreement would allow any number of flights, frequencies and size of aircraft to any destination in Asean.

Prasad said several low-cost air carriers in South East countries have started operating in the region and are interested to fly to India. Some of the like Silkair, a subsidiary of Singapore Airlines, already operates flights to southern Indian cities.

Meanwhile, five companies have applied for license to launch new airlines in India in view of its burgeoning civil aviation sector.

As air passenger traffic has sharply been rising mainly due to entry of budget airlines, the profitability of the air carriers has begun coming down because of rising cost of aviation fuel on one hand and pressure on fare due to intense competition.

PHOTO: **HOLCIM (BANGLADESH)**

M Emdadul Islam, chief engineer of Rajdhani Unnayan Kartripakkha (Rajuk), gives away prize to a winner of the raffle draw at an event styled 'Homeowners' Meet-2006' organised by Holcim (Bangladesh) Ltd in Rampura, Dhaka recently. Senior officials of the cement manufacturing company were also present.

CURRENCY

Following is Thursday's (September 14, 2006) forex rate statement by **Standard Chartered Bank**

Major Currency Exchange Rates

	BC Sell	TT Buy
US dollar	67.00	65.75
Euro	86.38	82.10
Pound	127.09	121.93
Australian dollar	51.72	48.10
Japanese yen	0.58	0.56
Swiss franc	54.36	51.76
Swedish kroner	9.61	8.68
Canadian dollar	60.95	58.13
Hong Kong dollar	8.63	8.43
Singapore dollar	43.43	41.57
UAE dirham	18.39	17.76
Saudi riyal	18.01	17.39
Danish kroner	11.90	10.73
Kuwaiti dinar	228.30	226.10

Exchange Rate of some currencies

	Per USD	BDT per Currency
Indian rupee	46.14	1.45
Pak rupee	60.48	1.10
Lankan rupee	102.45	0.65
Thai baht	37.38	1.79
Malaysian ringgit	3.67	18.19

USD forward rate against BDT

	Buy	Sell
1 M	65.84	67.10
2 M	65.95	67.30
3 M	66.09	67.51
6 M	66.51	68.20

Local Market

FX: Local inter-bank FX market was active on Thursday as the banks prepared to close for the weekend. The demand for USD remained stable and there was a steady volume of cross currency transactions. The USD fell marginally against the Bangladeshi taka.

Money Market

Money market was active on Thursday. Call money rate remained unchanged and ranged between 6.50 and 7.00 percent. Bangladesh Bank accepted three to 17 day reverse repos worth Tk 16.82 billion ($248.3 bio) at an interest rate of 6.5 per cent.

International Market

Major currencies were mostly steady on Thursday, with investors cautious ahead of this weekend's G7 meeting and US retail sales data later in the day that could yield further clues on the interest rate outlook. The New Zealand dollar bucked the steady trend, hitting a six month high against the US dollar as the Reserve Bank of New Zealand sounded a hawkish note after leaving rates on hold at 7.25 percent.

STOCK