

Make use of the WTO system

WTO deputy director urges at a public lecture session

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The role of the World Trade Organisation (WTO), a global organisation that facilitates rule-based trade among countries, is still deceptive. Policymakers and businessmen in many countries have little understanding on the matter.

That is why these countries are yet to utilise the system. There is a strong perception that the WTO system is totally bad for the poor and only beneficial for the rich. A series of events during the multilateral trading regime, especially after the formal inception of the WTO in 1994, have backed the perception.

Joseph Stiglitz, a Nobel laureate in economics, categorically stated the same thing in his speeches and works. According to Stiglitz, the WTO is biased towards rich nations. Although such observations are based on empirical evidences, this is not the complete picture.

The people in the WTO rather draw evidence to show that the poor and developing countries also benefit from the system. In similar vein, Harsha V Singh, one of the four deputy directors of the WTO, ruled out Stiglitz's proposition regarding the organisation.

Singh was of the view that Stiglitz did not see the whole system as well as the rules of the WTO. He said that the WTO system provides equal opportunity to all member countries, no matter how big or small, or rich or poor. That is why four African countries -- Benin, Burkina Faso, Chad and Mali -- virtually blocked the Cancun negotiation as rich countries, like the US and Europe, denied to address the cotton issue.

Singh also said developing countries are more active in concluding the Doha round, initiated in 2001, as a successful conclusion will be highly beneficial for them.

The Doha Round is ongoing multilateral trades talk on further liberalisation of trade under the WTO system. The negotiation is yet to complete as developed and developing countries are divided mainly on agricultural subsidies and industrial tariffs.

In a public lecture session in Bangladesh Economic Association in Dhaka last week, Singh made these observations and also described several areas of the multilateral trade rules that



could benefit poor countries. He also urged Bangladesh as well as other poor countries to utilise the system.

Singh termed the WTO system as an "insurance mechanism" for multilateral trade as it always prohibits protectionism in international trade. He said the system of WTO rules and its monitoring of various actions by its members helped to keep markets open during the 2009 financial debacle. It also emphasised continued easy availability of trade finance.

Focusing on the least developed countries (LDCs), the deputy director general of WTO said the Doha Round results include three major aspects -- lower levels of obligations and commitments; getting others to open their markets for LDCs; and steps to enhance capacity. He clearly said Bangladesh does not have to undertake any additional obligation.

Bangladesh, along with other LDCs, is seeking 100 percent duty-free and quota-free market access to all the developed countries, while the Hong Kong declaration provides for 97 percent of LDC products. Singh, however, said virtually all developed countries have allowed market access to LDC products where coverage ranges from 97 percent to 100 percent. And many developing countries have also provided market access, covering a large extent of the product coverage.

But, Bangladesh is demanding 100 percent access to the US market, which is most important for major exportable products such as readymade garments of the country. How can the WTO help to get full access? Or is it possible to set a time line?

In response, Singh said it is not possible to set or fix any time line by which the US can abide by allowing a full free access to all the products. He, however, said members of the WTO have agreed

to provide meaningfully significant enhanced market access to all LDCs. And this has created pressure on the US to move on.

Singh felt that US congress will take the matter seriously and so Bangladesh may get the desired access.

Again, conclusion of the Doha Round will bring preference erosion for LDCs. What is the remedy for this?

Singh said preference erosion is unavoidable. But in the long run, the LDCs can be more competitive by enhancing capacity and addressing supply constraints. In this connection, he also mentioned that trade facilitation would make it easier for developing countries to access other markets and reduce costs of export.

It is notable that preference erosion will put market access under pressure. Due to the Doha deal, developed countries have to allow products from developing countries into their markets at lower tariff rates. Thus, LDC products will face more competition.

Issues on Indo-Bangla trade were also drawn in the discussion and the main question was, how to deal with non-tariff barriers imposed by Indian authorities.

Singh said both the countries are the members of the WTO and have to abide by the WTO rules. As the WTO system allows that one's right is an obligation to others; any member country should first identify whether her right is violated by any action by another. He suggested seeking trade dispute mechanisms in the WTO, if needed.

So, a lot of difficulties and challenges are there, especially for the poor countries, in utilising the WTO system.

Terming the WTO system as 'global public good', Singh, however, stressed the need for preserving and using this system and also focusing on successful conclusion of the Doha Round in near future.

As the 8th ministerial conference of the WTO is scheduled for December 15-17 in Geneva, serious efforts are in place to seal the deal before the conference, said Singh, which reflects his optimism.

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China's middle-class stampede for luxury handbags

AFP, Hong Kong

It could be a queue for a pop concert, a top nightclub or even the opening night at the theatre. But the hundreds of people lined up in a Hong Kong street are actually waiting to bag a bit of luxury.

"We're looking for new handbags," says student Celeste Law as she queues patiently alongside her friend Karina Luh outside the supermarket-sized branch of Chanel on Hong Kong's Canton Road.

The students, both 20, already sport impressive accessories -- Celeste carries a Louis Vuitton monogrammed bag, while her friend's is from Chanel.

Both work part-time and saved for over a year to buy their trophies.

"We want them because of the famous brand," said Celeste. "What can I say? People will focus on your bag. It's about feeling confident."

Even on a weekday morning, Canton Road is flooded with shoppers happy to pay a small fortune for a luxury tote, shoulder bag or evening clutch in its jumbo designer stores.

Many are from the Chinese mainland, and some even carry suitcases to get their purchases home. The market for such luxury has extended far beyond China's roughly 900,000 US dollar millionaires.

The market is now being driven by China's burgeoning middle class, with the truly rich going ever further upmarket -- happily spending tens of thousands of dollars on the right bag.

Handbag sales for Prada alone grew by over 80 percent in China in 2010, Sebastian Suhl,

chief operating officer at the Prada Group, told AFP, while those of the group's Miu Miu brand rocketed by over 500 percent.

"We believe we have only begun to scratch the surface of China's potential," Suhl added.

The brokerage firm CLSA Asia-Pacific Markets predicts China will become the world's largest luxury goods market by 2020, accounting for 44 percent of worldwide sales and bigger than the entire global market is now.

Christina Ko, who blogs at HK Fashion Geek, said the Asian love of the luxury bag has become "a cultural fact. In the same way that Asians prefer rice to potatoes, they also prefer luxury handbags to non-branded ones."

But as customers become more sophisticated, the demand is changing -- bringing those who would previously have bought fakes into the market for the real thing.

"Middle class people are getting the Louis Vuitton bags, and the people who used to get them are now looking for something else," Amanda Lee, who writes the Hong Kong-based blog Fashionography, told AFP.

Zuki Ho, a sales associate and mother, is one of the middle-class buyers boosting the industry: she owns 15 luxury handbags, and once spent HK\$40,000 (US\$5,135) "double her monthly salary" on a handbag.

She says she loves handbags because "I enjoy being watched on the street when I'm carrying the bag." But she would never buy a fake -- "I'm afraid of being found out," she added.

Fakes remain big business in China, but genuine luxury is



A woman walking past a Hong Kong sign in a street in Hong Kong. Hundreds of people line up in Hong Kong, actually waiting to bag a bit of luxury.

bigger. And while women are a growing force in the Chinese designer market, men are not immune, competing fiercely over the most stylish 'man bag'.

At the second-hand luxury handbag store Milan Station in Hong Kong's upmarket Central district, bags sometimes sell for more than their retail price.

"People always ask for some kind of limited edition, a more expensive bag," supervisor Jackie Lau told AFP. "People

don't feel guilty about it (buying a designer bag) because it's like an investment."

Customers can trade in their bags and take to the streets with a new one as often as they like, while those lucky enough to make it onto waiting lists for limited-edition bags can sell them straight to a second-hand store for a profit.

A waiting list is common for a truly coveted bag, with a wait of several months currently the norm for Mulberry's Alexa bag.

The ultimate bag of desire remains the Hermes Birkin, which famously takes 18 hours to make by hand. The crocodile skin version uses the finest sections of hide from four crocodiles.

It costs from \$9,000 to an astounding \$160,000 for one of the top diamond-studded models, a Hermes spokeswoman told AFP.

Chinese women appeared immune to the "luxury shame" that affected females in other

parts of the world during the global economic downturn, the consultancy Bain & Company said last year.

But while handbags are traditionally used to broadcast one's success and good fortune, this too may be changing as more and more women join the designer-toting club.

Lee herself has a denim Chanel bag, a gift from family -- but carries it "so that no one sees the double C (logo)", she said.

The Asian love of the luxury bag has become a cultural fact. In the same way that Asians prefer rice to potatoes, they also prefer luxury handbags to non-branded ones. As customers become more sophisticated, the demand is changing -- bringing those who would previously have bought fakes into the market for the real thing