

Tariff Barriers at US Market

The discrimination is obtrusive as the products of the LDCs (4.91 per cent) faced 500 per cent higher import-weighted average tariff rates in 2004 compared to those of the developed world (0.98 per cent) for inflowing into the US market (Table – 1). Moreover, tariffs on many consumer and labour-intensive products, in which developing and LDCs have comparative advantage, face tariff peaks and tariff escalation. The poor countries like Bangladesh that export primarily labour-intensive goods, such as textiles and clothing are hard hit by industrial countries' tariff policies. One can clearly see the disparate effects of these tariffs by looking at the effective tariff rates—the amount of import duties collected as a percent of total imports—of different countries.

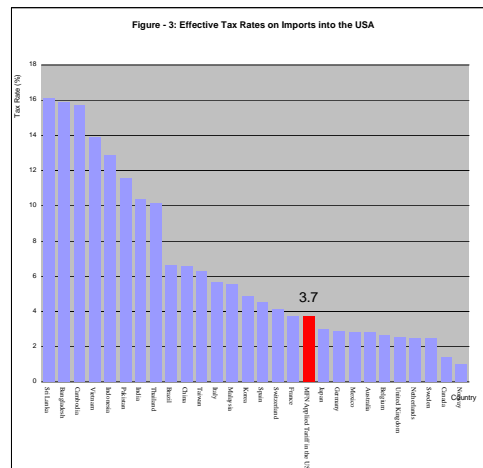
Table - 1: Import-weighted Average Tariffs in the United States

Group of countries	1996	1998	2000	2002	2004
Developed countries	1.73%	1.33%	1.05%	1.09%	0.98%
Developing and Transitional economy	2.89%	2.73%	2.14%	2.12%	1.80%
Least developed countries	4.65%	6.80%	7.27%	6.02%	4.91%

Source: Estimated by the authors from data available at USITC website

Pervasiveness of market access barrier has also been accentuated in the trade policy of the US government in the semblance of the Harmonised Tariff Scheduled. Over the years, poor countries have been deceived by the complexity of tariff structure of the developed countries and trailed behind in the trade negotiations as far as market access is concerned. The developed countries often claim that they have lower tariff rates vis-à-vis the developing and least developed countries and pursued the latter to reduce their tariff rates. However, the evidence shows that

the way they have designed the tariff lines are anti-poor, benefiting only developed countries themselves. For example, the WTO statistics shows that the MFN applied tariff rate (simple average) in the USA is 3.7 per cent for all products and 3.3 per cent for non-agricultural products in 2004. However, the rate rises steeply for the developing and least developed countries. As it has been shown that average US import tax for Bangladeshi products is 15.85 per cent, for Sri Lanka it is 16.12 per cent and for Cambodia the tax is 15.68 per cent; the average import taxes range between 11 per cent and 14 per cent for India, Pakistan, Indonesia and Vietnam. In contrast, tax rates for many of the developed countries like Norway, Canada, Sweden, Netherlands and UK range between less than one per cent and 2.5 per cent, far below the US applied tariff rate for developing and LDCs. Such pervasiveness of tariff discriminations clearly undermines the export potential of poor countries like Bangladesh (Figure – 10).



Source: Calculated by the authors from data available at USITC website

The pattern of customs revenue collection in the USA confirms the pervasiveness. It has been found that there is an inverse correlation between the share of US imports from the rich and poor countries and the respective share of customs revenue. By taking into account the data of the US Department of Commerce for

2004, one can conceive the magnitude of the trade discrimination between rich and poor countries. It is estimated that in 2004 the US customs has collected more revenue from the exports of poor countries that have often struggled with low per capita income for their little share of exports compared to the developed countries that possess a lion's share of the US imports and have higher per capita income. For instance, US imposed US\$329.12 million tariffs on imports from Bangladesh, far above than those of developed and developing countries.

Table – 2: Tariffs Paid by Products Originating from Bangladesh vis-à-vis Some Rich Economies

Country	Per Capita GDP US\$*	Exports to USA (US\$ Mn)	Tariffs Paid (US\$ Mn)
Bangladesh	445	2,073.57	329.12
Canada	31,500	7,253.88	100.06
Sweden	28,400	5,205.04	127.16
Belgium	30,600	4,804.46	125.48
Spain	23,300	3,827.63	173.62
Switzerland	33,800	4,241.71	175.65
Malaysia	9,700	4,237.80	234.62
Pakistan	470	2,552.57	294.88

Excerpts from “Unkept Promises - Non-Agricultural Market Access at the WTO,” available at www.unnayan.org

No market access, no mode 4

It is highly unlikely that Bangladesh will be able to get the much demanded duty-free and quota-free market access for textiles to the lucrative US market.

In recent development during the weeks prior to the conference American negotiators clearly indicated that they have grave reservations about providing full market access for textiles to Bangladesh. This came up when the European Union, being under from the United States regarding farm subsidies, put the pressure back on the United States asking them to grant the full market access.

When asked about the US stance how to tackle with it, Altaf Hossain Chowdhury, the Bangladesh commerce minister said, ‘There are elephants playing in this field. And we must fight one against the other to get what we need.’

Lamy in a news briefing, made clear that any development package must not be substituted with progress in other areas.

He thus quelled an African Union suggestion that they would not move on any of the issues unless there was a clear progress in development, which also includes the duty-free and quota-free market access for the poorest members.

The fast track authority of the US president ends in mid-2007. A concrete deal must be struck by that time for a proposal to be ratified in the United States. In such a circumstance, it has been suggested by the civil society that specific proposal leading to meaningful, effective and predictable market access with bound commitments from the developed and the developing countries.

But the most ominous sign of the current ministerial is that the services issue is being downplayed, which is of most interest to both the EU and US.

As Lamy put it during the briefing, services negotiations are much closer to agreement than those of agriculture or non-agricultural market access. Thus he pointed out that services would be focused upon less.

With private companies lobbying both the EU and the US strongly, experts fear that the developed countries will be most fierce during negotiations.

With all modes being aggressively liberalised, the developed and the developing countries, however, will refrain from liberalising temporary movement of labour — another potential interest for Bangladesh — on the grounds that it is politically rather sensitive and poses a serious security risk.

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