

PILDAT

August 2003

BRIEFING PAPER

FOR PAKISTANI PARLIAMENTARIANS

4

POLICY BRIEF NO.

Strengthening Democracy & Democratic Institutions in Pakistan



The WTO Regime and Implications for Pakistan

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FOREWORD

The Briefing Paper on “The WTO Regime and Implications for Pakistan” is designed to act as an information booklet for parliamentarians to assist them in understanding the World Trade Organisation regime and how it impacts Pakistan.

International policy decisions have a direct impact on our social and economic realities, thus creating a need for legislators to understand the currents of the global economy, and the need to work strategically with global powers. Developing countries are increasingly confronted by driving forces dominated by International organisations such as the World Bank, IMF, WTO etc. It is commonly argued that these international organisations leave very little space for developing countries to exercise independent economic decision-making. Instead of constantly blaming external forces, it is time to think rationally and proactively about how we can protect our national economic interests. This requires research, independent analysis and greater involvement of concerned stakeholders.

The World Trade Organisation presents both challenges and opportunities for Pakistan. It is important for us to understand how the WTO agreements impact our economy and develop a consensus on how to promote our trade interests. Although, agreements are negotiated by ambassadors, officials and ministers who represent the government, it is important for Parliamentarians to be involved in the process of developing the government's position. This will not only ensure that the interests of their constituents are represented in WTO agreements but will also lend greater transparency and accountability to the process of policy-making. The Briefing Paper has been prepared to raise the awareness of legislators about WTO related issues, and to give them relevant information so they can contribute more significantly in negotiating Pakistan's trade interests.

We would like to thank the Sustainable Development Policy Institute - SDPI and Dr. Saba Khattak for the support and cooperation in developing the briefing paper. We would especially like to thank Dr. Abid Qaiyum Suleri for writing the briefing paper.

We also wish to thank the WTO Wing of the Ministry of Commerce for guiding us and providing us with relevant information.

PILDAT and its team of researchers have made every effort to ensure the accuracy of the contents of this paper. PILDAT and its team of researchers, however, do not accept responsibility of any omission or error, as it is not deliberate.

Lahore
August 12, 2003

ABBREVIATIONS AND ACRONYMS

ACP	African, Caribbean and Pacific Group
ADB	Asian Development Bank
AMS	Aggregated Measures of Support
ASEAN	Association of South East Asian Nations
DSB	Dispute Settlement Body
EC	European Communities
EU	European Union
GATT	General Agreement on Tariffs and Trade
GATS	General Agreement on Trade in Services
IFIs	International Financial Institutions
IMF	International Monetary Fund
IP	Intellectual Property
IPR	Intellectual Property Rights
ITO	International Trade Organisation
LDCs	Least Developed Countries
MEAs	Multilateral Environmental Agreements
MFN	Most Favoured Nation
NAFTA	North American Free Trade Agreement
NFIDCs	Net Food Importing Developing Countries
SAARC	South Asian Association of Regional Cooperation
SELA	Latin American Economic System
SPS	Agreement on Sanitary and PhytoSanitary
TRIPs	Trade Related Aspects of Intellectual Property Rights
UR	Uruguay Round
WB	World Bank
WTO	World Trade Organisation

(UAF), Pakistan, and received postgraduate training in product stewardship from the K&N Efthymiadis, Thessaloniki, Greece.

Prior to joining the SDPI, Dr Suleri worked as research assistant at the Food Security Department, NRI, and also served in the provincial food department where his main responsibility was the safe storage of wheat grains. He served as President Amnesty International, University of Greenwich Group (1996-98) and was a member of the Human Rights Commission of Pakistan (HRCP) fact-finding missions (1989-1991). His present research interests include: effects of globalisation on developing countries in general and those of trade liberalisation in particular; rights of livelihood under the WTO regime; the implications of the WTO agreements on Pakistan; sectoral policies and institutional reforms through the loans of international financial institutes; organic farming, disaster mitigation and population environment nexus. Currently he is leading a study in collaboration with the World Food Program of the United Nations to assess and analyse the food security situation of Pakistan at the district level.

Dr Suleri contributes to the state policy formulation in his capacity as a member of various working groups and steering committees of Government of Pakistan. He is also on the steering committees of various civil society networks such as, Sustainable Agriculture Action Group (SAAG), WTO Watch Group, and South Asia Watch on Trade, Economics, and Environment.

He has presented papers at several international conferences and represented the SDPI at forums like the 4th WTO Ministerial Conference, and World Food Summit (five years later). He is a development journalist and writes for leading Pakistani papers The News and The Financial Post on issues of globalisation and its impacts on sustainable development in developing countries. He has also published in acclaimed journals such as Journal of the Science of Food and Agriculture, Antenna, Entomologia Experimentalis, and Journal of the Pakistan Society of Entomology. He is the author of Globalisation and Mountain Farmers of Pakistan. At the moment, he is authoring another book, Social Cost of Globalisation.

PROFILE OF THE AUTHOR



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1. Introduction: The Need for Economic Revival after World War II

International community started its efforts for an economic revival immediately after the World War II. Two (2) institutes were established in Bretton Woods (USA) namely the World Bank and International Monetary Fund (IMF). The World Bank was established in 1944 with the objective of lending money and funding projects in needy countries to alleviate poverty. Whereas, the IMF (established in 1945) was designed to stabilise international exchange rates and promote foreign exchange cooperation at a time when the gold standard was beginning to fail as a means of stabilizing currency values. The original intention was to create a third institution for regulating trade matters to enhance international economic cooperation. The complete plan, as envisaged by over fifty (50) countries was to create an International Trade Organization (ITO) as specialised agency of the United Nations. While the charter of ITO was being negotiated, twenty-three (23) of the fifty (50) participants (Pakistan and India were also included among these countries and are the founders of GATT) decided in 1946 to negotiate to reduce and bind customs tariffs. The first round of negotiation resulted in 45,000 tariff concessions affecting \$10 billion of trade. The twenty-three (23) also agreed to “provisionally” accept some of the trade rules of the draft ITO charter. The combined package of trade rules and tariff concessions was known as the General Agreement on Tariffs and

Trade (GATT). GATT entered into force in January 1948, while the ITO charter was still being negotiated. Although the ITO charter was finally agreed at a UN conference on Trade and Employment in Havana in March 1948, ratification in some national legislatures proved impossible. Because of the opposition of the US congress to outside interference in trade policy, the ITO was effectively dead in 1950. Even though it was provisional, the GATT remained the only multilateral instrument governing international trade from 1948 until the World Trade Organization (WTO) was established in 1995.

2. From GATT to WTO

For almost half a century, the GATT's basic legal text remained much as it was in 1948. There were additions in the form of “plurilateral” agreements (i.e., with voluntary membership), and efforts to reduce tariffs further continued through a series of multilateral trade negotiations known as “trade rounds”. In the early years, the GATT trade rounds concentrated on further tariff reduction. The “Tokyo Round” during the 1970s was the first major attempt to tackle non-tariff trade barriers. The eighth (8th), the Uruguay Round of 1986-1994, was the latest and most extensive of all. It led to the WTO and a new set of agreements.

BOX 2.1: THE GATT TRADE ROUNDS

Year	Place/Name	Subjects covered	Countries Attended
1947	Geneva	Tariffs	23
1949	Annecy	Tariffs	13
1951	Torquay	Tariffs	38
1956	Geneva	Tariffs	26
1960-1961	Dillon Round	Tariffs	26
1964-1967	Kennedy Round	Tariffs & antidumping measures	62
1973-1979	Tokyo Round	Tariffs, non-tariff measures framework agreements	102
1986-1994	Uruguay Round	Tariffs, non-tariff measures, rules, services, intellectual property, dispute settlement, textile, agriculture, creation of the WTO etc.	123

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It took seven and a half (7 ½) years to conclude Uruguay Round (UR). The final push for a world trade body during the negotiation of the UR came from a number of directions. The European Union (EU) countries favoured a world trade body to help contain the US, while the US favoured a body to regulate everyone else (other than the USA). Developing countries were in a dilemma. On the one hand, a world trade body might afford them protection from stronger developed country traders. On the other hand, they feared that the new body would be used by developing countries to impose their will more effectively.

With these expectations and apprehensions as the background, the UR was concluded in the middle of 1994 with a Ministerial Meeting in Marrakesh that established the World Trade Organisation and finalised the WTO agreements, which finally came into effect on January 1, 1995.

The WTO Agreements subsume the old GATT with all the amendments and decisions taken by it till December 31, 1994 (now called GATT 1994). Apart from trade in goods, they cover services and intellectual property as well.

3. Principles of the Trading System in the WTO

The WTO agreements spell out the principles of liberalisation, and the permitted exceptions. They include individual countries' commitments to lower customs tariffs and other trade barriers, and to open up the service markets. They set systems for settling disputes. They prescribe special treatment for developing countries. The legal text of the WTO agreements is a daunting list of sixty (60) agreements, annexes, decisions and understandings. However, (theoretically) a number of fundamental principles run through all of the agreements.

The WTO trading system should be:

- **Without discrimination** - a country should not discriminate between its trading partners (they are all equally, granted “most favoured nation” or MFN status): and it should not discriminate between its own and foreign products, services, or nationals (they are all given “national treatment”);
- **Freer** - with barriers coming down through negotiation;
- **Predictable** - foreign companies, investors and governments should be confident that trade barriers (including tariffs, non-tariff barriers and

BOX 2.2: WTO AND GATT: THE MAIN DIFFERENCES

GATT	WTO
<ul style="list-style-type: none"> ● GATT was ad hoc and provisional, the General Agreement was never ratified in members' parliaments, and it contained no provisions for the creation of an organisation. ● GATT had “contracting parties”, underscoring the fact that officially GATT was a legal text. ● GATT dealt with trade in goods. ● GATT's dispute settlement system was different from the WTO's. 	<ul style="list-style-type: none"> ● The WTO and its agreements are permanent. As an international organization, the WTO has a sound legal basis because members have ratified the WTO agreements, and the agreements themselves describe how the WTO is to function. ● The WTO has “members”. ● The WTO covers services and intellectual property as well. ● The WTO dispute settlement system is faster, more automatic than the old GATT system. Its rulings cannot be blocked.

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other measures) should not be raised arbitrarily; more and more tariff rates and market-opening commitments are “bound (promising to raise)” in the WTO.

- **More competitive** - by discouraging “unfair” practices such as export subsidies and dumping products at below cost to gain market share;
- **More beneficial for less developed countries** - by giving them more time to adjust, greater flexibility, and special privileges.

4. How does the WTO Work?

- The WTO is headed by Ministerial Conference that is held once every two (2) years and is the main decision-making body in the WTO. The conference consists of all member states and each country has an equal vote.
- Immediately below the Ministerial Conference sits the General Council. The council is responsible for day to day functioning of the WTO and meets as appropriate between Ministerial Conferences; again each member state has an equal vote. The council also oversees the work of the Dispute Settlement Body (DSB) and the Trade Policy Review Mechanism.
- Three (3) councils, for Trade in Goods, Trade in Services, and Trade Related Aspects of Intellectual Property Rights (TRIPs) work under the General Council. Each of these three (3) councils establishes subsidiary bodies for the operation of the various agreements under their remit.
- Five (5) committees, Committee on Trade and

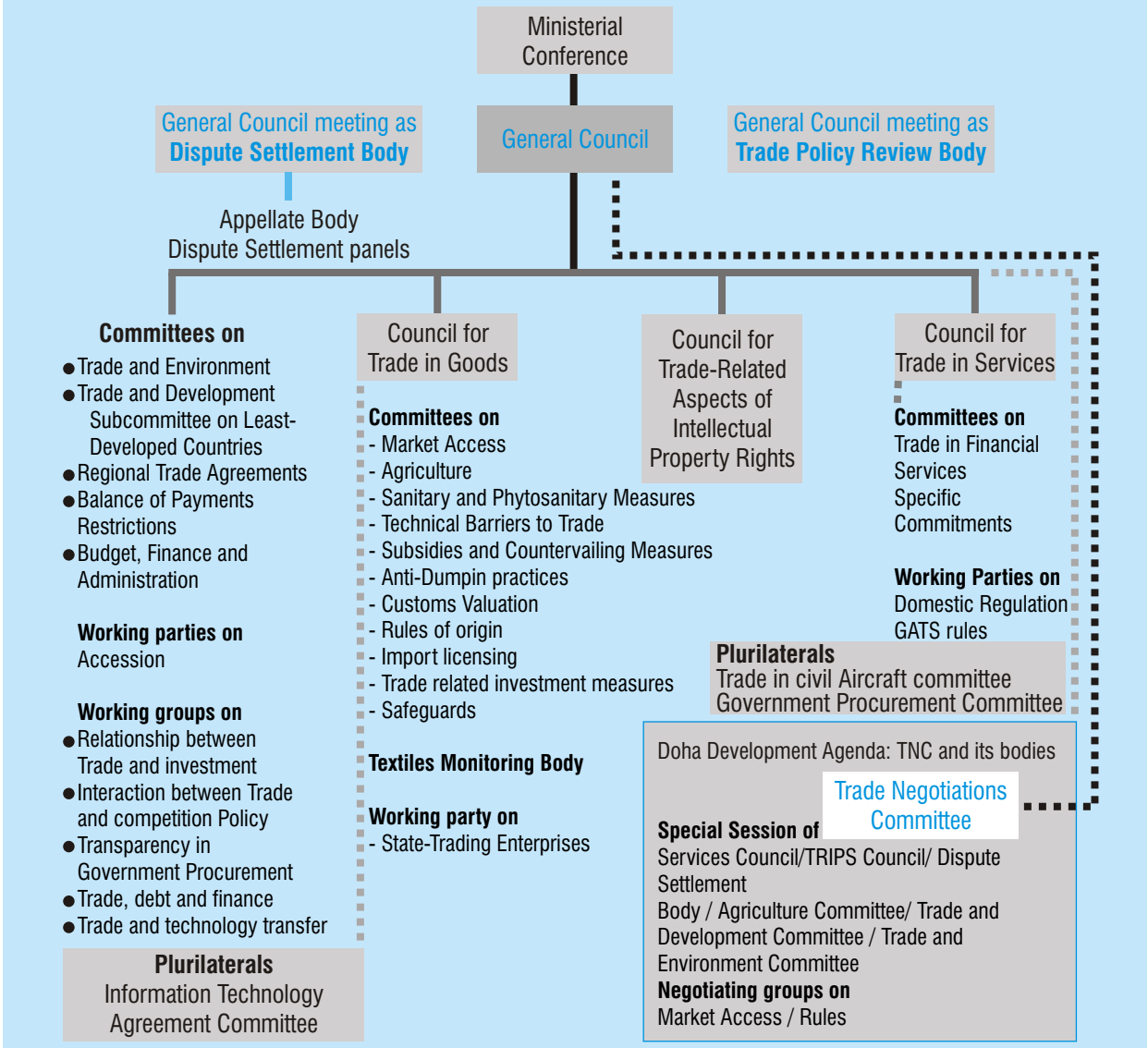
Development, Committee on Trade and Environment, Committee on Regional Trade Arrangements, Committee on Balance of Payment, and Committee on Budget, Finance and Administration are established by the WTO. (Box 4.2: The WTO organisational chart).

BOX 4.1: VOTING PRINCIPLES IN WTO

VOTING	
Principle	One member, one vote
Primary aim	Consensus
No consensus	Majority vote
Interpretation of agreements	3/4 in favour
Amendment to agreements	2/3 in favour
Propose amendments	Countries and Councils

BOX 4.2: THE WTO ORGANISATIONAL CHART

All WTO members may participate in all councils, etc., except Appellate Body, Dispute Settlement Panels, Textile Monitoring Body, and Plurilateral Committees and Councils.



Key

- Reporting to the General Council (or a subsidiary)
 - Reporting to the Dispute Settlement Body
 - Plurilateral committees inform the General Council or Goods Council of their activities, although these agreements are not signed by all the WTO members
 - Trade Negotiations Committee reports to the General Council
- The General Council also meets as the Trade Policy Review Body and the Dispute Settlement Body.

Source: Introduction to the WTO, Trading into the Future; July 2003, Geneva

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5. Where does the Power Lie?

An organisation is only as powerful as its members allow it to be and the WTO is no exception. Theoretically the WTO operates on a “one member one vote” principle. However, over the last eight (8) years of the WTO functioning, it has become evident that some members are more equal than others! In reality the major trading powers will have more influence over the decision-making than the smaller trading nations. The former tend to make the most of “loose nature of” the WTO agreements when it comes to the interpretation of agreements. Moreover, the individual councils overseeing the agreements often play out the balance of the Ministerial Conference in miniature. Moreover, most of the developing countries are forced to adopt the WTO-plus agenda due to the pressure/influence of international financial institutes (ADB, IMF, World Bank etc.). These international financial institutes are in turn being run by the major trading powers (Box 5.1). Thus whatever is

difficult to achieve within the WTO may be achieved through the IMF, or the World Bank.

Grouping and alliance building is the name of the game in the WTO. Various members of the WTO (146 at present) have adapted the strategy to form groups and alliances in the WTO to become powerful. These groups of the countries serve as “pressure groups”. The major trading nations form the groups to get maximum benefit of the WTO regime, whereas, the smaller countries use them to increase their bargaining power while negotiating with large trading partners. Moreover, the un-written rule of the WTO “absence from a council/committee's meeting or not raising objection in such meeting means that absentees/silent members agree with the decision taken”. The small trading countries which are unable to afford a big contingent in Geneva are the victims of this norm. Many African countries have started using a single spokesperson or negotiating team to overcome this problem.

BOX 5.1: WTO: WHERE DOES THE POWER LIE?

- The **WTO** is a membership organisation. Members define its rules and regulations.
- There is no “Board of Directors” in the WTO.
- It works on one country one-vote basis.
- There is no VETO power in the WTO.

The World Bank

The Bank's 5 largest shareholders - France, Germany, Japan, UK & USA - each appoint an executive director. The remaining 175 member countries are represented by 19 executive directors. Bank president is always from the USA.

The 7 richest countries (Canada, France, Germany, Italy, Japan, UK & USA), have 45 per cent of the voting power.

USA by virtue of its shares can veto any policy.

International Monetary Fund

8 executive directors represent individual countries: China, France, Germany, Japan, Russia, Saudi Arabia, UK & USA. The remaining 16 executive directors represent groupings of the other 174 countries.

Chairman is always from the EC

Asian Development Bank

Total 61 members (43 regional, 19 non regional).

Japan and United States have 15.89 % shares, each.

Both of them can block any initiative.

BOX 5.2: HISTORY AND CONTEXT OF THE PROTESTS

Although the WTO is a member based/rule based organisation, the notion that all are gainers and there are no losers in the WTO regime has proven to be overly simplistic. Out of the 146 members of the WTO; some have comparative advantage in the agricultural production; some are good in the industrial production; some are good service providers, and many others have the potential but are not equipped with the necessary infrastructure to make the most of it. Hence the WTO system cannot please all. Some countries have gained more than others; and many (especially the poorest countries) have not gained at all. The situation is further worsened by the fact that major trading partners are unable to fulfill their initial commitments of taking care of the interests of the developing countries.

The flexibilities provided to the developing countries in the WTO system are being taken away due to the loan conditionalities of the IFIs. Moreover, there is a common perception that all important decisions are taken in exclusive club of rich nations. These decisions are then imposed on poor nations in un-democratic and non-transparent procedures such as “Green Room Meetings” in Seattle and “Friends of the Chair” phenomenon of Doha. All of this leads to resentment among civil society and consumer rights activists in the South who arrange demonstrations for pressuring the Northern governments to fulfill their commitments.

The Northern NGOs, on the other hand, are more concerned about the social standards (for example environmental and labour standards) and demand a clearer linkage between the trade and social standards. The protests at the Geneva and the Seattle Ministerial Conferences were widespread and violent. There were some protests at the Doha ministerial Conference but these were fairly subdued due to the post 9/11 environment and also because of the restrictive atmosphere at Doha.

6. Groupings and Alliances within the WTO

The largest and the most comprehensive group is the **European Union (EU)** (for legal reasons known officially as the European Communities (EC) in WTO business) and its fifteen (15) member states. The EU is a customs union with a single external trade policy and tariff. While the member states coordinate their position in Brussels and Geneva, the European Commission alone speaks for the EU at almost all the WTO meetings. The EU is a WTO member in its own right as are each of its member states.

A lesser degree of economic integration has so far been achieved by the WTO members in the **Association of South East Asian Nations (ASEAN)** - Malaysia, Indonesia, Singapore, Philippines, Thailand and Brunei Darussalam. (The current seventh (7th) member, Vietnam, is applying to join the WTO.) Nevertheless, they have many common trade interests and are frequently able to coordinate positions and to speak with a single voice. The role of spokesperson rotates among the ASEAN members and can be shared out according to

topic.

Among other groupings which occasionally present unified statements are the **Latin American Economic System (SELA)** and the **African, Caribbean and Pacific Group (ACP)**. More recent efforts at regional economic integration have not yet reached the point where their constituents frequently have a single spokesperson on the WTO issues. Examples include the **North American Free Trade Agreement - NAFTA** (Canada, US and Mexico) and **MERCOSUR**: the Southern Common Market (Brazil, Argentina, Paraguay and Uruguay).

A well-known alliance of a different kind is the **Cairns Group** (Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, and Uruguay). It was set up just before the Uruguay Round began in 1986 to argue for agricultural trade liberalisation. The group became an important third force in the farm talks and remains in operation. Its members are diverse, but sharing a common objective - that agriculture has to be liberalized -

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BOX 6.1: GROUPINGS AND ALLIANCES WITHIN THE WTO: OBJECTIVES

Grouping and alliances in the WTO is a strategic tool to arrive at a consensus while negotiating modalities and commitments for specific agreements. Groups in the WTO can serve three (3) major objectives.

- A Group of major trading partners builds pressure on other members.
- A group of weaker trading partners enhances their bargaining power.
- Weaker trading partners may join a group of major trading partners to get political/economic benefits.

and the common view that they lack the resources to compete with larger countries in domestic and export subsidies.

An informal alliance of developing countries **Like Minded Group** consists of Cuba, Dominican Republic, Egypt, Honduras, Indonesia, India, Kenya, Malaysia, **Pakistan**, Sri Lanka, Tanzania, Uganda, Zimbabwe and Jamaica. Although they do not have a single spokesperson/negotiating team, yet, they tend to consult each other before taking positions on various issues.

7. Broader Outline of the WTO Agreements

The agreements for the two (2) largest areas of trade -

goods and services - share a common three-part outline, even though the details are sometimes quite different.

- They start with broad principles.
- Then comes extra agreements and annexes dealing with the special requirements of specific sectors or issues.
- Finally, there are the detailed and lengthy schedules (or lists) of commitments made by individual countries allowing specific foreign products or service-providers' access to their markets. For GATT, these take the form of binding commitments on tariffs for goods in general, and combinations of tariff and quotas for some agricultural goods. For GATS the commitments state how much access foreign service providers are allowed for specific sectors, and they include lists of types of services where individual countries say they are not applying the MFN principle of non-discrimination.

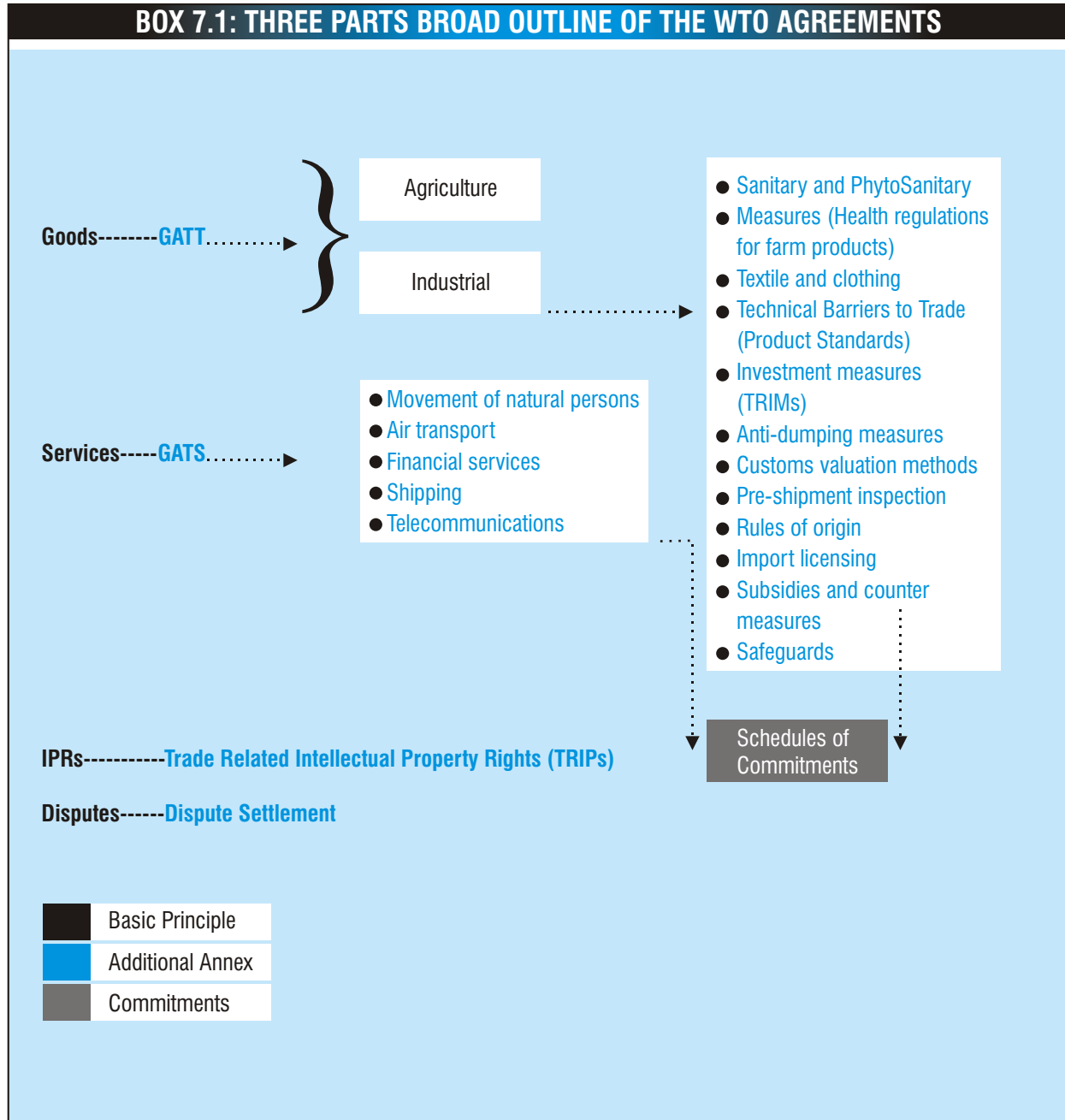
Much of the UR dealt with the basic principles and additional details. At the same time, market access negotiations were possible for industrial goods. The negotiations to secure the market access commitments for non-industrial trade are still on.

BOX 6.2: CAN THE SAARC, LIKE THE ASEAN, TAKE A COMMON POSITION ON THE WTO?

The SAARC comprises of three (3) developing and four (4) least developed countries (LDCs) out of which two (2) (Nepal and Bhutan) are in the accession process to the WTO. This leads to a conflict of interests among SAARC members. LDCs enjoy more flexibility and are keen to have bilateral trade agreements with major trading powers. India is the largest market in SAARC, hence rest of the SAARC members are looking forward to enhanced opportunities of penetrating Indian markets. The situation becomes complicated due to the relationships between India and Pakistan. Hence, practical perspective overrides a common SAARC position in the WTO.

However, India, Pakistan and Sri Lanka are active in the Like minded Group and there are times when they take a common stance. Till the Doha Ministerial Conference, the SAARC trade ministers used to meet and discuss their stances for ministerial meetings. However, this could not happen for the Cancun Ministerial Conference and the attempts to hold a meeting of the SAARC trade ministers did not materialise. The latest effort in this regard was to hold a meeting in Dhaka, which was postponed due to a reported lack of interest from India.

BOX 7.1: THREE PARTS BROAD OUTLINE OF THE WTO AGREEMENTS



8. Important Agreements under the WTO

The WTO comprises various agreements and the members have to abide by all of them. Pakistan, being one of the founder member of the GATT as well as the WTO, has also agreed to abide by these agreements.

8.1 WTO and Tariff Reduction Commitments

The bulkiest result of Uruguay Round is the 22,500 pages listing individual countries' commitments on specific categories of goods and services. These include commitments to cut and "bind" their customs duty rates on imports of goods. In some cases, tariffs are being cut to zero - with zero rates also committed in the 1997 agreement on information technology products. There is also a significant increase in the number of "bound" tariffs (duty rates that are committed in the WTO and are difficult to raise. To do so one has to negotiate with the countries most concerned and that could result in compensation for trading partners' loss of trade.

8.2 Agreement on Agriculture

This is the most controversial arena of world trade. It asks for reduction in tariffs (enhanced market access), as well as reduction in subsidies (both import and export subsidies). It is being implemented over a six (6) year period (ten (10) years for developing countries) that began in 1995. Initially it was promised in the Marrakesh Agreement that any adverse impact of this agreement on developing countries' food security situation would be taken care of. However, developing countries soon realised that the major trading powers while forced them to open up their markets, kept on practicing their protectionist policies by using various measures that allowed continuation of subsidies/direct grants to their farmers. During the Uruguay Round, participants agreed to initiate negotiations for continuing the reform process one year before the end of the implementation period. The negotiations are now underway and apparently in a deadlock situation due to huge differences among member states on subsidies (mainly between EU and USA).

8.3 Textiles

Textiles, like agriculture, are one of the hardest-fought issues in the WTO, as it was in the former GATT system. Multifibre arrangement was taken over by Agreement on Textiles and Clothing on January 1, 1995. The system of import quotas that has dominated the trade since the

early 1960s is being phased out and from January 1, 2005, there would be no quotas left on trade in textile. It can be a challenge as well as an opportunity for the developing countries. After 2005, it would be clearly the "survival of the fittest". Developing countries are scared that developed nations may use the excuse of standards to restrict their exports after January 1, 2005.

8.4 Trade in Services

The agreement covers all internationally traded services. This includes all the different ways of providing an international service. GATS defines the four (4) modes of trade in services:

- i. Services supplied from one country to another (e.g. international telephone calls), officially known as "cross-border supply"
- ii. Consumers or firms making use of a service in another country (e.g. tourism), officially known as "consumption abroad"
- iii. A foreign company setting up subsidiaries or branches to provide services in another country (e.g. foreign banks setting up operations in a country), officially "commercial presence"
- iv. Individuals travelling from their own country to supply services in another (e.g. labour or consultants), officially "presence of natural persons."

The fourth mode "movement of labour" is of special interest to developing countries but major economies are not taking up this sector for negotiations on priority basis.

8.5 Intellectual property (IP): Protection and Enforcement

The Uruguay Round brought intellectual property rights - copyrights, trademarks, patents, etc - into the GATT-WTO system for the first time. The new agreement tackles five (5) broad issues: how the trading system's principles should be applied to intellectual property rights (IPR); how best to protect intellectual property rights; how to enforce the protection; how to settle disputes; and what should happen while the system is gradually being introduced. The agreement provides for the protection of the rights of the IPR-holders, whereas there is hardly any provision specifically for the rights of the users of IP. Developing countries perceive TRIPs problematic when it comes to IP protection of Pharmaceutical as TRIPs

BOX 8.1: REDUCTION IN THE AGRICULTURAL SUBSIDIES AND PROTECTION AGREED IN THE URUGUAY ROUND

LDCs do not have to make commitments to reduce tariffs or subsidies.	·	Developed countries	·	Developing countries
	·	6 years:	·	10 years:
	·	1995-2000	·	1995-2004

Tariffs

Base level was the bound rate before January 1, 1995; or, for unbound tariffs, the actual rate charged in September 1986.

average cut for all agricultural products	·	36%	·	24%
minimum cut per product	·	15%	·	10%

Domestic support

(base period: 1986-88)

total AMS cuts for sector	·	20%	·	13%
---------------------------	---	-----	---	-----

Exports

(base period: 1986-90)

value of subsidies	·	36%	·	24%
subsidised quantities	·	21%	·	-

Under Agreement on Agriculture, Domestic subsidies were classified as having, no, or minimal distorting affect on trade (termed as **Green Box** and **Blue Box measures**) and trade distorting subsidies (**Amber box measures**). Green box measures are exempt from the reduction commitments and can be increased without any financial limitation. These include domestic food aid programmes, public stockholding programmes for food security, agricultural research programmes, training programmes, and pest and disease control programmes, etc.

Aggregate Measurement of Support (AMS) come under Amber box measures and are subject to reduction commitment.

UR also resulted in a separate **Agreement on Sanitary and PhytoSanitary (SPS)**, and a ministerial decision on least developed and net food importing developing countries (LDCs & NFIDCs). Both are outlined below.

The SPS Agreement spells out procedures and criteria for assessing health risks and determining appropriate levels of protection. Use of international standards, guidelines and recommendations are encouraged where they exist. However, members may set their own standards (higher than the international standards) if there is scientific justification.

In Marakesh Decision, ministers acknowledged that the reform program may hurt the LDCs and NFIDCs. To take care of it, they agreed to:

1. Provide enough food aid to meet the legitimate needs of developing countries during the reform process.
2. Adopt guidelines to ensure that "an increasing proportion of basic foodstuffs is provided to LDCs & NFIDCs" as outright grants or on appropriate time.
3. Give full consideration for technical and financial assistance to LDCs to improve their agricultural Productivity and infrastructure.

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ignores the socio-economic background and difference in the purchasing powers among various economies. Article 27-3(b) of the TRIPs obliges the WTO member countries to provide some form of IP protection on plants, animals, and biological processes and new varieties of plants. This again is a grey area for developing countries which can see their food security under threat with the patenting of agricultural inputs.

8.6 Anti-dumping, Subsidies, Safeguards: Contingencies, etc

Binding tariffs, and applying them equally to all trading partners (MFN) are key to the smooth flow of trade in goods. The WTO agreements uphold the principles, but they also allow the principles to be broken - in some circumstances. Three (3) issues are important:

- action taken against dumping (selling unfairly at a low price)
- subsidies and special “countervailing” duties to offset the subsidies
- emergency trade restrictions designed to “Safeguard” domestic industries.

However, there are a lot of deficiencies and imbalances in this agreement and developing countries often complain that “anti-dumping, subsidies and safeguard measures

are not only used as market distorting measures but also as a form of protectionism by major trading nations.

8.7 Non-tariff Barriers: Technicalities, Red Tape, etc.

Finally, a number of agreements deal with various technical, bureaucratic or legal issues that could involve hindrances to trade.

- technical regulations and standards
- import licensing
- rules for the valuation of goods at customs
- pre-shipment inspection: further checks on imports
- rules of origin: made in where?
- investment measures

Although these agreements tend to remove non-tariff barriers from international trade, yet, developing countries and smaller economies (due to lack of resources, capacity, and technical know how) find themselves in a situation where it is difficult for them to comply with the provisions of these agreements. They are not in a position to harmonise their standards with the international standards that are set by the developed nations. Similarly they find it difficult to allow the unconditional, un-restricted, and un-regulated investment in their countries.

BOX 8.2: THE WTO AND DEVELOPING COUNTRIES

Apparently the WTO seems biased against Developing Countries. If it is so, why should Developing Countries such as Pakistan be members of the WTO?

- Member based, rule based organization.
- Without WTO we would have to enter into bilateral agreements with all of our trading partners. A task which is next to impossible.
- There are possible gains through theoretical principle of non-discrimination. All members enjoy equal treatment
- The WTO system is more predictable and more transparent. Trading activities cannot take place in uncertain conditions.

Developing Countries' Role in the WTO

- They make up 3/4th of the WTO membership and have more votes than the developed nations.
- They can take the larger nations to dispute settlement panel.

9. The WTO Ministerial Conferences

The Ministerial Conference is the organisation's highest-level decision-making body. It meets "at least once every two years", as required by the Marrakesh Agreement Establishing the World Trade Organization's founding charter, trade, foreign, finance and agriculture ministers from more than 120 WTO member governments and from those in the process of acceding to the WTO participated in a **Ministerial Conference in Singapore** from December 9 13, 1996. The Conference was the first since the inception of the WTO on January 1, 1995. It included plenary meetings and various multilateral, plurilateral and bilateral business sessions. These examined issues related to the work of the WTO's first two (2) years of activity and the implementation of the Uruguay Round Agreements. This conference mandated the establishment of working groups to analyse issues related to **investment, competition policy, and transparency in government procurement**. It also directed the Council for Trade in Goods to "undertake exploratory and analytical work on the **simplification of trade procedures** in order to assess the scope for WTO rules in this area." Most developing countries were unconvinced of the necessity or value of negotiating multilateral rules on these issues (commonly known as **Singapore Issues**), which they see as being of primary interest to the developed economies.

The **Second WTO Ministerial Conference** was held in **Geneva**, Switzerland on May 18 20, 1998. The ministers reviewed the issues related to WTO's activity and the implementation of the UR Agreements.

The **Third WTO Ministerial Conference** was held in **Seattle**, Washington State, US on November 30 December 3, 1999. This conference was suspended without any declaration partly due to the:

- lack of intra-North agreement on various issues such as agricultural subsidies;
- protest of the Southern delegates over the lack of Northern implementation of the UR agreements and exclusionary ministerial negotiations proceedings (Green Rooms);
- and partly due to the protests organised by northern environmental and labour rights groups

The **Fourth WTO Ministerial Conference** was held in **Doha**, Qatar from November 9 - 14, 2001. It provided the mandate for negotiations on a range of subjects and other work, including issues concerning the implementation of the present agreements. The declaration sets January 1, 2005 as the date for completing all but two (2) of the negotiations (Box 9.2). Negotiations on the Dispute Settlement Understanding were to end in May 2003. On July 24, 2003, acknowledging the fact that the DSB special session needed more time to conclude its work, the General Council agreed to extend the special session's timeframe by one year, to May 2004; those on a multilateral register of geographical indications for wines and spirits, by the next Ministerial Conference in 2003.

The agenda of the ministerial conference is always based on stock-taking of the decisions taken in the preceding conference and the activities between the two (2) ministerial conferences. Doha Work Programme is heavily overloaded especially for the developing countries. Almost all the major items of the UR (agriculture, services, subsidies, antidumping, regional trading arrangements, dispute settlement, industrial tariffs and some aspects of TRIPs) form part of the negotiation in the work program. Environment has also been included in the subjects of negotiation. Besides intense work on "Singapore issues" as well as on the area of electronic commerce is also a part of Doha round. The short time span of three (3) years set for this work makes the task particularly difficult for the developing countries.

BOX 9.1: HISTORY OF THE WTO MINISTERIAL CONFERENCES

1st Ministerial conference	Singapore	1996
2nd Ministerial conference	Geneva	1998
3rd Ministerial conference	Seattle	1999
4th Ministerial conference	Doha	2001
5th Ministerial conference	Cancun	2003

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BOX 9.2: THE SUBJECT LISTED IN THE DOHA DECLARATION AND KEY DATES

Implementation	Negotiations on outstanding implementation issues shall be an integral part of the Work Programme.	
Agriculture	Deadline: January 1, 2005, part of single undertaking	
Services	Deadline: January 1, 2005, part of single undertaking	
Market Access (Non-Agriculture)	Deadline: January 1, 2005, part of single undertaking	
Anti-Dumping	Deadline: January 1, 2005, part of single undertaking	
Subsidies	Deadline: January 1, 2005, part of single undertaking	
Regional Agreements	Deadline: January 1, 2005, part of single undertaking	
Environment	Deadline: January 1, 2005, part of single undertaking	
Investment	} Negotiations: after 5th Ministerial Conference, 2003 (in Mexico) "on the basis of a decision to be taken, by explicit consensus, at that session on modalities of negotiations" with deadline: by January 1, 2005, part of single undertaking	
Competition		
Transparency in government procurement		
Trade Facilitation		
Dispute Settlement	Initial Deadline of May 2003 was extended to May 2004, Separate from Single Undertaking.	
Intellectual Property	Deadline: negotiation specifically mandated in Doha Declaration by January 1, 2005 , LDCs to apply pharmaceutical patent provision 2016.	
E-Commerce	Report on further Progress:	5th Ministerial Conference 2003
Small Economies	General Council's Recommendation:	5th Ministerial Conference 2003
Trade, Debt And Finance	General Council's Report:	5th Ministerial Conference 2003
Trade And Technology Transfer	General Council's Report:	5th Ministerial Conference 2003
Technical Cooperation	Director General's report:	5th Ministerial Conference 2003
Least-Developed Countries	Report to General Council:	early 2002
Special & Differential Treatment	Recommendations to General Council:	early 2002
<p>Single undertaking: Virtually every item of the negotiation is part of a whole and indivisible package and cannot be agreed separately. "Nothing is agreed until everything is agreed".</p>		

BOX 9.3: WHAT DOES IT ENTAIL FOR PAKISTAN AFTER JANUARY 1, 2005

There is lot of misunderstanding about what the WTO would start implementing from January 1, 2005:

The WTO agreements that were the part of the UR subjects (Tariffs, Non-tariff Barriers, Natural Resource Products, Textiles and Clothing, Agriculture, Topical Products, GATT Articles, Tokyo Round codes, Anti-dumping, Subsidies, Intellectual Property, Investment Measures, Dispute Settlement, the GATT System, and Services) were signed in April 1994 in Marrakesh and all member states, including Pakistan, have to abide by all of them. Thus life cannot be any worse as far as the existing WTO agreements are concerned.

The negotiations on the implementation of these agreements are to be finalised by January 1, 2005:

For Pakistan, this is also the deadline for fulfilling the reduction commitments under Agreement on Agriculture (AOA). For Pakistan, this is also the deadline for fulfilling the reduction commitments under the Agreement on Agriculture (AOA). However, Pakistan has already gone beyond its commitment and is not providing the agricultural subsidies, not because of the AOA, but due to its financial constraints and bilateral agreements with the various IFIs.

From January 1, 2005, the “textile quota regime” would be over:

This provides Pakistan with great opportunities as well as challenges. Pakistan may gain from the abolishment of quotas by showing competence in this sector.

An area of concern for Pakistan is the “inclusion of Singapore Issues” in the trade negotiations:

These negotiations, if started, would finish by January 1, 2005. However, it would only happen “on the basis of a decision to be taken, by explicit consensus in the Cancun Ministerial Conference 2003 on modalities of negotiations.” Pakistan, along with the other developing countries, is resisting inclusion of these issues in the WTO work programme. The chances of arriving at an explicit consensus are very bleak. Hence from a realistic perspective, it is least likely that any negotiations on the Singapore Issues would start after the Cancun Ministerial Conference 2003.

Another area of concern for Pakistan is “Trade and Environment”:

Members are examining the existing multilateral environmental agreements (MEAs). They are identifying the specific trade obligations in those MEAs, and identifying the relevant WTO rules. The negotiations are to be complete by January 1, 2005 as part of the single undertaking. The negotiations shall not prejudice WTO rights of any member that is not a party to the MEAs in question (for example USA has not ratified the Kyoto Protocol). Pakistan is a party to most of the MEAs. Pakistan, along with the other developing countries, feels that the outcome of such negotiations (a linkage between the MEAs and the WTO rules) may result in non-tariff trade barriers for export from the developing countries. That is why Pakistan is opposing any such linkage.

10. Pakistan's Negotiating Strategy for the Cancun Ministerial Conference, September 2003

The following issues merit special attention while Pakistan formulates its negotiation strategy for Cancun.

10.1 Agriculture

After the Doha Round, agriculture continues to remain one of the most contentious issues. The end of March 2003 deadline for establishing modalities in agricultural negotiations has not been achieved owing mainly due to differences among industrial countries on the nature and magnitude of farm subsidy reduction. While the US has introduced highly protectionist "farm bill", EU has decided to retain most of its existing farm subsidies for another decade. Most of the subsidies and support in North is being provided under measures exempt from reduction commitments (the so called "green box and blue box"). Given the above context of high trade distortions being practiced by developed countries, Pakistan should seek to renegotiate the categories of boxes and the way the domestic deductions are estimated, since many of the exempted categories could be equally price distorting. Further, given the context of high trade distortion being practiced by developed countries, a reduction in import tariff and their bindings by Pakistan should be considered only after a substantial reduction in trade distorting domestic and export subsidies by the industrial countries has been achieved. Pakistan should also ask for removal of all kind of export subsidies provided by developed countries. In the recent Common Agricultural Policy reforms, EU has committed that there is need to reduce subsidies provided under Blue Box, this proves that subsidies provided under Blue Box are not justifiable and were as trade distorting as the subsidies provided under Amber Box. Pakistan needs to re-emphasise the idea that it floated in the Doha Ministerial Conference, i.e., inclusion of Development Box (no support reduction commitment for food security products of developing countries).

10.2 TRIPs

The Council for TRIPs is currently deliberating on a number of contentious issues. Pakistan should reiterate its earlier position on the compulsory licensing and parallel imports which should be permitted for all developing countries, covering all infectious disease in

case of national emergencies. Further, it should be developing countries' prerogative to determine what constitutes a national emergency.

The council for TRIPs is also reviewing other contentious issues contained under Article 27.3(b) and Article 71.1 pursuant to Para 12 of Doha Declaration "to examine inter alia, the relationship between the TRIPs Agreement and the Convention on Biological Diversity, the protection of traditional knowledge and folklore." Pakistan need to assert that in undertaking this work, the Council is guided by the objective and principle set out in Articles 7 & 8 of the TRIPs Agreement that takes fully into account the development dimension.

10.3 Singapore Issues

The Doha Declaration mentions about a number of new issues that are likely to be brought under the negotiating table in Cancun under "explicit consensus". In this context Pakistan should reiterate its earlier position that these issues should be taken up once substantial progress has been achieved in implementation issues. Pakistan should say no to any discussion on New Issues including Singapore issues, given the burden of the existing agenda on the scarce resources and capacity of the South Asian countries, and emphasize that the implications of these issues on the livelihoods of the poor in developing countries needs to be better understood.

10.4 GATS and Movement of Natural Persons

Pakistan should also ask for credit for "Autonomous liberalisation" whether carried out under conditions from IFIs or due to GATS. Pakistan should also demand for a full and effective implementation of S&DT-related Article IV of the GATS, in order to strengthen domestic capacity in the services sectors and enable developing countries to participate in trade in services in the different modes of supply and sectors of special interest to them.

10.5 Trade and Environment

The European Union, pushed by Japan, Norway and Switzerland, is the major advocate of the inclusion of environmental issues in the WTO regime. In the Doha Ministerial Conference, the members agreed to analyse the individual MEAs, and to identify a relationship between the MEAs and various trade rules. The negotiations are also going on to agree on a criterion of

granting observer status to various MEAs in the WTO. The developing countries are resisting linkages of trade and environment since the Doha Ministerial Conference and Pakistan may continue to do so in the Cancun Ministerial Conference of September 2003.

11. Role of the Parliamentarians in the WTO Negotiations

Two schools of thought prevail in Pakistan about the impacts of WTO agreements on the country. One group feels that these agreements are a panacea for every ill we are suffering from. They believe that there is a strong positive effect of trade liberalisation on the provisions of enabling conditions for poverty reduction through enhanced employment opportunities. The second group, on the other hand, declares that the WTO is a curse and everything going wrong in Pakistan is the result of WTO agreements. They feel that WTO is a rich men's club, meant to exploit the interests of developing world.

Most of the positions taken on WTO issues in Pakistan lack an empirical research and are based on assumptions. While, one should be proud of the fact that our permanent mission in the WTO Geneva is well-articulated and competent, the point of dissatisfaction is that our positions on various agreements are never debated in the parliament. This results not only in non-participatory and non-transparent mechanism of policy making but also manifests itself in a lack of a unified and well-thought out policy and perspective. For instance, during the Doha ministerial conference, Pakistan emerged as the champion of development box demanding for provisions for developing countries to keep on supporting the producers of national food security crops in the form of subsidies and high tariffs, but later in November 2001, it totally reversed its positions by signing an "agricultural structural reforms" loan agreement with Asian Development Bank. A clear policy perspective emerging through parliamentary consultations beforehand is necessary before the country commits itself to any position at the international level.

Parliamentarians, as elected representatives of the people, enjoy the sole privilege of a country's policy making, and play a special role vis-à-vis governments and civil society and hence can help to bridge the gaps, lead to a better understanding of the WTO issues and

procedures and eventually rally the public behind crucial issues discussed in the WTO. In the international arena, efforts have been going on to establish a parliamentary dimension of the WTO as a means of enhancing the transparency and democratic accountability of the WTO. Organisations such as the Inter-parliamentary Union IPU and the European Parliament have been instrumental in bringing a parliamentary dimension to multilateral cooperation issues by holding parliamentary conferences on the WTO. The first such conference of parliamentarians was held in Geneva, Switzerland on February 17-18, 2003. A parliamentary conference is also being held on the sidelines of the upcoming Cancun Ministerial Conference on September 9-12, 2003. Cancun Session of the Parliamentary Conference on the WTO is a joint undertaking of the Inter-parliamentary Union and the European Parliament with the support of the Mexican Parliament, seeking to make the voices of parliamentarians, the legitimate representatives of the people, heard loud and clear by government negotiators who will gather in Cancun for a mid-term review of the Doha Round of multilateral trade negotiations, including the development of Doha development Agenda.

It is felt worldwide that faced with the issues of the growing interconnection of economies worldwide and the need for the trading system to be equitable and rule-based, the forward movement depends on greater political involvement, public pressure, changes in the rules and a substantial reduction in the areas of confrontation. Parliamentarians, as a voice of the people, can be instrumental in this regard.

In view of the upcoming Cancun conference, it is imperative that the stance Pakistan takes in the ministerial conference must be developed inside the Parliament with active debate by the house on the available options and perspectives. Equally important is that the delegation representing Pakistan at the Cancun should organise a de-briefing session for the members of the Parliament after the Cancun Conference.



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