Recommendations for Pakistan’s Position Regarding Future WTO Ministerials

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Policy Paper Series # 28
2000
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Introduction

Dr. Shahrukh Rafi Khan opened the session with a background on trade and environment issues within the context of global trade. While disagreement amongst the developed nations led to the stalemate in Seattle, an alliance in the North is bad for the South as social and labor issues will be pushed with unified force. The unfortunate aspect for the NGOs in the South is that we were at odds with the environmental groups of the North, who were pushing for the inclusion of environmental and labor linkages in the agreements. At the market end, the private sector pushes the linkages as a result of pressure from more environmentally aware shareholders and consumers. While a more aware South is resisting the inclusion of labor and environmental clauses within the talks, the reality is that they are here to stay and Pakistan needs to be proactive about dealing with them. Pressure to increase export earnings also confronts Pakistan as foreign exchange reserves are very low. Meeting standards opens up the possibility of retaining existing markets and breaking into new ones, specifically niche markets.

Standards for management systems (ISO 14,000) need to be incorporated and made consistent with our own national environmental quality standards. Apart from winning new markets and niche markets, there are several other advantages to adopting such a strategy. First, environmental costs are disproportionately born by the poor and vulnerable. Second, if would reduce production costs as firms engage in resource conservation and recycling.

Research in Pakistan shows that the costs of mitigation are not as high as commonly believed. While certification is being subsidized by the government (900 in total are participating in this initiative), capable Government Organizations should certify to ISO 14000 and 9000. Firms need to be made aware that certifying for ISO 14,000 is a natural progression from ISO 9,000. Also, registrars in Pakistan need to be instituted to monitor and establish the credibility of the auditing process and ISO culture in Pakistan. Long-term subsidies need to be eliminated in the long run even though they may be useful in the short run. Small and medium sized industries need to be included by the state in the efforts to establish standards.

Minister Omer Asgher Khan then made his introductory remarks. He indicated that the Ministry of Environment has been working with other economic ministries in increasing awareness (including the Ministry of Commerce and the Ministry of Finance). Private sector manufacturers are also being addressed. The employers federation feels a need to improve labor standards, as bi lateral talks between unions and employers have begun. While the Chambers of Commerce are trade dominated, not well represented by the manufacturers, the Ministry of Environment is trying to facilitate the process of sensitizing them to trade and environment issues and concerns. Foreign investors are starting to show interest once again in Pakistan and resource intensive efforts need to be made towards orienting the trade regime towards environmental concerns and market demands (eco labeling, its transparency, what is the role of developing countries). Some questions that the Ministry of Environment is asking in developing its strategy are ‘how do we raise consumer awareness?’ and ‘how do we include civil society and other

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1 Shaheen, F.H, 2000, ‘Pakistan’s trade and environment interests within the WTO negotiations’, SDPI, Islamabad, Pakistan
stakeholders in this process of establishing standards?’. Pakistan needs to move away from knee jerk reactions and be more proactive towards popular issues. Most importantly, the poor are the victims of environmental degradation and we need to increase attention to the issues of land degradation and water pollution. As residents and fishermen have lost livelihoods due to pollution, there is a national interest in improving the environment.

The problem partially lies with the state and its institutions. Enforcing laws in terms of the NEQS is a difficult as the EPAs are undermanned and there are only two tribunals per year. We need to bring aboard the private sector in a co-operative manner, as punitive measures are not enough. The concept of self-reporting by the private sector may be feasible in some scenarios. Lack of transparency, preparedness and capacities are also part of the problem. While we have firms that are certified to ISO 14,000, we need to further this process. We need to publicize what is being achieved and communicate to other industry players that the systems actually work and provide positive returns. We need to find ways to target SME’s in particular, as they are not part of major forums. Information dissemination is also critical, especially to the informal part of the economy.

**Recommendations**

**Agriculture and SME’s**

- There are a number of reservations regarding the plant breeder’s rights act. Firstly, the Act should be renamed the farmers and breeder’s rights act and re drafted to emphasize the benefits and rights of farmers, as the current draft only assigns rights to breeders. Secondly, the Act is vague on the issue of genetically modified organisms (GMOs). Current labeling only requires an environmental impact assessment (EIA) certificate from the owner, rather than from an independent authority. As GMOs cause adverse effects on food stocks and markets as a whole, the monitoring of GMOs and MNCs must be taken seriously. To this end, Pakistan needs a comprehensive Act to save and protect indigenous farmers. To date, there have been a round of meetings with the respective ministries and there has been some strengthening of the rights of farmers with respect to harvested materials. The Government should also repel the aggressive marketing of MNCs that establishes their foothold in the state.

- Pakistan needs to market the environmentally friendliness of its indigenous farmers and SMEs. While some work is being done among farmers, more needs to be done with small and medium sized firms. While it is difficult for them to be engines for growth, there is some strength in collective behavior if an industry’s firms create clusters and engaged in collective problem solving. This may address the issue of leveraging the collective weight of medium sized firms with the relatively larger MNCs.

**ISO and Standardization**

- Pakistan suffers from a lack of awareness of ISO certification. The largest firms need to be made aware of such standards, in the self-interest of export development as well as government policy. There needs to be more inter agency cooperation and sensitization of the Ministry of Industries, Ministry of Commerce and other trade related government bodies.

- There needs to be a sector-by-sector approach to standards and export development. We need to give real incentives to industries to obtain certification to the standards of ISO 9000 and 14000. Understandably, meeting international standards is neither easy nor cheap, so prior to implementation, industry needs to be educated into thinking globally, competitively how certification to ISO 14,000 would assist in increasing foreign market access. If we initiate a few key projects with interested firms and market success to industry leaders, the identification of drivers will be made easier. In order to monitor
the benefits to the organizations that are certified, international links with their counterparts need to be gauged and the effects measured. Furthermore, we need to establish mechanisms to filter information from international level and translate it to the local level.

- Pakistan should have an **overseeing body of credible registrars** that will assure quality auditing among firms. The cost of not having standards builds a case for strengthening the Pakistan Standards Association to establish the standards culture. Pakistan should be able to interpret standards at the national level to the benefit of our own quality needs rather than be forced to follow the levels set by other nations with interests different from ours.

**WTO and International Agreements**

- It is critical that the **WTO give the South more leverage** and compel the North to implement and follow up on agreements from the Uruguay Round. While Pakistan, along with other developing nations, has reduced tariffs from 75 percent to 35 percent, there has been little response from the North. The Agreement on Agriculture pushed the South to reduce subsidies to almost 0 levels while in the North, they have been maintained at levels up to 200%. These rules don’t allow poor countries that didn’t have subsidies, to adopt them. This is not free or fair trade. The IMF is the implementation arm of the WTO and while there is pressure on the South to meet demands of agreements, there is no implementation-oriented watchdog overseeing the commitments from the North (agriculture, textiles, etc.) We need to understand that while in theory, the WTO could be a good organization, it is ruled and serves the needs of the power players in the North.

- An important issue to observe with respect to the WTO is the **dispute settlement mechanism (with respect to trade and environment)**. On the one hand, we have no case laws and need a legal system for it. On the other hand, case law may not necessarily be taken seriously as we have a small sample size of cases and the decisions are not straightforward and are often vague. Furthermore, the playing field is not level as the mechanism is sanctions based. Let us say a decision goes in favor of the LDCs, there is little sanction leverage that they can impose on a Northern country. With allies on key issues, developing nations can form joint positions with more leverage within the WTO. Forming a coalition with China on such issues should also be examined and we should be proactive towards their agenda.

- Trade and environment developments at the global level affect our interests. Pakistan must step forward and **proactively participate in the drafting of international laws, standards and the work of the CTE**. The cost of complying with these standards is not so high as touted and while we resist the inclusion of environmental linkages within the WTO agreements, we must use the time to clean our industries.

- Through commitments to Multi lateral Environmental Agreements, the position of government needs to be prepared through **common agreement between concerned ministries**. Also it is critical that ministries coordinate policies and taxes so that we give a similar message to industry. This will hopefully reduce duplication as Acts would be drafted with interagency cooperation in mind.

**Governmental Approaches**

- **Interagency approach is needed in linking with the private sectors.** Practically, this can be structured as follows:
  - Built in provisions in the WTO (Agriculture, Sanitary and Phytosanitary measures and TRIPs) agreements for aid need to be explored by the government and applied for. Provisions within the agreements for Special and Differential Treatment (SDT) in the form of concessions from developed nations also exist and
there are a number of specific positions that can be taken. For instance, Pakistan does not have the infrastructure to conduct environmental risk assessments prior to signing agreements. An appeal for aid and resources in these areas would enable us to build capacity in such areas while benefiting other overlapping objectives in our sustainable development policies.

- It is also possible for us to obtain support in the form of legal services of WHO, FAO and financial assistance stemming from the Rio agreements and at least trade concessions from these commitments.
- In an effort to counter western agricultural subsidies, the government should seek investment from developed nations to establish a social safety net for the farmers.
- Technology transfer must be included specifically in the agreements for investment from the countries to ensure cleaner production as most degradation results from industrial development.

- We need to give industries the incentives to invest in cleaner production methods (especially textiles), so that profits are not simply horded without improving business capacity or capability. It has been shown that the behavior of industrialists is determined by export growth rather than by concern for local regulations. Any incentives and instruments need to be examined in a sector-by-sector approach as capital costs tend to be quite high in some segments.

- The issue of dissemination of technological knowledge needs to be addressed and facilitated by the government through working with industry. A ‘Best Available Practices’ model should be adopted policy wide and implemented industry wide to encourage cost effective, cleaner production. The Ministry of Environment should provide industry with the information on environmentally friendly technologies that are easy to fabricate so that importing costs may be reduced. Industry requires names of vendors, and detailed information on what is required regarding compliance. It was agreed that a database on environmental compliance information will be housed with the EPA.

- What we do for environment should be on the domestic agenda, for Pakistan’s own benefit. A cell needs to be created/synthesized to monitor trade and environment impacts from a local perspective and then have the information disseminated to other public and private bodies on a broader scale.

- Pakistan should explore a cascading tariff structure that will favor environmentally friendly imports and essentially dissuade the import of obsolete and hazardous products and technology, particularly machinery. Eco labeling programs don’t necessarily mean that they should be run on a one party system, where costs are amounted to one body. Companies, public sector and the NGOs can assist in the process and reduce monitoring costs through integrating such processes with regular activities.

- Some success has been experienced with clean production program (applied to the leather, textiles, sugar and agricultural sectors). There is an emphasis on less costly, industry proven abilities to be energy and material conserving and efficient in their production processes. Once they provide their real costs of implementing clean technologies, they are provided with assistance to cut implementation costs and continue clean production. It is also clear that management systems are easily implemented and adoptable as they allow some degree of flexibility to Southern industries.

- Protectionist barriers from the developed nations are affecting textiles, leather, footwear, fish and fish products through tariff peaks. Eco labels also hinders export opportunities. In order to establish a local body and system of labeling, the Government might introduce a program that would not only introduce labeling but also create awareness both at the public and private sector levels.