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**Pakistan's Trade and Related
Interests at the Doha Round of WTO
Negotiations An agenda for the
masses: Sensitizing the WTO to a
'pro poor agenda'**

Faisal Haq Shaheen

29 November 2001



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Pakistan's Trade and related interests at the Doha Round of WTO Negotiations

An agenda for the masses: Sensitizing the WTO to a 'Pro Poor Agenda'

Faisal Haq Shaheen

Introduction

Unfortunately for developing countries, South Asia and Pakistan in particular, little has changed in the G-8's political agenda since the turbulent Seattle round of negotiations. Furthermore, many of the issues that developing countries and Pakistan were grappling with during the chaos of the third ministerial will be revisited, still unresolved, in the meetings leading up to the Doha Round of talks.

Developing nations key concerns fall into two broad categories, namely **implementation** issues (market access, special and differential treatment, technical assistance) and **institutional** issues (increasing the transparency of the operation of the WTO by eliminating of green rooming and leveling the playing field in part by reducing the influence of more economically powerful TNCs – Transnational Corporations).

The build up to the Doha conference has seen a dry and 'unimpressive agenda' forwarded by the G8 which, in the opinion of many developing nations, fails to rectify or address many of the imbalances that were raised during the Seattle round of negotiations. Furthermore, the G8 have been accused of spreading overly optimistic feedback from these 'confidence building' scenarios to member countries and global media, creating an illusion of the WTO being back on track.

As developing countries struggle with resisting G8 pressure to agree to another round, increased attention is being shone on US trade policy, which is increasingly being targeted as having an overly TNC oriented agenda that will undermine the economic sovereignty of developing countries. US foreign policy, driven by heavily funded lobbying from US trade associations is being linked to the tilting of agreements in favor of TNCs and against weaker developing economic sectors. This has translated into a stalling of developed country movement on conceding ground and implementing obligations to developing countries on existing agreements within the implementation issues.

As Southern resistance to a new round of negotiations continues, it is becoming increasingly likely that a shut down similar to Seattle will occur. The Quad's (US, Canada, EU and Japan) current concern is with pressuring leading developing countries to accept a new round. In light of the events surrounding 'Black Tuesday' and the subsequent negotiations that have led to a weakly bound coalition including Pakistan; the nation may find its position of playing a leading role in the like minded group somewhat compromised. In addition to this, of most concern is the lack of solidarity between developing countries in resisting a new round as bilateral negotiations initiated by developed nations have intensified.

While an earlier brief covered the majority of economic issues that surfaced in the Seattle round of negotiations, we will now attempt to narrow our focus to covering the issues in this round from a **poverty alleviation** perspective. What issues are of most concern to alleviating the state of Pakistan's impoverished, in particular the poor farmer and small and medium sized entrepreneur? In the global marketplace, strong firms within Pakistan's mature sectors will have to compete on their own with minimal support. The government could therefore be more effective in focusing their

attention on those sectors that are most intensely linked with the impoverished sectors of the economy such as textiles and agriculture. With the same scrutiny as is now occurring with other Multi Lateral Institutions, it would also be noteworthy for the development community to examine the 'pro poor policies' of the WTO agreements and the direct and indirect impacts each of the agreements have on the state of the world's poor.

Clearly, more protection for the subsistence farmer and the small and medium enterprise is necessary. Agreements that spill over from those areas will need to be accompanied by technical assistance for harnessing those sectors and furthermore, building their export capacity through increased market access. Also, the need to enable and empower the poor to innovate with protection for traditional knowledge. To a degree, such informal examination has led many in the development sector to believe that agriculture is best left out of the WTO.

No to a New Round, Implement and Re Institutionalize Instead

Although developing countries seem to be holding their ground for the time being, bilateral negotiations with Quad members are intensifying pressure on developing states to concede to a new round and a new agenda. For example, while many ASEAN, African and Latin American countries do not want a launch of a new round, many rely on aid and trade preferences from developed nations for economic survival. Inter agency pressure within these governments is unrelentingly cascaded down onto trade negotiators. It is also disappointing to see developing countries, that once showed solidarity in resisting the Northern agenda, are now being used to start a new round. Proponents of a new round have been using Egypt in the North, and South Africa in the South, to work on their African colleagues. Kenya in the East and Gabon in the West have also been targeted to change their positions and become Southern advocates for a new round of negotiations.

All the while, the issues of most interest to developing nations, Tariff escalation and market access, continue to be restricted by developed country market controls. In addition to this, downward pressure is being exerted on primary commodity prices and key exports of most interest to developing countries are being minimized through tariff peaking, escalation and acceleration). Meanwhile, the corporate interests of the developed countries have expanded and their state actors continue to push for new issues to be incorporated into the WTO agreements. Its agenda now includes agriculture, services (financial, telecommunications, information technology), intellectual property rights, electronic commerce, and possibly in the next round, issues on investment, government procurement and competition policy.

It is critical, as we will discuss later, that developing nations hold their ground and maintain solidarity. In order to balance the international pressure from the G-8 to launch a new round, it will be critical to have civil society, especially in the South, intensify education and awareness campaigns, uniting labor and concerned citizens and even fragile businesses to pressure their governments towards the interests of the people and local business and industry. Their focus should be as follows:

Implementation issues

- Increase market access
- Abolish tariff peaking and acceleration

Institutional issues

- Abolish green rooming
- Increase transparency within nation state negotiators and with civil society
- No new issues

- Improve a democratic decision making process

The Developed world equates a comprehensive round of industrial tariffs, investment, trade facilitation, competition policy, environment and government procurement with betterment of the developing world. It is a myth that WTO has been good to the poor, as commodity prices, debt, economic health, exports have all worsened since the GATT began.

In order for headway to be made, developing countries need to maintain solidarity. Egypt, Uganda, South Africa, Costa Rica, Chile, Colombia and Singapore need to be lobbied to stand with the developing world in opposing a new round that doesn't deal with implementation and institutional issues first.

Institutional Concerns with the WTO

With respect to the agenda of the WTO, its agreements, their implementation and the institutional running of the Organization (particularly the dispute settlement process), is highly favored towards the developed countries and continue to undermine developing countries. Balancing the tilted dispute resolution mechanism should also be targeted by Pakistan and other developing nations. The South is vulnerable to lags between sales in foreign markets and appeals to the WTO, simply due to the lack of leverage that the retaliatory and dispute resolution process has in place. While the WTO has ruled in Pakistan's favor in the US/cotton yarn dispute, the lags between dispute resolution and the costs that are eventually borne by the sector are not easily carried by a weak economy.

Developing countries have little power within the WTO framework for the following reasons:

Dependency on the Quad for Market Access

While developing countries make up two-thirds of WTO membership and by their vote can in theory influence the agenda and outcome of trade negotiations, developing countries have never used this to their advantage. Most developing country economies are one way or another dependent on the US, EU and Japan in terms of imports, exports, aid and security. This being most visible in the negotiations between the US and Pakistan on the regions stability. They usually consider their obstruction of a consensus at the WTO too much of a threat to their overall well-being and security. Hence, while many countries may be opposed to an agreement, as was the case with the Trade Related Intellectual Property Rights Agreement (TRIPS) concluded in the Uruguay Round, developing countries did not eventually obstruct its conclusion.

Lack of Reciprocity

Trade negotiations are based on the principle of reciprocity or 'trade-offs'. That is, one country gives a concession in an area, such as the lowering of tariffs for a certain product, in return for another country agreeing to sign on to a certain agreement. This type of bartering benefits the large and diversified economies since they can 'get more by giving more'. Hence the disparity between those who can give and those who cannot. The stronger members accrue benefits, while the weaker ones have their interests sidelined. In fact, it is known in WTO circles that developing countries almost never barter for benefits, but usually relent to the pressure of the developed countries. For the most part, negotiations and trade-offs take place between the developed countries and some of the richer or larger developing countries.

Lack of Human and Technical Resources

Developing countries have fewer human and technical resources and therefore often enter negotiations less prepared than their developed country counterparts. NGOs from the South are not informed or supported with political or financial access to development rounds, resulting in imbalanced representation by Northern civil society over Southern civil society.

Costly and Imbalanced Dispute Resolution Process

Developing countries have discovered that finding recourse in the dispute settlement system is costly and requires a level of legal expertise which they may not have. Furthermore, the basis on which the system is run - whether a country is violating free trade rules - is not the most appropriate for their development needs. The special provision for dispute settlement in the Agreement on Anti-dumping is also an example of a major loophole. While this agreement has brought in some measure of objectivity in the investigation of dumping, the whole subject of anti-dumping has been practically excluded from the normal dispute settlement process of the WTO.

In these cases, the role of the dispute settlement panels has been severely curtailed in as much as they cannot pronounce whether an action or omission of a country violates its obligation, a role which is almost a routine feature in disputes in all other areas. Some important trade and development issues are not dealt with in the trade agenda, such as the impact of low commodity prices as well as the problem of concentration and lack of competition in agricultural processing (e.g. the power of Cargill).

With respect to Special and Differential (SDT) treatment for developing countries, not enough flexibility is offered by the agreements, contrary to the beliefs of EU delegates. It is believed that SDT treatment clauses are not used (e.g. Article XVIII on infant industries) because of the processes inherent limitations to developing nations. For instance, Article XVIII requires countries to provide adequate compensation, which is not feasible for several countries. Furthermore, the fear of retaliation prevents them from using special and differential treatment provisions. On SDT provisions, it has been suggested that rather than a fixed period for delays in implementation, development thresholds be agreed upon to decide when a country should or should not have access to SDT measures. Needless to say, the WTO and the political will of Northern governments should reflect sensitivity to the constraints and limitations of weaker Southern industries and infant sectors.

Some of Pakistan's key concerns within the WTO clearly stem from the high levels of protection by the US and EU in textiles and clothing, agriculture, the implementation of the intellectual property rights agreement, the overuse by the USA of the transitional safeguard measures, and the EU's abuse of anti-dumping duties.

These issues need to be dealt with as a pre requisite to further talks within the WTO. Rather than a new round of negotiation, what is needed is an implementation round. Unfortunately, in order to get northern progress on implementation, the South is being forced to sign and finalize agreements in telecommunications, information technology, financial services and the latest, a standstill on e-commerce (electronic commerce) tariffs.

Retaliation within the WTO is not of much use to developing economies. The reasons include the following:

- a) Cost of dispute settlement is too high and the process too long.
- b) Products of interest to developing economies are never touched.

The dispute settlement process itself has shown many adverse trends for developing countries. Broad interpretations are often capitalized on by developed nations and constrain the rights of developing countries.

In the Venezuelan gasoline, Indian woolen shirt, Indonesian car and the shrimp turtle cases, there are repeated examples of restrictions made on the disadvantaged nation (denying subsidies, forcing provision of evidence, raising non tariff barriers) resulting in an overall tilt of the process in favor of developed nations.

Developing Countries: Implementation must be the unifying issue

While there are certainly shades and differences between developing countries' positions, one clear fact is that they are opposing a new round. The better off developing countries that have come out openly in support of a comprehensive round are South Africa, Costa Rica and Chile and, less vocally, Colombia and Singapore. These countries need to be lobbied to maintain solidarity in resisting new issues and keeping attention on implementation issues alone.

The Cairns Group: The Cairns Group of (agricultural exporting) developing countries are cautiously agreeing to a round, but are taking the offensive in challenging those calling for a new round to make concessions that are sufficiently significant. Their main interest is in agricultural markets, particularly in the EU, where they want market access plus a firm commitment to significant cuts in huge domestic and export subsidies.

The Like-Minded Group (LMG): The LMG is an informal coalition of like-minded countries at the WTO. This group includes India, Pakistan, Egypt, Dominican Republic, Uganda, Malaysia, Indonesia and Cuba, among others. The group has been in existence for some years and has been coordinating positions, sometime meeting daily when negotiations are intense. They oppose new issues in the course of the round. The increasing leadership of India and Pakistan of the like minded group is notable.

African Group: Many in the African Group do not want any round of any sort to be launched. However limited or manageable. Many African countries are still struggling to implement the Uruguay Round commitments, and find it incomprehensible that they would commit themselves to further commitments. Indeed, despite intense pressures that have been building up, the African countries have refused to agree to the launching of a new round. This was evident at Libreville a year ago, but also during the UN LDC conferences in Brussels in May.

Agreement on Agriculture

Six years into the WTO, despite the Agreement on Agriculture, the overall subsidization of agricultural producers in the OECD countries is much higher today than in 1995. OECD estimates that real overall support levels have increased from US\$247 billion in the base 1986-88 period to US\$274 billion in 1998, to US\$326 billion by 1999. This is taking place even as developing countries are reducing their tariff levels, and therefore making themselves much more vulnerable to this unfair competition. Furthermore, developed nations have refused to implement their promises they made to soften the impact of liberalization on developing nations. The Ministerial Decision approved at Marrakesh in 1994 to take measures to counteract the negative effects of trade liberalization on net food importing countries has never been implemented. The impact of this Agreement has been destructive for many developing countries, whose imports have suddenly surged, while their exports have not significantly increased, leading to food insecurity, and increasingly rural unemployment and

poverty. On the one hand, according to the FAO, growth in agriculture exports in the period 1990-97 was 3.05% per annum for developed countries and only 0.63% per annum for developing countries. On the other hand, annual growth in agriculture imports was 1.85% for developed countries and 3.87% for developing countries during this same period.

During the week of August 15, 2001, the US signed a bailout package for farmers totaling \$5.5 billion. Since 1998, a total of \$30.5 billion has been given to US farmers. Conceivably, such aid should be allowed to independent farmers, who would otherwise collapse under poor weather conditions. Subsidies such as these will strengthen the market and sectoral positions of corporate farming relative to unsubsidized farms from the South. In light of such realities, direct and indirect farm support should be allowed across the board within poor countries and, where support is not given, other concessions in protection should be allowed.

Other agricultural problems consist of complications with TRIPs and inconsistencies with the Convention of Bio Diversity. If left to the agreements of the WTO, the opening up of a fragmented and relatively indigenous Pakistani farming sector to corporate farms will place a patent on seeds and hand over control of indigenous knowledge to a foreign based corporate farming sector with no intervention allowed for by the state. The result will be the proliferation of genetically modified seed strains, capital intensive farming practices and reduced demand for labor. Poor farmers, ill equipped to compete with their larger and better resourced foreign counterparts will be left vulnerable to foreign company controlled seed prices as well as increased prices of inputs such as fertilizers and pesticides, with no recourse or opportunity for state protection.

Agreement on Textiles and Clothing

Similarly, in textiles, developed countries have failed to implement the spirit of the agreement. This area is of significant export interest to developing countries, but has also represented a key area whereby the rules offer the rich countries special treatment. Even though these countries have been expected to remove their quota restrictions over the 10 year transition period from 1995-2005, at present, (six years on) only a fraction of these restrictions have been removed. According to the International Textiles and Clothing Bureau, in June 2000, the status quo on the removal of quota restrictions are 13 out of 750 by the US; 14 out of 219 by the EU; and 29 out of 295 by Canada. As unfulfilled potential in textile exports has shown in the past, Pakistan needs increased speed in market access. Pushing the Agreement of Textiles and Clothing (ATC) through the Textile Monitoring Body (TMB) is a high priority.

Pakistan should also consider the linkages that the market access of SMEs generates. Some markets that should be considered include niche textile, clothing, craft and precious stone exports. Attaching the access of SMEs to niche markets that may still be subject to tariff peaking and escalation should be targeted using the clauses outlined in the WTO's agreements for Special and Differential Treatment. Equipping SMEs and the fringe of the sector, particularly those with linkages to the impoverished sectors of the market, including agriculture and non farm activities, should become a government priority as part of the poverty alleviation strategy and anti urbanization strategy. While strong sectors will be forced to, under the leadership of their dominant firms, survive in the global economy, government efforts should be spent in equipping potential SMEs to survive better and flourish in niche's that are available to the Pakistani economy.

Significant loopholes have been left in the Agreement on Textiles. Developed countries were committed to bring products accounting for 33 percent of their imports into the normal WTO discipline, and thus exclude them from the special restrictive regime of the textiles sector by January 1st, 1998. The loophole is that the list includes a very large number of items which have not been under restraint. Developed nations have taken advantage of this loophole and chosen for the

liberalization process up to January 1st, 1998, only such products which are not under restraint. In this manner, the obligation is fulfilled and yet there is no liberalization by them in practice.

Another loophole is exemplified by Article 7.3 contains a requirement of sectoral balance of rights and obligations, a concept which is alien to the GATT/WTO system, which works on the principle of overall balance. There is apprehension that it may be a trap for justifying the possible reluctance of developed countries on January 1, 2005 to abolish the special restrictive regime in this sector on the plea that developing countries have not adequately liberalized their textile sector.

It is common knowledge that the textiles sector employs the largest proportion of unskilled labor in the region and must be protected if any segment of the impoverished labor pool is to be insulated from the volatility of international competition. As with other developing nations, Pakistan shouldn't be enthusiastic in implementing new reforms and in solidarity, there is a need to get WTO issues of implementation acted upon first.

In response to this tactic, trading blocks such as the EU, are attempting to link prior obligations and commitments they had made under the UR round of agreements to new concessions with the South. While insisting that developing nations slash tariffs along the lines of the EBA agreement (everything but arms), Pakistan and other developing countries must insist that the EU follow up on implementing their prior obligations to tariff reduction from the Uruguay of negotiations. Any new reductions in developing country tariffs must correspond with parallel reductions from developed countries.

General Agreement on Trade and Services (GATS)

Similarly in the area of services, developed countries have refused to abide by the originally set deadline to establish rules on emergency safeguards before market access negotiations in the many services sectors take place. They have also side stepped any serious discussion on the extent of subsidies they provide to their services corporations, even as they are pushing relentlessly for more access to developing countries' services markets. At the same time, developed countries are refusing to open up their own markets in the area of most interest to developing countries - service provision via the "movement of natural persons." The imbalances of the GATS are evident in the following statistics: In 1997, services trade conducted via commercial presence amounted to US\$820 billion, while it was a mere US\$30 billion via the "movement of natural persons." As the Information Technology sector continues to grow, Pakistan should monitor the impacts and constraints that the GATS has on IT exports.

US Policy and Private Sector Interest in New Issues

There are a number of issues and concerns with US policy in the WTO, mainly stemming from the power and leverage that US based TNCs have in forging and pushing market liberalization policies. For instance, free trade principles are implemented only where they benefit the local US economy. In other areas such as textiles, the market is highly and even selectively protectionist. While free trade is being promoted by the WTO, the free trade of the America's agreement (FTAA) will extend preferential trading status from North to South American partners. South Asian and East Asian textile manufacturers will be left at a disadvantage to accessing the American market. Furthermore, the US market liberalizes segments of little interest to developing country exporters, thereby protecting key industries and still maintaining required average reductions in tariff rates. As discussed earlier, the TRIPs agreement on intellectual property rights seeks to liberalize the global agriculture market, irrespective of the impact it will have on commercializing and patenting the indigenous knowledge levels of developing countries. It is feared that such market liberalization will result in widespread

food shortages within Pakistan and South Asian countries, as lands are over farmed and soil content is depleted by the unsustainable practices of corporate farming.

US agriculture subsidies have increased (green box subsidies of US \$46 billion in 1995) undermining the strength of developing country agricultural sectors as imports of US agricultural products have increased. Such policies do not compliment the goals of developing country self sufficiency but rather exacerbate them by exposing fragile, drought stricken agricultural sectors to the competitive environment of a global agriculture market that does not take into account the socio economic and environmental conditions of sub regions.

The Trade Related Intellectual Property Rights Agreement (TRIPS) fiercely protects the rights of corporations, such as the biotechnology industry, but allows the shared knowledge of indigenous communities to be patented by others. It is difficult for developing countries to protect their vast knowledge especially as much of the knowledge is passed by word of mouth, a medium not recognized by US patent authorities as legitimate. For example, the patenting of Basmati rice by US agricultural industry will raise barriers to market access for Pakistani products in US markets. Furthermore, genetically modified seeds and plants increase costs for farmers, promotes mono cropping which increases the incidence of diseases and pests, encourages the use of chemicals and threatens the biodiversity and genetic purity of plant species.

Equally damaging is the inability of countries to protect their markets from genetically modified organisms (GMOs). Although the US has done little long-term research on the health impact of GMOs, other countries are unable to halt their import unless they come up with scientific proofs. It is feared that the economic and ecological impacts are far too risk averse for agrarian based developing nations to consider.

The Multi lateral Agreement on Investment (MAI) will damage Pakistan's economy by giving TNCs and foreign firms the same power and treatment as local firms under the current legal regime. In Pakistan, where such a large proportion of the economy relies on the SMEs for employment, they are not likely to withstand such competition.

Transparency in government procurement will enable firms to access government funds and spending. While this will shed increased light on military related spending, it will expose government coffers, once preferential to domestic firms, to foreign access. While developing economies will benefit from increased competition, their firms will be threatened by technological transfer and managerial skill building as liberalization will be too fast, and foreign competitor entry will be too high to withstand.

Lobbying comes openly from the side of US industry. In late June, the National Food Processors Association (NFPA) joined with the membership of AgTrade, a U.S. coalition to promote agricultural trade, and voiced support for the launch of a new World Trade Organization Round during meetings in Doha, Qatar in November 2001. Leadership from the NFPA has been quoted as stating that the WTO negotiations offer an important opportunity for global agri-food trade, to improve market access for food products by reducing both tariff and non-tariff barriers to trade. It also will provide a critical forum to address emerging issues and new technologies, and define trade disciplines critical to today's international marketplace. The U.S. leads the world in agri-food exports, exporting one-third of what is produced. Processed foods, or value-added products, now account for more than 40 percent of U.S. agricultural exports. Still, tariffs on processed foods are among the highest and non-tariff barriers in many nations continue to disrupt trade.

In this regard, it may also be assumed that industry, under the leadership of the EU, will attempt to renegotiate the SPS Agreement to provide for a Precautionary Principle that can be used to block trade when uncertainty exists. Being pro science and development, the NFPA will not support any

movement to enforce the Precautionary Principle or the rights of the state to limit trade on their own accord, but rather to make the market more open. They will only bend to scientific evidence which judging by the US examples of dispute settlement come years after agreements and trade has opened up and require a solid judicial system with which to argue any cases, absent in most countries.

The adversarial system of the global marketplace needs to be embraced by Pakistan's economic stakeholders. Each trade association needs to take action and respond to Northern TNC and market lobbyists via trade associations or cooperatives that are demanding market access to the South. Quantities in terms of numbers of individuals affected must be countered to the dollar figures served up by TNCs. The deregulation issue within the US power industry is a clear example that while state regulation is and may be required in some sectors, the drive towards building strong private sector entities and minimizing government interest and control is too strong for any administration to reverse, even if they had the political will.

Therefore, it is critical that any strategies put forward by the government include private sector backing and documentation (impact analysis), particularly with respect to the impact that liberalization will have on the SME sector and linkages within the labor pool below the poverty line. This should then be worked and used to gain access to Special and Differential Treatment (SDT) clauses.

Past Strategies of Developing Countries in the WTO

The previously outlined threats to Pakistan's economy are not new to the world trading forum. So why have developing countries continued to fail to gain concessions and ground on issues of importance. The answer can be traced to the negotiating strategies of developing countries and the method of their participation in the WTO. They are generally of two types: indifferent and totally silent, or rigid in opposition up to a certain extent, followed by abrupt and total capitulation.

Indifference and Silence

A very large number of the developing countries remain silent in the WTO meetings and discussions. They attend the meetings, listen to the statements and remain totally quiet. They neither support nor oppose a point. Of course, technically they do become parties to the decisions taken, even though they have not supported them explicitly.

Their silence may be due to various reasons. One, they do not feel that the subject under consideration affects their countries directly and thus they are indifferent. Two, they do not understand the intricacies of the point under consideration and thereby prefer to remain quiet, fearing that their statements and opinions may be irrelevant and will betray their ignorance. Three, even if they feel sometimes that a particular proposal has adverse implications, they prefer not to come out openly against it, particularly if it involves opposing major developed countries. They prefer to avoid annoying them, especially when they have not received any clear instruction from their capitals to oppose or support the proposal. Fourth, in the case of proposals with clear adverse implications, they feel that some other more active and vocal developing countries will be speaking out against the proposal and thus that their interest will be taken care of.

In the case of a very large number of developing countries, the missions in Geneva do not receive detailed briefs or guidance from their capitals, and thus they do not feel quite compelled to take a particular line in the meetings. In most cases, they do not have full knowledge of the subject and are not confident enough to make any intervention in the discussion. However, their indifference does not

absolve their countries from the obligations which are imposed by the decisions taken without their actively participating in them, and thus it may prove costly for their country in the long run.

Stiff Opposition and Sudden Collapse

A small group of countries do take active interest in the meetings and discussions. But most of the time, they participate in these events without any detailed examination of the subjects under discussion. Neither their missions in Geneva nor the capitals are equipped with adequate capacity for this purpose. Most of the time, they work on the basis of their quick and instinctive response to the proposals. If they feel that any proposal is not in the interest of their country, they oppose it. Their opposition is quite firm sometimes and they stick to their line almost till the very end. But finally, when intense pressures are built up in the capitals or if all other countries have acquiesced in the proposal, they also drop their objection and remain sullenly silent. Decisions are taken to which they become parties even though they had earlier raised objections; and in this manner, their countries get bound by the obligations imposed by the decisions. The immediate political cost of withholding consensus appears to them to be much heavier than the burden of these obligations in the future.

The transition from the long period of determined opposition to sudden collapse into acquiescence at the end has denied these countries the opportunity of getting anything in return for the concessions they finally make in the negotiations.

Missed Opportunities

As a result of failed tactics, there have been several instances when developing countries did not ask for and insist on reciprocal concessions while making important concessions on their side. For example, they agreed to zero duty for information technology goods at the 1996 Singapore WTO Ministerial Meeting and to provisional zero duty on electronic commerce for 18 months at the 1998 Ministerial Meeting in Geneva. These two proposals were sponsored by the major developed countries who were the main beneficiaries. Electronic commerce is an area with very high growth prospects, and a duty in this area can be a potentially lucrative source of revenue for the developing countries. Also, the users will generally be those in the high-income group of the population, and, as such, even from an equity perspective, a tax in this area in the developing countries can be appropriate. Thus the developing countries have really surrendered a potential major source of revenue without any benefit. They were not prepared with counter-demands for negotiating reciprocal concessions from the sponsors and beneficiaries of these proposals. They could not steer the negotiations in these directions at all.

In fact, developing countries have repeatedly been missing out on opportunities for negotiating reciprocal concessions or for limiting their own concessions. For example, during the preparations for the Uruguay Round of MTNs, the major developed countries had insisted on including three new subjects in the negotiations, viz., services, IPRs and investment. All three were finally included in the negotiating agenda, though the developing countries put up stiff resistance right up to the end. With the benefit of hindsight, one can now say that with a proper negotiating strategy, the developed countries could have been persuaded at that time to give up at least one of these subjects in return for an agreement to negotiate the other two. Also, permitting the very entry of services and IPRs into the negotiations in this forum for trade in goods was a very major step; and the developing countries could have rightfully asked for major concessions from the sponsors at the time of taking that step. But as the situation developed, they could neither stop their entry nor exact a price for it.

Such opportunities are likely to resurface soon. There is strong insistence by some major developed countries on starting negotiations on investment and the social clause. Also, some of them have made their intentions clear by sponsoring negotiations on government procurement with the objective of

expanding the market access of their goods. These will be totally new areas to be taken up in the WTO, if they do get taken up. Investment and the social clause do not have any place in the GATT/WTO forum at present. In respect of government procurement, though the subject relates to the trade in goods, the existing framework as enunciated in Articles III and XVII of GATT 1994 prescribes some rights regarding giving special treatment to domestic products and discretion on selecting the countries for the supply of these goods. Even the start of negotiations on the disciplines for investment, the social clause and new disciplines on government procurement will be a major concession to the developed countries. The developing countries have been resolutely resisting such moves so far. But if they decide at a later date to start negotiations in these areas, they should do so only after getting commensurate major concessions from the sponsors, i.e., the major developed countries. Concessions in the areas of interest to the developing countries are necessary, merely for their agreeing to the entry of these topics into the WTO negotiations.

Need for Process of Cooperation and Coordination

The weakness of individual developing countries is also reflected in very poor cooperation and coordination among themselves. They have not been able to evolve common positions and common strategies on important issues. In fact, they do not even have a proper mechanism for such efforts.

Though an informal group of developing countries does exist in the WTO, it is not utilized for identifying common interests and working out common positions. The discussions are more of a general nature, though sometimes countries do explain their perceptions and positions and describe their problems on specific issues.

However, in one sector, viz., textiles, there is effective coordination among the developing countries that are exporters. They have formed a formal organization called the International Textiles and Clothing Bureau (ITCB) which is fully financed by these countries and has a functioning secretariat. The member countries of this organization meet regularly to discuss the issues in this sector and to formulate a common position. Most of the time, they are able to do so, and they also articulate their common stand and position quite effectively and put up specific common proposals.

It is difficult to say why the developing countries are not able to have a common platform on other important issues when they have succeeded in developing such efficient cohesion in the textiles sector. Various reasons may be conjectured for this inability. One, in the textiles sector, the problems are well-identified and focused, and the direct import restraints in the developed-country markets have an immediate and visible impact on the production and export prospects of the developing countries. Two, the exporting developing countries have suffered at the hands of major developed countries for a long time in this sector, and they have practically been pushed into effective mutual coordination by this long and severe suffering. Perhaps the interests of developing countries are too dispersed in respect of the WTO issues in general, and they are not able to identify a cohesive cementing force which would make them overcome the current hesitation which emerges out of their fear of annoying the major developed countries.

There is generally a strong discouraging environment for their efforts in this direction, as such efforts are immediately dubbed by major developed countries as attempts to politicize the GATT/WTO system. A general idea is spread by the latter that every country should be on its own in this system as it has to safeguard its own interests. This, however, has not prevented them from forging sound coordination among themselves through various formal institutional arrangements, like the Quad,

Group of 7 and OECD (Organization for Economic Cooperation and Development). It is ironic in the GATT/WTO system that the major developed countries, which are quite strong even individually, are moving towards closer coordination, whereas the developing countries, which are in a weak and vulnerable position, are not able to come together and coordinate their interests and efforts.

Some insight into the plight of the developing countries can be had if we examine the WTO environment in which they have to operate. It is necessary to understand it and keep it in view while thinking of any change or improvement in the role of developing countries in the WTO. To this end, the following outlines a number of positions and recommendations that should be discussed and pursued in the short, medium and long term between all public and private actors to 'level the playing field of trade and development'.

Specific Recommendations and Issues for Discussion

From the preceding discussion, there are a number of issues that need to be tabled, emphasized and addressed during the negotiations in Doha. Part of the approach to drawing attention to these issues must be based on the needs for infusing resources and revenues into sectors with linkages to the country's impoverished (textiles and agriculture). In theory, concessions given to infant industries and sectors may cascade upward into resuscitating and organizing sick firms and weak sectors.

1. The WTO should put as top priority the development needs of its members. A new political will needs to emphasize the needs of the poorer sectors of developing economies through special and differential treatment and protection. To this end, SDT clauses need to be tailored and made easier to implement.
2. Parts of agreements which work to disadvantage developing countries must be changed if not removed altogether from the agreements – specifically the agreements on agriculture, TRIPS and textiles.
3. The current process of the dispute resolution process must allow safeguards for weaker sectors and economies to make use of in order to represent infant industries.
4. The US's leadership of the WTO should be reconsidered. Decision-making needs to be made more democratic and room should be given within negotiations for governments to consult with their experts (trade associations, NGOs, inter government agencies) on cross cutting issues. The speed of pushing through future agreements must be decelerated to allow for a better analyses of impacts. A development centered perspective needs to be adopted that puts power into the hands of a body accountable to the people state, rather than market accountable TNCs.
5. The mandate and institutional operation of the WTO should be sensitized with taking into account the infancy and fragility of developing economies both nationally and regionally. Domestic markets, rather than foreign markets, should be the main stimulus of growth as revenues and resources generated from trade are needed to support local and national communities. People and the preservation of the environment, rather than capital, should be the priority.
 - 1) Negotiation must be transparent; the practice of small informal groups through green rooming must be opened up. Small working groups must include a cross section from all nations.
 - 2) Any changes or proposals for change should be tabled well in advance so that they can be debated and assessed by all countries.
 - 3) The trade policy review mechanism (TPRM) should cover a wider range of issues such as development, labor rights, environmental protection and the gendered impact of trade. Working documents and minutes of meetings must be readily available to a broad range of representatives of civil society for discussion and debate. To this end, 'Observer status' should be granted to NGOs (using an accreditation system) at WTO meetings, including dispute panel meetings. It is critical that Southern NGOs be well

- represented at these meetings, particularly as consultation with NGOs is being worked into the working documents on some agreements (Committee on Trade and Environment)
- 4) UN agencies should receive automatic observer status in all WTO meetings, i.e. General Council, committees and the meetings that discuss WTO Trade policy reviews could potentially be web transmitted.
 - 6) There should be more regular NGO symposia to discuss policy and technical issues (once a year) with specific attention to Southern NGO participation (encourage regional cooperation through blocks). The UN could take a leadership position in such forums through UNCTAD and ensure that representation from indigenous and small and medium enterprise have a conduit to voice their concerns.
6. The sovereignty of nations must not be undermined. Nations must be able to protect their domestic industries and laws. Countries must have the freedom to choose if they want overseas investments and more specifically, the direction and type of investments. For example, if Pakistan and India are to expand their IT sectors, they must be empowered with mechanisms to control the entry of FDI to support the strengthening of the domestic IT sector (building and development of new telecommunications lines and infrastructure). This should not obligate them to open the 'floodgates' to entry of foreign IT firms that will rapidly consume local market share and transfer profits overseas. They must also be able to decide on their tariff rates and other trade barriers in order to protect the infancy of such industries comparable to the manner in which developed country sectors have matured.
 7. While free trade and liberalization could be encouraged of strong sectors, there needs to be a recognition of the support and protection required for weaker sectors. If not in the manner of subsidies, then in tariff rate protection that will support local farmers and enterprises. To this end, the government of Pakistan would be wise to let larger firms fend for themselves while supporting and removing the barriers and constraints to potential growth of SMEs.
 8. All members should be enabled with the technical expertise and human resources to participate fully in the multilateral negotiations. Transparency and full participation should not be sacrificed in the name of 'fast track' liberalization. Instead, changes should be made to rules which effectively disadvantage the participation of weaker developing economies.
 9. Pakistan should emphasize more advanced notification of technical barriers to trade, including SPS standards. First, demand that all such standards get actually notified, and lobby for higher penalties for non-notification. Second, Pakistan should lobby that all such standards follow mandatory processes such as those outlined in the TBT Code of Good practice. For example, any new standards should allow:
 - a) Six month phase in time;
 - b) Three month comment period;
 - c) Technical assistance in the transition effort (on demand, under certain circumstances), and any such standards should be specified not in terms of the technology to be used, but in terms of the effect to be achieved.
 10. In the area of agriculture, countries should be able to choose to be self-sufficient. If developed and developing country farmers are to compete in the same markets, then the \$280 billion in subsidies OECD countries provide in a year to their farmers should be reduced to the negligible amounts developing countries provide. Otherwise, developing countries should be allowed to increase their tariff and non tariff barriers in order to protect their markets from the highly subsidized exports of the developed countries. Increased sensitivity to small farmers in both developed and developing countries where farming is the source of livelihood for millions.
 11. The agreement on TRIPS, which allows the patenting of indigenous knowledge by TNCs should be changed so that patent rights are not granted for naturally occurring plants and animals or their parts, or the uses of plants and animals. There should also be an easy

mechanism for developing countries to find out about the applications for patents for naturally occurring materials, their uses or their transgenic forms. Extensive and long-term research on the impact of transgenic foods on the health of consumers as well as the possibility of bio-pollution on other plants must be carried out before genetically transformed plants and animals are allowed to be patented. TRIPS should be amended so that it reinforces, not contradicts, the principles of the Convention on Biodiversity. Genetically transformed plants and animals must not be covered by patent rights. An international body for the protection and patenting of indigenous knowledge should be created to interface traditional knowledge with the legal framework and make up of the TRIPs environment in the global market place (such steps have been taken by Indian legislators in including sui generis varieties by law into legislation. Other nations in South Asia and South America should follow to protect farmers. Key elements are to protect the farmers' right to sell seeds and retain control over seed production. Article 27.3(b) which dealt with the protection of new plant varieties, offers three options: to grant protection by a patent, an effective sui generis system or by a combination of the two. The system refers to grant of plant breeders' rights. Increased market access could conceivably crowd in investment into rural areas, reducing pressure on urbanization and reinforcing rural Pakistan's labor markets and sectors. Diversification of farm and non farm activities should also be encouraged in this regard, so that rural sectors are not as vulnerable to external shocks in bad weather and lack of rain.

12. If developing countries are still forced down the path of rapid liberalization, then in textiles, the US must give up taking recourse to technicalities and implement real liberalization immediately. Developed countries should eliminate the tariff escalation on product chains and market access point of most interest to developing countries.
13. With regard to environmental protection and trade, full cost accounting should be used to illustrate how SMEs and their sustainable livelihoods as being more in line with Southern development than the increase in growth of unsustainable TNCs.
14. In services, the subject of the movement of labor should be continued with the aim of arriving at an agreement for significant liberalization in this sector.
15. The WTO should work together with relevant UN agencies and use the international standards established in the UN conventions to ensure that development goals are in concert with the trade agenda.

At present, developing country confidence is at the same, if not a worse, low than during the Seattle negotiations. It will be imperative that all implementation issues be dealt with in the early term and significant gains be made by the South to restore confidence and legitimacy to the WTO. At the other extreme, the likely scenario is few concessions granted by the North with no real gains by the South resulting in the inclusion of more dangerous issues (investment, competition, government procurement) within the agreements without any even slightly offsetting long term gains by the South.

The final test of the WTO's success is not the amount of trade flows or how much trade barriers have been lowered, but whether and to what extent the living standards of all, particularly the developing countries - also two-thirds of its members - are improving.

At the national level, government initiatives in international and domestic theaters must intensify their research and collaboration between foreign offices in marketing and trade missions to identify lucrative niche markets for SME and agricultural goods. Also, there needs to be increased reporting, economic and SWOT (strength, weakness, opportunity, threat) analyses of export potential communicated to the Pakistan based export development industrial bases, with specific attention to niches applicable to SMEDA (Small and Medium Enterprise Development) and poor farmers.

For these issues to be addressed effectively, it will be critical for Pakistan's team and other Southern nations to keep new issues and conditionalities away from the implementation issues yet to be

addressed by Northern countries. A phased approach to address each issue, independently of any carrot and stick approaches will be key to any sort of progress in Pakistan's interests. Mixing new and old issues will result in stone walling and further delay to issues of interest to developing economies. Again, focusing on the impact and benefit implementation will have on poor sectors of Pakistan's economy (i.e. agriculture and textiles) should be emphasized.

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