

**Settling the dust in Seattle**  
**Discussing the aftermath of the 1999 WTO Ministerial**  
**from a Pakistani Perspective**

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Policy Brief Series # 9

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**A publication of the Sustainable Development Policy Institute (SDPI).**

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PB- 009- 001- 050- 2000- 014

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# **Discussing the aftermath of the 1999 WTO Ministerial from a Pakistani Perspective**

Faisal Haq Shaheen

It would be both simplistic and repetitive if we were to reiterate the highlights of the Seattle negotiations, a task which has already been conducted to a great extent by both northern and southern journalists and popular media. Instead, this paper will follow its preceding brief and attempt to draw light to the issues that are influencing and shaping the forum of global trade. To that end, this paper will:

- Discuss the positions of the new players in WTO (whose lack of inclusion in the monte carlo and preparations for the Seattle Ministerial contributed to its deterioration and current crisis of illegitimacy.
- Touch on where the agreements and Pakistan's interests stand now as compared to before Seattle;
- Analyze the trends that global trade is producing and suggest positions and policies that Pakistan and South Asia as a whole need to take in order to establish a stable and sustainable trading block.

This continuing brief will also lead into the contents of a later brief, suggesting positions for Pakistan to take in the Geneva Ministerial in September.

## **A Summary of What Happened**

Seattle degenerated from a planned series of exclusive closed door negotiations to a melee of disagreement and 'spillover stonewalling' as both developed and developing nations failed to bridge differences in positions on a variety of issues. The fireworks that erupted within the conference negotiations were further fueled by frustrated developing country delegates, an unacceptable process, poor logistics and planning, changing agendas and a somewhat unified outcry of developing nation delegates against a backdrop of civil protest.

Three tiers of protesting took place in Seattle,

- Outside of the ministerial negotiations (street protestors)
- Inside the ministerial, outside of the negotiations (628 accredited NGOs and developing country delegates)
- Inside the ministerial negotiations (developing country delegates who were called upon to speak and/or included in the green rooms)

The following issues in some shape or form contributed to the stalemate in Seattle;

- Disagreements between the US-Canada block and the EU on trade in genetically modified organisms,
- Complexity of disagreement on various issues and resulting spill over of bitterness between issues,
  - Agricultural stalemate and the failure of the Cairns group to move from their current position,
- Increased preparation and unity among developing nations as compared to the Uruguay Round,
- 300 official proposals and bracketed text lines in the Geneva document,
- Lack of transparency in the process of reviewing agreements,
- Abrasive negotiating style of the hosts and developed nations in general,

- Political election agenda of the US
  - Collusion between the US government, the unions and environmental groups that to an extent, backfired;
  - Poor treatment of labor standards issue and the attempt by the US delegates to push the item into the Agreements for the benefit of the unions.
- Civil society, widespread demonstration and public outcry

This contributed to a negative mood as none of the delegates were in the mood nor prepared to make concessions, or 'make the political decisions necessary for agreement' (Charlene Borshevsky, Seattle Chair).

Now that the dust has settled, let us take note of the new stakeholders, the successes and failures and the lessons of Seattle.

## The Players

The Seattle round's events have heralded the official entry of a new set of stakeholders into the global trading forum. Let us recap the new and existing players within the global forum:

- Unions, Labor Movements – This group is concerned with self preservation, and specifically preventing the migration of Northern jobs to Southern markets. The 'union busting attitude' within developed countries, especially in Canada and to a degree in the US, has led to great paranoia within the Unions and hostility to any national/international moves that may threaten their existence. The previously 'blue collar' tradition of the unions is now giving way to incorporating middle management, health care, education and other 'white collar professionals' into their ranks to preserve their critical mass. They mask their agenda of self preservation on the global scale with the premise of 'protecting third world labor' against MNCs and TNCs, by promoting global unionism (which only makes up 5% of the developing world labor force)
- Environmentalists – This group of activists has struggled since the 60's to include environment and sustainable development issues into the national and global trade and economic framework. The shift towards privatization in the north, and the subsequent cancellation of funding to public sector watchdogs (Canada and the US to a degree) has sent warning alarms throughout the activists of the sector. They are petrified of the thought of seeing hard fought for legislations, acts, protocols and targets set aside and ignored for the purpose of increasing global trade at the cost of environmental degradation. Their tactic is to include sanctions and environmental linkages within the agreements.
- Social Activists – This group is concerned with eradicating child labor and feels that the best way to do it is through sanctions and denying market access to those countries known to be using it. They are aligned closely with the unions in this regard.
- Corporations – In the end, the MNCs call the shots as bigger corporations continue to seek to feed their shareholder demands for increased market shares of Asia, South America and the EU. Financial deregulation, timely in the west, will ensure this. Their deep pockets coupled with the financially influencing mechanism of strategic lobbying within the campaign theatres and governments of the north allows them to create and exploit loopholes that will ensure benefits and kickbacks in what may otherwise seem to be regulations designed to restrict their activity.
- Northern Governments and Delegates – The political agenda clearly took center stage in Seattle and tainted the mood of the negotiations as pre election positions and slogans drew attention to special interest groups of the masses (unions, US farmer families, etc.)
- Southern Governments and Delegates – Whereas they were clearly caught off guard during the agreements and the negotiations of the Uruguay Round, this group was far better prepared for the agenda and possibilities of the Seattle Round. With the assistance of civil

society and close scrutiny of the UR agreements, developing nations awoke to the reality of receiving the short end of the stick through the agreements.

- Anarchists – This group of individuals, in the north particularly, represents the disillusioned members of society who have either lost faith in the system or find it fashionable to share sentiments with those who have. Present to capitalize on the chaos of the situation, it is necessary to differentiate between them and the real protestors.

## Successes

Now that we have covered off the players, let us examine the issues that were fought over and experienced friction during the course of the negotiations.

- The developing nations were fed up of the lack of transparency and rightfully used their vote of consensus effectively. For example, the African and Caribbean countries balked at the lack of transparency, felt they were being bullied into agreements and threatened to withdraw their consensus from any other issues if the situation and current process continued. A Like-minded group on implementation issues such as India, Pakistan, Egypt, Uganda, the Dominican Republic, Cuba and others also said no to the existing proposal and remained unified through the bilateral talks, in spite of the protestors outside.
- Too many complex issues negotiated at once led to spill over of animosity between nations on separate agreements and resulted in stonewalling. Specifically the EU vs. US on agriculture, US vs. South on labor and environment, different views on globalization
- Egypt and India were successful in keeping labor and environment out of WTO for now. Greenpeace and others still feel it has become an important enough of an issue not to be ignored.
- Clearly, this round signaled that the needs of developing world must be recognized, WITH their approval before the process can move forward.
- Victory for what didn't happen such as a Stay of subsidies for local agriculture market (US corn growers and agriculturalists claim victory), Height of industrial tariffs on wood still saves trees (environmentalists claim victory).

## Failures

- Asia is still without market access. The EU sponsored proposal of providing zero tariff access to essentially all products from LDCs was nearly agreed to at the Seattle conference.
- NGOs were unable to make recommendations to institute reform
- Developing and Developed world Ministers shared disillusionment with the entire process

## Taking Stock

- We obviously need clarity on the great deal free trade is for the developing nations as the gaps between the rich and the poor, the global rich and the global poor are still very wide.
- Reversing areas require clarification
- There needs to be the realization that increased transparency does not equal increased inefficiency.
- MNCs will try to use FDI and shift their market gains to accessing the resources of the south. Hyper consumerism within the elite of the South will rise.
- There is still a lot of hypocrisy: unions want to save third world labor by setting up protectionistic barriers. Environmentalists are doing the same by insisting that they are doing the developing world a favor by insisting on environmental protection at the cost of market access which will stall market and firm based efforts to alleviate poverty.
- The current stall of the WTO may assist in the push to liberalize trade at the regional level. Regional and/or trade bloc bilateral talks will conceivably increase as far reaching goals of

international trade are being worried about rather than relatively minor concessions that impeded agreement within the regional blocs in the past.

- There is still a need to recognize the difference between state driven and market driven forces. While Pakistan won the turtle excluder device dispute with the US, most Pakistani fisherman are now using turtle excluder devices. The ISO 14,000 series of standards is being debated in world trade forums but the reality is that it is a system that will be imposed by buyers on their suppliers.

## Issues being Discussed

### *Clothing and Textiles*

- Market access for Pakistan has not increased dramatically over the past few years and tariff escalation and peaks that prevent the export of refined and 'value added' products still need to be addressed. This issue was raised again at the UNCTAD X in Bangkok where against a backdrop of heartwarming speeches and empty promises, developed countries failed to extend any solid commitment to opening up their markets to developing nations. This was most explicitly illustrated by the insertion of the text 'essentially all' into the draft action plan section on market access. The term gives developed nations the mobility to protect certain sectors (those of most interest to developing countries) with trade barriers.

### *Agriculture*

- Developing Countries want more market access for those products that they are capable of exporting, particularly the LDCs relying on a few commodities. The EU Still protecting its right to subsidize its farmers with the argument of the 'multifunctionality' of the agriculture industry in Europe.
- Special and Differential treatment for LDC's will now require, as para 29b reads, 'possibly further concessions on the part of the LDC's in order to realize SDT'. The line currently reads 'shall take into account'. The fear is that this will result in further marginalization of developing countries as developed countries will ask for future concessions in return for granting special and differential treatment.
- US-Cairns vs. EU, Japan and Norway all argued on the dismantling of tariffs and the eradication of subsidies and the multi-functionality of agriculture. The Special and Differential Treatment of Developing Countries was not touched at all in Seattle and is now feared, will be given in return for other concessions. There is a need for more flexibility, as with other issues, to allow Southern nations to protect less developed and sick firms from MNCs and most importantly, establish food security.

### *Biotechnology*

- This issue was stumbled over and the rift left between the EU, their minister and the US over it, spread into other issues. It is quite possible that the arguments and lack of coordination between the developed nations saved the developing countries from a focussed barrage of issue specific bilateral negotiations designed to break in new issues and establish linkages as part of the negotiations. Preparation for a 'unified North' at the next ministerial negotiations should be part of the Southern preparatory agenda.

### *Implementation Issues*

- TRIP's needs to be at the very least, aligned with the Convention on Biodiversity and the issue still needs to be clarified and cleared. Other issues which were not addressed were subsidies, safeguards and TRIPs as related to other issues

- Dealing with the implementation issues that developing nations are currently struggling with also needs to be reopened. This will depend highly on the persistence of the developing nations and the give and take from the US on allowing reopening.

### ***Labor and Environment Linkages***

- There was a 'globalization, development and labor forum set up, to interface the WTO and ILO. Unfortunately, this gives the union movement of the north a 'foot in the door'. We need to oppose such a move and any committees that are set up should be led and associated with the ILO. The WTO should only be an observer to the ILO working group.
- Need to leave this issue to the ILO and give the existing organization more teeth, educate northern NGOs and activists on the implications and socio economic complexities of this phenomenon.
- Pakistan should propose that a World Environmental Organization be set up to monitor and manage linkages between trade and environment and enforce bilateral and multilateral environmental agreements. WWF representative Charlene Arden Clarke understood the rationale of developing nations and supported it somewhat during a workshop held during the ministerial.
- Need to differentiate between State driven forces and Market driven forces. There is a difference between what the WTO agreements and the Northern buyer will demand of Southern firms.

### ***Systemic Issues***

- The EU and the US are now pushing for NGO participation in the dispute settlement process. Developing countries are opposing this as it adds more of a resource dependant factor to the already lopsided dispute settlement process. The Dispute Settlement process also needs to be carefully monitored to assure that lack of access to resources does not hinder the legal capabilities of the South.
- Transparency cannot be sacrificed for efficiency.

### ***The Arsenal of Weapons***

Unfortunately for the developing nations, there is a large arsenal of carrots and sticks that currently remains available to the market possessing nations of the north. It is likely that they will be used against the South as we approach the negotiations on Agriculture and General Agreement on Services.

- The Lome Waiver (EU Market access carrot that African, Caribbean and Pacific Rim countries are being offered in order to side with EU's agenda) will probably be withheld as a result of the developing country rebellion.
- The lost promise of Seattle, of zero tariff access by the EU to Asia, will also be used in the same way as the Lome Waiver
- The TRIPs agreement came into effect January, 2000. Most developing countries are not implementing it, so the fear is that they will face an onslaught of developed country dispute resolution filings in the new year. Corporations like Microsoft are now taking matters into their own hands – they are currently investing in market mechanisms that will make enable TRIPs implementation.
- Resources, Technical Assistance, Capacity building and Aid will be used by rich to entice the poor, as is being done in the bilateral and plurilateral talks before each negotiation.
  - This may all lead to developing countries uniting in regional trade blocs to offer concessions in an effort to maintain some local stability.
- We will probably be looking forward to more bi-laterals ahead and in advance of the next meeting as the developed nations try to assemble themselves more coherently and unified.

Technical Cooperation and Zero tariff will probably continue to be offered in order to get consensus on agriculture, implementation, market access, systemic issues and Singapore/other issues.

- TNC inspired TRIPs needs to be stopped. It must be removed from the Agreements as its implications do not benefit any aspects of the Southern economy at all. A campaign to remove it is being led by the Indians among other developing nations. It will probably be used as a bargaining chip by the North to allow for other agreements to enter the agreements.
- TRIMs also needs to be altered as there is already free enough market capital flow into developing nations. Making it any easier would result in instability and a floodgate of other fashionable new issues as well as increased volatility of capital flows. This issue, along with other new issues, are at odds with the need for developing nations to be given the power to regulate and monitor their capital flows and protect their weaker sectors.
- Tariff Peaks and escalation need to be addressed as these are unfair forms of protection of sunset industries and tax developing nations and their firms which are trying to diversify their market lines, access and capabilities.

## WildCards

It was quoted by an economic analyst that 'it is troubling to watch the elephants fight, but once they make love, watch out.'

- Will the North agree unifyingly on Agriculture? And how will this affect their strategies to unilaterally divide the South and make room for their GMOs while protecting their own local farmers to a degree?
- Will Anti Dumping be removed and implementation reviewed? This will depend on the goodwill of the North in standing by their promises of removing anti dumping and the insistence of the South to ensure that negotiations do not move forward without examining implementation issues.
- Leadership still held by the US/EU and its junior Northern counterparts. Unfortunately, and not much of a wild card, but as much as the North is the adversary, it is their market access that is required to generate inflows of funds into the South.
- The WTO will consolidate and maintain what has been achieved. Or will it admit to being overburdened, refuse to rule on certain issues and instead defer to other organizations/coalitions (ILO – Labour, UNEP/UNCTAD – Environment) for advice and guidance?

## Conclusions

From the collection of facts and observations, we can draw the following broad conclusions about the state of affairs at the World Trade Organization.

- The WTO needs to ensure transparency and among other issues, green rooming must stop, documentation must be properly circulated and be made available to all delegates; rather than they being forced to rely on 'live feeds' from sympathetic delegates inside the meeting room. The illegal creation of working groups (trade and labor standards) also needs to stop. ***Transparency must not be sacrificed for efficiency***, as is being continuously hailed as the solution.
- 'Create ways to bridge existing agreements where there is no consensus' which will probably see further bilateral talks with individual countries.
- Developing countries need to continue solidarity, otherwise divide and conquer approach of bilaterals before the meetings will be our end. This is especially true in the case of South Asia. The same way that the gauntlets were put away by Germany, France, England and Spain; India and Pakistan ***must*** resolve their political differences

so that a solid, secure and sustainable South Asian political - economic block can be established.

- Northern civil society and its concerns can either be a powerful ally, or an annoying and media deceiving adversary.
- The current language in the Investment agreements protects the investor rather than the sovereignty of the developing nations.
- There needs to be a better balance between governments, business and the third sector. Conceivably, the WTO could be a facilitator of this balance by ensuring and assuring co operation with and the strengthening of regulatory capacities at the national and then international levels (Evans, 2000).

Since the Uruguay Round, very little 'good' has reached the developing world. In fact, during the 4 years since the UR, developed country imports have increased, particularly in the area of exported foods and commodities. In Pakistan we see this in the new imported brand labels that are hitting our shelves and the proliferation of the so called and 'revered' restaurant chains of McDonalds, KFC and Pizza Hut and the oil giant Shell, to name but a few.

In 2000, the only discussions that will be taking place will be on the Agreement on Agriculture and the General Agreement on Trade in Services. It is possible that the developed nations will try to make up for lost ground in these two areas by:

- Coming to terms with their differences in agriculture (protectionism, tariffs, subsidies) and strategizing ways to access and exploit developing markets;
- Finding a means to allow for easier market access by developed nation service providers and their firms into developing markets. This could be especially harmful if firms involved in healthcare, engineering, consulting, legal and auditing for example are given competitive parity with local firms.

## Recommendations

The abundance of resources possessed by 'the quad' (US, EU, Japan and Canada) and their political influence continues to enable them to push various agreements through the system without allowing democratic discussion and discourse with Southern nations. Given the 'unfinished business' of issues from previous rounds, specifically agriculture, services, TRIPs and TRIM; Pakistan must side with other Southern nations and resist a new round for new issues. Previous issues should be reopened and renegotiated, in spite of the agendas of 'hijacking' MNCs.

South Asia, as a whole, needs to:

- Solve internal problems and integrate into the global economy
  - Clear infra structural bottlenecks
  - Take advantage of local pricing and benefits. Trade locally (especially in raw materials and manufacturing inputs).
  - Extract better terms of trade through wiser policy making
  - Integrate regionally, economically through increased trade within south Asia, conserving and enhancing resource base, merging environment and economics in decision-making (Arya, 2000).
  - Add value to existing exports rather than over exploit natural resources that are sold globally, at low prices and unrefined. (Arya, 2000)
  - Look regionally and traditionally for industrial solutions rather than pre emptively looking to northern markets for expensive technologies and. For example, explore the use of organic fertilizers and technologies rather than

- chemicals and pesticides from abroad, which are being smuggled in to the region.
- Monitor the trading of restricted items such as chemicals and pesticides, hazardous wastes, obsolete and dirty technologies and of course better manage internal control mechanisms.
- Avoid the complacency of the post Seattle attitude that lingers in the developing world and prepare for the challenges to be faced in the days ahead.
  - The USA will not let go of linkages so easily. Geneva will see another attempt.
  - Need to prepare an alternate agenda should labor and environment be brought into the picture (push for WEA and more teeth to the ILO).
- **TO SHOW UNITY**, even though there is not a common position on everything.
  - Keep transparency among the group and open communication,
  - Keep linkages with other developing countries whose interests are similar and also different on various issues (South America, African group, Caribbean group, etc.).
  - Enhance awareness within their own countries, among institutions and civil society.
- Push for the downsizing of IMF, World Bank and WTO organizations in favour of more developing nation friendly organizations such as the UN and UNCTAD.
- Push for negotiating processes within the WTO that will equally leverage rich nations with the interests of like - minded developing nations. Perhaps joint negotiations on certain issues where multiple countries can be represented by one expert team of negotiators (Lal Das, 1999). Also, the creation of intergovernmental agencies (as possible perhaps within the UN and UNCTAD frameworks) that could address specific issues at the country specific level as to identify and minimize negative impacts.

Pakistan may take advantage of win-win situations on an individual basis, using full discretion when foreign companies export adequate via joint ventures. Pakistan should support initiatives which will:

- Reduce Northern tariff and non tariff barriers on products of interest to our economy, namely cotton, textiles and processed goods;
- Shelter local firms and farmers from stiff competition from larger MNCs.
- Allow governments to retain 'economic sovereignty' and control over the business dealings within their economies, (Regulation of capital flows is necessary as well as the establishment of proper economic structures);
- Support and develop (in a sense of organization and benefits of collective action) indigenous farming and labour intensive business practices (An environment that promotes entrepreneurship, reward for hard work and high savings ratios spurred growth in East Asia). Elevate and strengthen the position of ASEAN so that it can respond better in times of crisis, rather than strengthen the IMF to create contingencies funds.
- Furthermore, resist threats to the preceding such as patentability, IPRs and biological resources (with respect to agriculture, health care & drugs, (revise article 27.3b as common with other developing nations), ;
- Resist free capital mobility as the North resist free labour mobility;
- Keep environmental and social 'enforcements and influences' out of the WTO ;
- Provide technical assistance through the WTO (Article 67 of TRIPS and treatment of 'Net Food Importing Southern Countries' of Agriculture) to allow for the identification of impacts of implementing agreements from the Uruguay Round.

Pakistan should also insist, along with other Southern states, that all processes and meetings, general or small group, be transparent, slow in pace, and available for civil society to advise and comment on.

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