

# **The WTO Regime and its Possible Implications for Pakistan**

*by*

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## List of Abbreviations

ACP	African, Caribbean and Pacific Group
ADB	Asian development Bank
AOA	Agreement on Agriculture
ASEAN	Association of South East Asian Nations
DSB	Dispute Settlement Body
EC	European Commission
EU	European Union
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
IFIs	International Financial Institutes
IMF	International Monetary Fund
IPRs	Intellectual Property Rights
ITO	International Trade Organisation
LDCs	Least developed countries
MEAs	multilateral environmental agreements
MERCOSUR	the Southern Common Market
MFN	Most Favored Nation
NAFTA	North American Free Trade Agreement
NFIDCs	Net Food Importing Developing Countries
NGO	Non-Governmental Organisation
SAARC	South Asia Association for Regional Cooperation
SELA	Latin American Economic System
SPS	Sanitary and Phyto-sanitary Measures
TRIPs	Trade related Intellectual Property Rights
UK	United Kingdom
UR	Uruguay Round
USA	United States of America
WTO	World Trade Organisation



# The WTO Regime and its Implications for Pakistan

Dr. Abid Qaiyum Suleri

## **Abstract**

*This paper examines the historical background of multilateral trading system. It explains the basic principles of trade under World Trade Organization (WTO) and differentiates WTO agreements from “WTO organization”. It also problematizes the critical question, “Why the developing countries are not able to benefit from WTO regime” in the context of WTO-IFIs nexus. This paper discusses the power game of the Bretton Wood institutions as well as the power tactics used by major trading nations in WTO. It also analyses the coping strategies adopted by developing countries. The paper emphasizes on greater transparency and democratic governance of and about WTO not only at multilateral level, but also at national level. It also explores the possible implications of “Post\_Cancun Scenario” on developing nations. It suggests several proposals for Pakistan to devise national level policies to get integrated into multilateral trading system, thus effectively take part in negotiations or forward proposals at the international level.*

## **1. Introduction Economic Revival After World War II**

International community started its efforts for an economic revival immediately after the World War II. Two institutions were established in Bretton Woods (USA) namely the World Bank and International Monetary Fund (IMF). The World Bank was established in 1944 with the objective of lending money and funding projects in needy countries to alleviate poverty (Suleri, 2002a). Whereas, the IMF (established in 1945) was designed to stabilize international exchange rates and promote foreign exchange cooperation at a time when the gold standard was beginning to fail as means of stabilizing currency values (Suleri, 2002a). A need to create a third institution for regulating trade matters to enhance international economic cooperation was also felt. The basic plan in this regard, as envisaged by over 50 countries, was to create an International Trade Organization (ITO) as a specialized agency of the United Nations. While the charter of ITO was being negotiated, 23 (Pakistan and India also joined this club after independence in 1947, and hence are the founders of GATT) of the 50 participants decided in 1946 to negotiate to reduce and bind customs tariffs. The first round of negotiation resulted in 45,000 tariff concessions affecting \$10 billion of trade (WTO, 2001). The 23 countries also agreed to “provisionally” accept some of the trade rules of the draft ITO charter. The combined package of trade rules and tariff concessions was known as the General Agreement on Tariffs and Trade (GATT). GATT entered into force in January 1948, while the ITO charter was still being negotiated. Although the ITO charter was finally agreed at the UN conference on Trade and Employment in Havana in March 1948, ratification by some national legislatures proved impossible. Because of the opposition of the US Congress to outside interference in trade policy, the ITO proved dead in 1950. Even though, it was provisional, the GATT remained the only multilateral instrument governing international trade from 1948 until the World Trade Organization (WTO) was established in 1995.

## 2. From GATT to WTO

For almost half a century, the GATT's basic legal text remained much of the same as it was in 1948. There were additions in the form of "plurilateral" agreements (i.e., with voluntary membership), and efforts to reduce tariffs further continued through a series of multilateral trade negotiations known as "trade rounds" (Das, 1998). In the early years, the GATT trade rounds concentrated on further tariff reduction. The "Tokyo Round" during the seventies was the first major attempt to tackle non-tariff trade barriers. The eighth, the Uruguay Round of 1986-1994, was the latest and most extensive of all. It led to formulation of the WTO and a new set of agreements (Das, 2002).

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

Source: (<http://www.wto.org>)

It took seven and a half years to conclude Uruguay Round (UR). The final push for a world trade body during the negotiation of the UR came from a number of directions. The European Union (EU) countries favored a world trade body to help contain the US, while the US, favored a body to regulate everyone else (other than the USA). Developing countries were in a dilemma. On the one hand, a world trade body might afford them protection from stronger developed country traders. On the other hand, they feared that the new body could be used by developed countries to impose their will more effectively (Evans, 1996).

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

The WTO Agreements subsumed the old GATT with all the amendments and decisions taken by it till 31 December 1994 (now called GATT 1994). Apart from trade in goods, they cover services and intellectual property as well (WTO, 2003).

### WTO and GATT: The main differences

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

### 3. Principles of the trading system in WTO

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

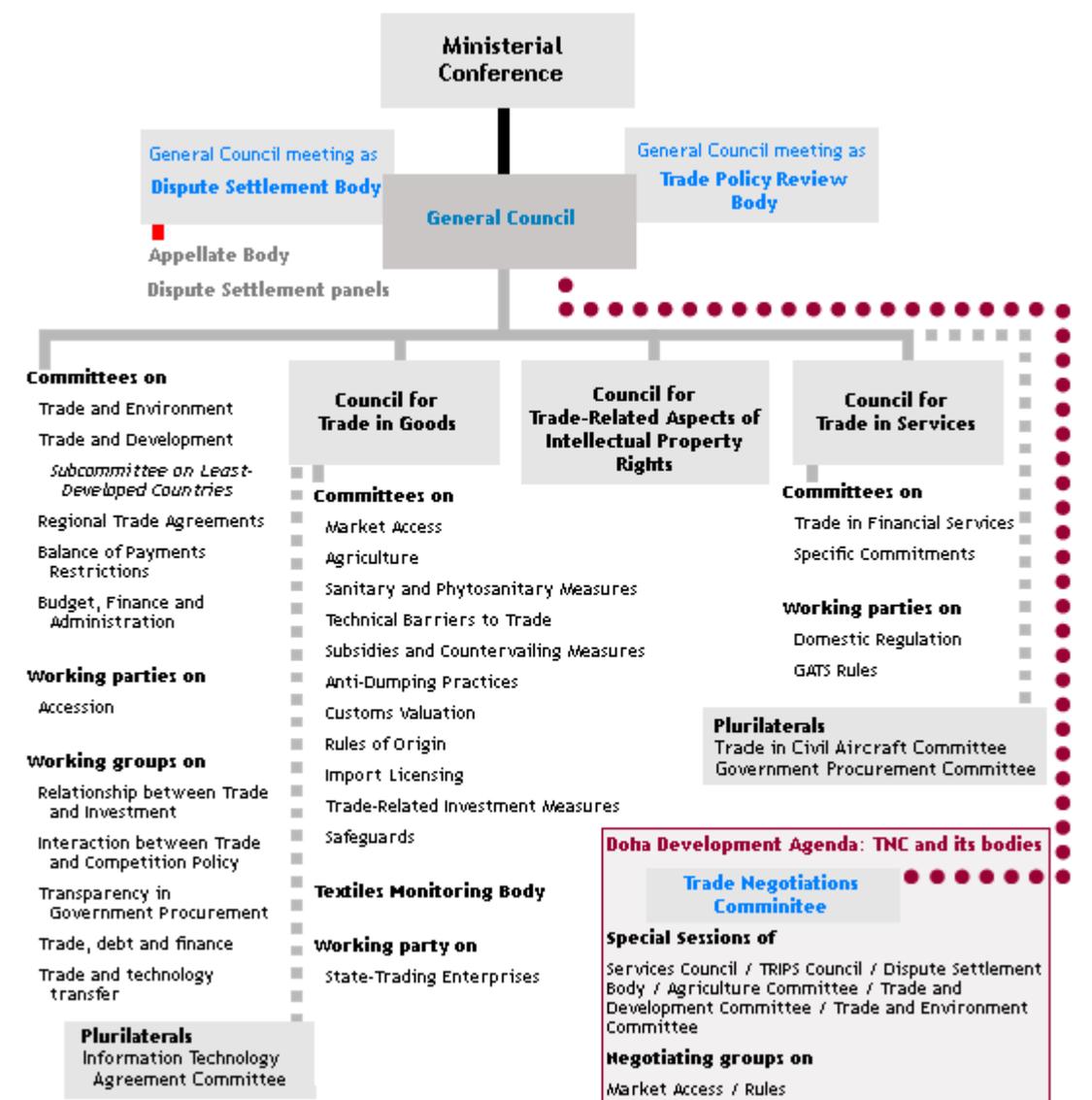
- **without discrimination** – a country should not discriminate between its trading partners (they are all equally, granted “most favored nation” or MFN status). It should not discriminate between its own and foreign products, services, or nationals (they are all given “national treatment”);
- **freer** – with barriers coming down through negotiation;
- **predictable** – foreign companies, investors and governments should be confident that trade barriers (including tariffs, non tariff barriers and other measures) would not be raised arbitrarily; more and more tariff rates and market-opening commitments are “bound (promising to raise)” in the WTO.
- **more competitive** – by discouraging “unfair” practices such as export subsidies and dumping products at below cost to gain market share;
- **more beneficial for less developed countries** – by giving them more time to adjust, greater flexibility, and special privileges.

### 4. How does WTO work?

- The WTO is headed by Ministerial conference that is held once every two years and is the main decision-making body in the WTO. The conference consists of all member states and each country has an equal vote.
- Immediately below the conference sits the General Council. The council is responsible for day to day functioning of WTO and meets as appropriate between Ministerial Conferences, again each member state has an equal vote. The council also oversee the work of the Dispute Settlement Body (DSB) and the Trade Policy Review Mechanism.
- Three further councils; for Trade in Goods, Trade in Services, and TRIPs work under the General Council. Each of these three councils establishes subsidiary bodies for the operation of the various agreements.
- Five further committees; Committee on Trade and Development, Committee on Trade and Environment, Committee on Regional Trade Arrangements, Committee on Balance of payment, and Committee on Budget, Finance and Administration are established by WTO (please see WTO organizational Chart).

### WTO Organizational Chart

All WTO members may participate in all councils, except for Appellate Body, Dispute Settlement panels, Textile Monitoring Body, and plurilateral committees and councils.



- Key**
- Reporting to General Council (or a subsidiary)
  - Reporting to Dispute Settlement Body
  - ■ ■ Plurilateral committees inform the General Council or Goods Council of their activities, although these agreements are not signed by all WTO members
  - ● ● Trade Negotiations Committee reports to General Council

The General Council also meets as the Trade Policy Review Body and Dispute Settlement Body.

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

**Voting Principles in WTO**

Voting	
Principle	One member, one vote
Primary aim	Consensus
No consensus	Majority vote
Interpretation of agreements	¾ in favor
Amendment to agreements	2/3 in favor
Propose amendments	Countries and Councils

## 5. Where does the power lie?

An organization is only as powerful as its members allow it to be and the WTO is no exception. Theoretically WTO operates on a “one member one vote” principle. However, over the last 8 years of WTO functioning, it has become evident that some members are more equal than others! In reality the major trading powers will have more influence over the decision making than the smaller trading nations. The former tend to make the most of “loose nature of” WTO agreements when it comes to interpretation of agreements. Moreover, the individual councils overseeing the agreements often play out the balance of the Ministerial Conference in miniature. Moreover, most of the developing countries are forced to adopt WTO-plus agenda due to the pressure/influence of international financial institutions (ADB, IMF, World Bank etc.). These international financial institutions are in turn being run by major trading powers (Box on next page). Thus whatever is difficult to achieve within WTO may be achieved through IMF, or the World Bank (Suleri, 2002a).

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

## WTO: where does the power lie? (Suleri, forthcoming)

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

### The World Bank

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

The seven rich countries (Canada, France, Germany, Italy, Japan, UK & USA), have 45 percent of the voting power.

USA by virtue of its shares can veto any policy.

### International Monetary Fund

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

Chairman is always from EC

### Asian Development Bank

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

Japan and United States have 15.89 % shares, each.

Both of them can block any initiative.

## History and Context of the Protest

Although WTO is a member based/rule based organization, however, the notion that all are gainers and there are no losers in WTO regime has proven to be overly simplistic. Out of 148 members; some have comparative advantage in agricultural production, some are good in industrial production, some are good service providers, and many others have the potential but are not equipped with necessary infrastructure to make the most of it. Hence the WTO system cannot please all. Some countries have gained more than others; and many (especially the poorest countries) have not gained at all. The situation is further worsened by the fact that major trading partners are unable to fulfill their initial commitments of taking care of the interests of developing countries.

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

The Northern NGOs on the other hand are more concerned about the social standards (for example environmental and labor standards) and demand a clearer linkage between trade and social standards. (Suleri, 2001)

## 6. Grouping and alliances

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

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

Among other groupings which occasionally present unified statements are the **Latin American Economic System (SELA)** and the **African, Caribbean**

**and Pacific Group (ACP)**. More recent efforts at regional economic integration have not yet reached the point where their constituents frequently have a single spokesman on WTO issues. Examples include the **North American Free Trade Agreement: NAFTA** (Canada, US and Mexico) and **MERCOSUR: the Southern Common Market** (Brazil, Argentina, Paraguay and Uruguay).

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

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

Two important groups that emerged during 5<sup>th</sup> Ministerial Conference at Cancun, include **G-20 plus** and **Strategic Products group(SP)**.

G-20 plus was led by India, Brazil, China and South Africa and it demanded greater protection for agricultural products of developing countries. On the other hand SP group was also an alliance of developing countries, demanding for greater protection for those agricultural products that have strategic importance for developing countries. Pakistan was a member of both of these alliances. G-20 plus proved quite effective during Cancun negotiations.

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

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

### **Possibility of having a common SAARC position in WTO**

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

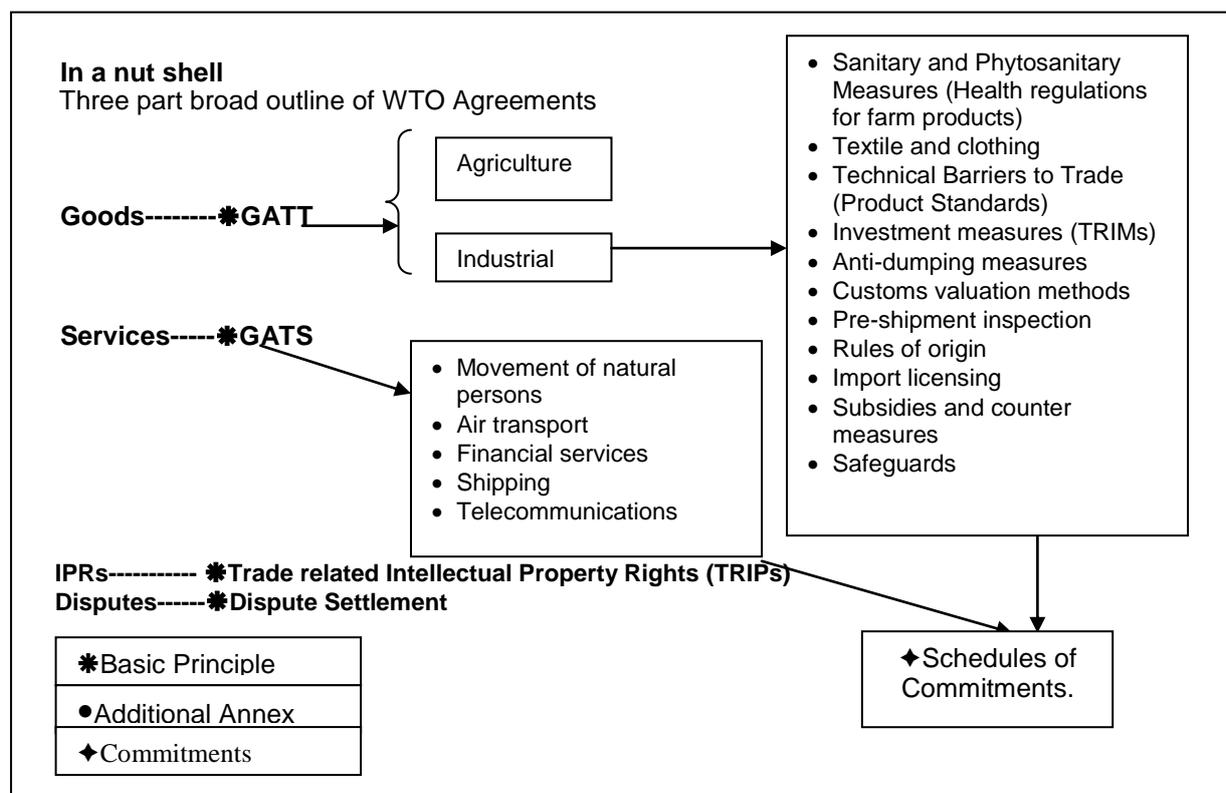
However, India, Pakistan and Sri Lanka are active in likeminded group and there are times when they take a common stance. Till Doha, SAARC trade ministers use to meet and discuss their stances for ministerial meeting. However, this could not happen for Cancun and the attempts to hold meeting of SAARC trade ministers were not materialized mainly due to lack of interest from India.

## 7. Broader Outline of the WTO Agreements

The agreements for the two largest areas of trade – goods and services – share a common three-part outline, even though the details are sometimes quite different.

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

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



Source: WTO, 2003a

## 8. Important Agreements under WTO

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

### 8.1: WTO and Tariff reduction commitments

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

### 8.2 Agreement on Agriculture

This is the most controversial arena of world trade. It asks for reduction in tariffs (enhanced market access), as well as reduction in subsidies (both import and export subsidies). It is being implemented over a six-year period (10 years for developing countries) that began in 1995. Initially it was promised in the Marrakesh Agreement that any adverse impact of this agreement on developing countries' food security situation would be taken care of. However, developing countries soon realized that the major trading powers while forced them to open up their markets, kept on practicing their protectionist policies by using various measures that allowed continuation of subsidies/ direct grants to their farmers (Suleri, 2003). During UR participants agreed to initiate negotiations for continuing the reform process one year before the end of the implementation period. The negotiations are now underway and apparently in a deadlock situation due to huge differences among member states on subsidies and concessions. (Mainly between G-20 and the US, something that is partially blamed for collapse of Cancun Ministerial).

The reductions in agricultural subsidies and protection agreed in the Uruguay Round.		
LDCs do not have to make commitments to reduce tariffs or subsidies.	Developed countries 6 years: 1995–2000	Developing countries 10 years: 1995–2004
Tariffs Base level was the bound rate before 1 January 1995; or, for unbound tariffs, the actual rate charged in September 1986.		
average cut for all agricultural products	–36%	–24%
minimum cut per product	–15%	–10%
Domestic support (base period: 1986–88)		
total AMS cuts for sector	–20%	–13%
Exports (base period: 1986–90)		
value of subsidies	–36%	–24%
subsidized quantities	–21%	–

(Gallagher, 2000)

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

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

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

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

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

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

### 8.3: **Textiles**

Textiles, like agriculture, is one of the hardest-fought issues in the WTO, as it was in the former GATT system. Multifibre arrangement was taken over by Agreement on Textiles and

Clothing on 1 January 1995. The system of import quotas that has dominated the trade since the early 1960s is being phased out and from 1 January 2005, there would be no quotas left on trade in textile. It can be a challenge as well as an opportunity for the developing countries. After 2005, it would be clearly the “survival of the fittest”. *Developing countries are scared of the possibility that developed nations may use the excuse of standards to restrict their exports after 1 January 2005.*

#### **8.4: Trade in Services**

The agreement covers all internationally traded services. This includes all the different ways of providing an international service — GATS defines four types of services:

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

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

#### **8.5: Intellectual property (IP): protection and enforcement**

The Uruguay Round brought intellectual property rights — copyrights, trademarks, patents, etc — into the GATT-WTO system for the first time. The new agreement tackles five broad issues: how the trading system’s principles should be applied to intellectual property rights, how best to protect intellectual property rights, how to enforce the protection, how to settle disputes, and what should happen while the system is gradually being introduced. The agreement provides for the protection of the rights of the IPR-holders, whereas there is hardly any provision specifically for the rights of the users of IP. *Developing countries perceive TRIPs problematic when it comes to IP protection of Pharmaceutical as TRIPs ignores the socio-economic background and difference in the purchasing powers among various economies.* Article 27-3(b) of the TRIPs oblige WTO member countries to provide some form of IP protection on plants, animals, and biological processes and new varieties of plants. *This again is a gray area for developing countries who can see their food security under threat with the patenting of agricultural inputs.*

#### **8.6: Anti-dumping, subsidies, safeguards: contingencies, etc**

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

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

*However, there are lot of deficiencies and imbalances in this agreement and developing countries often complain that “anti-dumping, subsidies, and safeguard measures are not only*

*used as market distorting measures but also as a form of protectionism by major trading nations.*

### **8.7: Non-tariff barriers: technicalities, red tape, etc**

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

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

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

#### **Apparently WTO seems biased against Developing Countries. If it is that bad then why developing countries such as Pakistan should be members of WTO?**

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

#### **Developing countries role in the WTO?**

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

### **9: WTO Ministerial Conference**

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

The Ministerial Conference is the organization's highest-level decision-making body. It meets "at least once every two years", as required by the Marrakesh Agreement Establishing the World Trade Organization — the WTO's founding charter. Trade, foreign, finance and agriculture Ministers from more than 120 WTO member governments and from those in the process of acceding to the WTO participated in a Ministerial Conference in Singapore from

9 to 13 December 1996. The Conference was the first since the WTO entered into force on 1 January 1995. It included plenary meetings and various multilateral, plurilateral and bilateral business sessions. These examined issues related to the work of the WTO's first two years of activity and the implementation of the Uruguay Round Agreements. This conference mandated the establishment of working groups to analyze issues related to **investment, competition policy, and transparency in government procurement**. It also directed the Council for Trade in Goods to “undertake exploratory and analytical work on the **simplification of trade procedures** in order to assess the scope for WTO rules in this area.” Most developing countries were unconvinced of the necessity or value of negotiating multilateral rules on these issues (commonly known as **Singapore Issues**), which they see as being of primary interest to developed economies.

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

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

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

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

Doha Work Program is heavily overloaded especially for the developing countries. Almost all the major items of the UR (agriculture, services, subsidies, antidumping, regional trading arrangements, dispute settlement, industrial tariffs and some aspects of TRIPs) form part of the negotiation in the work program. Environment has also been included in the subjects of negotiation. Besides intense work on “Singapore issues” as well as on the area of electronic commerce is also a part of Doha round. The short time span of three years set for this work makes the task particularly difficult for the developing countries.

The fifth WTO Ministerial Conference was held in Cancun, Mexico from 10 to 14 September 2003. It was basically a stocktaking exercise of Doha Work Program. The meeting closed without any agreement.

Singapore issues proved to be the breaking point. EU, US and Japan wanted to start negotiation on these issues whereas the developing countries resisted this move taking the plea that explicit consensus, a prerequisite to start these negotiations, was lacking. Eventually the meeting was closed and the ministers agreed to convene a meeting of General Council before 15<sup>th</sup> December 2003 in Geneva where important decisions would be made.

### The Subject Listed in the Doha Declaration and Key dates

<b>Implementation</b>	Negotiations on outstanding implementation issues shall be an integral part of the Work Program.
<b>Agriculture</b>	Deadline: by <b>1 January 2005</b> , part of single undertaking.
<b>Services</b>	Deadline: by <b>1 January 2005</b> , part of single undertaking
<b>Market Access (Non-Agriculture)</b>	Deadline: by <b>1 January 2005</b> , part of single undertaking
<b>Anti-Dumping</b>	Deadline: by <b>1 January 2005</b> , part of single undertaking
<b>Subsidies</b>	Deadline: by <b>1 January 2005</b> , part of single undertaking
<b>Regional Agreements</b>	Deadline: by <b>1 January 2005</b> , part of single undertaking
<b>Environment</b>	Deadline: by <b>1 January 2005</b> , part of single undertaking
<b>Investment</b>	} Negotiations: after <b>5th Ministerial Conference, 2003</b> (in Mexico) “on the basis of a decision to be taken, by explicit consensus, at that session on modalities of negotiations” with deadline: by <b>1 January 2005</b> , part of single undertaking
<b>Competition</b>	
<b>Transparency in government procurement</b>	
<b>Trade Facilitation</b>	
<b>Dispute Settlement</b>	Initial Deadline of May 2003 was extended to <b>May 2004</b> , Separate from Single Undertaking.
<b>Intellectual Property</b>	Deadline: negotiation specifically mandated in Doha Declaration by <b>1 January 2005</b> , LDCs to apply pharmaceutical patent provision 2016.
<b>E-Commerce</b>	Report on further Progress: 5 <sup>th</sup> Ministerial conference 2003
<b>Small Economies</b>	General Council’s Recommendation: 5 <sup>th</sup> Ministerial
<b>Trade, Debt And Finance</b>	General Council’s Report: 5 <sup>th</sup> Ministerial conference 2003
<b>Trade And Technology Transfer</b>	General Council’s Report: 5 <sup>th</sup> Ministerial conference 2003
<b>Technical Cooperation</b>	Director General’s report: 5 <sup>th</sup> Ministerial conference 2003
<b>Least-Developed Countries</b>	Report to General Council: <b>early 2002</b>
<b>Special &amp; Differential Treatment</b>	Recommendations to General Council: <b>early 2002</b>

**Single undertaking:** Virtually every item of the negotiation is part of a whole and indivisible package and cannot be agreed separately. “Nothing is agreed until everything is agreed”.

### What does it entail for Pakistan after 1 January 2005

**There is a lot of misunderstanding that WTO would start implementing from 1<sup>st</sup> January 2005.** WTO agreements that were the part of UR subjects (Tariffs, Non-tariff barriers, Natural resource products, Textiles and clothing, Agriculture, Topical Products, GATT articles, Tokyo Round codes, Anti-dumping, Subsidies, Intellectual property, Investment measures, Dispute Settlement, The GATT system, and Services) were signed in April 1994 in Marrakesh and all member states including Pakistan has to abide by all of them. Thus the life cannot be any worst as for as the existing WTO agreements are concerned.

**The negotiations on the implementation of these agreements are to be finalized by 1 January 2005.** For Pakistan, this is also the deadline for fulfilling the reduction commitments under Agreement on Agriculture (AOA). However, we have already gone beyond from our commitment and are not providing the agricultural subsidies not because of the AOA, but due to our financial constraints and our bilateral agreements with various IFIs.

**From 1 January 2005, the “textile quota regime” would be over.** This provides us

## **10: Recommendations: Pakistan's Negotiating Strategy for Post-Cancun Talks**

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

### **10.1: Agriculture**

After the Doha Round, agriculture continues to remain one of the most contentious issues. The end of March 2003 deadline for establishing modalities in agricultural negotiations could not be achieved owing mainly due to differences among industrial countries on the nature and magnitude of farm subsidy reduction. However, EU & US were able to bridge their differences and floated a joint proposal for Cancun Ministerial Conference. This provoked a strong reaction from developing countries who (dubbed as G-20) sought far-reaching concessions from developed countries on domestic and export subsidies, as well as broader market access commitments regarding export products of interest to developing countries. They also advocated smaller tariff cuts for developing countries.

It is said that a deal on agriculture was "nearly there" in Cancun. As the talks collapsed over the Singapore issues before agriculture was even addressed, it is difficult to know what was on offer.

The developing countries have put forward several signs of flexibility in recent weeks while the EU & US have showed themselves less sanguine to make concessions (ICTSD, 2003).

In present scenario Pakistan should remain active in G-20 group and should seek to renegotiate the categories of boxes and the way the domestic deductions are estimated, since many of the exempted categories could be equally price distorting. Further, given the context of high trade distortion being practiced by developed countries, a reduction in import tariff and their bindings by Pakistan should be considered only after a substantial reduction in trade distorting domestic and export subsidies by the industrial countries has been achieved. Pakistan should also ask for removal of all kind of export subsidies provided by developed countries. In the recent Common Agricultural Policy reforms, EU has committed that there is need to reduce subsidies provided under Blue Box, this proves that subsidies provided under Blue Box are not justifiable and were as trade distorting as the subsidies provided under Amber Box. Pakistan needs to re-emphasize the idea that it floated in Doha Ministerial Conference, i.e., inclusion of Development Box (no support reduction commitment for food security products of developing countries).

## **10.2: TRIPs**

The Council for TRIPs is currently deliberating on a number of contentious issues. Pakistan should reiterate its earlier position on compulsory licensing and parallel imports which should be permitted for all developing countries, covering all infectious disease in case of national emergencies. Further, it should be developing countries' prerogative to determine what constitutes a national emergency.

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

## **10.3: Singapore Issues**

Pakistan should reiterate its earlier position that these issues should be taken up once substantial progress has been achieved in implementation issues. Pakistan should say no to any discussion on New Issues including Singapore issues, given the burden of the existing agenda on the scarce resources and capacity of the South Asian countries, and emphasize that the implications of these issues on the livelihoods of the poor in developing countries need to be better understood.

## **10.4: GATS and Movement of natural Person**

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

## **10.5: Trade and Environment**

European Union pushed by Japan, Norway and Switzerland is the major advocates of inclusion of environmental issues in WTO regime. In Doha, the members agreed to analyze the individual MEAs, and to identify a relationship between MEAs and various trade rules.

The negotiations are also going on to agree on a criterion of granting observer status to various MEAs in WTO. Developing countries are resisting linkages of trade and environment since Doha and Pakistan should keep on doing so in Cancun.

The Cancun collapse has proved that trade agreements can't be negotiated until the voices of developing countries are not given proper weightage. Pakistan should avail this opportunity and should not compromise on any issue that affects its interests.

## **11: Conclusion**

Multilateral trading system, when viewed in historical context and in the backdrop of extent of benefits accrued to developing countries, reveals lack of transparency and democratic governance. However, the same stands true when it comes to policy making process at national level in many developing countries including Pakistan

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

Most of the positions taken on WTO issues in Pakistan lack an empirical research and are based on assumptions. While, one should be proud of the fact that our permanent mission in WTO Geneva is well articulated and competent, the point of dissatisfaction is that our positions on various agreements are never debated in public and stakeholder' opinions are not sought before formulating a negotiating strategy. This results not only in non-participatory and non-transparent mechanism of policy making but also manifests itself in strange and sometimes comical ways. Take for example the case of two ministries, Ministry of Commerce and Ministry of Finance, who took contradictory positions on WTO in 2001 just after Doha Ministerial Conference. The radical position taken by our commerce minister at Doha in November 2001 was totally reversed when the finance minister signed an "agricultural structural reforms" loan agreement with Asian Development bank. In Doha Pakistan emerged as champion of development box demanding for provisions for developing countries to keep on supporting the producers of national food security crops in the form of subsidies and high tariffs. However, the finance minister signed the loan agreement and retreated from everything that Pakistan was demanding in the development box.

Similarly Ministry of Commerce neither consulted, nor revealed Pakistan's official stance for Cancun Ministerial Conference. So much so that the names of the official delegates for Cancun were never made public.

This attitude reflects lack of trust and confidence between policy makers and other Stakeholders. One cannot succeed in achieving 'good governance' at international level unless and until a model governance system is adapted at national level.

The decision making process in developing countries should be different from the decision making process in WTO, Geneva. Otherwise we would never get benefit from the opportunities offered by WTO regime.

In this regards, it is pertinent to mention that parliamentarians must take a lead in policy formulation and issues of national importance must be debated in the parliament.

It is true that during Doha Ministerial Conference, there was no parliament in Pakistan. However, now we have a parliament and it is good to note that upon recommendation of SDPI and other like minded groups:

- Special Task Forces on WTO issues have been established in both the National Assembly as well as in the Senate. These Task Forces comprise the representatives from all political parties.  
The decision on what stances our delegation should take in WTO must route through the Parliament.

Let us strengthen the democratic values at national front, if we want to achieve something at international front.

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