Unpacking the Agreement on the Application of Sanitary and Phytosanitary Measures; Case of Pakistan

Syed Qasim Ali Shah

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Unpacking the Agreement on the Application of Sanitary and Phytosanitary Measures; Case of Pakistan

Syed Qasim Ali Shah

Abstract

Standards in agricultural products, not new in international trade, were present before and after GATT. They are now part of the WTO agreements. The decrease in tariffs has increased the importance of sanitary and phytosanitary standards in agriculture trade. At the same time, greater reliance on standards in agricultural products by developed countries is making trade difficult for the developing and least developed countries. This paper gives a brief introduction of WTO Sanitary and Phytosanitary Agreement. It highlights various issues faced by the developing countries’ exporters in the developed countries’ markets due to standards, and demonstrates that in some instances, standards are being used as a protectionist tool by the developed countries. It cites various case studies that show exports from Pakistan have been affected due to non-compliancy with these standards. Lastly, the paper suggests various approaches for the developing countries, such as Pakistan, to protect their export markets and offset the impact of stringent sanitary and phytosanitary measures.

Introduction

Since the establishment of General Agreement on Tariffs and Trade (GATT) in 1947, there has been a lot of emphasis on tariff reduction and conversion of non-tariff barriers into tariffs for providing equitable trading opportunities to all member countries. The dismantling of tariffs has enormously increased the importance of other protection measures; the sanitary and phytosanitary (SPS) measures are most important. Under the ambit of World Trade Organization (WTO), SPS is an extension of the Agreement on Agriculture (AoA) to ensure trade in safe agricultural products. The underlying objective was to lower the use of SPS measures as a protectionist device.

According to the SPS agreement, the measures can only be enacted to ensure safe food provision to consumers and to keep the environment healthy for plants, animals and humans. The measures cannot be used to eliminate or minimize competition for local markets from foreign goods and products.

A large number of people opine that the SPS measures, in one way or the other, restrict trade and provide protection to local producers. They deny market access to products originating from member countries that have a comparative advantage in production. However, the proponents point out the member governments can adopt these measures only to the extent necessary to protect human, animal and plant health. The agreement outlines procedure, which needs to be followed for the adoption of the SPS measures. The procedure states that each measure should be backed by some scientific principle and evidence. Therefore, before levying any SPS measure the governments are required to undertake proper risk assessment.

The SPS measures were brought under multilateral trading system for the provision of safe and healthy food for human consumption. The issue of food safety has become increasingly important in the developed
countries since the incidence of zoonoses. Today consumers and the environmental organizations in the developed countries are pressurizing their governments for higher standards in food trade.

Like other agreements of WTO, the agreement on SPS also calls for uniformity in application for all contracting parties. The basic principles of Most Favored Nation (MFN) and National Treatment (NT) remain to be observed. The SPS agreement also requires governments (in case there are a large number of measures which can be imposed) to objectively check detrimental effects from imported products. To limit the chances of trade distortion in the name of standards, all countries are required to observe standards set by international standards setting bodies, such as the Codex Alimentarius Commission (CAC), the Office International Epizootics (OIE) and the International Plant Protection Convention (IPPC). However, the agreement permits governments to set standards higher than these bodies if there is a rationale for it.

Under the agreement on the SPS measures, member countries can enact these measures:
- To protect human or animal life from risks arising from additives, contaminants, toxins or disease causing organisms in their food
- To protect human life from plant or animal carried diseases
- To protect animal or plant life from pests, diseases or disease causing organisms
- To prevent or limit other damage to a country from the entry, establishment or spread of pests

The SPS agreement includes sanitary and phytosanitary measures to protect the health of fish, wild fauna and flora, and forests. However, other measures specifically taken for environmental protection (other than above defined) or for the welfare of animals are not covered under the SPS agreement (WTO 2002).

**History of the SPS measures**

SPS measures are not new in trade in agriculture commodities; plant and animal quarantine rules have been in place for centuries. The earliest case of dealing with pest problems through legal action was in the Rouven District of France in 1660 (Kafi, 2000).

Under the multilateral trade agreements, in GATT 1947, article 20 (b) provides the basis for the SPS measures. Initially in the Tokyo Round (1974-79) of multilateral trade negotiations, Agreement on Technical Barriers to Trade, commonly called “Standards Code”, was agreed upon. The governments, which signed it, agreed to use relevant international standards, e.g. for food safety developed by Codex Alimentarius Commission. However, the agreement was not primarily designed for regulating the sanitary and phytosanitary measures. It only covered technical requirements required for food safety, and animal and plant health measures, including pesticide residue limits, inspection requirement and labeling. Pakistan was among the first 46 countries that signed and ratified the agreement. Of the 46 countries, only Argentina did not ratify it (WTO 2002).

Two factors gave impetus to the creation of the SPS agreement during the Uruguay Round. First, the Standard Code was seen as insufficient, fundamentally flawed to avoid increasing tension between trading partners. The Standards Code was a separate agreement and only half of the signatories of GATT signed it. Second, as liberalization of ordinary trade barriers like tariffs and quotas progressed further during the Uruguay Round, and was extended to agricultural trade, there was a risk that the SPS measures could be used for protectionist purposes (Jensen, M.F 2002).

The SPS agreement first appeared on the agenda of GATT during the Uruguay Round in 1986. Few developing countries were actively involved in the negotiations apart from the ones that were members of the
Cairns Group. It is important to emphasize that if the developing countries had participated proactively in these negotiations, an effective SPS agreement could have been arrived at for ensuring market access for them. The concerns of developed countries, most notably which had major export interest, like the US, EU and members of the Cairns Group, were the driving force behind the negotiations. As a result, they were able to shape the agreement according to their wishes.

In December 1988, at the time of Mid Term Review of the Uruguay Round, a working group on sanitary and phytosanitary regulations was established. The group produced the first draft in 1990. Most of the recommendations were those that were forwarded by members during the GATT Mid Term Review in 1988. At one stage, negotiations halted on all issues due to deadlock in trade talks in agricultural products. To end the deadlock, in December 1991, director general GATT issued the famous proposal known as “Dunkel draft.” The draft contained proposals on sanitary and phytosanitary issues. Dunkel text largely followed the draft proposal which emerged during the consultations of the working group in 1990. The final draft of the SPS agreement, which is today part of WTO multilateral agreements, is largely based on this text. The agreement on the Application of Sanitary and Phytosanitary Measures came into effect on January 1, 1995 with the establishment of WTO.

There are many exemptions in various WTO agreements for environmental protection as well as for keeping plants, animals and humans free from diseases. Some of the agreements like Trade Related Intellectual Property Rights (TRIPs), Agreement on Agriculture (AoA), General Agreement on Trade in Services (GATS) and Subsidies and Countervailing Measures (SCM) contain clauses which give member countries right to ban trade with other member countries if there is an apprehension of spread of disease in animals, plants or humans (For detailed review of the provisions provided under different agreements, please see Annex 3).

**Difference between SPS and TBT Agreement**

SPS measures contain all measures adopted to protect human life from risks arising from additives, toxins, plant and animal carried diseases; animal life from risks arising from additives, toxins, pests diseases, disease causing organisms; plant life from risks arising from pests, diseases, disease causing organisms; and a country from risks arising from the damage caused by the entry, establishment or spread of pests. Measures adopted for other purposes, to protect human, animal and plant life are subject to TBT agreement. For instance, a pharmaceutical restriction would be a measure covered by the TBT agreement. Similarly labeling requirements related to the nutritional characteristics or the quality of a product falls under TBT agreement (For detailed review of all the provisions provided under different agreements, please see Annex 3).

**Salient features of the SPS Agreement**

There are two basic principles of the agreement. First, the principle of non-discrimination among the contracting countries is explained in the article 2.3. The principle is equivalent to GATT’s basic principle of the Most Favored Nation privilege. Second, the principle of Scientific Justification is given in the article 2.2 of

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1 The WTO agreement on Subsidies and Countervailing Measures (SCM), under article 8.2(C), provides countries right to offer “non-actionable subsidies” for the protection of environment, plant, animal and human health, but this provision was applicable only till December 31, 1999, and it was to be discussed later in SCM committee under article 31 of the agreement but no consensus was reached among the member countries for invocation of this clause.
the SPS agreement. It means that each SPS measure should be backed by scientific rationale, with certain exceptions provided in article 5.7.

Other important instruments provided in the agreement to achieve the goal include:
1. Risk Assessment
2. Rules for setting protection level
3. Exception “Precautionary Principle”
4. Harmonization
5. Equivalence
6. Regionalization
7. Transparency
8. Special and differential treatment for developing countries

1. Risk Assessment

Under articles 5.1 to 5.3, member countries are advised to ensure that proper risk assessment is carried out according to the techniques developed by relevant international organizations. The requirements of risk assessment, as defined by the agreement, are generally seen as high and stringent. Many developed countries with highly sophisticated standard infrastructure, including human capital and technical facilities, face substantial problem when they have to provide a risk assessment solid enough to be judged in conformity with the SPS agreement.

According to a study carried out in 1995 by National Research Council in the United States, the activities of testing laboratories in the US, which carry out conformity assessment evaluation, expanded by 13.5 percent a year during the period 1985-1992. After the total revenue collected from all firms involved in testing activities, the industry is estimated to involve around 10.5 billion dollars annually.

2. Rules for setting protection level

According to article 5.4 of the SPS agreement, member countries are required to determine an appropriate level of sanitary or phytosanitary protection, taking into account the objective of minimizing negative trade effects. Articles 5.5 and 5.6 of the SPS agreement nullify or avoid any arbitrary or unjustifiable distinctions in the levels it considers being appropriate. Moreover, these clauses ensure that such measures are not above the required protection level and are not trade restrictive. Japan Varietal is a case in point. Japan had imposed a high degree of restrictive terms and the United States took the case to the WTO Dispute Settlement Committee. The panel decision was against Japan. It stated: “The panel has recognized that Japan's varietal testing requirement is not supported by scientific evidence, is more trade restrictive than required and is non-transparent, (USTR, 1998).”

3. Exception “Precautionary Principle”

An exception has been provided in the agreement under article 5.7, giving member countries the right to restrict trade without sufficient scientific justification, and without carrying out proper risk assessment. The article stipulates that when there is insufficient scientific evidence, the member country can use measures based on “available pertinent information.” However, the article also states that these measures should be temporary in nature. The member must seek additional evidence and review the measures after a “reasonable period of time.”
Trade in Genetically Modified Food, Precautionary Principle; Pakistan National Perspective

The advances in biological sciences, especially in the field of biotechnology, have raised Intellectual Property Rights (IPRs) standards, which is a matter of grave concern within the developed and the developing countries. On the issue of strong IPR regime, the developed countries are united. However, trade, purchase and selling of Genetically Modified Organisms (GMOs) or their derivatives is prohibited in many developed countries, especially in the EU and Japan. Many of the developing countries in the South Asian region have banned trade as well as cultivation and propagation of GMOs in their territories.

Article 5.7 of the SPS agreement gives countries right to restrict trade in products even when scientific evidence for restriction is insufficient. Generally this is termed “Precautionary Principle.” The Beef Hormone case is the first example when this principle was applied. Another example is the Japan Varietal Case where Japan restricted trade by enforcing this article (Thorn, 2000). However in both the cases, appellate body as well as the panel rejected the claims of the claimants.

The EU has presented a proposal for interpretation of article 5.7 of the SPS agreement.

### European Union Proposal Concerning Criteria for the Application of Article 5.7

- The measure should be proportionate and no more trade restrictive than is required to achieve the level of protection which they have determined to be appropriate.
- The measure should not be discriminatory and therefore identical or similar situations should not be treated differently.
- The goal should be to achieve consistency in the application of the level of protection, by avoiding arbitrary or unjustifiable distinctions in the levels members consider to be appropriate in different situations.
- The measures adopted presuppose examination of the benefits and costs of action and lack of action. This examination must consider whether another measure is reasonably available, taking in to account technical and economic feasibility, that achieves the appropriate level of protection and is significantly less restrictive on trade.
- The measures, although provisional, may be maintained as long as a more complete risk assessment can not be conducted because of the scientific data remain incomplete, imprecise or inconclusive and as long as the risk is considered to be too high relative to the chosen level of protection. However, maintenance of the measures should depend on the development of scientific knowledge. Therefore, the regulatory authorities should re-evaluate the data and the measure once new scientific information is obtained.
- The measures should be based upon scientific evidence, coming from qualified and respected sources but not necessarily that of the majority of the scientific community.

Source: European Commission 2001

In July 2001, European Commission released its proposal for labeling and traceability regulations related to GMOs. The proposal was aimed at ending the European de facto moratorium on the GMO approval, which had been in place since mid 1997. The document not only called for mandatory labeling of any GMOs food/feed stuff but also for any food/feed which contains more than one percent ingredients derived from GMOs (ICTSD Bridges Vol. 5 # 29 July 2001).

The Cartagena Protocol on Biosafety also contains a clause similar to the “Precautionary Principle” in the SPS agreement, giving importing countries right to impose a ban on the import of Living Modified Organisms (LMOs), even if the evidence of adverse impact is insufficient. The Ministry of Food, Livestock, and Agriculture (MINFAL) started working on these lines in early 2002 and announced a temporary ban on the import and cultivation of GMOs in the country till the biosafety guidelines are approved and promulgated. Recently in a new development, Pakistan has enforced the guidelines after approval from cabinet. Through the Pakistan Biosafety rules, the government has banned the import, export, sale and purchase of living modified organisms, substances or cells and products thereof for any commercial purpose (Ministry of Environment, 2005).
4. **Harmonization**

The article 3 of the SPS agreement calls for harmonization of the standards. Article 3.1 suggests that members should base their sanitary or phytosanitary measures on existing international standards, guidelines or recommendations. The article also specifies the role of international standard setting bodies. As earlier mentioned such international bodies include the Codex Alimentarius Commission (CAC), the International Office of Epizootics (OIE) and the International Plant Protection Convention (IPPC). Article 3 also sets rules for the relationship between national and international SPS measures. However, article 3.3 clearly shows that international standards are not mandatory. The article provides a country’s right to choose a higher level of protection than international standards if a scientific justification is provided (For details of international standard setting organizations, please see Annex 2).

5. **Equivalence**

The article 4.1 of the SPS agreement states the SPS measures of the exporting country should be equal to that of the importing country’s level of sanitary and phytosanitary protection. Even if the measures are different but meet the ultimate objective of protection, they will be acceptable. The focus of the provision is on the outcome of the regulatory process rather than the form (Jensen, M.F 2002). However, implementation of the principle has so far been limited. This is a matter of great concern for the developing countries. Developing countries have often protested that the importing countries from the developed world demand “sameness” instead of equivalence, which in turn provides protection to the domestic producers. This issue will be discussed at length under the next heading. The SPS Committee in its decision on October 26, 2001 has further elaborated the article (WTO 2001a). The fourth WTO Ministerial Conference in Doha has also noted this decision in its declaration (WTO 2001b).

6. **Regionalization**

Recognizing the fact that there can be patches in the territories of a country where incidence of disease is null or low, the SPS agreement forbids horizontal bans on imports from the entire country. Upon provision of necessary evidence by the exporting country, importing members shall offer market access for products originating from areas, which are free from disease, or have low pest occurrence. However, the agreement confers the right of inspection, testing and other relevant procedures to the importing country. Thus article 6 of the SPS agreement has disabled the practice of banning exports on report of particular disease in the territories of a country, and it calls for recognition of pest or disease free areas of trading partners.

7. **Transparency**

Under article 7 of the SPS agreement, each member country is required to notify its SPS requirements to the WTO Secretariat. To make the whole process transparent, Annex B of the agreement provides detailed guidelines. Under these guidelines each country is required to publish regulations, as well as any change in the existing regulations, to enable interested members to become acquainted with them. Other rules include establishment of inquiry points, which are responsible for responding to questions from interested members and to provide documents about SPS regulations, risk assessment procedures, and any control and inspection procedures adopted within the country. Annex B also outlines notification procedures. To improve efficiency and speed of the notification procedures, many developed, and some developing countries, have proposed the
8. **Special and differential treatment for developing member countries**

A large number of provisions regarding special and differential treatment for the developing countries are provided in the SPS agreement. The provisions are:

<table>
<thead>
<tr>
<th>Provisions relating to Special and Differential Treatment for Developing Countries under SPS Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The preamble of the agreement recognizes the “developing country Members may encounter special difficulties in complying with the sanitary and phytosanitary measures of importing Members, and a consequence in access to markets, and also in the formulation and application of sanitary and phytosanitary measures in their own territories, and desiring to assist them in their endeavors in this regard;”</td>
</tr>
<tr>
<td>2. Under article 5.6 of the SPS agreement members are allowed to take in to account the “technical and economic feasibility” of SPS measures when choosing how to reach desired protection levels. This sentence is addressing the lower level of technical and economic capacity of developing countries (Jensen, F.M 2002).</td>
</tr>
<tr>
<td>3. Under article 9.1, members are required to provide “technical assistance” to developing countries either bilaterally or through international organizations.</td>
</tr>
<tr>
<td>4. Article 9.2 of the agreement calls for provision of necessary “technical assistance” to the exporting developing country, if the importing country introduces a “new SPS measure” where substantial investment is required for compliance to maintain the market access for the product originating from the developing country.</td>
</tr>
<tr>
<td>5. Article 10 of the agreement is about “special and differential treatment” the developing countries, and especially the least developed countries, are offered. Article 10.1 of the agreement states that special care must be exercised when preparing and applying SPS measure where developing country interests in general and least developed country interests in particular are involved.</td>
</tr>
<tr>
<td>6. Article 10.2 of the agreement offers developing countries longer “timeframe” for implementation of new SPS measures.</td>
</tr>
<tr>
<td>7. Article 10.3 of the agreement gives SPS Committee right to waive the adoption of certain specified measures of the agreement, which are time limited exceptions, upon request from developing member countries for their financial, trade and development needs.</td>
</tr>
<tr>
<td>8. Under article 10.4, members are urged for encouraging and facilitating the developing member countries for their active participation in international standard setting organizations.</td>
</tr>
<tr>
<td>9. Article 14 of the agreement offers a waiver in implementation deadline; for least developed countries the implementation can be delayed for a period of five years (until 2000). While the developing countries can delay the entry into force for a period of two years i.e. until 1997.</td>
</tr>
<tr>
<td>10. Article 8 of Annex B “exempts” developing countries from the demand of providing “copies of SPS” legislation.</td>
</tr>
<tr>
<td>11. Under article 9 of Annex B, WTO Secretariat is required to immediately circulate the copies of notification to the developing countries on the products of their particular interest and to international organizations; it should also draw the attention of developing member countries to these notifications.</td>
</tr>
</tbody>
</table>

**Issues of Concern for Developing Country Members**

According to an estimate, 128 million people could be drawn out of poverty if trade rules allow Africa, Latin America, East Asia and South Asia to increase their share of world exports by just one percent. In Africa, doing so would generate over 100 billion dollars - five times what the continent receives in aid and debt relief (Oxfam 2002). If we look at this scenario in the context of present trends, it would explain increased poverty in the developing countries such as ours. The increase in rural poverty can be linked with reduced agricultural exports from the developing countries to the developed countries. This is due to high tariffs employed on agriculture products, and huge subsidies provided by the developed countries to
their agriculture sector and stringent standards. For example, the share of agricultural exports in total merchandise exports of Pakistan has decreased from 19.2 percent in 1990 to 12.5 percent in 2001 and poverty has almost doubled during this period (WTO 2002).

It is also important to note that while the developing countries’ exports are decreasing, food import bills of most of them have increased from 50 percent to 100 percent or even more. According to a report of FAO, food import bills of Pakistan have increased by almost 50 percent, while those of India by more than 100 percent over the last decade (FAO, 2000). According to another estimate, the SPS measures have become an important protectionist tool. Since 1995 the number of SPS notifications to the WTO Secretariat has almost doubled. Most of the notifications were by the developed countries. The total number of SPS notifications has risen to 438 in 1999 from 220 in 1995.

Despite growing concerns that certain SPS measures may be inconsistent with the SPS agreement and could therefore unfairly impede the flow of agricultural trade, the developing countries are not positioned to address the issue. This may be due to lack of information on the measures that affect their exports. In fact, they are not even clear whether or not these measures are consistent with the SPS agreement. Moreover, they do not have any reliable estimates about the impact of such measures on their exports. Due to slow scientific advancement, they experience serious problems in scientific research, testing, conformity assessment and equivalency. At the same time, developing countries are unable to effectively participate in the international standard setting process, and therefore face difficulties when they are requested to meet SPS measures, in the foreign markets, based on these standards. Transparency related requirements also represent a problem for the developing countries, since they are unable to benefit from them due to lack of appropriate infrastructure. Knowledge about the exceptions and differential treatment and their benefits, such as provision of regional conditions, application of precautionary principle, mandatory provision of technical assistance to the developing member countries if a new SPS measure is in place etc., which can be of great use to the developing countries, has not been in place because of the difficulties related to special and differential treatment for developing countries. The issue of special and differential treatment has remained rather theoretical and apparently has not been materialized in any concrete step in their favor (Zarilli, 1999).

Those who maintain that SPS measures are used as a protectionist design point out that in many cases “tariff escalation” is replaced with “standard escalation.”

For example, in case of processed canned food, the levying of SPS measures on account of Aflatoxin in the spices. However, the fact is that spices constitute a negligible part of the whole food. Other example can be of husked rice and milled rice (Jha, 2002).

Similarly, “seasonal tariffs” have been replaced with “seasonal standards.” Usually in case of fruits and vegetables, at the time of harvest stringent standards are observed, while observation of standards during the off-season is not that stringent. In this regard, a number of case studies have been collected in a study conducted by UNCTAD (Jha, 2002).

The most pressing concern of the developing countries is their participation in standard setting process. While article 10.4 of the SPS agreement calls for encouragement and facilitation for active participation of the developing countries in the relevant international organizations, so far no concrete steps have been taken on this front. Because of their financial constraints and lower scientific advancement, the developing countries are unable to participate in the process. Many of the developing countries are unable to bear huge expenditures for stationing trade missions at WTO Secretariat in Geneva. Permanent representation in international standard setting organizations like Codex Alimentarius Commission, based
in Geneva, is impossible. Therefore, many of the developing countries, which are members of WTO, are not members of these international standard-setting bodies.

<table>
<thead>
<tr>
<th>Income group</th>
<th>Total countries</th>
<th>WTO</th>
<th>OIE</th>
<th>IPPC</th>
<th>CAC</th>
<th>Member of all organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Least developed</td>
<td>49</td>
<td>30</td>
<td>37</td>
<td>23</td>
<td>40</td>
<td>12 (24)</td>
</tr>
<tr>
<td>Low</td>
<td>63</td>
<td>44</td>
<td>59</td>
<td>30</td>
<td>52</td>
<td>18 (29)</td>
</tr>
<tr>
<td>Lower middle</td>
<td>54</td>
<td>35</td>
<td>40</td>
<td>33</td>
<td>45</td>
<td>21 (39)</td>
</tr>
<tr>
<td>Upper middle</td>
<td>38</td>
<td>30</td>
<td>27</td>
<td>28</td>
<td>33</td>
<td>22 (58)</td>
</tr>
<tr>
<td>High</td>
<td>52</td>
<td>37</td>
<td>34</td>
<td>29</td>
<td>34</td>
<td>27 (52)</td>
</tr>
<tr>
<td>Total</td>
<td>207</td>
<td>146</td>
<td>160</td>
<td>120</td>
<td>164</td>
<td>88 (43)</td>
</tr>
</tbody>
</table>

Note: Number in parentheses are percentage of total countries. Least developed countries as defined by the UN; income groups as defined by World Bank.

Developing countries have repeatedly raised their voice against the standards set by international organizations. They wish to see changes in the rules pertaining to decision-making in international organizations to make sure that their interests are safeguarded (Zarilli, S. 1999). Standards are developed by a small number of developed countries or approved with a small majority. The rule of consensus among all members is no more operational. Under the present system, a simple majority in CAC and OIE adopts new rules. While for setting a rule in IPPC, two-thirds majority is necessary.

Developing countries face enormous problems in maintaining their exports due to stringent food standards in the developed countries. According to a recent study conducted by UNCTAD, the implementation of new standards for Aflatoxin by the European Union has a drastic negative impact on the exports of cereals, dried fruits and nuts. The aflatoxin standards established by EU are to save 1.4 (= 2) people out of a billion. Similar stringent measures have been adopted by Japan on DDT residues, in case of tobacco exports from India. Japan insisted on 0.4 ppm DDT residues on unmanufactured tobacco while international standards set by CAC for DDT residues is 6 ppm (Jha, 2002).

Developing countries have repeatedly protested the lack of implementation of article 4 regarding equivalence. They assert that importing countries often require “sameness” instead of “equivalence.” The former implies that measures must be identical not only in outcome but in formation too. This was the main issue during an informal meeting of the SPS committee in November 2000 (WTO 2000B).

Risk assessment is another major threat for developing countries exports. Most of the developing countries, due to their lack of human and financial resources, are unable to analyze the potential risk identified by the developed countries. As a result they are unable to challenge any measure in WTO. This is equally important in case of imports; many of the developing countries are unable to carry out proper risk assessment for products originating from the developed countries.

Article 6 of the SPS agreement forbids the use of sanctions on all products from a country on account of a particular disease. This is because there may be several regions within one country that are free from disease incidence or low pest infestation. But the developed countries have never followed this principle. For example, according to the study conducted by South Center, EU has banned potato imports from Egypt on account of contamination from potato Brown Rot. The EU decision has, therefore, changed the regime for Egyptian potato imports on all products considered disease free unless proven otherwise. All imports are considered diseased unless proven to be disease free (Zarilli, 1999).
Another important issue is the high cost of compliance and whether it has benefits for those who comply. The implementation cost of the SPS agreement entails the cost of setting up public infrastructure, notification, enquiry points, setting up of national standard setting institutes, and education of primary and subsequent producers in the chain. According to an UNCTAD study, in many cases, products, which were first refused, have subsequently been allowed access, but at a lower price. Thus standards are perceived to be a mechanism for bidding down the export price. This was particularly true in the case of Aflatoxin free peanuts, which could not be sold at a higher price. Instead, importers preferred to buy Aflatoxin-containing peanuts at a lower price (Jha, 2002).

Implementation issues have been on the WTO agenda for quite some time but the developed countries have so far taken no concrete steps. Implementation issues include Special and Differential Treatment and provision of Technical Assistance to the developing countries. It also includes provision of assistance to developing countries in the dispute settlement process.

Among other issues, high cost of dispute settlement and lack of transparency are important. Issues relating to transparency have never been brought forward by the developing countries. Perhaps due to their financial and human capital constraints, the developing countries are not able to participate or comment on any of the proposed standards. Among the least developed countries, Guatemala is the only active country in the whole process (Jensen F.M 2002). According to the figures provided in one of the papers submitted to WTO, the situation is quite encouraging as most of the developed countries have established their enquiry points, and the notification process has also been accelerated. Similarly, the developing countries have accelerated the process of establishment of inquiry points in their respective territories (WB, 2000).

### Inquiry Points

<table>
<thead>
<tr>
<th>Year</th>
<th>Middle Income countries</th>
<th>High income countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>78</td>
<td>49 (63%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>34</td>
</tr>
<tr>
<td>1999</td>
<td>98</td>
<td>74 (76%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>36</td>
</tr>
<tr>
<td></td>
<td></td>
<td>33 (92%)</td>
</tr>
</tbody>
</table>

Source: WTO 2000

Inquiry points in 2003 according to income grouping of various Countries done by World Bank

<table>
<thead>
<tr>
<th>Low Income Countries</th>
<th>Lower Middle Income Countries</th>
<th>Upper Middle Income Countries</th>
<th>High income Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>24/44 (63)</td>
<td>31/35 (88)</td>
<td>27/30 (90)</td>
<td>20/37 (54)</td>
</tr>
</tbody>
</table>

Note: Denominator shows total number of WTO member countries in a particular income group.

However, recent estimates show that lower-middle and upper-middle income countries are ahead than the lower and high income countries.

### Experience of Pakistan

The ever-stringent SPS measures adopted by the developed countries have adversely affected the exports of agricultural products from Pakistan. According to figures provided in a report carried out on Market Access during 2001, 81 percent of the total revenue generated by the export of agriculture products was from the export of cotton, rice and sugar. Whereas, eight percent of the export revenue was generated through export of fruits and vegetables (Roberts, 2001).
Pakistan faces several SPS related problems in the export of fruits and vegetables. Oranges and mangoes are the two most important fruit crops of the country. Pakistan produces some two million tonnes of oranges annually, yet its share in world exports is less than one percent. According to a study, this is due to domestic problems of post harvest storage and processing as well as the difficulties in meeting importing country SPS measures. In 2000, mangoes production in Pakistan stood at 937,705 metric tonnes, which was 3.2 percent of global mango production, but its share in world exports was 6.6 percent. This means that only 4 percent of Pakistan’s total production is exported. In the case of mangoes too, stringent SPS measures of the importing country are the reason for low share in world exports (Roberts, 2001).

Potatoes and onions are the most important vegetable crops produced in Pakistan. However in both the cases, Pakistan is a marginal exporter in the global trade. The total production of both crops accounts for 4.3 million tones. Share of onion exports from Pakistan is 1.8 percent (67,793 metric tonnes) of the global exports. While in case of potatoes, this figure is even lower, i.e. 1.5 percent (121,279 metric tonnes) of the global trade (Roberts, 2001). In 1999 the total world export volume of onion and potatoes was 3,687,311 and 7,891,104 metric tonnes respectively.

Major players in the world trade namely, USA, EU, Japan and Australia, have enacted SPS measures on mangoes and oranges originating from Pakistan because of fruit fly attack. Pakistan has recently initiated bilateral talks with the Australian government on the issue of SPS measures on its fruits and vegetable exported to Australia.

According to an UNCTAD report, Pakistan has experienced stringent standards on mango pulp. Standards appeared too stringent in the years of high production compared to the years of low bearing (Jha, 2002).

It is pertinent to mention here that Pakistan lodged a complaint against EU in SPS Committee meeting # 9 on 15-16 October 1997 about Minimum Residue Limits for aflatoxins, along with many other developing countries such as Argentina, Brazil, India, Indonesia, Malaysia, Philippine, Turkey, and USA etc. (Jensen, 2001).

Stringent hygiene and sanitary requirements in the developed countries, especially by the EU and USA, in particular the provision concerning the use of HACCP (Hazard Analysis Critical Control Point), have adversely affected the imports of marine products from Pakistan. The EU banned fish imports from Pakistan in 1998. Although the ban was subsequently lifted, it drastically reduced foreign assistance. Its long-term effects have not been evaluated (Roots for Equity, 2000).

It is interesting to note that the EU has put embargoes on fishery imports from all the regional partners of the SAARC. It first banned imports of fish or its products from India and Bangladesh in 1997, and in 1998 from Pakistan.

On January 14, 2000, India banned import of cotton from Pakistan on SPS grounds (Weekly Bridges, 2000).

According to Pakistan’s country paper presented in Delhi in 2001, “Pakistan’s exports of vegetable and fruits have suffered because of the country’s limited ability to enforce the SPS standards. Import of fruits and vegetables by European countries, North America, Japan and Australia had remained minimum both in the pre and post Uruguay Round period. It was anticipated that complete integration of agriculture into the WTO would open avenues for exports, but stringent standards for human, animal and plant health safety and strict methods of inspection have been major handicaps to expanding exports. Financial as well
technical constraints are viewed as the most important handicaps in implementing SPS standards (Qureshi, 2001).”

According to another study, Pakistan’s experience has been mixed in fruits and vegetables export, but on the whole positive. Notable progress has been recorded in the post-UR period, particularly in 1996-97 and 1997-98, but it is not clear if it can be sustained. Market access terms are difficult and UR has made very little difference in most developed country markets. The level of SPS standards has been a major impediment. Though Pakistan has not so far taken any formal action in WTO, it did bilaterally approach some of its developed trading partners, such as EU and Japan, requesting them to relax their SPS standards. In response, Japan has offered a food-processing plant. But the vast potential for fruit exports remains to be exploited (FAO, 2000).

Recommendations

A number of inequalities are integral part of the whole liberalisation agenda, the same is true for the SPS agreement. Developing countries may face hundred and thousand problems in implementation of the agreement due to lack of financial, human, technical resources, high compliance cost, lack of participation in standard setting process and in the whole negotiation going at WTO Headquarter in Geneva. Yet we need to be proactive both at international and national front, a number of policy initiatives can be drawn from the previous discussion. At the national level there is a need to:

- Initiate a mass awareness programme about standards using all kind of media to educate each person who is part of production chain “from farm to plate–‘from farm to plate’.”
- Initiate Integrated Pest Management Programme to minimize production cost, and enhance quality.
- Promote organic agriculture which is getting popular due to zero or minimal environmental consequences, which is gaining acceptance due to zero or minimal environmental consequences.
- Establishment of Certification Laboratories to certify that products produced at organic farms hold up to the international standards.
- Provide better storage facilities at district headquarters.
- Enhance the capacities of national standard setting bodies.
- Equip laboratories to carry out proper risk assessment and formulate national standards based on research.
- Initiate training programmes for farmers, traders and industrialists.
- Strengthen local agricultural research and extension services.
- Initiate programs for the provision of technical assistance to small and medium enterprises (SME).
- Provide loans on soft terms for the SMEs to comply with the standards.

At regional level

- Enhance regional cooperation at SAARC level for harmonization of standards at regional level.
- Establishment of regional inspection services, which would help the countries in the region to move towards higher standards in a cost effective manner.
- Establish mutual standard recognition agreements with other exporting developing countries to strengthen position in importing country.

At the international level, there is a need to challenge the various clauses of the agreement and demand for prompt action on implementation issues. Some other measures include:
The International standard setting bodies should ensure participation of developing countries in standard setting process.

- Standards should be approved with the consensus of all the members present on that day.
- During the standard setting process, problems of developing countries should be given due recognition.
- Before the promulgation of any standard, it should be discussed in the SPS committee. This is because a number of developing countries cannot participate in the standard due to neither members of the international standard setting organizations nor due to their financial and human resource constraints.
- Developed countries should give at least one year to the developing countries for compliance with any of the newly introduced SPS measure after the time of notification to the SPS committee.
- Developed countries should provide environment friendly production technologies at concessional rates to the developing countries.
- Developed countries should adhere to the standards set by international standard setting bodies.
- The call for “equivalence” under article 4 should not be interpreted as “sameness”. This should be more clearly spelled out in the agreement.
- As chalked out in Doha Declaration and in article 9 of the agreement, provision of technical assistance should be made mandatory for the developing countries, especially for the upgradation of laboratories, human resource development, certification bodies and accreditation institutes and to strengthen developing countries ability to deal with scientific issues such as risk assessment and recognition of pest or disease free areas.
- The Special and Differential treatment as chalked out in article 10 its provision should be made mandatory.
- If any of the SPS measures has become an obstacle against exports from more than one developing countries, it should not be enforced.

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Unpacking the Agreement on the Application of Sanitary and Phytosanitary Measures; Case of Pakistan

**Box 1**

**SPS or TBT?**
Which agreement does a measure come under?

Is it food, drink or feed and
Is its objective to protect one of these?

Human life  
re: risk from....
Additives
Contaminants
Toxins
Plant or animal carried diseases

Animal life  
re: risk from
Additives
Toxins
Pests
Diseases
Disease causing organisms

Plant life  
re: risk from
Pests
Diseases
Disease causing organisms

A country  
re: risk from
Pest entering, establishing or spreading → Yes → SPS

If No
Is it a technical regulation, standard or procedure for assessing
Whether a product confirms with a standard? → Yes → TBT

If No
Other

Source: WTO 2002
For example

<table>
<thead>
<tr>
<th>Box 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fertilizer</strong></td>
</tr>
<tr>
<td>Regulation on permitted fertilizer residue in food and animal feed</td>
</tr>
<tr>
<td>Specification to ensure fertilizer works effectively</td>
</tr>
<tr>
<td>Specifications to protect farmers from possible harm from handling fertilizer</td>
</tr>
</tbody>
</table>

| **Food labelling** |
| Regulation on permitted food safety: health warnings, use, dosage | → SPS |
| Regulation on label’s position, lettering, nutrient content, quality | → TBT |

| **Containers for shipping grain** |
| Regulation on fumigation, disinfectant etc to prevent disease spreading | → SPS |
| Regulation on size, construction/structure, safe handling | → TBT |

| **Fruit** |
| Regulation on treatment of imported fruit to prevent pests spreading | → SPS |
| Regulation on quality, grading and labelling of imported fruit | → TBT |

| **Bottled water: specifications for the bottles** |
| Materials that can be used because safe for human health | → SPS |
| Requirement: no residues of disinfectant, so water not contaminated | → SPS |
| Permitted sizes to ensure standard volumes | → TBT |
| Permitted shapes to allow stacking and displaying | → TBT |

| What about this |
| The warning |
| Objective: Human health | → TBT |

| Government health warning: |
| Smoking is injurious to health |

| Label’s appearance |
| Typography, color, size, position etc | → TBT |

Why is it TBT and not SPS?
Because although the label’s objective is health ----- it’s not about food

Source: WTO 2002
Summary of SPS and TBT measures

Box 3

**SPS measure typically deal with:**
- Additives in food or drink
- Contaminants in food or drink
- Poisonous substances in food or drink
- Residues of veterinary drugs or pesticides in food or drink
- Certification: food safety or animal health
- Processing methods with implications for food safety
- Labeling requirements directly related to food safety
- Plant/animal quarantine
- Declaring areas free from pests or diseases
- Preventing disease or pests spreading in a country
- Other sanitary requirements for imports (e.g. imported pallets used to transport animals)
- Etc …

**TBT measures typically deal with:**
- Labeling of food, drink and drugs
- Quality requirements for fresh food
- Packaging requirements for fresh food
- Packaging and labeling for dangerous chemicals and toxic substances
- Regulation for electrical appliances
- Regulation for cordless phones, radio equipment etc.
- Textiles and garments labeling
- Testing vehicles and accessories
- Regulation for ships and ship equipment
- Safety regulations for toys
- Etc …

Source: WTO 2002
Annexure 2

**Codex Alimentarius Commission (CAC)***

The Codex Alimentarius commission’s membership totalled 164 in 2003. The commission has nine General Committees whose work is relevant to standards for all commodities. Sixteen Commodity Committees which have the responsibility for developing standards for specific food or classes of food, and five Co-ordinating Committees, one per region, to ensure that the work of Codex is responsive to regional needs. A feature of the “Committee system” is that each committee is hosted by a member country responsible largely for the cost of committee’s maintenance and administration and for providing the committee’s Chairperson. The commission meets every two years. Depending on the need, meetings of Codex subsidiaries bodies are held by host countries usually once a year. The Codex Alimentarius is a collection of international food standards, adopted by CAC, include standards for all the principle foods; processed, semi-processed or raw. The main purpose of the standardisation is to protect the health of consumers and to ensure fair practices in the food trade. Standards are specified in the areas of Food Standards for Commodities, Code for Hygienic or Technological Practice, Pesticides evaluated, Limits for Pesticide Residues, Guidelines for Contaminants, Food Additives Evaluated and Veterinary Drugs Evaluated.

**International Office of Epizootics (OIE)**

The OIE has currently 160 member countries. Its objectives and functions include the harmonisation of health requirements for international trade in animals and animal products and the adoption of international standards in the field of animal health. The International Committee is the highest authority of the OIE. It comprises all the delegates of the member countries and meets at least once a year. The Specialist Commissions, such as the International Animal Health Code Commission and the Standard Commission are involved in the preparation of OIE recommendations. OIE has five regional commissions to study specific problems affecting veterinary services and organise co-operation within the regions.

**The International Plant Protection Convention (IPPC)**

The secretariat of IPPC was formed in 1993 and the standard setting activity started the same year. The IPPC is responsible for phyto-sanitary standard setting and the harmonisation of phyto-sanitary measures affecting trade. The Interim Commission on Phyto-sanitary Measures has the responsibility for identifying the topics and priorities for the standard setting activity. The IPPC is an international treaty for Plant Protection to which 120 countries currently adhere. The Convention came into force in 1952 and has been amended once in 1979 and again in 1997.
Annexure 3

General Agreement on Tariffs and Trade (GATT)

Article XX

General exceptions

“Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures:

(b) necessary to protect human, animal or plant life or health;

d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including ...;

(g) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption; ...”

Agreement on Subsidies and Countervailing Measures

Article 8: Identification of Non-Actionable Subsidies

8.1 The following subsidies shall be considered as non-actionable:

(a) subsidies which are not specific within the meaning of Article 2;

(b) subsidies which are specific within the meaning of Article 2 but which meet all of the conditions provided for in paragraphs 2(a), 2(b) or 2(c) below.

8.2 Notwithstanding the provisions of Parts III and V, the following subsidies shall be non-actionable:

(c) assistance to promote adaptation of existing facilities to new environmental requirements imposed by law and/or regulations which result in greater constraints and financial burden on firms, provided that the assistance:

(i) is a one-time non-recurring measure; and

(ii) is limited to 20 per cent of the cost of adaptation; and

(iii) does not cover the cost of replacing and operating the assisted investment, which must be fully borne by firms; and

Agreement on Agriculture

Annex 2

Domestic Support: the Basis for Exemption from the Reduction Commitments

“12. Payments under environmental programmes

(a) Eligibility for such payments shall be determined as part of a clearly-defined government environmental or conservation programme and be dependent on the fulfilment of specific conditions under the government programme, including conditions related to production methods or inputs.

(b) The amount of payment shall be limited to the extra costs or loss of income involved in complying with the government programme.”

Agreement on Trade-Related Aspects of Intellectual Property Rights

Article 27

Patentable Subject Matte

“2. Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect ordre public or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law.

3. Members may also exclude from patentability:

(a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals;
(b) plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animal other than non-biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective *sui generis* system or by any combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement.

**General Agreement on Trade in Services**

**Article XIV**

**General Exceptions**

“Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where like conditions prevail, or a disguised restriction on trade in services, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any Member of measures...

(b) necessary to protect human, animal or plant life or health; ...”

**Agreement on Technical Barriers to Trade**

**Preamble**

“... Recognizing that no country should be prevented from taking measures necessary to ensure the quality of its exports, or for the protection of human, animal or plant life or health, of the environment, or for the prevention of deceptive practices, at the levels it considers appropriate, subject to the requirement that they are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail or a disguised restriction on international trade. ...”

**Article 2**

**Preparation, Adoption and Application of Technical Regulations by Central Government Bodies**

“With respect to their central government bodies:

2.1 Members shall ensure that in respect of technical regulations, products imported from the territory of any Member shall be accorded treatment no less favourable than that accorded to like products of national origin and to like products originating in any other country.

2.2 Members shall ensure that technical regulations are not prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to international trade. For this purpose, technical regulations shall not be more trade-restrictive than necessary to fulfill a legitimate objective, taking account of the risks non-fulfillment would create. Such legitimate objectives are, *inter alia*: national security requirements; the prevention of deceptive practices; *protection of human health or safety, animal or plant life or health*, or the environment. In assessing such risks, relevant elements of consideration are, *inter alia*: available scientific and technical information, related processing technology or intended end-uses of products.

2.4 Where technical regulations are required and relevant international standards exist or their completion is imminent, Members shall use them, or the relevant parts of them, as a basis for their technical regulations except when such international standards or relevant parts would be an ineffective or inappropriate means for the fulfillment of the legitimate objectives pursued, for instance because of fundamental climatic or geographical factors or fundamental technological problems.”

**Agreement on Sanitary and Phytosanitary Measures**

**Annex A**

**Definitions**

“1. *Sanitary or phytosanitary measure* — Any measure applied:

(a) to protect animal or plant life or health within the territory of the Member from risks arising from the entry, establishment or spread of pests, diseases, disease-carrying organisms or disease-causing organisms;"
(b) to protect human or animal life or health within the territory of the Member from risks arising from additives, contaminants, toxins or disease-causing organisms in foods, beverages or feedstuffs;

(c) to protect human life or health within the territory of the Member from risks arising from diseases carried by animals, plants or products thereof, or from the entry, establishment or spread of pests; or

(d) to prevent or limit other damage within the territory of the Member from the entry, establishment or spread of pests."