RESEARCH STUDY

PLANNING AND RESEARCH DEPARTMENT

ZARAI TARQIATI BANK LIMITED

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Glossary

AoA: Agreement on Agriculture

CPEC: China-Pakistan Economic Corridor

CPFTA: China–Pakistan Free Trade Agreement

CAREC: Central Asia Regional Economic Cooperation

ECOTA: Economic Cooperation Trade Agreement

ERF: Export Refinancing Facility

EU: European Union

FTA: Free Trade Agreement

FY: Financial Year

GATT: General Agreement on Tariffs and Trade

GDP: Gross Domestic Product

GoP: Government of Pakistan

HACCP: Hazard Analysis and Critical Control Points.

LDCs: Least Developed Countries

MFN: Most Favoured Nation

MoNFS&R: Ministry of National Food Security & Research

MTN: Multi Technical Negotitions

S&DT: Special & Differential Treatment

SAFTA: South Asian Free Trade Area

SPS: Sanitary & Phytosanitary

SSG: Special Safeguard

TBT: Technical Barriers to Trade

TRIMS: Trade-Related Investment Measures

TRIPS: Trade-Related Aspects of Intellectual Property Rights

UR: Uruguay Round

US: United States

WTO: World Trade Organization

ZTBL: Zarai Taraqiati Bank Limited

Executive Summary

World Trade Organization stands for freer and predictable trade between countries. It aims to abolish trade distorting practices between countries such as quotas and subsidies in a phased manner. It does not however, aim at zero tariffs. WTO has GATT, GATS and TRIPs as the main agreements. Agreement on Agriculture and Agreement on Textile and Clothing come under GATT. Pakistan has been the founding member of GATT 1948 as well as WTO. This study attempts to analyze the impact of WTO on the Agriculture sector of Pakistan.

Pakistan being an agrarian economy is still a net importer of food items. The Agreement on Agriculture (AoA) is perhaps one of the most controversial aspects of WTO. The issues in AoA include subsidies, domestic support and market access. The developing countries and the developed world are at loggerheads over agriculture. The developing countries require an AoA that is fair just to meets both ends meet while the developing countries require that they maintain their status quo to protect their handful of farmers through subsidies and domestic support.

As far as Pakistan is concerned, Pakistan has comparative advantage in many primary commodities. But in order to fully utilize our comparative advantage, we need to focus on and solve the problems in supply side (domestic requirements). Pertaining to TRIPS, different varieties of plants and animal species and traditional pharmaceutical and herbal knowledge need to be registered to take full advantage of them. All valuable export brands like Basmati rice, varieties of mangoes, oranges, etc need to be protected under different provisions of TRIPS agreement. Furthermore we need to exploit our comparative advantage in the production of meat, dairy products, fruits and vegetables.

Introduction

The World Trade Organization (WTO) deals with the rules of trade between nations at a global or near-global level. It's an organization for liberalizing trade. It's a forum for governments to negotiate trade agreements. It's a place for them to settle trade disputes. It operates a system of trade rules. Essentially, the WTO is a place where member governments go, to try to sort out the trade problems they face with each other. The first step is to talk. The WTO was born out of negotiations, and everything the WTO does is the result of negotiations. The bulk of the WTO's current work comes from the 1986–94 negotiations called the Uruguay Round and earlier negotiations under the General Agreement on Tariffs and Trade (GATT).

The system's overriding purpose is to help trade flow as freely as possible so long as there are no undesirable side-effects. That partly means removing obstacles. It also means ensuring that individuals, companies and governments know what the trade rules are around the world, and giving them the confidence that there will be no sudden changes of policy. In other words, the rules have to be "transparent" and predictable.

Another important side to the WTO's work is dispute settlement. Trade relations often involve conflicting interests. Agreements, including those painstakingly negotiated in the WTO system, often need interpreting. The most harmonious way to settle these differences is through some neutral procedure based on an agreed legal foundation. That is the purpose behind the dispute settlement process written into the WTO agreements.

History of WTO

The WTO began life on 1 January 1995, but its trading system is half a century older. Since 1948, the General Agreement on Tariffs and Trade (GATT) had provided the rules for the system. (The second WTO ministerial meeting, held in Geneva in May 1998, included a celebration of the 50th anniversary of the system.)

It did not take long for the General Agreement to give birth to an unofficial, de facto international organization, also known informally as GATT. Over the years GATT evolved through several rounds of negotiations.

Table 1: Choronology

Year	Place/ name	Subjects covered	Countries
1947	Geneva	Tariffs	23
1949	Annecy	Tariffs	13
1951	Torquay	Tariffs	38
1956	Geneva	Tariffs	26
1960–1961	Geneva (Dillon Round)	Tariffs	26
1964–1967	Geneva (Kennedy Round)	Tariffs and anti-dumping measures	62
1973–1979	Geneva (Tokyo Round)	Tariffs, non-tariff measures, "framework" agreements	102
1986–1994	Geneva (Uruguay Round)	Tariffs, non-tariff measures, rules, services, intellectual property, dispute settlement, textiles, agriculture, creation of WTO, etc	123

The last and largest GATT round, was the Uruguay Round which lasted from 1986 to 1994 and led to the WTO's creation. Whereas GATT had mainly dealt with trade in goods, the WTO and its agreements now cover trade in services, and in traded inventions, creations and designs (intellectual property).

The WTO replaced GATT as an international organization, but the General Agreement still exists as the WTO's umbrella treaty for trade in goods, updated as a result of the Uruguay Round negotiations. Trade lawyers distinguish between GATT 1994, the updated parts of GATT, and GATT 1947, the original agreement which is still the heart of GATT 1994.

Arguments for Protection (Tariffs and Quotas)

In order to justify tariffs and quotas countries present different arguments which are discussed below:

- Some countries use high tariffs and quotas to give its own industries in a new sector to develop without the threat of foreign competition. This is known as *infant industry* argument.
- *Diversification of Industry* argument says that a country should not depend on the production of few goods, rather it should diversify its production base and hence protection is required to enable diversification into those areas where that country does not have comparative advantage.
- *Employment argument* states that industrial development through protection increases employment in the country.
- The *defence argument* says that a country must encourage those industries which are necessary for the defence of the country.
- To maintain a trade surplus, it is imperative that exports are more than imports. Protectionism is a way to rectify problems in *balance of payments*, whereby imports are restricted through high tariffs.
- Protection also becomes important against *unfair competition*, resulting from dumping, subsidies and depreciated exchange rates.

Rationale for Free Trade

The principle of "comparative advantage" says that countries prosper first by taking advantage of their assets (human, industrial & agricultural) in order to concentrate on what they can produce best, and then by trading these products for products that other countries produce best.

Success in trade is not static. The ability to compete well in particular products can shift from company to company when the market changes or new technologies make cheaper and better products possible. Producers are encouraged to adapt gradually and in a relatively painless way. They can focus on new products, find a new "niche" in their current area or expand into new areas.

History shows that competitiveness can also shift between whole countries. A country that may have enjoyed an advantage because of lower labour costs or because it had good supplies of some natural resources, could also become uncompetitive in some goods or services as its economy develops. However, with the stimulus of an open economy, the country can move on to become competitive in some other goods or services. This is normally a gradual process.

Nevertheless, the temptation to ward off the challenge of competitive imports is always present. And richer governments are more likely to yield to the siren call of protectionism, for short term political gain through subsidies, complicated red tapism and hiding behind legitimate policy objectives such as environmental preservation or consumer protection as an excuse to protect producers.

Protection ultimately leads to bloated, inefficient producers supplying consumers with outdated, unattractive products. In the end, factories close and jobs are lost despite the protection and subsidies. If other governments around the world pursue the same policies, markets contract and world economic activity is reduced. One of the objectives that governments bring to WTO negotiations is to prevent such a self-defeating and destructive drift into protectionism

Guiding Principles of WTO

a) Most Favoured Nation Treatment (MFN)

The most important and fundamental principle of WTO is non-discriminatory treatment. Any advantage, favour, privilege or immunity granted by one WTO member to another (such as lower customs duty to one) has to be granted immediately and unconditionally to all other members.

In case of goods MFN treatment applies to customs duties, other border duties and charges, rules and regulations relating to imports and exports, methods of levying customs duties and international transfers of payments for imports or exports. Customs unions and free trade agreements, on the other hand, are negotiated under a special exception to the MFN Principle (GATT Article XXIV). Such favourable treatments need not be extended to all other WTO members.

b) National Treatment

The principle of national treatment implies that imported goods will be given treatment that is no less favourable than that given to domestic goods. This principle of giving same treatment to others as to one's own national is unqualified in case of goods.

c) Stability and predictability through binding

The stability and predictability of trading conditions is another basic principle of the WTO. Stable and predictable conditions of access to markets promote confidence because investors and traders can plan their investments secure in the knowledge that market access conditions will not change for the worse.

This is achieved through the bindings of tariff. Tariffs on different products that are reduced or agreed to in trade negotiations are bound, that is, a country agrees that it will not levy tariffs at rates higher than those agreed to. As regards industrial products developed countries have bound tariffs on practically all products, while developing countries have bound them for more than 70 percent of their products. Each country in its schedule of tariff concessions and commitments records bound rates of tariffs for different products.

d) Transparency

WTO rules oblige member countries to ensure transparency in their foreign trade regimes by requiring them to publish all laws, regulations, measures and administrative decisions affecting trade. The publication of laws has to be done in a manner that allows importers, exporters, consumers and investors to be aware of them. Transparency is also ensured by requiring member countries to submit periodic notification to the WTO secretariat on different aspects of the trade regime.

e) Trade liberalization

One of the principles of the WTO is progressive liberalization of trade. This principle is rooted in the belief that the removal or reduction of trade barriers results in an expansion of international trade that is to the benefit of all countries.

The WTO Regime on Agriculture

WTO members have taken steps to reform the agriculture sector and to address the subsidies and high trade barriers that distort agricultural trade. The overall aim is to establish a fairer trading system that will increase market access and improve the livelihoods of farmers around the world. The WTO Agreement on Agriculture, which came into force in 1995, represents a significant step towards reforming agricultural trade and making it fairer and more competitive. The Committee oversees implementation of the Agreement. Members continue to conduct negotiations for further reform. In 2015, they adopted a historic decision to abolish agricultural export subsidies and to set rules for other forms of farm export support.

The WTO regime on agriculture comprises the Agreement on Agriculture (AoA), the Sanitary and Phytosanitary (SPS) Measures, the Technical Barriers to Trade (TBT) and Trade Related Aspects of Intellectual Property Rights (TRIPs), which are all inter-linked to each other.

I- The Agreement on Agriculture (AoA)

In 1995, the year that the WTO was established, the first effective rules governing international trade in agriculture and food were introduced. Following the Uruguay Round negotiations, all agricultural products were brought under multilateral trade rules by the WTO's Agreement on Agriculture. The Agreement is made up of three pillars:

1. Market access.
2. Export competition.
3. Domestic support.

All WTO members, except least developed countries (LDCs), were required to make commitments in all these areas in order to liberalize agricultural trade.

The agreement defines agriculture products with reference to the harmonized system of product classification- the definition covers not only basic value added agricultural products such as bread, butter and meat, as well as all processed agricultural products such as chocolate and sausages. The coverage also includes wines, spirits and tobacco products, fibers such as cotton, wool, silk, and raw animal skins destined for leather production. However fish and fish products are not included, nor are forestry products.

Classification of Domestic Subsidy under WTO

The WTO classifies subsidies into three categories:

Table 2:

Classification of Subsidies as per WTO	Subject to WTO
Amber Box: All domestic subsidies – such as market price support – that are considered to distort production and trade. Subsidies in this category are expressed in terms of "Total Aggregate Measurement of Support" (Total AMS) which includes all supports in one single figure. Amber Box subsidies are subject to WTO reduction commitments.	✓
Blue Box: Subsidy payments are directly linked to acreage or animal numbers but under schemes which also limit production by imposing production quotas or requiring farmers to set aside part of their land. These are deemed by WTO rules to be partially decoupled from production and are not subject to WTO reduction commitments. In the Eu, they are commonly known as direct payments.	✗
Green Box: Subsidies are deemed not to distort trade or at most cause minimal distortion and are not subject to WTO reduction commitments. For EU and US one of the most important allowable subsidies in this category is decoupled support paid directly to producers. Such support should not relate to current production levels or prices. It can also be given on condition that no production shall be required in order to receive such payments.	✗

Issues in AoA

Since it came into force, the AoA has demonstrated several weaknesses. These can be categorized under two broad headings - design related issues and implementation related issues.

1- Design Related Issues

- **No recognition of differences in agricultural systems**

The Agreement fails to recognize the fundamental differences between agricultural systems in developed and developing countries and uses a one-size fits-all approach. It ignores, for example, the fact that agriculture is the main source of livelihood for the majority of the population in developing countries and that the sector is a major contributor to national income (see Table 3 below).

While LDCs are exempt from reduction commitments, the AoA affords very limited special and differential treatment (S&DT) to developing countries. Rather than ensuring the flexibility to implement trade policies that are consistent with their development objectives, these provisions amount to little more than providing additional time to implement agreements. The AoA fails to discriminate between the different needs of diverse developing countries and provides no guarantee of food security. In contrast, the way subsidies are classified, the provision of special safeguards (SSG) and the Peace Clause, all work in favor of producers in developed countries.

Some key differences between the agriculture systems in developed and developing countries.

Table 3:

Parameters	*Developed Countries*	*Developing Countries (including Least Developed Countries)*
Nature of Agriculture System	Commercial /Export Oriented	Subsistence
Share of GDP	3%	26%
Contribution to foreign exchange	8.3%	27%
Population engaged in agriculture	4%	70%
Market orientation	Strong	Weak
Administrative capacity	High	Low

- **Too Many Exceptions for Developed Countries**

There are a number of exceptions to the domestic subsidy reduction commitments outlined above.

The first exception is contained in the Blue Box. During the Uruguay round, the EU and other developed countries argued that reductions in Amber Box subsidies would have a detrimental impact on farmers. Blue Box subsidies were introduced to offset this impact. On the grounds that supposedly they are only partially linked to production, they are exempt from reduction commitments.

The second exception is the de-minimis level of support. For developed countries this exempts market price support if, in any year, the aggregate value of this support does not exceed 5% of the total value of the production of that product. It also exempts non-product specific domestic support, such as input subsidies, if their value is less than 5% of the value of total agricultural production. For developing countries, the de- minimis level is 10%.

The third exception concerns subsidies for development purposes in developing countries. These are measures of assistance, whether direct or indirect, designed to encourage agricultural and rural development.

The fourth exception is contained in the Green Box. This allows subsidies that are deemed to have no, or at most minimal, trade-distorting effects.

Unfortunately, given their complex administrative requirements and the fact that few developing countries have the financial resources to provide large subsidies, it is producers in developed countries that gain most from these exceptions.

- **Biased Provisions like Special safeguards (SSG)**

The special safeguard (SSG) provision was introduced to allow countries to impose additional duties in order to protect them from sudden import surges in terms of volumes or low prices. However, in order to qualify for SSG, countries had to have non-tariff barriers (quantitative restrictions on imports) in place at the time tariffication took place under the Uruguay Round. Only 22 developing countries had non-tariff barriers that enabled them to qualify. In contrast, 16 developed and eastern European countries qualified. It is pertinent to note that out of the total number of SSG products (6072) that are available to all 38 countries; only 31.8 % products (1930) are available to developing countries as against 68.2 % (4142) to developed countries. Of these, the EU can use SSG against 539 products, the US against 189 products, Canada against 150 products, Australia against 10 products and Switzerland against an astounding 961 products.

2- <u>Implementation Related Issues</u>

Design related issues have resulted in the unfair implementation of the AoA. Developed countries continue to subsidize their agriculture and food exports very heavily while simultaneously protecting their producers by manipulating tariffs and employing tariff peaks and tariff escalation.

II- Agreement on Sanitary and Phytosanitary Measures (SPS)

This agreement concerns the application of sanitary and phytosanitary measures - in other words food safety and animal and plant health regulations. The agreement recognises that governments have the right to take sanitary and phytosanitary measures but that they should be applied only to the extent necessary to protect human, animal or plant life or health and should not arbitrarily or unjustifiably discriminate between Members where identical or similar conditions prevail.
In order to harmonize sanitary and phytosanitary measures on as wide a basis as possible, Members are encouraged to base their measures on international standards, guidelines and recommendations where they exist. However, Members may maintain or introduce measures which result in higher standards if there is scientific justification or as a consequence of consistent risk decisions based on an appropriate risk assessment. The Agreement spells out procedures and criteria for the assessment of risk and the determination of appropriate levels of sanitary or phytosanitary protection.

III- Technical Barriers to Trade Agreement (TBT)

The TBT Agreement covers technical regulations, standards and conformity assessment procedures. Technical regulations are mandatory requirements of governments designed to fulfill certain legitimate objectives. The TBT Agreement provides an open-ended list of such legitimate objectives, which include the prevention of deceptive practices, protection of human and animal health, and protection of the environment. The aim of the TBT Agreement is to ensure that technical requirements, including packaging, marketing and labeling requirements, and procedures for assessment of conformity with technical regulations and standards do not in themselves create unnecessary obstacles to international trade.

The TBT Agreement has five main principles, namely:

I- Non discrimination
II- Harmonization

III- Avoidance of unnecessary obstacles to trade
IV- Equivalence of technical requirements and
V- Transparency

IV- Trade Related Intellectual Property Rights (TRIPS)

The rights of creators of innovative or artistic work are known as intellectual property rights. They include copyright (which protects the rights of authors of books and other artistic creations), patents (which protect the rights of investors) and industrial designs (which protect rights to ornamental designs). They also cover trademarks and other signs that traders use to distinguish their products from those of others.

The Agreement on Trade-Related Aspects of Intellectual Property obliged WTO Members to provide minimum standards of protection. These included uniform periods for patent and copyright protection, provisions of protection for both products, and the processes involved in manufacturing these products, protection of geographical indications etc. The common element in the provisions of the TRIPS Agreement is that protection available under various international agreements has been codified in the one agreement, in certain cases this protection has been strengthened (especially in the areas of patents), and most importantly, intellectual property rights are subject to the WTO dispute settlement mechanism.

Pakistan and the WTO

Pakistan is one of the founder Members of the WTO since 1995, and its predecessor organization the GATT set up in 1948. Pakistan is following an export led growth strategy and as such market access is of vital importance for our businesses. The increase in preferential arrangements and free trade areas between some members is also eroding our market access. Therefore in order to maintain current markets and gain new ones for our exportable goods and services we are dependent on the WTO to get tariff and non tariff barriers lowered on an MFN (Most Favored Nation) basis. Such MFN liberalization effectively levels the playing field for competitive suppliers.

Pakistan has been actively engaged in the Doha round of trade talks that were held in November 2001. "Doha Development Agenda" (DDA) has been focusing on removing distortions in the world agriculture markets and attaining enhanced market access for both products and service providers from Pakistan.

Since 2001, there have two more ministerial conferences in Cancun in 2003 and Hong Kong in 2005 respectively. There was a breakdown of talks in the summer of 2006 which led many observers to be skeptical of the entire process. However, sustained efforts by the membership led to a partial resumption of the talks in November 2006 and full resumption since January 2007 after the annual meeting of the World Economic Forum at Davos.

Agriculture Landscape of Pakistan

Agriculture is a major economic activity in Pakistan. It employs almost half the country's labour force (43.3%) and generates nearly a fourth of the gross national product. So far the agricultural strategy of a Pakistan has successfully met the food requirements of a rapidly growing population and has played a pivotal role in earning foreign exchange through the export of rice and cotton. Crop production is well diversified, with more than half the area devoted to cereals, one fifth to cash crops, and the rest to fodder, pulses, vegetables and fruits. Of 22 million hectares of cultivable land, 18 million are irrigated and 4 million are rain fed, almost 60 percent of this land is found in the Punjab and about 30 percent in the Sindh. The irrigated plains are used mainly for the production of cotton, rice, and sugarcane, while wheat is the main crop in the rain-fed areas. Mixed crop-livestock farming dominates agriculture in most mountain regions. Livestock are of considerable economic importance, accounting for 58.5 percent of agricultural GDP.

Pakistan usually imports agriculture produce like vegetable oil and exports cotton, rice, sugar & fruits to various countries of the world.

Pakistan's Commitments and Compliance Regarding Various Agri-Related Agreements under WTO like AOA, SPS, TBT and TRIPS

I- Agreement on Agriculture

Pakistan has made following commitments in various areas relating AoA.

As far as tarrification and reduction and binding of tariffs are concerned, Pakistan was not under any reduction commitments in tariffs and was only required to bind its tariffs at a ceiling level .It has bound its tariffs for agricultural products at 100-150 percent level.

In case of serious difficulties faced by any member pertaining to sudden rise in import volumes or in case of falling prices of a certain import of agriculture product, a special agriculture safeguard could be applied to certain products. But Pakistan has not reserved any SSG (special agriculture safeguard) for it.

Pertaining to domestic support in the form of various subsidies, Pakistan declared no amber box domestic support during the base period and hence is not under any reduction commitments. But it can use this support only upto de minimis level.

Pakistan did not provide any export subsidies during base period and hence did not make any reduction commitments. Due to this reason Pakistan cannot provide any export subsidy now.

Implications of AoA for Pakistan

The overall result of agricultural liberalization and implementation of the AoA is not positive for the developing countries. Although, liberalization of trade in agriculture under the Uruguay Round is estimated to produce a possible net welfare gains for the low income Asian region in the amount of $1.3 billion, the region remains a net importer of food after the Uruguay Round liberalization. While there was little change in the volume exported, in the post UR period in agricultural exports, food imports were rising rapidly in most cases. These countries were not able to raise their exports due, amongst other factors, to supply side constraints, thus deteriorating balance of payment situation. While the concentration of farms led to an increased productivity and competitiveness, in the absence of safety nets, this process has marginalized small farmers and has added to unemployment and poverty.

The UR negotiations did result in some liberalization for non-traditional products. Tariffs, in the developed markets, were reduced by 36% on fruits and vegetables and by 48% on flowers and other agricultural products (44% in Europe). Pakistan needs to diversify its exports of agriculture by exporting such horticultural/floricultural products to these markets. However to take full advantage of these potential opportunities, Pakistan requires to introduce policies to further attract investment in packing and marketing facilities and in transportation of these products. The area has been given special attention in the 2000-01Trade policy and many incentives have been announced aimed at market penetration and product up-gradation.

The result of the AoA on rice and wheat were considered to have mixed effects on Pakistan. The agreement to reduce subsidies on rice and cotton maintained by the US, the EU Japan and Korea could result in increased market access for Pakistan's exports. However, Pakistan would have to switch production to rice varieties popular in Southeast Asia, as they are currently not produced in Pakistan.

In case of Pakistan, while applied tariffs on most agricultural products have fallen since the early 1990s these tariffs remain relatively high for commodities classified as 'essential' such as edible oils and oil seed. High ceiling bindings for most products, under their Uruguay Round commitments place India, Pakistan and Bangladesh with the highest bound rates among WTO members. Although progress has been achieved on the export side by removing export controls however restrictions still apply for commodities such as sugar in India and cotton in Pakistan.

II- Technical Barriers To Trade(TBT)

There is no obligatory requirement for specific legislation. The agreement requires that Members' central government standardization bodies accept and comply with the Code of Good Practices, for the preparation ,adoption and application of standards .Pakistan Standards Institute (now Pakistan Standards and Quality Control Authority)has accepted this code . Similarly enquiry points have been notified.

III- Trade Related Aspects of Intellectual Property Rights (TRIPS)

Five laws / amendments have been promulgated to provide intellectual property protection under TRIPS standards. Patents Ordinance, 2000 is the first legislation in this list, which provides for the protection to processes as well as products for twenty years. The Ministry of National Food, Security and Research is presently involved in the preparation and vetting of a law which would provide for a sui-generis system of protection of plant varieties in order to comply with article 27.3 b of the TRIPs agreement.

Second legislation in this concern is Trademark Ordinance 2001, which caters for domestic requirements and international obligation. It protects the interest of trademark owners and gives a legal framework for its enforcement .It also addresses new areas like service mark, domain names, collective marks, certification marks, well known marks and geographical indications.

IV- Agreement On Sanitary And Phytosanitary Measures (SPS)

The members were required to notify to the WTO enquiry points and notifying authority for SPS measures. Pakistan has notified MoNFS&R (Ministry of National Food, Security and Research) and their relevant line departments as these points.
There is no particular obligation of legislation; however if government change laws and regulations in this area those would have to be notified.
MoNFS&R is in the process of revising and strengthening existing laws pertaining to quarantine, plant protection etc. If they take certain SPS measures for any imports then this has to be notified accordingly.

Problems in Meeting SPS Requirements in Exporting Agricultural and Food Products from Pakistan

1. Insufficient access to scientific/technical expertise.
2. Incompatibility of SPS requirements with domestic production/marketing channels.
3. Poor access to financial resources.
4. Insufficient time permitted for compliance.
5. Limitations in administrative arrangements for SPS requirements.
6. Poor awareness of SPS requirements amongst government officials.
7. Poor awareness of SPS requirements within agriculture and food industry.
8. Poor access to information on SPS requirements.

Implications of SPS measures for Pakistan

a) Economic dependency

SPS measures can effectively force exporters in Pakistan and various institutions that represent them, into very specific production and trading methods. To service export trade, firms in Pakistan will have to implement specific systems (such as HACCP), or sign up to particular quality assurance schemes that would add significantly to their costs.

This potentially beneficial improvement in quality management may further cause problems for Pakistan if the export market is closed for any particular reason (such as the loss of a contract or reduction in demand), and traders may be compelled to revert to local markets or nearby export opportunities. The alternative markets available to Pakistan are however of relatively lower value, and may not cover the extra fixed costs that may have been put into servicing the higher value developed country export trade.

b) Quality of products in the domestic market

The issue of product quality in the domestic market has an important bearing on its export to developed country markets. There are several examples of products that do not meet the required SPS standards for exports, being sold in local markets. Given the circumstances of rejection of products from the export trade, this might seriously threaten the welfare of local consumers. Naturally this will depend on how local SPS standards are applied, but there are widespread complaints of products with high levels of contamination appearing on local markets in Pakistan.

c) Enhanced Export potential

Once exporters from Pakistan have met SPS standards as applied by other countries, it may be possible for them to widen their export base, and supply to a range of different markets. As noted earlier, a number of developed countries have relatively higher SPS standards and as a result, higher export potential. Exacting SPS requirements will actually benefit exporters in Pakistan and offer them an important source of competitive advantage. Associated with this they can also exploit the fact that their products (for example rice and fruits), are by definition organic. If this is coupled with rigid SPS standards and reliable conformity assessment procedures, traders in Pakistan can benefit by serving growing market segments in developed country markets. Extensive production methods may also appeal to an increasingly environmentally aware world market provided such claims are associated with high quality standards.

Pakistan's Export of Major Crops/Products under WTO

a) Cotton

Cotton has share of 1.0 percent in GDP and contributes 5.1 percent in agriculture value addition. During 2016-17, Cotton production was estimated at 10.671 million bales registering 7.6 percent increase over the production of 9.917 million bales during 2015-16.

The exports of cotton yarn witnessed decline in value by 5.1 percent where as quantity improved by 5.3 percent during first nine months of current year as compared to last year. Cotton cloth export declined by 6.2 percent in value, and in quantity a negative growth of 15.01 percent is recorded during July – March FY2017 as compared to same period last year, showing strong price effect than quantity effect.

Total export of cotton fluctuated markedly from year to year in both the pre-UR* and post-UR* periods. Between 1987 to 2004, average annual cotton exports fell from 270 million dollars to 100 million dollars. This decline was due to domestic reasons such as pest attack (leaf curl virus) and not due to market access. Indeed, abundant land availability, favourable climate and low labour costs enable Pakistan to be the third lowest cost producer of cotton. Accordingly, the prospect for growth in this is promising. Cotton quality also needs to be improved to be able to compete in the international market where the standards are going to be most crucial in future trade.

**UR: The Uruguay Round was the 8th round of multilateral trade negotiations (MTN) conducted within the framework of the General Agreement on Tariffs and Trade (GATT), spanning from 1986 to 1994 and embracing 123 countries as "contracting parties".*

b) Rice

Rice is the major traditional export of Pakistan, It accounts for 3.1 percent in the value added in agriculture and 0.6 percent of GDP. Pakistan produces two types of rice varieties, and both are exported. Basmati rice has its traditional market, but it faces some competition with Indian and UAE basmati rice. The export of coarse rice faces competition from other low-priced competitive countries. The cost of production has rendered uncompetitive situation in the international market but it is exported to Asian and African countries.

The export of Basmati rice declined by 7.5 percent in value and 3.9 percent in quantity during July-March FY2017 as compared to corresponding period last year suggesting a fall in the global basmati rice prices during the period. The others variety under rice group witnessed a decline of 17.2 percent in value and 15.8 percent in quantity, compared to the corresponding period last year.

There are many reasons for the declining trend in rice exports, these includes strong competition with India, lack of R & D in new varieties and loss of our key customers like Iran. Pakistan's share in Saudi Arabia's market has also declined to 20 percent.

Total rice exports have increased by 80% from 1987 to 2004 from 240 to 432 million dollars. However, exports to industrialized countries have not increased owing to lack of improvement in market access where SPS and TRIPS issues undermine our ability to penetrate these markets. Efforts are required to meet these standards.

As for the export of non concerned, severe drought in Thailand, largest exporter of non-basmati varieties, created opportunities for Pakistan to increase exports. The rice exports particularly Basmati rice also remained subdued in 2015 year. Whereas other varieties of rice exports improved in quantity by 9.9 percent.

c) Fruits and Vegetables

Exports of fruits and vegetables have increased by 70% since the last Uruguay Round (1995 onwards). However, many of developed countries have SPS standards that Pakistani products do not meet. These SPS and TBT measures threaten future ability to continue the increase in our exports. Accordingly, there is a need to take measures to meet these standards at the earliest.

Export earnings from fruits also registered a decline of 8.6 percent in value and 25.5 percent in quantity, while vegetables also witnessed a decline of 24.9 percent in value and 24 percent in quantity. This suggests that due to international competition along with lack of exportable surplus we could not capture the market of these items despite rising prices.

d) Export of Fish and Fishery Products to the European Union (EU) Countries

Exports of Fish & Fishery products from two processing plants to the EU countries has been resumed after six years of its suspension (i.e. after April 12th , 2007). Since resumption of export to the EU countries total 126 consignments of cuttle fish, shrimps and fish sent from one company to the EU and have been successfully cleared after 100 percent laboratory analysis at EU border. Hopefully, some other fish processing establishment will also be enlisted by the EU in near future. In order to meet the requirement of EU and other importing countries, two (02) laboratories of MFD (i.e. Microbiology & Chemical) were got accredited from Pakistan National Accreditation Council up to 2015.

Fish & fish preparation subgroup during July-March FY2017 witnessed a growth of 15.1 percent in value and 12.2 percent in quantity, compared to last year.

e) Export of Sugar & Spices

Exports of sugar declined both in quantity and value i.e. 57.9 percent in quantity and 49.7 percent in value, during July-March FY2017 as compared to same period last year. During recent months, ECC has allowed export of sugar whose impact will be visible with time lag. The exports of spices remained favorable by 7.4 percent in value and 8.6 percent in quantity during the period.

Initiatives undertaken by GoP for Exports Promotion under WTO

Mindful of the issues and prevalent international situation, government has taken host of measures/initiatives for the promotion of exports during FY2017. These include:

- Measures announced by Prime Minister in January 2017 to be implemented during eighteen months. The Package "Export led growth" has started showing a positive impact and exports started recovering in the third and fourth quarters of the outgoing fiscal year. Exports in April, 2017 also improved by 5.12 percent on yoy over last year and month on month by 0.22 percent in April, 2017 over previous month.

- The Strategic Trade Policy Framework is particularly aimed at technological development. The schemes have been operationalized and are expected to show results soon by enhancing the productivity of manufacturing in Pakistan.

- Pakistan is of the view that UK should grant enhanced market access to Pakistan analogous to EU's Special Incentive Arrangement for Good Governance and Sustainable Development.

- Pakistan's exports are hamstrung due to a disconnect between domestic competitiveness and international trade competitiveness. The Ministry of Commerce is working to improve regulatory and policy frameworks of different federal and provincial organizations impacting the business environment in Pakistan. Through active collaboration with organizations like the Ministry of Science & Technology, the Ministry of Industries, the Ministry of National Food Security & Research and the Ministry of Commerce is working to develop a policy framework of domestic commerce to improve and harmonize regulations at various governmental levels.

- The Ministry of Commerce is revamping the export development institutional infrastructure of the country and new Trade Development Councils in Rice sector is being established.

- The State Bank of Pakistan reduced its mark-up rate on Export Refinancing Facility (ERF) from 9.0 percent in 2010 gradually reduced to 3.0 percent from July 2016 till date. ERF is being given to rice exporters in the country.

- Free Trade Agreements play an important role in the promotion of exports. Pakistan already has FTAs with China, Malaysia and Sri Lanka and is a member of regional arrangements like SAFTA and ECOTA. The ECO Summit held in Islamabad in early 2017 was designed to give a boost to regional economic development. It is expected that the connectivity infrastructure in the context of CPEC (One Belt One Road) and the infrastructure initiatives under way in Central Asia under

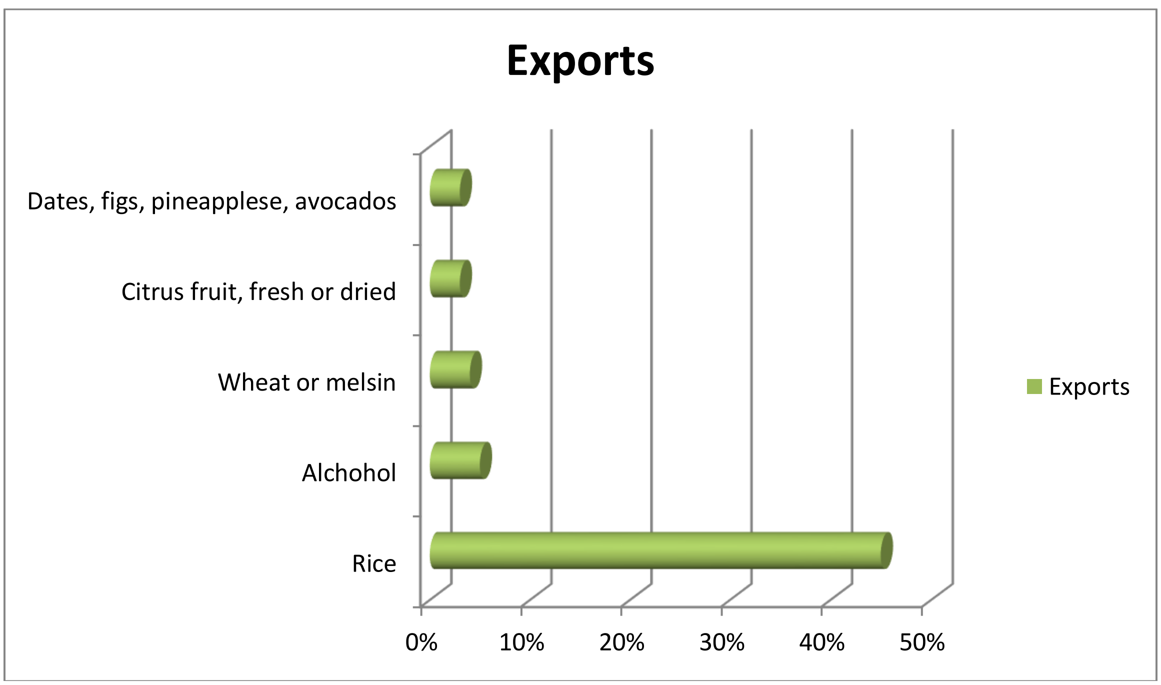
CAREC would result in much better connectivity. With the accession of Pakistan to WTO's Trade Facilitation Agreement and TIR Convention, Pakistan would become a logistic hub in the coming period. The government is in FTA negotiation with Turkey and Thailand.

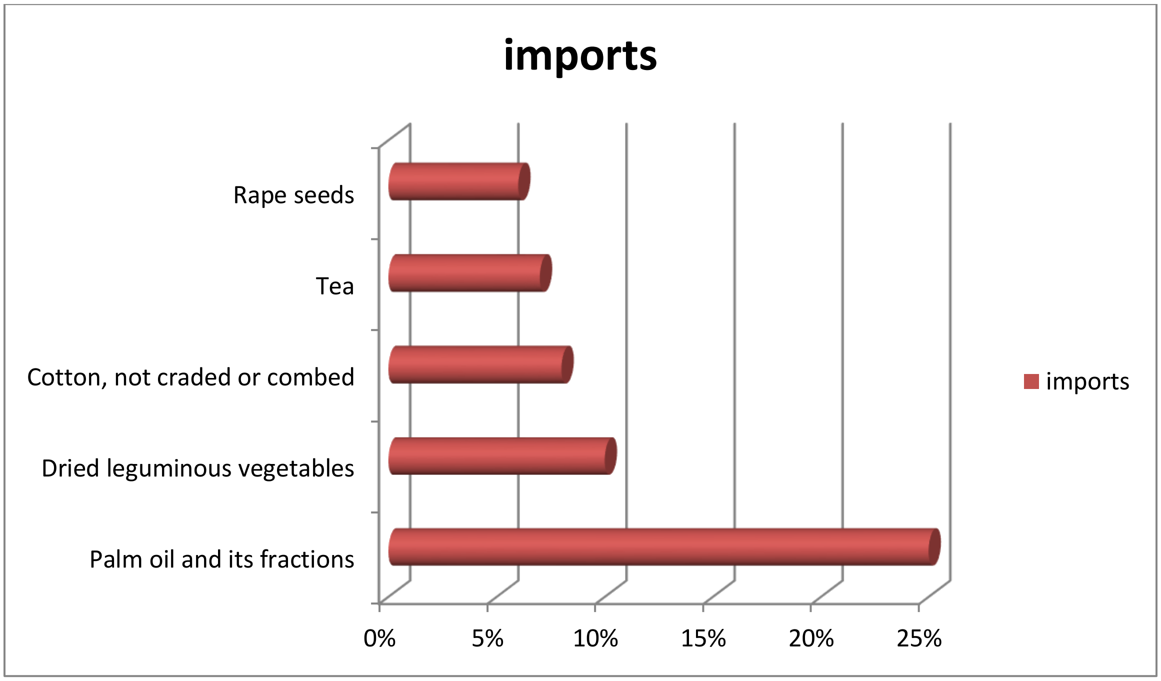
Imports

Despite being an agricultural country, Pakistan has had to import a huge amount of victuals every year. Its import bill has increased in the post-UR period. Because of its persistent dependence on the import of essential items Pakistan has been classified by the WTO as a net food importing developing country. Edible oil is the largest imported product in Pakistan following tea, sugar, pulses and milk. The edible oil import bill during 2014-15 was Rs.269.412 billion (US$ 2.663 billion). During 2015-16 (July-March), 2.205 million tonnes edible oil of value Rs.136.920 billion (US$ 1.392 billion) was imported showing an increase of 24.5 percent against the same period 2014-15 (July-March).

Pakistan's share in world total exports is 0.13% and share in imports is 0.29%. Among which agricultural products export is 21% and import is 16.2% (2015).

Top 10 Trading Agricultural Products & their Share in Economy's Trade (2016):





Agri Trade Growth - 2016:

Million US$	Value	Annual Percentage Change
Exports	3,870	-16
Imports	6,677	10

Fourth Trade Policy Review Pakistan

The 4th Trade Policy review Pakistan was held on 24th and 26th March 2015 at WTO, Secretariat in Geneva. Wherein Pakistan has been praised for the resilience of its economy which despite facing several challenges posted a real GDP growth of +4.14% which is projected to reach 5.1% by the end of fiscal year 2014-2015. Member countries commended Pakistan ambition to increase its exports by $ 95 billion and become an upper income country by 2025, including implementation of all the reforms undertaken under the Strategic Trade Policy Framework. Members highlighted some policy challenges that need to be addressed if Pakistan wants to sustain its growth in line with the WTO commitments.

The forum summed up the policies reforms required as "improving the business climate, further liberalizing the trade regime and ensuring its predictability, reducing state intervention in the

economy, providing adequate infrastructure facilities especially those related to the power sector, and improving the fiscal situation by broadening the tax base"
At the conclusion of its 4th TPR, Pakistan received a lot of support and encouragement from the Members to continue with the reforms as highlighted in vision 2025

Recommendations for Policy Makers in the wake of WTO

Long Term

1. Support of agriculture sector through use of permissible subsidies, removal of agriculture income tax, improve farm to market roads, ensure adequate wate r supply, educate farmers on output enhance techniques, move from subsistence to commercial farming.
2. Encourage agriculture research to improve seed quality, patent product, make use of Trade Related Investment Measures (TRIMS).
3. Restructure agriculture to a demand responsive high value agriculture while keeping in view food security, equity and justice in distribution of the benefits.

Short/ Medium Term

1. Improve inputs: provide better seeds, fertilizers, machinery, desalination plants, tube wells.
2. Diversify out put to various crops so that economy is not subjected to fluctuations in prices of new crops like cotton and wheat.
3. Improve standards to avoid action under SPS, TBT etc. by improving and upgrading quality of products.
4. Upgrade systems for storage, packing grading, procurement and delivery system technologies so as to comply with international standards.
5. Ensure awareness of WTO policy and implications, especially in rural areas through intensive awareness schemes using radio and television as well as direct outreach programmes.

Role of ZTBL

ZTBL is playing its due role in spreading awareness among farmers & exporters about WTO standards for agri exports. It conducts field days, seminar and workshops for farmers and educate producers through its publications. Moreover, ZTBL finances treatment and packaging plants to meet quality standards for WTO.

Conclusion

Pakistan has comparative advantage in many primary commodities and there are some upward trends in exports of primary commodities. But in order to fully utilize our comparative advantage, we need to focus on and solve the problems in supply side (domestic requirements). It is imperative for reaping the probable fruits from the WTO regime. It is not in the interest of developed countries not to fully allow developing countries to benefit from their comparative advantage. That's why the implementation of AoA has not been fully done. And that's why Cancun conference (2003) has failed. Full implementation and improved and stricter rules on agriculture are beneficial to us.

Pertaining to TRIPs, different varieties of plants and animal species and traditional pharmaceutical and herbal knowledge need to be registered to take full advantage of them. All valuable export brands like Basmati rice, varieties of mangoes, oranges, etc need to be protected under different provisions of TRIPs agreement. Furthermore we need to exploit our comparative advantage in the production of meat, dairy products, fruits, vegetables etc.

As far as demand side is concerned much more is needed to be done in order to secure cuts in the tariffs of developed countries in order to capture the tariff peaks and escalations for increased market access. Subsidies given by the developed countries need to be drastically reduced which they have been insisting vehemently so far. Even the green box subsidies of developed countries are distorting world trade in agriculture by increasing production and hence depressing world prices are given by the developed countries which are great disadvantage for countries like us. Besides export subsidies given by them also need elimination. Misuse of SPS and TBT measures need to be checked.

Besides policy issues farmers and exporters of Pakistan need to be educated about export standards. The Central Bank may devise schemes to finance the standardization plants and related processes in this regard.

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