

# **Social Dimension of Globalization?**

## **A case of Pakistan**

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## **Dedicated to my**

Dedicated to my

Beloved mother who breathed her last on July 9<sup>th</sup>,  
2004

All of my achievements in life are due to her love,  
attention and prayers.

May her soul rest in eternal peace



## **Preface**

### **Social Dimensions of Globalization!**

Globalization means different things to different people. It reminds me of the story of five visually challenged persons who were trying to describe an elephant by touching its various body parts. They were challenging each other's description of elephant based on their personal experiences. However, all of them were speaking the truth and none of them was correct. Likewise we hear many people claiming that globalization offers opportunities, others say it poses particular threats. Still others feel that it is inevitable, whereas quite a few believe that despite its "anti-social" dimensions, globalization is manageable. I tend not to challenge any of the above statements as all of them hold their own merits. However, to me it is clear that globalization ties us all together more tightly than ever before. It is about events which affect us; which may be decided many miles away, such as 9/11. It is also about the effects we have on other people, and other people have on us – through consumer lifestyle or political choices, through investments and involvements.

The past one and half decade saw emergence of two forms of globalization. "Good" globalization brought material rewards and "so called" transparent and free politics to the nations of West Europe and North America. Whereas, "Bad" globalization for its part has largely affected rest of the

world. Globalization's level playing field focuses merely on liberalization, be it "economic liberalization" or "policy making liberalization". Globalization of policy formulation is achieved at the cost of local sovereignty. The role of national governments is being revised and local gains as well as solutions of local problems are sacrificed to achieve a global good. This objective in itself may not be very bad. However, the method adopted to achieve this objective becomes controversial and comes under heavy criticism especially from developing world, which is already suffering from inequalities in resource distribution. This is where people start questioning about the social dimensions of globalization.

Very often, in such cases, common people are asked to believe in economic theory of "trickle down effect". They are asked to wait till 20 percent of the world population who own 83 percent of the world's wealth would turn to be even richer and start spilling over the effect of their wealth to the world's poor. Alternative path suggested to marginalized majority (of common masses) is to compete with major and big actors of globalization in an open competition. Asking a bicyclist to compete with a Mercedes rider on global motorway is the whole philosophy of transparent, competitive environment of globalization where every one is free to explore one's potential.

The adverse form of such globalization is economic liberalization. During the inception of World Trade Organization (WTO), poor economies of the world were promised that they would be able to gain access to major markets following the principles of non-discrimination and equality, provided they liberalise their economies (preamble of Marrakech agreement). However, eight years' experience of working with WTO, members portray a totally different



picture where small economies are still major losers in world trade (United Nations' Conference on Trade and Development's report for recently held UNCTAD XI). These adverse effects become even worse when governments adopt policies such as Corporate Agricultural Farming; Gene Revolution; Plant Breeders Rights Act; or sign off agreement such as "Agricultural Structural Reforms loan" with international financial institutes.

Collective resistance from those who believe in right-based approach as well as from different developing countries' governments on implementation of various WTO agreements in Seattle and Cancun raises many questions, such as;

- 1) Why globalization always has adverse effect on weaker players?
- 2) Can we achieve benefits from various phenomena of globalization without compromising our sovereignty?
- 3) Can we have a selected approach to liberalization instead of adopting a rapid liberalization policy?
- 4) How can we find a right balance between opportunities offered, and threats posed by globalization?

Civil society, academia, and researchers are trying to answer these questions all over the world. I had a chance to get involved with three such research initiatives during my stay at Sustainable Development Policy Institute (SDPI). The first one was a Swiss initiative, National Centre for Competence in Research (NCCR) North-South; whereas the second one was a South Asian initiative, South Asia Watch on Trade Economics and Environment (SAWTEE). On top of these two, the third one was purely a "*desi*" (indigenous)

initiative, WTO Watch Group. The research that I conducted during last four years for above-mentioned forums provided me an opportunity to interact at multiple levels ranging from grassroots to national, regional and international.

Based on research findings, my answer to all above-mentioned questions is that we would have to put “people” at the centre of development. A development that is not pro-people would hurt the weaker players, would force us to compromise our sovereignty and would always create an imbalance between opportunities offered and threats posed by globalization.

There was a widespread confusion on trade liberalization and its possible implications on Pakistan before Doha Ministerial Conference (2000-2001). Government officials and state consultants were trying to prove that WTO was panacea for every ill. Civil society representatives, on the other hand, were preaching that WTO was a curse. The genuine stakeholders, traders, consumers, and manufacturers were indecisive in this debate. Policy makers, at the highest level were issuing statements “After implementation of WTO in year 2005.....” (without realising that WTO was implemented in 1995 after conclusion of Uruguay Round). It was in this context, I decided to use print media to engage in research based policy advocacy. Thanks to Ammara Durrani of “The News” and Shafqat Munir of Journalists for Democracy and Human Rights (JDHR) who encouraged me to write on these issues and I kept on writing my research findings in popular article formats.

This volume is a compilation of selected articles that appeared in “Political Economy” section of “The News” and “The Financial Post” Pakistan and “Himal” Kathmandu, Nepal. The article, “WTO: Havana to Cancun” is a

reproduction of training manual that I prepared in August 2003, when PILDAT in collaboration with SDPI organized a training workshop for parliamentarians. This workshop was a success and I was impressed to see the level of interest shown by various parliamentarians on WTO and globalization. It was there, we (on behalf of civil society of Pakistan) reiterated our demand for formation of special committees on WTO in the Senate and the National Assembly of Pakistan. The Speaker National Assembly Ch. Ameer Hussain who was the chief guest at the opening of the training workshop promised to give sympathetic consideration to our demand. Soon after that, such committees were formed in the two houses of the Parliament.

Another contribution of civil society of Pakistan, in their on-going struggle to make globalization pro-people, is the capacity building of various government officials on WTO and its agreements. I am deeply satisfied to see that level of understanding on WTO has increased manifold in WTO Cell of Ministry of Commerce, Export Promotion Bureau, PARC, Ministry of Agriculture, and Agricultural Price Commission. However, this is not enough. We know that civil servants are often transferred from one ministry to another. Many officers after getting trainings on WTO are now serving in totally irrelevant ministries. This compilation is designed for our key stakeholders especially the policy makers, legislators, and government officials who have recently started taking interest in WTO as well as in the debate on economic liberalization.

This volume would also be useful for those who would like to build their independent opinion on the question whether globalization can deliver the goals of sustainable development without exhibiting social dimensions of

globalization. Analysis of different positions taken by our official delegates at various international conferences such as Doha Ministerial Conference, World Food Summit five years later, World Summit on Sustainable Development, Cancun Ministerial Conference, and UNCTAD XI is presented in these articles in a chronological order. At the same time, these articles also provide an analysis of alternative positions and recommendations of civil society organizations on those occasions. The readers should compare the positions of both the camps. Civil society organizations were insisting that focus should be on social dimensions of liberalizations, whereas, Government of Pakistan has to formulate many policies to fulfil her commitments with IFIs that ignored social dimensions and merely aimed at “development”. Now the question to be answered is whether economic growth reduces poverty. In case of neighbouring country India, BJB Government lost general elections despite sustained economic growth and the reason was that growth had no social dimensions. It was not reducing the sufferings of general masses. It is happening in Pakistan too. Indicators for economic growth are improving and population below poverty line is also increasing. So where does it lead us? Build your own opinion.

I wish to conclude here, but cannot help thanking those who helped to bring out this compilation. First of all NCCR Pakistan Research Group members Urs Geiser, Qasim Shah, Babar Shahbaz, Roshan Malik (now with Action Aid) and Shafqat Munir who helped me in carrying out various research studies. Then “Ammara Durrani” who edited this volume; SDPI English Publication Unit members Nasir Khan, Arshad Khurshid, and Majid Suleri who formatted and composed this work; Leonard Ds’uza who prepared the cover design and finally Ahmad Salim for coordination of this work.

Special thanks are due to my family members, especially loving son Zohaib, and caring wife Shabana and my father Abdul Qayyum Suleri without their cooperation I could have never succeeded in bring out this volume. Much of the time reserved for my family members went into writing these articles. I ought to give a “social dimension” to my professional life by balancing it with my family obligations. Happy reading

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September 09, 2004



# 1 **PLANT BREEDERS' RIGHTS ACT: FARMING COMMUNITY AT STAKE**

The first Agri-Business conference concluded on 28th April 2001 with a call for timely steps to achieve the target of high agricultural growth by taking advantage of the biotechnological advancements in producing new seeds and crop varieties. For production of quality seed, the conference recommended the introduction of a Seed Breeders Act, Biodiversity Law and proper implementation of corporate farming. The Chief Executive, General Pervez Musharraf, agreed to these recommendations without taking into consideration the impact of the Plant Breeders Act on the farming community.

Though the conference was largely attended by multinational companies like Monsanto, none of the NGOs or CBOs working with the farming communities was invited. Different community groups and NGOs that know the factual position of the WTO agreements are raising their objections on 'seed breeders rights' not only in Pakistan but also around the world. A number of NGOs from across South Asia gathered in Islamabad in March 2001 under the auspices of Sustainable Agriculture Action Group (SAAG) and South Asian Network for Food, Ecology, and Culture (SANFEC). It held a consultative workshop to compare the Plant (seed) Breeders Rights Acts in SAARC countries. It was jointly felt that the incumbent draft Breeders Rights Acts would benefit the multinational companies, and not the farmers in these countries. These Acts are largely influenced by Trade-Related Aspects of Intellectual Property Rights (TRIPs) imposed under the World Trade Organisation (WTO) regime.

The TRIPs Agreement covers patents in Articles 27 to 34 of the

WTO. It requires that all inventions are patentable, including those based on the exploitation of biological resources. Article 27.3 (b) obliges the WTO member countries to provide some form of intellectual property protection on plants, animals and biological processes and new varieties of plants. The TRIPs agreement allows the owner of a patented product to prevent third parties from making, using, offering for sale or importing that product without their consent. The owners of a patented process can prevent the use of the process as well as the commercialisation of a product made using that process. Thus, if a process to produce a plant (e.g. a genetically modified plant) is patented, the owner of the patent has exclusive rights over the plants obtained using the process. Farmers are not allowed to use any seeds coming from such a plant. Most importantly, in contrast with normal legal practice, the TRIPs Agreement shifts the burden of proof in a dispute over process of patents to the defendant who must show that a product is not being produced by the patented process.

Most developing countries signed the TRIPs Agreement, apparently without analysing its implications, as part of a package deal. The WTO, virtually, brings all the Agreements together under one umbrella; and membership in the organisation implies accession to all of them. Thus, TRIPs is more powerful than the older Agreements and is a cause of widespread concern. Northern nations regard TRIPs as an essential building block of economic globalisation; but civil society in the South believes that trade rules should promote and not hinder achievements of various international targets agreed upon during a series of the UN conferences held in the 1990s, including the World Food Summit. These include, poverty eradication; sustainable development; social justice; gender equality; human rights; conservation and sustainable use of biological resources; and food security.

Biological resources for food and agriculture are special because unlike other natural resources, they are the basis of life on earth. The supporters of TRIPs claim that they want to establish a global regime to govern and regulate the use of biological resources.



Various life science companies and some governments, including the US, advocate that the gene pool (biological resources) and its products are global commons. Unfortunately, they misinterpret the term 'global commons' to claim unlimited access to the world's genetic diversity for the purpose of converting it into private intellectual property. They have failed to understand that because the Earth's gene pool--in all of its biological forms and manifestations--is a global common, therefore, a product of nature cannot be claimed, as a whole or in parts, as an intellectual property.

The supporters of TRIPs know that, unlike chemicals, biological resources are capable of self-replication or of being reproduced in a biological system. This limits the potential profitability of the companies engaged in biotechnology, leaving them with no choice but to demand for a bio patenting or patenting of life forms. It is quite obvious that patenting of life threatens poor farmers and indigenous communities' livelihood as a result of rapid spread of industrialised agriculture and privatisation of knowledge. It also adversely affects the biodiversity.

Historically, the Earth's life forms are considered as a common heritage of humankind. Over millennia, communities developed many different farming systems using innumerable animal breeds and plant varieties according to their local needs. Thus, they produced a diverse agriculture. It created a vast store of traditional community knowledge. The Convention on Biological Diversity (CBD) agreed at the Rio Earth Summit in 1992, recognises the sovereign rights of states over their biological and genetic resources. The Convention requires parties to protect and promote the rights of communities, farmers and indigenous people vis-à-vis their customary use of biological resources and knowledge systems. However, in practice TRIPs does not reinforce the provisions of CBD.

Bio-patenting and plant breeder's rights under TRIPs carry with them the aims and assumptions of the system of industrial agriculture of which they are a part. With the industrialisation of

agriculture, increasing areas of arable land were planted to fewer varieties of seeds and fewer breeds of livestock were kept, thus reducing biodiversity. Most striking in affecting these changes were the 'green-revolution varieties of rice, maize, and wheat that spread globally in a few years displacing many local varieties and the widespread dissemination of 'black-and white' dairy cows containing Friesian and Holstein blood. Here it is pertinent to mention that more than 75% of agricultural crop varieties and over 50% of domestic livestock breeds have disappeared from farmers' fields in the last century.

The impact of TRIPs is vitally important for future food security. The World Food Summit says: "Food security at individual, household, national, regional and global level is achieved when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life." The Summit recognised that poverty underlies hunger and that no single factor such as technology will end hunger. Instead, hunger and malnutrition are due to the way food or wealth is distributed. Shortage of food is not a cause of hunger. Highly unequal distribution of wealth and land are major factors that cause hunger. Adopting a purely 'technology can fix it' approach (as the one adopted in the Agri-Business Conference) to hunger problems can create more hunger and more food at the same time. It will create a monopoly of trans-national corporations (TNCs) and multinational companies over food.

According to a recent study conducted by the Voice of Irish Concern for the Environment, at present 80% of patents on genetically modified foods are owned by only 13 TNCs, and the top five agro-chemical companies control almost the entire genetically modified seed market. At the same time, 1.4bn farmers in the developing world depend on saved seeds for next year's crop. The TNCs would exploit these farmers by accusing any of them of infringement of their intellectual property rights. It has already happened in Canada, where Monsanto accused a farmer, Percy Schmeiser, of infringement. Percy sowed his own

canola seed but some pollens of crop sown by his neighbour farmer using Monsanto seeds pollinated some of his canola plants. Schmeiser was a victim of genetic pollution from the genetically engineered (GE) canola but the Canadian court ruled that he must pay Monsanto US\$10,000 for licensing fees and up to US\$75,000 in profits from his 1998 crop. Schmeiser didn't take advantage of Monsanto's GE technology, but the court ruling says he's guilty of using the seeds without a licensing agreement.

Keeping this case in mind, our policymakers should think about what would happen to our farmers in such situations? What would be the plight of our farmers when their right to store, reuse, and exchange seed varieties would be denied under the Plant Breeders Rights (PBR) Act? Are we aware of the consequences of introduction of the PBR in Pakistan? Let us think of subsistence farmers who would not be able to eat cakes instead of bread.

(July 2001)



## **2 CORPORATE AGRICULTURE: WHO WILL PROTECT OUR FARMERS?**

**I**t is a well-established fact that multinational corporate power is growing, particularly under the World Trade Organisation (WTO) regime. It is becoming increasingly difficult for governments to protect their citizens. A few rich in every country become filthy rich and the world's masses become more abjectly poor.

The promoters of corporate agriculture are not basically different in operation from other multinational corporate enterprises. Corporate greed for profit from renewable natural resources would lead to growing food insecurity and prove to be the last nail in the coffin of subsistence farmers already economically hard pressed. Even its proponents have defined corporate farming as a system in which farm owner, farm manager and farm worker are different people. This would be a big change from the historic structure of agricultural dominance in South Asian countries where, with an exception to a few large land holders (in case of Pakistan, there are less than 6% who hold more than 60 hectares), the farming labour is also empowered to make decisions and reap profit.

Unlike sustainable agriculture, where strategy is to minimise environmental and economic risks by using management and labour skills to diversify production and conserve natural resources, corporate farming encourages large scale, highly specialised farms where uniformity is emphasised over quality and where decisions are profit-oriented.

When Pakistan produced a surplus sugarcane crop three years back, sugar mills at first refused to buy the crop at the support price. On pressure from the government, they did purchase it at official support price, but delayed payment to the farmers by more than a year. In most of the cases, payments were released to only those farmers who agreed to a 10-15% discount in official rates. In addition, the mills deducted various amounts on the pretext of low weight or less content of sugar in the crop. The position regarding cotton was even worse.

For 30 years, the textile industry thrived on the low cotton prices that it paid to the local farmers. The industry collapsed when in 1993 it was forced to purchase cotton at the international price. After three years, the industry agreed to pay the world market prices of cotton but pressurised the government to ban the export of raw cotton till January 2001 so as to keep the cotton prices lower than the world price.

The same happened to wheat and rice growers who were not able to sell their produce at the support price and were forced to burn the heaps of their yields in the local grain markets. Even prior to corporatisation of agriculture in Pakistan, farmers are facing such a situation at the hands of the market forces, how could they compete with the giant corporations' financial, marketing and political clout? When farming would no more be profitable for small farmers because of corporate farming, they would have to find some alternative ways of securing their livelihood.

It would increase urbanisation that would not only put an increased pressure on urban resources, but also hundreds of acres of prime agriculture land around the urban centres would be lost to accommodate this displaced community. The primary objective of the proposed policy outline of the corporate agriculture farming in Pakistan is to combine agriculture and processing activities at one place to produce high quality agriculture products. This involves the use of latest production technology, adequate use of inputs like fertilisers, pesticides, better quality seed, heavy machinery and efficient use of water.

Well, the objective appears to be very impressive but can the technology really work? The option to increase productivity by using high yielding varieties, more chemical inputs and heavy farm machinery often carries externalities with it. It is reported that with the excessive use of modern agriculture inputs, crop yields increased in the beginning but have become almost stagnant now for the last few years. With the advent of Green Revolution in the early 1960s, new high yielding varieties (HYV) of crops were introduced. Prior to the introduction of HYVs, indigenous crop varieties were grown through traditional agronomic practices.

Crop yields were low and there was a need to improve the indigenous cropping system. Instead, the traditional agriculture was declared as a faulty system and it was replaced with a modern agriculture system. However, with the introduction of HYVs, which were short-rooted and more susceptible to pests, use of synthetic fertilisers and pesticides became necessary tools for modern crop production. Much of the research and extension efforts by public institutions in the 1950s and 1960s were spent on perfecting the strategies to promote HYVs, synthetic fertilisers and pesticides. Initially, these inputs were provided to farmers free of charge and later at highly subsidised rates to promote their use. It is now argued that introduction of modern agriculture inputs have not solved the problem. Instead, they have degraded the environment.

And now we are talking of corporate farming that promotes genetically modified seeds, more fertilisers and more pesticides. Nobody can deny the importance of better quality seed but in the garb of developing this seed or plant varieties, the government is bound to promulgate Plant Breeders Rights Act under the WTO agreement. This is meant to save the interests of multinational corporations and to stop the farmers from saving, exchanging, and selling their own stored seeds. While using heavy machinery for intensive cultivation, how can we ignore that "topsoil" is disappearing at an astounding rate of 25 billion tons a year all over the world? We talk of American agricultural system. In the 1700s, America had a base of 21

inches of topsoil. Today there are only about six inches of topsoil in most areas and corporate farming is largely held responsible for this problem.

Just to remind you of the importance of topsoil, for every inch of topsoil lost; grain yields drop by six percent. Though the details of the proposed legislation on corporate farming bill have been concealed from the stakeholders, various incentives have been offered to corporate sector. The most frightening among them is a proposal that there would be no upper ceiling on land holding for corporate agriculture companies. The prospective investor would determine the size of corporate farms. A legal cover is likely to be given to them by amending the relevant land reform laws. Would not this provision lead us back to feudalism?

Moreover, the labour laws of the land would not be applicable to the corporate agriculture companies, thus depriving the labour community of its voice and rights. There would be a zero customs duty on import of new or used agriculture machinery, equipment, and implements. Mechanisation may result in lesser production costs but also reduce labour intensification, and Pakistan is already facing a problem of mass unemployment.

Moreover, wherever possible, state land may either be sold or leased to the investors for 50 years, extendable to another 49 years and there would either be no or a nominal duty on transfer of land. Due to these reasons, civil society opposes the thinking that everything can be bought and sold; that efficiency is the highest good; that profit is the highest goal; and that price equals value. This kind of thinking deeply offends humanity. We have to save our agriculture and farming community from multinational corporatisation by protecting our indigenous knowledge system in agriculture. We have to promote organic farming instead of corporate farming. Corporate farming does not suit our resources and climate.



### **3 WTO AND FOOD INSECURITY**

**T**he Uruguay Round (UR) of multilateral trade negotiations was held in September 1986. UR did not only cover trade in goods but also trade in services, the area not touched by the General Agreement for Tariffs and Trade (GATT) till then. The declaration agreed upon by ministers stressed the need to bring about further liberalisation and expansion of world trade by strengthening the role of GATT and improving the multilateral trading system.

It was emphasised that in order to increase the responsiveness of GATT to the evolving international economic environment, areas like Trade Related Investment Measures (TRIMs), Trade Related Intellectual Property Rights (TRIPs) and trade in services should also be included in the round. As a result of UR, the World Trade Organisation (WTO), which replaced the former GATT, was established in 1995.

Inclusion of agriculture in the domain of international trade discipline nearly prevented the conclusion of UR. A major breakthrough in UR was the re-insertion of agriculture within the framework of multilateral trading system. To reap the benefits from global trade integration, group of agricultural exporting countries, both developing and developed, the Cairns Group, sought significant liberalisation, and elimination of production subsidies in agricultural trade.

The EU took the opposite position -- of not liberalising trade in agriculture -- and stressed the need for achieving stability and equilibrium in world agriculture markets. The US took the middle position, as it wanted access to the EU market but protection for

itself, while Japan demanded a freeze on export subsidies and a slot for a minimal level of domestic subsidies for national security reasons.

In the end, the countries agreed to the EU position, which was based not on free trade but stability and equilibrium in world agriculture markets. The Union decided to open its agricultural market for trade. In the end, it was not free trade but managed trade in agricultural commodities, which formed the basis of the Agreement on Agriculture (AoA) in 1994. The AoA requires WTO member countries to import at least a part of their agriculture needs (market access), to reduce the level of subsidies offered to domestic producers (domestic support), and to limit distortions in agriculture trade caused by government interference and export subsidies unless they qualify under some exceptions (export competition).

The export interests of developing and developed countries clash with each other. This clash of interest can be observed in the poor implementation record of member countries. In fact, most developed countries have substantially deviated from their commitments to provide market access to developing countries and reducing domestic subsidies. On the other hand, the developing countries did not receive the kind of support they were promised during the UR negotiations. As a result, income and trade gains of developing countries are much smaller, if at all, than expected.

Political considerations have dominated the issues related to an honest implementation of AoA. The farm lobby in developed countries has been too strong to be ignored. The developed countries, including the US, EU, and Japan, seem too tough to give any concession to developing countries. Whatever was agreed to be is being circumvented. It seems that developed countries were not interested in integrating the developing countries into the world economy, but were seeking new options for their subsidy-ridden agriculture, which was in many cases, becoming unsustainable in several ways.

It is very natural to ask that if the AoA is not bringing the desired results, then why is it not being reviewed? The agreement mandates a review, which is overdue. Member countries of the WTO are divided over what degree of liberalisation should be pursued in the agriculture.

The Cairns group and USA are pro-liberalisation while most of the European countries, Japan, and Korea are on the defensive. In fact, the EU and Japan, in particular, have called for a comprehensive round of negotiations. Proposed agenda items for the round include trade defence measures (antidumping, subsidies, and countervailing measures), investment, competition, the environment, and social development issues (including labour).

Agriculture is a contentious issue within the WTO. As a result, it is subject to all kinds of manoeuvring, especially from countries, which are opposed to agricultural liberalisation as an issue that should be treated in isolation. It is difficult to speak of a common 'position' of developing countries in this context. They may be broadly classified into three categories. Some belong to the Cairns group, others to the net food importing developing countries (NFIDCs), and still others are in between.

Even so, some developing countries are actively participating in agriculture negotiations. At present, the interests of developing countries are represented by two groups, namely ASEAN and a group of 11 developing countries. The SAARC countries, like many other developing countries, are not taking an 'either' or 'or' position on liberalisation. They are in favour of a degree of liberalisation that corresponds to the level of development in a particular country. However, they are resisting inclusion of any new agenda for negotiation in the Fourth WTO Ministerial Conference. Their main concern is how to implement what has already been included in the WTO agreements.

The agreement also has some implications for food security in developing countries. Due to the possible negative effects of the UR on the NFIDCs, a special ministerial decision was signed at

Marrakech in April 1994. The Marrakech decision called on developed countries to compensate NFIDCs should the latter experience negative effects as a result of higher food prices or reduced availability of food aid as a result of the implementation of the AoA [Articles 16 (1) and (2)].

However, their implementation is another matter — no concrete steps have been taken. For example, in 1995-96, the world cereal market experienced a major slump. World stocks of cereals fell to their lowest levels in more than 20 years, and international cereal prices increased by about two to three times the normal levels. The effects of these developments were borne by the NFIDCs. At the top level, a debate did take place as to whether the increase in world cereal prices was due to the AoA or because of seasonal factors. The IMF concluded that the increase in world cereal prices was 'unrelated to the UR'. However, this was opposed by the FAO, which argued that three factors were responsible for the sudden increase in prices and one of them had direct links with AoA.

Back home, from a food security perspective, South Asia is not in a comfortable position. The region is home to the most undernourished population, second only to Sub-Saharan Africa. This is in direct contrast to the availability of the natural resources. The AoA cannot be expected to bring significant improvements in the situation. The rising food import bill of all countries in the region during the recent years are, in fact, a warning against exaggerated enthusiasm for liberalisation.

Food insecurity is increasing and surprisingly there has been no discussion on the effects of the AoA on food security in any of the ministerial conferences of the WTO held so far. There cannot be a better example than this to prove the point regarding ineffective implementation of the AoA vis-à-vis food security.

All eyes are now focused on Fourth WTO Ministerial Conference to be held in Doha in November. The countries in the region should work together to strengthen their position in future

negotiation. It is encouraging to note that SAARC resolved to take a common stand on particular issues during the meeting of SAARC trade ministers, last week. This is the need of the hour. Intense consultations among member governments of SAARC on WTO-related issues should be promoted and backed by the general masses of the SAARC countries. We want the food secure masses of South Asia to be heard in Doha this November.



## **4 FOURTH MINISTERIAL CONFERENCE OF WTO: FEARS, DEMANDS AND EXPECTATIONS**

**T**he forthcoming World Trade Organisation (WTO) Ministerial Conference is around the corner and 142 nations around the globe are going to meet to safeguard their trade-related interests at Doha (Qatar) from 9-13 November 2001. The developed world has united to have a new WTO round to further adjust their interests, while the developing world, though in majority divided, will be struggling to defend their rights to safeguard their deteriorating indigenous socio-economic systems.

After the failure of the Third Ministerial Summit of WTO in Seattle, it is now widely realised that WTO is rather bent on exclusively providing its sanctuary to the West. Consequently, the developing countries are congregating to protect their interests. The timely coalition of these struggling nations against the biased and prejudiced practices and policies of the WTO is a very strong threat to the high-handed and arrogant attitudes of the developed countries. This movement of opposing the existing systems in the WTO began soon after the inclusion of agriculture in WTO agreements. This step was highly unfavourable for the developing countries whose majority populations are attached to agriculture and their food security and livelihood is based on subsistence agriculture.

It is a known fact that, at the beginning of WTO, the developing countries -- due to limited resources and expertise -- only acted as an insignificant part of the forum and they signed anything

approved by the dominating Western countries' representatives. There was also lack of active representation by the Third World countries and at the same time the legal terms and language being used in the agreement documents was nothing short of a mystery for the Third World representatives. However, when the representation and know-how by this part of the world increased, better understanding of the terminologies, the crux of the agreements, and the decisions made at the WTO summits and meetings also developed. A better understanding resulted in a clearer view of the setbacks and loop-holes in Western decision-making, which somehow, always seemed to be in their interests only. At that point, the lobbying of the developing countries was inevitable because this seemed like the only possible way to counter the strong lobby of Western countries.

The developing country coalition consists of several groups of which the African group is the strongest. The South Asian countries are part of the 'like-minded group', which is very much supportive of any initiative taken by the African group. The focus of these groups, which represent the developing world, is on the injustices perpetrated by the developed world and their efforts to further push back the struggling countries. The most radical and mobilised denunciation of developed countries' intentions and practices was seen at the Third Ministerial Summit of WTO in Seattle. The protest was so effectual and powerful that not a single session of the summit could be carried out in peace. A chain of such protests then followed in several countries of the world.

The developed countries are now about to introduce the WTO's new round of negotiations. The new round, though not known in depth to all the members of the WTO, arises serious concerns within the developing world that this could be another solely and singularly beneficial round of demands for the developed world. Since after the showdown in Seattle, Western countries have been lobbying with other member countries of the WTO (preferably the less developed ones) in order to convince them on the mutual advantageous parts of the round of demands. Most of the developing and least developed countries are not ready for a new



round of negotiation, and are asking for implementation on the commitments that the developed countries have already made to facilitate poor nations in the new trade era.

Sustainable Development Policy Institute (SDPI), Sustainable Agriculture Action Group (SAAG) and South-Asian Network on Food, Ecology and Culture (SANFEC), still stand firm on their demand for exclusion of agriculture from WTO as was the case back in 1995. The efforts to include agriculture in the WTO regime by the developed world and their interest in it have mobilised the developing members groups and they are more united than ever before. Another serious concern of the organisations mentioned earlier is the patenting of live forms in TRIPS. The TRIPs Agreement allows the owner of a patented product to prevent third parties from making, using, offering for sale or importing that product without their consent. The owners of a patented process can prevent the use of the process as well as the commercialisation of a product made using that process. Thus if a process to produce a plant is patented, the owner of the patent has exclusive rights over the plants obtained using the process. Farmers are not allowed to use any seeds coming from such a plant. Most importantly, in contrast with normal legal practice, the TRIPs Agreement shifts the burden of proof in a dispute over process of patents to the defendant who must show that an infringement has not occurred.

Prior to the Uruguay Round, Intellectual Property Legislation was a matter of domestic policy. But the WTO virtually brings all the agreements together under one umbrella, and membership in the organisation implies accession to all of them. Thus, TRIPs is much more powerful than the older agreements and is a cause of widespread concern.

Developing countries face two kinds of disadvantages from patenting on the genetic resources for food and agriculture (GRFA). One is that these countries lack the scientific capability to innovate and patent new materials, and are not even in a position to fully catalogue the natural resources of bio-materials

they currently possess. Second, there is growing concentration of transactional corporation in bio-tech industries, notably in the seed sector. This concentration enables these industries to exact monopoly rents from farmers worldwide. Dependence on MNCs for such a critical input like seeds are feared to bring in a chain of developments, which undermine the very survival of small farmer economy. Our analysis is that patents and other form of intellectual property protection on the GRFA can decrease farmer's access to seed, reduce efforts in publicly funded plant breeding, increase the loss of genetic resources, prevent seed sharing, and could put farmers out of business. Can we think of food security when TRIPs would guide the world as to who can produce what, when, and where and who does not have the right to produce anything? This is the reason that NGOs and other civil society representatives reject any patenting on life form.

We have certain apprehensions and fears about the forthcoming WTO ministerial conference.

### **Fears**

- Due to WTO's favourable tilt towards the developed world, it is feared that the latter with the help of WTO will, by and large, lobby to oblige and constrain the developing world to divide them and seize their rights to protect their natural resources and bio-economic systems;
- Fear of Green Room corner meetings and horse trading;
- It is felt that the Fourth Ministerial Summit of WTO has been decided to hold in Doha in an obvious attempt to foil any massive protest from civil society, as has been the practice at all major international economic summits in recent times. Qatar has been selected for the only reason that it is one of those countries in the world where protests and rallies are against the law where legal actions can be taken against protesters;
- The main concern that activists around the world have expressed about the WTO is its effects on food security and other rights of poor people in the South. For instance, in recent times, the small and landless farmer in Pakistan has faced more acute problems than ever before. The overall state of the economy has

deteriorated, and the burden of this deterioration has been borne mostly by small and landless farmers who are, perhaps, the only group, which faces direct threat to its food security; and

- In Doha, decision-makers around the globe will take the fate of billions into their hands and decide how the exchange and transfer of goods and services will take place. Since the present world economic system is already not equitable, there are fears that the developing world will become more dependent of the West and it will, eventually, multiply hunger and starvation even in countries where enough food has been produced historically to feed its own people.

### **Demands**

- No new round of negotiations in WTO;
- Evaluation of WTO policies, so far, and study of their impact on developing countries and their state of poverty;
- Agriculture should be excluded from WTO regime;
- No patents on life form;
- We demand pro-poor WTO policies to rid of inequalities, poverty and hunger;
- Green Box corner meetings and horse trading should end;
- Efforts should be made to make WTO a balanced forum based on equality and mutually beneficial for all the member countries; and
- A development box should be provided to exempt measures related to food security, livelihood security, and rural development of developing and least developing countries from the WTO regime.

### **Expectations**

- The developed world should take a lead and take care of the developing countries by providing them technical assistance and capacity-building as per their commitments; and
- The developing world, being in a majority, should unite and not allow the developed world to take control of WTO policies.

(November, 2001)



## **5 WTO FOURTH MINISTERIAL CONFERENCE: DOHA HAS FAILED THE WORLD'S POOR**

**T**he Fourth Ministerial Conference of the World Trade Organisation (WTO) formally opened in Doha, Qatar on 9 November 2003. The Qatari security agencies were fully alert and their security officials were dressed both in uniform as well as in plain clothes. Besides them, American security agents were also prominent.

However, NGO activists were able to stage a peaceful demonstration outside the conference hall of Sheraton Hotel. They stuffed their mouths with pieces of paper and held placards saying "No voice in WTO". Their message was clear: the Fourth Ministerial Conference was being convened in an undemocratic and non-transparent manner, where most of the stuff, including the draft for ministerial declaration, was biased towards rich nations, and the voice of the developing countries was muted.

Qatar was chosen as the venue of the conference in order to avoid another Seattle. Yet, the lessons of the Seattle debacle in 1999 were ignored. The negotiations process in Geneva was not transparent and deeply unfair to the majority of WTO members. The inequities continued in Doha. Heavy weights EU and US overwhelmed the poorest countries. The EU had a massive 502 people in its delegation. This compares with Maldives with two, St. Vincent with one, and Haiti, the poorest nation in the Western hemisphere, with no delegate at all. The EU and the US,

representing approximately 10% of the world's population, had a combined delegation of 553, compared with a combined delegation of just 99 from China, India, and Pakistan, representing over 43% of the world's population. Yet, NGOs were only allowed one person per organisation. This mismatch revealed from the very start that WTO is rich men's club, and most of us knew that in Doha trade deals would be negotiated on the basis of commercial deal-making and an ideological commitment to trade liberalisation, rather than a full assessment of the impacts of past policies on the poor, sustainable development, food security, and human rights.

After the formal opening plenary sessions were started, providing trade ministers a five-minute slot each to deliver their views on what the WTO should focus on over the next two years. At this stage the members were divided on whether or not to launch a new round of multilateral trade negotiations. Even those in favour -- all industrialised, as well as many developing countries -- differed on the subject areas that any new talk would cover, while a large number of developing countries were opposing a new "round". Their demand was that instead of seeking further industrial tariff cuts or multilateral disciplines in areas such as investment or competition policy, WTO members should concentrate on finding solutions for developing countries' long-standing concerns about the implementation of existing agreements and redressing imbalances inherent in them. Lives of millions were under threat as mandated negotiations on agriculture and services, as well as ongoing review of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) and some other WTO treaties were set to continue in this conference. Food-security and drug patenting were the main issues in Doha and the US was under fire over drug patents rules. In fact, it was widely believed that agreement on patents and public health could "make or break" WTO meeting in Doha. The US government, supported by Japan, Switzerland, and Canada, was obstructing developing countries' attempts to strengthen health safeguards in TRIPs.

Negotiations on the future work programme proceeded at the head-of-delegation level on six tracks that reflected the areas where members' views differed the most. In the meeting of the heads of delegation, the chair announced the appointment of individual facilitators who had to lead in the process of finalising the draft ministerial declaration. Dubbed 'Friend of the Chair', these individuals were given the freedom to conduct consultations with whosoever they chose in whatever way they chose, including bilateral talks. The facilitators were expected to provide revisions on the draft declaration. The chair initially had six friends:

- Singapore issues (i.e., investment, competition policy, government procurement, and trade facilitation) chaired by Minister from Chile (originally the Canadian minister was nominated for chairing this group);
- Agriculture (tariffs and quotas) chaired by Minister from Singapore;
- Implementation (market access for developing countries, anti-dumping measures, and the imbalances in subsidy rules) chaired by Switzerland;
- TRIPs and health (should the flexibility in TRIPs be applied to all measures taken for public health or only those in response to national health crisis?) chaired by Mexico;
- Environment (trade and environment) chaired by Canada;
- Rule-making (reform clarification of antidumping and subsidy rules) chaired by South Africa; and
- Responding to complaints from a number of least developed countries (LDCs), the chair on the afternoon of 12<sup>th</sup> November (second last day of the conference) appointed a seventh facilitator: Botswana's minister for trade had to carry out consultations on a range of issues not covered by the six existing groups.
- Civil society advocates and NGOs widely criticised the powerful role of un-elected 'Friends of Chairs. No one knew the criteria of selection of these 'friends'. It was a big question why the issues were limited to six selected tracks only; and what if a country wanted to discuss other issues (the protest led to the appointment of the seventh friend but it was too late by then); and finally how did the facilitator reach a

"consensus" text? It was believed that the mechanism had effectively replaced the infamous green room consultation that led to the debacle in Seattle. In an even more undemocratic process, those "green rooms" had become "green men".

After the first two days of talks, most of the developing countries started expressing concerns over the 'Friends of Chair' process. Speaking at a press conference, Ugandan Trade Minister Rugumayo said that the way in which informal consultations had been constituted discriminated against the interests of LDCs, since none of their representatives had been selected as consultation facilitators (Botswana was not chosen as friend of the chair till that press conference). Pakistan, India, Nicaragua, Bangladesh, Jamaica, Zimbabwe, Bolivia, and Tanzania have also had problems following the process. Some of their delegates were unaware of venues of the meetings. Complaints were also heard about the way some facilitators chose to run the consultation, particularly the practice of focusing on small consultations that excluded large number of countries. Transparency was a big problem in the negotiation process. EU Trade Commissioner Pascal Lamy admitted that transparency is a time consuming exercise, and there is sometimes a trade-off between transparency and efficiency, creating a somewhat chaotic process. Three texts formed the basis of negotiations:

- A 45-paragraph draft ministerial declaration;
- An 11-paragraph separate declaration on Intellectual Property Rights; and
- A 14-point draft ministerial declaration on implementation-related issues and concerns.

The final drafts for these documents were released on 27<sup>th</sup> October. While WTO Director-General Mike Moore said that he and General Council Chair Stuart Harbinson had "delivered a balanced text" that presented a "solid basis for constructive negotiations", key developing countries strongly claimed that the drafts systematically silenced or ignored their concerns, while "generally accommodating in total" the interests of industrialised



countries. Nigeria requested the chair to revise the drafts to reflect the key points on which there was fundamental disagreement. The drafts were not modified, but on 5<sup>th</sup> November, Mr. Moore and Mr. Harbinson attached cover letters to the draft declaration and the draft ministerial decision on implementation concerns, explaining that these were not agreed texts.

Among WTO members most opposed to the future work programme outlined in the documents listed above were India, Malaysia, as well as many other African and least-developed countries. Pakistan launched a "friend of development box" group. However, India and some other like-minded friends refrained from supporting it; the developed countries opposed such an idea since such measures would threaten the interests of their farmers and agro-business people. In addition to several outstanding implementation concerns, in particular with regard to market access for textile and clothing products, the major points and priorities of the developing countries included:

- No negotiations on new issues;
- A separate declaration should be adopted on Intellectual Property Rights and public health, specifying that "nothing in the TRIPs agreement shall prevent members from taking measures to protect public health". The mandated review of TRIPs Agreement and its Article 27.3(b) on plant variety protection should be concluded before the end of next year, including the examination of the relationship between TRIPs and the Convention on Biological Diversity;
- Under AoA, the negotiations should aim at substantial improvements on market access, as well as the elimination of tariff peaks, tariff escalation and non-tariff barriers. A development box should be adopted for developing countries;
- Commitment to a greater emphasis on liberalising the movement of "natural persons" and the creation of an emergency safeguard mechanism should be added to the draft declaration language on the built-in services negotiations;
- Special and differential treatment (S&D): Ministers in Doha should entrust the General Council to elaborate a framework

- agreement on S&D by the Fifth Ministerial Conference, including a review of the effectiveness of existing provisions;
- Debt, finance and transfer of technology: These subjects should be studied under the auspices of the General Council, which shall report with recommendations to the fifth ministerial conference; and
  - Environment: Many developing countries believe environment should not be a subject of WTO negotiations, and trade should not be linked with environment.
  - The NGOs from the South as well as the North were united at Doha. Qatar Coalition Group (a coalition of about 70 NGOs present at Doha) did very well and despite heavy security and restrictions the activists managed to arrange protests outside the Sheraton Hotel. Sustainable Development Policy Institute (Pakistan), Noor Pakistan, Research Foundation (India), World Vision (Australia), Actionaid UK, World Development Movement, and "Our World Is Not For Sale" groups were very active in arranging such actions. At one stage, it seemed that developed countries would be giving some relaxations on drug patents, masking the importance of TRIPs' drastic impacts on food security. The US was playing the old game 'divide and rule' and some of the delegates from the North tried to convince the NGOs working on public health and medicines that they should remain quiet about TRIPs and food security, otherwise the gain on public health issues would be lost. However, they could not divide the Qatar Coalition Group, which organised a major protest where issues like bio-piracy and patenting of seeds were highlighted. Chanting slogans such as "no patents on life", the activists carried the 'body' of a 'farmer' victim of TRIPs. A volunteer wrapped in a black cloth acted as the 'body'. The NGOs rejected any patents on life forms and stressed upon a substantial review of Article 27.3 (b).

More demonstrations were held on the last day of the conference where the demonstrators shouted slogans attacking what they called WTO's "false promises and new lies". They carried placards resembling a cheque signed by 'WTO Unlimited' with the

line, “Pay to the developing countries false promises of economic development, poverty alleviation, entry to new rich markets, technology transfer, and creation of new job opportunities”. The cheque was shown as being signed by delegates of the rich countries and was returned by the bank as unpaid. The demonstrators tried to walk into the Sheraton Hotel to present their petition to Stuart Harbinson, but the security did not let them in, even in the area designated for NGOs.

The Pakistani delegation did not include any expert on agricultural issues. There was no representation from Ministry of Food and Agriculture. In a conference where most of the countries (including many African countries) have included NGO activists and academia in their official delegations, the Pakistani delegates had two businessmen who looked bored of the whole process. This scribe was asked by the Qatar Coalition Group to get a meeting arranged with Pakistani delegates. Despite best efforts to convince the gentlemen to spare 10-15 minutes for the NGO activists from the North and South, our delegates did not consent due to a “very busy schedule”. They could have involved the NGOs to lobby for them for a "development box" but their typical bureaucratic style followed them to Doha, and they missed this opportunity.

13<sup>th</sup> November midnight was the self-imposed dead line for getting signed a draft declaration by 144 WTO member countries. Horse-trading, bullying, and arm-twisting was in full swing inside the Sheraton conference rooms. The developed countries were using all dirty tactics to influence the developing countries. Christian Aid revealed that the Government of Uganda was pressed to remove its ambassador to the WTO Geneva. A senior US official telephoned the Government of Uganda to ask that Nathan Irumba, who had been critical of the TRIPs and of plans for a new round of talks, be withdrawn from Geneva. Even before formal talks began, delegates from developing countries were complaining of being threatened with removal of trade preference and reductions in aid. It was in this background that the developed world, led by the US and the EU, appeared to come away with

what it wanted: WTO nations agreed to a new round of trade talks. The developing countries could only secure some increased flexibility in interpreting the Agreement on TRIPs to fight HIV/AIDS, malaria, tuberculosis, and other diseases.

The tragedy of Doha was that the proposals for fairer WTO rules, repeatedly made by developing countries since 1999, still have not been fully considered, let alone agreed and implemented. As the Minister of Trade and Industry of Tanzania, Iddi Simba, said in a press conference, the problems of unfair trade are costing people their lives. Most at risk are millions of people, especially women and children, without basic rights and opportunities. This Ministerial Conference in Doha should have started to redress the deep imbalances in trade rules. But the much-hyped 'Development Round' is empty of development. The Doha Ministerial has failed the world's poor.

Civil society is calling for the start of a process that would lead to proper regulation of the global economy, based on UN agreed standards, to be taken forward in fora taking place this year, such as UN Financing for Development; the Food Summit +5; and the Earth Summit + 10. However, the attention of civil society groups in Doha, and hundreds of thousands of people who mobilised in major actions in over 35 countries, will remain firmly on the WTO. We and thousands of our civil society partners, who could not attend this meeting, will renew our public awareness raising and mobilisation during the ongoing and new negotiations. We would continue to do so until trade rules serve the aims of sustainable development, poverty reduction and human rights.

## **6 AGREEMENT ON AGRICULTURE: A FIELD NOT SO LEVEL**

**A**griculture plays an important role in Pakistan's economy, accounting for 26.4% of its GDP and almost half of the country's labour force. Agriculture has grown at an average rate of 3.5% per annum since 1991-92 with wild fluctuations rising by 11.7% at one time and falling by 5.3% at another during the last decade. The fluctuation in agriculture growth is not only leading to uncertainty but is also a major factor towards an increasing food import bill. According to Food and Agriculture Organisation (FAO) projections, food demand in Pakistan would rise substantially by the year 2010, with the share of imports in domestic consumption likely to go up further. Total cropped area in Pakistan (total area cultivated plus area sown more than once) declined slightly over the last decade, whereas uncultivable wasteland increased in that period.

These trends command for an increased investment in sustainable agriculture research and development, without which our food imports cannot reduce. To do the needful, we need to adopt pro-poor as well as pro-farmer agriculture policies. However, the phenomenon of liberalisation of national policies and policymaking mechanisms has presented the decision-makers with a dilemma. National policies that used to be under the jurisdiction of the state and people are increasingly coming under the influence of international agencies and processes such as WTO, IMF, World Bank, and OECD in the name of liberalisation. Pakistan, being a developing country enjoys various flexibilities and concessions when it comes to implementing various WTO agreements including that of Agreement on Agriculture (AoA). Though it is widely believed that these concessions and

flexibilities are inadequate and insufficient, we are not able to avail whatever is offered to us due to our commitments with international financial institutions such as ADB and IMF.

Out of various WTO agreements, AoA is of particular importance for Pakistan with respect to its economic and food security. In theory, AoA talks of increasing trade in agriculture products through progressive liberalisation. The agreement stipulates that members must undertake specific binding commitments in the areas of:

- Market access (increased market access through the reduction of the import duties or tariffs);
- Domestic support (reduced domestic support through reduction in trade distorting production subsidies); and
- Export subsidies

In the area of market access, Pakistan offered 'ceiling bindings' on agriculture imports during the Uruguay Round (UR). Hence, the country was not required to reduce the tariffs during the UR implementation period (till 2005). However, the structure of border protection has undergone significant change over time towards greater liberalisation, involving both the dismantling of various non-tariff barriers (NTBs) and the reduction of ordinary tariffs. The NTBs included outright import bans, special dispensation and licensing, quotas, negative lists and parastatal monopolies. Import surcharges were removed in 1992-93. Licensing fees and the iqra surcharges were abolished effective from 1994-95. Import quotas have been progressively eliminated since 1987. The number of items on the negative and restrictive list has also fallen considerably. All of this is accompanied by a reduction in the maximum applied rate of ordinary tariffs. In sum, the overall picture that emerges is that the import regime has been fairly liberalised in recent years with applied tariffs mostly much below the WTO-bound rates. This has led to an influx of subsidised imported foodstuff in Pakistan.

As far as domestic support is concerned, Pakistan had 'market price support programmes' for 11 crops during 1986-88 (Base

Period for AoA). Being a developing country, Pakistan was allowed to give special and differential treatment (SDT) subsidies that ran into Rs.2,085m in 1986-88 on fertiliser, credit, and tubewell electricity. These subsidies were for the farmers with landholding of less than five hectares. However, Pakistan stopped availing the benefit of SDT provisions and eliminated these subsidies in 1997-98. In sum, Pakistan is still capable of giving domestic support under AoA and the policy changes and/or reduction in support outlays after 1995 could not have been due to the AoA.

Prior to the establishment of WTO, Pakistan provided occasional direct export subsidies. Exports of rice and cotton were subsidised when the export was a monopoly of the public sector but the subsidy was abolished when the private sector was permitted to trade in these products. Thus, there was no export subsidy on agriculture products in the base period for AoA and accordingly Pakistan cannot resort to them in the future. However, it is entitled to provide subsidies to reduce the costs of marketing exports and internal transport as well as freight charges on exports shipment.

Apparently, it seems that AoA is not affecting the agriculture sector in Pakistan. However, one needs to analyse this situation in the broader multilateral trading system, where the players and economies are highly unequal. While we are unable to give domestic support or subsidies to our farmers either due to lack of resources or under the bindings of various loans that we are getting from various international financial institutes for 'structural adjustment' and/or 'structural reform' programmes, many developed countries have devised their 'legal' ways out to soften their reduction commitment under AoA.

Many studies reveal that the level of protectionism in agriculture trade has gone higher in the developed world despite the fact that their reduction commitments are (apparently) high. According to the Organisation for Economic Co-operation and Development (OECD), developed countries spent \$360bn on agriculture in 1999 (about seven times more they gave poor countries in international

development assistance). Likewise, US subsidies to cotton growers totaled \$3.9bn in 2002 -- three times the US foreign aid to Africa. This depresses world cotton prices, cutting the income of poor farmers in West Africa, Central and South Asia, and poor countries around the world. Removal of US subsidies on this one crop alone would increase revenues from cotton by about \$250m in West and Central Africa.

Thus in practice, the AoA is creating inequalities between countries that can give substantial support and protection to their agriculture sector -- the developed countries -- and those that do not or cannot -- underdeveloped ones. This is a vicious circle where developed countries are protecting their farms with huge subsidies and grants, and later on the produce is dumped in the developing countries. When it comes to import from developing world, the developed countries have a hundred and one excuses such as sanitary and phyto-sanitary measures and environmental issues etc.

The IMF, World Bank, and ADB etc. are widening these inequalities. Over the decades, loan conditions of the IMF/World Bank have forced developing countries to lower their trade barriers, cut subsidies for their domestic food producers, and eliminate government programmes aimed at enhancing rural agriculture. It was the loan conditionality of the ADB's Agricultural Structural Reform Loan that forced Pakistan to take a U-turn from its 'Development Box' stance just two months after the Doha Ministerial Conference. So far, the deeds of IFIs were considered independent from those of the WTO. However, on May 13th WTO Director General Supachai Panitchpakdi, IMF Managing Director Horst Kuhler, and World Bank President James Wolfensohn met during WTO General Council meeting on coherence. The theme of the meeting was to bring coherence in the plans and strategies of world economic agencies. In other words, what was being done by Bretton Woods institutes from back channels would be openly done now in the name of coherence.



Pakistan, in this situation, needs to remain over-cautious. So far, our negotiators in WTO Geneva have done a wonderful job. However, at the home front there is room for further improvement. Civil servants are being sent abroad (mostly Switzerland and USA) for WTO training courses. However, most of them get posted in other departments when they begin to know about their subject. Why not establish a WTO cadre in our civil service structure so that the civil servants may concentrate on WTO issues? There is also a need to involve academia and private sector (including various chambers of commerce) in WTO capacity-building efforts. Moreover, arranging seminars and workshops in five star hotels is not the only way of building capacity. Various developing agencies and various ministries should also sponsor empirical research on the challenges and opportunities that WTO presents. Enough of the rhetoric now; this is the time to act.

(May, 2003)



## 7 NO MORE IDEOLOGIES, PLEASE

Emma Duncan in her book *Breaking the Curfew* portrays Pakistanis as being a nation that has ideas without any ideology, and ideologies without any idea. I cannot agree more with her when I observe how we, as a nation, are trying to prepare ourselves to meet the challenges of the World Trade Organisation (WTO) regime. It is said that WTO is a bicycle, which collapses if it does not move forward. Nobody, however, realises that in our case the bicycle is continuously moving in a circle, and I doubt if it is moving any forward. There is a lack of discourse on the issue and most of the stakeholders are not clear about their positions. Various people continue talking about the organisation from their respective ideological positions without having any idea what it really means.

Two schools of thought prevail in Pakistan about the impacts of different WTO agreements on the country. One group feels that these agreements are a panacea for every ill we are suffering from. They believe that there is a strong positive effect of free trade on the provision of enabling conditions for poverty reduction through enhanced provision of direct and indirect employment opportunities, social welfare services, and infrastructure that can potentially benefit the poor. This is the view taken by the proponents of the "trickle down" hypothesis. The second group, on the other hand, declares that WTO is a curse and everything going wrong in developing countries is the result of the WTO agreements. They feel that WTO is a rich men's club, meant to exploit the interest of the developing world.

Most of the positions taken on WTO issues in Pakistan lack an empirical research and are based on assumptions. Nobody tries to understand that WTO is a member-based, rule-based organization,

which in itself is neither good, nor bad. Those who can manoeuvre the rules benefit from it, and rich nations -- by virtue of their better bargaining position -- are able to do so. The developing countries are far behind in this process not only due to the reason that they don't have the required capacity and understanding, but also due to the fact that they lack the political and administrative will to change the status quo.

This lack of discourse manifests itself in strange and sometimes comical ways. Take, for example, the case of two ministers of the present government who took entirely contradictory positions on WTO only because there exists no single government policy vis-avis the trade organisation and the agreements that it stands for. The radical position taken by our commerce minister at WTO Ministerial Conference at Doha in November 2001 was totally reversed when the finance minister signed an Agricultural Structural Reforms loan agreement with Asian Development Bank. At Doha, Pakistan emerged as a "Champion of Development Box". Backed by various other developing countries, Pakistan demanded exemption of national food security crops from import tariff reduction commitments under Agreement on Agriculture. Pakistan also demanded that developing countries should be allowed to provide domestic support to the food security crops. Moreover, appropriate flexibility was demanded for developing countries to be able to promote exports. But the supporters of Pakistan's Development Box proposal (Uganda, Kenya, Nigeria, Malaysia, and many more) should have been shocked after coming to know about the loan agreement between the Asian Development Bank and Pakistan just a month after the Doha meeting. By signing the agreement, Pakistan made a commitment to retreat from everything that it demanded in the Development Box. Under the agreement, Pakistan committed to abolish support price mechanism for various crops (including wheat and sugarcane), abolish food departments, downsize agriculture research institutes, and open up the grain storage sector to private investors. All of these reforms would take place over a period of the next five years.

The effects of this agreement have already started to show. Take the case of wheat procurement by the government this year. Despite President Musharraf's pre-referendum assurance to buy every grain of wheat from the growers on government support price, one can hear the hues and cries of wheat growers who feel being left out by the government. Under a visible compliance with the ADB agreement, most of the "flag centers" established by Punjab Food Department to procure wheat from the farmers of remote areas in the past years were closed down this year, leaving the helpless farmers on the mercy of middlemen or on the vast discretionary powers of food department officials.

The whole affair is proof enough that our policymakers are not clear as far as their understanding of the WTO agreements is concerned. They, instead, are trying to run the affairs of the state on ad-hoc basis.

Lack of clarity is not something specific to the government. Most of our civil society organisations (the term civil society organisations must be taken in much broader context than merely referring to NGOs) are also not clear in their discourses on the issue, and are very rigid on the positions they have already taken. Some of the issues where lack of clarity is very obvious are market access and environmental standards contained in WTO agreements. Some groups who blame WTO of being unfriendly towards the poor are also demanding tougher environmental policies without realising that these standards can be potential trade barriers for developing nations. The problem of discourse becomes even complicated when different partner organisations in a network try to adopt a collective position. One can easily find contradictions in the individual and collective positions of various organisations when they get together in a network.

The developed world through its international funding agencies, however, is trying to build the capacity of different stakeholders in Pakistan to promote a better understanding of the trade issues. Most of these capacity-building efforts are limited to arranging seminars and workshops. These initiatives are not completely

useless. However, one needs to be careful to distinguish between "capacity-building" and "quality capacity-building". In most of the WTO capacity-building workshops, resource persons keep on imposing their assumed positions about the WTO agreements on the participants without an empirical research or understanding of the issues to back their assumptions.

I think it is about time to think rationally and proactively about WTO. Let us have our ideas based on research-oriented ideologies and our ideologies based on well-researched ideas. The best strategy is to start empirical research on the implications of different WTO agreements on various fields of life in Pakistan. Let the findings of our research guide our positions. The best way to manoeuvre the WTO agreements in our favour is by understanding them with a holistic approach, and trying to work out how effectively we can play with the rules to make them work for our benefit. Otherwise, we will keep on blaming other nations of being unfair to us.

(June, 2002)

## 8 CORPORATE FARMING OR CORPORATE GREED?

The federal cabinet approved the introduction of Corporate Agriculture Farming (CAF) in Pakistan last week, despite warnings from NGOs and Advisor to President on Food, Agriculture and Livestock that CAF would hurt small farmers (with an exception to a few large landholders, about 94% farmers in Pakistan are small landowners and tenants) and diminish national food security.

Under the terms of the new CAF policy, there will be no ceiling on the size of corporate farms. CAF would be declared an industry and would enjoy the credit and other facilities but would be exempted from labour laws thus threatening the livelihood of farm workers. This paves the way for: 1) wealthy landlords who have been hurt by land reforms to form corporations and regain their old advantages; 2) trans-national agribusiness corporations (TNCs) to buy out or place under contract small farmers no longer able to compete.

There will be no duties on equipment imported for purposes of CAF. This will advantage corporate farms, and will also assist the TNCs, which vend the expensive equipment needed for intensive animal farming and other forms of corporate agriculture. All of this will promote monocultural production of cash crops for export, and would give TNCs an opportunity to cultivate genetically modified crops, at the expense of agro-biodiversity and local food security. At the same time, profit-hungry investors will extract the fruits of the land and labour without regard for equity or sustainability.

And this is not all. According to the CAF broacher designed and distributed by Board of Investment, 100% foreign equity is allowed; no minimum foreign investment is required; remittance of capital, profits, and dividends is allowed; exemption of duty on transfer of lands for CAF is under consideration; and all banks and financial institutions will earmark separate credit share for CAF.

The authors of the CAF plan have ensured that each and every source of livelihood for subsistence farmers and the poor is privatised. The activities that may be carried out under CAF plan include farming, food processing, food packaging, production & marketing of mutton, processing & packaging of milk, deep sea fishing & its processing, animal feed production & marketing, and many more. Would it not establish a monopoly of a few TNCs on all food sources? Do we want to deprive our people from easily available, fresh and cheap food? What would happen to small fishermen when the corporate fishers would bring their (import-duty free) trawlers?

It is fairly easy to assess the impact of CAF on small farmers. Agricultural corporatisation and exports increases single commodity harvests. With all farmers growing the same commodity over large areas, the prices farmers receive from their crops come down, while the costs of inputs, which are imported, have been on an upward increase. As a result, farmers' profit margins get drastically narrowed. As the cost of production increases, farmers experience a cost-price squeeze. In this process, only the larger farms can survive and subsistence farmers would not be able to compete with multinational giants. They would have to sell their farms either out of compulsion, or due to influence and threat of the investors. One can recall the stories of small farmers of Raiwind, who resisted selling their lands to Mian Nawaz Sharif's family.

To give CAF a legal cover, and to waive off the upper ceiling of land holding, the Land Reform Act of 1977 is being amended. It would revert, whatsoever was achieved out of land reforms to



date. As no minimum foreign investment is required, feudal lords and capitalists would be back and lives of tenants would be miserable. The plight of state tenants at military farms of Okara, Sargodha, Multan, and Lahore and those at agriculture department controlled research stations in Khanewal and Kala Shah Kakoo, is evident under the proposed CAF. They would have to surrender their tenancy rights and abandon those lands.

It reminds me of General Musharaf's pre-referendum promises that state lands would be distributed among landless and tenants. President's referendum speeches may be termed as political and non-binding statements, but what about the international commitments to halve hunger by year 2015, and to ensure food sovereignty and food security? Would we be able to claim being a food sovereign state when the decisions of what to grow, where to grow, and how much to grow would be done by TNCs dealing in CAF?

Federal Minister for Food, Agriculture and Livestock, who is a big proponent of CAF, and latest technologies including genetically modified food production technologies, committed two weeks ago in FAO's World Food Summit 2002, Rome, that GoP would firmly anchor the national policies for hunger reduction in the poverty reduction strategies. However, it seems that government, in pursuit, of corporate interests, has betrayed the poor and marginalised communities of Pakistan. There may be development but it would certainly not be pro-poor development. Consequently, the phenomenon of hunger would keep on increasing.

CAF is plainly backing out from our international commitments. Pakistan is a signatory of United Nations Convention to Combat Desertification (UNCCD), and in the 'National Report of Pakistan on the Implementation of UNCCD' submitted in April 2002 to UNCCD Secretariat, GoP reports, "Government has a plan regarding redistribution of assets, especially state-owned land. It can have a major impact on poverty reduction efforts in rural Pakistan. The government has launched a programme of

accelerated distribution of state-owned land to small farmers. The distribution of about three million acres of available land will be fully supported with the provision of infrastructure and all other possible inputs to combat desertification and rural poverty". One wonders where are the three million acres of state land that government has committed to distribute among small farmers to eradicate poverty. Does it not show that government is not sticking to its international commitments for the welfare and betterment of the poor?

Government claims that CAF is being introduced as the small farmers of Pakistan are unable to adapt to new technologies, and cannot afford the costly inputs required to get optimum yield from new crop varieties. Let us assume that it is true; but can we deny the fact that traditionally, agriculture has not been just an economic activity, but that it has been a way of life and farmers' socio-cultural values are emotionally attached with agriculture? We blindly adopted the Green Revolution and found that it was unsustainable. Not only did it play havoc with our renewable natural resources, it also deteriorated our environment. At the societal level, it led the rural communities to loose subsistence agriculture as well as their socio-cultural values.

It is now widely recognised that the latest farming technologies have benefited few of the big landlords and, particularly, corporations involved in agribusiness. As a result, the rest of the farmers are gradually losing their hold on agriculture due to the fact that they cannot afford increasing costs of modern inputs to compete. And we are blaming them of being inefficient. The remedy our government is proposing -- under the trade liberalisation regime -- is to hand over our food production to TNCs. In other words, if our farmers cannot afford to eat bread, why don't they eat cakes?

Corporate greed for profit from renewable natural resources would lead to growing food insecurity and prove to be the last nail in the coffin of subsistence farmers already economically hard pressed. With all these facts, the CAF plan of GoP seems to be

unrealistic. If the President of Pakistan cannot listen to what the masses say, then he should try to listen to his special advisor on agriculture and member, National Security Council, Shafi Niaz, who opposed this CAF plan in the cabinet meeting.

(July, 2002)



## **9 WORLD FOOD SUMMIT FIVE YEARS LATER (2002): WHAT NEEDS TO BE DONE?**

**P**overty, inequality and food insecurity are the most crucial and persistent problems being faced by humanity. Their alleviation should be at the heart of any meaningful development effort. It is realised that progress towards elimination of poverty and food insecurity has generally been far from satisfactory. Most commitments and targets established by various international conferences in the course of the past few years could not be met.

At the World Summit for Social Development, held in Copenhagen in 1995, participating countries committed themselves to the goal of eradicating poverty "as an ethical, social, political, and moral imperative of human-kind", and of eliminating severe poverty within the first decades of the 21st Century. At the World Food Summit (WFS), held in Rome 1996, leaders from 186 countries made a solemn commitment to halve the number of hungry people by the year 2015. However, all these processes, which are proclaimed to be a new international consensus, are no more than a collection of old medicines.

The cure is built on trust in market liberalisation, private investment and modern technologies like genetic engineering and high intensity confined animal production. The result is an increasingly industrialised agricultural system, which is also resulting in food insecurity as well as failures to produce safe and high quality food.

Five years ago at the WFS, FAO defined food security as "food that is available to all times, that all persons have means of access to it, that it is nutritionally adequate in terms of quantity, quality and variety, and that it is acceptable within the given culture".

Agriculture production, consumer health, nutrition, employment and trade policy all affect food security. To ensure food security entails a consideration of both national and household levels of supply and distribution of, and access to, food. It is a complex issue, which is often defined in simplistic ways. The definition of food security as a country's access to world market for food is deeply inadequate, yet so widely accepted in some governments and multilateral circles that many NGOs and farm organisations have turned to other phrases to capture more precisely what they mean by food security. For these organisations, building food security by relying on imports paid by exports is a problematic and risky strategy that forecloses the potential of agriculture as an engine of development.

Thus, the term "food sovereignty" has entered NGO vocabulary. Coined by La Via Campesina (an international association of peasants and small farmers from every continent) in its Tlaxcala Declaration, food sovereignty introduces the element of national decision-making into food security. The concept does not mean self-sufficient production at the national level, but emphasises the centrality of national decision-making structures in determining food and agriculture policy. The role of trade in this strategy is left up to national governments rather than to international trade bodies. The concept calls for practical recognition of right to food as a prime human right. The right to food was established in the UN Declaration of Human Rights in 1948 and in several internationally binding UN conventions, like the Covenant on Economics, Social and Cultural Rights (CESCR) (1966) and the convention on the Rights of the Child (1989). Nonetheless, it is important to secure this right in practice. It is also necessary to strengthen the right through renewed national commitments and also an optional protocol to the CESCR, allowing for individual complaints.

The world has enough food to secure the right to food for everyone immediately. However, one wonders at the 800m people who are starving and malnourished today. It is intolerable that 24,000 people die of starvation and hunger-related causes everyday. Food rights activists from all over the world are demanding that governments, the UN and other international organisations operating on state level should take action for ending the shameful and terrible situation of hunger and malnutrition. This demands drastic changes in the current policy. The UN's aim for halving the number of starving and malnourished by 2015 would never be achieved unless current policy of promoting industrialised agriculture is not re-oriented.

This is exactly what was forwarded by the NGOs/CSOs who attended the WFS in 1996 in the shape of a statement, "Profit For Few Or Food For All". This declaration stated that the measures and activities envisaged in the 'Plan of Action' would not be enough to achieve major steps towards reducing the number of the hungry worldwide. Unfortunately, the civil society analysis was correct. To date only a very small reduction of the number of hungry persons, and perhaps not even that, has been achieved. Indeed, in a huge number of poor countries the number of hungry people has increased. The FAO and the member states have to concede that the implementation process of the 'Plan of Action' is slow and that the world is far from the already modest objective of the 1996 WFS.

In the current analysis presented to the Committee on World Food Security, the FAO has identified two main obstacles for improved implementation: 1) lack of political will; 2) lack of sufficient financial means. While both observations are correct description of missing elements for successful implementation, one needs to ask whether more resources invested in the same model of agricultural development within the current global trade context would fulfil the WFS objective, and that merely a bit more resources will be enough to speed up the process. Specific importance has to be given to the measures directed towards rural areas, as more than 70% of the hungry are living in rural areas.

The increasing neglect of rural areas by governments is critical in this regard.

In 1996, the NGOs and CSOs proposed a model for achieving food security based on decentralisation, and challenged the concentration of wealth and power that now threatens global food security, cultural diversity, and the very ecosystem that sustains life on the planet. At the event of World Food Summit Five Years Later that started this week in Rome, it is widely realised that neither enough resources were used, nor the Declaration and the Plan of Action from 1996 was checked in the past for consistency because the text contains contradictory recommendations. A full review of the reasons as to why the main objective from 1996 to halve the number of hungry people by 2015 has not been implemented must also evaluate and challenge the current model of agricultural development and trade in food.

The international NGO-CSO Forum that is being held in Rome in parallel to the WFS has identified three central themes, which should be taken up more seriously and should become central elements in the WFS follow-up process, if the intended objective is to be reached:

- We need a rights-based approach to hunger and malnutrition issues. The aim should be to put the right to adequate food at the centre of any activity for the implementation of the WFS objectives by holding states accountable to the poor living within their borders, and by addressing the responsibilities of actors other than states, such as intergovernmental organisations or transnational corporations;
- Subsidised exports, artificially low prices and WTO legalised dumping of food are elements characterising the current model of agricultural trade. This trade has a tremendous negative impact on the majority of people living in rural areas: traditional family farmers, indigenous communities, and women and children. It is important to recognise the need to guarantee farmer-led food sovereignty, which offers farmers the possibility of earning a decent income while limiting corporate monopolisation of the food system;



- The current model of industrialised agriculture, intensive animal husbandry methods, and over-fishing are destroying traditional farming and fishing patterns and the variety of ecosystem that sustain production on this planet. Agro-ecological model of agriculture should become the dominant production model to help sustain the cultural and biological diversity of our planet as well as to create sustainable use of the ecosystem.

It is time for the leaders of the international communities gathered for WFS Five Years Later, to commit that the right to food, food sovereignty, and food security is a fundamental human right:

- Thus food sovereignty must be recognised and respected;
- Farmers' rights should be operationalised and protected;
- Far-reaching and genuine land reforms should be ensured;
- Water is a common good and it should not be privatised;
- Women should be given priority in the agriculture of developing countries;
- Rights of indigenous people should be respected and protected;
- Biodiversity must be protected;
- GMOs and other potentially destructive technologies must be banned;
- Desertification should be stopped;
- Sustainable fisheries should be promoted;
- Rich countries' dumping sales and export subsidies have to stop;
- The power of big corporations must be reduced; and
- Democratic governance and active participation should be promoted.

Finally it should be remembered that peace is crucial. War is a disaster for people in many ways, and also for the possibilities to obtain food security. War and the effects of war are destroying agriculture production and possibilities for trade. The work for peace and peaceful settlements of conflicts is crucial for the work for fulfilling the right to food and to obtain food security.



## 10 FOOD DEFICIT, POLITICAL DEFICIT

"The only way to judge the World Food Summit 2002 in Rome, is through a measurement of the extent to which it will ease hunger that gnaws at more than 800m people around the world, and the prognosis does not look good," commented a journalist friend as we left Rome on June 14th after participating in the WFS and International NGO-CSO Forum on Food Sovereignty. The World Food Summit Five Years Later was organised by UN Food and Agriculture Organisation (FAO), whereas a parallel summit on Food Sovereignty was hosted by International NGO-CSO Forum.

Civil society organisations had already expressed their deep concern to FAO and governments in 1996 that the WFS plan of action would fail. Their concerns were not baseless as FAO Director General Jacques Diouf admitted in his opening speech that the second summit owed its very existence to the failed goals of the first one -- halving the number of undernourished people in the world by 2015. According to Diouf, "The main underlying reason for the persistence of hunger is due to the lack of political will; as a result of this, the resources to fight hunger have not been mobilised to the extent required." He said that the targets of first WFS could not be met as agriculture still played second fiddle in the development plans, which are far from commensurate with its importance in the lives of the most needy people.

Diouf was stressing for more official development assistance (ODA) for reducing hunger; whereas the representatives of civil society organisations from all over the world were stressing on a radical change in the approach. They felt that the roots of hunger, malnutrition and food insecurity were deeply embedded in the international trade-led hegemonic economic model, based on the

Washington consensus. "There are enough resources and political will in the world, but they have been placed at the service of the Washington-based model," was a consensus among the participants of the NGO Forum. The civil society representatives were pressing hard for two major objectives:

- Recognition of right to food as a fundamental human right; and
- Discouragement of the use of biotechnology as a way to address hunger.

To achieve their objectives, they started their activities with a solidarity march in Central Rome on June 8th. Around 25,000 activists from all over the world attended the long march; the participants were holding placards and banners, demanding food sovereignty and right to food as a fundamental human right. Civil society representatives were getting ready to lobby their official delegates for their demands when they came to know that the leaders of developed nations never gave WFS any importance. All in all, it was a low-impact conference, attended by the leaders of only two industrialised countries -- Italian Prime Minister and summit host Silvio Berlusconi, and Spanish Prime Minister and European Union President Jose Maria Aznar. These two heads of governments from the industrialised North were among the 80 heads of states/governments attending the WFS.

Criticising the low attendance of 'world leaders' in the summit, South Africa's President Thabo Mbeki said that to him it was a shame that more political leaders had not arrived: "I suppose that's because they don't think the problem of 800m people going hungry in the world is important. I think that shows insufficient concern about human life." Thus, it was very clear in the beginning that Diouf's pledge for increased ODA would be in vain as major donor countries were being represented by low-profile persons who were not able to make any commitments on behalf of their governments.

As was expected, the 182 governments at the four-day WFS pledged no new aid commitments for hunger, reiterating instead

the still-unmet goal of halving the number of the hungry that was set at the first food summit six years ago. They also showed little evidence of renewed political will to deal with controversial issues like the agriculture subsidies that developing country leaders here said kept them poor and their people hungry, and reflected the double standards of industrialised countries who otherwise call for free trade.

With the US leading the way, the WFS formally endorsed biotechnology, while shying away from any reference to organic farming despite the high profile hoopla by NGOs opposed to genetically modified organisms (GMOs) and advocating natural farming methods. The declaration of the WFS 2002, in a key departure from the 1996 declaration, which was silent on the issue, states openly: "We are committed to study, share and facilitate the responsible use of biotechnology in addressing development needs." It also asks for advancement of "research into new technologies, including biotechnology". Furthermore, "The introduction of tried and tested new technologies including biotechnology should be accomplished in a safe manner and adapted to local conditions to help improve agricultural productivity in developing countries."

The participants of the NGO Forum Summit were stunted by the lack of any reference to organic farming and the explicit endorsement to biotechnology. The US government, on the other hand, reiterated its commitment to promote biotechnology and US Secretary of Agriculture Ann Veneman told the WFS that the US Agency for International Development (USAID) is launching a 10-year, \$100m collaborative Agriculture Biotechnology Initiative to advance research on varieties better suited to growing conditions in developing countries. She also announced that the US would hold a ministerial-level science and technology conference next year to focus on the needs of developing countries in adopting new food and agriculture technologies.

Her speech made it clear that now US would decide what should be grown in which country and through which technology. It was

difficult to deny the NGOs' allegation that the summit was serving the interests of industry and not the people. One can expect that in the proposed ministerial conference on agriculture technology the US government may declare a war against hunger and may come up with 'the right type' of technology for hunger-ridden countries. Those who would accept US prescription would be 'friends' and those who would hesitate would have to face dire consequences for not joining in the war against hunger. US is already passing off GM foods in food aid and those who don't want to eat genetically modified food should remain hungry as beggars are never the choosers!

"GMOs are not the way to solve the problem of world hunger. There are too many health risks, they make small farmers dependent on large multinational corporations, and they will mean the end of biodiversity," said Sergio Marelli, president of the NGO Forum. NGOs also criticised the conference outcome, arguing that it was in fact a step backward. "This new Plan of Action continues the error of more of the same failed medicine with destructive prescriptions that will make the situation even worse," said Patrice Jones, co-ordinator of Global Hunger Alliance.

The only document that Heads of State and other officials signed at the second WFS was a pre-determined declaration. It was adopted before the summit began and was presented to the Summit on June 10th. The declaration did not advance any of the old commitments or enshrine a right to food -- an issue that many had been looking forward to under the concept of 'food sovereignty'. It called on all stakeholders in society "to make voluntary contributions to the FAO Trust Fund for food security and other voluntary instruments". The original declaration proposed an international code of conduct on food rights, but this was watered down amid concerns by countries like the US about the legal implications such language about the right to food. In the end, the declaration called for "voluntary guidelines" to achieve the right to adequate food, to be done by FAO and its stakeholders two years from this summit.

Likewise, a proposal called simply the "anti-hunger plan" and jointly penned by Harvard University economist Jeffrey Sachs and the FAO got short shrift, although it tried to put a realistic price tag on ending hunger. Sachs has calculated that it would take \$24bn to deal with hunger -- and proposes joint funding by national governments and donors. Now it is likely that the plan will be taken to the World Summit on Sustainable Development in Johannesburg, South Africa in August, where its authors hope there will be a greater understanding of food security as a primary social development indicator. What an irony, the delegates of WFS, who were committed to substantial reduction of world hunger, lacked understanding of food security.

Pakistani delegation to WFS was headed by the Federal Minister of Agriculture Khair Mohammad Junejo. He began his address to the summit (a stance that was never shared with any of the civil society organisations, nor made public at home) with a reminder of what the present government in Pakistan had done to reduce hunger and poverty. He referred towards the government's efforts of agriculture liberalisation and privatisation as a major tool for reducing poverty. He also stressed upon the importance of adoption of new agricultural technologies and encouraged civil society to play its role in reducing hunger. Perhaps he never realised that civil society couldn't be encouraged to play its role as long as states are not ready to adopt transparency and participation. There was not even a single 'pre-summit' briefing for general public or civil society in Pakistan. Government never held any consultation about its stance that it would take in the WFS, and the honourable minister talks of encouraging the participation of civil society in reducing hunger!

There was a great applause when the honourable minister touched upon the issue of food security and WTO. He said: "The issue of market access, export subsidies and domestic support in the developed world continue to limit economic access to food and contribute to food insecurity in the developing countries. The developed world continues to spend over a billion dollars a day in subsidies, denying the farmers of the developing countries a level

playing field. Providing this level playing field is now a universal demand of the developing world. The Doha Declaration holds some promise. While we move on to the negotiation stage, it is incumbent upon us to respect the spirit of this Declaration. Moreover, we must make the Doha Round a truly 'Developmental Round', which could substantially and meaningfully contribute to meeting the Millennium Development Goals, not least the Goal of the World Food Summit."

I wish he could have also informed the delegates how GoP has lost the chance of having a level playing field by signing an agreement with Asian Development Bank on agricultural structural reforms, thus committing itself to withdraw all subsidies and phase out support price mechanisms on agricultural crops.

Coming back to measuring the effectiveness of WFS 2002, in halving the world hunger by 2015 as per my journalist friend's criteria. I think WFS 2002 cannot do much as we have forgotten that hunger stems from very wilful policies (like ours) that use war and free trade to rob communities of the control of natural resources that sustain their livelihoods and maintain their dignities. NGOs' congregation in Italy has called for a totally new human sustainable development paradigm having as one of its central goals the promotion of food and nutritional security for all within the overarching framework of a human rights based approach to food sovereignty with gender equity. It requires among others, strong family and community-based farming, fisherfolk and livestock-based economies; decent working conditions, a sustainable distribution of population between rural and urban areas, and a society free of any tension of war and conflicts. Unless and until our governments are not willing to work for meeting these requirements, we cannot think of food sovereignty.

(June, 2002)



# 11 POPULATION GROWTH: JUSTICE IS THE STRIFE<sup>1</sup>

**T**oday, Pakistan is the seventh most populous nation in the world. We are now a nation of 144m souls. Given the present trends and the absence of an effective population policy, these numbers are likely to exceed to 200m by the year 2010.

The impacts of rapid population growth are all pervasive. From food to fodder and fuel-wood to finances deficits pressure growing numbers to exert greater pressures on available resources unsustainably. Land to livelihoods all are degraded in the process.

We need food for some 97m people in 2002 that were not around in 1961. The trend during the decades between 1951-2000 shows population growth surpassing the production capacity of cultivated land in the country (see figure 1). It is obvious from the figure that area under cultivation has increased only marginally (environmental limitations do not allow further additions) while population has increased unabated and is now manifolds than, say, at the time of our independence.

The consequences of population growth are primarily felt at the local, regional, and national levels. Yet, the sheer numbers excite global attention and perspective. Individual nation-states have set population growth curtailment targets against which they judge their efforts to check the increasing numbers. However, since there are no such global targets, the issue has become ambiguous and intricate. So there is no reference with which to assess impacts in the last decades.

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1 Co-authored with Khalid Hussain

Symptomatically, population as an issue was not raised at Rio in 1992 when the Earth Summit was held, despite the fact that it was on everybody's lips everywhere. This was because of the contentious nature of the issues involved and the conflicting positions of various parties then. The UN found a way out by establishing a separate international process for discussing and agreeing on population and its impact and implications for development around the world. It was thought that broaching complex issues like population during the Earth Summit might derail the whole process. Population will figure at the World Summit on Sustainable Development or Rio+10 in South Africa next month, but only as an extension to other issues like natural resource management, energy or capacity building.

This approach of the international community to shy away from facing the tough population issue is not going to make it vanish into thin air. Then whatever little is being done to check the rising population levels and its impact around the world is debatable. For instance, the World Food Summit 2002, after recognising the importance of population growth as an issue, has stressed the member countries to work to halve the poverty and food insecurity by the year 2015. The US advice and prescription is to go for genetic technologies and intensive agriculture, which in turn affects not only soil fertility but also the environment in general. In fact, rapid population, agriculture land scarcity, unsustainable agriculture practices and environmental degradation lead to even more vicious cycles of poverty. In this situation, 'population growth' does not remain the real problem or the disease itself any longer, but becomes only a symptom of 'resource-degradation'.

Rapid population growth leads to subdivision of rural agriculture holdings, which decreases the amount of cultivated land per rural inhabitant. This, in turn, leads to intensive agriculture practices. The agriculture land is subjected to ever-greater intensification of abuse through double and multiple cropping to produce greater quantities of food from scarce land for an ever-increasing population. An indiscriminate and ignorant use of chemical inputs

(fertilisers, pesticides, and herbicides) further accentuates the decline in soil fertility. As a result, cultivable land decreases and less is available to sustain people. Poor people seek security in numbers (family sizes have been linked to food and livelihood security by many researchers) and the cycle goes on.

We can see the consequence in the case of Pakistan, where impressed by the Green Revolution yield increases and in a blind quest to produce greater quantities, the trend in application of fertilisers and pesticides has been to use more and more of it with the passing years. Hence, over a period of 17 years (1980-1997), the consumption of pesticides (both imported and manufactured locally) increased from 665 MT to 44,872 MT. Thus in 1997 the volume of pesticides being used was almost 67 times greater than what was used 17 years ago. This indiscriminate use of pesticides does not only have environmental and health hazards, but also costs a lot in terms of lost foreign exchange earning owing to greater resistance developed by the insect pests. Similarly, fertiliser off-take has increased from 1,079 thousand nutrient tonnes (NT) to 2,412 thousand nutrient tonnes (NT) during a period between 1980-1997 (Compendium of Environmental Statistics, 1998).

Here it is pertinent to mention that most of the fertiliser in Pakistan is applied without any soil analysis. This indiscriminate use of fertilisers is affecting the soil nutrient balance as well as soil fertility adversely. Figure 2 clearly indicates that over the last two decades the cropped land was over-exposed to fertilisers and pesticides contributing to the problems of land degradation and reduced soil fertility or, in other words, less food for growing population.

But there is another way to look at the whole issue. The nexus of population, natural resource use and food and livelihood security has been an extremely contentious one. Gandhi once said that there is enough in the world to meet everyone's needs, but it is not enough to meet everyone's greed. Gandhi is very well vindicated if we just look at the way global resources have been increasingly

monopolised by a minority of rich people. We see that as the concentration of consumption increases in the North, population increases in the South. The only way out of this vicious circle is through a just division of resources and rationalisation of excessive consumption by the rich.

We find polarised positions taken by scholars, activists and writers on the range of issues involved. Most are actually divided along the North-South fault lines of global politics and economy. The rich Northern nations want the poor Southern ones to reduce their numbers so that there is less pressure on available resources. The poor Southern nations call for greater environmental justice and a saner and more just trading system that does not force poor folks in their countries to cut the branch on which they sit. Pakistan's Tariq Banuri maintains in his published work that rising populations are not the malady but only symptoms of a disease. Justice, Tariq maintains and we agree, is the strife.

(July, 2002)

## 12 SUSTAINABLE DEVELOPMENT: WHAT CAN JOHANNESBURG DO?<sup>2</sup>

**A**fter a ten-year cycle since the historic UN Conference on Environment and Development (UNCED) in Rio de Janeiro 1992, the UN will hold another conference in an attempt to address sustainable development. The World Summit on Sustainable Development (WSSD), unofficially known as Rio+10, will be a UN summit gathering at the highest level. World governments, UN agencies, civil society organisations, multilateral financial institutions, and businesses will gather to assess global change since the UNCED.

The official agenda of the World Summit is to review the achievements that have been made since the Rio Summit. Governments will debate what participating countries have done so far to implement the Rio action plan 'Agenda 21'; if they have ratified the conventions e.g. to prevent biodiversity loss; what obstacles have been encountered; and if they have adopted national sustainable development strategies, as was agreed they would, by 2002. Governments will also investigate new factors that have emerged since UNCED and what mid-course corrections need to be made.

"Preserving the environment and pursuing the development of the South" -- what had been identified in Rio as the common responsibility of the South and the North, and the hope that the world's nations could cope with these central problems in a joint effort is still valid. Despite the fact that very little has changed for

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2 Co-authored with Khalid Hussain

the people living in the developing countries, there is a great change in the way of thinking in the South now. In 1992, the South felt that 'Sustainable Development' has been imposed on it and they perceive it as a foreign agenda. However, 10 years later Southern states have owned the concept and now are asking their Northern counterparts to enable them to turn this concept into reality.

Unlike the WTO Ministerial Conference in Doha, the world would be divided into two blocks in Jo'burg. Developing countries, often referred to as G77 and China, would emphasise on the intensification of the development problems and poverty by demanding more financial aid in support of the implementation process of sustainability. On the other hand, the US -- and to a lesser degree the EU and Japan -- would want to redefine economic growth as sustainable development strategies, and their focus would be on market liberalisation, foreign direct investment (as main motor and funding mechanism), public private partnerships or good national governance (to safeguard property rights).

There seems to be a crisis of implementation in the UN system. It has failed miserably in getting implemented the commitments of powerful member nations. Be it the agreements of the WTO or the commitment to halve world hunger by the year 2015, one comes to know that lack of political will and lack of finances have resulted in lack of implementation. Governments are always vocal in international summits and conferences. However, all these voices become silent once the meetings finish, and that happened with Rio 1992 too.

A lot has been worded since Rio, but not much has changed. The challenges are still there, while the situation has worsened. The UN system has once again proved disappointing for many of us. Dashed hopes, false promises, and missed opportunities outweigh the achievements by far. As the preamble of a statement on WSSD issued by RING (Regional and International Networking Group) alliance of policy research organisations rightly points out,

even accounting for the naive optimism invested in the Rio process and outputs, the track record since then has been dismal. Governments have refused to invest the new resources that had been promised or implied. Civil society continues to be distanced from the locus of global decision-making, in spite of the fact that it has grown in size and achieved many successes at the local level.

The hopes that sustainable development would build new bridges between the North and the South, or between governments and civil society, remain largely unrealised. The much-celebrated Rio compact -- the supposed understanding between the South and the North that environment and development needs to be dealt with an integrated set of concerns within the context of current and future social justice and equity -- lies bruised and neglected.

It is in this context that civil society organisations are concerned that WSSD will become yet another venue for rehearsing routine admonishments. Hopes were high for the World Food Summit Five Years Later (WFS) too, but it turned out that developed countries had not placed the issue high enough on their agendas, and the conference was attended by only two of the developed nations' Heads of State. Lack of interest from developed nations resulted in the failure of WFS, and the same is expected to be the fate of WSSD. President Bush has already announced that he would not be attending the summit. How can he when he knows that it would be difficult to defend the US stance on the Kyoto Protocol!

Ten years ago, the South was sceptical about the idea of sustainable development. Today, the level of awareness has increased manifold in Southern nations, and their citizens are not only criticising the irresponsible attitude of Northern nations, but are also pointing out the double standards adapted by their own governments. Hence, it was the Pakistani civil society, which raised the issue of socio-economic and ecological impacts of corporate farming and informed the world that the Government of Pakistan was backing out from its commitment that it made to the

international community through UNCCD Secretariat to distribute three million acres of state-owned land among landless farmers.

Absence of President Bush from WSSD would be a symbolic triumph of international civil society organisations and friends of the South who should try to re-orient sustainable development back to its original course. There must be ample pressure and force behind the demand of sustainable development so that WSSD is forced to recuperate the original version: an orientation towards participatory action; the protection of environmental life-support systems; the maintenance of the diversity of life; a priority for the poor; a commitment to social justice and human security; and a respect for human dignity.

The WSSD needs to challenge governments to fulfil their commitments voiced since UNCED in 1992, in particular those crucial agreements like the Convention on Biodiversity and the Convention on Climate Change, which are still awaiting ratification. There are six such conventions to examine:

- The Framework Convention on Climate Change with the Kyoto Protocol (FCCC)
- The Convention on Biological Diversity with the Cartagena Protocol (CBD)
- The Convention to Combat Desertification (UNCCD)
- The Convention on Persistent Organic Pollutants (POP)
- The Convention on Straddling and Highly Migratory Fish Stocks
- The Convention on the Prior Informed Consent (PIC) Procedure for Certain Hazardous Chemicals and Pesticides in International Trade

There are no new conventions on the table for Johannesburg. Nonetheless, it is much more important that the ratification processes for some of the existing conventions and protocols be finalised and that a regulatory framework for the resulting outcomes, as well as for resolution of conflict be found. In addition, the institutional and financial obstacles that presently hamper the implementation process must be removed.



A holistic and integrated approach besides political will is required to make the above mentioned conventions really work. The anti-FCCC stance of US has made it virtually ineffective. CBD is under threat due to the Trade Intellectual Property Rights (TRIPs) regime under WTO. Governments do not take UNCCD very seriously, as is evident from GoP backing out from its own commitments and introducing corporate farming for industrial agricultural activities instead of distributing the state lands among the landless and poor. In this scenario, a meeting like WSSD seems to be mere wastage of time and resources.

While disappointed from governments, many think that the World Summit will provide opportunities for non-governmental organisations (NGOs) to reintegrate environment and development and to reinvigorate government's commitment to develop a sustainable conceptual framework for the next century. However, the NGOs need to be clear headed and well determined in their demands; otherwise, there are chances that international financial institutes (IFIs) would co-opt them and their voice would be silenced in the guise of IFI jargon such as "national poverty reduction strategy" etc.

Sustainable Development Policy Institute (SDPI) and other RING members believe that there is no way forward but sustainable development. Sustainable development is not just an environmental demand; it is a development necessity and Jo'burg must re-orient global discussions back towards sustainable development, with clear investments in participatory action, a commitment to social justice, and a priority for the concerns of the most marginalized. This network feels that there is no need for global environment governance. There is an urgency to strengthen existing arrangements -- for example, giving UNEP the resources and authority it needs, making GEF more democratic, and uncluttering multilateral environmental agreements proliferation.

SDPI and partner organisations call for a discussion on a post-Kyoto climate regime -- one that focuses on the needs of the most impoverished and most vulnerable; one that invests in the resilient

capacities of the most threatened countries; one that mandates meaningful and real emission reductions; and one that is rooted in a framework of equity and fairness within and between generations.

WSSD would never be able to bring any change until and unless we don't change our approach and attitude towards international assistance. It is not charity and it should be based on clear understanding that the global ecological services provided by the poor need to be compensated. All institutions -- from multilateral development financiers to national and local recipients -- must be made transparent and held accountable. Governments, Northern and Southern, must be pushed to fulfil the promises they made at Rio.

Finally, it goes without saying that all of this would be in vain without facilitating the local communities through a process of empowerment in their quest for sustainable livelihoods; and the best way to empower them is to develop strong and accountable local institutions in order to ensure that local needs and priorities are not ignored in the transition to sustainable development.

(August, 2002)

## 13 THEIR WEALTH AND OUR HEALTH<sup>3</sup>

**A**t the Doha World Trade Organisation (WTO) Ministerial Conference in November 2001, the WTO members took the unprecedented step of adopting a special declaration on issues related to the agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and public health. Discussion on this declaration was one of the outstanding issues at the conference, which launched a new round of trade negotiations on a broad range of issues.

This was the first outcome of a process spread over many months. In early 2001, upon a request by the African Group, which was backed by other developing countries including Pakistan, the Council for TRIPS agreed to deal specifically with the relationship between the TRIPS agreement and public health.

A number of developing countries and the European Commission and its member states each submitted documents to the council. The African Group wanted an assurance that TRIPS Agreement does not undermine the legitimate right of WTO members to formulate their own public health policies, as well as practical clarifications for provisions related to compulsory licensing, parallel importation, production for export to a country with insufficient production capacity, and data protection (Article 39.3 of the TRIPS Agreement).

The US, Japan, Switzerland, Australia and Canada in their proposals (due to the pressure of their strong industrial sector) stressed the importance of intellectual property protection for research and development, arguing that intellectual property

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3 Co-authored with Khalid Hussain

contributes to public health objectives globally. Negotiations on these texts took place at the General Council.

The eventual adoption of a declaration on Public Health and TRIPS was the outcome of a carefully elaborated strategy by developing countries. Despite the resistance by some developed countries, the Doha Declaration was adopted by consensus, on the basis of last minute compromises and a delicate balance in wording.

The Declaration on TRIPS and Public Health confirms the existing agreement in saying that the TRIPS agreement "does not and should not prevent members from taking measures to protect public health." It affirms that the TRIPS Agreement should be interpreted and implemented so as to protect public health and promote access to medicines for all. In the final text the phrase proposed by the developing countries "shall not prevent" was replaced with "should not prevent" due to the pressure of developed nations. This has not only diluted the effect of Doha Declaration, but has also created doubt as to whether the declaration will be fully legally enforceable.

The other change that weakened this crucial paragraph was the stipulation that the TRIPS Agreement should be interpreted in such a way so as to 'promote' rather than 'ensure' (text proposed by developing countries) access to medicines for all (TRIPS Declaration Para 4).

Article 31 (f) of the TRIPS Agreement stipulates that a compulsory licence must be issued predominantly for the supply of the domestic market of the member granting the licence. Consequently, many countries without a significant pharmaceutical sector have not been able to take advantage of the compulsory licensing provisions of TRIPS. Although members may issue compulsory licenses for importation, they are restricted to importing goods from countries where pharmaceuticals are not patented, or where their term of protection has expired (in case of pharmaceutical it is minimum of 20 years of protection for both

product and process patents).

The sources for generic production of newer life-saving drugs will increasingly run out after 2005. Moreover, at least 30 new diseases have been scientifically recognised around the world in the last 20 years including HIV/AIDS, Hepatitis due to A, B, C, E viruses and new strain of cholera etc for which no treatment exist so far. But even if medicines were developed, would they be accessible in developing countries under the TRIPS regime?

Resolving this problem is of extreme importance to members' efforts to secure access to affordable medicines. Consequently, Paragraph 6 of the Doha Declaration instructs the Council for TRIPS to find an expeditious solution to the problem faced by countries with insufficient or no adequate pharmaceutical production capacity in making effective use of the compulsory licensing provisions of the TRIPS Agreement. Nothing concrete has been done in this regard so far.

In South Africa and Brazil transnational pharmaceutical companies have challenged the state use of "compulsory licensing" provision in the courts, though subsequently these cases were dropped. These countries were forced to waste a huge amount of time and resources clarifying that the existing agreement allows them to do so. The threat of such legal action can intimidate smaller countries that lack the resources and clout of these larger emerging economies. Thus many developing countries including Pakistan that want to avail themselves of the option of 'compulsory licensing' in a pursuit to provide cheap medicines to their people are still reluctant as they are vulnerable to a possible legal action by pharmaceutical companies as well as by the developed nations.

It goes without saying that TRIPS strengthens transnational companies' (TNCs) abilities to patent life forms as genetic sequences and medicines, thus increasing their control over health markets, both vital concerns for the poor in developing countries. On the other hand, it has very negative implications on local and

generic pharmaceutical companies. Unable to compete with the resourceful TNCs, which they would have to because of 'national treatment' clause, local companies would be badly effected and governments in developing countries would not be able to rescue them.

Developing countries resent the pressures they are under to forgo the flexibility theoretically guaranteed under the TRIPS Agreement, which allows them to put public health needs before intellectual property rights. This has been highlighted in their efforts to prioritise public health over companies' patents in order to obtain affordable access to medicines in health emergencies such as the HIV/AIDS pandemic. According to a recent estimate, by the World Health Organisation. One-third of the world's population lacks access to essential drugs. Pakistan truly reflects this global situation where morbidity thrives and mortality rate rises for want of needed treatments.

It was in this context that developing countries perceived the Doha Declaration on TRIPS and Public Health as a step forward. But the US delegates and representatives of the pharmaceutical industry were quick to point out there and then that the TRIPS Declaration was a political declaration, rather than an authoritative TRIPS Agreement. In other words, it addresses the spirit, rather than the letter, and is not a legal text.

Doha ministerial meeting was just the beginning. There is still a lot to be done to counter the dirty tactics of profit-hungry TNCs. Developing countries and NGOs have to get their sovereignty and right to public health established, and the emphasis should be on giving a human face to the multilateral trading system.

(August, 2002)

## 14 WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT: LITTLE WORDS, VERY LITTLE ACTIONS

The World Summit on Sustainable Development concluded last week in Johannesburg, South Africa. United Nations Secretary-General, Kofi Annan, was very enthusiastic about the outcomes of the summit and in a press conference stated, "This Summit will put us on a path that reduces poverty while protecting the environment, a path that works for all peoples, rich and poor, today and tomorrow." Contrary to Mr. Annan's beliefs, civil society groups never had high expectations from WSSD and the "political declaration" as well as the "plan of implementation" adopted in the summit, which proved that their concerns were genuine.

"More Words, Little Action" was the title of an article written at the conclusion of Doha WTO ministerial conference in November 2001. "A Fiasco And A Flop" was the lead story carried by *South Asia Watch on Trade, Economics, and Environment* (SAWTEE) magazine commenting on the final declaration of UN International Conference on 'Financing For Development', which was held in Mexico in March 2002. "Food deficit, political deficit" was the title of my earlier commentary on World Food Summit, Rome (Five Years Later). Two months after the World Food Summit, I cannot help describing the WSSD as an exercise of little words, and very little action. The gathering at the summit was a reflection of the influence of corporate industries on our governments. During the summit, it seemed that official delegates of the developed nations were gathered in Johannesburg to protect

the interests of their industries and had nothing to do with the masses.

The draft text of the political declaration described the response of the world leaders to the presentation made by the children of the world. Its Paragraphs 4 and 5 say, "As part of our response to these children, we assume a collective responsibility to advance and strengthen the interdependent and mutually reinforcing pillars of sustainable development -- economic development, social development, and environmental protection -- at local, national, regional, and global levels." However, this commitment is a 'political' commitment and has no legal binding. Hence, in practice the powerful industrialist actors -- in particular the US -- sabotaged all efforts to achieve a workable formula to Save The Earth. As Naomi Klein rightly reported in *The Guardian* of September 4th, "It was George W. Bush who abandoned the only significant environmental regulations that came out of the Rio Conference: the Kyoto Protocol on climate change. It was Bush who decided not to come to Johannesburg, signalling that the issues being discussed here -- from basic sanitation to clean energy -- are low priorities for his administration. And the US delegation has blocked all proposals that involve either directly regulating multinational corporations or dedicating significant new funds to sustainable development."

Corporate sector has raised a huge fund for sponsoring the summit. However, this sponsorship was not a 'free lunch' and the cost of this sponsorship was to let the corporate sector as it is. They did not want to be tied under any rules and regulations and wanted to comply with a voluntary code of conduct, without any legal bindings. The summit's chief sponsor was Eskom, South Africa's soon-to-be-privatised national energy company. The poor households of South Africa are being deprived of access to electricity as a result of this privatisation moot. The powerful industrialist lobby still believes in the old trickle-down formula of development, that developing countries would benefit from foreign investment by privatising the essential services, such as water, electricity, and healthcare. However, this is not a pro-poor



approach, and the marginalised sections of the developing countries become more vulnerable and even more marginalised as a result of privatisation of basic necessities of life. In the words of Klein, "Post-Enron, it is hard to believe that companies can be trusted to keep their own books, let alone save the world. And unlike a decade ago, the economic model of *laissez-faire* development is being rejected by popular movements around the world."

The corporate sector was dominating the summit, whereas the 'stakeholders' were left on the street under the strict control of military. "Thank God, Bush decided not to attend the summit, otherwise they (South Africans) could have increased the security manifolds," said Khalid Hussain of Development Vision, who attended the summit and declared it an extreme disappointment. "We were asking for debt cancellation, an end to the privatisation of water and electricity, reparations for apartheid abuses, affordable housing, and land reform; whereas, they were teaching us the lessons of Government-Corporate Sector Partnership," he added.

The summit delegates were talking of poverty reduction while enjoying their finest whiskeys and five star meals. Outside the gates, poor people were hidden away, assaulted and imprisoned for what has become the iconic act of resistance in an unsustainable world: refusing to disappear. "The WSSD was sadly hijacked by big businesses as usual. Can you believe that at the entrance to the summit there was a huge tent advertising BMW!" exclaimed Leah Garces of Compassion in World Farming Trust. "What nonsense! Sadly, I think the real work is left up to us at the grassroots level," she lamented.

However, there is not much the civil society groups can do at the grassroots levels to change the state of the world and to bring sustainability requires a political will, resources, and strong commitment towards poor. Unfortunately, it lacks in real terms and the Northern nations are expecting their Southern counterparts to pay for their (Northern) mess. In reality,

environment is a long-term issue, which has always suffered from the short-term imperatives of the vicious political cycle. It has been treated, by governments all over the world, as a problem, which can be endlessly deferred to the next administration. The UN is helpless in this situation. The major actors among the UN system have converted environment into an issue that can be deferred to the next generations.

There are two kinds of 'outcome' from the summit: 'Type I' and 'Type II'. Type I outcomes are the agreements brokered by governments. These negotiations, like those at all the previous earth summits, have so far been dominated by the EU and US. While poorer nations have called for the rich countries to recognise their ecological debt to the rest of the world, to cough up the money they promised and were failed to deliver ten years ago and to find ways of holding big businesses to account. The rich world has insisted instead, that the interests of the poor and the environment are secondary to free trade.

On the other hand, Type II outcomes are even worse. The UN has permitted big businesses to hijack not just the results of the negotiations, but also the negotiating process itself. The corporations are moving into the vacuum left by the Heads of State, and asserting their claim to global governance. In principle, Type II outcomes are voluntary agreements, negotiated by governments, businesses and people's organisations. In practice, the corporations, being better funded and more powerful than the people's groups, are running the show. They propose to regulate themselves, through "voluntary codes of practice", which in reality amount to little more than re-branding of destructive activities as beneficial ones.

These agreements, in other words, rephrased some of the world's most destructive corporations, as the officially sanctioned saviours of the environment. They will sow confusion among the people with whom these corporations engage, and undermine effective regulation. In the wake of the Enron and WorldCom

scandals, the UN is helping companies to argue, that voluntary self-auditing is an effective substitute for democratic control.

It is a tragic situation -- the UN is now acting like the World Trade Organisation. They should see what a bad sign it is to need this level of security at a summit. It was not always the case, but is a result of the UN and the private sector working on the same lines. "Kofi Annan has convinced himself of the value of partnership," observed an African delegate. "He pioneered the Global Compact. I cannot believe he is not feeling betrayed by the companies, who posed with him for photo opportunities and have failed to deliver. They have used him and they have used the UN."

In this scenario, it was not surprising that during the summit people talked about corporations rather than politicians, because their politicians have been bought. There is no better example than the US. Its government represents an absolute and complete merger between the corporate sector and the state machinery. Dozens of CEOs of various corporations are in the Bush administration. They are shuttling back and forth between those two worlds -- and are writing policies for each other. The idea of a public/private partnership is Dick Cheney meeting with his old friend Ken Lay, and writing an energy policy.

All we could achieve from WSSD, are two new and specific targets: 1) to halve by 2015 the proportion of people who do not have access to basic sanitation; 2) elimination of destructive fishing practices and establishment of marine protected areas by 2012. On energy, no target for increasing renewable energy use and a programme of action could be agreed upon, supporting the provision of energy services to the 2bn people currently without access to these services. Instead, the promotion of "clean" fossil fuels, betrayal of the Kyoto Protocol to combat climate change was agreed (although the announcement of ratification by both Canada and Russia this week is a welcome step). Other targets of access to drinking water, biodiversity, chemicals and official development assistance are simply reaffirmed, watered down, or trashed altogether.

Commenting on the output of WSSD, Alexandra Wandel of Friends of the Earth Europe said: "Friends of the Earth International has strongly supported the Earth Summit. We desperately need binding international agreements. However, governments have missed a historic opportunity in Johannesburg by failing to set the necessary social and ecological limits to economic globalisation."

The summit was hijacked by free trade talks, by a backward-looking, insular and ignorant US administration and its friends in Japan, Canada, Australia and OPEC, by a confused EU, and by the global corporations. It was a betrayal of the millions of people around the world who looked to this summit for real action, and particularly of poor people and vulnerable communities in the South.

Three flop international summits (WTO Ministerial Conference, World Food Summit FYL, and WSSD) over a period of less than 10 months is highly disgusting and a sheer betrayal of the world's poor. This trend ought to change, or the UN should stop convening summits. It should simply convey what 'her masters' want the world to look like. It would save time and resources of thousands of potential delegates who have to attend meetings in future.

(September, 2002)

## 15 HUNGER WIDENS WITH INCREASED PRODUCTION

**A**t the World Food Summit in 1996, a great number of Heads of State made a commitment to cut by half the number of undernourished people in developing countries by 2015 (with 1990-92 as the benchmark period). Since the benchmark period, the number of undernourished people has declined by a total of 39m, corresponding to an average annual decline of 6m. To achieve the World Food Summit goal, the number of undernourished people would have to decrease by an annual rate of 22m for the remaining period -- well above the current level of performance. One has to keep referring to this target again and again at least once a year -- on October 16<sup>th</sup> -- when World Food Day is observed on the anniversary of the UN Food and Agriculture Organisation's (FAO) founding on 16 October 1945.

According to FAO's latest estimate, there were 815m undernourished people in the world in 1997-99. Out of them 777m were in the developing countries, 27m in the countries in transition, and 11m in the developed market economies. More than half of the total undernourished people, (61%) are found in Asia, while Sub-Saharan Africa accounts for almost a quarter (24%). The solution proposed to combat world hunger was the use of increased technology for increased food production. Thus 'green revolution' and use of 'high yielding varieties' -- which I refer to as 'high responsive varieties' as they cannot produce high yield in the absence of increased inputs -- was considered as the only way out.

However, statistics prove that technology cannot fix it all. Keeping aside the environmental consequences, there is a certain limit to which production can be enhanced. According to the *The State of Food and Agriculture 2002*, an annual publication of FAO, world agricultural (crop and livestock) production over the past two years increased at rates below the average of the preceding periods. Total world agricultural output growth in 2000 is estimated at only 1.2%. The preliminary estimates for 2001 suggest even lower output growth, of 0.6%, the lowest rate since 1993. In both years, this implies a decline in global per capita production and a limit to produce more using high responsive seeds.

Viewed in the long-term context, annual agriculture production growth over the last five years averaged 1.7%, compared with 2.1% over the preceding five-year period and 2.5% in the 1980s, suggesting a trend towards declining rates of output growth for the world as a whole. And this is happening despite the availability of high responsive varieties, fertilisers, and pesticides!

Even in Pakistan, agriculture has grown at an average rate of 3.5% per annum since 1991-92 with wild fluctuations -- rising by 11.7% (in 1995-96) and falling by 5.3% (in 1992-92). This fluctuation kept increasing and last year again a negative agriculture growth of (-2.6%) was recorded. It is despite the fact that over the last 17 years (1980-1997), the consumption of pesticides (both imported and manufactured locally) increased from 665 metric tonnes (MT) to 44,872; whereas fertiliser off-take was increased from 1,079 thousand nutrient tonnes (NT) to 2412 thousand NT during the same period. Similar is the story for most developing countries, which spend a major share of their meagre foreign reserves in paying the import bills for these chemicals.

Under the green revolution, we were forced to keep polluting our soils and water sources until it reached a point where the seed varieties were not responsive to higher dosages of chemical inputs. At the World Food Summit Five Years Later held in Rome

this year, the world was shocked to know that despite earlier success stories of green revolution there was no let-off in the plight of world's hunger, and the number of malnourished was still the same. This time the proponents of green revolution changed the label and, backed by the US, came up with the brilliant idea of "gene revolution", or introduction of genetically modified food (GM Food). The American delegate openly declared that eradication of world hunger is only possible through adoption of GM technology.

US support for GM technology is quite justified. How can it betray the US-based multinational companies, which have the patents for GM food and GM seed? No wonder Americans have a big stake in companies such as Monsanto, Novartis, AgrEvo, DuPont, and other chemical companies, which are reinventing themselves as biotechnology companies.

The gene revolution is backed by the World Bank and other IFIs in a similar fashion, as the green revolution was backed by the US and these agencies in the mid '50s to stop peasant resistance movements, and to curb the influence of communism in the developing countries. Gene revolution, they tell us, will save the world from hunger and starvation if we allow these various companies, spurred by the free market (under WTO agreements), to do their magic.

Here, one wonders what this debate has to do with the WFD. Are not we expected to organise hi-fi events in the best hotels of the town and to talk of poor who are suffering from hunger? I was fine with such functions. However, now the practices are being changed and they are not only organising fiascos but also praising the IFIs, especially the World Bank, for their generous funding for poverty reduction aiming to reduce hunger. After all, this funding and the agricultural structural reform loan promise to promote the latest technology, including genetically modified food, in Pakistan.

I propose that while marking the WFD, let us be honest and re-visit the lessons learnt from the green revolution. We were a wheat importing country for years, and it is quite a recent phenomenon that the production of wheat has become surplus. These "surplus" wheat stocks are rotting in the reservoirs of various provincial and federal agencies in Pakistan. Well done, green revolution! We have become self-sufficient in wheat, but then why millions of people are suffering from malnutrition and living below the poverty line? Is it not time to ask under what conditions hunger widens with increased production?

First, when there is no limit on individual land-holding. The big farms keep taking advantage, accumulating everything; while subsistence farms are replaced by corporate farms. Bravo, we are entering in the world of corporate agricultural farming! Second, where there is lack of a bargaining balance between the main producers and input suppliers. In our case, the subsistence farmers and the agri-tech companies are forcing the farmers to get a shrinking share of their produce.

Third, where the technologies are not sustainable and their usage depletes the future sources of food production. Compare the consumption of pesticides and fertilisers in Pakistan twenty years ago and now. We have degraded our lands and polluted our ground water with indiscriminate use of chemicals, and now we are going to opt for genetically modified seeds without learning lessons from what happened in India with BT cotton recently.

Fourth, political will lacks to establish a system of even sharing. Did any of the political parties mention 'food security' in their manifestos for the recent election? Did any of the political parties talk of the adverse consequences of Corporate Agriculture Farming Ordinance introduced by the military regime -- practically removing the upper ceiling of agriculture land holding? Was there any single promise that land reforms of 1977 would not be amended to accommodate Corporate Agriculture Farming? The answer is 'No'. If it remains the attitude of those



who run the state, then the malnourished and poor would have no option left other than to criticise the state.

Under the above-mentioned four conditions that prevail in Pakistan, even mountains of food would not be sufficient to tackle the problem of hunger. In my opinion, hunger is not due to shortage of food. It is not a production problem. It is a distribution problem. Let us make our systems viable enough to promote equal distribution of whatever is produced. We need to create and produce viable small farms on the principles of agro-ecology and sustainable agriculture. This is the only practicable alternative. Otherwise, the problem of hunger would always persist, and we would continue to moan about the plight of the world's poor on WFD every year.

(October, 2002)



## 16 WTO: NEED FOR A PROACTIVE SOUTHERN AGENDA

The Marrakesh Agreement of 1994 established the WTO; it gave a set of goals, which were to be met through trade liberalisation. It says that trade liberalisation should "allow for the optimal use of the Earth's resources in accordance with the objective of sustainable development" and "seek to protect the environment, and recognise the special needs of developing countries". However, since its inception WTO has been the centre of debate.

Anyone following this debate would realise that much of it is being conducted with 'set minds'. Opponents claim that WTO dictates policies and is for free trade at any cost. In WTO system, commercial interests take priority over development, environment, health and safety issues. WTO destroys jobs and increases poverty. Small countries are powerless in the WTO. It is an undemocratic tool of powerful lobbies, which exploit the weaker countries.

Proponents of a free trading system, on the other hand, declare WTO a panacea for every ill. They claim that it is the only forum where countries can thrash out their differences on trade issues. Their argument is that WTO is a member-driven organisation and does not dictate its policies. They also argue that WTO promotes non-discrimination and transparency, which in turn can play an important role in generating economic growth, especially in the developing countries.

Who is right? The answer depends on what is expected from economic liberalisation and free trade. One side thinks that

economic growth should be a means towards achieving sustainable social, environmental and human development. Whereas, the other side thinks that trade liberalisation and economic growth, in itself is a means and goal. The lack of agreement on common goals for trade liberalisation has resulted in a deadlock. To move forward, one needs to be free from all biases -- for or against -- to explore the options and look into the issues, which have emerged with the new trading regime.

Nothing is perfect, and certainly not WTO. In theory, it says that multilateral trading system should be without any discrimination; should be freer (with barriers coming down through negotiations); should be predictable; more competitive and more beneficial for less developed countries. However, in practice we find that benefits of WTO-led trade liberalisation tend to accrue to the more developed and richer nations and there is no apparent relief for the less developed countries.

To discuss these issues, Swiss Chapter of Friedrich Ebert Stiftung (FES) recently arranged a dialogue at the WTO headquarters in Geneva with specialists from policy institutes in developing countries. This was a first of its kind initiative and the representatives of developed world to WTO were invited to respond to the concerns of participants from developing countries. Among others Neil McMillan (minister and deputy permanent representative of British Government to UN and WTO), and David P. Shark (deputy chief of US mission to WTO) also attended the three-day event.

Although having contrary viewpoints on trade liberalisation of agricultural products, both of them had two points in common and those were: "If the developing countries are not gaining the promised benefits from WTO system, it is their weakness"; and second, "Demand of Bretton Woods institutions (IMF, and the World Bank) for a rapid trade liberalisation in developing countries has nothing to do with WTO."

But why do Bretton Woods institutions (BWIs) have to interfere with WTO affairs? Who are the main actors behind these institutions? And is there any way that developing countries would be able to benefit from trade liberalisation, which they have to adopt to fulfil the loan covenants with BWIs? In these circumstances, what strategy should developing countries such as Pakistan -- which is neither considered a major importer, nor a major exporter (whose total share in world export is 0.1%, with an over all ranking of 64 and 68 among the world's exporting and importing countries, respectively) -- follow? These questions need to be answered if one wants the developing countries to proactively engage in the process of trade liberalisation.

First, is WTO really important enough for countries like Pakistan to remain its member? There can be more than one opinion on it. However, one needs to think of the alternatives if developing countries opt out from WTO. In the absence of WTO, they would have to rely either on bilateral or on regional trade agreements; without any set of defined rules for international trade. Small countries, although not getting much out of WTO, may become even weaker without the WTO. Theoretically, the reasons lie in the WTO's key principles, such as non-discrimination and transparency. By joining the WTO, a small country is automatically entitled to the benefits that all WTO members grant to each other.

WTO is a tool to negotiate rules of trade. These rules are devised by Member States, and those who are actively involved in this process have more chances to mould those rules in their favour. In recent years, developing countries have become considerably more active in WTO negotiations, submitting an unprecedented number of proposals in the agriculture talks, and working actively on the ministerial declarations and decisions issued in Doha in November 2001. They are giving a tough time to EU and US in trade negotiations and are more aware of their rights now. Another reason why developing countries should join WTO is that in this system everyone has to follow the same rules (which are agreed upon after negotiations).

However in practice, things are not as simple and one observes that powerful nations have devised their ways out and do not seem to follow the same rules. For instance, the provision of "peace clause" (Article 13 of the Agreement on Agriculture), which prevents export subsidies together with exemption from domestic support reductions being challenged until 2003. Only after 2003 would the member countries be able to challenge the export subsidies and domestic reduction commitments in the dispute settlement body (DSB).

In the WTO's dispute settlement procedure, developing countries have successfully challenged some actions taken by the developed countries. To date 273 disputes have been brought to the DSB. In the year 2002, so far 17 disputes were brought against the US, six against EC, two against Australia, and one against Uruguay, Japan, Turkey, and Peru each. Out of these 29 cases, 13 were brought forward by developing countries, i.e., Philippines (2), Brazil (5), Argentina (2), Chile (2), and India (2). Without WTO, these countries would have been powerless to act against their more powerful partners. China, which joined WTO last November, is already showing its muscles by bringing dispute against the US on import of certain steel products. Could it do so, had it not joined the WTO? Finally, by joining the WTO small countries can also increase their bargaining power by forming alliances with other countries with common interests.

Developing countries should not only join WTO, but they should also have their own agenda (Southern Agenda) on trade and sustainable development. Unfortunately, such an agenda or common vision for developing countries, which comprises the majority of the membership of the WTO, does not exist. Developed nations, on the other hand, have their own 'trade and sustainable development agenda'. They want their own brand of 'sustainable development' in the world. Although their approach to economic liberalisation does not respond to a broadly supported set of economic, social, and environmental goals, yet lack of a Southern Agenda in WTO creates a potential space for developed

nations to impose their agenda on the South. But they cannot do it without the help of the BWIs.

WTO is run by its member governments. Unlike the UN, where some of the members may exercise their right to veto, and may halt the process of decision-making; and unlike the BWIs, where Boards of Directors enjoy the delegated powers to take decisions; all major decisions in WTO are taken by the membership as a whole, either by ministers (who meet at least once every two years) or by officials (who meet regularly in Geneva). Decisions are normally taken by consensus. It means that every country has a voice, and every country has to be convinced before it joins a consensus. To arrive at a consensus and to convince the reluctant countries, the powerful countries use all means, and that is where the role of BWIs starts.

Let us see who are the main actors behind IMF, and the World Bank. The World Bank consists of five institutions, which were established to lend money and fund projects in needy countries to alleviate poverty. It has more than 180 members. The Bank's five largest shareholders -- France, Germany, Japan, UK, and USA (which along with Italy and Canada have 45% of the voting power) -- each appoint an executive director. The remaining 175 member countries are represented by 19 executive directors. Bank President is always from the US, and the US -- by virtue of its shares -- can veto any policy.

The structure of IMF is also similar to the World Bank. It has 182 members. Eight executive directors represent individual countries: China, France, Germany, Japan, Russia, Saudi Arabia, UK, and USA. The remaining 16 executive directors represent groupings of the other 174 countries. IMF Chairman is always from EC. The same story stands true for Asian Development Bank (ADB) -- which was not established in Bretton Woods and hence not included in BWIs -- has 19 non-Asian shareholders. Japan and USA are its largest shareholders with 15.89% shares each and, hence, can influence any policy decision within ADB.

Coming back to WTO, the richest nations to run ADB, IMF, and the World Bank know "how to convince the weaker countries for arriving to a consensus". The claim that WTO has nothing to do with the policies of the BWIs may be theoretically correct but USA and EC are misusing their voting power in the BWIs (and in ADB too) to impose their own agendas on developing countries. The worst example of this phenomenon can be seen in case of Pakistan, which emerged as a champion of the Development Box for developing countries in Agreement of Agriculture at Doha. Developed nations did not resist much against the idea of the Development Box at Doha. However, one month later they were able to 'convince' Pakistan for taking a U-turn from its Development Box demand through ADB, which signed a loan agreement with Pakistan for Agricultural Structural Reforms. Under this loan agreement, Pakistan committed to abolish support price mechanism, abort agricultural subsidies, and close down various agricultural supply institutes with a downsizing in many others. Apparently, this loan agreement had nothing to do with trade negotiations in WTO, but it shows how IFIs can help in reaching at a 'consensus' in WTO.

Compared to IFIs, WTO seems very harmless as members can influence the WTO process if they want to. When WTO rules impose disciplines on countries' policies the members themselves (under agreed procedures which they negotiated) do the enforcement. Sometimes enforcement includes the threat of trade sanctions. But those sanctions are imposed by member countries and not by the organisation. This is quite different from IFIs, which can, for example, withhold credit from a country. This differentiates WTO from ADB, IMF, and the World Bank. So who should receive the crunch from opponents of a free trading system: WTO or the countries formulating the policies of IFIs?

Harvard University economist Dani Rodrik, in his book *The New Global Economy And Developing Countries* argues that developing nations must participate in the world economy on their own terms, not the terms "dictated" by global markets and multinational institutions. Rodrik has suggested that developing



countries should not take a defensive position while joining the world economy; rather, they must be proactive in defining the agenda of their choice.

But is it possible for these countries to act upon Rodrik's advice? They don't have enough shares/votes in IFIs to define the agenda of their choice. The only (trade-related) forum where they are in a majority (and would not be vetoed) is WTO and that is where they should come up with a pro-active Southern Agenda.

Developing countries need to balance activism on WTO with research and should formulate their positions based on thorough research. Once their own agenda is set and research-based positions are taken, it would be easy for them to focus on commonalities and establish alliances and networks.

Developing countries in the form of alliances can proactively face the Northern Agenda by accepting whatever is in their favour and rejecting that, which is not in their national interests. These are some daring steps but may prove as effective measures to weaken the WTO-IFI nexus.

(November 2002)



## 17 OWNERSHIP UNDER THREAT<sup>4</sup>

In Pakistan, HKH spreads over parts of NWFP province, Federally Administrated Tribal Areas (FATA), Northern Areas, Azad Jammu and Kashmir (AJK), and 12 districts of Balochistan. The total area comprises of 489,988 sq.km. (more than 50% of the total area of Pakistan), with a population of 31.13m.

Communities in HKH area face a lot of trouble because of growing social and economic inequalities and imbalances. The level of access to resources and livelihood opportunities is different among various vulnerable and settled groups. The resources are 'unevenly' distributed among communities. The people in HKH area have to face declining access to public distribution services, health, education, food, roads, power etc. due to various state policies. The people are amongst the country's poorest lot.

The zone is excluded from the country's staple foods due to low local production, high transport cost and restricted food access to many areas (such as Chitral) during the snowy season. Sparsely populated, these food deficit areas are inaccessible in severe weather. Local people store grain for the winter season. With little flat land and extreme weather, agriculture is limited. With few opportunities to make a living, and high prices for transporting grain from the plains, people rely on local produce.

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4 Co-authored with Qasim Shah

## TRIPs

Trips agreement is the most contentious agreement ever agreed. It gives the exclusive rights of any commodity with a novel character to the person who brings in novelty. Section Five of the TRIPS agreement obliges Member States to provide patent protection for all inventions both products and process. The TRIPS agreement covers patents in Articles 27-34 of the WTO. It requires that all inventions are patentable, including those based on the exploitation of biological resources.

Article 27.3(b) -- which provides an exclusion from patentability for plants and animals, and essentially biological processes for the production of plants and animals -- obliges the WTO Member Countries to provide some form of intellectual property protection (effective *sui generis* -- of its own kind -- system) on plants, animals and biological processes and new varieties of plants. This means that it stands for monopoly rights even upon the life forms. So the ownership of seeds, plants and animals, and hence national and household food security is affected by TRIPs imposed under the WTO regime.

Developing countries had till December 1999 to comply with the TRIPs agreement, whereas, the least developed countries have till December 2005 to implement the agreement. Article 27.3 (b) was due for revision in 1999. Debates between WTO Member States about whether the review should focus only on implementation of the article or on its substance had resulted in a deadlock. Due to the Seattle debacle, there was no ministerial consensus on it. Even Doha Ministerial Declaration is quiet about the review of the substance of Article 27.3(b), and its Paragraph 19 merely instructs the Council for TRIPs to review implementation of TRIPs as well as to examine the relationship between the TRIPs Agreement and the Convention on Biological Diversity.

It means that countries would have to have a patent on life forms or some sort of 'effective' *sui generis* system for the intellectual property protection of plants and animal varieties. Most

developing countries have opted for the *sui generis* system in the form of Plant Breeders' Rights Act (PBR Act). Pakistan is also opting for one. The draft was ready for promulgation as ordinance. However, due to the pressure of certain advocacy groups and various stakeholders the government refrained from promulgating it.

Having said that, it does not imply that the plans to enact this draft have been abandoned as government is very committed (and is bound to do so under TRIPs agreement) to save rights of plant breeders. However, as the very name indicates, this act ignores the rights of farmers, tillers, and farm workers. PBR Act would put the food security of small farmers at risk as it may stop the farmers in Pakistan to save, use, sow, exchange, share or sell his/her farm produce including seed of a variety. Second, it would serve the interests of multinational seed companies, thus threatening the livelihoods of farm workers. This threat becomes more severe for fragile and vulnerable areas, such as the HKH region, where livelihood depends upon local produce and people have to save the grain and seeds for future consumption.

### **How TRIPs affect food security**

The TRIPs agreement allows the owner of a patented product to prevent third parties from making, using, offering for sale, or importing that product without their consent. The owners of a patented process can prevent the use of the process as well as the commercialisation of a product made using that process. Thus, if a process to produce a plant variety is patented, the owner of the patent has exclusive rights over the plants obtained using the process. Farmers are not allowed to use any seeds coming from such a plant. Most importantly, in contrast with normal legal practice, the TRIPs agreement shifts the burden of proof in a dispute over process of patents to the defendant who must show that an infringement has not occurred. Even in developed countries, individual farmers are not able to safeguard their interest against the corporate greed of TNCs.

Prior to the Uruguay Round, Intellectual Property Legislation was a matter for domestic policy. But the WTO virtually brings all the agreements together under an umbrella; and membership in the organisation implies accession to all of them. Thus, TRIPs is much more powerful than the older agreements, and is a cause of widespread concern.

The Hindu Kush Himalayan region of Pakistan faces two kinds of disadvantages from patenting on the genetic resources for food and agriculture (GRFA). From ancient times, this region has been the source of genetic resources for many kinds of flora and fauna. However, due to lack of capacities and resources, indigenous people of these areas are not in a position to fully catalogue the natural resources of biomaterials they currently possess.

Second, there is growing concentration of TNCs in biotech industries, notably in the seed sector, and the corporations are exerting monopoly. Dependence on TNCs for such a critical input like seeds are feared to bring in a chain of developments, which undermine the very survival of small farmer economy. Moreover, seeds of "improved varieties" are always not compatible with the local needs.

It is assumed that patents and other forms of intellectual property protection on the GRFA decrease farmer's access to seed, reduce efforts in publicly funded plant breeding, increase the loss of genetic resources, prevent seed sharing, and could put farmers out of business. It gives rise to restrictions on the free exchange of information, and increased privatisation of research will lead to further internalisation (secrecy) of research results.

As a consequence, the current problem of global food supply may be further aggravated and is likely to influence the fragile communities such as those living in the HKH region. Thus, in the context of vulnerability and fragility of the people living in the HKH region, can we think of food security when TRIPs would guide the world as to who can produce -- what, when, and where - - and who does not have the right to produce anything?

### **Conflicting international agreements: TRIPs and the convention on biodiversity**

The Convention on Biological Diversity (CBD) agreed at the Rio Earth Summit in 1992, recognises the sovereign rights of states over their biological and genetic resources. The convention requires parties to protect and promote the rights of communities, farmers and indigenous people *vis-a-vis* their customary use of biological resources and knowledge systems. However, in practice TRIPs does not reinforce the provisions of CBD. It does not require the patent holder to either disclose the source of origin, get prior informed consent from the genetic resource/knowledge holder (thus encouraging bio-piracy), or ensure that there is an equitable benefit sharing. This is leading to a large-scale bio piracy from the centres of floral biodiversity such as the HKH region.

### **Recommendations**

We propose

- "There should be no patents on life" and nothing in the WTO agreements should affect the livelihood of farmers living in the HKH region;
- A substantive review of Article 27.3(b), to make the provision of this article consistent with the CBD provisions on prior informed consent and benefit sharing with regards to access to genetic resources;
- A substantive review of the whole TRIPs agreement, under Article 71.1. This review should take place outside any Doha Round Negotiations to prevent aspects crucial to developing countries from getting subsumed or traded off as part of wider WTO negotiations;
- Nothing in the TRIPs Agreement should affect the sovereignty of governments to take measures to protect health and food security nationally;
- The activation of Articles 7 & 8 of the Agreement to ensure the primacy of food security and nutritional concerns *vis-a-vis* security of private intellectual property rights;

- Ensuring that the provisions of TRIPs do not hinder achievements of various international targets agreed upon during a series of UN conferences in 1990 including the World Food Summit. These targets include poverty eradication, sustainable development, social justice, gender equality, human rights, conservation and sustainable use of biological resources and food security;
- Ensuring that the proposed Plant Breeder's Rights Act does not jeopardise the farmer's centuries old practices of saving, breeding and selling seeds. Moreover this act should also provide for the possibility for farmers' varieties to be registered; and
- Technical assistance provided under WTO should also address the needs of mountain communities.



## 18 NO REPRIEVE ON ALTITUDES

**M**ountains, for the first time, appeared on the political agenda of United Nations Conference on Environment and Development held in 1992 in Rio de Janeiro. Prior to Rio, there was no mention of mountains in the UN agenda. Mountains are as vulnerable and deprived as other marginal areas like deserts, tundra region, islands and coastal areas. These areas have almost similar characteristics of marginality, diversification, fragility, inaccessibility and niche. But one thing that distinguishes mountains from other such areas is their verticality or altitudinal variation.

Some of the famous mountain ranges of Pakistan are Himalayas, Karakoram, Suleman, Hindu Kush, Toba Kakar, Kirthar and Salt Range. Among them, Hindu Kush is the most important in the Sub-Continent's regional context. The Hindu Kush Himalayas region cover approximately 3.4m square kilometres from Afghanistan in the west to Myanmar in the east, encompassing the territories of eight countries with an estimated population of about 140m. This range encompasses territories of Afghanistan, Bangladesh, Bhutan, China, India, Myanmar, Nepal, and Pakistan. In Pakistan, it enters from Pamirs and goes up to the interior NWFP

Local communities of HKH region subsist on the agro-pastoral economy to a considerable extent. The majority of the population constitutes of subsistence farmers meeting only the barest needs of food, fodder and fibre for the household. The average landholding per household rarely exceeds one hectare. Cropping pattern varies with altitude. The most widely cultivated crop is maize followed by wheat, millet, barley, buckwheat, and rice. Alfalfa is the main fodder crop, while the area under potato crop

is increasing every year. The growing of fruit trees and establishment of orchards is also a common practice. Livestock farming has traditionally been more important than farming, with the high pastures playing a central role in resource use pattern.

The zone is excluded from the country's staple foods due to low local production, high transport cost and restricted food access to many areas (such as Chitral) during the snowy season. Sparsely populated, those food deficit areas are inaccessible in severe weather. Another cause of acute poverty in mountain regions is that products in local use are also not marketed horizontally; they often first travel down to market towns in the plains and then up to more difficult locations in the mountains. Thus, the people in mountain areas suffer from both low prices as producers and high prices as consumers. With little flat land and extreme weather, the people in these areas face acute food insecurity; removal of all kinds of subsidies from agricultural inputs has worsened the situation.

### **Agreement on Agriculture**

In theory, the Agreement on Agriculture (AoA) describes a one-dimension model for agriculture, to increase trade in agricultural products through progressive liberalisation. The agreement stipulates that members must undertake specific binding and reduction commitments in the areas of:

- Market access (increased market access through the reduction of the import duties or tariffs);
- Domestic support (reduced domestic support through reduction in trade distorting production subsidies); and
- Export subsidies.

This initial reform of trade in agriculture will be made over an implementation period of six years for developed and ten years for developing countries. Least-developed countries (LDCs) are exempted from undertaking reduction commitments in any area of the negotiations.

The socio-economic conditions in mountain areas of many developing countries are not very different from LDCs. Among districts of Pakistan and Azad Jammu & Kashmir, the mountainous districts are placed at the lowest ranking of economic and social development indicators. According to the UN World Food Programme, Gilgit district is placed at 106 in economic development ranking, and 96 in social development ranking in Pakistan. Likewise, these figures are 88 and 111 respectively for Kohistan (another mountainous district of Pakistan).

The human and social development indicators for people living in LDCs, and those living in fragile areas such as HKH region correspond, and technically we can declare these areas as 'least developed areas' (LDAs).

Under the AoA, interests of developing countries were recognised by emphasising that within the negotiation for continuing the reform in agriculture trade, members are to take into account special and differential (S&D) treatment to developing country members. Similarly, there are provisions of special safeguard measures and special treatment under certain carefully and strictly defined conditions up to the end of the implementation period. However, S&D provisions are not directed at rectifying the inherent inequities in the multilateral trading system. Similarly most of these commitments are not legally binding and the best endeavour clauses in WTO agreement are not operational. Finally, the problems encountered in the implementation of the existing S&D provisions under various agreements are not taken up in WTO as a matter of priority.

The above discussion reflects that:

- First, there can be LDAs, such as mountains, resembling economically and socially to LDCs within the developing countries; and
- Second, the concessions and flexibilities for developing and least developed countries are inadequate and insufficient. They are unable to rectify the adverse impacts of multilateral

trading system on small economies as well as on large economies of the developing countries in general. Buying the argument that S&D are insufficient in general, they are extremely insufficient for fragile and LDAs (such as mountains) in developing countries.

One needs to analyse this situation in broader multilateral trading system, where the players and economies are highly unequal. Many developed countries have devised their 'legal' way out to soften their reduction commitments under AoA, and many studies reveal that level of protectionism in agriculture trade has gone higher in the developed world, despite the fact that their reduction commitments are (apparently) high. According to Organisation for Economic Co-operation and Development (OECD), developed countries spent \$360bn on agriculture in 1999 (about seven times more they gave poor countries in international development assistance).

The level of agriculture protection in developed countries has not fallen since the end of Uruguay Round trade negotiations in 1993. Subsidies and protection continue to ensure over-production in EU, Japan and the US. Thus, developed countries continued to support their mountains. For instance, Switzerland provides 100,000 Swiss Franc subsidies to its mountain farmers per annum, to shield its own food and farming sectors from competition. Whereas, the developing countries, on the other hand, either under the pressure of IFIs or due to lack of resources are not able to offer any differential treatment for these regions.

Thus in practice, the AoA is not only creating inequalities between countries that can give substantial support and protection to their agricultural sector (the developed countries) -- and those that do not or cannot -- the (developing and least developing countries), but also between the developed and marginalised areas within the same developing country, and this anomaly results in a vicious cycle of poverty that has engulfed the HKH region of Pakistan too.

## **Tariffs**

The AoA was supposed to deliver a simple ‘tariff only’ regime for world trade. But tariffs in the agriculture sector have become increasingly complex, with an increasing number of tariff lines designed to accommodate a series of different tariffs applicable to the same product. These include seasonal, in-quota, and above-quota tariffs, as well as the frequent use of non-ad-valorem tariffs (fixed charge per unit of product imported).

Moreover, health and quality standards by developed nations (sanitary and phyto-sanitary provisions), along with tariff levels limit market access for the products from developing countries in general and those of HKH regional exports in particular.

Treating the LDAs similar to LDCs, the market access for the exports from LDAs must be ensured and such exports must be protected against Contingency Protection Measures (Safeguard, Countervailing & Antidumping measures) as in case of export from LDCs. It would be in line with Part IV of GATT 1994 rules, which visualise that the contributions of developing countries should be related to their stage of development.

## **Domestic supports**

Under the AoA, all forms of support to domestic producers are subject to certain rules. There are two basic categories of domestic support: support classified as having no, or minimal, distorting effect on trade (Green Box and Blue Box measures); and trade-distorting support (Amber Box measures). Green Box measures are exempted from reduction commitments and can be increased without any financial limitation. These include domestic food aid programme; public stockholding programmes for food security; agriculture research programmes; training programmes; and pest and disease control programmes etc.

Amber Box or the aggregate measure of support (AMS), on the other hand, covers direct payment to producers, which may be

'commodity specific support' and other price distorting measures. WTO member states had to quantify and give monetary value to the total level of such subsidies during the Uruguay Round negotiations the resulting value being their base AMS. Base AMS figures were subject to reduction of 20% by 2000 for developed countries, and 13.3% by 2004 for developing countries. LDCs are exempt from reductions.

At the time of establishment of WTO, in 1995-96 AMS support in Pakistan -- either product specific or non-product specific -- was negative (equivalent to zero technically speaking, from AoA view point) for all the crops. Like Pakistan, most developing and LDCs have no AMS reductions to make because they had few subsidies in place when the Uruguay Round assessments were made and ended up with very low or zero Base AMS figures.

This also means that they can never introduce any price support unless it falls within the exemptions from subsidy rules in any part of the country. The EU and US have been able to avoid genuine reduction in agriculture subsidies by playing a sophisticated number game with the current and base AMS calculations. Buying the argument that fragile areas must be treated as LDCs for implementation of various WTO agreements, there must be provision of domestic support measures for these areas.

### **Export subsidies**

Export subsidies are used to deal with over-production in the domestic market, maintaining high prices for farmers in the home country by ensuring surplus crops find a market abroad. Only 25 of the WTO's 145 members have the right to use export subsidies and it gives the rich countries a tool to prop up their protectionist agricultural policies (it is comparable to dumping). All other WTO members are prohibited from introducing export subsidies in future.

Pakistan, too, has notified to the WTO secretariat that it was not providing any kind of export subsidies in the base period of 1986-

88, so accordingly cannot resort to them in future. Due to these bindings, Pakistan is not able to introduce any export subsidies for the export of fruits such as cherries, apricots, pears, and apples. The perishable nature of the fruits requires either immediate export of these fruits, or proper storage facilities; without government support; local communities cannot accomplish both of these tasks on their own. Much of the fruit like apples, apricots, and cherries as well as vegetables like potato, Chinese cabbage is damaged due to non-availability of storage facility in the vicinity in northern areas.

The GoP needs to seriously look into the possible export potential of the fruits and vegetables produced in the area. Pakistan can earn a lot of foreign exchange by the export of products if proper storage facilities are provided to the poor folk in the area. Pakistan still has the right to provide transport and freight charges that lies under the export subsidies; if government seriously explores the potential and makes arrangements for storage as well transport of bulk of fruits for marketing internationally, it will not only lessen the miseries of the mountainous people living in northern areas but will also help to penetrate developed markets.

Although Article 20 of the AoA mentions the need to consider non-trade concerns, which include food security and environmental considerations, these are not central to the text. This article also committed members to continue the reform process through a second phase of negotiations. During this phase of negotiations, developing country members can bring the issue of vulnerable and fragile areas in the context of food security and environmental considerations as well.

In Pakistan, in some parts of HKH region like Swat and Kohistan people used to grow poppy crop in the past to secure their livelihood. Under the AoA Article 6.2, developing member countries are provided with the facility to provide domestic support either in the form of input subsidies or investment subsidies in these areas.

GoP used to support the poppy farmers to grow alternative crops. Although according to the official stance there is no poppy cultivation in Pakistan now; however, there are some independent reports that in remote areas some farmers have again started poppy cultivation, as it is more profitable than growing traditional agriculture crops. In these circumstances, it is important for the government to carry on providing some sort of domestic support to the farmers in this region to curb narcotics.

### **Recommendations**

Agriculture is vital to food sovereignty, to rural employment, and sustainable livelihood. It becomes even vital and crucial for people living in under-developed areas such as HKH region where the small farmers, in most of the cases, have land holdings less than one hectare, are dependent on agriculture for their livelihood and food security. Hence, agriculture should not be treated like other activities.

To ensure multilateral trade rules promote the right to food and support development goals in HKH regions, it is recommended that:

The re-negotiation of the AoA to ensure food security, livelihood security, poverty alleviation, and equitable development in fragile areas such as HKH region through:

- a) Introducing a clause in 'Development Box' that will not only benefit developing countries and LDCs in general but should bind governments to offer special and differential treatments for the people living in mountainous areas to protect their livelihoods;
- b) The provision of domestic and export subsidies to agriculture in mountain areas
- c) The immediate implementation of existing tariff reduction commitments by developed countries to ensure greater market access for the products from mountain areas
- d) We want duty free access for all products originating from mountainous areas without any quantitative restrictions



- e) Reforms to deal with tariff escalation and tariff peaks in order to increase market access for value added products from HKH region, as well as technical assistance to meet the food security requirements of mountain communities.
- f) LDAs of HKH should be offered treatment no less than that of LDCs.
- g) Technical assistance provided under WTO should also address the needs of mountain communities.



## 19 AGRICULTURE LOOMS LARGE<sup>5</sup>

**A**t WTO the deadline for "trade talks" on agriculture is approaching fast (March 2003). The WTO committee on agriculture headed by Stuart Harbinson (no more an official negotiator of Hong Kong and, hence, theoretically cannot head a WTO committee) has identified six areas for this round of talks, including future tariff structure, tariff rate quota, tariff quota administration, domestic support, export credit/subsidies and some non-trade concerns like food safety, food security, animal welfare and rural development. Member countries have submitted their proposals for future negotiations in these areas.

The chair of the committee has compiled an overview of all the proposals submitted for negotiations. History is repeating itself. In November 2001, Stuart Harbinson (the then chair of General Council of WTO) prepared and forwarded the draft declaration for Doha Ministerial Conference, which was full of anomalies, and developing member countries openly expressed their dissatisfaction over it. Thirteen months later, in December 2002, the overview paper compiled by Harbinson is again under criticism for being biased against poor nations.

The paper contains a number of flaws. There is no mention of which country/ies forwarded any specific proposal, so it is not possible to identify who proposed what. Moreover, Harbinson has classified the proposals received so far into two categories. The first represents those proposals where he feels that a consensus among the members "seems" to arrive. Whereas, the second includes the proposals where members have diversified views. The same old tricks that were used in Doha, where a draft

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5 Co-authored with Qasim Shah

declaration was presented ignoring the concerns of poor nations, are being used again. This time the concerns of poor nations on important issues are being ignored, and Harbison has clearly said that a "consensus seems to be arrived".

Despite all these tricks, the developing countries are still able to get their voice heard in WTO negotiations on agriculture. This time "research-based approach" is the name of the game. The negotiators have to agree upon certain formulas for AoA. Those countries, which would come up with some concrete alternates against the formulas proposed by rich nations, such as EU and USA, have more chances to protect their interests during the negotiations on AoA.

It must be appreciated that Pakistani policymakers, occupying the Ministries of Commerce and Agriculture have realised that this it is high time to make the right move and approach civil society organisations working on WTO issues, such as Actionaid, SDPI, SAAG, SUNGI and The NetWork for obtaining feedback and solid proposals to be presented during the current phase of negotiations at Geneva. It is hoped that this spirit of co-operation would continue in future as well.

We have a genuine stake in agriculture. It not only contributes 25% of national GDP, but also is a source of employment for more than 44% of the work force in Pakistan. It has a vital share in the national exports as well. At Doha Ministerial Conference, Pakistan, along with some other developing countries, forwarded a proposal (Development Box), which was widely hailed due to its radical stance on development concerns. Unfortunately, we could not implement this proposal back home due to the terms and conditions of ADB's loan for agriculture sector reforms. It may be the after-effects of that loan's conditionalities that in the present round of negotiations, Pakistan has again made a proposal to the WTO committee on agriculture, which is not as radical as the previous one but has a similar flavour.

From 1986 to 1998, Pakistan's share in global imports stood stagnant at 0.6%, while there has been a drastic decrease in its global share of exports that was 0.38% in 1998. The total agriculture share in its exports has decreased from 19.5 in 1991 to 11.9 in the year 2002. Moreover, according to a latest FAO study there is almost 50-100% increase in food import bill of five developing countries including Pakistan since 1995-1998. Therefore, in the forthcoming negotiations Pakistan's main interest is to secure the existent markets with greater penetration and to put a check on insurgence of imports to secure livelihood of the most vulnerable segment of the population, i.e., subsistence farmers.

The most important area of negotiations during this round of talks is further dismantling of tariff rates. Developed countries want developing countries to lower their bound tariffs to applied rates. For this reason a number of proposals have been made by different member countries.

According to the document circulated by the Chair WTO Committee on Agriculture, most countries want to carry out negotiations on future tariff structure through two approaches. The first is the Swiss formula for tariff reduction, and the second is the Uruguay Round formula. Swiss formula for tariff reduction first appeared on the negotiation table during the Tokyo Round (1973-1979) of GATT negotiations. It was promoted for steep cuts in tariffs and proponents, and said that it would help to decrease the tariffs for escalated products.

But the question is whether it will help developing countries for better penetration in developed countries' markets? And would they be able to secure their markets at home? The result of such deeper cuts in tariffs will jeopardise the very existence of rural populations because of insurgence of cheap imports and decrease in export of agriculture products, thus devastating the very basis of domestic industry. It will lead to increased unemployment coupled with resource usurpation by MNCs from the North.

Even under the Uruguay Round formula, while developing countries may have some advantages, there are a number of flaws, which make developing countries' position even weaker when it comes to competing with subsidised products from the North. Under the Uruguay formula, developing countries are deprived of their right to use special safeguard measures in case they have not tariffed non-tariff barriers into tariffs.

There is also less decrease in net tariffs applied on products of interest of developing countries in the developed world. However, it gives developing countries an opportunity to bind their tariff at a ceiling, which removes obligation of reduction in tariffs. It also gives developing countries an opportunity to raise tariffs where applied tariffs are lower than bound rate without paying any compensation to the interested exporters to save its farmers from total ruin.

Tariffs are also source of revenue for the developing countries' governments, so reduction in tariffs means deficit in development budget. Hence, as an alternative under such conditions these countries must be allowed to levy import taxes as a special and differential measure, and also to safeguard their rural employment structure.

Tariff reduction, on its own, does not secure enhanced market access as subsidies provided to the farmers in recipient countries also hamper the access to any market. Tariff reduction can only benefit if both the countries, either importing or exporting, are providing the same amount of subsidies. But if one country provides heavy subsidy to its growers (such as USA and EU) and the other is not able to do so (as in our case) either due to financial constraints or under the conditionality of IFIs, mutual reduction of tariff will only benefit the former in terms of enhanced exports.

To benefit from reduced tariffs, our negotiators should pay attention to the issue of subsidised agriculture in developed countries. The recent US Farm Bill is a glaring example; EU is also providing more than \$350bn subsidies to its farmers

annually. Thus by providing huge subsidies to its farm sector, the developed world wants to turn its inefficient agriculture sector into efficient.

The developed world is providing all kinds of subsidies, either trade distorting or permissible in nature. According to some recently concluded studies, subsidies in the developed world have actually increased manifolds as compared to the GATT era. According to a report by Organisation for Economic Co-operation and Development (OECD), developed countries were spending \$360bn on agriculture in 1999 (about seven times greater than what they gave poor countries in international development assistance). According to another study, subsidies have increased in the OECD countries since the base year 1986-88, from \$247bn to \$274bn in 1998. While in case of most of the developing countries, either they were not providing any kind of subsidies or in many cases it was negative.

According to AoA bindings, these countries cannot revert this situation now, i.e., they are no more able to start providing subsidies. Pakistan itself at the time of establishment of WTO in 1995-96 was providing a total support of \$440m under Green Box, which was only about 3% of the total agricultural GDP. The total AMS support, either product specific or non-product specific, provided by Pakistan at that time was negative (equivalent to zero from AoA view point) for all the crops now cannot revert the situation under existing AoA restrictions.

Rich nations want to bring a drastic change in the form and volume of special and differential (S&D) treatment for the developing countries, either by changing the criteria of the countries that can provide subsidy or through other means. Developing countries should react strongly against any such move and need to demand reduction and elimination of subsidies provided by the developed countries gradually.

It should also be demanded that 50% subsidies should be reduced at the conclusion of negotiations and the rest should also be wiped

out within three years. But on the other hand, developing countries must be offered a special and differential treatment as permissible under Article 15.1 (5) of the AoA; they should be given a relaxation to protect their agriculture sector by providing subsidies (if they are able to provide) and maintain higher tariff rates on agriculture products till 2020.

Developing countries, therefore, need to build a firm unity amongst themselves on issues of common interest. Pakistan, being an old member and having a well-groomed negotiating team at Geneva, can lead the developing countries. It is time to re-define terms and conditions of AoA, and one should avail the opportunity. Finally, there is a sheer need to practice that at the national level, what we advocate at the global level. Let us not loose at the home ground what we are achieving in the global arena.

(January, 2003)



## 20 TRADING ON NATURE

One of the lessons that the world learnt from the Great Depression of the 1930s and the Second World War was to institutionalise the mechanisms to take care of world economy and trade. This led to establishment of the World Bank Group that currently consists of the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA), International Finance Corporation (IFC), and the International Centre for Settlement of Investment Disputes (ICSID) in 1944 at Bretton Woods (USA).

In 1945, the International Monetary Fund (IMF) was established in Bretton Woods. IMF was designed to stabilise international exchange rates and promote foreign exchange co-operation at a time when the gold standard was beginning to fail as a means of stabilising currency values. The next step was to create an institution to oversee a rule-based system of trade among states. Hence, General Agreement on Tariffs and Trade (GATT) was organised in Geneva in 1947. The trade pact itself came into effect at the start of 1948 with the goal of abolishing quotas and reducing tariffs among the contracting parties. However, in this entire scenario, trade-related environmental concerns were never perceived to be an issue.

Environment was never under discussion in GATT till the 1970s, and the only indirect reference to the environment was included in the exception clause of GATT 1947, Article XX. This clause allows countries to sidestep the normal trading rules, if necessary, to protect human, animal or plant life or health, or to conserve exhaustible natural resources.

Environment was put on the agenda of GATT for the first time in 1971 when the preparations for the UN conference on the Human Environment (Stockholm Conference) were underway. It was then that GATT established a Group on Environmental Measures and International Trade (GEMIT) with a mandate to examine on request any specific matters relevant to the trade policy aspects of measures to control pollution and protect the human environment. However, no request was made to convene this group until the beginning of the 1990s.

The issue of export of domestically prohibited goods (DPG) was included in GATT's work programme at the 1982 ministerial meeting of the contracting parties, yet it was never referred to GEMIT. Rather, with a delay of seven years (in 1989), another working group was established to deal with the issue of 'export of DPG and other hazardous substances'.

One of the reasons for low environmental profile of GATT was that trade was never perceived to be an environmental issue as such. After World War II, 'Nature' was assumed to be the source of eco-scarcity -- too poor to satisfy the material needs of various societal groups. This eco-scarcity was perceived as a source of conflict with a potential to turn into a source of violence. It was in this context that trade became a strategy to combat scarcity, and dominated environment to generate material abundance.

The pursuit to generate material abundance resulted in 70% increased global energy usage since 1971. The strategy to generate abundance has worked well and global outputs have increased by five times from 1950 to 2000. Similarly, there is about twelve times increase in world trade during the past fifty years. However, all these gains have important environmental repercussions.

Selected global trends indicate that global water consumption is rising quickly. One third of the world's population lives in countries that are already experiencing moderate to high water shortages, and that number could (at the given population

forecasts) rise to two-third in the next thirty years, without serious water conservation measures. On top of it, during the past fifty years, excess nitrogen -- principally from fertilisers, human sewage, and the burning of fossil fuel -- has begun to overwhelm the global nitrogen cycle, with a variety of ill effects ranging from reduced soil fertility and overfeeding of lakes, rivers and coastal waters.

Bio-diversity is threatened in many places, not just because of a reduction in the habitat as forests are cleared but also because of pollution. So much so that the aquatic environment and its productivity is also on a decline, and some 58% of the world's coral reefs and 34% of all fish species are currently at risk from human activities.

Environmental issues, although got ignored during the first four years of the GATT, came back with a vengeance in 1990s, partly due to a series of contentious environmental-related trade disputes as well as the 1992 Rio Earth Summit. In 1988, the US put a trade embargo on tuna imports from Mexico, taking the plea that Mexican fisherman were killing dolphins in an attempt to catch schools of tuna that swim below. Mexican authorities challenged US embargo in the GATT dispute settlement panel. The panel ruled in 1991 that the embargo was not excused under the exceptions listed in Article XX. While the ruling was never adopted by the GATT council, it was viewed by the environmental community as a threat to environmental policymaking and was a difficult setback for the GATT.

Hence, the dormant GEMIT was revived and asked to work with the Committee on Trade and Development (CTD). Their mandate was expanded to include matters raised in Agenda 21 of Rio Summit with respect to making trade and environment policies mutually supportive. The review took place and the contracting parties generally considered the successful conclusion of the Uruguay Round (UR) to be an important step towards creating the conditions for sustainable development.

The work of GEMIT and CTD led to the adoption of Marrakesh Ministerial Decision on Trade and Environment (April 1994). The minister agreed that it should not be contradictory to safeguard the multilateral trading system (MTS) on the one hand, and act for the protection of the environment and the promotion of the sustainable development on the other hand.

The Marrakesh Decision directed the first meeting of the General Council of the WTO to establish a Committee on Trade and Environment (CTE), whose tasks would be to identify the relationship between trade measures and environmental measures, in order to promote sustainable development.

Environment was not a subject of negotiations during the UR. However, with the formation of the WTO in 1995, environmental issues, as they relate to trade, are now firmly anchored in the MTS. Environment is also proving to be a cross-cutting issue and questions related to environmental concerns have arisen in various WTO bodies, such as the General Council, the Committee on Technical Barriers to Trade (TBT), the Council for TRIPs and the Council for Trade in Services.

Moreover, one can find the mention of environment not only in the preamble of the Marrakesh Agreement, but also in the Article XX of GATT, where on the proposal of Austria, the protection of environment was recognised as one of the excuses to get exemption from GATT obligations in 1991. Moreover, eco-labelling in the Agreement on TBT; health provisions in the Agreement on Sanitary and Phytosanitary Measures; Annexure 2 of the Agreement on Agriculture (provision of domestic support for environmental conservation); provision of non-actionable subsidies in the Agreement on Subsidies and Countervailing Measures; and clause XIV of the General Agreement on Trade in Services, all take care of trade related environmental concerns. Thus, theoretically, WTO has the potential to harmonise trade liberalisation, development and environment within rules.

However, trade and environment is an extremely difficult policy interface. Environmental concerns in rich countries are entirely different from those in the under-developed countries. The issue is not only a cause of split between the North and the South, but is also proving contentious within the North. This split prevailed during the Doha Ministerial Conference, and is one of the reasons for non-implementation of environmental commitments in the Doha Declaration.

Environmentalists in the North are painting the Southern governments and Southern producers as villains for being careless and destroying the environment. On the other hand, Southern nations can easily prove the Northern nations as some of the worst polluters. The cumulative CO<sup>2</sup> emission of USA during the period from 1950 to 1995 was much higher than the collective emission of all the developing countries. America is not willing to ratify most of the multilateral environmental agreements (MEAs), and President Bush has even nullified the ratification of the Kyoto Protocol.

The negotiation phase of agreement on environment is passing rapidly and time is short for us. What should we do in this scenario? We need to adopt a two-pronged approach. We ought to oppose the environmental agenda of WTO on the international level and try to maintain the supremacy of MEAs. It means that we should oppose a linkage between trade and environment at WTO.

Environment should not be another non-tariff trade barrier for our exports. On the other hand, we need to prepare at the domestic front and try to raise our environmental standards. If we cannot stop the trade and environment linkage at WTO, then those among the developing countries with higher environmental standards would benefit. Let us try to be among those who benefit from the multilateral trading system through better preparedness.

(February, 2003)



## 21 ACT BEFORE IT'S TOO LATE

**B**ringing agricultural trade into the World Trade Organisation (WTO) regime was a controversial issue since WTO was established in 1995. Agriculture in underdeveloped countries is an entirely different activity from the same in industrialised countries. In low-income level countries, 70% of employment is in agricultural sector where it contributes to 34% of the GDP. The contribution of agricultural sector is 30% and 1.5% in employment and GDP, respectively, for middle-income level countries; whereas in case of high-income level or industrialised countries, these figures are only 4% and 1.5%, respectively.

These statistics reveal the importance of agriculture for low-income level or underdeveloped countries. Owing to this importance, the low-income level countries were never keen on getting agriculture included in WTO negotiations in the very first place.

However, the Marrakesh Agreement of 1994 clearly stated that the developed world would take care of any adverse affects if occurred in the developing world due to Agreement on Agriculture. It was only after this agreement that low-income level countries agreed to get agricultural trade included in the WTO regime. This agreement converts border non-tariff barriers (NTB) into bound tariff rates (process of tariffication), and reduces all agricultural tariffs.

Members that undertook this process of tariffication were allowed to limit imports in case of a surge in volumes or significant falls in the import price for products that had been subject to tariffication through a special mechanism called 'Special Safe Guard

Measures' (SGM). At present, only 38 countries can use agriculture safeguard measures, out of which 22 are developed countries. Pakistan had no NTB in 1995; hence, it cannot use SGM for agricultural products.

Under this agreement, the developed countries had to reduce their agricultural subsidies and tariffs for agricultural imports; however, the experience showed that the level of subsidies and tariffs increased in developed countries. The estimated cost of trade barriers in the North to the economies of the South is \$100bn plus every year. This protectionism undermines Northern development policy, since it is much larger than the development aid (grant aid and export credits), provided by the North to the South.

The practice of tariff escalation and conversion of restricted subsidies (Amber Box Subsidies) under AoA to non-restricted subsidies (Green Box and Blue Box) in the developed countries further added the miseries of their developing counterparts. On the other hand, the developing nations were forced to abolish their subsidies and to reduce their tariff for cheap exports from the North, not only through a flawed Agreement on Agriculture, but also through arm-twisting and through IFIs (as happening in Pakistan under ADB's Agricultural Structural Reform Loan). This led to a growing resentment in the developing countries.

It was in this context that Para 13 was included in the Doha Ministerial Declaration, where member states agreed to work for "substantial improvements in market access with a view to phasing out, all forms of export subsidies; and substantial reduction in trade-distorting domestic support."

To undertake this commitment a committee on agriculture negotiation was formed that was to be headed by Doha Ministerial Draft fame Stuart Harbinson. Ignoring the developmental concerns of developing countries the powerful lobby of developed nations in the WTO considered liberalisation of agriculture trade to be the ultimate yardstick of the Doha Round's success. The



result was a delay in the committee's output, and due to the difference of perception among WTO members only marginal progress was made in determining the parameters for the negotiations, which are to conclude by 1 January 2005.

Vast differences persist on all three pillars of the negotiations, and the Agriculture Committee has not been able to narrow up the gaps between various member states (especially the differences between the liberal block including the US and the protectionists, i.e., EU). However, the irony is that the US is not feeling any embarrassment in asking for agriculture trade liberalisation after introducing the notorious 'Farm Bill'.

Stuck between the devil (proponents of agriculture trade liberalisation) and the deep sea (proponents of protectionist policy in agriculture trade), the negotiators of the developing countries, including those of Pakistan, were trying their best to find a cushion among powerful lobbies to get their voice heard. They submitted their proposals to Harbinson who was expected to issue a draft report on negotiating modalities outlining his 'best assessment' of possible avenues of convergence.

Harbinson submitted his first proposal for the establishment of modalities - setting out the scope of the negotiations, the methodology to be followed during the actual process, and the end-results expected - on 12 February 2003. The draft text was formally discussed by the WTO members in a special session, during 24th-28th February 2003. The text proved to be more problematic than it was being perceived and was roundly criticised by almost all countries. There was no output of this meeting except that the members criticised each other for bringing the negotiations to a deadlock situation.

The US and the Cairns Group of 15 agriculture exporting countries expressed disappointment with the draft, focusing on its lack of ambition regarding the proposed cuts in tariffs and trade-distorting support. On the other hand, the EU complained that the draft modalities were biased towards agriculture exporting

countries such as the US and those of the Cairns Group. Moreover, the EU said the text would not sufficiently take into account agriculture non-trade concerns (NTCs) such as environment and food safety.

Although some of the developing countries such as India, Kenya and Nigeria welcomed Harbinson's proposal, noting that it would provide poorer countries with the flexibilities they needed to address their developmental needs; however, they were disappointed over the time period (ten years) that was given to the developing countries to reduce their tariffs.

NGOs and civil society groups (from all over the world), on the other hand, criticised the draft as it fails to tackle development concerns, and to adequately address food security and sustainable rural livelihoods. They especially criticised the draft for a number of points, arguing:

- 1) It does not change the underlying structure of agriculture trade rules, which are causing widespread hardship for farmers and discouraging sustainable models of agriculture;
- 2) It does not rectify the imbalanced and flawed mechanism of special safe guard measures in agricultural trade by some selected countries;
- 3) The current Agreement and the Harbinson text legalise dumping; at the same time erodes developing countries' only defense against dumping-tariffs and other border measures;
- 4) It fails to recognise the central role played by women in food production and the nutritional well-being of the family and community; and
- 5) It ignores the increasing stranglehold exerted on agricultural trade by a small number of transnational corporations, which in turn depresses farm trade prices around the world.

They stressed that until the causes of dumping were tackled, developing countries needed import control measures to safeguard their farming communities. Sources indicate that due to the stubbornness of US and EU and their 'you liberalise, we subsidise'

approach, there are no signs of arriving at political decisions and a possible compromise in the farm trade negotiations.

While the European Commission is facing the challenging task of obtaining a broadened negotiating mandate from the 15 EU member states by September 2003, US Trade Representative (USTR) Robert Zoellick has had problems scaling back demands put forward in recent US proposals. The Congress is expecting him to negotiate an accord, which would result in a good deal for America's farmers, ranchers and agricultural producers.

Against this backdrop, Harbinson prepared his second draft proposal on 18 March 2003 but he acknowledged that the document he published contained only minor changes in a limited number of areas and that more talks between countries were needed. "Readiness on all sides to engage in serious negotiations, aimed at finding solutions that can attract broad-based support will be of the essence," he said.

But Harbinson is being over-optimistic as last week, the Chairman of the WTO General Council, Carlos Perez del Castillo of Uruguay, was the first senior WTO diplomat to acknowledge that it was unlikely that differences could be bridged before the 31 March 2003 deadline. They have a fear that if agriculture discussions overrun, that could slow the progress in the WTO's other areas of negotiation, such as trade in manufactured goods and trade in services, like banking and telecommunications.

However, a delay in arriving at a consensus in agricultural negotiations at the WTO should not be our concern. Harbinson's second draft is again full of flaws and completely silent about the discriminatory usage of safeguard measures by some. It does not take care of our special food security needs, and is allowing the US and EU to carry on with their direct subsidies. Moreover, the tariff reduction formula, as proposed in this draft, is against the interests of developing nations.

We should reject the current Harbinson draft modalities as an acceptable basis for negotiations and should work to create new trade rules in agriculture that address the real source of distortions in world agricultural markets and take food security and food sovereignty into account. No agreement in WTO should affect the right of developing countries to protect their poor farmers against low world prices.

The last round to finalise the modalities is starting in Geneva from 25 March 2003. This round of negotiations is our last chance to reform and rectify the imbalances in AoA and to save the livelihood of poor farmers. Our negotiators in Geneva and policymakers in Islamabad must realise the critical nature of the negotiations and should not surrender to any external pressure or arm-twisting. It is the right time to form a pressure group within the WTO and try to get maximum flexibilities for developing countries in the modalities. If we do not make ourselves heard now and accept Harbinsons' draft without getting it amended in our favour, we would loose the battle. Time is short and we should act before it is too late.

(March, 2003)

## **22            INCHING TOWARDS                  INTEGRATION**

SAARC trade ministers could not manage to meet even once between Doha Ministerial to Cancun Ministerial Conference of WTO. There is no phenomenon such as Common SAARC position in WTO, as the trade interests of WTO members from South Asia vary a lot.

Adoption of South Asian Free Trade Agreement (SAFTA) during the recently held SAARC summit in Islamabad in this backdrop is a landmark decision. SAFTA is supposed to open a new vista of regional economic co-operation and integration. SAARC member states seem to have, to some extent, set aside their parochial interests and apprehensions and move forward with an open mind towards creating a free trade area. First, the sense of urgency for SAFTA is laudable. Second, the normalisation of India-Pakistan relations becomes critical for the operation of the free trading regime in its true sense.

SAFTA is slated for launch in 2006, with a ten-year period for full-fledged implementation. The treaty has taken up some of the issues with very clear provisions. Such areas include those on tariff reduction and the procedural aspects of the application of Balance of Payment and Safeguard measures, as well as Dispute Settlement Mechanism. The treaty has clearly stipulated the actions that Contracting States can take while facing Balance of Payment difficulties, during import surges or in the case of disputes. Likewise, the treaty has also laid down a clear path for tariff reduction, which spans ten years, beginning 2006.

This meeting also took environmental issues as a priority area. In the Islamabad Declaration adopted at the meeting, ministers

recognised the need to "undertake and reinforce regional co-operation in the conservation of our water resources, environment, pollution prevention and control as well as our preparedness to deal with natural calamities". Ministers also encouraged the establishment of a Coastal Zone Management Centre in the Maldives. Five out of seven SAARC members have long coastal zones and this management centre would study the nature of problems such as tidal surges, cyclones and the greenhouse effect.

Ministers furthermore "stressed the early submission of the State of the Environment (SOE) reports to expedite the preparation of SAARC State of Environment report and the commissioning of the work on drafting a Regional Environment Treaty".

Here it is pertinent to mention that a 'State of Environment of Pakistan Report', was prepared by SDPI for Ministry of Environment (MoE) before World Summit on Sustainable Development. However, this report could never get approval from MoE, apparently due to the hard facts and critical analysis presented in the report about the state of environment in Pakistan. One wonders if such a report for SAARC would be digestible to our relevant environmental ministries. Anyhow, the good news is that environment is in the SAARC agenda now and it may help in alleviating the fate of poverty ridden common masses (40% of the 1.4bn people in South Asia are living on less than Rs.56 (US\$ 1) a day). If implemented in letter and spirit, Islamabad Declaration can be a nice juncture of "Trade and Environment".

Despite the historic adoption of the SAFTA treaty, the treaty itself does not incorporate all components that are essential for the effective functioning of a free trade regime. There are some associated apprehensions that need to be immediately, or at least in the near future, addressed. These apprehensions arise due to the fact that the SAFTA treaty has some confusing provisions and gray areas. Besides, many issues that should have been addressed in the initial treaty itself are lacking. It seems that the negotiators have not learnt any lesson from the failed South Asian Preferential Trade Agreement (SAPTA). The flaws in SAPTA,

such as the issue of "rules of origin", "Non tariff trade barriers" etc, need to be meticulously looked into for the purpose of realising true benefits from SAFTA.

Some of the more important and apparent lacking in the SAFTA treaty are the inability of the member states to draw concrete consensus on certain issues--namely, revenue compensatory mechanism, rules of origin, sensitive list, technical assistance for least developed members, among others. Moreover, rules and regulations for the effective implementation of the Trade Liberalisation Programme and granting of Special and Differential Treatment to LDC members (four of the SAARC members i.e, Bangladesh, Bhutan, Maldives, and Nepal are LDCs) have not been clearly spelled out. These issues form the crux of the treaty, and there is likely to be good mooting on them. Until and unless concrete and constructive negotiations are concluded on these issues, the future of SAFTA would remain uncertain.

Many of the issues highlighted above have been left for future negotiations and finalisation. However, deadlines for completion of negotiations have not been mentioned in most of the cases. The only case in which a deadline for completion has been specifically mentioned is in Article 11(e) that relates to the rules and regulations with regards to Revenue Compensatory Mechanism for the benefit of the LDCs. The rules and regulations are to be finalised before SAFTA is formally launched in 2006.

In other cases, such as harmonisation of legislation, identification of special needs of the LDCs, the number of products under the sensitive list, areas of technical assistance for LDCs and rules of origin, the treaty make no mention of deadlines. This is likely to create complications in the actual implementation of the treaty, unless of course the proposed actions are completed before the implementation of the Trade Liberalisation Programme.

Likewise, there are some ambiguous provisions in the treaty. The ambiguity needs to be reduced because the treaty is a legal and binding document, and such ambiguities find no place in a

binding document. For example, Article 3(2)(f) states that the special needs of the LDCs would be clearly recognised by 'adopting concrete preferential measures in their favour on a non-reciprocal basis'. Due to the lack of deadlines and concrete plans for the identification of the special needs of LDCs, this provision is ambiguous.

Besides, the treaty has hardly any provision relating to anti-dumping, subsidies countervailing duties, technical barriers to trade, and sanitary and phytosanitary measures. These issues are pertinent while a region moves into a free trading arrangement.

It is a fact that all over the world, except South Asia, trade between neighbouring countries is maximum. The trade within Nafta is 60% of their total trade, similarly 55% of the total trade of EU is within EU region. This figure is 30% for Asean, whereas it is only 5% for SAARC region. It is expected that SAFTA has the potential to increase the regional trade manifolds; however, in order to reap these benefits we would have to press our political leadership to make SAFTA stronger. We have to work for:

- Free movement of people: Movement of capital and goods would be useless unless there is free movement of people. Hence, our leaders would have to work for a regime where obtaining visa for SAARC countries would not be a big task at all.
- Trade in services: Service sector's contribution in South Asian GDP is increasing. One must aim at increasing trade in services.
- Improved physical Infrastructure: It is natural that increased movement of goods/services/persons would require an improved physical infrastructure if we want to derive the expected results.
- Need of harmonisation: For us to really get the benefits of SAFTA, harmonisation of custom, banking (LC system understandable to bankers, and LC acceptable to the businessmen in the region) and insurance system is a must. Moreover, we would have to harmonise our quality standards within the SAARC region.



Finally one thing that one must not forget is that trade follows investment. Trade volume can't increase in real sense if there is no investment. Hence, for SAFTA to be meaningful, we need to work for regional agreement/framework for investment promotion as well as protection. Here we would point out that the largest foreign direct investor is the US, whereas the largest trade takes place between the US and the EU.

Critically speaking, the SAPTA did not lead to any real gain. For years we were fooling ourselves by giving concessions to neighbour countries in commodities, which they don't produce/trade at all. Now we have SAFTA, and one must try to make it successful. Who knows that increased trade and investment in region may be the key to lasting peace?

It is about time for all of us to conduct empirical research on pros and cons of implementing SAFTA to make it a win-win situation for all. WTO watch group, a network of civil society organisations in collaboration with SDPI, has already started studying these aspects. One hopes that with similar studies from public, private, and NGO sector, the shortcomings in the treaty would be identified and our policymakers would be ready to rectify those shortcomings in order to move towards a free trade regime smoothly.



## 23 LOSING OUT ON UNCTAD?

"Developing countries have made strenuous efforts at trade liberalisation under very difficult circumstances. However, only a few developing countries have succeeded in participating in global export growth. The share of the African countries and least developed countries (LDCs) in world trade has continued to fall," proposes Paragraph 21 of the UNCTAD XI (sub-theme three) pre-conference text. This paragraph reveals the bitter reality that benefits of trade liberalisation were never shared on equitable basis and developing countries remained at losing end.

With the WTO in continued stalemate, the opportunity to debate alternative policies for agriculture and rural development has opened up within the UN system. UNCTAD, the UN Conference for Trade and Development, will meet 13-18 June 2004, in Sao Paulo, Brazil, to set the organisation's priorities for the next four years. Established in 1964, UNCTAD aims at the development-friendly integration of developing countries into the world economy.

Historically, UNCTAD has been the lead multilateral agency concerned with Third World development, serving as host for various international commodity agreements and, more generally, as a "think tank" for the South. In the past eight years, UNCTAD's mandate has been diminished by aggressive action of the US and EU governments, including a current effort to further remove the issues that matter the most to developing and least developed countries from the heart of the agenda for UNCTAD XI.

As a preparatory process to UNCTAD XI, the chair circulated a pre-conference negotiating text on sub-theme three of the

conference (Assuring Development Gains from the International Trading System (ITS) and Trade Negotiations). The text envisions strengthening UNCTAD's role in assisting the developing countries so that their sustainable development objectives are accomplished through international trade. However, the responses of EU and USA on this pre-conference text are horrifying and it seems they are literally backing out from what they committed in Doha Work Plan (DWP) during WTO Doha Ministerial.

It seems that US and EU governments would not let UNCTAD or any other organisation to work in favour of developing countries. The EU and US have tried to turn UNCTAD into a vestigial organ through their counter proposal. For instance, Paragraph 115 of chair's text while discussing UNCTAD's contribution in assuring development gains from ITC says "UNCTAD should contribute to the analysis of the linkages between trade and trade-related interests of developing countries, with special focus on financial flows and debt relief." US, EU, and Switzerland have proposed deletion of Paragraph 115 from chair's text. In other words, they don't want UNCTAD to carry out any analysis that may assure the linkage between trade and development for developing countries.

UNCTAD started a BIOTRADE Initiative in 1996 that aimed at stimulating trade and investment in biological resources to promote sustainable development in line with the three objectives of the CBD: (a) conservation of biological diversity; (b) sustainable use of its components; and (c) fair and equitable sharing of the proposed benefits arising from the utilisation of genetic resources. The chair mentioned of "strengthening work on BIOTRADE" in Paragraph 113 of its pre-conference text. However, the US is not happy with UNCTAD's ambitions to strengthen work on BIOTRADE and has proposed that this phrase should be deleted from Para 113.

US also proposes to delete Para 112, which says that UNCTAD should continue to serve as a forum for clarifying issues related to investment, competition policy and trade facilitation (three of the Singapore issues) with a view to understanding their development

dimensions. US knows that these issues may not have any development dimension and that is precisely the reason that led developing countries in Cancun Ministerial to say a firm "no" to Singapore issues.

Through Para 102 of chair's text, it is proposed that UNCTAD should establish some benchmarks to assess how effectively developing countries are deriving an equitable share of benefits from ITS. US has proposed to delete this Para too. Obviously such benchmarks if established would reveal the truth that developing countries are not able to get an equitable share from the benefits of ITS. This would harm the interests of US-led World Bank that prescribes trade liberalisation for every thing that goes wrong in the developing countries.

Moreover, the US and EU have warned UNCTAD to stay in limits and have proposed that it should clarify its division of work for trade-related technical assistance with WTO and ITC in response to the Para 100 of chair's text where UNCTAD is asked to continue monitor and assess the ITS, relating to issues concerning developing countries and help capacity building under DWP.

Under Policy Reforms and UNCTAD's Contributions, chair's text proposes various measures by which UNCTAD may support policy reforms in ITS. However, EU and US have proposed to delete all important paragraphs, thus trying to turn UNCTAD into a non-functional organisation.

US has proposed deletion of:

- Paragraph 81 that talks of meaningful agricultural reform and phasing out of export subsidies and special and differential treatments for developing countries;
- Paragraph 82 that talks of providing some adjustment support to developing countries that would be adversely affected by textile quota elimination; and
- Paragraph 95 that stresses upon having appropriate debt-relief measures for developing countries.

Here it is pertinent to mention that EU has proposed that in Para 82, negative consequences for some LDCs of phasing out of textile quota should be recognised but no compensation should be paid to the affectees.

Similarly EU has proposed to delete Para 92 that says: "International discussions and negotiations on trade and environment should be guided by a development oriented approach so that developing countries can expand exports." Whereas the US has proposed deletion of the last phrase in this paragraph, ie, "so that developing countries can expand exports." Is it not sufficient to confirm that the US and EU governments were never sincere with Doha Development Plan and do not want any expansion in developing countries' export.

The story does not finish here as both the EU and US have proposed to delete Para 97 that demands "International community to support developing countries to foster, protect and promote creative industries and traditional knowledge (TK) of developing countries." Here it is pertinent to mention that TK of developing countries is already vulnerable to piracy under new TRIPs regime.

The objections by EU and US are not limited to UNCTAD's future role, but they have also strongly objected to the policy analysis carried out by UNCTAD and have proposed deletion of some important analytical recommendations that can protect the interests of developing countries. Let us have a flavour of what EU and US are proposing in this regard.

Paragraph 5 of the pre-conference text talks of "adverse effects of secular decline and instability of world commodity prices on developing countries particularly LDCs and African countries". US in its counter proposal stroke out "LDCs and African countries" and proposed to replace it with "economies that are not diversified". Why is the US Trade Representative shy of admitting the fact that African and LDC economies are vulnerable under US/EC-led international trading system?

Paragraph 20 of the draft text recognises that trade policies can serve an important development instrument, but they have to be consistent with national development goals. Ironically, the EU has proposed to delete the phrase "but they have to be consistent with national development goals". In other words, EU would like to dictate the type of trade policies that suits its own agenda, irrespective of the fact whether those policies are consistent with national development goals or not. This is already happening for the last 60 years through EU-led IMF. Let us say good-bye to millennium development goals and good-bye to national sovereignty.

Para 21 of the original draft very rightly recognises that developing countries have made strenuous efforts at trade liberalisation under very difficult circumstances. However, only a few developing countries have succeeded in participating in global export growth. It also recognises that the share of the African countries and LDCs in world trade has continued to fall.

US and Canada feel that "not all developing countries" have made strenuous efforts at trade liberalisation under difficult circumstances and have proposed to qualify developing countries with "Many developing...". The most disturbing thing is America's shameless attitude towards realising the miseries of LDCs and African countries. It proposes to replace the phrase "the share of African countries and LDCs in world trade has continued to fall" with the following sentence: "Challenge remains to increase the participation of a wider number of developing countries in global export growth."

The US also proposes to delete Paragraphs 22, 23, 24, 25, 26, 27, 28, 86, and 88 from chair's text. Para 22 stresses that specific concerns and interest of developing countries about DWP deserve special consideration. Para 23 recognises that trade in agriculture has important implications for the sustainable development and food security of 3/4th of the world' poor living in the rural areas of developing countries. It demands that trade distorting practices in developed countries (domestic/export subsidies, tariff peaks

etc) should be reformed. Here it is pertinent to mention that Australia and EU feels that these issues are being discussed in the context of the WTO agricultural negotiation and hence UNCTAD XI should not touch them.

Para 24 discusses "Mode IV of GATS" and its importance for developing countries. US has proposed to delete this paragraph, whereas, EU proposes that movement of natural persons under Mode IV is not economically important for developing countries.

Para 25 recognises TBT, SPS, and antidumping measures are market entry barriers for developing countries. The US has proposed to delete the whole paragraph. Whereas EU has diluted it by replacing "are market entry barrier" with "may affect market entry". EU also proposes to delete "harmful affects of anti-dumping measures".

The US also proposes to delete Paragraph 26, which recognises that cost of implementation of multilateral trading agreements and TRIPs, TRIMs, TBT, SPS, DSB, are hard to bear for developing countries. EU is kind enough by not proposing the deletion of the whole paragraph but has revealed its intentions by proposing that "hard to bear" should be replaced with "costs can be high".

Paragraphs 27 and 86 of chair's text talks of strengthening and making more precise Special and Differential Treatments (SDT) according to Doha Development Agenda.

US and Norway wants to delete the whole paragraph. Whereas EU emphasises that SDT should be used on a temporary basis only. This is indeed backing out of their Doha commitments on part of EU and US.

Paragraph 28 talks of difficulties faced by developing countries in fulfilling the "extensive market access commitments" made by them at the time of accession to WTO whereas Paragraph 88 recommends that obligations at the time of accession should be rationale and according to development level of the member



countries. US proposed to delete both of the paragraphs, whereas EU proposed that not all but some developing countries find it hard to fulfill the market access commitments.

Above-mentioned facts make it very clear that EU and US would not let developing countries to take advantage of UNCTAD's recommendations. They have felt that UNCTAD is turning into a more developing country friendly organisation so they would like to dominate UNCTAD's working and bring in their own agenda. It is sad to note that the Southern states are still not as proactive as they should have been to rescue UNCTAD from US/EU influence. UNCTAD is an inter-government body and only member countries can determine its future agenda. Although China and G-77 have tabled some counter proposals, many developing countries such as India, Brazil, Pakistan, South Africa etc, (which are very active in WTO and are defending the interests of developing nations) have not tabled any proposal to counter EU/US anti-developing countries intentions. UNCTAD XI can be an important milestone in the history of ITS, and developing countries should take it very seriously.



## 24 WTO: HAVANA TO CANCUN AND ITS IMPLICATIONS FOR PAKISTAN

### Economic Revival After World War II

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

the UN conference on Trade and Employment in Havana in March 1948, ratification by some national legislatures proved impossible. Because of the opposition of the US Congress to outside interference in trade policy, the ITO proved dead in 1950. Even though, it was provisional, the GATT remained the only multilateral instrument governing international trade from 1948 until the World Trade Organization (WTO) was established in 1995.

### From GATT to WTO

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

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

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

It took seven and a half years to conclude Uruguay Round (UR). The final push for a world trade body during the negotiation of the UR came from a number of directions. The European Union (EU) countries favoured a world trade body to help contain the US, while

the US, favoured a body to regulate everyone else (other than the USA). Developing countries were in a dilemma. On the one hand, a world trade body might afford them protection from stronger developed country traders. On the other hand, they feared that the new body could be used by developed countries to impose their will more effectively (Evans, 1996).

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

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

WTO and GATT: The main differences:

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

### Principles of the trading system in WTO

The WTO agreements spell out the principles of liberalization, and the permitted exceptions. They include individual countries' commitments to lower customs tariffs and other trade barriers, and to open up the service markets. They set systems for settling disputes. They prescribe special treatment for developing countries. The legal text of WTO agreements is a daunting list of 60 agreements, annexes,

decisions and understandings. *However, (theoretically) a number of fundamental principles run through all of the agreements. According to some of these principles, WTO trading system should be;*

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

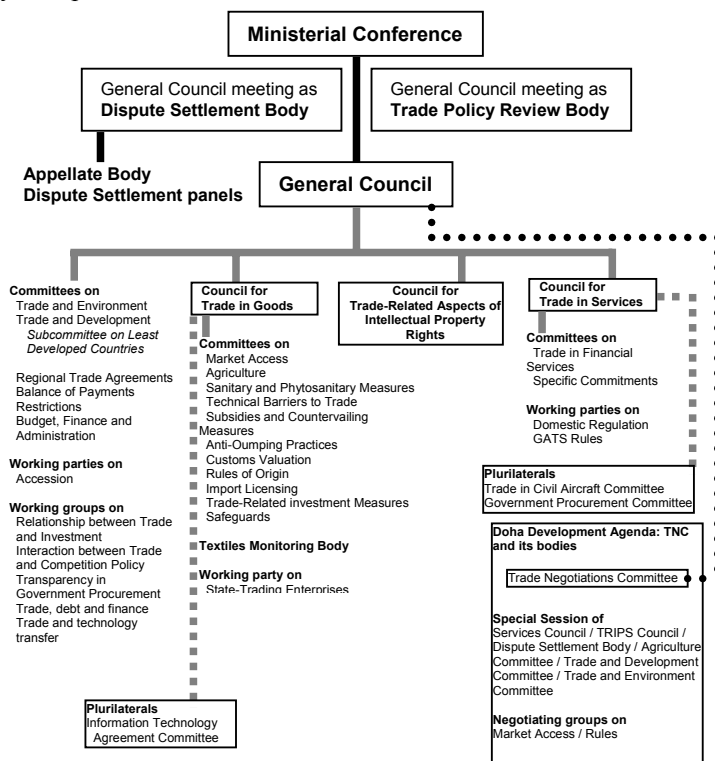
### **How does WTO work?**

- The WTO is headed by Ministerial conference that is held once every two years and is the main decision-making body in the WTO. The conference consists of all member states and each country has an equal vote.
- Immediately below the conference sits the General Council. The council is responsible for day to day functioning of WTO and meets as appropriate between Ministerial Conferences, again each member state has an equal vote. The council also oversee the work of the Dispute Settlement Body (DSB) and the Trade Policy Review Mechanism.
- Three further councils; for Trade in Goods, Trade in Services, and TRIPS work under the General Council. Each of these three councils establishes subsidiary bodies for the operation of the various agreements.

- Five further committees; Committee on Trade and Development, Committee on Trade and Environment, Committee on Regional Trade Arrangements, Committee on Balance of payment, and Committee on Budget, Finance and Administration are established by WTO (please see WTO organizational Chart).

### WTO Organizational Chart

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



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

**Key**

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

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

**Voting Principles in WTO**

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

**Where does the power lie?**

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



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

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

<ul style="list-style-type: none"> <li>• WTO is a membership organization. Members define its rules and regulations.</li> <li>• There is no “Board of Directors” in WTO.</li> <li>• It works on one country one-vote basis.</li> <li>• There is no VETO power in WTO.</li> </ul>		
<p>The World Bank</p> <p>The Bank’s five largest shareholders -- France, Germany, Japan, UK &amp; USA -- each appoint an executive director. The remaining 175 member countries are represented by 19 executive directors. Bank president is always from USA.</p> <p>The seven rich countries (Canada, France, Germany, Italy, Japan, UK &amp; USA), have 45 percent of the voting power.</p> <p>USA by virtue of its shares can veto any policy.</p>	<p>International Monetary Fund</p> <p>Eight executive directors represent individual countries: China, France, Germany, Japan, Russia, Saudi Arabia, UK &amp; USA. The remaining 16 executive directors represent groupings of the other 174 countries.</p> <p>Chairman is always from EC</p>	<p>Asian Development Bank</p> <p>Total 61 members (43 regional, 19 non regional).</p> <p>Japan and United States have 15.89 % shares, each.</p> <p>Both of them can block any initiative.</p>

**History and Context of the Protest**

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

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

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

**Grouping and alliances**

The largest and most comprehensive group is the European Union (for legal reasons known officially as the European Communities in WTO business) and its 15 member states. The EU is a customs union with a single external trade policy and tariff. While the member states coordinate their position in

Brussels and Geneva, the European Commission alone speaks for the EU at almost all WTO meetings. The EU is a WTO member in its own right as are each of its member states.

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

Among other groupings which occasionally present unified statements are the Latin American Economic System (SELA) and the African, Caribbean and Pacific Group (ACP). More recent efforts at regional economic integration have not yet reached the point where their constituents frequently have a single spokesman on WTO issues. Examples include the North American Free Trade Agreement: NAFTA (Canada, US and Mexico) and MERCOSUR: the Southern Common Market (Brazil, Argentina, Paraguay and Uruguay).

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

An informal alliance of developing countries Like Minded Group consists of Cuba, Dominican Republic, Egypt,

Honduras, Indonesia, India, Kenya, Malaysia, Pakistan, Sri Lanka, Tanzania, Uganda, Zimbabwe and Jamaica. Although they don't have a single spokesperson/negotiating team, yet, they tend to consult each other before taking positions on various issues.

Two important groups that emerged during 5<sup>th</sup> Ministerial Conference at Cancun, include **G-20<sup>6</sup> plus** and **Strategic Products group(SP)**.

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

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

- A Group of major trading partners builds pressure on other members.
- A group of weaker trading partners enhances their bargaining power.

Weaker trading partners may join a group of major trading partners to get political/economic benefits.

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6. As on October 2003, The group now consists of Argentina, Bolivia, Brazil, Chile, China, Cuba, Ecuador, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, the Philippines, South Africa, Thailand & Venezuela.

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

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

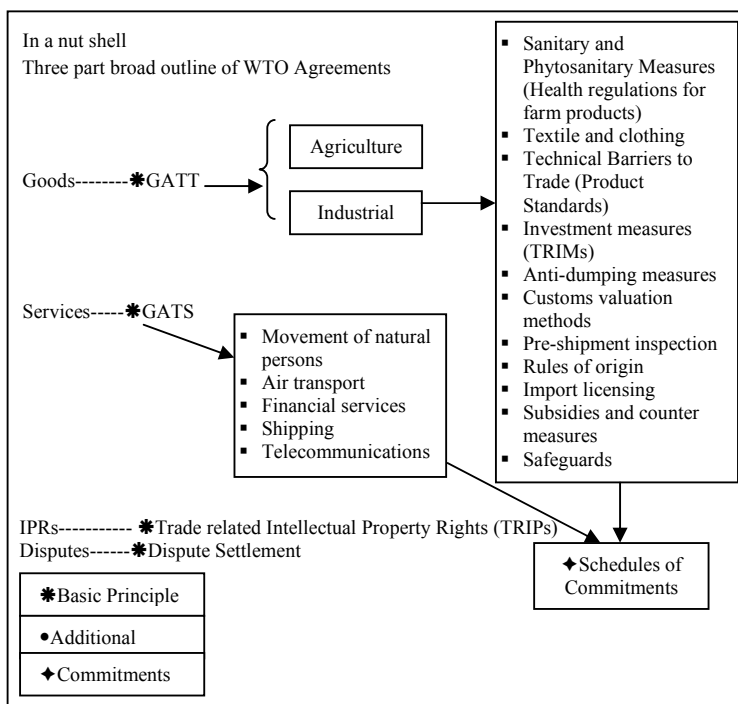
However, India, Pakistan and Sri Lanka are active in likeminded group and there are times when they take a common stance. Till Doha, SAARC trade ministers use to meet and discuss their stances for ministerial meeting. However, this could not happen for Cancun and the attempts to hold meeting of SAARC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

**Broader Outline of the WTO Agreements**

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

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

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



Source: WTO, 2003a

### Important Agreements under WTO

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

### ***WTO and Tariff reduction commitments***

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

### ***Agreement on Agriculture***

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

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

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

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

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

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

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

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



### **Textiles**

Textiles, like agriculture, is one of the hardest-fought issues in the WTO, as it was in the former GATT system. Multifibre arrangement was taken over by Agreement on Textiles and Clothing on 1 January 1995. The system of import quotas that has dominated the trade since the early 1960s is being phased out and from 1 January 2005, there would be no quotas left on trade in textile. It can be a challenge as well as an opportunity for the developing countries. After 2005, it would be clearly the “survival of the fittest”. *Developing countries are scared of the possibility that developed nations may use the excuse of standards to restrict their exports after 1 January 2005.*

### **Trade in Services**

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

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

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

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

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

***Anti-dumping, subsidies, safeguards: contingencies, etc.***

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

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

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

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

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

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

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

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

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

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

**Developing countries role in the WTO?**

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

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

### **WTO Ministerial Conference**

The Ministerial Conference is the organization's highest-level decision-making body. It meets "at least once every two years", as required by the Marrakesh Agreement Establishing the World Trade Organization — the WTO's founding charter. Trade, foreign, finance and agriculture Ministers from more than 120 WTO member governments and from those in the process of acceding to the WTO participated in a Ministerial Conference in Singapore from 9 to 13 December 1996. The Conference was the first since the WTO entered into force on 1 January 1995. It included plenary meetings and various multilateral, plurilateral and bilateral business sessions. These examined issues related to the work of the WTO's first two years of activity and the implementation of the Uruguay Round Agreements. This conference mandated the establishment of working groups to analyze issues related to investment, competition policy, and transparency in government procurement. It also directed the Council for Trade in Goods to "undertake exploratory and analytical work on the simplification of trade procedures in order to assess the scope for WTO rules in this area." Most developing countries were unconvinced of the necessity or value of negotiating multilateral rules on these issues (commonly known as Singapore Issues), which they see as being of primary interest to developed economies.

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

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

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

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

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

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

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

The Subject Listed in the Doha Declaration and Key dates	
<b>Implementation</b>	Negotiations on outstanding implementation issues shall be an integral part of the Work Program.
<b>Agriculture</b>	Deadline: by <b>1 January 2005</b> , part of single undertaking
<b>Services</b>	Deadline: by <b>1 January 2005</b> , part of single undertaking
<b>Market Access (Non-Agriculture)</b>	Deadline: by <b>1 January 2005</b> , part of single undertaking
<b>Anti-Dumping</b>	Deadline: by <b>1 January 2005</b> , part of single undertaking
<b>Subsidies</b>	Deadline: by <b>1 January 2005</b> , part of single undertaking
<b>Regional Agreements</b>	Deadline: by <b>1 January 2005</b> , part of single undertaking
<b>Environment</b>	Deadline: by <b>1 January 2005</b> , part of single undertaking
Investment	} Negotiations: after <b>5th Ministerial Conference, 2003</b> (in Mexico) "on the basis of a decision to be taken, by explicit consensus, at that session on modalities of negotiations" with deadline: by <b>1 January 2005</b> , part of single undertaking
Competition	
Transparency in government procurement	
Trade Facilitation	
<b>Dispute Settlement</b>	Initial Deadline of May 2003 was extended to <b>May 2004</b> , Separate from Single Undertaking.
<b>Intellectual Property</b>	Deadline: negotiation specifically mandated in Doha Declaration by <b>1 January 2005</b> , LDCs to apply pharmaceutical patent provision 2016.
<b>E-Commerce</b>	Report on further Progress: 5 <sup>th</sup> Ministerial conference 2003
<b>Small Economies</b>	General Council's Recommendation: 5 <sup>th</sup> Ministerial
<b>Trade, Debt And Finance</b>	General Council's Report: 5 <sup>th</sup> Ministerial conference 2003
<b>Trade And Technology Transfer</b>	General Council's Report: 5 <sup>th</sup> Ministerial conference 2003
<b>Technical Cooperation</b>	Director General's report: 5 <sup>th</sup> Ministerial conference 2003
<b>Least-Developed Countries</b>	Report to General Council: <b>early 2002</b>
<b>Special &amp; Differential Treatment</b>	Recommendations to General Council: <b>early 2002</b>
<b>Single undertaking:</b> Virtually every item of the negotiation is part of a whole and indivisible package and cannot be agreed separately. "Nothing is agreed until everything is agreed"	

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

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

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

**From 1 January 2005, the “textile quota regime” would be over.** This provides us great opportunities as well as challenges. We may gain from abolishment of quotas if we are competent enough.

**Another area of concern for Pakistan is “inclusion of Singapore Issues” in trade negotiations.** These negotiations, could not start in Cancun and if started would finish by 1 January 2005. Pakistan along with other developing countries resisted inclusion of these issues in WTO work program.

**The last area of concern for Pakistan is “Trade and Environment”.** Members are examining the existing multilateral environmental agreements (MEAs). They are identifying the specific trade obligations in those MEAs, and identifying the relevant WTO rules. The negotiations would have to complete by 1 January 2005 as part of single undertaking. The negotiations shall not prejudice WTO rights of any member that is not a party to the MEAs in question (for example USA has not ratified the Kyoto Protocol). Pakistan is a party to most of the MEAs. Pakistan along with other developing countries feel that outcome of such negotiations (a linkage between MEAs and WTO rules) may result in non-tariff trade barriers for the export from developing countries. That is why Pakistan is opposing any such linkage.

**Recommendations: Pakistan’s Negotiating Strategy for Post-Cancun Talks**

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

## **Agriculture**

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

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

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

In present scenario Pakistan should remain active in G-20 group and should seek to renegotiate the categories of boxes and the way the domestic deductions are estimated, since many of the exempted categories could be equally price distorting. Further, given the context of high trade distortion being practiced by developed countries, a reduction in import tariff and their bindings by Pakistan should be considered only after a substantial reduction in trade distorting domestic and export subsidies by the industrial countries has been achieved. Pakistan should also ask for removal of all kind of export subsidies provided by developed countries. In the recent Common Agricultural Policy reforms, EU has committed that there is need to reduce subsidies provided under Blue Box, this proves that subsidies provided under Blue Box are not justifiable and were as trade distorting as the



subsidies provided under Amber Box. Pakistan needs to re-emphasize the idea that it floated in Doha Ministerial Conference, i.e., inclusion of Development Box (no support reduction commitment for food security products of developing countries).

### ***TRIPs***

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

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

### ***Singapore Issues***

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

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

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

### ***Trade and Environment***

European Union pushed by Japan, Norway and Switzerland is the major advocates of inclusion of environmental issues in WTO regime. In Doha, the members agreed to analyze the individual MEAs, and to identify a relationship between MEAs and various trade rules. The negotiations are also going on to agree on a criterion of granting observer status to various MEAs in WTO. Developing countries are resisting linkages of trade and environment since Doha and Pakistan should keep on doing so in Cancun.

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

### ***Conclusion***

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

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

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

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

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

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

Parliamentarians, as elected representatives of the people, enjoy the sole privilege of a country's policy making, and play a special role vis-à-vis governments and civil society and hence can help to bridge the gaps, lead to a better understanding of the WTO issues and procedures and eventually rally the public behind crucial issues discussed in the WTO. In the international arena, efforts have been going on to establish a parliamentary dimension of the WTO as a means of enhancing the transparency and democratic accountability of the WTO. Organisations such as the Inter-parliamentary Union (IPU) and the European Parliament have been instrumental in bringing a parliamentary dimension to multilateral cooperation issues by holding parliamentary conferences on the WTO. The first such conference of parliamentarians was held in Geneva, Switzerland on February 17-18, 2003. A parliamentary conference is also being held on the sidelines of the upcoming Cancun Ministerial Conference on September 9-12, 2003. Cancun Session of the Parliamentary Conference on the WTO is a joint undertaking of the Inter-parliamentary Union and the European Parliament with the support of the Mexican Parliament, seeking to make the voices of parliamentarians, the legitimate representatives of the people, heard loud and clear by government negotiators who will gather in Cancun for a mid-term review of the Doha Round of multilateral trade negotiations, including the development of Doha development Agenda.

It is felt worldwide that faced with the issues of the growing interconnection of economies worldwide and the need for the trading system to be equitable and rule based, the forward movement

depends on greater political involvement, public pressure, changes in the rules and a substantial reduction in the areas of confrontation. Parliamentarians, as a voice of the people, can be instrumental in this regard.

In view of the upcoming Cancun conference, it is imperative that the stance Pakistan takes in the ministerial conference must be developed inside the Parliament with active debate by the house on the available options and perspectives. Equally important is that the delegation representing Pakistan at the Cancun should organise a de-briefing session for the members of the Parliament after the Cancun Conference. We further need to set up special committees on WTO in both houses of the Parliament. The committees could play a watchdog role on the policy issues regarding WTO negotiation process.

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## 25 JULY PACKAGE: A FALSE UNFOLDING

*The package clearly lacks political will and strong commitment from the key players. Its language is full of optional words such as 'may' and 'will'*

**F**riends keep on asking me, why I am not commenting on the recent "developments" in WTO negotiations. However, I am facing a dilemma here. Is there any development in WTO negotiations at all? Two years ago while commenting on WTO and the level of preparation in Pakistan, I wrote, "It is said that WTO is a bicycle that has to move forward otherwise it would collapse. However, in our case the bicycle is moving, but in a circle and we have not covered any destination."

I am quite depressed to see that it is not only in Pakistan, but also globally that the WTO bicycle is moving around in a circle and things are under a state of inertia. Just recollect your memories and analyse what has changed in WTO since Doha. Trade and development linkage could never be developed and so is the materialisation of Doha (so called) Development Agenda (DDA). World Food Summit (Five Years Later) was a low impact event. WSSD betrayed the world's poor. Cancun did not help in moving the process any further. So much so that the United Nations Conference on Trade and Development (UNCTAD XI) was given a shut up call by powerful governments. In this context, how can the recently agreed framework for negotiations (July Package) on DDA, be an exception? Can it bring any relief for the world' poor communities?

There is a marvelous sense of achievement among government circles in most of the developing countries after an agreement was achieved on the final draft of the July Package. Our Commerce Minister termed it as a "historical victory" and in a press conference informed the nation that the era of agricultural subsidies would be over with the July Package. He was optimistic that this package would bring a "huge positive change" for Pakistani agricultural producers. Mr Humayun Akhtar is not the only one to rejoice the July Package; Indian as well as Brazilian Commerce Ministers were also rejoicing their victory over the EU and USA.

I would come to the EU later but let us analyse what was officially said in the US on the July Package by Senator Charles Grassley (R-Iowa), chairman of the Senate Finance Committee that oversees trade agreement legislation. He reassured American farmers that the WTO framework agreement (July Package) will not bring about changes in US farm programmes until after the current farm bill expires (2007), and said that US subsidies would likely be shifted from one category to another but not necessarily reduced. "I see in the final analysis, maybe the total support for American agriculture not being decreased, but being changed from production-related subsidies...to [support for] environmental practices," Grassley said during a radio interview with farm broadcasters on August 3rd.

In addition, the framework potentially provides new flexibility for US counter-cyclical payments, Grassley said. Under the agreement, such payments can be shifted from the Amber Box of trade-distorting supports to the Blue Box of subsidies that are decoupled from production and are considered less trade-distorting. Counter-cyclical payments, included in the 2002 farm bill, are used to compensate US farmers when global prices for commodities fall below government-fixed targets.

Grassley's comments reveal the fact that developing countries gained nothing at Geneva during the current round of negotiations. They were provided with empty words, false



promises, and mere rhetoric. I wrote before Cancun Conference that Doha Round would not be concluded by 1 January 2005. I wish I am wrong, however, I don't see any evidence that it would conclude by the extended December 2005 deadline. The July Package clearly lacks political will and strong commitment from the key players. Its language is full of optional words: 'may' and 'will'. The only places where the mandatory word 'shall' has been used are those for which no explicit commitments are required.

Contrary to the government's claim of "historic victory", developing countries have lost out in Geneva. This was one of the fears raised in many post-Cancun analysis. Nothing substantial is achieved on NAMA (Non-Agricultural Marketing Issues). July Package has only outlined the initial elements for future work on modalities. Singapore issues are unbundled to have 'stand-alone' negotiations on trade facilitation (mainly custom measures) whereas the other three issues will remain in the WTO in a 'standstill' mode. Either they would be dealt through EU proposed plurilateral arrangements or would be brought back in Hong Kong Ministerial Conference (December 2005).

There was no progress on developing countries' demand for a liberalised and more open "movement of natural persons". Despite a recent ruling of WTO that US cotton subsidies to its farmers (a daily support of \$10.7m to its 25,000 growers) were illegal, the issue of cotton subsidies was not dealt in the July Package. The livelihood of small farmers from West Africa is at stake due to US subsidies, and LDCs are demanding for a stand-alone negotiation on cotton. However, the July Package has diluted the whole issue by declaring that the "Cotton Issue" will be an integral part of agriculture negotiations. No wonder, Oxfam International has criticised this deal and termed it a "serious betrayal of developing countries".

Developed countries were trying to divide a strong group of developing countries G-20, since its inception. They very clearly manoeuvred to establish FIP group, ie, group of five interested parties, which include Australia, Brazil, EU, India, and the US.

Hence, it was comparatively easy to handle and convince rest of the developing countries when two majors among them, ie, India and Brazil agreed to a deal.

Let us analyse the text on agricultural and how it would affect the subsidies in Europe. Members have agreed to the concept of 'sensitive' products. But an appropriate number of tariff lines to be treated as sensitive is left open for negotiations. Likewise, products that are special for securing food security in developing countries may qualify to be placed in a "special list" under "special and differential treatment" category. However, the listing of such products has to be based on an in-depth study, and I am not sure if our commerce ministry has the capacities and skill to undertake such studies.

The text on agricultural subsidies is a big joke. Just look at Paragraph 7 of the Framework for Establishing Modalities in Agriculture. It says: "As the first instalment of the overall cut, in the first year and throughout the implementation period, the sum of all trade-distorting support will not exceed 80% of the sum of final bound total AMS (Aggregate Measurement of Support) plus permitted de minimis plus the Blue Box at the level determined in Paragraph 15."

What a "discount"! This text strengthens the Blue Box measures, which were to be phased out at the end of the Uruguay Round implementation period. As is evident from Senator Grassley's statement, the developed countries can shift a chunk of their agricultural subsidies (under the Green and Amber Boxes) to the Blue Box. In other words, the advantage the developing countries had gained with the termination of the Peace Clause on 31 December 2003 (under which the developing countries could not challenge agricultural subsidies in the rich countries) has been negated. They will now be confronted by an equally detrimental Blue Box.

Instead of reduction, the framework actually provides a leeway to the US and the EU to raise farm subsidies. The draft makes it

obvious that the first instalment of a cut in subsidies by 20% is not based on the present level of subsidies but on a much higher level now authorised based on the three components--the final bound total AMS, plus permitted de minimis plus the Blue Box. In case of EU in 2000/01, at the end of the Uruguay Round implementation period, the bound AMS support that the EU was eligible to provide was Euro 67.2bn. However, as a result of the reform of its Common Agricultural Policy, the actual support provided in the form of recognised AMS measures amounted to only Euro 43.7bn. Permitted de minimis support, at 5% of the value of production, amounted to Euro 12.2bn. The total Blue Box support in that year amounted to Euro 22.2bn or 9.13% of the value of agricultural production.

Thus the total value of support subject to the minimal 20% reduction commitment agreed on so far, which equals the total of bound AMS, plus de minimis support, plus Blue Box support, stood at Euro 101.6bn. The framework agreement requires that at the minimum this is brought down to 80% of that level or down to Euro 81.2bn.

However, since the actual AMS is less than the bound, commitment level, the level of actual as opposed to bound-AMS based total support plus de minimis support, plus Blue Box support stood at only 78.0bn in 200/01. Thus, in terms of the aggregate commitment provided for in the framework agreement the EU does not have to make any change. Change would be required only if negotiations are able to extract more than a 20% reduction commitment or ensures that commitments in individual areas add up to a reduction that is larger. This also gives a legitimate right to EU to increase its subsidies from Euro 78.0bn to Euro 81.2bn.

However, there is a 5% of value of production cap on Blue Box support, which implies that such support in the EU would have to be brought down by Euro 10bn from Euro 22.2bn. However, the EU is nothing to worry about anything as the framework also states: "In cases where a Member has placed an exceptionally

large percentage of its trade-distorting support in the Blue Box, some flexibility will be provided on a basis to be agreed to ensure that such a Member is not called upon to make a wholly disproportionate cut."

Can we claim it as a victory? One can compare the whole situation with the "clearance sale" that is held in major stores in Rawalpindi, Lahore or Karachi. Merchants double the prices of their products and put a tag of 25% discount on them. Delighted consumers take the advantage of huge discounts and as a result pay much more than the original price in the name of "clearance sale". It seems our negotiators also shopped in one such clearance sale and are proud of their shopping skills.

The role of Brazil and India reminds me of the role of "staff union" leaders in our Urdu and Hindi films, where the union leaders get personal privileges from the factory owners and let their fellow workers' community suffer.

Hidden agendas, lack of transparency, use of carrot and stick policy was the norm of WTO game before Doha, after Doha, before Cancun, and is still on. Let us see when poor communities of the world would unite themselves and tell their negotiators what to commit in which forum. Till then, the WTO bicycle would keep on moving in a circle and we would be celebrating the fact that the journey is on and the distance to destination is being covered.

## 26 STATE OF FORESTS IN PAKISTAN IN A GLOBALIZED WORLD

A lack of agreement on common goals for the continued liberalization of global trade has contributed to a deadlock within the World Trade Organization (WTO). A number of agreements could not be finalized by the agreed dates not only due to the differences between developed nations, but also adamant opposition from developing countries to conditions seen to be unfavorable to the development of their fledgling economies.

While such disagreements have intensified in recent times, they are not uncommon within global trade regimes. The first major setback to the global multi lateral trading system (MTS) was the US Congress' refusal to ratify the charter of the International Trade Organization (ITO) in 1950. As a consequence, the ITO was never established and the General Agreement on Tariffs and Trade (GATT) remained the provisional agreement, as well as the organization governing the MTS for almost half a century. Once the GATT transformed into the WTO, there were further difficulties. A deadlock surfaced at the WTO's establishment during the Uruguay Round (UR) due to disagreement between EU and US over agricultural trade. It was mainly due to the intervention of the then GATT Director General, Arthur Dunkel, that a deal was brokered and the deadlock was ended.

The Marrakesh Agreement of 1994 established the role of the WTO and set an agenda to be followed by developing and least

developed countries in engaging issues of market growth and development. It set out a series of goals that were to be met through trade liberalization. Specific objectives of trade liberalization as quoted in the preamble of the Marrakesh Agreement include: "to allow for the optimal use of the Earth's resources in accordance with the objective of sustainable development" and "seek to protect the environment, and recognize the special needs of developing countries." However, since its inception, this institution of global trade has not been able to fulfil the goals of this agenda (Das, 1998). Even current implementation issues are nowhere to be found in the high-ranking priorities of the sub committee or committee meetings. These structural deficiencies have contributed to an atmosphere of distrust between the north and south, where developing countries blame most of their economic miseries on the biased and one-sided agreements made binding by the WTO.

A significant feature of UR was that all participatory countries had to make concessions and commitments. However, the developing countries have long argued that they have made far more concessions than they have received. Das (1998) has provided a comparison of rights and obligations of the members before the beginning of the UR and those coming into force after the WTO Agreements. He feels that most of the concessions have come from developing countries and very few from industrialized countries. For the past six years, the developing country - WTO experience has not been marked by satisfaction or progress by developing nations. Developing countries have witnessed that within the current climate of WTO negotiations and activity, commercial interests take priority over development, environment, health and safety related issues. They have also observed that various agreements of the WTO have resulted in increased unemployment and have contributed to the polarization of wealth. In this scenario small countries are particularly vulnerable as wealthier, more economically diversified nations continue to wield influence in a largely market founded system. Their concerns are also supported by an UNCTAD study which estimates that poor countries lose about US\$2 billion per day (14

times the amount they receive in aid) because of unjust trade rules, many of which are instituted by the WTO (UNCTAD 2001). These statistics lead to a conclusion that trade liberalization under the WTO regime is being led and conducted with a *"tailored vision and agenda"*, encouraging the liberalization of trade at any cost (Khor 2000).

On the other hand, the proponents of free trade argue that economic growth is critical to human development. They link openness and open economies with human development, technology transfer, innovative ideas, and environmental sustainability etc. (WTO 2002a). They suggest that the WTO and liberalized trade- led economic growth will be a panacea for every societal ill. They are justified to the extent that the WTO is one of the few forums where ideally, countries should be able to thrash out their differences on trade issues in a cost effective and politically efficient manner. However, their argument that the WTO is a member-driven organization and does not dictate policies or cater to the economic needs of any one nation is debatable. They also argue that the WTO promotes non-discrimination and transparency, which in turn can play an important role in generating economic growth, especially within the corruption plagued developing countries. This claim has also been criticized by the developing nations as being untrue and unfounded. Nevertheless, as long as the gap between the developed and developing nations widens, it will become difficult for the latter to oppose and influence the manner in which economic and financial flows, be it through aid or trade, are fed by the former.

Which approach is closest to describing the current realities of global trade? The answer depends on what the expected results of economic liberalization and free trade are. From its beginnings, the international trading system has been shaped by a blend of principle and pragmatism. Trade relations cannot be determined solely on the basis of simple, inviolate principles that are defined and agreed upon at the outset. Practical considerations and socio-political realities do matter, and to move forward holistically

exploring the options and looking into the issues, which have emerged with the new trading regime, is a must.

A dialogue was recently (August 2002) held in Geneva to bring together the concerns of developing nations with the policy makers (Neil McMillan - minister and deputy permanent representative of the British Government to UN and WTO, and David P Shark - deputy chief of the US mission to WTO) of developed nations (FES 2002)<sup>7</sup>. Although the two counterparts had contrary viewpoints on agricultural trade liberalization, their common positions regarding the developing nations were parallel. The first point was *"If the developing countries are not gaining the promised benefits from WTO system, it is their weakness"*, while the second spoke *"Demand of Bretton Woods institutions (IMF, and the World Bank) for rapid trade liberalization in developing countries has nothing to do with the WTO."*

A number of questions are then posed:

- Why are the Bretton Woods institutions (BWIs) in a position to interfere with the affairs and ongoing workings within the WTO?
- Who are the main actors behind these institutions?
- Is there any way that developing countries will be able to realize the benefits of trade liberalization, which they have had to adopt to fulfil the loan covenants with BWIs?
- In these circumstances what strategy should developing countries such as Pakistan-which is neither considered a major importer, nor a major exporter (whose total share in world export is 0.1 percent, with an over all ranking of 64 and 68 among the world's exporting and importing countries, respectively)-follow?

These questions need to be answered if developing countries are to proactively engage in and benefit from the process of trade liberalization.

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7 The author represented the Sustainable Development Policy Institute in that dialogue.



First, is the WTO really important enough for countries like Pakistan to remain within its membership? There is certainly a range of opinions on this issue. To begin with, one needs to consider the alternatives if developing countries choose to opt out of the WTO. In the absence of membership to the group, they would have to rely either on bilateral or on regional trade agreements to manage their imports and exports, without any set of defined rules. The fear is that smaller nations, without the protection of regional blocks (as resources of allies are being pooled within Geneva) may continue to weaken, and be ostracized from the global trade. While the option of opting out of the WTO is debatable, the reasons that compel developing nations to contemplate such a course lie in the WTO's key principles, such as non-discrimination and transparency. By joining the WTO, a small country is ideally and automatically entitled to the benefits that all WTO members grant to each other.

In principle, the WTO is a forum where rules of trade can be negotiated openly. These rules are devised by the member states, and those who are affected by an agreement can influence specific elements of draft texts through an active involvement and consultation, in a manner that will suit their economic needs. This can be seen through the performance of developing countries in the WTO in recent years. They have become considerably more active in WTO negotiations, submitting an unprecedented number of proposals during negotiations on agriculture talks and working actively on the ministerial declarations and decisions issued in Doha in November 2001.

Likewise developing countries have successfully challenged many actions and policies adopted by developed countries in the WTO's dispute settlement body. To date (October 2002) 273 disputes have been brought to the DSB. During 2002, 17 disputes were brought against the US, six against EC, two against Australia, and one against Uruguay, Japan, Turkey, and Peru each. Out of these 29 cases, 13 were brought forward by developing countries, specifically Philippines (2), Brazil (5), Argentina (2), Chile (2), and India (2) (WTO 2002). While the

process is expensive (Pakistan must pay legal fees in the order of \$200,000 just to be represented at the DSB), without the WTO, similarly positioned emerging economies would be powerless to act against larger economies and more organized sectors. China, who joined the WTO in November 2001, has shown itself thus far in being quite vocal in bringing disputes against the US, specifically on the import of certain steel products. If it were not for the WTO, a trade war would have escalated, leading to losses and economic spillovers in other parts of the region. There is a point that can be made for developing nations in that by joining the WTO, small countries can also increase their bargaining power by forming alliances with other countries with common interests.

In this line of argument, developing countries should not only join the WTO, but also adopt their own agenda on trade and sustainable development. Unfortunately, such a Southern Agenda or common vision for developing countries does not exist, despite the fact that they form the majority of the WTO's membership. The sectorally rich developed nations on the other hand, have organized their own "trade and sustainable development agenda" as defined by their own spin on the term. Although their approach to economic liberalization does not respond to a broadly supported set of economic, social, and environmental goals, yet the lack of a Southern Agenda in WTO creates a vacuum for developed nations to impose their agenda on the South. This agenda is of course, facilitated by the Bretton Woods Institutions (BWIs).

Its member governments run the WTO. This process is unlike that of the United Nations, where some of the members may exercise their right to veto, and may halt the process of decision-making. All major decisions in the WTO are taken by the membership as a whole, either by ministers (who meet at least once every two years) or by officials (who meet regularly in Geneva). In principal, decisions are taken by consensus that translates into every country having a voice and each nation having to be convinced before it joins a consensus. How this consensus is arrived and

whether BWIs may play a role in this consensus building is something that must be explored further to understand the developing countries' point of view. In order to investigate it, let us look at the Global Coherence Agenda.

Achieving greater coherence in global policy making through cooperation with the World Bank and the International Monetary Fund (IMF) is one of the five key functions of WTO as envisaged in Article III of the Marrakesh Agreement (WTO, 2002). This "greater global coherence" is an entry point for BWIs in MTS. Before proceeding further it would be important to examine the composition and decision making process of BWIs.

The World Bank consists of five institutions, which were established to lend money and fund projects in needy countries to alleviate poverty. It has more than 180 members. The Bank's five largest shareholders- France, Germany, Japan, UK, and USA (which along with Italy and Canada have 45 percent of the voting power) -each appoint an executive director. 19 executive directors represent the remaining 175 member countries. The bank President is always from the US and it can veto any policy by virtue of its shares (World Bank 2002).

The structure of IMF is also similar to that of the World Bank. It has 182 members where eight executive directors represent individual countries including China, France, Germany, Japan, Russia, Saudi Arabia, UK, and USA. The remaining 16 executive directors represent groupings of the other 174 countries. The IMF Chairperson always happens to be from the EC (IMF 2002). The same story stands true for the Asian Development Bank (ADB) and other development banks that were established outside of the BWIs. The ADB has 19 non-Asian shareholders while Japan and the USA make up its largest shareholders with 15.89 percent shares each. This translates into the fact that they can influence any policy decision within the ADB (ADB, 2002).

The dilemma is that the Marrakesh Agreement talks of bringing coherence between the agendas of WTO and BWIs, but is silent on

the need to bring coherence between the composition and decision making process of these institutes. Resultantly the richest nations, who have one vote each in WTO, run the ADB, IMF, and the World Bank. This places them in a high leverage position in "convincing weaker debtor nations on the benefits of joining a consensus" in the WTO. While they claim that the WTO has nothing to do with the policies of BWIs, critics accuse the USA and EC of misusing their voting power in the BWIs (and in ADB too) to impose their own agendas on developing countries.

One of the most prominent examples of this behavior can be seen in the case of Pakistan, which emerged as a champion of the Development Box for developing countries during discussions on the Agreement of Agriculture at WTO Doha Ministerial Conference in November 2001. While developed nations did not show much resistance against the idea of the Development Box at Doha, they were able to muster resources to quash the effort through other means. A month later they were able to "convince" Pakistan to take a U-turn from its Development Box demand through the ADB, which signed a US\$ 350 million loan agreement with Pakistan regarding Agricultural Structural Reforms. Under this loan agreement, Pakistan committed to abolish support price mechanism, abort agricultural subsidies, and close down various agricultural supply institutes with sweeping periods of downsizing in many others (Suleri 2002). While this loan agreement had no direct interaction or legal connection with trade negotiations within the WTO, it was used by the very nations that wield influence to bring about consensus on their agenda. Pakistan and the ADB loan agreement is just one example. One can find hundred of such examples where consensus in WTO is arrived through exerting IFI's pressure. The developing countries are helpless in this situation as it is not feasible for them to block consensus in negotiations when they are dependent on aid and loans from rich countries. It is difficult for them to engage in trade negotiations (on their own terms), with the very nations with whom they are also negotiating financial packages.

When the WTO rules impose disciplines on the countries' policies, the members themselves (under agreed procedures which they

negotiated) do the enforcement. Sometimes enforcement includes the threat of trade sanctions. But those sanctions are imposed by member countries and not by the organization. This is quite different from IFIs, which can, for example, withhold credit from a country. This differentiates the WTO from the ADB, IMF, and the World Bank. Until and unless these differences in composition and decision making are not removed, the coherence in agenda between these institutions would be biased against weaker trading partners.

This anomaly is an important source of distrust between the developed and developing world. There is an urgent need for new policy options that should be designed and implemented by democratic and legitimate institutions. At a minimum, the voting structures and leadership selection processes of the World Bank, IMF and WTO should be democratized and be more representative of the needs of the membership body. Furthermore, their institutional processes should be made more transparent and open to the public.

At the home front developing countries need to balance activism within the WTO with well-formulated policy research that influences common positions. Harvard University economist Dani Rodrik, in his book 'The New Global Economy and Developing Countries' argues that developing nations must participate in the world economy on their own terms, not on the terms "dictated" by the global markets and multilateral institutions. Rodrik (1999) has suggested that developing countries should not take a defensive position while joining the world economy; rather, they must be proactive in defining the agenda of their choice. Once their own agenda is set and research-based positions are taken, focusing on commonalities and establishing alliances and networks would become much easier. Through this approach the developing countries would be able to proactively face various elements of a Northern Agenda by unbundling, dissecting and analyzing what is in their favor and separating that which poses a threat to their national interests. While these steps will take some effort and South based 'consensus building', they may prove as effective measures to weaken the WTO-IFI nexus and alter the course of global trade by turning it into "fair trade from free trade."

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## **27**      **PAKISTAN'S ENVIRONMENT DURING 2002**

**E**nvironment and human life are co-related and hence influence each other. Maintaining a balance between environment and human activities becomes even more difficult in cases like Pakistan, where there is a strong pressure of human activities on natural resources to secure livelihood. Environment conservation issues attracted national attention in the early seventies. The 1973 Pakistan Constitution added environment to its list of subjects for concurrent jurisdiction. An Urban and Environment Affairs Division was established, and 19 years later a National Conservation Strategy (NCS) was launched. The NCS provided an environmental baseline, articulated core areas of concern, drew up an institutional and legal framework to address them, and proposed a Rs.150bn funding plan. The NCS provided two Environmental Protection Acts (The Pakistan Environmental Protection Act, 1983 and its improved version of 1997) and led to establishing Environmental Protection Agencies both at federal as well as at provincial levels to monitor pollution, and to assist department and agencies in enforcing pollution control. However, environmental outcomes over the past decade fell far short of the expectations with most of the environmental indicators trending downwards; the year 2002 was no exception. The state of the environment in the country includes problems such as soil degradation, loss of forest cover, loss of biodiversity, and declining urban air and water quality.

Pakistan is one of the more than 100 countries of the world being affected by desertification, which is resulting in environmental degradation, loss of soil fertility, biodiversity, and reduction in land productivity. Pakistan comprises 79.61m hectare (ha) of land,

of which 59.33m has been surveyed. According to *Economic Survey of Pakistan 2001-02*, of the total reported area approximately 22.00m ha was total cropped area; 24.34m ha was not available for cultivation; while 9.03m ha was not cultivated. The cropped area registered about 19% increase from 1980 to 1997-98, i.e., about one percent each year, while it decreased from 23.04m ha in 1997-98 to 22.00m ha in 2001-02. The recent trends indicate that Pakistan is approaching its physical limits, and it is leading to indiscriminate usage of chemical fertilisers and pesticides to grow more out of already degrading land. Hence, over a period of 17 Years (1980-1997), the consumption of pesticides (both imported and manufactured locally) increased from 665 MT to 44,872 MT (67 times more than what was being used in 1980). This indiscriminate use of pesticides does not only have environmental and health hazards but also costs a lot in terms of foreign exchange. Similarly, fertiliser off-take was increased from 1,079 thousand nutrient tonnes (NT) to 2 966 thousand NT during a period between 1980-2001. Here it is pertinent to mention that most of the fertiliser in Pakistan is applied without any soil analysis. Use of heavy machinery and intensive tillage practices for multi-cropping are destroying the fine topsoil of the lands leading to reduced fertility. The trend to sow cultivatable area more than once is increasing and area sown more than once got increased from 5.71m hectare in 1990 to 6.33m hectares in 2001.

The impact of land degradation varies among different geographical regions of Pakistan. Northern mountains are the major source of water for the country's two major reservoirs: Tarbela and Mangla Dams. However, due to heavy soil erosion, these reservoirs are silting up, thus reducing the capacity of power generation and availability of irrigation water. *Barani* lands are subject to heavy soil erosion, primarily due to improper land use by crop cultivation, livestock grazing, and illegal removal of vegetation cover. Deserts have acute problem of shifting sand dunes and salinity. The irrigated areas are infected with twin menace of water logging and salinity. Underground water resources in western dry mountains of Balochistan are shrinking



due to over-exploitation of the meagre quantity of water for horticulture and crop cultivation. The productivity of rangelands is hampered by heavy livestock pressure. The arid coastal strips and mangrove areas are under increased environmental stress from reduced fresh water flows, sewage and industrial pollution and over-exploitation of other natural resources.

Forests are the lungs of any country. Forest depletion has emerged as one of the key environmental issues for Pakistan and the source of problems like landslides, soil erosion, floods, soil degradation, and displacement of people. If the harvesting continues unabated at the rate assessed in 1995, wood stocks in northern districts of NWFP would be completely consumed between the year 2015 and 2025.

Air pollution levels in Pakistan's most populated cities are among the highest in the world and climbing, causing serious health impacts. The levels of ambient particulates -- smoke particles and dust, which cause respiratory disease -- are generally twice the world average and more than five times as high as in industrial countries and Latin America. Moreover, lead emission from vehicles [the total number of motor vehicles on the road has increased about five-fold (500%) over the last two decades] are also well above safe levels. The combustion of fossil fuels is the major source of air pollution. Coal has three main uses, as a fuel source in power generation, brick kilns and domestic usage. The consumption of coal in the power sector (thermal energy production) jumped ten folds in 1995-96 from what was being used in previous years, and the situation is almost the same. All these factors have resulted in darkening the countries skies, and have drastic climatic and health affects.

The safe supplies of fresh water are at risk in many areas of Pakistan. Pakistan exceeds the threshold of "high water-stress" conditions, which occur when the ratio of use to availability exceeds 40%. Water pollution has three main sources: bacterial and organic liquids and solids from domestic sewage; toxic metals, organic acidic, and other polluting industrial discharges; and

agro-chemical pollution in the form of fertilisers and pesticides run-off from agriculture lands. The irrigation run-off feeds into surface water and also seeps into sub-soil waters. As crops do not utilise all the chemicals, tube wells and pumps (which increased from 339,840 in 1990-91 to 531,390 in 2001-02) draw this up in turn as a source of drinking water. No wonder 72% of the water from wells and tube-wells in the Punjab is reported to be biologically and/or chemically contaminated. The growing incidence of salinity also contributes to the deteriorating quality of ground water, with excessive amounts of salt in the water rendering it impotable. Untreated industrial effluents and untreated disposal of solid wastes intensify the problem.

The state of environment of Pakistan remained bleak in the year 2002. Although one observed progress in institutional strengthening and capacity-building of policy and planning institutions promulgations of environmental legislations, National Environment Quality Standards (NEQS) and establishment of environmental tribunals. However rehabilitation and improvement of biophysical environment and enforcement of environmental legislations remained slow moving. Good laws and policies are useless without a political and administrative will to break the status quo. Further it should be realised that community participation is a must for an environmental sustainability where a balance may be achieved between human activities and environmental conservation. It would make environmental sustainability an instrument of policy rather than its objective, thus leading to achieve sustainable livelihood and reducing the pressure on biophysical environment.

(January, 2003)

## 28      **SECTORAL REFORMS MUST PROTECT LIVELIHOODS**

**F**orests across the world are known for accommodating communities in terms of securing their subsistent livelihoods, thus, addressing the issue of poverty to some extent; and hence generating a debate whether or not the dependence of these communities over forest resources cost heavily on the environment and conservation.

Forest resources directly contribute to the livelihood of 90% of the 1.2bn people living in extreme poverty, and indirectly support the natural environment that nourishes agriculture and the food supplies of nearly half the population of the developing world. In Pakistan, NWFP is the poorest province with rural poverty amounting to approximately 44.3%. It contains 40% of the natural forests of Pakistan. Hence, the forest policies of Pakistan, and especially those of NWFP, have a direct impact on local livelihoods.

A livelihood comprises the capabilities, assets (material and social resources) and activities required for a means of living. Understanding the interface between local livelihood and state policies is of vital importance for developing sustainable local natural resource management. State policies and regional and international institutions affect sustainable livelihood practices and strategies of local communities and institutions developed by them, albeit informally, due to national economic priorities, market forces and processes of globalisation/global changes.

On the other hand, these institutionally-shaped livelihood strategies have an impact on the sustainability of resource use.

Taken together, policies and institutions form the context within which the individuals and households construct and adapt livelihood strategies. They determine the freedom with which people transform their assets into livelihood outcomes.

In most developing countries, including Pakistan, policies and institutions generally tend to discriminate against those who have few assets (social as well as economic) and are disadvantageously poor people. Forest policies and laws enacted from time to time to implement these policies are not an exception to this general rule. Such discriminatory policies and institutions not only exclude the marginalised groups, such as women and children, but also lead to unsustainable natural resources management. Due to few choices available, the poor are forced to adopt short-term survival strategies and unsustainable natural resource-management practices.

To utilise the potential of forests in poverty alleviation, forest policies of many countries, as well as international lending institutes, are being revised to be more of a 'policy on forestry for rural development and poverty alleviation'. In a way, forestry has become an instrument instead of an object of policy. This new trend in shaping forest policies has a potential to maintain a balance among four pillars of sustainable development and secure sustainable livelihood.

Pakistan is also attempting to adopt this trend with the financial assistance of some international development agencies, as well as with a loan from Asian Development Bank (ADB). The initial loan period lapsed last year without any significant achievement, and ADB had to extend the NWFP forest sector project by another year. Thus, the forestry sector in Pakistan makes an interesting case study to assess the role of environmental policies in fostering sustainable development and poverty alleviation.

Forests in Pakistan have four important functions: protection of natural environment; regulation of atmospheric conditions; production of goods; and contribution to sustainable livelihood of

people who are directly or indirectly dependent on it through agriculture, animal husbandry, and logging etc. In this context, we have to maintain a balance between sustainable production and sustainable consumption of the forests. However, we are unable to strike the right balance and conserve our forests and secure the livelihood of forest dwellers.

Pakistan's forest policies are tied to its British colonial past. At the time of independence, the policies, procedures, and structures that administered the new nation's forests were largely left intact. The first forest policy of Independent Pakistan was declared in 1955; it was revised and updated in 1962, 1975, 1980, and in 1988, as well as in 1991 as part of the National Agriculture Policy.

Analysing the consequences of forest policies adopted till 1992, the FSMP found that while the policing powers of the Forest Departments, exercised through restrictions on the use of forests, helped to conserve them, public apathy towards forests also developed as a consequence. People's participation in plantation and management of forests was not given sufficient attention and social and cultural aspects of forest management were ignored. In fact, it was indirectly admitted in this analysis that policy initiatives cannot achieve their objectives unless and until sustainable livelihood of stakeholders is not taken care of.

Under NWFP Forest Sector Project, the institutional reform process was initiated and a new forest policy was introduced in 1999, whereas at the federal level a national forest policy is under preparation. However, it is widely believed that most forest policies have viewed people as the prime threat to the forests, and have attempted to exclude groups, other than government officials, from decision-making.

This approach does not only affect the sustainability of livelihood strategies of the local people, but also increases the vulnerability of the marginalised sections of communities. It ultimately leads to unsustainable management of natural resources and forest depletion. Thus, in practice, forest resources were made

inaccessible for the poor and marginalised sections of the communities; whereas the influential, along with members of the timber mafia, consumed these resources at their own sweet will. This dichotomy created the feelings of lack of ownership among the marginalised sections, not only adding to their miseries, but also encouraged them to adopt unfair means to meet their fair requirements of forest resources.

It is a proven fact that none of the policy initiatives, or the policy in itself, can be successful and effective without a legal cover. For decades, the only reference point for dealing with new problems in the forestry sector had been the 1927 Forest Act. The Forests Act 1927, along with the NWFP Hazara Forest Act 1936, is punitive in nature and does not provide any incentives for compliance with its provisions. Moreover, non-involvement of stakeholders in management has fostered apathy, even dissatisfaction. Feelings are even stronger among owners and right-holders in guzara forests, who dislike what they consider to be excessive 'bureaucratic' controls.

Things have not changed in the recently promulgated NWFP Forest Ordinance (2002), which is as punitive in nature as the previous laws are. For instance, this ordinance designates forest department staff a uniform force, bearing arms, and also enhances their police powers that goes against the intent of the forest policy that enshrines the principles of participatory social forestry.

Similarly, the discretionary powers of forest officers to revoke a community-based organisation, Joint Forest Management Committee (JFMC) Agreement, as suggested in this ordinance, would result in uncertainty and insecurity among different JFMCs/CBOs. Moreover, provision of existing laws relating to resource access and tenure, particularly the reserved/protected/guzara/forest system, and recognition and exercise of private rights in such forests, have been retained. This is against the recommendations of National Conservation Strategy, Forestry Sector Master Plan, and forest policies of the Punjab and NWFP.

One can conclude from the review of the forestry sector in Pakistan, that for any development effort to be pro-poor, good governance is a must. Unfortunately, we (like other developing countries) lack good governance as well as the political will to change the status quo. Although, during the formulation of new policies, consultation with a group of experts has become common practice during the recent past, yet the consultation process (if any) remains confined to the folds of professional circles. Thus, the policies become strong on technical consideration but lack the required flexibility to make them work in real life situations, presenting multiple sets of actors and factors.

It is in this backdrop that the stakeholders often find themselves in a situation where state policies either do not support or have harmful affects on their livelihood strategies. It is in this scenario that policies do not meet the expectations of people who, in turn, are forced to utilise the natural resources unsustainably to secure their livelihoods. Consequently, neither the developmental nor the conservational objectives are met with.

The Forestry Sector Project in NWFP is an example of one of these situations. The project is in its seventh year now. However, despite its ambitious aims and radical goals there is no let up either in the miseries of the stakeholders or in the depleting forest stocks.

For any such intervention to be successful, there is a sheer need to put people at the centre of development. This focus on people is equally important at higher levels (when thinking about the achievement of objectives such as poverty reduction, economic reform or sustainable development) as it is at the micro or community level. At a practical level, this means that before formulating and implementing a policy the policymakers should:

- Start with an analysis of people's livelihood and how these have been changing over time;
- Involve people and respect their views;

- Focus on the impact of proposed policy and institutional arrangements upon people/households and upon the dimensions of poverty they define;
- Have enough flexibility in their proposed interventions to promote the agenda of the poor (a key step is political participation by poor people themselves); and
- Work to support people to achieve their own livelihood goals (though taking into account considerations regarding sustainability).

Sustainable livelihood would be secured only if policies work with people in a way that they are congruent with their current livelihood strategies, social environment and ability to adapt. "People -- rather than the resources they use or governments that serve them -- are the priority concern." Adhering to this principle would not only ensure provision of sustainable livelihood but would also enhance involvement of all sections of society in sustainable natural resources management.

In this context, it should be realised that generation of income and employment is as important as generating government revenue; and forestry should be an instrument of sustainable forest management policy rather than its objective. If policymakers do not take the right steps in this direction, the poor would remain mired in poverty pushing us into a spiral of over-exploitation in the wake of all forest policy failures.

(May, 2002)



## LIST OF ABBREVIATION

ACP	African, Caribbean and Pacific Group
ADB	Asian Development Bank
AIDS	Acquired Immuno Deficiency Syndrome
AJK	Azad Jamu and Kashmir
AMS	Aggregate Measurement of Support
AoA	Agreement on Agriculture
ASEAN	Association of South East Asian Nations
BWIS	Bretton Wood Institutes
CAF	Corporate Agriculture Farming
CBD	Convention on Biological Diversity
CEOs	Chief Executive Officers
CESCR	United Nations Covenant on Economic, Social and Cultural Rights
CSOs	Civil Society Organisations
CTD	Committee on Trade and Development
CTE	Committee on Trade and Environment
DDA	Doha Development Agenda
DPG	Domestically Prohibited Goods
DSB	Dispute Settlement Body
DWP	Doha Work Plan
EC	European Commission
EU	European Union
FAO	United Nations Food and Agriculture Organisation
FATA	Federally Administrated Tribal Areas
FES	Freidrich Ebert Stiftung
FIP	Group of Five Interested Parties
G-20	Group of developing countries in WTO
G-77	Group of 77 Countries
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GE	Genetically Engineered
GEF	Global Environment Facility
GEMIT	Group on Environmental Measures and International Trade
GMOs	Genetically Modified Organisms

GoP	Government of Pakistan
GRFA	Genetic Resource for Food and Agriculture
GRFA	Genetic Resources for Food and Agriculture
HIV	Human Immuno Deficiency Virus
HKH	Hindu Kush Himalayas
HYVs	High Yielding Varieties
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
ICTSD	International Centre for Trade and Sustainable Development
IDA	International Development Association
IFC	International Finance Corporation
IFIs	International Financial Institutions
IMF	International Monetary Fund
IPRs	Intellectual Property Rights
ITO	International Trade Organisation
ITS	International Trading System
JFMC	Joint Forest Management Committee
LDAs	Least Developed Areas
LDCs	Least Developed Countries
MEAs	Multilateral Environmental Agreements
MERCOSUR	
MFN	Most Favored Nation
MIGA	Multilateral Investment Guarantee Agency
MNCs	Multi National Corporations
MT	Metric Tonnes
MTS	Multilateral Trading System
NAFTA	North American Free Trade Agreement
NAMA	Non-Agricultural Market Access
NCS	National Conservation Strategy
NEQS	National Environment Quality Standards
NFIDCs	Net Food Importing Developing Countries
NGO-CSOs	Non-governmental Organizations- Civil Society Organisations
NGOs	Non-Governmental Organisation
NT	Nutrient Tonnes
NTBs	Non-Tariff Barriers
NTCs	Non-Trade Concerns
NWFP	North Western Frontier Province
ODA	Official Development Assistance

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OECD	Organisation for Economic Cooperation and Development
OPEC	Organisation of Petroleum Exporting Countries
PBR Act	Plant Breeders' Rights Act
PIC	Convention on Prior Informed Consent
POPs	Persistent Organic Pollutants
RING	Regional and International Working Group
S&D	Special and Differential
S&DT	Special and Differential Treatment
SAAG	Sustainable Agriculture Action Group
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Agreement
SANFEC	South Asian Network on Food, Ecology and Culture
SAPTA	South Asian Preferential Trade Agreement
SAWTEE	South Asian Watch on Trade, Economics and Environment
SDPI	Sustainable Development Policy Institute
SELA	Latin American Economic System
SGM	Special Safeguard Measures
SoE	State of Environment
SP	Strategic Products
SPS	WTO Agreement on Sanitary and Phyto-sanitary Measures
SUNGI	Sungi Development Foundation
TBT	Technical Barriers to Trade
TK	Traditional Knowledge
TNCs	Trans National Corporations
TRIMs	Trade Related Investment Measures
TRIPs	Trade Related Intellectual Property Rights
UK	United Kingdom
UN	United Nations
UNCCD	United Nations Convention to Combat Desertification
UNCED	United Nations Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
(UN)FCCC	United Nations Framework Convention on Climate Change

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UR	Uruguay Round
US	United States
USA	United States of America
USAID	United States Agency for International Development
USTR	United States Trade Representative
WFD	World Food Day
WFS	World Food Summit
WFS	World Food Summit
WSSD	World Summit on Sustainable Development
WSSDFYL	World Summit on Sustainable Development Five Years Later
WTO	World Trade Organisation

## **Journalists for Democracy and Human Rights (JDHR)**

JDHR is a media think-tank/research organization that conducts research, builds capacity and sensitizes media, journalists and people on development discourses, democratic norms and human rights, sustainable human development, poverty and livelihood and media developments.

The JDHR has two centers, namely: **JDHR Centre for Democracy and Human Rights** and **JDHR Centre for Trade, Economics, Environment and Development**. Both deal relevant issues with the rights based approach. The JDHR provides policy briefs, position papers on trade, environment, economics and development, particularly on issues relating to the World Trade Organization regimes/agreements. It also publishes handbooks on media subjects, background information on human rights and sustainable human development for media professionals for their onward flow to the general masses. The JDHR imparts training to journalists thus building their capacity and professional skills on development, democracy and human rights.

JDHR has networking partners across South Asia and is engaged with them on peace, security, tolerance, trade, development, human rights and other areas of common interest. JDHR is a member of South Asia Committee on Human Rights (SAMCOHR) of South Asia Network on Food, Ecology and Culture (SANFEC) and Resistance networks based in Dhaka and Kathmandu.

JDHR is also a member of South Asia Watch on Trade, Economics and Environment (SAWTEE), Kathmandu Nepal. JDHR is a research partner in Pakistan of the NCCR-North-South, Switzerland in its IP6 project.

## **National Centre of Competence in Research North-South (NCCR-North South)**

The present-day world is threatened by increasing insecurity caused by globalisation, global disparities and processes of global change. In some regions, core problems occur in characteristic clusters that can be perceived as syndromes. The mitigation of these syndromes is a global challenge; it is also a precondition for achieving sustainable development. The National Centre of Competence in Research (NCCR) North-South addresses this challenge.

The National Centre of Competence in Research (NCCR) North-South is one of 14 long-term research programmes implemented by the Swiss National Science Foundation (SNSF) in areas of vital strategic importance for the advancement of science. The NCCR North-South focuses on international research cooperation and promotes high-quality disciplinary, interdisciplinary and transdisciplinary research with the aim of contributing to an improved understanding of the status of different syndromes of global change, of the pressures these syndromes and their causes exert on different resources (human, natural, economic), and of the responses of different social groups and society as a whole.

By identifying the potential of social systems to mitigate syndromes, by considering their dynamics, and by adopting existing innovative solutions, the NCCR North-South primarily aims to help design ways to mitigate syndromes. The NCCR North-South enables Swiss research institutions to enhance partnerships with institutions in developing and transition countries, thereby building the competence and capacity of research on both sides to develop socially robust knowledge for mitigation action. In Pakistan, NCCR North South is working in partnership with Sustainable Development Policy Institute (SDPI) and Journalists for Democracy and Human Rights (JDHR) in the areas of Economic Globalisation and Rural Livelihoods, Devolution of Power and Sustainable Natural Resource Management.