

# WORLD TRADE ORGANIZATION

WT/MIN(99)/ST/9  
30 November 1999

(99-5203)

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MINISTERIAL CONFERENCE  
Third Session  
Seattle, 30 November - 3 December 1999

Original: English

## PAKISTAN

### Statement by H.E. Mr. Abdul Razak Dawood Minister of Commerce, Industry and Production

1. I am honoured to represent Pakistan at the Third Ministerial Conference of the World Trade Organization.
2. It is most appropriate that this Conference is being held in Seattle, a city whose dynamism and growth bear testimony to the benefits of open trade.
3. It is also a matter of satisfaction that the Conference is being hosted by the United States of America, which has proved consistent leadership in liberalizing trade and dismantling protectionist barriers.
4. It is clear that trade liberalization is beneficial to the global economy. With the opening of markets, growth in world trade has consistently been higher than world output, and, indeed, has been a major factor in enhancing global production of merchandise and services. This has enabled millions of people to improve their living standards. Clearly, we need to press ahead with our endeavours to keep markets open.
5. Yet, it must be acknowledged that there is a dark thread of inequity running through the multilateral trading system from its inception. The GATT excluded the two most dynamic sectors of developing countries – textiles and agriculture – from its disciplines. Also, it did not provide for the stabilization of commodity prices. Over the last 50 years, the secular decline in commodity prices, especially as compared to industrial goods, has been a major factor in the progressive impoverishment of so many developing countries that depend on raw material exports.
6. Moreover, freer trade has mostly benefited the developed countries. Only a few developing countries – which opted for export-led growth strategies, were provided market access by the larger economies and were recipients of significant amounts of concessional finance – gained significantly from the progressive "Rounds" of trade liberalization.
7. The Uruguay Round did not change this situation fundamentally. The scope of multilateral trade rules was enlarged to include services and intellectual property as well as goods. But, the disadvantages of developing countries were further exacerbated as well. The experience of the past five years with implementation of the Uruguay Round Agreements has made it evident that the overall "package" of agreements covered by the "single undertaking" was inherently unequal. Moreover, several key agreements have been implemented in a manner that has eroded their spirit and compromised their objectives.

8. Consequently, developing countries have not gained any meaningful increase in market access in the key areas where they have a clear comparative advantage, especially textiles and agriculture.

9. For many developing countries, the Agreement on Textiles and Clothing was the centrepiece of the Uruguay Round Agreements. They were persuaded to go along with the "single undertaking" in the expectation that progressive liberalization of textiles by the developed countries within the ten-year phase-out period would enable them to generate significant gains in exports and incomes – some estimated between \$200-300 billion a year.

10. Unfortunately, these hopes were dashed. The integration programmes for the first two stages have not led to any meaningful liberalization in the sector. Halfway through the ten-year period for the phase-out of the MFA, one major trading company has eliminated only 1 per cent of its 650 notified items under restraint and another major importing country a mere 7 per cent of a total of 1909 notified items.

11. Ironically, growth in the textile exports of the developing countries – of only 4.3 per cent annually – has been less than the growth rates registered previously under the MFA restraints while the countries maintaining the restraints have increased their exports by 9 per cent.

12. Obviously, in the ATC's implementation, myopia and sterile legalism have triumphed over the imperative to ensure that all players should benefit from liberalization. This has produced negative implications not only for the economies of the developing countries but raised questions regarding the sustainability of an unequal multilateral trading system itself.

13. The Agreement on Agriculture had inherent inequities. It allowed major developed countries to transform their restrictive agricultural regimes into extremely high levels of tariff protection, much higher than those which the developing countries are allowed under the Agreement. The Aggregate Measure of Support has been used to apply much lower reductions of production subsidies in "sensitive" sectors. In addition, the market access benefits of the Agreement have been eroded by non-tariff measures, non-compliance with export subsidies commitments, and allocation of MFN tariff quotas to preferential suppliers.

14. As a result, since 1994, the share of the developing countries agricultural exports in total world merchandise exports has remained stagnant at 5 per cent. Their share in total world agricultural exports is still 40 per cent. Their share in the total agricultural imports of developed countries remains at 43 per cent.

15. In regard to services, negotiations held so far have resulted in liberalization in sectors that are primarily of interest to developed countries, for instance, telecoms and financial services. Progress in areas of interest to developing countries, such as tourism and professional services, has been negligible. Also, commitments relating to "movement of natural persons", where many developing countries have a distinct comparative advantage, have been grossly inadequate.

16. The situation is just as disappointing in market access for manufactures, such as footwear, leather goods, and processed foodstuff. A persistence of tariff peaks inhibit exports from developing countries in these areas. There is, furthermore, a patently unfair attempt to inhibit developing countries from moving up on the value-added chain by resorting to tariff escalation. The persistence of such barriers on low-cost manufactures cost developing countries up to \$700 billion.

17. The absence of genuine liberalization in the areas of textiles, agriculture, and low-cost manufactures is accompanied by other measures to restrict developing countries' exports. These include safeguard measures, anti-dumping practices, subsidies and countervailing measures, and arbitrary rules of origin.

18. Of these, anti-dumping actions have become the preferred protectionist weapon of the major trading nations. Of the 880 anti-dumping duties in force in various countries at the end of 1997, 60 per cent were maintained by three members of the "Quad", mostly against the products of developing countries especially textiles and steel. Requests are made for the levy of anti-dumping duties on products which are already subject to quota restrictions in the importing countries. Thus, developing countries are constrained to export only a fraction of their capacity. Secondly, even these limited exports are disrupted by abusive anti-dumping actions.

19. The misuse of technical, sanitary and phytosanitary standards for protectionist purposes has also emerged as a disturbing tool of new protectionism, facilitated by the ambiguity embedded in the Agreements in these areas. These Agreements do not define with precision the term "international standards", allowing developed countries to insist on the observance of standards formulated without the participation or contributions from developing countries.

20. In addition to shortcomings in specific Agreements, it is also obvious that multilateral rules have been unable to prevent the persistence, or even the emergence of certain measures that are totally contrary to the fundamental WTO objectives and principles.

21. The adoption of a rules-based system, particularly the comprehensive system for dispute settlement in WTO, was expected to bring to an end the practices resorted to earlier by major developed countries to secure changes in the trade policies of weaker trading partners through the raw exercise of market power. These expectations have been belied. In the case of a major trading country, a law remains on its statute which is used to induce changes in the policies of other countries which, in the view of this country, are inconsistent with WTO rules.

22. There is also an increasing tendency to impose unilateral measures to restrict imports of products on the grounds that these have not been processed or produced according to the "process and production methods" applied by the importing country for environmental reasons. Such restrictive measures, which often lead to prohibition of imports, cannot be justified under the WTO Agreements since these constitute an extra-territorial application of the law of the importing country to the exporting countries.

23. The Uruguay Round results not only retained restrictions on market access for developing countries in areas where they had a distinct comparative advantage, they also led to rules which seriously constrain the ability of these countries to build their technological and manufacturing capacities.

24. The Agreement on Intellectual Property (TRIPS) and Trade-Related Investment Measures (TRIMs) were pushed through as part of the "single undertaking". These were meant to balance elements ostensibly in favour of developing countries, i.e. the Agreement on Textiles, and special and differential treatment provisions. While these were honoured more in the breach than in their observance, the TRIPS and TRIMs Agreements have been asserted with full force, regardless of their consequences for the developing countries.

25. The costs of the TRIPS Agreement are becoming especially evident. The balance between producers of intellectual property, mainly the industrialized countries, and the developing country users has been heavily tilted in favour of the former – through higher levels of protection, longer periods of monopoly rights, and more stringent requirements to enforce these rights. One immediate fallout has been the increase in prices of pharmaceutical and chemicals due to higher levels of patent protection.

26. Industrialized countries have also brought in new subjects, such as software and biotechnology, under the ambit of intellectual property protection. In contrast, developing countries face a situation where their traditional knowledge in medicine, music, art and design are often

appropriated by the developed countries without any compensation. Claims are being filed for agricultural products such as basmati rice, and for products used traditionally as medicines such as "neem" and "haldee".

27. It is evident that the TRIMs Agreement would have an equally harmful effect on the endeavours of developing countries to build their industrial base. National experiences reveal that performance requirements play a useful role in developing local manufacturing capacities. Also, these measures were liberally used by many industrialized economies to promote their own manufacturing base. A rigid insistence on phasing out of these measures obviously denies developing countries the flexibility to pursue their developmental objectives.

28. The asymmetries in the multilateral trading system have contributed to the growing inequalities between countries. The benefits of trade liberalization and globalization cannot obscure the fact that the majority of the world's people are mired in poverty, that their future prospects remain bleak. The statistics speak for themselves:

- Only 33 developing countries managed to sustain 3 per cent annual growth in GNP per capital during 1980-1996. For 59 countries GNP per capita actually declined;
- income disparity between the richest 20 per cent and the poorest 20 per cent of the world's people has more than doubled in the last three decades;
- around 1.6 billion people are economically worse off today than they were 15 years ago;
- growth is being outstripped and constrained by rising trade deficits. For developing countries as a whole, the average trade deficit in the 1990s is higher than in the 1970s by almost 3 percentage points of GDP, while the average growth rate is lower by 2 per cent per annum;
- the social consequences of these economic facts are grim. Among the 4.4 billion people who live in developing countries, three fifths have no access to basic sanitation; almost one third are without safe drinking water, and one quarter lack adequate housing.

29. It should be evident that the multilateral trading system cannot survive if it continues to be based on the perpetuation, and indeed accentuation of existing inequities. It was perhaps this realization that prompted the suggestion that the coming negotiations should be viewed as a "Development Round". But, this must not be a public relations manoeuvre; it should be reflected in the Agenda and objectives we approve in Seattle. The focus of further work in the WTO should be on ways to rectify the imbalances and shortcomings in existing rules and enhance market access for goods of developing countries.

30. Before addressing new areas of liberalization, the shortcomings arising from the asymmetric benefits flowing from the Uruguay Round Agreements, and unfair implementation of multilateral trade rules, must be first rectified.

31. Many of the 'implementation' issues can and should be resolved here in Seattle. Immediate decisions need to be taken on issues such as:

- (a) More rapid integration and growth in textile exports;
- (b) extensions in the transition periods of TRIMs and TRIPS obligations by developing countries;

- (c) moratorium on anti-dumping actions on products that are already under restraint;
- (d) acceptance of subsidies by developing countries in areas such as product development, diversification, and regional growth in the non-actionable category.

32. The remaining issues should be taken up by a Special Mechanism under the General Council, to be resolved within one year after this Conference - and, in any case, not later than the next Ministerial Conference.

33. Regrettably, the detailed proposals submitted by a number of developing countries for resolving implementation issues have received an outright negative or, at best, a perfunctory response in the preparatory process. It should be clear that unless the implementation issues are resolved, there will be no incentive for the developing countries to go beyond the work programme envisaged in the so-called Built-in Agenda that is, there can be no new negotiations apart from Agriculture and Services together with the reviews mandated in certain areas.

34. The negotiating mandate for agriculture must rectify the inherent inequities built into the Agreement. We cannot allow the continuation of a situation where the annual cost of support for agriculture in industrial countries in 1996-1998 was double the level of agricultural exports from developing countries during those years. Is it just that the industrialised countries continue to subsidise their farmers to the tune of \$251 billion a year, with the over production generated by these subsidies being dumped on world markets, depriving developing countries of market share?

35. The negotiating mandate for agriculture should have as a clear objective the elimination of export subsidies, domestic support and removal of provisions which enable high tariffication by developed countries. At the same time, developing countries must be allowed to take measures that would promote food security and address rural employment concerns.

36. In the future negotiations on services, we must proceed within the basic framework of the General Agreement on Trade in Services (GATS). The focus should be on the realization of the overall objectives of this Agreement, particularly on increasing the participation of developing countries in trade in services. To this end, the focus should be on removing barriers on services which the developing countries can provide, such as tourism, construction, professional services and removal of restrictions on the movement of labour. The reluctance to liberalize movement of natural persons is unacceptable, especially when there is an insistence that capital be allowed to move freely, regardless of the havoc caused by its volatility.

37. If there are proposals for commencing negotiations on market access for industrial goods, we would need to focus on the removal of tariff peaks and tariff escalation, which exclude developing countries products and keep these countries condemned to a rudimentary stage of production.

38. The stress should be on resolving implementation difficulties and commencing mandated negotiations in a balanced manner. Other issues may be considered, especially for negotiations, only if they satisfy certain basic criteria i.e, they are trade related, mature for negotiations, do not overburden the system, and do not further accentuate the imbalance in mutual benefits between the developed and developing countries.

39. Keeping in mind these criteria, we find it difficult to envisage negotiations on the so-called "Singapore Issues", particularly on investment. These issues are not yet ripe for negotiations. Indeed, there are serious questions regarding the desirability and the feasibility of having multilateral rules in these areas. At best, the educative process should continue, perhaps in a more focused manner. The outcome of this process would enable us to decide whether rules are actually required in this area.

40. The new issues which truly merit consideration, especially if we are to engage in a "Development Round", would include the relationship of trade with access to technology, to debt, and to commodity prices. Forward movement on these issues would ensure that the structural constraints faced by developing countries in competing in the global market i.e. lack of access to technology, the debt overhang, and declining terms of trade could be mitigated, thus leading to the attainment of an oft repeated WTO objective - a "level playing field" for all.

41. Unless meaningful actions are taken to address the concerns of developing countries, there can be no new Round. And, if then is an insistence to conduct such a Round, devoid of proposals to eliminate existing inequities, it would be a travesty to describe it as a Development Round.

42. As yet, the only tangible response to developing countries concerns are offers of technical assistance. Technical assistance, cannot rectify the fundamental imbalances in the multilateral trade rules.

43. The initiatives for least-developed countries are welcome. But these are obviously insufficient, and appear to be motivated more out of public relations concerns rather than from a genuine commitment to improve the position of these countries. Also, the regional approaches being taken to help some of the poorer populations, such as the Caribbean Basin Initiative and the African Growth and Opportunity Act, may have created new distinctions and differentiations within the multilateral trading system. Even if they help the concerned countries, they are likely to have a negative impact on the millions of poor who reside in other regions, especially in parts of South Asia. This must be borne in mind while pursuing such regional preferential arrangements.

44. There is a persistent, and disturbing, effort to introduce issues which are completely extraneous to the mandate of this Organization. I am referring to labour and environmental issues which are being introduced, not with the altruistic aim of raising standards in these areas, but with the clear objective of using these as a pretext for imposing market restrictions on competitive exports from developing countries.

45. Pakistan strongly opposes the attempt to raise the issue of labour standards in the WTO. This is a cynical and self-serving approach. The genuine concerns of ordinary people about the social effects of globalization are being manipulated to serve protectionist ends. Many of the people who are gathered in the streets outside entertain valid apprehensions about the impact of liberalization on their daily lives. We empathize with them, for many of our citizens are equally concerned about their economic and social well being in a global economy which changes with dramatic rapidity.

46. We need to acknowledge that the process of "globalization" can have negative dimensions. It has after all, marginalized many of the weaker economies which do not possess the capacity to compete in the "globalized" world, further accentuated the disadvantaged position of vulnerable groups in both the rich and poor countries, and led to growing economic inequalities among and within nations.

47. Hence, together with continuing endeavours to enlarge economic growth and prosperity through further trade liberalization and measures to strengthen the rules-based multilateral trading system, a conscious endeavour is required to promote greater equity in the globalized world economy through measures for poverty eradication, employment generation, universal literacy, basic health care and improved working conditions. These objectives need to be addressed without recourse to protectionism or approaches based on trade sanctions, boycotts or discrimination.

48. The decisions that we take in the coming days will shape the contours of the multilateral trading system for many years to come. In taking these decisions we must preserve and strengthen the essential idea underpinning the system - that international trade should be conducted in accordance with commonly agreed rules. But, at the same time, we need to ensure that the rules that we adopt

lead to equitable benefits for all countries. Any system, even though it be rule-based, cannot endure if it leads to gains for a few at the expense of many. This is history's repeated lesson, one which we would do well to heed.

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