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## PAKISTAN

Statement Circulated by Mr M. Ishaq Dar,  
Minister of Commerce and Head of Delegation

1. It is an honour to represent Pakistan at this important Ministerial Conference of the World Trade Organization.
2. We are grateful to the Government and people of Switzerland for the warm hospitality and superb arrangements made for this Conference.
3. I wish also to thank the Chairman of the General Council, Ambassador John Weekes, and the Director-General of the WTO, Mr. Renato Ruggiero, for the contributions they have made in preparing for the success of this Conference.
4. This Ministerial Conference is important for several reasons:
  - It marks 50 years of the existence of the Multilateral Trading System;
  - it is taking place in the midst of a major economic crisis emanating in East Asia, which has raised concerns regarding the global trade and economic system;
  - this Conference's decisions will signal the future directions of trade negotiations.
5. The Government of Prime Minister Nawaz Sharif is committed to economic and trade liberalization. Our economic regime is among the most liberal and open in the world. Finance and investment can flow freely; tariffs have been significantly reduced and quantitative restrictions virtually eliminated, notwithstanding balance-of-payments and fiscal constraints. Thus, Pakistan has a strong commitment to the maintenance and strengthening of the Multilateral Trading System.
6. Fifty years after the Havana Charter launched the GATT, we can look back with considerable satisfaction at the general success of the prescription of liberalization and free markets. In the last half century, the global trade has expanded exponentially due in large measure to the reduction of tariff and non-tariff barriers. Progressively open trade has been the propellant for growing global economic growth. The conclusion of the Uruguay Round Agreements - as a "single undertaking" - and the creation of the WTO, represented the most ambitious steps to realize comprehensive liberalization of all forms of trade - goods, services, intellectual property and investment. And, for the first time, it was agreed that two sectors of special interest to the developing countries - textiles and agriculture - were also to be subjected to the discipline of free trade.
7. While appreciating the benefits of liberalization, and the significance of its achievements, we cannot ignore the darker side of the picture. Increased trade and investment have by-passed the majority

of developing countries. The gains from trade liberalization have been disappointingly asymmetrical. Areas of special interest to developing countries - Textiles, Agriculture, the Movement of Natural Persons - are being liberalized at a slower pace than other areas. The move towards free markets in the past few years has been accompanied by a slow-down in global economic growth. Wealth has become more concentrated, among and within countries.

8. At the same time, the growing integration of the developing countries in the world's trade and financial markets has also enhanced their vulnerability to external factors, particularly volatile capital flows over which they have little control. Moreover, blind faith in unrestricted liberalization has reduced the sense of urgency for resolving the structural impediments to development - the crippling debt burden of the developing countries, the need for concessional development finance and restrictions on the transfer of technology.

9. The current global economic crisis, which emanated in East Asia, has led to new reflections - even some doubts - about the accelerating process of globalization. This crisis has crystallized an appreciation that profound changes have taken place, and are underway, in the manner in which goods and services are produced, distributed and traded in the world economy. It has, above all, highlighted the impact of rapid, uncertain and largely uncontrolled capital flows, specially in newly-liberalizing economies.

10. This Conference offers an invaluable opportunity to distinguish between the myth and reality of the current crisis. Clearly, we must not allow the fears that have revived to reverse the process of trade liberalization. Yet, it is also essential to acknowledge that liberalization is not a goal in itself; that its central objective is to promote the economic well-being and prosperity of all our peoples.

11. The first victim of the concerns arising from the inequity of benefits among countries, and social dislocations within these countries, will be the fragile structures and principles of the multilateral trading system. Thus, the asymmetry in the trade and economic benefits of liberalization and the uneven growth and widening disparity among WTO members, should be an issue of central concern at this Conference.

12. This Conference must affirm that the outcome of trade liberalization negotiations must continue to provide mutuality of benefits for all WTO members and ensure a balance in the interests of these members. In the absence of this, the legitimacy of the multilateral trading system will be seriously eroded.

13. We must reiterate the primacy of the multilateral trading system and ensure that regional trading arrangements do not distort trade flows and do not exclude or discriminate against the developing countries.

14. This Conference should also help to accelerate the process of accession to the WTO by a large number of developing countries including China, Saudi Arabia and Oman, which should not be subjected to more excessive demands than the existing commitments of WTO members. In the absence of such major countries, the Multilateral Trading System cannot be called global or comprehensive.

15. The main task before this Ministerial Conference is to initiate a credible and effective process which can contribute to redressing the unequal benefits of the Uruguay Round Agreements for the developing countries:

- By addressing the problems that have arisen in the implementation of these Agreements or are inherent therein;

- by a more sincere and fuller application of the principle of special and differential treatment; and
- by confronting boldly the new forces of protectionism, which are disguised as concerns about the environment, social conditions or labour standards.

16. It is quite natural for Pakistan - like most developing countries - to attach the highest importance to an effective review of the Uruguay Round Agreements. The trade benefits which are likely to accrue to us will come mostly from liberalization of the sectors and areas already incorporated in the Agreements concluded at Marrakesh, rather than new areas of liberalization. The review process which must be initiated by this Conference should not be a mechanical exercise, as those conducted in the various Committees and Councils. It should be a broader economic and political evaluation which would:

- One, assess whether the anticipated benefits of the Uruguay Round Agreements are being achieved;
- two, identify the problems encountered in the course of implementation or inherent in the agreements; and
- three, suggest ways and means to redress these problems and meet anticipations regarding the benefits supposed to flow from these Agreements.

17. The overall objective of the review exercise should be to promote the balance and mutuality of benefits which were the basis for the consensus achieved on the "single undertaking" at Marrakesh. Unless this balance is restored, it would be unrealistic to expect developing countries to accept new areas of liberalization, whether under the so-called Built-in Agenda, the Singapore Work-Programme or entirely "new issues".

18. Pakistan is seriously concerned with the manner in which various Uruguay Round Agreements are being implemented and, in some instances, not implemented. Our concerns relate in particular to the agreements on Textiles and Clothing, Agriculture, Anti-dumping and Rules of Origin.

19. The Agreement on Textiles and Clothing was designed to bring an end to the long-standing system of quota restrictions under the infamous Multi-Fibre Arrangement in a ten-year transition process. This process envisaged progressive integration of textiles trade into GATT 1994 as well as increased quota increments over "normal" increases to achieve complete elimination of the MFA quota restraints by 2004. It was anticipated that the implementation of the Agreement on Textiles and Clothing would yield early, significant and progressively larger market access for the exporting countries. Some reputable studies estimated that the earnings of textile exporting countries could increase by over \$300 billion.

20. In fact, the textile exports of these countries have risen by only 4.3 per cent over the past four years - even less than the growth rates registered previously under the MFA restraints. On the other hand, the textile exports of the countries maintaining MFA restraints have risen by 9 per cent over the same period. The reason for this ironic and unexpected asymmetry is not difficult to discover. It originates from the wide definition of the "textiles universe" in the Annex to the Agreement. This textiles universe included all textile and clothing items, restricted and non-restricted, listed in the harmonized system. In the first two phases of integration, the major restraining countries have integrated (i.e. liberalized) an insignificant number of items subject to MFA restraints. Restraint levels are thus almost where they were before the ATC. If the present trend continues, only 20 per cent of the items under MFA restraints will be liberalized within the 10-year transition period, leaving 80 per cent of textiles trade to be "integrated" into the GATT regime at the very end of this period. We have legitimate

reason to wonder whether new ways will not be found at that time to circumvent the obligation to liberalize textiles trade.

21. Meanwhile, far from liberalizing textiles trade, further restrictions have been imposed through various means. One importing country applied transitional safeguard measures 23 times during the first year after the ATC was concluded, freezing, and in some cases "rolling-back", market access levels for several products. Another importing entity has resorted to the repeated use of anti-dumping actions, in one instance repeatedly against the same products from the same exporting countries. This is being done in full knowledge that the anti-dumping complaint is unsustainable and that the initiation of the anti-dumping action will result in effectively freezing export levels. Similarly, the unilaterally formulated Rules of Origin are sought to be used by one major importer to add to the restraint levels against the most competitive or low-cost textile exporting countries.

22. An analysis of the overall benefits flowing from the Agreement of Agriculture is hardly more optimistic than the evaluation in the textiles sector. Due to their historical maintenance of highly restrictive agricultural regimes, most of the major trading countries and entities - the United States, the European Union and Japan - have been able to transform these into extremely high levels of tariff protection - at times between 200 to 500 per cent - as allowed by the Agreement on Agriculture. These tariff levels are much higher than those which the developing countries can maintain, since they did not historically protect agriculture. The Aggregate Measurement of Support has also been used to apply much lower reductions of production subsidies in sensitive sectors. And, market access benefits have been eroded by: inadequate implementation, non-tariff measures, non-compliance with export subsidy commitments; allocation of MFN tariff quotas to preferential suppliers; allocation of export access to State trading enterprises; and limitations on the import of particular products.

23. Moreover, the measures designed to neutralize negative effects of agricultural reforms on the least developed and net food importing developing countries have remained largely unimplemented.

24. The imbalance and asymmetry which become evident in the implementation of the Agreement on Agriculture need to be redressed through specific measures.

25. The ambiguity of certain provisions of the Anti-Dumping Agreement - which have enabled its abusive utilization by some countries for obviously protectionist purposes - also need to be redressed through further clarification and revision, if necessary.

26. The harmonization of rules of origin was to be completed in July 1998. There is a distinct possibility of its being delayed because of differences on certain sensitive areas, specially the chapter dealing with textiles. We must ensure that rules of origin are not harmonized on the basis of the restrictive notions of the concept of "substantial transformation" unilaterally legislated by one country. We look forward to quick harmonization of rules of origin on a liberal, and predicable basis which would facilitate international trade rather than restrict it.

27. It is clear that the review of the implementation of the Uruguay Round Agreements should lead to measures for redress, including measures for further liberalization of trade in the sectors and areas involved. This process can also contribute to the restoring and maintaining of the balance and mutuality of benefits which is the foundation for the existence and sustainability of the Multilateral Trading System. Apart from this process of review and redress, WTO members are also committed, under the "single undertaking" in Marrakesh, to participate in the further negotiations - such as on Agriculture and Services - and to undertake the review of various other agreements, including TRIPS, TRIMs, SPS, Anti-Dumping and Dispute Settlement between 1998 and 2000.

28. We trust that further liberalization in agriculture - preparations for which can be initiated in 1999 - will serve to redress asymmetries against developing countries inherent in the present structure of the agricultural regime.

29. Under the framework of Agreement on Services, we have completed negotiations on Financial Services and Basic Telecommunication Services, while negotiations on Maritime Services were suspended and those relating to the Movement of Natural Persons concluded with marginal results in favour of the developing countries. Similarly, the agreement on emergency safeguard measures in the area of services has not been finalized as envisaged. Pakistan wishes to complete the unfinished business in the services sector. We, seek, *inter alia*, further liberalization on the Movement of Natural Persons.

30. The mandatory reviews of several agreements are also important. They will provide an opportunity to identify and correct some of the shortcomings characterizing the agreements to be reviewed.

31. In particular, the review of the Dispute Settlement Understanding is of special interest to the developing countries. While the present system is considered to have operated more effectively than the past, it continues to be weighted against the developing countries. The costs of WTO dispute settlement are high, the system is complex, panel decisions cannot be imposed against larger trading partners and provide no definite time-frame for compliance. Most importantly, the ultimate recourse to trade retaliation is not a credible option to provide redress to smaller countries. The review of the dispute settlement system should address these issues. Apart from the possibility of trade retaliation, it must provide for compensation for loss of trade earnings. On the other hand, cross retaliation between different sectors and different agreements should be restricted in the case of developing countries.

32. The future negotiations which we have agreed to undertake so far relate only to issues under Implementation and the so-called Built-in Agenda. Apart from this, we had taken decisions to set up certain Working Groups to conduct studies but without any commitment to enter into negotiations. We are prepared to consider the reports of the Working Groups on Trade and Investment, Trade and Competition and Transparency in Government Procurement when these are completed and ready for presentation to the General Council. These issues should not be equated with other areas where there is already agreement to conduct negotiations under the WTO rubric.

33. Similarly, new proposals, such as the one relating to Electronic Commerce, will need to be carefully examined within the WTO by member countries before decisions to undertake negotiations or other work can be taken. In considering such proposals for new issues or new sectors for negotiations, it is important to bear in mind the need for maintaining the balance of interests among member countries as well as the limitation in the absorptive capacity of the WTO members as well as the Organization itself.

34. The decisions adopted at this Conference regarding the future programme of WTO activities must therefore clearly distinguish between the four elements of the Work Programme including the priority and time-frame for undertaking and completing the work involved and the nature of the decisions to be taken as a result of the process. The highest priority should be to secure full and balanced implementation of the already concluded Agreements, in letter and spirit. The second priority is to fulfil the decisions taken with regard to the negotiations on further work envisaged in the Built-in Agenda. The third area is the completion of the study phase of the Working Groups as agreed in Singapore. Finally, the proposals for new issues will require initial examination within the General Council before any decision can be taken regarding further work or action on these proposals.

35. The decisions we adopt at this Ministerial Conference, or subsequently, must be achieved through the painstaking process of consensus. Any method of work that is less democratic or transparent is

likely to erode the credibility and acceptability of the decisions for trade liberalization that emerge from the World Trade Organization.

36. Pakistan looks forward to participating actively and constructively in this process.

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