Agriculture Trade Liberalization: Perspective from Pakistan & research needs:

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PARC
At PARC we are responsive to change

- PARC Training Manual on WTO, series of research paper.
- Seminar Series in collaboration with MoC/EPB, [F] CCI s, NGOs, Varsities, NIPA, ASC, PMI, SMEDA, DFID and NGOs.
- PARC contributed to Seattle process
Global Trends reshaping the globe

- Trade Liberalization-dismantling tariffs
- Restructuring [MNCs/TNCs]-downsizing
- Mergers & Acquisitions-speedy
- Global Giants-emerging cartels
- Changing Production Systems
- Cyberspace-IT,E-business
- Lay off-unemployment
- Expanding Service Sector
- FDI>Mergers
- Dominating Economies-financial& capital markets
- Ruthless Competition
- Survival of the Fittest
Growing poverty and role of agriculture towards poverty alleviation

- *Ever widening gap - rich and the poor.*
- 2.8 billions people - on less than 2$/day; and 1.2 billion have less than 1$/day.
- Richest 10% of USA [25 million] income = as lowest 43% of Globe [2 billion].
- Inequality in terms of access to services *health, education, IT or investment.*
Does WTO bring prosperity to developing countries based on a just system?
Global Trade increased by 30 to 35%, the LDCs representing 20% of the world population generate only 0.03% of global trade flows.
Trade and Balance of Payment 1990

Exports % of GDP
Imports % of GDP
Trade and Balance of Payment 1998

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports % of GDP</th>
<th>Imports % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>12</td>
<td>13.5</td>
</tr>
<tr>
<td>UK</td>
<td>28.7</td>
<td>29.2</td>
</tr>
<tr>
<td>Pakistan</td>
<td>15.8</td>
<td>20.2</td>
</tr>
<tr>
<td>India</td>
<td>11</td>
<td>13.8</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>13.8</td>
<td>18.9</td>
</tr>
<tr>
<td>Kenya</td>
<td>24.6</td>
<td>32.3</td>
</tr>
</tbody>
</table>

Exports % of GDP | Imports % of GDP
Rules of the game are clear……..
They bring with them opportunities and threats…….
How well prepared are we??
Regulations & Responsibility

- Tariff: Applied tariffs lower than bound
- Domestic Support: AMS negative
- Export Subsidy: Nil

At home:
- Efficiency
- Infrastructure
- Regulations
- HRD
The Doha Round Development Agenda

Comprehensive Negotiations

Distortions continue

At home:

I. Tariffs-25%
II. AMS-negative
III. Infrastructure/HRD-impacts
IV. Regulations-on anvil
Market Access [Tariff & NTBs]

TRENDS:

✓ Maximum Increase [1994-95] - 14 & 17% respectively.
✓ Decrease [1997-98]: 4 & -1% respectively.
✓ Pakistan’s share [Exports]: 0.6 - 0.38% [change: 1%]
✓ Pakistan’s share [Imports]: 0.6% - [change 77%]
✓ Trade Balance: US$934 [millions]
## Regional Profile

### [1986-98]

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports %change</th>
<th>Imports %change</th>
<th>Trade Balance [US$ mill.]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan</td>
<td>1</td>
<td>177</td>
<td>-934</td>
</tr>
<tr>
<td>India</td>
<td>167</td>
<td>143</td>
<td>-</td>
</tr>
<tr>
<td>B/desh</td>
<td>-</td>
<td>87</td>
<td>-</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>68</td>
<td>87</td>
<td>-</td>
</tr>
</tbody>
</table>
Factors impacting Access

**Barriers:** Tariff peaks-dirty tariffication & escalations, Technical, QUAD/OECD: 350% [Tariffs in DCs are below 100%].

**Post UR tariff wedge** [DMEs]: 17%

**Competition:** India[133[, Indonesia[76], Thailand [53], Malaysia [79]-% change in exports

**Structural problems** [Domestic Policy]:

- Agriculture not focused, *satisfies urban consumers needs.*
Factors impacting Access-2

- **Un [weighted]Fair Tariff Reduction [OECD]**: Reduction requirement - 36% [15%/item]: low reduction on sensitive products [high tariffs], higher reduction on low tariffs.

- **Complexity [OECD]**: Multiple tariff lines - Seasonal tariffs, in/above quota, brand-schemes, non-ad valorem [OECD tariff lines expressed on ad valorem basis: Canada 22%, Japan 42%, EU/USA 90%].

- **TRQs/SPS/TBT**: Non-transparent quota dispensation, stringent SPS measures - DMEs [DCs-infrastructure, technical assistance] - [standards] sameness vs. equivalence.
Distortions in global markets [also] increase

- US raised spending on Ag by $73.5 billion [US Farm Bill, May 2000]-8 crops-direct payment. US producers receive 75% in subsidies.

- She sells corn 25% & wheat 46% below the cost of production, and cotton prices in US have also been slashed by 66% since 1996 to 50% a pound in order to undercut the 3rd world’s producers.

- EU gave 2102 million Euro [1992-1999]
The food insecurity trends Exacerbated

DCs are becoming more dependent on food imports-especially in staple food.

Food imports of NFIDCs increased in 1995-97 by 40% since 1980.[from $9.3 to $13 billion]


Food deficit of DCs is on increase.

Sky rocketing import bill of DCs- BoP

DCs share in world’s imports increased from 28%[1970] to 37%[1997]
Importance of trade blocs and regionalisation of trade??
Intra-Regional Trade % of Exports
**Regulations**

- **Health & Safety**
  - HACCP Certificate
  - CE Marking
  - Green Dot (some countries)
  
  - **This certificate is applicable to the food items. This certificate demonstrates that the company is applying suitable production, processing and / or packaging systems and procedures for:**
  
  - **CE mark is applicable to a range of manufactured products. CE marking demonstrates that the product complies to the essential requirements of safety, health, and the environment and consumer protection.**
  
  - **The Green Dot system is applicable in Germany, France and Belgium. The Green Dot printed on the product (packaging), demonstrates that the producer/ importer of the product participates in a packaging waste management system.**

- **Environment**
  - ISO 9000 series certificate
  - EN/ ISO Norms
  - Social/ Fair trade labels
  - SA 8000 certificate
  - Codes of conduct
  - Ecolabels
  - ISO 14000 series certificate

- **Quality**

- **Social Accountability**

- **Environment**

**Market Requirements**

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<table>
<thead>
<tr>
<th>Origion [region for contravention]</th>
<th>Africa</th>
<th>Latin America &amp; Caribbean</th>
<th>Europe</th>
<th>Asia</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food Additives</strong></td>
<td>2(0.7%)</td>
<td>57(1.5%)</td>
<td>69(5.8%)</td>
<td>426(7.4)</td>
<td>554(5.0%)</td>
</tr>
<tr>
<td><strong>Pesticides Residues</strong></td>
<td>0(0.0)</td>
<td>821(21.1)</td>
<td>20(1.7%)</td>
<td>23(0.4%)</td>
<td>864(7.7%)</td>
</tr>
<tr>
<td><strong>Heavy Metals</strong></td>
<td>1(0.3)</td>
<td>426(10.9)</td>
<td>26(2.2%)</td>
<td>84(1.5%)</td>
<td>537(4.8%)</td>
</tr>
<tr>
<td><strong>Mould</strong></td>
<td>19(6.3 %)</td>
<td>475(12.2%)</td>
<td>27(2.3%)</td>
<td>49(0.8%)</td>
<td>570(5.1%)</td>
</tr>
<tr>
<td><strong>Microbiological Contamination</strong></td>
<td>125(41.3%)</td>
<td>246(6.3%)</td>
<td>159(13.4%)</td>
<td>895(15.5%)</td>
<td>1425(12.8%)</td>
</tr>
<tr>
<td><strong>Decomposition</strong></td>
<td>9(3.0%)</td>
<td>206(5.3%)</td>
<td>7(0.6%)</td>
<td>668(11.5%)</td>
<td>890(8.0)</td>
</tr>
<tr>
<td><strong>Filth</strong></td>
<td>54(17.8%)</td>
<td>1253(32.2%)</td>
<td>175(14%)</td>
<td>2037(35.2%)</td>
<td>3519(31.5%)</td>
</tr>
<tr>
<td><strong>Labeling</strong></td>
<td>38(12.5%)</td>
<td>201(5.2)</td>
<td>237(20.0%)</td>
<td>622(10.8%)</td>
<td>1098(9.8%)</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>51(16.8%)</td>
<td>68(1.7%)</td>
<td>39(3.3%)</td>
<td>151(2.6%)</td>
<td>309(2.8%)</td>
</tr>
</tbody>
</table>
The challenge!

- RTA-SAARC?
- Bilateral [regional] harmonization of standards
- Discipline [AoA]- steep cut[DMEs]- no to phase out, transparent quota management, uniform tariff lines
- SD: DCs only
- Capacity Building: Regulations, infrastructure, Q/c and efficiency.
WTO-management of change

A. Policy Environment
B. Quality Infrastructure
C. Human Resource
D. Research: NARS
E. Institutional Capacity
Market Access

- Ask DMEs for steep cut in tariffs
- Tariff only” Rule- Maintain the ceiling for sensitive products.
- Negotiate the applied tariff for non-sensitive products [40-50%] reduction possible, subject to safeguard provision
- Enter in to bilateral negotiation to secure market niche through reciprocal reduction of tariffs [where possible]
Food Quality & safety Management

- Change Regulatory Environment-quarantine/food laws[add new dimension].
- Introduce comprehensive policy on IPRs/GMOs.
- Rationalize imports of pesticide / vet.drugs.
- Institutionalize Monitoring & Surveillance.
- Introduce an Early Warning System.
- Trade-oriented curricula development-Add WTO dimension.
- CPD in Agri. Extension.
Quality Infrastructure

- Quarantine: Fool proof Q/S- state of the art Lab. support System.
- Private-Public sectors partnership-handling, storage, delivery and Q/c services.
- Privatize abattoirs.
- Horizontal integration: Fattening, processing & packaging.
- Promote Packing & Packaging industry.
- Promote Q/c services-grading,HACCP.
- Encourage labeling.
- Farm to Market links.
- Cool Chain.
- Value-addition industry-processing.
Human Resource

- Trade policy [Review/Analysis]
- Vet. public Health-privatize vet. clinics, deploy HR in public health.
- Residue/contamination/risk analysis.
- Automated Early Warning System.
Research NARS

- Re-orientation and restructuring [NARS] - export-oriented agriculture.
- Comprehensive Agricultural Research Policy.
- Trade Research/Economic Analyses
Doables: interfacing NARS

- Improve efficiency-input, NRM, IPM
- Diversify-No to mono culture
- Value addition
- Contain Residue-IPM, RVT
- Infrastructure- Accredited Labs.
- Packaging/Labeling
- Early Warning System
- Storage capacity/capability
The NAPHIS
[National Animal & Plant Health Inspection Services]

Mission Statement

The NAPHIS modality envisages an improved service delivery, in the area of food quality & safety, through improved animal/ plant quarantine regulatory framework and [quality ]infrastructure, as to bring these services in conformity with the requirements of WTO Agreement on SPS/ TBT; and thus help enhance value-added food & agri.exports [from Pakistan ]with certainty and confidence.
**NAPHIS: Roles and Goals**

- To cater to the key stakeholders in the area of export-led agricultural production, through strengthened animal & plant quarantine services including, inter-alia, state of the art Lab. Support System with facilities, like:
  - Pesticide /Veterinary drugs residue studies/analyses
  - Studies on food /agri. Environmental contamination
  - Risk assessment /Disease/ residue surveillance
  - Early warning System, coupled with:
  - Regulatory Environment in harmony with CA C
  - Participatory management: on management board shall be represented key stakeholders.
Intellectual Property Rights Management & NARS

- IPRs management:
- Registries
- Life-form patents [PVP] - *sui generis*
- IPRs info. service
- IPRs documentation - *data bank*
- IPRs audit system
- IPRs HRD
- Lab. book to Patenting
Risk: Assessment, communication & Management

- Bio-safety
- GMOs
- Regulations - *Bio-safety Protocol*
- Info. networking
- HRD
- Infrastructure - *Laboratories*
Tech.-based Economic growth

- Science-Industry-[Socio-]Economics interface
- Economic indexing
- IPO profiling
- Tech. communities
- Capitalize on low tech agriculture
- Add value- quality
- Enhance efficiency- cost effectiveness
- Sustainable Technologies-socio- economics
### Textile Imports

<table>
<thead>
<tr>
<th>Country</th>
<th>Change% [2001-2002]</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Total</td>
<td>15.59%</td>
</tr>
<tr>
<td>China</td>
<td>101.24%</td>
</tr>
<tr>
<td>Mexico</td>
<td>-9.93</td>
</tr>
<tr>
<td>Canada</td>
<td>2.81</td>
</tr>
<tr>
<td>Pakistan</td>
<td>5.55</td>
</tr>
<tr>
<td>South Korea</td>
<td>2.15</td>
</tr>
<tr>
<td>India</td>
<td>16.48</td>
</tr>
<tr>
<td>Thailand</td>
<td>15.82</td>
</tr>
</tbody>
</table>
## Integrated Categories

**Avg. Price Sq/M [Pre-Post quota removal]**

<table>
<thead>
<tr>
<th>Category</th>
<th>Pre-Post Quota Removal</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHINA</td>
<td>-44%</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>-2%</td>
</tr>
</tbody>
</table>
Trade Liberalization: The losers & winners

- Annual Exports: Pakistan: Approx: 10 billion $
- Singapore: 100 billion $
- Korea: 150$

Impossible to close borders to high quality + low price products
impossible to sell low quality + price uncompetitive products
Thank You