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WTO's Implications on Agriculture Sector in Pakistan: Threats, Opportunities and Possible Strategies

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Abstract

The WTO trading system is a fact of life. This is only organization which can manage the challenges of globalization. There are both opportunities and threats for the member states in relation to different sectors of economy like agriculture. This paper examines that Pakistan has a great potential to produce and export agricultural commodities in the international markets. In order to achieve maximum benefits from the WTO, Pakistan has to take strong and immediate steps in the light of SPS and TBT Agreement that are germane with agriculture sector. In this connection Pakistan has achieved GSP+ status by European Union which gives a great opportunity to Pakistan to improve its agricultural standards and enhance its export in European agricultural markets. The paper also recommends some possible solutions to improve the agriculture standards in Pakistan. In all countries farming system play a very important role for increasing crop production and strengthen the economy of the country. Government sector should also play a vital role to educate the farmers with new planting techniques and strategic plans for the production of good quality disease free crops. Based on results and conclusion development of extension program, utilization of proper management techniques, utilization of high quality seed, government support, infrastructure and market opportunities are the dire need for farmers and agriculture of Pakistan.



Introduction

Pakistan is a contracting party of the World Trade Organization, (WTO), which came into existence on January 1, 1995. This organization was established to regulate international trade issues through the process of dialogue and dispute settlement of the WTO [1]. It has already emerged as one of the most significant institutions, impacting on a progressively wider spectrum of economies anywhere in the world. No one can claim that the WTO is an unmixed blessing for Pakistan. There are both positive and negative implications of the Pakistan's membership of the WTO. In this context, Pakistan may face many challenges and threats under the WTO regime. Equally important is the fact that a variety of opportunities are available to Pakistan which can lead to increase in international trade and economic growth. There is also every present possibility to convert threats into opportunities. Much depends on our policies and strategies- not by the government alone but also on responses of the private sectors. Pakistan may avail maximum benefits through the instrument of public-private partnership (PPP) in agriculture sector, because the WTO obligations, among other things, have placed new demands on the capacity building and skill of both public and private sector in relation to agriculture sector. This is a critical issue and Pakistan's failure to measure up these demands would make challenges more daunting and opportunities elusive. It is pertinent to mention here that the Pakistan is an agro-based country and the agriculture is the back bone of the economic growth. It accounts for 19.8 percent of GDP and 42.3 percent of employment; the sector has direct and indirect linkages with other sector of the economy and plays significant role in socio-economic development of the country [2]. We can optimize opportunities, among other things, through increasing "public investment, rationalizing public expenditure, reforming market regulations, expanding market infrastructure, improving market information system, developing agricultural infrastructure, establishing grades and standards/accreditation of laboratories, upgrading the agriculture innovation system, enhancing access to credit, diversifying export making it more value added and adoption of better

farming practices". It is the need of the time to develop a sound and comprehensive strategy for sustainable accelerated growth in the agriculture sector. Pakistan has to make our agriculture sector fit for the 21st century. Agriculture should be transformed from a traditional producer of basic food grain crops and provide raw materials for indigenous markets, to a sector that excels in crop production for international markets and adds value to raw materials through agro-based industries. As it has been rightly reported in Punjab's vision 2020, such types of transition will have to be based on provision of top quality distribution, top quality agricultural research, top quality seed production, provision of top quality input package and marketing infrastructure [3].

Methods

Literature search strategy and selection criteria

Different research papers search from the various search engines according to the content i.e. Google scholar, ISI web of knowledge, Thomson Reuters, Pubmed, Google Web browser by providing the main key words regarding WTO, Agriculture, Challenges, Threats, Solutions and strategies etc. The suitable literature was selected according to the content that most fit to the current study. In this review 34 articles were included. To analyze the impact of the WTO on poverty alleviation, food security, SPS measures, Plant Breeders Rights, Agreements on agriculture, agreements on trade related issues, income inequality, farmers' welfare, government policies and import export issues etc. One of the basic areas, i.e. whether international trade has increased up according to the expectations in response to the WTO, needs attention, that is the core of the present study. It highlights the issue of uneven distribution of export growth in international market especially in European market.

Discussion

The impact of the WTO regime on our agriculture sector, which absorbs 42.3% of the large labor force, contributes to 19.8 % of the GDP [2], forms foundation of agro-based exports and in-fact the back bone of the economy of Pakistan. The agricultural sector was covered under the old GATT (GATT, 1947) system, but there were many loopholes in the system. As a consequence, it became highly fainted, unfair, especially because of the use of export subsidies by the rich

countries such as USA. Keeping in view this historical problem the Uruguay Round produced the first multilateral agreement viz the Agreement on Agriculture (AOA) which brought agriculture sector under the more better and attractive discipline. In-case of violation of this agreement by any member state the WTO is empowered to take legal actions against the violator (Country), in accordance with law and impose penalties under the dispute settlement body (DSB) of WTO. Therefore, AOA is a significant first step towards establishing a “fair and market oriented agriculture trading system” and a less fainted area. (It was implemented over a six years period for developed countries and for developing countries within a ten year period), that begin in 1995. This agreement was launched in DOHA (2000) and is ongoing. The AOA is germane with agreements to SPS, TBT and TRIPS [4].

WTO Agreements related to Agriculture

1. “Agreement on Agriculture (AOA)”

- To setup “a fair and market oriented agriculture trading market
- Purpose to major reduction in agriculture support and assistance
- “Rules regarding market access, domestic support, export subsidies”

2. “Agreement on Sanitary and Phytosanitary Measures (SPS)”

This agreement empowers the member states to initiate necessary steps to protect (human, animal or plant life or health). These actions subject to conditions such as

- Not arbitrary
- Not justifiable
- Not discriminatory

If an importing country imposed unjustified restriction on the export of a particular country then under the WTO Law the aggrieved party may challenge these restrictions in the Dispute Settlement Body (DSB).

3. “Agreement on Technical Barriers to Trade (TBT)”

This agreement is relevant with the regulations, standards, testing, marking certification methods, packing and labeling requirements. Under this agreement the exporting country is empowered to make law for quality assurance and “protection of human,

animal or plant life or health, of environment or for the prevention of deceptive practices”.

4. “Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS)”

This agreement protects the rights of the creator, inventor and discoverer in relation with the intellectual property rights (IPRs) such as, Patents and Plant varieties etc.

The Position of Pakistan in the Light of Three Pillars of the Agreement on Agriculture (AOA) is as under:

1. Market Access

Position has fully complied with the AOA. It has lessened tariffs on this sector (more than 36% on average and more than 15% on each tariff line from the base year 1986-1988 “from maximum 65% in 1995 to 25% on agricultural products). Regulation duty has been converted into fixed specific duty on import of selected products. The agricultural items which are harmful to animal, human and plant life are prohibited according to existing WTO rules and import policy orders. Pakistan is bound tariff providing upper ceiling on import tariff is 102% on average; however applied rates on the import of agricultural items are much lower”.

2. Domestic Support

Domestic support covers subsidies and other programs, including those that raise or guarantee farm-gate prices and farmers’ incomes. Until a few years ago agriculture sector received a maximum domestic support. Pakistan’s domestic support price programme, at present, is restricted to wheat and cotton only. As a matter of fact, the aggregate measure of support (AMS) i.e. the annual level of support provided to agricultural products is negative. Phasing out of domestic support by the rich countries will have a positive impact on Pakistan’s agriculture exports. Pakistan will receive the fair price for export of cotton in the international market.

3. Export Subsidies

Export subsidies and other measures used to enhance exports falls in this category. Pakistan always not in a position to give subsidies to its farmers in any shape, however, in exceptional circumstances, provides subsidies (up-gradation and transportation of

agricultural commodities). Important crops like wheat, rice, cotton and sugar-cane. Pakistan has comparative advantage in these crops but due to lack of infrastructure and modern facilities, Pakistan is not in a position to export these crops. In this context Pakistani local farmers are unable to export their agricultural items in international market because government of Pakistan does not give any subsidies to its local farmers. However, the developed countries are giving subsidies to their farmers to enhance their export in agricultural products. It has created artificial competitive edge to develop countries, which hurt the export prospects for Pakistan.

CHALLENGES FOR PAKISTAN

Pakistan is facing growing competition and lot of pressure in international market due to restructuring of worldwide policies. Especially, in all those areas that offer a greater scope of trade expansion to Pakistan in the prominent markets of the developed countries [5-7]. On the other hand, the trade related concessions granted from the developed countries have been minimal and very limited. Thus, the future prospects of potential economic growth for Pakistan before the complete implementation of agreement regarding WTO and Pakistan are not very bright. To survive and meet the requirements of international standards the various policies regarding WTO and Pakistan should be very clear [8-11]. Some of the challenges which the international trade in agriculture sector encounters:

Issue of the SPS Standards

According to the WTO's Agreement on SPS measures, "food safety practices should be used to ensure mandatory sanitary and hygienic food production. Pakistan, in order to ensure that SPS measures do not constitute disguised barriers to trade for Pakistan's" industrial and agriculture products have to bring both agricultural and industrial products in conformity with SPS measures [11,12]. On the other hand, SPS measures are proposed to protect plant, animal and human health from unhygienic and low quality livestock, poultry and fish products. Steps need to be taken for bringing the standards of those industries and agriculture products that attracts SPS measures. In conformity with that of Codex Alimentations Commission, International Office of Epizootics, Hazard Analysis Critical Control Point (HACCP), International Plant Protection Convention Standards [12-15].

Years	2007-	2008-	2009-	2010-	2011-	2012-	2013-	2014-	2015-
Crops	2008	2009	2010	2011	2012	2013	2014	2015	2016
Wheat	38.08	41.75	40.14	44.07	38.92	40.21	40.29	38.63	42.17
Maize	7.51	7.08	6.47	7.50	8.32	8.09	8.88	8.83	9.45
Rice	12.35	13.99	13.83	10.34	11.69	10.49	12.04	12.49	13.06
Sugarcane	14.62	10.77	10.66	12.03	11.83	13.15	13.09	12.11	13.61
Cotton	27.44	26.40	28.91	26.05	29.23	28.06	25.70	27.95	21.72

Table 1: Crop wise analysis composition of output of important agricultural crops on the basis of % share of basic prices.

1. Issue of TBT Standards

The TBT agreement of WTO recognizes that the member countries may make domestic legislation for the protection of [human, animal, plant or health] and environment. In order to meet the challenges posed by TBT Pakistan has to "carry out to collaborate with other international agencies and certifications of international standards laboratories in Pakistan through Pakistan National Accreditation Council (PNAC). Moreover, developed international standards under Pakistan Standards and Quality Control Authority (PSQCA), which are acceptable, equivalent and recognized to all other countries, which encouraging our industries to adopt ISO standards for Quality Management system, testing and certification of products" including packing, marking and labeling practices of agricultural items.

2. Issue of the Capacity-Building

In agriculture sector the capacity-building of the relevant department is not up to the mark as required by the global challenges in the field of agriculture and related products. However, there is need to develop a strategy for capacity-building in terms of awareness programs, strengthening the infrastructure and research funding in universities imparting education in agriculture and related sectors. Government has to change the procedural requirements of sending scientist on training and encourages the young scientist and newly appointed officials in agriculture departments to hunt for training opportunities in developed countries. Moreover, fixed 30% amount of funds must be added in all research projects because it is the need of the time under the WTO regime [16,17]. The government of Punjab in collaboration with the University of the Punjab should develop mega projects for the promotion of agriculture in the province of Punjab.

3. Issue of The Plant Breeders Rights

The agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) is recognition of the fact that the products of intellectual efforts are progressively gaining importance new ideas and inventions are no serving as important engines of growth. In this context, there has been pressure upon Pakistan to adopt a Plant Breeders Rights System such as union for protection of new varieties of Plants (UPOV) convention of 1991 under article. 27.3(b) of TRIPS Agreement although, Pakistan is not a member of UPOV convention However, Pakistan has promulgated PBR Act, 2015 in order to care for the interest of the Breeders with respect to the plant varieties and seeds produced by them. There is an apprehension that the law would restrict Pakistani farmers' capacity to purchase seeds from original breeders [18,19]. Moreover, majority of the farmers have a lack of awareness regarding this legislation there is a need to create awareness regarding the implications of this legislation, otherwise they may suffer economic problems [20,21].

OPPORTUNITIES FOR PAKISTAN

Pakistan has potential to convert the challenges into opportunities through increasing capacity-building of the agriculture sector. The current DOHA ROUND successful negotiation will improve market access in the developed countries markets. European Union (EU) issued GSP+ status to Pakistan in year, 2013 in the agricultural items such as livestock and meat, dairy products, vegetables, fruits, Dairy Fruits, seeds and oils and other edibles etc. The extension of the EU's GSP+ preferences to Pakistan will improve its competitiveness but access in EU's markets largely depends upon Pakistani farmers capacity-building to meet EU consumer's demand. Pakistan has also an opportunity to export its agricultural products [like broken rice, kinnows, and ethanol, fish products including shrimps, dates potatoes, fruit juices, water melon and dried apricots] to neighboring countries such as India, china and Iran [22-24]. On the other hand, Pakistan has an equal opportunity to increase his export and economy in the field of textile and clothing, general agreement on trade in services, agreement on trade related investment measures and agreement on trade related intellectual property rights with developed countries (DC) and less developed countries (LDC) [25-28]. With the

implementation of agreement Pakistan exports would receive significant tariff reduction from the DC and LDC. On the other hand, strength, weaknesses, opportunities and threats (SWOT) indicates a frame work for helping the scientists, economists, researchers, agriculturists, planners and farmers community to set proper objectives for achieving maximum benefits under limited resources availability. As Such, SWOT analysis is also helpful for identification of possible strategies especially for agriculture development, farming system improvement that helps the scientists to manage priorities in a good way for achieving food security [29,30].

Possible Strategies

In order to make optimum use of opportunities offered by the progressive liberalization of trade in agriculture sector, Government of Pakistan should take a number of additional initiatives for improving and enhancing agricultural products to meet SPS, TBT and TRIPS standards, upgrading the agriculture innovation system, enhancing access to credit, diversifying export making it more value added and adoption of better farming practices, Moreover the government has to be focused on research and development (R&D) [31]. On the other hand, Pakistan should prepare to improve and restructure the textile and clothing as well as other agriculture commodities for promoting value addition and quality. Pakistan should take credible measures to strengthen the economy of the country by adoption WTO agreements, international enforcement procedures, modifying intellectual property protection laws and actively participation in WTO negotiations for the incorporation of its own agenda in to various agreements [32-34]. This will be very fruitful for achieving good results and making alliances with other countries having common interests.

Recommendations

To round of the brief discussion on the subject the following results have achieved:

1. There is a need to develop a comprehensive course of action for sustainable accelerated growth in agriculture sector.
2. In 2010 Kenya banned Pakistani Rice due to Quality Certification issue and there is a need that

Pakistan should upgrade its quality standards in the light of SPS and TBT Agreements.

3. Pakistan has to change its methods of production in the traditional means of production.
4. There is lack of awareness among the farmers regarding the new challenges and demands under the WTO regime.
5. Pakistan has potential to export its agricultural products in European Markets and neighboring countries but this depend upon the Government priorities and Trade Policies.

Conclusion

The WTO is a fact of life. Like any other dispensation, it causes threats of loss and offers opportunities for gain particularly in agriculture sector. Therefore, there will be both loser and achiever hence it is necessary, among other things, to develop effective mechanism to convert the challenges into opportunities. Pakistan has to drop a sound and comprehensive strategy for sustainable accelerated growth in agriculture sector. There is dire need to update Pakistan in agriculture in the light of global requirements. "We have to make our agriculture region fit for the 21st century". We can optimize opportunities, among other things, through increasing/attracting investment, rationalizing "public expenditure, reforming market regulations, expanding market infrastructure, developing agricultural infrastructure, improving market information system, establishing new laboratories and their proper certification". Government should take a step to educate the farmers by adopting the following strategies for strengthen of the agriculture sector.

- i. Development and equal access of local market opportunities to poor peoples.
- ii. Planting of those crops with high economic returns.
- iii. Government sector must supportive to the farmers for increasing the economy and agricultural crops of the country.
- iv. Preparing strategic plans to achieve maximum goals for increasing the yield of the crop.
- v. Government must supply pure and healthy seed to the farmers for the production of quality crops.
- vi. Evaluation and determination of import export ratio of goods per annum.

- vii. Educate the farmers with the proper utilization of the new agricultural techniques.

Conflict of Interest Statement

The authors declare that there is no conflict of interest regarding the publication of this paper.

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