

## **Barriers against Agricultural Exports from Pakistan: The Role of WTO Sanitary and Phytosanitary Agreement**

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### **I. INTRODUCTION**

There has been growing recognition that Sanitary and Phytosanitary (SPS) agreement can impede trade in agricultural and food products. Pakistan, in particular experiences problems in meeting the SPS requirements of developed countries and, it is claimed, this can seriously impede its ability to export agricultural and food products. Attempts have been made to reduce the trade distortive effects of SPS measures through, for example, the World Trade Organisation (WTO) SPS Agreement, although it is claimed that current initiatives fail to address many of the key problems experienced by Pakistan and other developing countries.

The present paper explores implications of Sanitary and Phytosanitary (SPS) agreement on exports of agricultural and food products from Pakistan. It identifies the problems that Pakistan faces in meeting SPS requirements and how these relate to the nature of SPS measures and the compliance resources available to Government of Pakistan and the supply chain. The paper examines the impact of SPS agreement on the extent to which SPS measures impede exports from Pakistan. It identifies the problems that limit participation of Pakistan in the SPS agreement and its concerns about the way in which it currently operates.

The paper is organised into seven sections. In Section II salient features of the SPS agreement are highlighted. Section III delineates key issues arising from the implementation of SPS measures. Section IV summarises factors determining limits to effective participation of Pakistan and other developing countries in the SPS agreement. Section V outlines main concerns of Pakistan to the adoption and implementation of SPS measures. Section VI presents brief note on wider implications of SPS agreement for Pakistan. And finally Section VII summarises main conclusions and outlines policy measures.

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## II. SALIENT FEATURES OF THE SANITARY AND PHYTOSANITARY (SPS) AGREEMENT

The SPS agreement concerns the application of Sanitary and Phytosanitary measures—in other words, food safety and animal and plant health regulations. The agreement recognises that governments have the right to take Sanitary and Phytosanitary measures but that they should be applied only to the extent necessary to protect human, animal or plant life or health and should not arbitrarily or unjustifiably discriminate between members where identical or similar conditions prevail.

In order to harmonise Sanitary and Phytosanitary measures on as wide a basis as possible, members are encouraged to base their measures on international standards, guidelines and recommendations where they exist. However, members may maintain or introduce measures, which result in higher standards if there is scientific justification or as a consequence of consistent risk decisions based on an appropriate risk assessment. The Agreement spells out procedures and criteria for the assessment of risk and the determination of appropriate levels of Sanitary or Phytosanitary protection. It is expected that members would accept the Sanitary and Phytosanitary measures of others as equivalent if the exporting country demonstrates to the importing country that its measures achieve the importing country's appropriate level of health protection. The agreement includes provisions on control, inspection and approval procedures.

The key elements of the SPS Agreement are detailed below.

- **Harmonisation.** The harmonisation of SPS standards can act to reduce regulatory trade barriers. As such, members are encouraged to participate in a number of international standards-setting organisations, most notably Codex Alimentarius, the International Office of Epizootics (OIE) and the International Plant Protection Convention (IPPC). Members are expected to base their SPS measures on the standards, guidelines, or recommendations set by these organisations, where they exist. They are, however, entitled to adopt measures that achieve a higher level of protection, provided this can be justified scientifically.
- **Equivalence.** Members are required to accept the SPS measures of other members where they can be demonstrated to be equivalent; they offer the same level of protection. This protects exporting countries from unjustified trade restrictions, even when these products are produced under qualitatively different SPS requirements. In practice, however, the right of the importing country to test imported products limits the right of equal treatment.
- **Assessment of risk and determination of the appropriate level of sanitary or phytosanitary protection.** Members are required to provide scientific evidence when applying SPS measures that differ from international

standards. This evidence should be based on risk assessment, taking into account, when possible and appropriate, risk assessment methodologies developed by the international standards organisations. Further, members are obliged to avoid arbitrary or unjustifiable distinctions in the levels of protection it considers to be appropriate if the distinctions would act to distort trade.

- ***Adaptation to regional conditions, including pest- or disease-free areas and areas of low pest or disease prevalence.*** The agreement recognises that SPS risks do not correspond to national boundaries; there may be areas within a particular country that have a lower risk than others. The Agreement, therefore, recognises that pest- or disease-free areas may exist, determined by factors such as geography, ecosystems, epidemiological surveillance, and the effectiveness of SPS controls.
- ***Transparency.*** The Agreement establishes procedures for enhanced transparency in the setting of SPS standards amongst members. Members are obliged to publish and notify the SPS Secretariat of all proposed and implemented SPS measures. This information is relayed via the “Notification Authority” within each member Government. Moreover, members are required to establish an “Enquiry Point,” which is the direct point of contact for any other member regarding any questions about SPS measures or relevant documents.
- ***Consultation and dispute settlement.*** The WTO Agreement establishes detailed and structured procedures for the settlement of disputes between members regarding the legitimacy of SPS measures that distort trade. This takes the form of a dispute settlement body consisting of member representatives.

#### **Box 1**

##### **Codex Alimentarius**

The Codex Alimentarius Commission was created in 1963 by FAO and WHO to develop food standards, guidelines and related texts such as codes of practice under the Joint FAO/WHO Food Standards Programme. The main purposes of this Programme are protecting health of the consumers and ensuring fair trade practices in the food trade, and promoting coordination of all food standards work undertaken by international governmental and non-governmental organisations. To this end the Codex Alimentarius Commission adopts standards for commodities, codes of practice and maximum limits for additives, contaminants, pesticides residues and veterinary drugs, which are prepared by specialised committees and task forces.

Given that Pakistan implements qualitatively or quantitatively lower SPS standards than developed countries, in principle the SPS Agreement should help to facilitate trade from Pakistan to developed countries by improving transparency, promoting harmonisation and preventing the implementation of SPS measures that cannot be justified scientifically. Much of this is dependent, however, on the ability of the government to participate effectively in the Agreement. The Agreement itself tries to facilitate this by acknowledging the special problems that Pakistan and many other developing countries face in complying with SPS measures and allowing for special and differential treatment.

**Box 2**

**International Office of Epizootics**

The International Office of Epizootics (OIE) is an intergovernmental organisation created by the International Agreement of 25 January 1924, signed by 28 countries. In December 2003, the OIE totaled 165 Member Countries.

**OIE Seeks to**

- (a) guarantee the transparency of animal disease status world-wide.
- (b) collect, analyse and disseminate veterinary scientific information.
- (c) provide expertise and promote international solidarity for the control of animal diseases.
- (d) Guarantee the sanitary safety of world trade by developing sanitary rules for international trade in animals and animal products.

**Major Objectives of OIE**

- (a) *To ensure transparency in the global animal disease and zoonosis situation.*
- (b) *To collect, analyse and disseminate scientific veterinary information.*
- (c) *To provide expertise and encourage international solidarity in the control of animal diseases.*
- (d) *Within its mandate under the WTO SPS Agreement, to safeguard world trade by publishing health standards for international trade in animals and animal products.*
- (e) *To improve the legal framework and resources of national Veterinary Services.*
- (f) *To provide a better guarantee of the safety of food of animal origin and to promote animal welfare through a science-based approach.*

**Box 3****International Plant Protection Convention (IPPC)**

The International Plant Protection Convention (IPPC) is an international treaty whose purpose is to secure a common and effective action to prevent the spread and introduction of pests of plants and plant products, and to promote appropriate measures for their control. The Convention extends to the protection of natural flora and plant products. It also includes both direct and indirect damage by pests, thus including weeds. The provisions extend to cover conveyances, containers, storage places, soil and other objects or material capable of harbouring plant pests. National Plant Protection Organisations (NPPOs) and Regional Plant Protection Organisations (RPPOs) work together to help contracting parties meet their IPPC obligations.

**III. KEY ISSUES ARISING FROM THE IMPLEMENTATION OF SPS**

No work has been undertaken to study the impact of Sanitary and Phytosanitary agreement of WTO on export of agricultural products from Pakistan. Few studies have however addressed the issue of SPS measures and developing country exports directly, although in most cases the related cost of compliance and impact of trade flows is not quantified. SPS measures are claimed to be an impediment to exports of, for example: fish, spices, livestock products and horticultural products. More theoretical work has demonstrated that developing countries find it difficult to trade with developed countries due to differences in quality equipments, which in turn reflect prevailing consumer demand or the nature of government regulation [Murphy and Shleifer (1997)].

An attempt was undertaken to quantify the costs of compliance with SPS measures in Bangladesh. It was found that the cost of upgrading sanitary conditions in the Bangladesh frozen shrimp industry to satisfy EU and US hygiene requirements amounted to \$ 17.6 million, mainly incurred for upgrading plants over the years 1997-98. This gave an average expenditure per plant of \$ 239,630. The natural industry cost required to maintain HACCP was estimated to be \$ 2.2 million per annum. Further, the Government of Bangladesh was estimated to have spent \$ 283,000 over this period and predicted an expenditure of \$ 225,000 per annum to maintain a HACCP monitoring programme [Cato (1998)].

**Box 4****Hazard Analysis and Critical Control Point (HACCP)**

Hazard Analysis and Critical Control Point (HACCP) is a system approach within the food industry or food chain to ensure product safety. HACCP involves a systematic study of food products and their ingredients, handling, storage, packaging and distribution and finally consumers' use. HACCP identifies specific hazards, and preventive measures that minimise risks through the identification of control points and establishment of measurable safe operating limits. It is solely a food safety programme, which consists of seven principles (activities) that specifically address three basic objectives viz. hazard assessment, risk management, and documentation control.

**Principles and Objectives of HACCP**

<b>Principles</b>	<b>Objectives</b>
1. Hazard analysis	Hazard Evaluation
2. To identify critical control point	Risk Management
3. To establish critical limits	
4. To establish monitoring indicators	
5. To establish corrective action	Documentation Control
6. To establish verification procedures	
7. To establish effective record keeping	

The degree to which SPS requirements impeded exports of agricultural and food products from African countries was assessed through a survey of Codex Alimentarius contact points. Of the countries that responded, 57 percent indicated that exported products were rejected following border inspection. The main reasons were microbiological/spoilage or contamination. Although all these countries inspected food products prior to export, most considered that financial constraints limited the effectiveness of these procedures and that, in particular, available testing and inspection facilities were inadequate [Mutasa and Nyamandi (1998)].

The cost of SPS-related projects supported by the World Bank was examined as an indicator of the resources required for the development of SPS controls, both domestically and related to trade, in many developing countries. For example, the cost of achieving disease- and pest-free status to enable Argentina to export meat, fruits and vegetables was reported to have been \$ 82.7 million over the period 1991-96. Similarly, the cost of upgrading hygiene standards in slaughterhouses in Hungary over 1985-91 was estimated to be \$ 41.2 million [Finger and Schuler (1999)].

Sri Lanka faced SPS related quality problems in its produce, particularly spices in terms of presence of mould, high moisture level and aflatoxin. The quality related problems were mainly due to cultural practices and technological limitations. The estimated average volume loss was about 5,500 metric tons during 1999-2000 and the estimated value of foreign exchange loss due to non-compliance was reported to be US\$ 2.9 million per year. The net loss of employment was 2,400 persons every year as a consequence of the loss of export volume. Further, the cost of compliance with quality requirements in terms of providing training to 70,000 traders was about US\$ 1.954 million [Hearth (2001)].

A broader indication of the impact of SPS requirements on developing country exports of agricultural and food products are provided by data on rejections following border inspection in developed countries. At the current time, these data are only systematically collected and publicly available for the United States. Over the period June 1996 to June 1997, there were significant rejections of imports from Africa, Asia and Latin America and the Caribbean due to microbiological contamination, filth and decomposition. The cost of rejection at the border was also considerable, including loss of product value, transport and other export costs, and product re-export or destruction [FAO (1999)]. This indicates considerable problems that developing countries have in meeting basic food hygiene requirements (see Table 1).

Table 1

*Import Detentions by the US Food and Drugs Administration: Number of Detentions, Total Value of Imports\* and Import Value per Detention of Fish Products, Fruit, and Vegetable Imports, May 2001-April 2002*

Sr. No.	Countries	Detentions		Realised Imports		Import Value per Detention (\$ '000')
		Number	%	Value, (\$ Million)	%	
1.	Developing Countries	6660	78.4	10222	70.5	1535
1.1	Low Income Countries (Excluding Honduras)**	763 (722)	9.0 (8.5)	1173 (832)	8.1 (5.7)	1537 (1152)
1.2	Middle Income Countries	3232	38.0	4623	31.9	1430
1.3	Upper-middle Income Countries	2665	31.4	4427	30.5	1661
2.	High Income Countries	1835	21.6	4281	29.5	2333
3.	All Countries	8495	100	14503	100	1707

Source: Authukorala, and Jayasuriya (2003).

\* Countries are classified using the World Bank's income-based classification system.

\*\* The Honduras seems to experience a relatively low detention rate because its major export product, banana, is less susceptible to SPS violations as compared to other food items covered in this tabulation.

There is strong need for application of Sanitary and Phytosanitary measures that include enforcement of laws which protect human, animal or plant life and health based on scientific evidence, environmental considerations and use of child labour in the production process for enhancing export of agricultural products from Pakistan. Appropriate measures are required for curtailing illicit trade practices and ensuring quality of exports in terms of purity of the product, environmental considerations and labour standards in order to comply with emerging requirements of WTO satisfactorily.

#### IV. PARTICIPATION IN THE SPS AGREEMENT

Although the majority of low and lower middle-income countries are members of the WTO, the rate of membership (62 percent) was found significantly lower than amongst upper middle or high income countries (83 percent and 92 percent respectively). Likewise the majority of low and lower middle income countries were reported to be the members of the three major international standards organisations, Codex Alimentarius, OIE and IPPC, although less than 30 percent were reported as members of WTO and all three of these organisations (see Table 2).

Table 2

*Membership of WTO and International Standards Organisations,  
by Income Group, June 1999*

Income Group	Total	Codex				All
	Countries	WTO	OIE	IPPC	Alimentarius	
Low	60	40	52	26	51	19
Lower Middle	60	34	40	35	49	20
Upper Middle	29	24	25	23	31	17
High	38	35	33	25	32	26
Total	187	133	150	109	163	75
Least Developed	29	29	21	11	25	9

*Source:* WTO (1999).

The SPS Agreement lays down certain requirements that aim to ensure transparency in the implementation of SPS measures in member countries. Members are required to establish specific contact points to facilitate communication regarding SPS measures. This involves firstly, a single national 'enquiry point', which is responsible for responding to queries from a single national 'notification authority', which is responsible for all procedures associated with notification of new or amended SPS measures. It was reported that only 65 percent of low and lower middle income countries had specified an 'enquiry' point and only 59 percent had specified a national 'notification authority' until June 1999. These proportions included 29 least developed countries, which were not required to comply until 2000.



Given the fundamental importance of the transparency conditions to the working of the SPS Agreement, this indicates an important weakness in the participation of developing countries in the SPS agreement (see Table 3).

Table 3

*Notification of SPS Measures by WTO Member States\*—August 1999<sup>a</sup>*

Income Group	Number of Members	National Notification Authority	Enquiry Point	Number of Members Notifying Standards	Number of Measures Notified
Low	40	15	18	9	19
Lower Middle	34	29	30	16	201
Upper Middle	24	20	21	14	374
High	35	32	33	28	1708
Total	133	96	102	67	2302
<b>Least Developed</b>	<b>29</b>	<b>6</b>	<b>58</b>	<b>4</b>	<b>8</b>

Source: WTO (1998); WTO (2003).

\* WTO secretariat contains a list of names, addresses, telephone and telefax number of the 'Enquiry points' foreseen in Paragraph 3 of Annex B of the SPS Agreement, and any additional information provided by delegations concerning its operation, as submitted to the Secretariat. Members able to provide an electronic (E-mail) address as well are requested to communicate these to the Secretariat ([Gretchen.Stanton@wto.org](mailto:Gretchen.Stanton@wto.org)). Pakistan has provided the 'committee on Sanitary and Phytosanitary Measures of WTO' that any information about 'National Enquiry Points' be referred to "Adviser and Director General, Department of Plant Protection, Jinnah Avenue, Malir Halt, Karachi. Telephone :+(9221) 921 8607/921 86 12/15, Telefax: +(9221) 921 86 73".

<sup>a</sup> Based on published World Trade Organisation documentation. Income groups defined by World Bank.

The most significant constraint of Pakistan on effective participation in the SPS Agreement is judged to be its insufficient ability to assess the implications of developed country SPS requirements following notification. Insufficient ability to participate effectively in the dispute settlement procedures and to demonstrate that domestic SPS measures are equivalent to developed country requirements are considered as major constraints. These constraints clearly relate to the level of access to scientific and legal expertise, which is an important problem for Pakistan, reflecting to a large extent its limited financial resources (see Table 4).

Table 4

*Factors Influencing Ability of Pakistan to Participate  
Effectively in SPS Agreement*

Constraints
<p><b>Insufficient Ability to:</b></p> <ul style="list-style-type: none"> <li>(i) Assess implications of developed country SPS requirements following notification.</li> <li>(ii) Participate effectively in dispute settlement procedures.</li> <li>(iii) Demonstrate that domestic SPS measures are equivalent to developed country requirements.</li> <li>(iv) Undertake risk assessment of SPS requirements.</li> <li>(v) Attend SPS Committee and international standards organisation meetings.</li> <li>(vi) Assess the scientific justification of developed country SPS requirements.</li> </ul>

*Source:* WTO (2003).

## V. CONCERNS RELATING TO THE IMPLEMENTATION OF THE SPS AGREEMENT IN PAKISTAN

It is evident that Pakistan is constrained in its ability to export agricultural and food products to developed countries under SPS requirements. Indeed, Pakistan considers SPS requirements to be one of the greatest impediments to trade in agricultural and food products, to the developed countries. This reflects the fact that developed countries typically apply stricter SPS measures than developing countries and that SPS controls in Pakistan are weak and overly fragmented. Furthermore, in certain circumstances SPS requirements are incompatible with prevailing systems of production and marketing in Pakistan. As such, large-scale structural and organisational changes are required to comply with SPS requirements.

The problems Pakistan has in complying with SPS requirements reflect its wider resource and infrastructure constraints that limit not only its ability to comply with SPS requirements, but also its ability to demonstrate compliance. A particularly acute problem is access to appropriate scientific and technical expertise. Indeed, in Pakistan knowledge of SPS issues is poor, both within government and the food supply chain, and the skills required to assess SPS measures applied by developed countries are lacking [WTO (2003)].

The importing countries judge the merit and integrity of Pakistan and other exporting countries by the consistency of acceptable product quality and the authenticity of certifications in line of their compliance with the mandatory import quality requirements. Food control agencies of food importing countries maintain risk lists of exporting countries depending upon their reputation and compliance with the mandatory import requirements and certification credibility. Products from listed countries are sometimes automatically detained or strictly scrutinised with accompanying costs.

The major defects causing detention and rejection of food consignments mainly comprise of filth contamination, microbiological contamination and incorrect food labelling in international trade (see Table 5).

Table 5

*Detention of Imports of by the USFDA: Percentage Distribution of Shipments of Fish Products, Fruit, and Vegetables Detained during May 2001-April 2002(%)*

Product/Cause of Detention	All Countries	Developed Countries	Developing Countries
Unsafe Additive	1.8	0.6	2.0
Poisonous and Deleterious Matter	12.2	8.5	12.8
Contaminations	17.3	1.4	20.1
Insanitariness	25.0	13.6	27.0
Acidification	11.2	22.2	9.3
Under-processed	1.8	0.5	2.0
Inadequate Information	12.2	35.5	8.1
Deficiency Labelling	11.7	13.3	11.4
Other	6.9	4.4	7.3
Total	100	100	100

*Source:* Authukorala and Jayasuriya (2003).

According to the USFDA (1996-97) the Asian food consignments were detained because of violation on filth contamination (35.2 percent), followed by microbiological contamination (15.5 percent), low acid canned foods (14.3 percent) and decomposition (11.5 percent) (see Tables 6).

The difficulties in exporting under increasingly strict SPS measures are manifold and particularly acute for Pakistan. Food safety measures are not well structured to cope with growing demand of sophistication in managing risks of food. Pure Food Ordinance (1960) and Pure Food Rules (1965) form the legislative framework of food safety in Pakistan. The rules give authority to provincial governments to appoint public analysts for the investigation of quality and safety of food. As such, there is no federal structure of food safety programme in Pakistan.

Table 6

*Number of Contraventions Cited for US Food Administration  
Import Detentions, June 1996-June 1997*

Reason for Contravention	Latin America and the Caribbean				Total
	Africa	Caribbean	Europe	Asia	
Food Additives	2 (0.7%)	57 (1.5%)	69 (5.8%)	426 (7.4%)	554 (5.0%)
Pesticide	0 (0.0%)	821 (21.1%)	20 (1.7%)	23 (0.4%)	864 (7.7%)
Residues	1 (0.3%)	426 (10.9%)	26 (2.2%)	84 (1.5%)	537 (4.8%)
Heavy Metals	19 (6.3%)	475 (12.2%)	27 (2.3%)	49 (0.8%)	570 (5.1%)
Mould	125 (41.3%)	246 (6.3%)	159 (13.4%)	895 (15.5%)	1425 (12.8%)
Microbiological Contamination	9 (3.0%)	206 (5.3%)	7 (0.6%)	668 (11.5%)	890 (8.0%)
Decomposition	54 (17.8%)	1253 (32.2%)	175 (14.8%)	2037 (35.2%)	3519 (31.5%)
Filth	4 (1.3%)	142 (3.6%)	425 (35.9%)	829 (14.3%)	1400 (12.5%)
Low Acid Canned Foods	38 (12.5%)	201 (5.2%)	237 (20.0%)	622 (10.8%)	1098 (9.8%)
Labelling	51 (16.8%)	68 (1.7%)	39 (3.3%)	151 (2.6%)	309 (2.8%)
Other	303 (100%)	3895 (100%)	1184 (100%)	5784 (100%)	11166 (100%)

Source: FAO (1999).

The Pure Food Rules in Pakistan are enforced through health service delivery channels of the provincial governments. The District Health Officer and Deputy Health Officer function as food inspector for sampling and inspection. On the other hand, the Municipality Corporation may also appoint food inspectors and sanitary inspectors for sampling purposes. Any other public servant can also be appointed as inspector and can execute the power of food inspector. The existing food regulations and food safety procedures in Pakistan do not cope with the emerging requirements of Sanitary and Phytosanitary agreement.

The Pakistan Standards and Quality Control Authority (PSQCA), with its Food and Agriculture Division develops standards for foods and food products. The PSQCA standards are voluntary standards and these indirectly complement the implementation of Pure Food Ordinance, which is mandatory regulatory framework for the entire country. Common food products like edible oils, biscuits, grapes, and

bananas are enforced through Pure Food Ordinance (1960). Standards for other food product such as banaspati ghee, cottonseed oil, refined soybean oil, biscuits, margarine and cooking oils are also enforced through Pure Food Ordinances. Federal Ministry of Health monitors the quality on import and export of food products. The Agriculture Produce (Grading and Marking) Act, 1973 is implemented by the Ministry of Agriculture. Some food products like marine products, oil cake, dry whole chillies, onions, potatoes, citrus fruits, mangoes and eggs are under mandatory certification scheme of national grade standard system. Despite such measures, a lot needs to be done at the governmental level to cope with the Sanitary and Phytosanitary challenges [Chaudhry (2000)].

#### **Box 5**

##### **Pakistan Standards and Quality Control Authority (PSQCA)**

To provide one-window services for standardisation and quality control, Government of Pakistan established Pakistan Standards and Quality Control Authority (PSQCA) by Act-VI of 1996. Three organisations namely Pakistan Standards Institution (PSI), Central Testing Laboratories (CTL) and Metal Industry Research and Development Centre (MIRDC) have been merged into PSQCA. The Authority works through three centres namely, Standards Development Centre (SDC), Quality Control Centre (QCC) and Technical Services Centre (TSC). PSQCA is a member of International Organisation for Standardisation (ISO), International Electrochemical Commission (IEC) and International Organisation for Legal Metrology (IOLM).

##### **Objectives and Functions of PSQCA**

- (a) Setting up of Standards on quality and dimensions, preparation and promotion of general adoption of Pakistan Standard Specifications, operation of Certificate Marks System and coordination of the efforts of producers and users for the improvement of standardisation and to provide assistance in the manufacture of quality products.
- (b) Testing and assessment of industrial raw materials and finished products to establish their quality, grade and composition with reference to national and international standard specifications of quality in various fields like chemical, chemical products and formulations, textile, food items etc.
- (c) Coordination and cooperation with other national, regional and international organisations, associations, societies, institutes or councils and dissemination of technical information through seminars, workshops, symposia, print and electronic media and to develop a quality conscious culture in Pakistan.

Pakistan National Accreditation Council (PNAC) has been established as an autonomous body under the administrative control of the Ministry of Science and Technology to regulate the Accreditation and Registration System in the country. The PNAC is a national body assigned to assess, qualify and supervise certification agencies, laboratories, training course providers and personnel in the relevant fields. The PNAC is member of the International Accreditation Forum (IAF) and International Laboratory Accreditation Council (ILAC)—the apex international agencies in relevant fields, and also acts as focal point for co-ordination with relevant international, regional and national organisations. This ensures that all ISO certification in Pakistan have international recognition and thus saves cost and time spent by local companies on testing and inspection by the buyers.

**Box 6****Pakistan National Accreditation Council (PNAC)**

An autonomous organisation under the administrative control of Ministry of Science and Technology, is striving to promote conformity with the international practices of certification, testing, calibration and inspection that will facilitate exports and global trade, resulting in prosperity and harmony with other nations.

**Services Offered by PNAC**

- (a) Accreditation of Conformity Assessment Bodies (CABs) according to ISO Guide 62 for QMS Certification.
- (b) Accreditation of CABs according to ISO Guide 66 for EMS Certification.
- (c) Accreditation of Testing and Calibration Laboratories according to ISO—17025.
- (d) Registration of Auditors, Training Courses and Training Course providers in the relevant fields.
- (e) Promotion of quality improvement practices in the country.

**Benefits of Accreditation with PNAC**

- (a) Build confidence of consumers in a product or service certified by an accredited CAB.
- (b) Build confidence of exporters that whatever they export conforms to international requirements.
- (c) Facilitate the regulators in maintaining security, health, safety, environment and other such requirements.
- (d) Enhance credibility of the companies and enterprises certified by accredited CAB.
- (e) Promote quality culture that provides opportunities for business and export.

Pakistan is aware of the SPS Agreement, supports its overall objectives, and acknowledges that there are longer-term benefits provided the Agreement is implemented in an appropriate manner. However, Pakistan has concerns about the manner in which the SPS Agreement has been implemented to-date. Particular concerns are: developed countries take insufficient account of its needs when setting SPS requirements; insufficient time is allowed between notification and implementation of SPS requirements; and insufficient technical assistance is provided to Pakistan by developed countries (see Table 7).

Table 7

*Problems in Meeting the SPS Requirements in Exporting  
Agricultural and Food Products from Pakistan*

Problems
1. Insufficient access to scientific/technical expertise.
2. Incompatibility of SPS requirements with domestic production/marketing channels.
3. Poor access to financial resources.
4. Insufficient time permitted for compliance.
5. Limitations in administrative arrangements for SPS requirements.
6. Poor awareness of SPS requirements amongst government officials.
7. Poor awareness of SPS requirements within agriculture and food industry.
8. Poor access to information on SPS requirements.

*Source:* WTO (2003).

To date, Pakistan has not actively participated in the SPS Agreement. Indeed, Pakistan is not fairly represented at SPS Committee meetings or meetings of the international standards organisations and, as a result, may fail to utilise the provisions and mechanisms laid down by the Agreement to its advantage. Key problems of Pakistan in this regard are: insufficient ability to assess the implications of developed country SPS requirements following notifications; insufficient ability to participate effectively in dispute settlement procedures, and insufficient ability to demonstrate that domestic SPS measures are equivalent to developed country requirements (see Table 8).

Table 8

*SPS Measures-concerns of Pakistan*

Main Concerns
1. Developed countries take insufficient account of the needs of Pakistan in setting SPS requirements.
2. Insufficient time is allowed between notification and implementation of SPS requirements.
3. Insufficient technical assistance given by developed countries.
4. Developed countries unwilling to accept Pakistan's SPS measures as equivalent.
5. Harmonisation process takes insufficient account of needs of the country.
6. Insufficient information given with notifications of SPS requirements.
7. Developed countries unwilling to engage in bilateral negotiations with Pakistan and other developing countries.

*Source:* WTO (2003).

Pakistan may face difficulties in meeting the costs involved in exporting agricultural products under the Sanitary and Phytosanitary Agreement. The costs involve both the production costs of respecting the SPS requirements and the conformity costs of making sure they are respected. When SPS requirements increase production costs do too as new inputs may be required or technologies change. The conformity costs include the costs of certification and control. It may be argued that the costs of respecting SPS measures will be higher in Pakistan than in developed countries. Access to technical know-how is more restricted and the private service sector and the public sector that certifies and controls conformity are also not well developed. The establishment of international disciplines as to apply SPS measures is therefore potentially very important for Pakistan [Karki (2002)].

## VI. WIDER IMPLICATIONS OF THE SPS MEASURES FOR PAKISTAN

### (a) Economic Dependency

SPS measures can effectively force exporters in Pakistan and various institutions that represent them, into very specific production and trading methods. To service export trade, firms in Pakistan will have to implement specific systems (such as HACCP), or sign up to particular quality assurance schemes that would add significantly to their costs. In the extreme, such requirements may tie exporters in Pakistan to a particular trade. These arrangements may be attractive and lucrative in the short term, but mean that exporters will have to invest relatively heavily in staff, equipment and trading relations, which will add to their total costs and represent a



potential burden in the medium to long-term, for example if the trade is halted for any reason.

This potentially beneficial improvement in quality management may further cause problems for Pakistan if the export market is closed for any particular reason (such as the loss of a contract or reduction in demand), and traders may be compelled to revert to local markets or nearby export opportunities. The alternative markets available to Pakistan are however of relatively lower value, and may not cover the extra fixed costs that may have been put into servicing the higher value developed country export trade.

### **(b) Quality of Products in the Domestic Market**

The issue of product quality in the domestic market has an important bearing on its export to developed country markets. There are several examples of products that do not meet the required SPS standards for exports, being sold in local markets. Given the circumstances of rejection of products from the export trade, this might seriously threaten the welfare of local consumers. Naturally this will depend on how local SPS standards are applied, but there are widespread complaints of products with high levels of contamination appearing on local markets in Pakistan.

The export business may even detract products from the local markets. As such, local consumer welfare in the country may be compromised by either the non-availability of the product, or its limited availability at high price. This is obviously a dualistic problem. On the one hand, consumer welfare may be lowered by non-availability of the traditional product, whilst on the other it may be augmented by financial benefits to exporters.

### **(c) Enhanced Export Potential**

Once exporters from Pakistan have met SPS standards as applied by other countries, it may be possible for them to widen their export base, and supply to a range of different markets. As noted earlier, a number of developed countries have relatively higher SPS standards and as a result, higher export potential (see Table 9). Exacting SPS requirements will actually benefit exporters in Pakistan and offer them an important source of competitive advantage. Associated with this they can also exploit the fact that their products (for example rice and fruits), are by definition organic. If this is coupled with rigid SPS standards and reliable conformity assessment procedures, traders in Pakistan can benefit by serving growing market segments in developed country markets. Extensive production methods may also appeal to an increasingly environmentally aware world market provided such claims are associated with high quality standards.

Table 9

*World Merchandise Exports, 1970–1999 (Selected Years)*

Exports	Year	Developed Countries	Developing Countries	Total
(a) Total Exports (\$ Million)	1970	218.9	38.6	257.5
	1980	1208.2	241.8	14.50
	1990	2360.5	539.2	2899.7
	1995	3305.6	1054.3	4359.9
	1999	3564.0	1244.2	4808.2
(b) Agro-food Products Including Food Processing (\$ Million)	1970	37.5	20.9	58.4
	1980	187.4	87.2	274.6
	1990	286.3	108	394.3
	1995	383.5	166.2	549.7
	1999	349.2	156.4	505.6
(c) Processed Foods (\$ Million)	1970	16.9	6.7	23.6
	1980	88.2	34.3	122.5
	1990	155.5	51.1	206.6
	1995	220.4	85	305.4
	1999	212.6	81.8	294.4
<b>Selected Indicators of Export Composition (%)</b>				
(a) Share of Processed Food in Total Export	1970	7.6	11.9	8.5
	1980	7.1	5.9	6.6
	1990	6.4	7	6.5
	1995	6.5	6.9	6.6
	1999	5.8	5.6	5.8
(b) Share of Processed Food in Agro-Food Products (including Processed Food)	1970	29.1	23.8	27.4
	1980	47.1	39.4	44.6
	1990	54.3	47.3	52.4
	1995	57.5	51.2	55.6
	1999	60.9	52.3	58.2

Source: Authukorala and Jayasuriya (2003).

## VII. CONCLUSION AND RECOMMENDATIONS

Pakistan is experiencing difficulties in meeting the SPS requirements of developed countries and concerns are expressed about the way in which the SPS Agreement has been implemented to-date. What Pakistan needs to do is to harmonise the quality of its products to internationally accepted standards. Information

dissemination to farmers on higher standards should be promoted, financial assistance extended and training imparted to them on methods of attaining these standards. There is dire need to arrange conferences, seminars and talks on electronic and print media to educate the scientists, policy-makers, farmers and other stakeholders about various aspects of WTO.

Amongst South Asian Countries, Pakistan has a very narrow base of agricultural exports, which are directed largely to South East Asia and the Middle East (see Table 10).

Table 10

*Processed Food Exports and Growth Rate of Exports, by Category, from South Asia*

Country	Processed Food				Annual Compound Growth (1980-99)			
	1980 Mil \$	%	1999 Mil \$	%	Processed Food	Primary Products	Agricultural Products	Manufact- uring
Bangladesh	46	0.2	350	0.6	15.1	0.3	6.7	11.7
India	768	3.9	2376	4.4	8.4	6.5	7.3	11.3
Pakistan	102	0.5	3.5	0.6	6.9	3.1	3.7	9.4
Sri Lanka	23	0.1	142	0.3	6.5	3.9	3.9	17.7

Source: Authukorala and Jayasuriya (2003).

Agricultural and food products, on an average, accounted for around 88 percent of total exports in 1990s. Major agricultural products exported from Pakistan during 1990s in order of their importance comprised of cotton, textiles and products (60.3 percent), leather and made-ups (7.9 percent), rice (5.7 percent), sports goods (4.4 percent) and others (16.5 percent). The opening of rice markets in Indonesia, Japan, and Korea may further create a major gain for Pakistan. Nevertheless, this region promises huge potential market of fruits and vegetables for Pakistan. Gaining market access in the developed countries is rather difficult because Pakistan must comply with high quality standards. As such, Pakistan has to do many things, particularly in the areas of quality, packaging and promotion for acquiring reasonable share of the markets in developed countries.

Considerable expansion in agricultural output and trade may however be anticipated with full and uniform implementation of WTO negotiations. An FAO study has shown empirically that Pakistan will benefit more than any other developing country under full reform conditions. The study estimated that the growth rate of wheat production will be five percentage points higher under the WTO scenario amidst above average annual increases of other crops. It was shown that this increase would be synonymous with yield increase without significant change in area harvested and attributable to favourable trends in wheat prices as a result of withdrawal of negative rates of protection to agriculture. Notwithstanding good prospects of export of wheat, many other agricultural products from Pakistan are however being restricted on the pretext of health and hygiene, due mainly to alleged

excessive use of pesticides [FAO (1999)]. As such, there is need to improve efficiency of input delivery system particularly at the grass root levels for getting higher production of various products. Black-marketing, under bagging and sale of substandard fertilisers, pesticides and seeds should be eradicated through appropriate measures.

Investment in agriculture has been declining for quite some years in the country. In the context of international trade, there is an added urgency to reverse this trend and increase investment in research, integrated market development, storage and warehousing facilities, means of communications for efficient and quicker transport and development of scientific systems of standard setting and grading. Further, up-to-date information on domestic and international prices and demand should be made available to farmers through the print and electronic media.

A number of initiatives are required to address the problems faced by Pakistan in exporting agricultural and food products to developed countries due to SPS requirements. Efforts are required to enhance the capability of Pakistan to comply with the SPS requirements of developed countries. These might include initiatives to improve access to scientific and technical expertise and the development of domestic SPS control systems that are effective and appropriate to local circumstances. Effectively targeted and appropriate technical assistance and greater regional co-operation between Pakistan and other developing countries in South Asia should be accorded priority in these initiatives (see Table 11).

Table 11

*Steps Needed to Meet the SPS Challenges*

Proposed Measures
1. Improvement in the production methods, grain growing and harvesting techniques, livestock feeding, slaughtering and milking technique.
2. Improvement in the transportation and storage methods, transportation time, artisanal technique and sanitation of storage facilities.
3. Access to compliance resources, assistance by technical experts, information resources and laboratory and quarantine stations.
4. Access to international negotiations, establishment of inquiry points and contact points in WTO to promote participation of Pakistan in multilateral negotiations.
5. Balanced development of centralised quality control system and competitive market system for export.

### Specific Recommendations

1. A review of different types of measures that can be applied to address particular SPS problems and their relative impact on agricultural and food exports from Pakistan should be undertaken. This needs to be performed in collaboration with agencies responsible for the promulgation and enforcement of SPS measures at both the national and international levels.
2. A review should be undertaken of the notification procedures of the developed countries and mechanisms identified through which needs of Pakistan can be better addressed.
3. A study of different options for facilitating participation of Pakistan in the SPS Committee, Codex Alimentarius, OIE and IPPC should be undertaken. This needs to be performed in collaboration with the WTO and international standards organisations and should feed into the on-going review of participation in organisations such as Codex Alimentarius.
4. A review of the constraints that limit level of co-operation on SPS matters amongst Pakistan and other developing countries and identification of the mechanisms through which these constraints can be alleviated should be undertaken. This should be performed in collaboration with other countries and/or inter-governmental agencies.
5. Further research on impact of SPS measures on export of agricultural products from Pakistan, should be undertaken to generate a more rigorous and, preferably, quantified assessment.

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