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Combed Cotton Yarn Exports of Pakistan to the US: A Dispute Settlement Case

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I. Introduction

On December 24, 1998 the Government of Pakistan (GOP) received a Call Notice from the US Government for consultation regarding the establishment of quantitative restraints on Pakistani exports of Combed Cotton Yarn (Category 301). The basis of this was an allegation on the part of the US that the exports of Pakistan were causing verifiable harm to the US textile sector. The legal grounds employed by the US were the Transitional Safeguard Measures sanctioned under Article 6 of the Agreement on Textiles and Clothing of the WTO.¹ This was the first time in the trade history of Pakistan that a case went through all the stages of the WTO dispute settlement mechanism.² After the failure of bilateral consultations, the first stage of the case, Pakistan had to refer its case to the Textile Monitoring Board (TMB) and finally to the Dispute Settlement Board (DSB) of the WTO.

Although the eventual outcome was in Pakistan's favour, the pursuit of a positive decision was a challenging task manifested by an array of problems relating to coordination and cooperation between the public and private sector. The objective of this case study therefore, is not just to narrate the events which transpired in this case. It also highlights the various obstacles faced by the government and business players in contesting the case at each stage of the dispute settlement process. This is done to underline the lessons that Pakistan drew about both, its trade policy administration, and about the role and value of the WTO in management of an important dispute.

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¹These safeguard measures allow the establishment of quota restraints by a member country if it is 'able to demonstrate that a particular product is being imported into its territory in such increased quantities as to cause serious damage or actual threat to its domestic industry producing like and/or directly competitive products.' http://www.wto.org/English/res_e/booksp_e/analytic_index_e/textiles_02_e.htm

²The first time the US tried to impose transitional safeguard measures on Pakistani exports was in 1996. It was on the same variety of combed cotton yarn. However Pakistan was successfully able to defend its case at the bilateral negotiation stage and the US chose not to impose the quota restraints.

2. The Problem in Context

Since 1995, there has been a worldwide increase in textile trade primarily due to the phasing out of the Multi-Fibre Agreement (MFA) and the introduction of the Agreement on Textiles and Clothing (ATC) under the WTO. Under the new regime, previously high quota restraints on textile and clothing exports of developing countries were to be gradually reduced to bring this sector in compliance with WTO rules. The textile sector of Pakistan responded positively to the general reduction in quotas by the developed world. Existing manufacturers embarked on an expansion strategy by investing in the enhancement of their production capacity. At the same time, new manufacturers entered the industry increasing total production and volume of exports.³ Consequently in that period Pakistan became the second largest exporter of combed cotton yarn to the US, inadvertently, giving cause to the US to employ transitional safeguard measures sanctioned by the ATC.

The importance of the textile sector to the Pakistan economy cannot be overstated. The textile industry is often referred to as the backbone of the Pakistan economy. It is the country's largest manufacturing sector with a share of 8.5% in the nation's GDP. The sector's contribution to employment is 38% and it generates a phenomenal 60% of the total export earnings of Pakistan.⁴

Within the textile sector those directly affected by these quota restrictions were the exporters and manufacturers of combed cotton yarn. These restrictions not only threatened their individual and Pakistan's economic well being, but also significantly increased the skepticism of local business and government towards the West's commitment to free trade. As this was the second time the US had employed transitional safeguard measures, the general feeling among business players in the post - MFA era, was that the US government was using this as an alternative policy instrument to protect its own textile manufacturers, putting at stake the viability of the Pakistan textile industry. An exporter sums up prevailing views of business players regarding quota restraints in the following comment:

“On one hand, the West has been strongly advocating a free global market but on the other, they are imposing such restrictions which themselves negate their actions and deeds.”⁵

³ Information provided by Mr. Anis-ul-Haq, Secretary All Pakistan Textile Mills Association (APTMA).

⁴ Government of Pakistan, *Economic Survey 1998-99*, Finance Division, Economic Adviser's Wing, Islamabad. (Dates relevant to the period of the case).

⁵ *Pakistan & Gulf Economist*, August 15, 1999.

Moreover, the type of role played by the dispute settlement mechanism of the WTO was of paramount importance. Notwithstanding the fact, that in 1996 Pakistan was able to deter the US from employing the safeguard measures at the bilateral negotiations stage, there was still skepticism amongst the local business players about the WTO. The primary reason for this was paucity of information within the private sector about the workings and the objectives of the WTO and a generally held notion of it being more of a representative of western trade interests. This was an occasion, which could instill credibility of the organization locally by relieving the prevalent doubts about its effectiveness in maintaining the principles of free and fair trade between unequal partners.

Besides the direct economic benefits of lifting quota restraints, the importance of this case also hinged on the legal precedent which it could potentially establish. In the words of Akbar Sheikh, a local consultant representing the Government of Pakistan at various stages of the case:

“The legal grounds on which the quota restrictions were imposed by the US had to be challenged as these could have led to the establishment of a precedent causing long-term problems not only for Pakistan but for the rest of the developing world in future dispute settlement cases within this sector.”⁶

Therefore, the role of local players involved in effectively managing the case at various stages of the dispute settlement mechanism of the WTO was crucial. The significance of a positive outcome stemmed from both - restoration of local business’s confidence in the new global trading environment and in effecting future trade policies of larger countries such as the US.

3. The Local and External Players and their Roles

3.1 APTMA - All Pakistan Textile Mills Association

The business/industry players, both exporters and manufacturers, were represented by the All Pakistan Textile Mills Association (APTMA). This is a broadly-based body, whose members come from all categories and types of textile and clothing manufacturers and traders. In 1998, when quota restraints were imposed by the US, the association had a Standing Committee on Anti-Dumping and WTO Affairs.

⁶The definition of domestic industry employed by the US in the case was challenged by Pakistan. This according to Akbar Sheikh was the crucial legal definitional issue on which the entire case of the US rested. For details see the Report of the Appellate Body, WTO. WT/DS192/AB/R. 8th Oct. 2001.

The objective of this committee was initially, to coordinate with the Ministry of Commerce in identification and hiring of appropriate consultants and lawyers to represent Pakistan in bilateral negotiations with the US and later in dispute settlement stages of the WTO.

Secondly, in order to facilitate the preparation and proceedings of the case, the committee and hence APTMA had to act as a liaison between the Government of Pakistan and the business players. This was done by providing trade and industry information to local and international consultants representing the Government of Pakistan. Also, the committee had to keep the members of APTMA informed about any developments in the case.

Finally, APTMA in consultation with its members and the Ministry of Commerce had to formulate an agreeable mechanism for the payment of high legal fees involved in this case.

3.2 The Ministry of Commerce, Pakistan

The Ministry of Commerce being the relevant ministerial arm of the GOP was directly involved in all the stages of the case, bilateral negotiations with the US, the TMB review and finally at the DSB. Within the Ministry of Commerce, the Export Promotion Bureau (EPB) had to coordinate with APTMA, regarding payment of legal costs incurred during the case.

At that time, there was no effective institutional framework within the Ministry of Commerce, which could deal with WTO-related dispute settlement cases. Due to the lack of internal expertise, the Ministry had engaged the services of a local consultant, Mr. Akbar Sheikh. He acted as a representative of the government at the WTO along with Mr. Nasim Qureshi, Joint Secretary, Ministry of Commerce.

The basis of Mr. Akbar Sheikh's selection was his past experience at the level of bilateral negotiations and an in-depth knowledge of the textile sector of Pakistan. The role of Akbar Sheikh was to build the defense case for Pakistan along with the international consultants and lawyers and present it effectively at both the TMB review and the DSB stage. For this purpose, he had to work closely with both the Ministry of Commerce (Mr. Nasim Qureshi) and APTMA.

3.3 The International Lawyers and Consultants

The lack of local expertise in international trade law and WTO-related issues had led Pakistan to hire the services of international consultants and lawyers in previous dispute settlement cases. In the 1996 combed cotton yarn case, APTMA and the GOP had hired

the services of International Development Systems (IDS), a Washington-based consultancy firm. IDS had successfully defended Pakistan's case during the bilateral negotiations with the US. Hence in 1998, when the US issued the call notice for the second time, APTMA in consultation with the GOP, engaged IDS again. The consultant from IDS was Brenda Jacobs at both the bilateral negotiations with the US and at the TMB review. Along with IDS, another Washington-based law firm, Travis, Sandler and Rosenberg was engaged for the TMB review.

However, once the case reached the final DSB stage, the Ministry of Commerce decided to engage the services of lawyers based in Geneva, where the dispute settlement proceedings of the WTO are held.

4. Challenges Faced and the Outcome

4.1 The TMB Review: At the Proceedings

After the failure of bilateral negotiations between Pakistan and the US, on March 5, 1999, the US notified the Textile Monitoring Body (TMB) pursuant to Article 6 of ATC that it had decided to impose quota restraints for three years. This measure came into effect from March 17, 1999. The matter was taken up at the 54th meeting of the TMB held in April 1999. Pakistan was represented by Mr. Akbar Sheikh, Brenda Jacobs of IDS and, Travis, Sandler and Rosenberg.

This was apparently one of the longest cases at the TMB, lasting for around 6 days. As mentioned earlier, this was the first time Pakistan had gone to the TMB review, hence there was a certain degree of anxiety about the nature and result of the proceedings to follow. According to Mr. Akbar Sheikh, the US team owing to their numbers initially looked quite formidable. There were US government functionaries, textile experts and trade lawyers and consultants present during the review. Moreover, the importance the US was giving to this case was evident from the fact that the US Chief Textile Negotiator, Ambassador Don Johnson, who is normally not required to attend such meetings, was present even during the extended time of the sessions. The case was strongly contested by both sides as it was clearly regarded as precedent establishing.⁷

⁷ Correspondence between Mr. Akbar Sheikh and APTMA. 16th April 1999. (2nd Call Notice CAT-301 Combed Cotton Yarn, APTMA Files).

The questions and discussions were found to be fairly challenging by Pakistan but according to Mr. Akbar Sheikh they were able to rebut most of the arguments put forward by the US side. Pakistan's case focused on the 'spurious' definition of domestic industry employed by the US and therefore on the viability of the data used to draw an alleged causality between the imports from Pakistan and the decrease in US textile production. The legal precedent aspect of the case was the definition of domestic industry employed by the US. The US had defined its domestic industry as the producers of yarn for sale in the merchant market, excluding from the data vertically-integrated producers that were producing yarn as an intermediate good. Pakistan claimed that this definition violated Article 6.2 of the ATC, as it resulted in the US's failure to consider its entire domestic industry.⁸

So after 6 long days of deliberations, arguments and counter arguments the efforts of the Pakistan team bore fruit and the TMB accepting Pakistan's central arguments gave a ruling in favor of Pakistan, recommending an immediate lifting of the quota restrictions.⁹

5. Behind the Scenes

The failure of the bilateral negotiations had made it evident to the GOP and APTMA that for the US government, this was a critical case, as it could lead to the establishment of a legal precedent which could be utilized against Pakistan at least till the duration of the ATC.¹⁰ Moreover, Pakistan's response to US action had to be determined and strong enough to convey in the post – ATC era (after 2005), employing contingent measures such as anti-dumping duties would not go unchallenged.

These important aspects, to an extent, were conveyed successfully by APTMA to the local business players involved, exporters and manufacturers. This was reflected by their willingness to play a proactive role during the TMB review stage.

The first example of cooperation of business players with APTMA and GOP was the provision of relevant export and production data by the combed cotton yarn manufacturers and exporters. This helped in the formulation of Pakistan's defense case at the TMB review and later also at the DSB stage.

⁸ For details of the case see the TMB report of the WTO.

⁹ The TMB concluded that 'the United States had not demonstrated successfully that combed cotton yarn was being imported into its territory in such increased quantities as to cause serious damage, or actual threat thereof, to its domestic industry producing like and/or directly competitive products.' WTO WT/DS192/1 3 April 2000.

¹⁰ After 2005 the ATC expires bringing an end to all quota restraints sanctioned under different measures such as transitional safeguards.

However the lack of relevant experience on the part of APTMA and absence of an effective institutional structure in the Ministry of Commerce in terms of handling dispute settlement cases meant that there was no set rule when it came to the payment of high legal fees charged by the international lawyers and consultants. Hence, APTMA had the onerous task of coming up with an acceptable formula for sharing the costs. After some discussion/bargaining with the Ministry of Commerce it was decided in a meeting held with the Export Promotion Bureau (EPB) that 50% of the charges were to be paid by APTMA and the other 50% by the EPB.

The 50% share of APTMA was to be divided equally between the affected members (the exporters of combed cotton yarn) and the non-affected members of APTMA.

Willingness to share the financial burden at this stage, to some extent, reflected a realization amongst members of APTMA of the significance of the case and its eventual long-term benefits. The following excerpt from a letter written by one of the large manufacturers/exporters of combed cotton yarn is indicative of the willingness to cooperate with APTMA:

“The Textile Industry is deeply indebted to your good selves, and your TEAM on the strong stand that you have taken to resist the imposition of QUOTA and the steps taken by APTMA, are highly appreciable.... We wholeheartedly support your actions, and steps taken for the waiver of quotas, and further extend our availability for any kind of help and assistance which is required by APTMA to take up this issue with the TMB.”

While most of the affected exporters/manufacturers of combed cotton yarn finally did contribute their respective share, the EPB paid only 31% of their share of the costs hence renegeing from their initial commitment of paying 50% of the total costs. The shortfall in the amount raised by APTMA resulted in a five-month delay in the payment to Travis, Sandler and Rosenberg. The law firm charged a premium of 1.5% per month for the delay.¹¹

¹¹After the payment of US \$32,175.00 to IDS, Washington, there were not sufficient funds left to settle the invoice of US \$28,125.16 of M/s Sandler, Travis & Rosenberg, P.A Washington. (APTMA paper on USG Call Notice on Combed Cotton Yarn (CAT 301)).

Finally, the collaboration between APTMA and the Ministry of Commerce was to a large extent facilitated by Mr. Akbar Sheikh's good personal links with both, the Joint Secretary, Ministry of Commerce, Nasim Qureshi and the Pakistani Ambassador to Switzerland, Mr. Munir Akram. The cooperative role played by these two government representatives was a key reason behind the success at the TMB review. Thus in the absence of any institutionalized coordination and collaboration between the public and the private sector, it was individual links which mattered in achieving the positive outcome.¹²

6. The DSB Stage

6.1 Delay in Taking the Case up to the DSB

As the US refused to comply with the recommendation of the TMB review and even failed to do so after their appeal was rejected in June, 1999, the only course of action left for Pakistan was to take the case up to the Dispute Settlement Board (DSB) of the WTO. This was the final and hence, most important stage of the case, as unlike the TMB review the decision by the panel at DSB is binding on both countries involved. However it took the Government of Pakistan almost an entire year to request the establishment of a panel at the DSB. After the success at the TMB review, such a delay at this critical stage came at a large cost to the exporter and manufacturer of combed cotton yarn. In the international market the demand for combed cotton yarn was escalating, therefore the quota restraints were inhibiting potential exports and foreign exchange earnings of Pakistan even further.¹³

Immediately after the TMB review, a meeting was held for the Standing Committee on Anti Dumping and WTO Affairs of APTMA to provide a briefing on the proceedings at the TMB. At the meeting, the Convener maintained that 'in the case the US action is not rescinded within 15 days time, GOP must apply to the Dispute Settlement Body of the WTO.' In August 1999, the US in a letter to TMB renewed its determination to retain the quota restrictions thus rendering the case at the TMB review unresolved.

Following the failure of the TMB review, in September, Mr. Nasim Qureshi, Joint Secretary, Ministry of Commerce in a letter to the chairman APTMA reiterated the decision that both APTMA and GOP 'may start preparation immediately for initiating the dispute settlement process'. In the letter, it was also stated that after consultation with the Pakistan Mission in Geneva, the Ministry had decided to hire the services of a Geneva based firm.

¹² Information provided by Mr. Akbar Sheikh.

¹³ The Export of Cotton Yarn to the USA had increased from 599,926 Kgs in April 1999 to 2,380,545 Kgs in Dec. 1999 (2nd Call Notice CAT-301 Combed Cotton Yarn, APTMA Files).

The expected total costs of preparing, filing and contesting the case of the Geneva based firm was quoted to be \$125,000 which according to the Ministry was far less than the amount quoted by the US based law firm of \$200,000.

According to Mr. Sheikh the reasons for hiring Geneva based lawyers was to avoid the large miscellaneous charges (travel, boarding etc.) of hiring consultants based in Washington.¹⁴ Thus the reason for switching lawyers at the last stage of the case seemed purely financial. Though the process of hiring the lawyers was to be done immediately, it was not until March 1, 2000, that APTMA and GOP signed a contract with the Geneva based law firm, Frieder Roessler.

Another likely reason contributing to the delay could have been the bilateral consultations between the US and GOP during the period. There were rounds of consultation held between the two countries in November, 1999 and then subsequently in January 2000. The hope of getting the quota restraints lifted after bilateral negotiations might have caused the GOP to wait for the outcome of these talks. According to Mr. Akbar Sheikh, there were some indications from the US side of a possibility that the quota restraints would be lifted, therefore, it was thought inappropriate to file a case with DSB close to the scheduled talks.

As the bilateral consultation failed, in hindsight, Mr. Akbar Sheikh felt that it could have been a delaying tactic employed by the US. The quota restraints had been imposed for three years, and the US was strategizing to buy time to cover as much of this period as possible.¹⁵ Finally, in April 2000, the GOP took the case to the DSB which established a Panel on the request of the Pakistan Government.

6.2 The Raising of Funds to Contest the Case at the DSB

As this was the first time Pakistan was contesting a case at the DSB level there was no institutional setup or guidelines for the payment of the expenses involved. Similar to the TMB stage, APTMA and the Ministry of Commerce had to come up with an agreement. APTMA's proposal of a cost-sharing formula was finally accepted in February 2000 by the Ministry of Commerce. It was decided that out of the estimated total cost of \$125,000,

¹⁴ The actual charges of the Geneva based law firm, Frieder Roessler were approx US \$60,000. The expected amount quoted by the government must have been inclusive of the miscellaneous expenditures, i.e., travel, boarding etc. of the government consultants and representatives. (2nd Call Notice CAT-301 Combed Cotton Yarn, APTMA Files).

¹⁵ Information provided by Mr. Akbar Sheikh.

APTMA was to contribute the first \$50,000 and the remaining balance had to be given by the EPB using the revenue generated from the Export Development Fund (EDF).¹⁶

The next stage for APTMA was to get the concerned exporters/manufacturers to contribute their share in order to raise the agreed initial amount of \$50,000. Unlike the TMB stage, there was a problem within APTMA in motivating the concerned business players to contribute a second time for the legal expenses at the DSB stage.

There were some large manufacturers/exporters of combed cotton yarn who saw beyond their immediate economic interest and understood the value of persisting with the case at this last and most important stage. These players were willing to contribute whatever was required of them. Simultaneously, there were others who had contributed at the TMB stage, but due to a lack of understanding of the WTO dispute settlement mechanism and frustration owing to US non-compliance, saw no reason to contribute in order to pursue the case further.

It is safe to say that these players did not quite appreciate the significance of the case in terms of the long-term benefits of pursuit for a positive decision till the end. The following excerpts are an example of the degree of divergence of views within members of APTMA:¹⁷

Excerpts from a letter by a cooperating large manufacturer/exporter to APTMA:

“Pakistan must move its case to the Dispute Settlement Board. In my opinion however expensive and cumbersome these processes maybe, we must do our utmost to fight these cases to protect our existing and potential markets. In this connection I would request you to call a meeting of the concerned members to develop a strategy to contest the above case.”

Excerpts from a letter by a non-cooperating large exporter/manufacturer to APTMA:

“Please note that we already are the largest quota holders in this category from Pakistan. It is not in our interest to have this quota removed as its imposition creates a barrier to entry for others. It does not make any economic sense for us to ‘pay to cut our own feet’. We therefore feel that it is unjust for APTMA to ask us to pay for this contribution.”

¹⁶ The Export Development Fund (EDF) is collected by the government (The EPB) by charging the exporters a certain proportion of their export earnings.

¹⁷ 2nd Call Notice CAT-301 Combed Cotton Yarn, APTMA Files.

These financing problems were eventually resolved and APTMA was able to meet its commitment of paying the initial \$50,000 of the cost incurred at the DSB. In the words of Mr. Akbar Sheikh on the issue of financing at the DSB:

“Such disagreements within the association are quite common and thus were anticipated. The important thing was that in the end the business players, APTMA and the Government got together to contest the case successfully at the DSB.”

6.3 The Proceedings

The first hearing of the case was held in Geneva on November 16-17, 2000 and the second hearing on December 13-14, 2000. The hearings were before the three-member panel established by the Dispute Settlement Body of WTO.¹⁸ A three-member team consisting of Mr. Akbar Sheikh, Mr. S.I.M Nayyar (Counsellor, Pakistan Permanent Mission in Geneva), and Mr. Frieder Roessler represented Pakistan. A ten-member team represented the US government. According to Mr. Akbar Sheikh the proceedings of the DSB were quite different from those at the TMB review. While at the TMB there was a lot of discussion and argument, at the DSB there was more paper work. Questions during the hearings were focused on the written submissions by the US and Pakistan. Pakistan successfully contested the case and finally on May 31, 2001 the Panel in its report recommended an immediate lifting of the quota restrictions by the US.¹⁹

The US appealed against the decision on July 9, 2001. The hearing of the appeal was held on August 16, 2001 in which, the panel upheld its earlier decision and recommended an immediate lifting of the quota restraints.

Finally, complying with the recommendations of the DSB and the Appellate Body of the WTO, the US government in November 2001 lifted the quota restriction on Pakistani imports much to the relief of Pakistani manufacturers and exporters. The whole process, from the day the quota restraints were imposed to the day these were lifted, lasted for almost two years and nine months covering almost the entire period of the three-year transitional safeguard measure – quota restraint employed by the US. The following comment by

¹⁸ The panel consisted of the Chairman and two members, one from the EU and the other from India.

¹⁹ For details of the panel’s decision see the WTO, Panel Report. May 31, 2001.

Mr. Akbar Sheikh, after being congratulated by Ambassador Don Johnson for winning the case, aptly summarizes the feeling at that time:

“At the end of the day both parties (the USA and Pakistan) won. Pakistan because it got a decision in its favour and US because it was able to keep the quota restraints for almost the entire three-year period, thanks to the duration of the case.”

7. Lessons Learnt

7.1 The Government

The first major lesson which came out of the case was that the Government of Pakistan should in future, play a much more proactive role in trade-related disputes than it has done in the past. In this particular case, the primary factor behind the relatively good degree of coordination and cooperation between the Ministry of Commerce and APTMA (business players) had been the good personal links, which Mr. Akbar Sheikh enjoyed with the two important functionaries in the government – the Joint Secretary, Ministry of Commerce and the Pakistani Ambassador to Switzerland. There was an absence of any institutionalized coordination between the GOP and APTMA specifically relating to such trade disputes and WTO affairs.

Mr. Akbar Sheikh was of the view that in order to facilitate institutional level coordination in WTO-related dispute settlement cases the government should have a properly functioning, effective cell within the Ministry of Commerce. The government seemed to have learnt that lesson right at the start of the DSB proceedings in Geneva. In October 2000, just before the DSB hearings, a WTO cell was established at the permanent mission office in Geneva.²⁰

The cell was created to ‘safeguard Pakistan’s export and other interests in international trade by communicating the changes in the system and rules to the relevant authorities in Pakistan.’²¹

²⁰ Mr. Nasim Qureshi, who was the Joint Secretary, Ministry of Commerce, during most of the duration of case was appointed as the deputy chief of the Pakistan Mission in Geneva and head of this new WTO cell. This cell was created right at the end of this particular case hence being at its inception stage could not play any substantive role in helping with the proceedings of the case.

²¹<http://dawn.com/2000/10/08/abr9.htm>

The Ministry of Commerce almost simultaneously opened a WTO wing which now has a functioning cell. This cell has six working groups on different agreements on WTO.²²

Although these steps by the GOP are in the right direction, Mr. Akbar Sheikh was of the view that there is still room for improvement in developing an effective institutional framework to contest future dispute settlement cases. He pointed out that the WTO cell should provide appropriate guidelines on both trade-related and dispute settlement issues to the players involved. Research should be conducted within the cell to keep it up to date with the current dispute settlement cases around the world. At the same time the cell should maintain an archive of past cases and rulings. According to Mr. Akbar Sheikh, this would be immensely helpful to the private and the public sector in developing the right strategy to contest future cases.

One of the central problems in this cotton yarn dispute case was the hiring of expensive foreign consultants and lawyers. According to Mr. Akbar Sheikh, the type of research which some of these firms produced could have been very easily done locally had there been some basic level of expertise relating to legal issues within international trade and WTO. He suggested that the government should invest in the training of lawyers and consultants who in the future could handle dispute cases without the government resorting to the hiring of expensive foreign firms.

7.2 APTMA

During the course of this case, APTMA already had a committee on Anti-Dumping and WTO issues which was supposed to act as a liaison between the business players and the GOP. However, as mentioned before, it had been the personal links which Mr. Akbar Sheikh had with both the GOP and APTMA which largely facilitated the coordination and cooperation between the two. In order to rectify the lack of effective institutional infrastructure, APTMA has recently opened a WTO Cell, which according to The Secretary APTMA, Mr. Anis-ul-Haq, is still in its formative stage. The Cell has currently hired a law firm, which advises the APTMA members regarding WTO issues. According to Mr. Anis-ul-Haq, the primary objective of the Cell should be to coordinate with the parallel WTO cell at the Ministry of Commerce so that future dispute cases are handled smoothly. Also, this Cell should advise the concerned members of APTMA on the prevailing trade environment and international trade law so as to preempt any action taken internationally against the local business players.

²²According to the 2002 *Trade Policy Review of Pakistan* by the WTO, these steps by the GOP to change and modify the existing institutional framework have strengthened the Ministry of Commerce in dealing with future trade related issues.

A major problem in this cotton dispute case was the collection of funds to meet the expenses involved. Both Anis-ul-Haq and Akbar Sheikh were of the opinion that rather than the existing ad-hoc case by case approach there should be some set criteria established by the Government and APTMA when it comes to the payment mechanism. This would significantly reduce the costs in terms of time wasted in coming up with an acceptable distribution of the financial liability. Along with this, APTMA as an organization should have a pool of resources allocated specifically for meeting the expenses of future dispute settlement cases. This common resource pool could be generated if APTMA helps in developing and fostering the concept of mutual insurance amongst its members who often because of conflicting interests are not willing to contribute.

7.3 The Business Players

The positive and effective role played by the dispute settlement mechanism of the WTO in resolving this trade dispute between two unequal partners helped re-invigorate the confidence of the local business players in the global trading environment. According to Mr. Akbar Sheikh, it also helped in improving the image of the WTO at the level of both the government and business and enhanced its credibility as an institution aimed at fostering free and fair trade.

However, the fact still remains that the quota was rescinded just three months before the expiry of the three-year period of the safeguard measures. Thus, the cost to the local business player was not just in terms of contesting the case but also in the form of the lost revenue/earnings due to the prolonged restraints. The fact that at the DSB stage quite a few business players initially refused to participate in financing the case indicates a prevalent frustration with the prolonged duration of the dispute settlement process. There was also a certain amount of skepticism about the ability of the WTO to make countries like the US comply with its recommendations and decisions. Finally, there was a general feeling that after the DSB decision there was no guarantee that the US would comply as it could not be credibly threatened into compliance by a small economy like Pakistan even if retaliatory measures were sanctioned by the WTO.

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Abstract

After giving an overview of the state of migration policy in developing countries with special reference to Pakistan this paper essentially revisits the issue of policy and its effect on rural to urban migration under an extended family theoretical framework. This specific approach is motivated by empirical literature on migration in the context of developing countries which suggests the emergence of spatially separated but economically linked rural and urban households - expanded or extended families. The extended family in this paper consists of two households, the rural-origin and its urban-migrant offshoot. The migrant after leaving the countryside joins relatives in the city who through the assumption of income sharing within households sustain the migrant in case of unemployment. The economic tie linking the two households is remittances flowing from the migrants to the family members left behind. All decisions, migration and remittance, are based on altruism rather than self-interest. Thus in the model both migration and remittances are endogenously determined. This extended family framework is then employed to analyze the effect of the standard policy prescriptions, i.e., urban employment subsidy and a rural income subsidy on migration and urban employment. Also, the welfare effect of a subsidy transfer from urban to rural sector is analyzed. The results, especially in the case of the rural subsidy provision, are qualitatively different from those in the standard Harris-Todaro type literature on migration suggesting the sensitivity of predicted policy effects on the type of methodology employed.



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