



Linkages between Trade, Development and Poverty Reduction – Experience from Pakistan

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1- Introduction

The idea of organized trade was first floated by Adam Smith in his famous writing "Political Economy". Since then, free trade has been the dream of international economics. However, the desirability and role of free trade in growth and development and poverty reduction remained the main point of conflict among economists. Economists are sharply divided among pro and contra groups over trade desirability and its role., which is common practice in behavioral sciences. Proponents of free trade consider it the ultimate way to poverty reduction and development, while opponents talk about lack of substantiating empirical evidence.

Trade can effect development and poverty either way. Neo-liberal economists are of the view that trade stimulates growth, which contributes positively to development and poverty reduction efforts. Economic literature provides theoretical grounds and establishes links between trade and development. Adherents to free trade claim trade enhances competitiveness, domestic and international, by inducing competition among homogenous sectors. Competitiveness guides domestic industry towards economy of scale and technological advancement and innovations. This leads the way to increased exports and fetches much needed foreign exchange.

Opponents of free trade question the desirability and optimal level of free trade. They argue that economies of less developed or developing countries cannot compete with those of developed countries. There is also the possibility of increased influence of transnational companies (TNCs) in developing and less developed countries (LDCs). Recent history is witness to the exploitative role of TNCs in LDCs, especially in policymaking and implementation. Policy interference may curb the policy space and impact development and poverty reduction efforts. The positions of marginalized sections of society may be exacerbated, alongside the increased danger of mass unemployment and environmental degradation.

Trade for poor can only work if it operates in more just and fair ways otherwise it will increase poverty and inequality in society. The experiences of Latin American and Sub-Saharan of Africa put forth prominent examples of immiserizing trade.

2- Trade

Transaction in goods and services among interested parties is the simplest definition of trade. Trade broadly can be divided in two categories:

1. Trade in goods
2. Trade in services

Financial trade, in the form of foreign direct investment (FDI), is an emerging form of trade and it is growing with an impressive rate, despite the relatively higher risks involved.

The first organized effort to do international trade within a single framework was establishment of Bretton Woods Institutions. Albeit, efforts to structure International Trade Organization (ITO) failed but world nations agreed to formulate General

Agreement on Trade and Tariff (GATT) trade body. World Trade Organization (WTO) is new face of GATT and is pursuing the same idea of liberalized trade. The salient feature of all these organizations and agreements is, "free trade is beneficial for all and one model fits to all". However, these organizations and agreements failed to recognize the needs and level of development of developing and least developed countries. It does not mean these institutions or organization are ignorant of development theory or tools. In fact they do not want to implement these instruments with their true spirit.

3- Trade Liberalization History of Pakistan

Trade always plays a vital role in the development of nations and development. Review of history strongly back this stance, however, timing, terms and conditions of trade, level of development and competitiveness of economy and sequence of liberalization played a determining role. Nations, which started liberalization at the right time and sequenced in the right direction benefited more and developed more rapidly as compared to poorly timed and sequenced economies of developing and least developed countries under the influence of neo-liberal economists and institutions. Pakistan is a developing country and is looking for growth and development which can ultimately help to reduce and eradicate poverty.

Policy reforms, both economic and social, are a favorite hobby of Pakistani governments. Pakistan history is full of U-turns in economic, social and political policies. Pakistan started industrialization in 1960s to accelerate growth and development. Protection policy was adapted to attain the desired outcome and industry flourished under the umbrella of the government. Pakistan continued the protection policy until 1988. In 1988, World Bank (WB), International Monetary Fund (IMF) and Asian Development Bank (ADB) forced Pakistan to liberalize economy and trade. International Financial Institutions (IFIs) were successful to educate the policy makers that liberalization of economy and trade will accelerate growth and development, and ultimately will reduce poverty.

4- Trade Performance of Pakistan

From 1988 onwards, Pakistan went through various strategic market oriented policy reforms to improve the outlook of economy. Liberalization of trade was the heart of all policy in the last two decades. Despite the unilateral liberalization well before the conclusion of the Uruguay Round, Pakistan could not benefit and its share in international trade fell to 0.12 percent from 0.26 in 1960s. Pakistan's trade performance, both in goods and services, is analyzed below.

Export in terms of current prices increased during the last two decades. The nominal value of exports increased from US\$3686 million in 1986-87 to US\$13909million in 2006-07. However, trade did not show sustainability and frequent fluctuation remained the main characteristic of trade during the last two decades. During the last fiscal year three major components of export, food group¹, petroleum group² and other

¹ Rice, Fish & Fish Preparation, Fruits, Spices, Oil Seeds, Nuts & Kernels , Meat & Meat Preparation , All other Food Items

² Petroleum Crude, Petroleum Products, Petroleum Top Naptha, Solid Fuel (Coal)

manufactured group³ exhibited the overall negative trend. Only textiles⁴ and other items showed an overall positive trend. The major reason of the poor performance of Pakistan is lack of diversity in export products and markets. From many decades our export is revolving around two or three sectors. Textile manufacture alone contributed 61 percent in total exports of country 2006-07. The situation is further aggravated by the fact that sectors are agriculture dependent.

The growth rate of imports suppressed the growth rate of exports and imports increased from US\$5380 million in 1986-87 to US\$24993 million in 2006-07. Overall imports of the country in all groups i.e. food group⁵, machinery group⁶, petroleum group⁷, consumer durable⁸, raw material⁹ telecom and other exhibited positive trend. Like exports, imports are also product and market concentrated.

The services sector grew at impressive rate during the last decade and it attracted a substantial amount of FDI. However, trade statistics for services are not very impressive. Trade deficit in the services sector grew more rapidly as compare to trade in services.

Table 1: Trade in Goods and Services

	2001/02	2002/03	2003/04	2004/05	2005/06 ^a	2006/07 ^b
Goods and services balance	-592	-361	-2,594	-7,807	-12,896	-13,871
Trade balance	-294	-359	-1,279	-4,514	-8,464	-9,728
Exports	9,140	10,974	12,396	14,482	16,533	16,924
Imports	-9,434	11,333	13,604	-18,996	-25,017	26,652
Services balance	-298	-2	-1,315	-3,293	-4,432	-4,143
Receipts	1,196	2,712	2,644	3,319	3,769	4,122
Payments	-2,214	2,714	-3,959	-6,612	8,201	8,265

Source: Trade Policy Review of Pakistan, WTO website, www.wto.org

Poor performance of export as compared to import deteriorated the terms of trade. Now Pakistan is going through the worst terms of trade period of our history. Unfortunately there is no sign of improvement in near future. The government has whole heartily

³ Carpets, Rugs & mats ,Sports Goods, Leather Tanned ,Leather Manufactures ,Surgical G. & Med.Inst. , Chemicals & Pharma. Pro., Engineering Goods

⁴ Raw Cotton, Cotton Yarn, Cotton Cloth, Knitwear, Bed Wear, Towels, Readymade Garments, Made-up Articles, Other Textile Materials

⁵ Milk & milk food, Wheat Unmilled, Dry fruits, Tea, Spices, Edible Oil (Soyabean & Palm Oil), Sugar, Pulses

⁶ Power Gen. Machines, Office Machines, Textile Machinery, Const. & Mining Mach., Aircraft Ships and Boats, Agri. Machinery, Other Machinery

⁷ Petroleum Products, Petroleum Crude

⁸ Elect. Mach. & App, Road Motor Veh

⁹ Synthetic fibre, Silk yarn (Synth & Arti), Fertilizer, Insecticides, Plastic material, Iron & steel scrap, Other Chemical Products

devoted itself to implement SAP requirements without giving much attention to the domestic economy.

Table 2: Terms of Trade, Pakistan

Table 9.15: Unit Value Indices and Terms of Trade (Base year 1990-91 = 100)

Year	Unit Value Indices		Terms of Trade
	Exports	Imports	
1991-92	119.9	131.9	90.9
1993-94	142.9	141.2	101.2
1995-96	185.4	185.5	99.9
1997-98	245.6	198.9	123.5
1998-99	258.4	223.3	115.7
99-2000	253.8	259.0	98.0
2000-01	271.5	298.4	91.0
2001-02	271.2	298.6	90.8
2002-03	254.0	309.5	82.1
2003-04	279.6	355.4	78.7
2004-05	288.8	392.5	73.6
2005-06	299.3	460.4	65.0
July-December			
2005-06	296.10	448.5	66.4
2006-07 *	308.3	481.5	64.02

* Provisional.

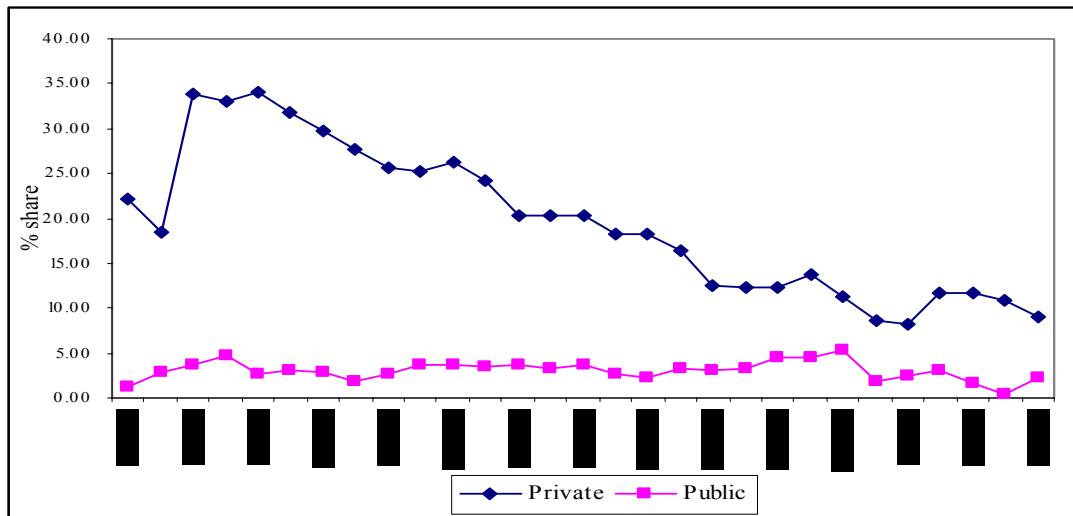
Source: Federal Bureau of Statistics

5- Trade and Agriculture

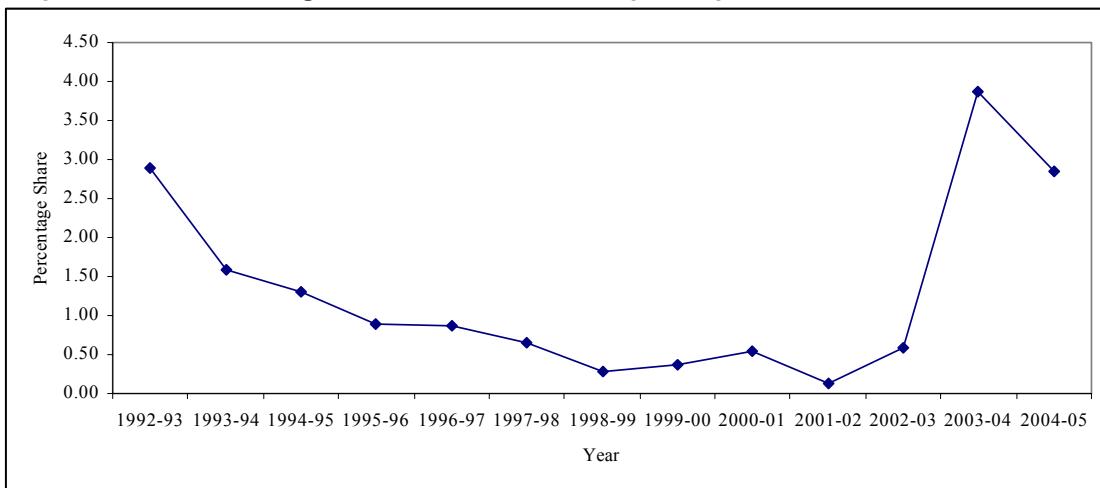
Agriculture is the main actor of national economy, both in employment and GDP share, since the independence of country. However, governments of past and present never give due importance to the sector in terms of policy and allocation of resources. In the late 1980s, the government introduced the SAP under the pressure of IFIs. Agriculture sector is one of the main and major effected sectors. The government drastically decreased the support to agriculture sector and almost stopped subsidizing. At the same time, the government started to liberalize the sector. Now our less developed farmers have to compete with well developed farmers.

The liberalized trade regime also put some barriers on government's spending in the agriculture sector. Earlier on, the government was not spending much in the sector and now has the excuse of international compliances. Allocation in annual development plan for agriculture also shrinks over the time. Although the government increased the share of agriculture in recent years, it is still not satisfactory. Investment and allocation pattern of government can be seen from graphs;

Graph 1: Public and Private Investment in Agriculture, Pakistan



Graph 2: Allocation for agriculture in annual development plane



6- Development

Development can be defined as "upward movement of whole social set up with increased access to basic services i.e. education, health etc. For policy makers at the national level, it is a process of substantial improvement of living standards of people, economic well being, creation and/or retaining of jobs and sustainable improvement of income and tax base. The United Nations declaration on the right to development declared development as an inalienable right of human beings.

In 1980, the International Union for the Conservation of Nature (IUCN) brought sustainable development in focus rather than simple development. Sustainable development concerns not only human development, it also talks about the development

and sustainability of the environment. The Brundtland Commission of the UN defined the sustainable development as "meets the needs of the present generation without compromising the ability of future generations to meet their own needs." Sustainable development does not talk about environment only, as sometime it is misunderstood. It gives the same importance and emphasis on economic and social development.

Table 3:Human Development Index

Human development index (HDI) value, 2008	0.55
Life expectancy at birth (years) (HDI), 2008	64.6
Adult literacy rate (% ages 15 and older) (HDI), 2008	49.7
Combined gross enrolment ratio for primary, secondary and tertiary schools (%), 2008	40
Life expectancy index	0.66
Education index	0.47
GDP index	0.53
GDP per capita (PPP US\$) rank minus HDI rank	-8

Source: Human Development Report, 2008

7- Sustainable Development in Pakistan

Pakistan is signatory of almost all international sustainable development and human right organizations and declaration and committed itself to human development. However, in reality social development is the most ignored sector. Government spending on social sector development cannot be declared satisfactory according to any standard. No doubt the government has increased spending on human development from 2.4 percent of GDP in 2001-02 to 4.7 in 2006-07 but positive effects of these interventions are yet invisible. Unfortunately, the major part of budget allocations remained unutilized in previous years. This is evidence of the lack of planning and implementation of skills and will. Independent researchers question the sustainability of these allocations because most of government expenditures are project based. Especially government's certain initiatives in education, health and environment sectors.

Government statistics show some improvement in social indicators but these are highly questionable especially after the wheat crises in country. Further, this improvement in social and economic indicators cannot be attributed to trade, because these interventions come from projects and loans, not from trade and growth. Industrial growth has declined from 19.9 percent in 2004-05 to 8.8 percent in 2006-07 due to high cost of doing business, cheaper imports and higher standards of international markets, which ultimately forced small entrepreneurs to shut down their industries.

The situation is further aggravated by the fact that the government is not ready to recognize the environment concerns and losses to environment. The government is still looking for appropriate policies for sustainable development.

8- Poverty

Poverty can be defined in different ways, caloric, monetary, access to basic services etc. Defining poverty is a hard task and measuring of poverty is more than defining. Government and IFIs claimed, after the introduction of Structural Adjustment Program (SAP), poverty has decreased in Pakistan. The neo-liberal school of thought strongly backs the statement owing to similarity to their vision of development and poverty reduction through trade led growth and development. However, empirical results, independent sources and researchers are not ready to accept the claim. Studies conducted by various economists tell altogether different story. Malik (1996) and Sherize (1995) indicated that poverty exhibited upward trend from 1987/88 to 1990/91. All studies except the IFIs funded, are unanimous that the poverty increased from 1988 to onward (for detail see Dr.Kemal study on SAP). In 2005, the government said that poverty has decreased from 34.9 percent in 2001 to 23.4 in 2005. This claim started a huge debate and it ended without any conclusion.

Although the share of trade to GDP showed improvement, the trade deficit increased. This results in worsening of terms of trade of the country. Cheaper imports flooded the domestic markets, which made it impossible for domestic producers to compete and forced them to shut down their businesses or industries. Industry closure would definitely hit the growth and development initiatives. Most visible impact would be on employment, masses will lose the jobs, which will curb the poverty reduction efforts. Statistics submitted by Pakistan clearly show that the employment share of different sectors remain stagnant or decreased except agriculture. That can be attributed to the fact that the share of manufactured products decreased in trade (85.0% to 80.8%).

Table 4: Employment share

Share of sector in total employment^b	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Agriculture, forestry, and fishery	42.1	42.1	43.1	43.0	43.4	43.4
Mining and quarrying	0.1	-	0.1	-	0.1	-
Manufacturing	13.8	13.9	13.7	13.8	13.8	13.9
Services	44.0	-	43.2	-	42.7	-

Source: Trade Policy Review of Pakistan, WTO website, www.wto.org

9- Trade Liberalization and Gender

Adherent to trade liberalization theory assert, it will improve working conditions and opportunities of employment for females. Statistics of women employment and opportunities for Pakistan are not very encouraging. The majority of women employees are low paid and don't have contracts, which compels them to comprise on employment benefits. Abuse of working women is a persistent threat, which makes it socially undesirable.

According to the labor force survey of Pakistan, the bulk of the female labor force is engaged in agriculture practices, the majority of whom are unpaid. Trade liberalization further worsens the already exacerbated situation for women. Women are losing their

jobs, both in agriculture and manufacturing sectors, owing to higher job competition. Garment is the single largest manufacturing sector, which employs a majority of woman labor force. Unfortunately, we are losing space and share in international garment market. Our competitors e.g. China, Bangladesh, India etc are enjoying preferential treatments, which enhance their competitiveness, in terms of cost, entry etc.

The cottage industry, home of woman employment, both paid and self, is shrinking with alarming pace. Albeit, government is trying to facilitate cottage industry through micro financing, SME development programs, however, efforts are not producing any encouraging results. Women are facing tough competition from cheaper imports from more developed and developing countries. For example, shoe making was a famous cottage industry in Pir Mahal, Toba Tek Sing, in which women were participating very actively. Nowadays, the industry is losing its footing owing to cheaper shoe imports from other countries. Shrinking of opportunities is forcing the female workers to work in more demanding and less paid sectors e.g. brick making (Fig---). Conclusion of the gender debate is simple, we cannot attain MDGs' goal of gender development in the presence of present trade liberalization policy. Picture of state of woman status can be grasped clearly from the tables 5-11.



Table 5: Women in Decision Making

	Pakistan's GEM ranking	Seats in Parliament Held by Women	Female Legislators, Senior Officials and managers	Female professional and technical workers	Ratio of estimated Female or Male Earned Income
	82	20.4	2	20.6	0.29

Source: Human Development Report 2007

Table 6: Education Profile of Pakistan

Education system: Primary, Middle, Secondary, Higher Secondary & University Programmes			
	Enrolment Rate	GER (Highest)	GER (lowest)
Primary education (2006-07)	Enrolment Rate (88%)	GER (Highest)	GER (lowest)
Male	95%	Punjab: 98% Balochistan: 65%	Balochistan: 65%
Female	79%		
Middle education (2006-07)	Enrolment Rate (51%)	GER (Highest)	GER (lowest)
Male	57%	Punjab: 55% Balochistan: 34%	Balochistan: 34%
Female	44%		
Secondary Education (2006-07)	Enrolment Rate (48%)	GER (Highest)	GER (lowest)
Male	57%	Punjab: 51% Balochistan: 33%	Balochistan: 33%
Female	44%		
Total number of institutes (2005-06)	Male	Female	Mix
Denni Madaris	4,178	1,929	6,046
Primary	62,479	44,632	18,354
Middle	7,226	7,078	638
Secondary	5,997	2,834	279
Higher Secondary	491	347	36
Universities (Public + Private)	116	Co-education system?	
Technical & Vocational	685	1,475	899

Source: Pakistan Education Statistics (2005-06)
Economic Survey (2006-07)
National Education Census, 2005
Pakistan Social and Living Standards Measurement Survey (2006-07)

Table 7: Employed by Region and Gender (Millions)

Year	Pakistan			Urban			Rural		
	Both	Male	Female	Both	Male	Female	Both	Male	Female
1996-97	34.13	29.53	4.58	10.31	9.45	0.85	23.87	20.12	3.74
1997-98	35.94	30.93	5.00	10.78	9.99	0.78	25.15	20.92	4.22
1999-00	36.3	31.21	5.08	10.07	9.19	0.87	26.23	21.98	4.24
2001-02	38.9	33.19	5.69	12.2	11.00	1.22	26.7	22.19	4.47
2003-04	42.00	34.69	7.06	13.1	11.76	1.35	28.6	22.93	5.71
2005-06	46.94	37.81	9.13	14.46	12.80	1.66	32.48	25.01	7.47

Source: Labor Force Survey, various issues

Table 8: Informal Sector by Region and Gender (%)

Years	Pakistan			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
1997-1998	67.8	68.1	64.5	63.3	64.0	53.1	73.1	73.0	74.7
1999-2000	65.8	65.8	65.7	63.8	64.1	60.7	68.0	67.6	73.1
2001-2002	64.6	64.7	63.0	61.1	61.1	60.7	68.3	68.5	65.7
2003-2004	70.0	70.4	65.7	67.2	67.8	61.6	72.9	73.3	69.9
2005-2006	72.9	74.2	65.2	71.0	71.2	69.1	74.8	74.3	79.4

Source: Labor Force Survey, various issues

Table 9: Average Monthly Income of Employees by Region and Gender (%)

Income Group	Pakistan			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
< 1500	14.4	9.5	46.2	10.8	7.5	34.0	17.5	11.2	55.2
1501-2500	17.6	17.0	21.5	13.7	13.0	18.5	20.9	20.5	23.8
2501-3900	21.7	23.8	8.3	19.9	21.4	9.8	23.3	26.0	7.1
4000 and above	46.3	49.7	24.0	55.6	58.1	37.7	38.3	42.3	13.9
Total	100.0								

Source: Labor Force Survey, 2005-06

Table 10: Education and Literacy by Gender of Working Age Population (%)

Education and Literacy	2003-04			2005-06		
	Total	Male	Female	Total	Male	Female
No formal Education	0.6	0.7	0.5	0.3	0.3	0.2
Below Matric	33.7	41.1	26.0	35.0	42.6	27.0
Matric But Less than Intermediate	9.7	12.3	7.0	10.0	12.4	7.5
Intermediate But less than Degree	3.9	4.7	3.1	4.1	4.9	3.2
Degree and Above	3.8	4.9	2.6	3.8	4.8	2.7

Source: Labor Force Survey, various issues

Table 11: Unemployment Rates by Region and Gender (%)

Years	Pakistan			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
1996-97	6.1	4.2	16.8	7.2	5.1	25.2	5.7	3.8	14.6
1997-98	5.9	4.2	15.0	8.0	5.8	28.6	5.0	3.5	11.9
1999-00	7.8	6.1	17.3	9.9	7.5	29.6	6.9	5.4	14.0
2001-02	8.3	6.7	16.5	9.8	7.9	24.2	7.6	6.1	14.1
2003-04	7.7	6.6	12.8	9.7	8.4	19.8	6.7	5.7	10.9
2005-06	6.2	5.4	9.3	8.0	6.9	15.8	5.4	4.6	7.7

Source: Labor Force Survey, various issues

10- Liberalization, by Choice or by Force

Neo-liberal economists push the idea of trade liberalization for growth, development and poverty reduction. Neo-liberal economists argued that when trade is liberalized, it enhances the competitiveness of the domestic industry and entrepreneurs through improvement of technology up gradation and human resource development. They think protection and controlled trade are against the spirit of development and poverty reduction efforts. They marketed the idea through Britain Wood Institutes and Organizations, in addition IFIs and developed countries forced the developing and least developed countries to buy it. So the developing countries had to liberalize under obligations rather than by choice. Review of history does not support the argument of neo-liberal economists. Today's developed countries practiced the same tactics which they are advising to developing and least developed countries to stop or abolish at all.

Pakistan is one of the victims of forced liberalization and is paying the price of wrong policies. Right after the start of liberalization, as discussed above, poverty started to increase. The government is busy to present rosy picture of these interventions through juggling tricks of statistics. On the contrary, the country is losing its policy space sharply.

11- Linkage of Trade with Growth, Development and Poverty

The ideology of trade linkage with growth, development and poverty, failed to lay down how it will be distributed. They (define they!) believe, benefits will trickle down automatically and will reach all segments of society. On the basis of this argument, they ask states to minimize the control on trade and markets, and let market forces work. Developing and least developed countries would be main beneficiaries.

However, trade liberalization could not deliver, as it was promised. Main reasons of failure of liberalization to deliver are;

1. Trade barriers
2. Missing links

12- Trade Barriers

The theory of liberalization is built on the assumptions, "the market is perfect, market forces are working freely, all countries are on same development level and trickle down will be an automatic process". In reality, these assumptions are hard to trace anywhere in the world. International markets are distorted and transnational companies are dictating the flow of trade and markets. The world is sharply divided among developed, developing and least developed countries. Pakistan is a developing country and striving hard to attain sustainable growth and development. Pakistan perceives sustainable growth and development as an integral part of poverty reduction strategy. In the past, Pakistan tried hard to develop indigenous industry and facilitated the entrepreneurs to export. Under liberalization, Pakistan cannot protect and facilitate its entrepreneurs any more.

Further presence of a number of trade barriers aggravated the already tense situation..

1. Tariff barriers
2. Sanitary and Phyto-sanitary measure
3. Trade Related Intellectual Property Rights
4. Un-fair competition

12.1- Tariff Barriers

Pakistan is an agricultural country and most of its export products are agricultural or agriculture based industrial products, which is an usual case of developing and least developed countries. First, Pakistan needs entry in agriculture and agriculture based industry's markets. Pakistan is facing a number of problems on this front i.e. unfair treatment like privileged entry for the competing country. Recently EU imposed antidumping duty on Pakistani bed linen export and also imposed 13 percent import duty. On the other hand Pakistan's competitors got preferential treatment.

Agriculture markets of developed countries are extremely protected through the high rate of import duty and other means of tariff. For example, Pakistan's main agriculture export commodity is rice, developed countries have maintained a high rate of tariff. Japan protects its rice market by imposing tariffs as high as 250%. Pakistan is facing the same situation in other agriculture markets. These negative interventions made Pakistan uncompetitive in these markets.

12.2- Sanitary and Phyto-Sanitary Measures

Developed countries and neo-liberal economists are teaching the world that liberalized trade would beneficial and promote growth and development. For achieving Millennium Development Goals (MDGs), trade liberalization is a compulsory condition. On the basis of this argument, they demand from developing countries to open their borders for free movement of goods and services.

At the same time, developed countries are protecting their markets and sectors by introducing new tactics. Recently, developed countries introduced issues like environment, use of pesticides, and industrial production in compliance with environment and so on. For entry in developed countries' markets, developing countries' products require a bundle of certifications and clearances. Criteria for the certification of products are very high and beyond the capacity of our producers. Time investment is another issue. Since the inception of the WTO, the textile sector of Pakistan is facing problems on the basis of "minimum residual level of pesticides" requirement issues. In 2006 and 2007, Pakistan's export of fruits, especially of citrus, suffered due to strict SPS measures.

12.3- Trade Related Intellectual Property Rights

Pakistan, just like all other developing and least developed countries, is far behind on the innovation front. For competing in liberalized trade, modernization and up gradation of industries are prerequisites. Pakistan has to import modern technology from transnational companies. The transnational companies, however, put patent rights on all their innovation, which practically forbid Pakistan to replicate these practices in the country. Patents on life of certain organisms, seed and procedures of production of certain

products e.g. medicine, further complicate the situation. Transnational companies forced Pakistan to implement strict patent measures.

Hybrid seed of maize is a prominent example of patent rights in Pakistan, due to which farmers are suffering. They lost control on seed production and are helpless. They have to purchase seed from these transnational on their terms and conditions and price. Generic industry of medicine and pesticides suffered very badly.

12.4- *Un-fair Competition*

The core assumption of neo-liberal theory is "markets are perfect". That means market forces are working and markets have characteristics of a perfect market, free entry exit, complete information, a number of buyers and sellers, homogenous products and no distorting players. In reality, these dream markets do not exist anywhere on earth. Transnational companies of developed countries have monopolistic, duopolistic or oligopolistic powers. They set the rules of game and dictate others to follow.

The majority of Pakistani producers is small and they are operating at small scale. They cannot go for economy of scale at this time, for the development these industries protection is required to protect them from international unfair competition. This unfair competition already has forced many Pakistanis to walk away from the market. Owing to losing position in the market, these producers have closed their industry, which increased the incident unemployment.

13- Missing Links

In addition to international hurdles, Pakistan is also facing problems at the domestic front to translate trade benefits to lower sections of the country. Since independence, the government is looking for an appropriate policy framework which can help to attain welfare state status. However, till date, the government is unable to formulate the right policy. A critical review of Pakistan's reforms history revealed the fact that most of the interventions were IFIs led except few.

The industrialization policy of the 1960s was followed by rapid growth, and economy and industry flourished at admirable rates. Exports of Pakistan also increased at that time, the country began to diversify. However, this led to accumulation of wealth in few hands and created income inequalities in society. The main reason behind all this was failure of government to devise appropriate tools to distribute the benefits. Again, in 1988, when the government started liberalization of trade and economy as a whole, it committed the same mistake. The government started to pull back all types of support to all sectors of the economy except one or two. Let the market forces to work, which increased trade deficit and severely hampered terms of trade of country. On the other hand, government's space to support industry and other sectors also shrunk. All these factors led to more poverty and disparities in society.

14- Fair Trade

Game is simple, be more competitive to have the bigger part of cake, otherwise be ready to lose yours. It was decided that the sole principle of game would be fair chance to play. There would be no discrimination against any player and developing and least developed countries would be given special importance and chance to grow in the competitive environment. However, world leading players could not stand to their promises and let the game in the balance to the most developed and powerful ones. As was promised by the international community, IFIs and Britain Wood Institutes and Organization, "fair trade with particular attention needs of developing and least developed countries" is dire need of time to achieve the MDGs.

15- References

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