

National Consultation on Linkages between Trade Development and Poverty Reduction

Report

The Sustainable Development Policy Institute (SDPI) organised a one-day *National Consultation on Linkages between Trade Development and Poverty Reduction*, on 25 July 2007, at the Best Western Hotel, Islamabad. The basic idea was to explore various dimensions of linkages between trade, development and poverty reduction. The number of participants was 54 (list and photos attached). They represented different stakeholders, including renowned academicians, university teachers, government officials, including policy makers, civil society organisations (CSOs), journalists and PhD students. The participation ratio was higher than the expectation, as it was expected that no more than 35 participants would participate, due to some law and order situation in the capital.

While opening the consultation, Dr Abid Suleri, Acting Executive Director, SDPI, briefly introduced SDPI and highlighted the objectives of the consultation and the importance of the issue of linkages between trade, development and poverty reduction in the era of globalisation. He said that the government had not been able to produce a well-rounded policy on international trade, let alone one which results in trade leading to development and poverty reduction. What, instead, is announced every year in the name of trade policy is only a policy for export promotion. He thanked the participants and speakers for coming up from far-flung areas of Pakistan, like Lahore, Karachi and Faisalabad, in the hottest month of July to attend the consultation. He also thanked the Department For International Development (DFID), UK and the Royal Netherlands Embassy (RNE) for funding the project and the consultation.

Haroon Sharif, Senior Economic Advisor, DFID, while delivering his inaugural speech, briefly touched on DFID activities and projects in Pakistan. He also gave an overview of the various administrative and policy bottlenecks that hinder investment and trade from having a positive impact on poverty reduction. He informed the participants that DFID is designing a £50 million (US\$100mn) support to the State Bank of Pakistan's Financial Inclusion Programme and working with the Government of Punjab on 'Making Markets Work for the Poor'. Apart from that DFID is also supporting the Investment Climate Assessment and Access to Finance Survey and Competition Policy framework in Pakistan. He observed that there are investment constraints at the country and provincial levels in Pakistan and they are blocking ways of development in Pakistan. Commenting on South Asia, he said that this region is far behind the East Asian countries in trade, development and poverty reduction. He said that, at the global level, DFID is supporting trade through working with others to get multilateral trading system to benefit the developing countries; playing a role in reviewing the EU agricultural policy; and meeting Pakistan's pledge to increase aid for trade to £100 million (US\$200mn) by 2010.

The workshop was divided into two sessions. The sub-theme of Session I was *Regional Trade as Instrument of Sustainable Development and Growth*, while Session II discussed *Trade-led Growth and Poverty Reduction*.

Renowned economist, Dr A R Kemal, Ex-Director, Pakistan Institute of Development Economics (PIDE), chaired Session I. The presenters gave their views on the regional trade and market access initiatives, with particular emphasis on the South Asian Free Trade Agreement (SAFTA), and discussed the linkages between trade and human development. The session concluded with expert comments by Aftab Alam, Global Trade Policy Advisor for ActionAid Pakistan, and Shakeel Ahmed Ramey, Research Associate at SDPI.

Dr Kausar Zaidi, Section Officer at the Federal Ministry of Commerce, lauded the Pakistani Ministry as an important agent for securing markets and creating linkages within the region. He presented a brief historical overview of SAFTA, citing the problems that impeded the implementation and operationalisation of the trade regime. He also gave his observation on D-8, a regional agreement expected to be finalised by November 2007. While discussing the D-8, he emphasised that it was a starting point for Muslim countries to create linkages amongst each other. He also talked about other initiatives, such as Organisation of the Islamic Conference (OIC), Gulf Cooperation Council (GCC), Southern Common Market (MERCOSUR), Association of Southeast Asian Nations (ASEAN), and European Free Trade Association (EFTA), and trade opportunities they could create for Pakistan. He admitted that the Ministry of Commerce has not been able to foster co-ordination between various stakeholders and as a consequence, failed to bring all of them on board.

Shakeel Ahmad, Research Associate at SDPI, made a presentation on *Market Access Initiatives*. He opined that formal trade barriers, such as high tariffs and other bottlenecks in the way of free trade, encourage informal trade. He also noted that informal barriers like procedural barriers, transport and transaction costs, etc., go unrecorded due to lack of primary surveys and, therefore, distorts data on regional trade as a consequence. He suggested that SAFTA should be strengthened as an institution to discourage and curb informal trade, and to allow FTAs between individual countries in the region. He envisioned the way forward comprising of resolution of political conflicts, social confidence building measures (such as relaxed visa processes), removal of formal and informal trade barriers and the identification of tradable commodities. He stressed that the trade potential between India and Pakistan is enormous and both the countries should exploit the opportunities after reforming their policies.

Zubair Abbasi, National Programme Manager, United Nations Development Programme (UNDP) talked about the need to incorporate human and environmental sensibilities in trade policies. He said that Vietnam, a backward country a few decades ago, is now a successful 'globaliser' in this context. While emphasising the value of research institutes and academicians in policy formation, he said that research institutes and academia play a pivotal role in this connection. He also noted the benefits that could be the outcome of a well-designed SAFTA, opining that Pakistan's economy would be positively affected, alleviating rural poverty substantially. He criticised the lack of co-ordination between Pakistan's trade and social policies, calling it a detriment to sustainable development.

Aftab Alam, while giving his expert comments on the presentation in Session I, agreed with the ideas of the speakers and said that trade has the potential to reduce poverty, provided sustainability is ensured. According to him, the rise in exports –

both in Pakistan and India – had failed to filter down to the masses. He also commented on the least developed countries (LDCs) and said that, though the LDCs are now more integrated globally than 20 years ago, poverty has actually increased in these countries. He observed that this is actually the result of the inabilities of ‘unchecked trade’ to bring development up to the masses level. He also urged the need for a ‘tactical’ shift in trade negotiations, citing the unequal benefits incurred by the rich and the poor countries and the lack of technical know-how in poor countries. He opined that trade needs to be incorporated into a larger human development vision, which is inclusive of all stakeholders, a process that is lacking. In conclusion, he stated that achieving sustainable development is unlikely, if we continue to follow the same trade policies that have marked the past few decades.

The session ended with a general discussion and the speakers elaborated their ideas, in response to the questions and comments put forward by the participants.

Dr A R Kemal, while wrapping up the session, said that trade is directly related to the economy of a country. Low trade would tend to weaken the economy, while high trade would ensure a strong economy. Eradication of poverty can be possible through the distribution impact of high trade-led growth. He further emphasised that trade should be treated as a means of achieving an end, which is human development and poverty reduction. There is no point in promoting trade for its own sake if it does not result in achieving the ultimate objective of raising the level of human resources and thereby reduce poverty. Trade has the potential to impel human development and reduce poverty, but this potential cannot be realised unless trade policies are geared towards achieving the dual objective.

The Session II titled *Trade -led Growth and Poverty Reduction* started after the lunch break in the afternoon. Dr Aliya H Khan, Chairperson, Department of Economics, Quid I Azam University, Islamabad, chaired this session.

Dr Sajjad Akhtar from the Centre of Research on Poverty Reduction and Income Distribution (CRPRID) presented his views on the topic from the macroeconomic perspective and development approach to better understand the linkages between trade development and poverty reduction. He stressed the importance of analysing how development occurs and how trade fits into it. He also discussed the relationship between trade and poverty and said that it varies with the composition of trade, its development level and the interdependence of different internal institutions.

Saba Anwar, Staff Economist at the Pakistan Institute of Development Economics (PIDE), while presenting her ideas on the topic said that no doubt trade liberalisation has distributional consequences, but there are “winners” and “losers” in the short-run. It is thus important to compliment open trade policies with effective social protection measures such as unemployment insurance and food-for-work schemes. She said that closed economies obviously need safety nets as well since households are subject to shocks from business cycles, technological change, weather, and disease. To the extent that trade openness enhances growth and raises national income, it strengthens the fiscal ability of a society to provide these safety nets. She said that, for most scholars and policy makers, the issue that confronts the region seems to be how to open up and exploit the growth opportunities, while ensuring that other social objectives, in particular poverty alleviation, is not undermined. Quoting Bhagwati and

Srinivasan, she said ‘no country that has been close to autarkic level has managed to sustain a high growth performance over a sustained period’.

Inamul Haq, WTO Advisor to the Chief Minister of Punjab, made his presentation on the Policy Perspective on the Linkages between Trade Development and Poverty Reduction. He pointed out the importance of the right policy in making the links work and the need for the adjustment of policies in Pakistan. He also mentioned that liberalisation of trade does not guarantee growth and poverty reduction because growth is largely determined by external and internal factors like macroeconomic stability, sound institutional system, good governance, market access, selective liberalisation and hurting exporters with surplus dumping. He stressed that poverty reduction can only be brought about with the adoption of right trade policies.

Nadeem Kiani, while giving his expert comments on the views expressed by the speakers pointed out the need for social protection policy, alongside globalisation, to get positive output out of the linkages between trade, development and poverty reduction. He mentioned that the quality of goods also needs to be maintained alongside the cost. He appreciated the thought-provoking presentations in the session that could help in shaping the future course of trade policies, the development agenda and efforts for poverty reduction.

Like Session I, this session also ended up with a general discussion and a heated debate on the presentations. The speakers elaborated their ideas, in response to the questions and comments put forward by the participants. The general discussion at Session II went beyond the scheduled time due to detailed discussion and the Chair unwillingly closed the session due to time constraint.

Dr Aliya H Khan concluded the programme by thanking all the participants and the SDPI. She stressed the need for such live debates, seminars, training and conferences to further the cause of prosperity and peace in the region. She also stressed the need for a pro-people social policy, as, according to her, a deep connection exists between trade policy and social policies. She pointed out that, unfortunately, policy makers often ignore the social dimensions of globalisation and focus usually on the economic dimension of globalisation. She also mentioned the need to look at the gender dimension of the issue, because trade liberalisation has negatively affected women. She said that globalisation has also brought the rise in employment reshuffling and greater job insecurity for women. In this regard, she stressed the participants to carry out advocacy at all levels, including policy-making, so that women could also benefit from the prosperity on an equal basis.

List of Participants - TDP National Consultation Islamabad

Speakers

Name	Designation	Place
Dr. Abid Suleri	Acting Executive Director SDPI	Islamabad
Dr. Alia.H.Khan	Chairperson Department of Economics - QAU	Islamabad
Aftab Alam	Global Trade Policy Advisor - Actionaid Pakistan	Islamabad
Dr. A.R.Kemal	Ex-Director, Pakistan Institute of Development Economics	Islamabad
Haroon sharif	Senior Economic Advisor DFID	Islamabad
Zubair Abbasi	National Program Manager, UNDP	Islamabad
Dr.Kausar Zaidi	Section Officer - Federal Ministry of Commerce	Islamabad
Dr. Sjjad.Akhtar	The Centre for Research on Poverty Reduction and Income Distribution	Islamabad
Mr Inaamul Haque	WTO Advisor to Chief Minister of Punjab	Lahore
Ms. Saba Anwar	Staff Economist at PIDE	Islamabad
Nadeem Kiyani	Director Punjab Consumer Protection Council	Lahore

Media

Aoun Sahi	Daily The News (Sunday edition)	Lahore
Ijaz Kaka Khel	Pakistan Observer	Islamabad
Shaiq Hussain	Pakistan Observer	Islamabad
Mubarak Zeb	Pakistan Observer	Islamabad
Arif Rana	Pakistan Observer	Islamabad
Nadeem Jaffery	Pakistan Observer	Islamabad
Javid Bhatti	Pakistan Observer	Islamabad
Ahmad Mukhtar	Pakistan Observer	Islamabad
Muhammad Saeed	Pakistan Observer	Islamabad
Muazzam Bhatti	Pakistan Observer	Lahore
Badar Alam	Monthly Herald	Islamabad
Asma Raziq	Pakistan Observer	Islamabad

Participants

	Business Recorder	
M. Waqas Alam	Lecturer, University of Agriculture Faisal Abad	Faisalabad
Aizad Imdad	Lecturer, University of Agriculture Faisal Abad	Faisalabad
Dr. Khalid Bukhsh	University of Faisalabad	Faisalabad
Azhar Abbass	University of Faisalabad	Faisalabad
M. Khalid Bashir	University of Faisalabad	Faisalabad
M. Masood Azeem	University of Faisalabad	Faisalabad
Mouqabbar Khaliq	Wariech Trainers Karachi	Karachi
Neelam Nigar	PhD. Student, International Islamic University	Islamabad

Sadia Khawar	WTO Cell, P&D, Govet of Punjab	Lahore
Tahir Hussain	ED,EJAD	Islamal
Hasna Batool	PhD. Stdent, International Islamic University	Islamal
Haleema Sadia	PhD. Stdent, Internationl Islamic University	Islamal
Aisha Javid	Student, Department of Economic, Q.A. University	Islamal
Memona Siraj	Student, Department of Economic, Q.A. University	Islamal
Shujjah Ali Khan	Secretary SAAG	Islamal
Dr. Amjad Iqbal	Commercial Cousellor, Pak High Commission, Kenya	Islamal
Rana Nazir		
Muhammad	SDPI	Islamal
Shafqat Munir	Actionaid Pakistan	Islamal
Dr. Muttaza Mughal	Writers Unity for Peace	Islamal
Alamgir Khan		
Gandapur	IUCN Pakistan	Islamal
Bnadshah Nawab	Lecturere at College and PhDC\ Student, Q.A. University	Islamal
Nazir Rana	SDPI	Islamal
Sarah Siddiqu	SDPI	Islamal
Aaqib Khan	SDPI	Islamal
Zamir Khan	PhD. Stdent, International Islamic University	Islamal
Muti Ur Rehman	Stdudent, Q.A. University	Islamal
M. Abdullah Faisal	Federal Ministry of Commerce	Islamal
Ibrar Muhammad	Section Officer - Federal Ministry of Population Welfare	Islamal
Saleem Shah	SDPI	Islamal
Tehmina	SDPI	Islamal
Alia Ikramullah	Consultant	Karach