

AGRICULTURAL TRADE LIBERALIZATION IN PAKISTAN: IMPACT ON PEOPLE

PRESENTED BY: NAZAM MAQBOOL CHEEMA,
SENIOR RESEARCH FELLOW,
MAHBUB UL HAQ HUMAN DEVELOPMENT CENTRE



THREE QUESTIONS

- A. How have agricultural trade reforms affected the agricultural exports/imports?**

- B. What are the particular concerns of Pakistan with respect to the WTO rules related to agricultural trade?**


- C. Has agricultural trade openness improved human development?**



SOME BACKGROUND INFORMATION

- Role of agriculture → GDP (22%), employment (45 %), merchandize exports (19.2%), and merchandize imports (16.8%)
- Impact on economic growth and human development not satisfactory → policies and practices of domestic govt. and multilateral trading institutions → not been informed by the needs and concerns of majority of poor

Causes:

- 1) Distortions in global agricultural trade → led to volatile and uncertain international commodity prices
 - 2) Structural constraints of Pakistan's agricultural sector and certain domestic factors → resulted in:
 - a)** decrease in public investment for rural development; **b)** cut in subsidies; **c)** increase in input prices; **d)** inadequacy of the agricultural knowledge system; **e)** ineffective land reforms; **f)** poor recovery of institutional credit; **g)** inadequate performance of agricultural insurance system; **g)** inefficient water management; **h)** and ineffective markets
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Question:

- How to manage the *domestic trade and agricultural policies* as well as *international agricultural trade rules*
→ to protect rural livelihoods and ensure food security



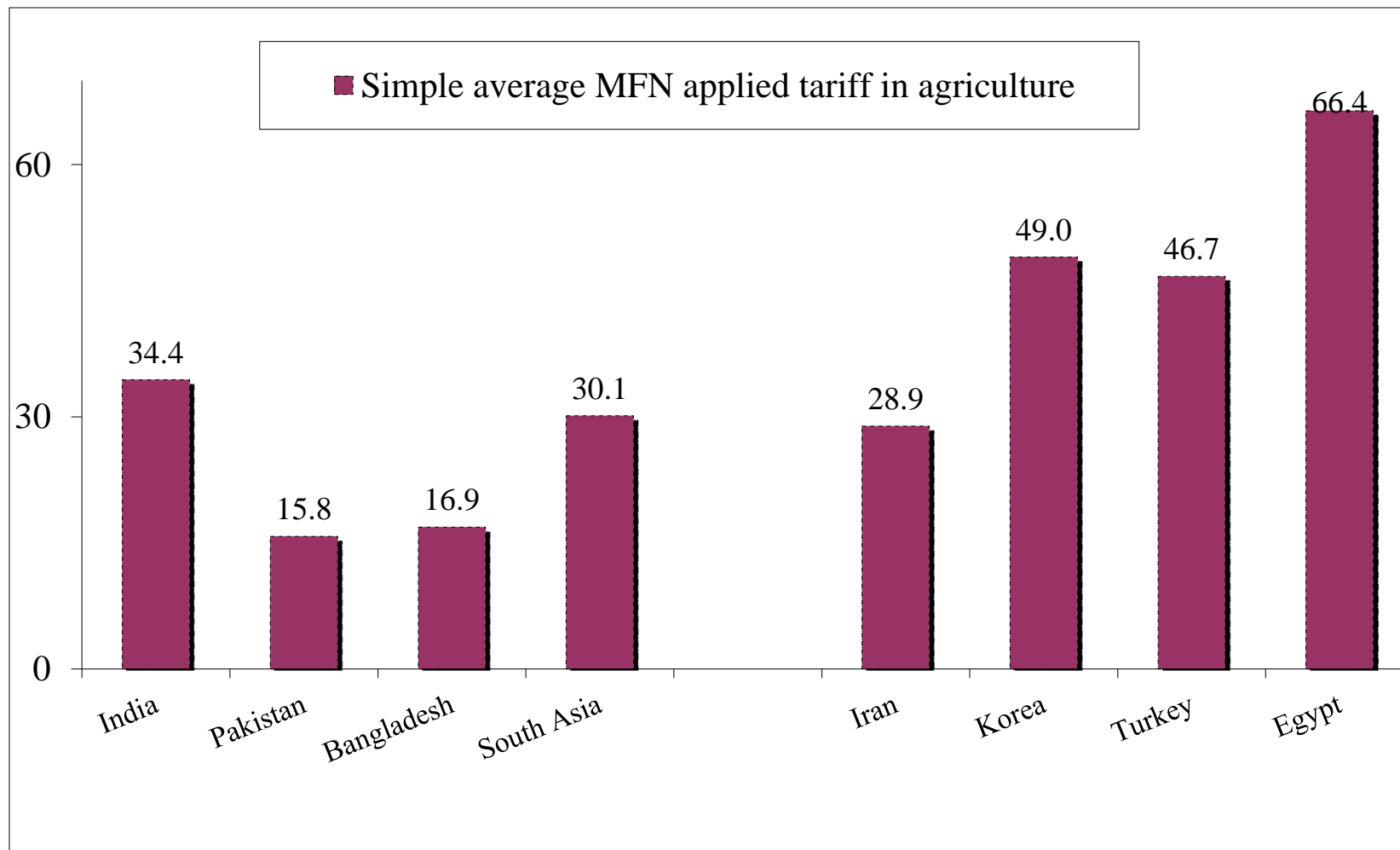
A. EFFECT ON AGRICULTURAL EXPORTS/IMPORTS

Agricultural trade liberalization in Pakistan:

- Till early 1980s, → indirectly affected by manufacturing trade reforms and currency devaluations
- WTO establishment in 1995 → Pakistan agreed and started to reform agri. trade → all non-tariff barriers transformed into non-tariff barriers
- B/w 1996-97 and 2008 average applied most favoured nation (MFN) tariff in agriculture sector ↓ from 65% to 15.4%

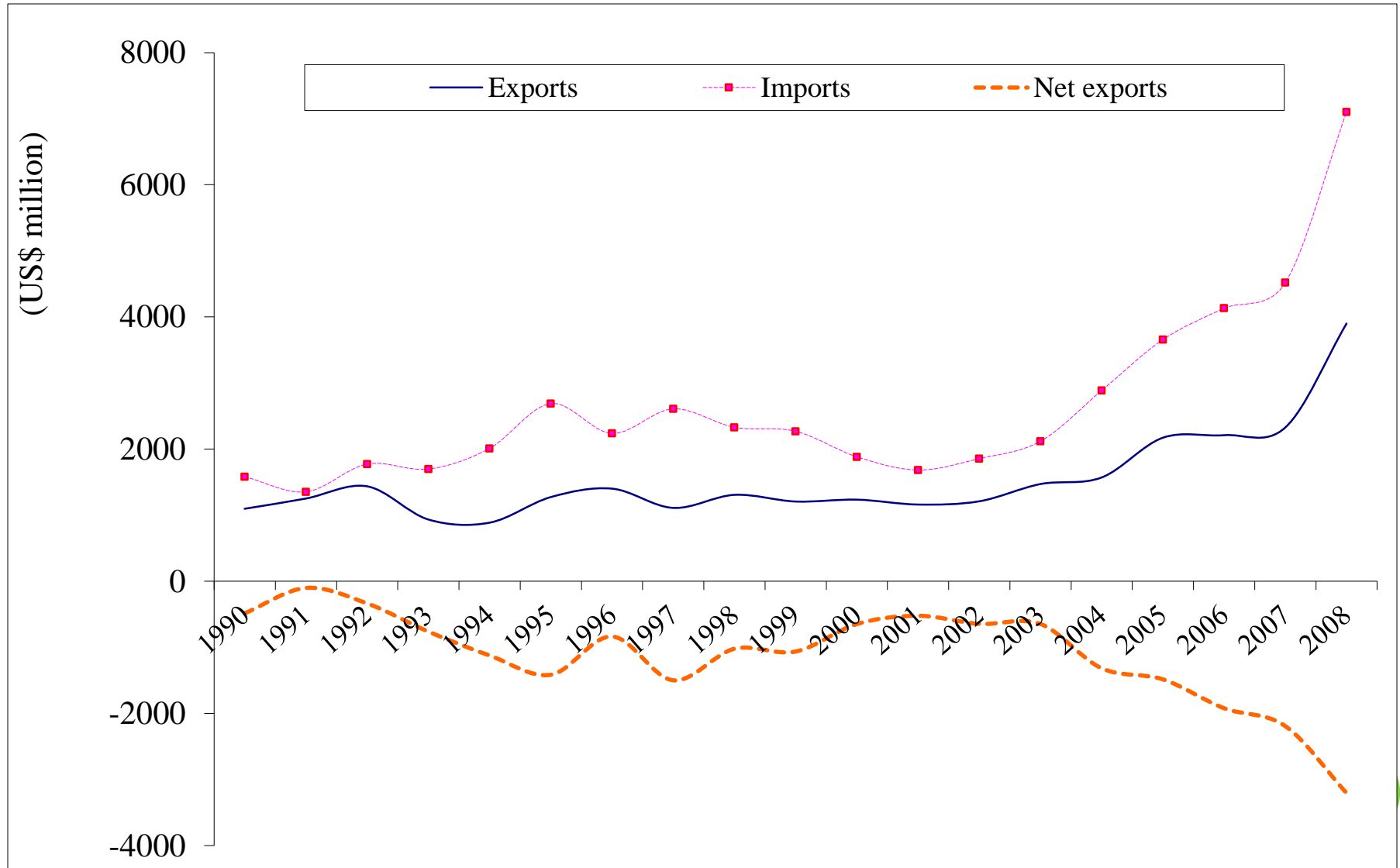


○ Figure 1 Tariff structure in Pakistan and other selected countries, 2007



Trends of agricultural exports/imports:

Figure 2 Trend in agricultural trade in Pakistan, 1990-2008



- Agricultural trade → volatile and unfavourable after 1995
- Imports outpaced exports
- Net agricultural trade has not been positive even once → high dependence of domestic agricultural trade on the volatile global market



B. CONCERNS OF PAKISTAN WITH RESPECT TO WTO RULES RELATED TO AGRICULTURAL TRADE

Difficult for Pakistani policymakers to align domestic concerns with the international pressure for further trade liberalization

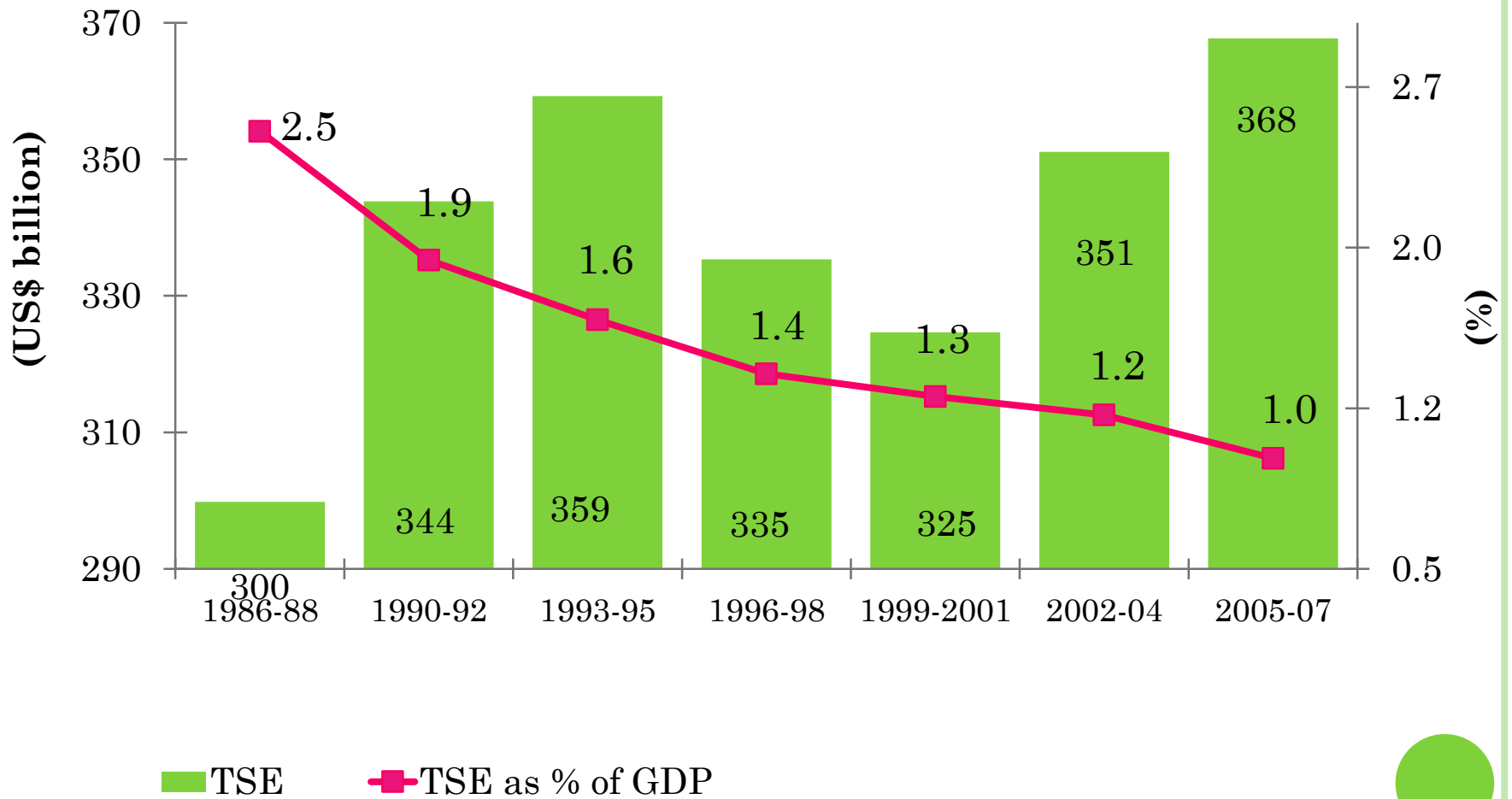
1. *Agreement on Agriculture (AOA)*
2. *Trade-related Intellectual Property Rights (TRIPS) Agreement*
3. *Technical Barriers to Trade (TBT) and Sanitary and Phitosanitary (SPS) Agreements*



1. *Agreement on Agriculture (AOA)*

- AOA → one of the most promised agreements to benefit developing countries by eliminating market distortions and allowing greater market access
- Although rich countries have decreased the **subsidies** to farms, as agreed under the AOA → however by a clever use of rules they have in fact increased agricultural sector support.
- Developed countries have also reduced the **market access** → tariff peaks, tariff escalation, tariff rate quotas etc.
- **Special Products (SPs) and Special Safeguard Mechanism (SSM)** → collapse of July 2008 mini-ministerial meeting

Figure 3 Total support estimate (TSE) in OECD, 1986-2007



2. *Trade-related Intellectual Property Rights (TRIPS) Agreement*

- Balance in benefits → historically, technology imitation
- Cost of technology transfer ↑ → difficult to adopt modern technology for human development.
- Technological development has not been compatible with geographic requirements.
- Enhanced the cost of seeds and cultivations
- Reduced biodiversity as a result of the use of genetically modified (GM) technologies, promotion of uniform varieties and neglect of preservation of plant varieties



3. *Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) Agreements*

- Required to base standards/regulations a/c to international standards
- Easy for developed countries but difficult for developing countries → served as non-tariff barriers
- Pakistan is unable to meet the requirements of these agreements due to:
 - a) shortage of financial resources and technical support needed to upgrade the quality and standard of agricultural sector
 - b) limited technical, legal and scientific resources to challenge such rules

Developed countries promise to support developing countries by providing US\$1 billion per annum



C. IMPACT ON HUMAN DEVELOPMENT

- During the Uruguay Round, expectation was → poverty and food insecurity ↓
- However, disappointment → (food security)FS ↓ → vulnerability of people in rural areas ↑
- Opening up of markets → exposed the landless, marginalized and poor farmers → threatened the FS and livelihoods of subsistence farming → the most vulnerable are women farmers

- 1) *Impact on poverty*
- 2) *Impact on food security*
- 3) *Impact on gender*



1) *IMPACT ON POVERTY*

- Agricultural trade liberalization (without institutional reforms) → rural poverty ↑

- **It has affected labour market in two ways:**

a) replacing labour-intensive crop production by subsidized cheap imports

→ cost of inputs ↑ + subsidies ↓

→ EU and US support to farmers ↑ } → TOT ↓ → rural livelihoods ↓

b) introduction of capital-intensive practices

→ consolidation of farms ↑ → vulnerability of farmers ↑ → labour requirement ↓



○ **Figure 4 Agricultural terms-of-trade (TOT) (1989-91 = 100) in Pakistan, 1990-2006**

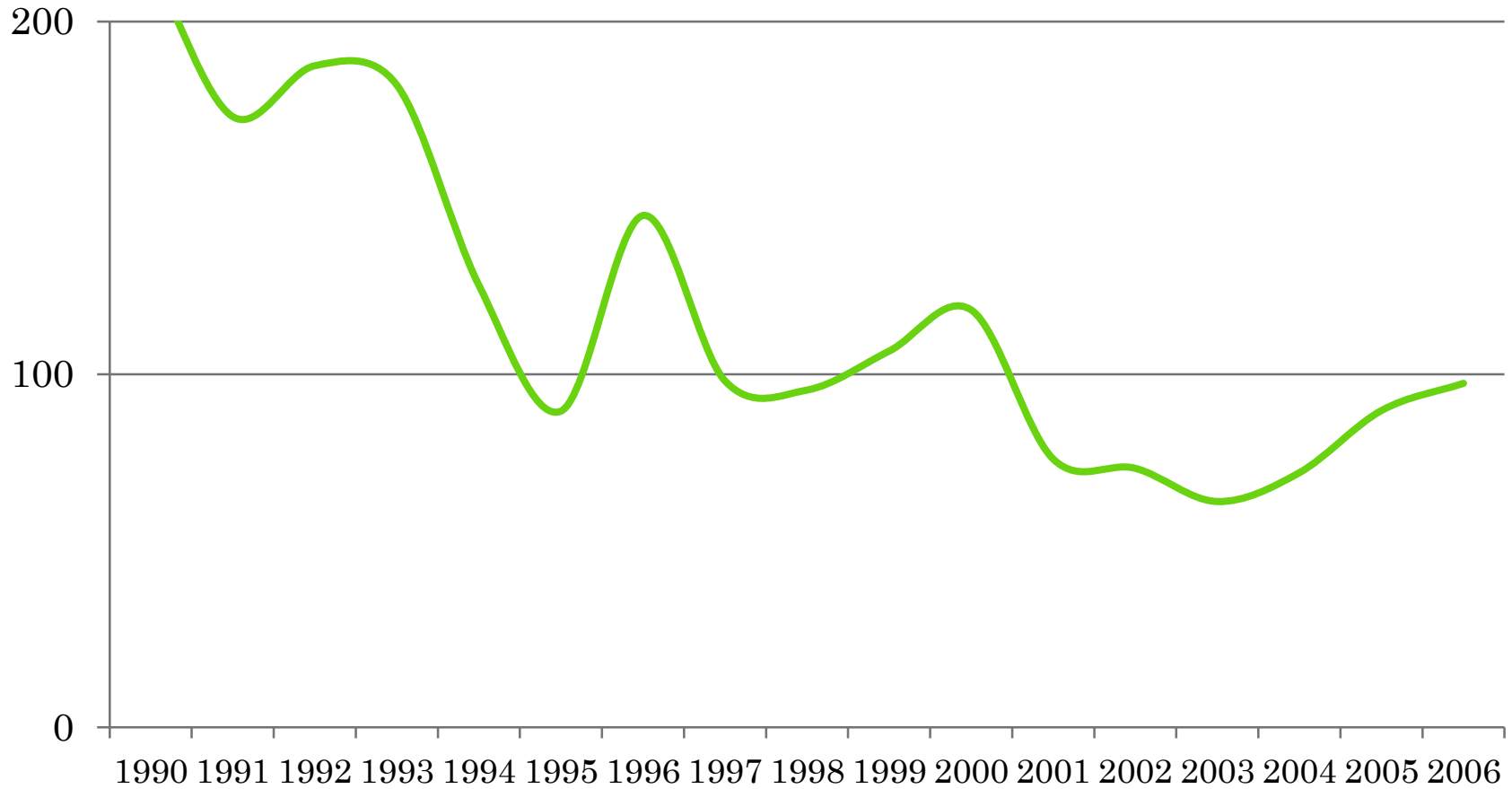
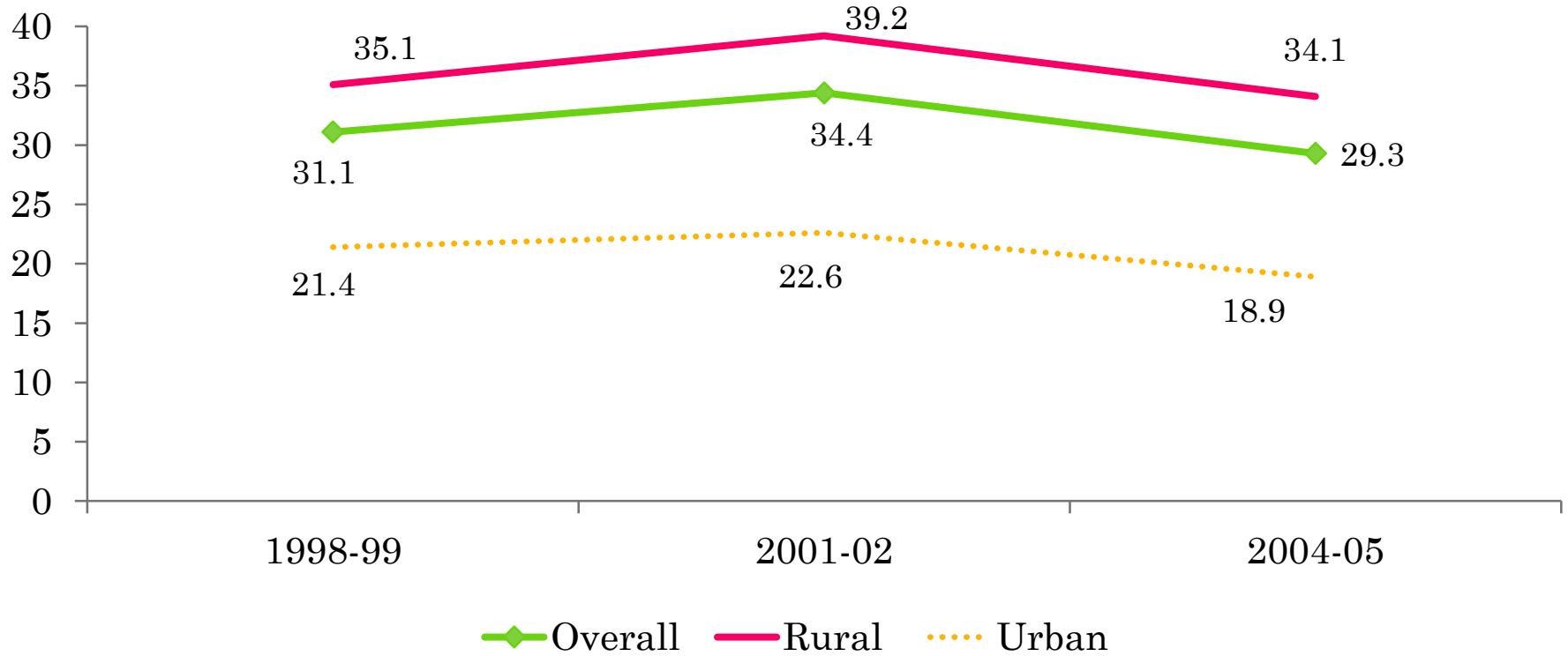


Figure 5 Population below income poverty line (%) in Pakistan



- Poverty is a rural phenomenon (80 %) → strong link with overall poverty
- Rural poverty↑ → migration towards urban slum areas↑ → urban poverty↑
- In 2008-09, poverty increased to 36.1 % or 62 million

2) *IMPACT ON FOOD SECURITY*

Figure 6 Proportion of undernourished in total population (%)

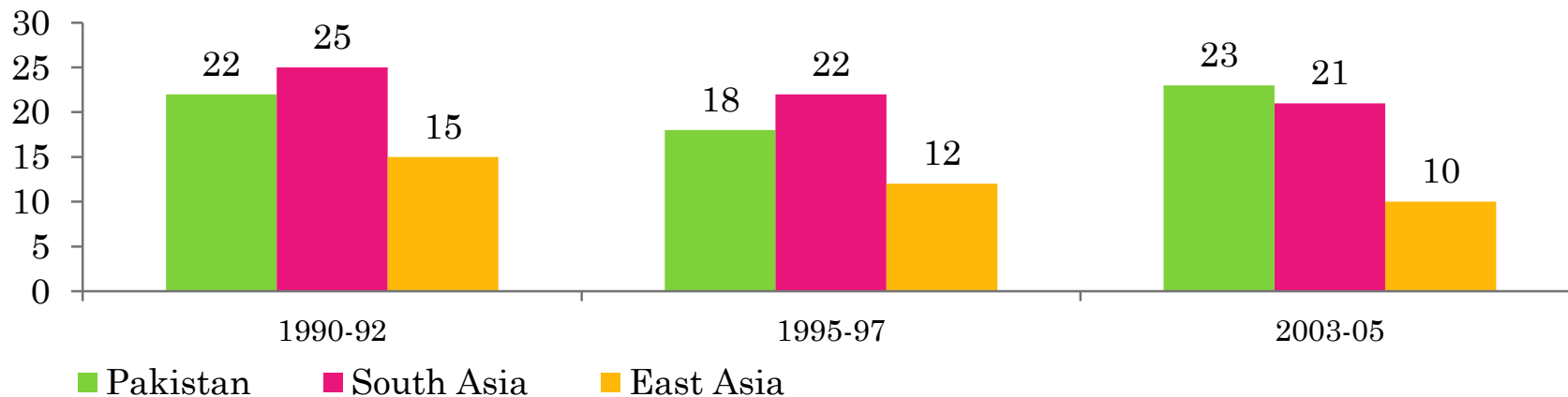


Table 1 Number of people undernourished (millions)

	1990-92	1995-97	2003-05
Pakistan	25.7	23.7	35
South Asia	282.5	284.8	313.6
East Asia	183.5	152	131.8

- In 2009, 48 per cent people were food insecure.
- In 2009, consumption of wheat in Pakistan has fallen 10%

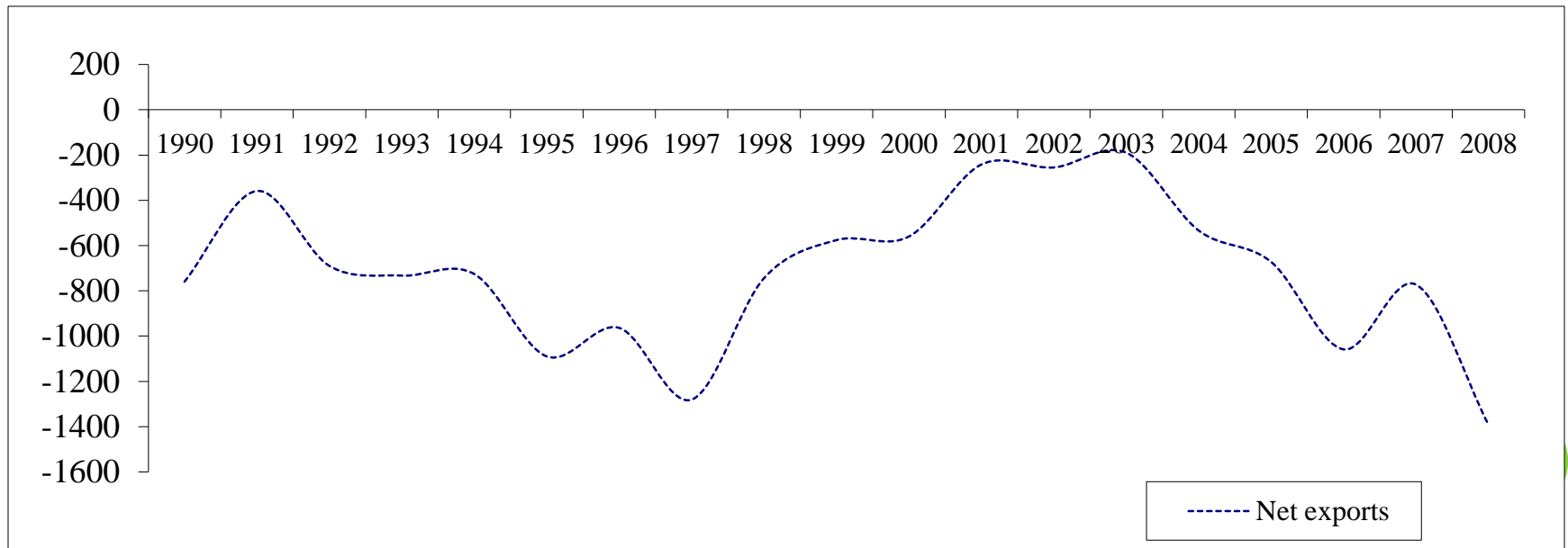


Causes of food insecurity:

- a. high level of trade dependence
- b. and exposure to international market volatility

a. high level of trade dependence

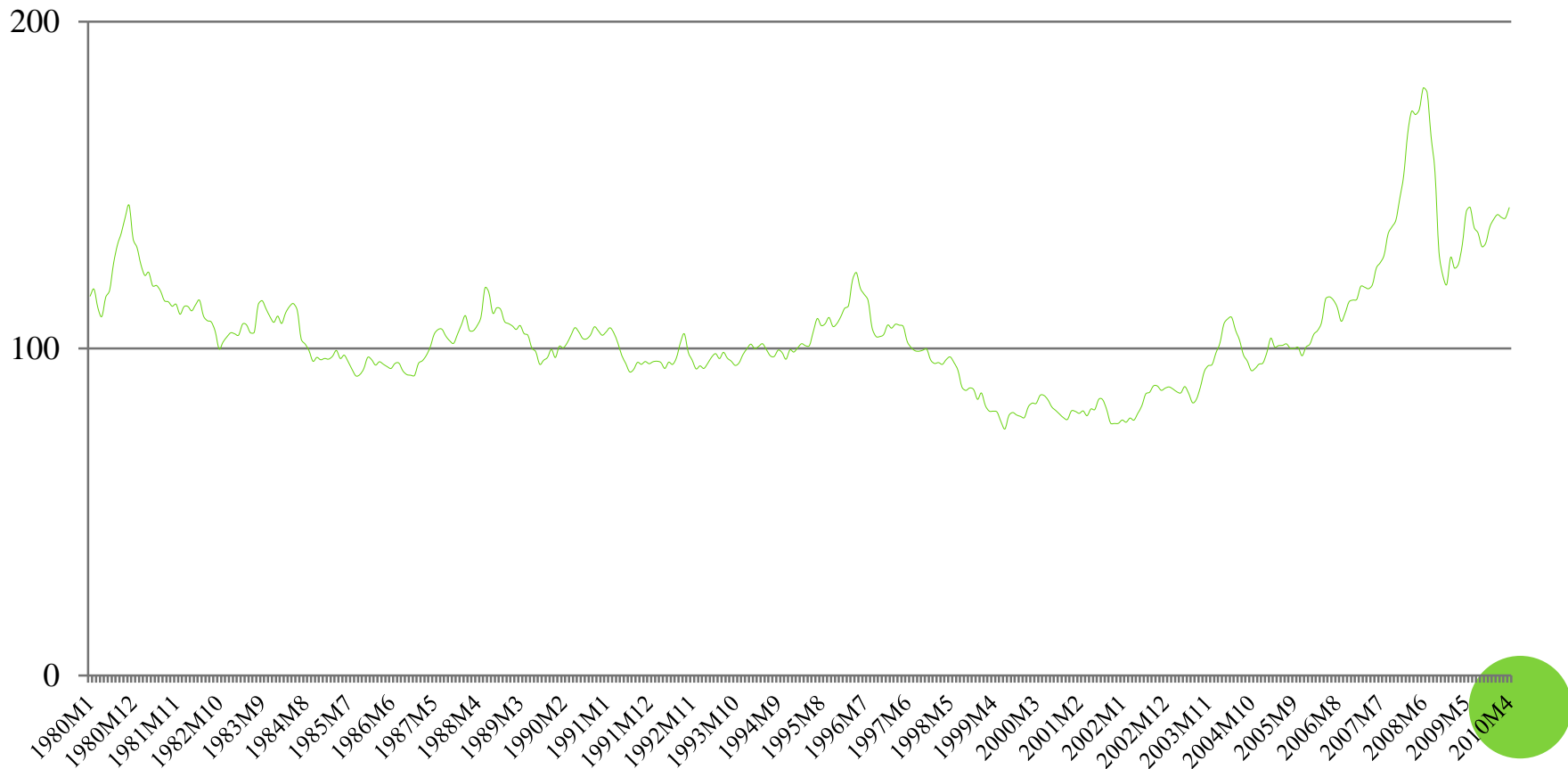
Figure 7 Trend in net food exports in Pakistan (US\$ million)



b. exposure to international market volatility

→ Uncertainty ↑ → -ve consequences for poverty and FS

Figure 8 Trend in food prices index (%)



3. *IMPACT ON GENDER*

- Seven out of every 10 female are farmers
- unpaid workers, landless labourers or marginal farmers → engaged in subsistence farming
- lack of access to institutional credit and public sector programmes → even if trade openness opens opportunities it is unlikely to benefit them

Agricultural trade reform → effect on livelihoods of female subsistence farmers

- a) Diversion towards cash crops
- b) Deterioration in competitiveness by decreasing subsidies
- c) volatile agricultural prices and higher food prices



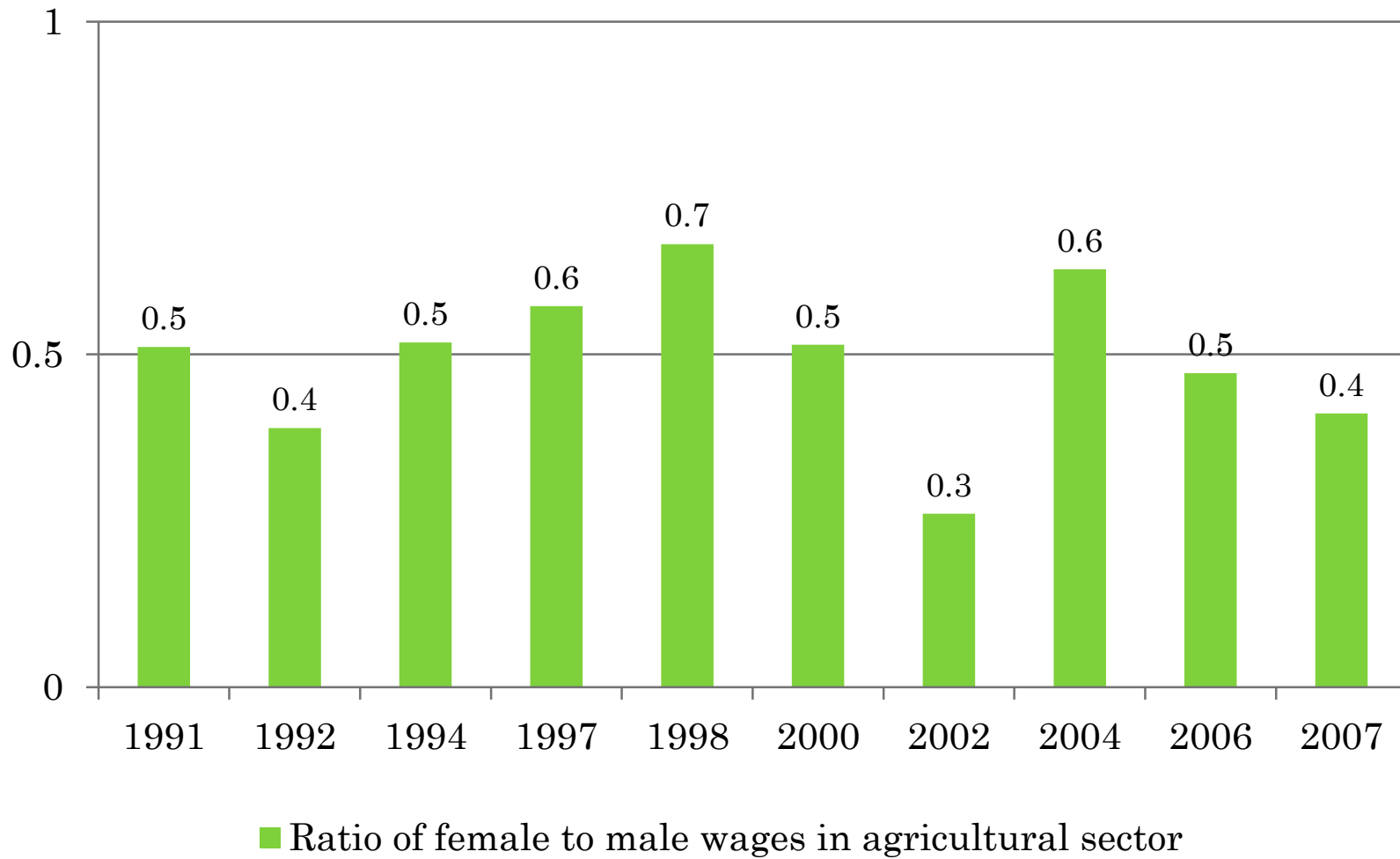
- Share of women working in agricultural sector increased from 64.5 % to 74% b/w 2002-09

Increase in employment is the result of:

- a) migration of male family members to urban areas due to high incidence of poverty
 - b) inability of farmers to hire additional labour → involvement of female family members in farming
- Vulnerability of female farmers ↑ from 78.6% to 92% b/w 2002-06 → economic insecurity ↑
 - Also paid female farm workers are getting lower salaries



○ **Figure 9 Trend in ratio of female to male wages in agricultural sector**



POLICY RECOMMENDATIONS

From domestic policy perspective:

1. Governance is the main issue for negative impact of agricultural trade openness in Pakistan.
2. need for a Food Security Strategy to address the issue of food insecurity.
3. Land reforms → **a)** transfer of tenancy rights into either ownership or permanent tenancy, **b)** computerization of land records to ensure proper taxation, **c)** and transfer of uncultivated and state owned land to the poor, marginalized and landless farmers
4. Improvement in the provision of agricultural credit and agricultural insurance systems to benefit the small farmers
5. correct inequities in access to water and improve water management
6. Agricultural marketing system must be run more efficiently to reduce post-harvest losses and price differentials
7. Establish a strong link b/w agricultural education, R&D and extension services. System of public and private partnership is needed to resolve financial constraints in the agricultural knowledge system

From the perspective of international trade rules:

1. TRIPS Agreement should focus on spreading the benefits of agricultural innovations as widely as possible. The role of international agricultural research centres be strengthened for providing quality seeds to farmers. They should be supported to offer financial, technical and scientific support to upgrade the quality and standard of agricultural products.
2. Pakistan has its own home grown system of property rights. It needs to be strengthened more.
3. South Asia needs to harmonize the standards of commodities within the region.
4. The Doha Round → gaps between applied and bound tariff rates ↓ → policy flexibility ↓ → (*in presence of domestic constraints + international volatility of commodity prices*) vulnerability of agricultural sector ↑. Pakistan needs to have access to instruments like SSM and SPs.
5. Should be careful in further liberalizing → not a commercial activity but a way to secure subsistence and livelihood for farmers
6. need for a Food Security Strategy to address the issue of food insecurity.

