

WHICH TRADE BARRIERS HAVE BEEN IMPOSED BY PAKISTAN? HOW ARE THEY UNSUITABLE AND WHAT SHOULD BE DONE IN THIS REGARD?

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ABSTRACT

This study explores what trade barrier has been imposed by Pakistan and how they are unsuitable for Pakistan's economy. We undertook a qualitative exploratory study in order to understand the nature of tariff and non-tariff in the context of Pakistan's economy by using archival records. We explored that trade restrictions imposed by Pakistan are related to rise in prices for consumer, increase in production and trade costs, encouraging informal economy and unemployment.

KEYWORDS: Trade Barriers, Tariff & Non-Tariffs, Trade Liberalization, Free Market.

INTRODUCTION

The notion of free trade has been rising since countries began to recognize that liberalized international trade buttressed by the strength of free economy can be a fruitful source of economic growth and development. Over the years, an increasing number of countries have pledged toward a more open economy. For example, Matthew Mc [11] noted that till 2000, 93% of the world economies had opened polices, from just 22% in 1981. Due to liberalized trade and open economy, several countries have witnessed an exemplary rise in economic growth, reduction in poverty and improved living standards. Research confirms that over the past 20 years people living in absolute poverty had fallen by 200 million (Robert H, 2004; Goldstein, 2010). Similarly unrestricted trade polices along with open market orientation and domestic reforms helped China to bring down its poverty

from hopping 53% in 1981 to just 8% in 2001.[13] Openness allows for global integration. Over the past 25 years, because of global economic integration, about \$20 trillion trade volume had been posted.[14]

On the other hand, several trade barriers exist and stand in the way of free global trade. Tariff and Non-Tariff barriers to trade restrict free flow of international trade, block foreign investment, create market distortion, add to trade cost and might lead to poverty and unemployment. Trade barriers will affect all those who want to trade across the border because of the growing demand for their products and services.[2] For example, several industries and small independent firms in Pakistan depend heavily on imported raw material to meet the domestic production requirements.

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Many exports from Pakistan also depend on imports to buy the raw material. Indeed, since last 40 years, the import of raw material has accounted for the highest category of the total import.[15]

Now it becomes imperative for us to understand why a country like Pakistan has been imposing trade barriers, given its import dependency. How these trade barriers are hurting the struggling economy of Pakistan with roughly 58% of people living below the poverty line. Our central research question then is how these trade barriers imposed by Pakistan are unsuitable for the poor economy. We undertook an exploratory work to understand how these barriers are not suitable for Pakistan. This article is a preliminary work to assess the impact of trade barriers on the economy. Further because research on the trade barriers is still in the rudimentary phase, therefore, we preferred an exploratory case study approach to understand the implications of trade barriers in the context of Pakistan's economy.

The layout of our report comprises three sections. Section I includes a brief discussion about the literature on trade and trade barriers. Included in this section is our rationale for the research methodology and data collection. Section II presents a description of the Pakistan's duty structure and current state of NTM. Section III presents a thematic and detailed discussion about the impact of trade barriers on Pakistan's economy.

LITERATURE REVIEW

In recent times, the theoretical and empirical discussion on the subject of trade liberalization and its positive impact on the economy have been intensified after some recent empirical findings. In 1970, a study about the impact of trade protectionism on an economy was carried out by Little, Scitovsky & Scott [1] sponsored by OECD countries. The study is considered as the

beginning trend toward popularizing the notion of free trade and its positive impact on the economy. Indeed, it was the first ever empirical evidence against protectionism. Little et al. [1] found that the use of tariff did lead to a transition from agriculture to industry but made these sectors inefficient as the pressure to compete against import sector became weaker.[11] Tracing back historically, Adam Smith 1776 and David Ricardo, gave their thoughts on how free trade can benefit nations by allowing them to divert resources towards productive activities and staying away from market intervention through regulation and restrictions. Since then, influential work of Adam Smith, James Mill & Ricardo have become "Standard Theories" to understand international trade and its impact on the economy (Sunada, 2010).

The earlier system of protectionism (Mercantilism) received a bottomless hit after the remarkable discovery of Adam & Ricardo free trade theories. A liberalized international trade in economic terms means a free economy without government interference or in other words international trade without trade barriers. It was Adam's visionary work that set the foundation bed for the modern capitalist system free of government intervention.[12]

The question whether liberalized trade and open economy is beneficial for reducing poverty and improved economic growth, is a work still in progress. However evidence suggests that over the years, economist and policy makers have shown great support for trade liberalization. For example, by 2004, GDP per capita of India roughly doubled and in China it rose to 7%.[11] Furthermore, according to WTO estimates, by eliminating several trade barriers since 1935, the world had witnessed an increase in growth and trade volume by 7% (Goldstein, 2015).

The trade theories put forward by Adam Smith & David Ricardo and some notable contemporary economists like Paul Romer (1955) & Krugman

have given us deep insight about the benefits of free trade and its impact on wealth creation. A brief discussion of these theories is what follows.

ADAM SMITH'S THEORY OF ABSOLUTE ADVANTAGE

Adam Smith criticized the protectionist economy model and believed that protectionism is a barrier to economic growth. Smith argued that a country can maximize its economic wellbeing by specializing in the production of those goods that it can produce more efficiently than the others. Adam reasoned that by acquiring absolute advantage, either naturally or through acquisition, workers become skilled; resultantly more efficiencies and more effective work methods get developed. Smith coined the term "invisible hand" referring to self-correcting mechanism of the free market that brings prices to the natural level of both for goods and labor markets. In essence, the Theory of Absolute Advantage rests on the premise that demand and supply will allow resource's efficiency.[2]

David Ricardo's Theory of Comparative Advantage, in 1817, reasoned that a country can still benefit from the gains of international trade, if a country specializes relatively better than its trading partners.[12]

However, there are some recent economic theories that encourage government intervention. For example, Paul Romer (1955) proposed the Endogenous Growth Theory and reasoned that innovation and technology are the driving force of an economic growth. Furthermore, Paul argued that least developed and developing nations should engage their trade with the developed countries. It will help LDCs to adopt best technologies, resultantly promoting research and development activities in the developing countries.[2] Nevertheless, in the fast changing world, trade barriers stand in the way of free market system. For example, Allan Rugman (2014) reasoned that nations erect trade barriers

for protectionist reasons. By doing so, restricting free flow of foreign goods and services a country can protect its infant industry, save job losses, shielding export oriented industries and stocking for war contingencies.

A central research question is to be asked here, if protectionist conditions do not exist, should a country like Pakistan given its poverty indicators i.e. where 58.5% of population lives below poverty line and a country ranked 158th on Ease of doing business (World Bank, 2015), heavily dependent on imports of inputs and with minimum war risk, to what degree is capable of withstanding trade restrictions imposed by the regime.

In this explanatory work that follows, our research focuses on the question which trade barriers have been imposed by Pakistan and how are they unsuitable? What impact do trade restrictions have on existing poverty in Pakistan? We will first examine which trade barriers are imposed by Pakistan and whether they are suitable or not, followed by some concluding remarks as what needs to be done?

METHODOLOGY

This research article is based on an exploratory case study method. Case study is better suited for exploratory work and largely follows qualitative approach.[3]

Research on the impact of non tariff barriers is still in its early stage.[14] Therefore an exploratory study is usually undertaken when little is known about the subject under investigation, in order to deeply understand the situation under hand and to develop knowledge through building theories (Uma S, Yin (2003)). Case studies are also appropriate when seeking answer to *how & why* questions.[5] Data were collected primarily through searching archival documents such as Government policy documents, documents from the trade

association, websites, newspaper, reports, WTO Documents and Research Journals. We skipped interviews for two obvious reasons. Firstly, trade restriction imposed by Pakistan had been a practice of successive government officials, currently who are difficult to access; either they may have left the country or passed away. Even, if we had access, problem of memory recall about

the past events, motives and conditions, would have exacerbated our data collected process.

In order to analyze the data, we made use of a coding procedure, manually labeling a chunk of data and pulling out a theme. Further the data was analyzed using matrix display followed by building a simple narrative. [3,5]

PAKISTAN’S DUTY STRUCTURE AND CURRENT STATE OF NTM

Table 1. Custom Tariffs by Countries

| Country | Human blood | Ammonium Sulfate | Cosmetics | Bricks | Polymers | Foot wears | Clothing | Carpet | Printed books | Rubber |
|-------------|-------------|------------------|------------|------------|------------|------------|------------|------------|---------------|------------|
| | % (Duties) | % (Duties) | % (Duties) | % (Duties) | % (Duties) | % (Duties) | % (Duties) | % (Duties) | % (Duties) | % (Duties) |
| India | 10 | 10 | 30 | 10 | 10 | 10 | 16 | 10 | 0 | 70 |
| Pakistan | 5 | 2 | 20 | 20 | 5 | 20 | 20 | 20 | 10 | 2 |
| China | 3 | 4 | 20 | 8 | 10 | 24 | 17.5 | 14 | 0 | 20 |
| Bangladesh | 0 | 0 | 25 | 1 | 5 | 25 | 25 | 25 | 25 | 10 |
| Afghanistan | 2.5 | 2.5 | 14 | 10 | 2.5 | 2.5 | 5 | 20 | 2.5 | 2.5 |

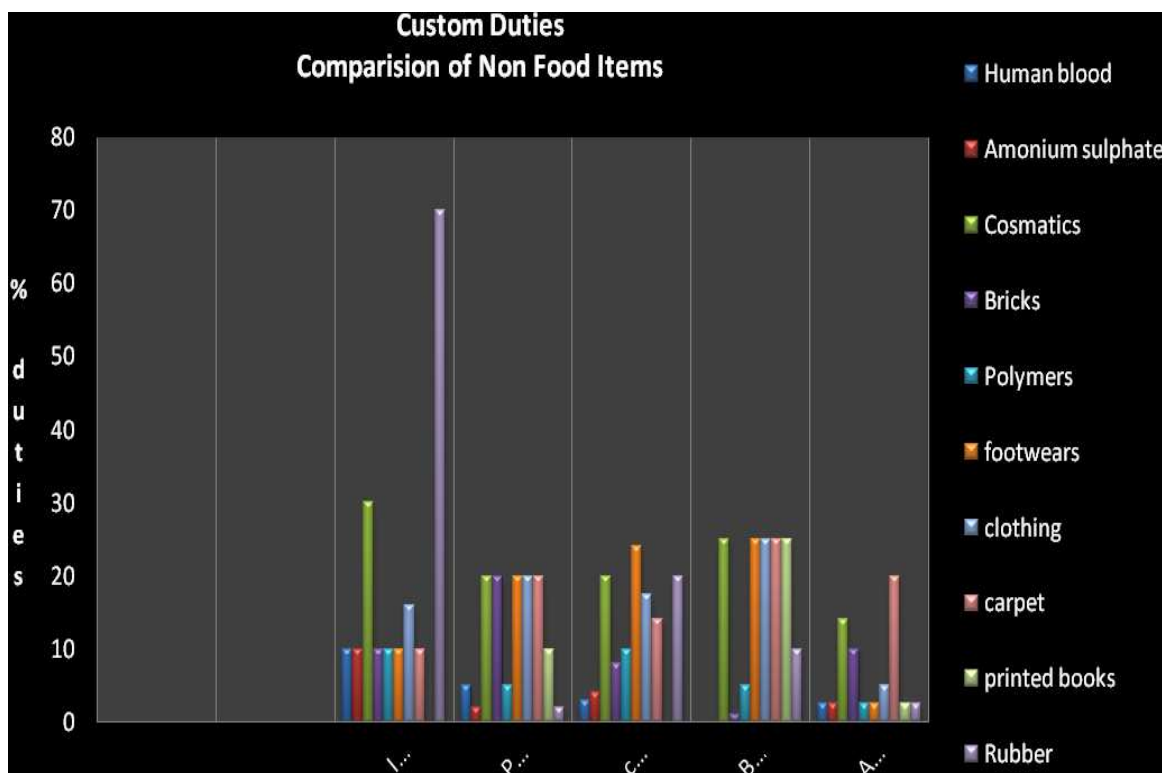


Figure 1. Custom Duties - Comparison of Non Food Items

Table 2. Non-Tariff measure by Pakistan and its neighboring countries (as on 30/12/2015)

| Types of Non-Tariff Barriers | | | | | | | | | |
|------------------------------|------|------|-----|----|----|----|-----|----|-------|
| Country | SPS | TBT | ADP | CV | SG | QR | TRQ | XS | Total |
| China | 1020 | 1150 | 101 | 4 | 0 | 21 | 210 | 0 | 2506 |
| Saudi Arabia | 167 | 905 | 0 | 0 | 0 | 0 | 0 | 0 | 1072 |
| India | 109 | 97 | 280 | 1 | 41 | 59 | 3 | 0 | 590 |
| UAE | 55 | 298 | 0 | 0 | 0 | 0 | 0 | 0 | 353 |
| Pakistan | 1 | 93 | 42 | 2 | 1 | 0 | 0 | 0 | 139 |
| Sri Lanka | 37 | 47 | 0 | 0 | 0 | 0 | 0 | 0 | 84 |
| Nepal | 20 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 24 |

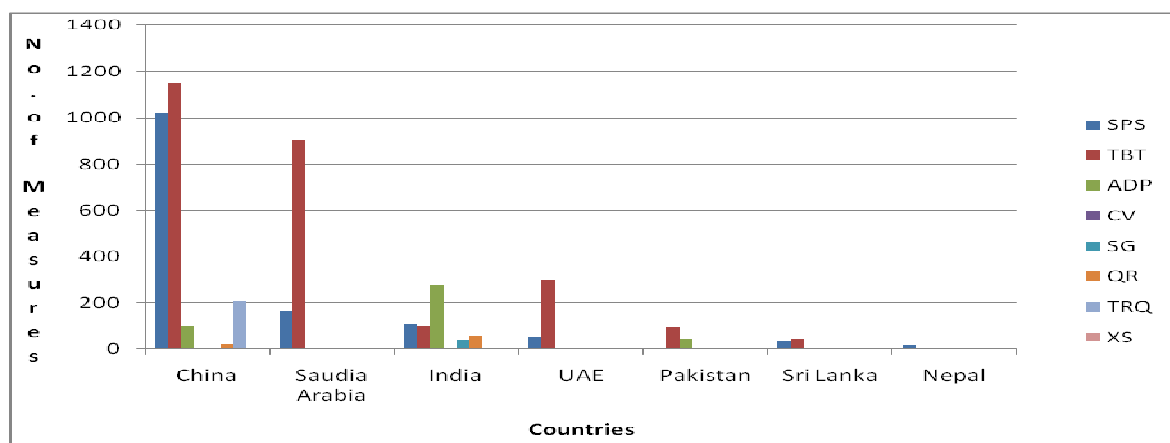


Figure 2. Non Tariff Measures by a few countries [14]

These graphs show that custom duties levied by Pakistan are lower as compared to its neighboring countries. However, these duties do not include other taxes such as FED. On the Non tariff side, Pakistan imposes fewer technical restrictions as compared to China and India. It can be said that Pakistan economy is relatively an open economy. Pakistan imposes one psycho sanitary restriction on the import of live animals and several technical requirements on consumer items. However the applied bound rate in Pakistan in 2014 was observed to be 60% and

MFN rate was 13.4%. In order to protect in auto industry Pakistan imposes between 35-100% custom duties.

Regarding sanitary and phytosanitary trade, Pakistan banned the import of live animal and related meat products in response to disease risk. Several food items from India are also banned. Furthermore, non transparency in government purchases, weak judicial system, copyright issues and rampant corruptions are seen barriers to trade by its trading partners (The National Trade Estimator Report, 2016).

Table 3. Matrix for Data Analysis

| Type of Barriers | Suitable(+) | Unsuitable(-) | Interpretation |
|---|--|---|---|
| Price Based Tariff Barriers <ul style="list-style-type: none"> Custom duties Taxes | Source of Revenue for the Government (5) | <ul style="list-style-type: none"> Raise the price of goods & services for the consumer (20) Raise cost of input (15) | Price based tariff barriers are the sources of revenue for the Government. The Government believes that by reducing custom duties, it might lose substantial revenue. However, the high |

| | | | |
|---|---------------------------------------|--|--|
| | | <ul style="list-style-type: none"> • Flight of capital (1) • Job loss (2) • Loss of consumer welfare (18) | prices that arise out of custom duties and taxes, raise the cost of inputs for those industries that source their raw material from other countries. The higher cost of production is passed on the consumers, thus consumer welfare lost, might cause poverty. |
| <p>Non-Tariff Barriers</p> <ul style="list-style-type: none"> • Technical Barriers • Phytosanitary • Subsidies • Bans | To protect consumer health and safety | <ul style="list-style-type: none"> • Causing unnecessary delay (6) • Lengthy procedure (7) • Time consuming (5) • Lots of production adjustments for the exporter (6) • Cost of trade rise (7) • Restrict the access of foreign products (5) • Loss of consumer welfare (17) • Price rise (20) | <p>Non-tariff barriers in the form of certification and technical restrictions make importing procedures lengthy and time consuming. Such delays add up costs of trade. Similarly subsidies are forms of cheap capital, which give local protected industry an undue advantage over the foreign companies. Thus making market uncompetitive. Furthermore, Non-tariff measures increase the cost of business for the importers. Non-tariff barriers also lead to informal economy such as smuggling. Finally, due to these measures, the consumer welfare is lost. It could lead to poverty and unemployment.</p> |

Table 4. List of Archives

| Author | Detail | Source/Link |
|-------------------------|---|---|
| Amin Ahmed [18] | Government to allow import of animals | http://www.dawn.com/news/1093720 |
| Aamir Shafaat Khan [19] | Sugar prices rise after export subsidy | http://www.dawn.com/news/1236879 |
| Javed Mirza [22] | Food imports must meet Pakistan standards | http://www.thenews.com.pk/print/19003-food-imports-must-meet-pakistan-standards |
| Farhan Zaheer [23] | Used car sales to fall, state revenues may take a hit | http://tribune.com.pk/story/1002895/higher-import-duty-used-car-sales-to-fall-state-revenues-may-take-a-hit/ |
| N/A [24] | Palm oil imports to rise in 2015 | http://www.dawn.com/news/1149044 |
| N/A [25] | Merchants want no import | http://www.dawn.com/news/1016127 |

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|--|---|---|
| | duty on paper | |
| Zulfiqar Ali [26] | Honey producers want better facilities | http://www.dawn.com/news/1124038 |
| Fawad Yousafzai [27] | Govt. moves to break carmakers monopoly | http://nation.com.pk/national/22-Mar-2016/govt-moves-to-break-carmakers-monopoly |
| Aamir Shafaat Khan [28] | Tea imports decline | http://www.dawn.com/news/745307/tea-imports-decline |
| Khawaja Amer [29] | Cheap imports make poultry industry's survival difficult | http://tribune.com.pk/story/891567/cheap-imports-make-poultry-industrys-survival-difficult/ |
| Reporter [21] | FTO services lauded | http://nation.com.pk/business/15-Apr-2011/FTO-services-lauded |
| Syed M. Aslam [20] | Footwear Local versus Imported, Pakistan & Golf Economist | http://www.pakistaneconomist.com/issue2003/issue24/f&m5.php |
| Ushah & Haley (Apr 27, 2013) | China's economy Perverse Advantage | http://www.economist.com/news/finance-and-economics/21576680-new-book-lays-out-scale-chinas-industrial-subsidies-perverse-advantage |
| FBR (Year Back 2014-2015) | Directorate of Research and Statistics | Directorate of Research and Statistics. Federal Board of Revenue, Govt. of Pakistan. |
| World Trade Report (2012) | Trade & Public Policy. A closer look at Non-Tariff Measures in the 21st century | www.wto.org/english/res_e/publications_e/wtr12_e.htm |
| Central Board of Excise & Customs. Ministry of Finance, India. | Tariff 2015-2016 | http://www.cbec.gov.in/htdocs-cbec/customs/cs-tariff2015-16/cst2015-16-idx |
| Government of Pakistan, Ministry of Commerce | Import Policy 2012-2015 | www.commerce.gov.pk/wp-content/themes/moc/SROs/IPO_193_2012-15.doc |
| WTO | Tariff Download facility, China (2014) | tariffdata.wto.org/ReportersAndProducts.aspx |
| National Board of Revenue, Bangladesh | Tariff Schedule (2016-2017) | http://www.nbr.gov.bd/tariff_schedule.php?language=eng |
| Afghanistan Custom Department | Custom Tariff & valuation (2014) | http://customs.mof.gov.af/en |
| WTO | Documents, Data & Resources. Non-tariff measures by Members | https://itp.wto.org/goods/Forms/MemberView.aspx?data=default |
| World Bank Group | Doing Business. Trading | http://www.doingbusiness.org/data/exploreto |

| | | |
|----------------------------|--|---|
| (Jun 2015) | across border | pics/trading-across-borders |
| International Trade Centre | Contemporary prospective on Non-tariff measure in Arab States (2015) | http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/Working_towards_regional_integration_web.pdf |

DISCUSSION ABOUT THE IMPACT OF TRADE BARRIERS ON PAKISTAN'S ECONOMY

PRICE BASED BARRIER AND THE CONSUMER

Direct tariffs in the form of custom duties such as regulatory charges make imported goods expensive in the domestic market. Those consumers who prefer buying foreign made products end up paying higher price, leading to fall in purchasing power. Beyond preferences, consumers in the developing economies spend largely on food related goods. For example, in Pakistan, food expenditure was observed as the highest consumption category (see: Economic Survey of Pakistan 2015). In the absence of the cheap availability of foreign food products, local food procedures have the advantage of charging higher price that puts budgetary pressure on the poorest segment of the economy and therefore the poorest ends up paying much higher prices.[6] Indeed, local food producers are protected due to exorbitantly higher custom duties of food products at the import stage. Consumers have no choice but to buy locally produced food at higher prices. This is equivalent to saying import restrictions through high tariffs lead to forced consumption accompanied by a cost.[11] Price inflation emerging out of high custom duties and taxes is close to hell fire for the already poverty stricken economies.

This is especially true in the context of Pakistan's economy where nearly 60% of the population merely earns less than \$2 a day (see: Ministry of Finance, 2015). For example, Pakistan imports 50% of its infant milk that constitutes an important food source for millions of babies who

cannot be breast fed. Recently a 1% duty was levied on the import of infant milk. For example (see Appendix) consumer related goods comprised the highest category subjected to Phytosanitary and Technical restrictions. The imposition of custom tariff lowers the imports, raises domestic production and eventually price rises. In essence, tariffs raise the prices of imported substitutes, the government collects the revenues, and traders also gain, however, the social impact of high tariff is that, in the final analysis, consumer welfare is lost.[7] For example, in Pakistan, because of higher duties on the import of printing paper, the prices of books have gone up making education a luxury. It was stated by one of the printing millers as *"If the government withdrew input duty on paper, it would bring down price of text book and copies by around 40 %"*. [25]

We can therefore safely argue that higher import duties make life miserable for the final consumer, it raises prices, takes away disposable income and may lead to increase in unemployment and poverty. For example, a representative from the printing industry highlighted that because of higher duties and indirect taxes "15000 printing press jobs" have been shifted abroad.[25]

Higher custom duties not only lead to price hike in the country but can become a source for driving the informal economy through smuggling and under invoicing practices. Tea, cigarettes, electronics, and cosmetics are few of the categories that have been illegally finding their way into the Pakistan's market. Tea smuggling stood at about 100,000 tons in 2009-2010 because legal tea trade would cost about 25 % custom duty (World Trade Review, 2015).

TECHNICAL RESTRICTION AND TRADE COST

The prime purpose of TBT/SPS is to protect consumer welfare and safety, with such non-protectionist intentions, non-tariff measure in the form of quality measures, conformity assessment and testing certifications might enhance consumer welfare by allowing them to enjoy better quality products. For example, detailed labeling about product consumption helps consumer to make informed purchase decisions, allowing the consumer to assess whether the product is safe for use or not. Further Government can drive legitimacy for intervention to correct the market externalities (World Trade Report 2012). On the contrary, when the process of certification and testing becomes lengthy, unscientific & unclear it adds to the trade cost born by the importers. This was expressed by an importer, who while sharing his concern with Custom today said *“The Pakistan custom authorities have sent all the consignments of textile fabric for examination and laboratory test in order to determine the composition of the blended fabric.... This may have to cause us millions of rupees of loss, we have to forward the consignment to and parties before the month of Ramadan”*.

The attempt to abide by technical certification & testing requirement makes import demands expensive and shrink supply, subsequently protecting the domestic industry (John CB, 2015).

In the previous section, we discussed how duties impact cost of production when an industry is heavily dependent on the cheap availability of raw material. Similarly NTM when imposed unjustifiably increases the cost of inputs for the domestic industry. Many export oriented industries in Pakistan heavily depend on the smooth & cheap supply of input (Nasir I & Ghori 2014). Take for instance the case of Palm oil. Palm oil performs an input function in the production of Ghee in Pakistan. The Palm oil importers believe that it's profitable to import cheap input for business survival and transferring the cost benefits to the consumer, it was expressed as *“If ghee producers believe they can make more margins with lower raw material prices, it might prompt them to buy more”*. See for example Table 5. In Pakistan time delays and related costs are on the higher side as compared to its neighboring countries.

Extensive use of TBT/SPS (certifications & testing requirement) can cause shipment delays. The delays at the border due to certification & testing procedure might come at higher transportation costs, imposed on the importer. Specifically, given the perishable nature of agriculture products, TBT are ruinous, importer facing such a situation have no choice but to pass on the cost to the final consumer, hence swelling the inflation. In conclusion, the benefits of safety and health standard to protect consumers are offset with high food prices.

Table 5. Border Costs and Time to import (Source: World Group Bank, 2015)

| Countries | Time to Import | Time to Import | Cost to Import | Cost to Import |
|-------------|---------------------------------|-----------------------------------|-------------------------------|---------------------------------|
| | <i>Border Compliance (hrs.)</i> | <i>Document Compliance (hrs.)</i> | <i>Border Compliance (\$)</i> | <i>Document Compliance (\$)</i> |
| Afghanistan | 96 | 336 | 850 | 900 |
| Pakistan | 141 | 153 | 957 | 786 |
| India | 287 | 63 | 574 | 145 |
| Iran | 148 | 284 | 660 | 197 |
| China | 92 | 66 | 777 | 171 |
| Nepal | 30 | 48 | 156 | 80 |
| Sri-Lanka | 72 | 58 | 300 | 283 |

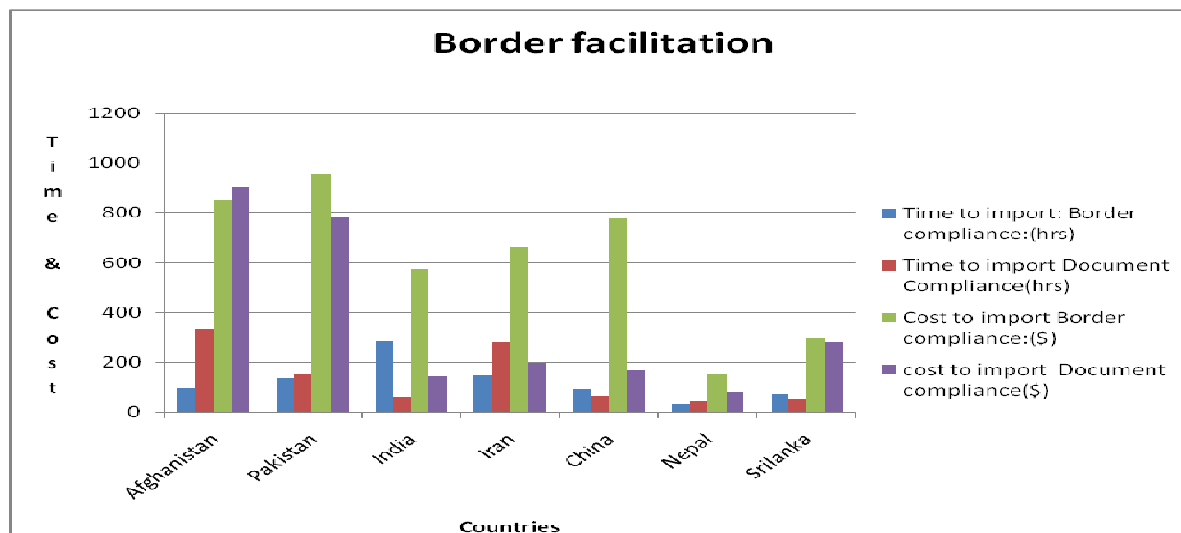


Figure 3.Border Facilitation (Source: World Group Bank, 2015)

SUBSIDIES, MARKET DISTORTION AND CONSUMER WELFARE

Under WTO, subsidies are classified as non-trade barrier, used by the Government as policy intervention to provide a direct & indirect financial support, tax exemption or a cash payment to a particular sector of the economy.[2] A subsidy given to the agriculture farmers is aimed to encourage increased output through the manipulation of cheap inputs. In economic language, the supply curve of a subsidized farm will push towards right subsequently raising the output and lowering the domestic price for the final consumer. This simple subsidy model postulates a win-win situation both for the producer and consumer. The model of subsidy ignores the detrimental effect associated with market distortion.

The darker side of subsidies demonstrates that economic welfare linked with a subsidized approach comes about with budgetary allocation thus setting away huge sum of money for dispensing subsidies. Therefore the foremost negative impact connected with subsidy is that it puts pressure on the resource allocation. That is why the economies of USA & EU have become incapable of defending agricultural subsidies (Antanio, 2006).

The resource allocation is the area where the Government can spend unwisely on few sectors of the economy; alternatively the resources could have been mobilized for providing social benefits such as education and health. Thus subsidies divert country resources to benefit a handful of industries at the cost of wider taxpaying consumers.

Governments that extensively make use of subsidies could do so for multiple reasons, one likely reason is to protect agricultural economy, by providing cheap fertilizers, pesticides and related inputs, thus driving down local output price. The domestic price succumbs so low that it's almost impossible for the foreign competitor to enter the market, indeed freezing the import competition, in return making exports cheaper for the protected industry, because the domestic price was so low that it makes no business sense for the importer to operate profitably.

Such a concern was expressed by the CEO of Karachi wholesaler & Grocer Association, he said "Since the Government (Pakistan) doled out Rs 6.5 billion (Rs13/kg) export subsidy to millers in December 2015, the retail price of sugar has surged from Rs 50 to Rs 60/kg".

The producer boasting under subsidies, do not feel liable and pressurized to cut cost, pick up efficiency, and progress toward more biodiversity production.

Subsidies initially reduce retail prices, then the reduced prices attract more demand and thereafter prices start to climb, finally, making consumers worse-off.

It can be clearly observed that subsidies in the long term do not increase the welfare of consumers. For a poor economy like Pakistan, subsidies are likely to erode away consumer purchasing power. Regrettably, in the budget 2015-2016, subsidies worth Rs 20 billion have been reserved for urea fertilizer.

Besides, the devastating effect of subsidy on consumer welfare subsidies intensifies land and fertilizer use, subsequently having an environmental effect, because cheaper inputs allow farmers and other producers to expand their output at that expense or deforestation, annihilating wildlife and badly driving up global warming.[10] Production of honey in Pakistan faces the effect of subsidies when the head of the Peshawar Forest Institute said *“wild bees were vanishing due to use of pesticides and deforestation”*.

DISCUSSION AND CONCLUSION

In this article, we have discussed how trade restrictions in the shape of tariff and non-tariff can hurt the wellbeing of people. Trade barriers restrict trade among nations whereas trade is considered as an engine of growth. Trade restrictions can make this growth engine rusty and in the process might bring economic development to an end. Therefore it is crucially significant for the poorest countries to actively engage with the globalized world for increasing their trade volume and reaping the benefits of cross border trade.

Direct tariff barriers in the form of duties are more damaging to the consumers. Consumer income is negatively affected when price rises as a result of higher duties. In the case of Pakistan's economy, where essential food and kitchen goods have been either banned, subject to sanitary conditions or restricted due to higher tariffs and other non-tariff measures, such measures on the one hand are responsible to raise consumer prices and alternatively could exacerbate poverty and unemployment conditions for the already poverty stricken country. Besides creating inflation, price based barriers can affect people choices and preferences. Some consumers might be willing to buy quality goods and services and want to make a tradeoff between bad quality and good quality goods to satisfy their choices. Restricting imports is equivalent to limiting consumer's free choices.[2]

Price based barriers effectively increase the price of consumer goods, discourage imports, restrict foreign investors, and raise the cost of production.

We further have identified several non tariff barriers that might indirectly raise the cost of doing business.

Imposing technical and safety restrictions are the forms of non-tariff barriers to trade, that government brings into play thus creating market imperfection. To put it differently, non-tariff measure is a form of government interference with market mechanism. In economic terms, market imperfection is a state of disturbed price, whereas market competitiveness takes economies to move toward price stabilization. Any policy interference with a market economy will destabilize the market price. However, free flow of international trade and openness to globalization policy allows markets to function more competitively. Competitiveness comes

when no firm or individual has the power to destabilize the prices.[7] For example, as we have noted in our preliminary finding, SPS creates unnecessary procedural steps for the importers. These lengthy procedures in turn lead to consignment delays. Such delays can be termed as imposed costs resulting due to non tariff measures at the border. Therefore, non-tariff measures significantly contribute to rise in trade costs. However such trade cost could easily have been avoided if these had not been imposed, consequently making importers uncompetitive against the protected industry. The burden of costs finally falls on to the consumers. Subsidies as non-tariff measures significantly contribute towards the imperfect market system. When subsidized industries enjoy cheap inputs from the government, it provides them undue leverage against the market forces. Subsidies thus do not allow firms to cut costs on their own, become innovative and show efficiency; because of cheap inputs an unjustified advantage has been created, thus restricting market access of foreign goods, thereby, making it difficult for the foreigners to compete against locally protected industries. Subsidies also bid up consumer prices at the retail level, thus affecting the well beings of the general public. Non competitiveness that arises due to extensive use of trade barriers has ethical issues because from moral stand point higher prices are similar to an injustice to the society, thereby undermining consumer utility and furthermore taking away consumer's fundamental right to free choice.[17] Besides, subsidies come at the cost of excessive environmental destruction such as pollution and deforestation.

We thus argue that trade liberalization is positively connected with human wellbeing. Free trade policies allow for specialization of resources and improve division of labor. Instead of achieving full self-reliance countries can have enormous economic gains by diverting its resources towards such economic activities that it can do best. It is also important to note that trade

liberalization solely will not help to eradicate price inflation, poverty, underdevelopment, and market distortion. Economic growth is contingent on other macro-economic measures such as modern roads and efficient transportation facilities, globally connected ports, efficient custom facilitation, openness of policies, superior judicial system and a tight restraint on corruption.[8] Numerous research studies show that openness to trade has a positive effect on the economic growth. There is a general trend towards more trade liberalization. In year 2000, 93% of countries had been moved towards eliminating trade barriers. Further evidence suggests that over the past 20 years trade liberalization has resulted in poverty reduction by 200 million people (Robert H, 2004; Goldstein, 2010). For example, because of its open economic policies and domestic reforms, China was able to bring down its poverty, which stood at 58% in 1980, to just 8% in 2005.

We are therefore strongly asserting the view that openness, that is, trade without barriers does contribute positively towards economic growth with rise in national wealth. Reduction in poverty and unemployment are the byproducts that might result through wealth creation. Thus we have demonstrated that in the context of Pakistan, trade barriers are unsuitable for economic progress and growth. We propose that Pakistan needs to extensively review its trade policies on scientific footing. We also suggest that in future, extensive empirical studies that can measure the impact of trade barriers on poverty and unemployment in Pakistan should be carried out in order to better gauge the impact of trade policies on Pakistan's economy.

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APPENDIX

COMMODITY WISE DETAIL OF NTM

| Technical Trade Barriers imposed by Pakistan (31/12/2015) | | Anti-Dumping | Countervailing | Safeguard | Sanitary & phytosanitary |
|---|--|---------------------------|---------------------------|-----------|--------------------------------------|
| Consumer Products | Non-Consumer Products | | | | |
| Infant Formula, Follow-up formula, and prepackaged foods for infant and young children under the age of 36 months | Tubular Fluorescent Lamp for General Lighting Service | Hydrogen Peroxide | Writing or printing paper | Footwear | All livestock and livestock products |
| Palm Oil Edible Grade (For cooking purpose) | Two Wheel Auto Vehicles | Tin Plate | ✘ | | |
| Safety Razor Blades (Double-Edge) | Ballasts for Tubular Fluorescent Lamps General and Safety Requirements | Phthalic anhydride | | | |
| Bottled Drinking Water | Sulfate Resisting Portland Cement | BOPP Film | | | |
| Edible Sesame Seed Oil | Cold Worked Steel Deformed Bars for the Reinforcement of Concrete | Formic Acid 85% | | | |
| Refined Coconut Oil | Deformed and Plain Billet-Bars for Concrete Reinforcement | Polyester Staple Fiber | | | |
| Refined Sunflower Oil | Mild Steel Bars for Structural use | Cold Rolled Coils/ sheets | | | |
| Margarine | Portland Cement | C.C. billets | | | |
| Carbonated Beverages | Poultry Feeds | Galvanize d coil | | | |
| Bottled Natural Mineral Water | Three Wheeler Auto Vehicles | Wire rod | | | |
| Banaspati | Polypropylene | Offset | | | |

| | | | | | |
|----------------------------------|---|-------------------------------|--|--|--|
| | Woven Sacks for Packing (Sugar) | printing ink | | | |
| Refined Mustard Oil | Unplasticized Polyvinyl Chloride | Sorbitol (70% solution) | | | |
| Refined Cotton Seed Oil | Self-Ballasted Lamps for General Lighting Services Safety Requirement | Cotton yarn 55.5 and above | | | |
| Cooking Oil (Blended) | Self-Ballasted Lamps for General Lighting Service Performance Requirement | Dextrose monohydrate | | | |
| Refined Maize Corn Oil | Prepackaged Products | Soda ash | | | |
| Refined Soya Bean Oil | Pakistan Standard Specification for Balanced Feed Mixture for Livestock | Pegylated interferon alpha-2A | | | |
| Refined Sugar & White Sugar | Pakistan Standard Specification for Lead-Acid Batteries for Motorcycles | Cold rolled coils/sheets | | | |
| Jams (Fruit Preserves) & Jellies | AC Watt Hour Meters | | | | |
| Honey | PVC Insulated cables (Non-Armored) for Electric Power and Lighting | | | | |
| Milk Powder (whole and skim) | Tungsten Filaments lamps for General Services | | | | |
| Fruit Squashes | Induction Motors | | | | |
| Concentrated Fruit Juice | Cotton Seed Oil Cake Expeller | | | | |
| Flavored Milk | | | | | |
| Orange Juice | | | | | |
| Mayonnaise | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| Butter | | | | | |
| Synthetic Vinegar | | | | | |
| Pickles | | | | | |
| Curry Powder | | | | | |
| Turmeric (whole and ground) | | | | | |
| Marmalade | | | | | |
| Tea Black | | | | | |
| Condensed Milk | | | | | |
| Apple Juice | | | | | |
| Food for Infant and Children | | | | | |
| Biscuits (Excluding Wafer Biscuit) | | | | | |
| Iodized Food Grade Salt | | | | | |
| Gas Cooking Range | | | | | |
| Gas Water Heater | | | | | |
| Domestic Gas Stove | | | | | |
| Gas Fired Room Heaters Vented Type | | | | | |
| Gas Appliances General requirements | | | | | |
| Gas Fired Radiant Room Heater Un-vented and Semi vented type | | | | | |
| Methods for measuring the performance of electric kettles, jugs for household and similar purpose | | | | | |
| Methods for measuring the performance of electric toasters for household and similar purposes | | | | | |
| Wafers Biscuits | | | | | |