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Impact on Linkages Between Trade, Development and Poverty Reduction

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ABSTRACT

Development may mean different things to different people. In strictly economic terms development has traditionally meant the capacity of national economy, who initial economic conditions has been more or less static for a long time to generate and sustain an increase in its Gross National Income at rates of 5% to 7% or more. The experience of 1950s and 1960s, when may developing nations did reach their economic growth targets but the levels of living of the masses of people remained for the most part unchanged signaled that something was very wrong with this narrow definitions of development. An increasing number of economists and policy makers clamoured for more direct attacks. on widespread absolute poverty, increasingly inequitable distribution and rising unemployment. In short, during the 1970s economic development came to be redefined in terms of reduction or elimination of poverty, inequality and unemployment within the context of growing economy. Trade between nations has increased considerably since 1980s. Since the late eighties, developing countries have progressively integrated global markets through unilateral broad structural economic reforms bilateral free-trade agreements, and multiparty trade negotiations. From a developmental perspective, the degree of tariff liberalization has not coincided with proportional reductions in overall poverty. Although several factors beyond trade policy appear to have contributed to this divergence, it is also true that the links between trade openness and poverty are not well understood, thus making it particularly difficult design and implement trade-induced pro-poor public policies.

INTRODUCTION

In India from independence in 1947 and until the dawn of 1990s, the trade policy of India was heavily influenced by the “Swadeshi” i.e. self sufficiency mentality and the “license raj” system of restrictions of production and imports. First generation of reforms took place between 1991 to year 1996. It aimed at liberalizing trade- led to a reduction of imports tariffs, the elimination of quantitative restrictions exchange rate reforms and deregulation of industries. It resulted in a yearly growth rate of around 7% compared with 3% before the reforms. Now, India is a member of all the major multilateral economic forum be it International Monetary Fund (IMF) the World Bank and the Asian Development Bank (ADB). India is even a founding member of GATT and the World Trade Organization (WTO) India enjoys different types of trade agreements with many countries. Trade agreements can be bilateral or multilateral that is the agreements is between two states or it can be between can be more than two states or countries. For the majority of countries global trade is synchronized by unilateral barriers of several types, including tariffs, non tariff barriers, and outright preventions. Trade agreements are one off the approaches to diminish these barriers, thus opening all parties to the remuneration of increased trade. In most contemporary economies the possible alliances of interested groups are numerous, and the variety of possible unilateral barriers is enormous. Furthers, several trade barricades are created for other, no economic grounds, such as

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national security or the aspiration to preserve or protect local culture from foreign manipulations. Therefore it is not startling that successful trade agreements in India are very convoluted. Various general features of trade agreements are
(i) reciprocity, (ii) a most-favoured-Nations clause, and (iii) national treatment of non tariff barriers. When an economy is generating greater output, creating more and better productive jobs and providing opportunities that the poor can take up, it is in a better position to make sustained roads into reducing income poverty and tackling other social and economic problems. However, while this relationship is strong, it is not automatic. The impacts of trade reform and expansion on the poor and particularly context-specific, according to consumption patterns of the poor, and on whether trade-induced growth occurs in areas and sectors where poor women and men live and are economically active.

OBJECTIVE

- To know the Implementation challenges have also received more attention from governments and the global development community.
- To analysis services are efficient and competitive, governments will need to make long-term policy changes that improve and maintain competitiveness of services,.

METHODOLOGY

In this paper the research is based on secondary data. The data is taken from different research reports, journals, websites and research paper. The research is based on the study of investment of terms of trade between two countries.

IMPORTANCE OF TRADE AMONG NATIONS IN DEVELOPING PROCESS

Almost all countries trade is an important source of wealth generation, as well as an important means to self-sustained growth and poverty reduction. To begin with, access to larger and richer foreign markets is key to enable domestic firms to generate the level of demand required to exploit economies of scale which, in turn create the opportunities for sustained economic growth. This is especially true for low-income countries with small domestic markets. More importantly, trade allows developing country firms to access technologies that are essential for improving their productivity and competitiveness which will generate growth and employment opportunities, including for poor men and women. Furthermore as the experiences of newly industrialized economies in Asia has demonstrated from the 1960s through to the 1990s late comes can with the right preconditions and determinants- take advantage of the newest technological development and simply buy technology for its own industrial development at a relatively lower cost and less risk (UNIDO, 2007). World Bank estimated that abolishing all trade barriers could increase global income by United States dollar 2.8 trillion and lift 320 million out of poverty by 2015. However, much of this optimism has not been borne out by the existing evidence to date, at least in the short-term. Second, the eradication of poverty and extreme hunger is one f Millennium Development Goals.

Developing countries in general have comparative advantage in labour-intensive industries and import capital-intensive goods and services. Protection of import competing industries means that developing economies have to substitute domestically-produced, capital-intensive goods at higher costs for imported ones. Higher prices for investment goods imply a lower level of real of growth. Protection in developing countries will allocate resources away from exports towards import-substitutiong sectors and hence aggravate the foreign exchange shortage. Low income per capita

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implies that markets in developing economies are relatively small, and protection of these markets can result in either concentrated market power or fragmented industries with too many small firms with size below minimum efficient size. In either case domestic consumers have to pay a higher price than for imports. One important consequence of an import-substitution regime is tendency for the corruption of bureaucrats having control over import licensing and collection of customs duties.

HOW TRADE AFFECTS HOUSEHOLD POVERTY

There are three main channels through which trade can have a direct impact on poverty

- How changes in border prices get translated into the prices actually faced by the poor. This depends on (i) the competitive strucuture of the distribution sector. II. The way in which government institutions, such as marketing organizations, operate and iii. The size of the trade-able sector in the domestic economy.
- How trade impacts on profits employment and wages levels. There are two opposite ways in which this might occur. If wages are flexible and available labour is fully employed then price changes caused by trade expansion will be reflected in wage changes with employment staying the same. Alternatively, if there is a large pool of workers who move in and out of a job when circumstances change, then trade expansion will change the employment level.
- How trade changes government revenue and expenditure. They key lessons are that i. expansion does not have to lead to a reduction in revenues if the tariff peaks and exemptions are tackled at the same time, and ii. Short falls in tariff revenues should be compensated by more broad-based and less distortive replacement taxes, such as those based on value added. More generally sound macroeconomic policies are far more important for maintaining social expenditure than relying o tariffs.
- Relationship between economic growth, productive capacities and poverty reduction can be represented diagrammatically, which is a follow

The lowering of trade barriers has accelerated deeper integration in the 1990s as fast growing Developing Asia, notably China and India, and former Eastern block countries progressively Integrated into the global trading-system. The evidence shows that such success does not apply to all social groups within those countries. Furthermore while both low-and middle-income countries have made substantial progress in dismantling their trade barriers over the past two decades, this has not appeared to unleash sustained export growth in all of them. In today world , policymakers globally trade between nations and further enhances development. Trade facilitation remains a core agenda item, which recently came under the global spotlight due to the Bali agreement. . If countries want to be more competitive, they should encourage the development of third-party logistics functions, including those in the service sectors. To ensure that including logistics services that allow their countries to join global supply chains. A countrys competitiveness based on low labor costs or abundant natural resources, for example, can be easily lost through inefficient logistics. Inefficient logistics raises the costs of trading and reduces the potential for global integration. This is a hefty burden for developing countries trying to compete in the global marketplace. Since 2007 , the Logistics Performance Index (LPI) has been informing the debate on the role of logistics for growth and the policies to support it in such areas as infrastructure, service provision, and cross-border trade facilitation. The logistics performance is the weighted average of the country scores on the six dimensions:

- Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities)

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- By border control agencies, including customs
- Quality of trade and transport related infrastruture (e.g., ports, railroads, roads information technology)
- Ease of arranging competitive priced shipments
- Competence and quality of logistics services (e.g., transport operators, customers brokers)
- Ability to track and trace consignments
- Timeliness of shipments in reaching destination within the scheduled or expected delivery time.

TABLE NO 1
PERCENTAGE OF URBAN POPULATION LIVING BELOW THE POVERTY LINE

States	1993-94	2004-05	2009-10
Andhra Pradesh	38.33	28.00	17.7
Assam	7.33	3.30	26.1
Bihar	34.50	28.68	39.4
Delhi	16.03	15.20	14.4
Goa	27.03	21.30	6.9
Gujarat	27.89	13.00	17.9
Haryana	16.38	15.10	23.0
Himachal Pradesh	9.18	3.40	12.6
Jharkhand	9.18	7.90	12.8
Karnataka	40.14	32.60	19.6
Kerala	24.55	20.20	12.1
Madhya Pradesh	48.38	41.91	22.9
Maharashtra	35.15	32.20	18.3
Odisha	41.64	44.30	25.9
Punjab	11.35	7.10	18.1
Rajasthan	30.49	32.90	19.9
Tamil Nadu	39.77	22.20	12.8
Uthra Pradesh	35.39	30.95	31.7
West Bengal	22.41	14.80	22.0
All India	32.36	25.70	33.8

Source : Planning Commission (1997 and 2007 and 2012)

TABLE NO 2
PERCENTAGE OF URBAN POPULATION LIVING BELOW THE POVERTY LINE IN VARIOUS STATES

States	2004-05	2009-10	2011-12
Andhra Pradesh	37.2	38.5	52.9
Assam	42.2	36.8	42.8
Bihar	28.2	27.9	32.3
Chhatisgarh	28.9	29.9	31.9

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Gujarat	45.7	46.4	55.5
Haryana	40.3	43.8	51.8
Himachal Pradesh	59.5	46.8	60.6
Jammu Kashmir	28.4	49.4	55.7
Jharkhand	32.8	29.4	35.8
Karnataka	35.2	42.6	42.6
Kerala	39.2	46.3	56.1
Madhya Pradesh	29.2	32.7	38.0
Maharastra	36.7	42.4	53.5
Odisha	25.8	31.3	36.9
Punjab	48.1	45.1	54.5
Rajashthan	34.3	39.8	48.0
Tamil Nadu	37.9	44.4	51.4
Uttra Pradesh	31.2	31.4	35.2
Uttarkhand	40.9	39.4	56.0
West Bengal	36.6	37.6	43.3
All India	34.9	37.4	43.2

Source : Planning Commission (1997 and 2007 and 2012)

However logistics infrastructure and services in the country have arguably not developed at the same pace to support and further this growth. Going by global standards, the Indian logistics sector is characterized by concerns around higher costs, lower profitability lack of adequate availability of trained manpower resources and lower adoption of technology in its processes. These concerns are also reflected in the drop in India 's rank on World Bank's Logistics Performance Index (LPI) which measures a country's performance on six key criteria. Over the past five years, the country's LPI rank has fallen from 37 to 46 as its score has stagnated over the period while competing countries have improved on the same. India lags behind other major markets such as Brazil (41) China (26), US (9) and Germany (4). Particularly India's rank on quality of trade and transport – related infrastructure , which is one of the six criteria, has deteriorated from 47 (2010) to 56 (2012) and in 2014 it improved upto 52 but still there is scope of improvement into it.

CONCLUSION

Thus we can conclude that trading supports livelihoods, drivers innovation and improves the quality of life. Trade touches all aspects of development, from the most basic to the most sophisticated. Intergrating trade into national and sectoral planning, policy making ad implementation can contribute greately to development outcomes. As national development strategies represent the choices and priorities of a nation, trade must be featured in national developments plans and policies in a way that emphasizes its potential impacts. To have the desired impact on poverty reduction and development, trade should be an integral part of overall development planning. Once the role of trade is established within coherent national policy context, trade, related needs will be better definitions prioritized and sequenced.

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