

## The Social Impact of Globalization in Pakistan

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### Abstract:

Main objectives of this research work is to know the social impact of globalization in Pakistan. Globalization is define in terms of foreign direct investment and trade liberalization. Generally it has been discussed that globalization have negative social impact on Pakistan. A research work is focusing on the bases of FDI and trade impact on employment, poverty and income inequality with in a country. Other finding of the research work are focussing on the globalization demand for labour saving and skilful labour and its implication for Pakistan, additionally it has been discussed that what are the response of globalization to a state having weak government policies, uneducated labour and economic instability. Methodology for this research work subject to economic view point with specifically related to applied approaches. The researcher collected data, which is publically available in research papers, books, reports published in different journals and newspapers.

**Key Words:** Globalization, FDI, Free Trade, Poverty, Employment

### 1.1: Introduction:

Globalization is as popular term as controversial, think tankers always define it in terms of its significant aspects, effects and implications. Comprehensively, optimists link globalization with free trade, world market, liberal policies, and transfer of technologies and so on. On the other hand pessimists always criticise it because of westernization, threats to sovereign nations, created class struggle, as well as its effect on social growth in terms of employment, income distribution, poverty alleviation, labour rights and so many other consequences in the developing countries. As for as debate on the globalization with respect of definitions, impacts and consequences, the writers are divided into two groups the exponent of the globalization and the opponent. Both the groups have solid reasons and evidences and defend their stance regards globalization. However limited the discussion on the globalization, the researcher focussed on the following objectives. Main objectives of this research work is based on the investigation of social impacts of globalization in developing countries in general and specific in Pakistan.

In 1980, globalization brings a tremendous changes in the political, social and economic aspects of society on national and international level. It turn the isolated world into integration, dependence and bring interconnectivity among nations. Fast information's decrease distance, flow of economy, international financial integration, transfer of technology, liberal economy are the significant values

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of globalization, bring the world in to a single point. As the waves of globalization felt in the whole glob, having an impacts in terms of employment and income distribution in the developing countries including Pakistan.

Like other DCs, Pakistan is also faced the economic recession of 1970, as a result Pakistan turned to liberalization of economy, privatization and denationalization of industry, enhancing of FDI polies, free trade, abstraction of trade barrier and other related reforms in 1980 (Malil, et al. 2011). These reforms occurred under the umbrella of globalization with expectation of employment opportunity, reducing of economic inequality and poverty alleviation. But adaptation of globalization on the basis of conditions faced unexpected result.

Poverty and unemployment are the fundamental issue for the nations in all over the world, think tankers and policy makers are always focus is struggle to find out significant solutions for the unemployment and poverty alleviation. As Pakistan has turned to globalization and liberalized its economy to have control over poverty and increase job opportunity. Government has too much liberalized its economy and reduced tariff, which inversely affected revenue generation and expenditures on social welfare. Additionally government implementation of strict policy affected employment and poverty situation in Pakistan (Anwar, 2002).

This research work is built on the basis of the optimists and pessimists (advocates and critics) view of points about effects of globalization in different region. The effects of the globalization in developed world in terms of employment and income distribution are widely different than impacts within developing countries including Pakistan. For instance, the supporters of the globalization argue that globalization is very necessary for the poverty and unemployment alleviation. It brings growth and development, as stated that globalization raised the ratio of international trade, trade bring growth and development. So, growth is good for the alleviation of poverty. In the contrast, the critics argued counter attacks on the globalization effects in the entire world. Their endowment based on inequality and unemployment are increasing because of globalization, the marginalization and integration of economy and world markets bring inequality. Additionally, exponents of the globalization showed the facts of the statistical data that poverty has been decreased over the last two decades, while the opponents considered it as a statistical artefacts and the growth of China in the region. However, critics emphasized that absolute poverty has growing up in few developing societies and a little bit poverty pushed up in the majority countries including Pakistan.

In the following part of the research work deeply discussed the question wither globalization has impact in Pakistan in term of economic distribution. Does globalization alleviate the ratio of poverty in Pakistan? Is globalization solve the issue of unemployment in Pakistan? The researcher theoretically and empirically provided some evidence in respect of the following objective “is globalization solve the issue of unemployment and decrease the level of poverty?” In this research work, researcher generally discuss the impact of globalization in developing countries and specifically to Pakistan. Additionally, the paper is compiled into different sections as some methodology is presented next section contained on some critical discussion on theoretical result and compared it with regards of the globalization social impacts in Pakistan. The following section focused on conclusion and findings.

Methodology for this research work subject to economic view point with specifically related to applied approaches. The researcher collected data, which is publically available in research papers, books, reports published in different journals and newspapers.

## 1.2: Globalization Impacts on Employment in Pakistan:

As Heckscher-Ohlin opines that globalization increased employment in developing countries. Ohlin predicated in the theory of the relative comparative advantages that FDI and trade not only get the benefits of the plenty of labour but also endorse the trend of specialization and expertise in labour on local level (Lee, 2006). But contrary to the Heckscher-Ohlin predications, in the recent research it has analysed that rush of foreign direct investment and trade did not increase the level of employment in the developing countries as well in Pakistan. As Katthura (2001), elaborated in his research work that due to the globalization effect, total factor productivity increases in the developing countries while the ratio of employment are decreasing because of labour saving technologies (Coe *et al.*, 1997). It is also very common in DCs including Pakistan, in the absence of the well infrastructure, abundance of skilful labour, investment, efficient market system etc. may led to the abundance of over productivity and reduce the level of supply and demand, as a result detriment of job security (Fosu, 2004 and Reddy, 2004). Khan (1991) suggested that creation of employment and jobs depends upon globalization in terms of import and export. Export oriented trade policy with association of GDP growth enhancing jobs creation in Pakistan. Moreover Khan and Latif (2009) included fourth South Asian countries Bangladesh, India, Pakistan and Sri Lanka in the study on the subject that what are benefits of WTO for South Asian countries, they clarified that world trade had not fruitful result as it was expected. It was a mixed result, for some countries, it was relatively positive but negative effect for some of them. Fatima (2010) also summarised on the question of TOT effect on Pakistan's economy with respect of GDP. It has been concluded that the TOT has negative effects on the economy and employment of Pakistan.

Although foreign direct investment bring a positive image of the employment in the developing countries, it increases the level of employment and jobs and has a good omen for the income (Lall, 2004). In a survey from Matusz and Tarr (1999) on the effects of globalization on jobs in Developing Countries has been concluded that liberalization of trade is beneficial for the semi-peripheral states of Eastern Europe. Same analyses have concluded by the Ghose (2000 and 2003), study recommended that liberalization of trade and FDI manufacturing jobs opportunity only in the transition and newly industrialized countries. As in the Developing States mostly are under developing stage, consequently, globalization has a negative effects on manufacturing of carrier opportunity. Indeed, in most of the cases, empirical evidence from the different literature reject the HO theorem. It is generally recognized that globalization brings growth in employment, as argued by the Lall (2004) that Developing countries get growth in employment as they open market for the free trade and FDI. But on contrary, it is also said that for the growth of employment and other development of the nation along with FDI and free trade institutional setting, labour skills, technological capabilities and competitiveness of domestic firms are mandatory (Lee, 2006). Except domestic government cooperation, lacking of skilful labour and modern technologies can created embarrases for the employment growth. In the same context Lee (2006) mentioned in the study of social implication of globalization in developing countries that non globalizing developing countries increase the level of employment because of the good institutions, labour friendly and in terms of productivity trends.

After analysing the social and political dimensions of globalization, the evidences suggested that globalization has no impacts on the employment generation in Pakistan. However the significant aspects of globalization as liberalization of trade and foreign direct investment have a good response

to increase the level of employment in Pakistan. But it is possible when there is political, social and economic stability with in a country. In case of instability in terms of these dimensions with in a country face negative impact of globalization. Developing countries suffered the most, where effects of the globalization are various from state to state (Afzal, 2007). Enter in to global economy, open markets for the international trade and foreign direct investment without skill labour, poor policies and unstable economy, face suffering the most and negative impact of globalization.

### **1.3: Globalization and Income in-equality in Pakistan:**

Lee (2006) mentioned that Stolper-Samuelson (SS) predicated in theory that foreign direct investment and free trade took the benefits of the huge number of unskilled labour in the developing society, it affected the wages with in the country and increased in-come inequality. Wallerstein (2011) evaluate d the distribution of economy in the modern world system, divided countries into core states, peripheral and semi-peripheral states. Core states get benefits of the world market, as they have products, technology and ideas, always seeking raw material, cheap labour and brain drainage from the peripheral states. Additionally, developed states sell goods on high prices and generated heavy revenue from developing society, while get raw material on low price from developing countries. Consequently developing countries face low economy and in-equality in economy. As Marxists perspective, globalization is a westernization, where the Western explore their political and economic ideologies to have influence over the DCs, like a soft power colony. They are in search of world market, where they can easily sell their products. Execute policies according to their well wishes through International Monetary Fund and World Bank to have easy approach to international market. While in contrary the low income states beard the bourdon of exploitation (Dunne, et al., 2021 & El-Ojeili, et al., 2006). Feenstra-Hanson's (1996 and 1997) also predicted that shifting of good and production from skilful society to unskilful and import/export between developed and developing state may create economic in-equality in the latter society.

There is a strong evidence that globalization has negative effect on low income society and in fact created deterioration in economy and its distribution in DCs. Milanovic (2003) argued that FDI, economic and trade liberalization are only for the facilitations of the upper class not for the lower class. Same the view has shared by the Cornia (2003) in the research work "the impact of liberalization and globalization on within country income inequality". He compared the first wave of globalization with the recent wave, the first wave equalized the world economic system but the rest one did not so in DCs. Malik (2006) in his research work Globalization and its impact on poverty in Pakistan had analysed that globalization, IMF and World Bank may brought high level of employment, reduce income inequality, decreasing in poverty and welfare to society but not to all countries. As concern to Pakistan, study found that liberalization and globalization in terms of Pakistan was expected to alleviate poverty, increase employment, reduce income inequality and assessment for the growth, but not so for. Anwar (2001) in his research study on "Impact of globalization and liberalization on Growth, Employment and Poverty: A Case of Pakistan" found the same result. During 1990, globalization never deviated poverty, income inequality and un-employment issues in Pakistan. Despite exported country and flow of investors to Pakistan, still the foreign direct investment remained low, trade performance was not so well. At the initial stage of globalization Pakistan achieved stabilization in economy growth and in the reduction of economic inequality, while later on turned into vicious circle. Stagnant in taxes and lowering of tariff lead to loss of revenue generation and cut on development projects for the budget deficit. By this way the

government of Pakistan not only restrain wages but also freeze employment. As result decreased GDP growth, high indebtedness and unemployment, economic in-equality and increasing in poverty. Bukhari et al. (2016) have been analysed in their research study “impact of globalization on income inequality in selected Asian countries”, they predicted that liberalization of trade has brought significant improvement in the reduction of income inequality in some of the developing countries. This significant contribution of globalization in terms of trade openness consistent with the theorem of Hecksher-Ohlin and the Stolper-Samuelson. But conversely effect on the economic inequality of globalization in term of financial integration. Financial globalization is not equally divided between haves and have not.

### **1.4: Globalization and Poverty Alleviation in Pakistan**

Globalization, as for as poverty alleviation is supposed to be beneficial to developing countries. Foreign direct investment and trade bring economic growth and balance in income distribution. Globalization bring the opportunity of new technologies, inventions, free trade, economic liberalization and foreign direct investment to DCs. Moving of capital from developed to developing society and labour exchange are the benefits of globalization for the DCs (Awan, 2015). Although, globalization has benefits for the developing countries, as transferred goods, technology, decreasing in mobilization and transportation cost etc. but it enhancing poverty, unemployment and economic inequality in those countries, which have not the capacity of producing goods and products, could not participate in the international market and having political and economic instability. In fact, some of the developing countries like China, India and Vietnam showing tremendous reduction in poverty because of globalization (Lee, 2006). The critics argued that tremendous growth in economy in these countries is an exceptional case (Milanovic, 2002), while globalization impact for developing society like some of the Asian and Sub-Saharan Africans facing the problem of poverty, unemployment and economic inequality.

Globalization not only directly affect the economic growth but also has implications on many ways. As related to labour productivity, demand for the skill and expertise of labour, low wages and high productivity (Winter, et al. 2004). Globalization demand for the skilful labour, low wages and high productivity created redundancy in the developing countries including Pakistan. As a result society face unemployment, poverty and economic inequality. Additionally, an indirectly globalization also effect economic policies and created embraces for the growth of economy (Langmore, 2004). IMF and World Bank give loans to countries on conditional bases with pure interest, in most of the cases states are unable to back these loans, as result, government of the receptors states increases taxes bear by the citizen, which enhancing poverty.

As for as poverty reduction in Pakistan, there may be some differences of poverty measuring but it has been analysed by the Ishrat Hussain in the study of “impact of globalization on poverty in Pakistan” that poverty increased in Pakistan in the decade of 1990s. Statically, poverty level was 17.4% in 1987-88 and reached to 32.6% in 1998-99, instead of alleviation, it became double in that decade. As a result economic level fall six to four percent, due to population growth per capita income decreased, poor performance in economic level brought inequality and increasing in unemployment ratio. So in the initial stage of globalization in Pakistan’s history opted income inequality, economic deprivation, unemployment and increasing poverty. Additionally, same analyses shared by the Shahnawaz et.al, in their research work on “Globalization and employment: evidence from Pakistan”, Malik, et.al (2011) analysed that globalization has major implication for

employment in long and short run as well. As was expected that aspects of globalization would prevail positive effect in terms of economic growth, poverty reduction and decreasing in unemployment. The result was inverse of the expectation, foreign direct investment, trade liberalization and other aspects of globalization effects negatively, as poverty and unemployment increased in Pakistan.

### **1.5: Conclusion and Policy Implications**

To put a question as what is the status of employment and income distribution when Pakistan exposed to globalization?

As concern to globalization implication for employment and income distribution in Pakistan, from the above discussion, both the theory and the empirical argument did not give a clear evidence but only a conclude result.

The exponent of the globalization, HO/SS argued that increasing in the FDI and trade bring employment and decreasing in the economic inequality. But the result of the globalization is inversely affected the employment and within country inequality, incensement in FDI and trade affected negatively employment and income inequality in Pakistan. Sometime increasing in unemployment and sometime diver's effects facing.

In more explanation, globalization demanded skilful and cheap labouring, high productivity, so these demands create challenges for the job creation and economic growth with in country. So as a result unemployment and economic inequality increasing in Pakistan.

What are the different ways of globalization, which decrease employment ratio, poverty alleviation and affect income distribution?

Globalization demands for the labour saving and technology based economy, so a clear result exposed that globalization affect employment, poverty and income distribution within country. As concern to employment and poverty reduction, globalization focus on labour saving and prefer technology, consequently poverty and unemployment decreased with in a country. Additionally, aid to Pakistan and other DCs from the global institutions is on conditional bases, mostly countries implemented policy reforms as privatization, denationalization, liberalization of trade, reduce tariffs and taxes. As a result country faced revenue problem, which lead to poverty with in country.

What impact can globalization have on development and institutional frame work of the state?

Is globalization impacts are positive or negative depends upon the matter of development of the state, its strong institutions, political and economic stability, educated and skilful citizens. Any society having educated physical and human infrastructure maximize the opportunity of the employment and decrease poverty level, while confrontation to the said statements country face exploitation, unemployment and inequality in economic distribution. Globalization have positive affects in the developed society as compare to developing society.

FDI has very effective result for the economic growth and distribution in Pakistan, but due to political and economic instability and inconvenient policies of the government, these embarrases not allowed FDI to rise economy and reduce unemployment considerably.

How a country can come out from the negative affect of globalization?

This research work suggest some policy for the DCs including Pakistan. Although, the government of Pakistan has adapted globalization warmly and exposed to liberalization of trade and allowed FDI, but government should focus on the welfare of the state, economic equality, distribution of income

not only within country but across as well. Additionally, should be focus on import export, either increase the level of export or make it balance with importation.

Furthermore, the government of Pakistan should aware of the globalization demands as skilful labour, technologies, goods, transportation and infrastructure, security. These are essentials of globalization, so, Pakistan should cooperate with these significance to produce skilful labour, produce goods to export, having good transportation and infrastructure system for easy transferring, a peaceful society for the foreign direct investment. However the significant aspects of globalization as liberalization of trade and foreign direct investment have a good response to increase the level of employment in Pakistan. But it is possible when there is political, social and economic stability with in a country. In case of instability in terms of these dimensions with in a country face negative impact of globalization. Developing countries suffered the most, where effects of the globalization are various from state to state. Enter in to global economy, open markets for the international trade and foreign direct investment without skill labour, poor policies and unstable economy, face suffering the most and negative impact of globalization.

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