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Young ISSI Professionals' Corner

Impact of Globalization on Pakistan

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Globalization is the international integration of people, companies and governments of different nations through exchange of world views, products, ideas and other aspects of a culture. It marginalizes geographical boundaries and creates a highly integrated world. With the introduction of technologies like steam locomotives, engines, telecommunications and most recently internet and mobile phones, the world has reached a new level of interdependence of economic and cultural activities. Of the many factors leading to the idea of Globalization some include, demographic changes, improvement in communications and transportation technologies, capitalism and a shift towards economic liberalization, deregulation and privatization.

Institutionalized or otherwise, 'Globalization' has multidimensional impact on the lives of people all across the globe. It influences not only the economics of the regions, but also their cultural, political and social equations. Local and regional political, social and cultural aspects have played an important role in determining the specifics of its impact. After the Second World War, the power structure of the world shifted from the Europeans to the Americans, leaving power in the hands of even fewer nations. The change in power dynamics assisted with de-colonization around the world led to a greater gulf between the developing and developed nations. Therefore, the impact of the Globalization that followed this period was not harmonized all over the Globe, it impacted each region differently and Pakistan is no different. Like all other nations, it has also been impacted economically and culturally.

Economically, developing countries like Pakistan have limited resources that hinder their integration in the international market. Theoretically, liberalization, another cardinal principle of globalization, is a process ultimately aimed to make the export market profitable by encouraging competition, improving quality and providing employment. Pakistan's share in the world merchandize exports, however, has fallen. Import liberalization on the other hand has been a gradual process where a downward trend is visible in the import tariff rate since the 1990s thereby encouraging imports. Such policies, for a developing country like Pakistan have proved to be not as useful. The Trade balance of the country has further widened and many domestic industries were harmed during the process. The harm to the domestic industries coupled with the ever growing population has caused the unemployment rates to shoot up. The unemployment rate, increased from an average of 3.5% during 1981-90 to 6.0% in 2015 (Economic survey 2014-1015). Foreign investment, another important impact of liberalization, deregulation and privatization, has also failed to reach desired standards. Supported by a favourable slump in international oil prices, and stellar implementation of the IMF reform program, growth recovery is underway, with projected GDP growth now at 4.3-4.6 percent (Economic survey 2014-1015).

Therefore, despite hindrances Pakistan's economic growth is showing signs of sustained recovery. Pakistan's poverty has declined over the past years from 36 percent in 2002 to 11 percent in 2011. The fiscal deficit, which was extremely large at over 8 percent of GDP in 2012-13, is on track this year to get down below 5 percent of GDP (Economic survey 2014-1015). Pakistan has regained access to international capital markets, and the country has received disbursements from the IMF and other development partners which all will further assist Pakistan in becoming economically stable. Although, Pakistan has succeeded in stabilizing its economy but continued implementation of policies and political stability is required to keep up with this established pace. Only then can Pakistan emerge as a competitive power in the international market.

Moreover, globalization has allowed languages, customs and traditions from around the world to diffuse into each other. While it opens doors it also leads to blending of cultures and the deterioration of unique cultural differences. Today, trending globalization, like in all other countries, is affecting the culture of Pakistan in both positive and negative ways. Media plays an important role in depicting the changes in the culture and promoting the values of the particular country on an international platform. Pakistani media is seen moving towards a more westernized approach. As a result of Globalization, the English language is becoming popular and lingua franca. It has already been the official language of Pakistan but forthwith its popularity is because of English and American television networks that broadcast their programs across the globe. Families are morphing into nuclear families rather than joint families, a tendency that suggests that Pakistani culture is now moving towards individualism. Gender roles seem to be changing and women rights have become an important matter of discussion and apprehension as women in Pakistan today strive to learn better and achieve more. Another important aspect of cultural change can be seen in the everyday dress code of the Pakistanis.

Furthermore, before the idea of globalization swept into the developing countries, it was relevant only in Europe, North America and Japan. These three blocks then had the power to coordinate policies and regulate global economic markets. Ultimately, due to small capital transfer from developed to the developing countries, globalization widened inequalities. This social, physiological and cultural fabric of the globe, demographic changes, urbanization, cultural influences and exploitative manoeuvres impacted the globe both positively and negatively. In Pakistan, increased population growth coupled with diminishing employment opportunities caused the gulf between 'have' and 'haves not' to widen. The idea of liberalization of markets gave way to the free movement of goods, labour, ideas and services locally, regionally and internationally. Resultantly, as competition increased, more educational and

professional institutions sprung up in the country and the quality of education improved. A negative impact of this was the accelerated free movement of drug cartels and terrorists.

Therefore, developing nations like Pakistan have not yet been able to harness the full potential of globalization. However, with some strategic changes in their economic and foreign policies a transformation could be brought about. Pakistan, endowed with rich, natural resources needs to realize its international importance and work through with the international community. Only then would Globalization's impact on Pakistan be fully useful.

Recommendations

It is evident that the positive impact of globalization on Pakistan has not been fully capitalized and thus Pakistan is in a dire need for some internal and external changes. These include harmonizing economic strength all around the globe. Therefore, economic integration of a region becomes pertinent to this cause. Here are some recommendations that can help Pakistan become a more active participant in globalization.

- a. A holistic approach of geographical inter-connectivity either via sea, land or rail routes or through regional economic forums is needed. Pakistan is already a founding member of SAARC (South Asian Association for Regional Cooperation) and member of SCO (Shanghai cooperation Organization), SAFTA (South Asian Free Trade Agreement) and ECO (Economic Cooperation Organization). Recently at the SCO Summit in UFA Russia decided to accept Pakistan and India as full members of SAFTA. China Pakistan Economic Corridor (CPEC) is another landmark of regional connectivity for Pakistan. However, these forums need to be utilized to their full potential.
- b. The adverse political situation between Pakistan and India has caused forums like SAARC and SAFTA to remain inactive while ECO and SCO have potential to grow in the future given the involvement of Russia, China and CARS (Central Asian Republics) in these forums. Therefore, Pakistan needs to focus more on forums like ECO and SCO to harness the economic resources in regions like the Central Asia and to widen its foreign relations by being the main corridor to these resources.
- c. The CPEC will play a vital and vibrant role in this regard. The Gawader port, a key project of CPEC, will serve as a global economic activity hub and a complement to the existing Chahbahar port in Iran. All the economic activity including transportation of oil and gas to Central Asia can

be carried through this sea route placing Pakistan in an important position in the globe and positively affecting its relations with other countries.

- d. Another important project that could assist Pakistan to improve its foreign relations and economic integration are the Gas Pipeline projects like the IP (Iran and Pakistan) and TAPI (Tajikistan, Afghanistan, Pakistan and India). Basic agreements IP and TAPI pipelines have already been agreed upon but have not yet materialized due to political pressures on Pakistan and sanctions on Iran. These sanctions, however, are now, hopefully going to be lifted making it easier for the implementation of IP. Pakistan needs to realize their importance in inter regional connectivity and accelerate its efforts for their materialization.
- e. Globally, economic integration is largely linked with fulfilment of WTO obligations, on which Pakistan is currently lagging behind. Pakistan has been given a GSP+ status by the European Union wherein Pakistan is given a free trade agreement for 75 items. It, however, has not been able to utilize this status fully, since many of its preconditions have not yet been fulfilled. Therefore, Pakistan should focus on these preconditions and try to diversify its product range and markets to fully compete in the international forums. Pakistan's trade is currently limited not only in products and markets but also in regions (mainly Europe and America). Other countries like Africa and Central Asia, which are full of resources, have not yet been explored. Therefore, Pakistan needs to widen its regional trade base which can only be achieved through better foreign relations and marketing good quality products.
- f. Pakistan also needs to work harder on political stability, consolidation of democracy and continuity of its policies to reap full benefit from globalization. There are signs that FDI (Foreign Direct Investment) that has been reduced to a trickle in the past few years might start coming to Pakistan because of the growing macro-economic statistics and the positive evaluation of Pakistan's growth and development. Pakistan, thus, needs to focus on improving the image of Pakistan which could be done through two forums i.e. Pakistan's foreign missions abroad and international media coverage. A recent example of the role of media in creating an image of a country would be the penetration of Turkish dramas on Pakistan's media, which not only helped raise awareness about the country but also significantly increased its tourism base from Pakistan. Tourism and media can thus help Pakistan increase the level of FDI in the future.