

# [Impact of globalization on pakistan economy assignment](https://assignbuster.com/impact-of-globalization-on-pakistan-economy-assignment/)

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Context Page. No. 1. Title 3 2. 0 Background and academic context 3 3. 0 Signification of project 4 4. 0 research questions 5 5. 0 literature review 5 6. 0 Aim and objective 9 . 0 Research methodology 9 8. 0 Research ethics 13 9. 0 Resources 15 10. 0 Project timetable 16 11. 0 bibliography 17 1. 0 Title: Impact of globalization on Pakistan economy (With Reference to Foreign Direct Investment) 2. Background and Academic Context Globalization is multi-dimensional term. It has social, economic, political and cultural commutations. “ It is defined as a process of rapid economic integration among countries driven by the liberalization of trade, investment and capital flows, as well as technological change” [Torres, R (2001)]. World is changing more rapidly and dramatically at the start of the twenty- first century than ever before. Many of the changes seem to be associated with something that has been called “ globalization. ” The story of globalisation is probably familiar enough and it can be told relatively simply.

People, ideas, images, news, information, entertainment, pollution, war, crime, goods and money, it is said, now all travel the globe. They are crossing national boundaries and connecting the world on an unprecedented scale and with previously unimaginable high speed. In ordinary people life some thing is always happing all the time, some events, some actions and some decisions that some time take place for away from where they live or where they work. Many things have impact on life such as politics, culture and economics across the globe. (David Held, 2000) This trend of globalisation started after World War II.

There are mainly two main factors that accelerated this process since mid-1980. Liberalization of trader and capital markets. Technological advancement. These factors have shown the cost efficiency in computation, transportation and communication in the different parts of the world. Companies can operate their different practices effectively in different corner of the world. Technological change and innovation are acknowledged almost universally as determinants of globalization. 3. 0 Significance of project Globalization has significantly boosted the economic growth of different countries.

Globalisation of economy is not a simple or straight away process it is historical process which evolved as growth in technology, new thoughts and ideas and new invention which came across the world. This kind of economic globalization is not new. Much of the expansion of international economy in the 19th and early 20th centuries took this form and was further associated processes of international migration. Flows of capital in form of loans from the major Western nations were also significant, although their relative importance was nowhere near as it is now. Robert J. Holton, 1998). When we talk about integration of economies, it means we are talking about sharing of experience, movement of knowledge and people around the world. Due to globalization people from all over the world have opportunity to go to the world market. Globalization helps people and firms in large scale in the form of cash flow or investments, experiences, new inventions, new technology, they can import and export to the big market on a cheaper or effective way. Globalization is bringing the people together and making the world smaller and smaller. There are Number of institutions established in the wake of World War II including World Bank, international monetary fund (IMF), and general agreement on tariffs and trade (GATT). Similarly world trade organization (WTO) has played an important role in promoting free trade in place of protectionism”. (www. worldbank. org) Developing countries like Pakistan have to understand the pros and cons of globalization in context with WTO regime and to find ways not only to survive in the international market but also get benefit from it.

This study will be helpful to improve the understanding regarding the effects of globalization on Pakistan’s economy. The main purpose of this research is to help and improve the understanding of different effects of gradual and selective approach to globalization in different term such as employment, trade, wages and social progress in Pakistan. 4. 0 Research Questions How is Pakistan positioning itself to meet the challenges of globalization? What is an overall impact of globalization on foreign direct investment in Pakistan?

What are the benefits of free trade and how we can bring transaction cost down? Challenges for Pakistan in the modern world with respect of foreign investment? What is the impact of globalization on the Pakistan’s different sectors? 5. 0 Literature Review The world has proved a glance of globalization during the past few decades as a result of international trade and capital flows. This trend has proved some major contribution i. e. it has removed the trade restrictions from many businesses and helped in the development of technology and most of the companies grow internationally.

Businesses expanded globally all over the world and national or local companies become multinational. Multinational enterprise can be defined as, a firm which owns or control value-adding activities in two or more countries. Whenever there comes a possibility to operate anything, then it is obvious to have secure and powerful control which enables operator to do operations more successfully and vastly. The reason of relating multinationals with FDI is because foreign direct investment is one thing that MNEs do and FDI aim is to control overseas operations and active participation in foreign firm’s activities.

Because of the growth of FDI, the multinational firms have been playing a decisive role in making and shaping the patterns of trade and investment. Most of the work on growth and nature of MNEs suggest that rather than trade availability of a home country the activities abroad depends more on the industry and competitive advantage of individual firm. Due to globalization markets become more and more competitive and things become better and cheaper. Multinational enterprises have their own nature which can be explained by using different theories of foreign direct investment.

A macro-level theory of FDI states that the low profitability capital would flow to high profitability countries. By moving further a head, the developed countries will start investing more and more to take more and more opportunity in the less developed countries. The Microeconomic theory focus on the production of the internal country or internally production. The nature and growth of MNEs who are setting up their operations or activities in the foreign countries depends on competitive advantage and industry of firms rather than capital availability or trade of home country.

All the assists in this trade are trade able and can be defined the list of assets and coases exploration of transaction costs and how they give a benefit to firms. ‘ Possession of assets’:- Tangible and intangible factors both included in possession of assets i. e. technologies, knowledge or skill. As a result of cross border and common governess these advantages are added in firms and things become more and more easy. Reduction of transaction costs’:-This includes intangible factors i. e. Ability to communicate effectively inside and outside of firms to bring the cost efficiency of every thing.

By linking the world together things become cheaper and cheaper. These two theories rely on the some special knowledge, managerial know how or special technical knowledge to create the two flows of FDI between the developing or industrialized countries that have the dominant feature of any objective description of the data. It can be used to increase the efficiency and productivity of many businesses and firms or many plants at relatively low price and can be generated through the specialization of the R&D, learning or innovation.

In addition to that, sources of finances for the investment can be getting through the banks loans, mutual funds or issuing the equity shares in the overseas markets is determined in both set of theories. (www. econ. ucdavis. edu. co. uk) Dunning eclectic paradigm(1993) encompass most of the things or elements revolves around the location, exploiting assets, ownership and have advantage of internalisation to the existing MNEs. Considering the microeconomic theory of multinationals and macroeconomic theory of FDI.

In macroeconomic theory of FDI, dunning discusses how a country can benefit from specific assets in terms of locations. The foreign environment has a great impact on the location factors and these factors allows the firms to produce more and more cost effective way in the host country. These factors includes lots of elements such as cheaper labour, shipping costs, good quality production, firms have close access to the host country’s customer, local image and governmental trade barriers. ( www. codesria. org)

From the couple of years Pakistan has been making efforts in order to attract FDI and such efforts have been made with the help of deregulation, liberalization and privatisation policies of trade and investment so it can get more and more foreign companies to get invested in the country and so make the economy stronger and stronger. Considering this location advantage, many of EU and American firms are investing in great number in different sectors of Pakistan. As foreign companies start investing into Pakistan foreign investment rate start growing year by year.

Since 1991/92 it has been grown by 15. 2% to now 2008. Due to globalization, countries are more interdependent on each others resources as a result of easing the boarders and taking positive measures like reducing tariffs, entry barriers and import duties. These factors have a significant impact on economy of country where FDI and international trade has been taken place. The Import liberalization in Pakistan has been rather a gradual process and there is declining trend in the average import tariff rate. (Yousaf Mujahid, 2003)

WTO has its own vital role and its purpose is to raise the living standard. It has become a wrong trade organization from a very wonderful trade organization in spite of a simple motive. The basic fact of the matter is that with the given economic conditions and limitations Pakistan like any developing country rely on foreign aid on one end, and the whatever is earned through exports in terms of foreign exchange, and the major chunk is paid back to the international lenders leaving little room and money for the drastic economic growth cycle to be ignited.

In addition, living standard of Pakistani is directly hit by devaluation of its currency and has great impact on purchasing power of common man. Pakistan always tries to stimulate the export business and industries. Pakistan provides lots of incentives to the export business including sales and income tax concessions, Custom duty IS exempted on imported capital goods and intermediate inputs, and it gives credit facilities easily accessible. ( www. pide. org. pk) The global economic difference has been created for the countries such Pakistan by the Breton Wood Institution.

According to the institute what ever country like Pakistan earned through the trade is paid in terms of the foreign exchange and the profit is paid into loan instalment and interests. “ In these countries like Pakistan trade is supported by WTO and debt payback by the Breton Institutions created a free movement of capital flows and investments to serve only the few with a very selected group of nations get elevated in their living standards and the rest remain either same or downgraded even further”. (www. pakistanecnomist. com)

Globalization has allowed Pakistan to export and to use its production of cotton and to produce the textile in the massive quantity than it is needed for its population in the country. It is because of globalization which has offered millions of job opportunities. Moreover, it is globalization that makes foreign countries to invest money in different sectors of Pakistan like Gas, Power and Oil industry. I would like to mention Pakistan telecommunication industry and its recent expansion in the last few years. It is because of globalization and FDI which allowed Pakistan to liberalize t agriculture and textile sectors. Import tariffs and export duties on these commodities have also been abolished. (Davies & Nyland 2004) It has been noticed that poverty in Pakistan has increased during the decade of 1990s. The main factors responsible for this are decline of economic growth rate, income inequality, poor governance of public sector institutions, debt burden and in area of growing globalization, Pakistan has not benefited very much. This poverty level can be reduce through international trade, international capital flow, technological change, and through international labour flows.

Due to globalization poverty can also be reduced by bringing the multinational businesses into the Pakistan so more and more people can get the job and will make of their life. It also helps by getting jobs in foreign counties and brings the money in the home country. (Hossain & Islam, 2006) Most of the research conducted on manufacturing sector of Pakistan allows the analysis of different inputs, manufacturing production, capital and labour. In this research it will be discussed how Pakistan can enhance its external cost competitiveness in manufacturing sectors.

The reason for this is because most of studies focused on different problems like lack of quality products, less exposure to foreign market, slow growth of human development, and lack of research and development. But there is little research on implications and solution to these problems. Globalization has also helped in the manufacturing industry by bring the cost of production down and making the things more attractive and cost effective and by also expanding the market as well. 6. 0 Aim and Objectives My main objective to select this topic is

To create awareness for people about how globalization can affect the developing countries like Pakistan. Influence of globalization on FDI in Pakistan How small economy of Pakistan can be affected by globalization? 7. 0 Research Methodology This section will give us the overview of methodologies being used to analyse the research. Bell (1999) suggested that Different styles, traditions or approaches can be used for collecting of data, but no approach nor automatically rejects any particular method. These methods are main source to prove something.

According to Smith et al (1997), research method has two main paradigms called positivism and phenomenology. Positivism shows the world outside and its method of judgement is objectives. Facts and Causality are the main focus in this research. Positivism is the main source to use the numbers to derive the interpretation and these numbers can be collected from different forms of analysis which are done by using the statistics and diagrams. (Saunders et al, 2003). Phenomenology believes that world behaviour is subjective and behaves subjectively in different feelings and believes.

It also beliefs that researcher should understand the meaning of everything which is based on ideas and scene. Different methods can be used to understand the meaning of scene and ideas one of them is called multiple method. In multiple methods different prospective of one specific topic are under investigated to get the sample size and sample size in this method is very small. Due to small sample size research can be done to investigate the problem and it can be carried out with different time scale e. g. observation and interviews. Phenomenology is based on taking a result in non-standardized form.

The researcher is going to use non participant observation, telephonic interviews and questionnaire. (Saunders et al, 2003). The positivism and phenomenology both have their own advantages and disadvantages. In positivism data can be collected through large scale in a very cost effective and very cheap mean e. g. data which is collected through the postal questionnaire is used to maintain and control over the data which is collected. (Saunders et al, 2003). On the other hand phenomenology gives a reason to researcher to understand why this is happening or what is going on.

By understanding the reason of why particular thing is happening. The main advantages is researcher has the better control of situation and can change the situation e. g. during an interview researcher can change the few questions according to the situation. The main disadvantage of this method is it is very expensive and take more time to collect data e. g. to observe people from different locations or to have a interview with people from different area can be costly and time taking process to collect the data (Saunders et al, 2007).

After looking the advantages and disadvantage of both method and keeping them in mind researcher has decided to complete through phenomenology philosophy. Because that is how researcher can get the clear understanding of what is Globalisation having an impact on the Pakistan economy with respect to the foreign trade? Inductive and deductive are two approaches of research methodology. Deductive approach interprets finding from current or any present findings which have been already existed in some forms of theories.

On the other hand inductive approach based on theoretical and observational background to find the general finding (Saunders et al, 2003). To analyse the impact of globalisation on Pakistan economy inductive approach is chosen because it will based on today’s study and results from present analysis. This research will give the recommendations to different issues which been raised through the research and will help the researcher to understand those issues. In this research, researcher is focused on to see how Pakistan economy is affected by globalization.

The data collected through the skill full exercise and through different reliable sources to show the honest impact of globalization on Pakistan economy. Research will be focused on present and key element which has impact on globalization. To achieve the final aim of research, researcher will focus on the secondary sources of information and can collect the data from various sources. These sources will be in different forms such as books, publications, journals, press reports, business news reports, economics publications, annual reports of companies, press and reports.

Internet is valuable source to research all over the world. It will help the researcher to have up to date information on Pakistan economy. Researcher can prepare the literature view from books provided in the library. Daily updates and e-news on Pakistan economy can be obtained through no of web sites such as www. forbes. com, www. ft. co. uk and www, worldbank. org. Economic survey of Pakistan’s website (http://www. finance. gov. pk) and other reports generated by Ministry of IT & Finance. Researcher can also collect the data through loads of articles and debates of ABI.

Magazines like business week and business fortune etc. can also give the up to date information. Case studies based on industrial sectors will help me in analysing market trends. Sekaran (2006) said that the reliability shows to what extend the information is gathered is error free and reliable and the validity ensures its consistency and validation. Reliability indicates how good various aspects are measured by particular instruments. Reliability is the fundamentally concerned with issues of consistency of measures. There are at least three different meanings of the term.

These are stability, internal reliability and inter observer consistency. The reliability applies to multiple indicator measures which are examined in research. In a multiple item measure each respondent answers to each question and are aggregated to get the overall score. (Bryman and Bell, 2007). Validity refers to the issue of whether or not an indicator (or set of indicators) that is devised to gauge a concept really measure that concept. There are several ways of establishing validity such as face validity, concurrent validity, predictive validity, construct validity and convergent validity (Bryman and Bell, 2007).

To analyse the affect of globalisation on Pakistan economy with respect to foreign trade investment researcher has choose the reliable and valid sources of information so see the right picture. The researcher has collected the data from reliable sources like reliable or responsible persons, reliable websites, articles, journals, books, magazines. The universe of units from where sample is selected is called population. The term unit is used because it is not necessarily people who are being sampled, the researcher may want to sample from a universe of nation, regions, cities, firms.

In the mean time the selected segment of the population for investigation is called Sample. It is subset of population. (Bryman and Bell, 2007). According to the Smith a choice of Sample is depending on longitudinal or cross-sectional research. (Smith et al, 2000). The researcher is going to choose cross sectional research method because the time limit is not enough to carry a research on longitudinal method. In looking the impact of globalisation on Pakistan economy it will not feasible for researcher to sample the whole industry, so researcher will use some department to gathered all the facts he required.

According to the Jankowicz, (1991), there are some methods or techniques in a business research which are most scientific or suitable. These suitable research methods or techniques also depend on its purpose and research problems. There are two main types of techniques which are called qualitative and quantitative techniques. Quantitative data is a data types using a hierarchy of measurement, often in ascending order of numerical precision. (Morris, 2003). Quantitative data can be divided into two distinct groups: Categorical and Quantifiable.

Qualitative data refers to all non numeric data or data that have not been quantified and can be a product of all research strategies. Qualitative data analysis procedures assist this, allows to develop a theory from data. They include both deductive and inductive approaches. (Saunders et al, 2007). Qualitative approaches have different techniques such as depth interviews, centralized location tests, projective techniques and focus group. Individual interviews can be taken on the phone or can be read from the newspaper or on television. The researcher is going to used telephonic interviews and questionnaire in the research.

In this proposal researcher will do the exploratory study which helps to analyse the impacts of globalisation on Pakistan economy with respect to foreign trade. To achieve the aims and objectives of the research, data analysis is carried out by using different types of data and information. This analysis will give the detail explanation of the research questions and how they are carried out. 8. 0 Research Ethics Saunders et al (2003) has told before doing any research on any area ethical issues should be considered and these issues should be given lots of significance because they are very important.

According to Saunders any research should take place must address these ethical issues and should not sacrifice any of these issues which might lead to embarrassment or any other material disadvantage. Discussion about the ethics of business and management research bring us into a realm in which the role of values in the research process becomes a topic of concern. Ethical issues revolve around such concerns as the following: How should we treat the people on whom we conduct research? Are there activities in which we should or should not engage in our relations with them? Bryman and Bell, 2007). Our large part of life depends on the ethics. To see the impact of globalisation on Pakistan economy there will be some major ethics like government bodies and secondly the researcher institute (Bolton University) where researcher is studying Master of Business Administration (MBA) as a professional studies. Ethics will be considered in each and every part of the research in data analysis, collection and interpretation. The responsibility of the researcher is to ensure the safety of the research participants and the other general public.

This means that the research does not create any kind of harm to the surrounding people and the research will also not be undertaken on insane and children. The researcher should protect confidentiality of data and research participants. The main aspect are to secure confidentiality of individuals’ statements, coding data with different numbers instead the names of participants, coding the identification of participants when describing audiotapes and destroying the tapes on completion of transcription, storing the data in protected places and destroy any information after using it relating to any identity.

Honesty is the main principle of the research and it is ensured to all participants that they can use one way mirror for observation in research that must be clearly justified. It is the responsibility of the researcher to inform all rules of ethics to the participants of the researcher. In some situations it is necessary for researcher to satisfy the requirements of an ethics committee which is established by host organisation as well as the university. The benefits of the research ethics include protecting the human rights, reducing risks to the people and participants, and ensuring the safety and ignity of the participants. The researcher should not attempt to apply any kind of pressure on intended participants to grant access. Access to secondary data may also raise ethical issues in relation to harm. Above statements prove that the researcher is fully aware of different ethical issues relating to the research and the researcher take the responsibility that the researcher would not cause any kind of harm to people or the participants and the research will be carried out on only the persons which are mature. This means the research will not be carried out on insane or children. . 9. 0 Resources

Kumar, (2000), Without having a proper availability of resources and these resources can be both human resources and financial resources researcher will not be able to get the proper and real information he needs so if there is no proper information it will be very hard to achieve the goal of the research. Lack of funds can result in improper and inefficient execution of a research project and also manpower availability is very important as well to conduct the research. To complete the research project resources can be divided into three categorizes which are data access, finance and equipment.

To complete the research process cots lot of money and this cost also depends on the type of research being carried out. These costs can be in different forms such as travel, phone call charges, subsistence and postage costs. Researcher has made the budget to do that research. Some times this budget does not go as planned so it needs readjustment. (Saunders, 2007) Time is very important resource to be considered. Researcher needs books from Pakistan library and articles and has to watch interviews and researcher also need a tape recorder to record those interviews and need lots of money for these sources.

Besides this researcher can get the information from internet, via e mail, can read news paper and articles on line where ever he can find about the Pakistan and its dealing with foreign countries. The researcher has measured the cost of the getting information from the Pakistan and it is in his budget and also the time required getting that information is manageable. 10. 0 Projected Timetable Date Tasks 20-01-09 Feed back from proposal Reading journals, articles related to the research Completion of chapter 1 – the background and aims and objectives of the research. 0-02-09 Completing Literature review (chapter 2) Finishing reading and make rough notes on the relevant information. 25-02-09 Completing methodology chapter (chapter 3) 10-03-09 Analysing the findings Completing the data analysis (chapter 4) Proof reading 25-03-09 Conclusion and recommendation(chapter 5) Analysing the outcome of work done and review it 30-03-09 Writing a report in detail 09-04-09 Final submission of dissertation 11. 0 Bibliography Bhagwati, J. , 2004. “ In defence of globalisation”, Oxford university press, Inc, UK. Bryman, A and Bell, E. 2007), “ Business Research Methods”, Oxford University Press, Oxford. Pp. 162-165. Bryman, A and Bell, E. (2007), “ Business Research Methods”, Oxford University Press, Oxford. Pp. 127-133. Caves. 1999, “ Multinational Enterprise and Economic Analysis”, Cambridge: Cambridge University Press, Pp3-11; 24-27. David, H. 2000, “ A Globalizing World? Culture, Economics, Politics,” The Open University, London, pp. 6-7. Davies, G. &, Nyland, C. , 2004, “ Globalization in the Asian Region”, Impacts and consequences, US Dunning, J. H. , 1993, Multinational Enterprise and the Global Economy, London:

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