

EFFECTS OF GLOBALIZATION ON DEVELOPING COUNTRIES

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ABSTRACT: Globalization is a widely spoken terminology since last decade in the developed countries as well as the developing and developed countries. Being human beings, it is our main purpose to develop a beneficial environment for all human beings and living things upon earth. But, unfortunately the lust for wealth, power, superiority and dominance has overcome the sense of cooperation and humanism, and made nations adopt brutal and barbarian steps to achieve their mal-intentions. The two world wars in the 19th century were the reasons of this lust for power and superiority. However, after 1950s the worlds' notion changed rapidly to bring peace, harmony, integrity and consolidation in the world. Globalization is the mechanism of bringing world closer and benefiting one another through indigenous resources and manpower. However, statisticians and critics are of the view that the step of globalization is making developed and strong countries stronger and weaker nations weaker. There are no doubts in admitting the fact that no matter strong nations are facilitating the weaker nations financially, but they are earning many times more in shape of trades and exports to those developing countries. Due to this reason opponents of globalization hold serious reservations of giving exemptions to the strong countries in terms of duty free exports and other benefits they take in regard of globalization agenda. The present study attempts to discuss the viewpoints of the supporters and opponents of globalization, and to realize its impacts on the economy of developing countries. [Hassan Danial Aslam, Muhammad Salman Azhar, Kausar Yasmeen, Hafiz Muhammad Farhan, Muhammad Badar Habib, Asif Tanveer. **EFFECTS OF GLOBALIZATION ON DEVELOPING COUNTRIES**. *J Am Sci* 2012;8(8):904-909]. (ISSN: 1545-1003). <http://www.jofamericanscience.org>. 134

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1. INTRODUCTION

The concept of global unity is bringing people of all races together. It is in the interest across the globe to make this world peaceful and prosperous by all means. In order to achieve this harmony a lot of efforts have been launched at wide scaled levels. There seems a controversy on the effect of globalization with reference to the developing countries. Is Globalization making or breaking the economies and cultures of developing societies? This question is yet to be answered. In case of Pakistan the impact of globalization appears to be of an international concern due to its geo-political situation and war against terrorism.

Pakistan and other underdeveloped countries are facing hurdles in their development and it is commonly assumed because of the strict policies of the globalization. The present case study first highlights the role of globalization in the developed countries and then deals with the effects of globalization on Education, Poverty reduction, Economic growth and Governance in Pakistan. It focuses on educational and economic sectors that seem to play crucial role in the development of the countries.

1.1 Emerging Paradigms of Globalization

It can be said that the communities settled themselves in various parts of the world and started knowing each other initially through trade that helped them in understanding each other cultures. This created a sense of competition and capturing markets for selling goods. So, literature traces the history of globalization as back as 15th century. For instance, Wallerstein (2004) explored that World system theory emerged at the end of 15th century. According to this theory globalization was defined as "a system that operated on the primacy of the endless accumulation of Capital via the eventual commodification of everything." Another theory on globalization is world polity theory. In this theory *Robertson (1992)* explains globalization as "the compression of the world and the intensification of consciousness of the world as a whole". This theory is based on the power and authority that surrounds around the culture of world society. In this phenomenon sovereign states perform as the key actors. This theory has two main contributory factors. First factor states the identification of goals at

regional level and second factor is an achievement of aims at world level.

However, one of the prominent theories, world cultural theory (Ahmad, 2004) is based on the world global set up. The term world culture does not mean the assimilation of the cultures and traditions of the world on the whole. Since the people of the world belong to different cultures, geographical tracts, so it is not possible for all of them to focus on the same issue at the same time. It is the matter and manner of the state that how and when it wants to submerge its interests in the interests of the global culture.

The term globalization was first used around 1960s (Waters, 1995) and the process of globalization started after world war-1 (June 28, 1914 – November 11, 1918) when trade and cross border relations were made more frequent. In fact, it was the period in which international relations started flourishing and depending upon one another. But its real sense, globalization took its shape after World War-II (September 1, 1939 – September 2, 1945) when countries restored their relations in terms of trade and investment (Guillen, 2001). The United Nations officially came into existence on October 24, 1945. The birth of United Nations Organization (UNO) that is now called as the United Nations (UN) brought nations closer to think together for peace and prosperity of all nations. Under the charter of UN article 1.3 it was agreed by initially 50 nations “to achieve international co-operation in solving international problems of an economic, social, cultural, or humanitarian character, and in promoting and encouraging respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language, or religion”. A number of UN bodies like UNICEF, UNESCO, ILO, FAO, WHO, UNDP are working globally to minimize the gap between rich and poor countries in terms of socio-economic development.

Globalization in a broader sense relates to everyone and affects all aspects of life. Under this concept all countries of the world are inter-connected. As Jenkins (2004) defines globalization is a “process of greater integration within the world economy through movements of goods and services, capital, technology and labour”. The literature suggests that core concept of globalization is to see ultimately one international community without any kind of discrimination. To achieve this goal economic, educational and socio-cultural cooperation between developed and developing nations is established. It seems supportive for the developing countries whose economy and level of education is relatively less developed.

This concept revolves round the notion of connecting people and borders for trade and

economic growth. As Ahmed (2005) highlights the concept of borders by saying “globalization is an act of making something worldwide in scope or application”. He further explains the concept that border is central part for globalization. Globalization can be seen cross border relations, open border relations and finally trans-border relations. Cross-border relations are complementary to establish not only in terms of trade and investment but in technological perspective as prescribed by *Kobrin (1997)* that “globalization is not driven by foreign trade, but by increasing technological scale and information flow”

Open-border concept needs more justification to convince various societies to operate trans-border relations because it involves trade, communication or financial transfer by taking away or minimizing the governmental restriction. It may lead to the concept of liberalization through making a single, borderless world. Another global connectivity that after Second World War has sharply increased is the movement of goods, services and currency. Now cross-border trade is the key area of globalization for which money can be transferred electronically everywhere in the world. However, what *Kobrin (1997)* identified as technology and information flow, can be observed very much at crossed and opened border relations. Now communication such as internet, mobile services and media allows connecting people without any border restrictions.

1.2 Globalization: Critical Analysis

Theories and models of globalization explain how the matters and manners at global level are viewed. Controversy is not only found on the mode and motives of globalization but, on the globalization itself. The proponents of globalization state that people of the world should adopt a forum at liberal sense to remove the problems of societies at micro and macro levels. This model makes room for global culture. The global culture once developed will give more liberalization to the communities. It will give an opportunity to the masses to come closer and share all the issues, vision and ideas with one another.

The opponent model of globalization is based on utopia. This model is based on the facts that each society has its unique socio-economic culture that cannot be merged into any other culture. This school of thought is against liberalization. *Ahmad (2004)* summed up that globalizations like a giant galloping resources of the poor countries and the intentions are to;

- Take over the economy of the developing countries;
- Patronize regional or local trade;

- Make poor countries their business colonies; and
- Take sovereignty of poor countries off.

A cursory look at these two models gives distinctive outlook to globalization. Arguments of both seem quite valid. The proponents of globalization tend to argue that it will make a global village while opponents have strong argument that globalization is death to nationalism. The proponents convince that globalization can act as authority to stop wars. Whereas, opponents say that it may increase conflict on identity and crisis will escalate the difference in the world.

Above mentioned views give strength to the idea that globalization would certainly facilitate more economic growth and cultural diversity through education and health facilities in growing societies. This may change the mindset of limited nationhood and may bring humanity to global vision. It should not be considered a threat to sovereignty. It is said that physical borders would be there and it is necessary to keep them working for the sovereignty and solidarity of a nation but they are the virtual borders that would be taken away.

2. GLOBALIZATION AND DEVELOPING COUNTRIES

According to the supporters of globalization, main beneficiaries of globalization are developing countries. During last couple of decades developing nations that tend to be globalized and open their doors to international trade and investment showed more progress than those who remained isolated. For example, number of poor people who were spending \$1 per day in 1985 significantly decreased during past two decades especially in China (Malik, 2006). The masses of developing countries have now become aware of the quality of life and the facilities that people of developed countries enjoying. This awareness has created a pressure on the governments of developing countries to enhance living standards with better planning and good governance. Under this pressure poor countries have taken initiatives to enhance their Institutions and reduce non-developmental expenditures. This pressure is expected to enhance growth that will benefit the generations to come. Stiglitz (2004) points out that if economic growth and process will not be managed in order to increase benefits from globalization, it can lead to adverse effects. For instance, success of China and Korea was in fact because of good governance and control on globalization process through avoiding its harmful effects and taking full advantages of its benefits.

According to the *World Banks* (2002) study of

Globalization, growth and poverty among China provinces, Indian states, and countries of Bangladesh and Vietnam, the developing countries with three billion people become the part of global market for manufacturers and services. Success was observed due to reforms in governance, investment climate and social service provision. Guillens (2001) in his research about indicators of globalization concluded that “foreign direct investment as percentage of GDP is 2.5 times greater today than twenty years ago and four times greater in developing countries. Also foreign exchange turnover increased tenfold between 1979 and 1997 relative to world GDP”.

The purpose behind globalization appears to link people, societies and economies. This is a very adoptive situation that demands collaboration at all scales and levels of humanity. The benefits that will be grabbed would surely be delivered to all of the human beings. The main feature of globalization that attracts people towards it is “equality”. There would be no difference at all. Most writers convincingly concluded that globalization has helped developing countries in good governance, economic growth, poverty alleviation and education. A brief critical review of these global impacts is given below

2.1 Good Governance

Jreisat (2004) calls attention to the point that in this global change, governance systems need to be changed from traditional to modern, autocratic to bureaucratic and centralization to decentralization. Under the domain of globalization there seems a need of negotiation skills among the sovereign states. The national governments and international organizations make decisions through multilateral negotiations about level of interference and influence (Metcalf, 2002). He further identifies the pressure on developing economies by international organizations (IMF & World Bank) and donor countries (USA & its Allies) require them to develop special capacities in managing public affairs. The other areas of focus are the performance culture, managerial skills of adaptability, cooperation, extra efficiency, effective role of leadership and using information technology for good governance. It appears that good governance brings political and economic stability and socio-economic development. It may be exemplified with many monetary funds that are given to Pakistan and other developing countries in order to develop their economy.

2.2 Economic growth

Globalization helps increasing economic growth and through this economic growth poverty is reduced (Lee & Vivarelli, 2006). Writers like Winter, McCulloch & McKay (2004) assert that trade policy

can affect poverty in developing countries through three channels. Firstly, price transmission channel that means changes in tariffs have also resulted changes in prices of households. Secondly, enterprise channel as a result of which changes in prices of inputs and outputs take place, leads further changes in factor demand. Changes in demand lead to the changes in employment or wages. Lastly, taxes and government spending have an impact on poor income and spending as well.

Winter, McCulloch & McKay (2004) reflects same perception and found some more factors like “labour productivity that can raise high wages but job losses at the other hand, demand for skills, the need of macroeconomic stability” The economic stability largely depends upon political stability that generally lacking in developing countries. Hence, the positive effect of global economy may not be significant as compared to international borrowing and purchasing power of the poor.

2.3 Poverty Alleviation

The past century has seen more advances in global prosperity and more people have come out of poverty than in all of human history. One of the reasons for this achievement appears to be the integration of societies and economies around the world. There is a widespread perception that globalization is having a detrimental impact on the poor. In spite of the intensive debate on globalization there is no precise or widely accepted view of the adverse impact of globalization on poverty. (*Pakistan Economic Survey, 2004-05*)

Poverty has been the case of concern to entire world. A person living with income and resources (Material, cultural and social) that are inadequate to maintain a standard of living is called poor. Problem of poverty is real throughout the world and this thing is making an impact on global economy. In developing countries food crises, unemployment and improper habilitation are common problems. Poverty and Social exclusion are both central to the determinants of health. There is a clear social gradient that shows that health status continuously improves as people become better off, and declines as people become poorer (*cherry, 2006*). It is quite evident that globe is in the shackles of poverty. Although, efforts are getting along to relieve the condition but still more efforts are needed in order to reduce global poverty. National Action Plan against Poverty and social Exclusion (2006-2008) recommends increase in educational initiatives and facilitates greater participation for low-income workers and adults with low levels of qualifications.

The developing countries are the worst prey of

poverty. As a result of inadequate income and resources people in developing countries like Pakistan may be excluded and marginalized from participating in activities which are considered the norm for other people in society. *Anwar (2003)*, on the issue of poverty in Pakistan defines poverty, “Individuals as poor when their income is not sufficient to obtain the minimum necessities of life for the maintenance of physical efficiency such as food, clothing, housing etc.

One factor that can alleviate the poverty level in developing countries is education. Education is considered the only solution to poverty alleviation. Poverty alleviation initiatives that focus on the individual level education and skill including many small credit schemes have shown some better results (IUCN Commission 2006).

2.4 Education

Globalization has significant effect upon education system of developing countries. In 1948 UN approved the international manifesto of human rights; according to its Article No.26 these rights were acknowledged and it was agreed upon that basic education should be essential and free of cost for every man and woman. Earlier, UNESCO in its constitution (1946) declared “full and equal opportunities for education for all” that means responsibility to promote equal educational opportunities for every human being as a right. The emphasis is on the following three aspects of the concept:

- ❑ Every one has the right to Education
- ❑ Equal opportunities of Education for both genders
- ❑ Quality of Education with essential life skills

The World Education Forum, Convened by UNESCO, UNDP, UNFPA, UNICEF and the World Bank brought together 1,500 participants from 182 countries, as well as major development agencies. It ended with the adoption of the DAKAR Framework of Action, wherein ministers of education and other government representatives, heads of United Nations agencies, the donor community and representatives of NGOs, indeed all participants, committed themselves to achieve the EFA goals and targets by the year 2015 (UNESCO, 2001).

UNESCO, UNICEF, ADB, World Bank and many other international organizations are playing important role to globalize the internationally accepted curriculum contents, teaching methods, and assessment procedures. The global efforts seem to

use education as a vehicle to reduce inequalities in terms of area and sex. Also globalization has linked education with social development and poverty reduction. For instance, Asian Development Bank (ADB) started 32 education projects (ADB Review, 2006) for developing countries 1990– 1997. These projects focused on four education sub-sectors: technical education and vocational training (TEVT, 39% of lending), secondary education (26%), primary/basic education (18%), and higher education (17%). All projects according to the review report (2006) emphasized “on cross cutting themes, specially poverty reduction and gender concern”.

These donor agencies are working more in underdeveloped countries such as Pakistan and India. Internet has brought the world closer. Knowledge is shared by every body at different levels. Globalization has produced major employment wings for the educated people. Concept of global economy has made it quite easy to bring nations and people together. Through this intermingling, one can avail chances of employment in the world. UNESCO report (1998) concludes that the four pillars of global education are:

- Learning to know
- Learning to do
- Learning to live together
- Learning to be

2.5 Globalization and Developing Countries: Critical analysis

It appears from the earlier discussion that poor countries are facing problems like foreign market access, overseas employment, and external debt burden in responding global changes (Ahmed (2005). The view is supported by UNCTAD's Trade and Development Report (1997) that “in 1965 the average per capita income of the G7 countries was 20 times than that of the world's poorest countries that became 39 times higher by 1995”. The report further highlights that “polarization among countries has also been accompanied by increasing income inequality within countries”. WTO rules today require all members to adopt US policies like patent laws, copyright and trademark even after so called free trade among countries slogans. This western dominance has restricted to international or national level of policy making.

However, the entire blame cannot be given to globalization and international policies. In order to get the maximized benefit of internal (macroeconomic policies, anti-corruption policies) and external policies (access to foreign markets), an intelligent planning (Ahmad, 2005) is alarmingly lacking in the poor countries. The developed world is taking the sound benefit of globalization but it is

done not because of globalization but their response towards globalization. On the other hand, in developing countries there are found gaps in their governance and internal policies that bring adverse effect of globalization rather than its benefits. Khor (2001) points out three weaknesses: a) weak domestic economic capacity and social infrastructure, b) burden of heavily debt, and c) organizations such as IMF, World Bank and WTO work under powerful countries.

A significantly different view is presented by *Wolf (2004)*. He is of the view that most of the protests against globalization are from developed countries not from developing countries as they are being affected by the poor nations. His argument cannot be entirely rejected. Migration from poor to rich countries, enmity of the poor people towards rich countries, and pressure to provide loans, aids and grants is bringing pressure on their social structure and economies. For example trade volume of Europe and United States was on its peak before first world war but it collapsed during the inter-war years.

So globalization is a process that appears best for some countries and worst for others. It may be taken as an opportunity that is open to all and should be availed through proper planning and reforms within the context of a country. It seems clear that world is now neither dependent nor independent rather inter-dependent. The strong economy and governance of one country affects the trade and stability of another country. The recent example is the global economic crises that have crashed the stock markets of all countries and no bailout mechanism has yet reduced the recession significantly. Globalization has influenced the developing countries either through financial support or with sensitization to reduce poverty and improve economic growth, rural development, basic education, health facilities, water supply and sanitation, rule of law, and access to justice and accountability. At the same time the developed countries made efforts to convince the poor societies to apply liberal approach of globalization, free media and access to knowledge as success models.

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