

## **Illusive and Regressive Globalization: Issues and Challenges for Pakistan's Economy**

**Muhammad Iqbal Anjum**

Assistant Professor

International Institute of Islamic Economics,  
International Islamic University Islamabad, Pakistan

E-mail: miqbalanjum@iiu.edu.pk

### **Abstract**

*In a mesmerizing scenario of the aura of glamorous globalization, Pakistan has entered the 21<sup>st</sup> century with ambivalent presentiment of hope and gloom in the context of realizing globalization-based economic development. Globalization is indeed the most fashionable current issue in the whole world. It is also an irrefutable fact that the movement of globalization has been universally condemned by the global masses. In this background, globalization stands out both as the burning global and national current economic issue from the point of view of development of Pakistan. Pakistan's ever-continuing status as a low income country, along with her serious problems of unsustainable economic growth performance and perpetual debt crises which have culminated into growing stagflation and increasing incidence of poverty even in the contemporary regime of globalization, has become a prime cause of the widespread disillusionment and skepticism of Pakistani masses about globalization. In this scenario, globalization's illusive agenda and regressive outcomes in Pakistan merit serious attention, objective analysis and befitting policy response. Therefore, while aiming at the portrayal of the nature and dynamics of globalization, this proposed paper envisages a focus on the analysis of multidimensional impact of globalization on Pakistan in order to identify the modern ideological, socioeconomic, political and strategic challenges confronted by her due to the contemporary onslaught of globalization. In this context, it also explores the prospects of the inevitable Islamic way out.*

### **1. Prologue**

Overwhelmed by an exciting scenario of the aura of glamorous globalization, Pakistan has entered the new millennium with an ambivalent presentiment of hope and gloom in the context of realizing globalization-based economic development. In this milieu, globalization has become the most fascinating latest stylized fact which has been globally criticized by the global masses because of its overwhelming negative outcomes.

One significant manifestation of the dynamics of the world-level popular anti-globalization movement is the institution of World Social Forum (WSF), an intellectual platform of anti-globalists, which has been holding the annual meetings of its members (e.g., in Venezuela, Mali etc) for promoting discourses and networking among them for launching and perpetuating effective campaigns for defeating the movement of globalization. From the point of view of Pakistan, it is important to note that WSF recently held its meeting at Karachi in March 2006. In Pakistan, the aforementioned WSF meeting was attended by over 40,000 anti-globalization activists belonging to 46 countries. In this background, globalization is indeed a burning global and national current economic issue especially from the point of view of the real socio-economic development of both Pakistan and her inhabitants.

Pakistan's ever-continuing status as a low income country<sup>1</sup>, along with her serious problems of unsustainable economic growth performance and perpetual debt crises which have culminated into growing stagflation and increasing incidence of poverty even in the contemporary regime of globalization, has become a prime cause of the widespread disillusionment and skepticism of Pakistani masses about globalization. In this scenario, the globalization's illusive agenda and regressive outcomes in Pakistan merit serious attention, objective analysis and a befitting policy rejoinder. Therefore, this paper envisages a focus on the analysis of multidimensional nature and impact of globalization on Pakistan, identifies the modern ideological, socioeconomic, political and strategic challenges confronted by her due to the contemporary onslaught of globalization, and highlights a prospective constructive Islamic reply embodying the inevitable Islamic way out of crises caused by the globalization.

### **2. Origin, Evolution, Nature, Forces, Vehicles and Instruments of Globalization**

The movement of globalization, premised in the progress of commerce, was conceived in the literature contributed by the writers of Scottish Enlightenment in the 18<sup>th</sup> century [(Khan, 2000, p.21), (Anjum, 2006b); (Anjum, 2008, 5)].

---

<sup>1</sup> This fact is documented in the World Development Report 2007 published by World Bank.

Especially, Adam Smith's free trade doctrine led the global movement for free international trade and economic integration of different countries and this movement, which realized and sustained its dominance throughout the middle decades of the nineteenth century at first under the leadership of Britain and later under the sway of the United States since the decade of 1930s, has recently assumed the status of a worldwide movement which is generally known as globalization. The movement of globalization theoretically regards the world as a global village and, therefore, endeavors to achieve the economic integration of all nations of the world for assuring their economic convergence and development [Anjum, 2005c]; (Anjum, 2006a, 164)]. In this milieu, globalization acts as one of the thoroughgoing international changes and the process of globalization has been moving forward in all directions and spheres of human life principally due to the dynamic forces of dramatically advancing scientific-cum-technological knowledge and its applications in the fields of information and communication which have been accompanied by both the decreasing costs of transportation as well as communication and the expanding market mechanism that has been facilitated by the systematic deregulation of markets. Of course, the globalization has also been characterized with the massive international flows of capitals and the foreign direct productive investment.

Thus, the economic aspect has always played a pivotal role in the scheme of globalization especially because the present-day movement of globalization has been championing the economic cause of liberalization of international trade in goods and services through the worldwide application of the rules of World Trade Organization (WTO) and the Basle Regulatory Standards without expressing any serious concern for the free international mobility of labor. Therefore, it should not be an unexpected result that globalization has not at all been working for the working people. The notion of globalization, as a global process of ever-growing integration of economies of all countries with the fast growing world markets and the world economy, directly defies the notion of sovereignty of national and ideological state by undermining the borders of all nation states and by awfully changing the way of life of the people in all countries in general and in small vulnerable countries (e.g., Pakistan) in particular. Accordingly, globalization has been actually working as a melting pot used for the unification of diverse ways of human life into the western way of life and this social aspect of globalization is indeed awful from the point of view of social and cultural diversity which is indeed always highly desirable. In the background of the melting-pot challenge of globalization, Pakistan has been confronting the twofold challenge of simultaneously digesting the foreign socio<sup>1</sup>-economic<sup>2</sup>, and politico<sup>3</sup>-strategic<sup>4</sup> influences under the pressure of the Western powerful countries and, also, successfully pursuing its own national priorities within the constraints imposed by the Western framework of globalization.

While the WTO has become the principal vehicle of Globalization, the overall set of vehicles of globalization also includes Multinational Corporations, United Nations Organization, International Monetary Fund (IMF), the World Bank, International Labor Organization, Asian Development Bank, African Development Bank, capitalist central-cum-commercial banking systems, and the global strategic alliances of all countries, their ruling elites, political entities, and military-cum-civilian bureaucracies. These vehicles of globalization, which have been completely designed by the exponents of imperialism and colonization, have instituted and reinforced the perpetual division of the human universe into the First World, Second World, and Third World as well as the inequitable distribution of politico-economic and strategic power, income and wealth among the above so-called three worlds and their component countries. Within this state of affairs, the financial globalization has become crystallized as the most conspicuous facet of the present-day globalization. Indeed, the financial globalization has been overwhelmingly conditioning the outlook, institutional structures, policy regimes and performances of the economies of all countries including Pakistan. Financial globalization connotes the swift integration of the fast evolving financial relationships and financial flows of all nations of the world within the international financial system. Practically, financial globalization has been characterized with the economic interdependence among the developing and the developed nations such that low income developing countries have been attracting capital inflows (i.e., grants, loans, and equity investments) from foreign institutions and individuals for the purposes of expending more than their production,

---

<sup>1</sup> Such influences include the introduction of the Western languages (e.g., English as the effective official language in Pakistan), Western educational system, Western campaigns for securing legislation for the freedom of women along lines of feminism of the Western civilization, Western campaigns of massive popularization of cricket and family planning programs, newly introduced festivities of joint marathon of men and women, Valentine day, and officially sponsored festivities of *basant* (i.e., kite-flying) which are being opposed even by the Supreme Court of Pakistan.

<sup>2</sup> e.g., Western campaign of bringing all the countries inside the interest-based capitalist economic regime of the World Trade Organization, International Monetary Fund, and the World Bank etc.

<sup>3</sup> e.g., Western pressure for instituting democratic political structures and enforcing Western legal system (e.g., enforcement of British legal system in Pakistan).

<sup>4</sup> e.g., Western powers' practice of pressurizing countries (e.g., Pakistan) to join their global alliances against terrorism.

importing more than their exports, and investing more than their savings, and filling the gaps that have been restraining their growth-cum- development performances [Anjum, 2006b]; (Anjum, 2008, 5-6)]. While the developed countries have already recently determined their prioritized globalization/multilateralism-oriented agenda of trade and aid from the point of view of accomplishing the Millennium Development Goals, it is pertinent to note that the working mechanism of the capitalist financial globalization encompasses the current account convertibility, the capital account convertibility, General Agreement on Trade in Services under World Trade Organization, Trade-Related Investment Measures, and Trade and Investment under World Trade Organization (WTO) for minimizing international resistances as well as hostilities and, thereby, advancing the cause of multilateralism [(Anjum, 2006b); (Anjum, 2008, 7)]. It is important to note that in contrast to the conventional instruments which are based on the concept of Official Development Assistance<sup>1</sup>, include Bilateral<sup>2</sup> Official Development Assistance, Multilateral<sup>3</sup> Official Development Assistance and the Millennium<sup>4</sup> Declaration-cum-Monterrey Consensus<sup>5</sup>, the set of the new instruments of financial globalization consists of Foreign Direct Investment(FDI), total external debt, equity, commercial bank lending, and remittances.

### **3. Illusive/Regressive Globalization and Pakistan: Issues and Challenges**

In spite of the great optimism regarding the potential effects of the implementation of the program of globalization based on the doctrine of free trade, empirical evidence confirms that the free trade-based international economic integration has been not only impacting the nations unevenly but also amplifying the international economic disparities. Such negative impacts of globalization, which pose a serious challenge to Pakistan and other developing countries, are evidenced by Gunnar Myrdal's conclusion that the free trade-driven growth of the markets often reinforces the developed countries who possess manufacturing industries having the lead and the advantage of being already fortified by the external economies, and undermines the developing countries having the unprotected industries which have been crowded out of the market by the cheaper imports originating from the set of the developed countries [(Anjum, 2005c); (Anjum, 2006a, 166-167)]. Such factual impressions about the illusive nature of globalization have also been actually reinforced by the shocking past as well as contemporary state of affairs of stagflation and the ever-deteriorating standards of living in Pakistan which have been caused by the practice of the disguised undemocratic policies and programs imposed by the champions of the capitalist globalization on Pakistan. This fact is well-documented by Zaidi (2005, 7) in the following words:

“Since 1988, Pakistan's economy has been under the tutelage of the international lending agencies, the IMF and the World Bank. The economic policies, labeled ‘economic liberalization, stabilization and structural adjustment’, evolved in Washington and have been imposed upon a hundred countries worldwide, with Pakistan and its governments amongst the most enthusiastic adherents to the Washington Consensus. Moreover, Pakistan's governments have taken the art of subservience to new heights: an examination of World Bank and IMF documents since 1988 reveals that almost every decision of any consequence taken by the various governments that have been in power has been predetermined by the two Washington agencies, and that Pakistan has merely followed diktat. This is evidenced by the fact that in the 1990s, Pakistan seldom found the need to appoint a full-time Finance Minister, as numerous advisors on loan from the World Bank and the IMF ensured that implementation was thorough, while, the blind adherence to Washington has meant a loss of sovereignty for the Pakistani State and its people, the outcome of these policies has spelt unmitigated disaster for the economy overall, and for individuals.”

<sup>1</sup> Official Development Assistance refers to concessional foreign assistance including both the assistance in the form of technical cooperation and the development grants or loans offered at concessional stipulations by the official organizations.

<sup>2</sup> Bilateral Official Development Assistance refers to the aid provided directly by a nation to another nation.

<sup>3</sup> Multilateral Official Development Assistance refers to the assistance provided by multilateral organizations of several donor nations.

<sup>4</sup> It is a set of 8 goals which aim at both promoting the sustainable development and reducing the poverty –cum- human deprivation through the developed countries' policy of earmarking 0.7% of their Gross National Product for Official Development Assistance from the point of view of realizing 50% decrease in the world poverty by 2015[(Anjum, 2006b); (Anjum, 2008, 8)].

<sup>5</sup> Monterrey Consensus signifies the mutual understanding of the broad development strategy and policies beneficial for the achievement of 8 Millennium Development Goals (Anjum, 2008, 13).

Thus, the most conspicuous appalling feature of the capitalistic financial globalization is the fact that the non-democratic<sup>1</sup> Bretton Woods institutions have always dictated and imposed mandatory policies of predatory globalization on Pakistan in particular and on the developing countries in general. Therefore, unlike the developed nations' fashion of regarding globalization as the means of development, Pakistan and other developing nations regard globalization as the neocolonialism which ensures more and more politico-economic as well as strategic empowerment of the capitalist developed countries at the cost of the present and future of the developing nations through the practice of the predatory law of "might is right"[(Anjum, 2005c); (Anjum, 2006a, 167)]. In clear violation of their own announced program of promoting the multilateralism-based globalization, the developed countries have been practicing regionalism instead of multilateralism on the basis of theoretical claims, documented by Ethier (1998, 1244) that the regionalism and multilateralism are complementary phenomena and that the new wave of regionalism is an additional guarantee for the survival of multilateralism and this contradiction is evidenced by both the recent "rule of regionalism (Ethier, 1998, 1214)" and the gradual rise in GATT<sup>2</sup>- evasion-oriented trade restrictions in 1980s which signifies a deviation from globalization that is based on the principle of free multilateral trade.

In addition to the aforementioned double standards of the developed countries, the illusive and regressive character of globalization is self-evident from the original total absence of the dedication of the globalization movement to the humanitarian causes of assuring the universal right of all humans to be freely mobile across all countries as well as regions of the globe which truly portrays globalization as merely a human deprivation-oriented global phenomenon [(Anjum, 2005c) ; (Anjum, 2006a, 166-167)].The aforementioned global tendencies, which constitute the illusive character and the myopic perception of globalization, and the illusive practices of champions of globalization point to the existence of a narrow practicable scope of the so-called globalization ranging from internationalization to regionalization in contrast to the anticipated universal/human-centered process of globalization. Another manifestation of the illusory nature of globalization is the fact that WTO, which was expected to have generated a system of unanimously approved rules governing international trade for ensuring universal benefits, ended its Seattle Meeting of December 1999 (which was accompanied by the "Battle in Seattle") without agreement because the official representatives of developing countries felt their exclusion from the decision making.

It is in this background that Pakistan and many other developing countries, despite their some success in extracting several concessions in the final declaration of WTO's ministerial meeting for international negotiations in the so-called "development round" held at Doha in November 2001, continue to be unhappy because their expectations have been remaining unfulfilled due to which they had to incur exhausting costs. So far, the benefits promised for the prospective WTO-member developing countries have been proving illusory because WTO's agreements have loopholes which were intentionally instituted in agreements. This is in indeed a challenging issue for all members of WTO which merits a serious response. While the illusive nature of globalization is a self obvious fact, Noble Prize winner and the former World Bank Vice President /Chief Economist Joseph Stiglitz (2002) has made it crystal clear by documenting the discontents of globalization in his book entitled *Globalization and its Discontents* in the following words (Zaidi, 2005, 183):

"But even when not guilty of hypocrisy, the West has driven the globalization agenda, ensuring that it garners a disproportionate share of the benefits, at the expense of the developing world. It was not just that the more advanced industrial countries declined to open their markets to the goods of the developing countries – for instance, keeping their quotas in a multitude of goods from textile to sugar – while insisting that those countries open their markets to the goods of the wealthier countries; it was not just that more advanced industrial countries continued to subsidize agriculture, making it difficult for the developing countries to compete, while insisting that the developing countries eliminate their subsidies on industrial goods.

---

<sup>1</sup> This reality is clearly confirmed by the following statement [(Singer, 1995, 12); (Anjum, 2005c); (Anjum, 2006a, 166-167),] of Singer:

"The main reason lies in the different systems of the voting and decision-making. The UN is governed by a rule of a-country-a-vote, while the Bretton Woods system is a-dollar-a-vote system. This gives the financially powerful countries firm control of the Bretton Woods institutions and this has led them to concentrate their support and resources on them, while withholding them from the UN system where since the independence of many new countries they are in a voting minority.... This has set up a vicious circle for the UN system. By withholding resources, the system has become crippled and incapable of playing its assigned role in development. This is then interpreted as failure and incompetence and becomes a reason or pretext for further withholding of resources thus setting of a vicious circle.

<sup>2</sup> GATT is acronym of General Agreement on Tariffs and Trade.

Looking at the 'terms of trade' –the prices which developed and less developed countries get for the products they produce - after the last trade agreement in 1995 (the eighth), the net effect was to lower the prices some of the poorest countries in the world received relative to what they paid for their imports. The result was that some of the poorest countries in the world were actually made worse off."

He has already identified and condemned IMF's nefarious method of inducing countries to fall under its debt before depriving them of their sovereignty and depleting their economies. In the background of the aforementioned facts, Stiglitz has recently defined the globalization as a predatory system which is rigged for the advanced industrial countries against the poor countries. According to him this rigged system of predatory globalization results into the creation of an awful lot of losers. This Stiglitz' view has been confirmed by the fact that globalization has been accompanied by the dislodgment of domestic firms by the low-cost foreign producers in nations like Pakistan. Consequently, the domestic firms have been experiencing loss of profits, several domestic workers (e.g., textile employees, unskilled workers) have been experiencing job losses especially due to the lack of opportunities for the free international mobility of labor, and, hence, the unemployment rate in Pakistan has reached alarming high levels due to which the lives of the Pakistani masses have become extremely miserable, the aura of romance with both the globalization and the globalization-based lower prices has expired in the psyche of the impoverishing masses, the seeds of the transformation of globalization into an anti-globalization movement have already been sown in Pakistan, and the several losers in the process of globalization have assumed the roles of the latest champions of "protectionism" and "anti-globalization" [(Anjum, 2005c); (Anjum, 2006a, 171)].

In spite of the empirical fact that the rate of growth of the World Trade became twice the growth rate of the World GDP especially because of a larger number of countries' participation in the current stage of modern globalization since mid-1980s, there have also crystallized overwhelmingly depressing aspects of the latest stage of globalization. For instance, merely a few nations<sup>1</sup> have gained benefits from the successful functioning of the global trade as a traditional engine of economic development, Moreover, the latest stage of globalization has culminated into lack of cross-country convergence along with its negative result in the form of a sharp decline in the upward mobility of developing nations in the arena of international distribution of average per capita incomes. Consequently, the number of nations in the lowest income quintile went up from 52 in 1965 to 84 in 1995, the number of nations in middle-income categories declined from 49 in 1965 to 21 in 1995, and Pakistan and other poor nations became extremely indebted countries. In this bleak scenario of modern globalization, Nicholas Stern<sup>2</sup> termed the 1990s as a lost decade for Pakistan and declared, "the probability that current macroeconomic and trade policies will be able to revive growth does not seem high" [(Anjum, 2005c); (Anjum, 2006a, 171)].

Therefore, it is not at all a matter of surprise that Pakistan commenced the 21<sup>st</sup> century as a political, economic and strategic slave of the capitalist powers and their institutions who have always coerced her to continue the practice of the system of dependant capitalism according to their own program of neocolonialism. According to 2007 Index of Economic Freedom assessed by The Wall Street Journal and The Heritage Foundation, Pakistan's economy is 58.2 per cent free and Pakistan is ranked the 89th freest economy of the world. One practical aspect of the transition of Pakistan's economy toward a freer international trade regime is the significant reduction in tariffs (i.e., from 125 % in 1992 to at least 25% at present). Despite the fact that Pakistan economy's degree of openness (in the context of international trade)/integration with the world market (measured by Trade/GDP ratio) has significantly increased<sup>3</sup> thereby reflecting an increase in degree of globalization of Pakistan economy, her growth rate of exports declined from 19.8% in 1990-91 to 11.4% in 2005-06, her growth rate of imports increased from 13.1% in 1990-91 to 29.7% in 2005-06, her terms of trade<sup>4</sup> experienced a deterioration of 6.5% from 78.7 in 2003-04 to 73.6 in 2004-05 and her merchandise trade deficit experienced a deterioration of over 100%. These empirical facts confirm that international trade is not working as an engine of growth in case of Pakistan. However, one positive outcome of globalization for Pakistan is the fact that workers' remittances registered an increase of 5.2 % from \$3451.5 million in 2004-05 to \$3629.7 million in 2005-06. In short, while trying to gain something from the process of globalization, Pakistan has lost her numerous potential opportunities of economic and human development<sup>5</sup> as well as her politico-economic and strategic sovereignty.

---

<sup>1</sup> e.g., Economy of the United States has registered very fast growth during the previous two decades and the creation of 40 million vacancies.

<sup>2</sup> He was a Chief Economist of the World Bank.

<sup>3</sup> i.e., It is reflected by an increase in Pakistan's Trade/GDP ratio from 25.8% in 1999-2000 to 34% in 2005-2006.

<sup>4</sup> Terms of trade equal to 100 in base year 1990-91.

<sup>5</sup> For instance, Pakistan's population below the poverty line increased from 28.6% in 1993 to 32.6% in 1998-99.

**This deplorable fact is confirmed by the following empirical facts:**

The already documented loss of economic sovereignty and the consequent vulnerability is self evident from Pakistan's overwhelming dependence on foreign debt in particular and on domestic debt in general which is reflected by the factual dramatic growth in total public debt of Pakistan evidenced by the following public debt-related data: Total public debt as a % of GDP increased from 66.3% in mid 1980 to 100.5% in mid 2000 [(Anjum, 2005c); (Anjum, 2006a, 168)] and then declined to 50% in the first quarter of 2007. It is important to note that the aforementioned decline in Pakistan's total public debt as a % of GDP was realized as a reward in the backdrop of the fact that Pakistan joined the bandwagon of the Western alliance against terrorism after the events of 11/9 and, thereby, lost her politico-economic and strategic autonomy.

Due to the growing possibilities of the degeneration of the already extremely volatile nature of Pakistan's strategic relationship with Western powers and due to the overwhelming capitalistic character of Pakistan's economy wherein borrowing on the part of the state has become a norm, Pakistan's debt as % of GDP is expected to dramatically rise and, thereby, culminate into the worst debt crises. One of the symptoms of these negative future outcomes is the almost 50% increase in Pakistan's total public debt from Rs.2.946 trillion in 1999 to Rs.4.411 trillion in the first quarter of 2007. Similarly, Pakistan's foreign currency debt increased by 32.6% from Rs.1.557 trillion in 1999 to Rs.2.065 trillion in the first quarter of 2007. It is indeed an alarming negative development that Pakistan's foreign currency debt increased by 136.5% since 1995. This negative trend of dramatically swelling total public debt as well as its foreign currency debt component is expected to continue in the light of the following announcement of 'Debt Policy Statement' issued by the finance ministry of Pakistan in 2007:

"The coming years will see an increase in borrowing particularly in foreign currency component to finance the infrastructural development program. The large infrastructure projects envisaged in the next decade will increase the debt burden if sufficient revenues are not generated from within the country."

These facts confirm the perception that Pakistan economy will continue to suffer from the debt cancer caused by the Accumulated International Debt Syndrome (AIDS) which has no cure at all in the capitalist system. It is partly because of the aforementioned AIDS caused by the capitalistic financial globalization that Pakistan, like other highly indebted vulnerable countries, has helplessly lost her political, economic and strategic autonomy. The loss of Pakistan's economic sovereignty was also confirmed in the following statement of Former President of Pakistan Mr. Ghulam Ishaq Khan<sup>1</sup> [(Anjum, 2005c); (Anjum, 2006a, 168)]:

"Pakistan is not a "free agent"-it has always been greatly affected by what the developed world wants it to do."

In this background, Pakistan faces the challenge of getting rid of the capitalistic debt trap by enforcing the interest-free Islamic economic system wherein public sector borrowing is an exception and it is not a norm. Moreover it is important to note that Pakistan experienced average inflation rate of 14% in 1990s. Later, Pakistan experienced "flare up" in prices and corresponding inflationary explosion. as the inflation rate rose to 12 per cent in fiscal year 2007-08. It is important to note that the lowest income group (i.e., the group of people having a monthly income up to Rupees 3000 per household) experienced the highest inflation and its corresponding negative impact on the degree of equitable income distribution. Here it is important to note that actual inflation and its adverse impacts on income distribution are far more serious than those reflected by the aforementioned official data. Moreover, the inflation in Pakistan is partly caused by inflationary pressures emanating from the overwhelming inflationary trends prevalent in global economy (e.g., latest global oil price hike in 2008).

Recently Pakistan, in spite of actually realizing her very high growth rates of GDP (e.g., GDP growth rates of 7.5% in 2003-04 and 8.6% in 2005-06), has also registered very high unemployment rates (i.e., 8.3% in 2001-02, 7.7 % in 2003-04, and 6.5% during the period July-December 2005). In other words, Pakistani masses have been painfully experiencing stagflation in particular partly initially due to Pakistan's large scale manufacturing sector's spectacular job-less growth in 1960s because of spectacular rise of manufacturing productivity and then due to Pakistan's large scale manufacturing sector's negative productivity growth for a very long period of more than three decades [i.e., the decades of 1970s/1980s (Wizarat, 2002, 33), the 1990s and so on]. These negative and regressive<sup>2</sup> outcomes in Pakistan's industrial sector, which ultimately

<sup>1</sup> Baxeter, C. & C. Kennedy (1997). *Pakistan 1997*. 82-83. Lahore: Pak Book Corporation.

<sup>2</sup> A classical account of this fact pertaining to the era of the first industrial revolution in Pakistan is presented by Zaidi (2005, 102) as following:

"Dr. Mahbub ul Haq, a key supporter and architect of the Auh government's Doctrine of Functional Inequality, revealed figures, as Ayub regime was falling, of even greater concentration: he claimed that (the famous) twenty two families controlled 66% of industrial assets, 70% of insurance and 80% of total banking assets."

culminated into deindustrialization especially in 1990s, have been accompanied by decline in labor share of income from 37% in 1955-56 to 23.9% in 1990-91 (Wizarat, 2002, 161). Thus, in contrast to Stern's declaration of 1990s as the lost decade from the point of development of Pakistan, the total number of Pakistan's lost decades is at least three. Consequently, in spite of Government of Pakistan's empirical claim that the percentage of the population living below poverty line has decreased from 34.46% in 2001 to 23.9% in 2004-05, there are still 36.45 million poor people living below poverty line in Pakistan in the year 2004-05. In contrast to the aforementioned official claim, according to Human Development Report 2006, Pakistan's rank on the basis of her poverty index value of 36.3 is 65, her adult illiteracy rate is 50.1%, her population without sustainable access to an improved water resource is 9%, her children under weight for age (under age 5) is 38%, her population below income poverty line of \$2 a day (1990-2004) is 73.6% and her population below national poverty line (1990-2003) is 32.6%.

This serious problem of poverty is existing partly due to the fact that, under the pressure of IMF for ensuring the thorough implementation of its proposed Structural Adjustment Program aiming at reduction of fiscal deficit to 4% of GDP, Pakistan became successful in reducing fiscal deficit to 3.3% of her GDP only after continuously reducing her development expenditures from 9.3% of GDP in 1980-81 to 3.5% in 2004-05. In this setting, Pakistan experienced the unfortunate decline in both the already inadequate education expenditures as a percent of GNP from 2.5% in 1996-97 to 2.1% in 2004-05 and the health expenditures as a percent of GNP from 0.8% in 1995-96 to 0.6% in 2004-05. This empirical evidence confirms the fact that both the champions of the capitalistic globalization and the Government of Pakistan lack dedication to the imperatives of human capital formation and human development. Following are two more alarming facts documented in Government of Pakistan's *Economic Survey 2000-2001* [(Anjum, 2005c); (Anjum, 2006a)]:

- Pakistan's average income distribution deteriorated in the last three and a half decades.
- The caloric-based poverty in Pakistan increased from 17.3% in 1987-88 to 33.5% in 1999-2000.

Even recently, the ratio of the consumption share of highest quintile to the consumption share of the lowest quintile, which measures the consumption gap between the rich and the poor, increased from 3.76 in 2001 to 4.15 in 2005. Similarly, the consumption inequality, which is being measured by the value of Gini coefficient, has increased from 0.2752 in 2000-01 to 0.2976 in 2004-2005. In the contemporary scenario conditioned by the aforementioned painful illusive and regressive outcomes of the process of globalization of the economy of Pakistan, both the economy and masses of Pakistan have been entangled into low income trap which has been perpetuating vicious circle of poverty for a period of more than 50 years since the time of creation of Pakistan in 1947. This miserable macroeconomic scenario is indeed ironical in the light of the fact that originally Pakistan was created for the empowerment of Indian Muslim masses through alleviation of their poverty. Persistence of this miserable scenario even in this age of globalization confirms the illusory nature and character of the movement of capitalistic globalization because of which Pakistan has been a low income nation since the time of her creation in 1947. The resulting disillusionment and frustration of Pakistani masses led to the transformation of both the East Pakistan into Bangladesh and the remaining Pakistan into a politically, economically, socially, and strategically vulnerable state. Several lost decades from the point of view of development of both Pakistan and Pakistanis confirm the following conclusion of Singer (Wizarat, 2002, xvi):

“There is now an emerging (‘post-Washington’) consensus that the process of liberalization within the context of globalization creates losers as well as winners. The losers can be whole countries, whole sectors or regions or classes within a country or more narrowly defined firms or groups of people.”

Economic explanation of Pakistan's classic case of lack of convergence [(Anjum, 2005c); (Anjum, 2006a)] is provided by neoclassical theory's final result that poor nations can eventually catch up if they also possess the exactly same technology that is possessed by the developed nations and if their saving/investment/'population growth' rates become equal to the saving/investment/'population growth' rates of the developed nations. It is no doubt that Pakistan, being one of all Muslim nations which have been labeled by the contemporary powerful developed nations as the prohibited territories (Khan, 1995, 309) for the transfer of computer technology/chemical-cum-biochemical technologies/technologies concerning software development/technologies concerning aerospace and electronics/defense production technologies,

---

In the above context, Zaidi (2005, 5) also records the following fact:

“Observers have pointed out that this aggressive capitalist development caused serious economic, social, and political tensions. They argue that there was increased disparity across regions. This was manifest in the concentration of economic prosperity in both the industrial and agricultural sectors in central Punjab and in industry in Karachi.”

can never have access to the technologies possessed by the developed nations within the neocolonial framework of the capitalist globalization. It is now crystal clear that the already existing and persisting aforementioned two reasons can never allow Pakistan to translate her goals of convergence and development into a living reality. This point of view is reinforced by the empirical findings of Wizarat (2002)'s treatise entitled *The rise and fall of industrial productivity in Pakistan* which highlight the following facts:

a) Pakistan has been experiencing increasing divergence between her industrial sector's productivity and the industrial productivity in the developed countries since 1970 especially because the technological revolution has been dramatically reducing transportation costs in the developed countries.

b) Pakistan has been experiencing increase in economic inequality<sup>1</sup>.

A practitioner of globalization Kazmi<sup>2</sup> (2008) has most recently documented Pakistan economy's multiple macroeconomic failures, which are indeed the direct illustrations of the illusive and regressive character of the globalized economy of Pakistan, in the following words:

"The economy of Pakistan suffers from fiscal fatigue which means that the components of the budgetary system fail to show movement to match the growing demands of national economy or to meet the external challenges of globalization and internal challenges of poverty, unemployment and high inflation."

Of course, the discourse on the illusive and regressive globalization has given rise to numerous fresh challenging issues which are urgently required to be seriously addressed by the economists and the policy makers of Pakistan.

#### 4. The Prospective Islamic Way Out<sup>3</sup>

Pakistan's ever-continuing failure in the contexts of accelerating international trade as an engine of growth as well as development and getting rid of her chronic status as a low income country, since the time of her independence in 1947, confirms the fact that development and empowerment of Pakistan is not possible in the overall capitalistic framework of illusive, regressive, and predatory globalization. Moreover, it is crystal clear that the interest-based Bretton Woods institutions as well as their interest-based financial mechanisms and the traditional-cum-new instruments of financial globalization are Islamically worthless and extraneous for Pakistan. In this background, the Islamic Republic of Pakistan has available for it a set of Islamic financial instruments consisting of only and only Islamic interest-free FDI/workers' *halal* (i.e., Islamically permissible) remittances, Islamic equities along with certain other Islamic instruments/institutions<sup>4</sup> of the Islamic financial globalization (universalization) which have the potential of ensuring her development according to the Islamic ideals without compromising her sovereignty and integrity [Anjum, 2006b); (Anjum, 2008, 9-14)]. Of course, the key to the solution of Pakistan's widespread problems of poverty, unemployment, inflation and debt crises lies in immediately instituting the interest-free Islamic economy along with its all prerequisite institutional arrangements in the form of interest-free loans, *mudharabah*<sup>5</sup>/*musharakah*<sup>6</sup>/*musaqat*<sup>7</sup> (i.e., partnerships), *zakah* (an Islamic financial obligation imposed the wealth), *ushr* <sup>8</sup>, Islamic trusts (*awqaf*), the autonomous Islamic banking and financial system, international transfers of interest-free loans/*zakah/ushr*, and the universal Islamic common market which envisages free universal mobility-cum-trade of labor, capital, goods and services.

<sup>1</sup> Wizarat (2002, 163-164) has documented this fact in her following conclusion:

"There has been a persistent decline in the wage share and a continuous increase in the profit share during the period 1955-56 to 1990-91 except for a few years which did nothing to alter the trend.... There is a decline not only in the aggregate wage share, but also in the wage shares of individual industries during 1955 to 1991."

<sup>2</sup> Kazmi is serving as Chief (WTO), Ministry of Industries and Production, Government of Pakistan.

<sup>3</sup> This section incorporates author's own already detailed research contributions [Anjum (2000); Anjum (2001); Anjum (2005a); Anjum (2005b); Anjum (2005c); Anjum (2006a); Anjum (2006b); Anjum (2007); Anjum (2008)] on this subject by restating, refining, developing and synthesizing them further especially with reference to Pakistan-specific issues regarding the globalization of the economy of Pakistan.

<sup>4</sup> e.g., interest-free loans, *mudharabah/musharakah/musaqat* (i.e., partnerships), *zakah* and *ushr*, Islamic trusts (*awqaf*), Islamic markets, Islamic banking and financial system, international transfers of interest-free loans/*zakah/ushr*

<sup>5</sup> i.e., an Islamic partnership between either two or more individuals in which either one partner or some partners contribute capital and the other partner (s) contribute either effort or expertise.

<sup>6</sup> i.e., an Islamic partnership in which all partners contribute capital and labor, even if they contribute difference amounts of capital and labor.

<sup>7</sup> i.e., an Islamic partnership in which at least one partner irrigates the tress /plants of at least one other partner for the purpose of getting a share in the crop.

<sup>8</sup> i.e., *zakah* imposed on agricultural produce.



The actual accomplishment of the aforementioned Islamic institutional arrangements will rule out the possibility of AIDS, debt crises, politico-economic enslavement of the country, corruption, poverty, unemployment, inflation, deindustrialization, recession and all manifestations of underdevelopment in Pakistan. In short, the prospective Islamic way out of the morass of the numerous illusive-cum-regressive outcomes of the so-called globalization of the economy of Pakistan along Western lines lies in Pakistan's actual and effective participation in the uniquely humane and progressive program of Islamic universalization which envisions operationalization of the Islamic equitable interest-free principles and economic institutions such as the Islamic universal common market which has the potential of universally, justly, efficiently, and progressively integrating the economies of all nations and regions of the world for ensuring human development on the universal level.

### **5. Epilogue**

Globalization is a worldwide movement for establishing a global capitalist regime. Its champions have been epitomizing it as a universal panacea, for all problems of underdevelopment of Pakistan and other countries, which has been claimed to offer numerous challenging opportunities for the real socio-economic development of both Pakistan and her inhabitants through acceleration of international trade as an engine of growth, convergence and development. In the light of the aforementioned alluring optimism, the globalization has become a stylized fact and, hence, a burning issue that sparks a serious discourse which in turn generates both the light and heat. The process of globalization of Pakistan economy has been accompanied by the worst tragedies for both Pakistan herself and her masses. Ultimately, the illusive, regressive, and aggressive movement of globalization has been reduced to a predatory neo-colonialism.

Unfortunately, the overpowering regressive tides and tendencies of the Western capitalist movement of globalization have been successful in forcing Pakistan, which was originally created in the name of Islam for solving the problem of poverty, underdevelopment, and disempowerment of the Indian Muslims in the light of the progressive principles of the Islam, to slowly drift away from the aforementioned Islamic socio-economic and politico-strategic vision and ideals which constitute the ideological basis of Pakistan. Because of the eternal impossibility of realizing the progressive and humane Islamic ideals of equitable growth, development and empowerment of all humans within the neocolonial framework of the inherently undemocratic, illusive, and predatory globalization, which is clearly implied by the regressive outcomes of the globalization of the economy of Pakistan, the ideological Islamic state of Pakistan finds itself at the cross roads of the Western regionalist globalization and the Islamic universalization which offers an Islamic way out of the morass of the miserable regressive outcomes of the practices of the Western globalization by integrating Pakistan in the progressive interest-free institutional-cum-operational framework of the Islamic universal common market for the economic, social, political and strategic security, development and empowerment of all humans in the entire world.

### **References**

Al-Abidin, T.Z. (ed.) [2001]. *Globalization and the Muslim world*. 23-41. Islamabad: International Islamic University.

Ali, S. A. (2005). 'Economic cooperation among Muslim countries in the 21<sup>st</sup> century.' In: Haneef, M.A. & M. Anwar (ed.). *Studies in Islamic economics in the 21st century*. 449-464. Kuala Lumpur: International Islamic University Malaysia.

Anjum, M. I. (2000). 'Globalization and the economic future of Islamic countries.' In: Al-Abidin, T. Z. (ed.). *Globalization and the Muslim world*, 23-41. Islamabad: International Islamic University.

Anjum, M. I. (2001). 'Population-development nexus: Pakistan's progress, problems and policy options.' In: Tausif, A., M.A. Chaudhry, M.S. Karim, N. Mehmood, F. Midhat, and Z.A. Sathar (eds.). *Pakistan's population issues in the 21<sup>st</sup> century*, 409-430. Islamabad (Pakistan): Population Association of Pakistan.

Anjum, M. I. (2005a). 'Sub-regional economic integration for convergence and development in the Islamic World.' In: Haneef, M.A. & M. Anwar (eds.). *Studies in Islamic economics in the 21st century*. 349-408. Kuala Lumpur: International Islamic University Malaysia.

Anjum, M. I. (2005b). 'Towards a progressive pan-Islamic monetary regime.' In: Choudhury, M. A. (ed.). *Money and real economy*. 9-47. Leeds: Wisdom House.

Anjum, M. I. (2005c). 'Globalization at crossroads of warfare, revolution, and universalization: Islamic panacea, stratagem, and policy instruments.' *Future Islam*. Available at [http://futureislam.com/20050501/insight/Muhammad\\_Iqbal\\_Anjum/Globalization\\_at\\_Crossroads\\_of\\_Warfare\\_Revolution\\_and\\_Universalization.asp](http://futureislam.com/20050501/insight/Muhammad_Iqbal_Anjum/Globalization_at_Crossroads_of_Warfare_Revolution_and_Universalization.asp) [May/June 2005]

Anjum, M. I. (2006a). 'Globalization at crossroads of warfare, revolution, and universalization: Islamic panacea, stratagem, and policy instruments.' *Humanomics* 22(3):162-177. Available at

Anjum, M. I. (2006b). 'Islamic world's development policy responses to the challenges of financial globalization.' *Future Islam*. Available at

[http://futureislam.com/20060103/insight/miqbalanjum/islamic\\_world\\_development\\_policy.asp](http://futureislam.com/20060103/insight/miqbalanjum/islamic_world_development_policy.asp) [March/April 2006]

Anjum, M. I. (2007). 'An inquiry into alternative models of Islamic banking.' In: Iqbal, M., S. S. Ali, and D. Muljawan (eds.). *Advances in Islamic economics and finance 1*. 419-458. Jeddah: Islamic Research and Training Institute.

Anjum, M. I. (2008). 'Islamic world's development policy responses to the challenges of financial globalization.' *Humanomics* 24(1): 5-16. Available at

<http://www.emeraldinsight.com/Insight/ViewContentServlet?Filename=Published/EmeraldFullTextArticle/Articles/1240240101.html>

Bhattacharjea, A. (2004). 'Playing by the rules? Developing countries in the world trade regime.' In: Bromley, S. et al., *Making the International: Economic Interdependence and political order*, 11-31. London (UK): Pluto Press.

Boughton, J.M.& Z. Qureshi (2004). 'From vision to action: how to put some mph into the millennium development goals', *Finance and Development*, September, 42-43.

Bromely, S. et. al. (2004). *Making the international: Economic interdependence and political Order*. London: Pluto Press.

Claude, J. L. et. al. (2001). *Dictionnaire des sciences économiques..* Paris: Presses Universitaires de France [In French].

Clements, B., S. Gupta, A. Pivovarsky & E.R. Tiongson (2004). 'Foreign aid: Grants versus loans.' *Finance and Development*, September, 46-49.

Ethier, J. W.(1998). 'A regionalism in a multilateral world.' *Journal of Political Economy* 106 (6), December.

Government of Pakistan (2001). *Economic survey 2000-2001*. Islamabad: Economic Advisor's Wing.

Government of Pakistan (2006). *Economic survey 2005-2006*. Islamabad: Economic Advisor's Wing.

International Monetary Fund (1997). *Globalization: Opportunities and challenges*. Washington D.C.: International Monetary Fund, May.

Kazmi, A. A. (2008). 'Fiscal highs and lows.' *The Dawn*, June 10, 7. Available at <http://www.dawn.com/2008/06/10/index.htm>

Khan, A.Q.(1995), 'Restricted Areas of S&T and Ways to Develop Such Technologies in the Muslim World. Paper.' In: Organization of Islamic Conference Standing Committee on Scientific and Technological Cooperation (COMSTECH), *International Conference Papers*. 309-315. Islamabad: COMSTECH.

Khan, M. A. (2000), "Globalization of financial markets and Islamic financial institutions.' *Islamic Economic Studies* 8(1), October.

Meier, G.M.(1989). *Leading issues in economic development*. 5th ed. New York: Oxford University Press.

Mundell, Robert A. (2002). 'Debt, Growth, and Poverty in the International Monetary System.' Paper presented at the annual conference for Pakistan Society of Development Economists, Jan. 14-16, in Islamabad, Pakistan.

Nafziger, E. W. (1997). *The economics of developing countries*. 3rd international ed. New Jersey: Prentice-Hall International, Inc.

Niazi, M. S. A. (1997). 'Globalization and convergence.' *Journal of Bankers in Pakistan*, March.

Niazi, M. S. A. (2005). 'Financial globalization: A road to new financial economics.' mimeograph.

Samuelson, P. A. & W. D. Nordhaus (2001). *Economics*. 17<sup>th</sup> international ed. New York: McGraw-Hill.

Singer, H. W.(1995). 'Half a Century of Economic and Social Development Policies of the UN and Bretton Woods Institutions.' Paper presented at the Annual General Meeting for Pakistan Society of Development Economists, April 18-21, in Islamabad, Pakistan.

United Nations Development Program (2006), *Human development report 2006*. New York: Oxford University Press.

Zaidi, S. A. (2005), *Issues in Pakistan's economy*. 2nd impression. Karachi: Oxford University Press.

The World Bank (2007), *World development report 2007*. Washington D.C.: The World Bank.

Wizarat, S.(2002). *The rise and fall of industrial productivity in Pakistan*. Karachi: Oxford University Press.  
<http://www.dawn.com/2007/03/05/index.htm>

[http://www.pakboi.gov.pk/About\\_us/BOINL/index.htm#8](http://www.pakboi.gov.pk/About_us/BOINL/index.htm#8)

<http://www.prisonplanet.com/articles/october2006/301006globalcrash.htm>

<sup>1</sup> <http://www.nation.com.pk/pakistan-news-newspaper-daily-english-online/Politics/12-Jul-2008/Inflation-beats-govt-target>