

Globalization's Impacts on Pakistan's Economy and Telecom Sector of Pakistan

Muhammad Akram Ch.

Additional secretary higher Education Department
Punjab, Lahore

Muhammad Asim Faheem

Lecturer, Hailey College of Commerce
University of the Punjab
Lahore, Pakistan

Muhammad Khyzer Bin Dost

Lecturer
Hailey College of Commerce
University of the Punjab
Lahore, Pakistan

Iqra Abdullah

MS Scholar
Department of Management Science
COMSATS Institute of Information Technology
Lahore Pakistan

Abstract

In the present era, almost the whole world has accepted the Globalization as a prevailing reality. Globalization has affected all the major sectors of the world economies either directly or indirectly. This paper is mainly focusing on one of the largest sector of Pakistan's economy i.e. Telecommunication Industry. This is an attempt to find out how the globalization has hit the telecom sector in Pakistan? In this paper we have proved with the help of past statistics that globalization has resulted in ending up the monopolistic regime in telecom sector of Pakistan and has given a boost to the Pakistan's Telecom Industry.

Key Words: Globalization, Telecommunication Industry, Pakistan Telecom Sector

Introduction

Globalization has become a major topic in debates of literary circles since the mid of 1990's (Mapuva, 2010). Besides all the criticisms and disadvantages on globalization, the world is moving towards an integrated and interdependent single economy. Now words of MNCs and Global Corporation are not new for any one. So, this paper is written in the background of Globalization. The first section of this article cover what the Globalization is? And how it has hit the different economies of the world? A lot of work is already done that how the globalization trends has affected the advance countries. So, the focus is on the developing economies especially Pakistan because Pakistan economy is one of the fastest growing economies among developing countries.

The second section of the article is discussing the Telecom sector. What do we mean Telecommunication? And How Globalization trends have affected the Telecom Sector of Pakistan? The soul reason of focusing on the telecom sector of Pakistan is that it is considered, the major sector that is affected by globalization is telecom industry. A sudden boost in this industry has been witnessed in the present decade. So in this paper we have tried to relate the Globalization era and boost in Telecom sector of Pakistan with the help of past data and statistics.

An overview of Globalization

The word Globalization is not new for the World now especially for the business people. As far as the definition of Globalization is concerned, there is no such single definition on which all the disciplines of study have agreed upon. One of the famous sociologists has defined globalization with 3 different concepts:

- Globalization as Transference between the already defined items that may be in term of politics, culture or economics;

- Globalization as Transformation on system level;
- Globalization as Transcendence which affects the basic conditions of existence (Bartelson, 2000).

And if we come toward the economic or business concept of Globalization, it is defined as: “Globalization of the world economy is the integration of economies throughout the world through financial flows, the exchange of technology and information, trade and the movement of people” (IMF, 2006). According to one comprehensive definition of Globalization, globalization is a combination of activities, rather than a phenomenon that results in eliminating the cross border barriers (Mittelman, 2000).

Globalization has given a boost to the Economic Activities of FDI, Technological and Telecommunication Developments, Cross Border Trade activities. These activities have resulted in increasing the productivity as effects can be seen in the China, Japan and Scandinavian countries. All these developments heavily depend on the foreign and domestic policies. So strong policies ultimately benefit the Globalization Process (Bertucci & Alberti, 2001).

According to the Classical Economists Globalization process is aligned with the specialization and extension of markets by trade. Though International Division of Labor and optimum resource allocation; globalization boosts up the productivity and standard of living and customers can also enjoy wide variety of product and service (Wikipedia, 2011).

According to another point of view, Globalization is benefiting the Rich countries only while the Under Developed countries are suffering due to it (Suzuki & Ghayur, 2002).

So according to this concept globalization is dividing world into two categories of rich and poor. Poor countries are mainly facing the problems of Brain Drain, Foreign Debts, and no access to Foreign Markets etc. After looking at these problems we may blame the riches being the cause of these problems.

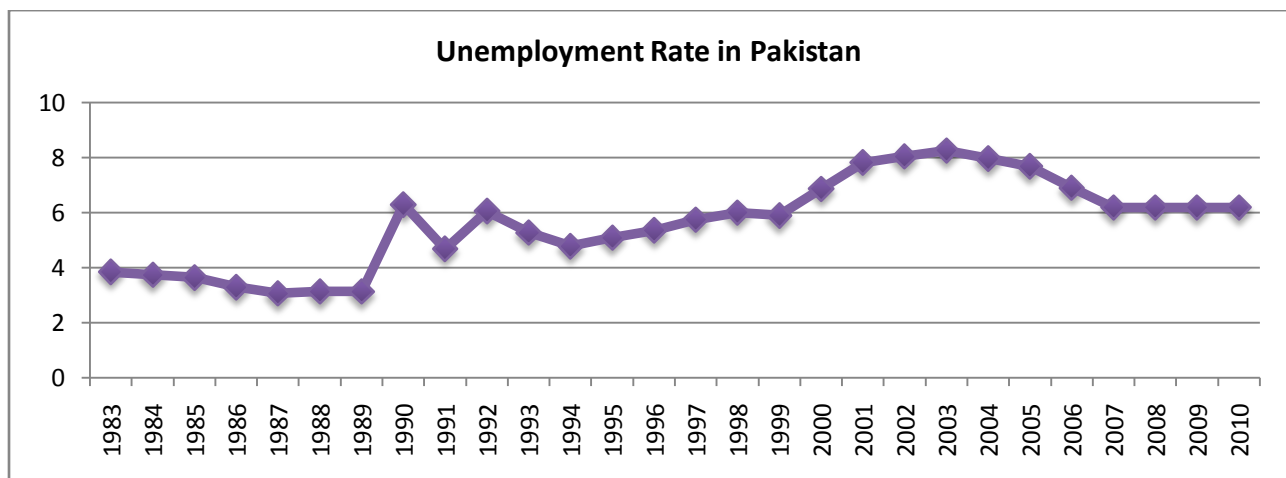
But by looking at the countries as Taiwan, South Korea, Thailand and Indonesia, we can say that these countries are prospering because of the integrations and International Trade.

So Developments need Investments, Integrations with the World and Technological advancements (Streeten, 1998).

Globalization effects on Pakistan’s Economy

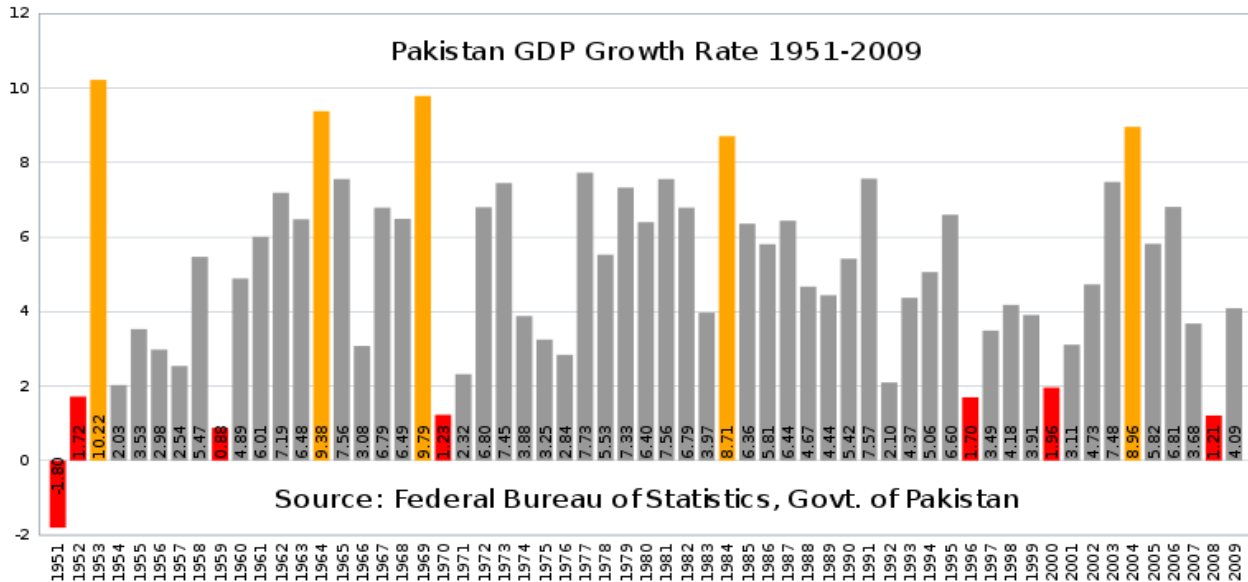
A lot of work has been done in the past to find out how globalization has affected the Pakistan’s Economy. Economic Development can be measured through Economic Indicators. We have tried to compare globalization trend with the Pakistan’s Economic Indicators of past few year below:

Past statistics show that with an upward trend in the globalization has resulted in increasing the unemployment in the country.



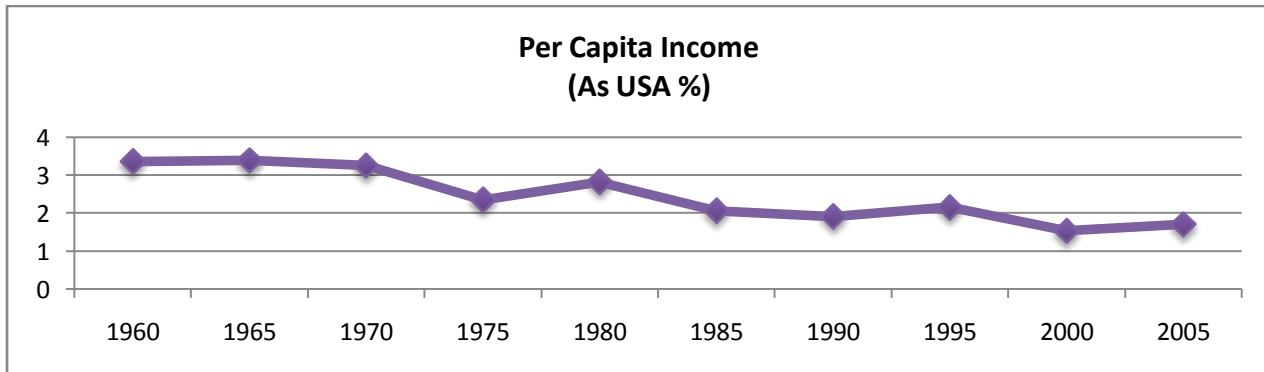
Source: 2011 World Economic Outlook (IMF)

If we look towards another aspect of economy i.e. GDP, we will find that there is great variability in that. But it is considered that boom period of globalization started in 2001 or 2002 and it is still continuing. And we can observe an increase in GDP in this era.



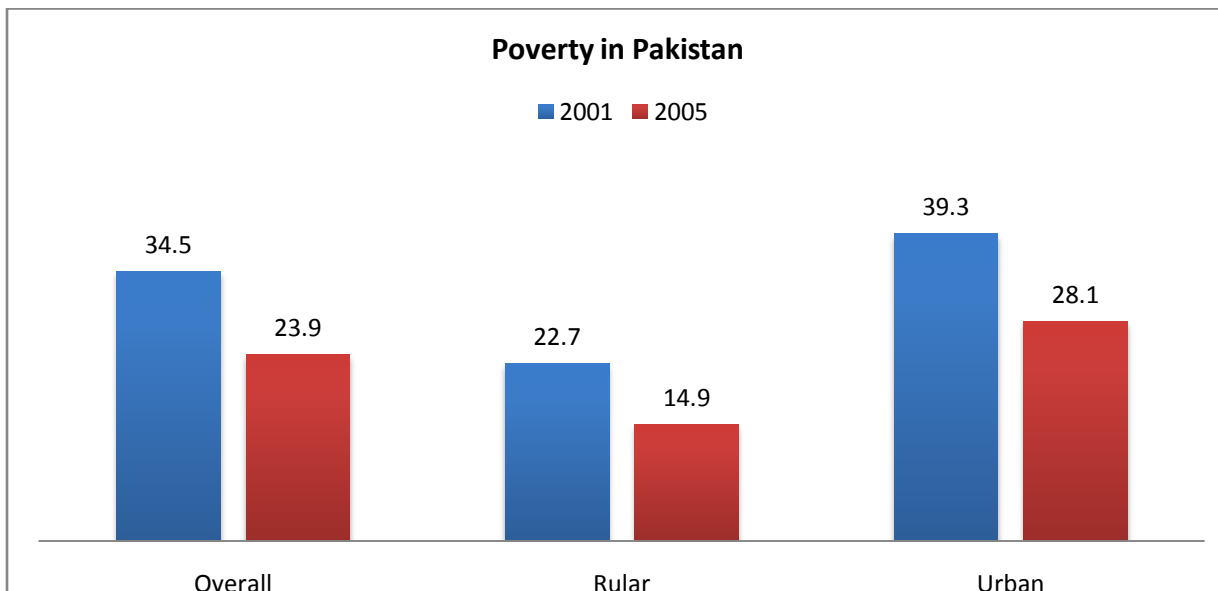
(Wikipedia, Economy of Pakistan, 2010)

Now we will compare the boom era of globalization with the Per Capita Income in that era. It is observed that there is decrease in the per capita income in 20s. Economists have pointed out Number of factors for such decline. But in this study our focus is just on the Globalization, keeping other factors constant.

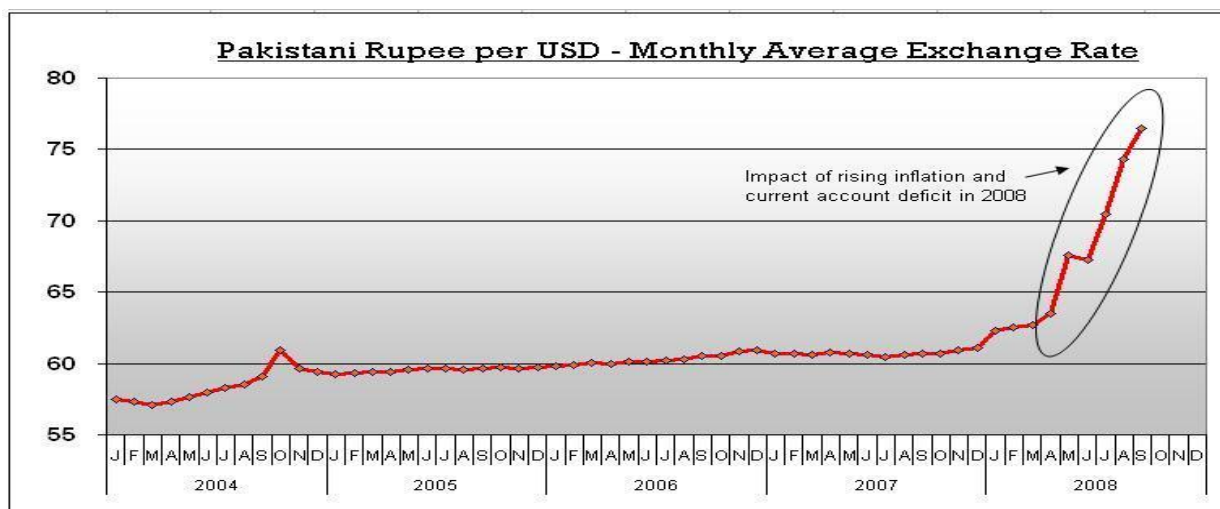


(B & Baig, 2008)

Another way to make comparison in globalization and economic condition of Pakistan is through looking at its poverty rate. Statistics show that there is decrease in the poverty rate of Pakistan.



Exchange rate of a country is also considered an important economic indicator. Globalization can bring positive changes on the currency of the country. But the Pakistani Currency is constantly depreciating even after the Globalization. Inward FDI could bring any positive effects on the PKR.



(Wikipedia, USD-PKR Exchange.JPG, 2011)

By looking at the data we can conclude that globalization failed to bring any positive impact on the economy of Pakistan.

What is Telecommunication?

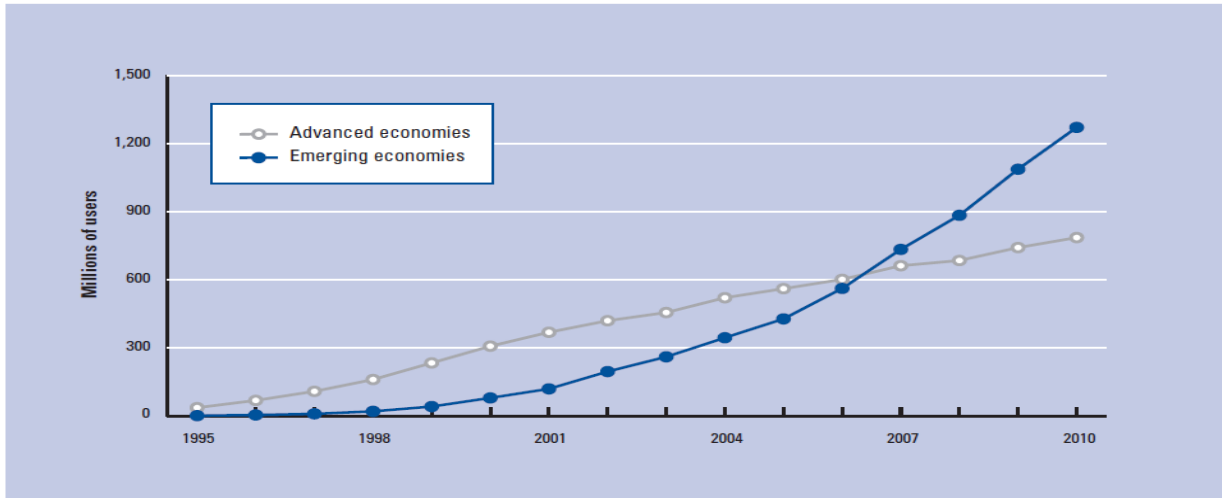
Word Telecommunication has two parts. One is Tele and other is Communication. Communication means conveying or disseminating the information. Word Tele is a Latin word which means far off. Telecommunication is the dissemination of signals to a far palace for the purpose of sharing some message or idea. In ancient time codes, smokes, drums or other components were used for conveying information but now a day telephones, fax, emails etc is used. So now the new definition of Telecommunication states sharing of data over a distance, through electric means.

Telecommunication Sector in World

In this fastest growing world information flows through the signals and cables in form voice or text. Telecommunication is not just bringing the people together but it is also bringing different economies, cultures and countries together.

Now we can see the whole world as a Global Village. Now Telecommunication is an essential part of our lives. With the Expansion of this sector, the world has gained about \$3.85 trillion in year 2008. And the service revenues have reached about \$2 Trillion and Expected to reach the level of \$3 Trillion in 2013. And this revenue is about 3% of the World GDP. The major part of telecom sector is internet and Telephones. According to an estimate around 17% world is availing the internet facility (Wikipedia, 2011).

The below give graph shows the internet users of world from 1995 to 2010.



Sources: ITU, 2010; authors' calculations.

(Dutta

& Mia, 2011)

Telecommunication Sector of Pakistan

It is considered that the most flourishing and developing industry of Pakistan is telecom sector (Union, 2007-2008). The sector was on its boom in the regime of Ex-President Pervaiz Musharaf. And at this time Mobile Phones is a necessity of Pakistanis. Due to the increased competitive market consumers are enjoying the good quality with low cost cellular products. The difference of 1999 and 2011 can be easily monitored by visiting the market.

This below given table shows the users of cellular networks in Pakistan:

Annual Cellular Subscribers							
	Mobilink	Ufone	Zong	Instaphone	Telenor	Warid	Total
2003-04	3,215,969	801,160	470,021	535,738			5,022,908
2004-05	7,469,085	2,579,103	924,486	454,147	835,727	508,655	12,771,203
2005-06	17,205,555	7,487,005	1,040,503	336,696	3,573,660	4,863,138	34,506,557
2006-07	26,466,451	14,014,044	1,024,563	333,081	10,701,332	10,620,386	63,159,857
2007-08	32,032,363	18,100,440	3,950,758	351,135	18,125,189	15,489,858	88,019,812
2008-09	29,136,839	20,004,707	6,386,571	34,048	20,893,129	17,886,736	94,342,030
2009-10	32,202,548	19,549,100	6,704,288	0	23,798,221	16,931,687	99,185,844
Jul-10	32,264,625	20,087,449	7,018,055	0	23,786,402	17,039,238	100,195,769
Aug-10	31,777,445	20,182,449	7,249,813	0	23,743,680	17,085,379	100,038,766
Sep-10	31,444,099	20,236,451	7,453,034	0	23,836,209	17,164,955	100,134,748
Oct-10	31,453,954	20,187,309	7,785,713	0	24,121,009	17,167,065	100,715,049
Nov-10	31,544,480	20,192,949	8,028,087	0	24,401,083	17,474,523	101,641,122
Dec-10	31,794,292	20,275,002	8,497,799	0	24,692,818	17,517,476	102,777,387
Jan-11	32,106,671	20,374,352	8,881,402	0	25,056,416	17,587,927	104,006,768
Feb-11	32,499,495	20,368,752	9,201,121	0	25,388,878	17,693,626	105,151,871
Mar-11	32,706,945	20,415,951	9,757,634	0	25,753,300	17,806,222	106,440,052
Apr-11	32,964,307	20,434,159	10,338,010	0	26,062,892	18,087,072	107,886,440
May-11	33,181,103	20,525,175	10,752,887	0	26,396,333	17,737,000	108,592,498
Jun-11	33,378,161	20,533,787	10,927,693	0	26,667,079	17,387,798	108,894,518
SCO Cellular Subscribers are 346,762							

Investment by Cellular Mobile Operators (US\$ Million)

	2004-05	2005-06	2006-07	2007-08
Mobilink	459	679.0	591	919
Ufone	162	59	232	174
Instaphone	29.3	--	8.5	0.31
Paktel	236.0	81.0	704	200
Telenor	259.5	352	761	565
Warid	198.1	155.9	422	480
Total	1314.6	1326.9	2718.7	2337.7

Source: Pakistan Telecommunication Authority

From 2007 to 2008 investment in cellular sector was about 2.3 billion dollars. During these years the investment in Mobilink is about US\$919 Million. Warid investment is about US\$480. Telenor's US\$565 Million. So, telecom sector received a lot of Investment due to the Globalization factor.

Conclusion

The study shows that like the whole world, globalization has also hit Pakistan. But it couldn't bring any fruitful impacts on the economy. Even it is observed that globalization is not accepted by the society with open arms. In the whole economy of Pakistan, Telecom sector is the sector that is highly affected by Globalization. After looking at the investment and growth in the telecom sector of Pakistan, we can conclude that the Globalization has resulted in ending up the Monopolistic regime in telecom sector in Pakistan and has increased the competition to many folds. The sole reason of the sudden boom in Telecom Sector of Pakistan was inward FDI in Telecom Industry. And FDI is considered as the significant measure of Globalization. So we can say that Globalization has brought very positive impacts on the Telecom Sector of Pakistan.

References

- authority, P. t. (2007). *Telecom Indicators*. Retrieved 2011, from http://www.pta.gov.pk/index.php?option=com_content&task=view&id=649&Itemid=
- Authority, P. T. (2011, August 11). *Telecom Indicators*. Retrieved October 13, 2011, from Pakistan Telecommunication Authority: <http://www.pta.gov.pk/index.php?Itemid=599>
- B, M. R., & Baig, A. (2008, July 1). *Economic Comparison 1999 – 2007 and beyond*. Retrieved October 12, 2011, from President Musharraf World Press: <http://presidentmusharraf.wordpress.com/2008/07/01/economic-comparison-1999-2007-and-beyond/>
- Batelson, J. (2000). Three Concepts of Globalization. *International Sociology*, 15 (2), 180-196.
- Bertucci, G., & Alberti, A. (2001). *Globalization and the Role of the State: Challenges and Perspectives*. New York: Institutions of the United Nations Division for Public Economics and Public Administration.
- Dilhac, J. M. (2011, May 18). *From Tele-communicare to Telecommunication*. Retrieved October 13, 2011, from IEEE Global History Network Site: ghn.ieee.org/wiki/images/8/8c/Dilhac-2004.pdf

- Dutta, S., & Mia, I. (2011). *The Global Information Technology Report 2010-2011*. Geneva: World Economic Forum.
- Habib-ur-Rehman. (2010). *PAKISTAN ECONOMIC SURVEY 2009-10*. Islamabad: Ministry of Finance, Government of Pakistan.
- IMF, I. M. (2006, August 10). *Globalization - the Growing Integration of Economies and Societies Around the World*. Retrieved October 2011, 11, from Article Base Site: <http://alex.articlesbase.com/article-marketing-articles/globalization-the-growing-integration-of-economies-and-societies-around-the-world-47206.html#ixzz0sKM1xp3x>
- Mapuva, J. (2010). The Impact of Globalization on South Africa's Economic Development. *Journal of Sustainable Development in Africa*, 390-413.
- Mittelman, J. (2000). *The Globalisation Syndrome. Transformation and Resistance*. Princeton: University Press: Princeton.
- Pakistan Telecommunication Authority (PTA). (2007). *PTA Annual Report 2007*. Islamabad: Pakistan Telecommunication Authority.
- Pakistan Telecommunication Authority (PTA). (2008). *PTA Annual Report 2008*. Islamabad: Pakistan Telecommunication Authority.
- Streeten, P. (1998). Markets and States; against minimalism. *World Development, Elsevier*, 1281-1298.
- Suzuki, N., & Ghayur, S. (2002). Making Globalisation Inclusive of People: Trade Union Perspective. *Pakistan Development Review*, 357-387.
- Union, I. T. (2007-2008). *World Telecom Development Report*. Geneva: ITU.
- Wikipedia. (2010, October 10). *Economy of Pakistan*. Retrieved October 12, 2011, from Wikipedia Site: http://en.wikipedia.org/wiki/File:Pakistan_gdp_growth_rate.svg
- Wikipedia. (2011, July 17). *Free trade debate*. Retrieved August 10, 2011, from Wikipedia: http://en.wikipedia.org/wiki/Free_trade_debate
- Wikipedia. (2011, August 4). *Telecommunication*. Retrieved August 2011, 2011, from Wikipedia: <http://en.wikipedia.org/wiki/Telecommunication>
- Wikipedia. (2011, September 12). *USD-PKR Exchange.JPG*. Retrieved October 13, 2011, from Wikipedia Site: http://en.wikipedia.org/wiki/File:USD-PKR_Exchange.JPG