

Impacts of Liberalization and Globalization on Growth and Equality

- **Liberalization**: No more restriction, Free, Liberal.
- **Liberalization** is the process where a state has no restrictions on some private individual activities. Liberalization occurs when something which used to be banned is no longer banned, or when [government regulations](#) are relaxed. In social policy, liberalization may refer to a relaxation of laws restricting, for example, divorce, abortion, or psychoactive drugs.
- Similarly, there are various kinds of liberalization but here we will discuss on Economic liberalization i. e. Trade liberalization.

Economic Liberalization:

- Economic liberalization is often associated with [privatization](#), which is the process of transferring ownership or outsourcing of a business, enterprise, agency, [public](#) service or public property from the public sector to the private sector. Trade liberalization is the removal or reduction of restrictions or barriers on the free exchange of goods between nations.
- Since 1987, Nepal entered into the W/B and IMF initiated reform programs named under Structural Adjustment Facility – SAF and Structural Adjustment Program – SAP in order to break the supply side bottlenecks (slowdown the process) and liberalization occurs.

Globalization:

- Globalization is a free movement of goods, services, capital, labor, technology, information across the national boundaries. In economic terms, it describes an interdependence of nations around the globe through free trade. It is also used to refer as the integration of national economies into the international economy through trade, FDI, Capital flows, migration and technology. The Industrial Revolution brought advances in transportation and communication in the 19th century that eased trade across borders.

- **G** = **Goods and Service**
- **L** = **Localization Vs Globalization**
- **O** = **Opportunities**
- **B** = **Balance**
- **A** = **Aid through Trade**
- **L** = **Liberalization**
- **I** = **Interdependency**
- **S** = **Satisfaction**
- **A** = **Advancement**
- **T** = **Technology Transfer**
- **I** = **Instrument**
- **O** = **Optimization**
- **N** = **Network**

Impacts of Globalization and Liberalization:

- Positive Impacts on Growth and Equality :
- Its provides more national and international trade opportunities
- Its provides more job opportunities and helps in equal distribution of power, authority, resources, opportunities and income
- It ensure the mutual relationship between countries
- It increase the flow of capital and investment
- It help in rapid transformation of technologies, knowledge, tools, devices
- Help on export and POB

- Increase the market access on international market
- Provide various choice option on selection of goods and services to the consumer
- Increase efficiency, productivity and profitability of business organization
- Positive impacts on social, cultural, political, behavioral transformation
- Improve on competitive capacity and quality production
- Reduction on poverty, disparity, illiteracy, bad manners
- Globalization enhance the efficiency of the banking insurance and financial sectors

Between 1950 and 2016 trade expansion

increased the size of the US economy by

\$2.1 TRILLION

The equivalent to

\$7,000
per person

\$18,000
per household

every year

Effects on US manufacturing jobs (2001–16)

100,000

jobs gained every year, including shifts from other industries

200,000

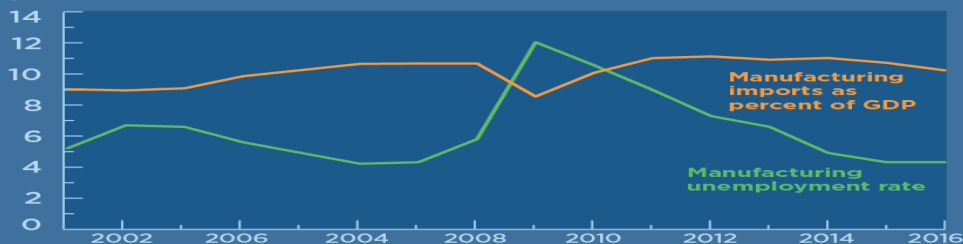
jobs lost, moved elsewhere, or replaced by other jobs every year

out of
4 million

manufacturing job separations for all reasons

Trade did **not** contribute to increased manufacturing unemployment

percent



In fact, when manufactured imports rose relative to GDP, the manufacturing unemployment rate *declined*.

This demonstrates how the overall state of the economy is more important in determining job numbers than trade factors.

51 to 1

Payoff to US GDP compared to wage losses of affected workers, end of World War II to 2016

Wage losses are **TEMPORARY**

Limited in time to each cohort of affected workers

Gains are **PERMANENT**

Recurrent and accumulating year after year on a national scale

Negative impacts:

- Globalization is helping the developed economies more than the developing economies.
- Multinational companies and Chinese, Indian goods are flooding market at cheaper rates and there is no takers of local products.
- Entry of big supermarket and hypermarket chains of foreign investment would cause severe displacement of small and unorganized shopkeepers and traders.
- Bad impacts on culture, social manners
- Lack on national building , national unity, harmony

- Muscle drain, Brain Drain
- Incensement on neo- colonialism
- Increase on terrorism, Money laundering, Cyber Crime, Human trafficking, Corruption
- Price Instability, Job insecurity, Environment pollution, increase on diseases
- Increase on dependency

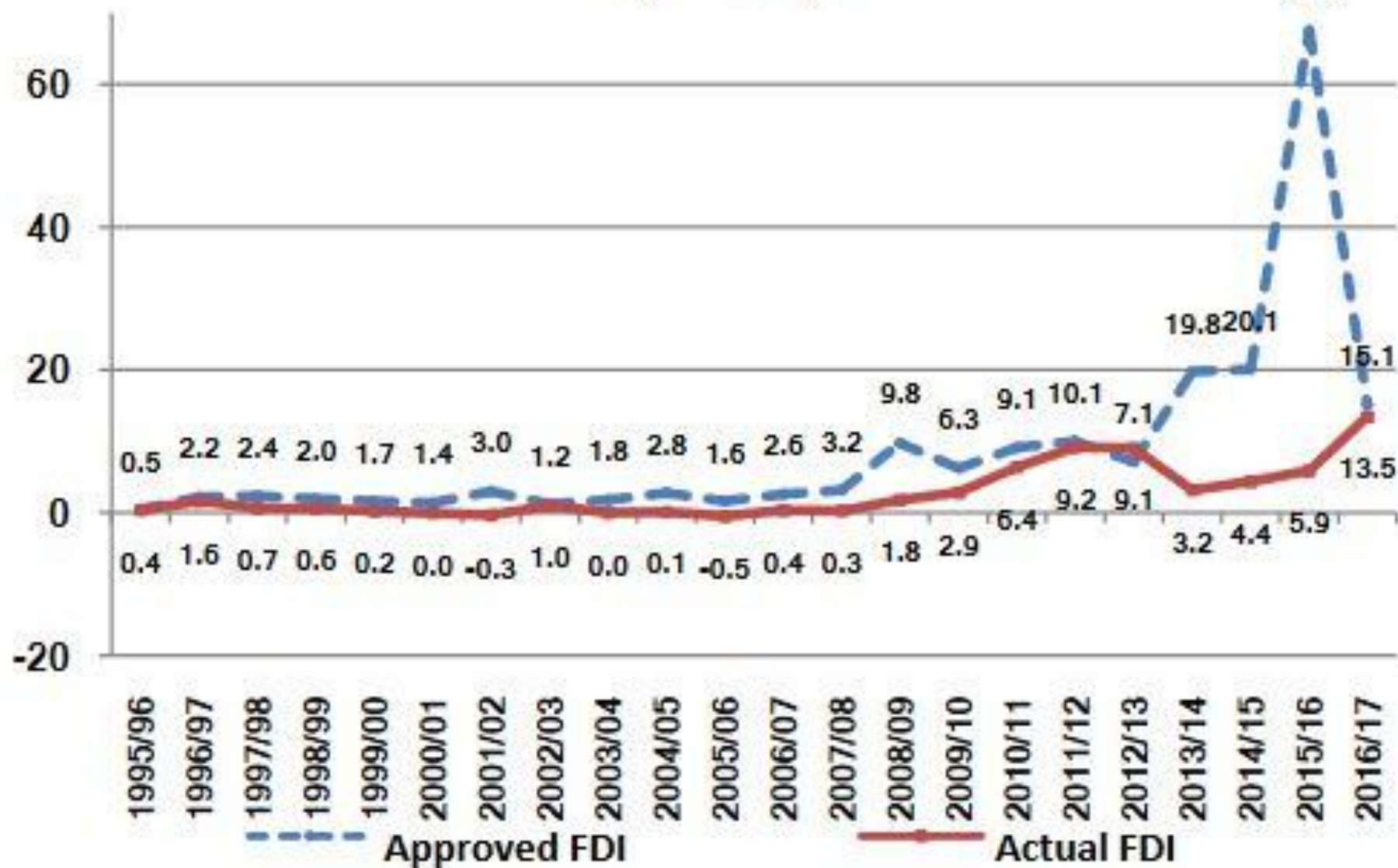
Impacts in Nepal:

- **Positive Impacts:**
- Got the membership of WTO, World bank, ADB, IMF and other many development partners
- Employment Opportunities and Remittance: receiving 1/3 rd remittance of total GDP (5 Kharba 82 Arba 9 Karore F.Y. 2075/76)
- Around 40 lakhs Nepali people are involved in foreign employment
- Incensement on FDI
- Improved in global relation: BIPPA (among 6 countries), DTAA(11), Labour agreement(9), Diplomatic relation (167)

- Receiving bilateral and multilateral assistance and loans(2 Kharba 98 Arba foreign assistance in current National budget)
- Receiving 11,73,072 Tourist, 2.2 % income of total National GDP
- Getting big advantages from IT(137% telephone user density, 60% citizens are using internet)

Chart 3.1 Status of FDI in Nepal

(Rs. Billion)



Negative Impacts:

- Most of the Nepalese industries have been collapsed(Brikuti Kagaj Karkhana, Bansbari Chhalajutta, Janakapur Churot karkhana,)
- Increased unemployment from 2.3% to 11.4%
- Increased on Public loan which leads on nation dependency and harm on sovereignty(public loan is 9 Kharba 78 Arba, around 36 K per person)
- Import rate is 93.5% which leads big trade deficit and BOP
- Collapsed home/hand industries and small industries
- Government policy effect: The government may have high pressure of foreigners as it is asked to harmonize its economic and social policies.

- Thanks