Summary and Conclusion

This study reveals the interplay between openness and poverty both in general and foreign affiliation, and the economic status of low-income rural households who are most likely among the poor in Pakistan. Foreign affiliation interacts with the low-income rural households in their capacity as semi-skilled workers. In this regard, the study employs the trade theories named as the H-O theorem and the Stolper-Samelson theorem as base. The Heckscher-Ohlin Theorem demonstrates the trade relationships between developed and developing countries, whereas the Stolper-Samelson theorem justifies the possible changes in the returns to the factors of production like wages and interest rates.

For the analysis, primary data, collected through a self administered survey from four rural areas of Pakistan, is utilized. To systematically explore the empirics of the study, different statistical techniques are employed like group mean differences, OLS regression, confidence interval and simulation.

The present study defines foreign affiliation as a very close form of resource-seeking FDI that is mainly motivated by easier access to abundant and cheap factors of production, as it is low-skilled labour in the case of Pakistan. Long term affiliation is in place between a sports industry manufacturer in Pakistan and a Danish firm. After acquiring necessary technology in 1976 from their foreign affiliates, the sports industry in Pakistan started producing hand stitched footballs by utilizing low skilled labour and exporting these footballs to their foreign counterparts. Traditionally, the footballs were used to be stitched at homes by workers including males, females and even children who were provided with the material required for football stitching.

However, after the issue of child labour was raised by the International Labour Organization, the domestic sports industry has to maintain the production standards according to the requirements of their affiliates. Thus to remain competitive in the global market, the foreign affiliates were accepting only the product produced under the influence of corporate social responsibility standards. For this reason, in the late 1990s, the sports industry in Pakistan signed the Atlanta Agreement and established single sex working units.

In the data sample, less than 1% of household are lying above the 1.25 $ per day, i.e. poverty line defined by the World Bank.
in rural areas to realize the production and export of hand stitched footballs. These *working units* are monitored according to the requirements of international agencies.\(^{341}\)

Thus, *foreign affiliation* is practically realized through the establishment of *working units* in rural areas, which are considered additional employment and thus income generating opportunity particularly for semi-skilled workers in the area. The economic status of *low-income rural households* is approximated through the average PCI of the household, taking it as a dependent variable for the study.

The first research question argued by the study is relevant to the impact of *foreign affiliation* on the well-being of *low-income rural households*. Through descriptive and empirical analysis, it has been found that *foreign affiliation* contributes to the upgrade in the economic status of *low-income rural households* through accelerating their income, as it gets across the rural households in their capacity as semi-skilled workers.

The second research question argued by the study is related to the impact of enlarging the horizon of employment opportunities within the area. The answer to this question is relevant to the answer of the first question. Easy accessibility of employment opportunities increases the economic participation of household members, which in turn accelerates the household income. In rural destinations the access to employment opportunities is limited, therefore availability of additional employment opportunities, particularly according to the skill specifications of the inhabitants will certainly enhance the economic activity in the area.

The third research question argued by the study is relevant to the availability of employment opportunities in the rural area exclusively for females. Since *foreign affiliation* interacts with rural households in establishing *single-sex working units*, which increases the female participation in the labour force. In such a rural setting, where cultural and religious precedence requires that females are not part of labour force, working opportunities available exclusively to females, in their locality and in accord with their skills will encourage them to participate in the labour force.

\(^{341}\) See also section 4.3.2; Traditional Organization of the Football Stitching Industry and 4.3.3; Atlanta Agreement.
Policy Recommendations

This study is conducted in a few remote areas in Pakistan, thus policy recommendations would be relevant to that area only and cannot be generalized for the whole of Pakistan. However, it could also be extended to those areas that are facing the same socio-economic and cultural background. The policy recommendations of this study are as follows:

It has been found in the study that foreign affiliation between developing and developed countries contributes to the upgrade in the well being of low-income rural households through increasing the relative demand of semi-skilled workers. Thus the type of foreign affiliation between developing and developed countries, based on the H-O Theorem (i.e. that is focused on utilization of abundant and cheap resources) benefits the participating economic agents. These findings signal the effective type of foreign affiliation, as it is focused on utilizing the abundant and cheap factors of production such as low skilled labour in the case of developing countries. However, if it is utilizing the skilled labour of developing countries which are scarce and expensive, (although this is not in the case in this study)it might worsen the income inequality situation in the country.

Enlarging the employment opportunities in accordance with the skill specification of the inhabitants increases the possibility of higher economic activity in the area which subsequently improves the livelihood of the households through increasing their income. In rural areas, the majority of workers is less skilled, and most likely belongs to low-income rural households. Thus providing working opportunities in the rural areas for the low skilled workers increases economic participation and strengthens the economic position of the area.

Provision of employment opportunities for the portion of a society that is less likely to be the part of the labour force, such as female dependents enhances the economic activity and thus average income of the family. Females in rural areas are not accustomed to accompanying the male members of the household as bread winners, due to certain social, cultural and religious issues. Thus enlarging the employment
opportunities in a locality, exclusively for females, encourages the participation of females in the labour force. Higher economic activity within the household lowers down the dependency ratio, which subsequently strengthens the economic position of the family through increasing the family income.