

Book Review

World Bank and Oxford University Press (2002). *Globalization, Growth, and Poverty: Building an Inclusive World Economy*. A World Bank Policy Research Report. A copublication of the World Bank and Oxford University Press, Washington, DC and New York, USA; pp. xiii+174 including References; price not quoted.

Globalization—the growing integration of economies and societies around the world—is a complex process that affects many aspects of our lives. The wind of globalization is blowing at a very fast rate. The western world and its allies, including the World Bank, have a strong conviction that globalization would help all countries—developed countries to expand their market and developing countries to reduce their poverty by the opening of the protected markets of the rich countries. But some others argue that globalization may not do well to all developing countries as the western world claims.

The Report, in the form of a book, under review is a World Bank Policy Research Report co-published by the World Bank and Oxford University Press, USA. Prepared under the supervision of Nicholas Stern, Chief Economist and Senior Vice President of the World Bank and written by Paul Collier (Director, Development Research Group) and David Dollar (Research Manager in the Development Research group), this Report draws on original research by these authors and 16 other researchers, whose names have been given in page xiii of the Report. Their individual papers are also available on the World Bank website: <http://www.worldbank.org/research/global>. The focus of their research is the impact of economic integration on developing countries and especially on the poor people living in these countries. The key questions that the writers ask are whether economic integration supports poverty reduction and how it can do so more effectively. The overriding theme of the book is that globalization helps economic growth and poverty reduction.

The book is divided into five chapters and it also accommodates five Boxes, forty-four figures, one map, three tables, and a good list of References, all followed by the overview of the book. The first chapter, “The New Wave of Globalization and Its Economic Effects,” begins the discussion with the proposition that globalization occurs through trade, migration, and capital flows. The authors describe three waves of globalizations that occurred in the world: the first wave (which occurred during the period of 1870-1914); the second wave (that occurred during 1945-80); and the third wave (1980-present). The period between the first and the second wave (between two World Wars) has been denoted as the retreat into nationalism. During the first wave, flows of goods, capital, labor, and exports all

increased dramatically. Migration of population also took place at a high rate from more densely populated areas to less densely populated areas. The second wave of globalization focused on the integration among rich countries such as in Europe, North America, and Japan. The most recent wave of globalization—the third one—has been spurred by technological advance in transport and communications technologies and by the choice of large developing countries to improve their investment climates and to open up to foreign trade and investment. This chapter concludes that globalization reduces poverty, but not everywhere. However, it emphasizes the thesis that globalization helps to improve the economy and reduce poverty of the developing countries.

The second chapter, "Improving the International Architecture for Integration," focuses on the global agenda for trade policy, financial architecture, and migration. Average tariff rates in rich countries are low, but they maintain barriers in the areas where the developing countries have comparative advantage: agriculture and labor-intensive manufactures. Protection in rich countries costs developing countries. This chapter suggests that a "development round" of trade negotiations should focus on improving market access of developing countries to rich country markets and to each other's markets. Private capital flows to developing countries—especially foreign direct investment (FDI)—have soared. These flows bring benefits to the recipient countries and the benefits will be the increased supply of capital and access to technology, management, and markets. Migration, the third main global flow, can be a positive factor for both economies, the countries of origin and destination. The researchers take an example of Mexico and the United States, and they say that a large number of Mexicans working in the US have got employment there leading to a significant flow of remittance to relatives back home. In the United States, this labor inflow was a key factor contributing to sustained growth with low inflation in the 1990s. However, migration into the United States is estimated to have reduced the relative wage of unskilled workers by 5 percent, demonstrating that globalization typically produces winners and losers.

The third chapter, "Strengthening Domestic Institutions and Policies," focuses on the agenda that globalization is not primarily the result of trade policies; it is also affected by a host of other institutions and policies. Competitive firms may not work efficiently if they are hampered by a poor investment climate including inefficient regulation, corruption, infrastructure weakness, and poor financial service. Liberalization brings about improvements in investment climates. In the long run workers gain from integration.

The fourth chapter is on "Power, Culture, and the Environment." Globalization is not just an economic phenomenon. It changes power relationships, culture, and the environment. This chapter considers these effects and focuses on people's views regarding globalization. According to a survey conducted in 2001 by Environics, about two-thirds of the respondents thought globalization would materially benefit their families. Nevertheless, more than half of all respondents were convinced that globalization threatens their country's unique culture. The writers of this chapter deny this fear and cite some examples

showing that endogenous cultures will not be threatened by globalization. Besides, this chapter also raises some environmental issues, such as global warming and carbon dioxide emissions. The writers are optimistic regarding these problems and they opine that the Kyoto protocol is an important step forward in collaborative action to address global warming.

The fifth, and the final, chapter is on "An Agenda for Action." In this chapter, the study team proposes a seven-point agenda for action, both global and local, that could make globalization work better and help countries and people that have been marginalized: (1) "development round" of trade negotiations, (2) improving the investment climate in developing countries, (3) good delivery of education and health services, (4) provision of social protection tailored to the more dynamic labor market in an open economy, (5) greater volume of foreign aid, better managed, (6) debt relief, and (7) tackling greenhouse gases and global warming. The team also claims that its agenda overlaps with that of those who protest globalization, but it is diametrically opposed to the nationalism, protectionism, and anti-industrial romanticism that is all too prominent.

The research yields three main findings that bear on current policy debates about globalization. First, poor countries have broken into a global market for manufactures and services. Twenty years ago most exports from developing countries were of primary commodities, now manufactures and services predominate. This successful *integration* has generally supported poverty reduction. The report mentions that examples can be found among Chinese provinces, Indian states, and countries of Bangladesh and Vietnam to support this finding. Integration has been feasible because of domestic reforms covering governance, the investment climate, and the social service provision.

The second finding concerns *inclusion* both across countries and within them. Inclusion here refers to the globalization process. As the incomes of some countries have been falling, poverty has been rising, and their international trade is decreasing. In such a case the world has a large stake in helping such poor countries to integrate with the global economy so as to improve their economies.

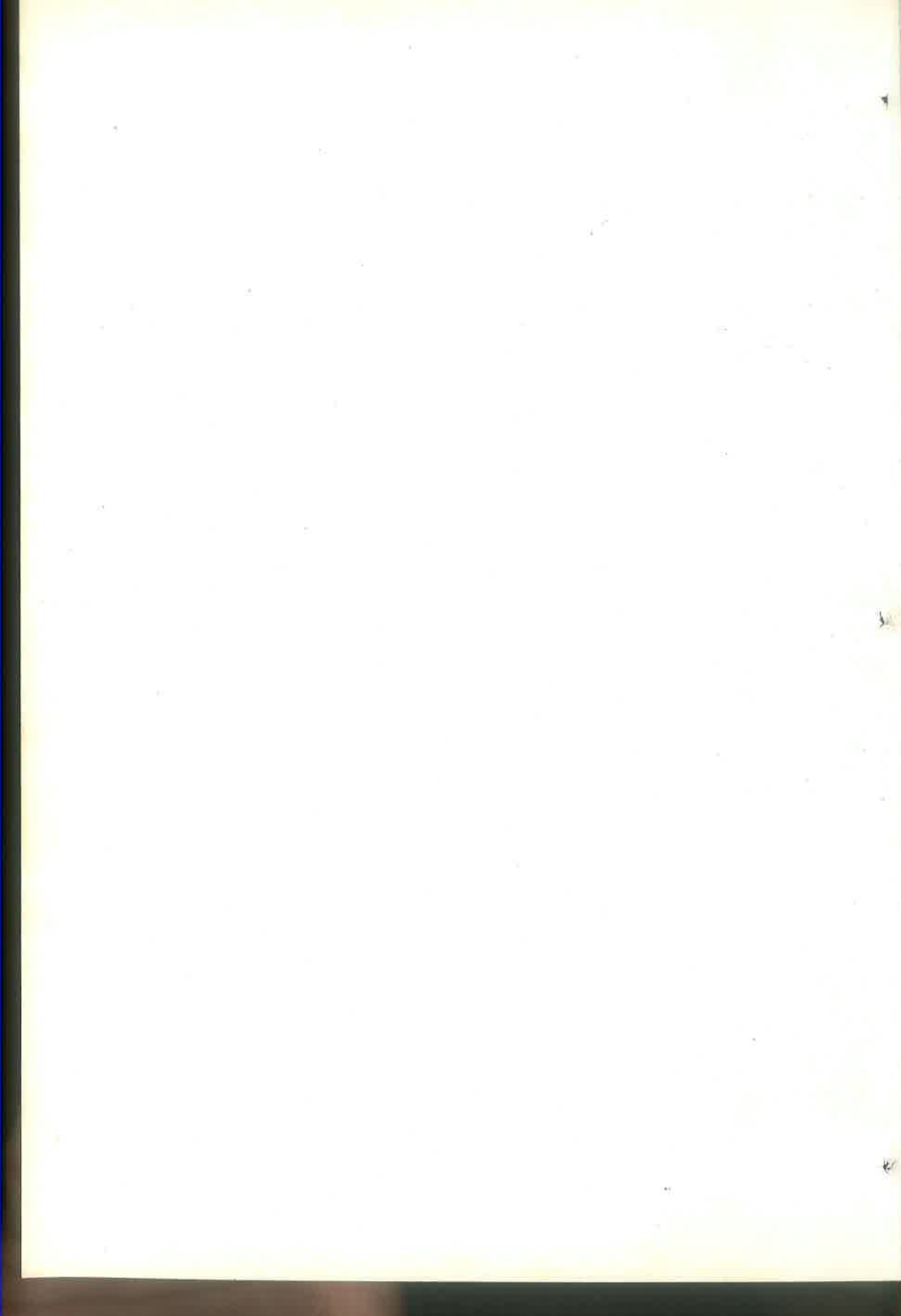
The third issue concerns *standardization* or *homogenization*. Many people of the developing countries are concerned that globalization will lead to cultural or institutional homogenization, threatening their country's unique culture. This report denies this fear and gives the examples of some of the richest countries like Japan, Denmark, and the United States saying that these countries have been successful to preserve their diverse cultures, institutions, and social policies even with the process of globalization. The report further mentions that developing countries such as China, India, Malaysia, and Mexico are integrating themselves into the global economy and remain quite distinctive in terms of culture and institutions.

The Report presents major pros and cons of globalization with more emphasis on income, income distribution, and poverty reduction. It has pointed out some good and some bad news coming out of globalization. However, the main thrust of the Report is that globalization brings more good news than bad news to developing countries.

It may be relevant at this point to quote Nobel Laureate Joseph E. Stiglitz's views on this report: "As this report shows, the battle is not to reverse globalization, but to enable more poor countries to integrate into the world economy in ways that reduce, not increase, inequality and poverty. Rich countries can reduce world poverty by opening their protected markets."

Central Department of Economics
Tribhuvan University, Kirtipur, Nepal

Nav R. Kanel, Ph.D.
Associate Professor



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The Economic Journal of Nepal
Vol 25, No. 3, July–September 2002, DOE-TU
Issue No. 99

Regd. No. 54/035 K.D.O.

Printed at:
Modern Printing Press
Kantipath
Tel: 253195
e-mail: modprint@infoclub.com.np