

GLOBALIZATION GROWTH, AND POVERTY

BUILDING AN INCLUSIVE WORLD ECONOMY

A copublication of the World Bank and
Oxford University Press

Contents

Foreword , ix

The Report Team xiii | '

Overview 1

Globalization reduces poverty, but not everywhere	3
Improving the international architecture for integration	8
Strengthening domestic institutions and policies	12
Power, culture, and the environment	15
An agenda for action	18 -

1. The New Wave of Globalization and Its Economic Effects	23 ,
Previous waves of globalization and reversals	'24/ ^"
The new wave of globalization	L31'
2. Improving the International Architecture for Integration	53
Trade policy	55
Policies for capital flows to developing countries	66
Policies toward migration	76
Summary of recommendations	82
3. Strengthening Domestic Institutions and Policies	85
Open economies have more competition and firm turnover	87
The investment climate affects the benefits of openness	95
Integration with the world economy affects employment and wages	104 ^__ x
Social protection in globalizing economies	Mj_2j
Summary of recommendations	119
4. Power, Culture, and the Environment	M.21 J)
Globalization and power	O2.1 ;
Globalization and culture	V128 i

Globalization and the environment	130
Summary of recommendations	142
5. An Agenda for Action	145'
Anxieties and their foundation	146
Building an inclusive world economy: An agenda for action	155

References 161

Boxes

1.1	Openness and growth: Regression evidence	37
2.1	Altering intellectual property rights over pharmaceutical to benefit poor countries	63 s-
4.1	Globalization and terrorism	.12S
4.2	Trade in tropical timber	136
4.3 i	The use of trade instruments to address environmental issues is not the best sustainable approach	137
4.4	Multilateral environmental agreements with trade provisions	138
4.5	The World Trade Organization and multilateral environmental agreements	{ 140" ^

Figures

1	Divergent paths of developing countries in the 1990s	5
2	Poverty reduction in Uganda, India, Vietnam, and China closely related to growth -	6
<i>E*Tj</i>	World poverty, 1820-1998	8
	Average unweighted tariff rates by region	9
	Wage growth by country group	13
	Per capita CO ₂ emissions in the E-7 economies, 1998	17
<i>l—"—7</i>		
<u>/1.1/</u>	Three waves of globalization	23
T2	Worldwide household inequality, 1820-1910	26
L3 ¹	Worldwide household inequality, 1910-50	27
1.4	Long-term convergence among OECD countries	30
4~37	Household inequality in rich countries, 1960—80	31
1.6	Household inequality in the developing world, 1960-80	31
(<i>Lj</i>)	Worldwide household inequality, 1960-79	32
1.8	Shares in merchandise exports in developing country exports	32
1.9	Change in trade/GDP for selected countries, 1977-97	35
1.10	Decline in average import tariffs, mid-1980s to late-1990s	36
1.11	Results from a better rule of law	36
1.12	Per capita GDP growth rates: more globalized developing countries	37
1.13	Net capital flows to developing countries by type of flow, 1970-98	42
1.14	Hourly labor costs in manufacturing	45
1.15	Workers' remittances, 1999	47
1.16	Household inequality in rich countries, 1980—95	48

£J Household inequality in the globalizing world, 1975-95	48
1.18 Increased inequality in China reflecting growing inequality among locations	49
L^T/Worldwide household inequality, 1975-99	51
2.1 Average unweighted tariff rates by region	55
2.2 World Trade Organization notifications of regional integration agreements	66
2.3 Restrictions on capital account	69
2.4 Liberalizing temporarily amplifies the boom-bust cycle	71
2.5 Immigrants to the United States by sending region, 1820—1998	77
2.6 Developing country migrants relative to total population in the G-7 countries, 1998	79
2.7 Illegal migration into the European Union, 1993—99	80
2.8 Regional population by age group, 2000 and 2015	81
3.1 FDI as share of gross domestic investment, 1970—97	88
3.2 Evidence of imports-as-discipline: Chilean industries, 1980s-1990s	91
3.3 Interstate variation in mean rate of net fixed investment	97
3.4 Share of total assets controlled by foreign banks in selected countries	98
3.5 Relative productivity in machine tools	101
3.6 Wage growth by country group	104
3.7 Wages and openness to trade	105
3.8 Returns to education in transit-ion economies	107
3.9 Child labor and household consumption levels in Vietnam	118
3.10 Bangladesh's Food-for-Education (FFE) program and child labor	118
/£ii~J Per capita CO ₂ emissions in the E-7 economies, 1998	141

Maps

1.1 GNP density	34
-----------------	----

Tables

A.I ? Characteristics of more globalized and less globalized developing economies	35
2.1 Potential annual gains from improving market access in a new Development Round, 1995	58
3.1 Income support programs for the unemployed	113