GLOBALIZATION AND INTERNATIONAL DEVELOPMENT

CRITICAL ISSUES OF THE 21st CENTURY

SISAY ASEFA, EDITOR

Globalization and International Development

Critical Issues of the 21st Century

Sisay Asefa
Editor

常州大学图书馆
藏书章

2010

W.E. Upjohn Institute for Employment Research
Kalamazoo, Michigan

Library of Congress Cataloging-in-Publication Data

Globalization and international development : critical issues of the 21st century / Sisay Asefa, editor.
p. cm.
Includes index.
ISBN-13: 978-0-88099-366-1 (pbk. : alk. paper)
ISBN-10: 0-88099-366-9 (pbk. : alk. paper)
ISBN-13: 978-0-88099-367-8 (hbk. : alk. paper)
ISBN-10: 0-88099-367-7 (hbk. : alk. paper)
1. Globalization—Economic aspects. 2. Economic development. 3. International trade. 4. International finance. 5. Economic assistance. 6. Poverty. I. Sisay Asefa, 1950-
HF1359.G58277 2010
338.91—dc22

2010010285

© 2010
W.E. Upjohn Institute for Employment Research
300 S. Westnedge Avenue
Kalamazoo, Michigan 49007-4686

The facts presented in this study and the observations and viewpoints expressed are the sole responsibility of the authors. They do not necessarily represent positions of the W.E. Upjohn Institute for Employment Research.

Cover design by Alcorn Publication Design.
Index prepared by Diane Worden.
Printed in the United States of America.
Printed on recycled paper.

Acknowledgments

This book contains chapters based on presentations made at the 44th annual Werner Sichel Economics Lecture-Seminar Series, hosted by the Department of Economics at Western Michigan University during the academic year 2007–2008. The series was made possible through the financial support of the W.E. Upjohn Institute for Employment Research and Western Michigan University. The series is named for Professor Werner Sichel, who retired in 2005 following 45 years of teaching economics at Western Michigan University. A Fulbright Scholar, Dr. Sichel is the author and editor of 18 publications in economics, including *The State of Economic Science: Views of Six Nobel Laureates,* which he edited and which was published by the Upjohn Institute.

In directing the lecture series and in preparing this book, I am most grateful to the chapter authors: without their cooperation, this book would not have been possible. I am also grateful to my colleagues in the Department of Economics at Western Michigan University for their assistance in organizing the lecture series. In particular, I am thankful to the members of the economics department lectures committee for the 2007–2008 academic year: Dr. Michael Ryan, Dr. Ed Van Wesep, and Dr. Randall Eberts, president of the Upjohn Institute. Finally, I am especially thankful to the Upjohn Institute for its cosponsorship of the series and for its excellent editorial services during the publication of this book.

Contents

此为试读，需要完整PDF请访问：www.ertongbook.com

1
Introduction

Sisay Asefa
Western Michigan University

This collection is based on the papers presented at the 2007–2008 Werner Sichel Lecture-Seminar series held at Western Michigan University. These papers address the issue of globalization with a special emphasis on its impact on poverty. The dawning of the twenty-first century is a propitious time to examine this issue. Advances in transportation and, especially, telecommunications have imposed virtual synchronicity on nations. Information and communication flows are virtually instantaneous. However, wide differences in cultures, political systems, languages, and ethnicities impose barriers to optimal use of the technological advances that have occurred. Extreme variation in the international distributions of wealth, income, and poverty remain as enormous social problems to be addressed.

The general perspective of the economists who have contributed to this collection of papers is that expanding "flows" between countries is the appropriate direction for economies both in terms of accelerating growth and reducing inequalities. These flows include international trade and capital, migration, remittances, and foreign aid. But in addition to these hard commodities and dollars, there are flows of ideas, knowledge, and technical assistance. Of course, as one of the authors reminds us, appropriate intellectual property rights need to be enforced concomitantly with the flow of ideas and knowledge.

The book begins with the chapter by Ian Goldin and Kenneth A. Reinert, who explore how globalization in the structure of trade and capital flows in its various forms (foreign direct investment, portfolio investment, and commercial bank lending) affect poverty. They also discuss the effect of foreign aid, international migration, and remittances, including the global flow of ideas in the form of knowledge and information.

Goldin and Reinert offer a historical view of globalization and describe three distinct stages of modern globalization, the first of which dates back to approximately 1870. In discussing the historical relationship among these three stages, they note that globalization and global poverty can be either positively or negatively related to each other. From 1870 to 1929 and the beginning of the Great Depression, globalization and global poverty increased together. However, the retreat from globalization during the Great Depression and World War II was accompanied by a continued increase in global poverty. A key public policy challenge facing humankind, they say, is to eliminate this still-prominent level of extreme poverty.

Goldin and Reinert write that while globalization has the potential to be a vehicle for shared growth, prosperity, and reductions in poverty, that potential is not yet being adequately realized. They conclude their chapter with several recommendations to improve the effects of globalization.

Chapter 3 by Susan Pozo emphasizes that globalization through migration is a powerful global force with potential benefits for individuals and community out-migrants. Pozo discusses the role of current remittances and how these forms of capital inflows to developing countries have the potential to reduce sudden stops or shocks. In other words, countries that experience large inflows of remittances appear less vulnerable to economic recessions from sudden withdrawal of capital, assuming these inflows are motivated by altruism. Altruism inflows to developing countries are countercyclical, reducing the damage that foreign investors may impart when they perceive sudden shock in poor performance and withdraw financial resources.

Pozo reminds us that free flows of capital where it is abundant should earn low returns to areas where it is abundant and earn higher returns where it scarce, as in developing countries. Globalization driven both by trade and capital flows generally leads to a positive sum outcome, and not a zero sum game. The same idea is true for migration, which involves the flow of human capital. She concludes by arguing that despite political impediments to labor migration, migration and other forms of globalization driven by technical changes, trade, and capital flows are likely to lead to growth of the world economy with the potential to reduce global poverty.

Chapter 4 by Joseph Joyce explores the impact of globalization on income and wealth inequality. Joyce reviews the evidence on the determinants of disparities in per capita income with a focus on the institutions that affect globalization. He implies that globalization can be better managed to benefit the poor. The United States and other industrial countries have a major responsibility to help promote globalization with a human face. In particular, the greatest challenge of global poverty and inequality exists in Africa and the Middle East in the coming century, with symptoms that pose serious global challenges: deadly conflicts, human rights abuses, terrorism, rebellion, and dictatorships. Overcoming these challenges, Joyce says, will make a significant contribution to globalization and result in global peace, stability, poverty alleviation, and human security.

Linda Tesar, in Chapter 5, examines how the composition of global and financial flows has changed and the role of the markets in the process. She discusses the history of financial flows and their responses to the Washington Consensuses I and II. Washington I refers to policy recommendations by Washington-based global institutions, such as the International Monetary Fund, the World Bank, and the U.S. Treasury, which recommended to developing countries to liberalize market prices by "getting prices right." This policy later proved too limited and led to the Washington II Consensus of "getting institutions right."

Tesar shows the change in composition for global financial flows to emerging markets during the post–financial crisis period. External development finance is now more likely to take the form of a sale of domestic assets, with control rights shifting to the acquiring firm, which is a natural response to weak institutions in emerging markets. While control of foreign subsidiaries allows both for capital flow and for protection of property rights of the acquiring firm, it is not a substitute for strong institutions that would extend to all firms in emerging markets. The upshot is this: getting institutions right is critical to attracting FDI in developing economies.

In Chapter 6, Lisa Cook investigates the issue of intellectual property rights based on evidence from plant patents from 1977 to 2007 for selected developing countries. She addresses the problem of the provisions of Trade Property Rights Intellectual Protections in developing countries. With weak capacity to protect intellectual property rights at home, low-income countries are robbed of their innovations, including cultural and historical property asset rights. Cook explores the question of how a developing country may respond to the challenge of greater intellectual property protection, and whether foreign patent offices have become complements and substitutes for domestic patent offices.

The book concludes with Chapter 7 by Hadi Esfahani, who asks whether we as a society and as individuals are developing the right skills and procedures to deal with the challenges of new global opportunities. To address this question, Esfahani discusses previous trends in globalization, which have consisted of greater integration of world markets with the help of technological progress and improved governance across countries. He then turns to future trends in globalization, and says that policy reforms are unlikely to make countries uniform in terms of governance and regulation, but they will bring about greater harmony. Esfahani concludes his chapter by discussing the types of skills necessary to compete in a future global economy.

One of the goals of this lecture series is that reading these thought-provoking papers will stimulate action. It will stimulate the reader to search for additional resources on the issues raised. It will stimulate the reader to bring a more well-grounded understanding to debates about globalization. It will stimulate readers to confront xenophobic proscriptions to let other countries solve their own problems. Like many aspects of progress, globalization has great potential and has its downsides. The goal of collecting papers that analyze issues of globalization is to inform readers about both.

2
Can Globalization Help?

Ian Goldin
Oxford University

Kenneth A. Reinert
George Mason University

Globalization broadly refers to the expansion of worldwide linkages within and increasing interdependence of human activity in the economic, social, cultural, political, technological, and even biological spheres. The areas in which globalization operates can interact with one another. For instance, while HIV/AIDS is a biological phenomenon, it interacts with economic, social, cultural, political, and technological forces at global, regional, national, and community levels. The relationship between globalization and development is not well understood, and disagreement regarding this relationship abounds. Globalization is, to many, the best means of bringing prosperity to the greatest number of people all around the world. For others, it represents an important cause of global poverty.

The five economic dimensions of globalization examined here are trade, finance, aid, migration, and ideas. Whereas trade is the exchange of goods and services among the countries of the world, capital flows involve the exchange of assets or financial instruments among these countries. Foreign aid involves the transfer of loans and grants among countries, as well as technical assistance or capacity building. Migration takes place when people move between countries, either temporarily or permanently, to seek education and employment or to escape adverse political environments. Ideas represent the broadest globalization phenomenon. They involve the generation and international transmission of intellectual constructs in areas such as technology, management, or governance.

One can hope that these dimensions of economic globalization would contribute to development and poverty alleviation, and this is indeed often the case. In other instances, however, the link between globalization and development breaks down. As we will argue here, there are no statements regarding the relationship between globalization and development that are both simple and accurate. Rather, statements regarding this relationship are necessarily complex if they are to be accurate.[1]

A HISTORICAL VIEW

Economic historians date the modern era of globalization to approximately 1870. The period from 1870 to 1914 is often considered to be the birth of the modern world economy, which, by some measures, was as integrated as it is today. Historians have observed that, from the point of view of capital flows, the late 1800s were an extraordinary time.[2] The global integration of capital markets was facilitated by advances in rail and ship transportation and in telegraph communication. European colonial systems were at their highest stages of development, and migration was at a historical high point in relation to the global population of the time.

This first modern stage of globalization was followed by two additional stages, one from the late 1940s to the mid-1970s and another from the mid-1970s to the present. These, however, were preceded by World War I, the Great Depression, and World War II. During these events, many aspects of globalization were reversed as the world experienced increased conflict, nationalism, and patterns of economic autarky. To some extent, then, the second and third modern stages of globalization merely involved regaining lost levels of international integration.

The second modern stage of globalization began at the end of World War II. It was accompanied by a global, economic regime developed by the Bretton Woods Conference of 1944 establishing the International Monetary Fund (IMF), what was to become the World Bank, and the General Agreement on Tariffs and Trade (GATT). This stage of globalization involved an increase in capital flows from the United States, as well as a U.S.-inspired production system that relied on exploiting economies of scale in manufacturing and the advance of U.S.-based multinational enterprises (MNEs).

此为试读，需要完整PDF请访问：www.ertongbook.com

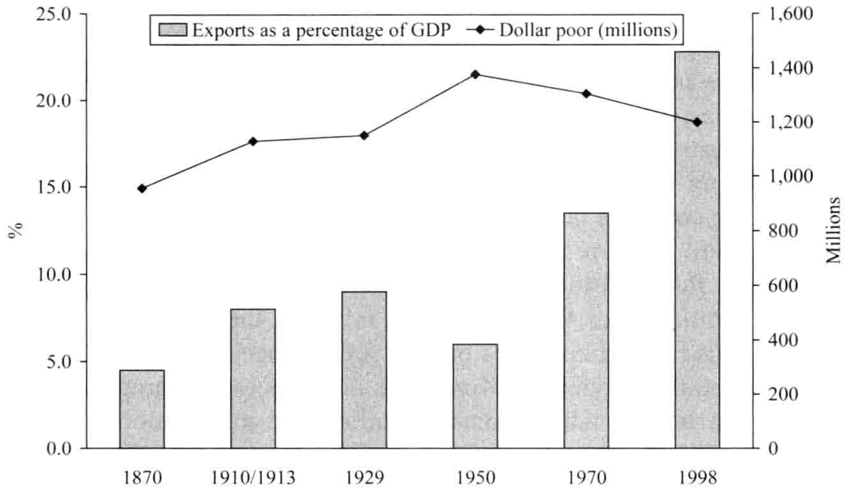
This second stage also involved some reduction of trade barriers under the auspices of GATT. Developing countries were not highly involved in this liberalization, however. In export products of interest to developing countries (agriculture, textiles, and clothing), a system of nontariff measures in rich countries evolved. Also, a set of key developing countries, especially those in Latin America, pursued import substitution industrialization with their own trade barriers.[3] These developments, along with the Cold War, suppressed the integration of many developing countries into the world trading system.

The third modern stage of globalization began in the late 1970s. This stage followed the demise of monetary relationships developed at the Bretton Woods Conference and involved the emergence of the newly industrialized countries of East Asia, especially Japan, Taiwan (China), and the Republic of Korea. Rapid technological progress, particularly in transportation, communication, and information technology, began to dramatically lower the costs of moving goods, capital, people, and ideas across the globe.[4]

What has been the historical relationship among these three stages of modern globalization and development? A partial view is found in Figure 2.1. This figure combines a single measure of globalization—exports as a percentage of world gross domestic product (GDP)—with a single measure of poverty—the number of extremely dollar poor people—in a time series from 1870 to 1998. What is clear from this figure is that, historically, globalization and global poverty can be either positively related or negatively related to each other. From 1870 through 1929 and the beginning of the Great Depression, globalization (trade) and global poverty increased together. However, the retreat from globalization during the Great Depression and World War II was accompanied by a continued increase in global poverty. This can be seen from the 1950 data in the figure showing that, when exports as a percentage of GDP had declined nearly back to the 1870 level, extreme poverty reached a peak of approximately 1.4 billion persons.

As seen in Figure 2.1, the increase in globalization as measured by trade in the second and third stages of modern globalization has been associated with a gradual decline in extreme poverty to approximately 1.1 billion people. During these stages, globalization and poverty have been negatively associated with each other, albeit mildly so. A key public policy challenge facing humankind is to *eliminate* this still-prominent

Figure 2.1 Trade and Extreme Poverty in Historical Perspective



SOURCE: Exports as a percentage of GDP from Ocampo and Martin (2003), based on Maddison (2001). Dollar poor from Bourguignon and Morrisson (2002) and Chen and Ravallion (2004).

level of extreme poverty. Understanding how to do this requires a deeper understanding of the links between globalization and poverty.

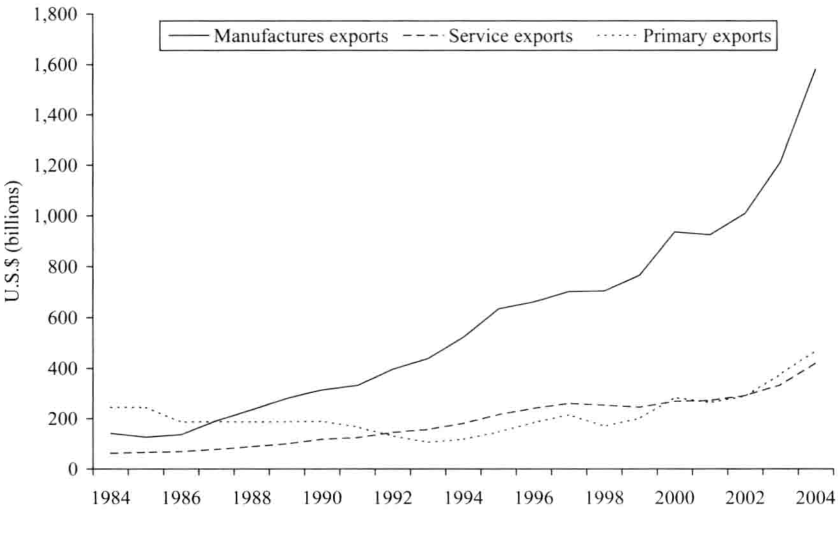
TRADE

Of all aspects of globalization, international trade is held out as the great hope for poverty alleviation.[5] Trade can contribute to poverty alleviation by expanding markets, promoting competition, and raising productivity, each of which has the potential to increase the real incomes of poor people. But it would be a mistake to rely on trade liberalization alone as a means of reducing poverty.[6] A more comprehensive approach is needed that addresses multiple economic and social challenges simultaneously and that emphasizes the expansion of poor people's capabilities, especially in the areas of health and education.[7] Nevertheless, trade has some vital roles to play.

Since the mid-1980s, developing countries have increased their global trade exports significantly, even in services where their comparative advantage is typically seen as weak. For various reasons, not the least of which are trade barriers maintained by rich countries, developing country agricultural (primary) exports have been stagnant (see Figure 2.2). There is also a divergence of export experience across developing countries, with Africa's share of world exports declining over time.

International trade is a means of expanding markets, and market expansion can help generate employment and incomes for poor people. Comparisons are often made between the wages of workers in poor-country export industries and the wages of workers in developed countries. In these comparisons, the wages of workers in developing-country export industries often appear to be very low. Consequently, trade has often been identified as poverty worsening. However, the more rele-

Figure 2.2 Nominal Exports of Developing Countries



SOURCE: World Bank, World Development Indicators Online.

vant comparison is between the wages of export sector workers with agricultural day laborers, both in the same developing country. Here it can often be seen that the alternative of agricultural day labor is much worse. It is precisely this type of income comparison that draws workers into export industries.[8]

It must be kept in mind that not all export activity is equal from the point of view of raising the incomes of poor people. Exporting can best contribute to poverty alleviation when it supports labor-intensive production, human capital accumulation (both education and health), and technological learning. In addition, the incomes of poor individuals depend on buoyant and sustainable export incomes, which in turn are dependent on export prices.

International trade is also a means of promoting competition, and in many instances, this can help poor people. Increased competition lowers the real costs of both consumption and production. For example, domestic monopolies charge monopoly prices that can be significantly above competitive prices. The competition introduced by imports erodes market power, lowering prices. These procompetitive effects of trade can expand household budgets and lower the costs of production. The latter can have additional employment effects that are advantageous to poor individuals by lowering nonwage costs in labor-intensive production activities. Procompetitive effects can also arise in the case of monopsony power. Here, sellers (small farmers, for example) to the monopsony buyer are able to obtain higher prices for their goods as the buying power of the monopsonist is eroded.

There is some evidence that international trade can promote productivity in a country, and it is possible that productivity increases can in turn support the incomes of poor people.[9] Exports of all types or in all countries cannot generate positive productivity effects, but in certain instances they can. Export postures can place the exporting firms in direct contact with discerning international customers, facilitating upgrading processes. There is no consensus within international economics on the extent of these upgrading effects, but they are present in some cases.[10]

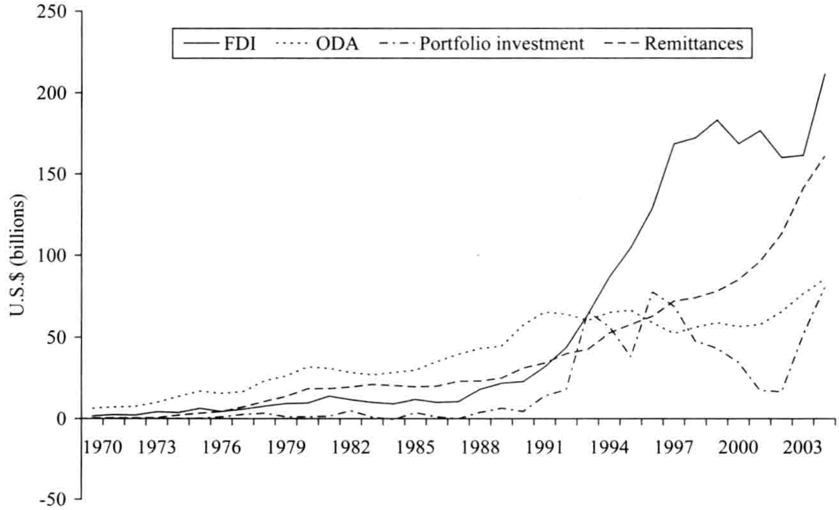
There are occasions when international trade can have direct health and safety impacts on poor individuals—impacts that can be beneficial or detrimental. Perhaps most importantly, improving the health outcomes of poor people usually involves imports of medical products. It is simply not possible for most small, developing countries to produce the entire range of even basic medical supplies, no less more advanced medical equipment and pharmaceuticals. However, many developing countries import large amounts of weaponry and export sexual services, both of which can have dramatically negative outcomes for the health and safety of poor individuals.[11] In addition, the production processes of some export industries can adversely affect the health of workers in those industries, and a small but important amount of trade involves hazardous waste dumping.

CAPITAL FLOWS

Private capital flows are an important resource for developing countries. They augment domestic savings and can contribute to investment, growth, financial sector development, and technology transfer. However, there is also substantial evidence that capital flows entail potential costs that are both much larger than in the case of trade and disproportionately carried by the poor. Additionally, it has become clear that not all capital flows are the same in their benefit and cost characteristics. For these reasons, the cost and benefit characteristics of distinct types of capital flows must be considered in some detail.[12] Here we distinguish among foreign direct investment, equity portfolio investment, bond finance, and commercial bank lending.

The financial markets involved in equity portfolio investment, bond finance, and commercial bank lending are characterized by a number of market failures. In normal circumstances, these imperfections tend to contribute to a certain amount of market volatility, as shown in Figure 2.3. Under certain circumstances that are not fully understood (but are particularly important in emerging economies), they can lead to full-blown financial crises. Imperfections in financial markets appear to be particularly problematic when commercial banks in developing countries are given access to short-term, foreign lending sources.[13] The resulting problems have three causes. First, systems of financial intermediation in developing countries tend to rely heavily on the banking sector, while other types of financial intermediation typically are being underdeveloped. Second, developing countries have been encouraged

Figure 2.3 Nominal Flows of Aid, FDI, Portfolio Investment, and Remittances to Developing Countries



SOURCE: World Bank, World Development Indicators Online.

to liberalize domestic financial markets, sometimes before systems of prudential bank regulation and management are put in place. Third, developing countries have sometimes prematurely liberalized their capital accounts.[14] Consequently, care must be taken in managing evolving financial systems and their access to international capital flows.

Foreign Direct Investment

Foreign direct investment (FDI) can have positive impacts on poverty by creating employment, improving technology and human capital, and promoting competition. Not all kinds of FDI contribute in this way, however, and some can adversely impact certain dimensions of poverty through unsafe working conditions and environmental degradation. Nevertheless, as it pertains to poverty alleviation, FDI is the most promising category of capital flows.[15] As can be seen in Figure 2.3, these flows have risen substantially in recent years.

此为试读，需要完整PDF请访问：www.ertongbook.com