Growth, Poverty and Governance in the Age of Globalization

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1. Introduction

In this paper, I will first examine how globalization has affected growth and development during the most recent period of rapid globalization that started in the early 1980's, and how growth and development, in turn, has affected and affects the level and the extent of poverty in developing countries. Then, I will examine what the United Nations, the World Bank, the International Monetary Fund and other international aid organizations, as well as rich nations individually, can do to facilitate and encourage more rapid growth and development, and how world governance can be changed to allow poor country to receive a greater share of the benefits emanating from rapid globalization as well as to empower poor people everywhere so improve their lives.

2. The Growth Report

In 2008, the high-powered Commission on Growth and Development published T*he Growth Report* (2008) which provided an in-depth analysis of the common characteristics of the 13 high-growth economies during the post-war period. The high-growth countries are defined as those that achieved an average real growth rate of at least 7 percent per year over a period of at least 25 years from 1950 to 2005.[1]

Although The Commission could not find any unique blueprint for ensuring high growth, it found that the high-growth countries shared five common characteristics. They:

1. Fully "exploited" the world economy
2. Maintained macroeconomic stability
3. Mustered high rates of savings and investment
4. Let markets allocate resources
5. Had committed, credible and capable governments

While not specifically mentioned by name, globalization and international competitiveness seem essential characteristics embedded in a high growth strategy. Characteristics one (fully "exploited" the world economy) means that globalization and

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[1] The thirteen high-growth countries and the period of their high growth are: Botswana (1960-2005) Brazil (1950-1980), China (1961-2005), Hong Kong, SAR (1960-1997), Indonesia (1966-1997), Japan (1950-1983), Korea (1960-2001), Malaysia (1967-1977), Malta (1963-1994), Oman (1960-1999), Singapore (1967-2002), Taiwan (China) 1965-2002, and Thailand (1960-1997).

characteristics four (let markets allocate resources) are essential ingredients of international competitiveness and growth.

3. Globalization of Production and Labor Markets

There is a strong trend toward globalization in production and in labor markets in the world economy today. For those firms and nations that do take advantage of this trend, the results are increased efficiency, greater international competitiveness, and more rapid growth. Global corporations play a crucial role in the process of globalization. These are companies that are run by an international team of managers, have research and production facilities in many countries, use parts and components from the cheapest sources around the world, sell their products globally, and finance their operation and are owned by stockholders throughout the world. More and more corporations today operate on the belief that their survival requires them to be one of a handful of global corporations in their sector. This is true in the automobile, steel, telecommunications, and aircraft industries, and for companies that produce computers, consumer electronics, chemicals, drugs, and many other products and services.

One important form of globalization in the area of production is outsourcing, or the foreign "sourcing" of inputs. There is practically no major product today that does not have some foreign inputs. Foreign sourcing is often not a choice made by corporations in the hope of earning higher profits, but simply a requirement for those that wish to remain competitive. Firms that do not look abroad for cheaper inputs risk not being able to compete in world—and even domestic—markets. Such low cost, offshore purchase of inputs is likely to continue to expand rapidly in the future, and is being fostered by joint ventures, licensing arrangements, and other non-equity collaborative arrangements.

Foreign sourcing can be regarded as manufacturing's new *international* economies of scale in today's global economy. Just as companies were forced to rationalize operations within each country during the 1980s, they now face the challenge of integrating their operations for their entire system of manufacturing around the world in order to take advantage of the new international economies of scale. The most successful multinational corporations are those that focus on their core competencies, which are indispensable to their competitive position over subsequent product generations and "outsource" all the rest from outside suppliers.

Even more dramatic than globalization in production is the globalization of labor markets. Work that was previously done in the United States and other industrial countries is now often done much more cheaply in some emerging markets. This is the case not only for low-skill, assembly-line jobs, but also for jobs requiring advanced computer and engineering skills. In fact, a truly competitive global labor force has been developing that is willing and able to do their jobs most efficiently at the lowest possible cost. Even service industries, such as making airline reservations, processing tickets, and answering calls to toll-free numbers are not immune to global job competition. Highly skilled and professional people are not spared from global competition, either.

Workers in advanced countries are raising strong objections to the transfer of skilled jobs abroad. Nevertheless, companies in all advanced countries are outsourcing more and more of their work to emerging markets in order to bring or keep costs down and remain internationally competitive. In the future, more and more work will simply be done in those emerging markets best equipped to do a particular job most economically. If governments in advanced nations tried to restrict the flow of work abroad to protect domestic jobs, their firms would risk losing international competitiveness and they may end up having to move all of their operations abroad.

Globalization in production and labor markets is thus important and inevitable—important because it increases efficiency, and inevitable because international competition requires it. Besides the well-known static gains from specialization in production and trade, globalization leads to even more important dynamic gains from extending the scale of operation to the entire world and from leading to the more efficient utilization of capital and technology of domestic resources at home and abroad.

4. Globalization, Economic Growth, and Development

Growth is the most important economic goal of countries today. The best available measure of growth in standards of living that will also allow comparisons across countries is in terms of purchasing power parity (PPP) per capita incomes. This takes into account and makes the proper adjustment for all the reasons (such as an undervalued exchange rate, and non-market production) which usually leads to the underestimation of the true per capita income of developing nations with respect to that of advanced nations. Since we are interested in examining the effect of globalization on growth and development, we will compare the growth of real PPP per capita incomes in various countries and regions of the world since the early 1980s, which is usually taken as of the most recent period of rapid globalization, with the two decades (1960-1980) before it. Of course, the rate of growth and development of a nation depends not only on globalization but also on many other domestic factors, such as political stability, improvements in education and labor skills, increasing the rate of investment and absorption of new technologies, reducing the rate of population growth, and so on. But globalization is certainly a crucial ingredient for growth.

For example, no one forced China to open up to the world economy, but without such an opening China would not have received the huge inflows of capital and technology that it needed, and it would not have been able to increase its exports to the rest of the world so dramatically, and thus it would not have been able to achieve its spectacular rates of growth of the past two decades. A possibly strong positive correlation between globalization and growth does not, of course, establish causality, but it would refute the assertion on the part of the anti-global groups that globalization has hampered growth and caused increased inequalities between advanced and developing countries during the past three decades.

Table 1 gives the growth of the weighted yearly average real PPP (with base 2005) per capita income in various regions and countries of the world in the 1960-1980, 1980-2000, and 2000-2010 periods. From the table we see that East Asia & Pacific, did well during the 1960-1980 period and very well since then. The former communist countries of Europe and Central Asia performed poorly during the second period (no data was available for the first period) as a result of the economic collapse associated with the fall of communism and the required economic restructuring that followed it, but grew very rapidly during the third period. Latin America did reasonably well during the first period and third periods, but per capita incomes were practically stagnant during the second period (considered the “lost” decades for growth and development) because of political and economic crises. The Middle East and North Africa did well during the first and third periods, but badly during the second period because of political turmoil and wars. South Asia grew at an average rate half as high as East Asia and the Pacific during the 1980-2000 period and at two-thirds that rate during 2000-2010. Sub-Saharan Africa did not do well during the first period and actually became poorer during the second period because of political instability, wars, droughts, and the HIV virus, but managed an average growth of 2.6 percent from 2000 to 2010.

The developing world as a whole did reasonably well during the first period, better during the second period and best during the third period. Overall, only Asia grew faster than industrialized countries and sharply reduced inequalities vis-à-vis industrialized countries, as a group, during the 1980-2000 period. Europe and Central Asia, the Middle East and North Africa, as well as Latin America, did poorly during the second period, so that inequalities increased with respect to high-income countries, but did better during the third period. Sub-Saharan Africa actually became poorer in an absolute sense during the second period, and so it fell further behind advanced countries and other developing countries during the second period, it but recovered some of the lost ground in the third period.

Table 1

Weighted Yearly Average Real PPP per Capita Income Growth in Various Regions, 1960-1980, 1980-2000, and 2000-2010

Region	1960-1980	1980-2000	2000-2010
East Asia & Pacific	2.9	6.1	8.6
Europe & Central Asia	---	1.1	5.2
Latin America & Caribbean	3.1	0.1	2.6
Middle East & North Africa	3.2	0.2	2.9
South Asia	0.6	3.0	5.9
Sub-Saharan Africa	1.3	-0.6	2.5
Developing World	2.1	3.1	5.1
High-Income Countries	3.9	2.3	1.1

Source: World Bank, *World Development Indicators*, Various Issues.

Table 2 shows more directly the correlation between globalization and growth. It shows that the growth of real per capita (PPP) GDP increased sharply in each decade from 1960 to 2010 for the developing countries that globalized (i.e., those for which the ratio of international trade and international financial flows to GDP increased) and far exceeded the average growth of rich countries and that of the non-globalizers. The growth of rich countries was very high and much higher than that of both the globalizers and non-globalizers during the decade of the 1960s, but it declined in each subsequent decade. The growth of non-globalizers increased from the decade of the 1960s to the decade of the 1970s, but then it declined sharply during the 1980s, was very low during the 1990s, but then it increased during the 2000-2010 period (and it even exceeded the growth of the rich countries). It seems that growth can be rapid without liberalization and globalization at the beginning of the growth process, but as the nation develops, economic efficiency associated with liberalization and globalization becomes increasingly important.

Table 2

Weighted Yearly Average Real PPP Per Capita Income Growth in Rich Countries, Globalizers and Non-Globalizers, in the 1960s, 1970s, 1980s, 1990s, and 2000s

Group of Countries	1960s	1970s	1980s	1990s	2000s
Rich Countries	4.7	3.1	2.3	2.2	1.1
Globalizers	1.4	2.9	3.5	5.0	5.0
Non-Globalizers	2.4	3.3	0.8	1.4	2.3

Source: Dollar and Kraay (2001) and World Bank, *World Development Indicators*, Various issues.

Although there is no perfect correspondence between non-globalizers and the poorest countries in the world, most non-globalizers do include most of the poorest countries in the world. Thus, inequalities in per capita incomes and standards of living did increase between non-globalizers, on the one hand, and globalizers and the rich countries, on the other, during the 1980s and 1990s. But the reason for this increased inequality cannot be attributed to globalization, as such. Indeed, it was the globalizers that grew fastest during the 1980s and 1990s, while the non-globalizers stagnated or regressed. Thus, the only (but still serious) criticism that can be levied against globalization, as a process, is that it did not permit the poorest countries of the world to also participate in the tremendous benefits in terms of economic efficiency and growth in living standards that globalization made possible. This is a far cry, however, from globalization being itself the cause of the increased inequalities between the rich and the globalizing developing countries, on the one hand, and the poorest and non-globalizing developing nations, on the other, during the past three decades, as claimed by the opponents of globalization. During the 2000s, the non-globalizers, as a group, grew faster than the rich countries, and so they reduced relative income inequalities vis-à-vis the rich countries (but fell further behind with respect to the globalizers).

5. Globalization and Poverty

Another important question that needs to be answered is what effect globalization has had on actual world poverty at the country and at the individual levels. Depending on how we chose to measure relative poverty, however, we get dramatically different results.

One way to measure the evolution of relative poverty is to measure the change in the number of times that the income per capita in the United States exceeds the income per capita in the world's poorest country, in the 10^{th} poorest country, or in the 20 poorest countries, as compared with the 20 richest countries in the world over time. Based on this measure, the United Nations (2008), World Bank (2000/2001), and many left-leaning intellectuals, such as Pritchett (1997) and Stiglitz (2002) have asserted that globalization caused or resulted in increased income inequalities and poverty in the poorest developing countries over the past decades.

The data presented in Table 3 can shed light on this. The second column of the table shows that the ratio of real PPP per capita income in the United States relative to the poorest country (Lesotho) was 48.3 in 1960, 47.1 (Lesotho) in 1970, 47.4 (Tanzania) in 1980, 51.6 (Tanzania) in 1990, 71.3 (Sierra Leone) in 2000, and 151.7 (The Congo Democratic Republic) in 2010. Thus, according to this measure, world income inequalities have indeed increased significantly from 1970 to 2010. To avoid the problem of outliers, however, the third column of Table 3 shows that the ratio of real per capita

PPP income in the United States relative to the 10th poorest country (Guinea) was 27.6 in 1960, 31.0 (Nigeria) in 1970, 31.3 (Bhutan) in 1980, 32.5 (Burundi) in 1990, 44.6 (Zambia) in 2000, and 51.1 (Guinea) in 2010. Thus, again, inequalities seem to have increased from 1960 to 2010. Finally, the same general conclusion can be reached from the last column of Table 3 (except for a little dip in 1980) when inequalities, as measured as the ratio of the top 20 countries to the bottom 20 countries, declined a little.

A different and more direct method of measuring changes in poverty around the world is to measure the change in the number of poor *people*. There are two ways of doing this, one utilizing national accounts data and the other using data from national surveys. Table 4 gives the number of people and the proportion of the total population who lived on less than $1.25 in 2005 prices, used by the World Bank as a measure of poverty in various regions and countries of the world in 1981, 1993, and 2008 (the last year for which data were available).

Table 3

Ratio of Real PPP per Capita Income in Rich and Poor Countries, 1960-2010

Year	In U.S. Relative to Poorest Country	In U.S. Relative to 10th Poorest Country	In the 20 Richest Countries Relative to the 20 Poorest Countries
1960	48.3	27.6	23.0
1970	47.1	31.0	26.2
1980	47.4	31.3	25.7
1990	51.6	32.5	30.8
2000	73.3	44.6	36.3
2010	151.7	51.1	43.3

Source: Bhalla (2002) and World Bank, *World Development Indicators,* Various Issues.

Table 4

World Poverty:
Number and Percentage of People Living on Less than $1.25 per Day, 1981-2008

Region/Number of Poor People	**1981**	**1993**	**2008**
East Asia and pacific (of which China)	1,096.5	870.8	284.4
China	835.1	632.7	173.0
Eastern Europe & Central Asia	8.2	13.7	2.2
Latin America & Caribbean	43.3	52.5	36.8
Middle East & North Africa	16.5	11.5	8.6
South Asia	568.4	631.9	570.9
Sub-Saharan Africa	204.9	330.0	386.0
Total	1,937.8	1,910.3	1,289.0
Total Excl. China	1,102.8	1,277.6	1,116.0
Region/Percentage of Population			
East Asia and Pacific	77.2	50.7	14.3
China	84.0	53.7	13.1
Eastern Europe & Central Asia	1.9	2.9	0.5
Latin America & Caribbean	11.9	11.4	6.5
Middle East & North Africa	9.6	4.8	2.7
South Asia	61.1	51.7	36.0
Sub-Saharan Africa	51.5	59.4	47.5
Total	52.2	40.9	22.4
Total Excl. China	40.5	36.6	25.2

Source: World Bank, "Update of World Bank's Estimates of Consumption Poverty in the Developing World," February 29, 2012, http://siteresources.worldbank.org/INTPOVCALNET/Resources/Global_Poverty_Update_2012_02-29-12.pdf

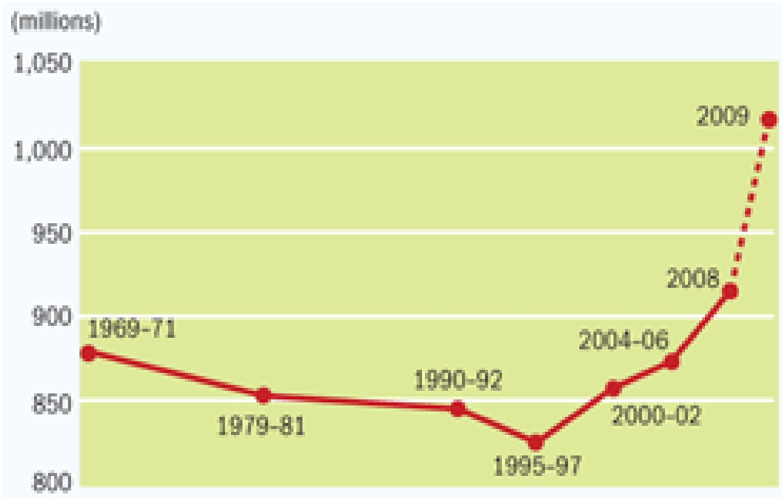
The top portion of Table 4 shows that the total number of poor people in all developing countries declined from 1,937.8 million in 1981 to 1,289.0 million in 2008. As a percentage of the total population of developing countries, the number of poor people declined from 52.2 in 1981 to 22.4 in 2008. Thus, according to this data, there was a dramatic decline in the number and in the proportion of poor people in the developing world during the most recent period of rapid globalization (1981 to 2008).

Table 4 also shows that from 1981 to 2008, the number of poor declined by 662.1 million in China, 6.0 million in Eastern Europe and Central Asia, 6.5 million in Latin America and the Caribbean, and 7.9 in the Middle East and North Africa, but it increased by 2.5 million in South Asia and a staggering 181 million in Sub-Saharan Africa. As a percentage of the total population (which increased everywhere), however, it declined in every region. The decline was most dramatic in China, where it went from 84.0 percent in 1981 to 13.1 percent in 2008.

For the entire development world, it declined from 52.2 percent in 1981 to 22.4 in 2008 (but this reflected mostly the sharp decline in China). Despite the general decline in the *percentage* of very poor people in the world during the past three decades, the number of people suffering hunger in the world has sharply increased from 1995-1971 to 2009 (see Figure 1) and so has the percentage of undernourished people from 2004-2006 to 2009 (see Figure 2). Thus, the great need for economic growth and humanitarian assistance to the poorest countries.

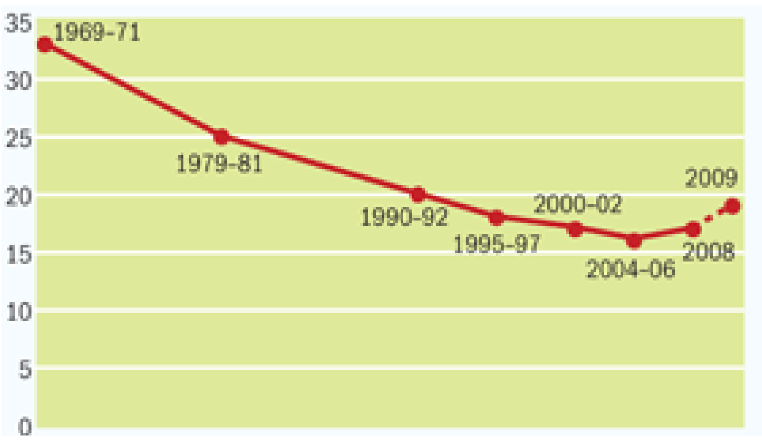
Thus, we can arrive at the general conclusion that relative poverty seems to have increased around the world when measured by average national incomes across nations. Looking at individuals rather than nations as a whole, however, we find that the number of people who live in extreme poverty (defined as those who live on less than $1.25 per day in terms of 2005 prices) decreased significantly over the past three decades of rapid globalization, except in South Asia and especially in Sub-Saharan Africa, with most of the decline occurring in China, however. As a percentage of the total population (which grew fast in each region), however, it declined almost in every region, but dramatically only in China. Despite this, the number of hungry people and the percentage of undernourished people in the world increased. The challenge for the world is how to help the poorest nations benefit from globalization and to stimulate their growth over time and to provide sufficient humanitarian assistance in the meantime to eliminate hunger and undernourishment now.

Figure 1: The Number of Hungry People in the World (in Millions), 1969-1971 to 2009



2009 is an estimate.
Source: *Finance and Development*, March 2010, p. 40.

Figure 2: The Percentage of Undernourished People, 1969-1971 to 2009



2009 is an estimate.
Source: *Finance and Development*, March 2010, p. 40.

6. The Human Development Index and World Poverty

There is, of course, another method of measuring the standard of living and poverty in a nation, and that is by the Human Development Index (HDI), which is calculated annually by the United Nations. This method is a broader and, to some extent, a better measure of the standard of living of a nation because it takes into consideration not only the level of per capita income but also other important conditions of human wellbeing. The overall HDI is calculated as the average of three indices, the real PPP per capita income, the life expectancy at birth, and the mean years of schooling in the nation, with the last two measures used as catch-all and proxies for all the other aspects of human wellbeing besides per capita income. The HDI shows that the difference in the standard of living between rich and poor countries is much smaller than their differences in real per capita incomes and that this difference has declined very much during the past three decades.

Table 5 give the HDI indices for various HDI groups of countries and regions in 1980, 1990, 2000, and 2011. From the table we see that (1) the HDI index increased for all groups of countries and regions from 1980 to 2011, (2) the index for the very high HDI countries, as a group, was 2.66 times higher than for the least developed nations (much less than the difference in per capita incomes shown in Table 3), and (3) the difference in the index of the very high HDI countries with that of the least developed was 2.03 times in 2011 (again, much less than in per capita incomes) and it declined from 1980 to 2011. Future increases in the standard of living of poor nations, however, will very likely depend even more than in the past on increases in real per capita incomes, after the basics of life have been provided. After all, health and education are very costly.

7. The Millennium Development Goals and Targets

In trying to overcome poverty and hunger in the world, the World Bank sponsored the Millennium Development Goals (MDG) in 2000, which was signed by 189 countries. The MDG proposed a program for rich countries to help the poorest developing countries stimulate growth, reduce poverty, and promote sustainable development. The MDG specified a set of eight objectives incorporating specific targets for reducing income poverty, tackling other sources of human deprivation, and promoting sustainable development by 2015. These are: (1) halve extreme poverty and hunger relative to 1990; (2)

Table 5

Human Development Index (HDI) for Various Groups of Nations, Various Regions, and Least Developed Nations, 1980, 1990, 2000, 2011

HDI GROUPS	1980	1990	2000	2011
Very High	0.766	0.810	0.858	0.889
High	0.614	0.648	0.687	0.741
Medium	0.420	0.480	0.548	0.630
Low	0.316	0.347	0.383	0.456
Arab States	0.444	0.516	0.578	0.641
HDI REGIONS				
East Asia and Pacific	0.428	0.498	0.581	0.671
Europe and Central Asia	0.644	0.680	0.695	0.751
Latin America & Caribbean	0.582	0.624	0.680	0.731
South Asia	0.356	0.418	0.468	0.548
Sub-Sahara Africa	0.365	0.383	0.401	0.463
LEAST DEVELOPED COUNTRIES	0.288	0.320	0.363	0.439
WORLD	0.558	0.594	0.634	0.682

Source: World Bank, (2011).

achieve universal primary education; (3) promote gender equality and empower women; (4) reduce child mortality; (5) improve maternal health; (6) combat HIV/AIDS, malaria, and other diseases; (7) ensure environmental sustainability; and (8) establish a global partnership for development (see Table 8 in the Appendix for each detailed goal).

By 2009, some of the development goals scheduled to be reached by 2015 had already been attained, others were within reach, while some were lagging. Goal 1 (halving the percentage of people living in extreme poverty and suffering hunger) had been completely or almost completely achieved (see Figure 4 in the Appendix). Goal 3 (promoting gender equality in primary and secondary education) had been achieved and so was the part of goal 7 that aimed at providing access to safe drinking water. Goal 2 of achieving universal primary school education was within reach, but not the part of goal 7 that deals with achieving basic sanitation. Lagging were the efforts to achieve goal 4 (cutting the mortality rate of children under the age of 5) and especially goal 5 (cutting the maternal mortality rate). These are the areas crying for greater humanitarian assistance.

8. From G-7 to G-20

In 2008-2009, the United States and most other advanced nations faced the most serious financial and economic crisis of the postwar period. This led the Group for Twenty (G-20) economies "seize power" and essentially replace the G-7 as the steering committee of the world economy. In 2009, the G-20 included the finance ministers and central bank governors of 19 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, United Kingdom, and United States. The 20th member was the European Union, which is represented by the rotating Council presidency and the European Central Bank.

In addition to these 20 members themselves, other institutions, as represented by their respective chief executive officers, participate in meetings of the G-20: International Monetary Fund (IMF), World Bank (WB), International Monetary and Financial Committee (MFC), and Development Committee (DC) of the IMF and World Bank. The G-20 met for the first time in London in April 2009 and proposed policies to overcome the deep financial and economic crisis and push for reforms to prevent future crises based on (1) strengthening financial supervision and regulation, (2) fostering international policy coordination, (3) reforming the IMF, and (4) maintaining open markets.

The G-20 has met semiannually ever since in trying not only to overcome the crisis and return the world economy to rapid growth but also to reform the architecture of the entire international economic and financial system. A subgroup of major emerging markets in the G-20 (Brazil, Russia, India, China, and South Africa) also belong to the so-called BRICS. The importance of this is that the world economic gravity has shifted and will in all likelihood will continue to shift from the largest established industrial countries (the G-7) to the largest and most dynamic and rapidly-growing emerging markets.

Table 6 shows the extent of the shift in economic importance from the G-7 to the BRICS and G-20 from 1990 to 2010, as well as the voting quota at the International Monetary Fund in 2012. From Table 6, it is clear that the voting power of the new emerging economic giants is still far less than their size and economic importance indicate, especially if GNI is measured in Purchasing Power Parity (PPP). Therefore, it is reasonable to expect that the demands of the new economic giants to gain a voice (voting quota) commensurate to their present and relatively growing economic size will actually take place in the near future. The crucial question then becomes "will the G-20 reform the international monetary and economic order so as to take into

Table 6

Relative Economic Importance of G-7, BRICS, and G-20, and World, 1990-2010

NATION/ AREA	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
U.S.A.	310	5,750.8	14,582.4	3.5	1.9	14,561.7	16.75	47,020
Japan	127	3,052.1	5,497.8	1.1	0.9	4,432.1	6.23	34,790
Germany	82	1,688.6	3,309.7	1.8	1.0	3,116.1	5.81	38,170
France	65	1,215.9	2,560.0	1,9	1.3	2,234.2	4.29	34,440
U.K.	62	987.6	2,246.1	2.8	1.6	2,276.9	4.29	36,580
Italy	61	1,102.4	2,051.4	1.5	0.3	1,883.0	3.16	31,090
Canada	34	572.7	1,574.1	3.1	2.0	1,257.7	2.56	37,280
G-7	**741**	**14,370.1**	**31,821.5**	**(2.2)***	**(1.3)**	**29,761.7**	**43.09**	**(37,053)**
China	1,338	354.6	5,878.6	10.6	10.8	10,132.3	3.81	7,570
India	1,171	316.9	1,729.0	5.9	8.0	4,170.8	2.34	3,560
Russia	142	579.1	1,479.8	-4.7	5.4	2,720.5	2.39	19,190
Brazil	195	465.0	2,087.9	2.7	3.7	2,129.0	1.72	10,920
S. Africa	50	112.0	363.7	2.1	3.9	513.8	0.77	10,280
BRICS	**2,896**	**1,827.6**	**11,539.0**	**(3.3)**	**(6.4)**	**19,666.4**	**11.03**	**(10,304)**
Korea	49	252.6	1,014.5	5.8	4.1	1,417.9	1.37	29,010
Indonesia	233	114.4	706.6	4.2	5.3	1,000.7	0.85	4,300
Mexico	109	262.7	1,039.7	3.1	2.2	1,629.2	1.47	15,010
Argentina	41	141.4	368.7	4.3	5.6	616.1	0.87	15,150
Turkey	76	150.7	735.3	3.9	4.7	1,104.1	0.61	14,580
S. Arabia	26	104.7	375.8	2.1	3.8	607.0	2.80	23,900
Australia	22	309.7	924.8	3.6	3.3	842.4	1.31	38,510
G-20 (19)	**4,193**	**18,456.7**	**51,080.0**	**(3.7f**	**(4.1)**	**56,645.5**	**63.4**	**23,755.3**
WORLD	**6,855**	**21,817.0**	**63,048.8**	**(2.9)**	**(2.8)**	**75,803.0**	**100.00**	**(11,058)**
G-7 % World	**10.8**	**65.9**	**50.5**	**75.9**	**46.4**	**39.3**	**43.09**	**335.1**
BRICS % World	**42.2**	**8.4**	**18.3**	**113.8**	**228.6**	**25.9**	**11.03**	**93.2**
G-20 (19) % World	**50.4**	**84.6**	**81.0**	**127.6**	**146.4**	**74.7**	**63.4**	**214.8**

* ( ) refers to simple averages.

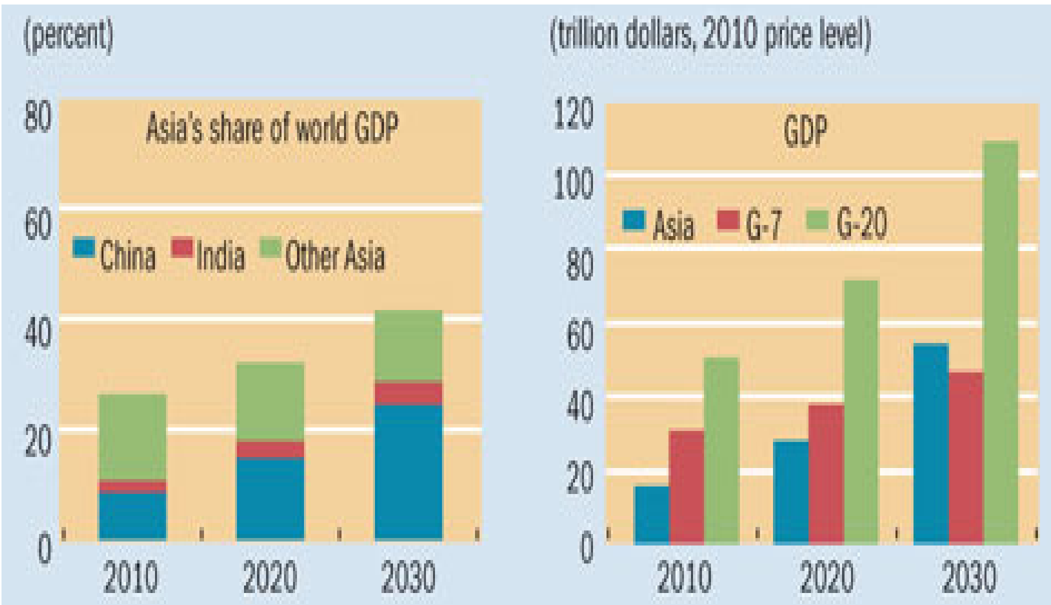
LEGEND:

(1) Population (in millions)
(2) GDP in 1990 (Billion Dollars)
(3) GDP in 2010 (Billion Dollars)
(4) Average Annual Growth Rate of Real GDP, 1990-2000
(5) Average Annual Growth Rate of Real GDP, 1990-2000
(6) GNI in PPP Dollars in 2010
(7) Voting Quota at IMF as of April 12, 2012
(8) Per Capita GNI in PPP Dollars in 2010.

consideration also the interest of the poorest countries in the world, so that they can also gain the substantial benefits from globalization, or will the G-20 be unable to truly reform the international system or reforms it only to take into consideration its own selfish interests?" In other words, will the G-7 simply be replaced by the G-20 and BRICKS so that the poorest countries and people of the world are once again left out?

Figure 3 then shows IMF projections of the share of world GDP of China, India, and Other Asia, as well as Asia, G-7 and G-20 in 2020 and 2030, as compared with 2010. The figure shows that Asia, especially China, will continue to gain share of world output vis-à-vis the G-7 and even the G-20.

Figure 3: Projection of Share of World GDP or Various Areas, in 2020 and 2030



Source: IMF, *Finance and Development*, June 2010, p. 6.

9. Globalization, Poverty, and Governance

In general, globalization greatly benefited the people and the nations that globalized. Almost invariably, the nations with the largest percentage of the population living in extreme poverty, and in which poverty has fallen only a little or not at all, are the nations that did not or could globalize. As pointed out earlier, their poverty is due primarily to internal causes (wars, internal strife, corruption, natural disasters, and the HIV virus). What can be blamed on globalization is that it bypassed some of the poorest countries in the world and left millions of children starving and hundreds of million of people in deep poverty.

Globalization, itself, is devoid of any ethical content. It only increases efficiency for those people and for those nations that take advantage of it. But economic efficiency cannot and should not be everything. There are important social, political, ethical, and health aspects that cannot be left exclusively to the market. The world can hardly be peaceful with millions of people facing stark poverty, starvation, and hopelessness. But these crucial problems facing the world today would not be solved by slowing down the process of globalization.

What is required to solve or at least greatly reduce the problem of world poverty would be to reform the entire international economic and financial system so as to spread the benefits of globalization more evenly around the world and without leaving out the poorest countries and the poorest people. This can be accomplished by canceling the international debts of the poorest countries, sharply increasing foreign aid (which is now only about 0.21% of the GDP of rich countries), and opening widely the market of rich countries to exports from the poorest countries.

The promises made by the rich countries at the Monterrey Conference in March of 2002 to increase foreign aid by 50% and to open more widely their markets to the exports from the poorest lands not only were inadequate but have not been implemented. And with the deepest financial and economic crisis that the world has experienced since the end of World War II in 2008 and 2009 and slower growth since then in most countries, poverty in the poorest nations of the world reversed its downward trend and is again increasing. Nothing less that the complete reform of the international economic and monetary system is required. In short, the world faces a problem of governance. The poorest nations and the poorest people are simply not franchised. They do not have much to say on matters of international economics and finance of great relevance to them. They can only appeal to the humanitarian benevolence of the rich countries. The hope is that with the expansion from the G-7 to the G-20 (which includes the ten largest developing countries), the international economic system can be reformed to ensure that the poorest countries and the poorest people of the world would also benefit from globalization and that poverty would be greatly reduced. It would be truly sad if the selfishness of the G7 were to be replaced by the greed of the BRICS and G-20, if G-20 were to pursue reforms in the management of the world economy to promote primarily their self interest and abandon the poorest countries to their dismal fate.

10. Conclusions

The major causes of poverty in the least-developed countries are or internal or domestic origin (wars, internal strife, corruption, natural and man-made disasters, and HIV) rather than globalization. In fact, the poorest countries are the ones that have not or could not globalize. What globalization can be accused of is for not having permitted the poorest countries to also globalize and sharing in the great benefits resulting from it.

The powerful force to reduce poverty in the world is economic growth and (as the *Growth Report,* 2008*)* indicates globalization and international competitiveness are essential characteristics embedded in a high growth strategy.

Poverty and hunger in developing nations can only be reduced with rapid growth. For this to occur, however, rich countries and the large and rapidly-growing emerging market economies (i.e., the G-20) must increase developmental aid to the poorest countries, cancel foreign debts, open their markets more widely to the products of the poorest countries and, most importantly, change the governance of the world economy by empowering poor countries and poor people.

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APPENDIX

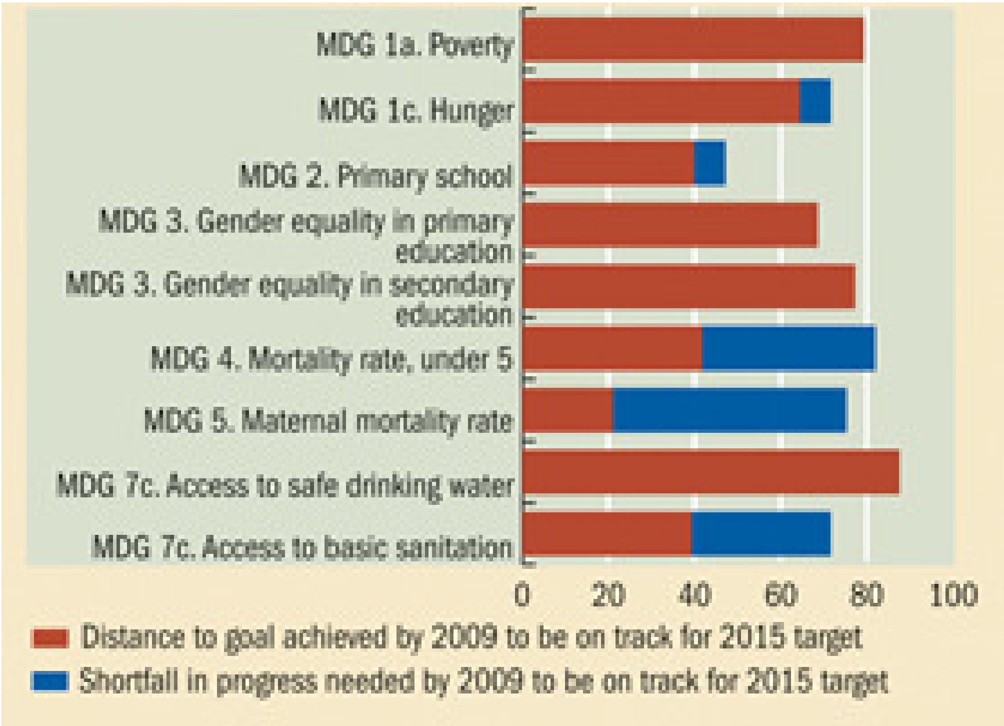
Table 8

Detailed Millennium Development Goals

The Millennium Development Goals and Targets
1. Eradicate extreme poverty and hunger
1a. Halve, between 1990 and 2015, the proportion of people whose income is less than $1.25 a day.
1b. Achieve full and productive employment and decent work for all, including women and young people.
1c. Reduce by half the proportion of people who suffer from hunger.
2. Achieve universal primary education
2a. Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.
3. Promote gender equality and empower women
3a. Eliminate gender disparity in primary and secondary education, preferably by 2005, and at all levels of education no later than 2015.
4. Reduce child mortality
4a. Reduce by two-thirds, between 1990 and 2015, the under-5 mortality rate.
5. Improve maternal health
5a. Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.
5b. Achieve by 2015 universal access to reproductive health.
6. Combat HIV/AIDS, malaria, and other diseases
6a. Have halted by 2015, and begun to reverse, the spread of HIV/AIDS.
6b. Achieve by 2010 universal access to treatment for HIV/AIDS for all those who need it.
6c. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.
7. Ensure environmental sustainability
7a. Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.
7b. Reduce biodiversity loss, achieving by 2010 a significant reduction in the rate of loss.
7c. Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.
7d. Have achieved a significant improvement by 2020 in the lives of at least 100 million slum dwellers.
8. Develop a global partnership for development
8a. Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system.
8b. Address the special needs of the least developed countries.
8c. Address the special needs of landlocked developing countries and small island developing states.
8d. Deal comprehensively with the debt problems of developing countries through national and international measures to make debt sustainable in the long term.
8e. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries.
8f. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Source: http://www.imf.org/external/pubs/ft/fandd/2010/09/go.htm#author

Figure 4: Progress in Achieving the GDG by 2010



Source: http://www.imf.org/external/pubs/ft/fandd/2010/09/go.htm#author.