Globalisation and prosperity

Going global
Dec 6th 2001 | WASHINGTON,DC
From The Economist print edition

How trade is good for you

OPPONENTS of globalisation claim that poor countries are losers from global integration. A new report* from the World Bank demolishes that claim with one simple statistic. If you divide poor countries into those that are “more globalised” and those that are “less globalised”—with globalisation measured simply as a rise in the ratio of trade to national income—you find that more globalised poor countries have grown faster than rich countries, while less globalised countries have seen income per person fall (see chart).

Between 1945 and 1980, the World Bank reckons, economic integration was concentrated among rich countries. Since 1980 that has changed. Manufactured goods rose from 25% of poor-country exports in 1980 to more than 80% in 1998. This integration was concentrated in two dozen countries—including China, India and Mexico—that are home to 3 billion people. Over the past two decades, these countries have doubled their ratio of trade to national income. In the 1990s their GDP per head grew by an annual average of 5%. Life expectancy and schooling levels increased.

Another 2 billion people live in the rest of the developing world, where the story is rather different. In these “less globalised” countries, including much of Africa, the ratio of trade to national output has fallen. In the past decade, income per head has shrunk, and the number of people in poverty has risen. In short, the poor countries that are in the biggest trouble are those that have globalised the least. The challenge for development—and the World Bank—is to reverse this marginalisation.

* “Globalization, Growth and Poverty”, World Bank policy research report. December 2001