Globalization and its influence on Economic Growth performance

Joseph Baafi Antwi and Francis Oppong Kwakye

SODERTORNS UNIVERSITY, University of Cambridge

24. August 2010

Online at http://mpra.ub.uni-muenchen.de/24608/
MPRA Paper No. 24608, posted 25. August 2010 14:02 UTC
TITLE
Globalization and its influence on economic growth performance

FRANCIS OPPONG KWAKYE
MPhil DEVELOPMENT STUDIES
University of Cambridge
UK

and

JOSEPH ANTWI BAAFI
MASTERS IN ECONOMICS
Södertörns University
Sweden

22- Aug- 2010

Email – jobash5@yahoo.com
Globalization is described as a process by which regional economics, societies and cultures have become integrated through a global network of communication, transportation and trade. Different researchers have argued both in favour of and against globalization. Bhagwati claims that globalization has created a direct link to economic fortunes for the poor rural folks in developing countries who are often farmers. He argues that increase in information and information technology has loosened the control of exploitative middlemen whose activities reduce the returns rural farmer receive for their produce. Prystay (2005) provided evidence to this argument. Another argument comes from factor endowment. Argument against globalization is the fact that it has produced unprecedentedly high levels of inequality or hardships to the poor. Evidence from both China and India have reviled that globalization has propelled both countries economically; increase in economic growth from 6.15 to 9.37 percent in the case of China and information technology in the case of India, but the issue of inequality is still important and need to be addressed by individual government.


1.0 INTRODUCTION

Although the word “global” is over 400 years old, the common usage of the word did not begin until 1960 (Waters, 1995). Today, “globalisation” has become a buzzword, twisted in several forms to provide several meanings. This paper however, looks at the current era of economic globalisation which can be said to have started from the late 1970s. This era of economic globalisation embraces, among other things, trade liberalisation, financial liberalisation and a rise of multinational companies at an unprecedented level. It is argued that, the openness to trade and investment that comes with globalisation produces economic gains that trickle down to all people in an economy. From this logic, as income levels rise, poverty is reduced and the economically marginalised begin to prosper. However, this logic has been challenged, with the critics doubting the supposed trickling down effects of the gains from such economic integration.

After three decades of economic globalisation, this paper attempts to assess the gains from globalisation to the poor. The paper discusses the gains developing countries have made from globalisation and examines if these gains have had significant improvements in the lives of the poor majority. In fulfilling this task, the paper would first analyse two opposing views on the effects of globalisation on the poor. This would be followed by two case studies on countries often used by the opposing sides to advance their arguments. Finally, drawing mainly from the case studies, the paper would attempt to produce a verdict on the topic.

2.0 GLOBALISATION AND THE POOR: THE ARGUMENTS

2.1.0 Defence

On 2\textsuperscript{nd} February, 2001, the placard of a pro-globalisation demonstrator read: “Don’t speak for me. I love globalization.” Though it is difficult to tell if this protestor was responding to Krugman’s (2000) claim that “globalisation is tolerated; but it is not loved”, one point stands out clearly – globalisation has also got vocal defenders who

\footnote{The paper admits that there have been previous forms of economic globalisation.}
would not easily buckle. To the defenders, globalisation is a win-win phenomenon. These defenders are of the view that globalisation provides an opportunity for both rich and poor countries to be better off. In technical economic terms, globalisation would lead to a situation of Pareto Improvement for all. What is important, therefore, is for developing countries to take advantage of the opportunities offered by globalisation to maximise their gains.

The conviction that globalisation would help developing countries has been laid on a two-step argument. It is believed that globalisation (through trade liberalisation) would lead to growth and growth would reduce poverty. Interestingly, this argument of growth reducing poverty is found in Adams Smith himself. In the *Wealth of Nations*, Smith argues that “while the society is advancing to further the acquisition...the condition of the labouring poor, of the great body of people, seems to be the happiest” (Smith, 1937, p.81). Smith further argues that the reward from growth provides to the poor “the comfortable hope of bettering his conditions, and of ending his days perhaps in ease and plenty” (Smith, 1937, p.82).

In recent times, a prominent defender of the case for globalisation has been Jagdish Bhagwati. Bhagwati (2004) believes that the integration and liberalisation that comes with economic globalisation are of great advantage to the poor. To Bhagwati, globalisation provides for developing countries a “direct link effect” and an “income effect”.

In his *In defence of Globalisation*, Bhagwati claims that globalisation has created a direct link to economic fortunes for the poor rural folks in developing countries who are often farmers. He contends that the increase in information and information technology has loosened the control of exploitative middlemen whose activities reduce the returns rural farmer receive for their produce. This twist of affairs is partly attributed to the increasing computerisation of the world. In this era, producers and buyers need not meet physically; they can meet electronically. The direct link, therefore, comes from the fact that rural farmers are now able to bypass the dominant classes and caste because they meet the buyers directly. The fall of these traditionally hegemonic middlemen implies rather that globalisation is breaking “economic enclaves” that have long existed in developing countries.
The evidence to this argument is provided by Prystay (2005) on his case study of the Kamalpur village in India. Prystay reveals that through the use of the internet the villagers’ have broadened their market and eliminated most of the middlemen.

Soybean farmer Mohammed, Arif, 24 years old, says the computer allows farmers greater control over their own goods. Farmers often get cheated at the market, or get stuck with whatever price is offered that day. With the computer, he says, they can make a considered decision at home, holding crops until price improves.

The higher reward from the economic activities of the poor is also used to explain the income effect benefits of globalisation. It is argued that poverty is what drives many poor families to put their children to work rather than into school. When incomes of poor families improve however, it is generally expected that they would respond by putting their children back in school (Bhagwati, 2004). Moreover, income improvements increase the accessibility of the poor to credit for the education of the third or fourth child or the female child (Ranjan, 1999). This ability of the rural poor to enjoy otherwise superior goods like education, credit and better living conditions is what Bhagwati terms as the “income effect” benefit to the rural poor from globalisation.

The empirical support to this argument is provided by Dehejia and Gatti (2002). Using data from 163 countries, they demonstrate that poor people’s accessibility to credit provides an incentive for them to put their children into schools. From the study, they observed that households with improved incomes sent their children to school and borrowed to keep these children in school during periods of temporary income declines. Credit-constrained households however, withdrew their children from school to work in response to income shocks.

We must however not that the following argument is true to some extent. The argument cannot be generalized for all small towns and villages especially in Africa. In most villages in Africa, there are no electricity let alone computer. Illiteracy rate is so high to the extent that almost everyone living in the city cannot read and write. If basis reading and writing is a problem, how can one talk about using the computer to monitor prices of farm produce. We do go back to the situation where the urban folks
monitor the prices and impose on these local folks. One need not undertake empirical studies to appreciate this point. It is easily observable and simple conclusion can be drawn. However, Bhagwati (2004) argument holds true for some countries as by Deheja and Gatti.

Another argument in favour of the effects of globalisation on poor people in developing countries comes from the factor endowment argument. It is argued that globalisation is beneficial for factor endowed developing countries. Often, the factor in mind, in this argument, is land. Easterly (2007) argues that Land acts much like productivity effects on the marginal product of capital and labour. Hence a land rich developing country would attract both capital and labour, just as a high productivity firm. Since most developing countries have abundant labour, “if the poor nation is land rich, then the only reason it could be poor under the factor endowment model is that it lacks capital” (Easterly, 2007, p. 116). Globalisation therefore provides an opportunity for developing countries to attract the needed capital inflow. In theory, this should be easy because the scarcity of capital implies a higher marginal productivity of capital and therefore higher returns to investors.

A strong defender of globalisation who has tried to link the debate with more facts and figures has been David Dollar of the World Bank. Dollar (2007) contends that globalisation has been significantly beneficial to the majority of poor people in developing countries and this reality “run exactly counter to what is being claimed by anti-globalist” (Dollar, 2007, p. 80). He claims that:

- The number of extremely poor people (those living on less than $1 a day) has declined for the first time in history.  
- Global inequality has declined modestly, reversing a 200-year trend towards higher inequality.
- Within-country inequality is generally not growing
- Growth rates in poor countries have accelerated and are higher than growth rates in rich countries for the first time in modern history.

---

2 Dollar however admits that the number of those living under $2 a day has increased
Dollar estimates that the number of extremely poor people has declined from 40.4 percent of the population in developing economies in 1985 to 21.1 percent in 2001. This represents a decline by 375 million people globally. Inequality measured, in Gini Coefficient, is also reported to have dropped from 0.67 in 1980 to 0.61 in 2002. Moreover, the growth rate of developing countries is said to have increased from around 2.9 per cent in 1960 to about 3.5 percent in 2000. This is in contrast to the growth rate decrease of industrialised countries from 4.2 per cent in 1960 to about 1.7 per cent in 2000. From the analysis, the growth rate of developing countries in recent times appears to be more than twice that of industrialised countries. According to Dollar, the achievements of developing countries in the era of globalisation cannot be said to be coincidental, because the integration of poor economies with rich ones is proving many opportunities for poor people to improve their lives. In his estimation, the successes of China and India provide enough evidence for the justification of this claim.

In effect, Dollar, Bhagwati and the other defenders of globalisation seems to portray the current wave of globalisation as a pro-poor phenomenon which must be supported by those who seek the interest of the poor. Developing countries are therefore encouraged to ignore agitations from the anti-globalisation movements but rather open up their economies to embrace the full benefits of globalisation.

2.1.1 Criticism

In Act I, Scene 2 of Shakespeare’s *Romeo and Juliet*, Benvolio, after several unsuccessful attempts to draw the attention of his cousin to the imperfections of Rosaline, presents him with a challenge⁴:

> At this same ancient feast of Capulet's
> Sups the fair Rosaline whom thou so lovest,


⁴ Romeo, Benvolio’s cousin, grieves over his unreciprocated love for Rosaline whom he perceives to be the most beautiful lady in the world. As Benvolio is unable to convince Romeo of the existence of more beautiful ladies, he takes advantage of the Capulet’s feast to throw Romeo a challenge.
With all the admired beauties of Verona:
Go thither; and, with unattainted eye,
Compare her face with some that I shall show,
And I will make thee think thy swan a crow.

Critically, the arguments of Shakespeare’s Benvolio summaries the points being made by the critics of globalisation. To these critics, globalisation carries with it certain ills which cannot be easily seen by its lovers – pro-globalists. Through their criticism, they try to draw the attention of the world to the fact that globalisation has not been as pleasant as portrayed.

According to the critics, globalisation cannot be said to be helping the poor when the era of globalisation has produced unprecedentedly high levels of inequality and hardships to the poor. Thomas Pogge (2007) contends that there are roughly 1000 million people in industrialised countries living on over US$ 30,000 per person per year while over 1000 million of people in developing countries live on about US$ 93 per person per year. Moreover, the 1000 million people in industrialised countries control 80 percent of global product whereas their equal number in developing countries control 0.3 percent of global product (Pogge, 2007, pp. 132).

These inequalities are glaringly manifested in the deprivations and sufferings of the poor. The United Nations Development Programme estimates that about 850 million people are chronically malnourished, 1037 million lack access to safe drinking water, 2000 million lack access to essential drugs, 1000 million have no adequate shelter and 2000 million lack electricity (UNDP, 1998; UNDP 2005). It is also estimated that 18 million people die annually from poverty-related causes that are readily preventable through better nutrition, safe drinking water and access to medicine (WHO 2004, pp. 120 – 5). This means that over 500 million people have died from poverty-related causes since 1980. This figure is far more than the number of people estimated to have died in all the wars in the entire twentieth century.³ The current wave of globalisation, after three decades of practice therefore, poses more questions than answer for majority of poor people living in developing countries.

³ About a hundred million people are estimated to have died in the first and second world wars.
To Pogge (2007), globalisation has been characterised by “radical inequality” which makes the very poor suffer social and economic exclusion. As opposed to Dollar (2007), Pogge claims that:

- The worse-off are very badly off in absolute terms.
- They are also very badly off in relative terms – much worse off than many others.
- The inequality is impervious: it is difficult or impossible for the worse-off substantially to improve their lot; and most of the better off never experience life at the bottom.
- The inequality is pervasive: it concerns not merely some aspects of life but most aspects or all.
- The inequality is avoidable: the better-off can improve the circumstances of the worse off without becoming badly off themselves (Pogge 2002, p. 198).

To a great extent, the critics of globalisation blame the weakness of global rules and global institutions for the continuous marginalisation of the poor. Pogge (2007) maintains that a community’s wealth and resources distribution are greatly influenced by the social norms, rules and practices of that community. Consequently, any evaluation of the impacts of globalisation also demands an assessment of global rules and practices. To him, the benefits from globalisation have not reached the poor because global practices have only enlarged the gains of the exploitative enclave made up of the ruling elite in developing countries and the rich corporations and/or individuals in advanced countries.

*The global rules also greatly facilitate corruption...The global rules also make it very easy to hide corrupt money in banks of affluent countries. These banks do legally and eagerly assist corrupt rulers and officials of poor countries in transferring vast amounts of money abroad....The global institutional rules serve not the interests of the world’s poor, but the interest of rich corporations and individuals in the affluent countries and also the interests of the ruling elite of the poorer countries. (Pogge, 2007, pp. 136-7)*
This inimical practice that is increasingly becoming the status quo in dealings between poor countries and rich corporations must therefore be tackled if the gains from globalisation are to trickle down.

According to Robert Wade (2007) the liberal views which seem to dominate the whole concept to globalisation, has made the concept less concerned about the plight of the marginalised. It is argued that the activities of globalisation have mainly been driven by “specific locales and directed to particular locales” (Rasiah, 2001, p.33). Instead of the benefits from globalisation spreading to every nook and cranny as pro-globalist would want the world to believe, globalisation has been a selective process which has failed to recognise the inequality of capabilities and opportunities among individuals and countries. As such, developing countries where globalisation has been actively practiced are currently dealing with alarming levels of inequalities (Reddy and Minoiu, 2005; Sutcliff, 2007). India and China are cited here as well (see Thompson, 2007).

On the whole, the critics of globalisation argue that the very poor people in developing countries are yet to benefit from globalisation because the acclaimed gains from globalisation has only gone to the ruling elites in these countries. Their evidence lies in the increasing sufferings of the poor, global inequality and intra-national inequality.

3.0 THE EVIDENCE

An interesting observation from the globalisation debate has been how China and India have been used by both sides to justify their claims. The frequent reference to these countries arouses some interest for a case study on these two important countries.

3.1.0 China\(^6\)

The historical significance of China can never be underestimated. China has been important to the affairs of the world both as a planned and market economy. In

---

\(^6\) The case study on China partially relies on the work of Nolan (2009).
1949, when the Chinese Communist Party took over power, China was still a backward economy operating in some degree as a mixed economy. It was not until 1953 that the passion to build a social state became strong. By 1956, industrial means of production had been nationalised, foreign assets had been expropriated and prices were under state control. Through these, the state aimed at providing equal opportunities and security for all.

Between 1956 and 1977, the state made tremendous socio-economic gains with average annual growth of about 6.15 per cent\(^7\). Moreover, the country enjoyed a very high livelihood security, great advances in health and education, drastic reduction in infant mortality and some gains in within-country inequality. But these gains were achieved against a backdrop of suppressed freedom and some levels of inefficiencies. On the whole, however, China maintained high achievement in meeting the basic needs of its citizens.

The beginning of the current wave of globalisation coincided with the Chinese Communist Party’s “reform and opening up” strategy. After the death of Chairman Mao, the Communist Party decided to have some engagement with the market but under strict state regulation. Initially, this was more like an experimental approach to non-ideological policies. But China’s increasing integration into the global economy has produced extraordinary achievement. Most of these results have been enormous compared to gains made under Chairman Mao. For example, data from the China’s National Statistical Bureau (2009) suggests that China’s average annual GDP growth rate from 1978 to 2009 is about 9.37 percent, compared to about 6.15 percent during the Maoist period.

In recent times, China has overtaken the US as the country with the largest FDI and also boast as being the largest exporter in the world after occupying the 28\(^{th}\) position in 1980 (CIA Factbook, 2009). Again, the number of Chinese firms in the *Fortune Global 500* has increased from just 3 in the 1990’s, 22 in 2007 to 37 in 2009 (Nolan, 2009; CIA Factbook, 2009). In every respect, the Chinese economy has been transformed by its strategic engagement with the rest of the world.

\(^7\)Author’s construct using data from the National Bureau of Statistics of China
Yet, China’s gains from globalisation cannot be said to have had an even impact on the Chinese population. Today, inequality has become one of China’s biggest social problems. According to the OECD, China’s inequality is higher than that of the United States (OECD, 2010). It is argued that the influx of multinational firms into China has been more to the benefit of the skilled and affluent middle class. These middle class elite enjoy better wages, accommodation and comfort that is far above the reach of the majority poor – both urban and rural poor. The unskilled urban labour force however, made up largely of rural migrants; earn the equivalent of around $1 – 3 per day (Nolan, 2009).

In today’s globalising China, the Gini coefficient of income distribution is about 0.50 compared with about 0.28 in the early 1980s. Wealth and financial assets inequality are equally high at about 0.55 and 0.74 respectively (Nolan, 2009). Moreover, urban-rural income ratio has increased from 1.85:1 in 1985 to 3.2:1 in 2005.¹⁸

Currently, inequality in China is so manifest that it can be analysed from so many angles. For example, if China is divided into three regions: the east, central and the west, it becomes clear that the east (with Guangdong, Shandong, Jiangsu, Zhejiang and Henan Provinces) attracts more FDI than the other two regions.

In effect, though China has made tremendous economic gains as a result of its integration with the rest of the world, the skewed nature of the gains has worsened intra-national inequality, regional inequality, urban-rural inequality and within-urban inequality. Obviously, China’s economic successes have been accompanied by an inequality syndrome.

Perhaps the clearest summary of the effects of globalisation on China can be deduced from the stories of Lam-Sai Wing and the villagers of Xiazha.⁹

Lam Sai-Wing, chairman of Hang Fung Gold Technology¹⁰, was one of China’s richest men. In 2001, Lam Sai-Wing became famous for building a golden washroom

---

¹⁸ Author’s construct using data from National Bureau of Statistics of China.

⁹ Both stories are formed from pieces of information gathered from Fox news, Word Press, Telegraph news and the BBC.

¹⁰ Hang Fung Gold Technology was renamed 3-D Gold Jewellery Holding in September, 2008.
estimated at $3.5 million. The washroom is made of two toilets each of 24-carat gold weighing 280 kilograms each. The sinks, toilet brushes, toilet paper holders, mirror frames, chandeliers, tiles and doors are also made of pure gold. Unfortunately, Mr. Sai-Wing was found dead on 26th September 2008, in his apartment on Bowen Road, Hong Kong. He was 53 years.

The village of Xiazha (in the Guangxi Autonomous region) however, has been in existence for over 400 years. In spite of China’s gains from globalisation, this village has continued to depend on three wells that were built in 1517 (Moore, 2010). Unfortunately, the recent drought that has hit China has dried up these wells for the first time. The lives of the people are therefore threatened but the best they can do is to wait for assistance from the government.

### 3.1.1 India

After Independence in 1947, India adopted a central planning approach. Among the several reasons given for this option was the need to suppress excessive consumption by the upper income groups and provide opportunities for the poor (Chakravarty, 1987).

From the mid-1980s however, the government begun gradual steps towards market-oriented reforms. By 1991, India had opened up to the rest of the world and involved in globalisation. Like China, globalisation has been important in India’s export-led growth. According to the CIA Factbook (2009), India is currently the 22nd largest exporter in the world.

The economic gains from India’s integration have been enormous. From as low as 1 percent GDP growth rate in 1991, India recorded GDP growth rate of about 9 percent in 2007. Currently India is regarded as the second largest growing economy in the world (Keillor, 2007; Landes, 2009; World Bank, 2010). The country’s income per capita (in PPP) is recorded to have increased from $1800 in 2000 to $3100 in 2005. In terms of purchasing power parity, India has become the fourth largest economy in the world (CIA Factbook, 2009).
Perhaps the most noted benefit to India from globalisation has to do with the Information Technology boom. Global IT boom in recent years has provided jobs for many of Indian’s skilled but low cost labour. India has become a home for business process outsourcing (BPO) and outsourced IT services. India’s skilled IT professionals have been employed by local and foreign companies to service customers mainly in Europe and US. Over the years, India has built a new middle class around the IT boom. This has led to certain changes in demand as preferences and tastes of this new class have also changed (Mukerji, 2006).

India’s opening up has attracted so many multinational firms to its shores. Between 1991 and 1997, the country’s Foreign Direct Investment as a percentage of Gross Domestic Investment rose from 0.1 to 3.7 (Sharma, 2000). These investments have helped to absorb some of the unemployed within the over 467 million labour force (CIA Factbook, 2009).

Despite India’s unprecedented levels of economic expansion, it still contains the largest concentration of poor people in the world (World Bank, 2006). This makes it easy for one to realise that the gains from globalisation have not been evenly distributed. Like China, India’s inequality has taken so many forms. According to data from India’s National Sample Survey Organisation, while inequality was stable (in urban India) and declining (in rural India) in the 1980s, this trend has reversed since India’s integration with the rest of the world. It reports that between 1994 and 2005, national inequality rose from 0.30 to 0.32, from 0.28 to 0.29 for the rural areas and from 0.34 to 0.38 for the urban areas.

However, before 1980s, growth rate for Indian states were almost the same except for Haryana, Punjab and Maharashtra. Interestingly, there have been sharp differences between states since 1991. Growth has accelerated in some states but decelerated in others (World Bank, 2006). But even in states which have experienced growth, the gains from growth have been skewed to a few. The World Bank’s Development Policy Review (2006) reveals that the rural areas of Assam, Bihar, and Orissa states have poverty rates worse than many Sub-Saharan African countries, while rural areas of states known to have greatly benefited from globalisation, like Andhra Pradesh, Karnataka and Maharashtra, have poverty rates that are only marginally lower.
A World Bank Report (2005) estimates that 456 million Indians live under the global poverty line, compared to 421 million people in 1981. This figure, representing 42 percent of India’s population, implies that India is home to about a third of the world’s poor. Furthermore, India’s 2001 census revealed that only 35.1 % of households owned a radio or transistor, 31.6% a television, 9.1% a phone, 43.7% a bicycle, 11.7% a scooter, motorcycle or a moped, and 2.5% a car, jeep or van; 34.5% of the households had none of these assets. More strikingly, nearly 50 percent of the world’s hungry are estimated to be residents of India (WFP, 2010).

In effect, though India’s benefits from globalisation have been praised by many countries and international bodies, these benefits are enjoyed by a tiny fraction of the population who live predominantly in the urban areas. For every individual Indian, as to whether globalisation has been good or bad depends on how he or she has been influenced. It might be good for some; perhaps really good for a few, but certainly not the majority.

4.0 THE VERDICT

In every critical sense, it would be difficult for one to say that globalisation has made no gains for developing countries. From the cases examined, China and India can be said to have both improved their world economic status through globalisation. From relatively backward economic levels, China has become a major economic force in this era and is penetrating every market. The latest of China’s achievements is her overthrow of the United States as the world’s largest auto producer and market (Ying, 2010). This recent achievement has ended a more than a century American dominance of the auto market which started with Model T Ford. Similarly, India is making great gains from globalisation and has a potential of becoming a world Information Technology superpower.

The gains from globalisation, however, have not trickled down to most poor people in developing countries. As the cases of China and India show, majority of poor people are yet to be significantly impacted by globalisation. China and India still contain majority of the world’s poorest people. India has the hungriest population in the
world and China has one of the lowest informal sector wages in the world. Both India and China suffer alarming levels of social inequality.

Having examined the arguments and the cases that have been represented, this paper is of the view that the current era of globalisation has moved along in a manner that has benefitted a few people in an imaginary economic enclave. Majority of poor people have therefore been sidelined from the gains of globalisation.

Critically, globalisation has created two hierarchies of “economic enclave” that the poor people must contend with. The first is the within-boundary “economic enclave” which explains urban-rural inequality and inequality among people living in urban areas (i.e. within-urban inequality). The second is the borderless “economic enclave” which supports the increasing growth of wealth for the super rich few at the top of the world.

Of the two hierarchies, the lack of a physical international government means that the second economic enclave would be difficult to break. However, the ability of individual governments in tackling the first hierarchy would have an influence on the second. In short, there is a need for globalisation to be managed.

As Pogge (2007) and Sen (1999) rightly observed, the major challenges of the poor include inequality of opportunities and capabilities. In India, many poor people could not take advantage of the IT boom because they lacked the skills required. Developing countries government can help the poor to better position themselves for gains from globalisation by placing more attention on the education and skill development of the poor. On another note, governments could help trickle down the benefits from globalisation by establishing efficient institutions to combat corruption in these countries.

5.0 CONCLUSION

Globalisation has brought enormous gains to developing countries that could otherwise have been difficult to attain. For the first time in the history of the world, a developing country has climbed to enviable economic positions as the world’s largest exporter and world’s largest auto market. Globalisation has also helped other
developing countries to attract indirect and direct investments which have assisted in absorbing some of the unemployed labour in these countries.

However, these gains have impacted less on the majority of poor people in these countries. The reasons for the inability of the gains to have trickled down ranges from a lack of skills on the part of the poor to a high level of corruption on the part of the ruling elite.

But whatever the reason may be, the fact remains that there is growing inequality between the rich and the poor. Such occurrence in a period universally admitted to have benefitted developing countries can only give credence to a conclusion that the gains from globalisation have gone to a few people within an “economic enclave” at the expense of the poor majority.

However, when all is said and done, what is necessary is not a reduction of globalisation but a proper management of globalisation to ensure that the gains trickle down to the poor and inequality is reduced. Globalisation is like fire, which can be used for good purposes but if left uncontrolled could destroy even the things we hold dear.
REFERENCES


Moore, M. (2010), www.telegraph.co.uk/news/worldnews/asia/china


www.mospi.gov.in/nssos�aug2008/web/nsso.htm


OECD (2010), *Inequality in China Levelling Off*,
http://online.wsj.com/article/SB10001424052748704022804575040814244436390.html


Sharma, Kishor (2000), *Export Growth in India: Has FDI Played a Role?* Economic Growth Center, Yale University, Center Discussion Paper No. 816


Wade, R. (2007), *Should We Worry about Income Inequality?* In David Held and Ayse Kaya (eds), Global Inequality, Cambridge: Polity Press


World Food Programme (2010), *World Hunger – India*, www.wfp.org/node/3485

Ying, T. (2010), *China Ends U.S’s Reign as Largest Auto Market*

http://www.bloomberg.com/apps/news?pid=20601087&sid=aE.x_r_lqNZE