



Globalization and Development: New Challenges and New Opportunities

Google Talk

June 20, 2006

Nancy Birdsall

President

Center for Global Development

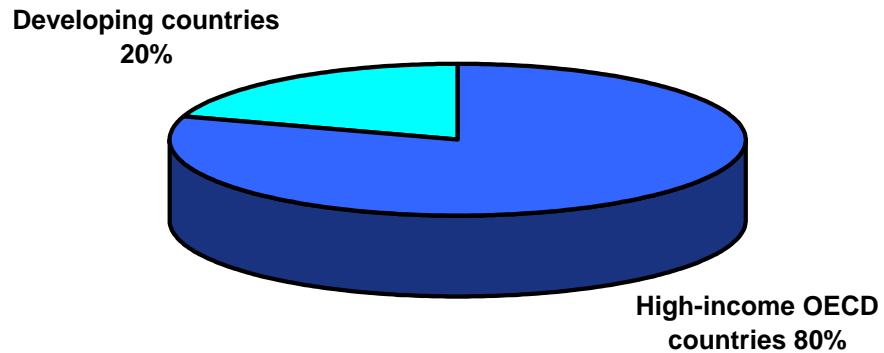
Washington, D.C.

Globalization and Development: New Challenges and New Opportunities

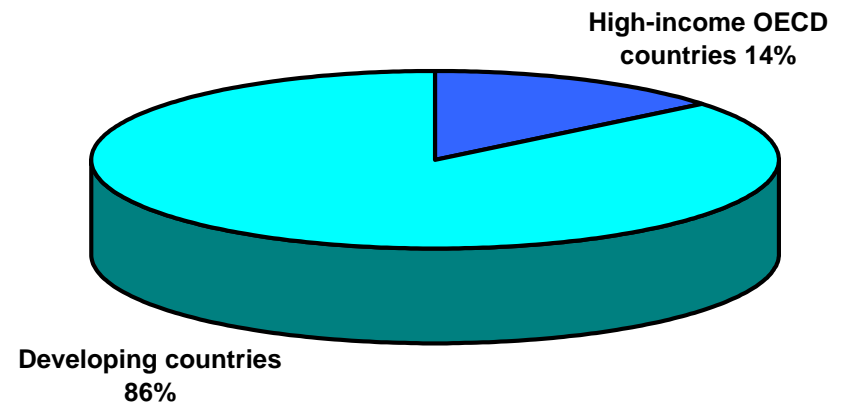
1. **Rich world/poor world: The paradox**
2. “Development” has been a success...but ...
3. Rich world/poor world: Debates and difficulties
4. A new “technology” of development?

1. Rich world/poor world: the paradox

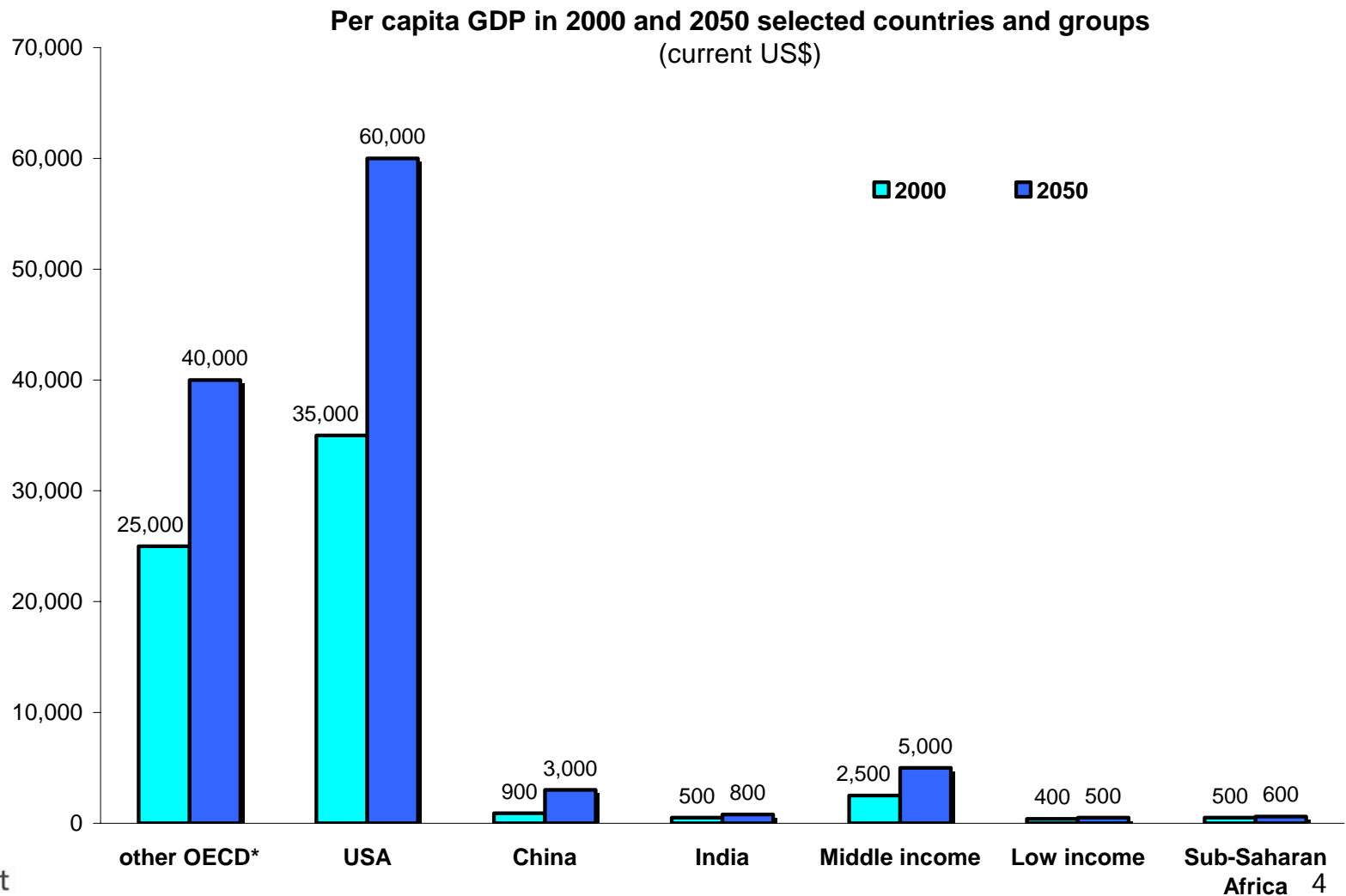
Share of world GDP in 2000 (percent)



Share of world population in 2000 (percent)



1. Rich world/poor world: the paradox



Note: *Other OECD excludes the US, Mexico and Korea. Source: Birdsall (2004).

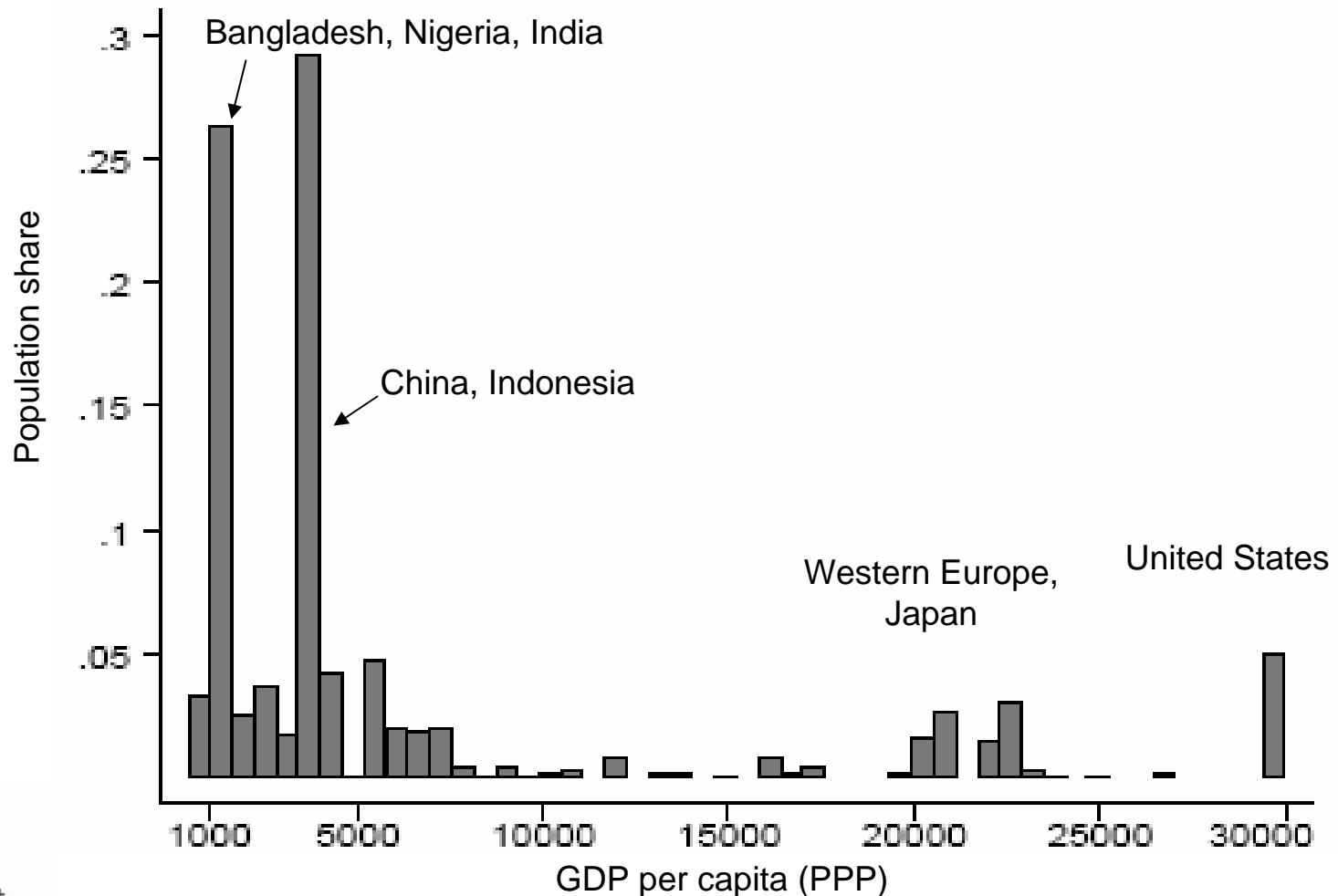
1. Rich world/poor world: the paradox

Number of people living on less than \$2 per day in 2001 (millions)	
India	809
China	591
Indonesia	114
Nigeria	104
Pakistan	86
Brazil	39
Philippines	36
Egypt	27
Mexico	26
Thailand	20
<i>Sub-Saharan Africa</i>	<i>516</i>

Source: World Bank (2005).

1. Rich world/poor world: Few countries today are “middle class” (and even fewer people are)

Distribution of world population by 1998 GDP per capita



Source: Milanovic (2005).

Globalization and Development: New Challenges and New Opportunities

1. Rich world/poor world: the paradox
2. **“Development” has been a huge success...but there’s a long way still to go...**
3. Debates: Rich world/poor world transfers
4. Extending success via new frontiers

2. Growth has been fast in many developing countries

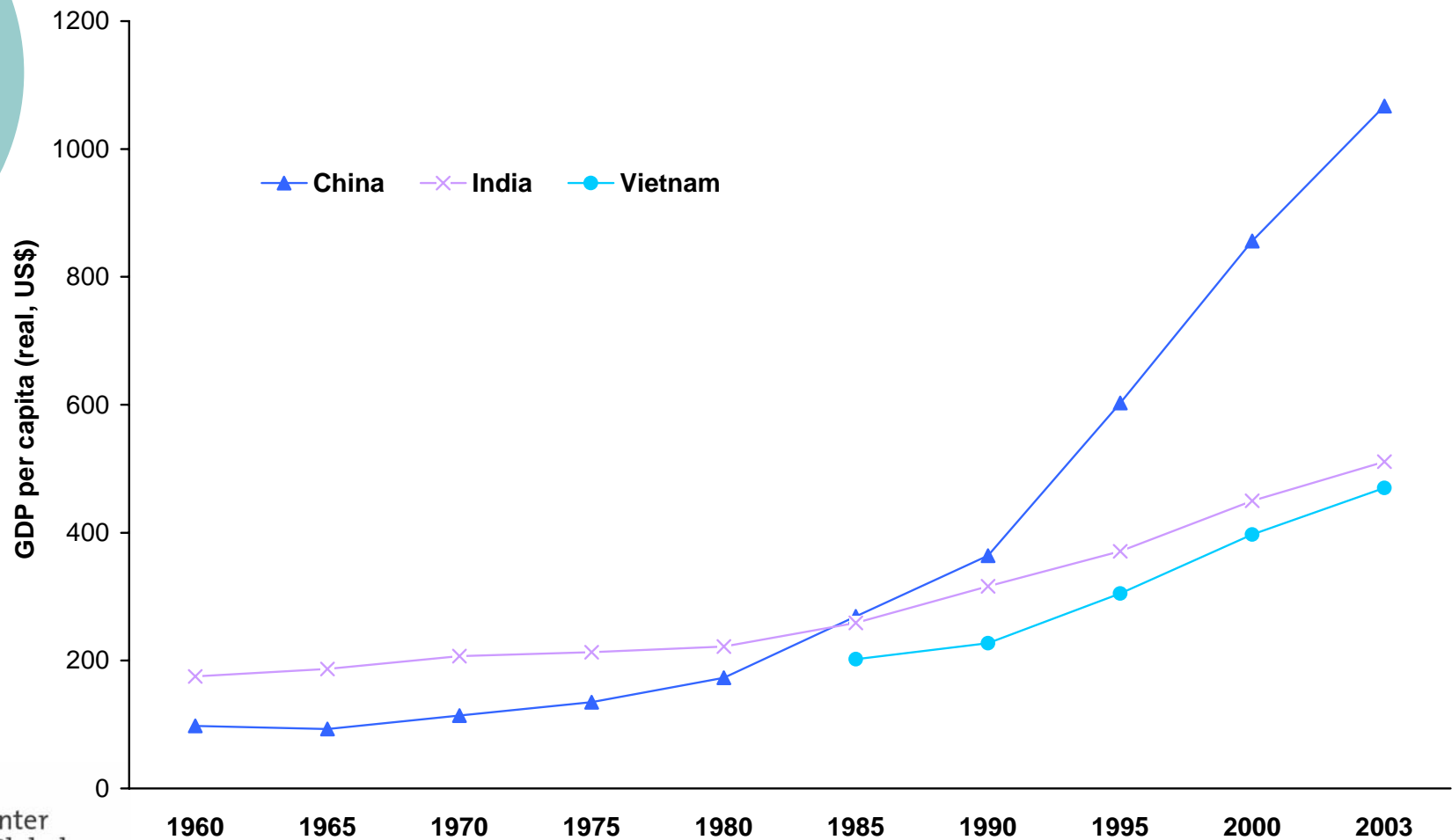
10 fastest growing countries - Per capita income (percent)			
1960-1990		1990-2003	
Botswana	7.9	Equatorial Guinea	13.6
Oman	7.2	China	8.6
Taiwan	6.9	Ireland	5.8
Singapore	6.5	Vietnam	5.8
Hong Kong	6.2	South Korea	4.8
South Korea	6.1	Lebanon	4.3
Japan	5.3	Chile	4.1
Thailand	5.0	Mozambique	4.1
China	4.5	Mauritius	3.9
Portugal	4.4	India	3.8
<i>United States</i>	2.3	<i>United States</i>	1.8

Note: Current per capita incomes:

Botswana \$3,500, Oman \$8,560, Taiwan \$18,000, Singapore \$21,900, Hong Kong \$25,600, South Korea \$12,230, Japan \$38,200, Thailand \$2,275, China \$1,070, Portugal \$10,280, US \$35,360, Equatorial Guinea \$3,715, Ireland \$27,930, Vietnam \$470, Lebanon \$3,925, Chile \$5,195, Mozambique \$255, Mauritius \$4,160, and India \$510.

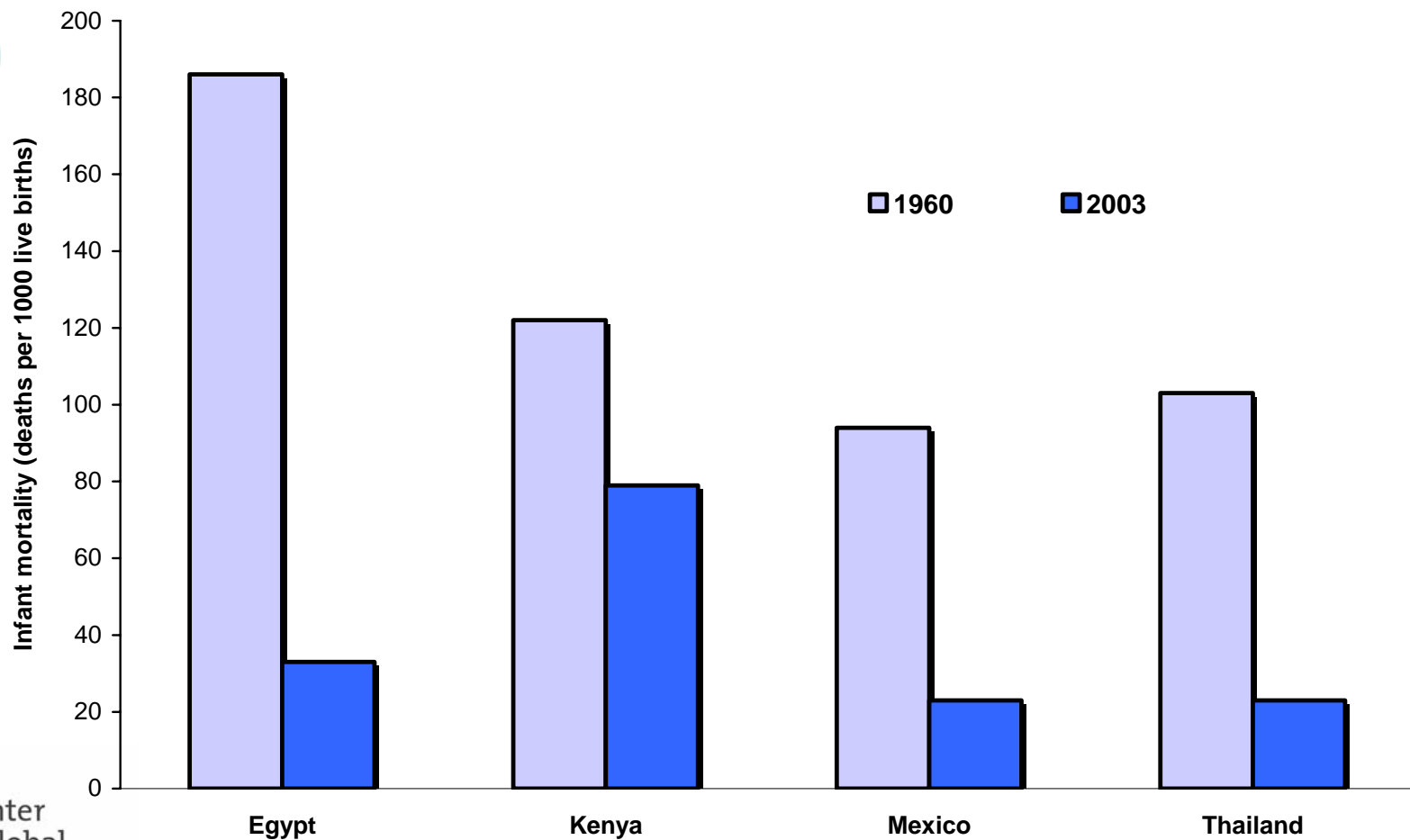
Source: WDI (2005).

2. Poor in 1960: China, India and Vietnam have more than doubled per capita income

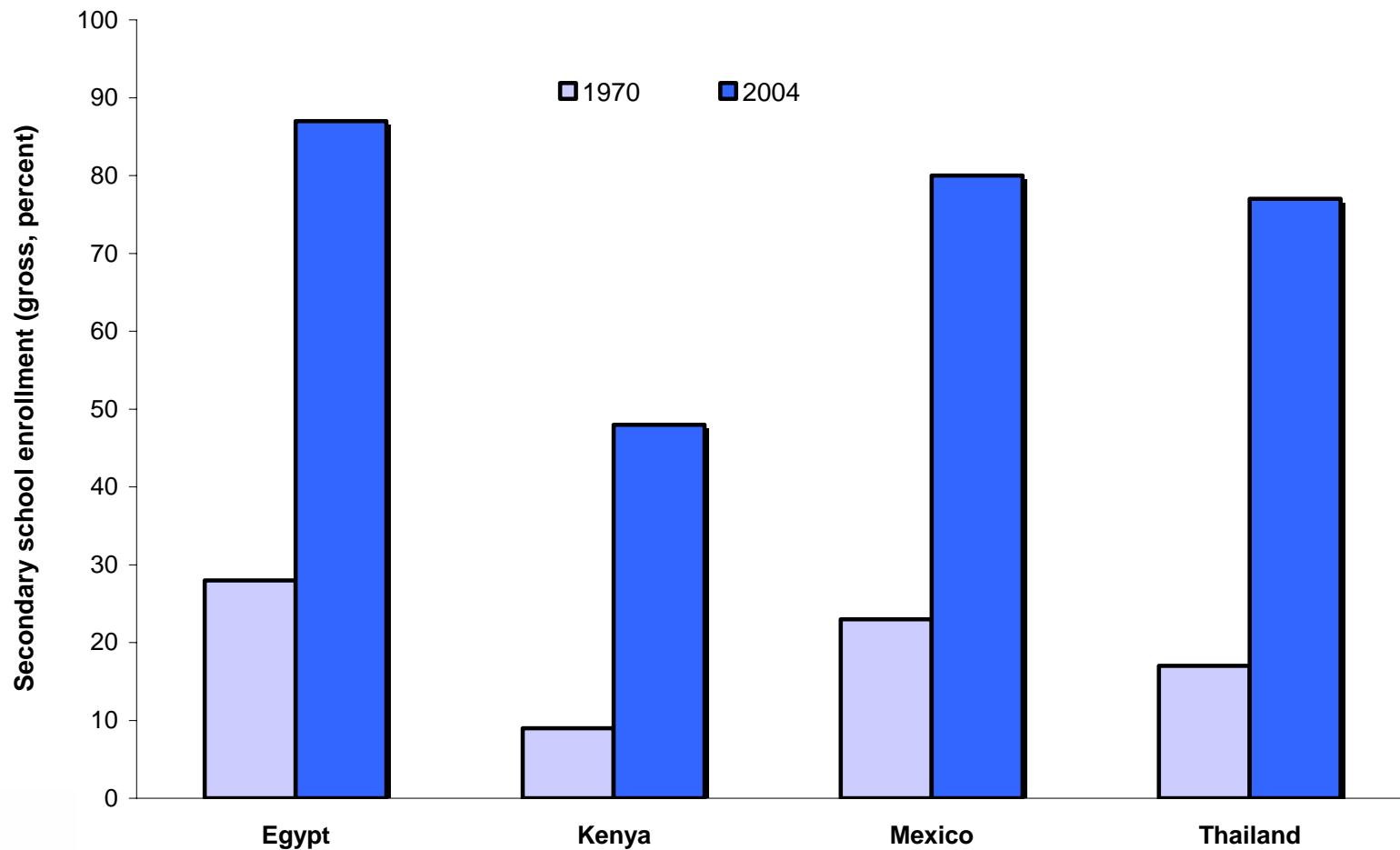


Source: WDI (2005).

2. Infant mortality has gone down everywhere...

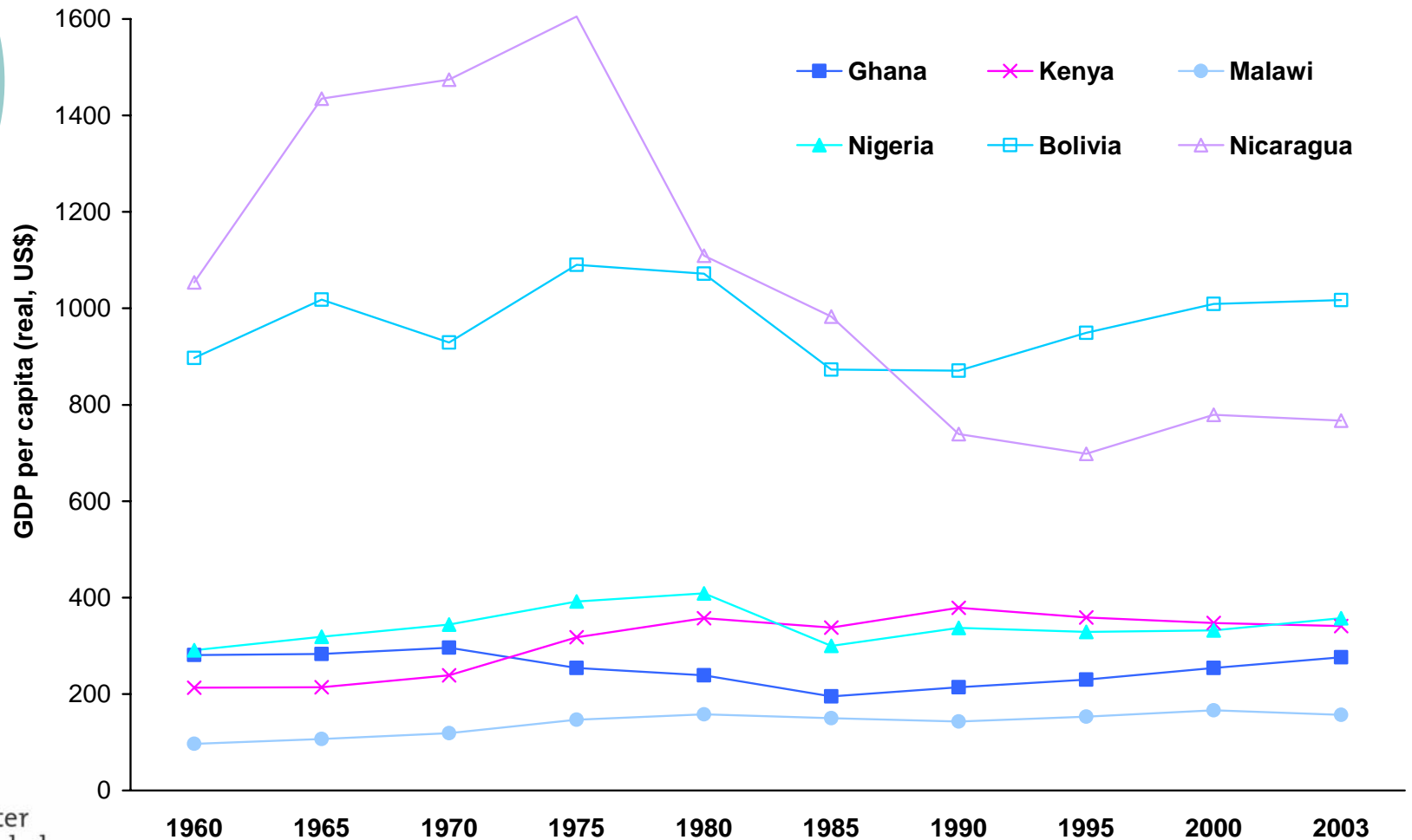


2. ...and secondary school enrollment has gone up



Source: World Bank EdStats (2006).

2. ...but still a long way to go. Not all countries are growing



Source: WDI (2005).

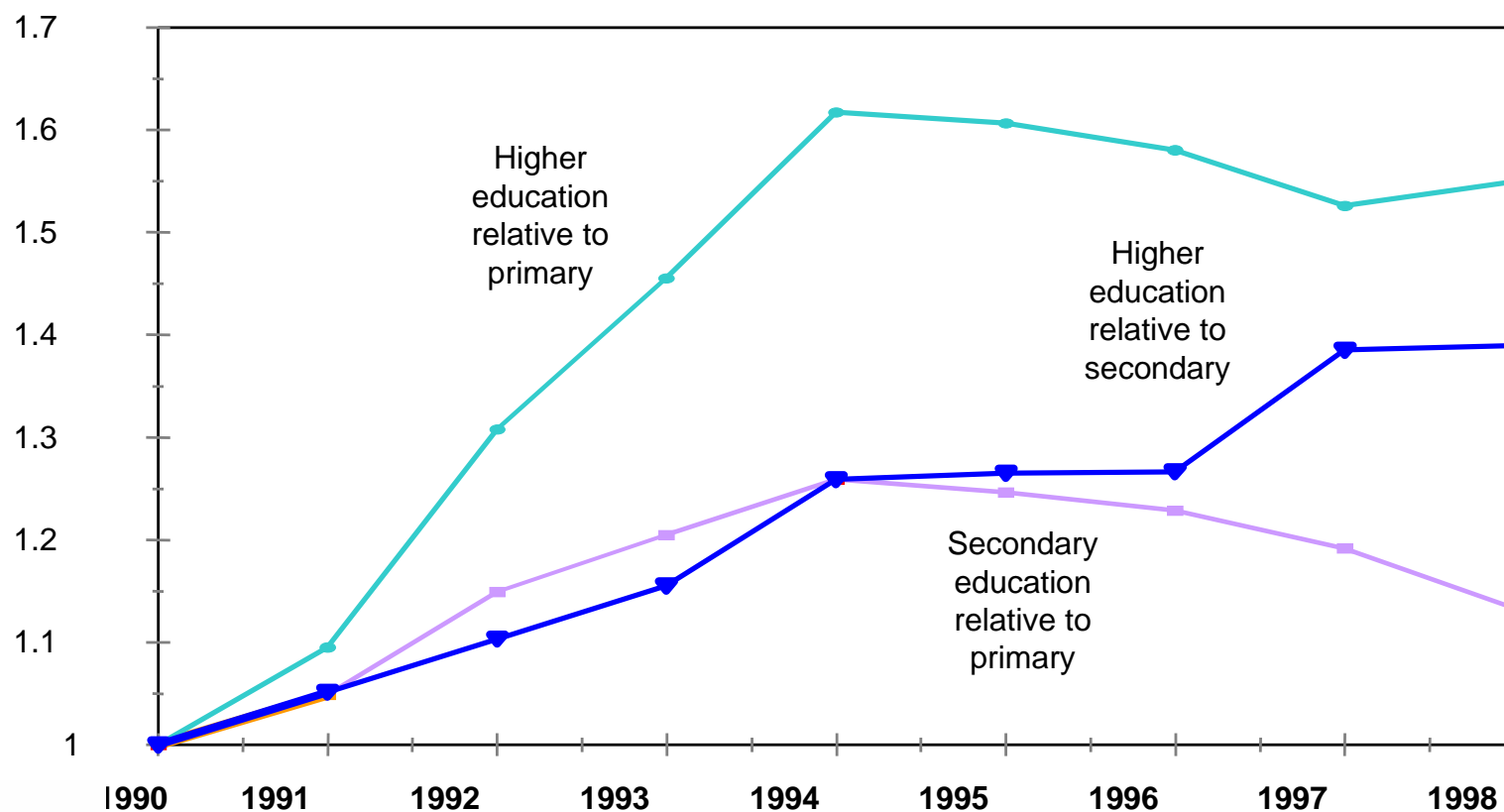
2. ...within most countries there are huge divides between rich and poor...

Infant mortality rate by wealth quintile, 1999-2000 (per 1000 live births)		
	Poorest 20% of population	Richest 20% of population
Cambodia	110	50
Bolivia	107	26
Uganda	106	60
India	97	38
Bangladesh	93	58
Turkey	68	30
South Africa	62	17
Philippines	49	21
<i>United States</i>	7	
<i>Sweden</i>	3	

Source: World Bank HNPStats (2005).

2. ...and those without enough education are losing out everywhere – at least relatively speaking

Relative log wage



Source: Behrman, Birdsall and Szekely (2003).

2. ...especially in the worst governed countries

Poverty in the 10 worst governed countries¹

	WB governance index 2004 (lower score=worse performance)	ICRG index 2001	GDP per capita 2003 (real, US\$)	Life expectancy at birth 2002 (years)
Somalia	-2.1	1.00	-	47
Iraq	-1.8	1.00	-	63
Congo, Dem. Rep.	-1.7	0.67	87	45
Liberia	-1.6	1.33	123	47
Haiti	-1.6	1.00	467	52
Zimbabwe	-1.5	1.33	479	39
Sudan	-1.5	1.33	433	58
Guinea-Bissau	-0.9	1.33	135	45
Cameroon	-0.9	1.67	634	48
Niger	-0.7	1.33	178	46

Note:

The version of the Institutional Country Risk Guide (ICRG) index used here consists of three components: rule of law, corruption and bureaucratic quality. The World Bank governance index has 6 components: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption.

1. Worst governed countries as measured by the World Bank governance index in 2004

Sources: PRS Researcher Group Dataset (2003); WDI (2005); and World Bank (2005; 2006).

Globalization and Development: New Challenges and New Opportunities

1. Rich world/poor world: the paradox
2. “Development” has been a success...but challenges remain
3. **The “technology” of development: debates and difficulties**
4. Extending success via new frontiers

3. The “technology” of development in a global economy: debates and difficulties

- Trade and capital transfers (globally integrated markets)
- Foreign aid
- People (migration)
- Knowledge and ideas: technology creation and transfer

3. The globalization debate

“No country has developed successfully by turning its back on international trade and long term capital flows.”

-Stanley Fischer, former Deputy Managing Director, IMF

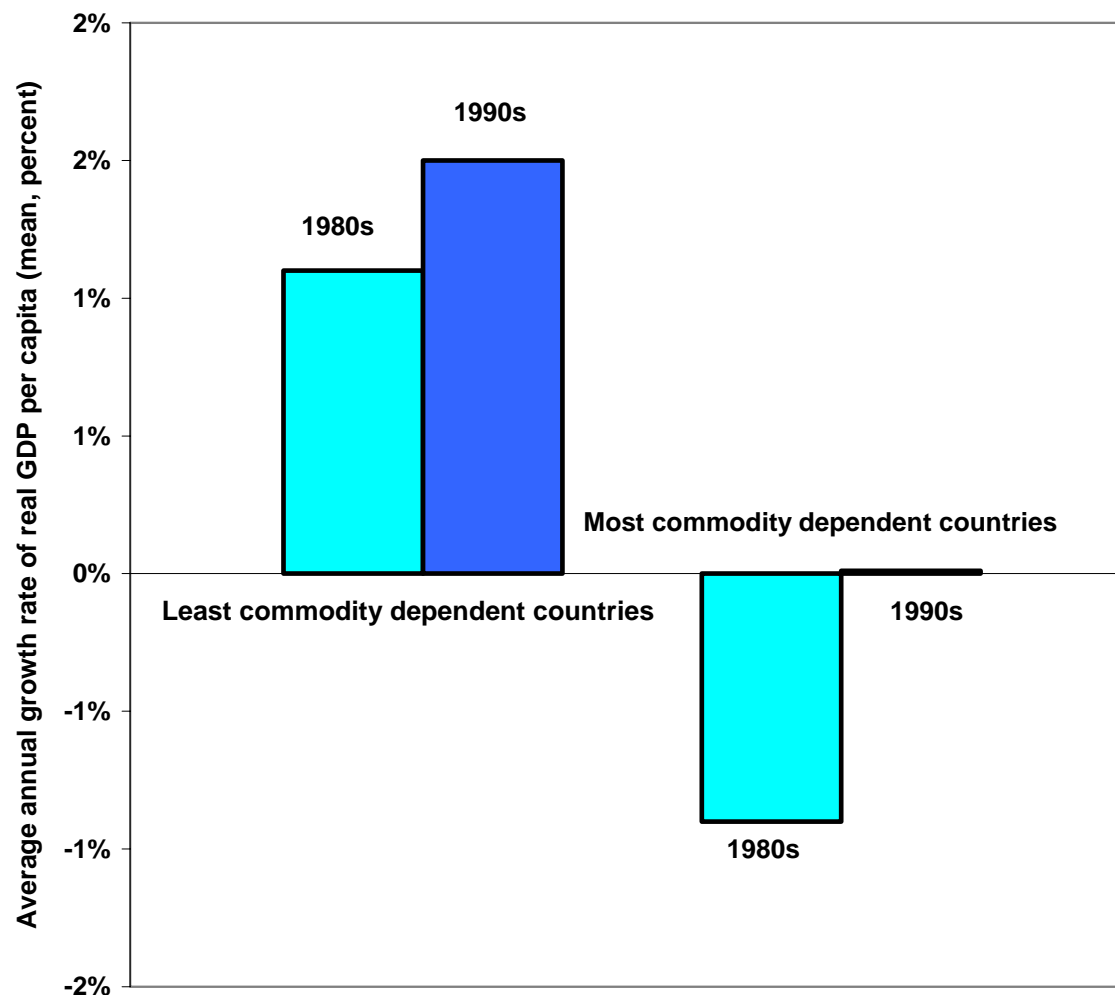
“If you're totally illiterate and living on one dollar a day, the benefits of globalization never come to you.”

-Jimmy Carter, former President, USA

3. The debate over trade and “market access”

- Global free trade (no barriers) could reduce the number of people living on less than \$2 a day by almost 450 million in 15 years (Cline, 2004)
- This would cut the world poverty level by an additional 25 percent
- Agricultural liberalization alone would contribute about half of these gains

3. Free trade: But some countries are unlikely to benefit without many other changes

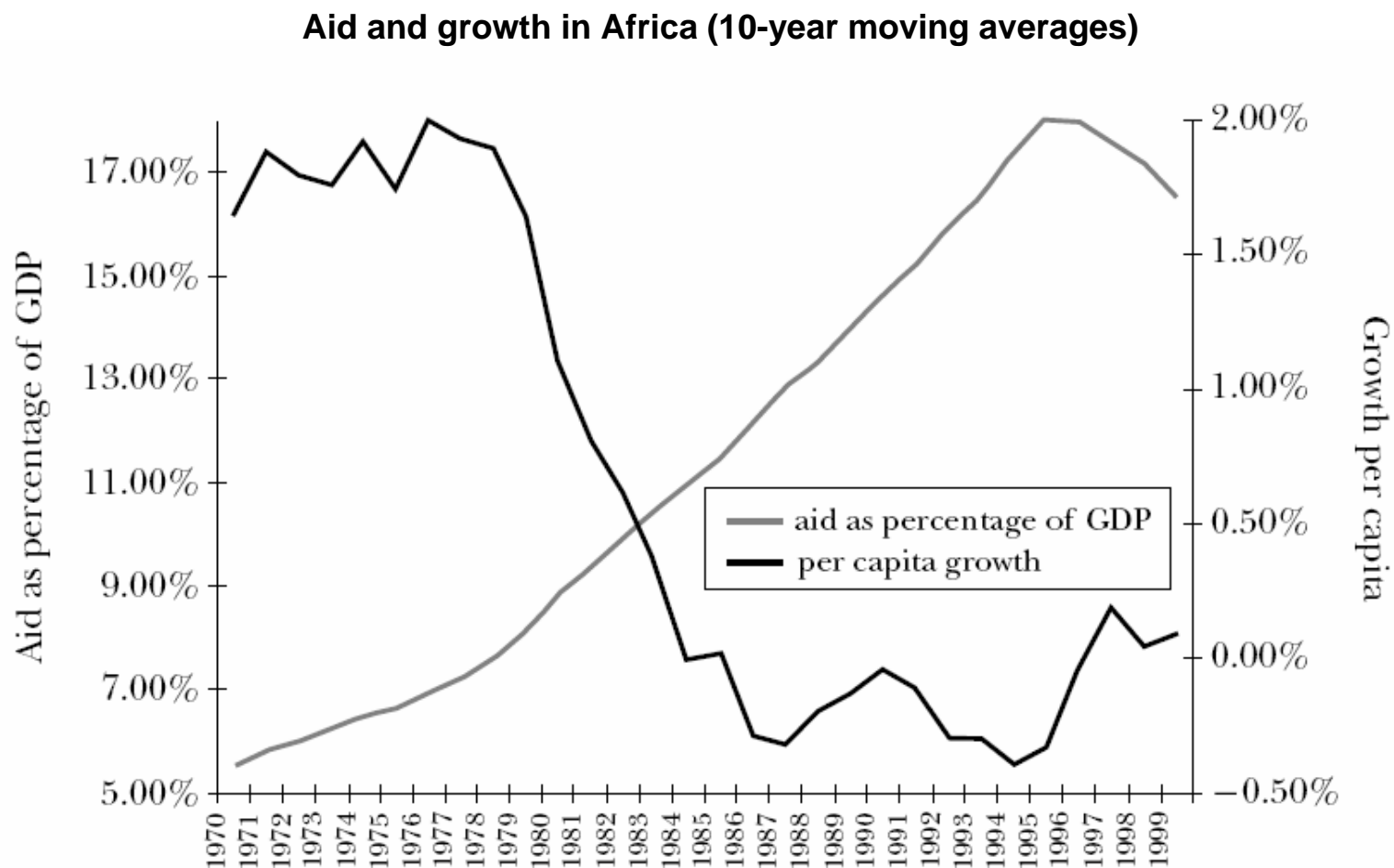


Source: Birdsall and Hamoudi (2002).

3. The aid debate. On the one hand, foreign aid works...

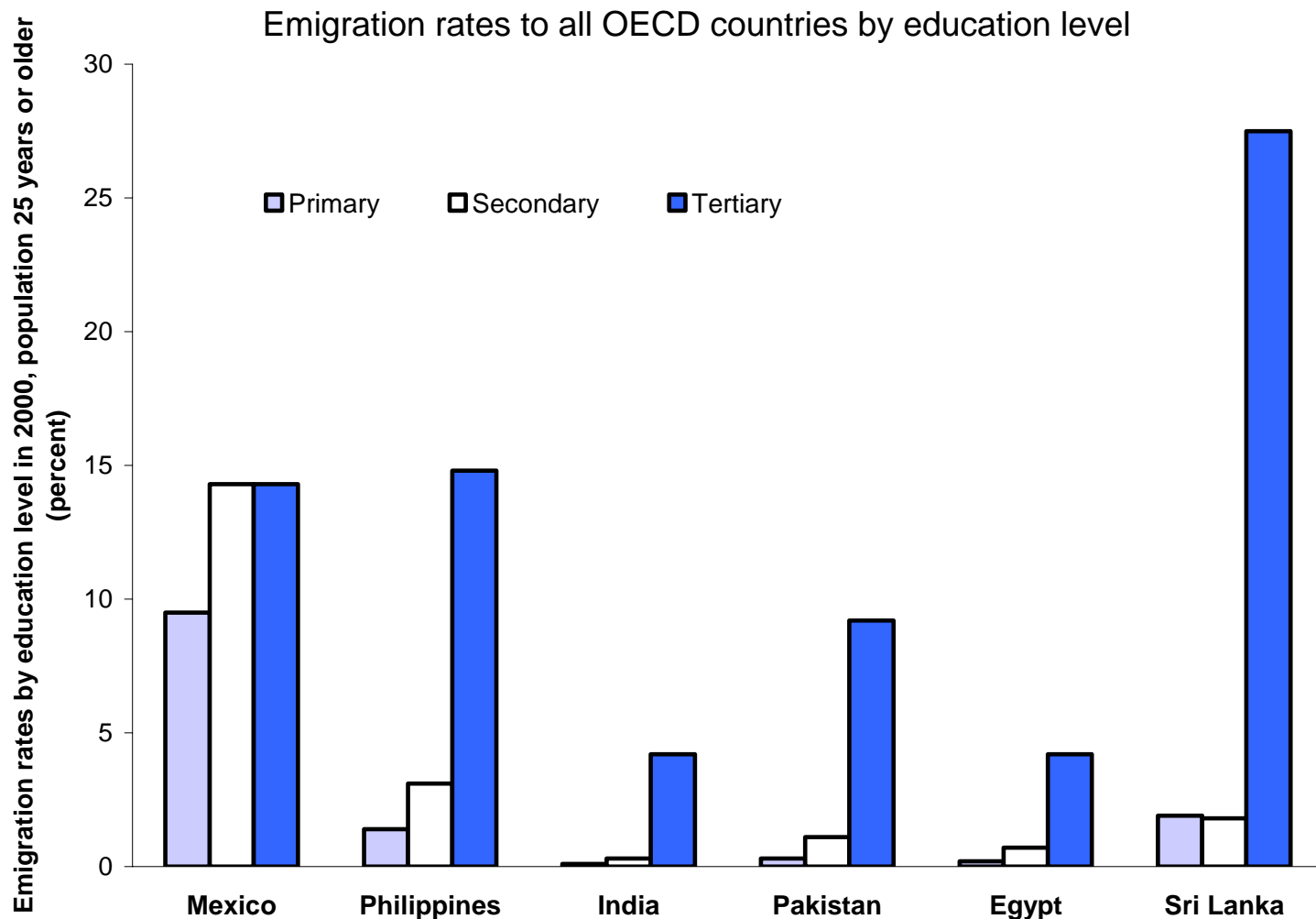
- Eradicating small pox: a global effort by the WHO eradicated smallpox in 1977
- Eliminating polio in Latin America and the Caribbean: Starting in 1985 a region-wide polio elimination effort immunized almost every young child in LAC, eliminating polio as a threat to the public
- Reducing guinea worm in Asia and Sub-Saharan Africa: A multi-partner eradication effort reduced the prevalence of guinea worm by 99 percent in 20 endemic African and Asian countries. Since the start of the campaign in 1986, the number of cases have fallen from 3.5 million to fewer than 35,000 in 2003

3. Foreign aid ...but not everywhere and not all the time



Source: Easterly (2003).

3. The migration debate. Rich world “poaching”...?



Source: Kapur and McHale (2005).

3. International migration ...or sharing?

- Remittances
- Induced human capital at home – enrollment in nursing school in South Africa and the Philippines
- Return of investment and “human capital” (Silicon Valley to Bangalore) (Nigerian doctors)

3. Transfer of technology: Knowledge creation and dissemination

“There is no purpose, to which public money can be more beneficially applied, than to the acquisition of a new and useful branch of industry; [that results in] a permanent addition to the general stock of productive behavior.”

-Alexander Hamilton

3. Technology creation and transfer

(Google is about: creation and spread of knowledge: open access)

Debate in development is about:

- How ensure new knowledge is not commercialized/privatized (patent gridlock)

Challenge is:

- How create capacity outside the rich world for the creation of knowledge that has to be “local” to work? And the rapid adaptation of technologies to local constraints and opportunities?

Globalization and Development: New Challenges and New Opportunities

1. Challenge and opportunity
2. “Development” has been a success...but challenges remain
3. Debates: Rich world/poor world transfers
4. **Extending success**

4. Extending success via new frontiers

- Some knowledge/technologies is easy to transfer (computers/new vaccines)
- ...but still needs the complementary “technology of development” (accountable government, property rights, the rule of law...)
- Shared information and ideas are inputs to the technology of development... How tap the info revolution? Globalization (and Google-ization) provides a huge opportunity...