

Chapter 1

Trade, Globalisation and Economic Policy

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'I feel about globalization a lot like I feel about the dawn. Generally speaking, I think it is a good thing that the sun comes up every morning. It does more good than harm. But even if I didn't much care for the dawn, there is not much I could do about it ... I can't stop it - except at a huge cost to human development - and I am not going to waste my time trying. All I want to think about is how I can get the best out of this new system, and cushion the worst, for the most people.'

Thomas L Freidman, *The Lexus and the Olive Tree*¹

1 Introduction: A Changing World

The rapid increase in globalisation since the end of World War II has led to the largest increase in economic growth in human history and relief from poverty for more than one billion people.² Rates of economic growth in emerging nations far exceed growth rates in the developed world.³ During the 2000-2010 period, developing countries grew on average of 6.8 per cent, whereas high income countries averaged only 1.8 per cent over the same period. This increased the share of world income of developing countries from 18 per cent in 2000 to 30 per cent in 2010, while the share of world income of the ten largest economies decreased from 74 per cent to 66 per cent.⁴

1 TL Friedman, *The Lexus and the Olive Tree: Understanding Globalization* (Farrar, Straus, Giroux, 1999), xviii.

2 M Wolf, *Why Globalization Works* (New Haven: Yale University Press Note Bene, 2005), 140-145. Wolf analyses the impact of globalisation through 2002. For a more current discussion with projections until 2015, see L Chandy and G Gertz, *Poverty in Numbers: The Changing State of Global Poverty from 2005 to 2015* (Washington DC: Brookings, 2011).

3 F Zakaria, *The Post-American World* (New York: WW Norton, 2008), 3.

4 World Bank, 'Changes in Country Classifications', 1 July 2011, <<http://data.worldbank.org/news/2010-GNI-income-classifications>>.

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