

# GLOBALIZATION AND DEVELOPMENT

Volume I: Leading Issues in Development with Globalization

Volume II: In Search of a New Development Paradigm

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## OBJECTIVE

To provide a comprehensive and balanced reference work which offers policy makers, researchers and students in the international development cooperation community a guideline toward the Post-MDGs development strategies and paradigms under a globalizing world economy.

## RATIONALE

In the development process of developing countries under globalization, it is essential to understand the expanding mechanisms of the domestic and interstate economic gaps that are linked to each other and have become a multi-layered process. Without conscious and well-informed efforts, an economic growth that leads to poverty reduction (i.e. pro-poor growth) cannot be achieved. The international trade theory and the theories of international capital flows stress that international economic integration brings about symmetrical effect and phenomena to the developed and developing nations; thus, it will enable to reduce poverty through benefiting mainly the (less skilled) laborers in developing countries. Numerous empirical studies agreed that economic integration contributes to poverty reduction on the basis that it accelerates growth “on average,” while being neutral to the distribution of benefits, again “on average.” However, in reality, there exists a number of “dispersion” in this “average” relationship, both from transnational and chronological aspects. This implies that there are countries in which integration to the global economy does not bring in growth. Even if it does produce growth, it does not lead into poverty reduction due to inequality in income distribution and spatial distribution of industry.

Hence, this book, as an outcome of the supporting international joint research projects financed by the Japan Society for the Promotion of Science (JSPS), intends to elaborate a “cross-national study” on the “interstate dispersion” of the impact (growth, inequality, and poverty) that international economic integration provides to the economies of the developing countries, along with some specific factors that determine the outcome in each nation (such as socio-economic institutions and policy packages).

The ongoing process of globalization involves three major currents of political, economic, and cultural integration. It has also been propelled by the four undercurrents in the struggle and integration of ideology, human being, information, and institutions. Given this multi-layered process of globalization, this research examines “poverty” not only on the basis of economic indicators such as income and expenditures but also from the viewpoints of “subjective well-being” and “happiness” of the people under consideration.

At the end, this book introduces diversified development paradigms under globalization for the post-MDGs era. It is presented as a proper evolution from the hegemony of the new liberalism that has been dominant during the past couple of decades and during the course of the current MDGs efforts.

## UNIQUENESS

The salient natures of this book are the following:

- 1) it is compiled as an output of a well-coordinated four-year international joint research project participated by 15 academic and research institutions from 7 countries (Bhutan, China, Ghana, Indonesia, Japan, Thailand, and Vietnam), with support from the Japan Society for Promotion of Science;
- 2) it contains conceptual/ideological/paradigm discussions, rigorous empirical studies both at macro- and micro-economic levels, with an interesting set of country case studies, and a collection of crosscutting thematic issues and analyses in a well-organized manner;
- 3) it is produced as a joint venture between academic researchers and policy makers;
- 4) contributors include those with working experiences with trend-setting international organizations such as the UN and the World Bank, as well as those working for national institutions in the developing countries which are known for the unique development paradigms like the Gross National Happiness in Bhutan and the Self-Sufficient, Green and Happiness Society in Thailand (One example of this unique mixture is the plenary session that this research group hosted for the 22<sup>nd</sup> national conference of the Japan Society for International Development (JASID) that can be viewed and downloaded from [http://www.gsid.nagoya-u.ac.jp/sotsubo/JASID22\\_Symposium\\_E.pdf](http://www.gsid.nagoya-u.ac.jp/sotsubo/JASID22_Symposium_E.pdf)); and,
- 5) it is also a contribution to the world-wide post-MDGs discussion groups such as the International Experts Working Group (IEWG) for the New Development Paradigm (NDP) network promoted by the Government of Bhutan, the UN SG's advisory committee led by Prof. Jeffrey Sachs, Columbia University, and the Society for International Development (SIG).

At present there is no single reference book that serves as a comprehensive guide for those in the international development community on the subjects of diversified development paradigms/paths under globalization and other challenges in the post-MDGs world. This book aspires to be the one.

## READERSHIP

- Policymakers (including their bureaucratic brains) and practitioners in the international development community such as the governments (and aid-related agencies) of developed and developing countries, international organizations, NGOs and other civil-society groups and so forth.
- Academics and students seeking well-balanced and comprehensive references to the impacts of globalization on development and development paradigms.
- Established researchers seeking for a single repository on the evolution of globalization and development paradigms, with a balanced stock of diversified concepts/ideologies/paradigms, rigorous empirics (systematic presentation of facts), and country case studies.

## CONTENT AND STRUCTURE

The structure of the books (two-volume set) is given at the end of this proposal in the PROPOSED STRUCTURE OF THE BOOK section, with brief descriptions of chapter contents and the list of chapter authors. This two-volume publication will consist of four main parts.

### Volume I: Leading Issues in Development with Globalization

Part I will have an introductory chapter that introduces the evolution and facets of globalization, and the challenges that we face in our development efforts under globalization. Another chapter will present the stocktaking of the earlier empirical studies on the impacts of globalization. It also shows the results/findings of our rigorous panel studies. What do we really know about the impacts of globalization?

Part II will collect thematic and issue-oriented discussions on the key facets of globalization. They include issues of global governance, global value chains, global environmental management, global migration, aid effectiveness and strategies under globalization, and modeling analyses (CGE and macro-econometric) of trade, capital flows and poverty reduction.

### Volume II: In Search of a New Development Paradigm

Part III will present the country case studies of Bhutan, China, Indonesia, Japan, Thailand, and Vietnam. For the African continent, a case study on Ghana and another chapter that describes the overall African experience under globalization will be presented, reflecting the recent emergence of Africa as the global target of investment.

Part IV will consist of descriptive ideological chapters on the emerging and existing development paradigms and chapters with rigorous empirical analyses on 'Happiness' and 'Subjective Well-being' as a new and expanding target of development for the post-MDGs era. The concluding chapter will present forward-looking discussions on the new development paradigms under a globalized, yet diversified world. A translation to policy suggestions for the international development community will be offered.

## CONTRIBUTORS

This book will be compiled in order to disseminate key findings from the following two international joint research projects supported by the Japan Society for the Promotion of Science (JSPS):

- 1) "Controlling the Impact of Globalization on the Poverty-Growth-Inequality Triangle: An International Comparative Study" (2010-2014 JSPS Grants-in-Aid for Scientific Research: Kiban A (Class A) Project);
- 2) "Development and Happiness: An Inquiry into the Diversification and Endogenization of the Goals of Development" (2011-2014 JSPS Grants-in-Aid for Scientific Research: Challenging Exploratory Research Project).

[Project HP: [http://www.gsid.nagoya-u.ac.jp/sotsubo/index\\_GlobalizationKaken.html](http://www.gsid.nagoya-u.ac.jp/sotsubo/index_GlobalizationKaken.html)]

The chapters will be written by an international selection of authors drawn from Japan, other parts of Asia such as Bhutan, China, Indonesia, Thailand, and Vietnam, and two countries from Africa, DRC and Ghana. The contributors also include established researchers and professors from Nagoya University (Japan), Tsukuba University (Japan), Shanghai Institute of Foreign Trade (China), University of Indonesia (Indonesia), Chulalongkorn University (Thailand), Vietnam National University (Vietnam), and University of Ghana (Ghana). The contributors also include established researchers and policy makers from the Centre for Bhutan Studies (Bhutan) and the National Economic and Social Development Board (Thailand). They are experts (or designers) of (the design of) the ‘Gross National Happiness’ and ‘Self-sufficient Economy (Green and Happy Society)’ development paradigms.

## A NOTE ON THE EDITOR OF THE BOOK

Dr. Shigeru Thomas OTSUBO, a Japanese national, is a professor of International Development Economics and the director of Economic Development Policy & Management Program at the Graduate School of International Development (GSID), Nagoya University, Japan. Prior to his present assignment that started in 1996, he worked as an assistant professor at the Economics Department of Stanford University, an economic affairs officer at the Department of International Economic and Social Affairs of the United Nations, and as an economist at the International Economics Department of the World Bank. He also served as a researcher at the Economic Research Institute of the Economic Planning Agency of Japan, a member in the Council of Economic Advisors to Japanese Prime Ministers, an advisor to the National Development Planning Agency of Indonesia (BAPPENAS), a consultant to the chief economist of the African Development Bank for the millennium issue of the African Development Report, and as a visiting fellow for the JICA Research Institute. His recent publications include *Leading Issues in Development with Globalization* (in Japanese), *Introduction to International Development Studies: an interdisciplinary approach* (JASID Special Award; in Japanese), and numerous journal articles and reports on global and regional economic integration, global crises, and on growth and poverty reduction. He holds a Ph.D. in Economics and Operations Research (Stanford University, USA).

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## LENGTH

The chapters will cover the evolution of globalization and the stock of rigorous empirics (Part I), key thematic issues on development under globalization (Part II), country case studies (Part III), conceptual discussions of different and emerging development paradigms for the post-MDGs era, and rigorous analysis on the frontier of new and emerging concepts of development (Part IV). As such, the length will vary.

The articles will be between 7K and 15K words each. We envisage that the first volume will comprise of 150K-170K words, and the second volume will be in the range of 230K - 250K words.

## COMPETITION

To date there are very few general works on the evolving development paradigms under globalization that have been published. However, there are many books on the facets of globalization that also refer to the development issues. As the works by political scientists,

the following two are good introductory books:

- Steger, Manfred B. (2008), *Globalization: A Very Short Introduction*, Oxford University Press.  
Held, David ed. (2004), *A Globalizing World?: Culture, Economics, Politics*, 2<sup>nd</sup> ed., Routledge.

As the works by sociologists, the following three are the representatives:

- Cohen, Robin, and Kennedy, Paul M. (2000), *Global Sociology*, New York University Press.  
Lechner, Frank J. and Boli, John, eds. (2007), *The Globalization Reader*, 3<sup>rd</sup> ed., Blackwell.  
Ritzer, George (2007), *The Blackwell Companion to Globalization*, Blackwell.

As a collaborative work between a social theorist and a political economist, we can cite the following reader that dealt with international economy, north-south trade, development of developing countries, and governance and nation state.

- Hirst, Paul and Thompson, Grahame (1999), *Globalization in Question*, 2<sup>nd</sup> ed., Polity Press.

A three-time Pulitzer Prize winner, Thomas Friedman addressed the facets of globalization with plenty of cases in his first book, and another comprehensive discussion on the flattening global structure due to the ICT globalization in his second book.

- Friedman, Thomas L. (2000), *The Lexus and the Olive Tree: Understanding Globalization*, 1<sup>st</sup> Anchor ed., Anchor Books.  
Friedman, Thomas L. (2007), *The World is Flat: A Brief History of the Twenty-first Century*, 1<sup>st</sup> Picador ed., Picador.

For books that introduce pro-globalization and anti-globalization arguments, the following was written as collaboration between a political scientist and a researcher in international relations:

- Held, David and McGrew, Anthony (2007), *Globalization/Anti-Globalization: Beyond the Great Divide*, 2<sup>nd</sup> ed., Polity.

The following was compiled as collaboration between an anti-globalization activist and a World Bank economist:

- George, Susan, and Wolf, Martin (2002), *La Mondialization Libérale*, Éditions Grasset & Fasquelle.

As the monographs by economists on the facets of globalization, the following three can be cited as the representative works:

- Stiglitz, Joseph E. (2002), *Globalization and Its Discontents*, W.W. Norton.  
Stiglitz, Joseph E. (2006), *Making Globalization Work*, W.W. Norton.  
Bhagwati, Jagdish (2004), *In Defense of Globalization* (Oxford University Press)

From the World Bank, the following representative books and reports have been published on the issues related to development under globalization:

- World Bank (2000), *World Development Report 1999/2000 : Entering 21<sup>st</sup> Century*, Oxford University Press.  
World Bank (2000), *Globalization, Growth, and Poverty: Building an Inclusive World Economy*, WB and Oxford University Press.  
Goldin, Ian and Reinert, Kenneth (2006), *Globalization for Development*, World Bank.  
Bhargava, Vinay ed. (2006), *Global Issues for Global Citizens: An Introduction to Key Development Challenges*, World Bank

The following issue of the UNDP Human Development Report is also highly relevant:

- UNDP (1999), *Human Development Report 1999: Globalization with a human face*, Oxford University Press.

The following two books compiled at the NBER collected papers related to globalization and poverty:

- Harrison, Ann ed. (2007), *Globalization and Poverty*, University of Chicago Press.  
Baldwin, Robert E. and Winters, Alan L. eds. (2004), *Challenges to Globalization: Analyzing the Economics*, University of Chicago Press

The following book published by the UNU-WIDER is a collection of papers related to institutions and governance under globalization:

- Nayyar, Deepak ed. (2002), *Governing Globalization: Issues and Institutions*, Oxford University Press.

As it is noted earlier, the proposed book is a very unique work since it consists of an introduction to the facets of globalization, an empirical stocktaking of the facts with respect to the globalization and the poverty-growth-inequality triangle, articles that deal with thematic issues related to development under globalization, country case studies, and a collection of paradigm discussions under globalization for the post-MDGs era.

## PROPOSED TIMETABLE

Approach and brief contributors	July 2010
(This includes the initiation of the background research projects.)	
First workshop and editorial meeting	November 2011
Background research activities	Ongoing...
<b>Submission of this proposal</b>	<b>October 2013</b>
Update and brief contributors	December 2013
(When this proposal is approved and a book contract is signed...)	
Submission deadline for draft chapters	February 2014
Editing and cross-commenting	March-April 2014
Deadline for receipt of revised chapters	May 2014
Delivery of first manuscript to Routledge	June 2014

## PROPOSED STRUCTURE OF THE BOOK

(with brief descriptions of chapter contents and the list of chapter authors)

Book Title: **GLOBALIZATION AND DEVELOPMENT**

*Volume I: Leading Issues in Development with Globalization*

*Volume II: In Search of a New Development Paradigm*

### **Volume I: Leading Issues in Development with Globalization**

#### **Part I: Development under Globalization**

##### **Chapter 1**

Leading Issues in Development with Globalization

By Shigeru Otsubo, Professor, GSID, Nagoya University

[Author's CV: [http://www.gsid.nagoya-u.ac.jp/sotsubo/Otsubo's\\_Detailed\\_Profile.html](http://www.gsid.nagoya-u.ac.jp/sotsubo/Otsubo's_Detailed_Profile.html) ]

An introduction to all issues to be dealt with in this book is given in this opening chapter. It will attempt to answer the questions on: What is globalization? What are the facets of globalization? What are the leading issues in development and development cooperation under globalization? This introductory chapter, referring to the related events and phenomena that everybody has encountered, introduces the definitions and facets of globalization, the historical overview of its evolution, and the current status/issues to the readers. The ongoing process of globalization involves three major currents of political, economic, and cultural integration. It has also been propelled by the four undercurrents in the struggle and integration of ideology, human being, information, and institutions. Given this multi-dimensional and multi-layered process of globalization that surrounds the ongoing process of global economic integration, the development challenges that the developing countries and the world development cooperation community face will be presented. After a balanced presentation of the opportunities and challenges in development under globalization, discussions will be given on the new development paradigms in the Post-MDGs era. This research challenges to examine “poverty” not only from the economic indicators such as income and expenditures but also from the viewpoints of “subjective well-being” and “happiness” of the people under consideration. Finally, the purpose, the uniqueness, the targets, and the structure of the book will be presented.

##### **Chapter 2**

Poverty-Growth-Inequality Triangle under Globalization:

What do we really know about the pro-poor/anti-poor impacts of economic integration?

By Shigeru Otsubo, Professor, GSID, Nagoya University, and  
Yumeka Hirano, Economist, the World Bank

Numerous existing empirical studies agreed that economic integration contributes to poverty reduction on the basis that it accelerates growth ‘on average,’ while being neutral to the distribution of benefits, again ‘on average.’ However, in reality, there exists a number of ‘dispersion’ in these ‘average’ relationships, both from the transnational and chronological aspects. Hence, this research intends to empirically elaborate a ‘cross-national study’ on the ‘interstate dispersion’ of the impact (growth, inequality, and poverty) that international economic integration provides to the developing economies, along with the specific factors that determine the outcome in each nation such as socio-economic institutions and policy stances. Regression analyses are conducted for the major segments of the Poverty-Growth-Inequality (P-G-I)

triangle, paying special attention to the time dimensions of the impacts by using short-term, medium-term and long-term growth spells. Having confirmed average relationships, the factors of dispersions —both common factors (variations in explanatory variables) and country-specific factors (fixed effects)— are explored. This paper confirms: 1) the absolute income convergence in each income group (with divergence between income groups); 2) the conditional income convergence among countries across income groups; and 3) the absolute (and, of course, conditional) convergence in inequality (GINI) and poverty headcount ratios (HCR) across countries. Unlike earlier studies that found higher inequality elasticity of poverty reduction, this study, with many growth spells taken from the countries in transition including the FSU states, finds higher elasticity of poverty reduction for economic growth. In terms of time dimensions of the emergence of impacts, the paper finds a relatively higher significance of ‘institutions’ with lower significance of ‘policy stances’ in the longer growth spells. Among the three dimensions of integration tested in this study (international trade, FDI, and remittances), higher significance exists in: 1) FDI (positive) in economic growth; 2) FDI (negative) and trade (positive) in the income of bottom quintile relative to national average; and 3) remittances (negative) in poverty (i.e., reduced poverty headcount ratio), but not with sufficient statistical significance (at least not yet). Trade is mostly neutral to income distribution (GINI), while FDI and remittances tend to exert negative and positive impacts, respectively. Institutional quality as measured in the investor-oriented ICRG indicators, while promoting overall economic growth, affects equality (GINI and bottom quintile income relative to the country average) negatively. As the combined result of the P-G-I triangle, however, higher institutional quality (ICRG indicators) reduces poverty (HCR).

## **Part II: Thematic Issues Related to Development under Globalization**

### **Chapter 3**

Global Governance:

The Role of Governance and Politics in the Development of Developing Countries

By Hirotsune Kimura, Professor Emeritus, Nagoya University

Since the 1990s, the World Bank took much importance to the role of government in the development of developing countries and governance became the boom. At the beginning of MDGs, UN Secretary-General Kofi Anan (1997-2006) declared, “good governance is perhaps the single most important factor in eradicating poverty and promoting development.” But many development practitioners continued to be “non-political and technical” and hesitated to intervene in governance matters. On the other hand, the traditional vested interests at various levels were very strong. Donors deployed “Power and Drivers of Change Analysis” and “Political Economy Analysis” which connected with “Leadership-Led Change” in pursuing governance issues. The direction is to upgrade the “accountability” of the various levels of governments with two tracks policy: capacity building of government institutions and empowerment of civil society, while detailing the international standard of democratic governance items. The other approach is to building a developmental state system outside of East Asia as far as economic growth is the main road for reducing poverty. The author focuses on the political context of governance starting from how national resources are produced and allocated.

### **Chapter 4**

Global Value Chains:

Small Farmers’ Integration in Global Value Chains and Its Implications for Decent Work

By Sanae Ito, Professor, GSID, Nagoya University

This chapter explores the ways in which globalization affects rural poverty by looking at how small farmers

gain access to agro-food Global Value Chains (GVCs) and what this implies for their well-being, especially in terms of decent work. The chapter begins by explaining the concept of GVCs and reviewing the literature on global production systems and decent work. It then examines how domestic institutions constrain small farmers' integration in agro-food GVCs. It also examines how, once integrated in agro-food GVCs, small farmers' social and economic well-being might be affected by the efforts of the GVCs to stay competitive amidst global competition. Examples from the tea industry in Nepal, the red meat industry in Australia and New Zealand, and the fish industry in Fiji, Indonesia, and Thailand will be used to discuss the implications.

## Chapter 5

### Globalization and Agriculture: Optimizing Trade Policies for People's Welfare

By Zamroni Salim, Senior Economic Researcher, Indonesian Institute of Sciences (LIPI)

In this globalizing world, developing countries have been challenged to reap the benefits of globalization amid the increasing number of non-tariff barriers and heightened competitive pressure in the world trade. Although often without clear intention to reduce the flows of global trade, trading countries tend to be more protective especially on the issues of agriculture and food related products. This presents an enormous challenge for developing countries which depend much on trade in agricultural products. The agricultural sector in most of the developing countries consists of a large number of small-scale farmers where we find poor families. Therefore, choosing a proper set of trade strategies is crucial for us in order to respond to this common challenge, and to maximize the benefits and minimize the negative impacts of globalization for the farmers, poor families, and consumers at large. Indonesia has been searching for the optimal trade policies under this global trade challenge. How does the country set trade policies to be welfare-improving for its people? How does it affect the poor? Taking Indonesia as a case, this chapter tries to draw policy implications for agricultural trade policies in developing countries. As international trade is an activity between trading partners, this chapter will also refer to the trade policies on the side of developed countries.

## Chapter 6

### Global Environmental Management: Globalization of the Economy and Load on the Global Environment

By Kiyoshi Fujikawa, Professor, GSID, Nagoya University, and  
Hikari Ban, Professor, Faculty of Economics, Kobe Gakuin University

This chapter examines the influences that an expansion of trade and FDI network gives on the global environment (CO<sub>2</sub> load) taking into account the economic partnership agreement (EPA) between Japan and ASEAN countries (AJCEP) as an example. In the first stage, the computable general equilibrium (CGE) model simulations will be conducted by using the GTAP-E model, referring to Ban, Otsubo et al. (1998) and Tsutsumi and Kiyota (2002). Possible impacts of free trade agreements (FTAs), and FDIs from Japan to ASEAN economies with and without technology transfer that increase energy efficiency will be simulated. In the second stage, an application of international input-output analysis will be introduced. The study will estimate the ex-ante and ex-post international input-output tables regarding this EPA. International input-output analysis lets us know the level of CO<sub>2</sub> that is directly emitted in one county's production activity can be ultimately attributed to which county's consumption activities. In other words, we can see the interdependence of the CO<sub>2</sub> load through international input-output tables. The results will show us how the ongoing expansion of trade and FDI network affects the structure of international CO<sub>2</sub> load.

## Chapter 7

### FDIs and Environmental Management: Do We Need Government Interventions?

By Muhammad Cholifihani, Deputy Director, National Development Planning Agency of Indonesia (BAPPENAS)

With the ongoing process of globalization, the problems associated with ‘pollution havens’ came into light in the early 1970s. The discussions still continue today on how the world should deal with pollution intensive companies in developed countries—such as those in iron and steel industries, chemical industries, and paper and pulp industries—relocating to developing countries where they can enjoy weaker environmental regulations and lower environmental taxes. As a matter of fact, CO<sub>2</sub> emission by the lower middle-income countries has been on the rising trend during the last 30 years with their average per capita GNI more than doubled during the same period. The FDIs percentage to GDP in the lower middle-income countries has increased dramatically from 1.9 percent in 2003 to 3.9 percent in 2008. In order to attract new FDIs, the developing countries may purposely undervalue the environment. Do FDIs, seeking the ‘pollution-haven,’ undermine environmental management in the developing countries? On the contrary, does technology transfer associated with FDIs from industrial countries provide cleaner technology and thus potentially improve environmental outcomes in the host developing countries? This chapter introduces some positive and negative experiences among developing countries on the impact of FDIs on growth and environmental outcomes. The chapter also draws cases and empirical analyses from the Indonesian experience. What should the governments of FDI-hosting developing countries do in order to mitigate the conflicts between positive growth impact and negative environmental outcome? What are the possible strategies for the developing countries to make FDIs compatible with better environmental management? What should be the initiatives of developed countries’ governments toward MNCs operating globally?

## Chapter 8

### Global Migration: Development and South-South Migration—The Case of Thailand and Surrounding Countries

By Akihiro Asakawa, Assistant Professor, GSID, Nagoya University

In recent years, there has been an increase on the volume of South-South migration due to the economic development in some newly emerging countries. The economic development of certain “South” countries leads to inflow of migrant workers from surrounding less developed countries for employment opportunities and better salaries. These accepting “South” countries were mostly migrant sending countries at the time when their economy is less developed. This transition from sending countries to accepting countries is becoming one of the most important policy challenges to cope with the new situation of management and integration of foreign population in those countries. At the time economic development is achieved in a lot of the “South” countries, it is very important to think about migration within “South” countries as well vis-à-vis the traditional “North-South” migration. This chapter tries to analyze this issue of “South-South” migration from the case of migration of workers to Thailand from surrounding neighbor countries.

## Chapter 9

### Global Development Cooperation: Aid is Good for the Poor—Development Aid in a Globalized World

By Yumeka Hirano, Economist, the World Bank, and  
Shigeru Otsubo, Professor, GSID, Nagoya University

The world economy has become more globalized after the 1990s. With larger amount of private financial flows, the surrounding environments of development aid have been dramatically changed. Despite the prosperous growth led by globalization, there have been intense debates on whether the poor benefits from this globalization, or not. Dollar and Kraay' study (2002) asserted "growth is good for the poor" with strong empirical evidence that the average income of the poorest quintile increased equiproportionally with the average income of the country. At the same time, they failed to find out any factors of openness, policies, and institutions that had systematic effects on the poor other than through growth. Against this end result, we assert "Aid is good for the poor," with our empirical finding that aid is the only factor that has significant pro-poor effect among various factors under consideration. This suggests that aid could be the most effective tool for the targeted poverty reduction. Our study also shows that economic aid contributes to poverty reduction through growth channel, while social aid and aggregate aid significantly reduced poverty through distributional channel. With the optimal mixture of growth and distributional effects, aid could contribute to poverty reduction effectively. This chapter offers these new evidences for readers to reconsider the role of aid in effectively reducing poverty amidst globalization. This chapter also reviews the trend in development aid and surrounding global landscape.

## Chapter 10

### Globalization and Conflicts: Effects of Global Economy on Contemporary Conflicts

By Yukiko Nishikawa, Associate Professor, GSID, Nagoya University

Contemporary conflicts are internal in nature, yet they are global in practice in the sense that these conflicts are not sustainable without global influences, particularly in connection with financing and materials (arms). A striking characteristic of recent conflicts exists in the involvement of non-state actors, such as transnational criminal groups and fundamentalist groups, with the personalization of violence. The sustaining activities by these non-state actors definitely relate to the underside of globalization. Frances Stewart indeed points out that globalized trades including diamonds, timber, drugs, and oil as well as diasporas are all used to finance conflicts. Although global influences are not the sole attribute of today's conflicts in the world, it is evident that without the recognition and understanding of the effects of globalization, little chance exists for taking useful measures to minimize these conflicts. This chapter therefore explores the effects of globalization on contemporary conflicts and attempts to identify the ways that global economic forces contribute to sustaining armed groups by facilitating and motivating their activities.

## Chapter 11

### Modeling Global Interdependence I: Impacts of Global Economic Fluctuations on the Economic Growth and Poverty Situation of a Developing Country in the Globalized World - A Case of Indonesia-

By Hiroshi Osada, Professor, Teikyo University

The changes in global economic factors are in many cases uncontrollable fortune or misfortune for developing countries. Lehman Shocks in 2008, the hike of commodity prices toward 2008, and the exchange rate deterioration triggered by the slowdown of emerging economies in 2013 are such examples. Keen interests of people are not only placed on the macroeconomic growth but also on the poverty reduction and the difference in the degree of impacts on various economic groups. This chapter aims at

clarifying the degree of globalization's impact and tries to figure out the main channels of impact transmission, taking up the case of Indonesia. Indonesia is a suitable country for the case study as she has the standard features of open developing economies such as coexistence of agriculture and industrial sectors, primary exports, floating exchange rate, trade liberalization, less restriction on FDI, and relatively free capital flow. A medium-term Indonesian macro-econometric model that incorporates both demand and supply side will be constructed using the statistical data after the economic liberalization in 1985. In order to analyze the differentiated impacts on various economic groups, the model will estimate the incomes of farmers and urban working class, separately. The domestic terms trade (agricultural vs. nonagricultural prices) is one of the variables of analytical interest. In this macro-econometric model, the impacts of changes in international commodity prices, exchange rate fluctuations, and changes in the world demands will be simulated. The impacts of development-oriented fiscal and monetary policies will also be simulated. The implications on the benefits and costs of integration of a developing country into the global economy will also be discussed.

## Chapter 12

### Modeling Global Interdependence II:

#### Drawing a Map of Recent Development in the Global Trade Analysis Project

By Ken Itakura, Associate Professor, Faculty of Economics, Nagoya City University

The aims of this chapter are to introduce the modeling framework and data base developed by the Global Trade Analysis Project (GTAP), and to highlight the recent development and extensions since the original global computable general equilibrium (CGE) model (Hertel, 1997). The GTAP model and Data Base capture the global economic activity by distinguishing 134 countries/regions for 57 sectors, linked by bilateral trade and sectoral input-output relations. With its comprehensive coverage of the global economy, the GTAP model and Data Base are applied for studying diverse area of research such as international trade and investment, energy and land use for climate change study, labor migration, and poverty and trade liberalization. As an introductory reference for policy makers, researchers and students in the field of international development, we offer a branching structure to map the recent development and extensions in the GTAP.

## Volume II: In Search of a New Development Paradigm

### Part III: Country Case Studies

#### Chapter 13

##### Bhutan

#### Bhutan: Economic Integration of a Hermit Economy

By Dasho Karma Ngawang Ura, President, the Centre for Bhutan Studies

This chapter will present a narrative on the evolution of a small, landlocked, autarkic Himalayan economy's into an integrated South Asian economy in the last 50 years, though the focus will be on the current situation. From being primarily an agrarian society, the chapter will tell a story of transition towards a hydropower export-based economy while still highly dependent on Indian aid. Bhutan's remarkable attainments in various human development indicators and rapid fall in consumption poverty rates, in spite of low transport and communication infrastructure, will be extensively described. Tentative causal relationships between growth, poverty rate, and liberalization will be explored. It will conclude by drawing lessons on whether and how the higher growth per se contributes to human development and human

security while giving prominence to the prevailing consumption poverty. The chapter will also explore briefly the relationships between consumption poverty and other happiness based thresholds defined in the GNH.

## Chapter 14

### China

#### The Achievements and Issues of Reform and Opening-up in China

By Zhang Hong, Professor, Shanghai Institute of Foreign Trade,  
Ye Zuoyi, Associate Professor, SIFT, and  
Zhao Lin, Lecturer, SIFT.

China started the 'Reform and Opening-up' from 1978 and has made remarkable progress. With her GDP growing by 9.9% per year on average from 1978 to 2009, China has become world's second largest economy from 2010 up to the present. However, the benefits of growth are unevenly distributed, and China today faces various development related problems. The development outcome across different regions has become more and more uneven. The income disparity is increasing, ecological system has been damaged and so forth. Accordingly, various kinds of conflicts among people and sectors have emerged and deepened recently. Nowadays, how to preserve the economic dynamism in the country while ensuring sustainability has become a key concern. In this chapter, the process and achievements of the 'Reform and Opening-up' will be introduced. Then, the issues accompanying this rapid growth will be discussed in detail by using empirical analyses.

## Chapter 15

### Indonesia

#### Examining Poverty-Growth-Inequality Triangle in Indonesia: How to Make Growth More Inclusive?

By Teguh Dartanto, Researcher, the Institute for Economic and Social Research,  
University of Indonesia (LPEM-FEUI), and  
Arianto Patunru, Professor, Australian National University

Sustained economic growth supported by industrialization policies, trade and FDI policies in Indonesia has been the primary factor for supporting the poverty reduction in the country during 1971-1996. When the economic crisis hit and the economic growth decreased drastically, poverty figures increased sharply, while the economic recovery and macroeconomic stability during 2000 to 2012 have led to a significant decrease on the poverty incidence in the same period. However, the rate of poverty reduction has started to slow down with inequality continuing to rise significantly. The Gini coefficient substantially increased by 0.08 within a decade from 0.33 in 2002 to 0.41 in 2012. Increasing inequality will polarize the society and will lead to social tensions while undermining the growth process itself. Therefore, there are three new challenges faced by policy makers in Indonesia to cope with poverty issues in the current globalization context: promoting inclusive growth, reducing inequality, and the economic resilience from the external shocks. This study, therefore, aims at addressing the following three main objectives: 1) to review the stylized facts of socio-(macro) economic conditions and poverty; 2) to examine the nexus of poverty-growth-inequality triangle; 3) to assess as to what extent the socio-economic conditions and policies that influence the economic growth, inequality and poverty reduction. This study is the first comprehensive study in Indonesia that examines not only the analysis of P-G-I triangle at the national level but also a deep analysis of P-G-I triangle at the provincial level in the country. In a diverse society like Indonesia, where a great deal of regional disparities exist, the analysis of P-G-I triangle at the provincial level would provide valuable information in explaining the slowdown of poverty reduction while inequality

is increasing at the national level.

## Chapter 16

### Japan

Japan's Economic Growth under the Integration into the Global Economy in the 1960s and 1970s: Emergence of Middle Class and the Problem of Regional Disparity

By Tetsuo Umemura, Professor, GSID, Nagoya University, and  
Hiroshi Osada, Professor, Teikyo University

The Japanese economy began to develop in the mid-1950s after rehabilitation from the war destruction and had grown to be a major economic power by the early 1980s. Japan's economic growth and welfare of the people, in the process of development, were influenced by the policy decisions of integration to the world economy, domestic policies for economic growth, and policies that remove the negative impacts associated with growth. This Chapter reviews the experience of Japan's growth while emphasizes the good balance between its positive side (the average income rise and the emergence of middle class) and its negative side (the problem of regional disparity), hoping that the Japan's experience will give some clues in solving the aggravating regional disparity in the East Asian emerging economies.

## Chapter 17

### Thailand

Thailand: Moving towards Status-Quo in Growth and Inequality

By Chalaiporn Amonvatana, Associate Professor, Director, MABE, Faculty of Economics,  
Chulalongkorn University, and  
Chairat Aemkulwat, Assistant Professor, Faculty of Economics, Chulalongkorn  
University

During the last four decades of economic development, Thai economy has been through the periods of boom, bust and stability. In 1970s and 1980s, these decades were the foundation for the success of economic prosperity in 1990s before it collapsed in the year of economic turbulences in 1997. In 2000s, Thai economy stabilized and grew at a more secured rate. Export promotion economic strategy from 1980s onward has been employed in the National Economic and Social Development Plans after the import substitution industrialization policies were realized. From 1980 onwards, foreign direct investment inflows each year has always been positive. Globalization via capital and good flows has impacted Thailand as she has increased her international trade from less than 10 percent in early 1970s to more than 100 percent in early 2000s. Poverty reduction was a success in Thailand; in 2010, the number of poor people declined significantly to 7.8 percent compared to 88.3 percent in 1960. However, inequality alleviation has been a failure in Thailand. In 1960, the Gini coefficient was a mere 0.42, but it has increased to 0.48 in 2009, partly or wholly due to structural inequalities such as uneven distribution of wealth and public services. The relationship between growth and inequality is still inconclusive but the trade-off between growth and inequality is considered in the early stage of economic development in Thailand. Nevertheless, the income disparity can be assuaged if the government will impose the right strategies that lessen structural inequalities. The notes on development discuss the ten National Economic and Social Development Plans and the philosophy of Sufficiency Economy of the country.

## Chapter 18

### Vietnam

## Growth, Poverty and Income Inequality: the Case of Vietnam

By Nguyen Tien Dung, Lecturer, Faculty of International Economics and Business,  
College of Economics, Vietnam National University, Hanoi

This chapter gives a profile of poverty and income distribution in Vietnam and discusses the link between economic growth, poverty and income distribution. Over the last two decades, the rapid economic growth has substantially improved the living standards for the majority of Vietnamese people. The poverty incidence has been sharply brought down from the very high level of nearly 60% of the population in 1993 to 14.5% of the population in 2008. Most of the poor are currently found amongst ethnic minorities, or are located in remote and disadvantaged regions. Income distribution has remained relatively equitable, even though it has been rising in recent years. The equitable distribution of land and the expansion of small-scale business activities in services and the manufacturing sector have played an essential role in providing job and income opportunities to the poor and other low-income groups and allowing them to share the fruits of economic growth. Despite the past achievements, however, it remains a challenge for Vietnam to sustain the progress in poverty reduction and maintain the equality in income distribution in the forthcoming years. Poor and vulnerable groups can be seriously affected by the ongoing economic slowdown and rising macroeconomic instability.

### Chapter 19

#### Ghana

##### Ghana: Globalization and Development Outcomes

By Yaw Asante, Abena Oduro, Daniel Kwaben Twerefou, Albert David Amarquaye  
Laryea, Eric Osei-Assibey, and Bernardin Senadza,  
Senior Lecturers, Department of Economics, University of Ghana

In the last several years, the issue of globalization and its effects on developing countries has become the focus of much research because of the growing concern about the impact that globalization has on growth, income distribution and poverty. Although Ghana seems to have benefited considerably from globalization particularly, in terms of FDI growth, remittances and trade, the impact on key development outcomes has been mixed. The country's twenty years of sustained economic growth and significant poverty reduction have produced mixed inequality outcomes. Income inequality appears to be widening while the overall assessment of Ghana's progress toward the MDGs reveals that remarkable progress has been made, even though performance has been mixed across indicators, regions, sex and localities. This chapter provides a Ghana case study by discussing in the Ghanaian context three dimensions of economic integrations, namely, international trade, FDI and remittances. It also analyzes trends in some development indicators including growth, poverty, inequality and other social indicators and draws inferences regarding the impact that globalization might have had on these variables.

### Chapter 20

#### Africa

##### Recent Trends in Globalization and Implications for African Economic Development

By Jean-Claude Maswana, Associate Professor, Tsukuba University

In recent years, globalization --characterized by new markets, technology progress and emerging trading actors such as China-- has spawned new opportunities and realities as well as persistent challenges to the acceleration of economic growth, development and poverty reduction. At the same time, globalization has emerged as the defining contextual framework of analysis for economic development. Within this contextual framework, the chapter examines the theoretical and practical implications of recent trends in

globalization for African development. Mostly, a special attention is given to recent shifts in development challenges associated with globalization and entrenched development concerns. Among these challenges and concerns include the sustainability of economic growth, income distribution, skill building, structural change and infrastructure financing.

## Part IV: New Development Paradigms under Globalization

### Chapter 21

#### Bhutan

##### Balancing GDP with GNH Growth National Happiness

By Dasho Karma Ngawang Ura, President, the Centre for Bhutan Studies

The inspirational development of GNH from concept to indicators used by the government will be discussed in this chapter. The challenges and constraints of an alternative framework of social and economic development represented by GNH will be explored. In order to broaden and deepen this particular homegrown development philosophy of Bhutan, outreach mechanisms through media, schools and universities, both internally and externally, will be carefully examined. The chapter will relate the interest that is shown by various actors around the world on the concept and practice of GNH to the larger questions of unsustainability, climate change, well-being, and happiness. It will conclude on whether GNH offers any realistic alternative towards higher wellbeing within the context of sustainability.

### Chapter 22

#### Thailand

##### Sufficiency Economy, Green and Happy Society

By Paranee Watana, Senior Advisor on Policy and Plan, National Economic and Social Development Board

Development paradigm in Thailand was shifted from the Eighth National Development Plan to be more people-centered, utilized economic development as a mean for upgrading quality of life, applied the integrated and holistic approaches for linking all development dimensions, and provided opportunities for every sector in the society to participate in the overall national development. The Philosophy of Sufficiency Economy was applied in the Ninth Plan and further utilized the people-centered development with a holistic approach. The principles of philosophy mean moderation and give due consideration to all modes of conduct, and it incorporates the need for sufficient protection from internal and external changes. As the paradigm shifted, monitoring and evaluation of the Plan have to be developed by initiating the “Well-being Index” to measure the impact of development on people as a whole under the Philosophy of Sufficiency Economy. During the Tenth Plan period, the Well-being Index was adjusted to be relevant to the country’s development toward sustainability and a “Happy Society.” Then, the Green and Happiness Index (GHI) was developed as a tool to drive the value of living in Thai Society by following the Philosophy of Sufficiency Economy. This Index has been utilized until now and occasionally improved in order to make it suitable to the situation and changes. In the Eleventh Plan, new issues have been identified such as food security, energy and ASEAN cooperation. Therefore, it is necessary to integrate them in the Index for properly measuring the impact on Thai people.

### Chapter 23

#### China

## Globalization and Development Paradigm Change of China

By Zhang Hong, Professor, Shanghai Institute of Foreign Trade,  
Dai Long, Associate Professor, China University of Political Science and Law, and  
Wang Yunfei, Associate Professor, Shanghai Institute of Foreign Trade.

Along with the deepening of globalization, China has experienced rapid development of foreign trade, and the degree of openness and integration with other economies has greatly increased. How to extend and deepen economic cooperation with other nations, so as to further promote China's development, has become one of the key issues in the country. Accordingly, China's economic structure and economic development model need to be adjusted. In this chapter, changes along with economic development under globalization will be reviewed. In particular, the relationship between Free Trade Agreements and the development of China will be discussed in detail by using empirical analyses. Moreover, the issues China has to face nowadays will be listed, and the prospect of the country's future development paradigm will be thoroughly described.

### Chapter 24

#### Indonesia

#### Measurements and Determinants of Multifaceted Poverty: Absolute, Relative, and Subjective Poverty in Indonesia

By Teguh Dartanto, Researcher, University of Indonesia (LPEM-FEUI), and  
Shigeru Otsubo Professor, GSID, Nagoya University.

The notion of 'poverty' is diversified and dynamic. It varies across countries with different socio-economic norms. It may also change over time even in the same society, with different stages of social and economic development. A country may be struggling with absolute poverty at the early stages of development, while it may well be more concerned with relative and/or subjective poverty as its average per-capita income increases. This article intends to conduct an exploration of multiple poverty measures by looking into the absolute, relative and subjective poverty incidence in Indonesia. Using the 2005 National Socio-Economic Survey (Susenas), we observed that there was a roughly 28 percentage-point difference in the poverty headcount ratios computed by applying absolute (14.47%) and subjective (42.03%) poverty. There were virtually no correlations among the poverty rankings in the provinces of Indonesia obtained by five poverty metrics. Results of logit model and ordered logit model estimations of the possible determinants of poverty indicate that the main determinants of poverty are educational attainment, number of household members, physical assets (land and house ownership), existence of migrant workers (possible remittances), negative shocks of layoffs and/or health problems, development of public services, and the availability of road infrastructure. A higher educational attainment increases the probability of never being poor in any of the five poverty metrics by almost 11 percentage points. This study also confirmed that households having less than society's averages in terms of the physical asset of land and consumption of durable goods and fashion tended to subjectively assess themselves as poor. The study suggests that any poverty alleviation programs should consider relative impacts among beneficiaries and non-beneficiaries within each locality and across provinces.

[A WP version can be downloaded from:

[http://jica-ri.jica.go.jp/publication/workingpaper/measurements\\_and\\_determinants\\_of\\_multifaceted\\_poverty\\_absolute\\_relative\\_and\\_subjective\\_poverty\\_in\\_ind.html](http://jica-ri.jica.go.jp/publication/workingpaper/measurements_and_determinants_of_multifaceted_poverty_absolute_relative_and_subjective_poverty_in_ind.html)]

### Chapter 25

#### Indonesia

#### A Study of the Regional Economic Growth, Poverty and Inequality in Indonesia: Development Paradigm with Decentralization

By Sumedi Andono Mulyo, Ministry of National Development Planning (BAPPENAS)

In response to globalization and the implementation of economic cooperation among the Asian countries, Indonesia has to implement a policy reform in order to recover its economy and to provide all the basic ingredients for national competitiveness. It requires a sound and well-coordinated economic policy that facilitates investment and productivity. In this, the central concern of policy makers should be on how to promote steady, long-term economic growth by controlling or minimizing the fluctuations in economic activities. On the other hand, the central government has decentralized authorities and resources to provincial and district/city governments. Most public services, including education, health, and infrastructure, are decentralized and delivered by district and city governments. Despite providing opportunities for local governments to deliver public services and develop local economy, decentralization may create regional imbalances due to different capacity of each local government. This paper analyses the impacts of globalization on regional economic performance in each province in Indonesia. Research findings proved that there is no significant change on the pattern of regional economic structure and growth. The main source of growth in each province is still dominated by the traditional economic sectors, indicating there is no improvement on provincial economic structure. Some provinces have gradually improved their economic performance. However, the existing regional imbalances between Java and outside Java have also no changes. The policy implication of the research findings is that accelerating economic growth in less-developed provinces by creating more growth centers is very important in order to deliver the benefits of globalization for all provinces. Interregional linkages in Indonesia are still limited and dominated by provinces in Java. Therefore, there should be efforts to strengthen interregional linkages by providing infrastructure, developing transportation system and facilitating economic and trade activities to provinces mainly in the eastern part of Indonesia. One requirement for implementing these efforts is to prepare a roadmap and action plan, build commitment and strengthen policy coordination between central government and local governments.

## Chapter 26

### Japan

#### Life after Development: Japan's Quest for a New Development Paradigm

By Shigeru Otsubo Professor, GSID, Nagoya University

After the end of WWII (1945), Japan's economic development had gone through three phases and entered the fourth phase in 2009. By reviewing these four phases of Japan's postwar development, this chapter introduces three important occasions that Japan looked at non-economic goals of development such as 'satisfaction,' 'well-being' and 'happiness,' and will contemplate on the development paradigm after economic development, i.e., the life after development. After the so-called miracle recovery and catching-up process of Phase I (1945-1960s), Japan faced some environmental issues and distortions in its social dimensions. This triggered the discussions on the Net National Welfare (NNW) in the first part of the 1970s. Phase II of Japan's development was characterized by its failure to reform after the catch-up period and the creation of a 'bubble' economy (1970s-1980s). The second wave of well-being metrics occurred during this process of bubble creation and bubble burst. Japan started to compile New Social Indicators (NSI) in 1986 that measured the quality of different aspects of life. That was also the first occasion that Japan included subjective indicators such as 'satisfaction' and 'happiness' in the official statistics. Over the turbulent period of bubble burst (1990-91), the NSI has grown into the People's Life Indicators (PLI) that was first published in 1992. With these indicators, Japan started to put more values in 'safety/security,' 'fairness,' 'freedom,' and 'comfortability.' Phase III was the period of long economic stagnation and supply-side structural reforms (1990s-2009) that largely widened inequality among the Japanese people. The dissatisfied Japanese triggered the first political regime change through election after WWII in 2009. This earmarked the third occasion for Japanese to look into a new development paradigm. Although the new ruling party (Democratic Party) tried to push the notions of 'new public commons' and 'minimum unhappiness society' in the Phase IV of Japan's postwar development and to prepare the country for the life after economic development, the party's own internal struggle and the Great Tohoku Earthquake (on 2011.03.11) deprived the country of this new momentum. The Japanese people have chosen to put the old Liberal Democratic Party, led by Prime Minister Abe, in the driver's seat again at the end of 2012. In this new and ongoing phase of Japan's postwar development saga, 'new economic development strategies' are

set to recover Japan's growth dynamism. This has drawn much euphoria and skepticism. Although one can grow, work, retire and die in one's life cycle, a country should continue. With its rapidly aging population, how should Japan set the future course? Arguments on development paradigm after economic development, or life after (economic) development, will be presented using Japan as the case to point out the good side and the bad side of such model.

## Chapter 27

### Japan

#### Development Paradigms for Small Island Countries (SIDS): With a Tale of Forgotten Okinawa in Japan's Miracle Development

By Tetsuo Umemura, Professor, GSID, Nagoya University

Small Island Development States (SIDS) have been placed at a disadvantage in economic and social development. However, they have not only large ocean areas with abundant fishery and offshore resources, but also nature and traditional cultures. Under the globalization process, these resources became to be scarce goods and this paradigm shift will showcase the potential advantage of SIDS in the recent years. Based on statistics, although the SIDS will not achieve the MDGs at 2015, these island countries have improved their standard of living through economic development. In fact, they enjoy relatively higher per capita income among developing countries. This chapter discusses the advantages and disadvantages of SIDS from the viewpoint of a new paradigm under globalization. This chapter will also introduce development challenges that island regions of a larger country face, referring to the tale of forgotten Okinawa in Japan's miracle development.

## Chapter 28

### Ghana

#### Determinants of Incidence and Depth of Poverty in Ghana: Is Development for the Extremely Poor?

By Eric Osei-Assibey, Senior Lecturer, Department of Economics, University of Ghana,  
and

William Baah-Boateng, Lecturer, Department of Economics, University of Ghana

The available poverty data in Ghana showed that the incidence of poverty has reduced by almost half since 1991. However, the depth of poverty, measured by the poverty gap ratio (i.e., the proportion by which the average consumption level of poor households falls below the poverty line) has increased with respect to the extremely poor. These findings are of great concern since the poor, whom we are essentially most concerned with, have been getting poorer. This presents a new form of challenge to policy makers since it appears that recent development, such as the rapid economic growth, has made things worse for the poorest people. The present study seeks to investigate the socio-economic factors underlying the widening gap between the poor and the extremely poor. More specifically, using the various national household living standard survey data, the study examines the determinants of incidence and depth of poverty in Ghana. The findings of this study have important policy implications particularly in shaping the policy towards critical factors that matter in the poverty reduction in the country.

## Chapter 29

### Africa

#### From the Legacy of Colonization to Africa's Quest for its Own Development Paradigm(s)

By Jean-Claude Maswana, Associate Professor, Tsukuba University

The chapter starts with some broad schematization of development paradigms that have influenced African development in the post-colonial era. It highlights the fact that, because of its colonial legacy, so far the core of development strategies in Africa has been based on the analytical insight that poverty was growth-constrained. This created episodes of growth in the 1960s and 2000s without affecting much of the region's productivity, employment and poverty. Especially, the long growth the region has recorded in the last decade and the unsuccessful impact on poverty is calling for a rethinking of the underlying paradigms associated with the current development practice. Breaking out of the current paradigms, a focus on capacity or skill-building as being the constraint on poverty reduction may well have game-changing or paradigm-changing implications for policy options and development strategies. In light of these considerations, the central aim of this chapter is twofold. First, it reviews the economic development paradigms that have influenced the development practice in Africa so far, and their limits in dealing with the region's entrenched challenges. Second, it explores on the emerging development paradigms and their implications on development policies and strategies in different categories of African countries.

### Chapter 30

#### Latin America

#### Accounting for the Latin America's Development Problems: Productivity and Welfare Gaps

By Carlos A. Mendez-Guerra, Ph.D. Candidate, GSID, Nagoya University

The unstable and unequal development experience of Latin America in the last five decades constitutes one of the most interesting episodes in modern development studies. In 1960, the average labor productivity in Latin America relative to that of the United States was 25 percent. By 2010 this statistic had fallen to 20 percent. This performance contrasts sharply with other regions and countries at similar or lower stages of economic development in 1960. Moreover, from a broader welfare perspective, high income inequality within and across countries in the region adds up to this poor performance. Typically, the poor socioeconomic performance of Latin America has been viewed as the outcome of macroeconomic volatility and adjustment, as many economies in the region have suffered numerous economic crises. High volatility in economic activity, however, often masks underlying trends and broader facts of development. Given this context, this chapter focuses on a more comprehensive evaluation of the Latin American experience since 1960. The first part of the chapter evaluates the relative contribution of proximate determinants of labor productivity such as physical capital, human capital and technological readiness. This analysis also points out potential scenarios where there seems more space for improvements in labor productivity. Complementary to this evaluation, the second part of the chapter focuses on a novel, theory based welfare analysis that combines data on consumption, leisure, inequality, and health. This alternative measure of a nation's flow of welfare provides a more comprehensive perspective of the Latin American development problem.

### Chapter 31: Concluding Chapter

#### Globalization and Development: In Search of a New Development Paradigm

By Shigeru Otsubo, Professor, GSID, Nagoya University

A synopsis. A reference to the future international joint research projects will be given.