

The Challenges of Global Economic Integration

The discussion examines the impact of economic integration on developing countries based on World Bank research and operational work. In so doing it seeks to respond to three questions: (a) what are the principal features of the current episode of globalization and how does this differ from earlier episodes; (b) what have been the effects of this on countries that have taken advantage of the opportunities it offers in terms of growth, poverty and inequality; and (c) what are the lessons for others to harness benefits from globalization. The findings are that while trade liberalization, and capital flows have been necessary ingredients for benefiting from globalization, they are not sufficient. This is because domestic institutions and policies have a critical role to play through the investment climate to support firms to take advantage of the opportunities that become available, and through social protection programs to mitigate the short run effects of increased competition.