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"Globalization, Poverty and Inequality: between a rock and a hard place", by Raphael Kaplinsky, 2005, Polity Press, Cambridge, UK, pages 280, price £16.99

Globalization and its implication for development is a well discussed issue among academicians, policy makers, non-government organizations and the general public. However, most often the discussions revolve around the pros and cons of globalization. This book by Raphael Kaplinsky, rises above the simple pros and cons and explains the importance of the manner of participation in globalization as the deciding factor of reaping the benefits of globalization. Kaplinsky carves out his arguments logically and in a simple and interesting way. The book examines why some countries failed to benefit from globalization and how the very success of some countries itself is a cause of poverty for others. As the author himself puts it, 'what is relatively new in the study is that it focuses on the mechanisms through which the export surge from low income countries has affected the employment and inequality in other low income economies'.

The book is divided into three parts. Part I which is further divided into two chapters, examines the concept of globalization and poverty and also reviews the patterns of poverty which have emerged in the globalised era. By laying the theoretical framework in the second chapter, *i.e.,* whether the link between poverty and inequality is a relational or residual one, Kaplinsky tries to analyse it in the next two parts of the book. Part II of the book examines why certain producers may be worse off even though they expand their production and participate in the global economy. He explains this by drawing on the analytical framework of the theory of rent. Although rents provide sustainable income, it is not easily constructed and is also dynamic. Both the existence of rents and the ability to appropriate rent arise from the barriers to entry. The ability of producers to enjoy high and sustained income, depends on their ability to protect themselves from competition by constructing, and/or taking advantage of barriers to entry. Most of the barriers of entry protect the endogenous categories of rents. With competition, rents erode and along with it the income. He argues that gains from globalization depend on how the producers position themselves in the global markets. The producer has to appropriate rent by adopting various strategies to escape the pressure of competition. Thus, the success of a producer in the global economy depends on how effectively he translates the comparative advantage into competitive advantage by innovation management. In this context he addresses four arenas of innovation management-within individual plants and firms; within co-located industrial clusters; within global value chains; and in managing relations with global buyers. Managing internal competitiveness in a firm itself does not ensure income in the globalised era where individual firms are embedded in a network of firms. So in an increasingly globalised world, managing innovation across the network of firms plays an important role in deciding the winners and losers of globalization.

However, whether the producers from low income countries were been able to absorb the lessons of innovation management is a question to ponder upon. In the fifth chapter, the author looks into this aspect by focusing on three core sectors-clothing and textiles, furniture and automobiles- which are of importance to developing countries. Though each of these sectors has common grounds they differ in the role played in developing countries. The textiles and clothing is a major exporting sector from low income countries, particularly from the lowest income group, whereas the furniture exports are spread among different income groups. Both these are buyer driven chains, while the automobile industry is driven by key transnational producers and is exported from mainly upper and middle income countries though China and India are low income countries. In each of these sectors, global trade has far exceeded global production. Within this trade growth there has been an increasing number of participating developing countries, while there is an increasing evidence of buying among retailers and specialized buyers in clothing and furniture and among assemblers and 0.5-tier component suppliers in autos. Similarly, although production and trade in physical commodities have expanded in each of these sectors, the intangibles of design, branding and marketing have remained with high-income economies, or in the ownership of firms located in high income countries giving a prominent role to the key chain governors. Another significant factor Kaplinsky has found out, is the increasing role of China in each of these sectors.

The author reiterates that although in each of the sectors global production and trade has increased, it is not possible to say that this will necessarily lead to a wider distribution of incomes and that we can consider poverty as a residual of globalization. Similarly, it is impossible to say that the growth trajectory is sustainable and will spread to other low income countries and to other sectors. He points out that sector specific conclusions cannot be scaled up to the global level. Very often, a detailed analysis of individual firms, countries, groups of countries and sectors are undertaken and the results are scaled up to the global level. However, he points out that there is a fallacy of composition in doing so. In Part III, which is the most important section of the book, he explains these in detail and points out that the progress of some producers in some sectors does not translate into gains reaped by most producers and most sectors. As a consequence, it is difficult to sustain the residual explanation of poverty. Instead, he points out that a significant component of global poverty is relational, a direct result of working in the global economy.

By examining the trends in global production and trade he argues that the low income countries exporting manufactured goods are caught between a rock and a hard place, *i.e.,* between growing production capabilities around the world and increasing concentration of buying power. As a result of this lopsided market, the prices of their manufactured products are squeezed out, resulting in a deterioration in the terms of trade of most of the low income economies. He points out that the emergence of China in the global economy is a major reason for increasing productive capacity. This pressure on prices is likely to continue unless there is a corresponding increase in global consumption.

Theoretically, international trade is expected to bring benefit to the participating economies; most of the trade theories are based on the assumption of full employment. However, in a world of unemployment, it may not necessarily follow that global production and exchange will benefit all the producers, as some countries may not be able to find markets for their products. If they do so, it might be at the cost of significant reductions in the prices of their products. Kaplinsky points out that the gains from outward oriented manufacturing, in many instances, may result in a fallacy of composition. It makes sense for an individual country such as China to expand massively their exports of manufactures and benefit from it. However, in a world of excess capacity and structural unemployment, there is little space for other less efficient producers. Entry by more and more producers will result only in a fall in the prices of their products. He points out that the surplus labour, the surfeit of investable funds and the mobility of global investors means that global integration provides a win-lose situation outcome on many dimensions, *i.e.*, for many in the global economy, poverty and inequality are not residual, but relational to globalization.

Since poverty and inequality are relational and not a residual concepts, the one-size-fits all approach to poverty and inequality fails to address the issue of poverty and inequality. The author emphasizes the need for active and integrated policies to allow countries to gain from globalization. Given that different countries have different experiences of globalization, it is necessary for countries and regions to respond with appropriately contextual policies, reflecting their individual comparative advantages, constraints, opportunities and trajectories.

On the whole, the book is a substantial contribution to the understanding of the process of globalization, particularly, in the context of developing countries. Shifting away from the dependence on trade in primary products and concentrating on exports of manufactured exports was often looked upon as panacea for the problems faced by the developing countries. Manufactures exports are expected to offer better export earnings and the experience of East Asian countries supported this argument. Nevertheless, questions were raised against the validity of this, pointing out that most of the developing countries are participating in the low technology intensive section of the value chain, which makes their earnings meager in comparison to the developed countries that are in the high end of the value chain. The book by Kaplinsky is a valuable addition in this stream of thought where he logically and carefully carves out the intricacies in participating in the process of globalization.

V. Dhanya*

* V. Dhanya is Research Officer, Department of Economic Analysis and Policy, Reserve Bank of India.