Global inequality has been little analyzed by sociologists despite their claim to be the scientific experts most in charge of the study of human inequalities and social stratification. Most undergraduate courses on social inequalities study race, class, and gender without ever acknowledging that the greatest inequalities are between those individuals and households that live in developed versus less developed societies.

The world has become a much smaller place over the past two decades. International trade has grown twice as fast as worldwide income during this period. Spurred by advances in information technology, a growing share of this trade is in services rather than merchandise, especially among rich countries. International direct and portfolio equity investment has also surged tremendously during the same period. However, these benefits have not been evenly distributed. Instead, income disparities between rich and poor counties, as well as within many countries, have increased.
Today, out of the world’s 6.5 billion people, some 2.8 billion—or almost one-half—still live on less than $2 a day, and 1.2 billion—or one-fifth—live on less than $1 a day. The persistence of abject poverty and other problems including those posed by the volatility of international capital flows have been a matter of serious concern.

1.2. THE REVIEW OF LITERATURE

There were empirical evidences to prove that Globalization has influenced the trade activities in the world and thereby inequality also. Evidence from examination of specific developing countries following trade liberalization and from cross-country studies does not suggest that trade liberalization generally reduces inequality in poor countries and in fact frequently suggests that trade liberalization can increase inequality. Mexico is the most intensively studied liberalization experience. Mexico joined the General Agreement on Tariffs and Trade (GATT) in 1985 and embarked on a broad liberalization of trade and foreign investment. Between mid 1985 and the end of 1987, import license coverage fell from 92% to 25% and average tariff rates fell from 23.5% to 11.8%, while the share of foreign direct investment in total investment rose from 1.4% to 9.8% (Hanson and Harrison, 1999; Feenstra and Hanson, 1997). While the pre-1985 trend in wage inequality had been downward, in the period 1984-1990, white-collar real hourly wages increased 13.4% while blue-collar wages decreased 14.0%. As further evidence of a rising wage differential, Feliciano (1993) and Cragg and Epelbaum (1996) use household-level data to find that, the return to schooling increased in Mexico during the late 1980s. The biggest rise in inequality was observed in firms engaged in export industries. Accordingly, Feenstra and Hanson (1996b) argue that rising wage inequality in Mexico is linked to capital inflows from abroad. An increase in outsourcing by Northern multinationals shifted production in Mexico towards skill-intensive goods thereby increasing the relative demand for skilled labor. That globalization has favored skill-intensive production in Mexico is further suggested by the fact that employees of multinational firms and international joint ventures receive higher wages, with or without adjustment for observable correlates of skill (Aitken, Harrison and Lipsey, 1996; Pavcnik, 2000).
1.3. INTEGRATION AND INEQUALITY

The issue of economic integration is high on both political and economic agenda. Examples of formal processes of economic integration comprise the formation of the European Union (EU), the current enlargement of the EU by Eastern European countries, the North American Free Trade Agreement (NAFTA), the attempt to establish a Free Trade Area of the Americas (FTAA) and the Association of South East Asian Nations (ASEAN). Beside these regional integration processes, there is the tendency of global economic integration driven by the World Trade Organization (WTO). In addition, there is substantial informal integration, which is due to technological progress in the transportation and communication sector.

Economic integration affects the participating economies in different ways. On the one hand, there are effects on the static allocation and hence direct effects on the income level. This aspect has been dealt with in the international trade literature. On the other hand, it is important to understand the dynamic implications of economic integration. Depending on the scope of scale effects, trade has different effects on income and growth. This not only holds for the goods trade but also for trade in factors that is for capital mobility and labour migration. The impact of integration and open trade policies on the growth rate of an economy has been the topic in numerous empirical studies. Whereas earlier empirical contributions find a positive impact of trade and open-trade policies on the growth rate, recent papers provide ample examples as how integration, interdependence, and globalization have led to asymmetries in the world.
1.4. OBJECTIVES AND DESIGN OF THE PAPER

For convenience, the paper is divided into three parts. As part of an exploration of the multidimensional nature of integration, the first section places the current phase of this process within the historical context of the world economy's progressive internationalization. The second section provides empirical evidence of the inequalities existing in global income distribution over 1950s and the trends in fundamental asymmetries of the global order are examined in. It also examines the asymmetries that exist between developed and developing countries and the different ways in which they have been approached in the international debate since 1950s. The third section analyses those inequalities and asymmetries, whose accurate characterization is essential in order to alleviate and, eventually, overcome the problems they cause. This is reflected in analyzing the asymmetric, incomplete nature of the international agenda that accompanies the integration process. Following a brief diagnosis of the main problems in each of these areas, recommendations are made in concerning a series of measures that can be taken at the national, regional, and international levels to meet the requirements associated with greater integration of the world economy.

PART 2

INTEGRATION AND INEQUALITY

2.1. DIMENSIONS OF THE WORLD ECONOMY

In the changing scenario of globalised economy, the chief elements are national economy and transnational economies. At present, the world economy becomes more and more mutually related and complicated. With the growing economic activities, some more characteristic became prominent in the world economy. They are:

- One worldwide finance market is growing gradually and its difference with the real economy is also increasing.
General Price Level becomes unstable.

Although the developing economies, on the whole, have been faster than the developed ones, there exists wide gap between these two categories of countries in many respects. While the international economic gap, i.e., the economic disparity between the developed and developing counties has been narrowing in several areas, it has been the widening in several others.

Table 1

Shares of Different Categories of Economies, 2005

<table>
<thead>
<tr>
<th>Economy Group</th>
<th>Population</th>
<th>GNP</th>
<th>GNP measured at PPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Income</td>
<td>16</td>
<td>81</td>
<td>57</td>
</tr>
<tr>
<td>Low and Middle Income</td>
<td>84</td>
<td>19</td>
<td>44</td>
</tr>
<tr>
<td>Middle Income</td>
<td>43</td>
<td>16</td>
<td>33</td>
</tr>
<tr>
<td>Low Income</td>
<td>41</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>India</td>
<td>17</td>
<td>1.5</td>
<td>5.5</td>
</tr>
</tbody>
</table>


The widening or the persistence of the international economic gap has been caused by such factors as the differences with growth rates, unequal access, population explosion in developing counties, and the negligence by the developed countries of the humanitarian needs of the developing countries, etc., the Table 1 gives the picture of shares of different categories of economies mainly of population, GNP and GNP measured at PPP (in percentage), during 2005.
Describing the world economic output is an important factor to discuss about the dimensions of changing structure of the world economy. It is mainly for two reasons. First we have all hear the terms world economy, internationalization, globalization or any number of variations on this basic idea. What is missing is some sense of world economy’s size and the magnitude of internationalization. Second, while absolute size is important, relative size matters as well. The Figure 1 provides a detailed overview of the world economic outlook from 2001 to 2004.

**Figure 1**

*Overview of the World Economic Outlook, 2001—2006*

(Annual percent change)

- **World Output**: 2.4, 3, 3.2, 4.1
- **Consumer Prices**: 2.2, 1.5, 1.8, 1.3
- **World Growth Rate**: 1.3, 1.9, 2.3, 3.2


International interdependence is often said to be strong and to have increased. International trade is taken to be an indicator of interdependence and its high and, with some interruptions, rapidly growing values are accepted as evidence of the increasing interdependence of nations. Between 1820 and 2002, world population increased 5-fold, income per head 8-fold, world income 40-fold, and world trade 540-fold. Sometimes,
international financial flows are taken as the measure of interdependence. However, important qualifications to the notion that today’s economic order is unprecedented, large, and increasing should be pointed out.

2.2. TRADE INTEGRATION

The global trade integration that took place since the mid-1980s is expected to become more pronounced in future. The integration of developing countries in world trade would proceed much more rapidly than was true before the start of this decade. Their rate of merchandize trade-integration was negative in the fifteen years prior to 1985 (see table 2). It revived in the second half of the 1980s and soared to almost 6 percent in 1991-94. It is projected to average a little over 2 percent a year in the next decade.
## Table 2
### World Trade Integration 1971 to 2005

(Percent)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>World Trade Growth*</td>
<td>3.7</td>
<td>6.1</td>
<td>3.9</td>
<td>7.7</td>
<td>6.5</td>
</tr>
<tr>
<td>World Output Growth</td>
<td>3.2</td>
<td>3.3</td>
<td>1.1</td>
<td>3.0</td>
<td>3.8</td>
</tr>
<tr>
<td>Speed of Integration**</td>
<td>0.5</td>
<td>2.8</td>
<td>2.9</td>
<td>4.7</td>
<td>2.9</td>
</tr>
<tr>
<td>High-income OECD</td>
<td>0.8</td>
<td>3.2</td>
<td>0.8</td>
<td>4.2</td>
<td>2.8</td>
</tr>
<tr>
<td>Developing Countries</td>
<td>-0.6</td>
<td>0.6</td>
<td>6.7</td>
<td>5.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>-1.5</td>
<td>-0.7</td>
<td>0.4</td>
<td>1.4</td>
<td>0.6</td>
</tr>
<tr>
<td>East Asia</td>
<td>1.0</td>
<td>1.4</td>
<td>5.8</td>
<td>5.1</td>
<td>2.3</td>
</tr>
<tr>
<td>South Asia</td>
<td>-0.4</td>
<td>-0.2</td>
<td>4.1</td>
<td>3.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>--</td>
<td>-2.1</td>
<td>7.3</td>
<td>8.3</td>
<td>3.1</td>
</tr>
<tr>
<td>Middle East and</td>
<td>-1.5</td>
<td>3.1</td>
<td>0.3</td>
<td>0.9</td>
<td>2.1</td>
</tr>
<tr>
<td>North Africa</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>-1.6</td>
<td>2.0</td>
<td>9.6</td>
<td>2.8</td>
<td>2.6</td>
</tr>
</tbody>
</table>

**Notes:**

* Growth rate of the sum of merchandise export and import volumes.

** Growth rate of trade minus growth rate of output.

**Source:** Compilation of Reports of World Bank, Global Economic Prospects and The Developing Countries, 2005

The world economic integration is encouraged by the growing trend of production sharing. The political and economic reforms of the erstwhile USSR, Eastern Europe and other parts of the world have given an added thrust to the integration of the world economy.
2.3. GROWING TRADE IN THE WORLD, 1991-2005

Figure 2a
World Trade during 1991

The figures 2a and 2b shows the growth of world trade between 1991 and 2005. During 1991, the Europe and Central Asia have contributed nearly 30% of the total world trade, which was declined to 22% during 2005. There was a slight improvement over the trade aspects of Latin America and Caribbean from 8% in 1991 to only 9% in 2005. A remarkable increase of trade share was from South Asia i.e. from 12% in 1991 to 16% in 2005. This trend shows that the developing countries are increasing their share in world trade especially after the effective implementation of the globalization. The globalization trend in the developing countries was boosted by the increase in the flow of foreign investment, structural reforms in many countries and privatization process.
Figure 2b
World Trade during 2005

South Asia, 16%

East Asia & Pacific, 17%

Europe and Central Asia, 22%

Sub-Saharan Africa, 15%

Middle East & North Africa, 11%

High Income Economies, 10%

Latin America & Caribbean, 9%

Source: IMF Direction of Trade database
PART 3

THE INEQUALITY

The integration of the world economy over the past twenty years has been dramatic. One of the most important aspects of integration is the issue as to how best to ensure that the concept is appropriately incorporated within international and regional organizations and programmes. Whilst some changes have been made to the structures and policies of many bodies, there remains ambivalence as to what globalization results, and what it entails for the bodies concerned.

Integration has also generated significant international opposition over concerns that it has increased inequality between the rich and poor nations and abetted environmental degradation, sweatshops forcing child labour, increasing gaps between rich and poor nations, and liquidating the local ad domestic industries in the third world nations. In considering this, the paper found the major problems, among others, by implementing the globalization in many countries that are grouped under the following heads.

3.1. POVERTY

Poverty exists everywhere, but it is most cruel and debilitating in developing countries, where more than one person in five subsists on less than $1 day. However, since 1990, extreme poverty in developing counties has fallen from 28% to 21%. Over the same time, population grew 15% to 5 billion people, leaving 1.1 billion people in extreme poverty. Also, hundreds of millions of people will still be trapped in poverty, especially in Sub-Saharan Africa and South Asia and wherever poor health and lack of education deprive people of productive employment; environmental resources have been depleted or spoiled; and corruption, conflict, and misgovernance of waste public resources and discourage private investment. Even as the first target of the Millennium Development Goals appears in sight, the effort to eliminate poverty has been renewed.
The figure 3 shows that the extreme poverty exists in Sub-Saharan Africa compared to any other countries of the world. During 1990, the Sub-Saharan Africa having 44.6 percent of the people living under the poverty, was increased to 47.8 percent during 2005, and was projected to decline by 38.4 percent during 2015. The South Asian countries were remarkably decreased their poverty rate from 41.1 percent during 1990 to 28 percent during 2005. Even the same case with the East Asia and Pacific countries, where the poverty was declined from 29.6 percent in 1990 to 13 percent in 2005, was
very much projected to decline by 1 percent during 2015. The Latin American and Caribbean countries were moderately decreased their poverty level from 29 percent during 1990 to 20 percent in 2005.

The Europe and Central Asia is having less poor people in the world. The people living under the poverty level is only 0.5 percent in 1990 was increased to 2.9 percent in 2005, but was projected to have less during 2015 i.e. only 0.3 percent. The Middle-east and North Africa is also suffering from the poverty problems i.e. 21.4 percent of the population living below poverty during 1990, as declined to 18 percent in 2005, but was projected to decrease to 11.9 during 2015. However, the problem of poverty is not uniform in this world, the attitude and intensity is alarming. The poverty is increasing along with the increase in integration of the countries.

### 3.2. LONG TERM DISPARITIES BETWEEN REGIONS AND COUNTRIES

The widening income gap between different regions and countries has been a feature of the world economy for the past two centuries. Indeed, whereas per capita GDP in the more developed regions of the world was around three times that of the less developed regions in the early nineteenth century, this ratio has grown steadily, and currently stands at just under 20:1 (see table 3). The only exception to this trend is found in the period 1950-1973, in which the differential decreased slightly.

Major interregional disparities in per capita GDP were already evident prior to the First World War, but they intensified rapidly between then and the mid-twentieth century and they have continued to increase ever since, though at a slower rate. This, as we will see, is a pattern that has been repeated by other indicators of inequality in global income distribution. The relatively slower increase in inequality after the Second World War coincided with the acceleration of economic growth in the developing world, which was one of the distinguishing characteristics of the second phase of the globalization process.
Table 3.
Pattern of Interregional Disparities

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>A. Per Capita GDP, by region</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western Europe</td>
<td>1,232</td>
<td>1,974</td>
<td>3,473</td>
<td>4,567</td>
<td>11,988</td>
<td>15,988</td>
<td>17,921</td>
</tr>
<tr>
<td>United States, Australia, New Zealand &amp; Canada</td>
<td>1,201</td>
<td>2,431</td>
<td>5,257</td>
<td>9,288</td>
<td>16,172</td>
<td>22,365</td>
<td>26,146</td>
</tr>
<tr>
<td>Japan</td>
<td>669</td>
<td>737</td>
<td>1,387</td>
<td>1,926</td>
<td>11,439</td>
<td>18,789</td>
<td>20,413</td>
</tr>
<tr>
<td>Asia (Excluding Japan)</td>
<td>575</td>
<td>543</td>
<td>670</td>
<td>635</td>
<td>1,213</td>
<td>2,117</td>
<td>2,936</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>667</td>
<td>698</td>
<td>1,511</td>
<td>2,554</td>
<td>4,513</td>
<td>5,055</td>
<td>5,760</td>
</tr>
<tr>
<td>Eastern Europe and former Soviet Union</td>
<td>665</td>
<td>917</td>
<td>1,501</td>
<td>2,607</td>
<td>5,729</td>
<td>6,440</td>
<td>4,354</td>
</tr>
<tr>
<td>Africa</td>
<td>418</td>
<td>444</td>
<td>585</td>
<td>856</td>
<td>1,369</td>
<td>1,385</td>
<td>1,368</td>
</tr>
<tr>
<td>World</td>
<td>667</td>
<td>876</td>
<td>1,510</td>
<td>2,114</td>
<td>4,104</td>
<td>5,115</td>
<td>5,709</td>
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<tr>
<td>B. Interregional Disparities (percentage)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less-developed region/more-Developed region</td>
<td>33.9</td>
<td>18.3</td>
<td>11.1</td>
<td>6.8</td>
<td>7.6</td>
<td>6.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Latin America/ more-Developed region</td>
<td>54.0</td>
<td>28.7</td>
<td>28.7</td>
<td>27.5</td>
<td>28.0</td>
<td>22.6</td>
<td>22.2</td>
</tr>
<tr>
<td>Latin America/world</td>
<td>99.7</td>
<td>80.5</td>
<td>100.1</td>
<td>120.8</td>
<td>110.4</td>
<td>98.6</td>
<td>101.5</td>
</tr>
<tr>
<td>Latin America/less-developed Region</td>
<td>159.1</td>
<td>157.2</td>
<td>258.3</td>
<td>402.2</td>
<td>368.1</td>
<td>365.0</td>
<td>423.6</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Regional Share of World Production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western Europe</td>
<td>23.6</td>
<td>33.6</td>
<td>33.5</td>
<td>26.3</td>
<td>25.7</td>
<td>22.3</td>
<td>20.6</td>
</tr>
<tr>
<td>Western Offshoots</td>
<td>1.9</td>
<td>10.2</td>
<td>21.7</td>
<td>30.6</td>
<td>25.3</td>
<td>24.6</td>
<td>25.1</td>
</tr>
<tr>
<td>Japan</td>
<td>3.0</td>
<td>2.3</td>
<td>2.6</td>
<td>3.0</td>
<td>7.7</td>
<td>8.6</td>
<td>7.7</td>
</tr>
<tr>
<td>Asia (Excluding Japan)</td>
<td>56.2</td>
<td>36.0</td>
<td>21.9</td>
<td>15.5</td>
<td>16.4</td>
<td>23.3</td>
<td>29.5</td>
</tr>
<tr>
<td>Latin America</td>
<td>2.0</td>
<td>2.5</td>
<td>4.5</td>
<td>7.9</td>
<td>8.7</td>
<td>8.3</td>
<td>8.7</td>
</tr>
<tr>
<td>Eastern Europe and former Soviet Union</td>
<td>8.8</td>
<td>11.7</td>
<td>13.1</td>
<td>13.0</td>
<td>12.9</td>
<td>9.8</td>
<td>5.3</td>
</tr>
<tr>
<td>Africa</td>
<td>4.5</td>
<td>3.6</td>
<td>2.7</td>
<td>3.6</td>
<td>3.3</td>
<td>3.2</td>
<td>3.1</td>
</tr>
<tr>
<td>World</td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Compilation of World Development Reports
Latin America and the Caribbean have exhibited a number of distinctive features within this process. First, this was one of the first regions in the developing world to join in the trend towards globalization. Ever since the initial phases of this process, the Latin American and Caribbean region, together with Central and Eastern Europe, has formed part of the group of middle-income countries, which has expanded to include several Asian countries in recent decades. Although no precise data are available on the subject, the gap in per capita output between this group and the most developed region of the world widened between 1820 and 1870, but then stabilized. In fact, the disparity between the per capita GDP of Latin America and the Caribbean and that of the most developed region in the world remained stable, hovering in the 27%-29% range, for a little more than a century and only began to decrease in 1973, dropping to 23% in 1990 and to 22% by the end of the twentieth century (see figure 4). In terms of mean global GDP, the disparity increased from 1870 to 1950 and then began to decrease—slowly until 1973 and more rapidly from 1973 to 1990.

**Figure 4**

*Weighted International Inequality*

![Weighted International Inequality Graph](source)

Source: Compilation of World Development Reports 1950 to 2006
Table 4.
World Trend in Income Inequality, 1975-2003

(In percentage of population)

<table>
<thead>
<tr>
<th>Groups of Countries</th>
<th>Growing Inequality</th>
<th>Stable Inequality</th>
<th>Decreasing Inequality</th>
<th>No Identifiable Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Countries</td>
<td>71.8</td>
<td>1.2</td>
<td>27.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>98.1</td>
<td>0.0</td>
<td>0.0</td>
<td>1.9</td>
</tr>
<tr>
<td>Former Soviet Union</td>
<td>100.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>South Asia and Middle</td>
<td>83.8</td>
<td>0.0</td>
<td>11.4</td>
<td>4.8</td>
</tr>
<tr>
<td>East</td>
<td>1.4</td>
<td>70.2</td>
<td>14.4</td>
<td>14.0</td>
</tr>
<tr>
<td>East Asia</td>
<td>79.4</td>
<td>4.4</td>
<td>16.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Africa</td>
<td>31.6</td>
<td>11.9</td>
<td>7.7</td>
<td>48.8</td>
</tr>
<tr>
<td>World</td>
<td>56.6</td>
<td>22.1</td>
<td>15.6</td>
<td>5.7</td>
</tr>
</tbody>
</table>


The combination of these two trends is, in fact, one of the hallmarks of the third phase of globalization. Indeed, several studies have shown that the relative stability of inequality within countries that marked the world economy in the decades after the Second World War was followed by ever-greater inequality in the last quarter of the twentieth century. Cornia’s figures (1999) are very informative (see table 4). According to his analysis, 57% of the population included in a sample of 77 nations lived in countries that exhibited growing inequality in income distribution during the period 1975-1995. Only 16% lived in nations in which inequality decreased. The rest of the study population lived in countries that had stable levels of inequality or in countries for which no trends could be discerned. These general trends are observed, with some variations, across the major regions of the developed, transition and developing worlds.
The developing and transition countries displayed a more heterogeneous pattern. The greatest deterioration in these areas occurred in the countries of Central and Eastern Europe, especially those of the former Soviet Union. East Asia also registered greater degrees of inequality, mainly as a result of the widening gap between urban and coastal areas in China, on the one hand, and rural areas, on the other. However, East Asia is also the developing region in which the highest proportion of the population lived in countries where inequality was on the decline. In contrast, most of the population of southern Asia, the Middle East, and Africa lived in countries either where indices of inequality remained unchanged or where there were no clearly identifiable pattern. In all these regions, the exacerbation of inequalities was linked to growing disparities between rural and urban areas.

3.3. MACRO ECONOMIC VULNERABILITY

The second type of asymmetry is associated with the greater macroeconomic vulnerability of the developing countries to external shocks, which also strain these countries’ lesser and very limited means of coping with them. This vulnerability has tended to increase with the greater financial integration that has characterized the third phase of globalization, as have trade vulnerabilities, which have continued or intensified as a result of fluctuations in demand levels and the terms of trade. The increased instability of economic growth in developing countries during the third phase of globalization is a reflection of this fact (see figure5).
The existing financial asymmetries stem from four characteristics of developing countries:

1. The currencies in which their foreign debt is denominated;
2. The maturity structures offered on financial markets;
3. The scope of secondary markets; and
4. The highly disadvantageous relationship between the size of developing-country financial markets and the speculative pressures they face.

As a result of the first three of these features, agents that have access to international markets (governments and large firms) must contend with currency mismatches, while those that do not have access to international markets (small and medium-sized firms) are affected by maturity mismatches, and it is generally impossible to have a financial structure that avoids both risks at the same time. This means that developing-country financial markets are much more incomplete than international markets are, and, consequently, some financial intermediation must necessarily take place in the international market. It also means that international financial integration involves dissimilar agents.
The existing macroeconomic asymmetries are attributable to the fact that the international currencies are those of the developed countries and to the procyclical nature of capital flows to developing countries. This pattern is linked to the perception that, with few exceptions, the developing countries are high-risk markets, subject to sharp financial cycles in which phases marked by a greater appetite for risk alternate with droughts triggered by a “flight to quality assets”.

3.4. CHALLENGES IN INTEGRATING THE ASIAN ECONOMY

This process also, however, entails risks: risk generated by new sources of instability in trade flows and, especially, finance; the risk that countries unprepared for the formidable demands of competitiveness in today's world may be excluded from the process; and the risk of an exacerbation of the structural heterogeneity existing among social sectors and regions within countries whose linkages with the world economy are segmented and marginal in nature. There are some distinct but related issues that are a source of much of the concern and opposition to globalization, and they are:

3.4.1. Free Trade v/s Fair Trade

While it is difficult to define clearly as to what is meant by fair trade, its general meaning of fairness in terms of the distribution of the benefits of trade among the different member countries is sufficient enough to bring out this conflict. The benefits from the trade refer to variables such as income, employment, foreign exchange earnings, level of technology, capacity creation, infrastructure development, and institutional building.
3.4.2. Autonomy of the State

The second major globalization-related source of concern is the loss of autonomy of national governments, and the perceived loss of democratic process that accompanies it. Prime examples of this have been the 'forcing' of 'Washington Consensus' policies on poor nations by rich nations or their agencies, the World Bank and IMF, and the restrictions on environmental regulations imposed by the WTO.

3.4.3. Corporate Globalization

The third contentious aspect of globalization is the rise of big corporations. Whether by active design or by the inherent nature of the process, large corporations often appear to be the biggest gainers from globalization. Dissatisfaction with this pattern has led many critics to label the current course of globalization as 'corporate globalization'.

3.4.4. Mobility of Factors

The next is the bias in the current form of market globalization created by the fact that the mobility of capital and the mobility of goods and services exist alongside severe restrictions on the mobility of labour. This is reflected in the asymmetric, incomplete nature of the international agenda that accompanies the globalization process.

3.4.5. Governance

Another hindrance is an absence of a suitable form of governance in the contemporary world, not only in economic terms (as has become particularly evident in the financial sector) but in many other areas as well. This lack of governance can be attributed, in its turn, to the sharp divergence between global problems and political processes that continue to be pursued within national and, increasingly, local frameworks.
3.4.6. The Environment

Environmental stresses arise from an imbalance between what people consume and what natural systems can provide. Human impact on the biosphere is essentially what people use and waste. Some 80 per cent of that consumption is what is thought of as prosperity—wealth creation and enjoyment by some 20 per cent of the world's people. Those disparities become important when environmental sustainability requires restraint on consumption at a global level, including greater efficiency in the use of resources, as is the case for carbon emissions.

3.5. RESHAPING THE INTERNATIONAL ARCHITECTURE FOR INTEGRATION

In addition to economic interdependence (trade, finance, direct investment), educational, technological, ideological, and cultural as well as ecological, environmental, legal, military, strategic, and political impulses are now rapidly propagated throughout the world. Money and goods, images and people, sports and religions, guns and drugs, and diseases and pollution can now be moved quickly across national frontiers. When the global satellite communications system was established, instantaneous communication from any part of the world to any other became possible. In recognizing the above discussion, *reshaping international architecture* can be achieved by adopting following measures:

1. Promotion of transparency, accountability, and good governance
2. Adopting of international standard and codes
3. Strengthening of financial systems
4. Orderly capital account liberalization
5. Implementation of sustainable exchange regimes
6. To ensure more effective use of IMF, World Bank and WTO resources.
7. Establishing property rights
8. The creation of a common independent central bank
These initiatives for a new international economic order are complemented by initiatives focusing on debt relief and poverty reduction for low-income countries also contributes to growth, which is of crucial effort to fight poverty, unemployment, economic inequality and backwardness.

3.6. CONCLUSION

Economic development and poverty reduction require ever expanding economic resources, which can only be generated through high economic growth. Openness is found to positively impact upon economic growth by making investment more productive and efficient and by nurturing incentives for new investment. South Asian countries faced with a high degree of poverty will benefit enormously from openness, integration in the World economy and maximizing benefits of globalization.

Asia has had a remarkable recovery and can now look forward to a period of renewed growth and prosperity. Financial markets will play a major role in this process. Despite some strategic and security risks in the region, the political situation is generally stable and positive. There are challenges ahead, but with greater regional collaboration and integration, and continued reforms and developments to financial sectors in individual countries, Asians, and investors in the region, can look forward to a vibrant and dynamic future.
Reference


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