Chapter 6

Globalisation and Extreme Poverty: A Conditional Relationship

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Abstract

This chapter analyses the relationship between globalisation and extreme poverty, arguing that globalisation is a conditional, rather than automatic, mechanism for poverty reduction. While the expansion of trade, foreign direct investment, and technological diffusion has coincided with an unprecedented decline in global extreme poverty since the 1980s, these gains have not been universal. Regions with weak institutions, limited state capacity, and persistent conflict have remained largely excluded from the benefits of global integration. Drawing on theoretical and empirical evidence, the chapter shows that the poverty impacts of globalisation operate through trade-led growth and labour-market effects, productivity gains from foreign direct investment and participation in global value chains, and exposure to financial volatility, but that the effectiveness of these channels is fundamentally conditioned by institutional quality, state capacity, and social protection systems. The chapter concludes that globalisation reduces poverty only when supported by strong institutions, inclusive governance, human capital investment, and effective social protection systems.

1. Introduction

Over the last four decades, the world economy has witnessed a wave of globalisation, symbolising an unprecedented integration of trade, finance, and technology. Especially since the late 1980s, the gradual reduction of tariffs, the liberalisation of capital movements, and revolutions in information technology have irreversibly linked national markets. This process has played a decisive role in the global fight against poverty.

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One of the most significant outcomes of this period is the dramatic decline in the global population living in extreme poverty, defined as the \$1.90 threshold (Hasell et al., 2022). According to the World Bank dataset, the extreme poverty rate fell from 43% in 1980 to below 10% today. This historical success supports the compelling argument that globalisation, by increasing prosperity through trade and growth, is the most effective tool in combating poverty. Bhagwati (2004) argues that the poverty-reducing impact of globalisation is inevitable, as it provides low-skilled labour in developing countries with access to the world market. According to him, the overall economic growth generated by integration eventually permeates the lowest segments of society and eliminates absolute poverty. This optimistic perspective is also supported by the empirical findings of Dollar and Kraay (2002), who demonstrated a strong correlation between economic growth and income growth among the poorest.

However, this success story is far from universal. This process remains a topic of ongoing debate within the academic community. While Asian countries experienced remarkable development, regions with weak institutional frameworks, such as those in Sub-Saharan Africa, failed to benefit sufficiently and were unable to break the cycle of poverty. Furthermore, rapid global integration, in particular, generated financial volatility and caused significant fluctuations in labour markets, leaving even those groups recently emerging from poverty vulnerable. Stiglitz (2002) — together with other critical economists such as Rodrik (1997, 2011), Chang (2002), and Milanovic (2016) — argues that the wealth created under globalisation has been unevenly distributed and that the gains achieved in poverty reduction remain highly fragile.

In this context, the main question of this chapter is whether, and under which conditions, globalisation contributes to the reduction of poverty. Focusing on income-based poverty measures, the chapter examines the mechanisms through which integration into the global economy translates into poverty reduction and highlights the conditional role of institutions, human capital, and social protection systems.

1.1. Conceptual Framework

1.1.1. Definition of Poverty

Poverty is an inherently complex and multidimensional phenomenon for which no single universal definition can be applied across contexts. In particular, high-income and low-income countries set very different national poverty lines to measure poverty meaningfully and contextually, taking into account the income levels of their citizens. For example, in the United States, a person is considered poor if they live on less than $27.10 a day, while in Ethiopia, the poverty line is set at less than ten times that level—$2.59 a day (Hasell et al., 2022; Özcan, 2016).

Because these definitions vary significantly across countries, national poverty lines cannot be used for cross-country comparisons. To measure global poverty, a standardised poverty threshold that applies uniformly across nations is necessary. This is why the International Poverty Line of $3 a day, established by the World Bank and utilised by the United Nations to monitor global extreme poverty, is employed. From a global perspective, this threshold appears extremely low; it reflects the typical poverty lines used in the world's poorest countries (Hassell et al., 2022). Accordingly, this chapter adopts an income-based definition of poverty and uses the international extreme poverty line as its primary metric of analysis. The focus is therefore placed on measurable changes in material living standards and on identifying the economic and institutional mechanisms through which globalisation affects income poverty among the world's poorest populations.

1.1.2. Dimensions and Limits of Globalisation

The analysis examines globalisation in three main dimensions: Commercial Globalisation (increased trade in goods and services and integration into global value chains); Financial Globalisation (liberalisation of capital flows and FDI); and Technological Globalisation (diffusion of knowledge, skills, and innovations). These dimensions create different, often conflicting, interactions with poverty. While commercial globalisation is considered the main poverty-reducing force, financial globalisation will be examined as the main source of volatility and fragility.

The purpose of this analysis is to reveal whether globalisation has a net poverty-reducing effect, the mechanisms through which this effect occurs, and, as argued by Dani Rodrik (1997), why these mechanisms fail in some regions (due to poor institutional structures). The study aims to analyse the impact of globalisation on poverty in a multidimensional manner, not merely as a correlation but as a conditional causal relationship.

2. Optimistic Impact on Poverty: Growth Mechanisms

When examining the impact of globalisation on poverty, an optimistic view within academic and policy circles argues that globalisation is the most effective way to reduce poverty by accelerating economic growth and increasing productivity. Underlying this view is the belief that increased trade, capital flows, and technological diffusion will unlock the full economic potential of developing countries (DCs). This section examines in detail the underlying theoretical mechanisms and empirical evidence supporting globalisation's success in combating poverty.

2.1. Trade Liberalisation and The Principle of Comparative Advantage

One of the most crucial impacts of globalisation on poverty is associated with economic growth and reallocation through trade liberalisation. According to the principle of Comparative Advantage, derived from classical economic theory, when countries focus on the goods they produce most efficiently, the distribution of global resources is optimised, increasing the overall welfare of all nations participating in trade. For developing economies, this often means specialising in the production of labour-intensive goods (textiles, basic assembly products) that rely on low-skilled labour and their own abundant, relatively cheap factors of production (Küçükaksoy et al., 2015).

Jagdish Bhagwati (2004) is one of the most prominent figures advocating for the success of globalisation in fighting poverty. Bhagwati contends that trade is one of the most potent anti-poverty tools, enabling poverty reduction by stimulating economic growth in poor countries and increasing the demand for low-skilled labour. In his view, trade eliminates the inefficiencies created by protectionist barriers and increases competition, which in turn forces resources to be used more efficiently. The economic rationale behind this thesis is supported by the Heckscher-Ohlin (H-O) model (1919) and the Stolper-Samuelson Theorem. According to the H-O model, labour-abundant economies tend to specialise in labour-intensive exports, leading to increased demand for less-skilled labour. Consequently, wages for less-skilled workers will rise relative to those for skilled workers (Korinek, 2005; Aguayo-Tellez, 2012). According to the Stolper-Samuelson Theorem, when trade is liberalised, the price of a country's abundant factor (i.e., low-skilled labour wages) increases, while the price of the scarce factors (capital/high-skilled labour) decreases (Stolper and Samuelson, 1941). In theory, this should result in direct wage increases and improvements in welfare for millions of people living in poverty.

Dollar and Kraay's (2002) panel data analysis of over 80 countries shows a positive correlation between the average income and the income of the poorest quintile. Their results suggest that growth driven by trade liberalisation and macroeconomic stability is a central mechanism for reducing poverty, with low-income groups receiving a proportionate share of this growth (Dollar & Kraay, 2002; Kraay, 2006). Similarly, Winters, McCulloch, and McKay (2004), in their comprehensive review summarising the effects of trade reforms on poverty, emphasise the growth channel as the most consistent and well-documented mechanism through which trade reduces poverty.

At the global scale, the World Bank's Poverty and Shared Prosperity Report (2020) shows that the dramatic decline in extreme poverty after 1990 was largely driven by the rapid growth performance of East Asian economies – especially China - which were integrated into trade and remained macroeconomically stable (World Bank, 1993; Chen and Ravallion, 2008). Similarly, the World Bank's Globalisation, Growth, and Poverty report (2002) reveals that poverty declines more rapidly in countries where trade is liberalised and macroeconomic vulnerabilities are reduced than in countries that are not liberalised or stable. Therefore, the general consensus in the literature is that the impact of trade reforms on poverty operates largely through growth and the degree to which this growth is reflected in the incomes of the poor, rather than through direct price mechanisms (Ravallion, 2001; Winters et al., 2004).

2.2. Foreign Direct Investment (FDI), Technology, and Productivity

The second fundamental mechanism of globalisation's impact on poverty is FDI's capacity to transfer capital, technology, and management knowledge. According to Dunning's (1993) OLI paradigm and Hymer's (1976) theory of multinational firms, foreign investors not only provide financing but also transfer advanced production techniques, corporate governance skills, and know-how to host economies. Therefore, FDI is an important external resource that not only closes the investment gap but also increases productivity.

Empirical literature shows that multinational corporations systematically pay higher wages and offer better working conditions than domestic firms. Lipsey (2002), Aitken, Harrison, and Lipsey (1996), and Figlio and Blonigen (2000) argue that foreign firms have a wage premium; This premium, in particular, improves the welfare of low-skilled workers. Similarly, Javorcik (2014) demonstrates that FDI improves employment quality through local supply chains.

This dynamic has been clearly demonstrated in examples such as the maquiladora industry in Mexico. Feenstra and Hanson (1997; 1999) demonstrate that the maquiladora sector provides regular income and stable employment for low-skilled workers from rural areas; Robertson (2004) has detailed the income effects of this sector on poverty. Hence, based on this evidence from Mexico, one can say that FDI-oriented export zones increase formal employment opportunities, which in turn increase access of workers to employment-based social security schemes.

FDI benefits local firms through the diffusion of technology and knowledge (Gokceli, 2023), which creates an indirect effect of FDI on poverty. Aitken and Harrison's (1999) study demonstrates that foreign firms increase their own productivity and sometimes raise sectoral productivity; however, the study shows that there are limited horizontal spillovers. Javorcik's (2004) analysis of "forward linkages" shows that the technical capacity of domestic firms, particularly those in the supply chain, increases. Comprehensive literature reviews by Görg and Strobl (2001; 2005) also emphasise that FDI can indirectly increase national welfare through innovation and increased productivity.

Globalisation is not limited to trade liberalisation and capital mobility, but also encompasses technological diffusion, knowledge accumulation, and structural transformation of national economies (Yıldız, 2024). Global value chain integration further accelerates this process. Gereffi and Fernandez-Stark (2011), Timmer et al. (2014), and UNCTAD (2013) show that firms participating in value chains adapt more quickly to new technologies, raise quality standards, and thus narrow the technology gap. Baldwin (2016), using the "great convergence" argument, argues that global production networks bring firms in low-income countries closer to advanced technologies.

These productivity gains may not have a direct impact on poverty; however, increases in total factor productivity contribute to the fight against poverty in the long run by expanding wages, job quality, and economic opportunities.

3. The Challenges of Emerging from Poverty: Failure and Vulnerability

The success of trade and economic growth in reducing poverty is particularly striking in East Asian examples, but this success is not universal. While globalisation has generated rapid income increases in countries with strong integration capacities, it has contributed to the perpetuation of poverty in regions facing integration barriers (World Bank, 2002). The lack of integration into global production networks, exacerbated by financial vulnerabilities and structural inequalities created by institutional weaknesses, makes even households newly emerging from absolute poverty vulnerable to economic shocks. This section examines these fundamental mechanisms that limit, and in some contexts reverse, the impact of globalisation on absolute poverty.

3.1. Exclusion and Regional Disaggregation: Where Global Flows Cannot Reach

While globalisation can theoretically create opportunities for all countries, in practice economic integration is highly selective. World Bank (2020) data show that the sharp decline in global poverty after 1990 was largely due to Asia's export-led growth model. In contrast, absolute poverty rates have remained high in regions with limited integration capacity, particularly in Sub-Saharan Africa (SSA).

Trade exclusion is one of the key mechanisms explaining this situation. The share of SSA countries in global trade has not increased over the past four decades and has even declined in some periods (World Bank, 2002; UNCTAD, 2013). The region's export structure is largely based on commodities and low-processed products, making economies vulnerable to international price shocks (UNCTAD, 2013). Because commodity dependence does not generate sustainable wage growth or employment expansion, the theoretical expectations of low-skilled labour, predicted by the Stolper–Samuelson mechanism, have not materialised for the region. The picture is similar regarding investment flows. A significant portion of FDI directed to SSA is concentrated in natural resource sectors with weak vertical linkages to the local economy. The potential for technological diffusion and employment creation for such investments is limited. Positive spillover mechanisms, such as those demonstrated by Javorcik (2004) through supply chain linkages, often fail to emerge in natural resource-focused investments. Therefore, SSA's failure to achieve the expected gains from globalisation is largely related to this asymmetry in the region's production structure, openness, and investment composition.

3.1.2. Institutional and Conflict-Based Traps

An increasingly accepted view in the globalisation literature is that trade and capital flows can reduce poverty only under certain institutional conditions. As Rodrik (1997; 2000; 2008; 2011) emphasises, globalisation is not a policy choice but a process shaped by the institutional infrastructure that operates on it. In contexts where property rights are weak, the rule of law is limited, and state capacity is low, openness to the outside world often attracts short-term, rent-seeking capital flows rather than encouraging productive investment.

Governance problems, corruption, and institutional fragility in many countries in Sub-Saharan Africa create high uncertainty for economic actors; investors prefer to focus on politically protected sectors rather than being directed toward long-term productive activities (Knack & Keefer, 1995; Mauro, 1995; Asiedu, 2006; Collier, 2007; Rodrik, 2007; Acemoglu & Robinson, 2012). North's (1990) institutional economics and Mauro's (1995) work documenting the impact of corruption on investment explain why trade integration, coupled with institutional weaknesses, fails to produce sustainable development.

These institutional weaknesses are accompanied by high levels of political instability in most SSA countries. The conflict economics literature demonstrates that civil wars slow economic growth (Collier & Hoeffler, 1998; 2004), weaken state capacity (Fearon & Laitin, 2003), and irreversibly erode social welfare. Conflict not only disrupts production but also leads to global supply chains completely excluding these regions. Consequently, a "trap" emerges in which conflict and institutional weakness feed each other. This institutional vicious cycle, as described by Olson (1993) and Acemoğlu and Robinson (2012), systematically blocks pathways out of poverty and neutralises the potential benefits of globalisation.

3.2. Volatility and Crises in Financial Globalisation

Unlike trade integration, financial globalisation has been the most significant source of vulnerability for many developing countries. The liberalisation of capital movements has increased the sudden inflows and outflows of short-term portfolio investments and deepened macroeconomic instability. Stiglitz (2002; 2010) argues that this inherent fragility of the international financial architecture has left developing countries vulnerable to a series of external shocks, from the 1997 Asian Crisis to the 2008 Global Crisis.

The economic impacts of financial crises are often sudden and far-reaching. Capital flight triggers exchange rate collapses, sharp increases in interest rates, and the collapse of the banking system. These shocks directly impact the real sector; businesses close, unemployment rises, and national income falls sharply. Critically, such crises target households that have recently emerged from poverty. These groups, with limited savings and no access to social security, are completely vulnerable to income losses. As Ravallion (2009) has shown, the rate of increase in poverty during periods of crisis is higher and more persistent than the rate of decrease during periods of growth; thus, financial shocks "recycle" poverty.

The impact of financial crises is not limited to temporary income shocks. Poor and vulnerable households are forced to cut back on their children's education and healthcare expenses during crises, reducing the human capital and social mobility potential of future generations (Jacoby & Skoufias, 1997; Thomas et al., 2004; Ferreira & Schady, 2009; Ravallion, 2009; UNICEF, 2009). In this context, the volatility of financial globalisation appears not only to temporarily increase absolute poverty but also to perpetuate the cycle of poverty across generations.

4. Conditional Success: Inclusive Governance and Policy Interventions

Debates on the impact of globalisation on reducing absolute poverty are characterised by a sharp contrast between rapid poverty reduction in East Asia and persistent poverty in Sub-Saharan Africa. This contrast reinforces the fundamental thesis that globalisation, in and of itself, is neither an automatic engine of development nor a universal threat. Trade, capital flows, and technological diffusion may create significant opportunities for countries, but the actual translation of these opportunities into poverty-reducing outcomes is determined by a country's institutional quality, human capital, social protection capacity, and policy choices. This section analyses the key institutional and social components that enable success by viewing the impact of globalisation on poverty as a conditional process.

4.1. Institutional Quality: Governance, Inclusiveness, and State Capacity

This framework requires a more nuanced examination of how institutions shape the impact of globalisation on poverty. The quality of institutions not only directs investment and trade flows but also determines their distributional impact on poverty. The poverty-reducing potential of globalisation depends not only on the degree of openness to the outside world, but also on the institutional foundation upon which this openness is built. Dani Rodrik (1997; 2000; 2008; 2011) demonstrates that globalisation is a "superstructure," but that its functioning is determined by the "deep structures" of countries. Countries where property rights are secure, the rule of law is strong, state capacity is well developed, and accountable governance mechanisms are in place are much more likely to benefit from trade and capital flows. Conversely, in contexts with low institutional quality, globalisation cannot activate the necessary chain mechanisms for growth and poverty reduction. This is the fundamental reason why integration into global markets in Sub-Saharan Africa (SSA) remains limited and fragile. Acemoğlu and Robinson's (2001; 2005) institutional-based development theory argues that the factor determining long-term growth performance is not geography or culture, but rather inclusive institutions. Conversely, arbitrary state interventions that fail to protect property rights and disrupt market performance demonstrate that rent-based systems, which weaken security and act as extractive institutions, hinder economic dynamism. In this context, many SSA countries lack a legal infrastructure and predictable economic rules that investors can trust. Mauro's (1995) study examining the relationship between corruption and investment shows that bribery and arbitrariness seriously reduce investment volume, while Knack and Keefer (1995) emphasise that governance quality is one of the most consistent determinants of growth rate. Therefore, globalisation, in environments with low institutional quality, often turns into a dynamic that attracts rent-based short-term capital flows but fails to stimulate productive investment.

A central manifestation of institutional weakness in many low-income countries is armed conflict and political instability. The conflict economics literature has demonstrated that civil wars and political violence have devastating and lasting effects on economic growth, typically reducing growth rates by 2-4% and significantly increasing the persistence of poverty (Collier and Hoeffler, 1998; 2004). Weak state capacity is a key driver of this process: Fearon and Laitin (2003) argue that weak state capacity is one of the most important parameters increasing the risk of conflict, while Stewart (2002) discusses that ethnic and regional inequalities create structural challenges that fuel conflict.

Conflict weakens development in both direct and indirect ways. Beyond destroying human lives, armed violence devastates physical infrastructure, reduces productive capacity, undermines the private sector's incentive to invest, and deepens economic actors' perceptions of risk. As a consequence, fragile and conflicted regions systematically fall short of attracting long-term productive capital and remain excluded from global production networks. Findings from global value chain studies discuss that multinational firms avoid politically unstable environments, excluding politically fragile regions from international supply networks (Baldwin, 2016; UNCTAD, 2013).

More importantly, a vicious cycle emerges between conflict and weak institutions, which are mutually reinforcing. When state capacity is weak, the risk of conflict increases, and the resulting conflict further undermines the effectiveness of public institutions. This institutional trap, as defined by Olson (1993), systematically blocks not only economic activity but also pathways out of poverty. The World Bank's Poverty and Shared Prosperity report (2020) shows that the regions where absolute poverty is most concentrated and persistent globally are almost exclusively in conflict and post-conflict countries. Dynamics such as a fragmented production structure due to political instability, labour migration, loss of human capital, and shrinking local markets negate any potential gains from globalisation.

Rodrik (2007) emphasises that for the benefits of globalisation to be realised, countries need policy space—the institutional capacity to implement reforms and administrative oversight. However, in much of SSA, state capacity is insufficient to develop strategic sectors, implement competitive agricultural and industrial policies, or strengthen social protection mechanisms. Bräutigam (2009) and Fosu (2011) attribute the failure of development experiences in Africa largely to state capacity, institutional integrity, and the quality of implementation. Under these circumstances, globalisation becomes a potential but unrealised opportunity; the necessary chain mechanisms for poverty reduction never fully function.

In short, what determines globalisation's capacity to reduce poverty is not the openness of markets, but the institutional infrastructure upon which these markets operate. When weak institutions, political violence, conflict, and low state capacity combine, countries fail to transform the opportunities offered by globalisation into economic and social development; as a result, poverty becomes a persistent structural feature.

4.2. Human Capital and Social Protection

Globalisation is a dynamic process requiring continuous skill adaptation and technological innovation. Therefore, the extent to which a country benefits from globalisation depends largely on the level of its human capital. Skill-biased technological change, highlighted by Acemoglu (2002), increases the demand for a highly skilled workforce as global integration deepens. The transition to high-productivity sectors is only possible with broad access to education and inclusive human capital policies.

Broad-based investments in education have played a central role in the development experience of East Asian countries. Before shifting to export-led growth strategies, countries in the region, particularly South Korea and Taiwan, raised the skill level of their workforce through universal education campaigns and vocational training programs, thus creating a labor force capable of rapidly adopting new technologies and adapting to higher value-added production processes (World Bank, 1993; Rodrik, 1995; Birdsall et al., 1995; Barro & Lee, 2013). Thanks to human capital accumulation, the industrial structure has undergone an upward transformation, accompanied by integration into global markets, widespread job creation, and rapid poverty reduction. On the other hand, even if globalisation generates growth in countries where access to education remains limited, this growth appears to be insufficiently reflected in the incomes of the poor. Due to human capital constraints, low-skilled labour cannot enter sectors integrated into global markets, and the resulting income growth is concentrated in a narrow segment. The literature demonstrates that the poverty-reducing impact of trade and growth is conditioned by the education levels and workforce mobility (Ravallion, 2001; Winters et al., 2004; Dollar & Kraay, 2002; World Bank, 2002).

While education-based human capital accumulation opens channels out of poverty, the sustainability of these gains depends on protecting households against global economic fluctuations. Macroeconomic fluctuations generated by globalisation make households, especially those emerging from poverty and those with extremely limited savings capacity, vulnerable to income shocks. Such shocks force households into short-term survival strategies, leading to reductions in spending on children's education and healthcare, thereby hindering human capital accumulation (Jacoby & Skoufias, 1997; Thomas et al., 2004; Ferreira & Schady, 2009). Effective social safety nets serve as a key buffering mechanism against this vulnerability. Social protection instruments such as unemployment insurance, health insurance, and conditional cash transfers ensure continued household well-being by preventing temporary income losses from turning into permanent poverty (Ravallion, 2009; Fiszbein & Schady, 2009).

One of the most powerful examples of this mechanism is the Bolsa Família program implemented in Brazil. By providing regular income support to households, particularly during times of crisis and uncertainty, the program has contributed to maintaining child enrollment rates and maintaining access to basic health services. Empirical studies show that Bolsa Família limits the reversal effect of economic fluctuations on poverty and weakens the intergenerational transmission of poverty (Fiszbein & Schady, 2009; Ferreira et al., 2013).

4.3. Policy Orientations and International Cooperation: Active Management of Globalisation

Enhancing the poverty-reducing effects of globalisation requires an active policy framework rather than a passive adaptation process. Comparative development studies consistently show that the outcomes of globalisation rely not only on market integration but also on the domestic institutional and policy contexts through which global economic forces are channelled (Rodrik, 2007; Stiglitz, 2010; World Bank, 2002).

At the national level, policies for industrialisation and structural transformation complement openness to trade. Evidence from East Asia indicates that strategic support for productive sectors, export promotion, and policies aimed at strengthening linkages between domestic firms and multinational corporations support technological upgrading and job creation (Rodrik, 1995; Amsden, 1989; UNCTAD, 2013). Integrating domestic firms into global value chains fosters learning-by-doing and productivity spillovers, turning trade integration into a driver of inclusive growth (Gereffi & Fernandez-Stark, 2011; Timmer et al., 2014). Investments in rural infrastructure further expand the geographic reach of trade gains, particularly benefiting poor and remote areas by lowering transport costs and enhancing market access (World Bank, 2008; Fan & Zhang, 2004). Complementary financial regulation is also crucial: effective management of capital flows reduces the risk of sudden stops and alleviates crisis-induced setbacks in poverty reduction (Stiglitz, 2010; Ocampo, 2012).

At the international level, improving the equity of the global trading system remains essential for reducing poverty. Protectionist policies in developed countries—particularly in agriculture and textiles—continue to limit export opportunities for developing economies and skew the distribution of benefits from global trade (Anderson, 2004; World Bank, 2002; UNCTAD, 2013). Development assistance can play a supportive role when it is directed towards countries committed to improving governance and strengthening state capacity, and when aid is combined with targeted investments in human capital and institutional development (Burnside & Dollar, 2000; Collier & Dollar, 2002).

Ultimately, what determines the effect of globalisation on absolute poverty is not globalisation itself, but the institutional and policy tools countries use to manage the integration process. Trade and capital flows create economic opportunities, but converting these opportunities into sustained poverty reduction requires strong domestic institutions, inclusive social policies, and effective state capacity (Rodrik, 2007; Stiglitz, 2010).

5. Results and Policy Implications

This study addressed the long-standing academic dilemma regarding the net impact of globalisation on absolute poverty by arguing that the process offers conditional success. The optimistic evidence in Chapter 2 and the critical observations in Chapter 3 clearly illustrate this conditional nature. Globalisation has served as an engine for reducing poverty when the right policies are implemented, but where institutions are weak, it has become a risk factor that reinforces the poverty cycle.

The study's key findings summarise three main conclusions regarding the impact of globalisation on poverty. Firstly, globalisation has reduced absolute poverty on a historically unprecedented scale. This success is largely the result of large-population economies like China and India, which have specialised in labour-intensive production and successfully integrated into global supply chains. Secondly, globalisation has excluded regions with weak institutional structures, at risk of conflict, and excluded from global flows, such as Sub-Saharan Africa. Furthermore, as criticised by Stiglitz (2002), financial globalisation has made newly extricated households, particularly in Asia and Latin America, vulnerable to capital flight shocks, increasing the risk of a reversal of gains. Finally, as detailed in Chapter 4, the poverty-reducing impact of globalisation depends fundamentally on national policy choices and institutional capacity. Integration into global markets produces inclusive outcomes only if it is accompanied by sustained investment in human capital, effective social protection mechanisms that limit economic vulnerability, and high-quality institutions that ensure the productivity translation of foreign direct investment and trade gains. As Rodrik (2008) emphasises, the rule of law, inclusive governance, and anti-corruption frameworks are fundamental prerequisites for enabling globalisation to generate technology transfer, productivity gains, and broad-based prosperity, rather than simply generating narrow profit margins. Therefore, combating poverty in today's global economy cannot be reduced to simply liberalising markets; rather, it requires an active development strategy that supports market integration through education policies, stabilises exits from poverty with social safety nets, and ensures the spread of gains throughout society through institutional reforms.

Achieving the poverty-reducing potential of globalisation requires coordinated and integrated policy actions. Primarily, human capital investments should be at the heart of national development plans to build a workforce equipped to handle the skill-biased technological changes accelerated by globalisation. This includes expanding inclusive basic education and vocational training programmes, especially for children in impoverished communities. Without complementary social safety nets, sustainable poverty reduction remains elusive. Conditional cash transfers, health insurance, and similar social protections help prevent relapse by providing critical buffers against employment shocks from global and structural disruptions. These must be supported by robust institutional reforms, such as ensuring political stability, protecting property rights, and increasing transparency in public administration, particularly in regions with high poverty levels. Such reforms will encourage foreign direct investment into sectors that generate jobs and reduce poverty, rather than rent-seeking industries. Lastly, international cooperation is vital. Developed countries should eliminate trade barriers- especially those affecting labour-intensive exports like agricultural products subsidised by some nations- to foster a fairer global trading system. Development aid should focus on strengthening institutions and integrating marginalised regions, notably Sub-Saharan Africa, into global trade through infrastructure investments.

In a nutshell, globalisation alone is not a solution; however, when managed correctly, it presents a unique opportunity for countries struggling with poverty. To achieve sustainable success in poverty reduction, the economic logic of globalisation must be balanced with the political imperatives of social justice and institutional inclusiveness.

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