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The Role of WTO in the Fight Against Poverty

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The Role of the WTO in the Fight against Poverty

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Abstract

This research work tries to make a contribution showing a new vision that must emerge to guide international policy. Because almost every aspect of domestic policy has international ramifications, tension between economic integration and the autonomy of the nation-state poses a challenge both to those who are responsible for defining national economic policy and to those seeking to foster multilateral cooperation. And this challenge is not only to fulfill a trade integration agreement, because the principal enemy to trade, freedom and liberalization is poverty. This epidemic make unable the free trade, the equality of any agreement and the same grade of development of the state partners.

On this subject, the WTO has a key role to play. The WTO is successful because its architects subjugated international economic integration to the needs and demands of national economic management and democratic politics. This would preserve some limits on integration, while crafting better global rules to handle the integration that can be achieved. An example of the fight of the WTO against poverty is the project of a multilaterally negotiated visa scheme that allows expanded entry into the advanced nations of a mix of skilled and unskilled workers from developing nations. Such a scheme would likely create income gains that are larger than all of the items on the WTO negotiating agenda taken together, even if it resulted in a relatively small increase in cross-border labor flows.

This research paper reports what we know about the winners and losers during the last two global centuries, including aspects almost always ignored in modern debate – how prices of consumption goods on the expenditure side are affected, and how the economic position of the poor is influenced. It also reports two responses of the winners to the losers' complaints. Some concessions to the losers took the form of anti-global policy manifested by immigration restriction in the high-wage countries and trade restriction pretty much everywhere. Another concessions to the losers were also manifested by a "race towards the top" whereby legislation strengthened losers' safety nets and increased their sense of political participation.

1. The New Economic Context

Globalization after World War II has differed from pre-1914 globalization in several ways (Baldwin and Martin 1999). Most important by far, factor migrations are less impressive: the foreign-born are a much smaller share in labor-scarce economies than they were in 1913, and capital exports are a smaller percentage of GDP in the postwar United States (0.5 percent in 1960-73 and 1.2 percent 1989-96: Obstfeld and Taylor 1998) than they were in prewar Britain (4.6 percent in 1890-1913). On the other hand, trade barriers are probably lower today than they were in 1913. These differences are tied to policy changes in one dominant nation, the United States, which has switched from a protectionist welcoming immigrants to a free trader restricting their entrance.

Ever since Hecksher and Ohlin wrote almost a century ago (Flam and Flanders 1991), their theory has taught that trade can be a substitute for factor migration. While modern theory is much more ambiguous on this point, history is not: in the first global century, before quotas and restrictions, factor mobility had a much bigger impact on factor prices, inequality, and poverty than did trade. Perhaps this explains why the second global century has been much more enthusiastic about commodity trade than about migration.

We want economic integration to help boost living standards. We want democratic politics so that public policy decisions are made by those that are directly affected by them (or their representatives). And we want self-determination, which comes with the nation-state. This paper argues that we cannot have all three things simultaneously. The political trilemma of the global economy is that the nation-state system, democratic politics, and full economic integration are mutually incompatible. We can have at most two out of the three. It follows that the direction in which we seem to be headed—global markets without global governance—is unsustainable.

The alternative is a renewed compromise: preserving some limits on integration, along with some more global rules to handle the integration that can be achieved. Those who would make a different choice— toward tighter economic

integration—must face up to the corollary: either tighter world government or less democracy.

During the first four decades following the close of the Second World War, international policy makers had kept their ambitions in check. They pursued a limited form of internationalization of their economies, leaving lots of room for national economic management.

Successive rounds of multilateral trade negotiations made great strides, but focused only on the most egregious of the barriers at the border and excluded large chunks of the economy (agriculture, services, "sensitive" manufactures such as garments). In capital markets, restrictions on currency transactions and financial flows remained the norm rather than the exception. This regime was successful because its architects subjugated international economic integration to the needs and demands of national economic management and of democratic politics.

This strategy changed drastically during the last two decades. Global policy is now driven by an aggressive agenda of "deep" integration—elimination of all barriers to trade and capital flows wherever those barriers may be found. The results have been problematic--in terms of both economic performance (relative to the earlier post-war decades) and political legitimacy. The simple reason is that "deep" economic integration is unattainable in a context where nation states and democratic politics still exert considerable force.

The title of this essay conveys therefore two ideas. First, there are inherent limitations to how far we can push global economic integration. It is neither feasible nor desirable to maximize what Keynes called "economic entanglements between nations." Second, within the array of feasible globalizations, there are many different models to choose from. Each of these models has different implications for whom we empower and whom we don't, and who gains and who loses. We need to recognize these two facts in order to make progress in the globalization debate. One implication is that we need to scale down our ambitions with respect to global economic integration. Another is that we need to do a better job of writing the rules for a thinner version of globalization.

My argument about the limits to globalization is not (or should not be) self-evident. It rests on several building blocks, and it may be useful to state these at the outset. The argument proceeds from the starting point that markets need to be embedded in a range of non-market institutions in order to work well. These institutions perform several functions critical to markets' performance: they create, regulate, stabilize, and legitimate markets.

The second and much less appreciated point is that there is no simple or unique mapping between these functions and the form that the institutional infrastructure can take. American style capitalism differs greatly from Japanese-style capitalism; there is tremendous variety in labor-market and welfare-state institutions even within Europe; and low-income countries often require heterodox institutional arrangements to embark on development.

The third point is that institutional diversity of this kind is a significant impediment to full economic integration. Indeed, now that formal restrictions on trade and investment have mostly disappeared, regulatory and jurisdictional discontinuities created by heterogeneous national institutions constitute the most important barriers to international commerce. "Deep integration" would require removing these transaction costs through institutional harmonization—an agenda on which the World Trade Organization has already embarked. However, once we recognize that institutional diversity performs a valuable economic (as well as social) role, it becomes clear that this is a path full of dangers.

Fortunately, there are "feasible" models of globalization that would generate significantly more benefits than our current version—and a much more equitable distribution thereof. I discuss towards the end of the paper a modification of global rules that would produce particularly powerful results: a multilaterally negotiated visa scheme that allows expanded (but temporary) entry into the advanced nations of a mix of skilled and unskilled workers from developing nations. Such a scheme would create income gains that are larger than all of the items on the WTO negotiating agenda taken together, even if it resulted in a relatively small increase in cross-border labor flows.

2. The Purposes of Trade Liberalization and Third World Countries

Conventional theory argues that trade liberalization should have benefited Third World countries more than it benefitted leading industrial countries. After all, trade liberalization should have a bigger effect on the terms of trade of countries joining the larger integrated world economy than on countries already members. And the more the change in the terms of trade, the bigger the gain in GDP per capita.

So much for theory. Reality suggests the contrary. After all, the postwar trade that was liberalized the most was in fact intra-OECD trade, not trade between the OECD and the rest. From the very beginning in the 1940s, the General Agreement on Tariffs and Trade explicitly excused low-income countries from the need to dismantle their import barriers and exchange controls. This GATT permission served to lower GDP in low-income countries below what might have been, but the permission was consistent with the anti-global ideology prevailing in previously-colonial Asia and Africa, in Latin America where the great depression hit so hard, and in eastern Europe dominated as it was by state directed USSR. Thus the succeeding rounds of liberalization over the first two decades or so of GATT brought freer trade and gains from trade mainly to OECD members. However, these facts do not show that late twentieth century globalization favored rich countries. Rather, they show that globalization favored all (industrial) countries who liberalized and penalized those (pre-industrial) who did not.

Some authors project assessed trade and exchange-control regimes in the 1960s and 1970s by making classic partial-equilibrium calculations of deadweight losses (Bhagwati and Krueger 1973-1976). They concluded that the barriers imposed significant costs in all but one case. However, these welfare calculations came from standard models which did not allow protection a chance to lower long-run cost curves as would be true of the traditional infant-industry case, or to foster industrialization and thus growth, as would be true of those modern growth models where industry is the carrier of technological change and capital deepening. Thus,

economists have looked for more late twentieth century proof to support the openness-fosters-growth hypothesis.

Analysts have contrasted the growth performance of relatively open with relatively closed economies. The correlation between trade openness and growth is vulnerable to the criticism that the effect of trade policies alone cannot be isolated since other policies usually change at the same time. Thus, countries that liberalized their trade also liberalized their domestic factor markets, liberalized their domestic commodity markets, and set up better property-rights enforcement. The appearance of these domestic policies may deserve more credit for raising income while the simultaneous appearance of more liberal trade policies may deserve less.

There are country event studies, where the focus is on periods when Third World trade policy regimes change dramatically enough to see their effect on growth. For example, Anne Krueger (1983, 1984) looked at trade opening moments in South Korea around 1960, Brazil and Colombia around 1965, and Tunisia around 1970. Growth improved after liberalization in all four cases. More recently, David Dollar and Aart Kraay (2000a) examined the reforms and trade liberalizations of 16 countries in the 1980s and 1990s, finding, once again, the positive correlation between freer trade and faster growth.

Of course, these reform episodes may have changed more than just global participation, so that an independent trade effect may not have been isolated.

Macro-econometric analysis has been used in an attempt to resolve the doubts left by simpler historical correlations revealed by the other three kinds of studies. This macro-econometric literature shows that free trade policies have had a positive effect on growth in the late twentieth century, especially with many other relevant influences held constant. The most famous of these is by Jeffrey Sachs and Andrew Warner (1995), but many others have also confirmed the openness-fosters-growth hypothesis for the late twentieth century (e.g. Dollar 1992; Edwards 1993; Dollar and Kraay 2000a).

In spite of this evidence, it must be said that there are still some skeptics who doubt that support for the openness-fosters-growth hypothesis is unambiguous, of which more later.

3. Wage Inequality and Trade Liberalization

The sparse literature on the wage-inequality and trade liberalization connection in developing countries is mixed in its findings and narrow in its focus. It has concentrated on six Latins (Argentina, Chile, Colombia, Costa Rica, Mexico, and Uruguay) and three East Asians (Korea, Singapore, and Taiwan), and the assessment diverges sharply between regions and epochs. Wage gaps seemed to fall when the three Asian tigers liberalized in the 1960s and early 1970s. Yet wage gaps generally widened when the six Latin American countries liberalized after the late 1970s (Wood 1994, 1997, 1998; Robbins 1997; Robbins and Gindling 1999; Hanson and Harrison 1999). Why the difference?

As Adrian Wood (1997) has rightly pointed out, historical context was important, since other things were not equal during these liberalizations. The clearest example where a Latin wage widening appears to refute the egalitarian Stolper-Samuelson prediction was the Mexican liberalization under Salinas in 1985-1990. Yet this pro-global liberalization move coincided with the major entry of China and other Asian exporters into world markets. Thus Mexico faced intense new competition from less skill-intensive manufactures in all export markets. Historical context could also explain why trade liberalization coincided with wage widening in the five other Latin countries, and why it coincided with wage narrowing in East Asia in the 1960s and early 1970s. Again, timing matters. Competition from other low-wage countries was far less intense when the Asian tigers pulled down their barriers in the 1960s and early 1970s compared with the late 1970s and early 1980s when the Latin Americans opened up.

But even if these findings were not mixed, they could not have had a very big impact on global inequalities. After all, the literature has focused on nine countries that together had less than 200 million people in 1980, while China by itself had 980 million, India 687 million, Indonesia 148 million, and Russia 139

million. All four of these giants recorded widening income gaps after their economies went global. The widening did not start in China until after 1984, because the initial reforms were rural and agricultural and therefore had an egalitarian effect. When the reforms reached the urban industrial sector, China's income gaps began to widen (Griffin and Zhao 1993, esp. p. 61; Atinc 1997). India's inequality has risen since liberalization started in the early 1990s. Indonesian incomes became increasingly concentrated in the top decile from the 1970s to the 1990s, though this probably owed more to the Suharto regime's ownership of the new oil wealth than to any conventional trade-liberalization effect.

Russian inequalities soared after the collapse of the Soviet regime in 1991, and this owed much to the handing over of trading prerogatives and assets to a few oligarchs (Flemming and Micklewright 2000).

4. The Labor Mobility Agenda: Policy Considerations

Global economic rules are not written by Platonic rulers, or their present-day pretenders, academic economists. If WTO agreements were truly about "free trade," as their opponents like to point out, a single sentence would suffice ("there shall be free trade"). The reality of course is that there is considerable politics in agenda setting and rule making—and those who have power get more out of the system than those who do not. While this is well understood at some level, advocates of globalization have to a tendency to present their agenda with an air of inevitability, as if it has a natural logic that only economic illiterates would reject. Recognizing that there is a multiplicity of feasible globalizations—as there is a multiplicity of institutional underpinnings for capitalist economies—would have an important liberating effect on our policy discussions.

To make the point as starkly as possible, consider the following thought experiment.

Imagine that the negotiators who recently met in Doha to hammer out an agenda for world trade talks were really interested in boosting incomes around the world. Imagine further that they really meant it when they said the new round would

be a “development round,” i.e., one designed to bring maximum benefit to poor countries. What would they have focused on? Increasing market access for developing country exports? Reform of the agricultural regime in Europe and other advanced countries? Intellectual property rights and public health in developing nations? Rules on government procurement, competition policy, environment, or trade facilitation?

The answer is none of the above. These are areas where the benefits to developing countries are slim at best. The biggest bang by far lies in something that was not even on the agenda at Doha: relaxing restrictions on the international movement of workers. This would produce the largest possible gains for the world economy, and for poor countries in particular.

Nothing else comes close to the magnitude of economic benefits that this would generate.

We know this because of a simple principle of economics. The income gains that derive from international trade rise with the square of the price differentials across national markets.

Compare in this respect markets in goods and financial assets, on the one hand, with markets for labor services, on the other. Removal of restrictions in markets for goods and financial assets has narrowed the scope of price differentials in these markets (although not done away with them completely, as we have seen). Remaining price wedges rarely exceed a ratio of 2 to 1.

Meanwhile, there has been virtually no liberalization of markets for cross-border labor services.

Consequently, wages of similarly qualified individuals in the advanced and low-income countries can differ by a factor of 10 or more. Applying the economics principle enunciated above, liberalizing cross-border labor movements can be expected to yield benefits that are roughly 25 times larger than those that would accrue from the traditional agenda focusing on goods and capital flows!

It follows that even a minor liberalization of international labor flows would create gains for the world economy that are much larger than the combined effect of all the post-Doha initiatives under consideration. Consider for example a

temporary work visa scheme that amounts to no more than 3 percent of the rich countries' labor force. Under the scheme, skilled and unskilled workers from poor nations would be allowed employment in the rich countries for 3-5 years, to be replaced by a new wave of inflows upon return to their home countries. A backof-the-envelope calculation indicates that such a system would easily yield $200 billion annually for the citizens of developing nations, vastly more than the existing estimates of the gains from the current trade agenda. The positive spillovers that the returnees would generate for their home countries—the experience, entrepreneurship, investment, and work ethic they would bring back with them and put to work—would add considerably to these gains. What is equally important, the economic benefits would accrue directly to workers from developing nations. We would not need to wait for trickle-down to do its job.

Relaxing restrictions on cross-border flows through temporary work contracts and other schemes has a compelling economic logic, but is it politically feasible? One concern is that such flows would have adverse distributional implications in labor markets of advanced countries. In particular, wages of low-skill workers would be depressed. A second concern is that immigration is already highly unpopular in many industrial countries. Indeed, worries about crime and other social problems (as well as racism) have made immigration a hot political issue in an increasing number or rich countries. Third, might increased labor flows enhance the threat of terrorism in our post-September 11 world? All of these suggest that pushing for larger worker inflows may well amount to political suicide.

But while opposition to immigration is real, the political factors at work are subtler than is commonly supposed. Imports from developing countries—which are nothing other than inflows of embodied labor services—create the same downward pressure on rich country wages as immigration, and that has not stopped policymakers from bringing trade barriers down. The bias towards trade and investment liberalization is certainly not due to the fact that that is politically popular at home (whereas labor flows are not). The median voter in the advanced countries is against both immigration and imports: fewer than 1 in 5 Americans and Britons reject import restrictions when they are asked their views on trade policy. In these

countries, the proportion of voters who want to expand imports tends to be about the same or lower than the proportion that believe immigration is good for the economy. In any case, a well-designed scheme of labor inflows can mitigate much of the concern regarding adverse distributional implications for the host countries. For example, we can imagine aligning the skill mix of "guest" workers with that of the natives—allowing in no more than one construction worker or fruit picker, say, for every physician or software engineer. Finally, there is no clear answer to the question of whether the world would be a safer place with a small, multilaterally-regulated regime of registered contract workers than it is presently. Arguments can be made in either direction.

If substantial liberalization of trade and investment has taken place, it is not because it has been popular with voters at home, but largely because the beneficiaries have organized successfully and become politically effective. Multinational firms and financial enterprises have been quick to see the link between enhanced market access abroad and increased profits, and they have managed to put these issues on the negotiating agenda. Temporary labor flows, by contrast, have not had a well-defined constituency in the advanced countries. This is not because the benefits are smaller, but because the beneficiaries are not as clearly identifiable. When a Turkish worker enters the European Union or a Mexican worker enters the U.S., the ultimate beneficiaries in Europe and the U.S. are not known ex ante. It is only after the worker lands a job that his employer develops a direct stake in keeping him in the country. This explains why, for example, the U.S. federal government spends a large amount of resources on border controls to prevent hypothetical immigrants from coming in, while it has virtually no ability to deport employed illegals or fine their employers once they are actually inside the country. The same principle also explains why significant relaxations on labor restrictions do come about occasionally, but only in response to pressure from well-organized interest groups such as agricultural producers or Silicon Valley firms.

The lesson is that political constraints can be malleable. Economists have remained excessively tolerant of the political realities that underpin the highly

restrictive regime of international labor mobility, even as they continually decry the protectionist forces that block further liberalization of an already very open trading system.

To ensure that labor mobility produces benefits for developing nations it is imperative that the regime be designed in a way that generates incentives for return to home countries.

While remittances can be an important source of income support for poor families, they are generally unable to spark and sustain long-term economic development. Designing contract labor schemes that are truly temporary is tricky, but it can be done. Unlike previous such schemes, there need to be clear incentives for all parties—workers, employees, and home and host governments—to live up to their commitments. One possibility would be to withhold a portion of workers' earnings until return takes place. This forced saving scheme would also ensure to workers would come back home with a sizeable pool of resources to invest. In addition, there could be penalties for home governments whose nationals failed to comply with return requirements. For example, sending countries' quotas could be reduced in proportion to the numbers that fail to return. That would increase incentives for sending government to do their utmost to create a hospitable economic and political climate at home and to encourage their nationals' return.

In the end, it is inevitable that the return rate will fall short of 100 percent. But even with less than full compliance, the gains from reorienting our priorities towards the labor mobility agenda remain significant.

5. Concrete Experiences of Migrations

a) North-North Migrations

North-North migrations between Europe and the New World involved the movement of something like 60 million individuals. We know a great deal about the determinants and impact of these mass migrations. South-South migration within the periphery was probably even greater, but we know very little about its impact

on sending regions (like China and India), on receiving regions (like East Africa, Manchuria and Southeast Asia), or on the incomes of the 60 million or so who moved. As Lewis (1978) pointed out long ago, the South-North migrations were only a trickle: like today, poor migrants from the periphery were kept out of the high-wage center by restrictive policy, by the high cost of the move, and by their lack of education. World labor markets were segmented then just as they are now.

Real wages and living standards converged among the currently-industrialized countries between 1850 and World War I between the New World and Europe. In addition, many poor European countries were catching up with the industrial leaders. How much of this convergence in the Atlantic economy was due to North-North mass migration?

The labor force impact of these migrations on each member of the Atlantic economy in 1910 varied greatly (Taylor and Williamson 1997). Among receiving countries, Argentina' s labor force was augmentd most by immigration (86 percent), Brazil' s the least (4 percent), with the United States in between (24 percent). Among sending countries, Ireland' s labor force was diminished most by emigration (45 percent), France the least (1 percent), with Britain in between (11 percent). At the same time, the economic gaps between rich and poor countries diminished: real wage dispersion in the Atlantic economy declined between 1870 and 1910 by 28 percent, GDP per capita dispersion declined by 18 percent and GDP per worker dispersion declined by 29 percent (Taylor and Williamson 1997; Hatton and Williamson 1998). What contribution did the mass migration make to that convergence?

Migration affects equilibrium output, wages and living standards by influencing aggregate labor supply, and these effects have also been estimated. In the absence of the mass migrations, wages and labor productivity would have been a lot higher in the New World and a lot lower in Europe. The biggest impact, of course, was on those countries that experienced the biggest migrations. Emigration is estimated to have raised Irish wages by 32 percent, Italian by 28 percent and Norwegian by 10 percent.

Immigration is estimated to have lowered Argentine wages by 22 percent, Australian by 15 percent, Canadian by 16 percent and American by 8 percent.

This partial equilibrium assessment of migration's impact is higher than a general equilibrium assessment would be since it ignores trade and output mix adjustments, as well as domestic and global capital market responses, all of which would have muted the impact of migration. In any case, the assessment certainly lends strong support to the hypothesis that mass migration made an important contribution to late nineteenth century convergence in the ' North.' In the absence of the mass migrations, real wage dispersion between members of the Atlantic economy would have increased by 7 percent, rather than decrease by 28 percent, as it did in fact. In the absence of mass migration, wage gaps between Europe and the New World would have risen from 108 to 128 percent when in fact they declined to 85 percent. These results have been used to conclude that migration was responsible for all of the real wage convergence before World War I and about two-thirds of the GDP per worker convergence.

There was an additional and even more powerful effect of North-North mass migrations on "northern" income distribution. So far I have only discussed the effect of migration on convergence in per worker averages between countries; I have not discussed the impact of migration on income distribution within the Atlantic economy as a whole. To do so, I would need to add on the large income gains accruing to the 60 million (poor) Europeans who moved overseas. Typically, these migrants came from countries whose average real wages and average GDP per worker were perhaps only half of those in the receiving countries. These migrant gains were a very important part of the net equalizing effect on "northern" incomes of the mass migrations.

North-North mass migrations had a strong leveling influence in the North up to 1913. They made it possible for poor migrants to improve the living standards for themselves and their children. It also lowered the scarcity of resident New World labor which competed with the immigrants, while it raised the scarcity of the poor European labor that stayed home (whose incomes were augmented still further by emigrant remittances). South-South and North-North migrations were about the

same size. Until new research tells us otherwise,12 I think it is safe to assume that South-South migrations put powerful downward pressure on real wages and labor productivity in Ceylon, Burma, Malaysia, Thailand, East Africa, Manchuria and other labor scarce regions that received so many Indian and Chinese immigrants.

Since the sending labor surplus areas were so huge, it seems less likely that the emigrations served to raise labor scarcity there by much.

b) The Experience of South-North Migration

It might be useful to repeat what we have learned about the mass European emigration: almost all of the observed income convergence in the Atlantic economy, or what we are now calling the North, was due to this North-North mass migration, and that same movement also generated more equal incomes in the labor-abundant sending regions. It is important to remember this fact when dealing today with the second global century.

Although the migrations were immense during the age of mass North-North and South-South migration prior to World War I, there was hardly any South-North migration to speak of. Thus, while the mass migration to labor scarce parts of the North played a big role in erasing poverty in the labor surplus parts of the North, it did not help much to erase poverty in the South. The same is true today. Will this world labor market segmentation break down in the near future? It all depends on policy. Certainly demographic and educational forces are contributing to the breakdown of world labor market segmentation along South-North lines. As young adult shares shrink in the elderly OECD, and while they swell in the young Third World going through demographic transitions, perhaps the pressure will become too great to resist the move to a more liberal OECD immigration policy, especially in Europe and Japan.

The educational revolution in the Third World (Easterlin 1981: Schultz 1987) has helped augment this pressure, as potential emigrants from poor countries are better equipped to gain jobs in the OECD (Clark, Hatton and Williamson 2002; Hatton and Williamson 2002).

The two underlying fundamentals that drove European emigration in the late nineteenth century were the size of real wage gaps between sending and receiving regions -- a gap that gave migrants the incentive to move, and demographic booms in the low-wage sending regions -- a force that served to augment the supply of potential movers (Hatton and Williamson 1998). These two fundamentals are even more prominent in Africa today, and recent work suggests that Africans seem to be just as responsive to them as were Europeans a century ago (Hatton and Williamson 2001, 2002). Although this is no longer an age of unrestricted intercontinental migration, new estimates of net migration for the countries of sub-Saharan Africa suggest that exactly the same forces are at work driving African cross-border migration today. Rapid growth in the cohort of young potential migrants, population pressure on the resource base, and poor economic performance are the main forces driving African emigration. In Europe a century ago, more modest demographic increases were accompanied by strong catching-up economic growth in low wage emigrant regions. Furthermore, the sending regions of Europe eventually underwent a slowdown in demographic growth serving to choke off some of the mass migration. Yet, migrations were still mass.

Africa today offers a contrast: economic growth has faltered, its economies have fallen further behind the leaders, and there will be a demographic speed up in the near future. The pressure on African emigration is likely to intensify, including a growing demand for entrance into high-wage labor markets of the developed world. Indeed, if European doors were swung open, there is an excellent chance that by 2025 Africa would record far greater mass migrations than did nineteenth century Europe. The demographic unknown in this equation is, of course, African success in controlling the spread of the HIV/AIDS. If it is controlled early, then these emigration predictions are more likely to prevail.

This analysis for African emigation has been recently extended to US immigration by source from 1971 to 1998 (Clark, Hatton and Williamson 2002; Hatton and Williamson 2002). Here again, the economic and demographic fundamentals that determine immigration rates across source countries are estimated -- income, education, demographic composition and inequality. The

analysis also allows for persistence in these patterns as they arise from the impact of the existing immigrant stock B big foreignborn stocks implying strong >friends and neighbors= effects. Most of these Third World fundamentals will be serving to increase the demand for high-wage jobs in the OECD.

How will the OECD respond to this challenge? If it opens its doors wider, the mass migrations would almost certainly have the same influence on leveling world incomes and eradicating poverty that it did in the first global century. It would help erode between-country North-South income gaps, and it would improve the lives of the millions of poor Asians and Africans allowed to make the move. And it would help eradicate poverty among those who would not move, making their labor more scarce at home and augmenting their incomes by remittances, forces that were powerful in pre-quota Europe a century ago.

Inequality would rise in the OECD, of course, just as it did in the immigrant-absorbing New World a century ago. Perhaps not as much, since the unskilled with whom the immigrants compete are a much smaller share of the OECD labor force today, but inequality would rise just the same. Are we ready to pay that price? Perhaps not. Indeed, we have seen how rising inequality created an anti-global backlash a century ago, a backlash that included a retreat into immigrant restriction that still characterizes the high-wage OECD today.

6. Conclusions.

I have highlighted two shortcomings of the current discussion on globalization. First, there is inadequate appreciation of the fact that economic globalization is necessarily limited by the scope of desirable institutional diversity at the national level. Under current political configurations and economic realities, deep integration is a utopia. Second, there are many possible models of “feasible globalization,” with different implications for economic benefits and their incidence. As my discussion of labor mobility illustrates, we are not focusing currently on areas of economic integration where the biggest gains are. The hopeful message

is that it is possible to squeeze much additional mileage out of globalization, while still remaining within the boundaries of feasibility I have identified.

On this subject, the WTO has a key role to play. The WTO is successful because its architects subjugated international economic integration to the needs and demands of national economic management and democratic politics. This would preserve some limits on integration, while crafting better global rules to handle the integration that can be achieved. An example of the fight of the WTO against poverty is the project of a multilaterally negotiated visa scheme that allows expanded entry into the advanced nations of a mix of skilled and unskilled workers from developing nations. Such a scheme would likely create income gains that are larger than all of the items on the WTO negotiating agenda taken together, even if it resulted in a relatively small increase in cross-border labor flows.

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