THE EFFECTS OF POVERTY ON EMERGING COUNTRIES DEVELOPEMENT IN THE CONTEXT OF GLOBALIZATION AND RAPID ECONOMIC GROWTH

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ABSTRACT *:* THE MAIN AIM OF THIS RESEARCH PAPER IS TO PROVIDE AN APPLIED FRAMEWORK ON THE EFFECTS OF POVERTY ON EMERGING COUNTRIES DEVELOPEMENT IN THE CONTEXT OF GLOBALIZATION AND RAPID ECONOMIC GROWTH. THE ECONOMIC GROWTH CONTRIBUTES TO POVERTY REDUCTION IN EMERGING COUNTRIES BUT IS NOT A SUFFICIENT TOOL, ESPECIALLY IN THE CONTEXT OF GLOBAL INTEGRATION. THE RELATION BETWEEN ECONOMIC GROWTH AND POVERTY INFLUENCES THE LEVEL OF SUSTAINABLE DEVELOPMENT AND SOCIAL INEQUALITY. GLOBALIZATION PROVIDES OPPORTUNITIES FOR EMERGING COUNTRIES, BUT ALSO MAJOR CHALLENGES. THE GLOBALIZATION OF THE WORLD ECONOMY INHERENTLY LEADS TO AN EFFECTIVE ANTI-POVERTY PROCESS IN EMERGING COUNTRIES.

KEYWORDS *: POVERTY, ECONOMIC GROWTH, GDP, EMERGING COUNTRIES, GLOBALIZATION, SOCIAL INEQUALITY*

Introduction

The strong interlinkage between poverty and economic growth significantly influences the dynamics of social inequality and sustainable development of emerging countries. Poverty alleviation is a major global challenge especially in the case of developing countries. Globalization is a complex process that includes multiple dimensions. There are opinions stating that globalization is an efficient way to avoid poverty. On the other hand, globalization is accentuated by global integration so the positive implications on poverty reduction are significant. Furthermore, the causal relationship between economic development and social inequality generates the dynamics of the poverty phenomenon. Globalization contributes to generating socio-economic wealth, a higher living standard and a lower unemployment rate. The economic growth must be sustainable in order to produce medium and long-term positive effects in fighting poverty. Globalization determines the interconnection and strengthening collaboration between national economies in the context of international integration.

Literature review

Škare and Pržiklas Družeta (2016) investigated the linkage between poverty and economic growth and concluded that as growth occurs poverty reduces, no matter the level of inequality and economic growth also contributes to poverty alleviation process but it is not a sufficient condition to eradicate this social phenomenon. Adams (2003) also investigated the nexus between economic growth, inequality, and poverty based on dataseries from 50 developing countries and concluded that economic growth plays an essential role in alleviating poverty in developing countries considering the fact that growth has a very reduced impact on income inequality. In addition, Vijayakumar (2013) has empirically analyzed the link between poverty, GDP growth, dependency ratio and employment in developing countries in Asia, Africa and Latin America and argued that public strategies must focus in particular on development of cottage, micro, small and medium industrial development in the developing country-specific context of poverty, poor and unstable growth of GDP, unemployment and high age dependency ratio.

According to Cervantes-Godoy and Dewbre (2010) poverty reduction is accompanied by a positive evolution of economic growth based on public policy measures such as : (1) by most measures the macroeconomic context became progressively more favourable, (2) the governments were reducing disprotection by lowering export taxes, overvalued exchange rates and by dismantling inefficient state interventions in agricultural markets and (3) the governments of rich country trading partners were reducing the most production and trade distorting kinds of support offered their farmers. McKay (2013) have conducted an empirical study on growth and poverty reduction in Africa and suggested that non-monetary poverty does not necessarily change in parallel with monetary poverty. Moreover, Masoud and Hardaker (2012) provided an empirical analysis on the effect of financial development on economic growth and revealed that stock market development has a high impact on economic growth.

Kalirajan, Miankhel and Thangavelu (2009) investigated the relationship between foreign direct investment, exports, and economic growth for certain emerging countries, ie Chile, India, Mexico, Malaysia, Pakistan and Thailand and suggested that as public government policy measures should focus on reducing the cost of doing business, improving infrastructure in the country and the competitiveness of export products. Were (2015) argued that trade is considered to be a critical pillar of economic growth and development. Kharusi and Ada (2018) have empirically analyzed the linkage between government external debt and economic growth based on a case study for an emerging country such as Oman and have concluded that it is important to use the external debt funds in order to provide a positive influence for value added sectors of the economy and growth performance. On the other hand, Nguyen, Su and Nguyen (2018) have conducted an empirical research study on 29 emerging economies over the 2002-2015 regarding the impact of institutional quality and have concluded that it plays a significant important role in stimulating economic activities and accelerating economic growth especially in emerging markets.

Empirical analysis and statistical results

The most recent FTSE Annual Country Classification Review which was released on March 2019, provides the following classification categories, ie : developed, advanced emerging, secondary emerging and frontier. The developed countries category includes the following : Australia, Austria, Belgium/Luxembourg, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Poland, Portugal, Singapore, South Korea, Spain, Sweden, Switzerland, UK and USA. The advanced emerging countries category includes the following : Brazil, Czech Republic, Greece, Hungary, Malaysia, Mexico, South Africa, Taiwan, Thailand and Turkey. Moreover, the secondary emerging countries category includes the following : Chile, China (China A Shares to be reclassified as Secondary Emerging commencing from June 2019 and to be completed by March 2020), Colombia, Egypt, India, Indonesia, Kuwait, Pakistan, Peru, Philippines, Qatar, Russia, Saudi Arabia (reclassification to Secondary emerging market status commenced from March 2019 and to be completed by March 2020) and UAE. The last category, namely the frontier countries category includes the following : Argentina, Bahrain, Bangladesh, Botswana, Bulgaria, Côte d'Ivoire, Croatia, Cyprus, Estonia, Ghana, Iceland (to be reclassified as Frontier, effective with the annual review of the FTSE Frontier index in September 2019), Jordan, Kazakhstan, Kenya, Latvia, Lithuania, Macedonia, Malta, Mauritius, Morocco, Nigeria, Oman, Palestine, Romania, Serbia, Slovakia, Slovenia, Sri Lanka, Tunisia and Vietnam.

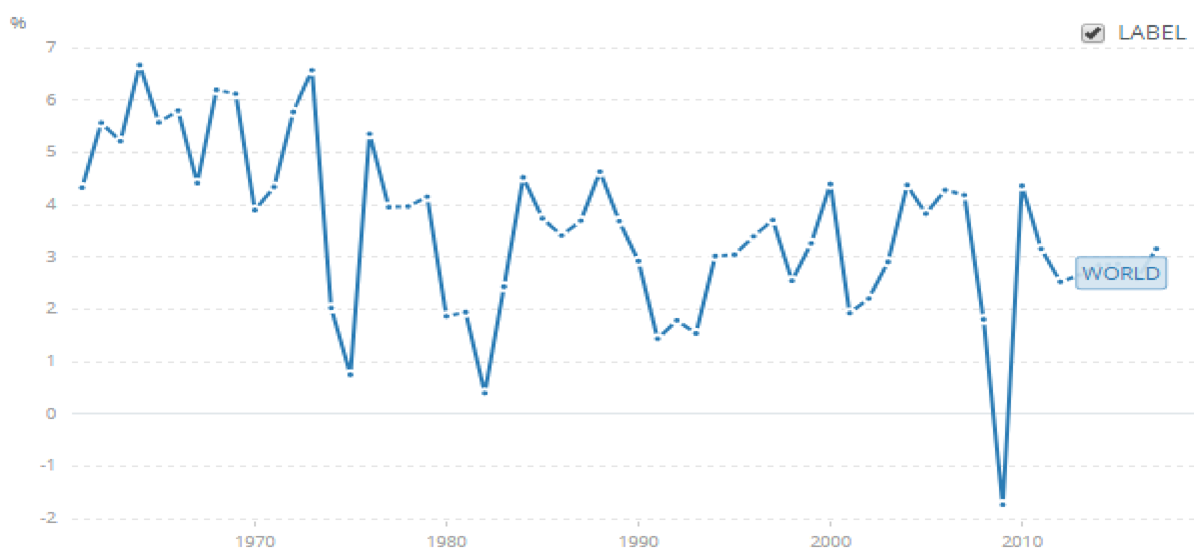

Figure no.1 World GDP growth (annual %) for the period 1961-2017

Source : World Bank national accounts data, and OECD National Accounts data files

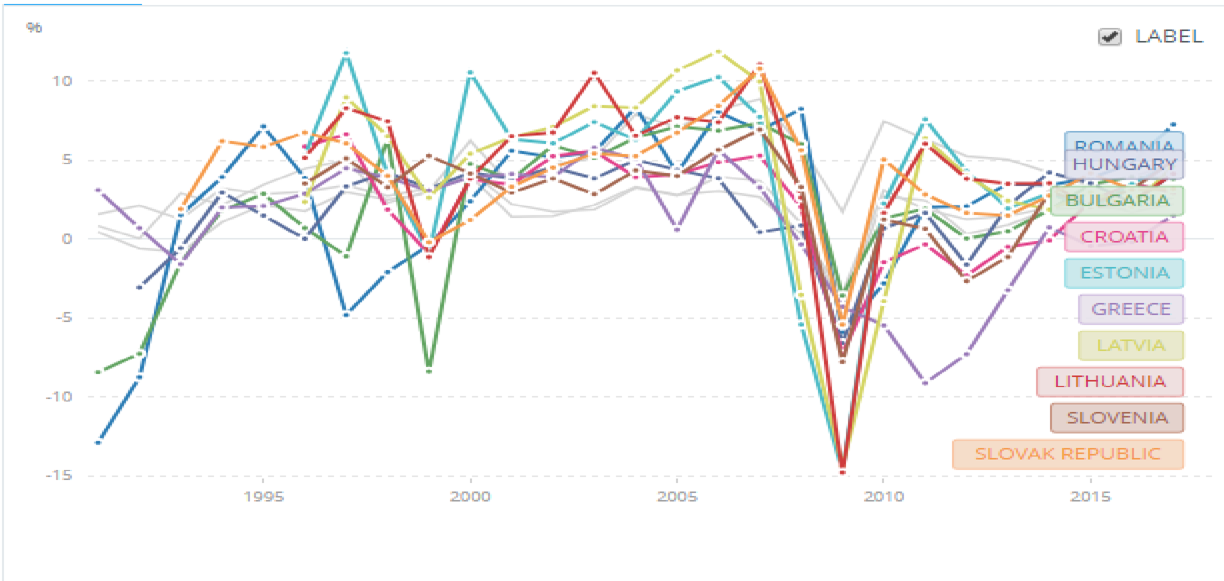

Figure no.2 GDP growth (annual %) for selected emerging countries in E.U for the period 1990-2017
Source : World Bank national accounts data, and OECD National Accounts data files

The selected European Union Member States included in the figure 2 are the following emerging countries : Bulgaria, Croatia, Estonia, Greece, Hungary, Latvia, Lithuania, Romania, Slovak Republic and Slovenia.

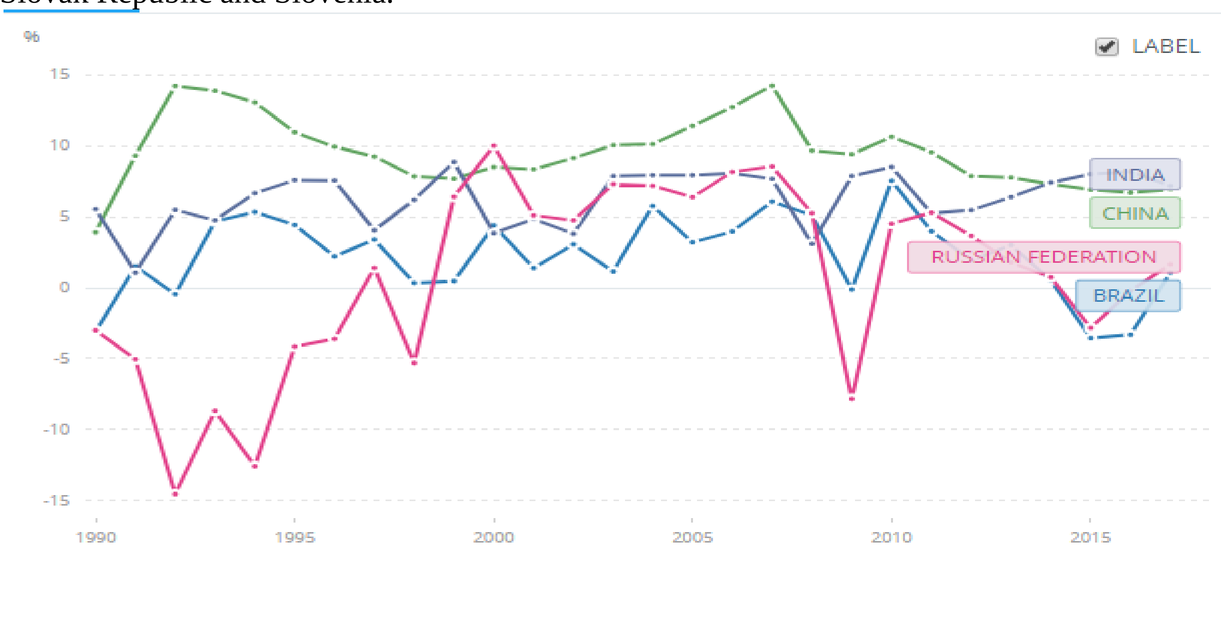

Figure no.3 GDP growth (annual %) for BRIC emerging countries for the period 1990-2017
Source : World Bank national accounts data, and OECD National Accounts data files

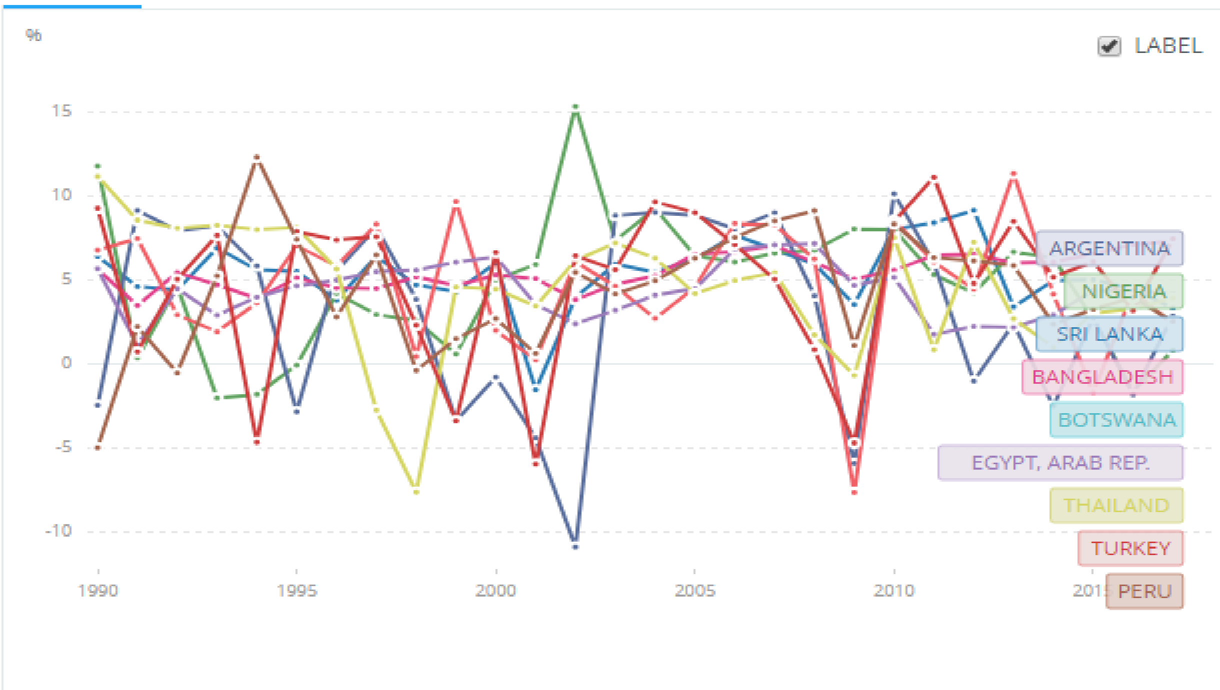

Figure no.4 GDP growth (annual %) for selected emerging countries for the period 1990-2017
Source : World Bank national accounts data, and OECD National Accounts data files

The selected group of emerging countries graphically represented in the figure 4 includes the following : Argentina, Bangladesh, Botswana, Egypt, Arab Rep., Nigeria, Peru, Sri Lanka and Turkey.

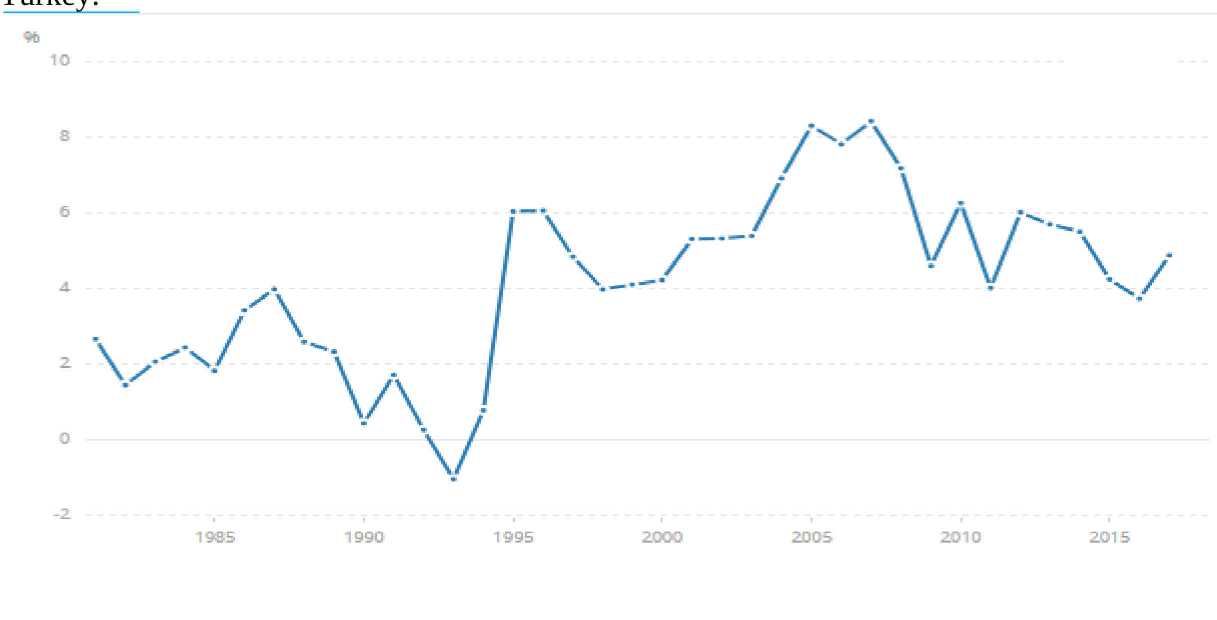

Figure no.5 GDP growth (annual %) for least developed countries based on UN classification for the period 1990-2017
Source : World Bank national accounts data, and OECD National Accounts data files

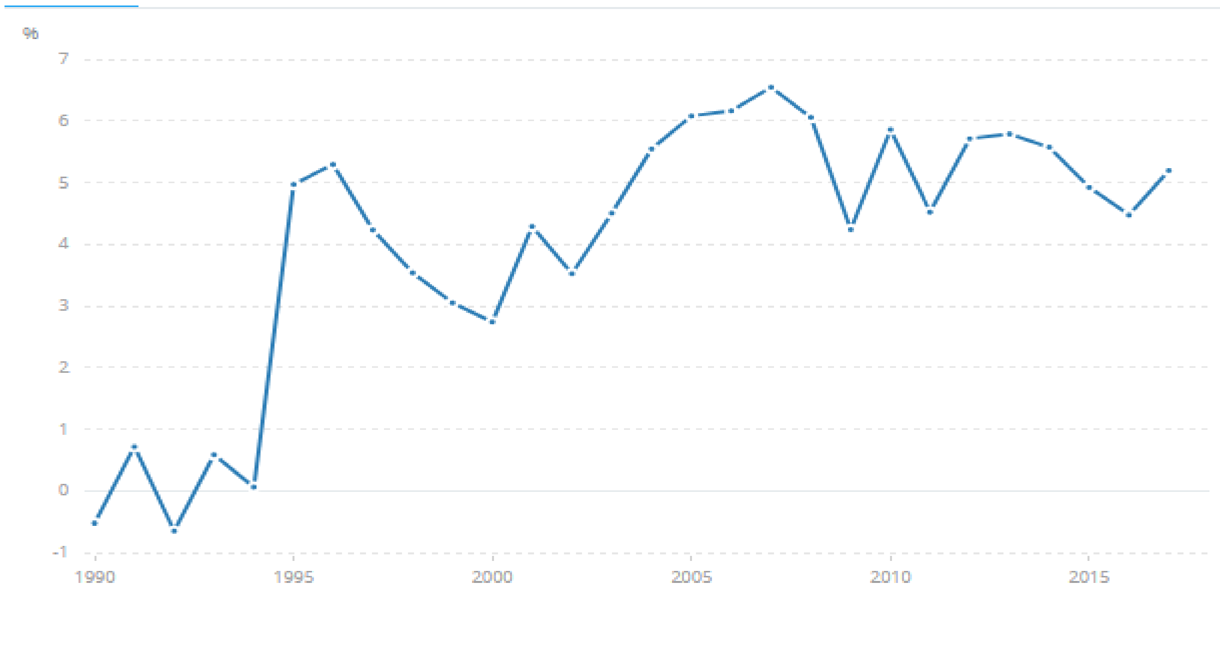

Figure no.6 GDP growth (annual %) for heavily indebted poor countries (HIPC) for the period 1990-2017
Source : World Bank national accounts data, and OECD National Accounts data files

The category of least developed countries based on United Nation classification includes the following countries : Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Congo, Dem. Rep., Djibouti, Eritrea, Ethiopia, Gambia, The Guinea, Guinea-Bissau, Haiti, Kiribati, Lao PDR, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sudan, Tanzania, Timor-Leste, Togo, Tuvalu, Uganda, Vanuatu, Yemen, Rep., Zambia.

In addition, the category of heavily indebted poor countries (HIPC) includes the following countries : Afghanistan, Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Congo, Dem. Rep., Congo, Rep., Cote d'Ivoire, Eritrea, Ethiopia, Gambia, The Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda, Zambia.

Conclusions

This research article provides a quantitative perspective on the effects of poverty on emerging countries developement in the context of globalization and rapid economic growth. Globalization causes global interconnection so the impact on the negative effects of poverty propagation is significant. Moreover, globalization provides significant opportunities for the development of emerging countries, but also major challenges. The phenomenon of globalization also has negative effects, such as contributing to the loss of national identity or the spread of economic and financial shocks. However, globalization leads in some cases to the amplification of economic gaps between different countries, and even deepening poverty by increasing unemployment and reducing productivity. In spite of the inherent disadvantages, a globalized world economy can make a major contribution to poverty reduction in emerging countries.

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