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# GLOBALIZATION, INTERNATIONAL TRADE, AND POVERTY

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**Abstract**
Globalization and international trade have become key factors in the development of the global economy, yet their impact on poverty remains a subject of debate. This study aims to analyze the relationship between globalization, international trade, and poverty, as well as the effects on wealth distribution. Globalization, which involves the integration of economic, social, and cultural aspects across nations, creates opportunities for economic growth through increased flows of goods, services, and investments. However, its effects on developing countries tend to be uneven, with certain sectors experiencing rapid progress, while others lag behind, exacerbating social and economic inequality. International trade, although offering opportunities for income growth, also contributes to a greater divide between developed and developing nations. This research finds that while globalization can enhance long-term welfare, its uneven distribution worsens poverty in less-developed sectors. Therefore, this study recommends policies that support infrastructure development, strengthen inclusive trade policies, and empower vulnerable sectors to optimally utilize the potential of globalization.
**Keywords:** Globalization, International Trade, Poverty, Welfare, Developing Countries.

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# I. Introduction

Globalization is a phenomenon that has brought significant changes to various aspects of life, including economic, social, political, and cultural dimensions. The development of information and communication technologies, faster transportation, and more open trade policies have accelerated the process of globalization. This phenomenon has enabled the creation of closer relationships between countries worldwide, particularly in the economic aspect through international trade (Bhagwati, 2004).

International trade is one of the key components of globalization, serving as a major driver of global economic growth. Through trade, countries can leverage their comparative advantages, increase production, and expand markets for their products. Additionally, foreign investments and technology transfers are often positive outcomes of a country's involvement in global trade (Krugman & Obstfeld, 2018).

However, behind these benefits, globalization also presents challenges, particularly for developing countries. The distribution of the benefits of international trade is not always equitable, and countries with weak economic capacities and infrastructures often struggle to compete in the global market. This can exacerbate social-economic disparities, both domestically and internationally, contributing to increased poverty in certain regions (Todaro & Smith, 2020).

The relationship between globalization, international trade, and poverty is a complex and interrelated issue. On the one hand, globalization through international trade can open up new economic opportunities that potentially reduce poverty. On the other hand, without supporting policies, globalization can cause widening disparities, particularly for vulnerable groups (Dollar & Kraay, 2002).

Therefore, it is crucial to analyze in-depth how globalization and international trade affect poverty. Through this understanding, effective solutions can be identified to maximize the benefits of international trade and mitigate its negative impacts, especially in developing countries (Stiglitz, 2002).

## II. LITERATURE REVIEW

### 2.1 Definition and Characteristics of Globalization

Globalization is a process that integrates various aspects of human life, including economics, culture, and politics, into a globally interconnected order. This process is influenced by advancements in information and communication technology as well as more open trade policies. According to Giddens (1990), globalization is the intensification of social relations worldwide, linking local communities with global events.

One of the main characteristics of globalization is the increased interconnection between countries through trade, investment, and technology. Furthermore, globalization is marked by the accelerated flow of information, ideas, and goods, creating a smaller and more interdependent world (Held et al., 1999). Other characteristics include the high mobility of labor, the spread of global culture, and the deepening integration of international markets.

**2.2 Basic Theories of International Trade**

International trade has long been a major topic in global economics, supported by basic theories that explain why countries engage in cross-border trade.

1. The theory of comparative advantage, proposed by David Ricardo, explains that countries will benefit from international trade by producing goods that have the lowest opportunity cost compared to other countries. Thus, even if a country holds an absolute advantage in producing all goods, trade can still be advantageous if the country specializes in producing the goods it is most efficient at (Ricardo, 1817).
2. The Heckscher-Ohlin theory posits that the pattern of international trade is based on differences in production factors between countries. Countries tend to export goods that intensively use production factors abundant in that country and import goods that require factors of production that are scarce (Ohlin, 1933). This theory emphasizes the importance of the distribution of natural resources and labor in determining a country's competitive advantage.

**2.3 Definition and Indicators of Poverty**

Poverty can be defined as a condition where individuals or groups lack the means to meet basic needs such as food, clothing, shelter, healthcare, and education. The World Bank defines poverty as living on less than the international poverty line, typically set at USD 1.90 per day (World Bank, 2018).

Poverty indicators are commonly used to measure the level of welfare within a population. These indicators include:

1. Economic Indicators

Per capita income, access to employment, and consumption levels.

2. Social Indicators

Access to education, healthcare services, and decent housing.

3. Multidimensional Indicators

The Multidimensional Poverty Index (MPI), which includes aspects of health, education, and standard of living (Alkire & Foster, 2011).

## III. RESEARCH METHODOLOGY

This research employs a qualitative approach to deeply understand the relationship between globalization, international trade, and poverty. This approach is selected because the main focus of the study is to analyze complex phenomena involving interactions among various economic, social, and political factors.

Through qualitative research, this study draws data from academic literature, international policy reports, as well as interviews with economists and practitioners in the field of international trade. This approach allows for further exploration of perceptions, experiences, and viewpoints of various stakeholders regarding the impact of globalization on income distribution and poverty levels.

The analytical technique used is content analysis to identify key themes in the relevant literature. This approach also enables the researcher to understand how international trade policies are applied in developing countries and their effects on poverty.

## IV. RESULTS AND DISCUSSION

### 4.1 Impact of Globalization on International Trade

Globalization has accelerated the growth of international trade through the removal of trade barriers such as tariffs, quotas, and regulations that restrict the flow of goods and services between countries. Data shows that since 1990, global trade volume has more than doubled, reflecting the crucial role of globalization in promoting global economic integration (World Trade Organization, 2021).

Foreign Direct Investment (FDI) has also significantly increased, contributing to technology transfer, job creation, and economic growth in developing countries. For example, many Southeast Asian countries, such as Vietnam and Indonesia, have become global manufacturing hubs due to the influx of FDI from developed nations (UNCTAD, 2022).

Globalization has altered the global market structure by introducing broader competition, both in domestic and international markets. Developing countries, with their low labor cost advantage, often become producers of consumer goods traded globally. This has created opportunities for increased exports and economic growth. For example, the textile and electronics industries in Bangladesh and the Philippines have experienced rapid growth due to their involvement in international trade (OECD, 2020).

However, these changes in market structure have also presented significant challenges. Many developing countries struggle to adapt to global standards and more advanced technologies. Dependence on the export of primary commodities, which are vulnerable to global price fluctuations, can also worsen economic instability in these countries. For example, the decline in oil and mining prices has often had a significant impact on the revenues of commodity-producing countries in Africa and Latin America (IMF, 2021).

Additionally, the rise in global competition has put pressure on local industries that are unable to compete with multinational corporations. This often leads to increasing income inequality and poverty, particularly in less developed rural areas.

**4.2 Impact of International Trade on Poverty**

International trade plays a significant role in increasing income, particularly in sectors with comparative advantages. For example, the manufacturing sector in developing countries often benefits from broader global market access. Increased demand for exports drives economic growth and creates jobs, as seen in the textile sector in Bangladesh and Vietnam (Rodrik, 2018).

However, these benefits are not evenly distributed across all sectors. Traditional sectors such as agriculture often lag behind due to a lack of investment and the inability to compete with imported goods. Dependence on cheap products from developed countries can devastate local industries, leading to unemployment and worsening poverty in rural areas (Collier & Gunning, 1999).

Inequality also increases because international trade often benefits skilled labor more than unskilled labor. As a result, groups with low education levels tend to miss out on the benefits of trade and are further left behind (Winters et al., 2004).

In the short term, market opening and trade liberalization can lead to economic dislocation. Many workers lose their jobs when local businesses cannot compete with imported goods. This situation often worsens poverty levels, particularly in the informal sector, which is unprotected by social policies (Stiglitz, 2002).

However, in the long run, international trade has the potential to reduce poverty through increased efficiency, economic growth, and technology transfer. Countries that have successfully integrated into the global economy, such as South Korea and China, demonstrate that trade can be a driving force for economic development and poverty reduction when accompanied by appropriate policies (Dollar & Kraay, 2004).

Nevertheless, for countries with weak institutional capacities, international trade can exacerbate economic dependency and increase vulnerability to external shocks. Therefore, redistributive policies and investments in education and infrastructure are essential to ensure that the benefits of trade are felt by all segments of society.

### 4.3 Supporting and Hindering Factors

Government policies play a crucial role in determining how well a country can harness the potential of international trade. Trade-supportive policies, such as the reduction of import tariffs, the improvement of logistics facilities, and bilateral or multilateral trade agreements, can enhance access for developing countries to international markets (World Bank, 2020). The government also plays a role in creating regulations to protect sectors that are at risk due to international competition, while ensuring that the benefits of trade are distributed equitably across society.

In addition, adequate infrastructure, such as ports, transportation, and communication, is vital to facilitate the flow of international trade. Developing countries with poor infrastructure often face high costs in conducting trade, which reduces their competitiveness in global markets (UNCTAD, 2021).

Education and access to technology are also key factors. Improving human resource quality through education that aligns with the needs of global markets can help developing countries seize opportunities in international trade. Moreover, access to the latest technologies, both in production and distribution, can enhance competitiveness and efficiency in certain sectors, such as manufacturing and agriculture. However, poor countries often struggle to acquire the technology needed to compete effectively in international trade (OECD, 2020).

Although globalization and international trade offer opportunities for developing countries, inequality in access to global markets remains a major issue. Poor countries often face significant barriers, such as limited production capacity, low-quality exported goods, and an inability to negotiate in international trade agreements (Miller & Hurst, 2018).

Furthermore, these countries often struggle to adapt to changing regulations and international standards, which frequently benefit developed nations. Inability to meet product quality and safety standards can block their access to global markets, thereby hindering poverty reduction and economic growth (Chongvilaivan, 2020).

It is crucial for poor countries to enhance their domestic capacity through investments in education, infrastructure, and technology to address these access disparities. Without effective policies and international support, these inequalities could further exacerbate global disparities.

## V. CONCLUSION AND RECOMMENDATIONS

### 5.1 Conclusion

Globalization and international trade have a complex relationship in the context of poverty. International trade acts as a driver of economic growth by opening new markets, boosting production, and creating jobs. However, the effects of globalization are not evenly distributed. Certain sectors, such as manufacturing, can reap significant benefits, while others, such as traditional agriculture, are often left behind. This disparity leads to deeper poverty in regions unable to compete in the global market. Furthermore, dependence on imported goods and commodity price fluctuations often worsen the economic conditions of developing countries, leading to increased income inequality and exacerbating poverty in sectors unprepared for adaptation.

Globalization has the potential to improve economic welfare in the long term, but its distribution is often unequal. Developed countries and sectors with high competitiveness are better positioned to benefit from international trade. On the other hand, poor countries and sectors not integrated into the global economy are often left behind, experiencing greater social inequality. Therefore, while globalization can promote economic progress, it can also deepen inequality and poverty if not accompanied by policies that support equitable distribution.

### 5.2 Recommendations

Governments should invest in infrastructure that enhances the efficiency of international trade, such as ports, transportation networks, and communication systems. Well-developed infrastructure reduces transaction costs and enhances the competitiveness of products from developing countries in global markets.

Countries should develop trade policies that not only facilitate inter-country trade but also protect vulnerable sectors, particularly in developing countries. This includes reducing tariffs on essential goods for poor countries and providing incentives for investment in sectors that support local economic sustainability.

Improving Access to Technology and Education: Increasing access to technology and education will help developing countries better compete in global markets. This can be achieved by enhancing workforce skill training and providing access to the latest technologies for strategic sectors.

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