

Globalization: some stylized facts (not exhaustive!)

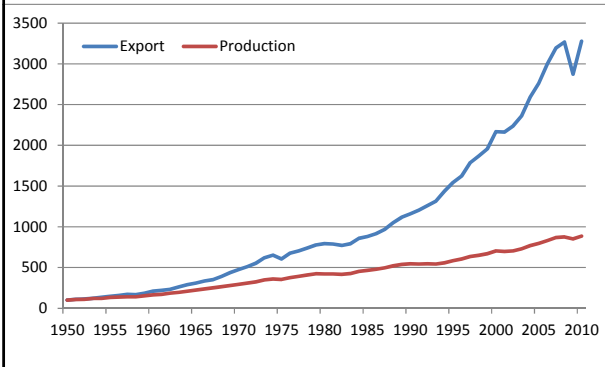
R. Helg

LIUC 2014

What Is Globalization?

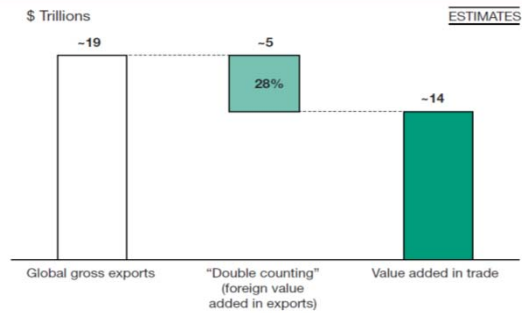
- The world is moving away from self-contained national economies toward an interdependent, integrated global economic system
- A convenient **definition of Globalization** for this course: it is the process of increasing international economic integration of markets.
- Note that from our definition I have left out other dimensions: cultural, political, military etc. They are relevant, but the focus in this course will be mainly on the economic one.

Globalization: is it true?



on a gross basis, not value added

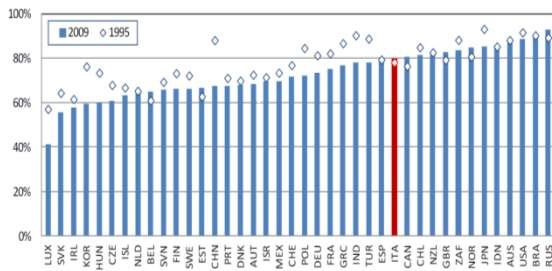
Figure 7. Value added in global exports, 2010



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Domestic value added of export

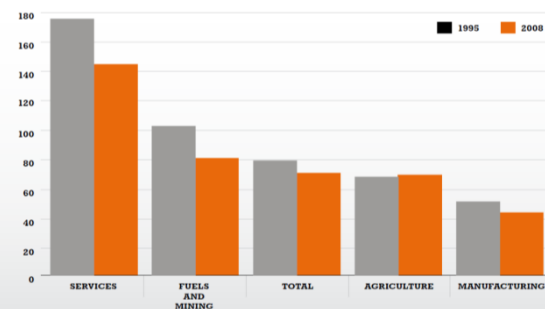
Figure 1: Domestic value added content of gross exports, % (EXGRDVA_EX)



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Domestic value added of export

DOMESTIC VALUE-ADDED CONTENT AS A PER CENT OF GROSS COMMERCIAL VALUE OF EXPORTS, 1995-2008

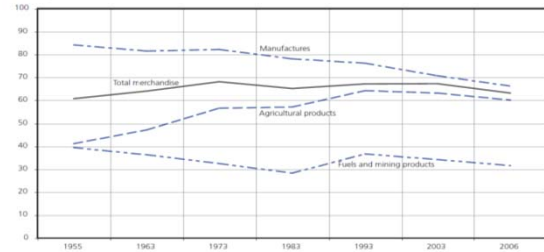


Note: Percentages larger than 100% indicate a significant indirect contribution through the exports of other domestic industries
Source: World Input Output Data

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Globalization 3a

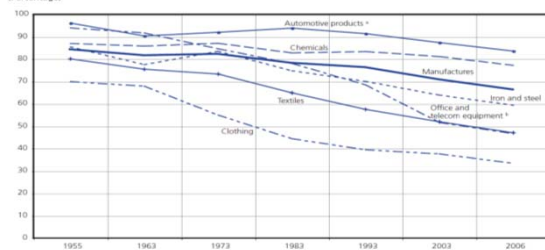
Appendix Chart 1
Share of industrial countries in world exports by major product group, 1955-2006
(Percentage)



Note: EU(15) before 2003 and afterwards EU(25).
Source: GATT, Networks of World Trade, 1978 for the years 1955-73 and GATT, International Trade 1985 for the year 1983, and WTO, Statistical Data Board for the years 1993-2006.

Globalization 3b

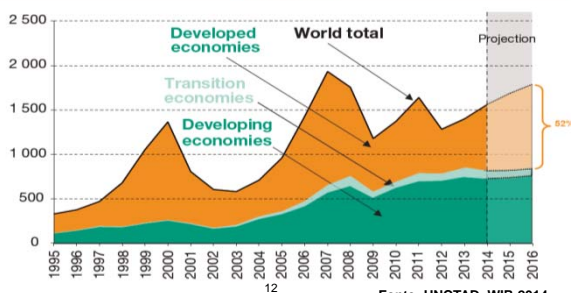
Chart 2
Share of industrial countries in world manufactures exports by product group, 1955-2006
(Percentage)



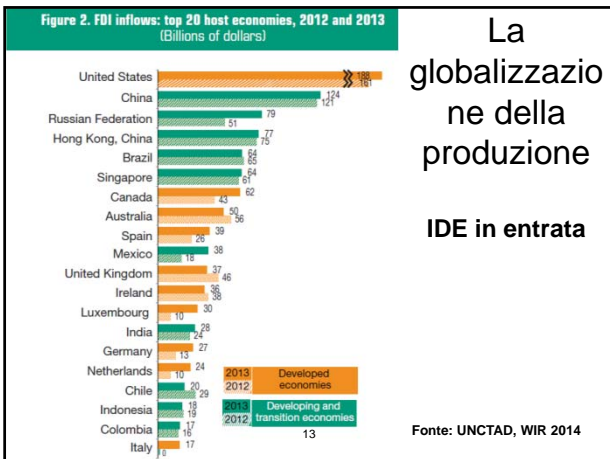
a Road motor vehicles for the years 1955-73.
b Break in time series between 1973 and 1983.
Note: EU(15) before 2003 and afterwards EU(25).
Source: GATT, Networks of World Trade, 1978 for the years 1955-73 and GATT, International Trade 1985 for the year 1983, and WTO, SDB for the years 1993-2006.

La globalizzazione della produzione

Figure 1. FDI inflows, global and by group of economies, 1995-2013 and projections, 2014-2016
(Billions of dollars)

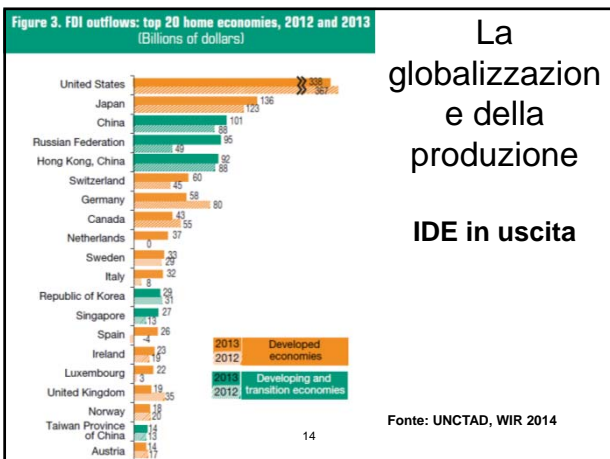


Fonte: UNCTAD, WIR 2014



La
globalizzazione
della
produzione

IDE in entrata



La
globalizzazione
e della
produzione

IDE in uscita

Globalization 4: a new phase?

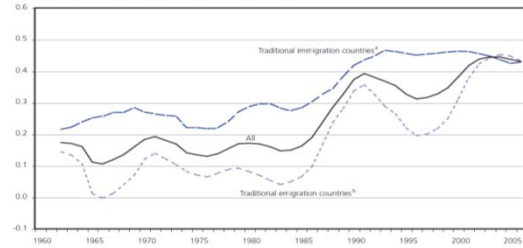
A group of economist (see Gene Grossman and Rossi-Hansberg, 2006 and the presentation by Richard Baldwin, 2006)) have introduced the idea that with outsourcing globalization has entered a new phase.

The idea is that in the first phase globalization has been characterized by a **first unbundling**: end of the necessity of making goods close to the point of consumption. In this first phase we had **trade in goods**.

Recently, started a **second unbundling**: the end of the need to perform most production stages near each other. In this second phase we have **trade in tasks**.

Globalization 5

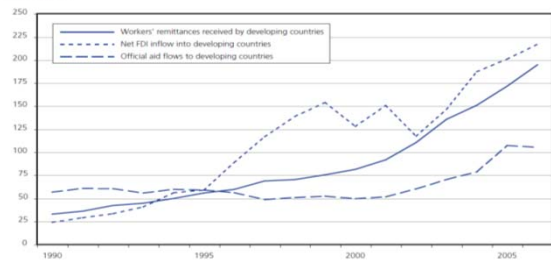
Chart 3
Net immigration into developed countries, 1960-2006
(Five-year moving averages, net immigration as percent of population)



^a Traditional immigration countries comprise Australia, Canada, New Zealand and United States.
^b Traditional emigration countries are composed of 18 western European countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and United Kingdom.
Source: OECD, Labour Force Statistics.

Globalization 5

Appendix Chart 3
Selected financial flows to developing countries, 1990-2006
(Billion dollars)



Source: World Bank, World Development Indicators, UNCTAD, World Investment Report 2007, OECD, Development Assistance Committee online database and WTO estimates.

Globalization 6

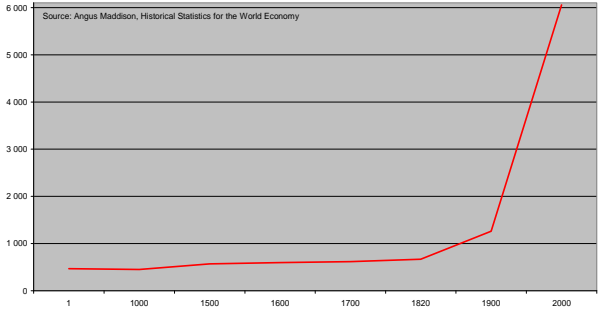
Historical digression:

Fast economic growth is a feature of the last 200 years. It is a product of the capitalistic production system.

Globalization is an intrinsic feature of the capitalistic production system
(on this, see page 27 from Maddison, 2001)

Globalization and the capitalistic system of production

World GDP per capita
(1990 International Geary-Khamis dollars)



Drivers Of Globalization

Two major factors underlie the trend toward greater globalization:

- the **decline in barriers** to the free flow of goods, services, and capital (but not to free flow of people!) that has occurred since the end of World War II. This process has been facilitated by the emergence of **global institutions** (GATT/WTO, IMF etc.)

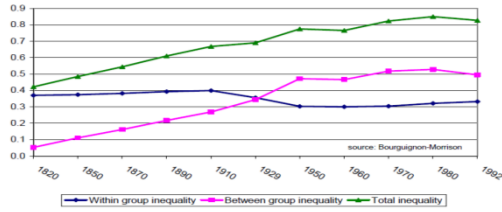
Declining Trade And Investment Barriers

Some stylized facts:

- After WWII substantial reduction in trade barriers (tariffs and non-tariffs barriers)
- On average less developed countries are more protectionist than industrialized countries (IC)
- South-South trade is characterized on average by higher trade barriers than South-North trade
- IC have peaks of protectionism in some sectors (ie agriculture and textile and clothing) in which many emerging economies have a comparative advantage

World Income Inequality

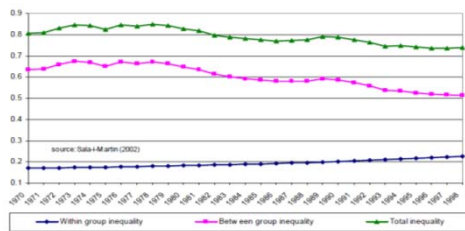
**World Income Inequality 1: the long run
(mean logarithmic deviation)**



World income inequality has continuously increased between 1820 and 1980.
Note the inversion in relevance of the two components: between 1820 and 1930 *within country inequality* has been the most important component of world income inequality. After 1930 the leading component has become *across country inequality*.

World Income Inequality

**World Income Inequality 2: the last 30 years
(mean logarithmic deviation)**



In the last 20 years world income inequality has inverted its trend and started reducing. This evolution is mainly due to the fast convergence in per capita income between China (from 1980) and India (from 1990), on one side, and the developed countries, on the other.
Note also the increase in the role played by within country inequality.

The dynamics of globalization and health

See what the [BBC](#) produces

and for more data visit the OECD Development Centre:

[Perspective on Global Development 2010: Shifting Wealth](#)
