Globalization: some stylized facts (not exaustive!)

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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?
(1950-2012, 1950=100; volume data; source: WTO)
Attention: exports are measured on a gross basis, not value added one.

Figure 7. Value added in global exports, 2010

- Global gross exports: ~19
- "Double counting" (foreign value added in exports): ~5, 28%
- Value added in trade: ~14

$ Trillions

ESTIMATES
Domestic value added of export

Figure 1: Domestic value added content of gross exports, %  (EXGRDVA_EX)
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
Domestic value added of export: Italy, various sectors

Figure 2: Foreign value added content of gross exports, by industry, % (EXGR_FVASH)
## Globalization waves in the 19th and 20th century

(Percentage change unless indicated otherwise)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Population growth</td>
<td>0.8 (^a)</td>
<td>1.7</td>
<td>1.9</td>
<td>1.6</td>
</tr>
<tr>
<td>GDP growth (real)</td>
<td>2.1 (^a)</td>
<td>3.8</td>
<td>5.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Per capita</td>
<td>1.3 (^a)</td>
<td>2.0</td>
<td>3.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Trade growth (real)</td>
<td>3.8</td>
<td>6.2</td>
<td>8.2</td>
<td>5.0</td>
</tr>
<tr>
<td>Migration (net) Million</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US, Canada, Australia, NZ (cumulative)</td>
<td>17.9 (^a)</td>
<td>50.1</td>
<td>12.7</td>
<td>37.4</td>
</tr>
<tr>
<td>US, Canada, Australia, NZ (annual)</td>
<td>0.42 (^a)</td>
<td>0.90</td>
<td>0.55</td>
<td>1.17</td>
</tr>
<tr>
<td>Industrial countries (less Japan) (cumulative)</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>64.3</td>
</tr>
<tr>
<td>Global FDI outward stock, year</td>
<td>1982</td>
<td>2006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FDI as % of GDP (world)</td>
<td>...</td>
<td>...</td>
<td>5.2</td>
<td>25.3</td>
</tr>
</tbody>
</table>

\(^a\) Refers to period 1870-1913.

Globalization 2

Chart 1
Share of major exporters in world merchandise trade, 1953-2006
(Percentage)

Note: Break in series between 1993 and 2003. Western Europe becomes Europe including Eastern Europe and Baltic States. NIEs - Newly Industrialised Economies comprising Chinese Taipei; Hong Kong, China; Rep. of Korea; Malaysia; Singapore and Thailand. Source: WTO Secretariat.
Appendix Chart 1
Share of industrial countries in world exports by major product group, 1955-2006 (Percentage)

- Manufactures
- Total merchandise
- Agricultural products
- Fuels and mining products

Note: EU(15) before 2003 and afterwards EU(25).
Globalization 3b

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

- Automotive products
- Chemicals
- Manufactures
- Textiles
- Clothing
- Iron and steel
- Office and telecom equipment

Notes:
- 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).
Production globalization

Source: UNCTAD, WIR 2015

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
The globalization of production

FDI inflows: top 20 host destinations

<table>
<thead>
<tr>
<th>Country</th>
<th>2013 Rank</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>2</td>
<td>124</td>
<td>129</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>3</td>
<td>103</td>
<td>74</td>
</tr>
<tr>
<td>United States</td>
<td>1</td>
<td>231</td>
<td>92</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>9</td>
<td>72</td>
<td>48</td>
</tr>
<tr>
<td>Singapore</td>
<td>6</td>
<td>65</td>
<td>68</td>
</tr>
<tr>
<td>Brazil</td>
<td>7</td>
<td>64</td>
<td>62</td>
</tr>
<tr>
<td>Canada</td>
<td>4</td>
<td>71</td>
<td>54</td>
</tr>
<tr>
<td>Australia</td>
<td>8</td>
<td>54</td>
<td>52</td>
</tr>
<tr>
<td>India</td>
<td>15</td>
<td>28</td>
<td>34</td>
</tr>
<tr>
<td>Netherlands</td>
<td>14</td>
<td>32</td>
<td>30</td>
</tr>
<tr>
<td>Chile</td>
<td>21</td>
<td>17</td>
<td>23</td>
</tr>
<tr>
<td>Spain</td>
<td>12</td>
<td>42</td>
<td>23</td>
</tr>
<tr>
<td>Mexico</td>
<td>10</td>
<td>45</td>
<td>23</td>
</tr>
<tr>
<td>Indonesia</td>
<td>19</td>
<td>19</td>
<td>23</td>
</tr>
<tr>
<td>Switzerland</td>
<td>187</td>
<td>22</td>
<td>-23</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>5</td>
<td>69</td>
<td>21</td>
</tr>
<tr>
<td>Finland</td>
<td>185</td>
<td>19</td>
<td>-5</td>
</tr>
<tr>
<td>Colombia</td>
<td>22</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>France</td>
<td>11</td>
<td>43</td>
<td>15</td>
</tr>
<tr>
<td>Poland</td>
<td>148</td>
<td>14</td>
<td>0</td>
</tr>
</tbody>
</table>

Fonte: UNCTAD, WIR 2015
the globalization of production

FDI outflows: top 20 home economies

Fonte: UNCTAD, WIR 2015
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**.
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.
Appendix Chart 3
Selected financial flows to developing countries, 1990-2006
(Billion dollars)

- Workers’ remittances received by developing countries
- Net FDI inflow into developing countries
- Official aid flows to developing countries

The recent European migration crisis

![Diagram showing migrants entering the EU illegally, Jan-July 2015]

- **W Mediterranean**: 2014, 2015
- **C Mediterranean**: 2014, 2015
- **E Mediterranean**: 2014, 2015
- **W Balkan**: 2014, 2015
- **E Borders**: 2014, 2015
- **Albania to Greece**: 2014, 2015

*Figures for Jan to Aug 2015*

Source: Frontex
The recent European migration crisis

European migration routes
Irregular migrant maritime arrivals
Jan-Aug 2015, ‘000

From:
- Eritrea 25.7
- Nigeria 11.9
- Somalia 7.5
- Sudan 5.7
- Syria 5.5

From:
- Syria 88.2
- Afghanistan 32.4
- Albania 9.7
- Pakistan 9.4
- Iraq 5.4

Greece 234.8

EU proposed relocation target

40,000 asylum seekers

*Includes maritime and land arrivals

Source: International Organisation for Migration

Economist.com
The distribution of asylum seekers
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)

Source: Angus Maddison, Historical Statistics for the World Economy
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.)

• technological change
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 Extreme Poverty

Monetary Poverty
Extreme poverty around the world has been reduced since 1820 if we control for population increase. In absolute terms it has continuously increased between 1820 and 1980. After it has reduced.

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</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>83,9</td>
<td>56,3</td>
<td>54,8</td>
<td>44</td>
<td>35,6</td>
<td>31,5</td>
<td>28,3</td>
<td>23,7</td>
<td>23,4</td>
<td>17,2</td>
</tr>
<tr>
<td>mil</td>
<td>886,8</td>
<td>1149,7</td>
<td>1175,7</td>
<td>1230,7</td>
<td>1342,6</td>
<td>1431,2</td>
<td>1183,2</td>
<td>1176,0</td>
<td>1175,1</td>
<td>931,3</td>
</tr>
</tbody>
</table>


World Poverty 1b: World population with less than 1.25 US$ (PPP) per day (new estimates)

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>52,2</td>
<td>41,8</td>
<td>38,9</td>
<td>33,7</td>
<td>25,1</td>
<td>22,4</td>
<td>21</td>
<td>14,5</td>
</tr>
<tr>
<td>mil</td>
<td>1913,3</td>
<td>1718,2</td>
<td>1785,1</td>
<td>1695,4</td>
<td>1389,6</td>
<td>1289,0</td>
<td>1200,0</td>
<td>1010,7</td>
</tr>
</tbody>
</table>

## World Extreme Poverty

### Non-Monetary Poverty
Continuous reduction in all regions

### World Poverty 2: Human Development Index for geographic areas (weighted average)

<table>
<thead>
<tr>
<th>Region</th>
<th>1870</th>
<th>1913</th>
<th>1950</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australasia</td>
<td>0.539</td>
<td>0.784</td>
<td>0.856</td>
<td>0.933</td>
</tr>
<tr>
<td>North America</td>
<td>0.462</td>
<td>0.729</td>
<td>0.864</td>
<td>0.945</td>
</tr>
<tr>
<td>Western Europe</td>
<td>0.374</td>
<td>0.606</td>
<td>0.789</td>
<td>0.933</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>0.278</td>
<td>0.634</td>
<td>0.786</td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td>0.236</td>
<td>0.442</td>
<td>0.802</td>
<td></td>
</tr>
<tr>
<td>Eastern Asia</td>
<td></td>
<td>0.306</td>
<td>0.746</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td></td>
<td>0.159</td>
<td>0.650</td>
<td></td>
</tr>
<tr>
<td>South Asia</td>
<td>0.055</td>
<td>0.166</td>
<td>0.449</td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td></td>
<td>0.181</td>
<td>0.435</td>
<td></td>
</tr>
</tbody>
</table>

Source: Crafts (2000)
## World Income Inequality

### Three different approaches to measuring inequality in the world

<table>
<thead>
<tr>
<th>Main source of data</th>
<th>Concept 1: unweighted inter-national inequality</th>
<th>Concept 2: weighted inter-national inequality</th>
<th>Concept 3: “true” world inequality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main source of data</td>
<td>National accounts</td>
<td>National accounts</td>
<td>Household surveys</td>
</tr>
<tr>
<td>Unit of observation</td>
<td>Country</td>
<td>Country (weighted by its population)</td>
<td>Individual</td>
</tr>
<tr>
<td>Welfare concept</td>
<td>GDP or GNP per capita</td>
<td>GDP or GNP per capita</td>
<td>Mean per capita disposable income or expenditures</td>
</tr>
<tr>
<td>National currency conversion</td>
<td>Market exchange rate or PPP exchange rate (but different PPP concepts used)</td>
<td>Ignored</td>
<td>Ignored</td>
</tr>
<tr>
<td>Within-country distribution (inequality)</td>
<td>Ignored</td>
<td>Ignored</td>
<td>Included</td>
</tr>
<tr>
<td>Results:</td>
<td>Increase</td>
<td>Increase</td>
<td>Increase Reduction</td>
</tr>
<tr>
<td>1820-1980</td>
<td>Increase</td>
<td>Increase</td>
<td>Increase Reduction</td>
</tr>
<tr>
<td>1980-2000</td>
<td></td>
<td>Reduction</td>
<td></td>
</tr>
</tbody>
</table>

Source: adapted from Milanovic (2002)
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.
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