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

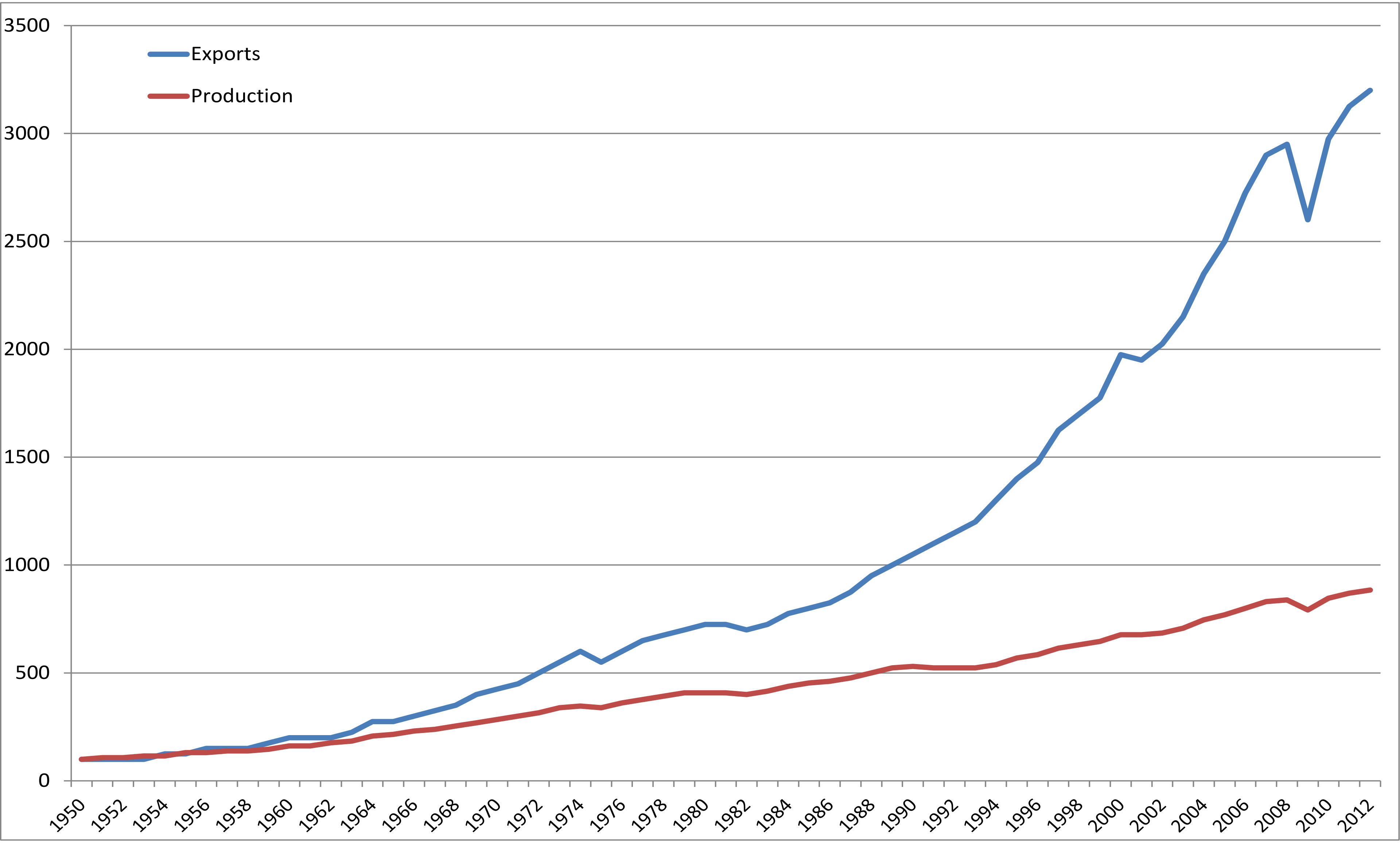
- A convenient definition of Globalization for this course: it is the process of increasing international economic integration of markets.

- 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.

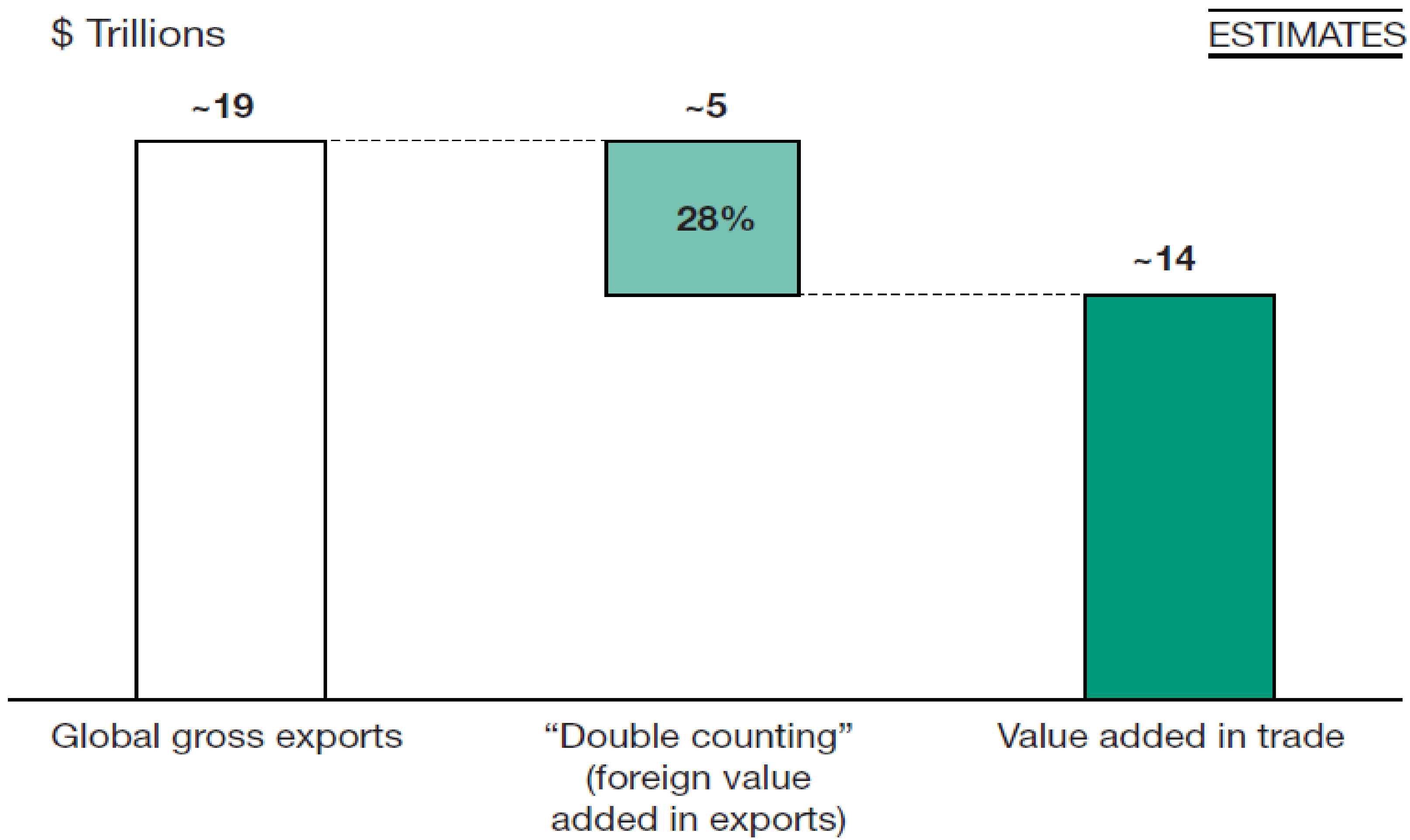
Globalization: is it true?

(1950-2012, 1950=100; volume data; source:WTO)



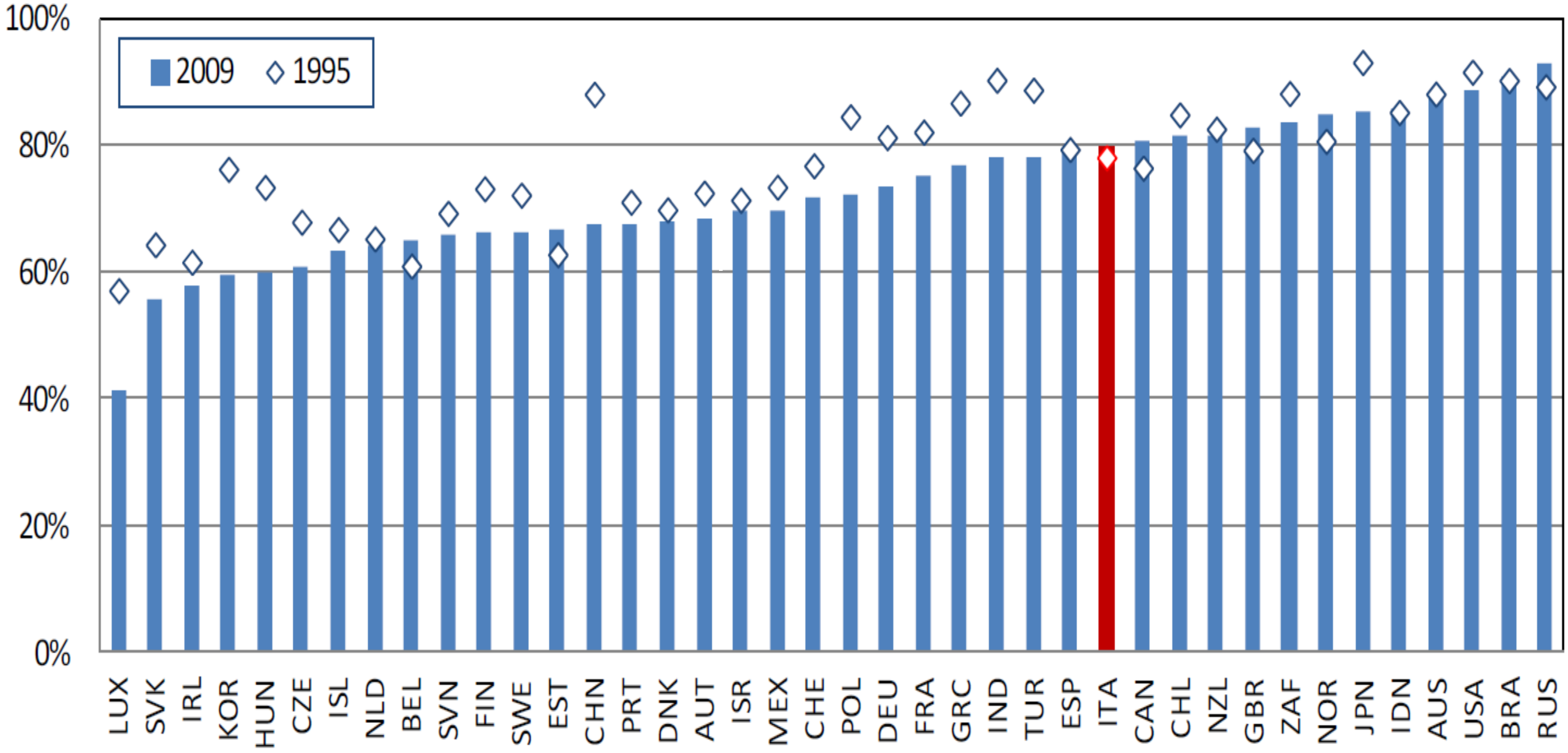
Attention: exports are measured on a gross basis, not value added one

Figure 7. Value added in global exports, 2010

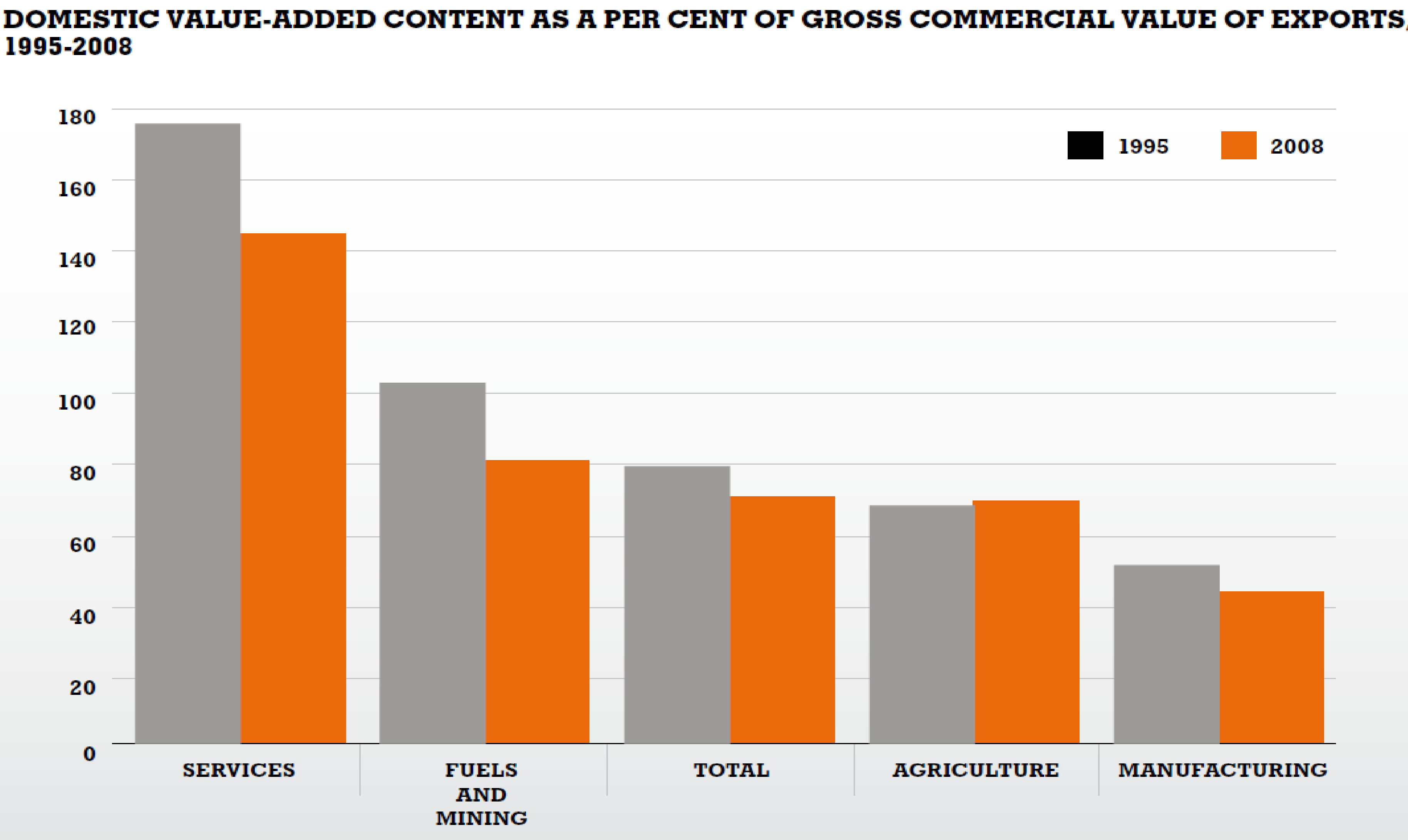


Domestic value added of export

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



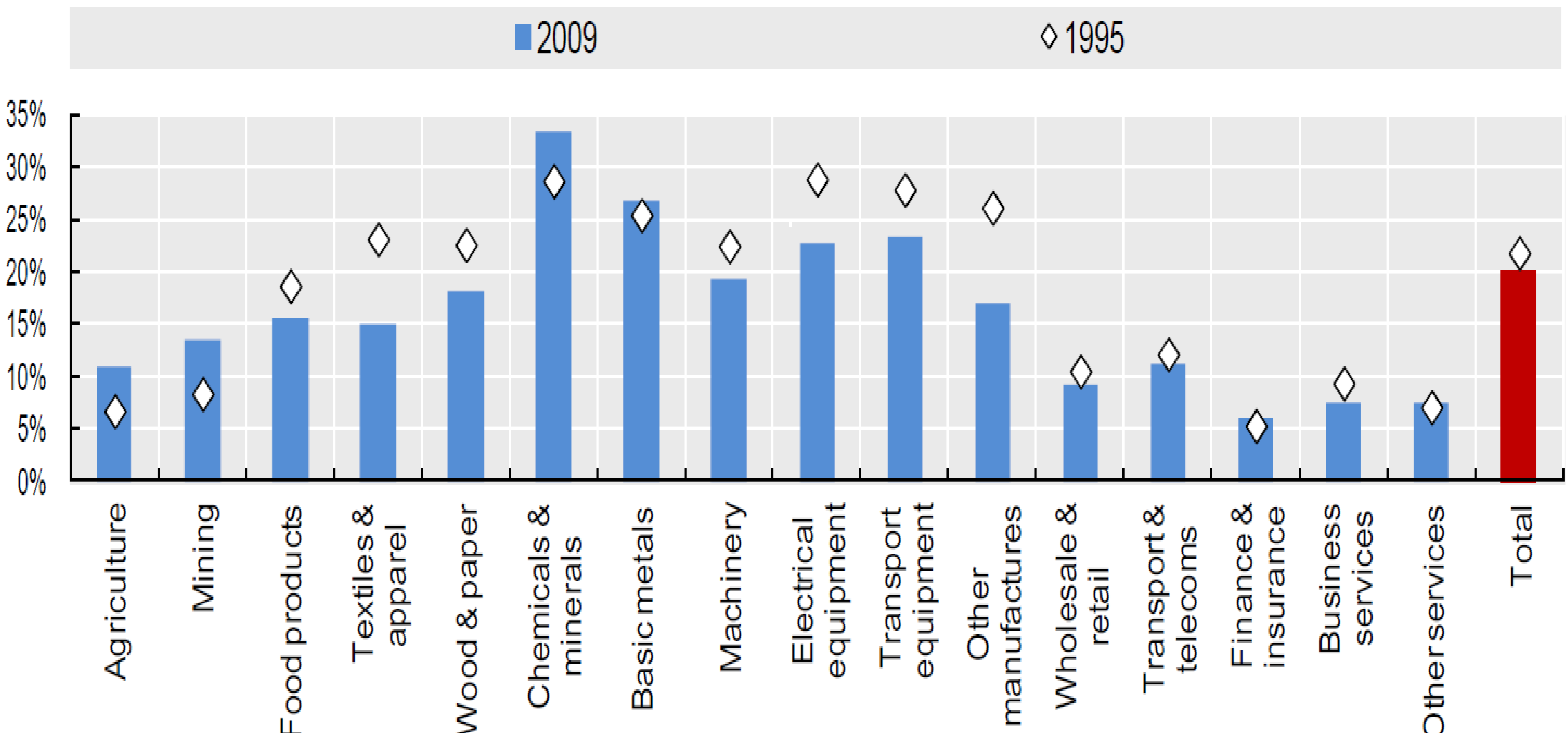
Domestic value added of export



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 1

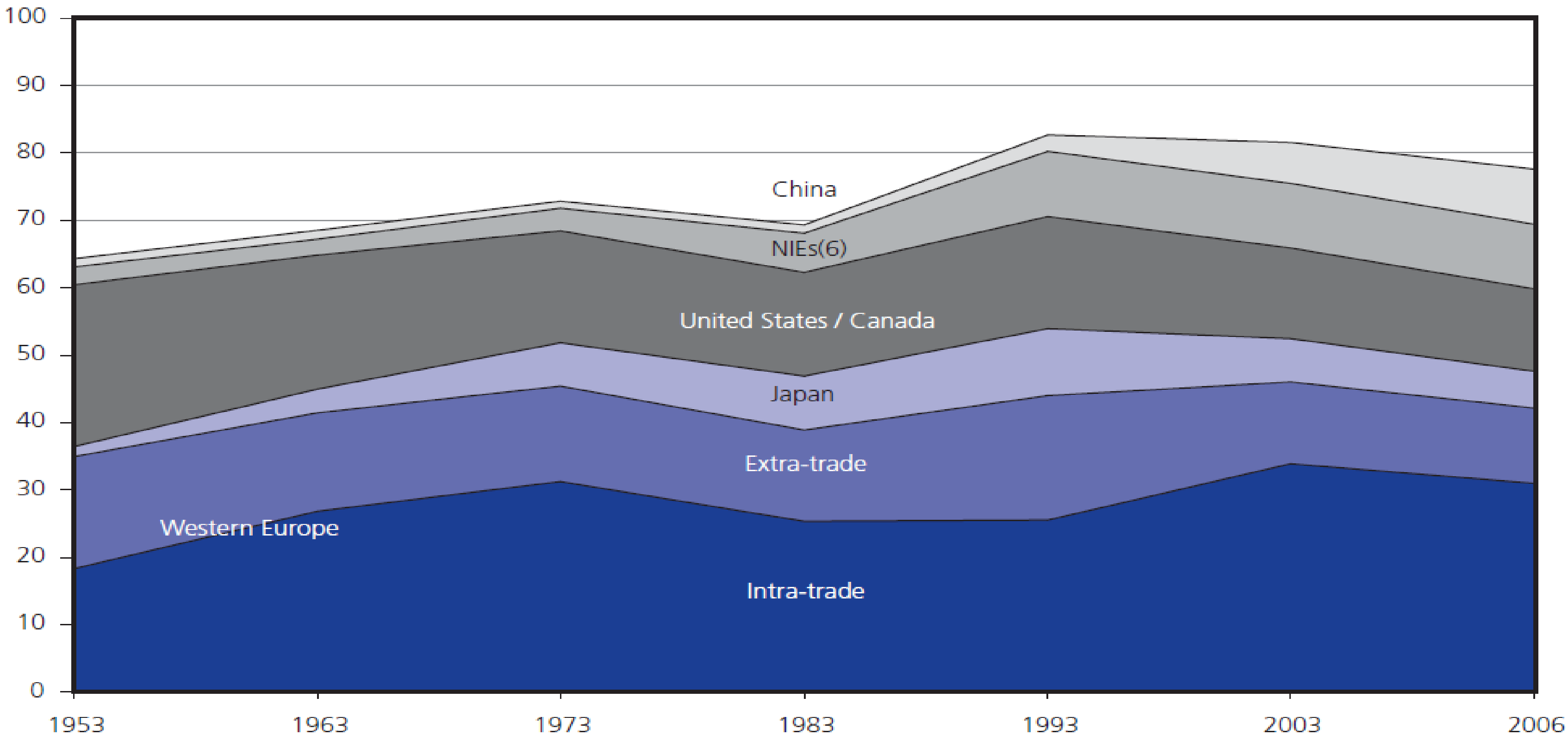
Table 1
Globalization waves in the 19th and 20th century
(Percentage change unless indicated otherwise)

World	1850-1913	1950-2007	1950-73	1974-2007
Population growth	0.8 [a]	1.7	1.9	1.6
GDP growth (real)	2.1 [a]	3.8	5.1	2.9
Per capita	1.3 [a]	2.0	3.1	1.2
Trade growth (real)	3.8	6.2	8.2	5.0
Migration (net) Million				
US, Canada, Australia, NZ (cumulative)	17.9 [a]	50.1	12.7	37.4
US, Canada, Australia, NZ (annual)	0.42 [a]	0.90	0.55	1.17
Industrial countries (less Japan) (cumulative)	...	...	...	64.3
Global FDI outward stock, year			1982	2006
FDI as % of GDP (world)	...	...	5.2	25.3

a Refers to period 1870-1913.
Source: Maddison (2001), Lewis (1981), UNCTAD (2007), WTO (2007a).

Globalization 2

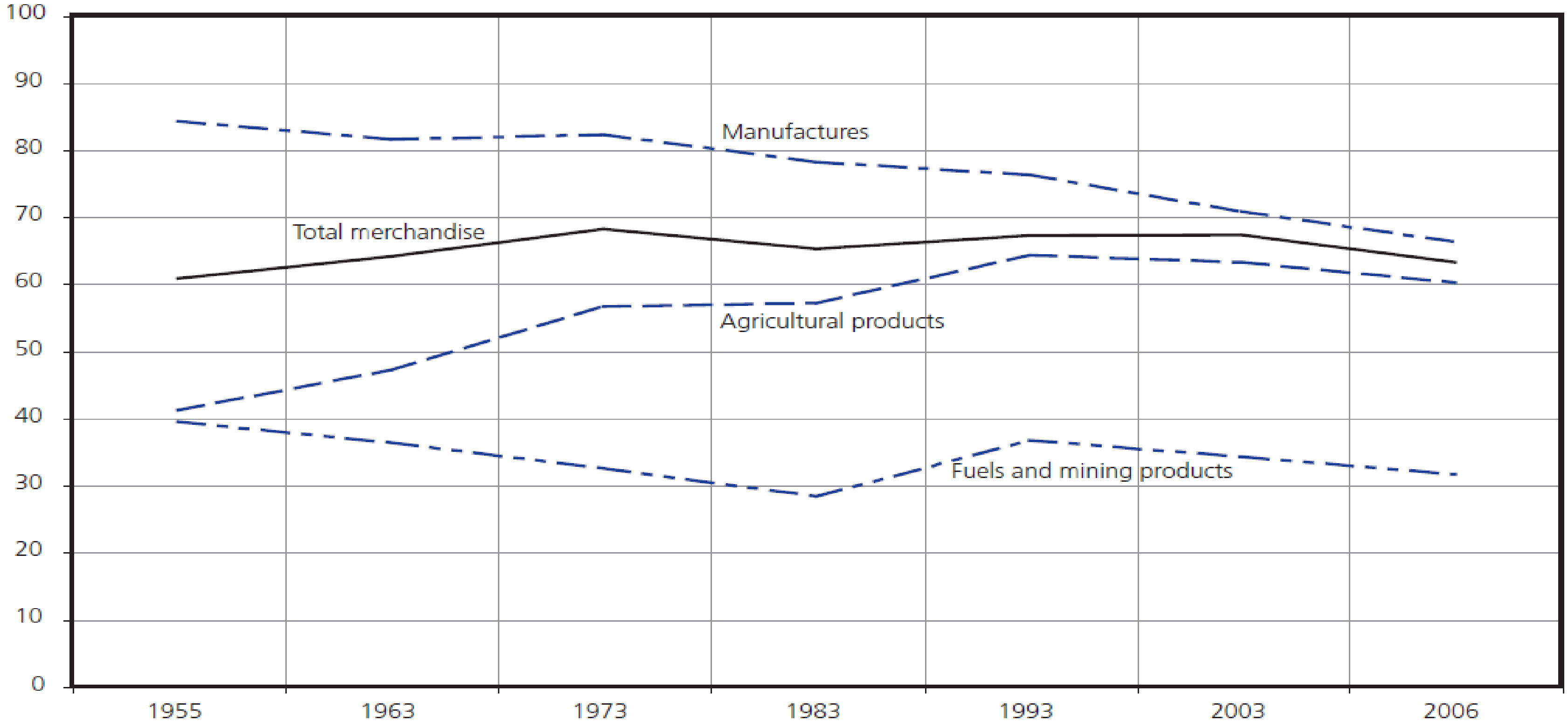
Chart 1
Share of major exporters in world merchandise trade, 1953-2006
(Percentage)



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.

Globalization 3a

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



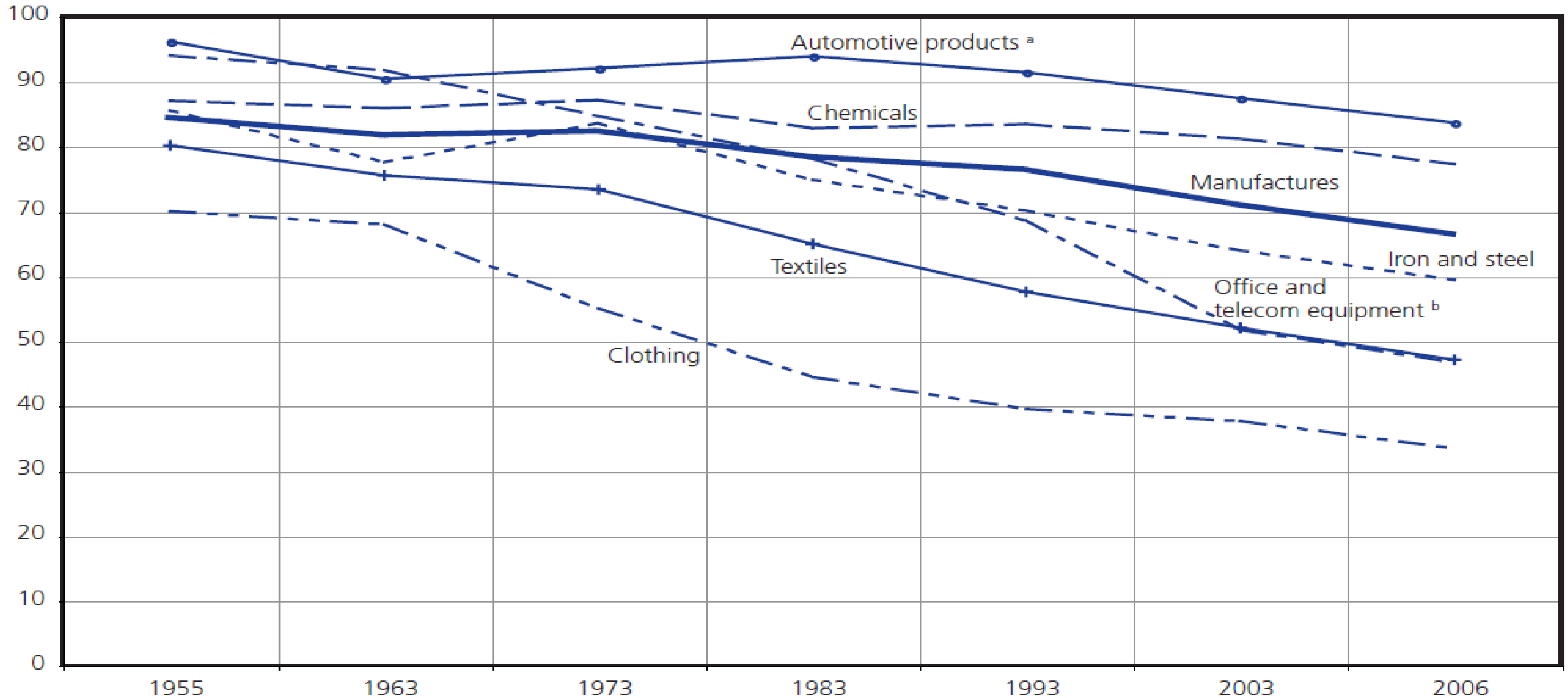
Note: EU(15) before 2003 and afterwards EU(25).
Source: GATT, Networks of World Trade, 1978 for the years 1955-73 and GATT, International Trade 1985 for the year 1983, and WTO, Statistical Data Board for the years 1993-2006.

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.

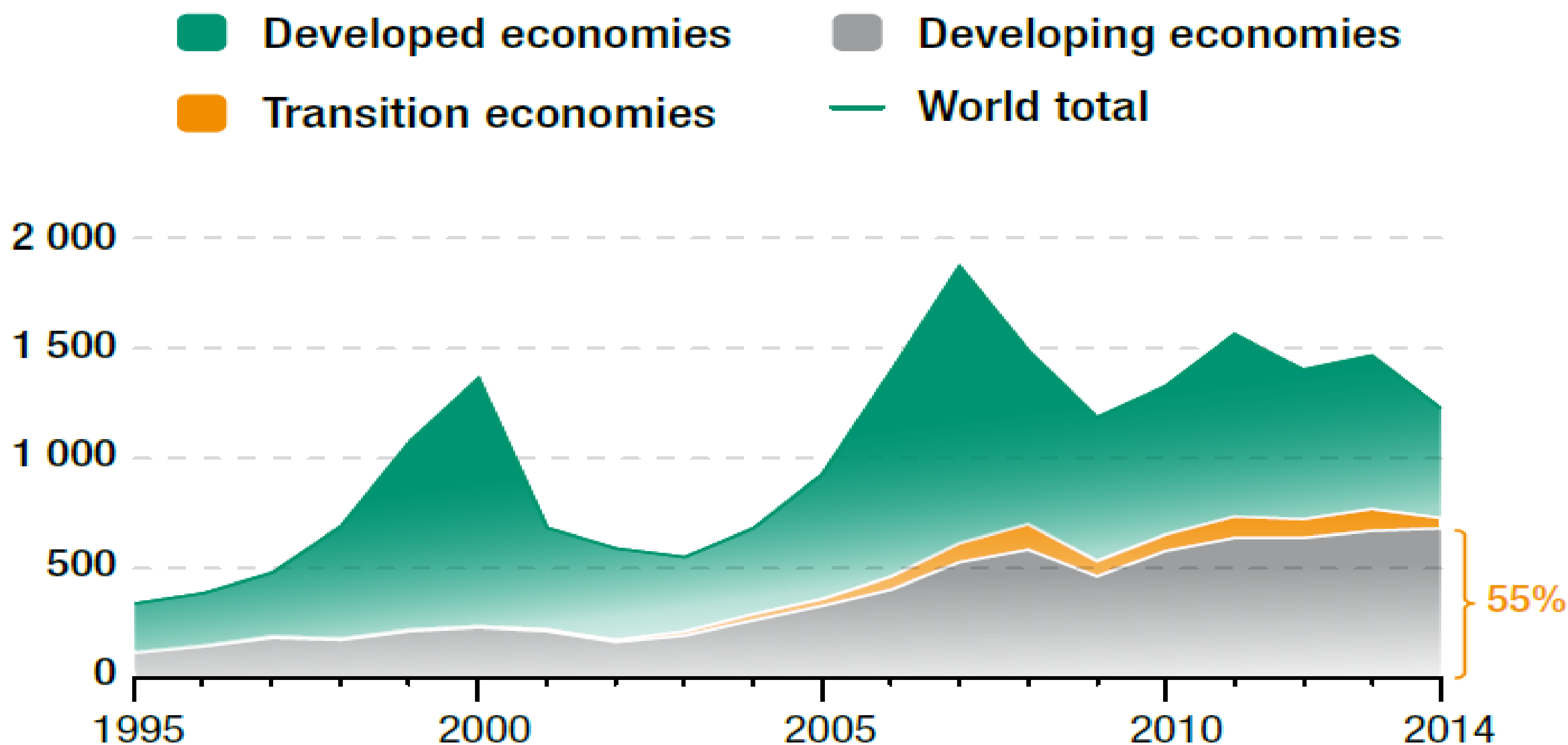
b Break in time series between 1973 and 1983.

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.

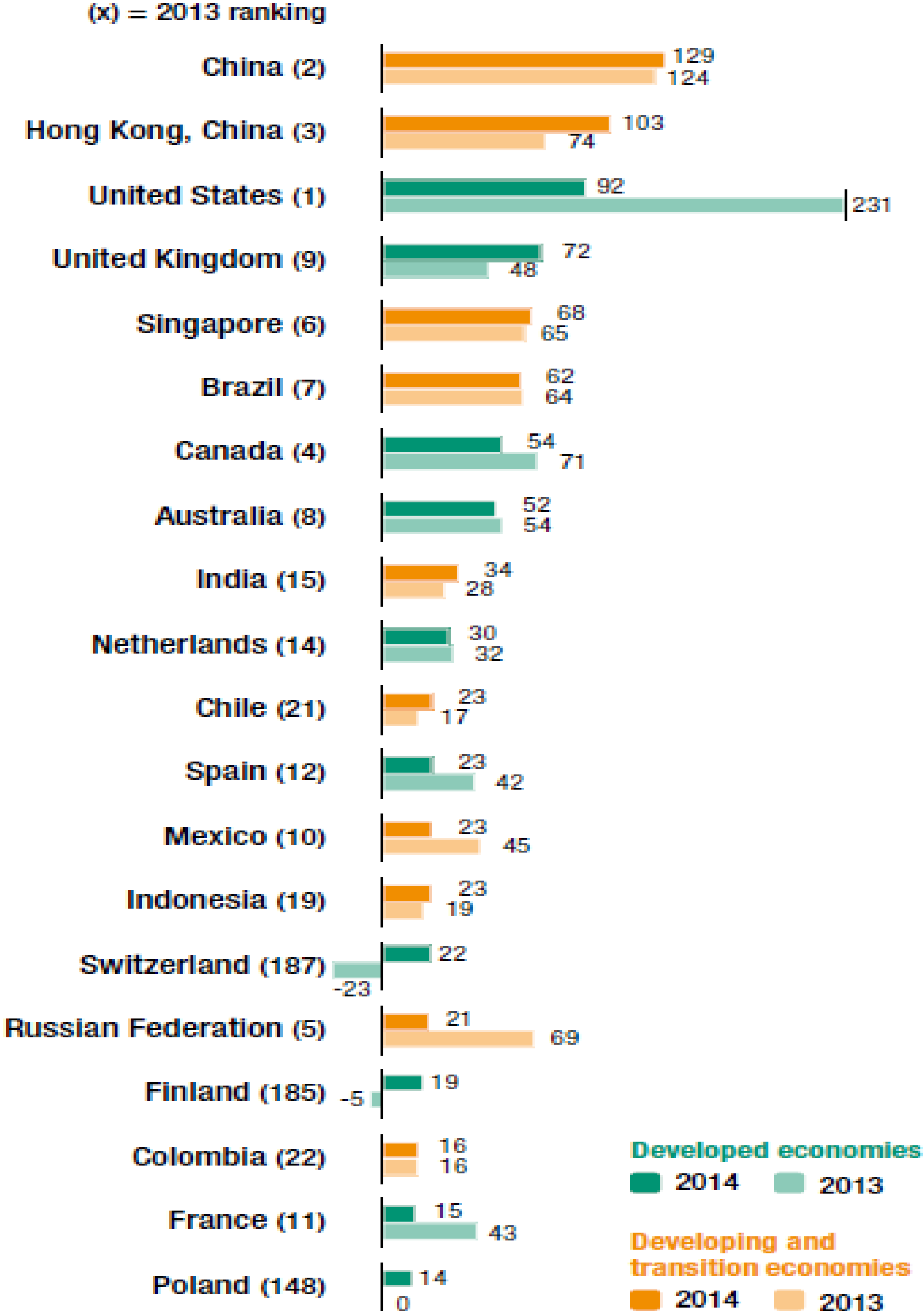
Production globalization

source: UNCTAD, WIR 2015



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

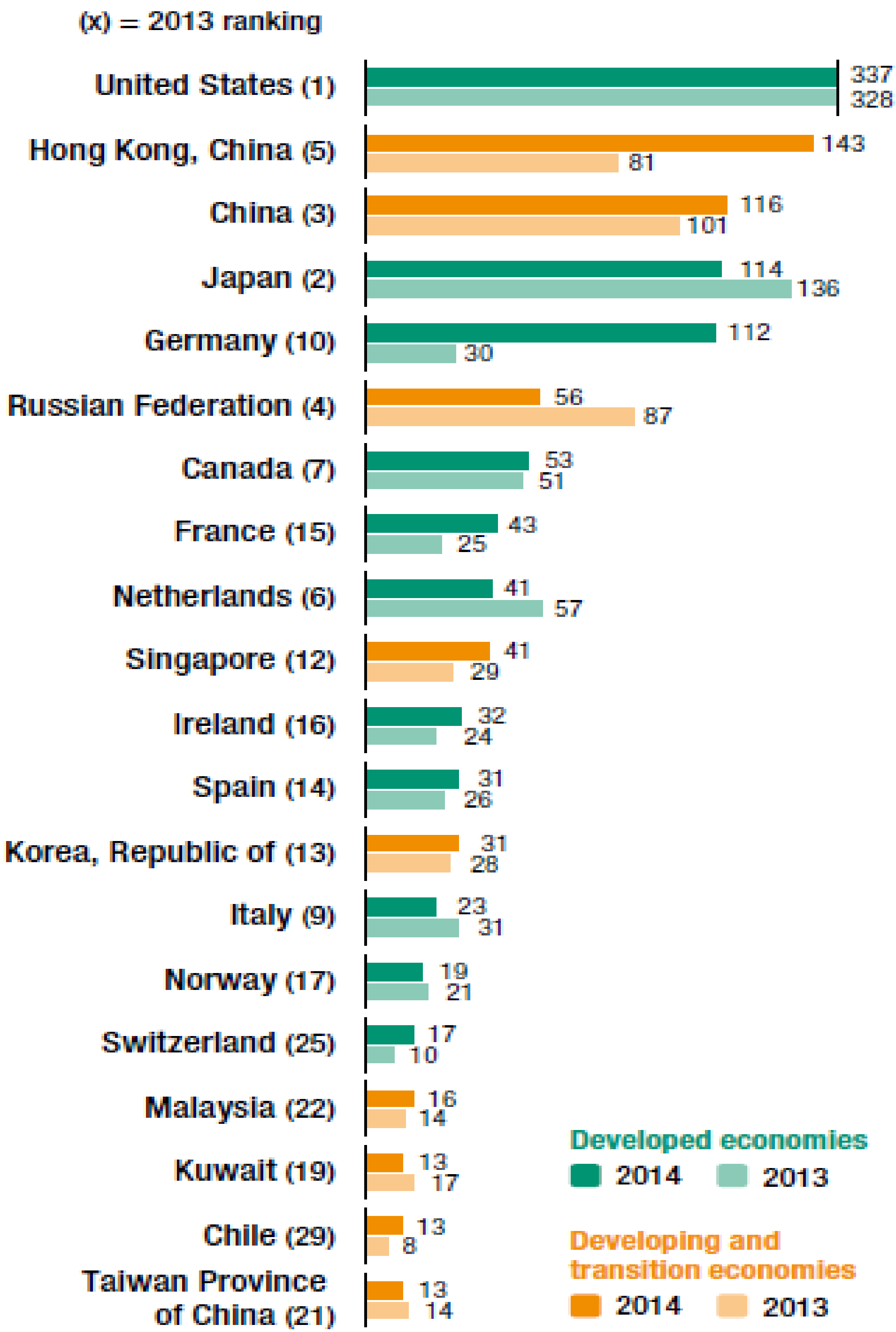
the globalization of production



FDI inflows: top 20 host destinations

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**.

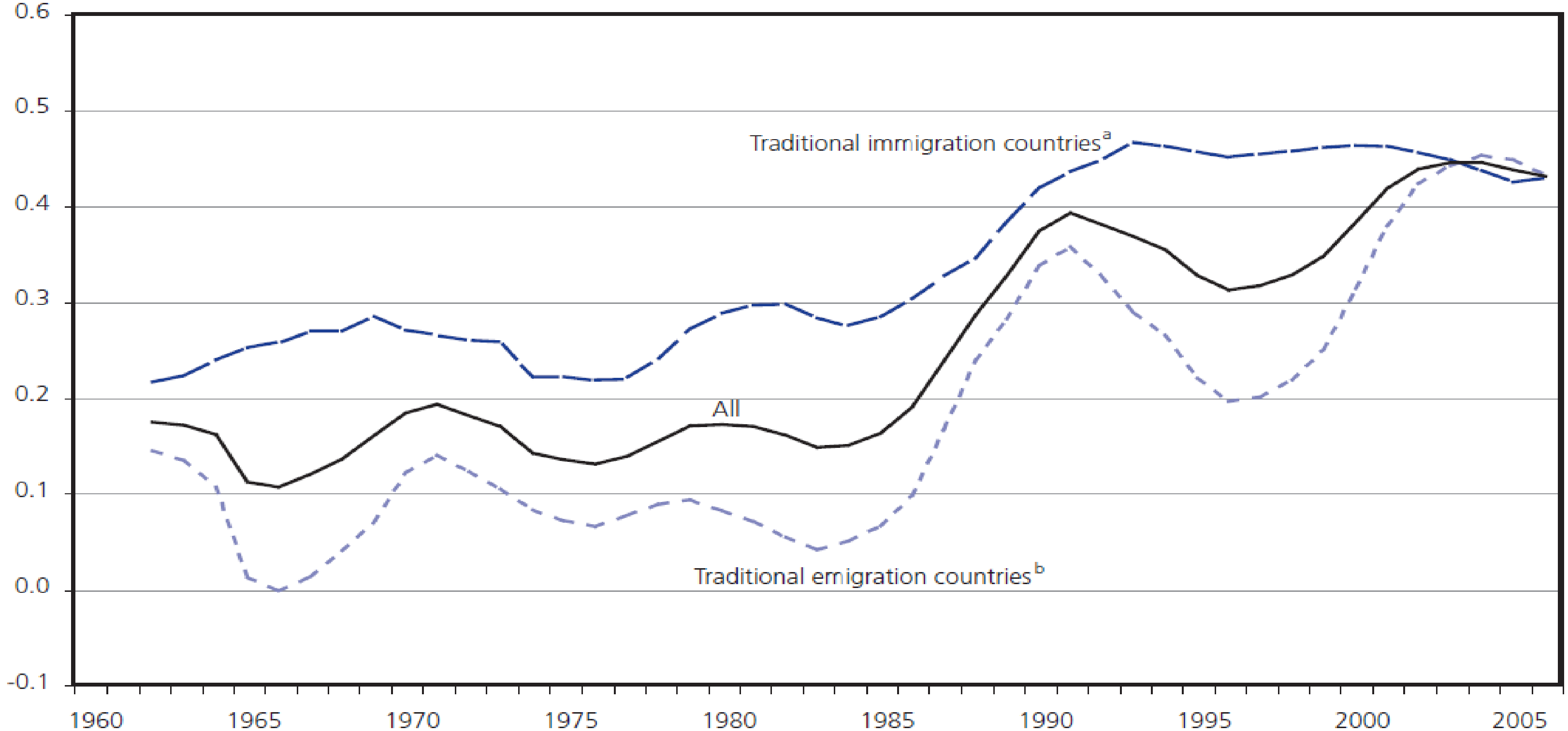
Recently, started a **second unbundling**: the end of the need to perform most production stages near each other. In this second phase we have **trade in tasks.**

Globalization 5

Chart 3

Net immigration into developed countries, 1960-2006

(Five-year moving averages, net immigration as percent of population)

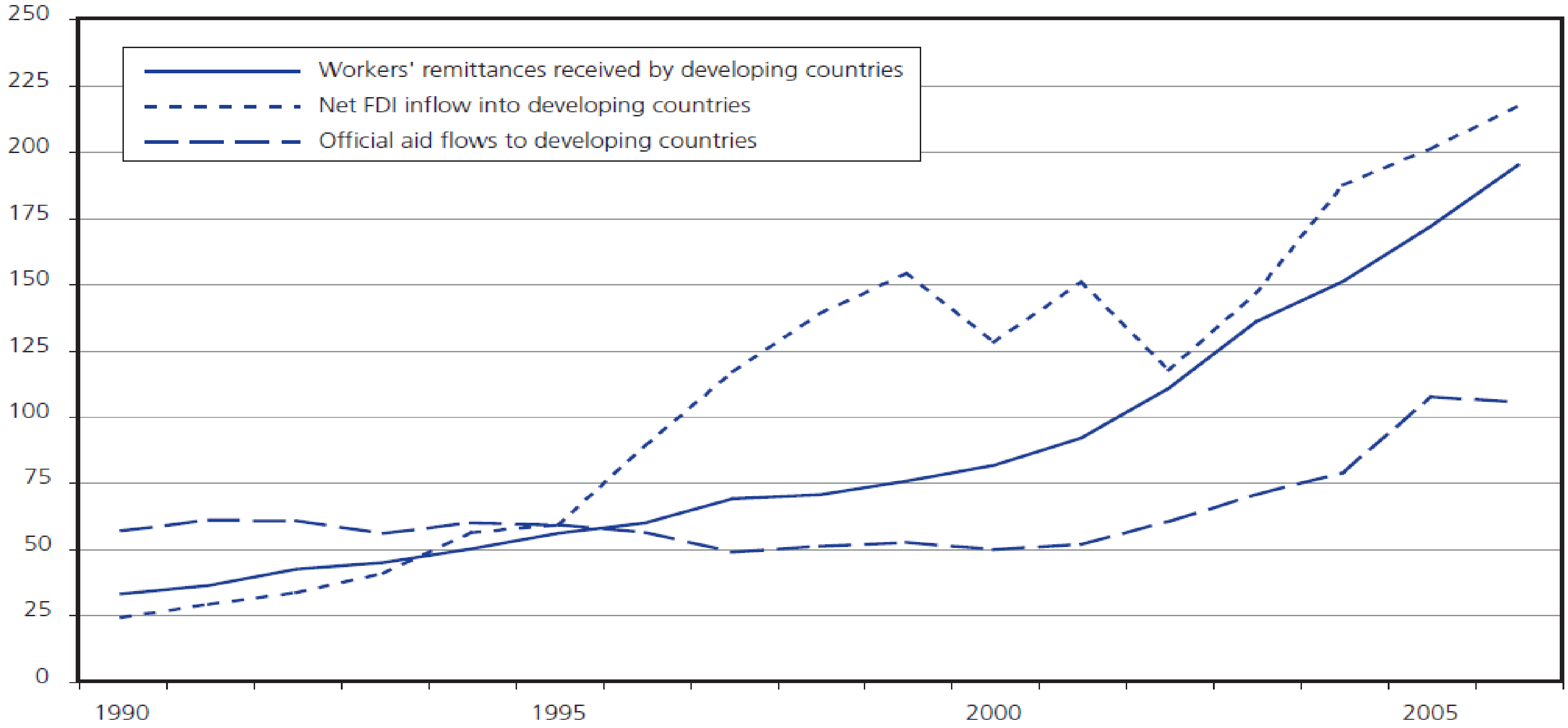


a Traditional immigration countries comprise Australia, Canada, New Zealand and United States.
b Traditional emigration countries are composed of 18 western European countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal,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

Source: OECD, Labour Force Statistics.

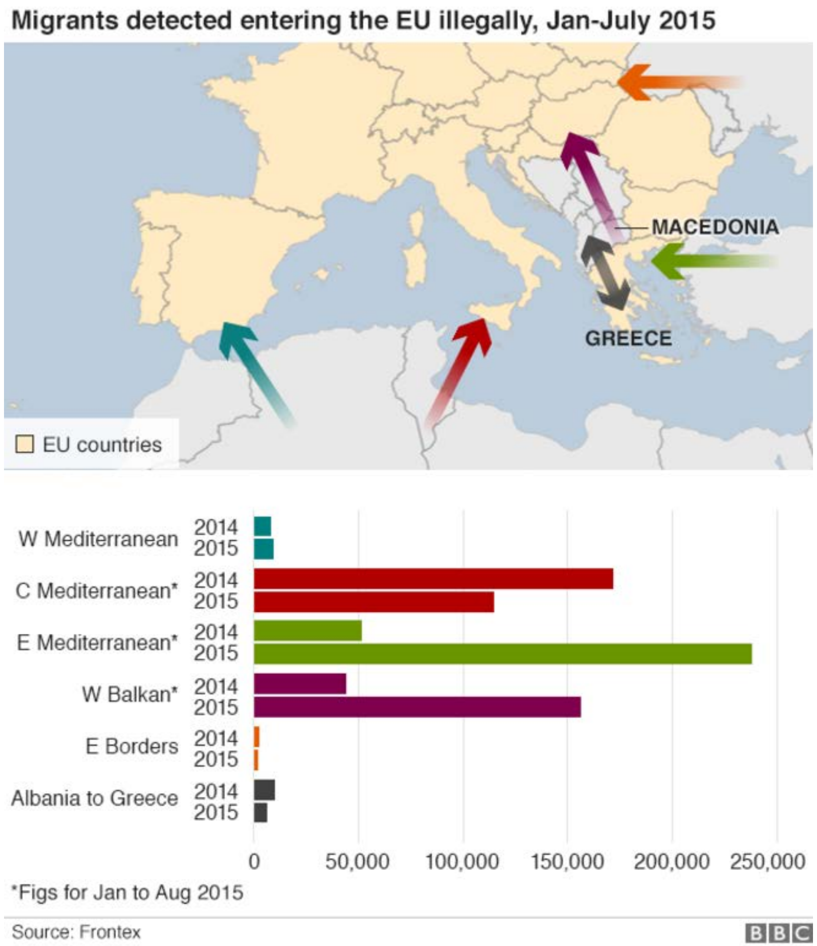
Globalization 5

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.

The recent European migration crisis



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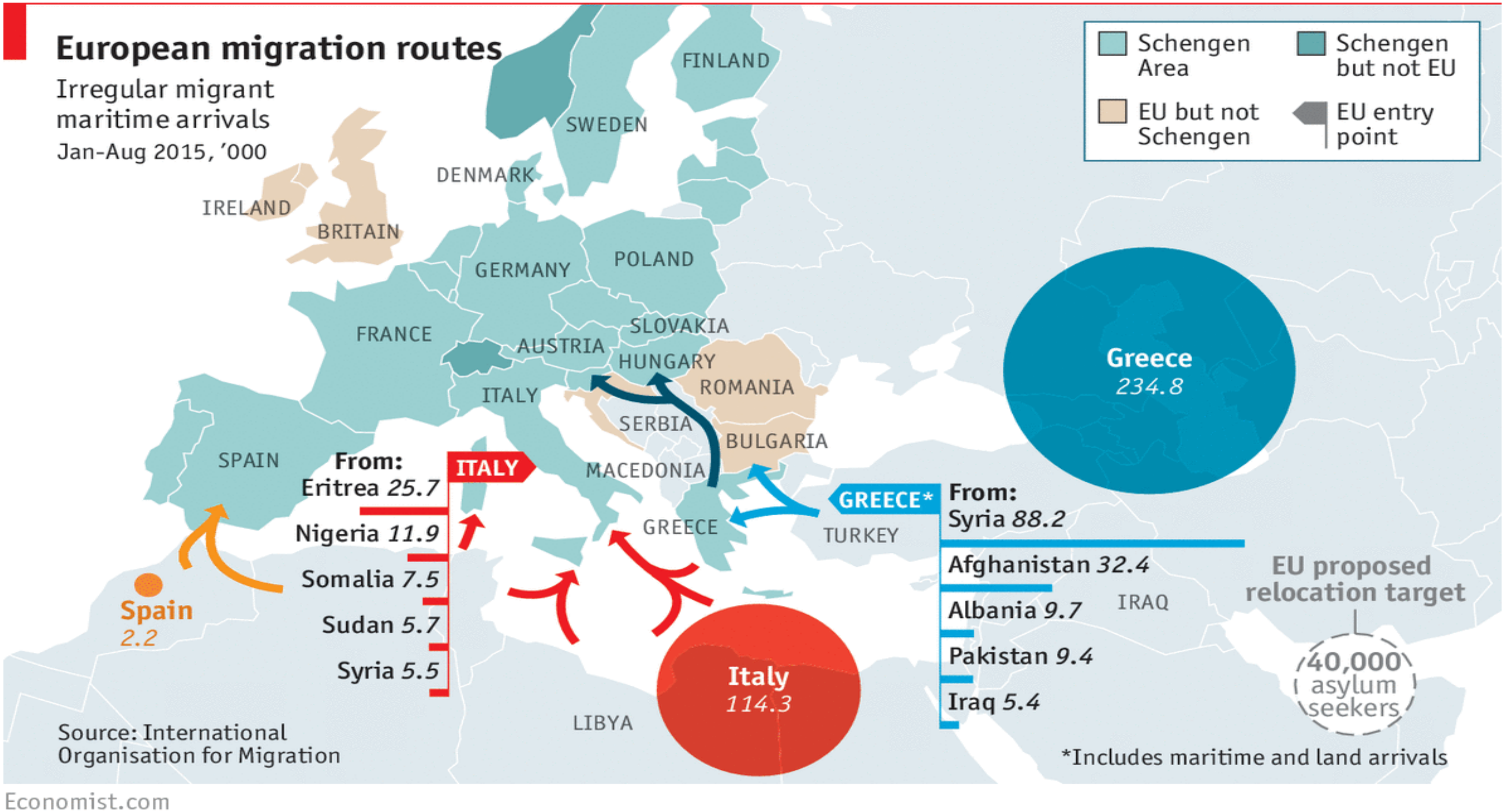
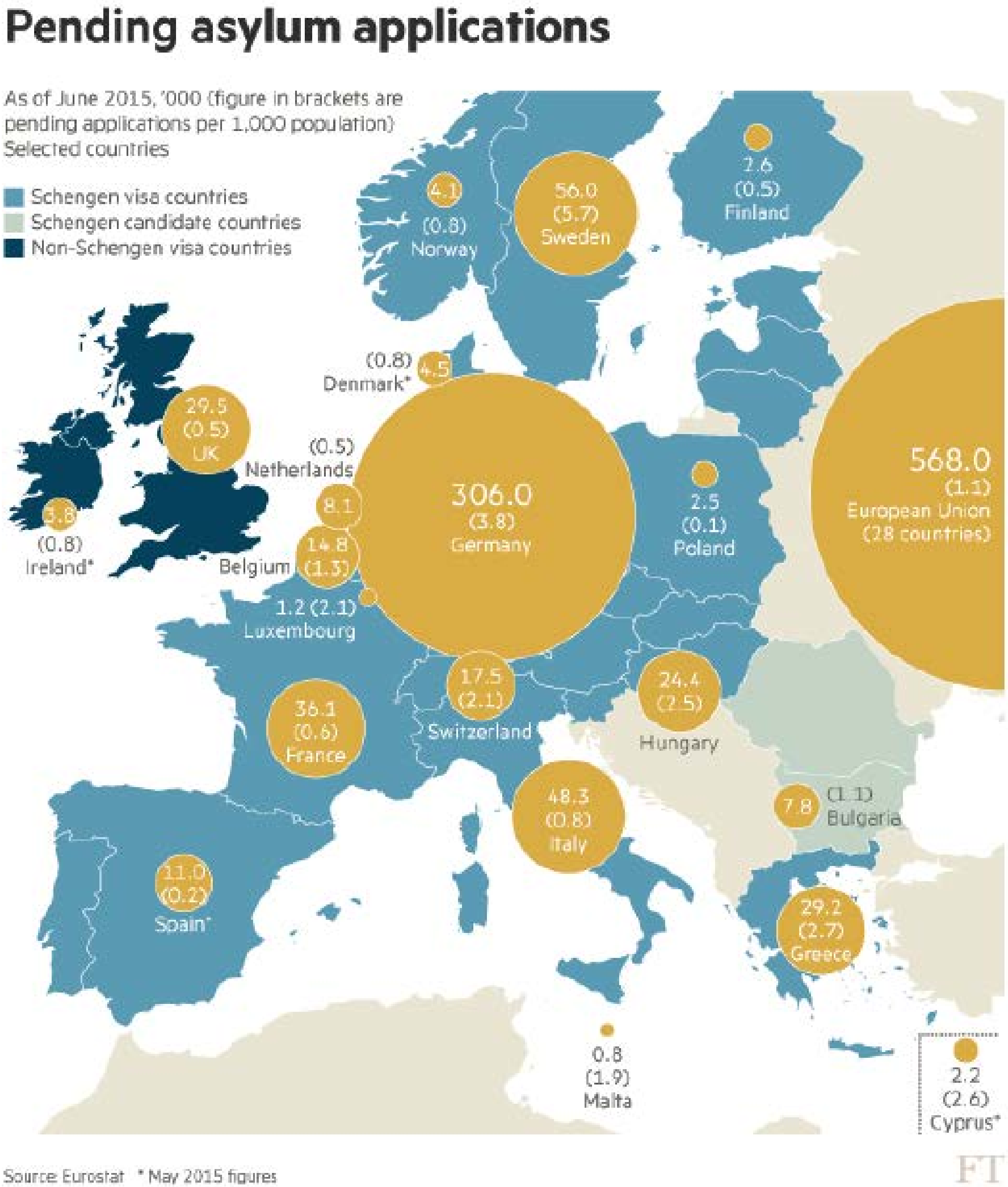




The distribution of asylum seekers

Globalization 6

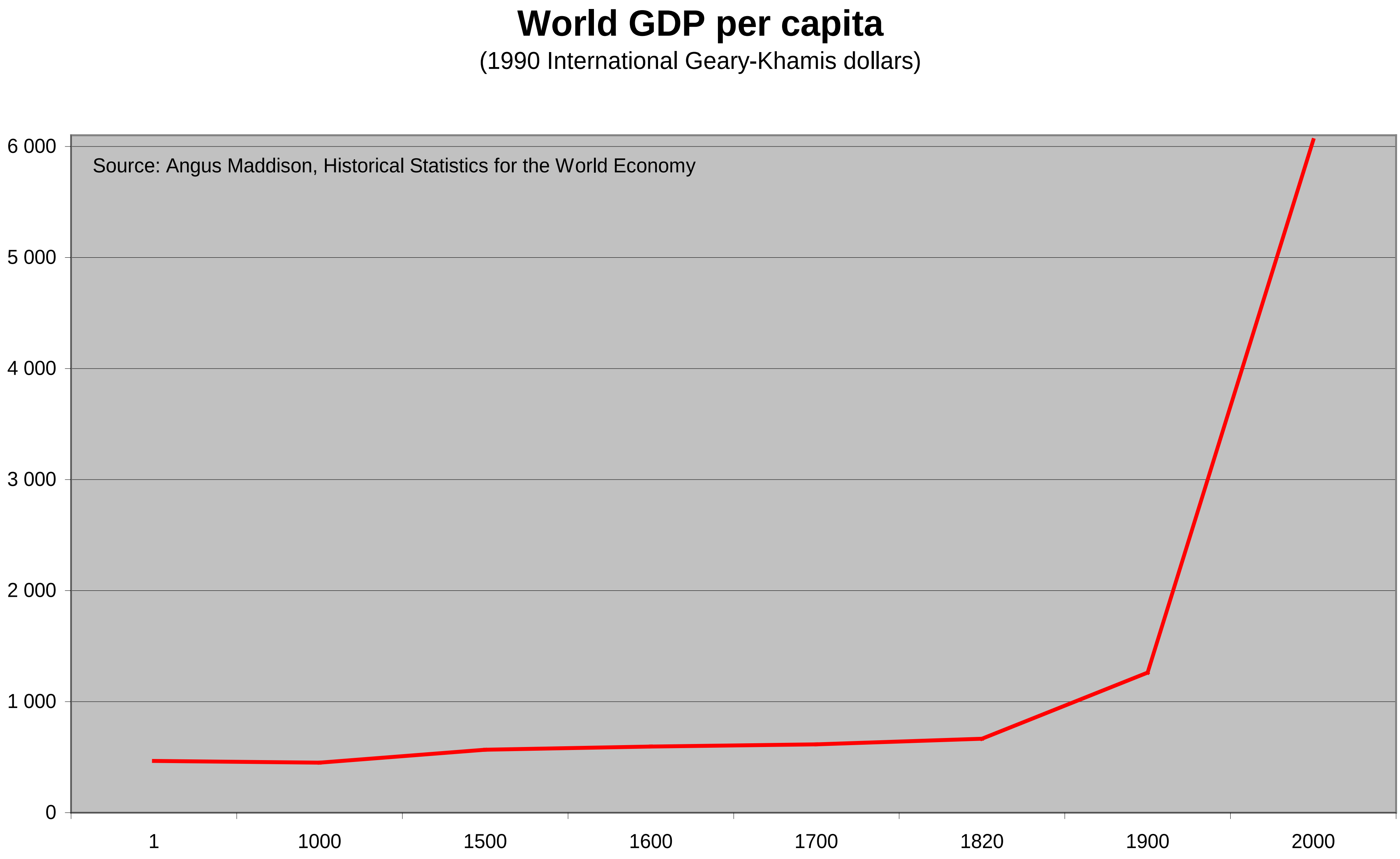
Historical digression:

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



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 in has continuously increased between 1820 and 1980. After it has reduced

World Poverty 1a: World population with less than 1.08 US$ (PPP) per day (old estimates)

	1820	1929	1950	1960	1970	1980	1987*	1992	1998*	2005°
%	83,9	56,3	54,8	44	35,6	31,5	28,3	23,7	23,4	17,2
mil	886,8	1149,7	1175,7	1230,7	1342,6	1431,2	1183,2	1176,0	1175,1	931,3

Source: Bourguignon e Morrison (2002), for * Chen e Ravallion (2001), for ° Chen,Ravallion (2008)

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

			1981	1987	1993	1999	2005	2008	2010	2011
%			52,2	41,8	38,9	33,7	25,1	22,4	21	14,5
mil			1913,3	1718,2	1785,1	1695,4	1389,6	1289,0	1200,0	1010,7

Source: Chen e Ravallion (2008), WB (2010), WB (2013), WB (2014)

World Extreme Poverty

Non-Monetary Poverty
Continuous reduction in all regions

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

	1870	1913	1950	1995
Australasia	0.539	0.784	0.856	0.933
North America	0.462	0.729	0.864	0.945
Western Europe	0.374	0.606	0.789	0.933
Eastern Europe		0.278	0.634	0.786
Latin America		0.236	0.442	0.802
Eastern Asia			0.306	0.746
China			0.159	0.650
Sourth Asia		0.055	0.166	0.449
Africa			0.181	0.435

Source: Crafts (2000)

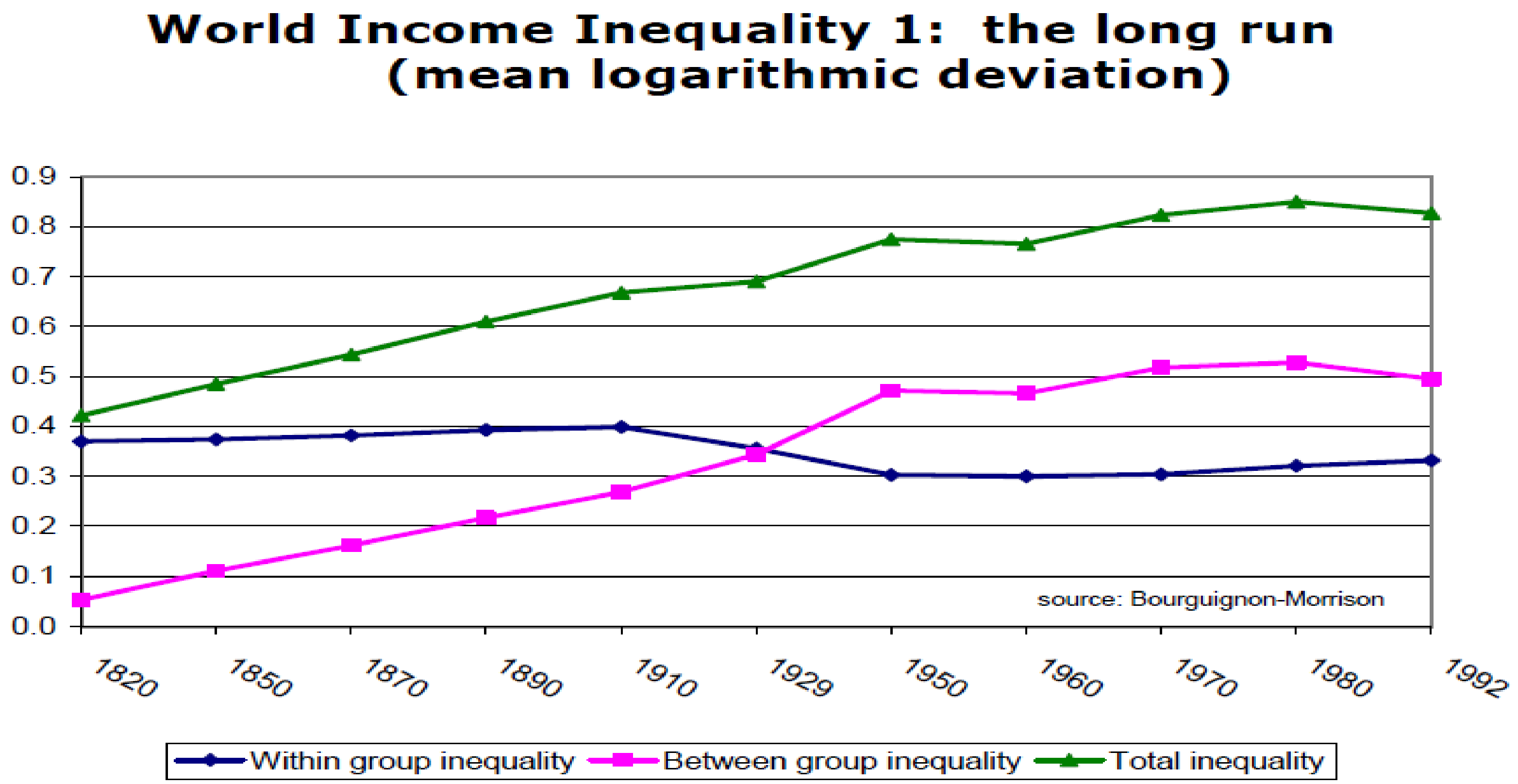
World Income Inequality

Three different approaches to measuring inequality in the world

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

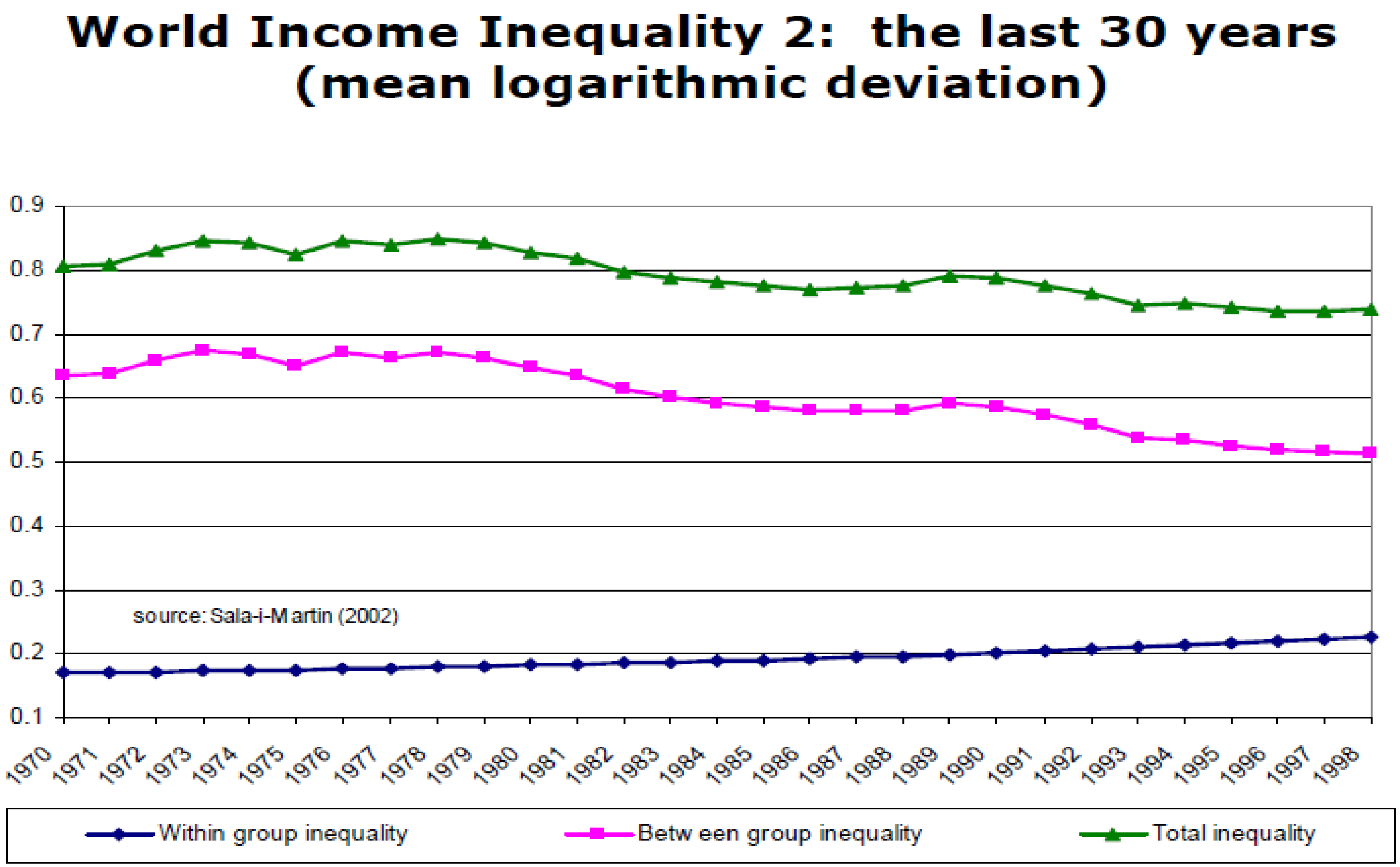
Source: adapted from Milanovic (2002)

World Income Inequality



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



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