

# La globalizzazione

adattato per LIUC2018, R. Helg



# Caso di apertura: La globalizzazione della sanità



- Gli Stati Uniti hanno carenza di radiologi, mentre la domanda per questo tipo di servizio cresce ad un tasso doppio rispetto al tasso con cui le scuole diplomano questi tecnici
- Soluzione del problema: si trasmettono le immagini tramite Internet perché siano interpretate da radiologi in India



# Caso di apertura: La globalizzazione della sanità

- *L'outsourcing* di servizi sanitari non si limita solo alla radiologia; si comincia ad assistere a pazienti che si recano all'estero per ricevere trattamenti medici o subire operazioni chirurgiche
- Nel 2004 circa 170.000 stranieri si sono recati in India per trattamenti medici; si stima che il numero crescerà del 15% nei prossimi anni.
- Domanda: la domanda di servizi sanitari statunitensi cadrà rapidamente dato che il lavoro si sposta all'estero in paesi come l'India?



# Che cos'è la globalizzazione?

- E' il fenomeno di **crescente integrazione economica internazionale**
- La globalizzazione può essere osservata da due punti di vista:
  - La globalizzazione dei mercati
  - La globalizzazione della produzione



# La globalizzazione dei mercati

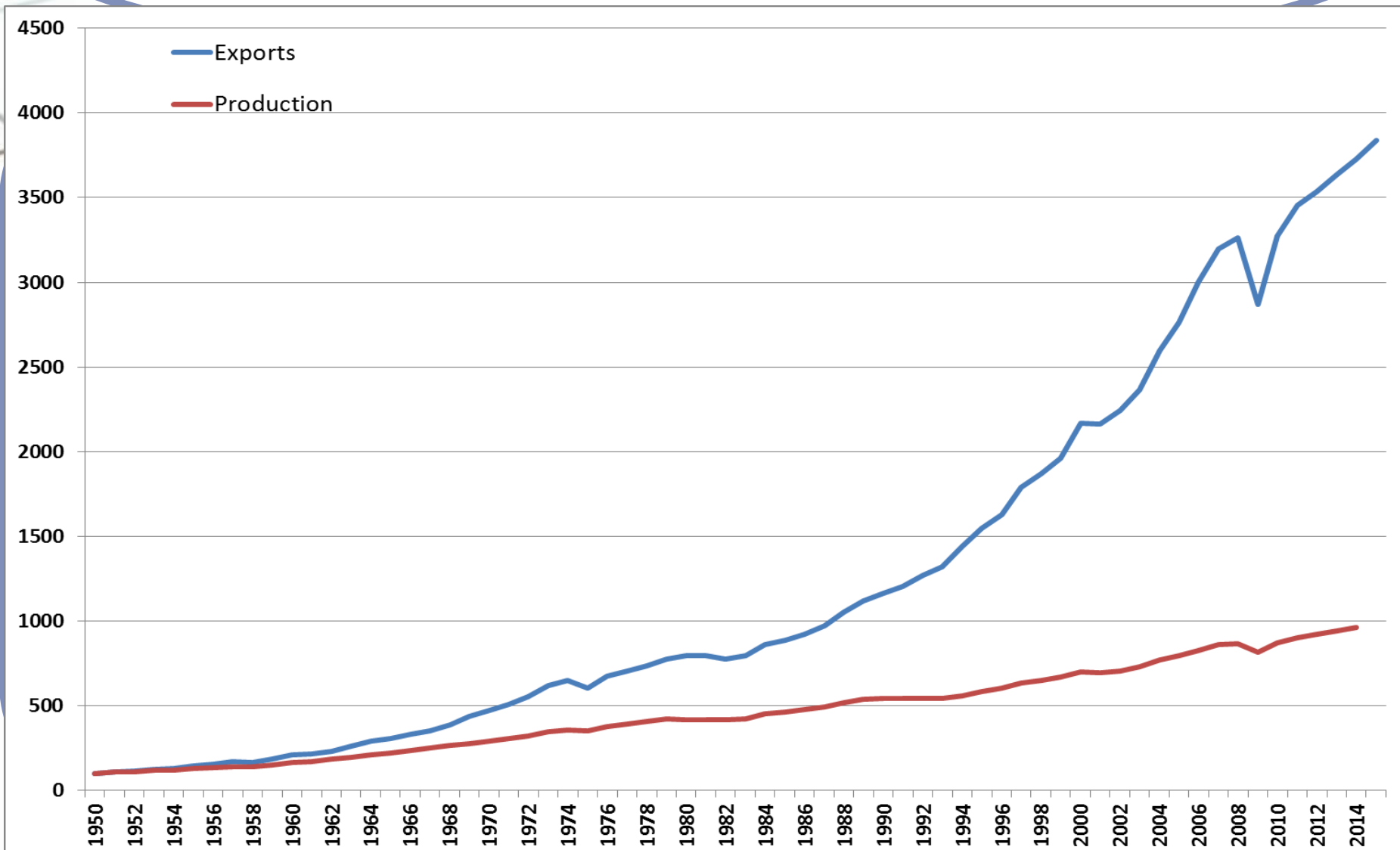


- Unione di mercati nazionali separati in un mercato globale
  - La **caduta delle barriere al commercio internazionale** ha reso più semplice vendere a livello internazionale
  - I **gusti e le preferenze convergono** verso uno standard globale. Di conseguenza le **imprese offrono prodotti standardizzati** in tutto il mondo creando un mercato globale.



# The Globalization of Markets

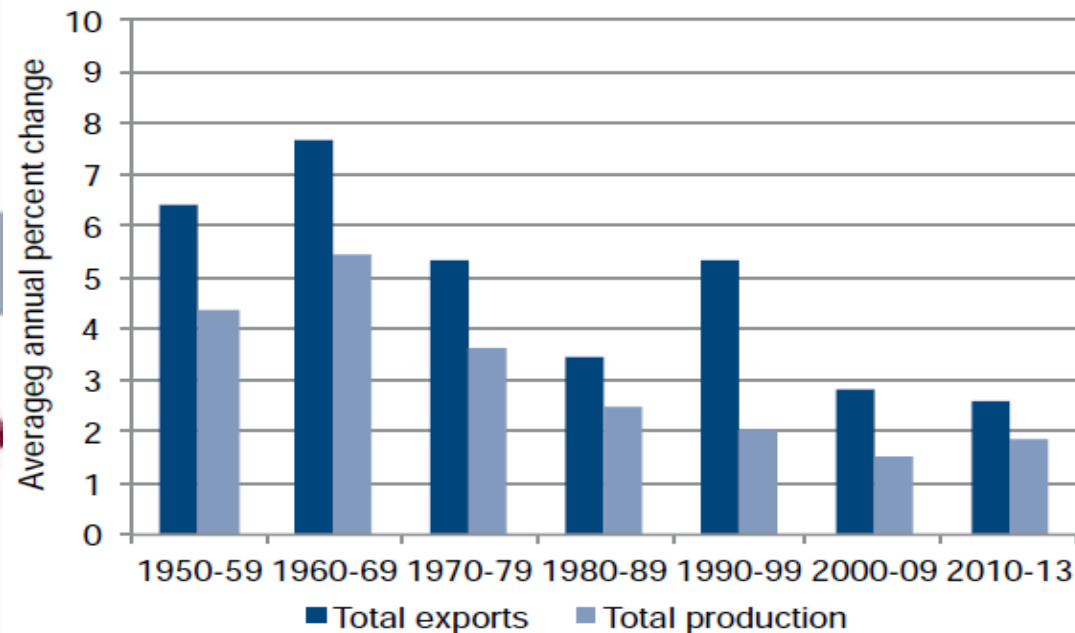
(1950-2015, 1950=100; volume data; source: WTO)





# The Globalization of Markets

Total exports and production, by decade



Source: Irwin (2015)

After the Great Trade Collapse, international trade has recovered, but sluggishly.

Have we reached '**peak trade**'?

There is a debate and not enough data points to have a clear answer.

Probably, trade will recover. Also in the mid '70s and '80s trade slowed down with respect to production and then recovered.

# The Globalization of Markets

degree of  
openness =  
 $(\text{Exp} + \text{Imp}) / \text{GDP}$

source:  
OECD

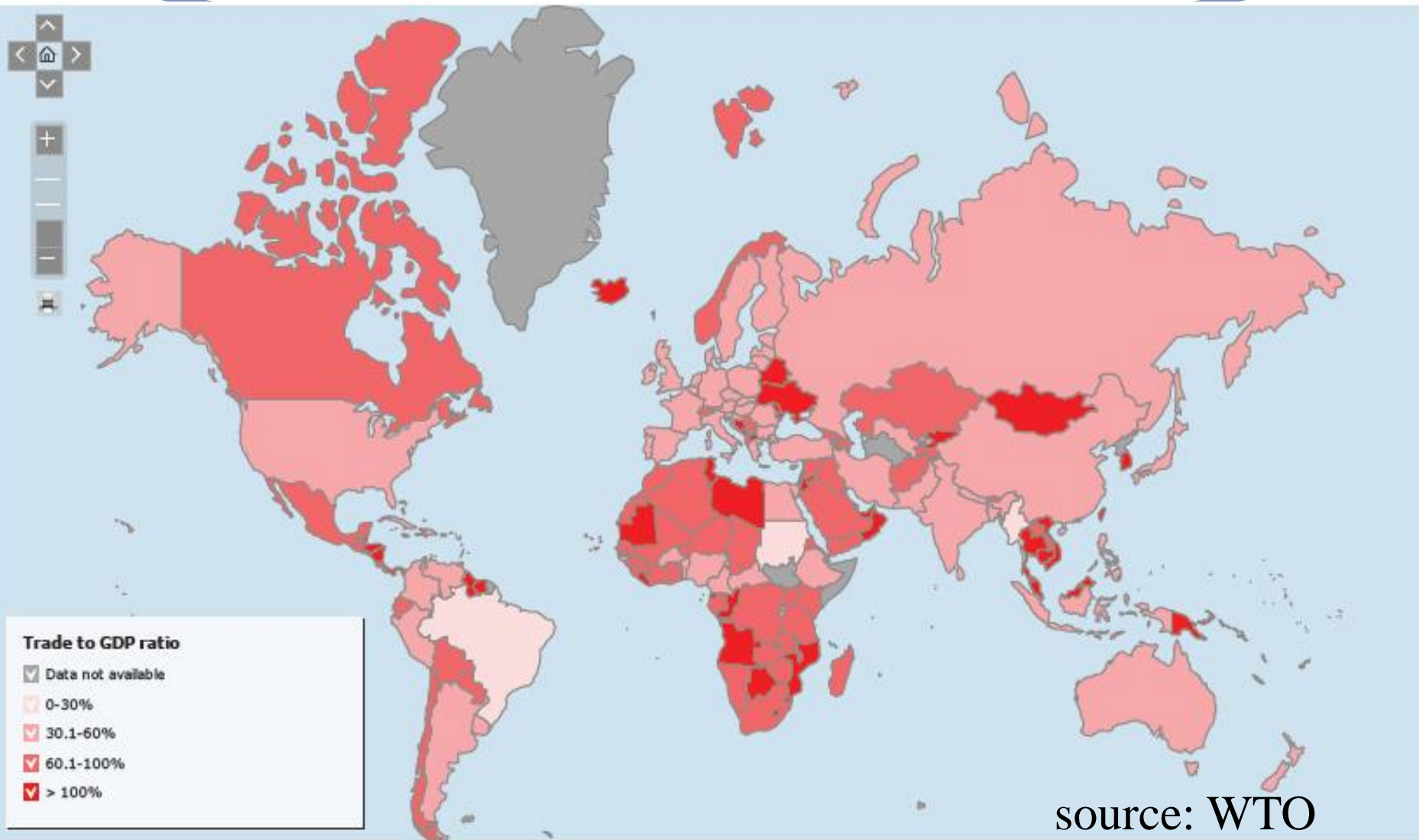
	1960	1970	2010
Japan	..	20.1	25.0
United States	..	11.3	25.2
Australia	27.0	25.2	39.9
Turkey	..	8.0	47.7
Russian Federation	..	..	48.1
China	..	..	49.1
Greece	28.8	27.2	50.4
France	27.2	31.3	53.3
New Zealand	..	47.5	54.4
Spain	..	25.8	54.7
South Africa	..	47.1	54.9
Italy	..	31.4	55.3
Mexico	..	17.4	56.9
Canada	..	42.1	59.1
United Kingdom	..	43.6	62.3
Portugal	..	44.1	69.1
Norway	..	74.1	70.6
Finland	..	50.0	75.1
Germany	..	34.3	87.0
Sweden	45.9	48.2	94.0
Denmark	..	59.8	95.4
Switzerland	..	64.4	96.4
Korea	..	36.7	102.0
Austria	..	56.6	105.8
Netherlands	..	90.7	148.7
Belgium	..	95.7	159.6
Ireland	..	77.0	166.1
Luxembourg	..	162.6	318.3





# The Globalization of Markets

## Degree of openness (av. 2012-2013)





# La globalizzazione dei mercati

- I mercati più globali non sono i mercati dei prodotti di consumo
- I mercati più globali sono quelli per i beni industriali e per i materiali che rispondono a bisogni universali in tutto il mondo.





# La globalizzazione dei mercati

- Attenzione: l'integrazione dei mercati è ben lungi da essere completa:
  - Esistono ancora barriere al commercio internazionale
  - Esistono ancora differenze significative tra i mercati nazionali
  - Strategie di marketing specifiche ai paesi
  - Mix di prodotto diverso nei diversi paesi

**Distance is not dead**



# La globalizzazione della produzione

- Si riferisce all'approvvigionamento di beni e servizi da località in tutto il mondo per trarre vantaggio dalle differenze nel costo o nella qualità dei fattori di produzione
  - Lavoro
  - Terra
  - Capitale



# La globalizzazione della produzione

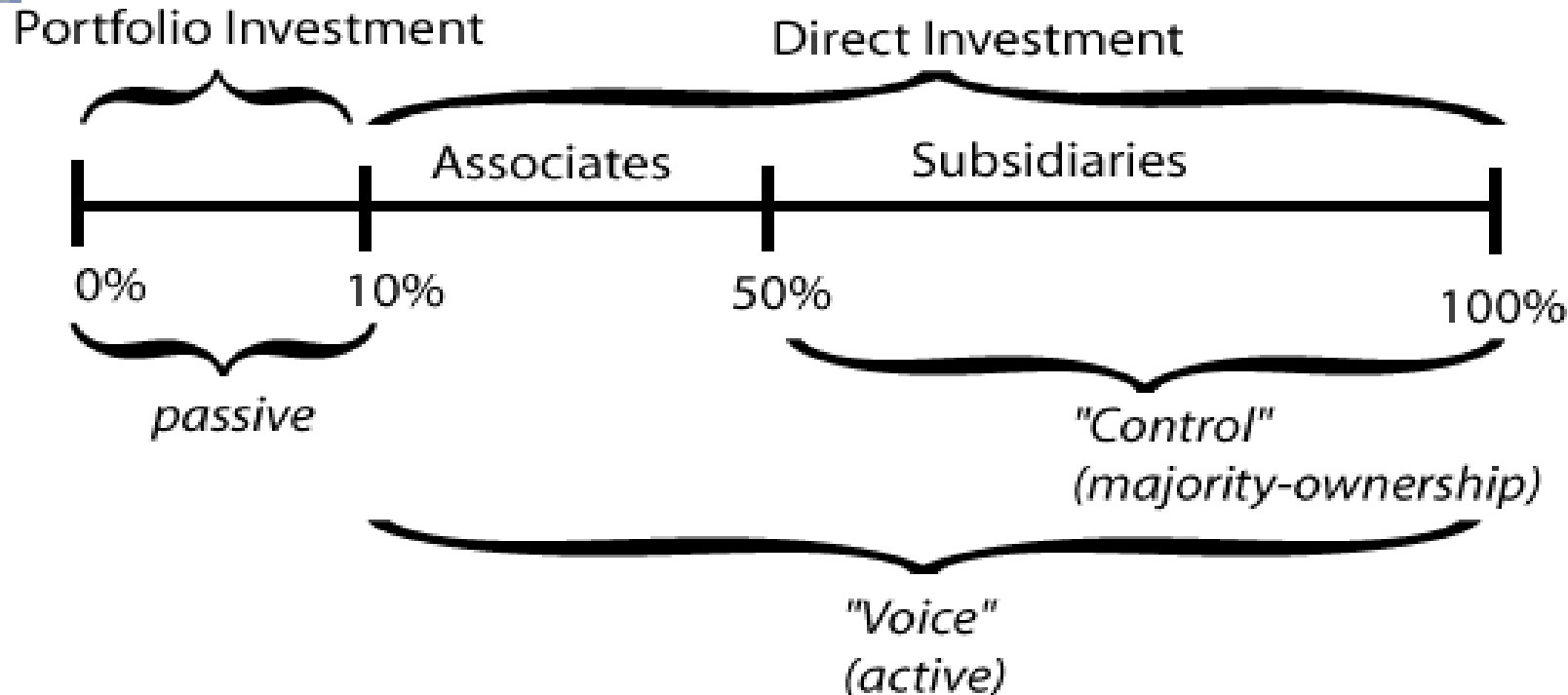
- Storicamente questo fenomeno si è limitato principalmente alle **imprese manifatturiere**
- Sempre di più le aziende sfruttano le moderne tecnologie di comunicazione, in particolare Internet, per esternalizzare le attività di **servizi** a produttori a basso costo in altri paesi



# The Globalization of Production

One mode of international production is the Foreign Direct Investment (FDI).

In the last 30 years FDI increased a lot. They are also very volatile

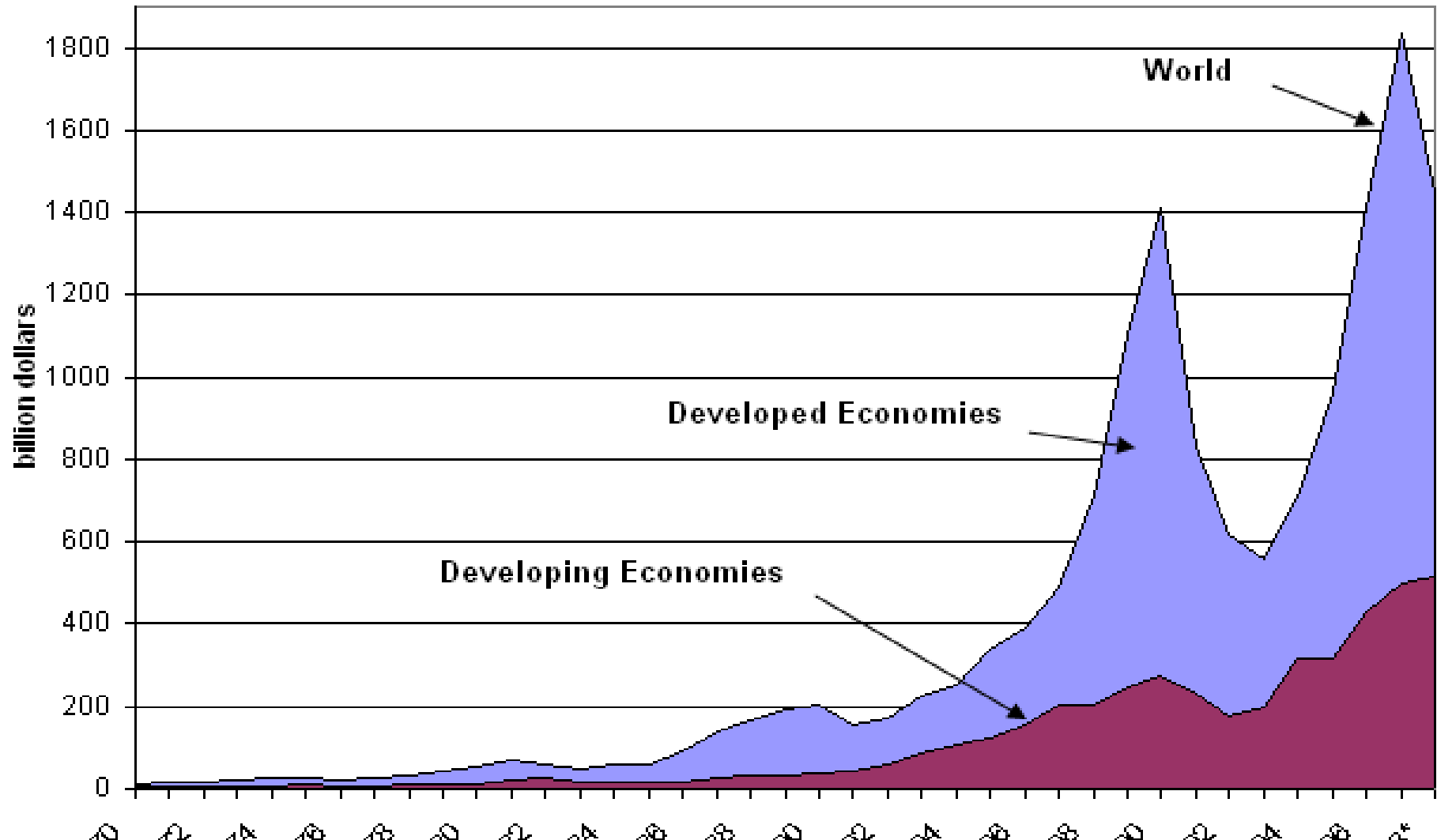


# The Globalization of Production

## FDI inflows 1970-2008



source: UNCTAD, WIR 2009





# The Globalization of Production

## FDI inflows 2005-2017

Fonte: UNCTAD, WIR 2018

Figure I.1. | FDI inflows, global and by group of economies, 2005–2017 (Billions of dollars and per cent)

- World total
- Developing economies
- Developed economies
- Transition economies

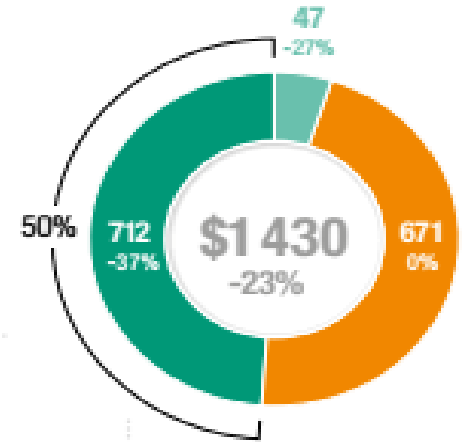
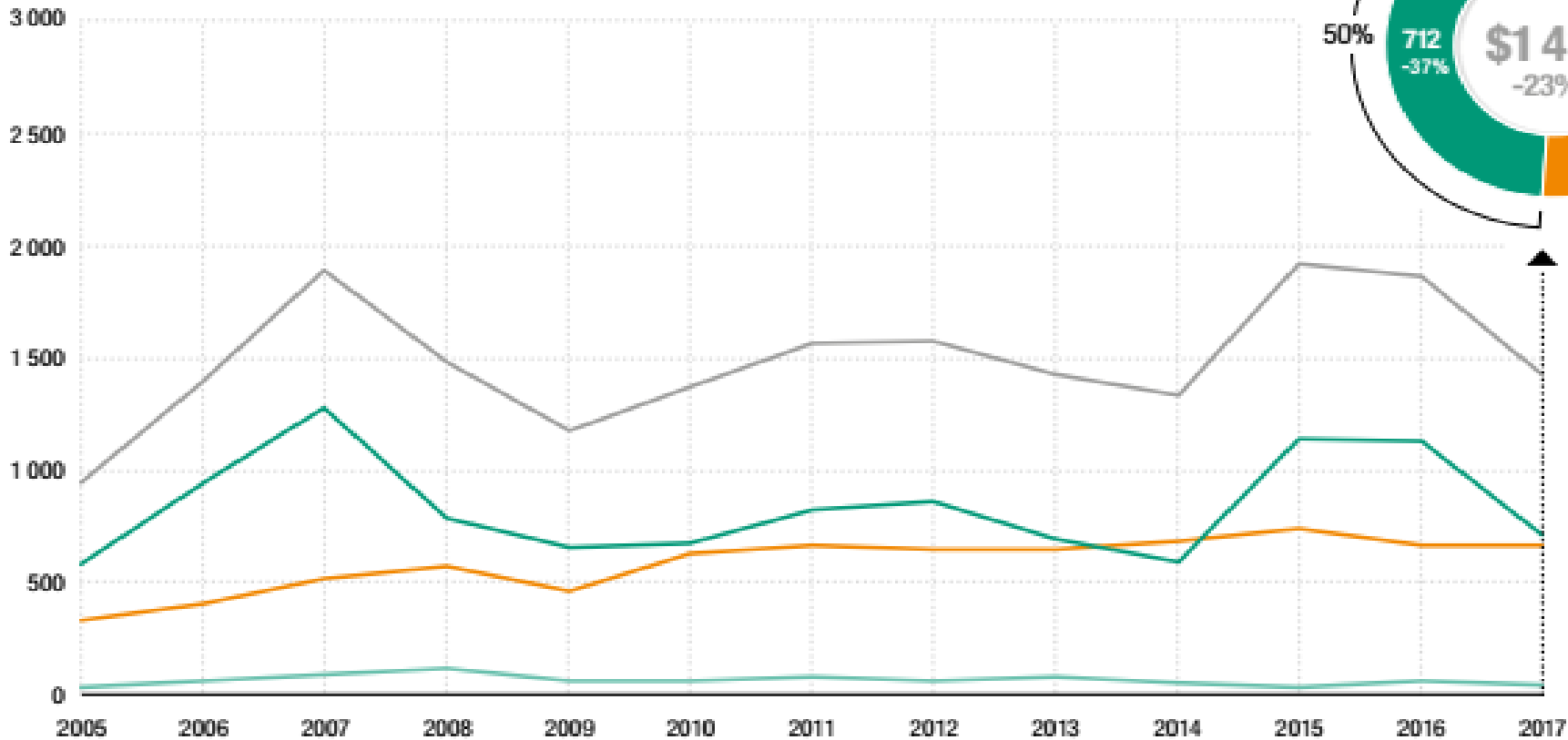
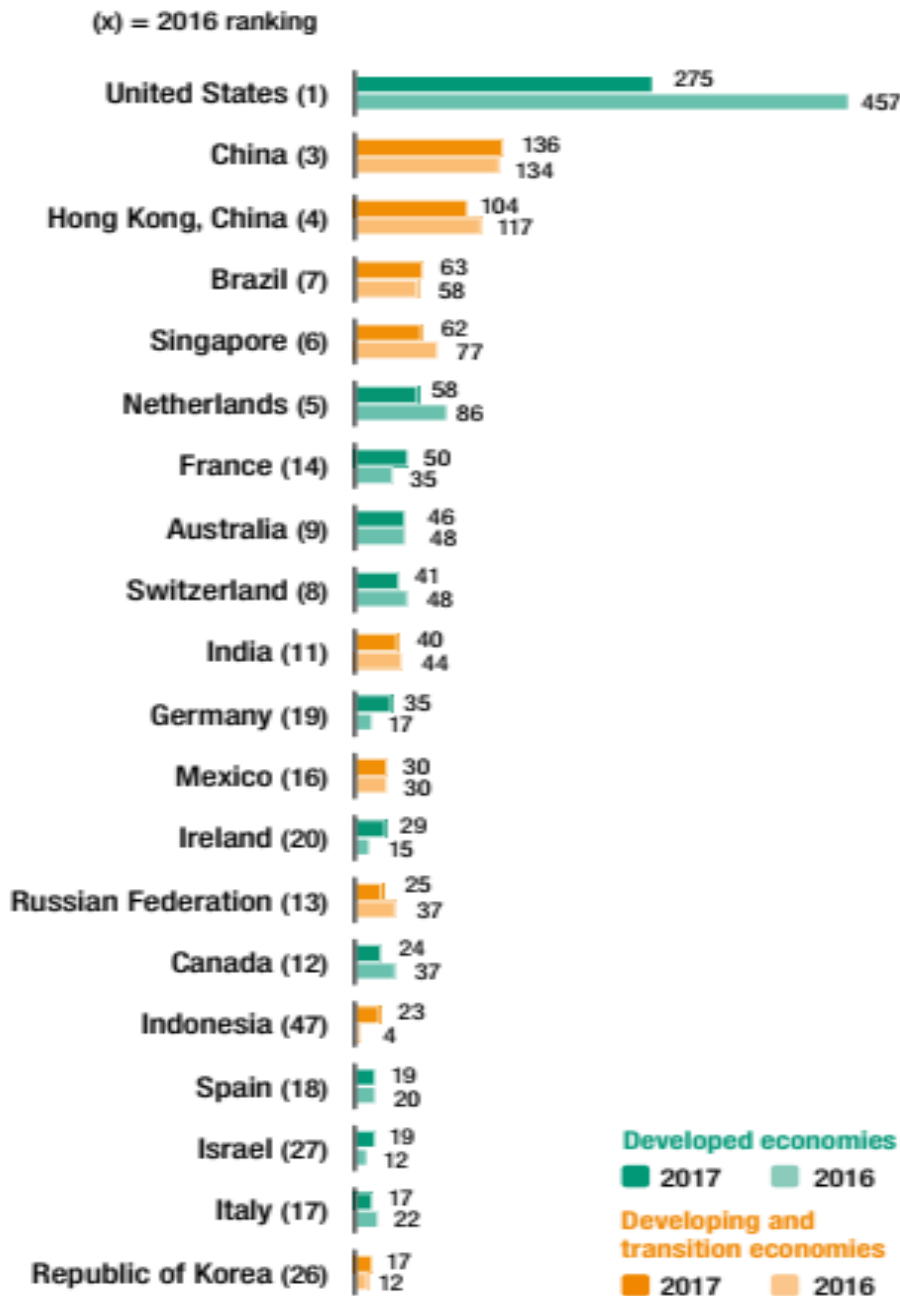




Figure I.3.

FDI inflows, top 20 host economies, 2016 and 2017 (Billions of dollars)



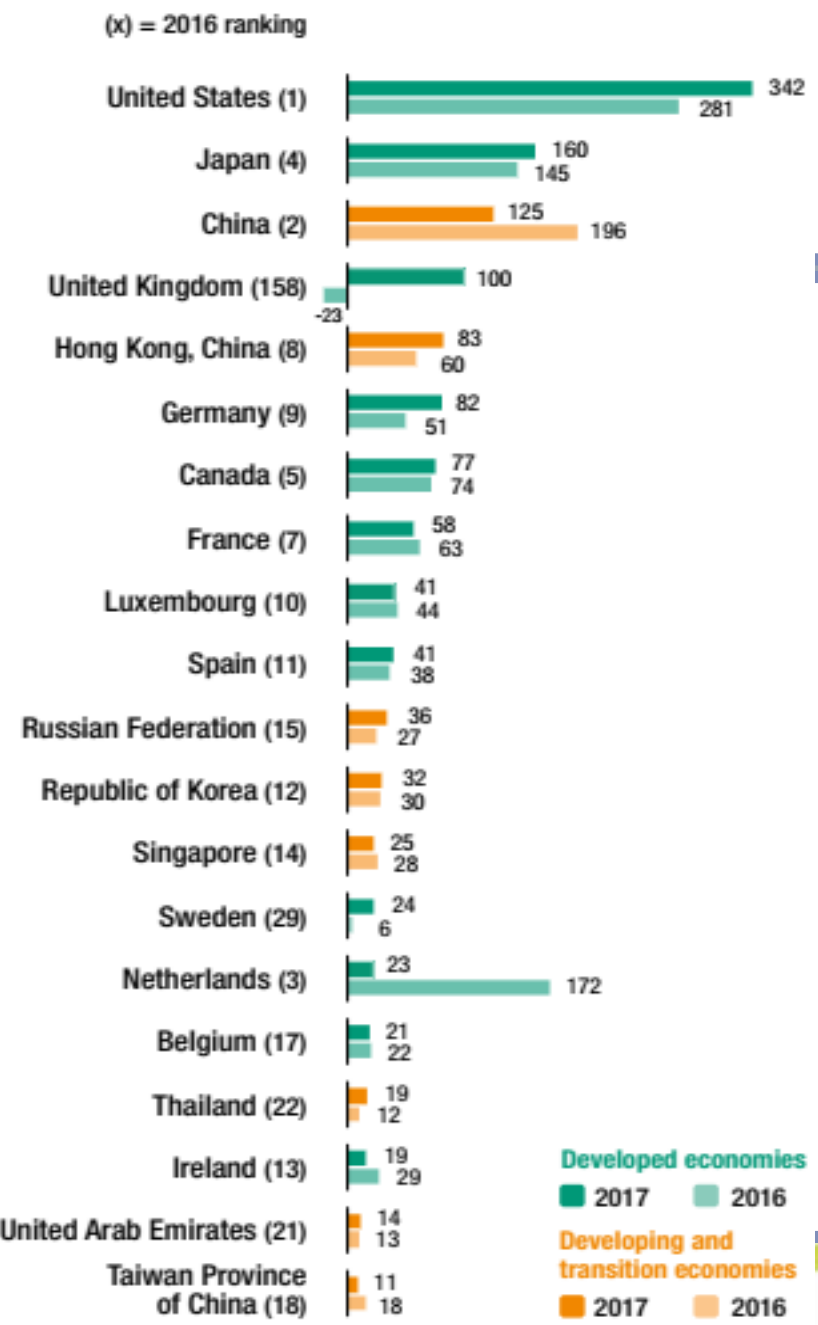
the globalization of production

FDI inflows: top 20 host destinations

Source: UNCTAD, WIR 2018

Figure I.6.

FDI outflows, top 20 home economies, 2016 and 2017 (Billions of dollars)



the globalization of production

FDI outflows:  
top 20 home economies

Source: UNCTAD, WIR 2018

# The Globalization of Production



- Historically this has been primarily confined to **manufacturing** enterprises
- Increasingly companies are taking advantage of modern communications technology, and particularly the Internet, to outsource **service** activities to low-cost producers in other nations
- The production process has been **fragmented internationally**



# The Globalization of Production

- **Fragmentation**: The splitting of production processes into separate parts that can be done in different locations, including in different countries. One of many terms for the same phenomenon, this particular one originated with Jones and Kierzkowski (1990).

(Deardorff, Glossary of International Economics,

<http://www-personal.umich.edu/~alandear/glossary/f.html>)

- International fragmentation of production generates **trade in intermediate inputs**.
- **International outsourcing** of productive activities to different suppliers results in the creation of products that are **global** in nature (ex. Boeing 787, IBM - now Lenovo- Thinkpad X31 etc.)



# The Globalization of Production

- Estimates suggest that a large share (possibly nearly 2/3rds) of world trade is in intermediate goods.
- This suggests that a lot of production activity is being internationally fragmented. Or equivalently that the modern global economy features lots of what gets variously called:
  - Offshoring
  - Slicing up of the value chain (internationally).
  - Vertical specialization.
  - Outsourcing.
  - Disintegration of production.
  - Multi-stage production.
  - Intra-product specialization.
  - ... !
- It thus seems important to understand this force for trade, and to understand its consequences for domestic economies in which international fragmentation is increasingly possible.



# La globalizzazione della produzione

Figure 1.1. Outsourcing and offshoring



Source: Van Welsum and Vickery (2004).



# The Globalization of Production

## Terminology and organizational modes

- A firm can delocalize activities abroad in or outside of the firms' boundaries
  - E.g.. Intel produces microchip in China and Costa Rica in affiliates it owns. Intel made foreign direct investments in those countries.
  - Mattel, instead, organizes the production of Barbie dolls in many countries. But Mattel does not own firms in those countries. Mattel outsources through contracts with foreign firms, without making FDI.

It is important to distinguish because of very different implications of the two modes to delocalize production abroad.

# The Globalization of Production



**Barbie: an early example of international fragmentation of production**



- Barbie produced by the American company Mattel is considered a global good (Tempest, 1996; Feenstra, 1998).
- Mattel does not own production plants in the USA.



# Barbie and international fragmentation of production

- Plastic for the body and hair comes from **Taiwan** and **Japan**.
- Moldes and colors from **USA**.
- Assembly used to take place in **Philippines** and **Taiwan**, but it was then moved to other countries in South-Est Asia (**Indonesia**, **Malaysia** , **China**).
- Cotton cloth for dresses comes from **China**.
- Most Barbie dolls are shipped to **USA** from **Hong Kong**.
- **Value of the doll** in Hong Kong (1995) was 2\$: 35 cents labor, 65 cents materials, 1\$ intermediation and trasport.
- Sale price in USA was about 10\$: 1\$ Mattel profits and the rest general overhead and distribution costs and margins, etc.

# The Globalization of Production

## A more recent example: Boeing 787 Dreamliner



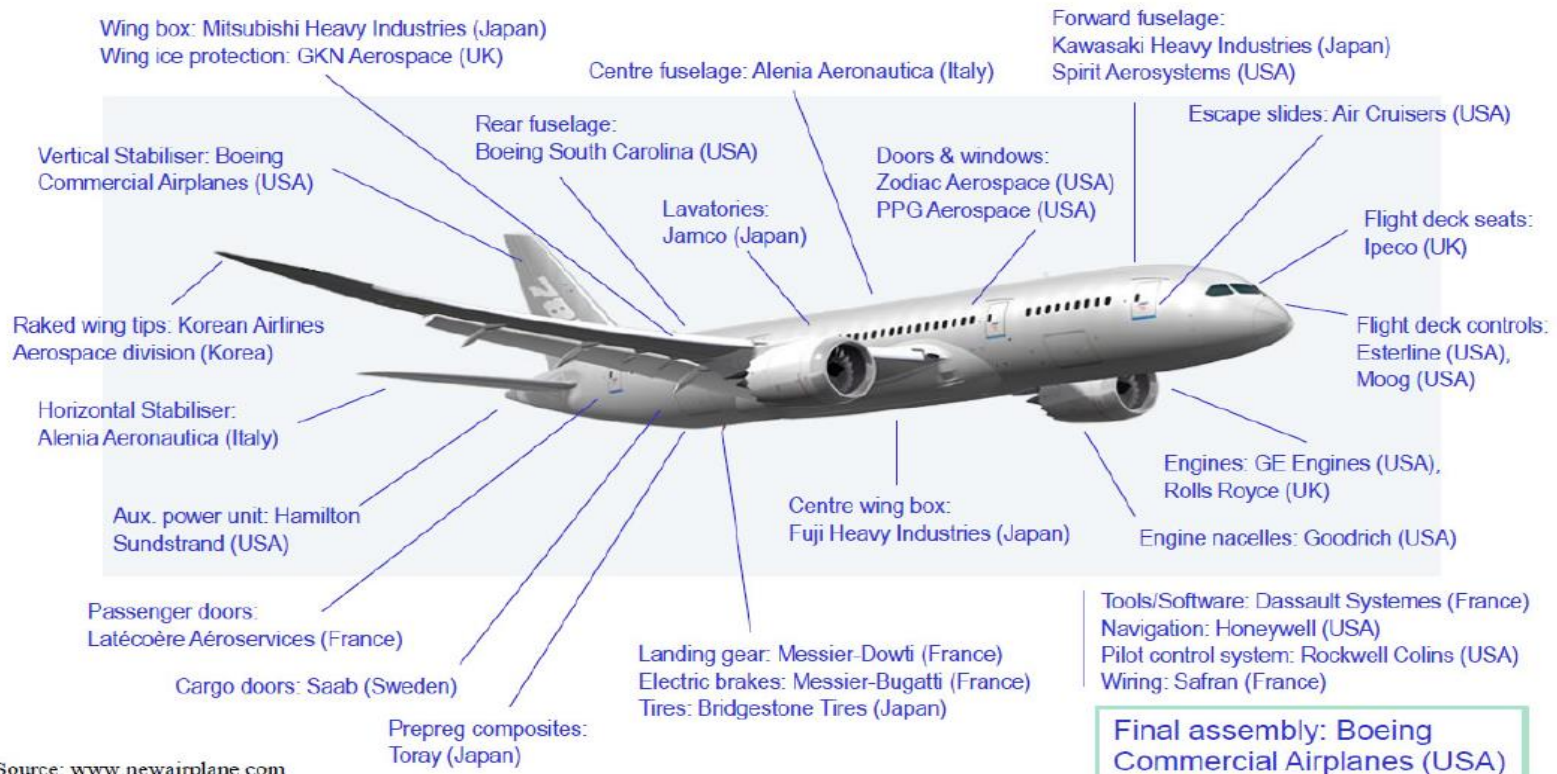
- Offshore production accounts for 70% of parts
- 43 suppliers in 135 sites
- Most tasks performed in high-income countries
- No clear pattern of technological advantage; experience and local knowledge play central role

# International fragmentation of production: a complex example



“Spiders” involve multiple parts coming together from a number of destinations to a single location for assembly of a new component or final product. Most production processes are complex mixtures of the two.

## Fragmentation of production: the example of the Boeing 787 Dreamliner



Source: [www.newairplane.com](http://www.newairplane.com)



# International production of parts for Boeing 787 Dreamliner

Numbers of engineers are projections for the end of 2005 made by Boeing's first-tier partners, and may not include all engineering specialties. Production workers are not included.

## CHINA

COMPANY	ENGINEERS
Chengdu Aircraft Industrial Group:	NA



Shenyang Aircraft Group: NA



Hafei Aviation Industries: NA



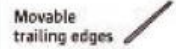
## SOUTH KOREA

COMPANY	ENGINEERS
Korean Air:	NA



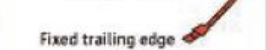
## AUSTRALIA

COMPANY	ENGINEERS
Boeing's Hawker de Havilland unit:	80



## JAPAN

COMPANY	ENGINEERS
Kawasaki Heavy Industries:	190



Fuji Heavy Industries:	130
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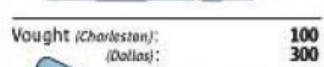
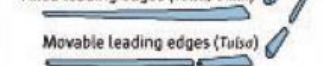
Mitsubishi Heavy Industries:	250
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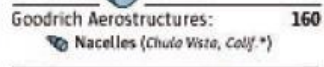
TOTAL ENGINEERS: 570

## UNITED STATES

COMPANY	ENGINEERS
Spirit Aerosystems (Wichita, Tulsa):	670



Vought (Charleston):	100
(Dallas):	300



Goodrich Aerostructures:	160
Nacelles (Chula Vista, Calif. *)	

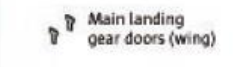
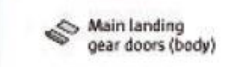
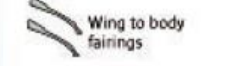
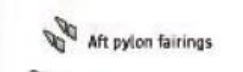
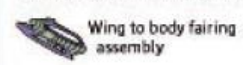
Boeing: (Frederickson, Pierce County)	95
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(Boeing Everett plant):	3,600
TOTAL ENGINEERS:	4,925
plus 200 support staff (Everett)	



## CANADA

COMPANY	ENGINEERS
Boeing Canada (Winnipeg):	60



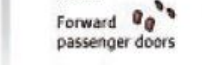
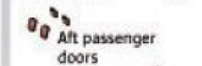
## ENGLAND

COMPANY	ENGINEERS
Messier-Dowty:	30



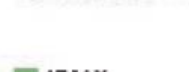
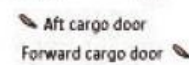
## FRANCE

COMPANY	ENGINEERS
Latecoere:	NA



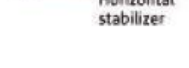
## SWEDEN

COMPANY	ENGINEERS
Saab:	NA



## ITALY

COMPANY	ENGINEERS
Alenia:	770







# Trade in value added

- The goods and services we buy are composed of inputs from various countries around the world. However, the flows of goods and services within these global production chains are not always reflected in conventional measures of international trade.
- The joint OECD – WTO Trade in Value-Added (TiVA) initiative addresses this issue by considering the value added by each country in the production of goods and services that are consumed worldwide. TiVA indicators are designed to better inform policy makers by providing new insights into the commercial relations between nations.
- <https://www.youtube.com/watch?v=RZKX-0SK41U>

# Foreign value added content of exports by country



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## INTERCONNECTED ECONOMIES: BENEFITING FROM GLOBAL VALUE CHAINS - © OECD 2013

Chapter 1 Foreign value added content of exports by country, 1995 and 2009

Version 1 - Last updated: 17-May-2013

PUBLICATION Interconnected economies: Benefiting from global value chains

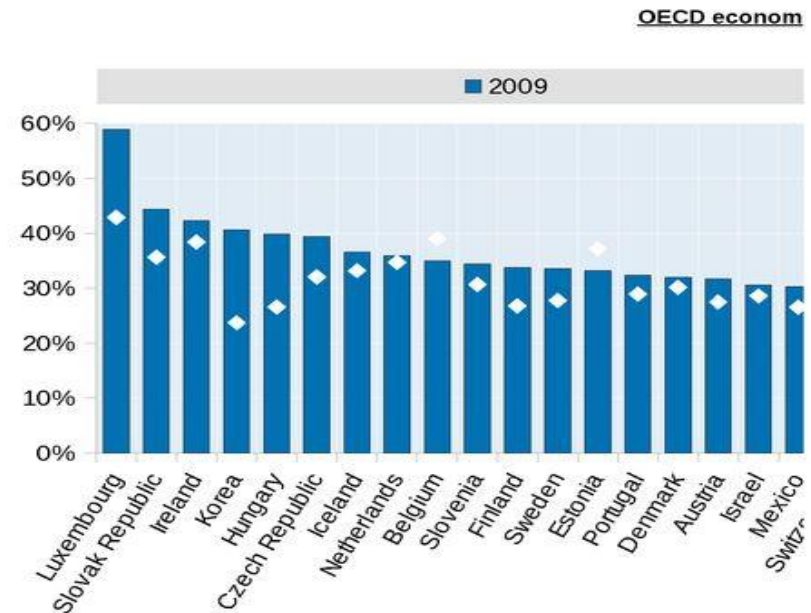
CHAPTER Chapter 1

TITLE **Figure 1.4 Foreign value added content of exports by country, 1995 and 2009**

SUBTITLE *As a percentage of total exports*

SOURCE OECD/WTO (2013), OECD-WTO: Statistics on Trade in Value Added, (database), doi: 10.1787/data-00648-en (accessed April 2013).

OECD economies	1995	2009
Luxembourg	42,9%	58,9%
Slovak Republic	35,6%	44,4%
Ireland	38,4%	42,3%
Korea	23,7%	40,6%
Hungary	26,6%	39,9%
Czech Republic	32,1%	39,4%
Iceland	33,2%	36,6%
Netherlands	34,7%	35,9%
Belgium	39,0%	35,0%
Slovenia	30,7%	34,4%
Finland	26,8%	33,8%
Sweden	27,8%	33,6%
Estonia	37,2%	33,2%
Portugal	28,9%	32,4%
Denmark	30,1%	32,0%
Austria	27,5%	31,6%
Israel	28,6%	30,6%
Mexico	26,5%	30,3%
Switzerland	23,2%	28,5%
Poland	15,4%	27,9%
Germany	18,7%	26,6%
France	17,8%	24,8%
Greece	13,3%	23,2%
Turkey	11,2%	21,8%
Spain	20,6%	20,7%
Italy	21,9%	20,1%
Canada	23,5%	19,5%



# Foreign value added content of exports: industries



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## INTERCONNECTED ECONOMIES: BENEFITING FROM GLOBAL VALUE CHAINS - © OECD 2013

Chapter 1 Foreign value added content of exports by industry, OECD average, 1995 and 2009

Version 1 - Last updated: 17-May-2013

PUBLICATION Interconnected economies: Benefiting from global value chains

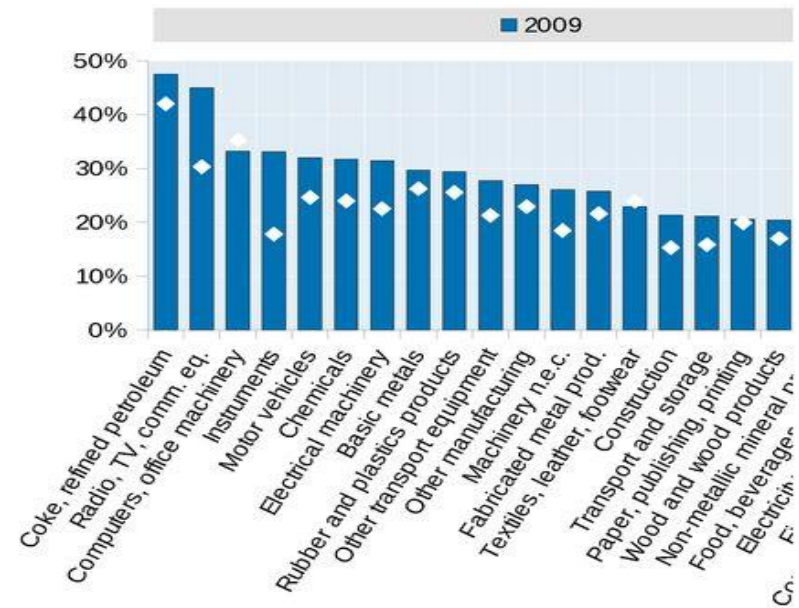
CHAPTER Chapter 1

TITLE **Figure 1.5 Foreign value added content of exports by industry, OECD average, 1995 and 2009**

SUBTITLE *As a percentage of total exports*

SOURCE OECD/WTO (2013), OECD-WTO: Statistics on Trade in Value Added, (database), doi: 10.1787/data-00648-en (accessed April 2013).

Industry (ISIC Rev.3)	1995	2009
Coke, refined petroleum	42,0%	47,5%
Radio, TV, comm. eq.	30,3%	44,9%
Computers, office machinery	35,2%	33,2%
Instruments	17,8%	33,1%
Motor vehicles	24,6%	32,1%
Chemicals	24,0%	31,7%
Electrical machinery	22,5%	31,4%
Basic metals	26,3%	29,6%
Rubber and plastics products	25,6%	29,4%
Other transport equipment	21,3%	27,7%
Other manufacturing	22,9%	27,0%
Machinery n.e.c.	18,5%	26,1%
Fabricated metal prod.	21,6%	25,8%
Textiles, leather, footwear	23,9%	22,9%
Construction	15,3%	21,3%
Transport and storage	15,8%	21,2%
Paper, publishing, printing	19,9%	20,6%
Wood and wood products	17,0%	20,4%
Non-metallic mineral prod.	16,8%	20,3%
Food, beverages, tobacco	17,9%	19,3%
Electricity, gas and water	21,5%	18,8%
Financial intermediation	10,4%	16,4%
Computer and related activities	9,9%	15,1%
Post and telecommunications	9,8%	12,8%
Research and development	13,9%	12,7%
Agriculture	9,1%	12,6%
Hotels and restaurants	9,8%	12,3%

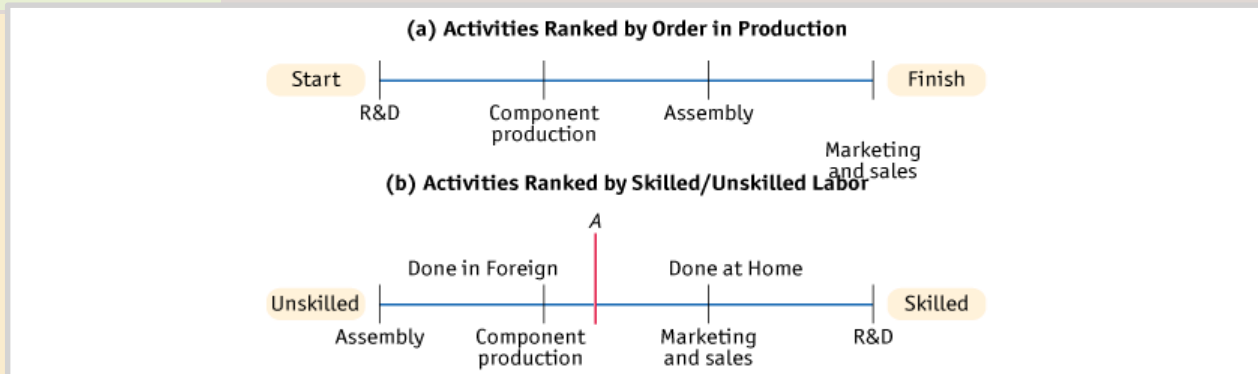




# The Globalization of Production

## Value Chain of Activities

FIGURE 7-1



**The Value Chain of a Product** Any product has many different activities involved in its manufacture. Panel (a) lists some of these activities for a given product in the order in which they occur.

The value chain in (b) lists these same activities in order of the amount of high-skilled/low-skilled labor used in each. In panel (b), the assembly activity, on the left, uses the least skilled labor, and R&D, on the right, uses the most skilled labor.

Because we assume that the relative wage of skilled labor is higher at Home and that trade and capital costs are uniform across activities, there is a point on the value chain, shown by line A, below which all activities are offshored to Foreign and above which all activities are performed at Home.





# Globalization of Production

- In un quadro produttivo mondiale così organizzato in maniera frammentata, è intuitivo che politiche protezionistiche finiscano per danneggiare la competitività delle imprese appartenenti al paese protezionista. Vedremo più avanti
- Anche qui, non esageriamo . Rimangono ostacoli alla globalizzazione produttiva. Tra gli ostacoli troviamo:
  - Barriere formali e informali al commercio internazionale
  - Barriere agli investimenti diretti esteri
  - Costi di trasporto
  - Problemi associati al rischio economico
  - Problemi associati al rischio politico



# Globalization of Production

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 and the labour market

Goods, services, capital markets have become less regulated over the last 50 years.

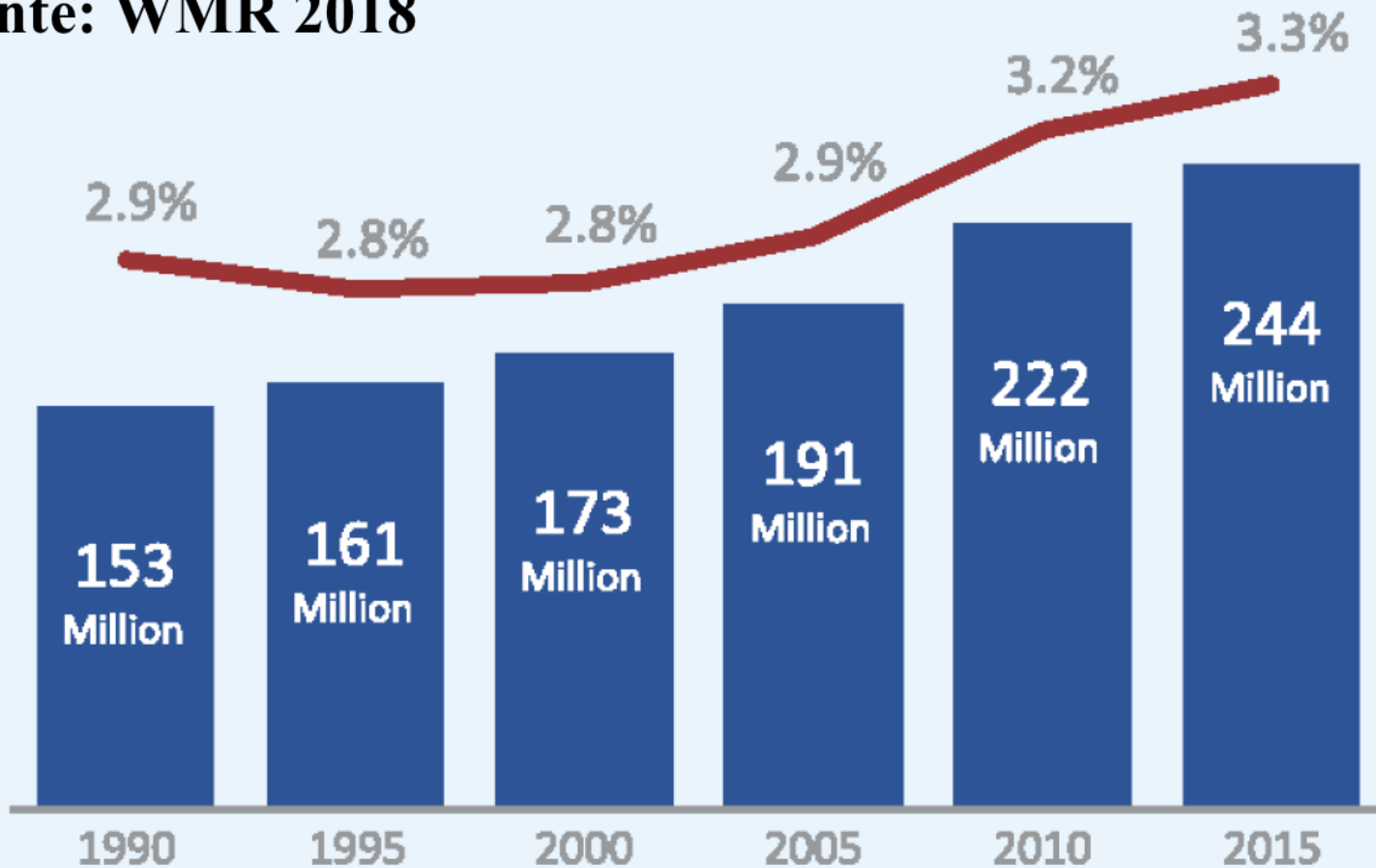
What about the labour market?



# Globalizzazione: migranti nel mondo

(in assoluto e in % popolazione mondiale)

Fonte: WMR 2018





# Globalizzazione: migranti nel mondo

- <https://youtu.be/dVvsKx7R73M>

- **2018**

*(updates as of 3 June 2018)*

**38,052 arrivals to EUROPE**

*33,192 by sea*

*4,860 by land*

**785 dead/missing - Mediterranean 2018**

- **2017**

**186,768 arrivals to EUROPE**

**3,116 dead/missing - Mediterranean**

- **2016**

**390,432 arrivals to EUROPE**

**5,143 dead/missing - Mediterranean**

# The recent European migration crisis



International Organization for Migration (IOM)  
The UN Migration Agency

## MEDITERRANEAN UPDATE MIGRATION FLOWS EUROPE: ARRIVALS AND FATALITIES



# The recent European migration crisis

and asylum applications are dropping in the EU

[http://www.europarl.europa.eu/external/html/welcomingeurope/default\\_en.htm](http://www.europarl.europa.eu/external/html/welcomingeurope/default_en.htm)





# Globalization

## Historical digression 1:

Taking a longer historical perspective, it should be stressed that between 1870 and 1914 the world experienced another period of globalization.

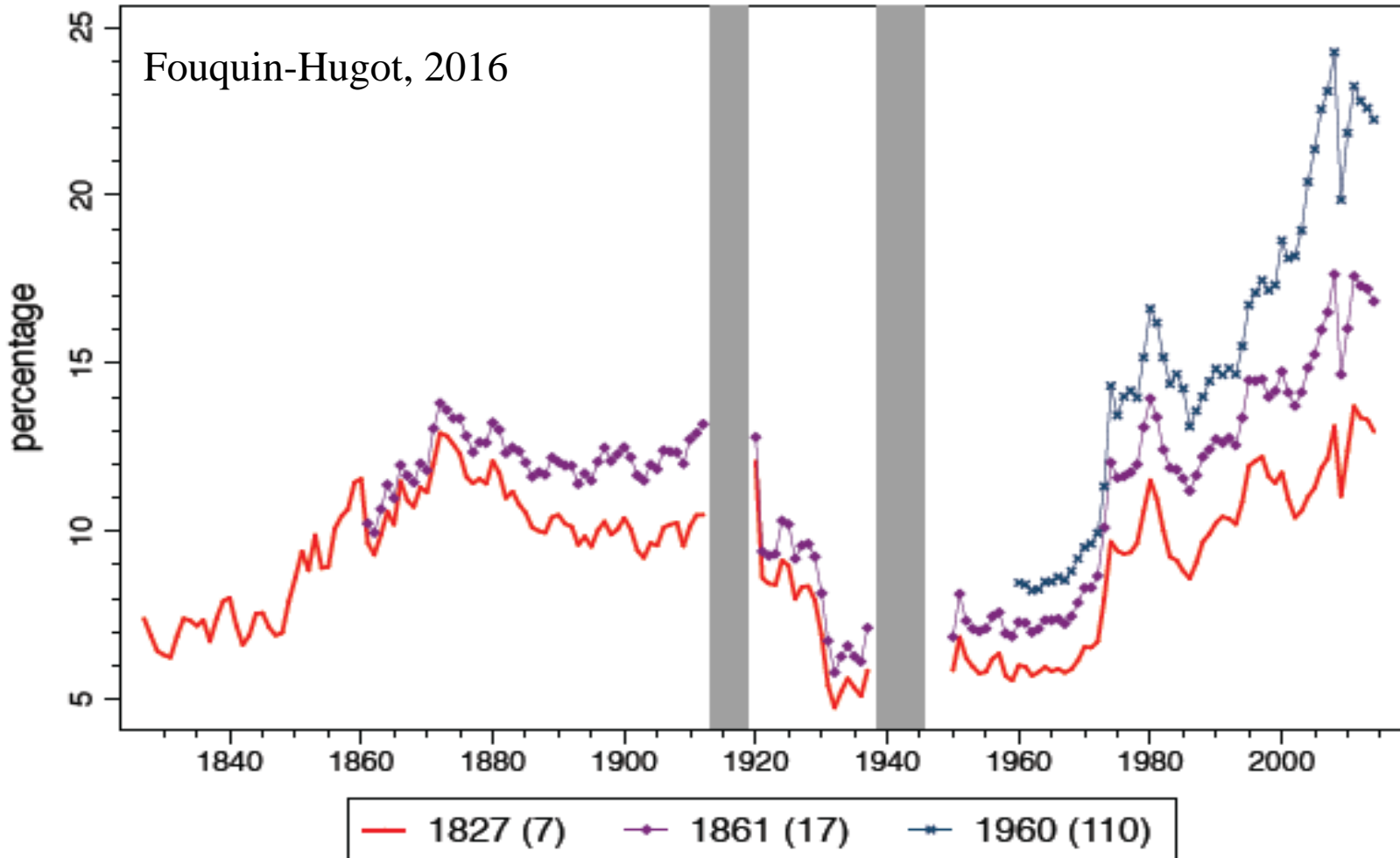
After this first period, the process of global economic integration quickly reversed.

With 1945 the process started again





# Globalization of market: the long run (total exports/GDP)



The legend reports the initial year of each sample (# of countries in each sample in parentheses)

# Globalization

(source WTO 2008)

**Table 1**  
**Globalization waves in the 19<sup>th</sup> and 20<sup>th</sup> century**  
 (Percentage change unless indicated otherwise)

World	1850-1913	1950-2007	1950-73	1974-2007
Population growth	0.8 <sup>a</sup>	1.7	1.9	1.6
GDP growth (real)	2.1 <sup>a</sup>	3.8	5.1	2.9
Per capita	1.3 <sup>a</sup>	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 <sup>a</sup>	50.1	12.7	37.4
US, Canada, Australia, NZ (annual)	0.42 <sup>a</sup>	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

<sup>a</sup> Refers to period 1870-1913.

Source: Maddison (2001), Lewis (1981), UNCTAD (2007), WTO (2007a).



# Globalization

## Historical digression 2:

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

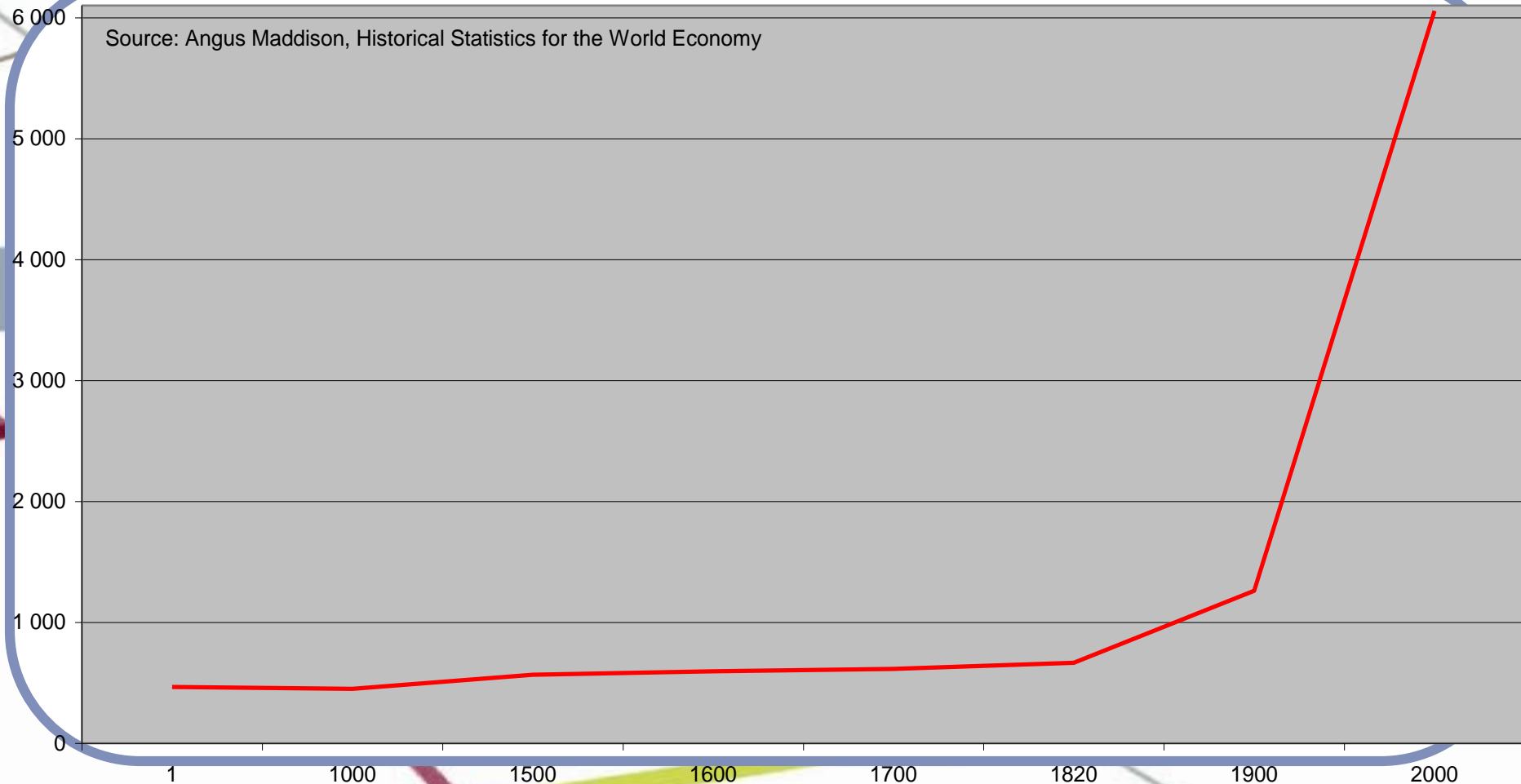
Globalization is an intrinsic feature of the capitalistic production system

*(on this, see page 27 from Maddison, 2001)*



# Globalization and the capitalistic system of production

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





# Globalization and the capitalist system of production

Is the recent slow economic growth simply a result of the Great Recession (and, as for all recessions, we will recover) or is there something more?

Some economists have pointed to the latter direction, introducing the «**Secular Stagnation**» idea. We might have entered in a period in which growth will be lower than in the past. Two interpretations:

- Larry Summers: it's mainly a demand problem, US GDP growth is below potential growth
- Robert Gordon: it's a supply problem. Productivity growth is and will be permanently lower than in the past. This implies that potential GDP growth is lower than in the past.

The two interpretations are not in contrast.



# I driver della globalizzazione

- Due macro fattori sembrano aver facilitato la tendenza verso una maggiore globalizzazione
  - **La riduzione delle barriere** ai flussi liberi di beni, servizi e capitali che si è verificata a partire dalla fine della seconda guerra mondiale (nascita di istituzioni internazionali)
  - **Il cambiamento tecnologico**





# La riduzione delle barriere al commercio e agli investimenti

- Durante gli anni Venti e Trenta, molti degli Stati nazionali avevano eretto eccezionali barriere al commercio internazionale e agli investimenti diretti esteri
- I paesi avanzati dell'Occidente si impegnarono dopo la seconda guerra mondiale a rimuovere le barriere al libero scambio di beni, servizi e capitali tra paesi.



# Declining Trade And Investment Barriers

Average Tariff Rates on Manufactured Products as Percent of Value

	1913	1950	1990	2010
France	21%	18%	5.9%	3.9%
Germany	20	26	5.9	3.9
Italy	18	25	5.9	3.9
Japan	30	—	5.3	2.3
Holland	5	11	5.9	3.9
Sweden	20	9	4.4	3.9
Great Britain	—	23	5.9	3.9
United States	44	14	4.8	3.2



# 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



# La nascita di istituzioni globali

- Il successo avuto nella riduzione delle barriere al commercio ed agli investimenti è anche frutto della creazione alla fine della II Guerra Mondiale di **istituzioni** che hanno aiutato a gestire, disciplinare e a vigilare sul mercato globale
  - GATT
  - OMC
  - FMI
  - Banca Mondiale
  - Nazioni Unite



# Il ruolo della tecnologia

- La riduzione delle barriere commerciali ha reso la globalizzazione possibile; la tecnologia l'ha resa una realtà
- Dalla fine della seconda guerra mondiale il mondo ha assistito a progressi
  - Nelle comunicazioni
  - Nell'elaborazione delle informazioni
  - Nella tecnologia di trasporto





# Il dibattito sulla globalizzazione

- Fattori a favore

- Riduzione dei prezzi di beni e servizi
- Stimolo alla crescita economica
- Aumento del reddito dei consumatori
- Creazione di posti di lavoro
- I paesi si specializzano nella produzione dei beni e dei servizi che sono prodotti in modo più efficiente

- Fattori contro

- Distrugge posti di lavoro manifatturieri nei paesi ricchi e sviluppati
- I salari dei lavoratori non qualificati nei paesi avanzati diminuiscono
- Le imprese si trasferiscono in paesi con leggi a tutela del lavoro e dell'ambiente più deboli
- Perdita di sovranità





# La gestione nel mercato globale

- Buona parte di questo libro riguarda le sfide della gestione in un'impresa internazionale (cioè di qualsiasi impresa che commercia internazionalmente o investe all'estero)
- La gestione di un'impresa multinazionale è diversa da quella di un'impresa solo domestica in quattro aspetti fondamentali:
  - I paesi sono diversi
  - La gamma di problemi che un manager in un'impresa internazionale deve affrontare è più ampia e i problemi stessi sono più complessi di quelli cui si trova di fronte un manager in un'azienda domestica
  - Un'impresa internazionale deve trovare il modo di lavorare all'interno dei limiti posti dagli interventi governativi nel sistema di commercio e di investimento internazionale
  - Le transazioni internazionali implicano la conversione della moneta in diverse valute

# The Changing Demographics of the Global Economy

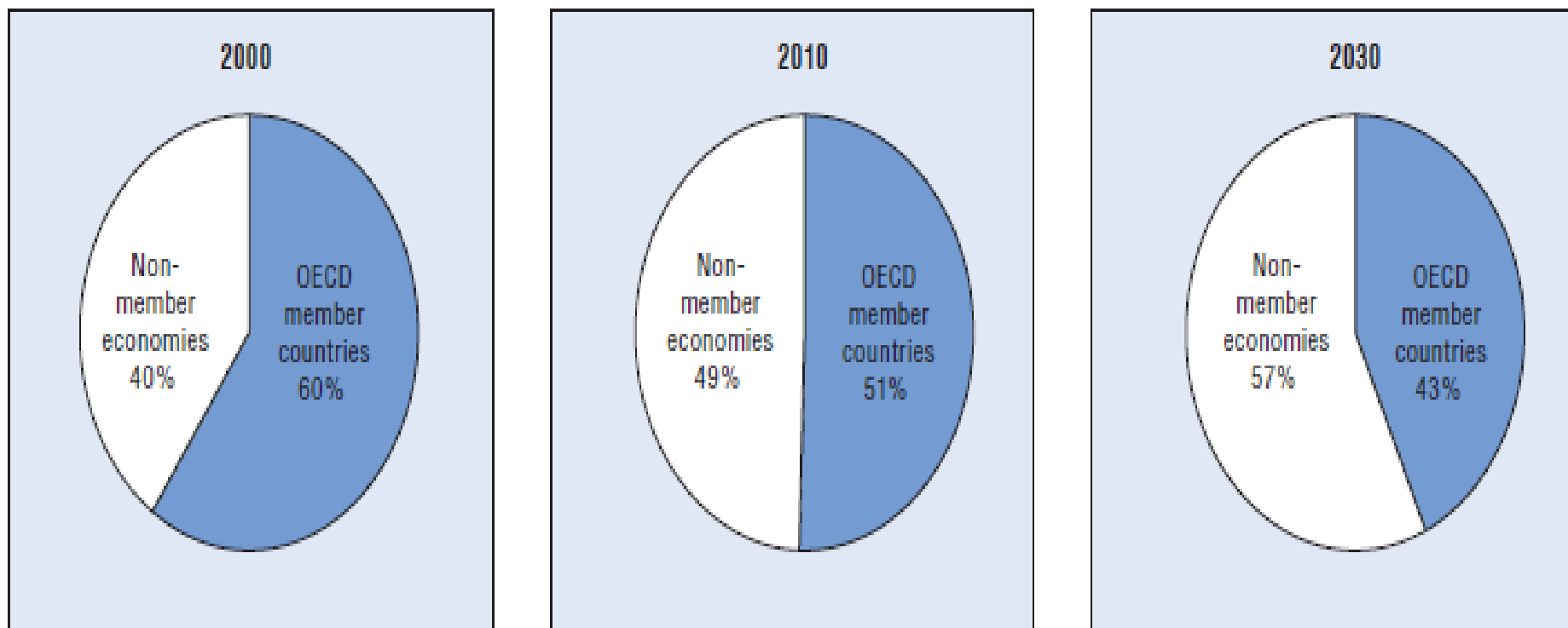
- There has been a drastic change in the demographics of the world economy in the last 30 years
- Four trends are important:
  1. the Changing World Output and World Trade Picture
  2. the Changing Foreign Direct Investment Picture
  3. the Changing Nature of the Multinational Enterprise
  4. the Changing World Order



# Economic power is shifting

Figure 0.1. Share of the global economy in purchasing power parity terms

% of global GDP, PPP basis



Note: These data apply Maddison's long-term growth projections to his historical PPP-based estimates for 29 OECD member countries and 129 non-member economies.

Source: Authors' calculations based on Maddison (2007) and Maddison (2010).

# ... and this implies convergence

Figure 0.2. The four-speed world in the 1990s

■ Poor   
 ■ Struggling   
 ■ Converging   
 ■ Affluent

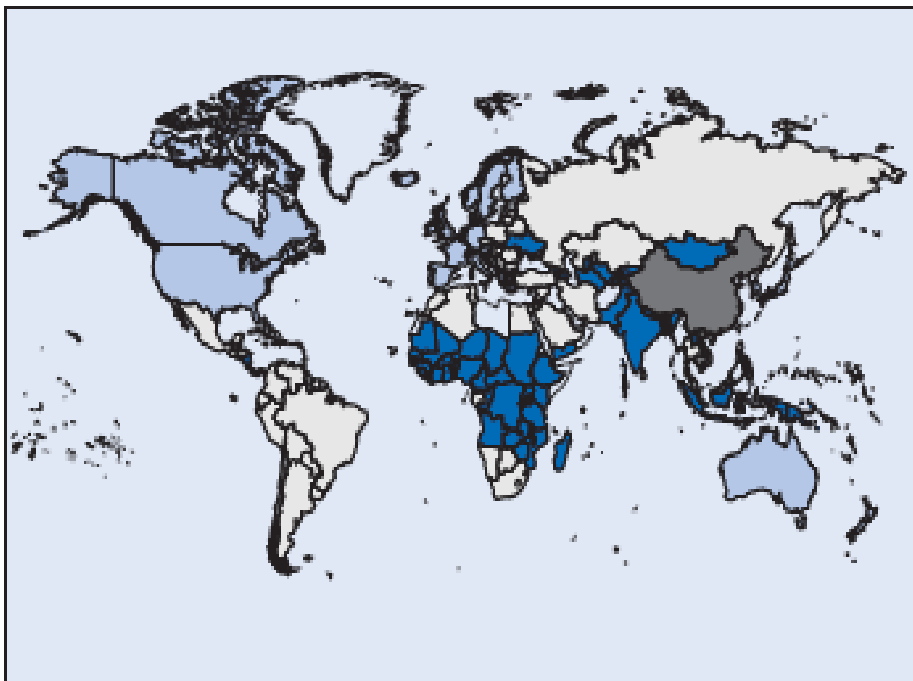
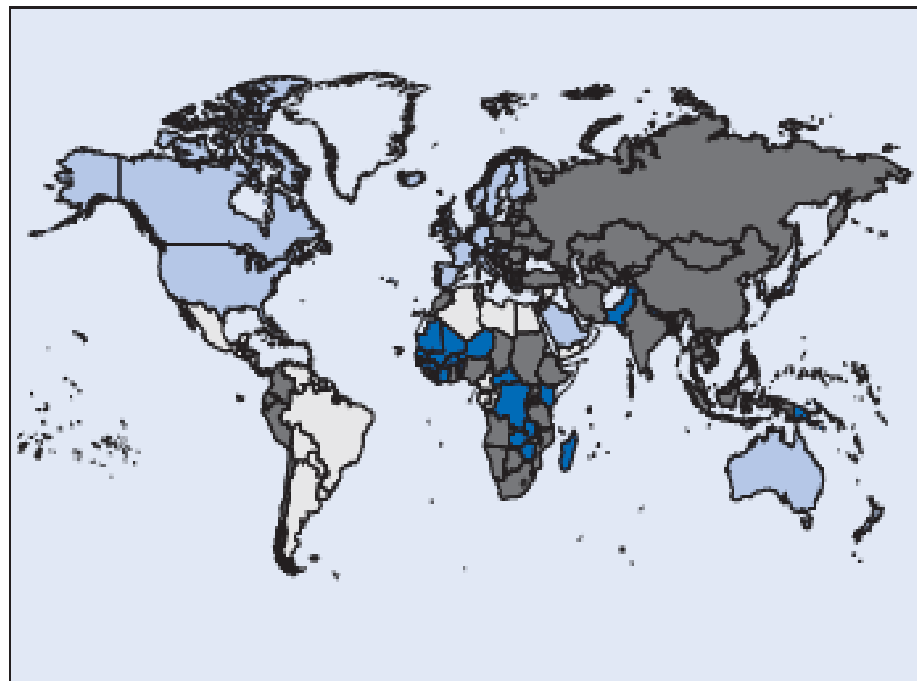


Figure 0.3. The four-speed world in the 2000s

■ Poor   
 ■ Struggling   
 ■ Converging   
 ■ Affluent



Note: See Chapter 1 for a detailed description of the country classification used.

Source: Authors' calculations based on World Bank (2009).

# The Changing World Order

- Many former Communist nations in Europe and Asia are now committed to democratic politics and free market economies
  - so, there are new opportunities for international businesses
  - but, there are signs of growing unrest and totalitarian tendencies in some countries like Russia
- China and Latin America are also moving toward greater free market reforms
  - between 1983 and 2008, FDI in China increased from less than \$2 billion to \$90 billion annually
  - but, China also has many new strong companies that could threaten Western firms

# How Will The Global Economy Of The 21<sup>st</sup> Century Look?

- The world is moving toward a more global economic system...
- But globalization is not inevitable
  - there are signs of a retreat from liberal economic ideology in Russia
- Globalization brings risks
  - the financial crisis that swept through South East Asia in the late 1990s
  - the recent financial crisis that started in the U.S. in 2008, and moved around the world



# Is An Interdependent Global Economy A Good Thing?

- Supporters believe that increased trade and cross-border investment mean
  - lower prices for goods and services
  - greater economic growth
  - higher consumer income, and more jobs
- Critics worry that globalization will cause
  - job losses
  - environmental degradation
  - the cultural imperialism of global media and MNEs
- Anti-globalization protesters now regularly show up at most major meetings of global institutions and is a common element among populist-nationalistic-identitarian political parties.

# How Does Globalization Affect Jobs And Income?

- Critics argue that falling barriers to trade are destroying manufacturing jobs in advanced countries
- Supporters contend that the benefits of this trend outweigh the costs
  - countries will specialize in what they do most efficiently and trade for other goods—and all countries will benefit

But now there is a new threat to human jobs: machines (robot). Is it really new?

# How Does Globalization Affect Labor Policies And The Environment?

- Critics argue that firms avoid costly efforts to adhere to labor and environmental regulations by moving production to countries where such regulations do not exist, or are not enforced
- Supporters claim that tougher environmental and labor standards are associated with economic progress
  - as countries get richer from free trade, they implement tougher environmental and labor regulations

# How Does Globalization Affect National Sovereignty?

- Is today's interdependent global economy shifting economic power away from national governments toward supranational organizations like the WTO, the EU, and the UN?
- Critics argue that unelected bureaucrats have the power to impose policies on the democratically elected governments of nation-states
- Supporters claim that the power of these organizations is limited to what nation-states agree to grant
  - the power of the organizations lies in their ability to get countries to agree to follow certain actions

# How Is Globalization Affecting The World's Poor?

- Is the gap between rich nations and poor nations is getting wider?
- Critics believe that if globalization was beneficial there should not be a divergence between rich and poor nations
- Supporters claim that the best way for the poor nations to improve their situation is to
  - reduce barriers to trade and investment
  - implement economic policies based on free market economies
  - receive debt forgiveness for debts incurred under totalitarian regimes

**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

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 (old estimates – 2005 PPP prices)

		1981	1987	1993	1999	2005	2008	2010	2011
%		52,7	43,0	41,6	34,2	24,8	21,8	19,1	17,0
mil		1958,3	1798,6	1938,9	1751,2	1371,5	1255,4	1127,8	1010,4

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

World Poverty 1c: World population with less than 1.90 US\$ (PPP) per day (new estimates – 2011 PPP prices)

	1990	1999	2011	2013	2015*
%	35,0	28,1	13,5	10,7	9,6
mil	1850,1	1692,9	946,3	766,6	702,1

\*=projection

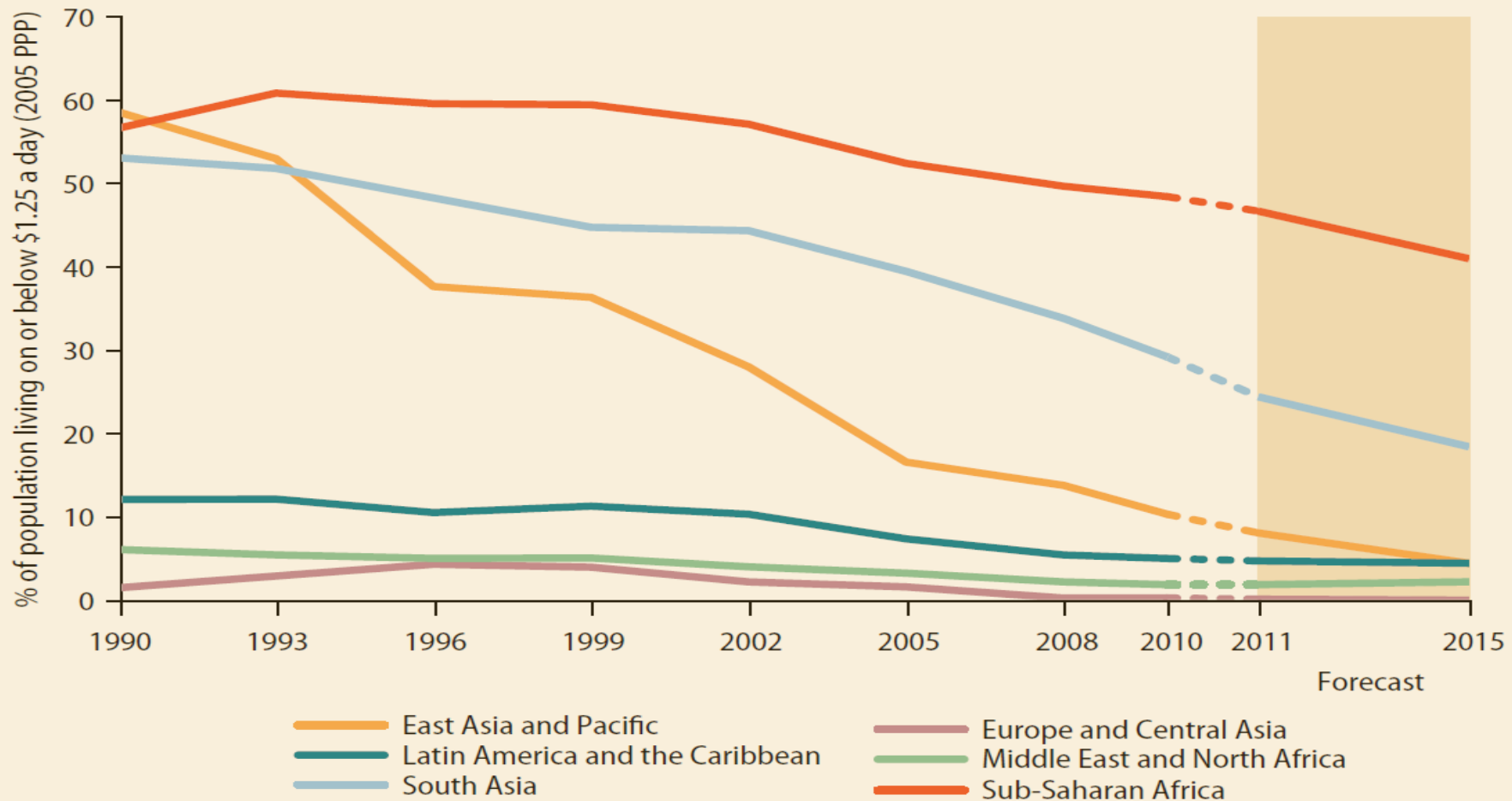
Source: World Bank (2016), Cruz, Foster, Quillin, Schellekens (2015)

# Globalization and Extreme Poverty

# Globalization and Extreme Poverty



**FIGURE A.1** Poverty rates continue to fall, but progress is uneven



Source: World Bank, PovcalNet: an online poverty analysis tool, <http://iresearch.worldbank.org/PovcalNet/index.htm>.

Note: Regional poverty rates are measured at \$1.25 (2005 PPP) a day, with forecasts to 2015 (to be updated).

Note: Surveys cover less than half of the population.





# Globalization and 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
South Asia		0.055	0.166	0.449
Africa			0.181	0.435

Source: Crafts (2000)

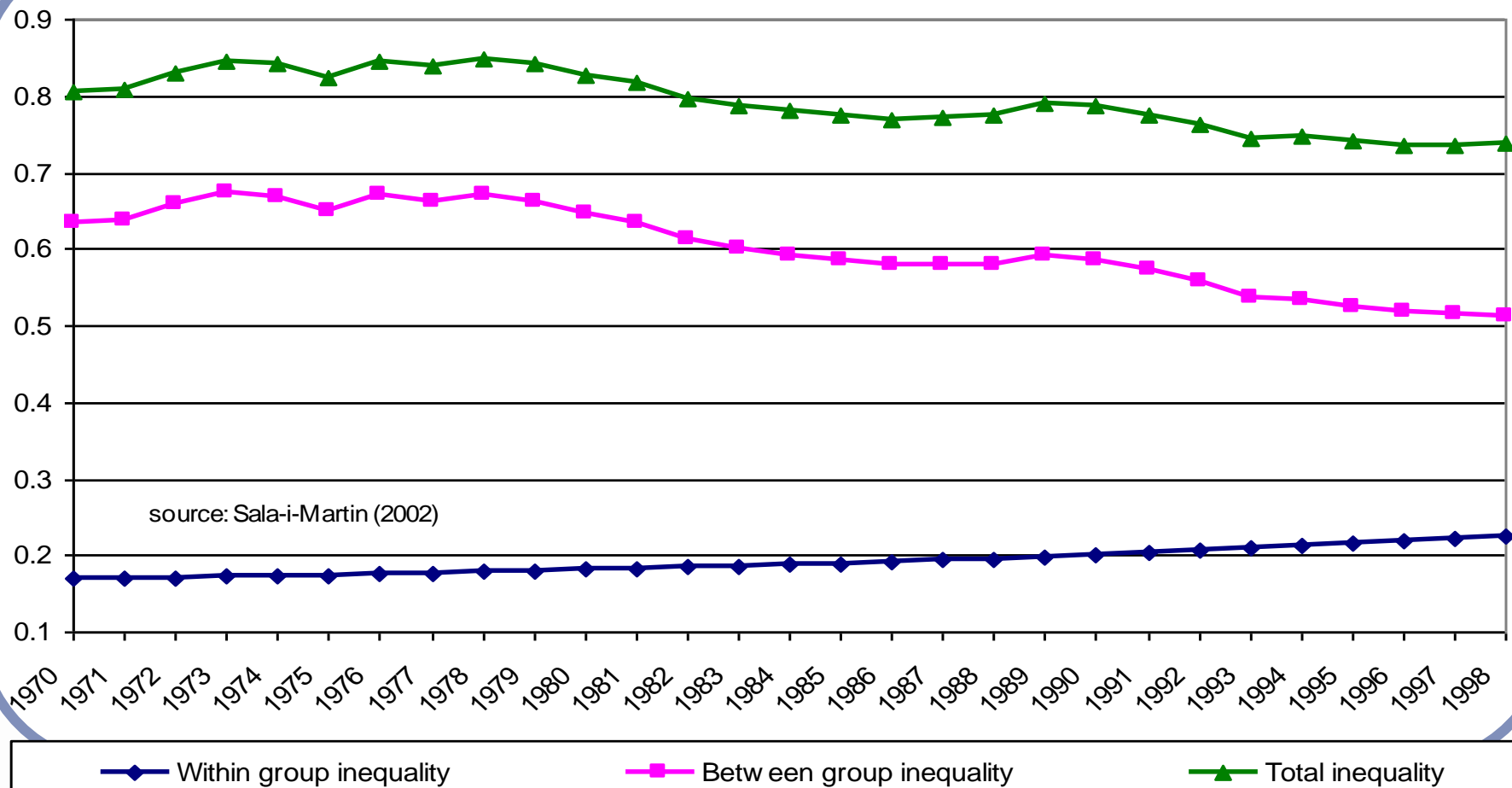
# Globalization and Inequality

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



# Globalization and Inequality

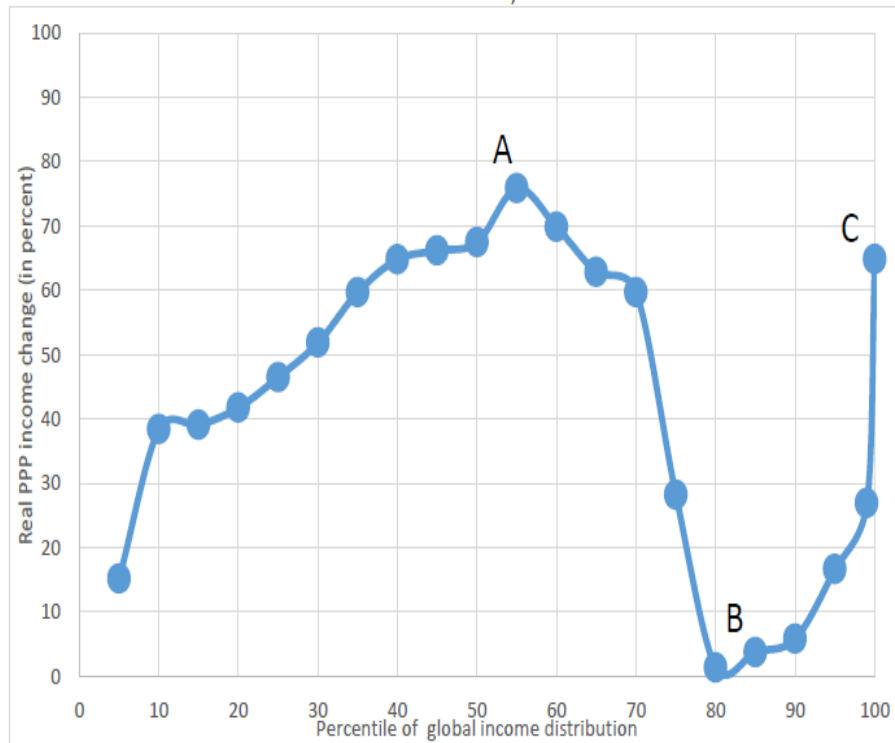
## World Income Inequality 2: the last 30 years (mean logarithmic deviation)





# Globalization and Inequality

Real cumulative per capita growth along different parts of global income distribution, 1988-2008



Fonte: Milanovic (2016)

Nei 20 anni dal 1988 al 2008, **i vincenti** sono A («global middle class» – principalmente in Asia) e C (l'1% più ricco al mondo).

**I perdenti** sono nella «middle class» dei paesi OECD (B)



# 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