

Globalization process

Open questions

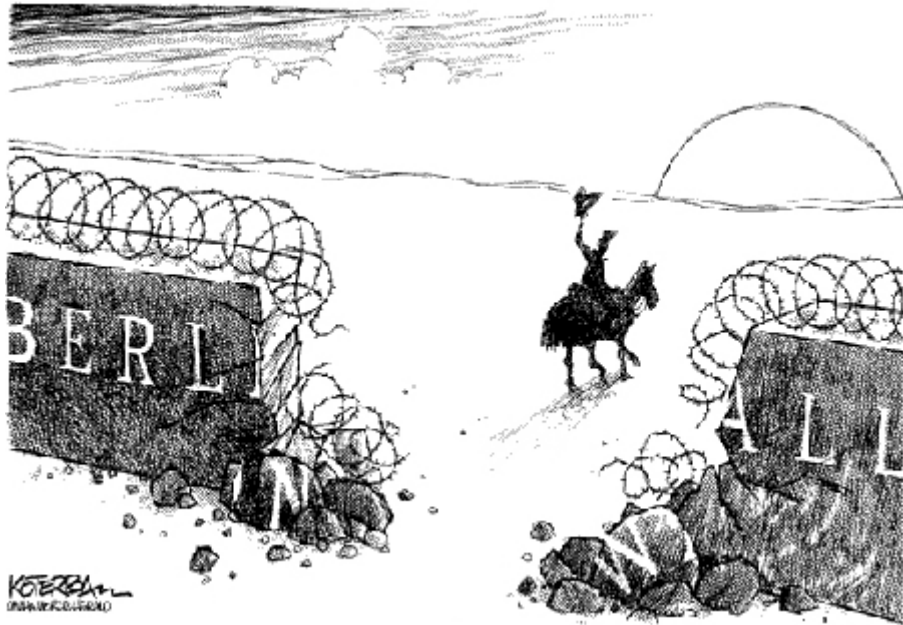
How difficult is to make credible forecasts

THE WORLD IN 1989 and onto the 1990s

1989 will end on a new decade; this survey looks at what shape the world will be in as we enter the 1990s. The consensus is "not bad, not at all bad". A weak, well, weakish, American president will wind down world politics leaving other political leaders to cultivate their own backyards: Mrs Thatcher to find a policy to see her through another two elections; Mr Gorbachev to find his Marks & Spencer; the heirs of Emperor Hirohito to cope with a society metamorphosing from toiling caterpillar to butterfly. Unpleasant little local hot spots will by mutual agreement be kept just that, unpleasant and local.

It should be a wealthier decade. The world has all the ingredients for growth and does not need miracles of modern technology to bring it about. The traditional, written-off, smokestack industries have brushed off the rust, oiled their joints and are proving that steel and machine tools are every bit as necessary to life in the 1990s as computers and Sony Walkmen.

As ever, it is in our power to mess things up. There will be financial collapses. The separate authors of this survey are unanimous on this. They are also unanimous that the world of financial speculation has decoupled from the real world of machines and eggs and bacon. But if this impending round of financial collapses, which will have been caused by lending policies as irresponsible as the South Sea Bubble, coincides with what is likely to be an inevitable down-dip in world trade, nerves could snap and we would be in trouble.

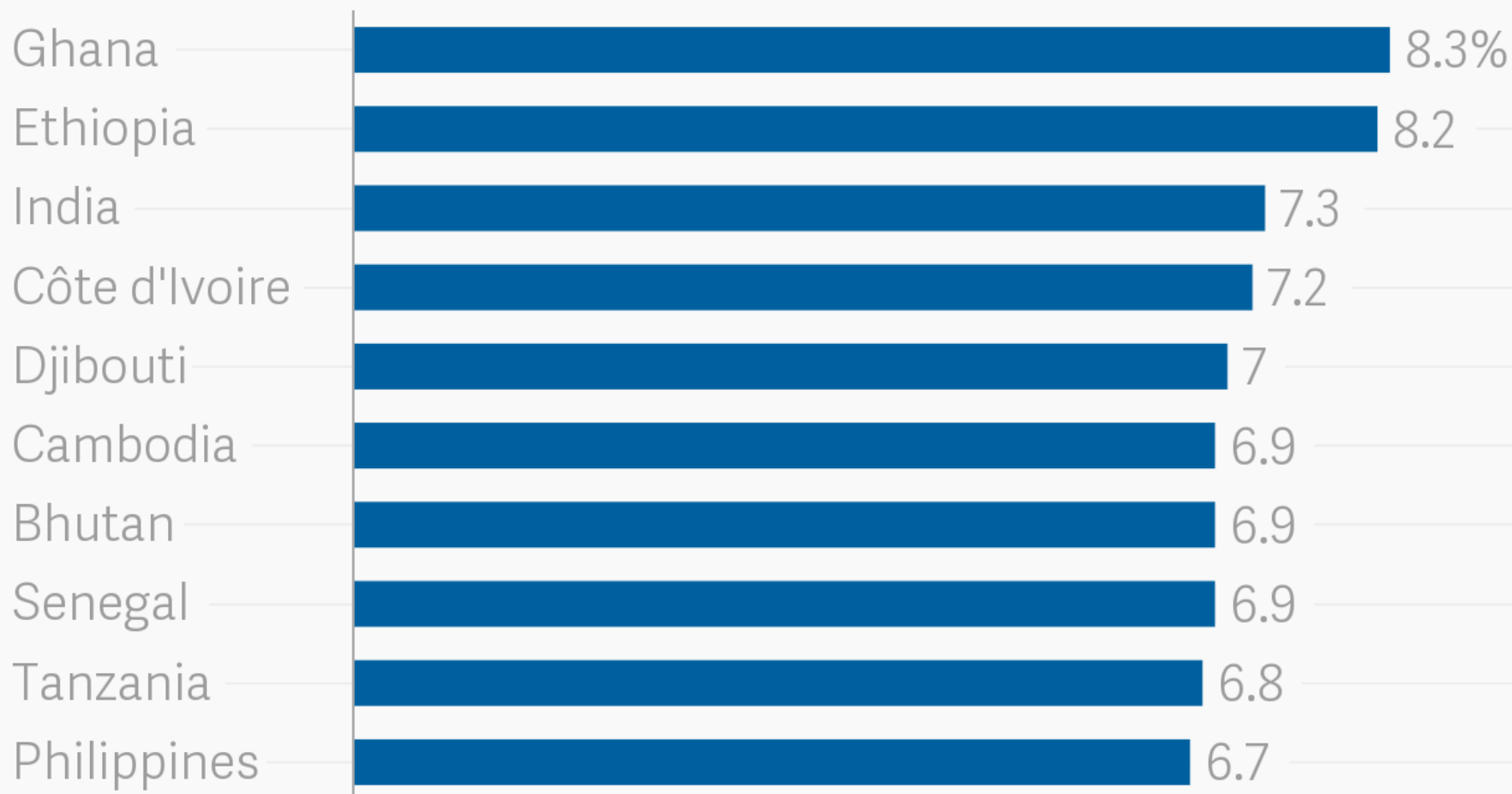


What do they have in common ?

- Ghana
- Ethiopia
- India
- Ivory Coast
- Djibouti
- Cambodia
- Bhutan
- Senegal
- Tanzania
- Philipppines

The top 10 fastest growing economies in 2018

Real GDP growth at market prices



The (traditional) engines of world economic growth

Share of global growth (%)

1982-87

A traditional textbook world economy: growth is concentrated in the US, Japan and Europe. Living standards in the countries that industrialised 100 years

earlier are still pulling away from what is still known as the third world. Rapid growth in China is only beginning to make its mark

Share of world growth

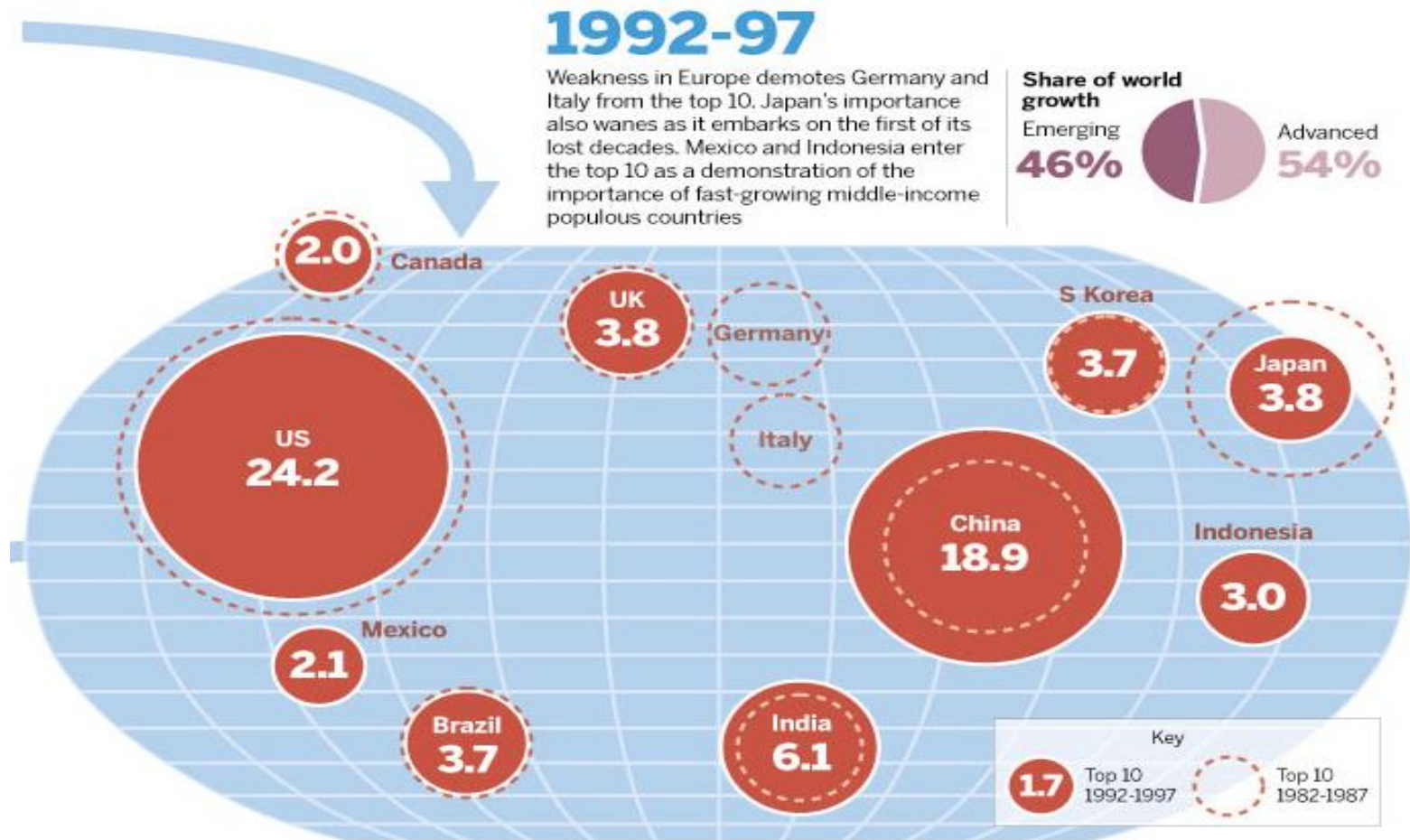
Emerging
31%



Advanced
69%



Towards a New World: the first moves



Reinforcing the trend

2002-07

By the turn of the millennium, China's consistent 10 per cent annual growth rates have put it on top of the list of countries contributing to growth. Indonesia temporarily leaves the top echelon, still recovering from the Asian crisis of the late 1990s. Russia has learnt how to exploit its commodity riches

Share of world growth

Emerging
67%



Advanced
33%



A new picture of the world economic engines

2012-17

The future of world growth is increasingly dominated by China, soon to be the world's largest economy. Only the US and India provide any rivalry and, so weak is prospective European growth, that the EU accounts for less than 6 per cent of the global total. Only Latin America and India are increasing their share.

Share of world growth

Emerging
74%



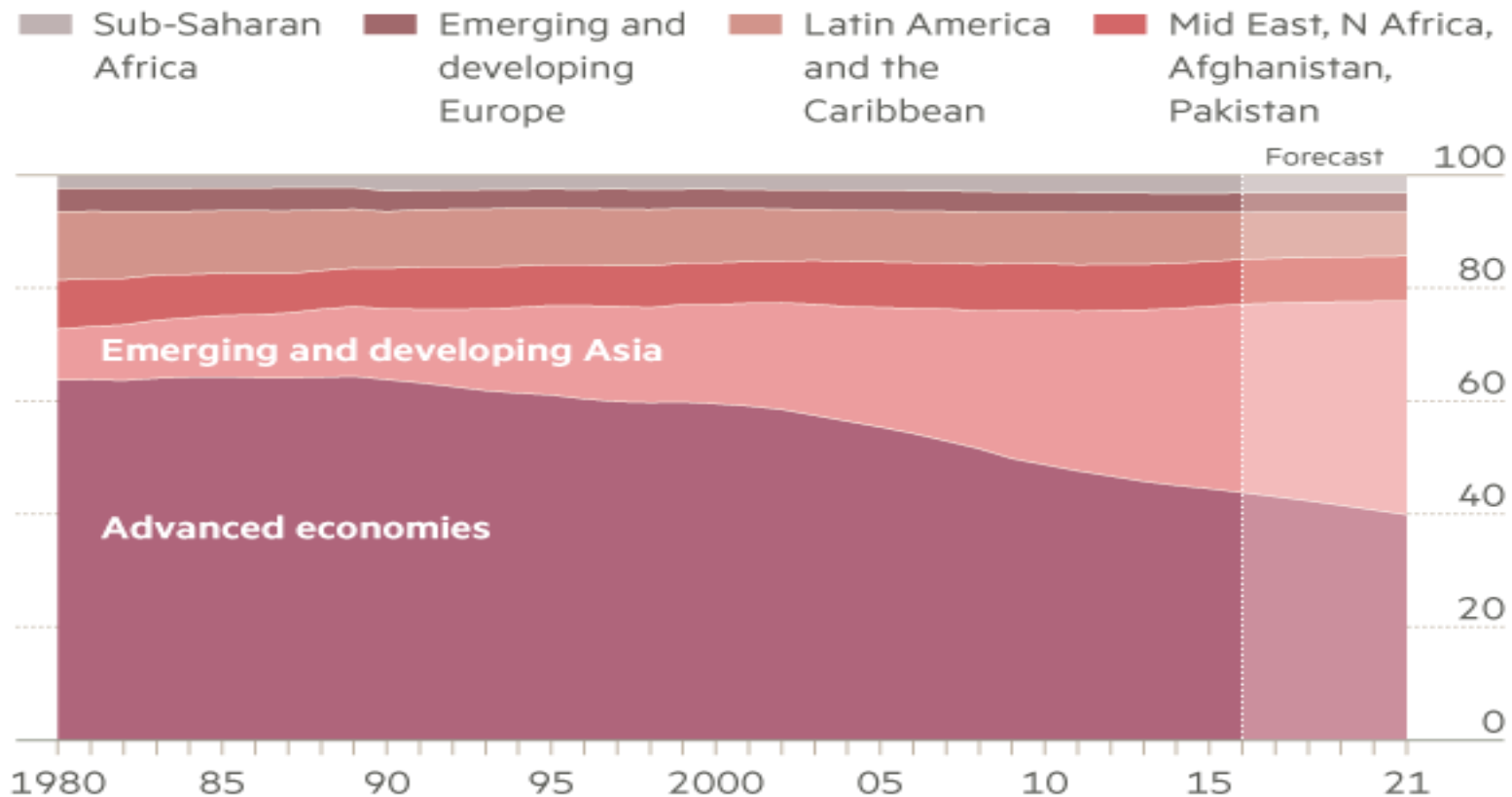
Advanced
26%



Summing up

A rising Asia

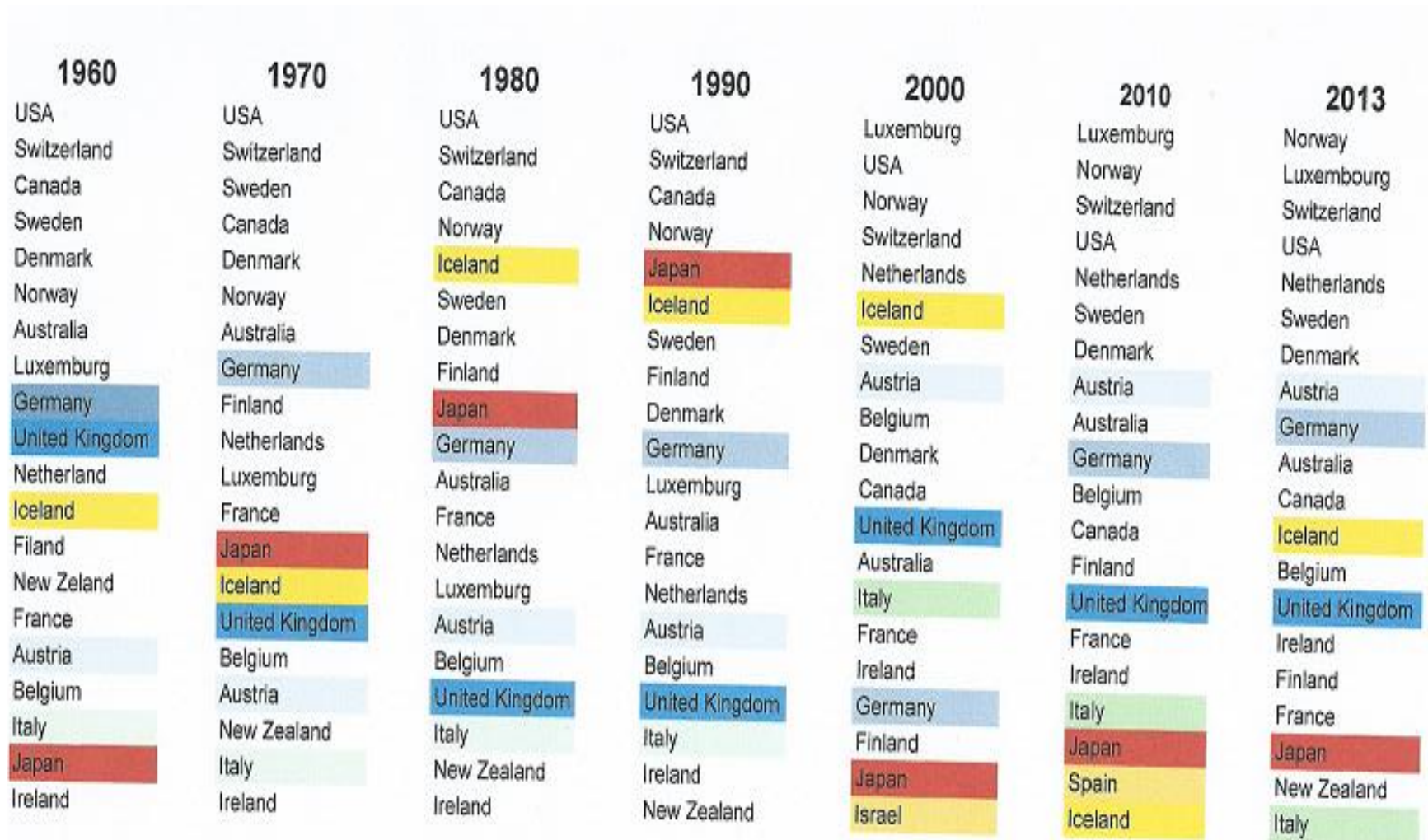
Share of world GDP at purchasing power parity (%)



Excludes Commonwealth of Independent States. Forecasts from 2016 onwards
Source: IMF

But the members of the Club Med are still the same

OECD Top 20 – Real income per head (1960-2013)



Convergence with vengeance

Table 1.1 Convergence: Growth of developing countries compared to growth in the United States

Indicator	1870–1960 (Maddison)	1960–2000 (Penn World Tables 7.1)	2000–07 (Penn World Tables 7.1)	2000–11 (World Development Indicators)	2008–12 (World Economic Outlook) ^a
US growth rate of GDP per capita (percent)	1.7	2.47	1.28	0.65	0.02
World growth rate of GDP per capita (percent)	1.3	2.75	3.17	2.28	1.73
Number of developing countries in which growth exceeded US rate	2	21	75	80	78
Percentage of developing countries in which growth exceeded US rate	5.3	29.2	72.8	89.9	83.9
Average excess over US growth (percentage points) ^b	0.02	1.53	3.25	2.94	3.03
Number of countries in sample	38	72	103	89	93

a. Based on GDP in constant dollars. Other columns use GDP in PPP terms

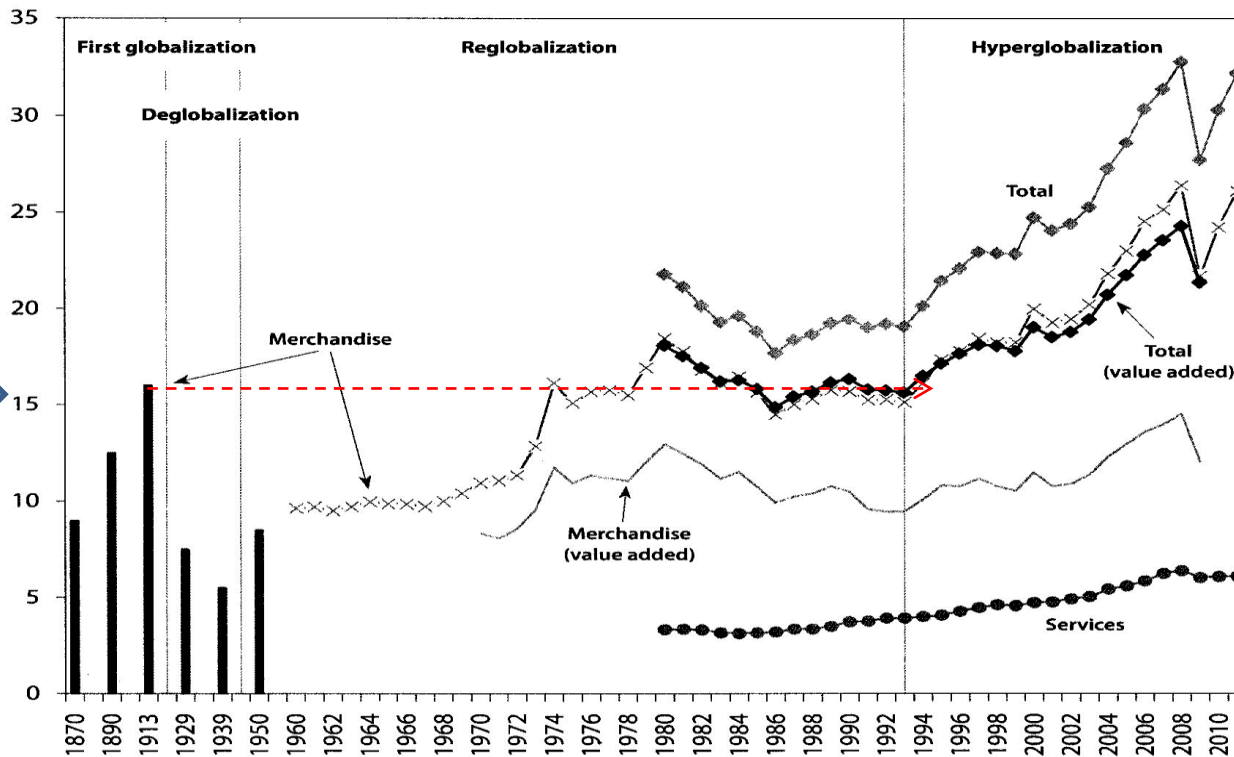
b. Computed as simple average growth of countries whose growth exceeds that of the United States.

Note: Sample excludes oil exporters (as defined by the International Monetary Fund) and countries with populations of less than 1 million.



From Globalization 1.0 to Hyperglobalization

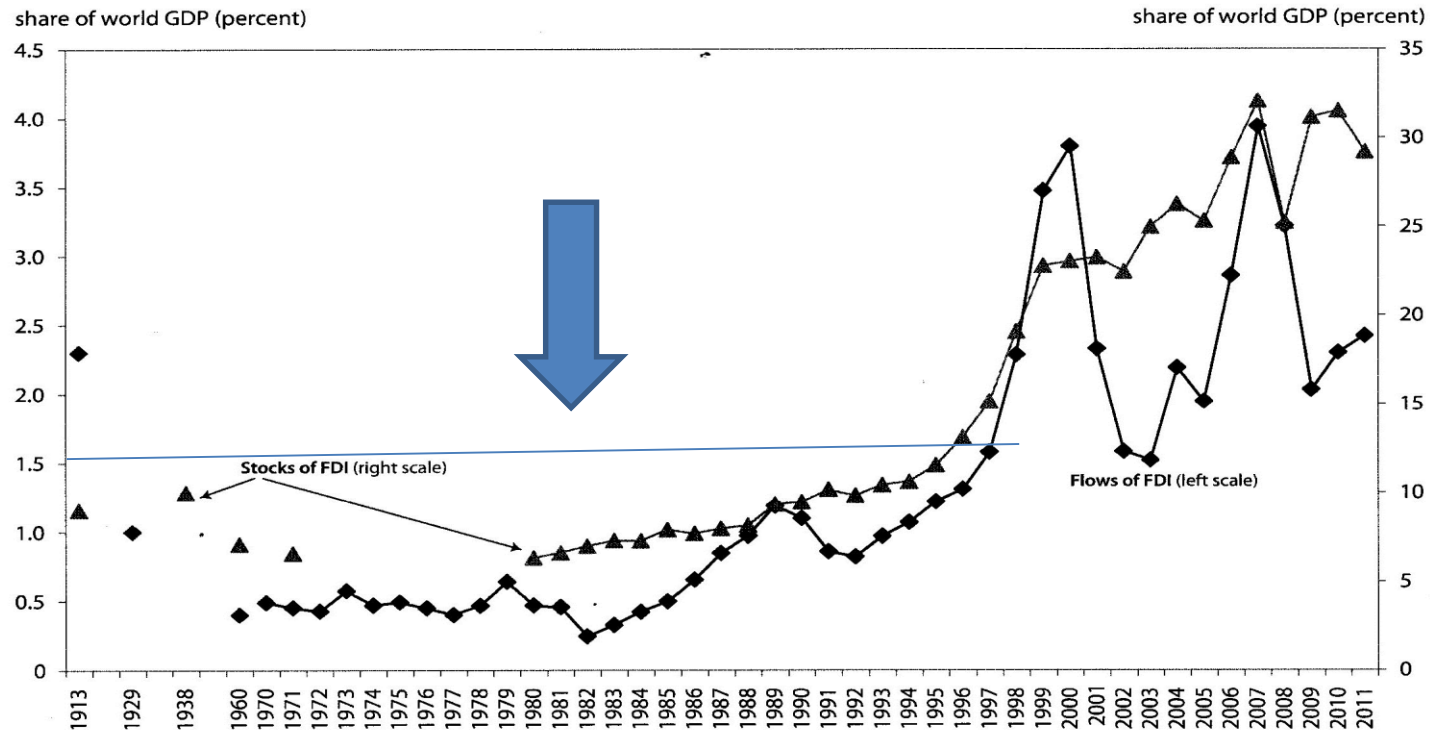
Figure 2.1 World exports, in current dollars, 1870–2011



Sources: Authors, based on Klasing and Milionis (2012) for historical estimates (1870–50), World Trade Organization for 1951–2011, and Johnson and Noguera (2012) for value-added exports estimates.

Look at the stock of FDI, and at its take off

Figure 2.2 Stocks and flows of Foreign Direct Investment (FDI), 1913–2011

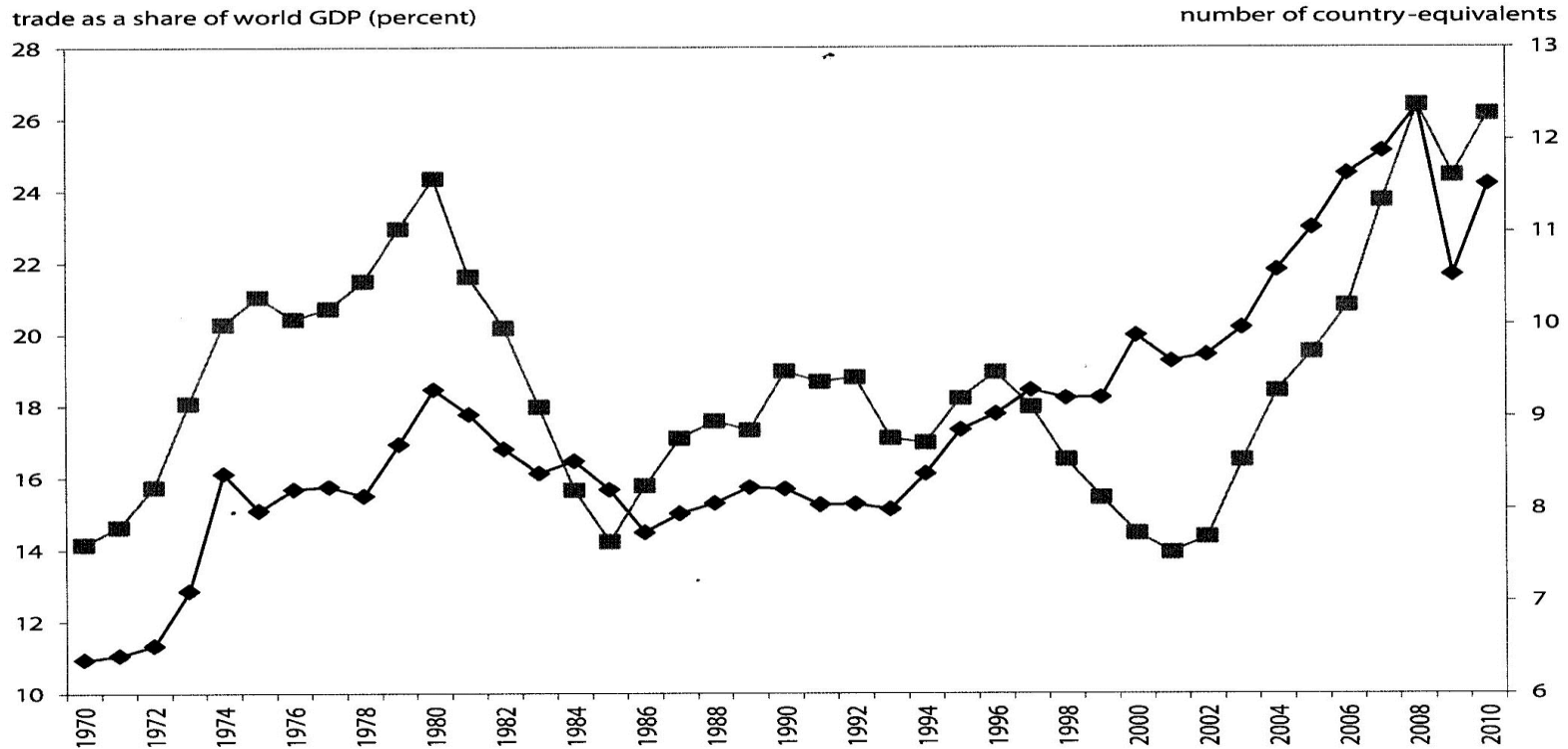


Sources: Authors, based on data from Bairoch 1996 for 1913–70, Dunning 1983 for stocks and UNCTAD various years for flows for 1970–2011.

A Democratic Globalization?

More countries take part to world production

Figure 2.3 Dispersion of world output and world exports, 1970–2010



As if there were 10 country-equivalents in the world

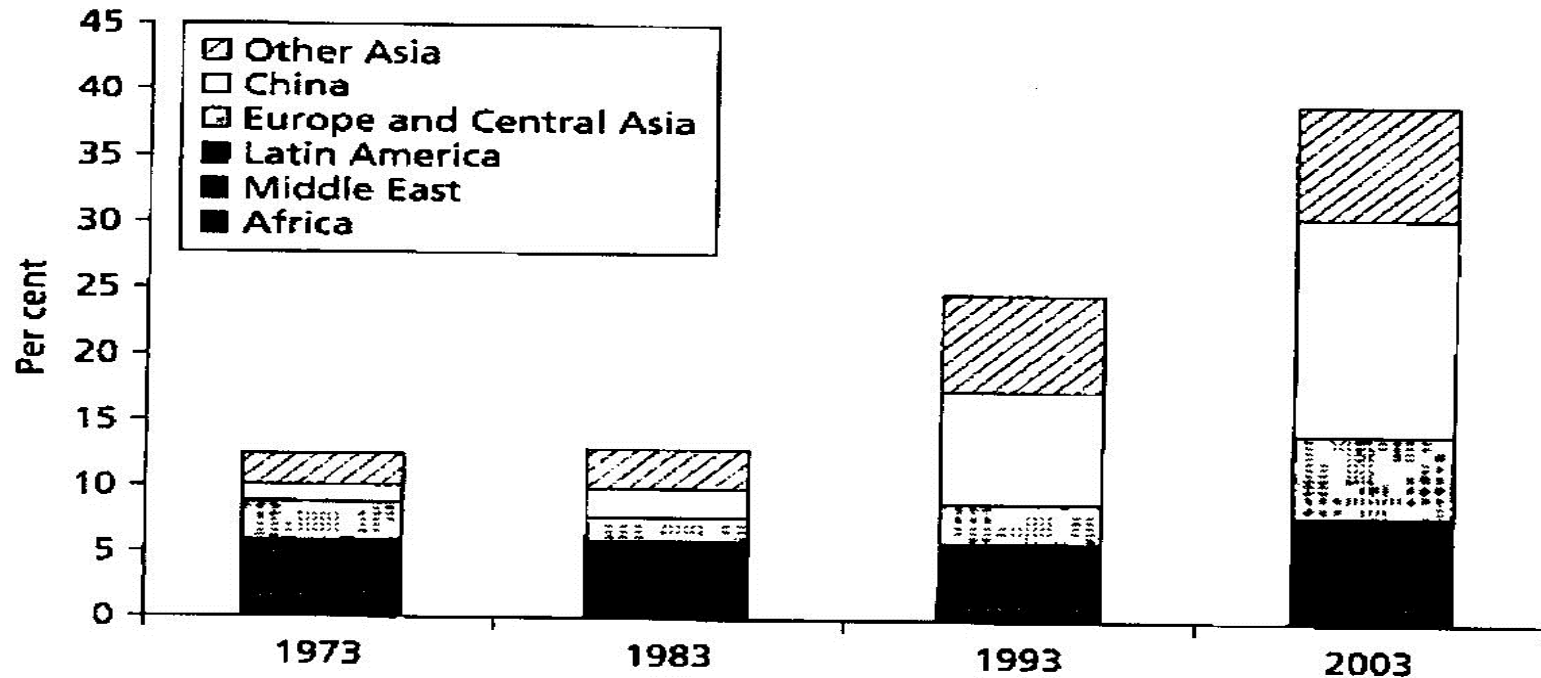
Note: Country equivalents are computed as $= \frac{1}{\sum s_i^2}$ where s_i is the share of each country in world output. A higher number denotes a more equal distribution of output.

Source: UNCTAD, various years.

Criss-crossing globalization

- From import-export of manufactured goods (USA-Europe 1950's-60's) or intraindustry trade (US, Japan, and Germany, all imported and exported cars) combined with consumers' love for variety
- to a two-ways flow of parts & components more than final goods (today's Asian emerging countries): from 22% to 29% of this trade between 1980 and 2000
- But destination of exports also matters

A new international division of labor



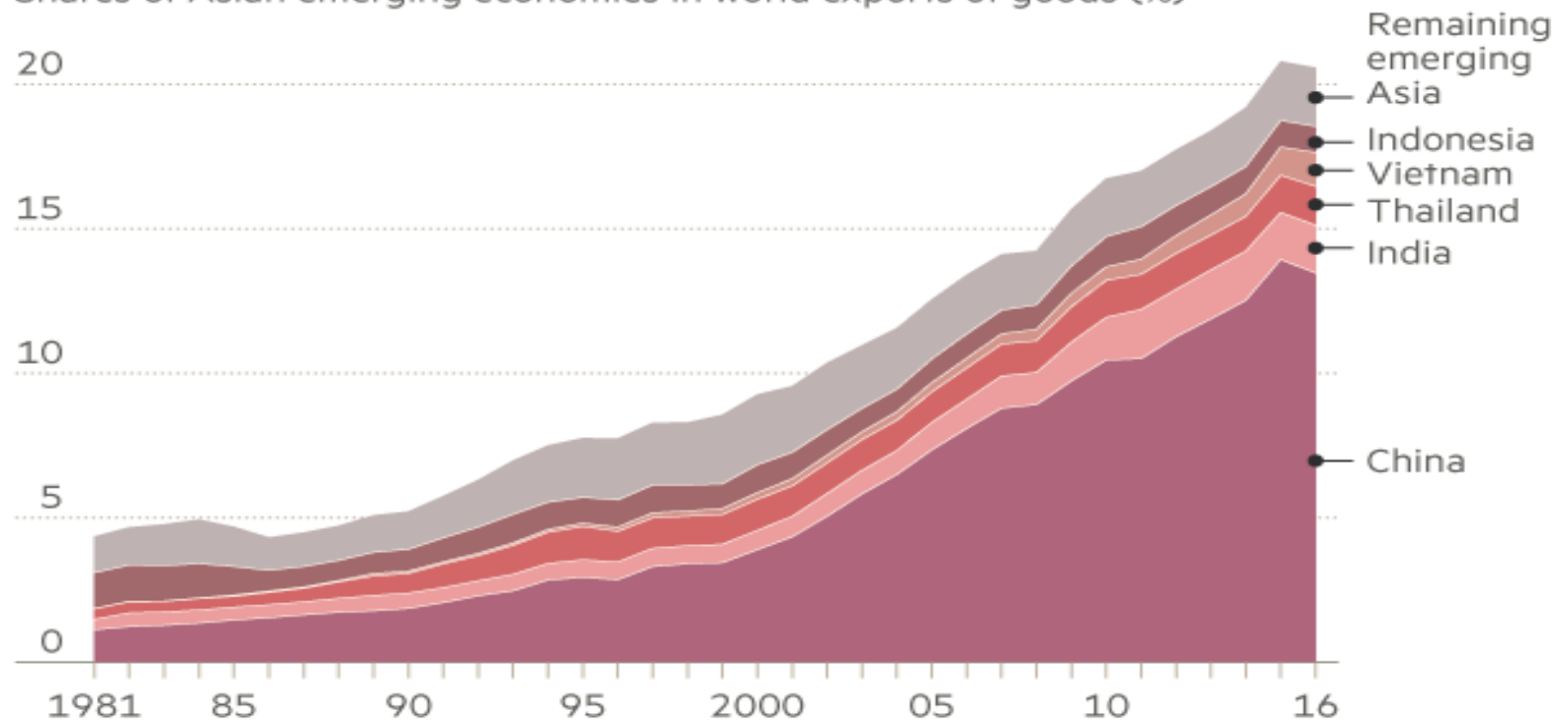
Excludes trade among EU15 countries.

Figure 5.4 Shares of the manufactures imported by high-income countries which originated in developing countries, 1973–2003

The long term trend in Emerging Asia

Shifts in trade

Shares of Asian emerging economies in world exports of goods (%)



Source: Haver Analytics, IMF




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Traders, super-traders and mega-traders

Definition of mega-trader:

- 1) Globally: Relative to world trade
- 2) Nationally: relative to a country's own output

Traders, super-traders and mega-traders

- Uk trade/GDP ratio during the first globalization: 18,5%
-  Mega trader
- Singapore, Hong-Kong, Taiwan, and Malaysia:
Trade/GDP ratio exceedd 50%but small % of world
trade
-  Super-Traders
- Japan (1980's) reletive small export-GDP ratio (20%),
but 7,5 of world trade
-  Mega-trader

150 years of top-traders

Table 2.2 Merchandise exports as share of world exports by mega-traders, 1870–2030 (percent)

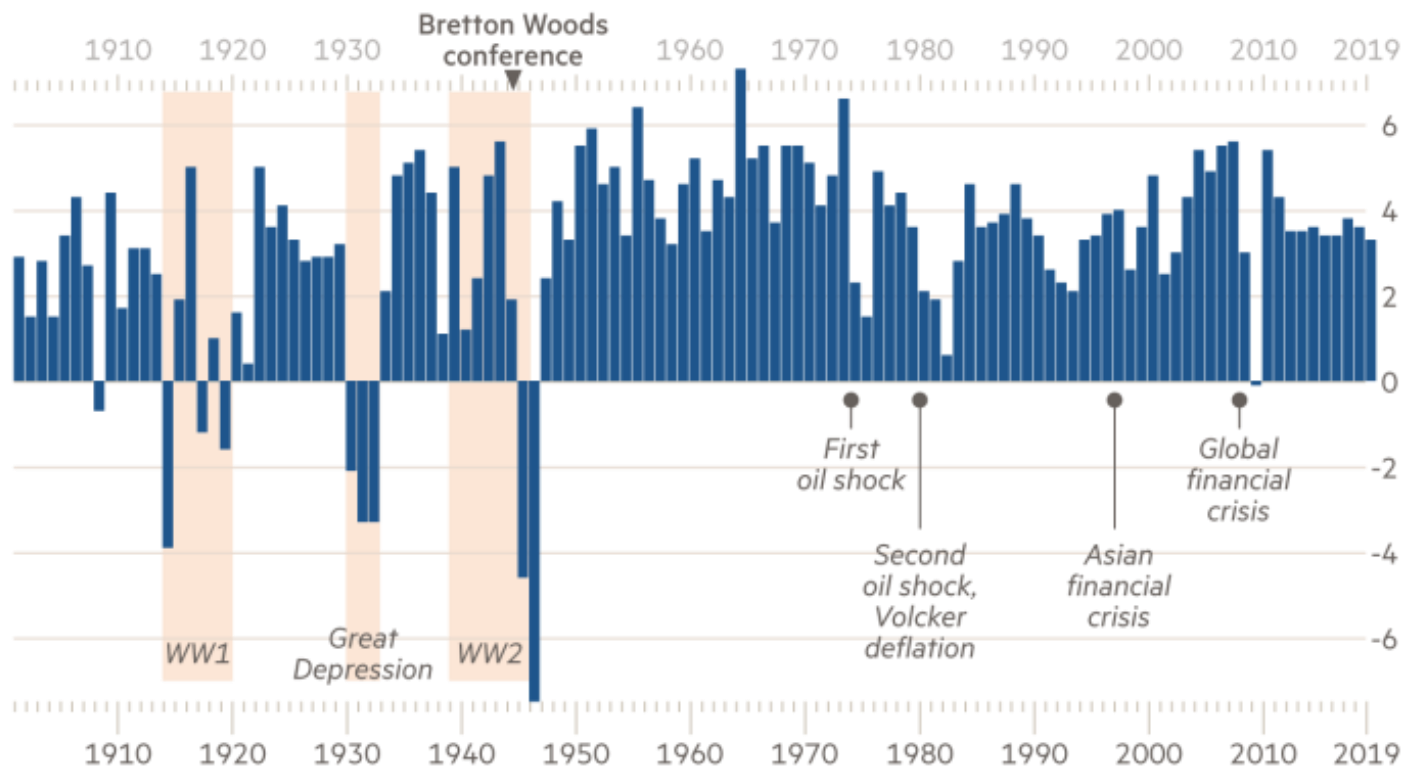
Year	United Kingdom	Germany	United States	Japan	China
1870	24.3	13.4	5.0	0.1	2.8
1913	18.5	18.0	9.0	0.8	2.0
1929	15.1	16.6	14.4	2.1	3.0
1950	10.2	3.9	16.2	1.3	0.9
1973	5.1	12.9	12.2	6.4	1.0
1990	5.3	12.0	11.3	8.2	1.8
2000	4.4	8.5	12.1	7.4	3.9
2012	2.6	7.7	8.4	4.4	11.2
2020 (projected)	1.9	5.3	8.8	3.9	12.1
2030 (projected)	1.4	3.6	7.3	3.2	15.0

Sources: Maddison 1995; UNCTAD various years; Subramanian 2011; and authors' projections.

The Post-Bretton Woods World Economy

The post-Bretton Woods world economy has been much less unstable

Growth in global GDP (in purchasing power parity, %)



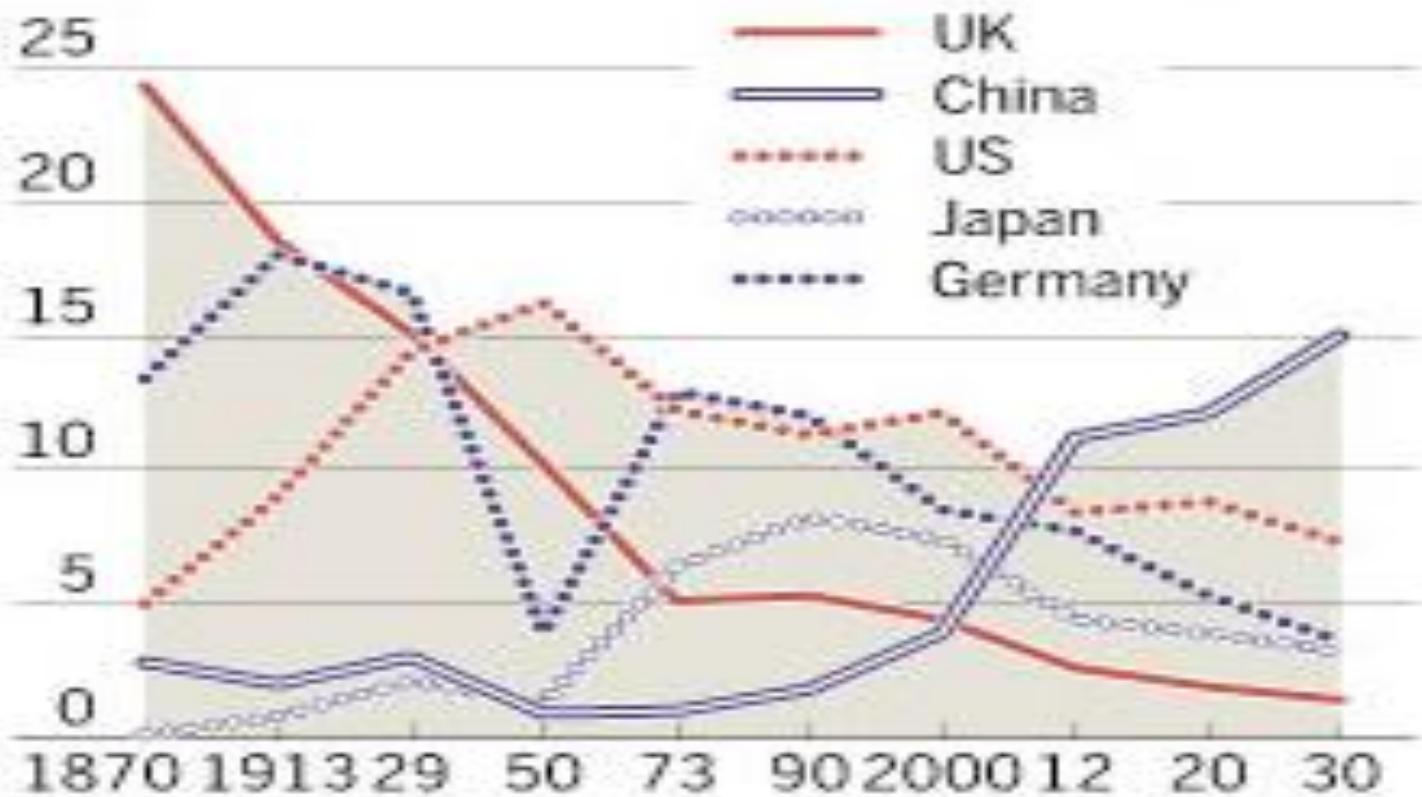
Sources: Angus Maddison; IMF; FT research

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The long term evolution

Leading exporters

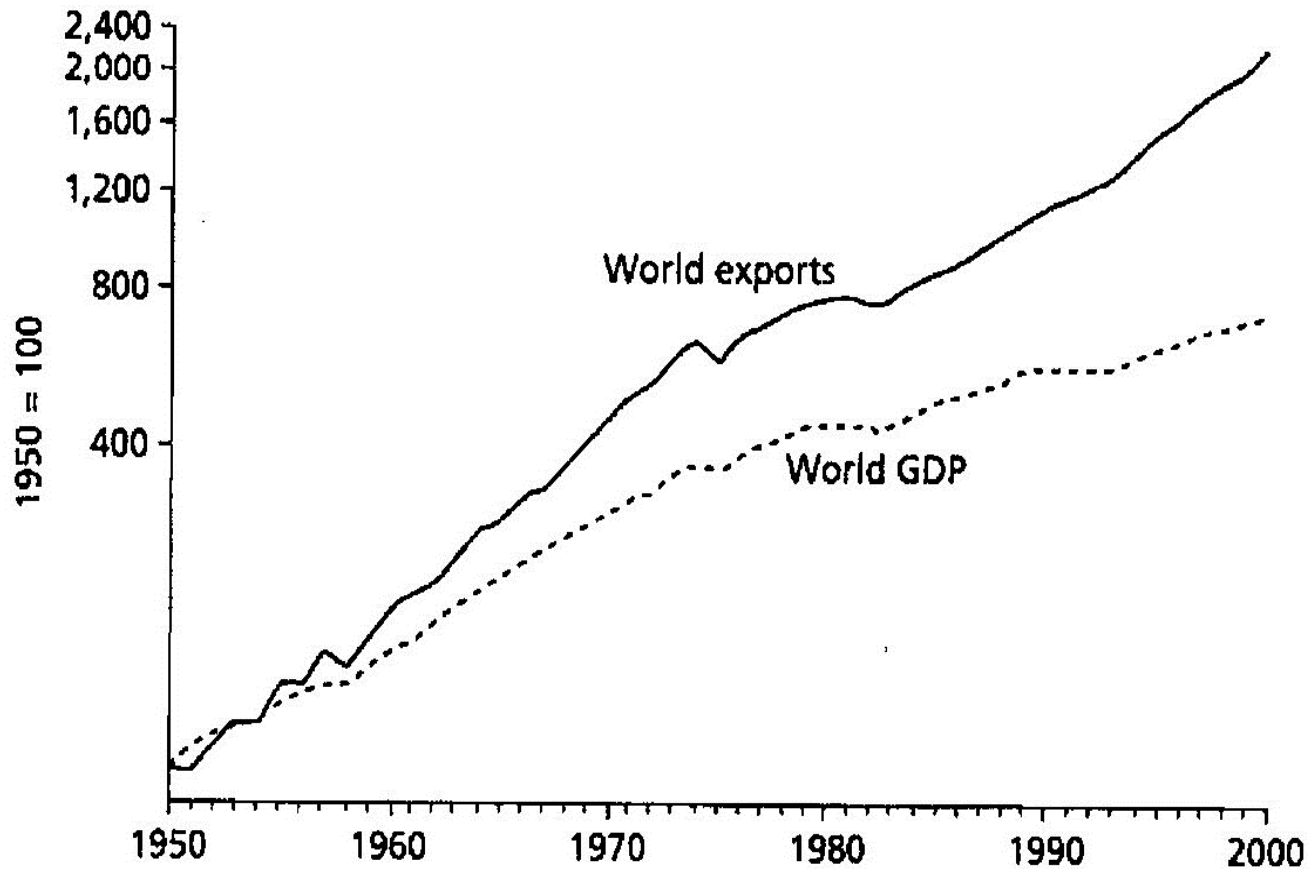
Merchandise exports as a % of world exports



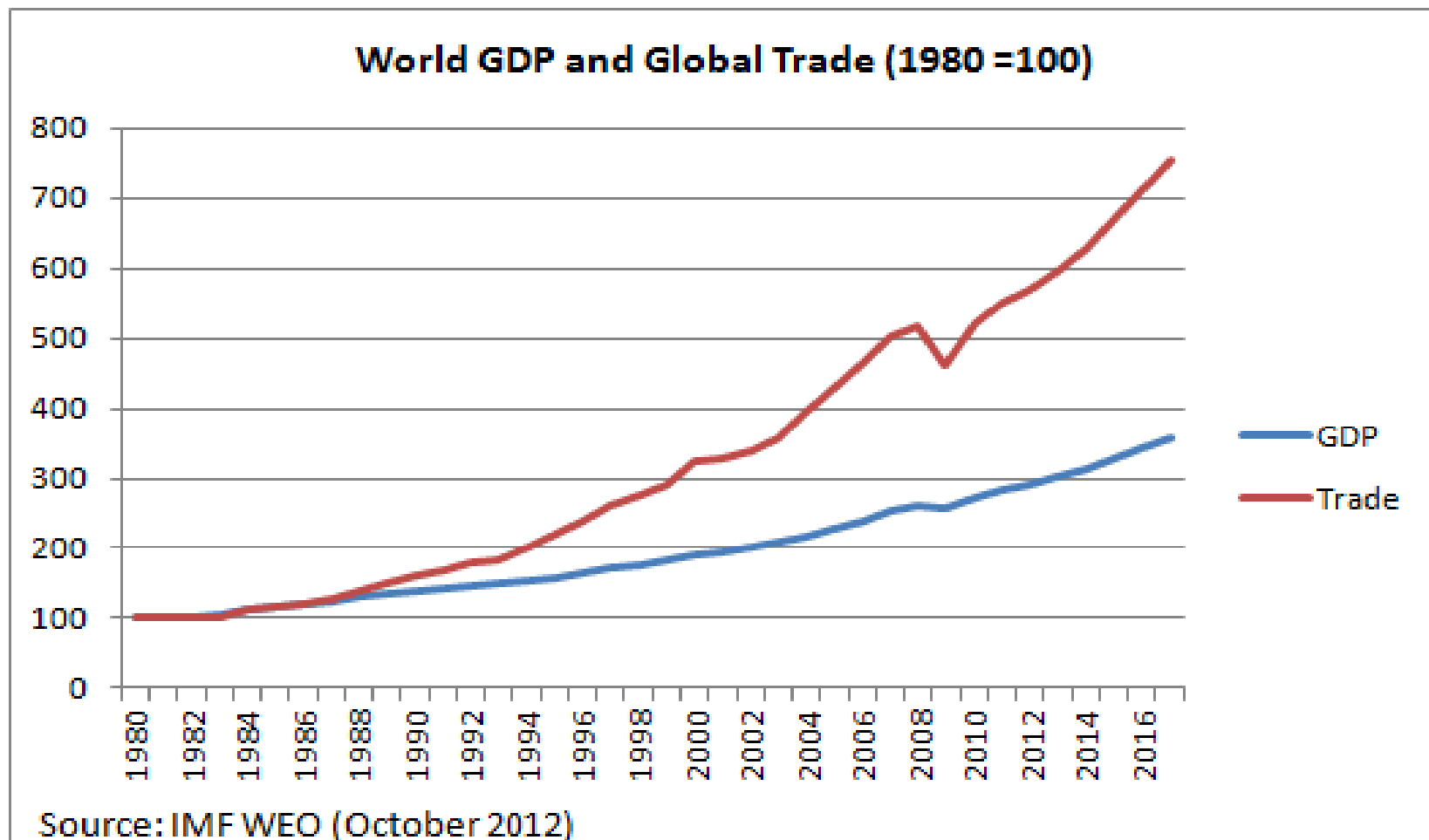
Running for the leadership



GDP more and more depending on world trade



And even more with globalization



De-Globalization?

Globalisation slows

Growth in volume of exports of goods and services
(Average annual growth over previous four years, %)



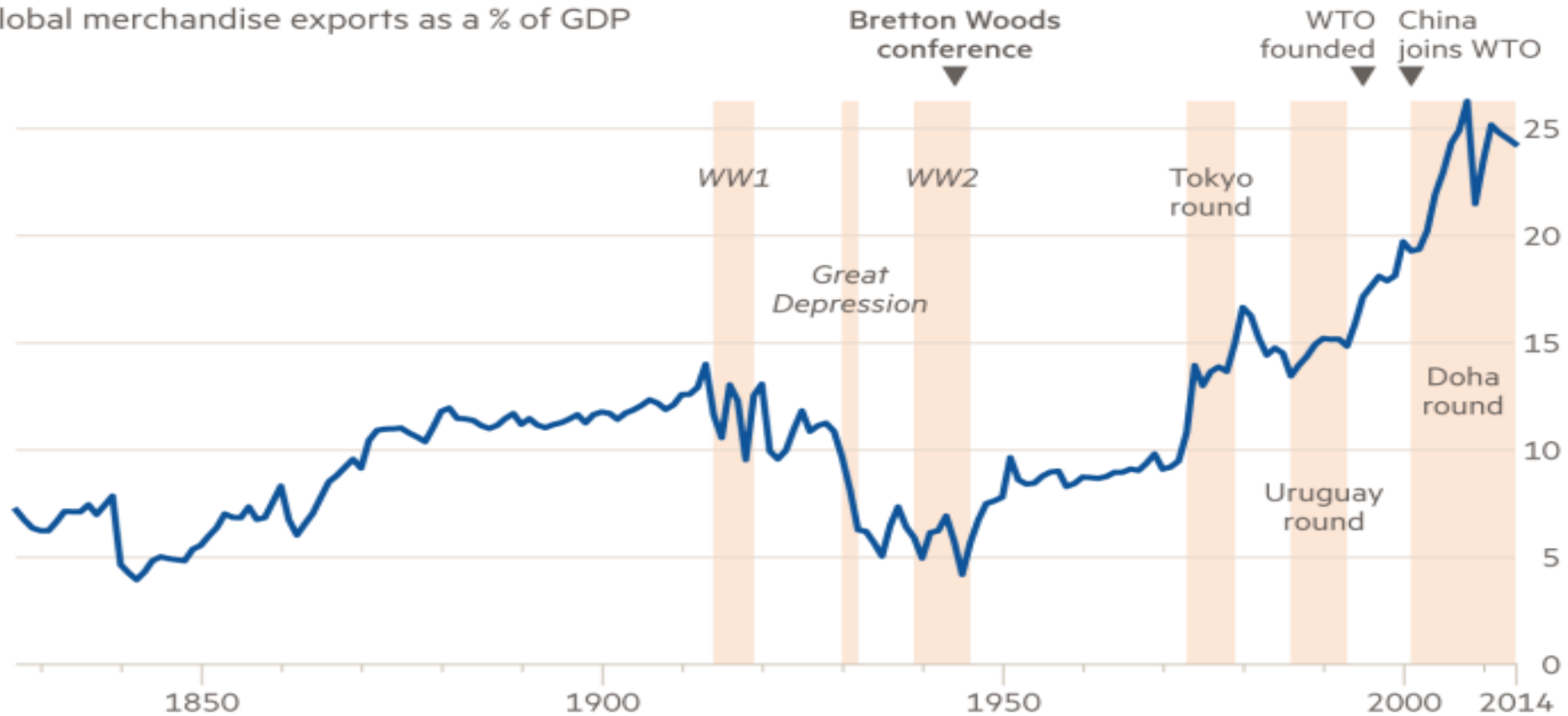
Source: IMF

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The world economic openness

The world's openness to trade reached record levels before the financial crisis

Global merchandise exports as a % of GDP

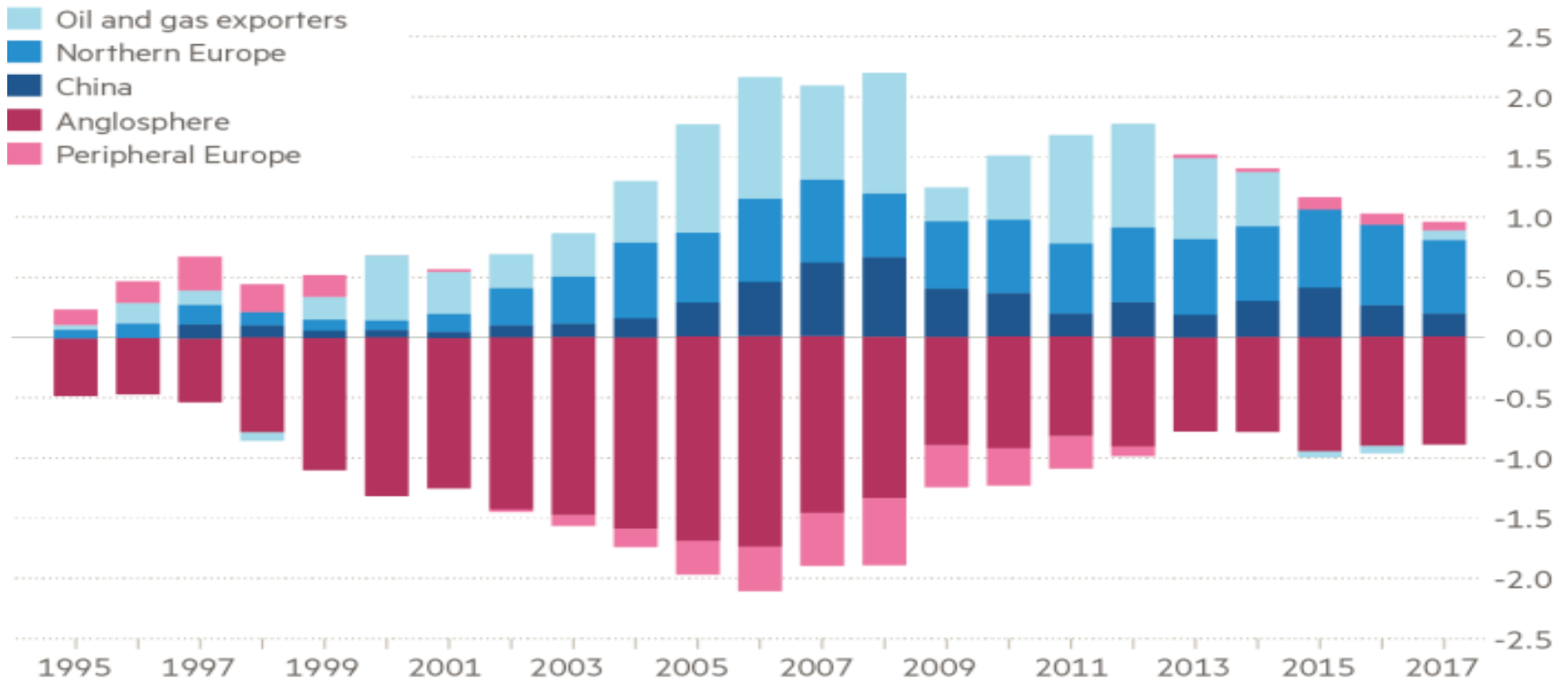


Sources: Fouquin and Hugot, "Two Centuries of Bilateral Trade and Gravity Data: 1827-2014" (CEPII 2016); ourworldindata.org

The hidden danger

Trade imbalances are narrowing and shifting

Current account balances as share of world GDP

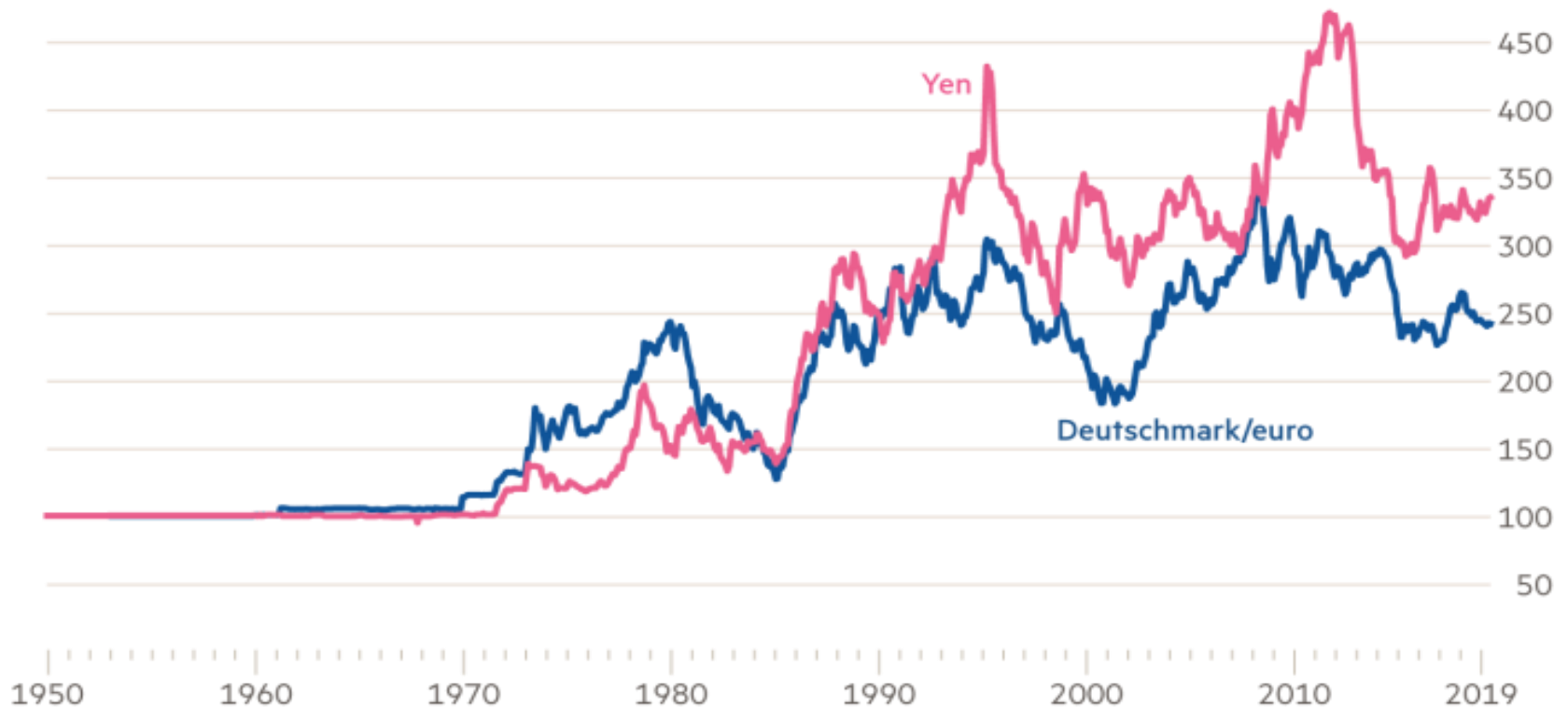


Source: IMF FT graphic: Matthew C Klein and Joanna S Kao
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The monetary aspect

Big fluctuations followed the end of the era of fixed exchange rates

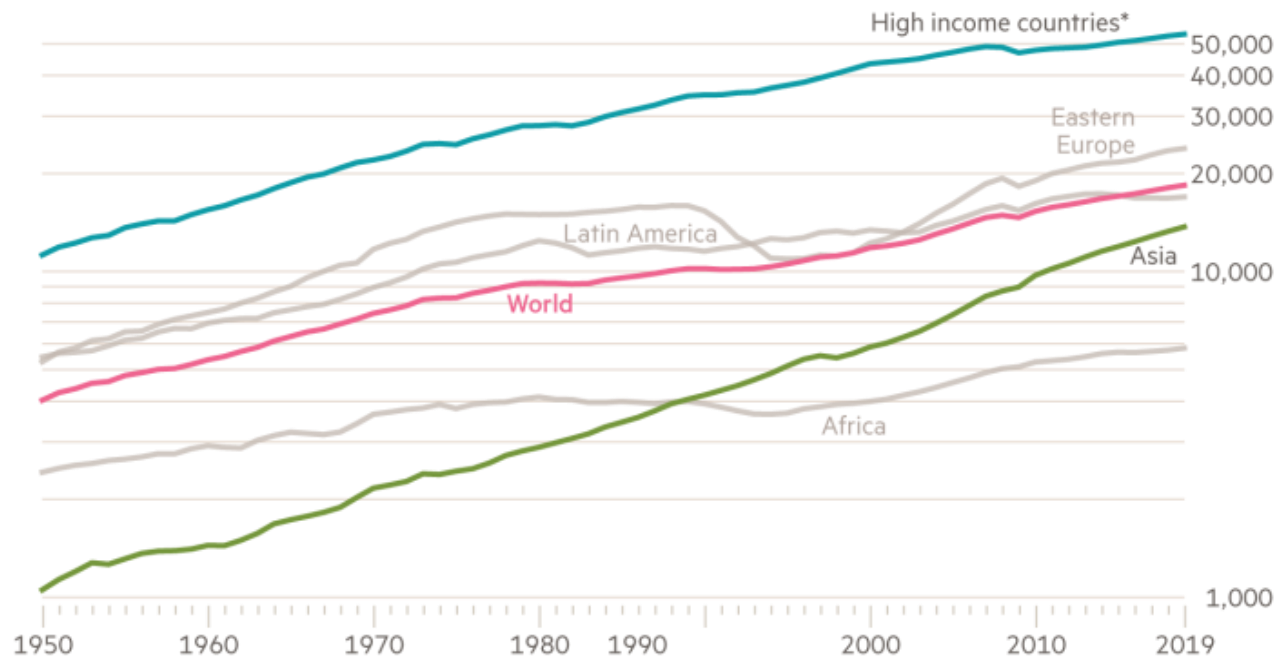
Currencies against the dollar (\$ per currency, rebased 1950 = 100)



Asia, super-Asia

Living standards have risen far faster in Asia than in any other region

Average GDP per head (at purchasing power parity, \$ at constant 2018 prices, log scale)



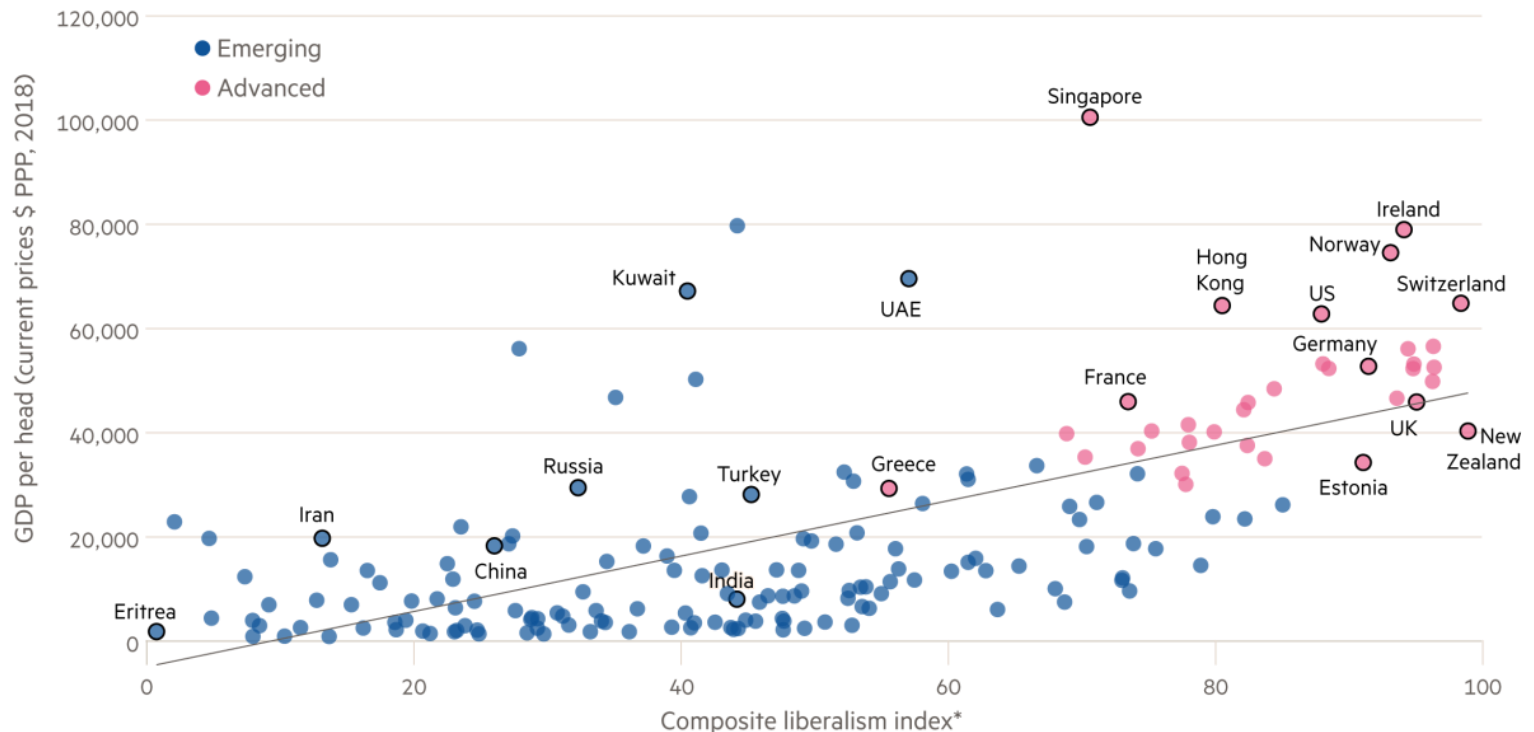
* Western Europe, North America, Australia, New Zealand

Source: The Conference Board

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Liberalism and economic performance – a strict or a problematic correlation?

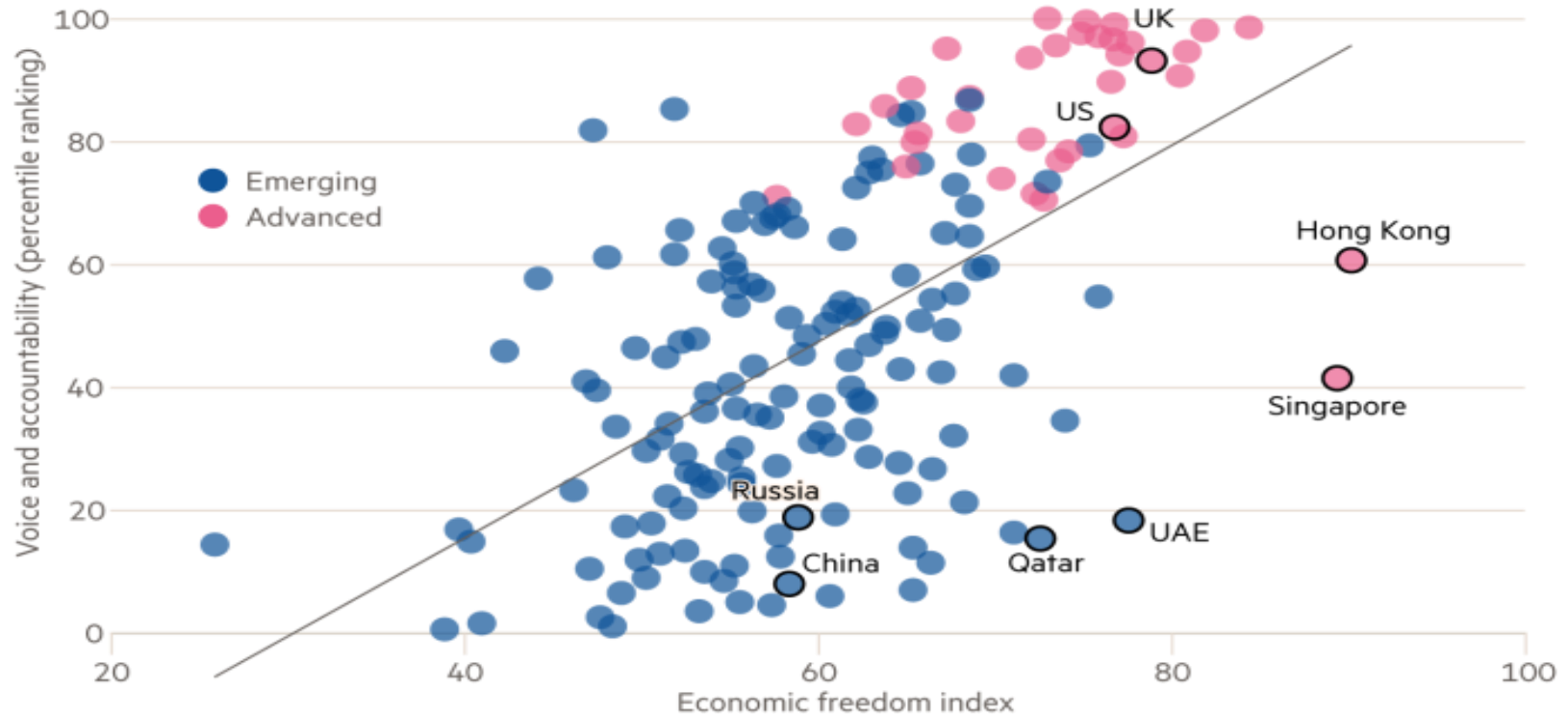
There is a link between liberalism and economic performance



* Composite value based on percentile rankings of economic freedom index and voice and accountability index
Sources: World Bank; IMF; The Heritage Foundation; FT research
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Economic freedom and democracy: close friends or just neighbors

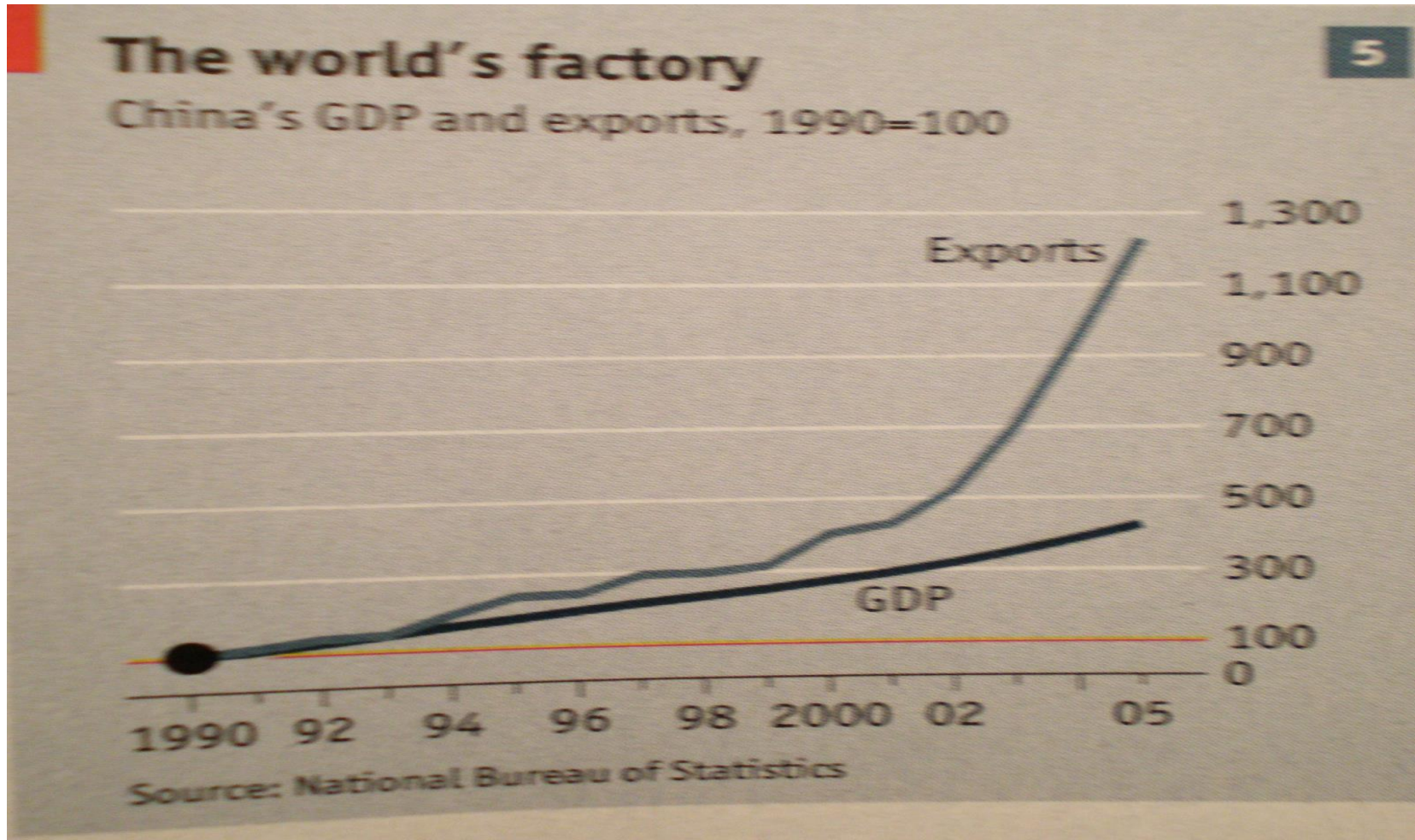
Economic freedom and democracy go hand in hand



Sources: World Bank; The Heritage Foundation
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<https://www.youtube.com/watch?v=FbY0Vpyjtul>

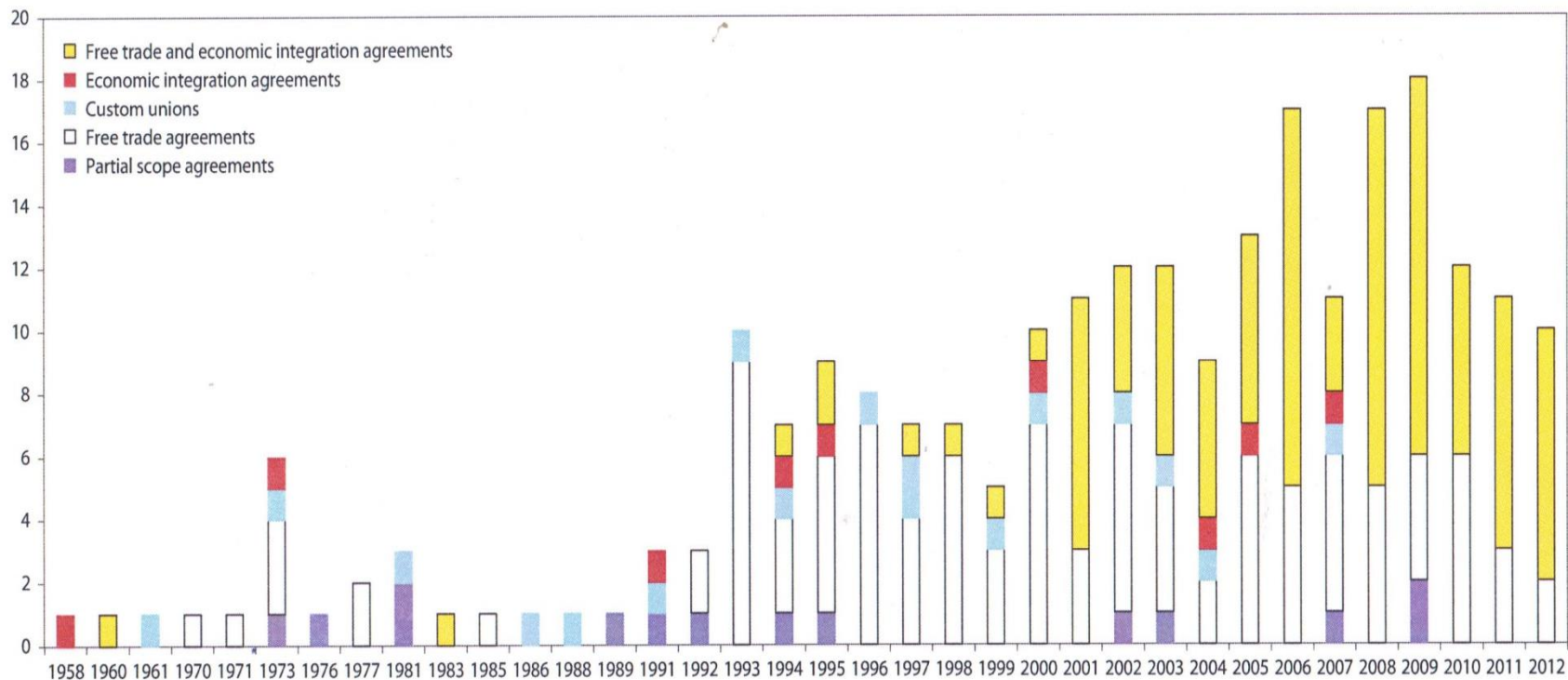
China's trend



WTO, and beyond that

Figure 2.6 Number of new signed preferential trade agreements, 1958–2012

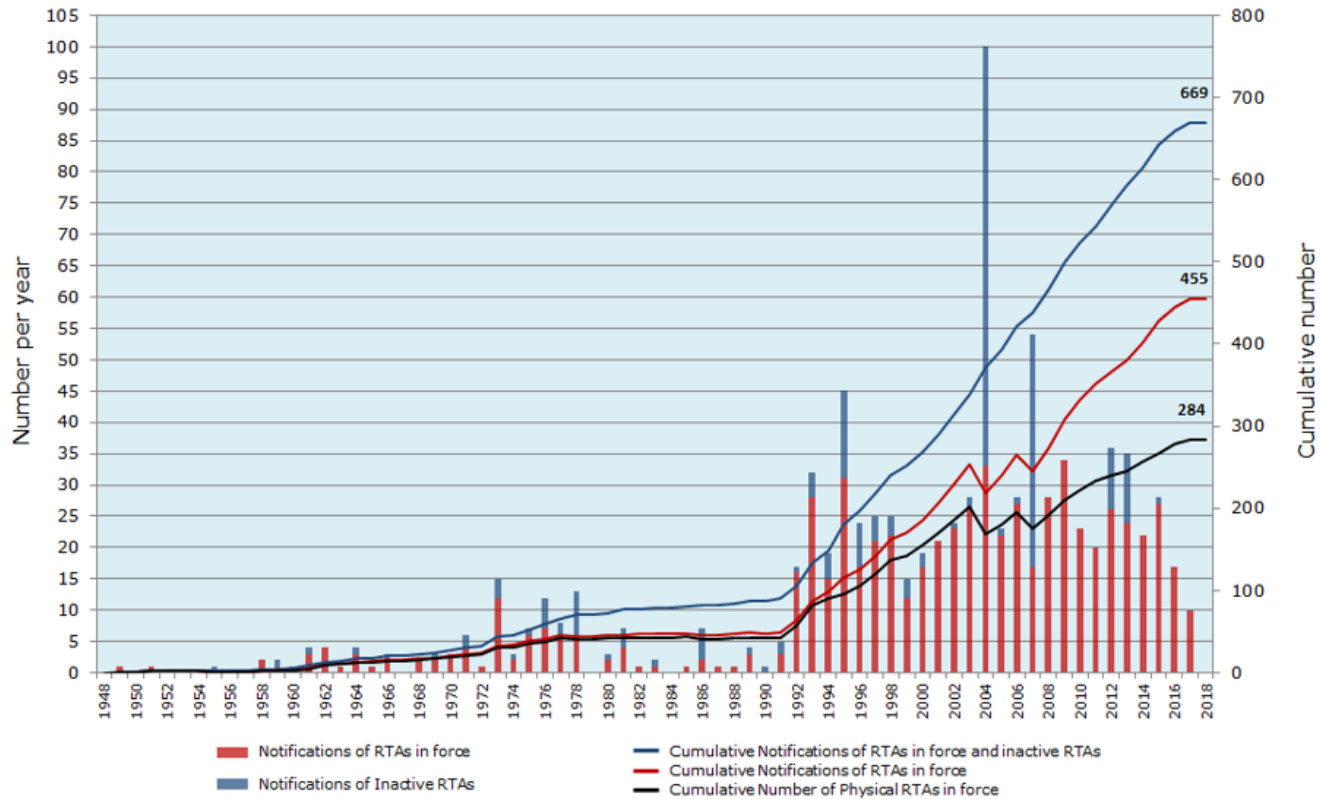
number of agreements per year



Note: The year of the count is the year the World Trade Organization (WTO) was notified of the agreement. To simplify the classification of agreements, all agreements that are both economic integration agreements and customs unions or partial scope agreements are included in the "economic integration agreement" category.

Source: WTO 2011.

Evolution of Regional Trade Agreements in the world, 1948-2018



Note: Notifications of RTAs: goods, services & accessions to an RTA are counted separately. Physical RTAs: goods, services & accessions to an RTA are counted together. The cumulative lines show the number of notifications/physical RTAs that were in force for a given year.
 Source: RTA Section, WTO Secretariat, 25-Jan-18.

But also thanks to WTO

Table 2.4 Number and type of preferential trade agreements

Type of agreement	Pre-WTO	1995–2000	Post-2000
WTO+ issues			
Customs	13	11	56
Antidumping	12	8	53
Countervailing measures	4	5	52
Export taxes	8	8	41
State aid	10	9	34
Trade-related intellectual property rights	6	4	41
Services	7	2	39
State trading enterprises	5	3	35
Technical barriers to trade	2	2	36
Sanitary and phytosanitary standards	2	1	35
Public procurement	5	0	32
Trade-related investment measures	6	2	31
WTOX issues			
Competition policy	11	9	19
Movement of capital	6	5	38
Intellectual property rights	5	2	39
Investment	4	1	35

WTO = World Trade Organization

Note: WTO+ provisions concern commitments that already exist in WTO agreements but go beyond the WTO disciplines. WTOX provisions cover obligations that are outside the current WTO aegis.

Source: Baldwin 2011b.

Globalization and trade regionalization

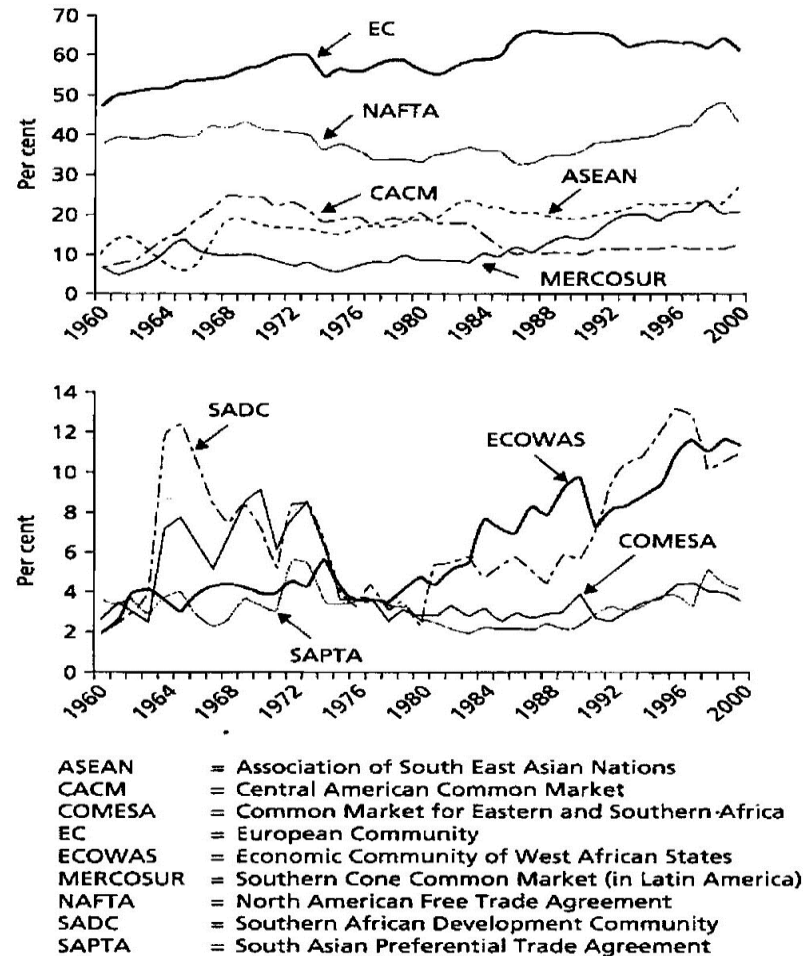


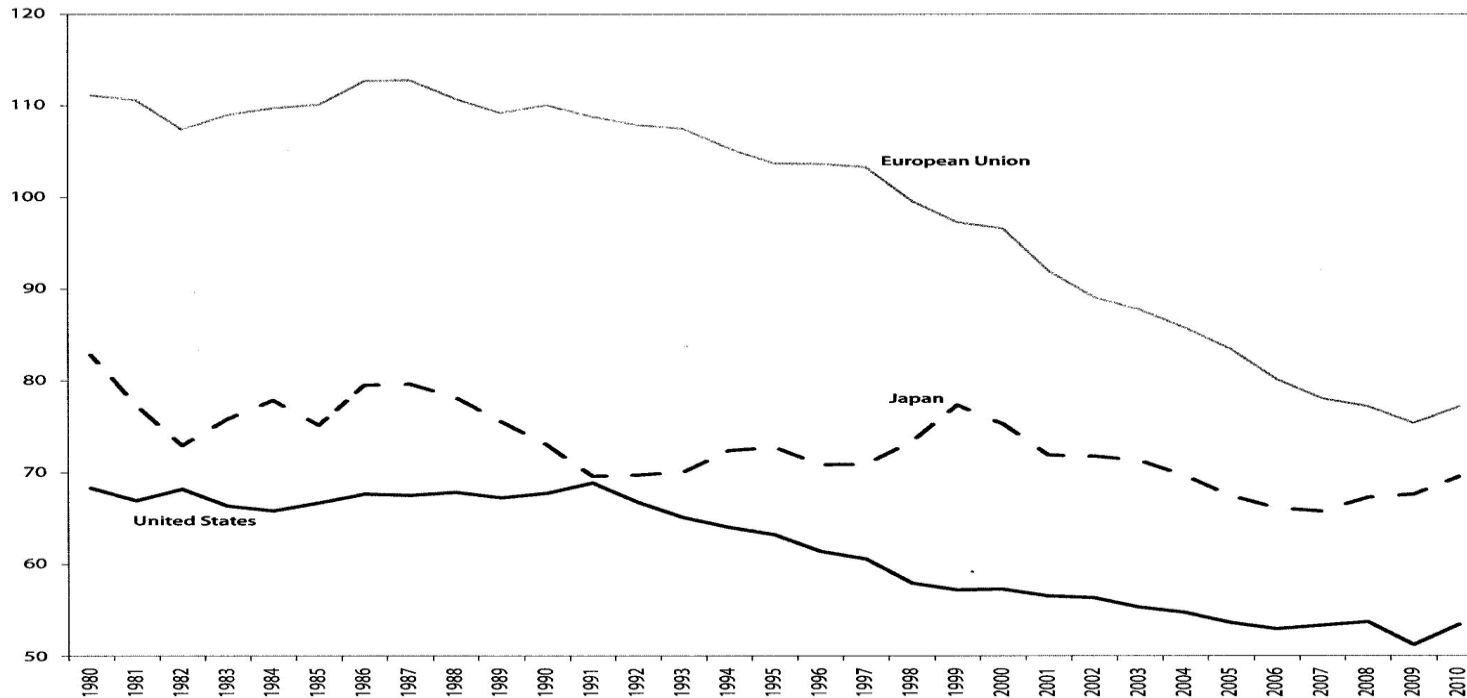
Figure 5.6 Evolution of the share of intraregional imports in total imports, 1960–2000

Source: World Bank 2005.

Tell me who's your trade partner, and I will talk about you

Figure 4.4 Relative income level of exporters to the European Union, Japan, and United States, 1980–2010

Income level of partners as a share of own income level (percent)



Note: The measure represented here is the weighted average income level of exporters to the European Union, Japan, and the United States, excluding oil exporters (as defined by the International Monetary Fund) and small countries (countries with populations of less than 1 million). Income level is per capita GDP (purchasing power parity) using the *rgdpc* measure in the Penn World Tables. For example, if we call this index $RI_{EU,t}$ for the European Union, it is computed as

$$RI_{EU,t} = \sum_i \left(\frac{GDP_{i,t}}{GDP_{EU,t}} \right) * \left(\frac{M_{i,EU,t}}{M_{EU,t}} \right)$$

where $M_{i,EU,t}$ is imports by the European Union from i and $M_{EU,t}$ is total imports by the European Union. $RI_{JP,t}$ and $RI_{US,t}$ are identically computed for Japan and the United States.

Sources: IMF various years; Penn World Tables 7.1.

Global production sharing

Table 1: Developing countries in world manufacturing trade, 1996-97, 2006-07 and 2009-10¹ (Percentage s and imports by country groups)

EXPORTS	Total manufacturing			Parts and components			Final assembly		
	1996-97	2006-07	2009-10	1996-97	2006-07	2009-10	1996-97	2006-07	2009-10
Developing countries UN	16.22	26.14	30.75	10.8	25.69	32.66	21.1	30.22	34.96
Developing countries WB	13.40	23.62	28.14	7.9	22.11	26.42	18.5	28.20	32.76
Developing Asia ²	11.11	18.99	23.05	7.1	20.58	27.19	15.4	21.73	25.56
NIE4 ⁴	2.82	2.51	2.62	3.0	3.57	6.24	2.6	2.02	2.20
China	3.62	11.39	14.65	2.1	10.96	14.44	4.9	16.16	18.90
ASEAN ³	3.66	3.59	3.87	1.8	5.66	5.86	7.7	2.92	3.33
South Asia	0.93	1.37	1.79	0.2	0.37	0.64	0.2	0.59	1.09
Central Asia	0.08	0.13	0.12	0.0	0.02	0.01	0.0	0.04	0.04
Middle-East	1.13	2.12	2.52	0.6	0.92	1.05	0.5	1.91	2.43
Africa	0.37	0.96	1.07	0.0	0.36	0.48	0.2	0.58	0.63
Latin America ⁴	3.61	4.07	4.11	3.2	3.82	3.93	5.0	6.00	6.33
World	100	100	100	100	100	100	100	100	100
US\$ billion	3973	9084	8979	1134	2728	2573	926	1992	1984

A more complex international division of labor

Table 2: Network products in developing countries manufacturing trade, 1996-07, 2006-07 and 2009-10

	Parts and components			Final assembly			Total network	
	1996-97	2006-07	2009-10	1996-97	2006-07	2009-10	1996-97	2009-10
(a) EXPORTS								
Developing countries UN	19.1	29.5	30.4	30.3	25.4	25.1	49.4	
Developing countries WB	16.9	28.1	26.9	32.2	26.2	27.3	49.0	
Developing Asia	18.1	32.6	33.8	32.3	25.1	24.5	50.4	
NIE4	29.4	47.9	52.6	28.4	19.1	15.6	57.8	
China	16.8	28.9	28.2	31.3	31.1	31.5	48.1	
ASEAN	14.3	47.4	43.4	48.8	17.8	19.1	63.1	
South Asia	5.3	8.2	10.3	4.8	9.4	13.5	10.0	
Central Asia	0.4	3.8	2.2	13.5	7.3	6.4	13.8	
Middle-East	15.2	13.0	12.0	11.2	19.8	21.3	26.4	
Africa	0.3	11.4	13.0	9.7	13.3	13.1	10.0	
Latin America	25.1	28.2	27.4	32.4	32.3	34.1	57.6	
World	28.5	30.0	28.7	23.3	21.9	22.1	51.8	
(b) IMPORTS								
Developing countries UN	22.7	37.3	36.0	23.5	19.1	20.1	46.3	
Developing countries WB	22.2	37.7	36.1	24.7	19.2	20.2	46.9	
Developing Asia	20.6	42.4	40.4	22.0	15.6	16.7	42.7	
NIE4	30.2	47.0	48.2	22.0	16.0	15.4	52.3	
China	27.5	47.3	45.4	6.4	13.6	15.3	33.9	
ASEAN	14.9	48.0	43.2	32.5	7.9	10.1	47.4	
South Asia	15.9	24.3	22.6	32.5	34.5	29.9	48.3	
Central Asia	1.6	17.4	13.1	44.4	37.7	35.7	46.0	
Middle-East	15.4	19.8	15.4	33.1	28.3	32.5	48.6	
Africa	4.8	20.0	21.0	39.7	31.2	29.8	44.5	
Latin America	37.8	46.5	46.7	17.5	15.6	16.3	55.3	
World	27.8	30.4	30.0	23.7	21.9	22.0	51.5	

Note: Two-year average. Source: Compiled from UN Comtrade database.

A New “World”: The South-South Trade

the role of newly industrialised economies (NIEs)

Table 3: South-South trade in world non-oil trade, 1990-2010
(1) Exports

	Total S-S export, US\$ billion		S-S share in world exports		S-S share in Southern exports	
	South including NIEs	South excluding NIEs	South including NIEs	South excluding NIEs	South including NIEs	South excluding NIEs
1990	211	145	7.9	5.4	41.5	28.3
1991	243	158	8.9	5.8	43.7	30.1
1992	273	164	8.4	5.1	44.0	33.3
1993	304	174	9.4	5.4	43.4	31.4
1994	373	207	10.0	5.6	44.3	31.5
1995	470	258	10.5	5.8	45.1	31.9
1996	492	268	10.6	5.8	45.0	31.4
1997	533	300	10.9	6.2	44.8	31.8
1998	485	292	9.9	6.0	41.3	30.9
1999	495	283	9.9	5.7	39.9	28.4
2000	617	353	11.2	6.4	41.2	29.3
2001	611	371	11.4	6.9	42.1	31.1
2002	681	417	12.0	7.3	42.7	31.5
2003	840	521	12.8	7.9	44.2	33.2
2004	1060	661	13.4	8.4	44.6	33.8
2005	1282	823	14.7	9.4	46.1	35.6
2006	1552	1013	15.4	10.1	47.0	36.7
2007	1883	1262	16.3	10.9	48.8	38.8
2008	2190	1495	17.1	11.6	50.0	40.1
2009	1941	1333	18.7	12.8	51.7	41.9
2010	2491	1723	20.2	13.9	53.2	43.6

A closer South-South cooperation

Table 4: South-South non-fuel trade by major regions, 1990-91, 1996-97, 2006-07 and 2009-10

		Exports				Imports		
		US\$ billion	Share in total Exports (%)	Share in S-S exports (%)	Intra-regional share	US\$ billion	Share in total imports	Share in S-S imports (%)
Developing Asia	1990-91	161.5	45.0	86.8	84.7	154.2	38.2	94.0
	1996-97	426.4	44.7	83.2	83.2	399.9	37.1	83.0
	2006-07	1,382.0	48.6	80.5	80.1	1,256.6	48.8	71.0
	2009-10	1,776.5	53.2	80.1	77.2	1,427.9	47.0	65.0
NIEs	1990-91	60.6	32.6	32.5	42.4	50.4	28.8	30.0
	1996-97	171.3	47.2	33.5	37.0	123.0	35.5	26.0
	2006-07	422.6	52.3	24.7	25.3	284.4	45.3	16.0
	2009-10	508.6	57.3	22.9	21.9	214.2	31.9	9.0
China	1990-91	67.0	45.2	36.1	25.2	56.2	43.8	34.0
	1996-97	158.9	46.0	31.0	24.2	148.7	44.1	31.0
	2006-07	662.6	46.8	38.5	31.0	580.5	51.6	32.0
	2009-10	867.3	50.0	39.1	33.9	727.8	50.8	32.0
Southeast Asia	1990-91	26.7	34.7	14.3	12.6	39.8	27.4	24.0
	1996-97	77.0	39.9	15.0	20.3	108.4	32.4	23.0
	2006-07	213.3	47.9	12.4	23.9	289.1	49.5	16.0
	2009-10	268.1	54.9	12.1	23.8	331.3	51.7	15.0
South Asia	1990-91	7.2	26.7	3.9	17.3	7.7	28.4	4.0
	1996-97	17.3	36.2	3.4	13.5	18.0	34.5	3.0
	2006-07	75.1	48.6	4.4	13.6	91.4	46.2	5.0
	2009-10	123.1	58.9	5.5	12.7	141.7	55.7	6.0
Pacific	1990-91	0.1	14.6	0.0	38.1	0.1	20.6	0.0
	1996-97	0.0	67.2	0.0	7.3	0.0	24.8	0.0
	2006-07	0.2	25.3	0.0	36.0	0.5	27.0	0.0
	2009-10	0.1	14.2	0.0	36.3	0.3	28.3	0.0

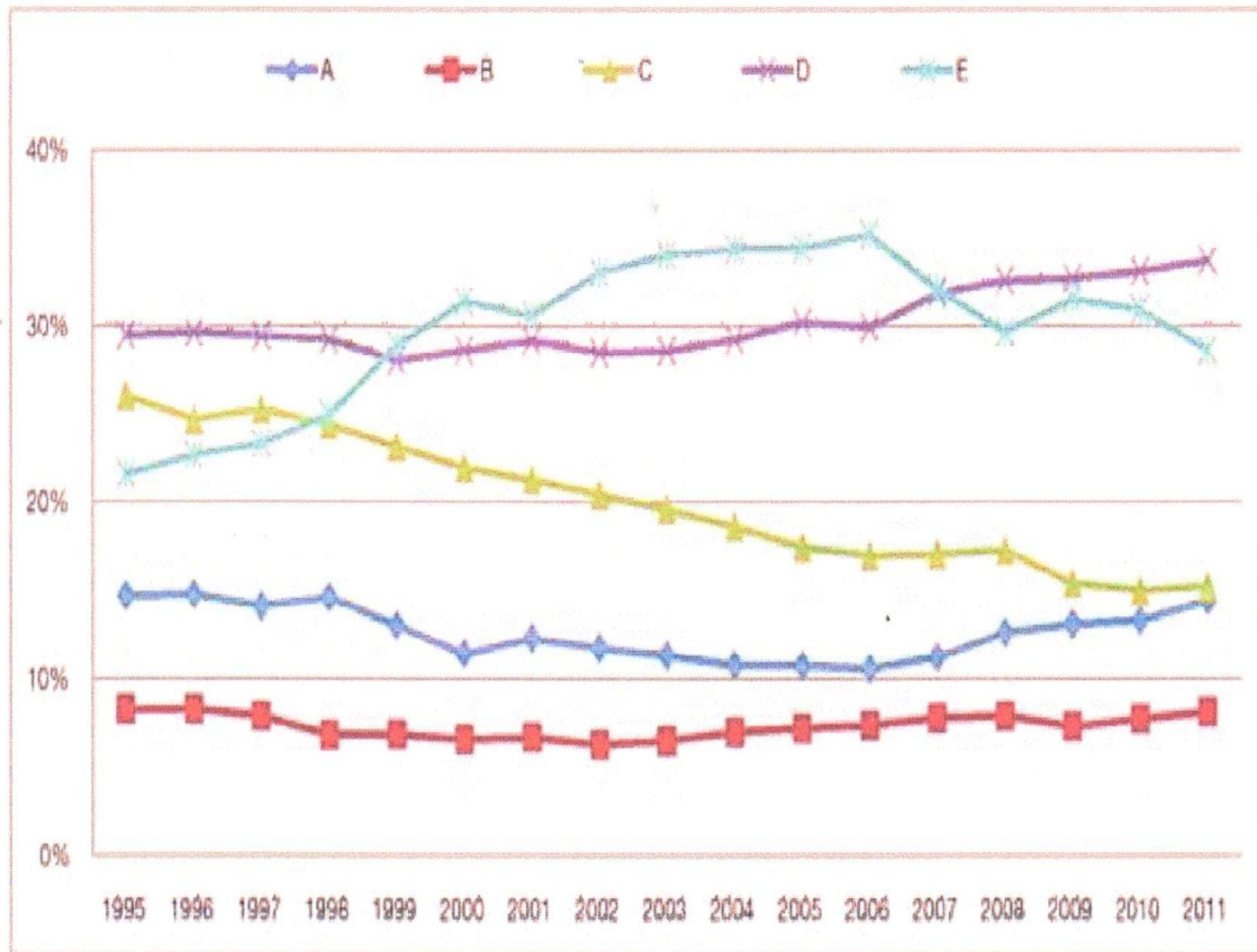
Comparing South-South trade and South-North trade

Table 5: Commodity composition of developing countries non-fuel trade, 2009-10 (percent)

	South-South trade		South – North trade	
	Non-fuel primary	Manufactures	Non-fuel primary	Manufactures
(a) EXPORTS				
Developing Asia	8.8	91.2	7.5	92.5
NIEs	5.3	94.7	6.4	93.6
China	3.5	96.5	3.8	96.2
Southeast Asia	16.8	83.2	16.8	83.2
Southern Asia	28.3	71.7	10.8	89.2
Central Asia West Asia	44.9	55.1	37.3	62.7
Pacific	76.2	23.8	69.9	30.1
Middle East	22.2	77.8	15.2	84.8
Africa	41.0	59.0	31.3	68.7
Latin America	41.6	58.4	30.9	69.1
World	15.1	84.9	16.2	83.8
(b) IMPORTS				
Developing Asia	14.3	85.7	14.8	85.2
NIEs	11.4	88.6	10.6	89.4
China	12.3	87.7	14.7	85.3
Southeast Asia	12.6	87.4	11.5	88.5
Southern Asia	28.1	71.9	26.1	73.9
Central and West Asia	16.8	83.2	12.6	87.4
Pacific	25.6	74.4	34.5	65.5
Middle East	22.4	77.6	16.2	83.8
Africa	23.3	76.7	20.2	79.8
Latin America	16.0	84.0	11.9	88.1
World	15.3	84.7	16.3	83.7

Source: Compiled from UN Comtrade database.

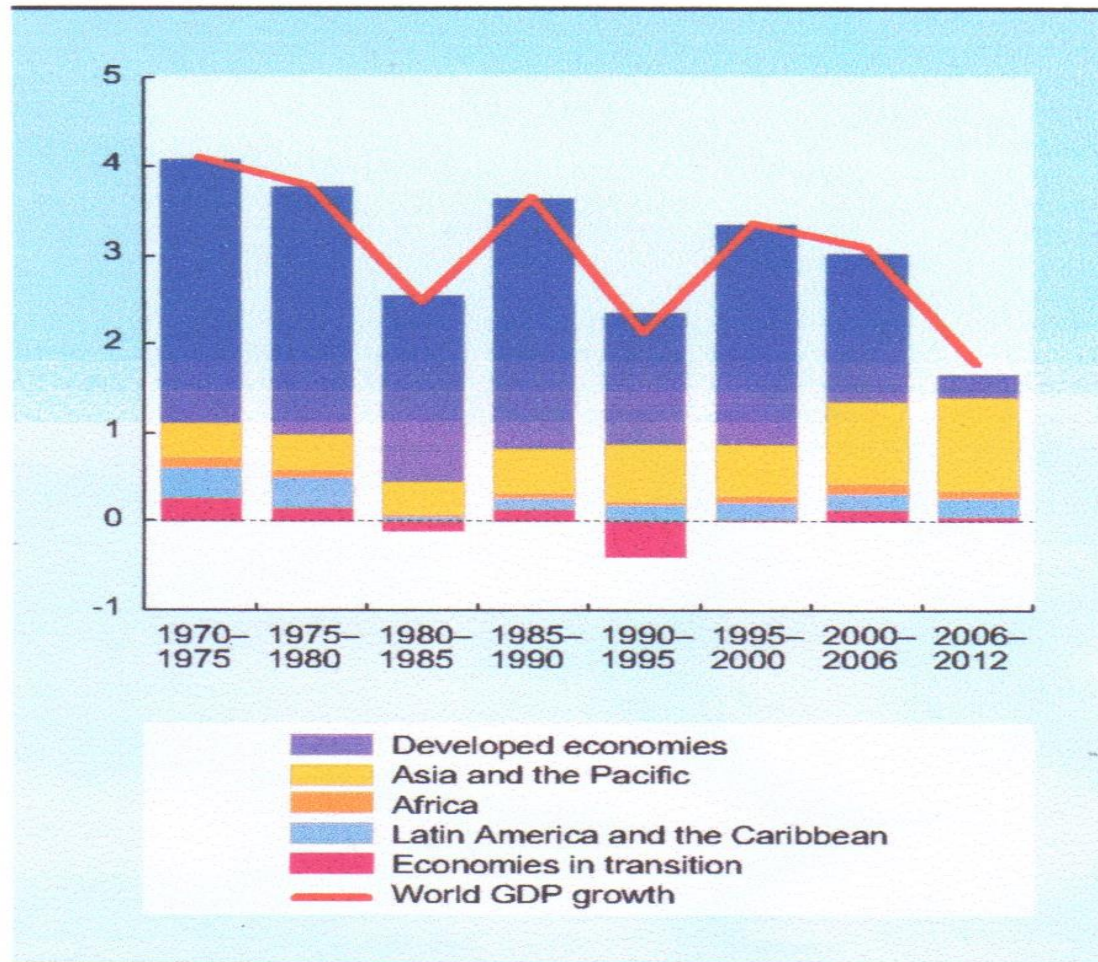
Figure 6. Change in the sectoral shares of South-South exports



A	Agri-food and raw materials	D	Manufactures with medium skill and technology intensity
B	Resource-intensive manufactures (e.g. textiles and clothing)	E	Manufactures with high skill and technology intensity
C	Manufactures with low skill and technology intensity		

REGIONAL CONTRIBUTIONS TO WORLD GDP GROWTH, 1970–2012

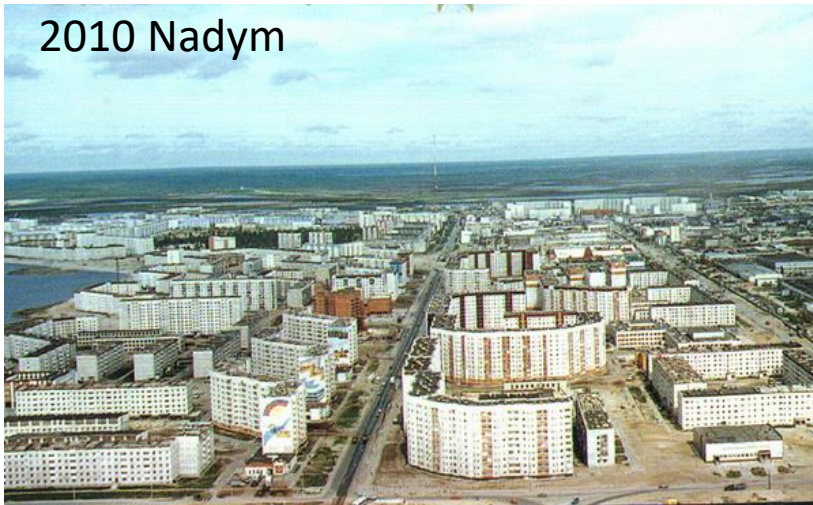
(Per cent)



Source: UNCTAD secretariat calculations, based on table 1.1; *UNCTADstat*; UN/DESA, *National Accounts Main Aggregates* database; World Bank, *World Development Indicators*; and Maddison, 2008.

Note: Data are averages for the periods.

The World “Centre of Gravity”



A changing economic centre of gravity

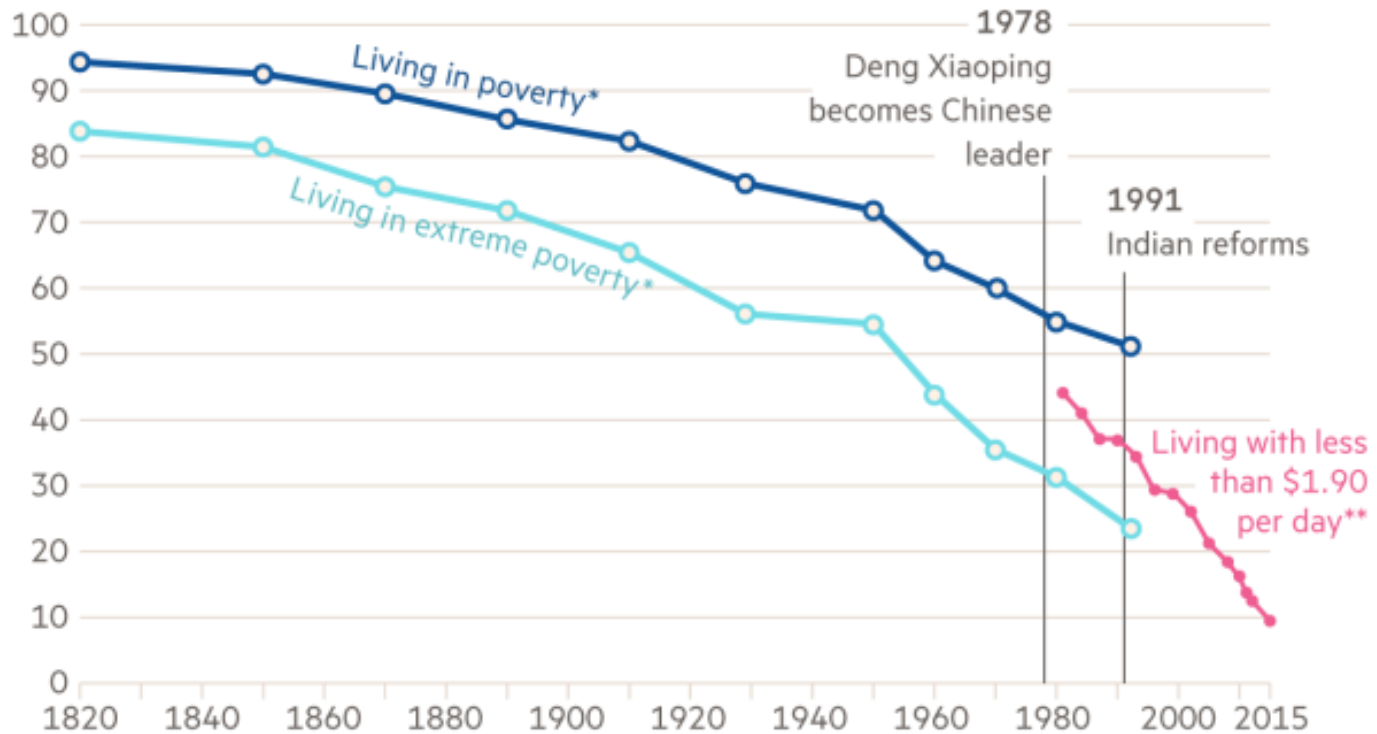
For centuries the world economy was balanced between Europe and eastern China, leaving the world's centre of gravity close to today's Pakistan. But as Europe and then North America industrialised, it moved northwest, almost hitting Greenland at the height of US power in 1950. Following small shifts, the return of China as a global power has pulled it close to Nadym, a gas-producing town in northern Siberia. By 2025, McKinsey Global Institute expects the centre of gravity to move further southeast to Novosibirsk.



Poorer or richer?

The proportion of people in extreme poverty has fallen dramatically

Share of world population (%)



* Living with less than \$2 per day (poverty) or \$1 per day (extreme poverty)

** World Bank measure of poverty introduced in 2015

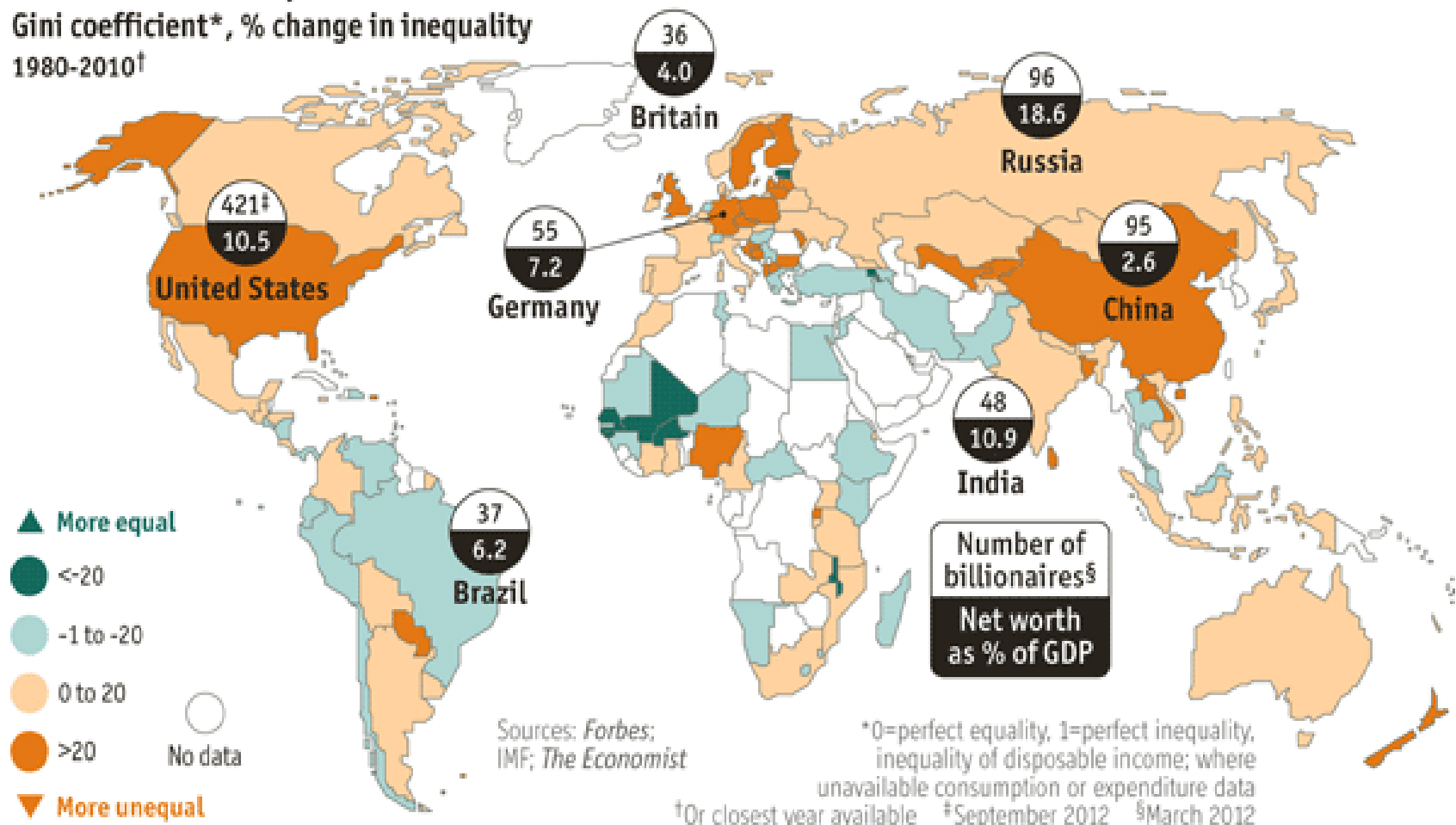
Sources: Bourguignon and Morrisson; World Bank; ourworldindata.org

© FT

More or less unequal

More or less unequal

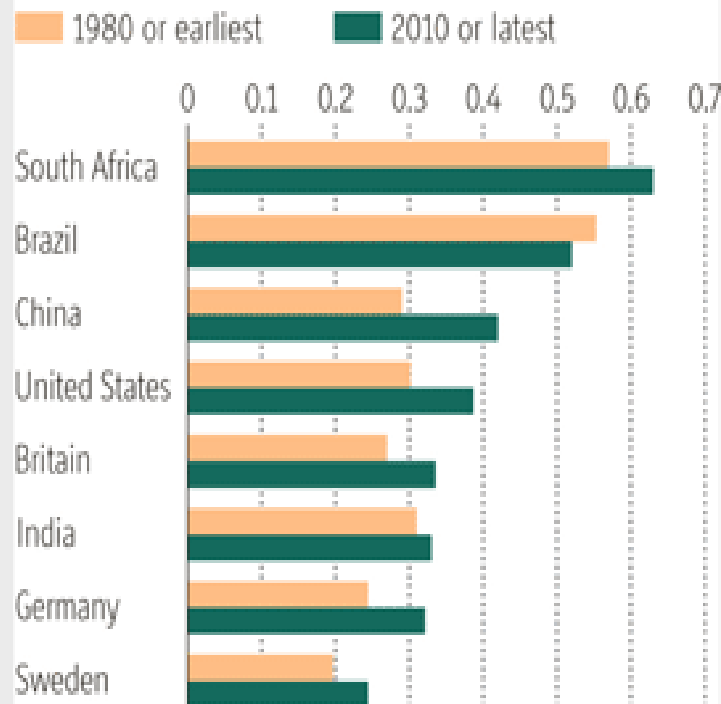
Gini coefficient*, % change in inequality
1980-2010†



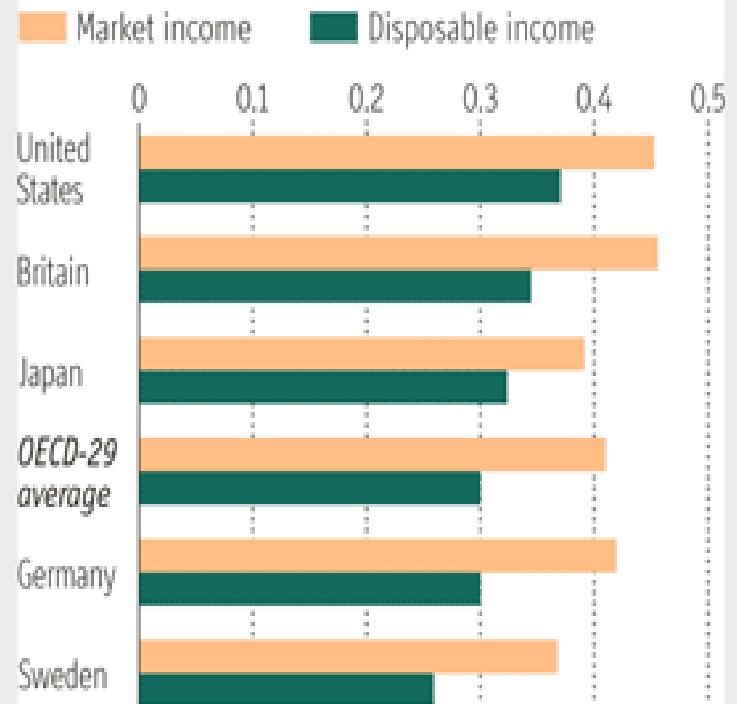
More or less unequal

So many ways

Income inequality, Gini coefficient*



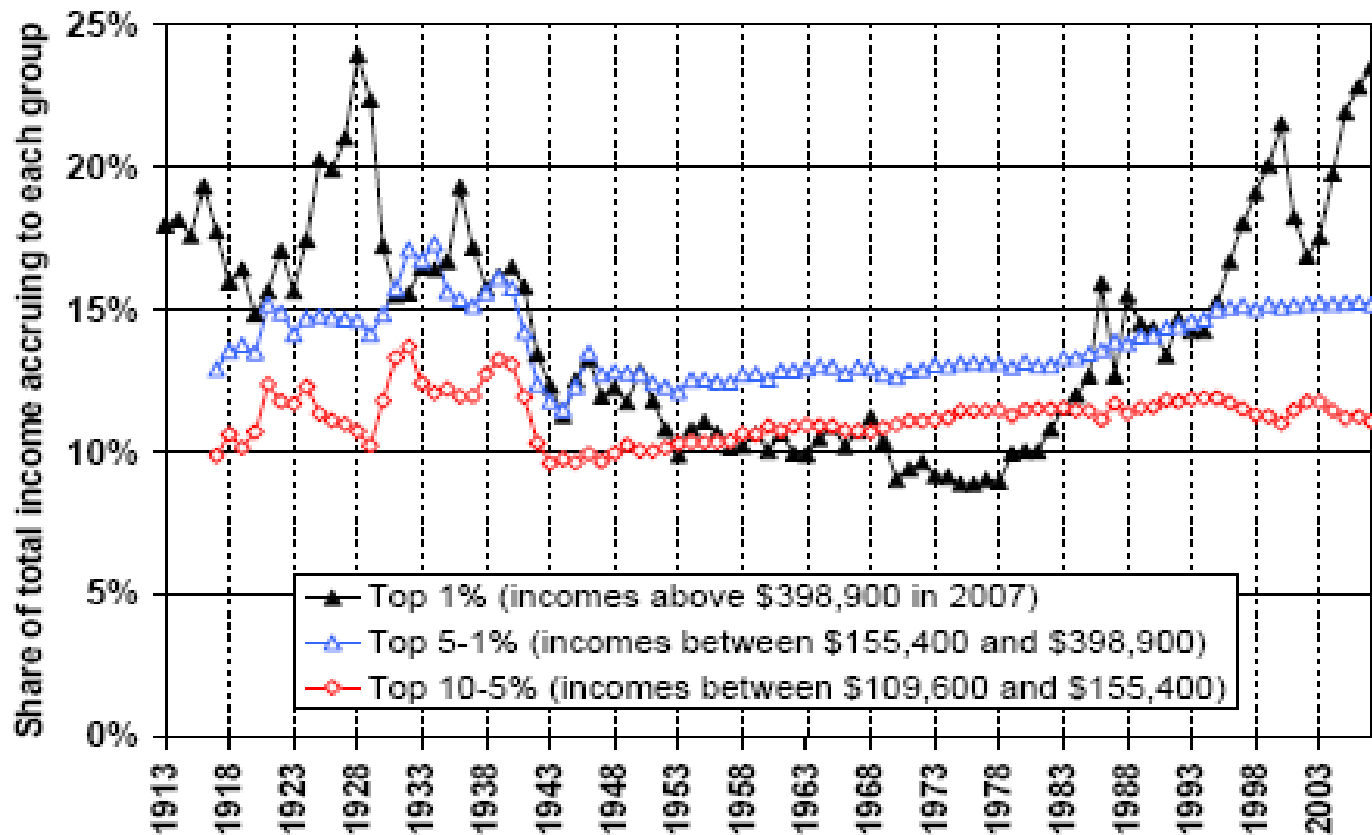
Gini coefficient*, late 2000s



Sources: IMF; OECD

*0=perfect equality, 1=perfect inequality

The social and economic consequences





<http://www.icc-ccs.org/piracy-reporting-centre/live-piracy-map/piracy-map-2012>

A PYRATES CAPITALISM ?

- **Total Cases: updated at 24th of September 2012**
Total Attacks: 225
Total hijacks: 24
- **Reported Accidents in Somalia:**
Total accidents: 70
Total hijacks: 13
Total hostages: 212
- **Boats today in the hands of Somali pyratees : 11**
- **Hostages in their hands: 188**

The most dangerous seas

