Guest Lecture, 4 October 2004

Globalization

Prof. Tim Büthe

www.duke.edu/~buthe
Outline

• Globalization of Product and Financial Markets (Trade and Capital Mobility)
• Déjà vu or Qualitatively Different?
• Causes and Consequences of Economic Globalization
• Broader Notions of Globalization
How Do We Measure Globalization?

- Problems of comparability across countries
  - national currencies
  => "Purchasing Power Parity" (PPP)
## Trade Flows

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports (X)</th>
<th>Imports (M)</th>
<th>GDP</th>
<th>X+M as % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>$714 billion</td>
<td>$1.26 trillion</td>
<td>$10.99 tril</td>
<td>17.9%</td>
</tr>
<tr>
<td>Belgium</td>
<td>$183 billion</td>
<td>$173 billion</td>
<td>$299.1 bil</td>
<td>119%</td>
</tr>
<tr>
<td>Palau</td>
<td>$18 million</td>
<td>$99 million</td>
<td>$174 mil</td>
<td>67.2%</td>
</tr>
</tbody>
</table>

How Do We Measure Globalization?

• Problems of comparability across countries
  - national currencies
  - economic size of countries

• Problems of comparability over time
  - inflation
  => "constant" versus "current" [$, €, £, ¥]
How Do We Measure Globalization?

• Problems of comparability across countries
  - national currencies
  - economic size of countries

• Problems of comparability over time
  - inflation

• Actual versus potential integration of markets
Actual Integration of Markets
Trade

• Trade Flows
Trade Flows

Figure 3: Growth in World Trade Relative to Output

Source: Hummels 1999:23
Actual Integration of Markets: Trade

- Trade Flows
- Price Convergence
- Globalization
  - vs. Internationalization
  - vs. Regionalism
Trade Connectedness

Map 3.1 World trade interconnectedness, 1990 (Source: Adapted from Nierop, 1994)

Source: Held et al 1999:166
Potential Integration of Markets: Barriers to Trade

- Tariffs
- Quotas & Similar Quantitative Restrictions
- Non-Tariff Barriers (NTBs)
  - "voluntary export restraints" (VERs)
  - regulations
  - administrative procedures
- Transportation Costs
  - standardization of containers
  - imports/exports recorded costs ratio
1 Measure of Transport Costs
(Worldwide Avg. Imports c.i.f/Exports f.o.b.)

Figure 1: Transport Costs in World Trade (CIF/FOB Ratio)

Data Source: IMF *Direction of Trade Statistics*, var. years
Actual and Potential Integration of Financial Markets

• Financial Flows
  - foreign exchange
  - transnational portfolio investment
  - foreign direct investment (FDI)
Foreign Direct Investment

Source: Bütte & Milner, 2004
Example: Multinational Corporation

Motorola is an important example of the modern multinational enterprise. As the map shows, Motorola in 2000 had manufacturing facilities in fourteen different countries. It should also be noted that, of Motorola's total sales of about $38 billion in 2000, 58 percent resulted from its international sales operations.


Source: Grieco & Ikenberry, 2003:213
Actual and Potential Integration of Financial Markets

- Financial Flows
  - foreign exchange
  - transnational portfolio investment
  - foreign direct investment (FDI)

- Convergence of Interest Rates

- Legal Restrictions on Capital Inflows/Outflows
OECD Countries' Openness to International Capital Mobility

Data Source: Dennis Quinn

Average OECD Financial Openness (Quinn)
Globalization: What's New?

Déjà Vu?
• trade as % of GDP
• int'l financial flows
• transport costs ↓

Real Differences
• surpassed pre-WWI levels
• ForEx trading, FDI
• economic integration due to political decisions
• technological change
• changed geo-political context post-Cold War
• economic integration & democracy
• role of the state
Economic Globalization: Causes and Consequences

- Liberal Perspectives
- Realist/Mercantilist Perspective
- Marxist Perspectives
- Gender/Feminist Perspectives
Econ. Globalization & the State

- Persistent Centrality of States in IPE
- Importance of Non-State Actors ↑
- Globalization and Democracy?
Broader Notions of Globalization

• Changes in
  - Extensiveness
  - Intensiveness
  - Velocity

• Sense of Connectedness, Interdependence

• Communications, Flow of Information

• Flow of Ideas & Norms

• Culture & Identity
Thank you