

Globalization and World Trade

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Outline

- What is (or was?) globalization?
- Causes and effects of globalization
- Trade imbalances
- Policy responses

What is (or was?) globalization?

- Growth of international trade

Globalization over 5 centuries (1500-2011)

Shown is the sum of world exports and imports as a share of world GDP (%)

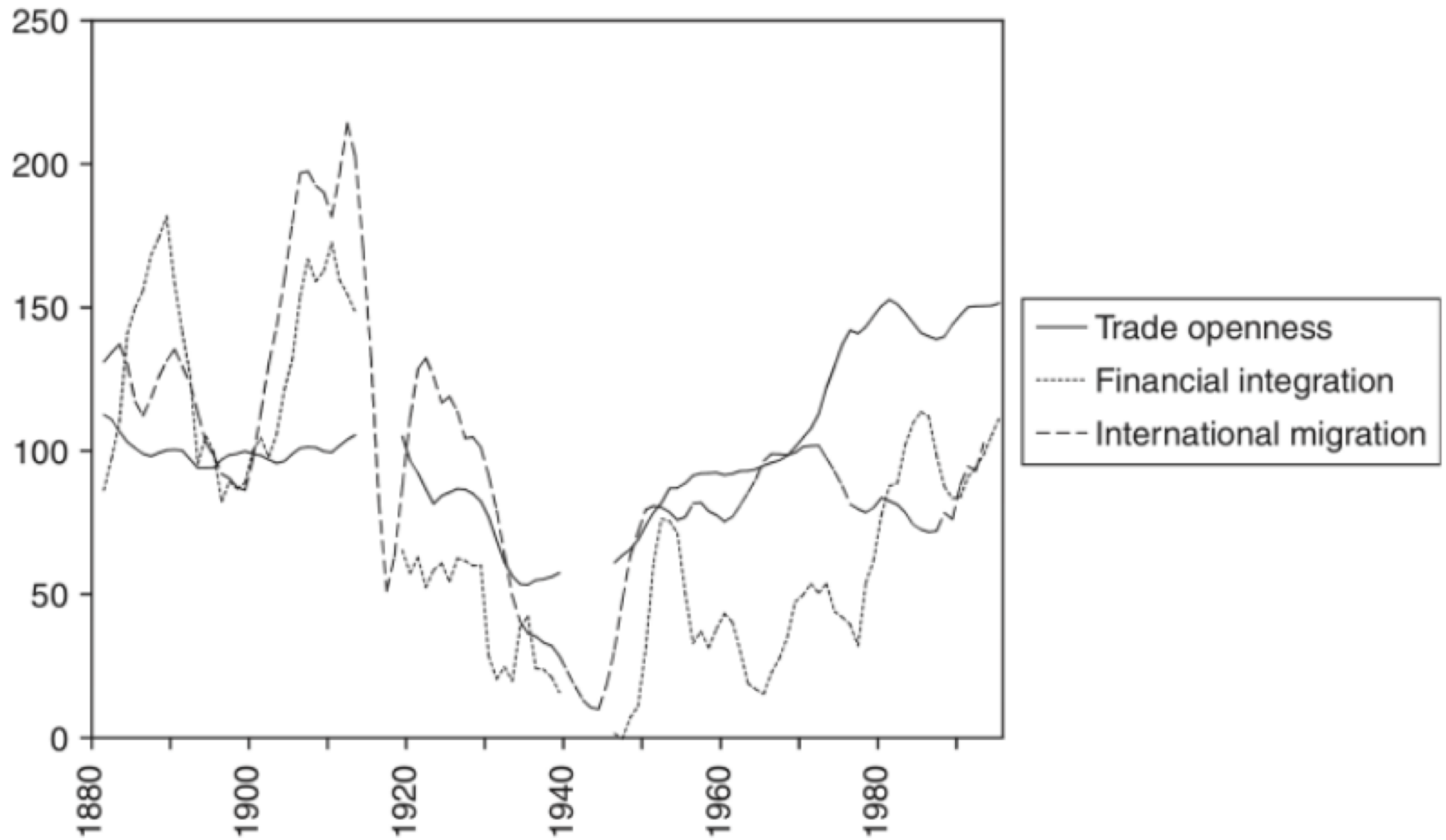
The individual series are labeled with the source of the data

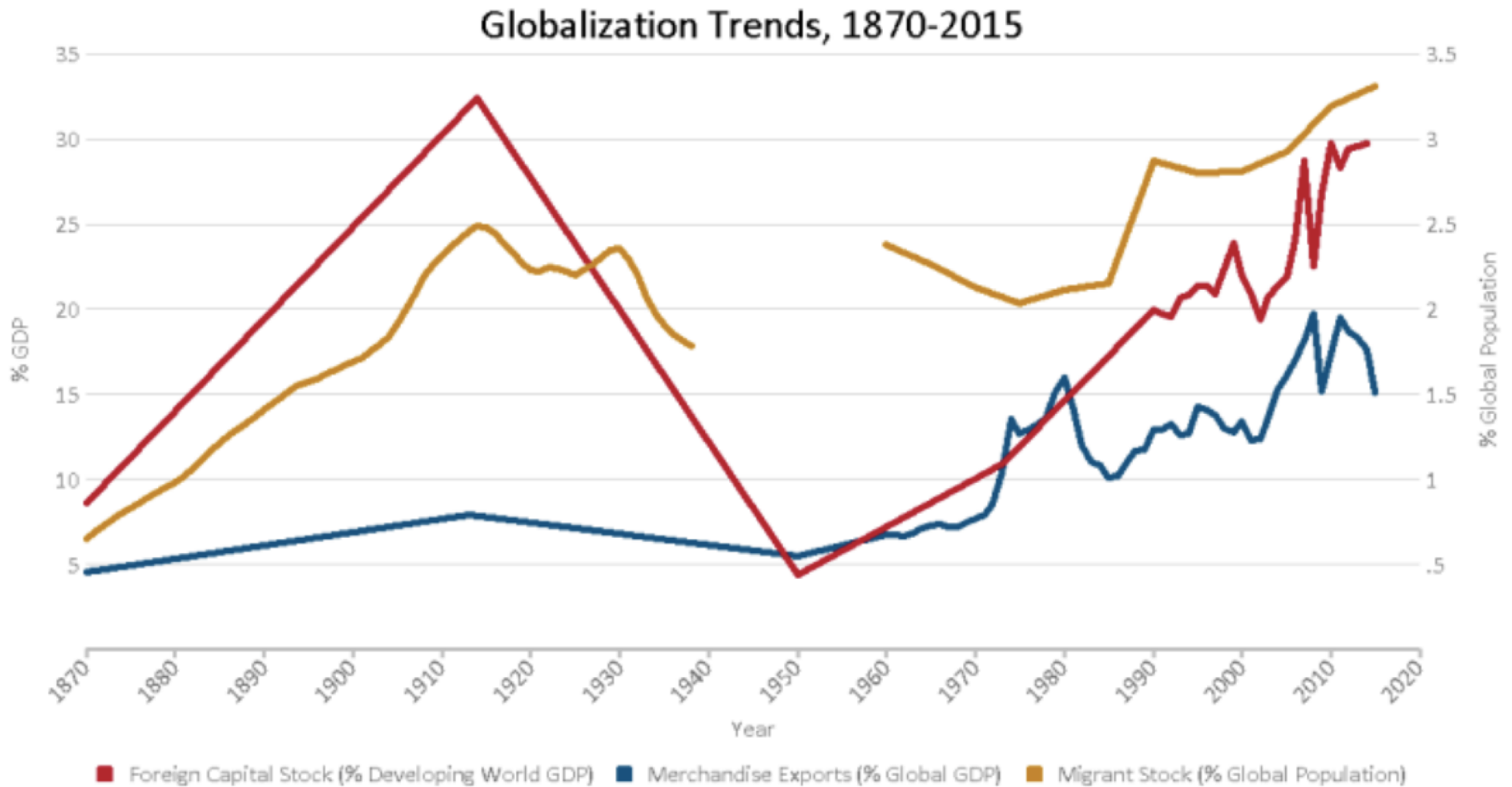


Data sources: Klasing and Milionis (2014), Estevadeordal, Frantz and Taylor (2003) and the Penn World Tables Version 8.1
The interactive data visualization is available at [OurWorldInData.org](https://ourworldindata.org). There you find the raw data and more visualizations on this topic.

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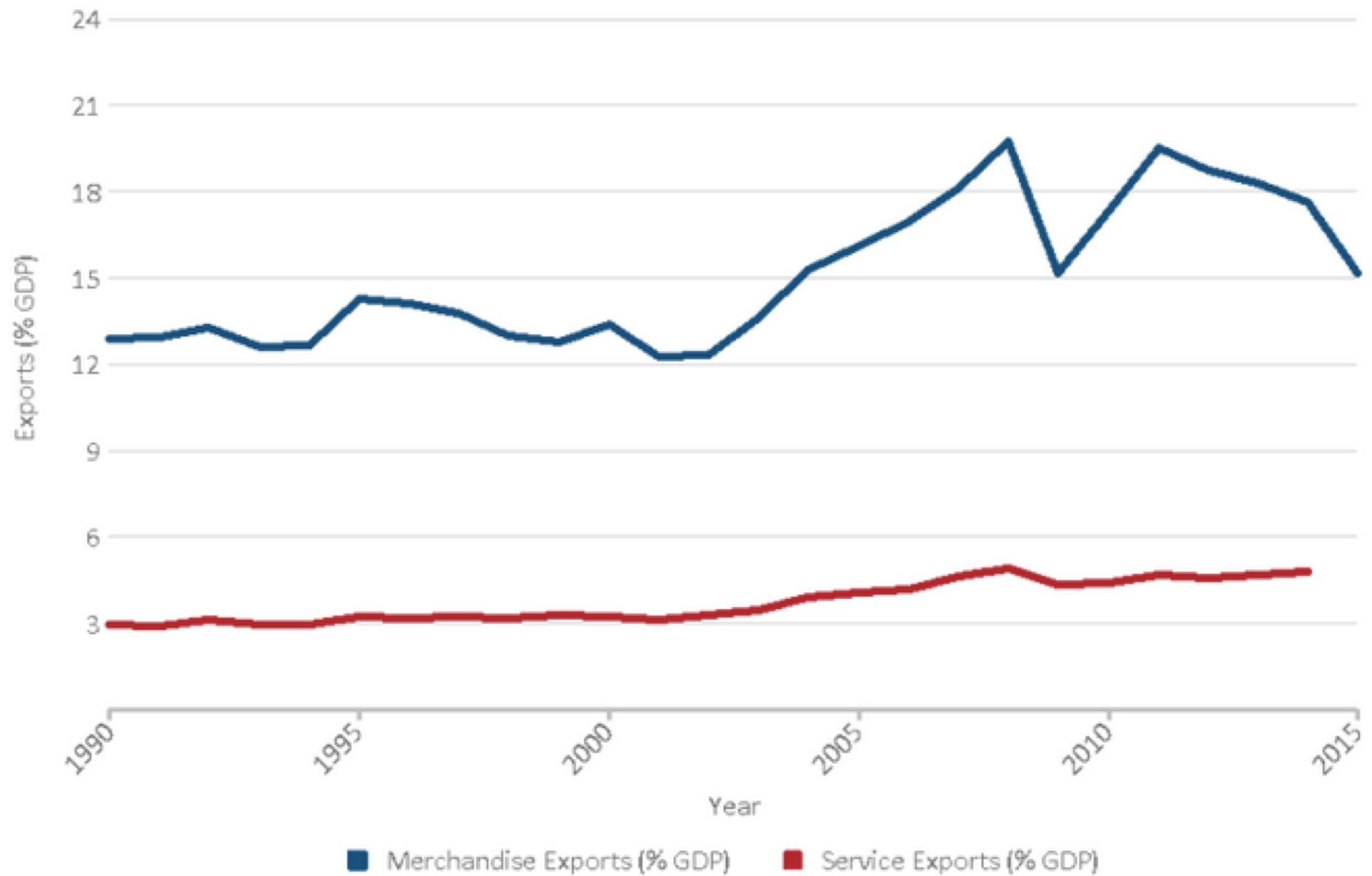
Migration, financial integration and trade openness, 1880-1996 (indexed to 1900 = 100) – Cambridge Economic History Vol. 2⁵





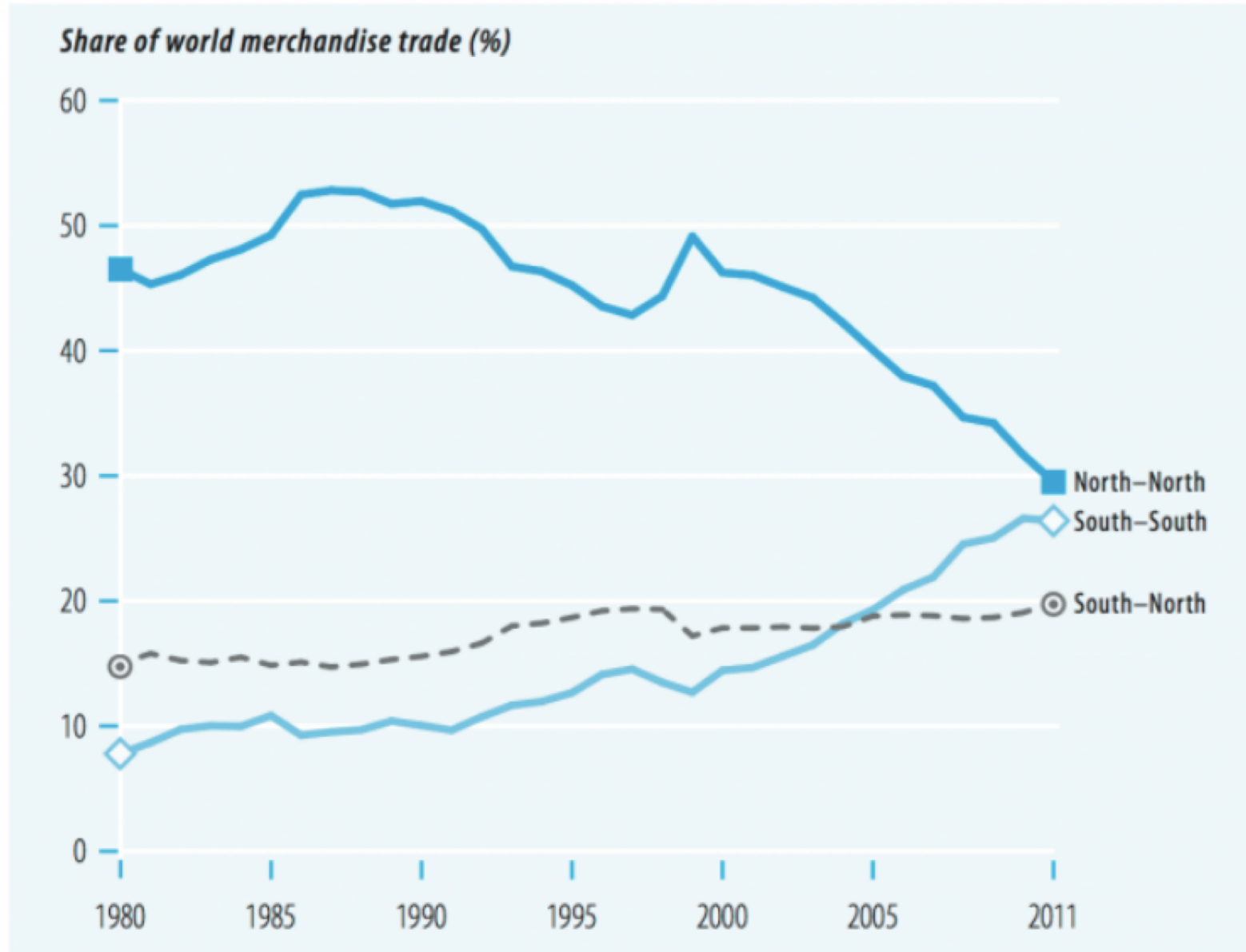


Merchandise and Service Exports, 1990-2014



Share of world merchandise trade by type of trade (North-North, South-South, South-North), 1980-2011
– Figure 2.1 in *UN Human Development Report (2013)*

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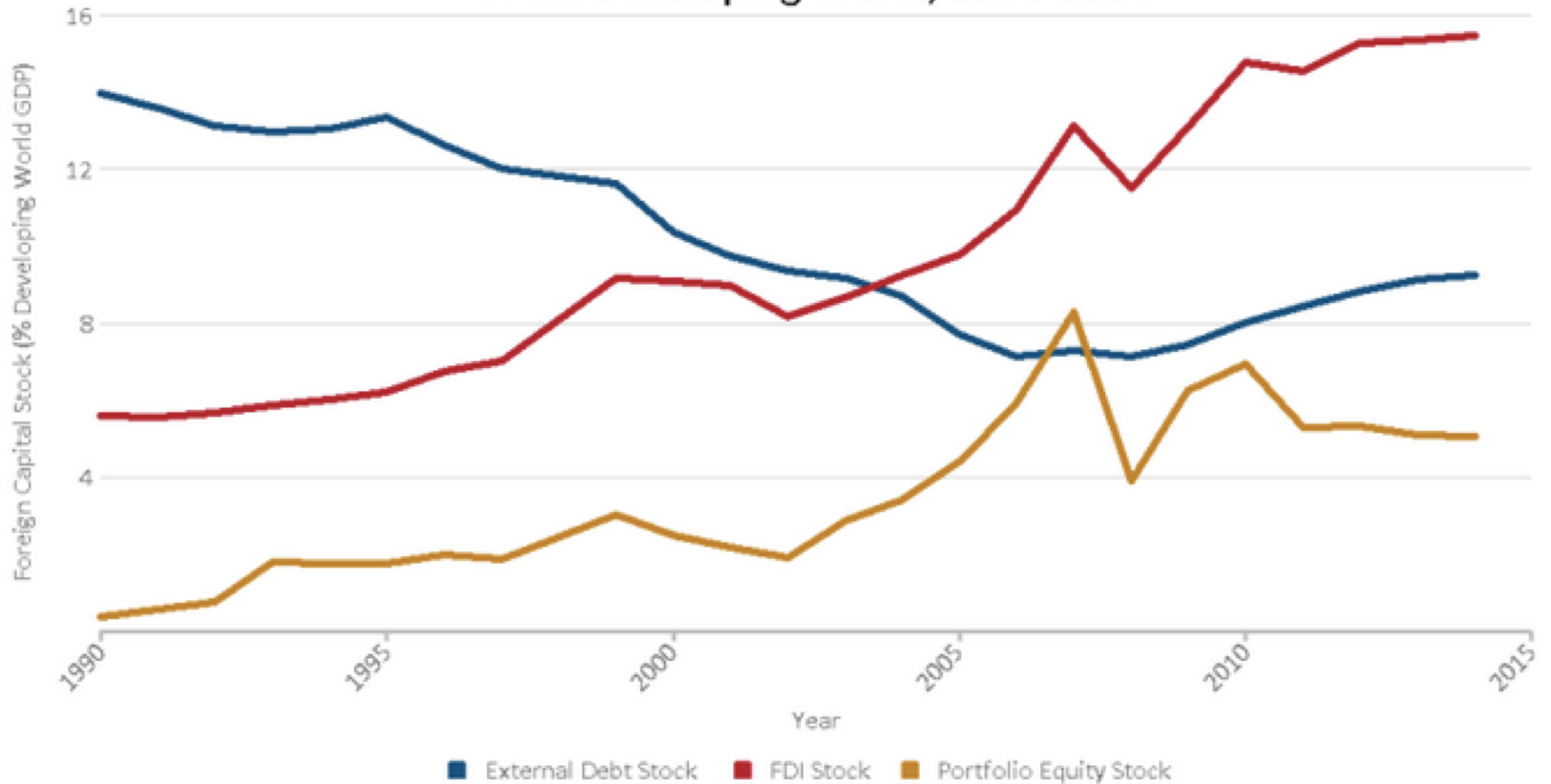


Note: North in 1980 refers to Australia, Canada, Japan, New Zealand, the United States and Western Europe.
Source: HDRO calculations based on UNSD (2012).

What is (or was?) globalization?

- Growth of international trade
- Growth of international investment

Composition of Foreign Capital In the Developing World, 1990-2014



What is (or was?) globalization?

- Growth of international trade
- Growth of international investment
- Growth of international financial transactions

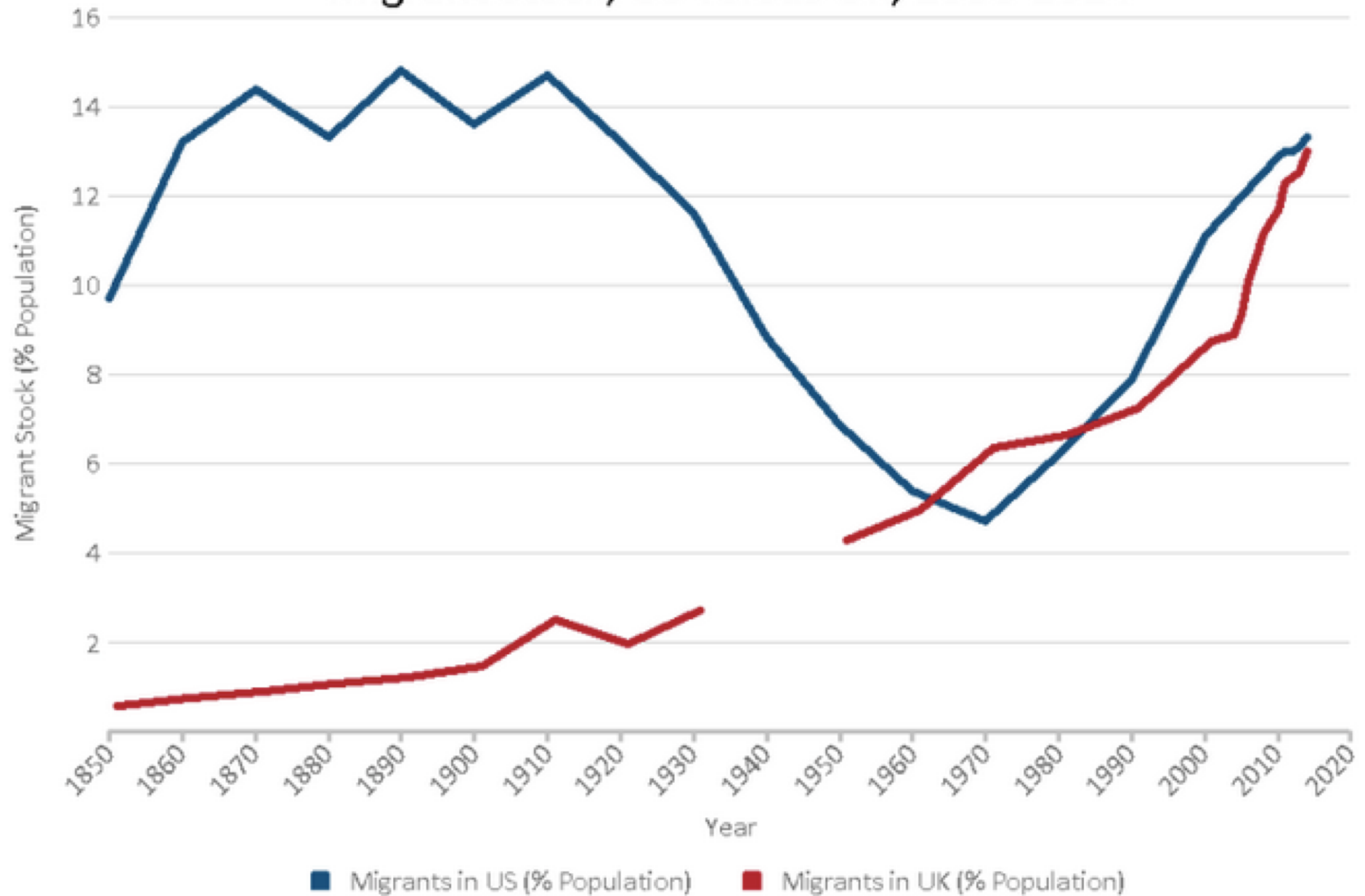
What is (or was?) globalization?

- Growth of international trade
- Growth of international investment
- Growth of international financial transactions
- Growth of international supply chains

What is (or was?) globalization?

- Growth of international trade
- Growth of international investment
- Growth of international financial transactions
- Growth of international supply chains
- Growth of international migration?

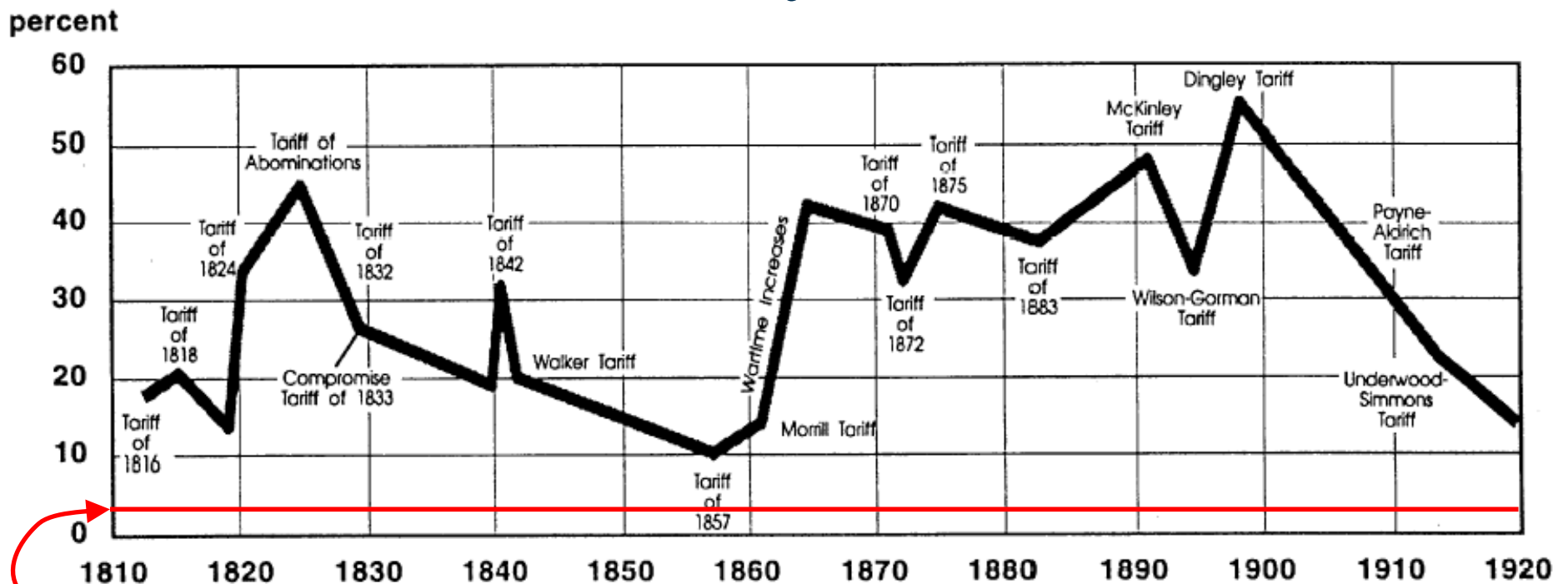
Migrant Stock, US versus UK, 1850-2014



Causes and Effects of globalization?

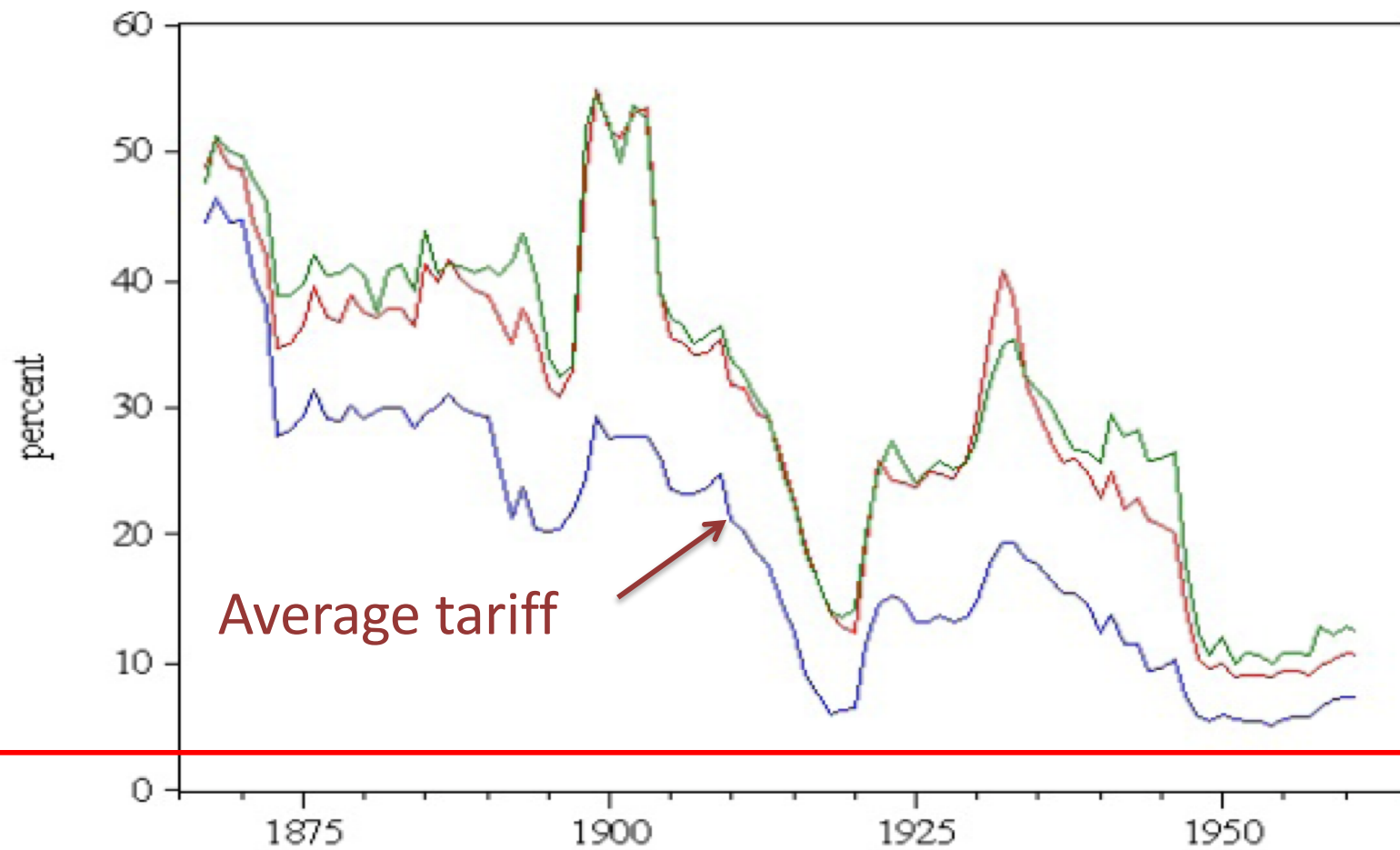
- Reduced
 - Trade costs
 - Tariffs
- Economic growth
- Inequality?
- Attitudes

- US tariff history: 1810-1920



Today

- US tariff history: 1865-1960

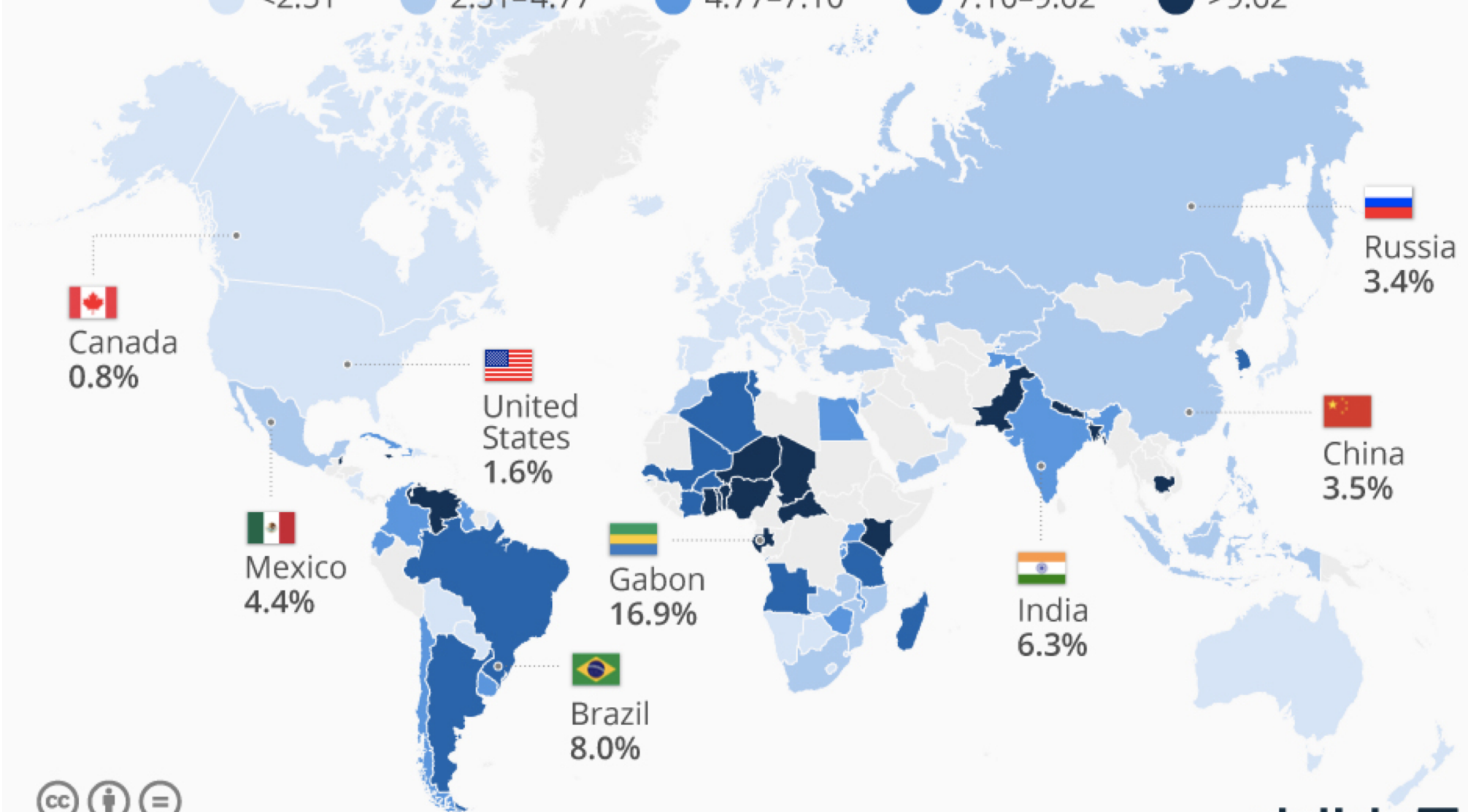


Today

Where Global Tariffs Are Highest And Lowest

Average weighted tariff rate applied across all products in 2016 (%)

<2.51 2.51–4.77 4.77–7.10 7.10–9.62 >9.62



@StatistaCharts

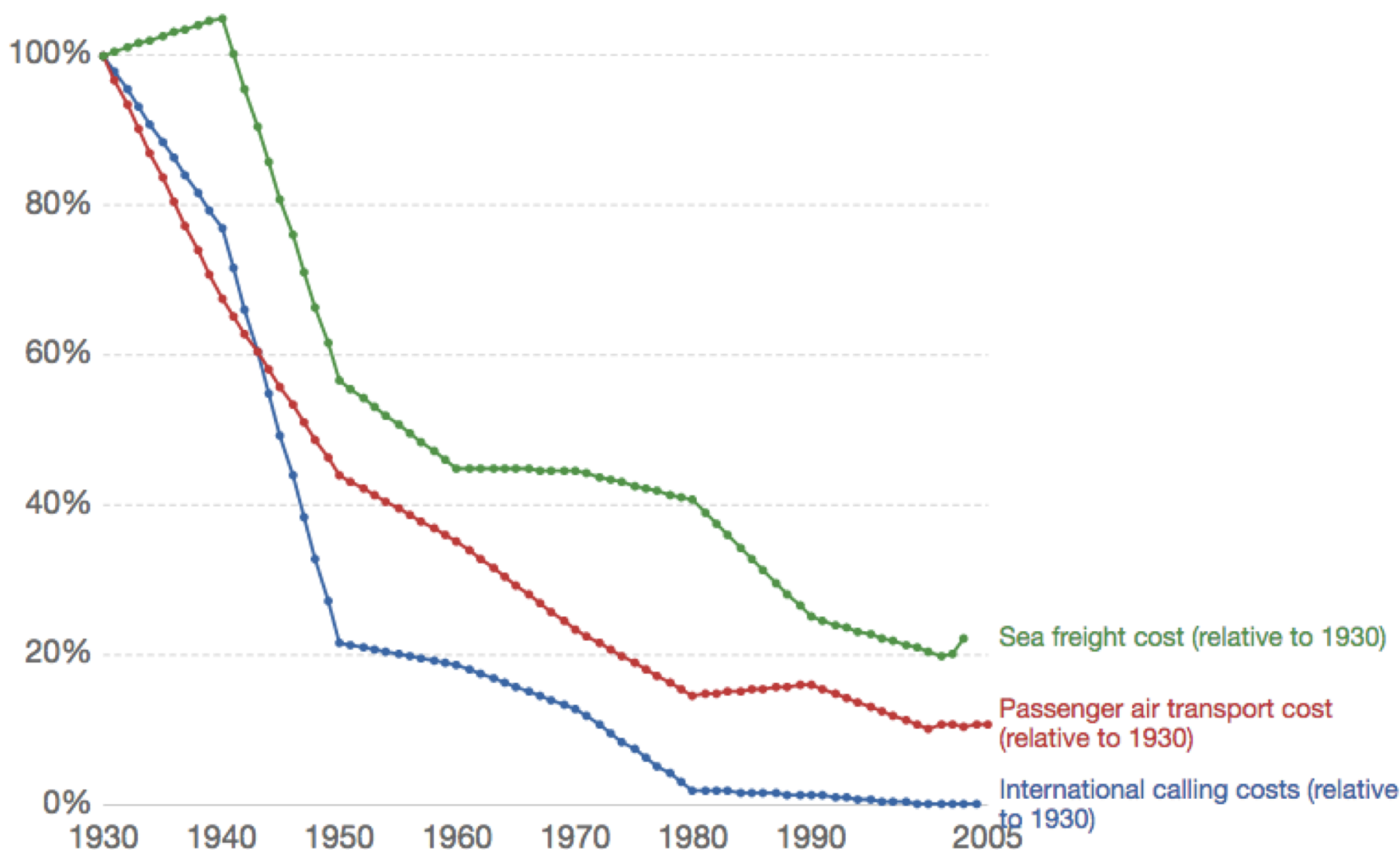
Source: World Bank

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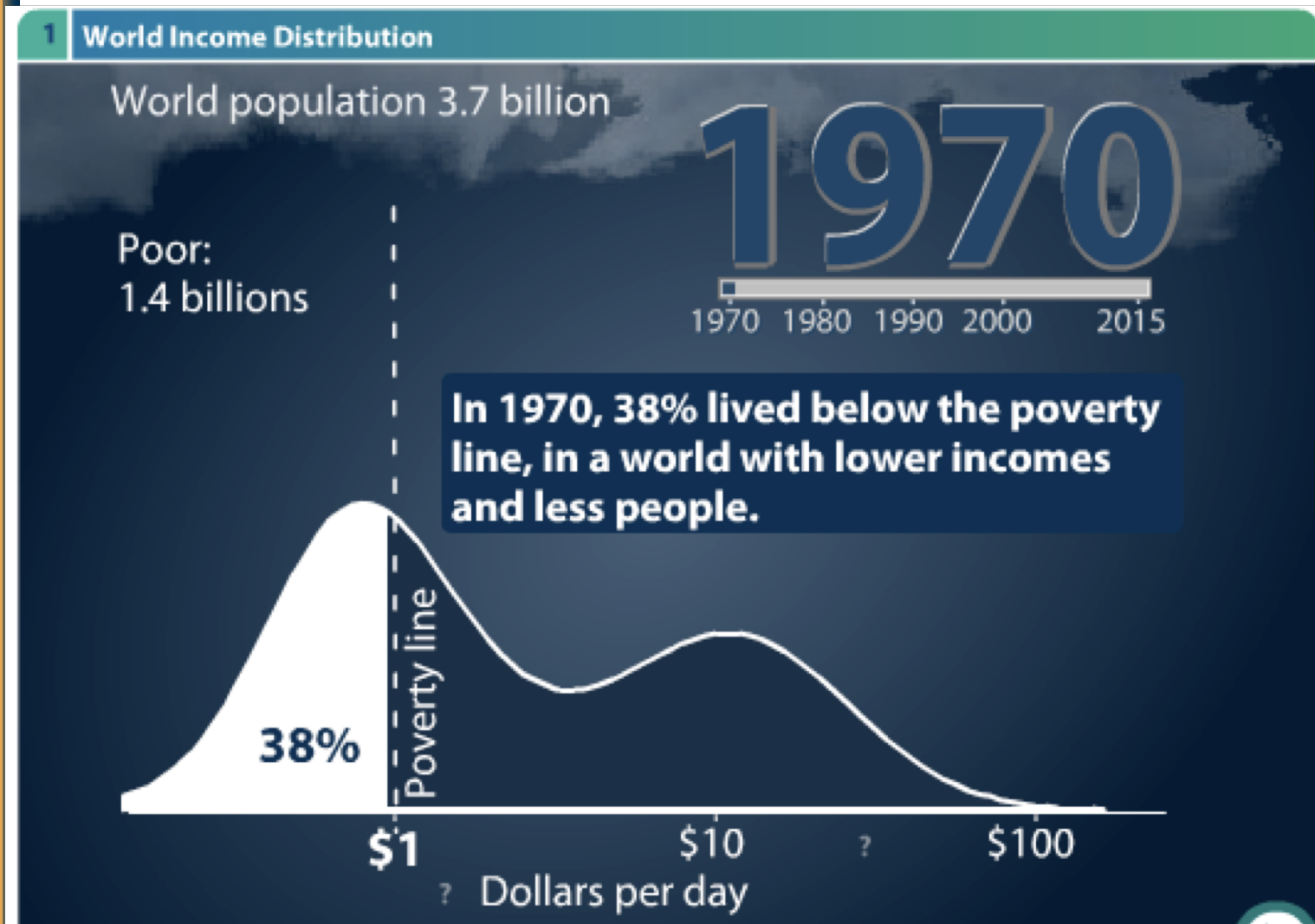
The decline of transport and communication costs relative to 1930

Our World
in Data

Sea freight corresponds to average international freight charges per tonne. Passenger air transport corresponds to average airline revenue per passenger mile until 2000 spliced to US import air passenger fares afterwards. International calls correspond to cost of a three-minute call from New York to London.



Source: Transaction Costs - OECD Economic Outlook (2007)



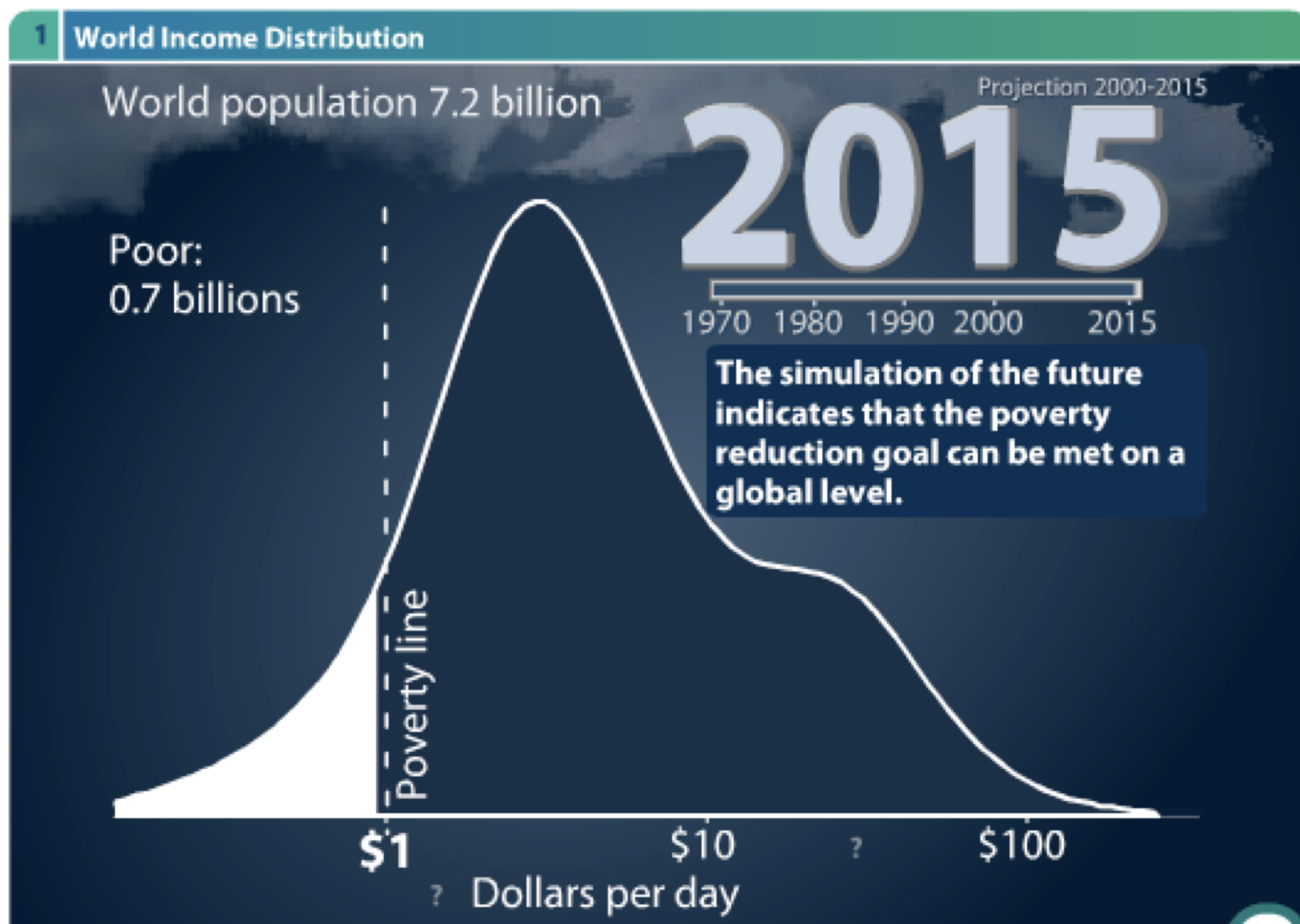
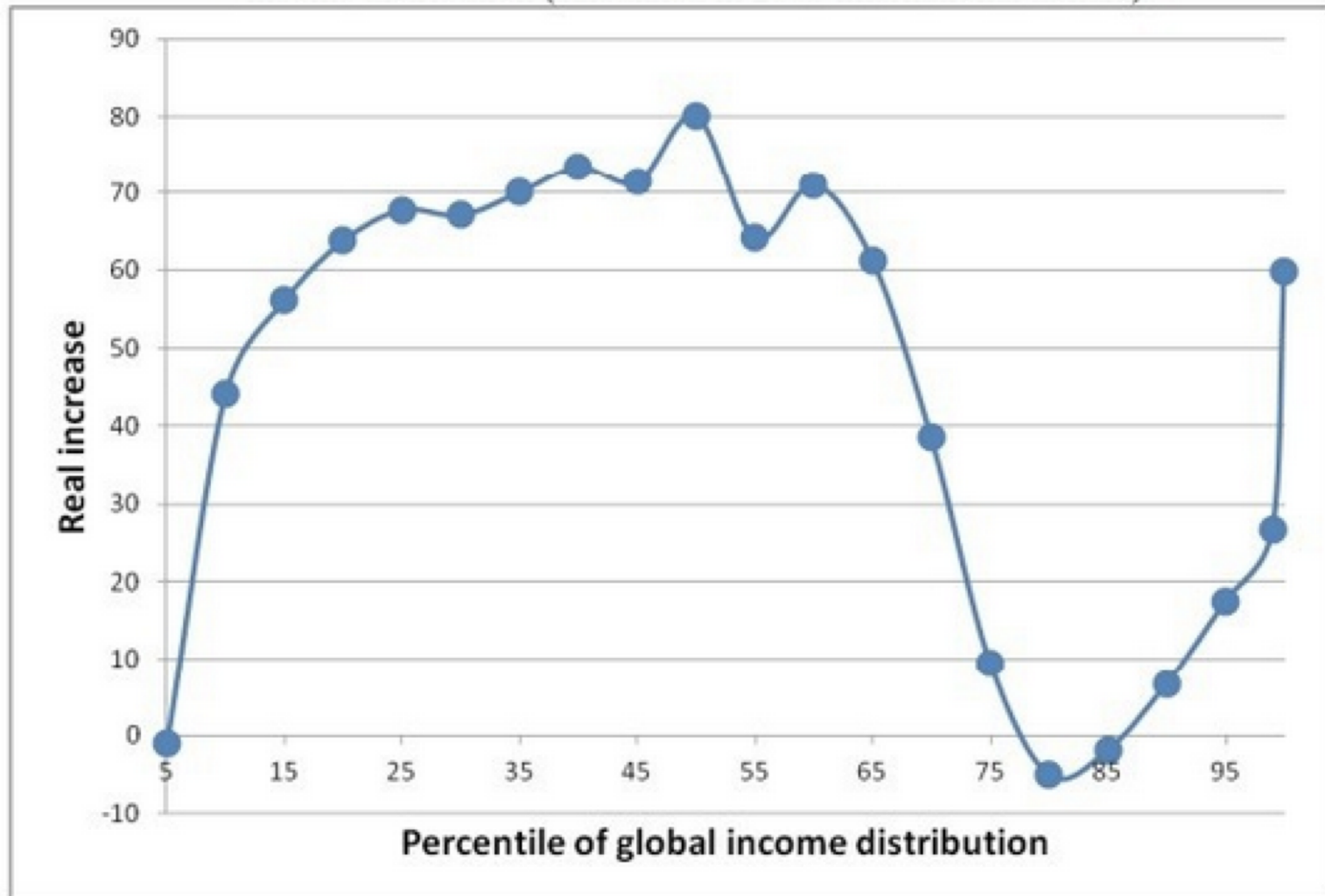
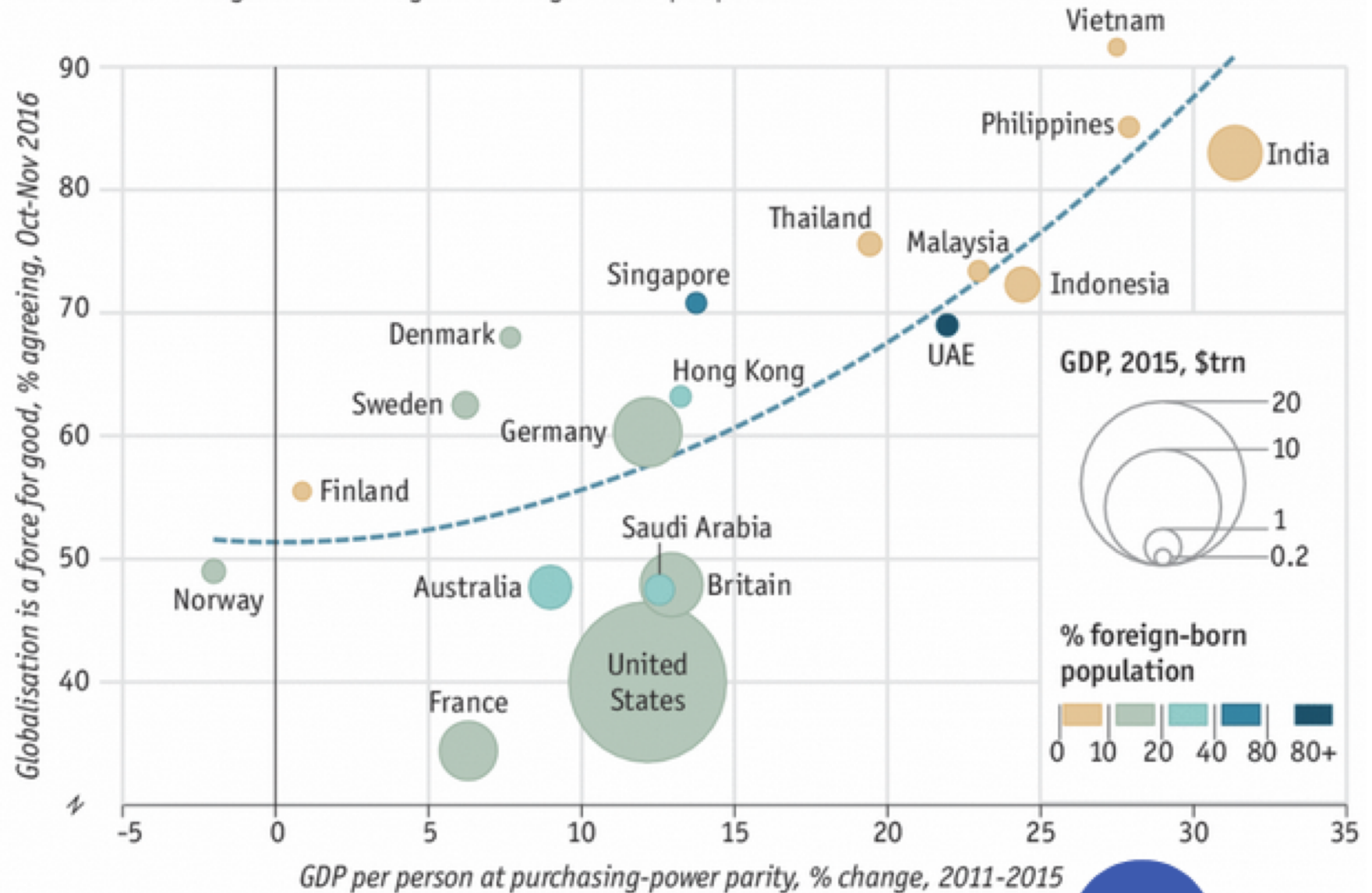


Figure 4. Change in real income between 1988 and 2008 at various percentiles of global income distribution (calculated in 2005 international dollars)



Enough to go around?

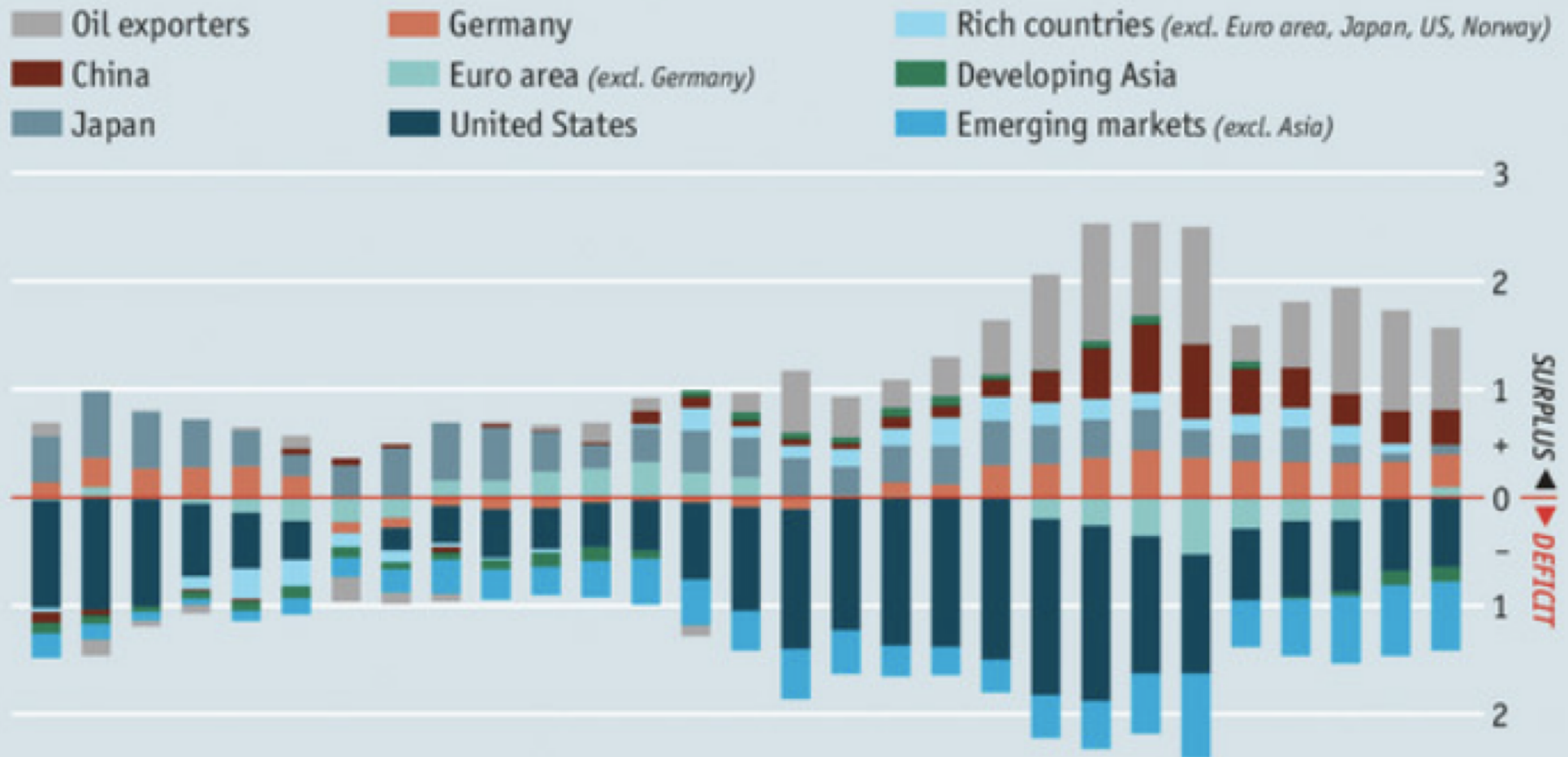
Attitudes towards globalisation against change in GDP per person



Trade Imbalances

Current-account imbalances

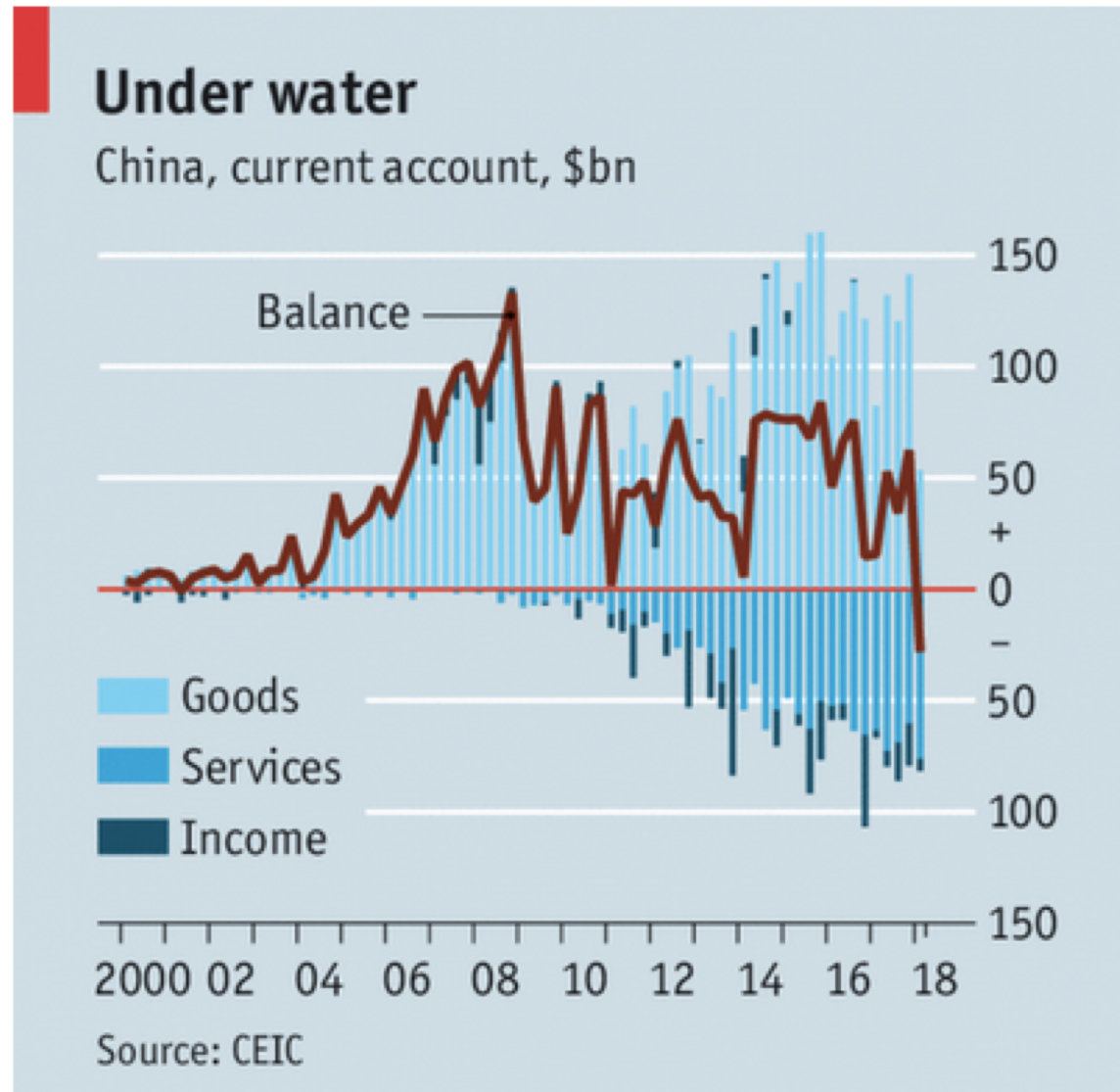
As % of world GDP



Trade Imbalances



Trade Imbalances



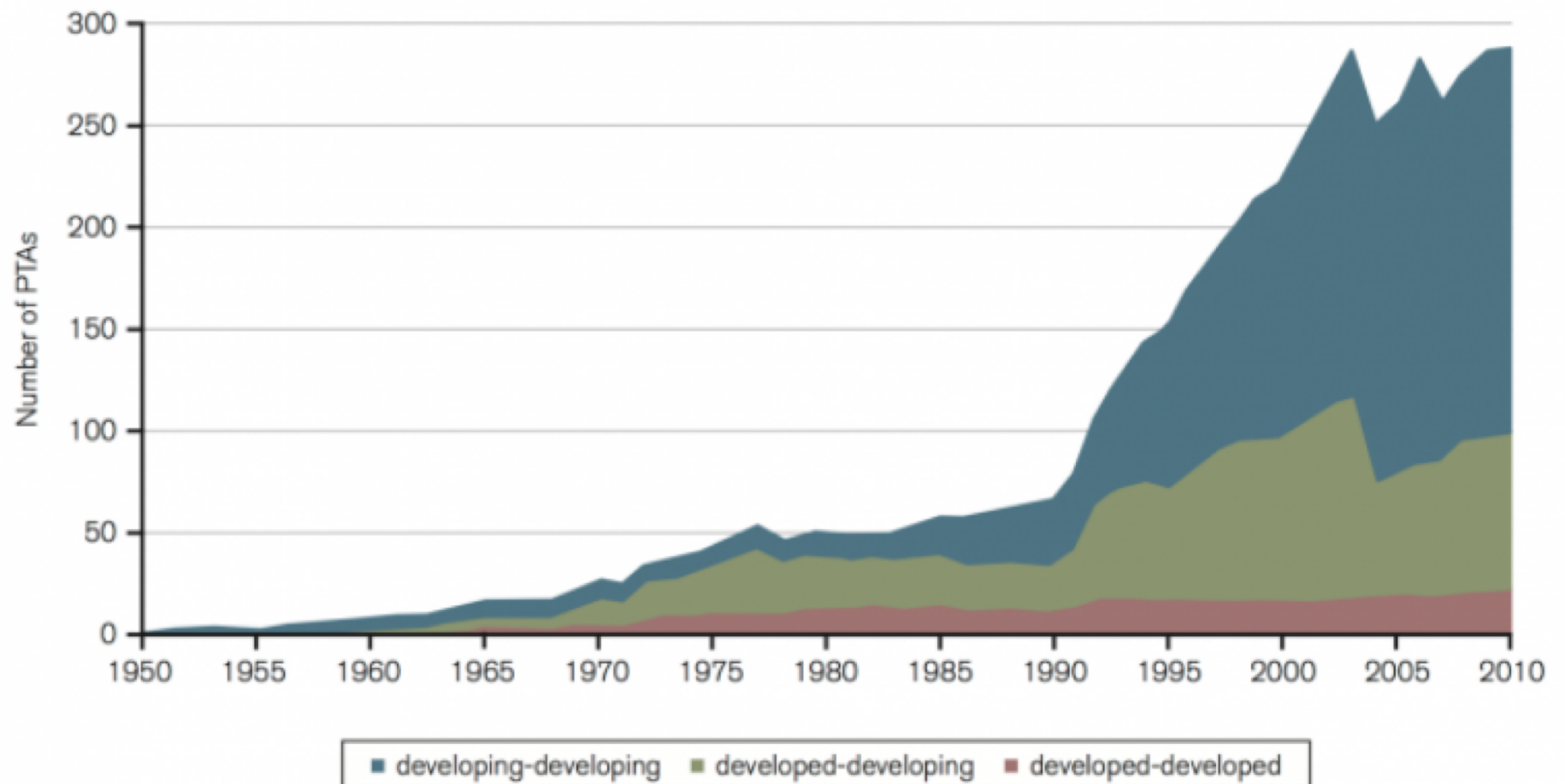
Trade Imbalances

- What they mean
 - $M - X > 0$
 - Buying more than producing
 - Spending more than earning
- What they do not mean
 - Losing jobs
 - Being taken advantage of

Policy Responses

- Until recently
 - Efforts to encourage globalization
 - FTAs
 - Trans-Pacific Partnership

Number of preferential trade agreements in force by country group, 1950-2010 – Figure B1 in [WTO Trade Report \(2011\)](#)



Source: WTO Secretariat.

Policy Responses

- Until recently
 - Efforts to encourage globalization
 - FTAs
 - Trans-Pacific Partnership
- Under Trump
 - Tariffs on solar panels, washing machines, steel, aluminum
 - Tariffs on China
 - Retaliation by others



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