Comments on:

Is the Global Economy Deglobalizing?

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Brookings in 1999

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Is Globalization Today
Really Different from Globalization
a Hundred Years Ago?

The effects of globalization—on the United States and more generally—are the topic of the day. Officials, academics, and market participants all sense that the integration of national economies and the development of international markets have gone further than ever before. The extent of integration, in turn, creates a growing sense of helplessness on the part of nations about their ability to control their destinies in the face of global markets. Does the growth of the global marketplace pose a threat to distinctive national social systems? Does a world characterized by high levels of trade between nations and large international capital flows jeopardize social cohesion and economic and financial stability and therefore call for the strengthening of national safety nets and international institutions—perhaps including a world financial regulator and an international lender of last resort—or can private markets develop mechanisms for containing these risks? Failing this, will governments retreat toward financial autarky and succumb to populist pressures for trade protectionism?

The idea that globalization today is unprecedented (if not necessarily embodying the preceding paragraph’s pessimistic vision) is implicit in publications like A Vision for the World Economy, by Robert Lawrence,

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Corporate talk of deglobalisation has hit a new high

Mentions of nearshoring, onshoring and reshoring on company earnings calls and investor conferences* (monthly)

*data from 9,000 companies globally
Source: Santio
What is globalization?

• International economic integration consisting of
  • Trade in goods
  • Capital flows
  • Labor mobility
  • Technology and data
World imports of goods and services

Sources: COMTRADE, WTO, World Bank
World trade/gdp ratio

Shown is the "trade openness index". This index is defined as the sum of world exports and imports, divided by world GDP. Each series corresponds to a different source.

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Source: Klasing and Milionis (2014), Estevadeordal, Frantz, and Taylor (2003), World Bank, Penn World Tables v10
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End of Globalization 1.0

• First era from 1860-1914 ends

• Integration tensions (trade)

• Geopolitics (Anglo-German rivalry)
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Race between technology and policy

• Working against each other in interwar period

• Working together with each other since WWII, until now?
Engines of Globalization (1980s-2000s)

- Declining transport costs
  - Air freight
  - Containerization

- Declining trade barriers
  - Unilateral reforms in developing countries
  - Multilateral agreements (WTO)
Containerization
Airbus Beluga
Stein’s Law

If something cannot go on forever, it will stop.
63% of drop in trade share due to minerals/fuels

Richard Baldwin (2022)
World goods trade prices, 1950-2020

Note: Import unit value chained indices - annual, stats.wto.org, 2015 = 100
Policy or evolution?

Exports as a percent of GDP

- China
- India
No deglobalization in services or data
Costs of geopolitical fragmentation

Box Figure 1.1: Long-Term Losses, Percent of GDP, from Global Trade Fragmentation

Estimates of global GDP losses

- IMF (2022)
- Bolhuis et al. (2023 forthcoming)

Range of estimates of country GDP losses

- Cerdeiro et al. (2021)
- Goes & Bekkers (2022)

Trade frag. + sectoral misallocation + NTBs in other sectors
- Lower Bound
- Upper Bound

Losses (% of GDP) from Trade Frag.
Conclusion

• Globalization not dead but resting, not ending but evolving. . . .

• Big uncertainty:
  • How much will policy continue to promote de-integration?