Global trends: an ever more integrated world economy?

Bernard Hoekman
Banque Mondiale

“Peut-on domestiquer la mondialisation”
Lyon, 9 Novembre, 2011
Trend decoupling—starting in early 90s

- Higher GDP growth levels associated with expanding trade
- World trade has grown twice as fast as global GDP
South-South trade rising steadily

Source: Comtrade (via WITS)
Not just goods—services trade growing

Average annual growth of exports, 2000-2008

Source: IMF
Drivers - The effective global labor supply has quadrupled since 1980 (index, 1980 = 100)

1National labor forces scaled by export-to-GDP ratios.
Drivers: Trade Liberalization

MFN Applied Tariff Rates versus GDP per Capita

Source: Mattoo and Neagu, 2011
Drivers: Telecommunication Costs

International Switched Services
Average Revenue per Minute

Source: International Telecommunications Data, FCC, June 2009

Index 1992 =100

Trends in leased line pricing (2 Mbits)

Source: OECD
Drivers: Technology (via investment flows, ICT, transport costs, global supply chains)

Vertical specialization as a share of exports: 33% for Developing Countries in 2005

Source: Canuto, Dutz, and Reis (2010)
A rapidly growing global middle class

Average per capita incomes in developing countries are likely to double…...and more people from developing countries will enter the ”global middle class”

<table>
<thead>
<tr>
<th>Region</th>
<th>2005</th>
<th>2030</th>
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<td>Africa</td>
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Number of people (million)
2008 crisis: trade collapse and recovery

Merchandise export volume, by country income group (percentage change 3m/3m, sa)

Source: World Bank, DECPG data
Trade protectionism contained… so far

Share of total G20-imposed restrictive measures by country income group,

Source: Authors' calculations using WTO data from 2009, 2010, 2011
Emerging economies very active

Number of newly-initiated trade measures, 89 countries, Sep. 2008 - July 2011

- Argentina: -69
- Australia: -30
- Azerbaijan
- Belarus
- Brazil
- Canada
- China
- Costa Rica
- Ecuador
- EU
- GCC
- Hong Kong, China
- Iraq
- Japan
- Kenya
- Lebanon
- Mercosur
- Mongolia
- Nepal
- Pakistan
- Philippines
- Rwanda
- SCT Taiwan
- Singapore
- Sudan
- Syria
- Thailand
- Turkey: -26
- Ukraine: -20
- United States: -52
- Viet Nam: -21
- United States: 5
- Brazil: 36
- Russia: 33
- RTA Blr, Kzk, Rus: 29
- RTA Blr, Kzk, Rus: 24
- India: 39
- Indonesia: 16
- Pakistan: 11
- India: 119
- Indonesia: 53
- EU: 62
- Argentina: -69
- China: 21
- Pakistan: 21
- Indonesia: -53

Source: Authors’ calculations using WTO data from 2009, 2010, 2011
Concluding remarks

- Globalization a major force supporting higher growth rates observed in last 2 decades
  - Has helped lead to large reductions in absolute poverty
- Recent events (crisis and policy responses) suggest strong forces supporting openness
- “Flanking policies’ critical in managing adjustment pressures — short-term volatility and structural
  - Safety nets; education; factor markets
- ‘Rise of the rest’ generates pressures that call for international cooperation:
  - competition for resources; higher prices for commodities; supporting greater trade in services and tasks; policies to support ‘greener growth’
Education Matters

Average Years of Schooling by Age Cohort, 2010

Source: Jensen 2011
Education Matters

Average Years of Schooling by Age Cohort, 2010

Source: Jensen 2011