



Duke University

PS 93:

International Relations

Guest Lecture, 4 October 2004

Globalization

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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

	Exports (X)	Imports (M)	GDP	X+M as % of GDP
U.S.	\$714 billion	\$1.26 trillion	\$10.99 tril	17.9%
Belgium	\$183 billion	\$173 billion	\$299.1 bil	119%
Palau	\$18 million	\$99 million	\$174 mil	67.2%

Note: All data in PPP terms. 2003 estimates (2001 for Palau). Source of Data: *CIA World Factbook 2004* online (www.cia.gov, accessed 3 Oct 04)

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" [\$, €, £, ¥]

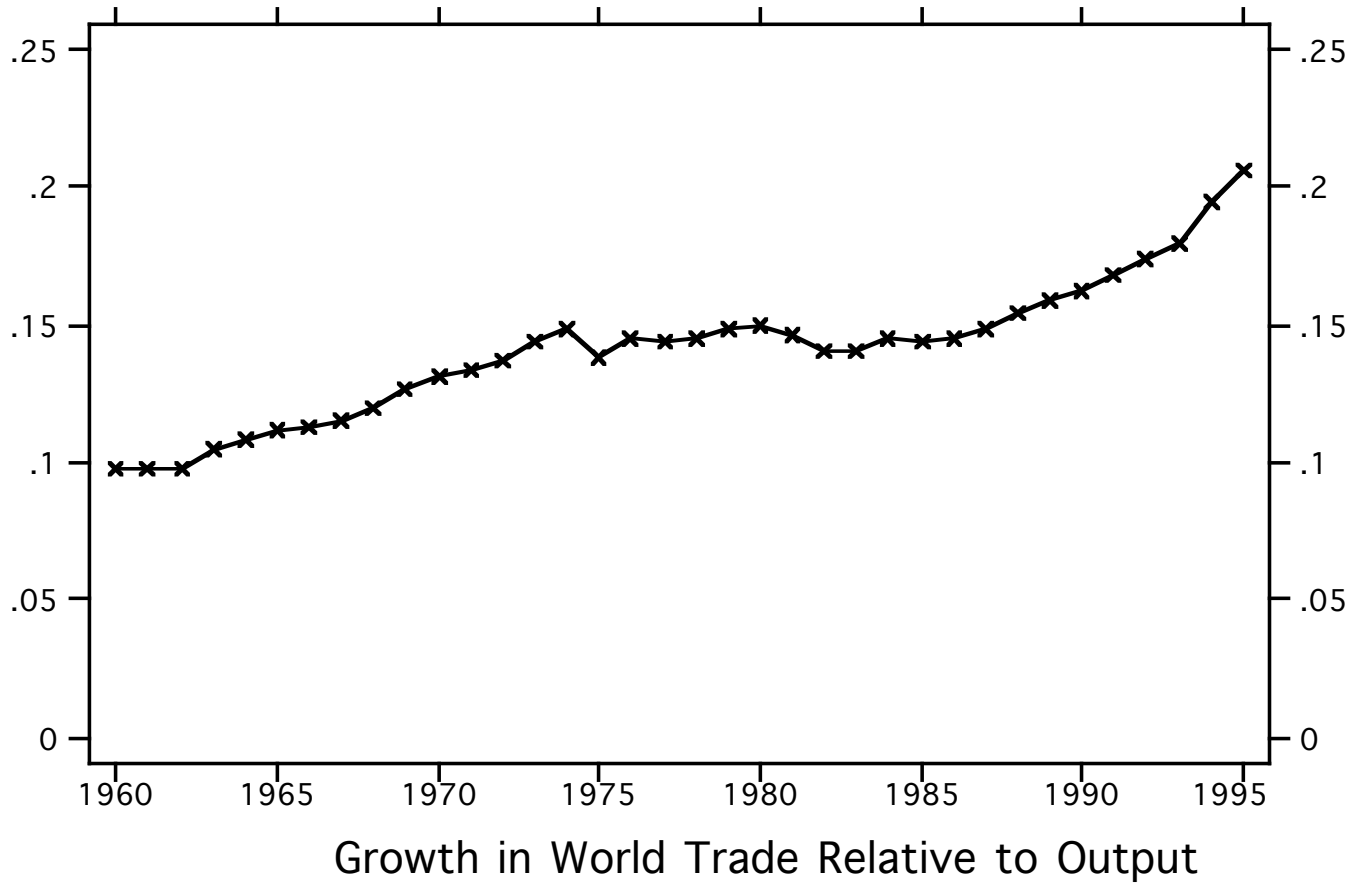
How Do We Measure Globalization?

- 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

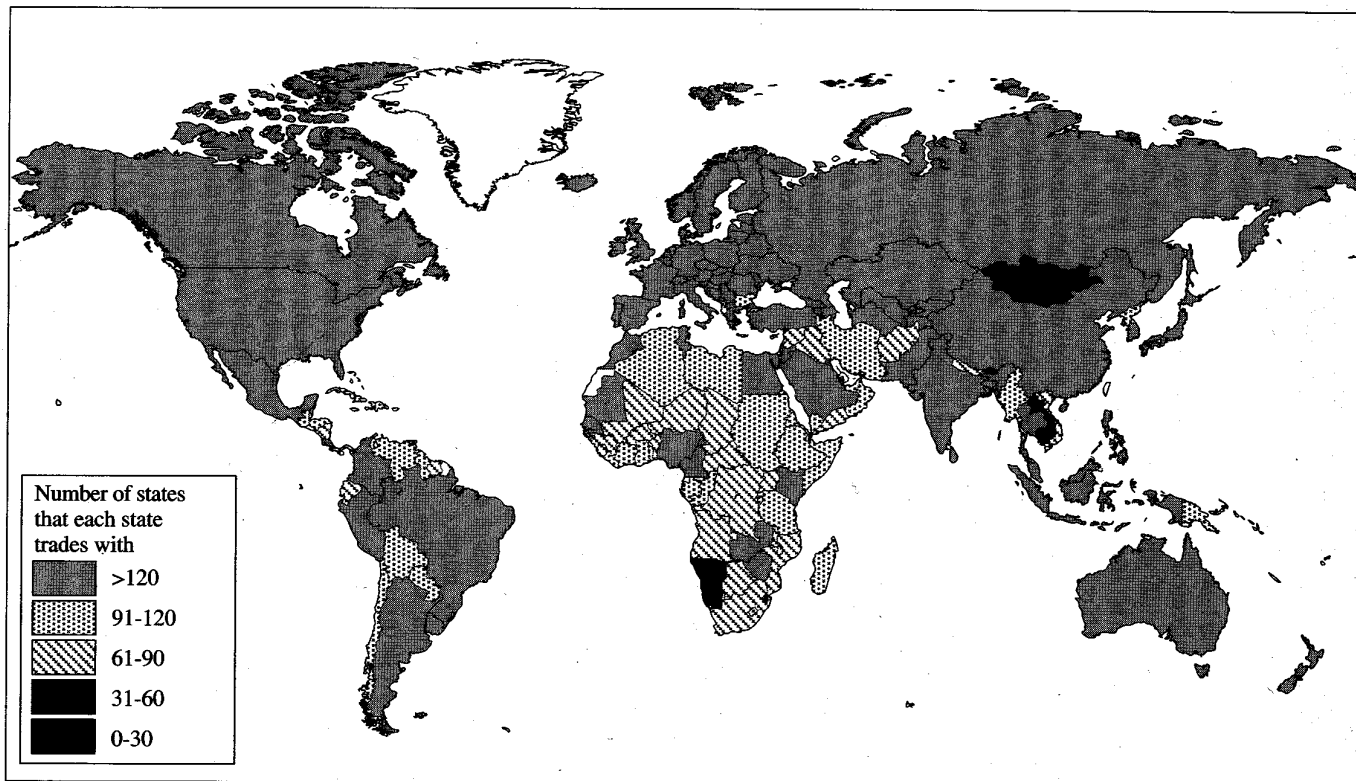


Source: Hummels 1999:23

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.)

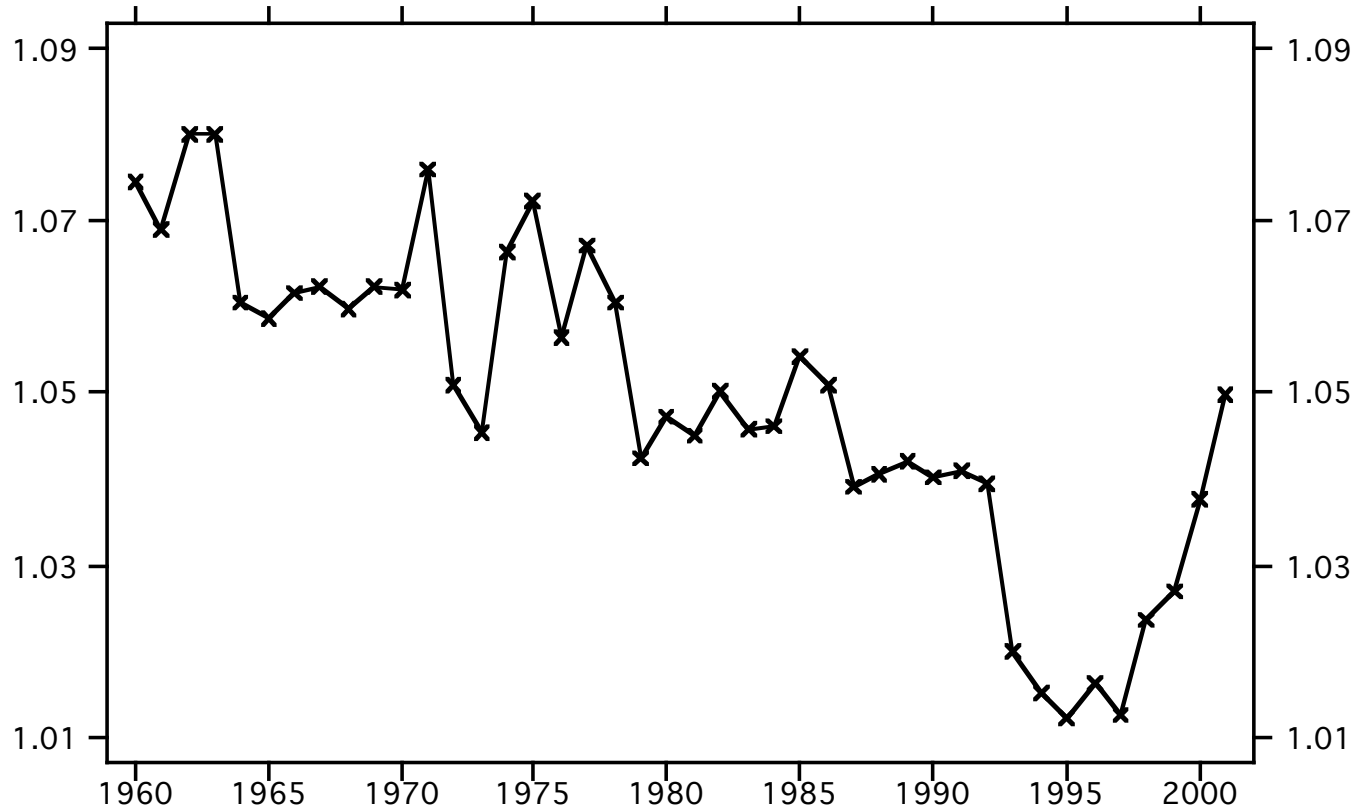


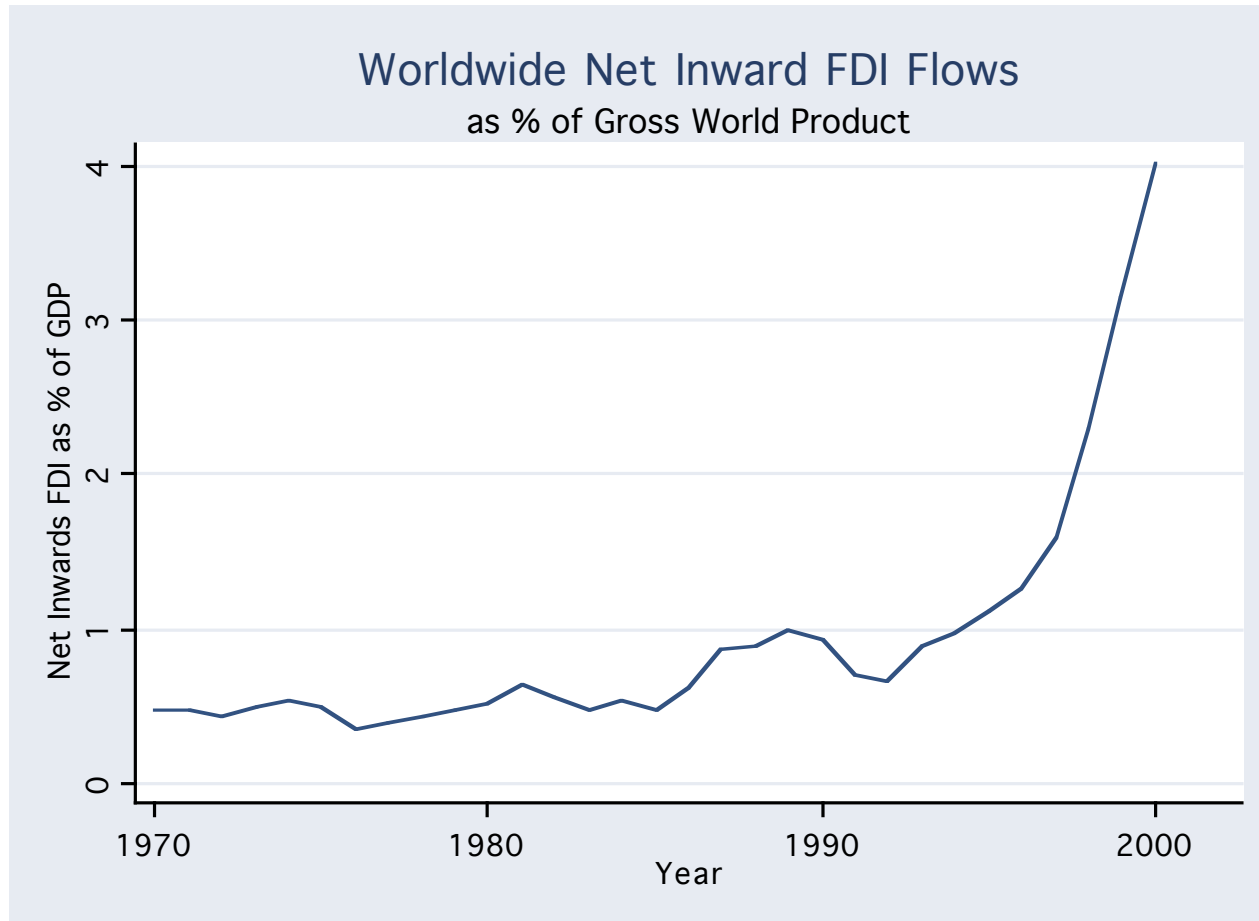
Figure 1 : Transport Costs in World Trade (CIF/FOB Ratio)

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)

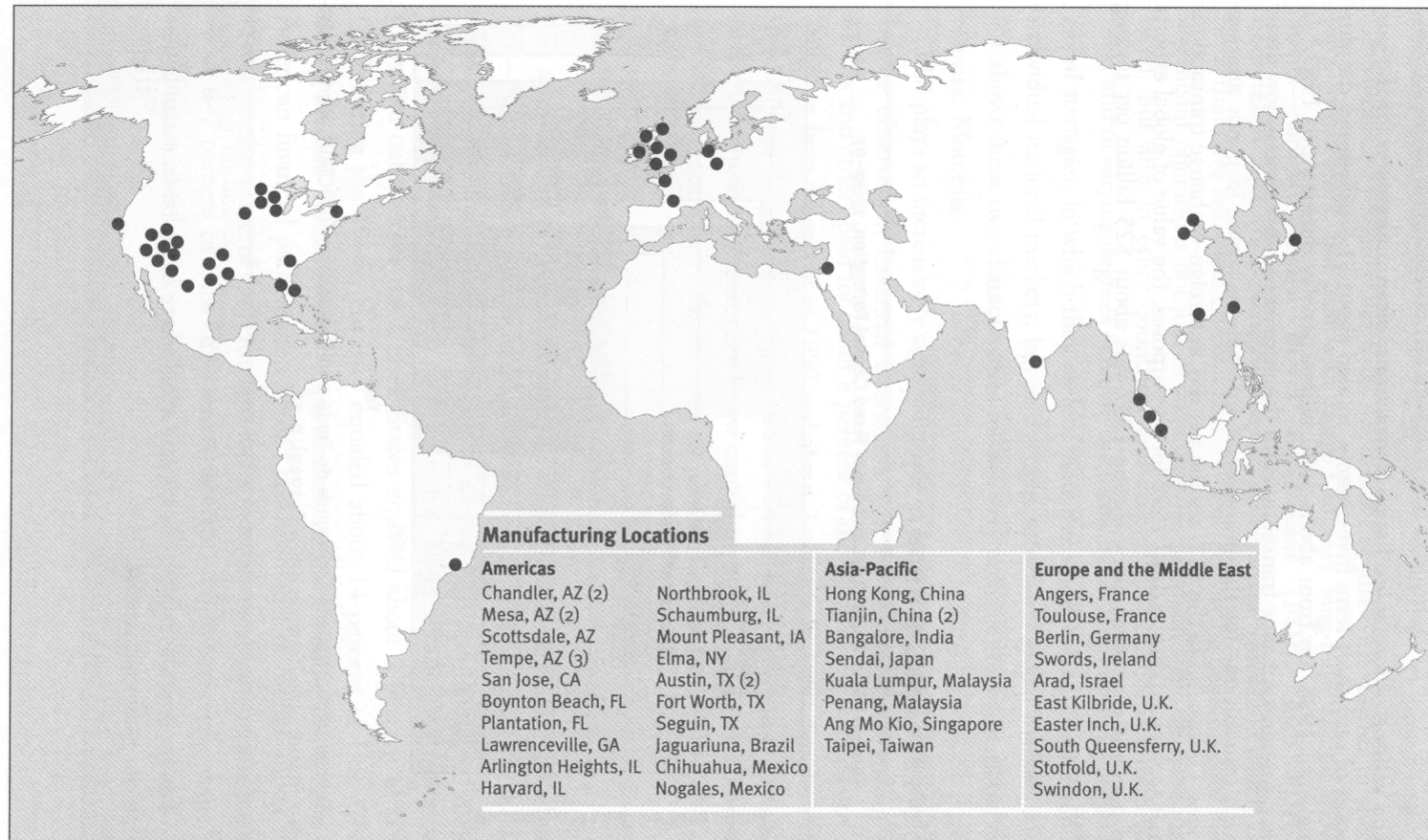
Foreign Direct Investment



Source: Bütke & Milner, 2004

Example: Multinational Corporation

A Modern Multinational Enterprise: Motorola



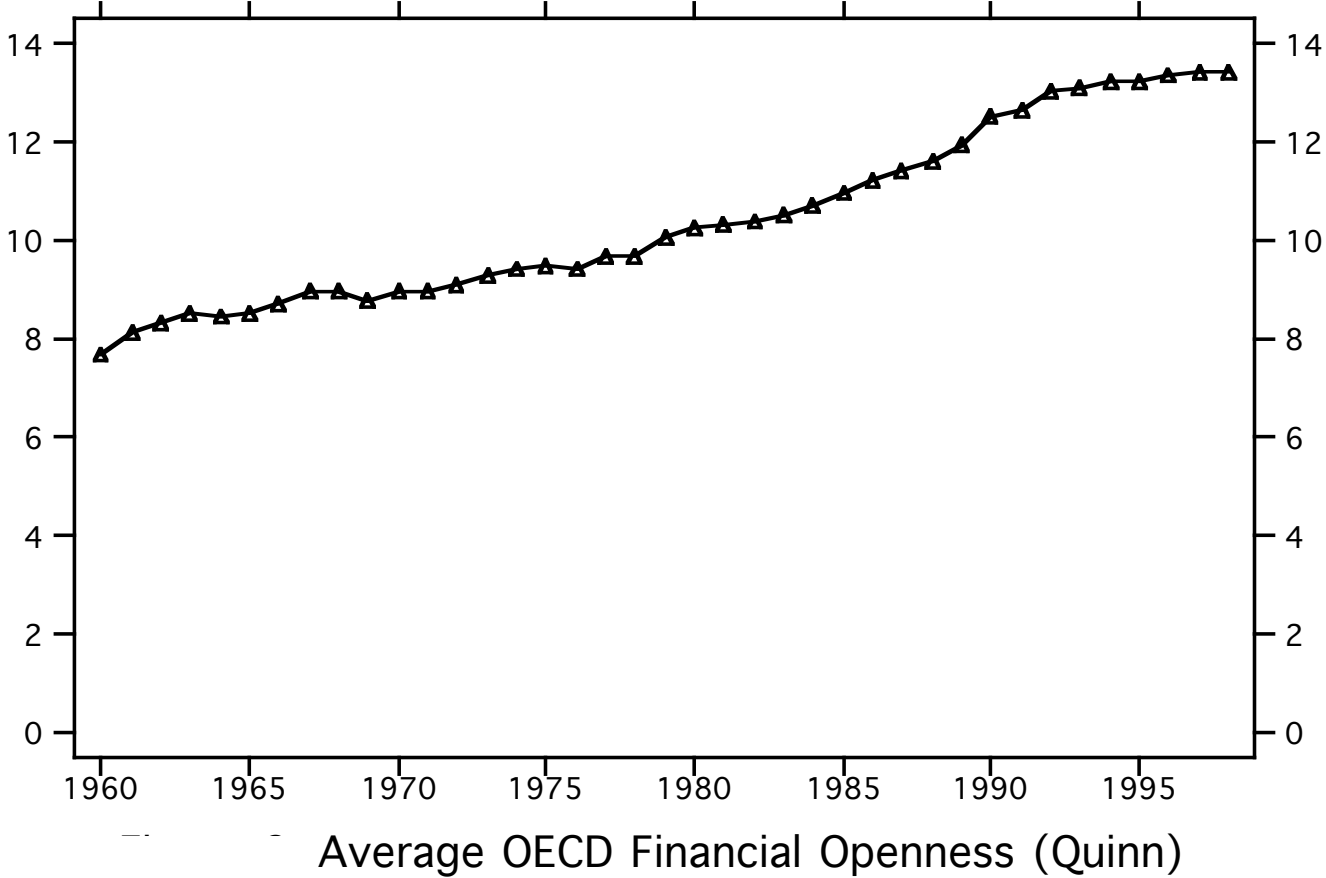
Motorola is an important example of the modern multinational enterprise. As the map shows, Motorola in 2000 had manufacturing facilities in fourteen different countries. It should also be noted that, of Motorola's total sales of about \$38 billion in 2000, 58 percent resulted from its international sales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

Source: *It's About People and the Planet: 2000 Global Corporate Citizenship Report* (Schaumburg, IL: Motorola, 2001), p. 8, available at www.motorola.com/EHS/environment/reports/2000report.pdf.

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

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