Globalization

I. Globalization Defined
II. Sources of Globalization
III. Levels of Globalization
IV. Implications
WTO Protest, Seattle 1999
I. Globalization Defined

• “A set of processes that are widening, deepening, and accelerating the interconnectedness among societies” (Kegley & Raymond)

• “...processes whereby social relations acquire relatively distanceless or borderless qualities, so that human lives are increasingly played out in the world as a single place.” (Jan Aart Scholte)

• “...technological, political, economic, and cultural dimensions that connect individuals, governments, and firms across national borders.” (Rosa Gomez Dierks)

• Globalization as ‘Deterritorialization’

• Breakdown of borders of Space and Time
II. Sources of Globalization

- Internationalization of Economic Activity
  - Trade & Finance
- Global Liberalization
  - Domestic and International
- Technological Changes
  - IT Revolution (Speed and Cost)
- Improvements in Transportation
  - EX: Containerized Shipping
- Globalized Production Structures
  - ‘Stateless Corporations’ (DaimlerChrysler)
Growth in World Trade

A trader’s era
World GDP and trade, 1950-100

Volume of exports

Source: World Trade Organisation
Growth in Global Investment

Figure 3: World Gross FDI and World GDP Growth, 1980-2002

Source: UNCTAD, FDI Database
Figure 2: Growth of World Foreign Exchange and World GDP, 1980-02

Source: IMF, International Financial Statistics
Costs of Information Technology

FIGURE 1  COST TRENDS IN OPTICAL FIBER TRANSMISSION

Index of transmission cost per bits per second per kilometer (log scale)

1,000
100
10
1
0.1
0.01


45 Mbps
90–135 Mbps
400 Mbps
12–1.7 Gbps
2.5 Gbps
10 Gbps
40 Gbps

Bandwidth

Note: Mbps is megabits per second; Gbps is gigabits per second. Source: AT&T data.

FIGURE 2  PRICE TRENDS IN INFORMATION PROCESSING

Index of investment cost per instruction per second (log scale)

100
10
1
0.1
0.01


IBM mainframe
Digital VAX
Cray 1
IBM PC
Sun Microsystems 2
Pentium

Source: World Bank compilation based on industry data.
Death of Distance

Call Centers in India
Transportation Costs

Transportation Costs Index

- Air Travel
- Shipping

0 20 40 60 80 100 120

III. Levels of Globalization

• A. Eras of Globalization
  • First Era of Globalization (about 1850-1914)
  • Interwar Period (1920-1939)
  • Cold War Era (1945-1989)
  • Second Era of Globalization (1989-Present)

• Differences of Current Era of Globalization
  • Trade
  • Finance
  • Technology
The Start of Globalization

The Destruction of the Berlin Wall

The walls come down...

...and the (World Wide) Web goes out.

Tim Berners-Lee
Volatility in the Global Economy

Asian Tiger Economies (Real GDP Growth)

Source: World Bank
IV. Implications of Globalization

• Inevitability?
  • Liberalization: Not inevitable
  • Technology: Tough to reverse
• Role of the State?
  • ‘Golden Straightjacket’
    (Thomas Friedman)
  • Multilevel Governance
  • Multidimensional Security
• Positive or Negative?