

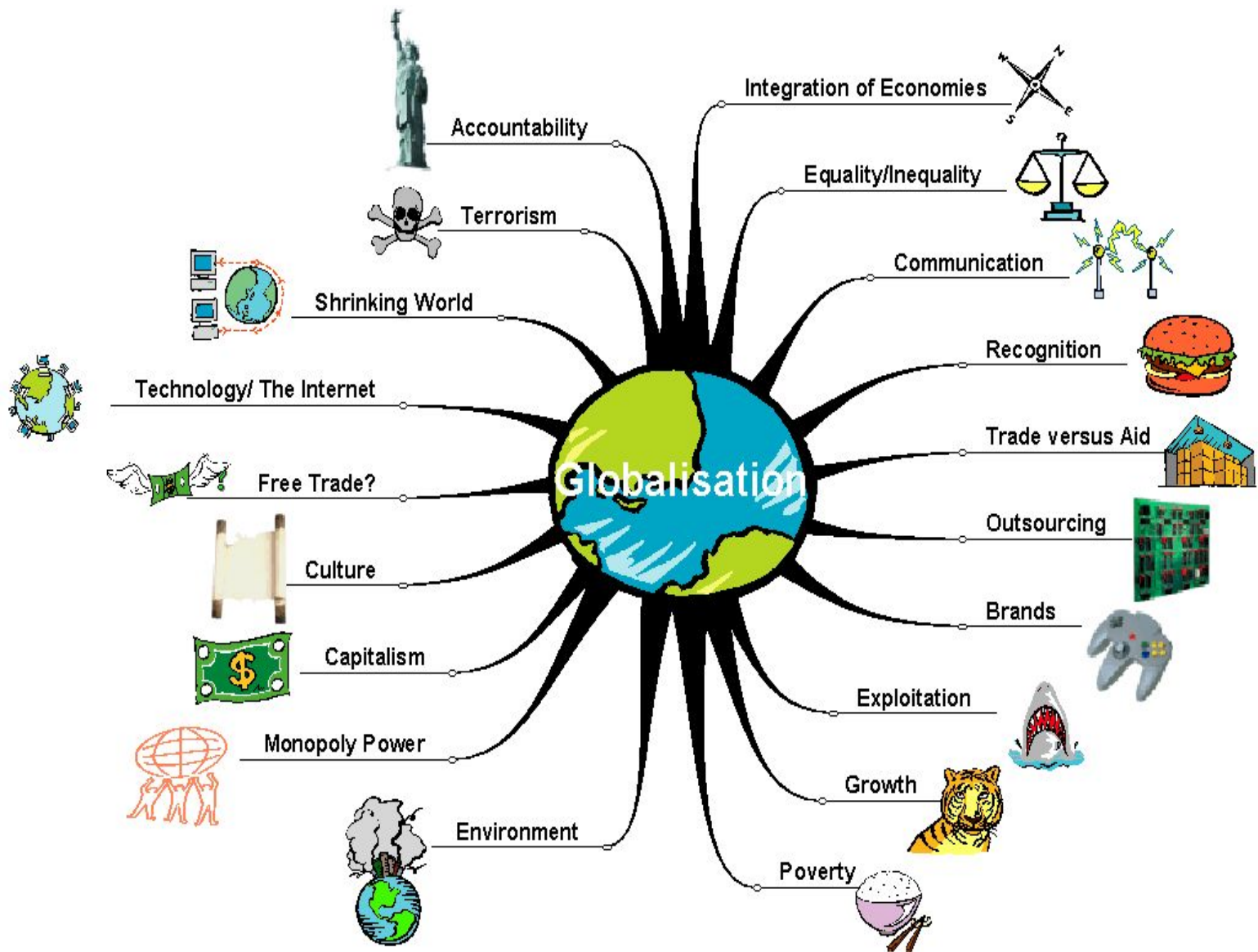


MACROECONOMICS

**THE MEASUREMENT AND
STRUCTURE OF THE
NATIONAL ECONOMY**

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To turn our back on globalization, to turn our back on helping development, is exactly the wrong approach.

Christine Lagarde
Managing-Director of the IMF



“It isn’t a case of more globalization or less, but of a different and less predictable path, as some countries turned protectionist while others went in the other direction and deregulated their markets.”

Pier Carlo Padoan, Italy’s Finance Minister

WHAT IS GLOBALIZATION

? Globalization is defined as a process that, based on international strategies, aims to expand business operations on a worldwide level, and was precipitated by the facilitation of global communications due to technological advancements, and socioeconomic, political and environmental developments.

- economic globalization
- cultural globalization
- political globalization



BASIC ASPECTS OF GLOBALIZATION

In 2000, the **International Monetary Fund** (IMF) identified four basic aspects of globalization:

- ? trade and transactions,
 - ? capital and investment movements,
 - ? migration and movement of people,
 - ? the dissemination of knowledge.
-
- **Environmental challenges** (global warming, cross-boundary water and air pollution, and overfishing of the ocean)



GLOBALIZATION ENCOMPASSES

- ? Internationalization (trade & investment)
- ? Liberalization (freeing markets)
- ? Universalization (cultural interchange)...or...
- ? Westernization (Western cultural dominance)
- ? “Deterritorialization” (the severance of social, political, or cultural practices from their native places and populations)



IMPACT

? Economic impact

- Improvement in standard of living
- Increased competition among nations
- Widening income gap between the rich and poor

? Social impact

- Increased awareness of foreign cultures
- Loss of local culture

? Environmental impact

- Environmental degradation
- Environmental management



FOCUS ON: MEASURING GLOBALISATION

? STATISTICAL INDICATORS

- **OECD Economic Globalization Indicators** helps identify the economic activities of member countries that are under foreign control, and more particularly the contribution of multinational enterprises to growth, employment, productivity, labour compensation, research and development, technology diffusion and international trade. These indicators shed new light on financial, technological and trade interdepe
- **World Development Indicators (WDI)**. The WDI affords readers more than 900 indicators organized in six sections: World View, People, Environment, Economy, States and Markets, and Global Links. In each section a plethora of information is presented. ndencies within OECD countries.



FOCUS ON: MEASURING GLOBALISATION

? STATISTICAL INDICATORS

- **UNCTAD** Development and Globalization: Facts and Figures. This publication covers subjects tackled by UNCTAD such as trade, investment, external finance, commodities and manufactures, together with relevant facts about population.
- **Global Policy Forum (GPF)** gathers a large number of tables and graphs providing the main features of globalization, asking what is new, what drives the process, how it changes politics, and how it affects global institutions like UN. In addition to indicators of social and economic policy, trade and capital flows, global poverty and development etc.



FOCUS ON: MEASURING GLOBALISATION

? COMPOSITE INDEXES

- The A. T Kearney/FOREIGN POLICY Globalization Index (2016 – the last data, in free access up to 2006)
- Centre for the Study of Globalisation and Regionalisation (CSGR) Globalisation Index (2004 – the last data)
- Konjunkturforschungsstelle (KOF) Swiss Economic Institute Index of Globalization (2017 – the last data)



THE A. T KEARNEY/FOREIGN POLICY GLOBALIZATION INDEX (UKRAINE 39)

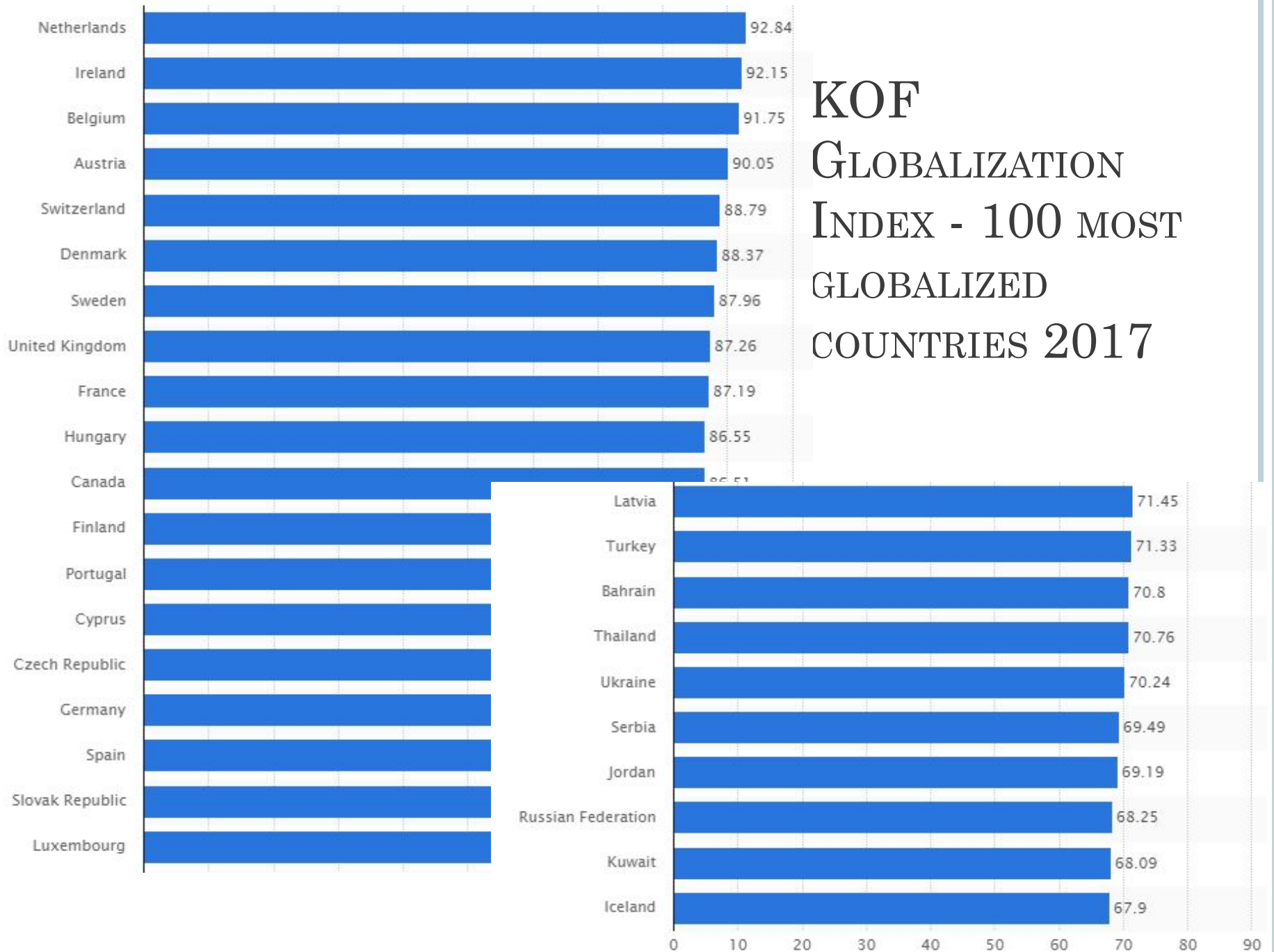
2006 GI Rankings		Change from 2005	Dimension				Item													2005 GI Rankings
			Economic	Personal	Technological	Political	Economic Integration		Personal Contact			Technological Connectivity			Political Engagement					
							Trade	FDI	Telephone	Travel	Remittances and Personal Transfers	Internet Users	Internet Hosts	Secure Servers	International Organizations	U.N. Peacekeeping	Treaties	Government Transfers		
1	Singapore	0	1	3	12	29	1	1	1	4	49	10	12	13	33	10	42	47	1	
2	Switzerland	1	9	1	7	23	17	7	2	6	2	17	15	5	33	9	42	10	3	
3	United States	1	58	40	1	41	62	36	18	33	52	6	1	1	1	25	58	38	4	
4	Ireland	-2	4	2	14	7	4	5	3	3	9	26	20	8	11	1	31	23	2	
5	Denmark	2	8	8	5	6	20	6	6	16	16	12	3	7	11	13	6	8	7	
6	Canada	0	23	7	2	10	30	12	4	20	57	7	14	2	2	14	6	32	6	
7	Netherlands	-2	21	11	6	5	11	52	8	11	40	9	2	11	5	17	6	6	5	
8	Australia	4	18	36	3	27	55	3	14	32	50	3	5	4	33	18	31	37	12	
9	Austria	-1	15	4	13	2	15	18	10	2	29	19	7	14	11	3	6	7	8	
10	Sweden	0	19	12	9	9	21	16	11	9	39	1	9	9	25	8	6	15	10	
11	New Zealand	0	35	15	4	24	41	26	5	23	54	8	8	3	33	22	6	26	11	
12	United Kingdom	1	25	14	8	4	48	10	12	15	42	4	17	6	5	7	6	20	13	
13	Finland	-4	31	21	10	14	33	30	19	12	45	5	4	12	11	6	31	18	9	
14	Norway	0	39	23	11	18	29	46	17	24	30	24	6	10	25	16	6	29	14	
15	Israel	2	20	9	17	40	19	20	7	27	12	16	16	17	48	4	61	4	17	
16	Czech Republic	-1	5	6	22	35	5	14	31	1	27	14	22	26	11	43	31	11	15	
17	Slovenia	3	13	13	20	15	10	28	22	7	22	18	25	20	11	19	6	16	20	
18	Germany	3	41	28	16	11	32	45	15	21	48	20	23	15	2	12	31	13	21	
19	Malaysia	0	3	19	28	48	2	11	29	10	18	23	39	34	33	45	42	49	19	
20	Hungary	3	7	17	27	20	7	13	41	5	34	29	19	27	11	32	1	24	23	

CSGR GLOBALISATION INDEX

Rank	80'	90'	2000'
1	Belgium	Belgium	Belgium
2	Switzerland	Canada	Singapore
3	Singapore	Switzerland	Canada
4	Canada	Singapore	Austria
5	France	USA	United Kingdom
6	United Kingdom	France	USA
7	Netherland	United Kingdom	Switzerland
8	USA	Sweden	Sweden
9	Sweden	Ireland	Ireland
10	Denmark	Russia	France
11	Italy	Denmark	Denmark
12	Finland	Germany	Germany
13	Ireland	Netherland	Italy
14	Australia	Finland	Finland
15	New Zealand	Italy	Netherland



KOF GLOBALIZATION INDEX - 100 MOST GLOBALIZED COUNTRIES 2017



METHODOLOGY

ECONOMIC GLOBALIZATION	[36%]
i) Actual Flows	(50%)
Trade (percent of GDP)	(22%)
Foreign Direct Investment, stocks (percent of GDP)	(27%)
Portfolio Investment (percent of GDP)	(24%)
Income Payments to Foreign Nationals (percent of GDP)	(27%)
ii) Restrictions	(50%)
Hidden Import Barriers	(23%)
Mean Tariff Rate	(28%)
Taxes on International Trade (percent of current revenue)	(26%)
Capital Account Restrictions	(23%)



METHODOLOGY

SOCIAL GLOBALIZATION	[37%]
i) Data on Personal Contact	(33%)
Telephone Traffic	(26%)
Transfers (percent of GDP)	(2%)
International Tourism	(26%)
Foreign Population (percent of total population)	(21%)
International letters (per capita)	(25%)
ii) Data on Information Flows	(35%)
Internet Users (per 1000 people)	(36%)
Television (per 1000 people)	(38%)
Trade in Newspapers (percent of GDP)	(26%)
iii) Data on Cultural Proximity	(32%)
Number of McDonald's Restaurants (per capita)	(46%)
Number of Ikea (per capita)	(46%)
Trade in books (percent of GDP)	(7%)



METHODOLOGY

POLITICAL GLOBALIZATION

[27%]

Embassies in Country (25%)

Membership in International Organizations (27%)

Participation in U.N. Security Council Missions (22%)

International Treaties (26%)



“Arguably no other place on earth has so engineered itself to prosper from globalization - and succeeded at it. The small island nation of 5 million people boasts the world's second-busiest seaport, a far higher per capita income than its former British overlord and a raft of No. 1 rankings on lists ranging from least-corrupt to most business-friendly countries.”



Singapore a 'canary in the gold mine of globalization'

Straits Times, May 24 2014



ECONOMIC DIMENSION

- ? Growing economic interdependence of countries worldwide through increasing volume and variety of cross-border transactions in goods and services, free international capital flows, and more rapid and widespread diffusion of technology



TOW TYPES GLOBALIZATION

Consumption	Production
The nation in which a product was made becomes independent of the nationality of the consumer	The nationality of the owner and controller of productive assets is independent of the nation housing them



MEASURING GLOBALIZATION (ECONOMIC ASPECTS)

? **Statistics related to trade.**

Total exports, total trade (imports + exports), Trade as a % of GDP

? **Statistics related to FDI.**

Foreign Direct Investment. Money invested in a country by a foreign company. FDI inflows and outflows.



FACTORS WHICH HELP THE SPREAD OF GLOBALISATION

- ? Low transport costs, containerization
- ? Telecommunications
- ? Internet
- ? Low trade barriers
- ? Political stability
- ? Increasing role of TNCs



INCREASED COMPETITION AMONG NATIONS

- ? For example, many companies have shifted their production facilities to emerging markets such as China and India to enjoy lower costs of production.
- ? Benefiting from the increased revenue, these countries are able to rapidly develop their infrastructure such as road networks and industrial parks, which further increased their attractiveness to foreign investors.
- ? This poses a strong challenge for developed economies like Singapore and Taiwan and more so for less developed countries with poor infrastructure and political stability such as Cambodia and East Timor



INCREASED COMPETITION AMONG NATIONS

- ? “They (economists) predict that increased competition from low-wage countries will destroy jobs in richer nations and there will be a “race to the bottom” as countries reduce wages, taxes, welfare and environmental controls so as to be more competitive, at enormous social cost. Pressure to compete will erode the ability of governments to set their own economic policies and the move towards deregulation will reduce their power to protect and promote the interests of their people.”

World Health Organization



WIDENING INCOME GAP

- ? For example, with improved communications and transportation, business owners in developed countries are able to outsource their operations to other countries to enjoy lower costs of production.
- ? This inevitably leads to higher retrenchment rates and loss of income among the average workers, which translates into the rich getting richer and the poor becoming poorer



PROS AND CONS OF GLOBALIZATION

1. Free trade is supposed to reduce barriers such as tariffs, value added taxes, subsidies, and other barriers between nations. This is not true. There are still many barriers to free trade. The Washington Post story says “the problem is that the big G20 countries added more than 1,200 restrictive export and import measures since 2008
2. The proponents say globalization represents free trade which promotes global economic growth; creates jobs, makes companies more competitive, and lowers prices for consumers.
3. Competition between countries is supposed to drive prices down. In many cases this is not working because countries manipulate their currency to get a price advantage.
4. It also provides poor countries, through infusions of foreign capital and technology, with the chance to develop economically and by spreading prosperity, creates the conditions in which democracy and respect for human rights may flourish. This is an ethereal goal which hasn't been achieved in most countries



PROS & CONS

5. According to supporters globalization and democracy should go hand in hand. It should be pure business with no colonialist designs.
6. There is now a worldwide market for companies and consumers who have access to products of different countries.
7. Gradually there is a world power that is being created instead of compartmentalized power sectors. Politics is merging and decisions that are being taken are actually beneficial for people all over the world. This is simply a romanticized view of what is actually happening.
8. There is more influx of information between two countries, which do not have anything in common between them.
9. There is cultural intermingling and each country is learning more about other cultures.
10. Since we share financial interests, corporations and governments are trying to sort out ecological problems for each other.



PROS & CONS

11. Socially we have become more open and tolerant towards each other and people who live in the other part of the world are not considered aliens.
12. Most people see speedy travel, mass communications and quick dissemination of information through the Internet as benefits of globalization.
13. Labor can move from country to country to market their skills. (*but this can cause problems with the existing labor and downward pressure on wages*).
14. Sharing technology with developing nations will help them progress (*true for small countries but stealing technologies and IP have become a big problem with larger competitors like China*).
15. Transnational companies investing in installing plants in other countries provide employment for the people in those countries often getting them out of poverty.
16. Globalization has given countries the ability to agree to free trade agreements like NAFTA, South Korea Korus, and The TPP.



PROS & CONS

1. The general complaint about globalization is that it has made the rich richer while making the non-rich poorer. “It is wonderful for managers, owners and investors, but hell on workers and nature.”
2. Globalization is supposed to be about free trade where all barriers are eliminated but there are still many barriers. For instance 161 countries have value added taxes (VATs) on imports which are as high as 21.6% in Europe. The U.S. does not have VAT.
3. The biggest problem for developed countries is that jobs are lost and transferred to lower cost countries.” According to conservative estimates by Robert Scott of the Economic Policy Institute, granting China most favored nation status drained away 3.2 million jobs, including 2.4 million manufacturing jobs. He pegs the net losses due to our trade deficit with Japan (\$78.3 billion in 2013) at 896,000 jobs, as well as an additional 682,900 jobs from the Mexico –U.S. trade-deficit run-up from 1994 through 2010.”



PROS & CONS

4. Workers in developed countries like the US face pay-cut demands from employers who threaten to export jobs. This has created a culture of fear for many middle class workers who have little leverage in this global game
5. Large multi-national corporations have the ability to exploit tax havens in other countries to avoid paying taxes.
6. Multinational corporations are accused of social injustice, unfair working conditions (including slave labor wages, living and working conditions), as well as lack of concern for environment, mismanagement of natural resources, and ecological damage.
7. Multinational corporations, which were previously restricted to commercial activities, are increasingly influencing political decisions. Many think there is a threat of corporations ruling the world because they are gaining power, due to globalization.
8. Building products overseas in countries like China puts our technologies at risk of being copied or stolen, which is in fact happening rapidly

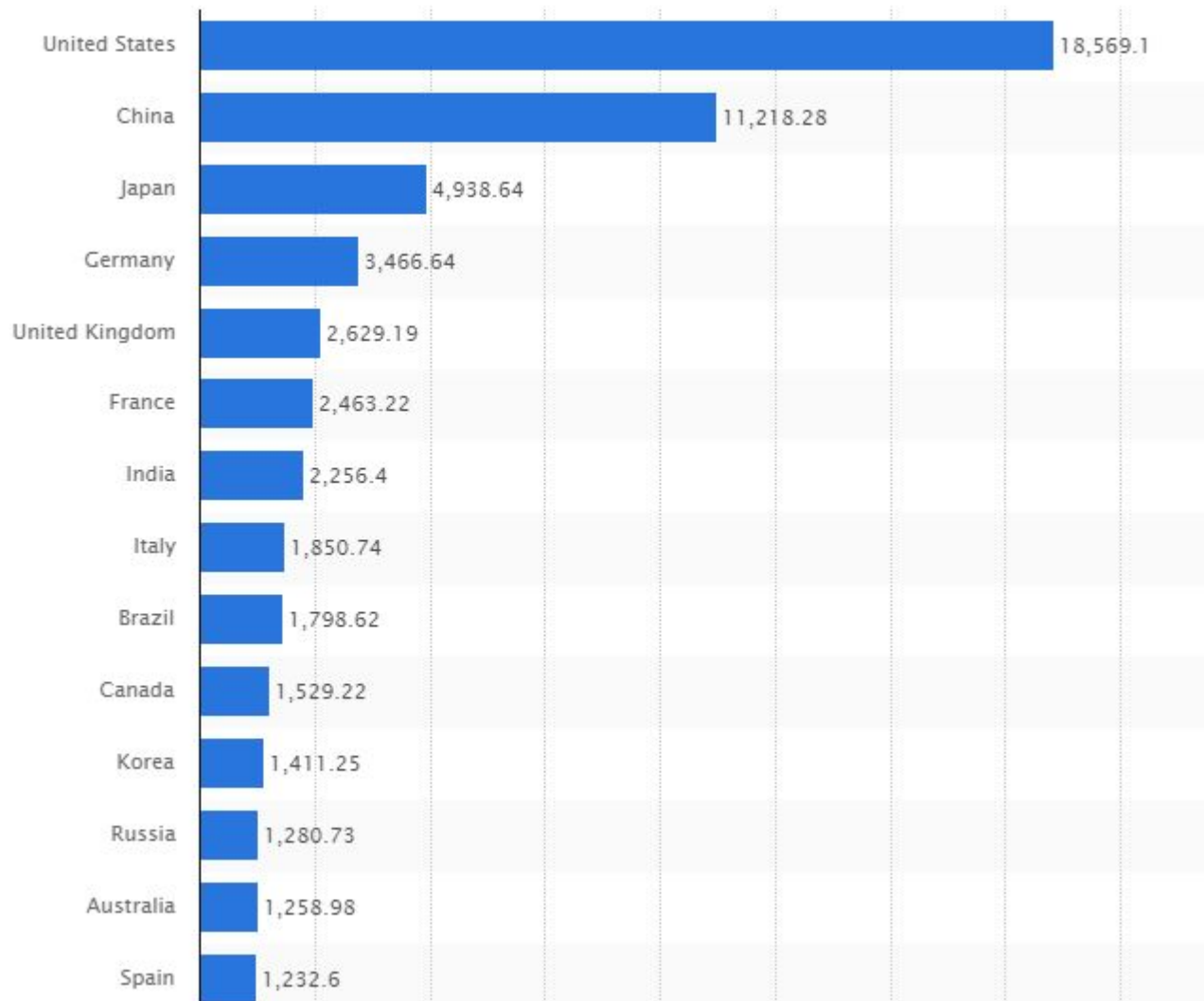


PROS & CONS

9. The anti-globalists also claim that globalization is not working for the majority of the world. “During the most recent period of rapid growth in global trade and investment, 1960 to 1998, inequality worsened both internationally and within countries. The UN Development Program reports that the richest 20 percent of the world's population consume 86 percent of the world's resources while the poorest 80 percent consume just 14 percent. “
10. Some experts think that globalization is also leading to the incursion of communicable diseases. Deadly diseases like HIV/AIDS are being spread by travelers to the remotest corners of the globe.
11. Globalization has led to exploitation of labor. Prisoners and child workers are used to work in inhumane conditions. Safety standards are ignored to produce cheap goods. There is also an increase in human trafficking.
12. Social welfare schemes or “safety nets” are under great pressure in developed countries because of deficits, job losses, and other economic ramifications of globalization.



GDP (2016)



GDP PER CAPITA (2016)

