

# **Globalization and its Representation in the World Economy**

## Plan

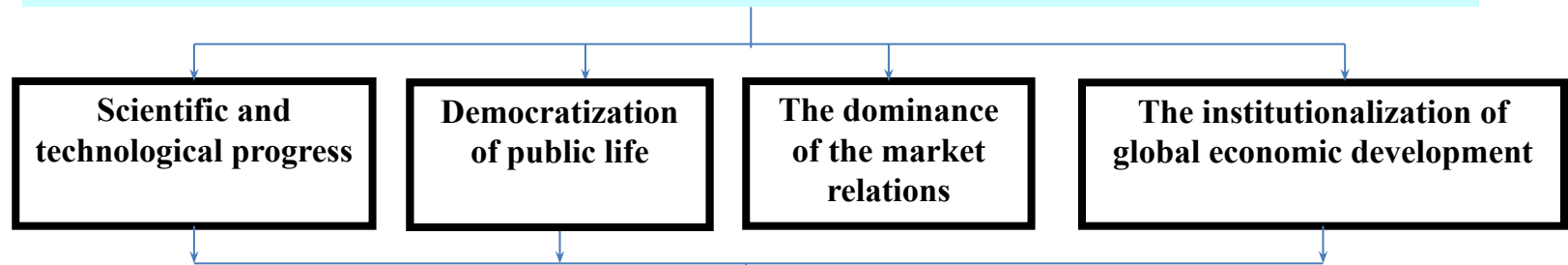
1. The essence and the basic aspects of globalization.
2. The driving forces of globalization and its stages.
3. The impact of economic globalization on the development of national economies.
4. Current international economic problems.
5. The process of international economic integration as a representation of economic globalization
6. Advantages and disadvantages of globalization in the World Economy.

## **Definitions of globalization:**

- "the compression of the world and the intensification of the consciousness of the world as a whole" ( Roland Robertson);
- ...all those processes by which the peoples of the world are incorporated into a single world society (Martin Albrow and Elizabeth King);
- the increasing integration of economies around the world, particularly through trade and financial flows, but also the movement of ideas and people, facilitated by the revolution in telecommunications and transportation

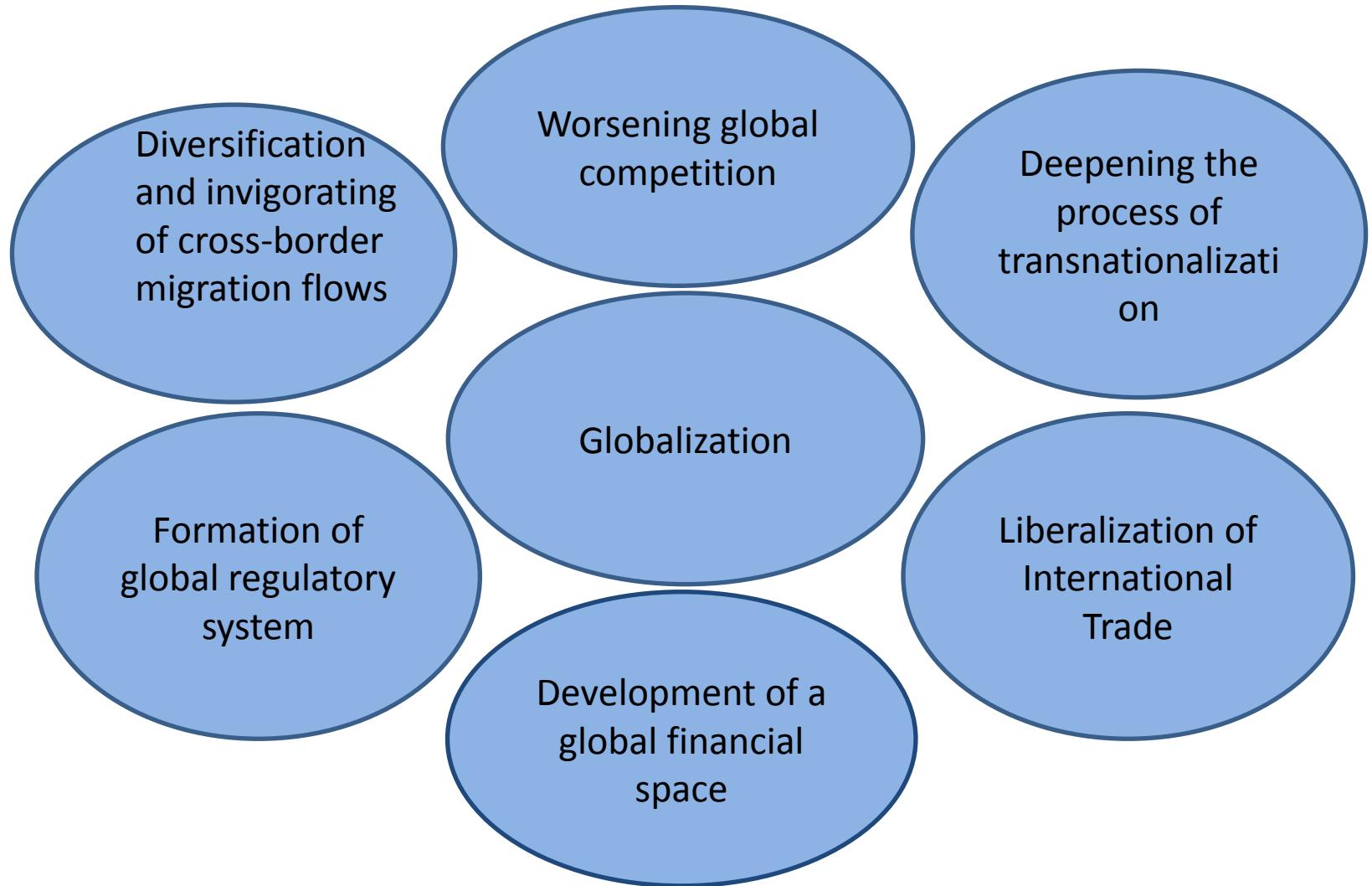
**Globalization** - a process of strengthening the relationship of the national economies of the world, which is reflected in the formation of the world market of goods and services, finance, establishment of a global information space, transforming knowledge into basic element of social wealth, establishment of international business through functioning of TNCs, introduction and dominance in the daily practice of international relations and political life of the peoples innovative and universal liberal and democratic values etc.

# The driving forces of globalization and its stages



<b>First wave of globalization (1870-1914)</b>	The first industrial revolution (since 1748): production of cotton textiles, iron and coke; The second industrial revolution (since 1840): the production of steel.	Liberalization of trade and monetary policy, Mass migration from the European continent to the United States, Australia and New Zealand.	Deepening international division of labor through launching of total and partial division of labor. Development of transport infrastructure.	The predominance of micro- level controllers in institutional system (i.e. at the company level)
<b>Second wave of globalization (1945-1980)</b>	Third Industrial Revolution (since 1950): in chemistry and electricity	The formation of the bipolar world system. The collapse of the colonial system.	The development of information, communication and transport infrastructure. Initiating specializations within multinational corporations (TNC).	The first wave of regional economic integration. Creating international sectoral organizations. The internationalization of the financial sector - forming the euromarket.
<b>Third wave of globalization (since 1980s.)</b>	Fourth Scientific and Industrial Revolution (since 1970) - the invention of the computer, laser equipment production, etc. Fifth (information) revolution (late twentieth century).	The collapse of the world bipolar system and the beginning of multipolar world system.	Formation of the global financial, trade, investment and other markets. Creation of a global information network.	The second and third wave of regional economic integration process. Forming a network of global cities, regional clusters. The formation of national, corporate and global institutions.

# The impact of globalization on the development of national economies



Scholars separately defined economic, technological, political, cultural and social globalization:

- ***economic globalization*** - the institutionalization of the opening of markets, liberalization of national economy and international economic integration;
- ***technological globalization*** refers to the new communications technology and the information revolution;
- ***political globalization*** refers to the withering away of the nation-state;
- ***cultural globalization*** refers to the present homogenisation of culture;
- ***social globalization*** refers to the homogenisation of today's' mode of life which is based on an individualist and consumerist culture.

**The KOF Index of Globalization** measures the three main dimensions of globalization:

- **economic *globalization*** is characterized by international economic integration, liberalization of national economic policies that provide free movement of goods, capital and services throughout the world;
- **social *globalization*** expressed as the spread of ideas, information, images and people throughout the world;
- **political *globalization*** characterized by a diffusion of government policies.



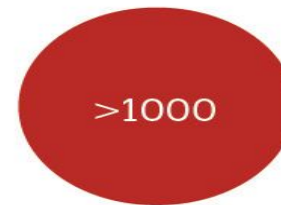
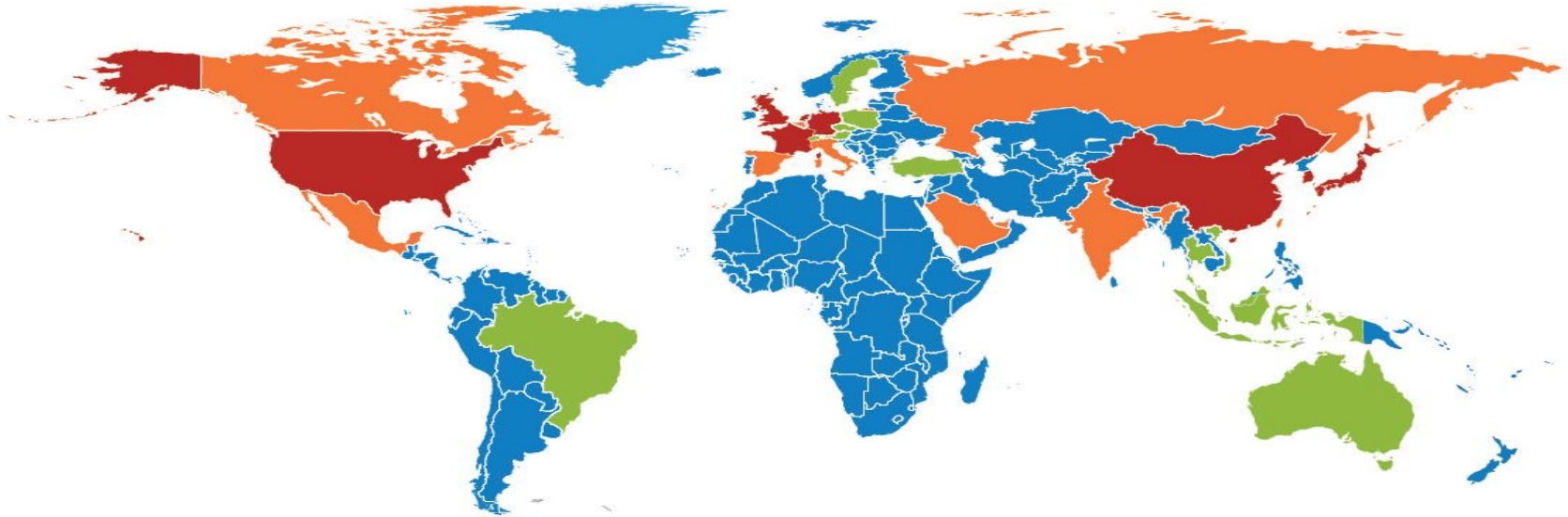
# KOF Index of Globalization

Indices and Variables	Weights, %
<b>Economic Globalization</b>	<b>36</b>
• Actual Flows	50
Trade (percent of GDP)	22
Foreign Direct Investment, stocks (percent of GDP)	29
Portfolio Investment (percent of GDP)	22
Income Payments to Foreign Nationals (percent of GDP)	27
• Restrictions	50
Hidden (приховані) Import Barriers	22
Mean Tariff Rate	28
Taxes on International Trade (percent of current revenue (доходи))	27
Taxes on International Trade (percent of current revenue)	23
<b>Social Globalization</b>	<b>38</b>
• Data (дані) on Personal Contact	33
Telephone Traffic	26
Transfers (percent of GDP)	2
International Tourism	26
Foreign Population (percent of total population)	20
International letters (per capita)	25
• Data on Information Flows	36
Internet Users (per 1000 people)	36
Television (per 1000 people)	37
Trade in Newspapers (percent of GDP)	28
• Data on Cultural Proximity	31
<b>Political Globalization</b>	<b>26</b>
Embassies in Country	25
Membership in International Organizations	28
Participation in U.N. Security Council Missions	22
International Treaties	25

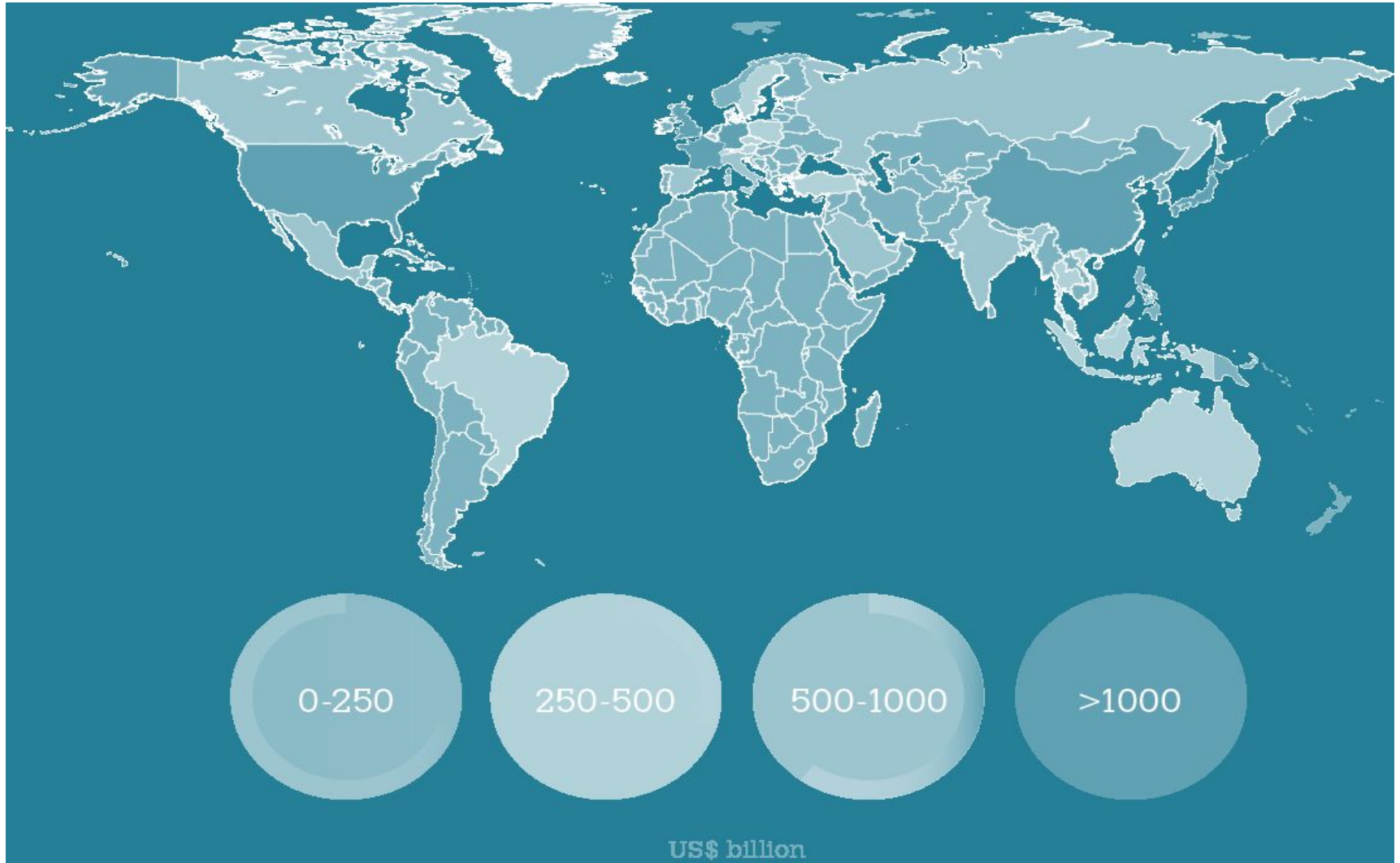
# List of most 10 globalized countries by the KOF Index in 2015

	<b>Country</b>	<b>Globalization index</b>
<b>1</b>	Ireland	91.30
<b>2</b>	Netherland	91.24
<b>3</b>	Belgium	91.00
<b>4</b>	Austria	90.24
<b>5</b>	Singapore	87.49
<b>6</b>	Sweden	86.59
<b>7</b>	Denmark	86.30
<b>8</b>	Portugal	86.29
<b>9</b>	Switzerland	86.04
<b>10</b>	Finland	85.64
<b>42</b>	Ukraine	69.50

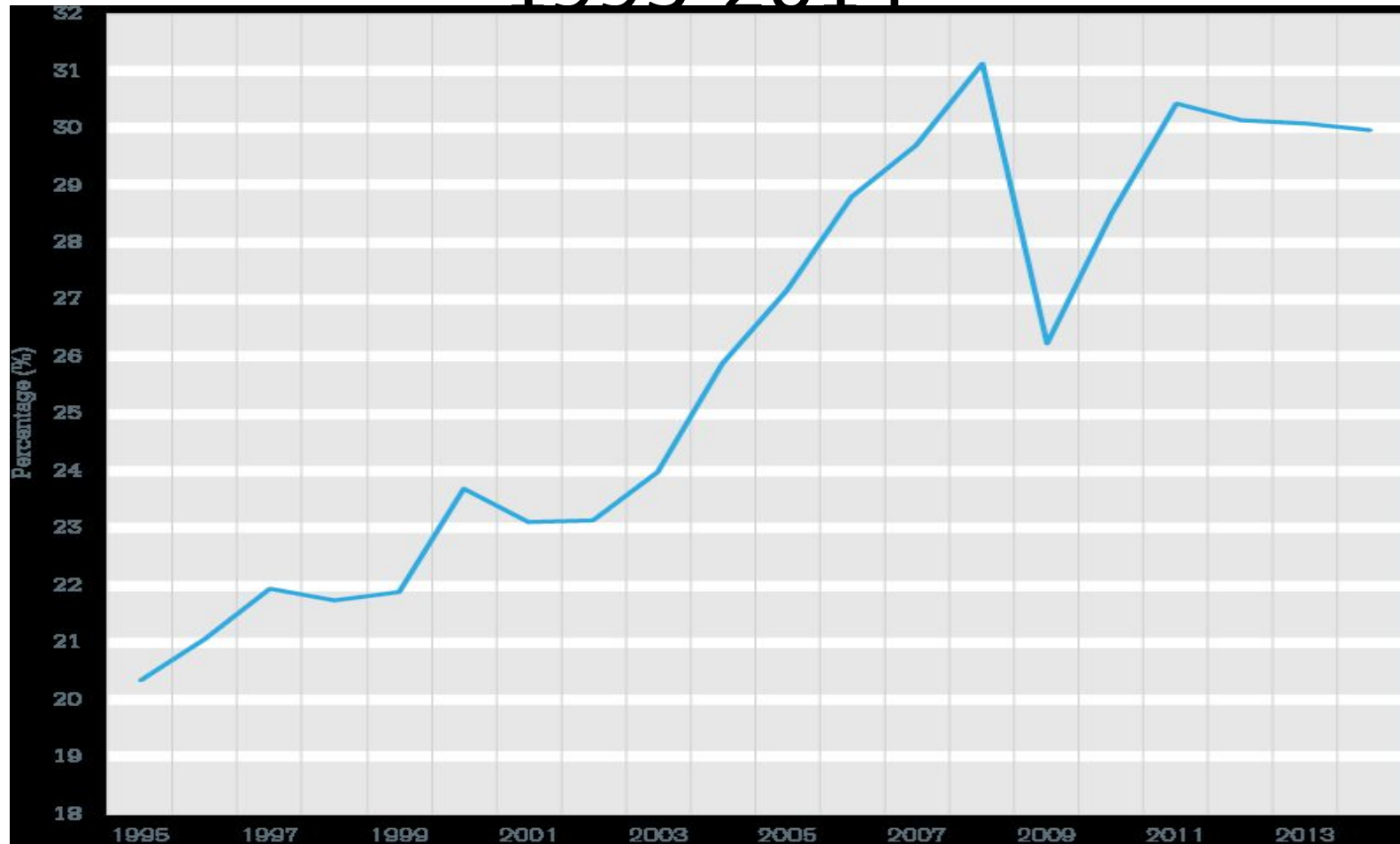
# Economies by size of merchandise trade in 2013



US\$ billion



# Ratio of trade in goods and commercial services to GDP, 1995-2014



# China has become the world's leading exporter

- China overtook Japan as the leading Asian exporter in 2004, three years after its accession to the WTO. China surpassed the United States in 2007 and Germany in 2009 to become the world's leading exporter.
- The share of developing economies' exports in world trade increased from 26 percent in 1995 to 44 per cent in 2014 while the share of developed economies' exports decreased from 70 per cent to 52 per cent.

# China, United States and Germany are top three merchandise traders

- China became the world's biggest merchandise trader in 2013, with imports and exports totalling US\$ 4,159 billion. It recorded a trade surplus of US\$ 259 billion, 2.8 per cent of its GDP.
- The United States is the second-biggest merchandise trader, with imports and exports totalling US\$ 3,909 billion in 2013. The US trade deficit was US\$ 750 billion (4.5 per cent of its GDP).
- Germany is in third place, with a trade surplus of US\$ 264 billion in 2013, 7.3 per cent of its GDP.
- Japan ranks fourth, with merchandise trade totalling US\$ 1,548 billion in 2013. It recorded a trade deficit of US\$ 118 billion, 2.4 per cent of its GDP.

# Growth in the volume of world merchandise exports and production, 2005 - 2013

	2005 - 2013
<b>World merchandise exports</b>	<b>3,5</b>
Agricultural products	3,5
Fuels and mining products	1,5
Manufactures	4,0
<b>World merchandise production</b>	<b>2,0</b>
Agriculture	2,5
Mining	1,0
Manufacturing	2,5
<b>World GDP</b>	<b>2,0</b>



## Growth in the volume of world merchandise trade by selected region and economy, 2005 - 2013

Region	Exports	Imports
<b>World</b>	3,5	3,0
North America	3,5	1,5
Canada	0,0	2,0
<b>Mexico</b>	<b>4,5</b>	<b>4,0</b>
<b>United States</b>	<b>4,5</b>	<b>0,5</b>
<b>South and Central America</b>	1,5	8,0
<b>Europe</b>	2,0	1,0
European Union (28)	2,0	0,5
Norway	-1,5	3,0
Switzerland	2,5	1,5
<b>Commonwealth of Independent States</b>	2,5	7,5
<b>Asia</b>	<b>6,5</b>	<b>5,5</b>
Australia	3,5	4,5
<b>China</b>	<b>11,0</b>	<b>10,0</b>
<b>India</b>	<b>10,5</b>	<b>11,0</b>
Japan	2,0	1,0

# World merchandise imports by region and selected economy

	1948	1953	1963	1973	1983	1993	2003	2013
<b>World, bln. dollars</b>	<b>62</b>	<b>85</b>	<b>164</b>	<b>594</b>	<b>1883</b>	<b>3800</b>	<b>7696</b>	<b>18409</b>
<b>World, %</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>
<b>North America</b>	18,5	20,5	16,1	17,2	18,5	21,3	22,4	17,4
Canada	4,4	5,5	3,9	4,2	3,4	3,7	3,2	2,6
Mexico	1,0	0,9	0,8	0,6	0,7	1,8	2,3	2,1
<b>United States</b>	<b>13,0</b>	<b>13,9</b>	<b>11,4</b>	<b>12,3</b>	<b>14,3</b>	<b>15,9</b>	<b>16,9</b>	<b>12,7</b>
<b>South and Central America</b>	<b>10,4</b>	<b>8,3</b>	<b>6,0</b>	<b>4,4</b>	<b>3,9</b>	<b>3,3</b>	<b>2,5</b>	<b>4,2</b>
Brazil	1,8	1,6	0,9	1,2	0,9	0,7	0,7	1,4
Argentina	2,5	0,9	0,6	0,4	0,2	0,4	0,2	0,4
<b>Europe</b>	<b>45,3</b>	<b>43,7</b>	<b>52,0</b>	<b>53,3</b>	<b>44,1</b>	<b>44,4</b>	<b>45,0</b>	<b>35,8</b>
Germany	2,2	4,5	8,0	9,2	8,1	9,0	7,9	6,5
France	5,5	4,9	5,3	6,4	5,6	5,7	5,2	3,7
Italy	2,5	2,8	4,6	4,7	4,2	3,9	3,9	2,6
United Kingdom	13,4	11,0	8,5	6,5	5,3	5,5	5,2	3,6
<b>USSR / Commonwealth of Independent States</b>	1,9	3,3	4,3	3,6	4,3	1,2	1,7	3,1
<b>Africa</b>	<b>8,1</b>	<b>7,0</b>	<b>5,2</b>	<b>3,9</b>	<b>4,6</b>	<b>2,6</b>	<b>2,2</b>	<b>3,4</b>
South Africa	2,5	1,5	1,1	0,9	0,8	0,5	0,5	0,7
<b>Asia</b>	<b>13,9</b>	<b>15,1</b>	<b>14,1</b>	<b>14,9</b>	<b>18,5</b>	<b>23,6</b>	<b>23,5</b>	<b>31,8</b>
Australia and New Zeland	2,9	2,3	2,2	1,6	1,4	1,5	1,4	1,5
China	0,6	1,6	0,9	0,9	1,1	2,7	5,4	10,6
India	2,3	1,4	1,5	0,5	0,7	0,6	0,9	2,5
Japan	1,1	2,8	4,1	6,5	6,7	6,4	5,0	4,5

# World merchandise exports by region and selected economy

	1948	1953	1963	1973	1983	1993	2003	2013
<b>World, bln. dollrs</b>	<b>59</b>	<b>81</b>	<b>157</b>	<b>579</b>	<b>1838</b>	<b>3684</b>	<b>7380</b>	<b>18301</b>
<b>World, %</b>	<b>100,0</b>	<b>100,</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>
<b>North America</b>	<b>28,1</b>	<b>24,8</b>	<b>19,9</b>	<b>17,3</b>	<b>16,8</b>	<b>18,0</b>	<b>15,8</b>	<b>13,2</b>
Canada	5,5	5,2	4,3	4,6	4,2	3,9	3,7	2,5
Mexico	0,9	0,7	0,6	0,4	1,4	1,4	2,2	2,1
United States	<b>21,7</b>	<b>18,8</b>	<b>14,9</b>	<b>12,3</b>	<b>11,2</b>	<b>12,6</b>	<b>9,8</b>	<b>8,6</b>
<b>South and Central America</b>	<b>11,3</b>	<b>9,7</b>	<b>6,4</b>	<b>4,3</b>	<b>4,5</b>	<b>3,0</b>	<b>3,0</b>	<b>4,0</b>
Brazil	2,0	1,8	0,9	1,1	1,2	1,0	1,0	1,3
Argentina	2,8	1,3	0,9	0,6	0,4	0,4	0,4	0,4
<b>Europe</b>	<b>35,1</b>	<b>39,4</b>	<b>47,8</b>	<b>50,9</b>	<b>43,5</b>	<b>45,3</b>	<b>45,9</b>	<b>36,3</b>
Germany	1,4	5,3	9,3	11,7	9,2	10,3	10,2	7,9
France	3,4	4,8	5,2	6,3	5,2	6,0	5,3	3,2
Italy	1,8	1,8	3,2	3,8	4,0	4,6	4,1	2,8
United Kingdom	11,3	9,0	7,8	5,1	5,0	4,9	4,1	3,0
<b>USSR / Commonwealth of Independent States</b>	<b>2,2</b>	<b>3,5</b>	<b>4,6</b>	<b>3,7</b>	<b>5,0</b>	<b>1,5</b>	<b>2,6</b>	<b>4,3</b>
<b>Africa</b>	<b>7,3</b>	<b>6,5</b>	<b>5,7</b>	<b>4,8</b>	<b>4,5</b>	<b>2,5</b>	<b>2,4</b>	<b>3,3</b>
South Africa	2,0	1,6	1,5	1,0	1,0	0,7	0,5	0,5
<b>Asia</b>	<b>14,0</b>	<b>13,4</b>	<b>12,5</b>	<b>14,9</b>	<b>19,1</b>	<b>26,0</b>	<b>26,1</b>	<b>31,5</b>
Australia and New Zeland	3,7	3,2	2,4	2,1	1,4	1,4	1,2	1,6
China	<b>0,9</b>	<b>1,2</b>	<b>1,3</b>	<b>1,0</b>	<b>1,2</b>	<b>2,5</b>	<b>5,9</b>	<b>12,1</b>
India	2,2	1,3	1,0	0,5	0,5	0,6	0,8	1,7
Japan	0,4	1,5	3,5	6,4	8,0	9,8	6,4	3,9

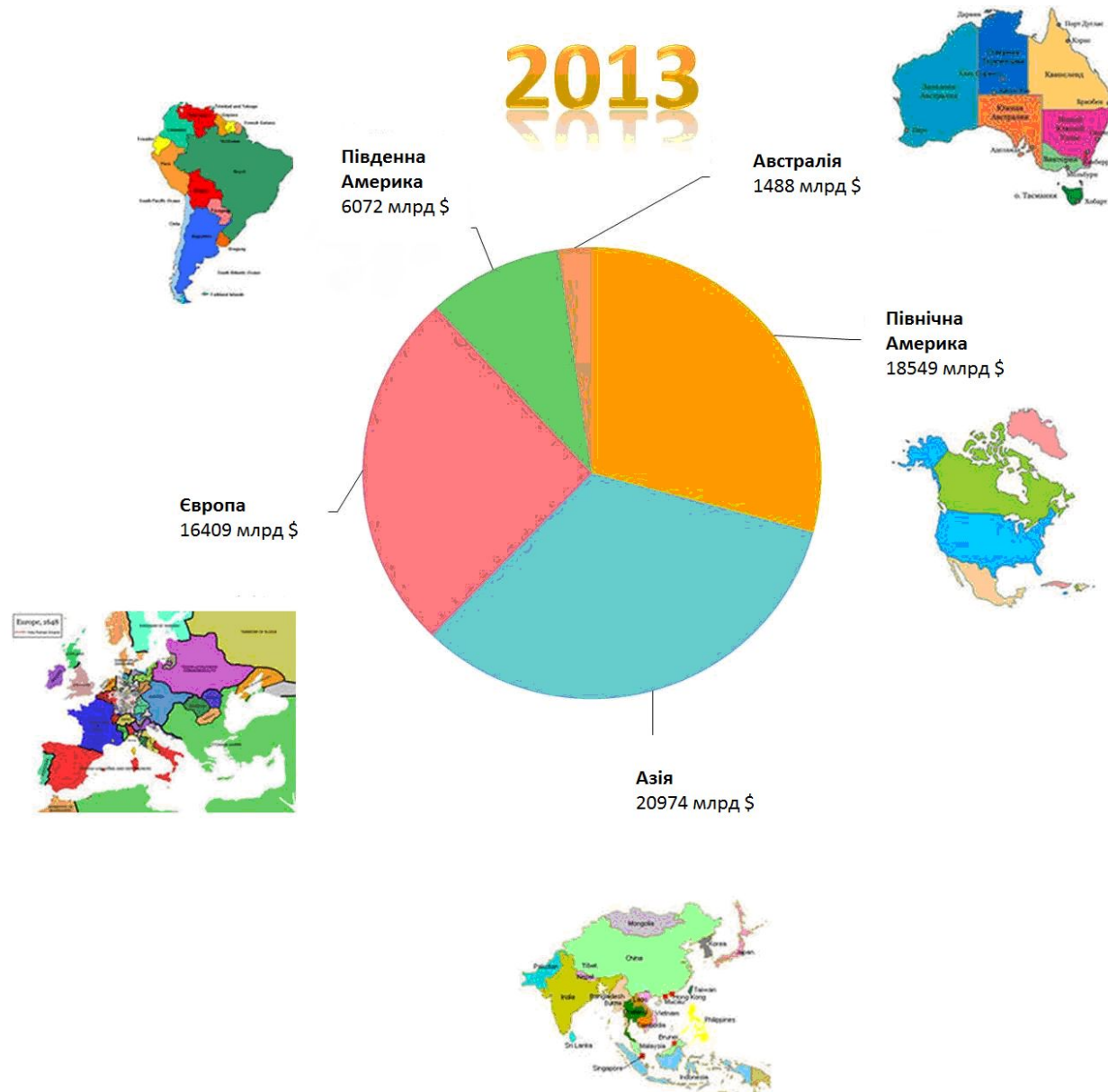
# Real GDP of leading countries and Ukraine in 2013

No	Country	GDP, bln. dollars. USA
1	USA	15684
2	China	12674
3	India	4793
4	Japan	4490
5	Russian Federation	3380
6	Germany	3307
7	Brazil	2309
8	United Kingdom	2254
9	France	2217
10	Italy	1829
38	Ukraine	338

## GDP (PPP) per capita in the leading countries and Ukraine

No	Country	GDP (PPP) per capita , doll. USA
1	Qatar	143552
2	Luxembourg	93174
3	Singapore	85198
4	Brunei Darussalam	72370
5	Kuwait	70914
6	Norway	67445
7	UAE	65149
8	San Marino	61836
9	Switzerland	58731
10	Hong Kong SAR	56428
47	Poland	26210
110	Ukraine	8278

# Structure of world GDP by region of the world



# Income per capita of the leading countries and Ukraine

No	Country	Income per capita, dol. USA
1	Monaco	186950
2	Lichtenstein	136770
3	Bermudez Islands	104610
4	Norway	102610
5	Switzerland	86600
6	Qatar	85550
7	Luxembourg	71810
17	USA	53670
70	Russian Federation	13860
74	Poland	12960
132	Ukraine	3960

**Human development index (HDI)** is a composite statistic [of life expectancy](#), [education](#), and [per capita income](#) indicators, which are used to rank countries into four tiers of [human development](#). The HDI was developed by Pakistani economist [Mahbub ul Haq](#), is anchored in the Nobel laureate [Amartya Sen](#)'s work on human capabilities, often framed in terms of whether people are able to "be" and "do" desirable things in their life, and was published by the [United Nations Development Programme](#).

HDI Rank	Country	1980	1985	1990	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013
..	Very high human development	0.757	0.775	0.798	0.849	0.870	0.874	0.877	0.879	0.880	0.885	0.887	0.889	0.890
..	High human development	0.534	0.552	0.593	0.643	0.682	0.691	0.701	0.710	0.715	0.723	0.729	0.733	0.735
..	Medium human development	0.420	0.448	0.474	0.528	0.565	0.573	0.580	0.587	0.593	0.601	0.609	0.612	0.614
..	Low human development	0.345	0.365	0.367	0.403	0.444	0.456	0.465	0.471	0.478	0.479	0.486	0.490	0.493



## Human development index (HDI) in the leading countries and Ukraine

Country and its position in HDI	HDI in 2013	Life expectancy years	Per capita income, US dol.	Education, years
<b>1. Norway</b>	0,996	81,6	64992	17,5
<b>2. Australia</b>	0,935	82,4	42261	20,2
<b>3. Switzerland</b>	0,930	83,0	56431	15,8
<b>4. Denmark</b>	0,923	80,2	44025	18,7
<b>5. Netherlands</b>	0,922	81,6	45435	17,9
<b>6. Germany</b>	0,916	80,9	43919	16,5
<b>7. Ireland</b>	0,916	80,9	39568	18,6
<b>8. United States</b>	0,915	79,1	52947	16,5
<b>9. Canada</b>	0,913	82,0	42341	15,9
<b>10. New Zealand</b>	0,913	80,8	32545	15,3
<b>36. Poland</b>	0,843	77,4	23177	15,5
<b>81. Ukraine</b>	0,747	71,0	8178	15,1
<b>World average</b>	0,711	71,5	14301	12,2

*“Institutions are the “rules of the game” in society or, more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social, or economic. . . .”*

D. North.

"The countries of the " third world "- according to D. North – are poor because the institutional constraints define a system of rewards for political (or economic) activities that do not encourage productive activity."

**“There is no country condemned to live in poverty; for any society is possible to create such institutional environment that will ensure the long term economic growth“.**

***D. North.***

# Ukraine in global competitiveness index, 2015-2016

Global Competitiveness Index 1-7 (best)	79	4.0
Subindex A: Basic requirements 1-7 (best)	101	4.1
1st pillar: Institutions 1-7 (best)	130	3.1
2nd pillar: Infrastructure 1-7 (best)	69	4.1
3rd pillar: Macroeconomic environment 1-7 (best)	134	3.1
4th pillar: Health and primary education 1-7 (best)	45	6.1
Subindex B: Efficiency enhancers 1-7 (best)	65	4.1
5th pillar: Higher education and training 1-7 (best)	34	5.0
6th pillar: Goods market efficiency 1-7 (best)	106	4.0
7th pillar: Labor market efficiency 1-7 (best)	56	4.3
8th pillar: Financial market development 1-7 (best)	121	3.2
9th pillar: Technological readiness 1-7 (best)	86	3.4
10th pillar: Market size 1-7 (best)	45	4.5
Subindex C: Innovation and sophistication factors 1-7 (best)	72	3.6
11th pillar: Business sophistication 1-7 (best)	91	3.7
12th pillar: Innovation 1-7 (best)	54	3.4

# **Current global economic problems**

- 1. Trade protectionism in advanced countries in a rapidly globalizing world.**
- 2. Excessive fluctuations and misalignment in exchange rates and financial crises.**
- 3. Structural imbalances in the United States, slow growth in Europe and Japan, and insufficient restructuring in transition economies/**
- 4. Deep poverty in many developing countries.**
- 5. Resource scarcity, environmental degradation, climate change and sustainable development.**

**International economic integration is a process where the economic barriers between two or more economies are eliminated**

# Forms of international economic integration

Forms and Levels of international economic integration	Lower tariffs for movements of goods and services within the area	The barriers and quotas to mutual trade are removed	The implementation of common external tariff from outside the Union	Establishment of free movement of labor, capital, services and individuals	Harmonization and unification of economic and social policy
<b>Preferential Trade Area</b>	+				
<b>Free Trade Area</b>	+	+			
<b>Customs Union</b>	+	+	+		
<b>Common Market</b>	+	+	+	+	
<b>Economic Union</b>	+	+	+	+	+

# List of Advantages and Disadvantages of Globalization

Advantages of Globalization	Disadvantages of Globalization
Economic and social development, improvement quality of human life and higher standard of living.	Widening of Gap between rich and poor countries
Liberalisation of national markets and increased free movement of goods, services, capitals, technologies, individuals between nations	Economic depression in one country can trigger adverse reaction across the globe
Providing jobs in less Economically Developed Countries and help to develop economy	Globalization causes unemployment in industrialized countries because firms move their factories to places where they can get cheaper workers
Spread of democratic ideals to nations	Human, animal and plant diseases can spread more quickly through globalization
Standardisation of product: the same products can be seen in some many places	
Reduction of cultural barriers increases the global village effect	