

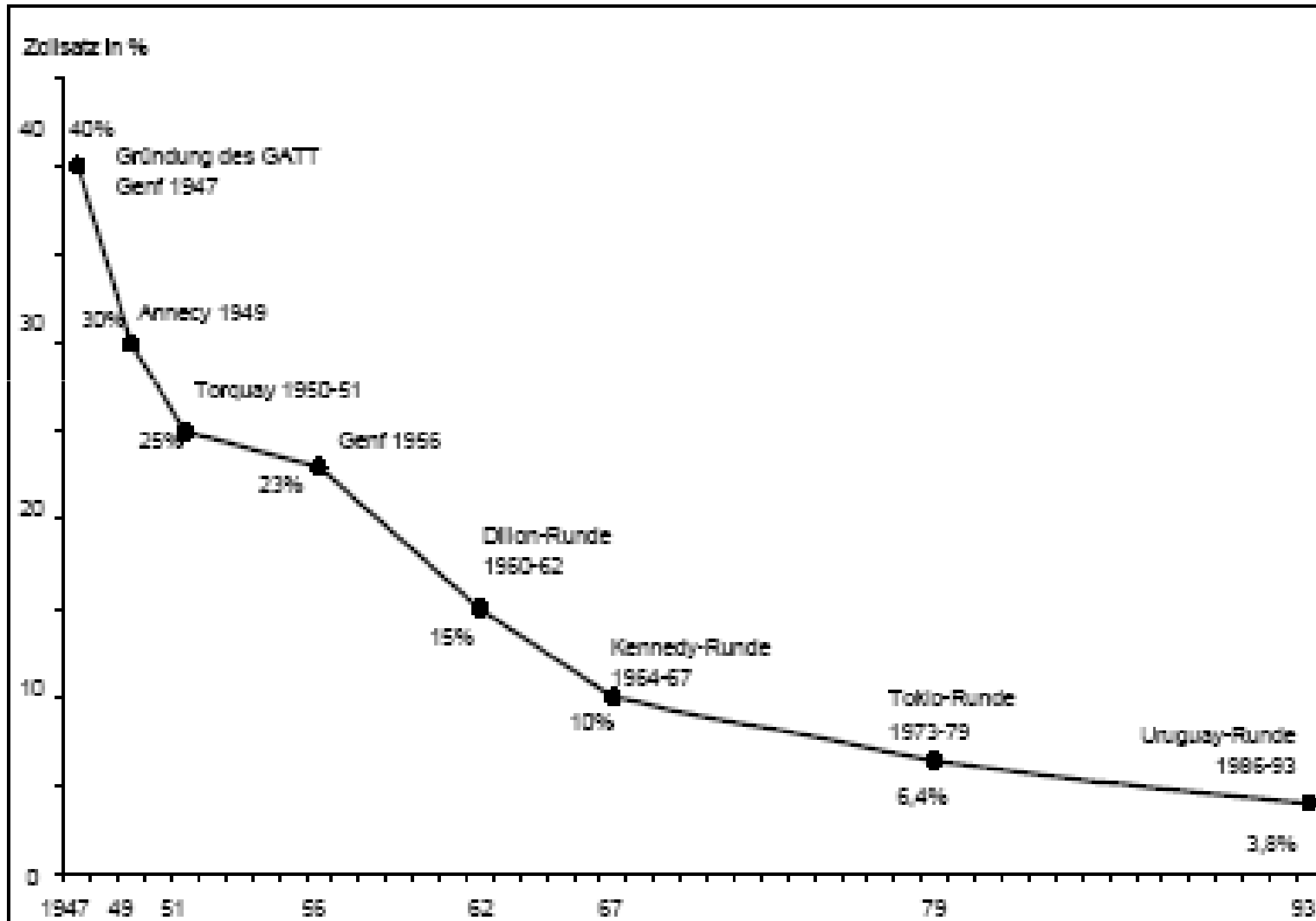
# Illustrative key figures to measure internationalization

- Stocks
  - Number of foreign subsidiaries
  - Number of countries with foreign subsidiaries
  - Amount of foreign assets
  - Number of foreign shareholders
  - Number of foreign employees
- Flows
  - Foreign sales
  - Profits or foreign sales of subsidiaries
  - Value added abroad
- Ratios
  - Foreign to domestic operations ratios (FDO)
  - Foreign to total operations ratios (FTO)
  - Internationality-Indexes

# Drivers of globalization

- Declining trade and investment barriers (e.g. tariffs, non-tariff barriers, etc.)
- Technological change
  - Microprocessors
  - Internet
  - Transportation
- International organizations (WTO, Regional Trade Agreements, etc.) (causality?)

# Average tariffs through time



Source: Busse, HWWA-Discussion paper 1216, 2001

# Non tariff trade barriers

Land/Region	Import coverage ratios			Frequency ratios		
	1988	1993	1996	1988	1993	1996
USA	25,5	22,9	16,8	16,7	17,0	7,7
EU	26,6	23,7	19,1	13,2	11,1	6,7
Japan	13,1	12,2	10,7	8,6	8,1	7,4
Kanada	11,1	11,0	10,4	5,7	4,5	4,0

Source: Busse, HWWA-Discussion paper 1216, 2001

# Transport and telecommunication

Jahr	Seefracht <sup>1)</sup>		Lufttransport <sup>2)</sup>		Telekommunikation <sup>3)</sup>	
	ln US-\$ 1990	Index 1930=100	ln US-\$ 1990	Index 1930=100	ln US-\$ 1990	Index 1930=100
1920	95	158,3	n.v.	n.v.	n.v.	n.v.
1930	60	100,0	0,68	100,0	244,65	100,0
1940	63	105,0	0,46	67,7	188,51	77,1
1950	34	56,7	0,30	44,1	53,20	21,8
1960	27	45,0	0,24	35,3	45,86	18,8
1970	27	45,0	0,16	23,5	31,58	12,9
1980	24	40,0	0,10	14,7	4,80	2,0
1990	29	48,3	0,11	16,2	3,32	1,4
1999	21 <sup>4)</sup>	35,0 <sup>4)</sup>	0,08 <sup>4)</sup>	11,8 <sup>4)</sup>	0,19	0,1

Source: Busse, HWWA-Discussion paper 1216, 2001

# Transport and telecommunication II

**Table 11. Costs of Air Transportation, Telephone Calls, and Computer Price Deflator**

*(In 1990 U.S. dollars unless otherwise indicated)*

Year	Average Air Transportation Revenue per Passenger Mile	Cost of a Three-Minute Call, New York To London	U.S. Department of Commerce Computer Price Deflator (1990 = 1,000)
1930	0.68	244.65	...
1940	0.46	188.51	...
1950	0.30	53.20	...
1960	0.24	45.86	125,000
1970	0.16	31.58	19,474
1980	0.10	4.80	3,620
1990	0.11	3.32	1,000

# The globalization debate

- Is the shift towards an interdependent and integrated global economy a good thing?
- Positive: economic growth, higher incomes, new jobs
- **Negative (?):** (sharp) inequality, might do harm to rising industries, environment, cultural decay of man
- Economics is not a zero-sum game!

# Reasons for intensifying globalization

- Political
  - Market oriented reforms and deregulation
  - Trade and financial liberalization
  - Regional integration
- Technological
  - Reduction transport cost
    - Miniaturization
    - Technological progress
  - Reduction telecommunication cost
- Socio-economic
  - Standardization
  - Shorter life cycles and higher R&D Cost
  - Increased competition

# Summary of Unit 1

- Concepts
  - Globalization
  - Division of labor
  - Comparative advantage
  - Trade
  - Internationalization
  - Openness
  - Liberalization

# Summary of Unit 1 (continued)

- Data
  - GDP
  - Population
  - Exports & Imports
  - FDI
  - Offshoring / Outsourcing
  - Other internationalization measures
  - Tariffs, non-tariffs barriers, etc.
  - Transports and telecommunications costs