

National Economic Education Delegation

- **Vision**

- One day, the public discussion of policy issues will be grounded in an accurate perception of the underlying economic principles and data.

- **Mission**

- NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States.

- **NEED Presentations**

- Are **nonpartisan** and intended to reflect the consensus of the economics profession.



NATIONAL ECONOMIC
EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu UNIVERSITY OF MICHIGAN

1

1

Globalization: Its Rise and Perhaps Its Fall

Alan V. Deardorff
University of Michigan

NEED Webinar
April 24, 2020



NATIONAL ECONOMIC
EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu UNIVERSITY OF MICHIGAN

2

Outline

- **What is Globalization?**
- **Pros and Cons**
- **Policies**
- **Effects of the Pandemic**
- **Globalization's Future?**



NATIONAL ECONOMIC
EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

3

What Globalizations Is

- **Growth over time of many interactions between countries**
 - Trade
 - Global Value Chains
 - Foreign Direct Investment
 - Financial Flows
 - Migration
 - International Travel



NATIONAL ECONOMIC
EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

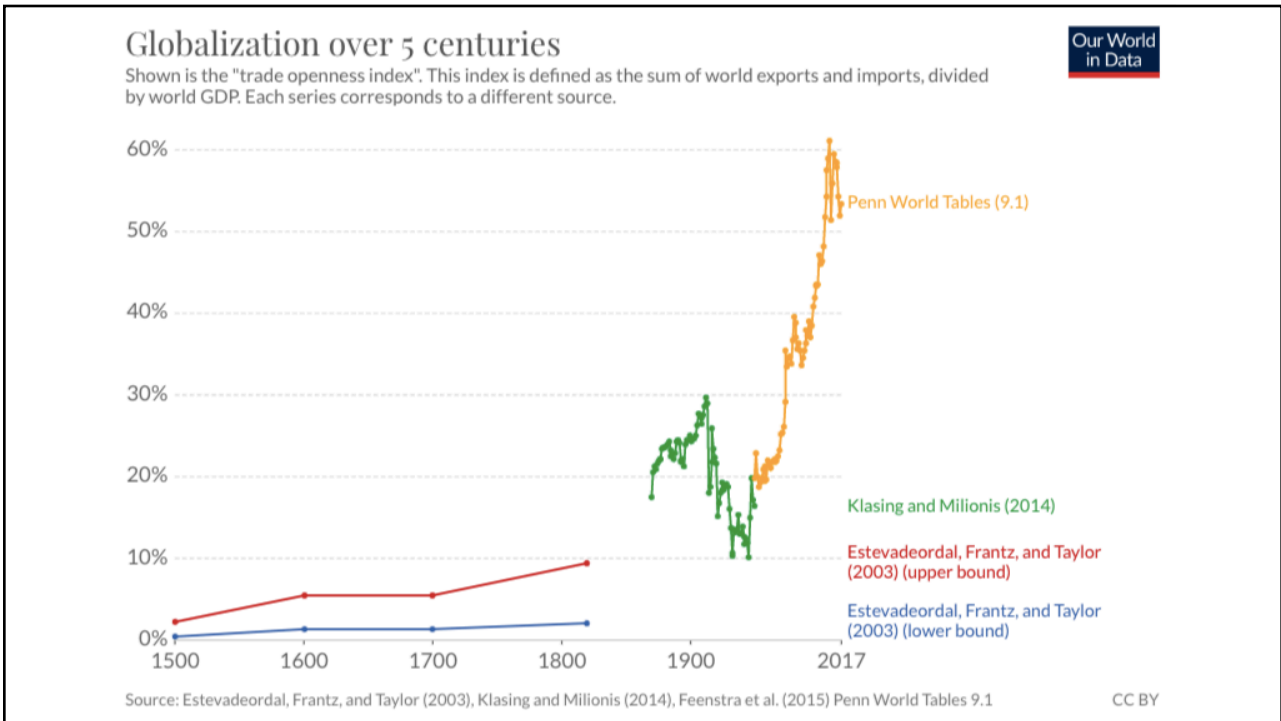
4

Trade

 NATIONAL ECONOMIC EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

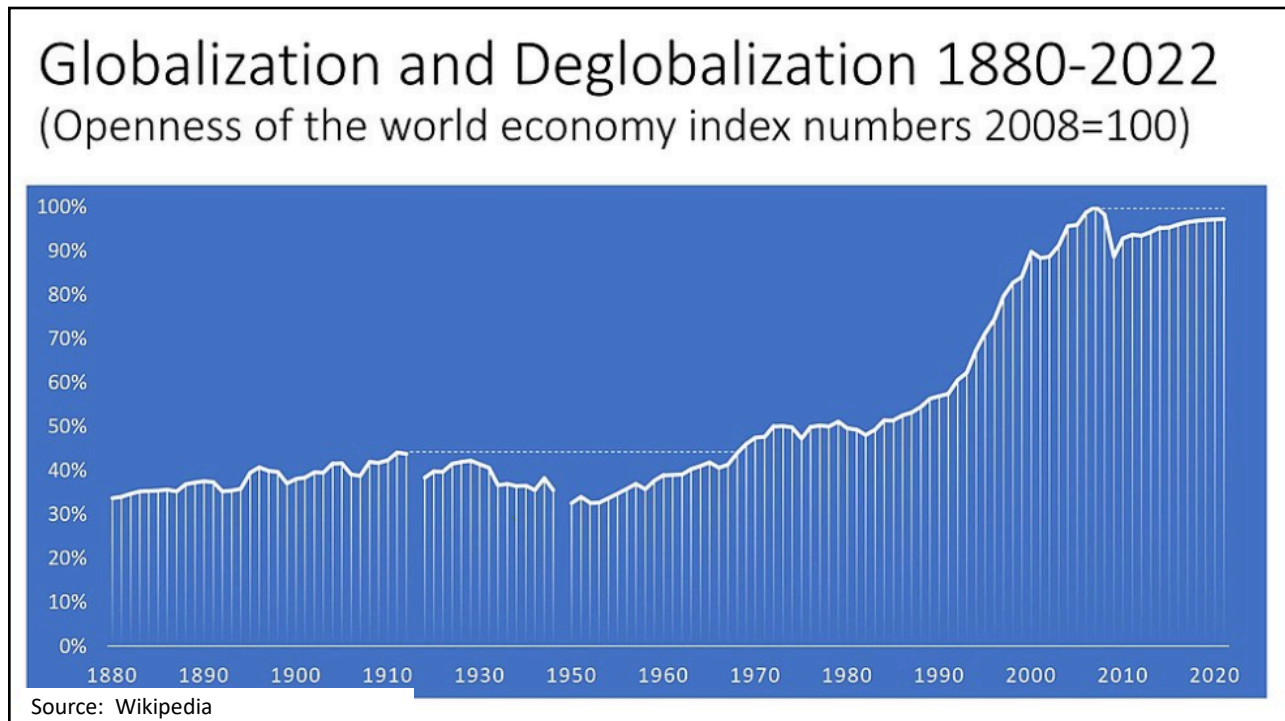
5



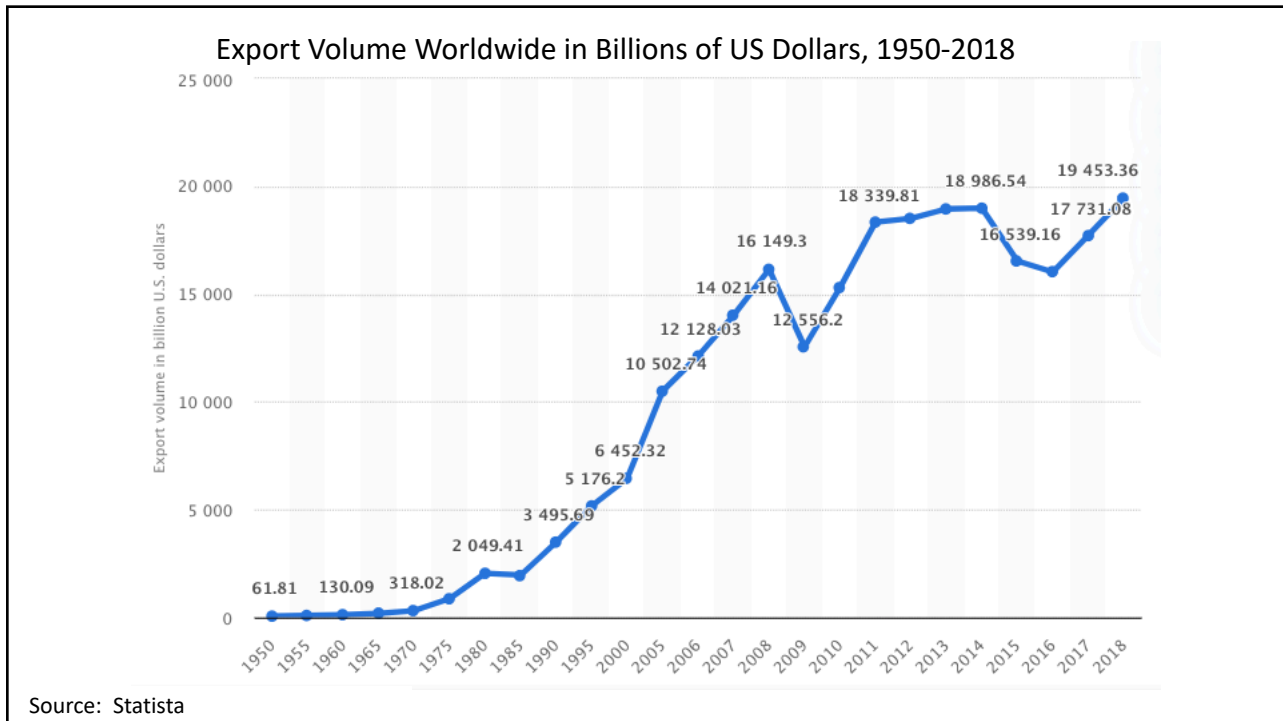
6



7



8



9

Global Value Chains

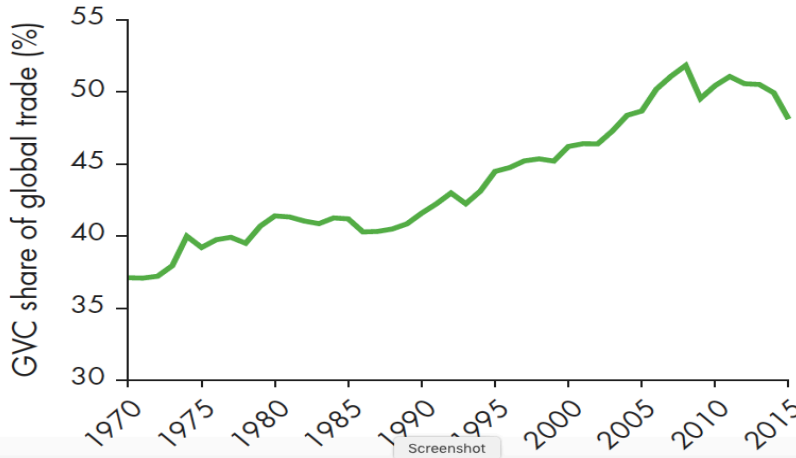
 NATIONAL ECONOMIC EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

10

Growth of Global Value Chains, 1970-2015

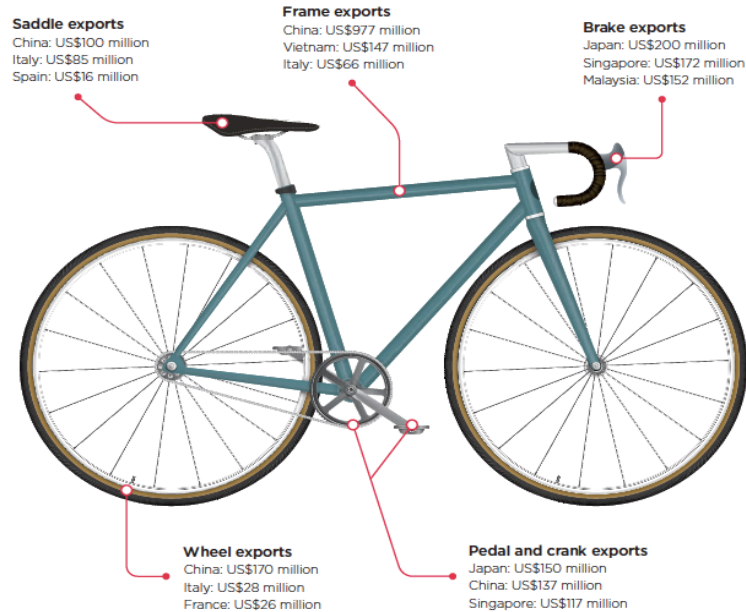
Figure 1.2 GVC trade grew rapidly in the 1990s but stagnated after the 2008 global financial crisis



Source: World Development Report 2020

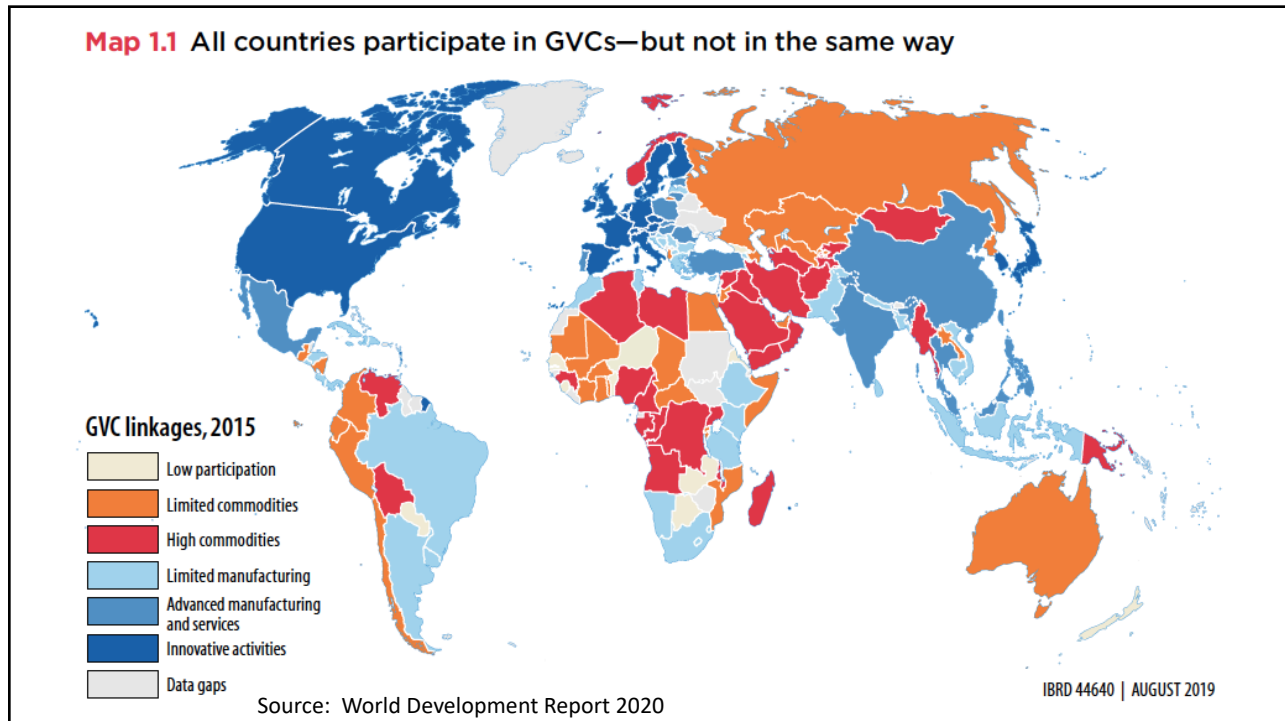
11

Figure 1.1 Where do bicycles come from?



Source: World Development Report 2020

12



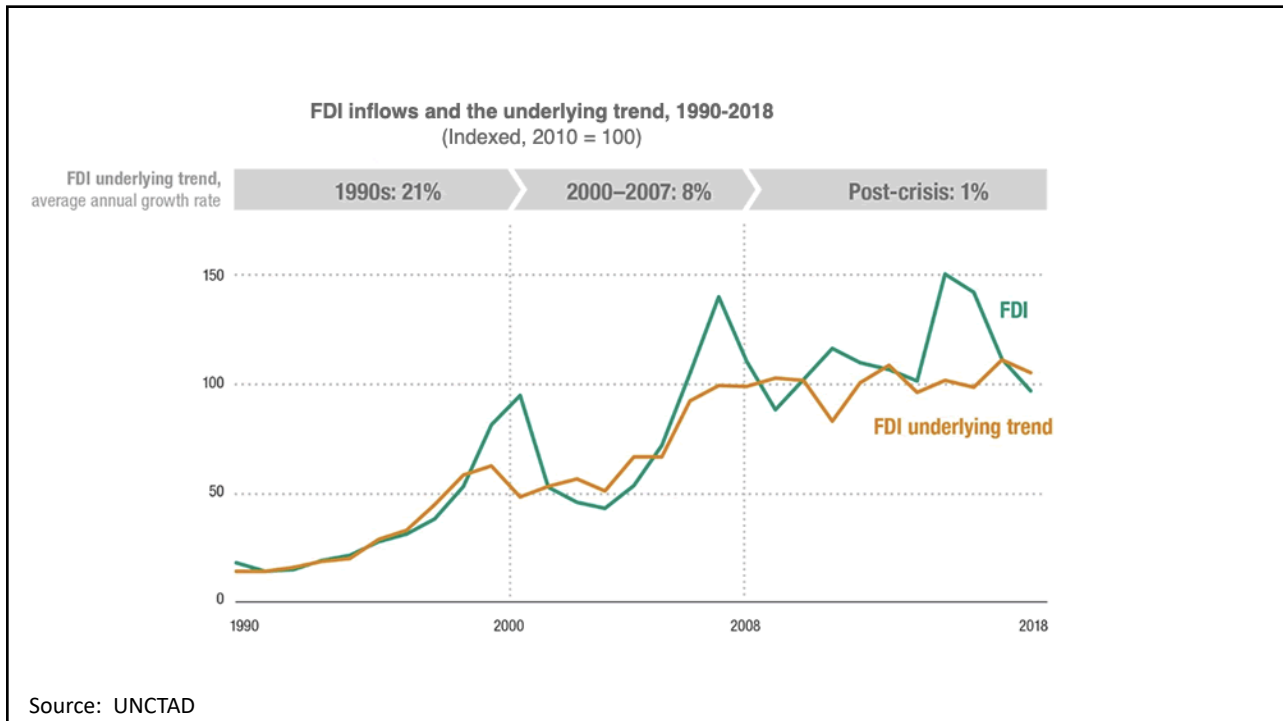
13

Foreign Direct Investment (i.e., multinational companies)

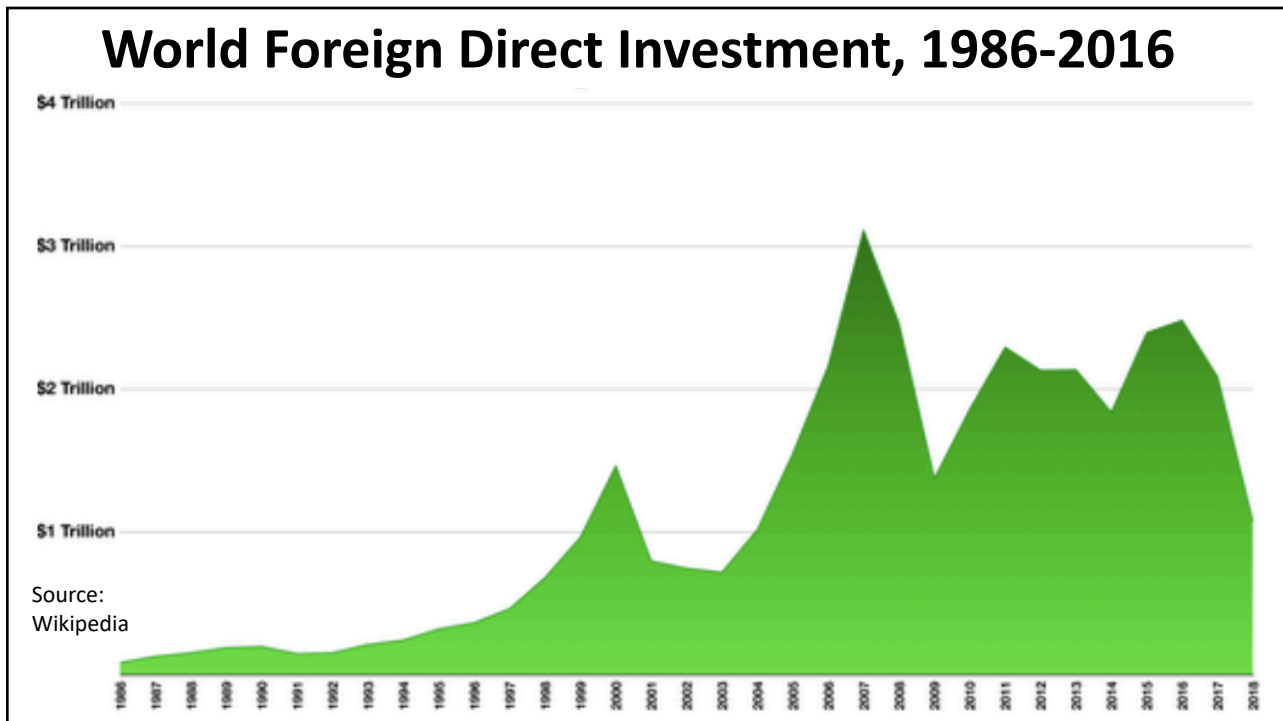
 NATIONAL ECONOMIC EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

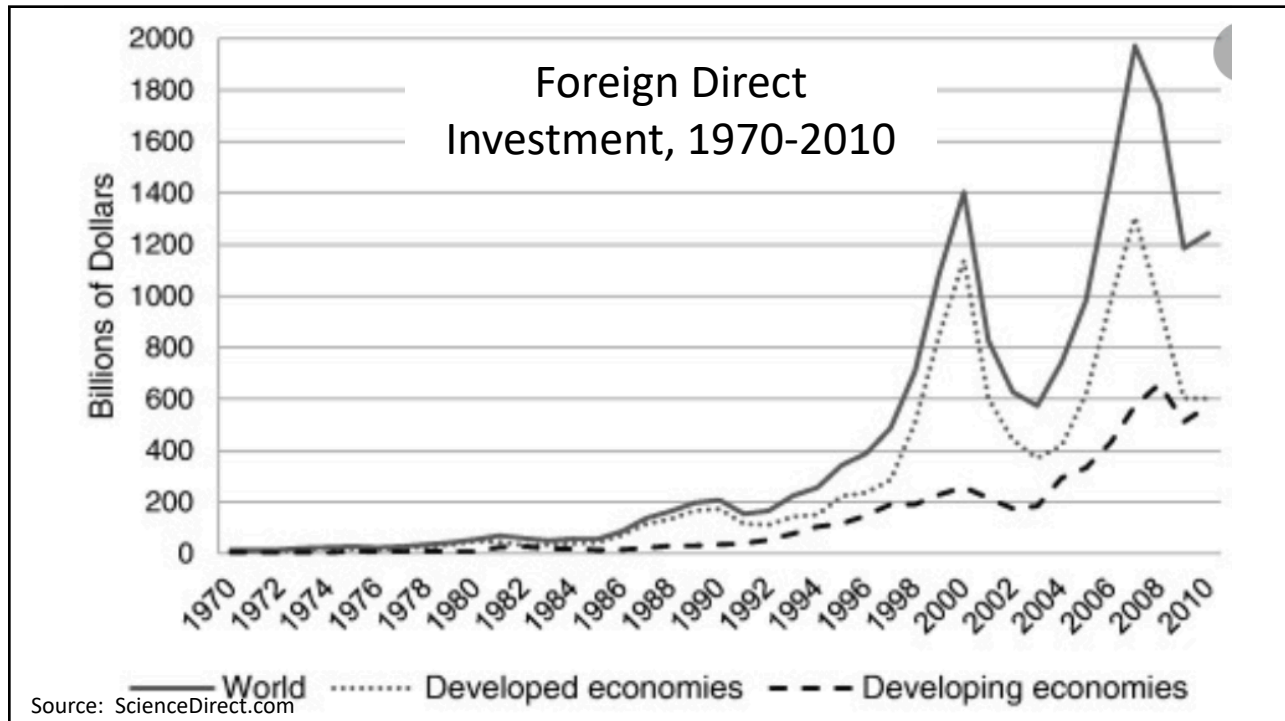
14



15



16



17



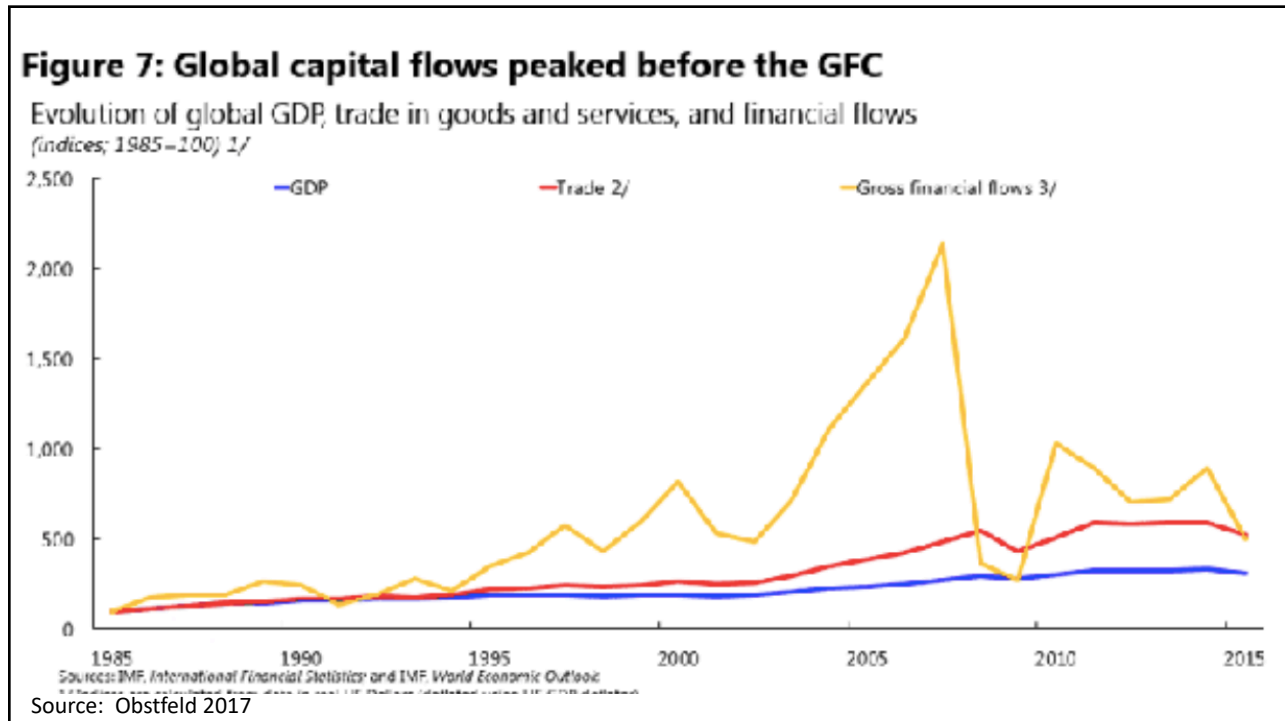
Financial Flows



NATIONAL ECONOMIC
EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

18



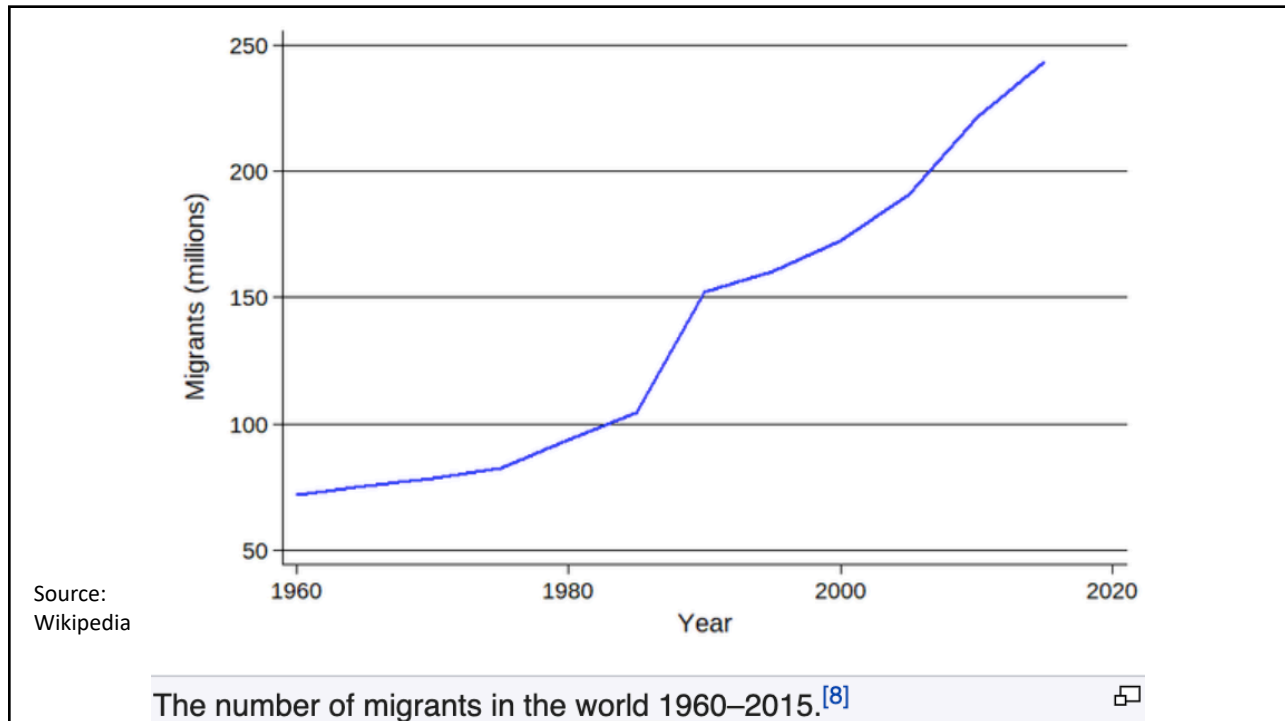
19

Migration

NATIONAL ECONOMIC EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu **M** UNIVERSITY OF MICHIGAN

20



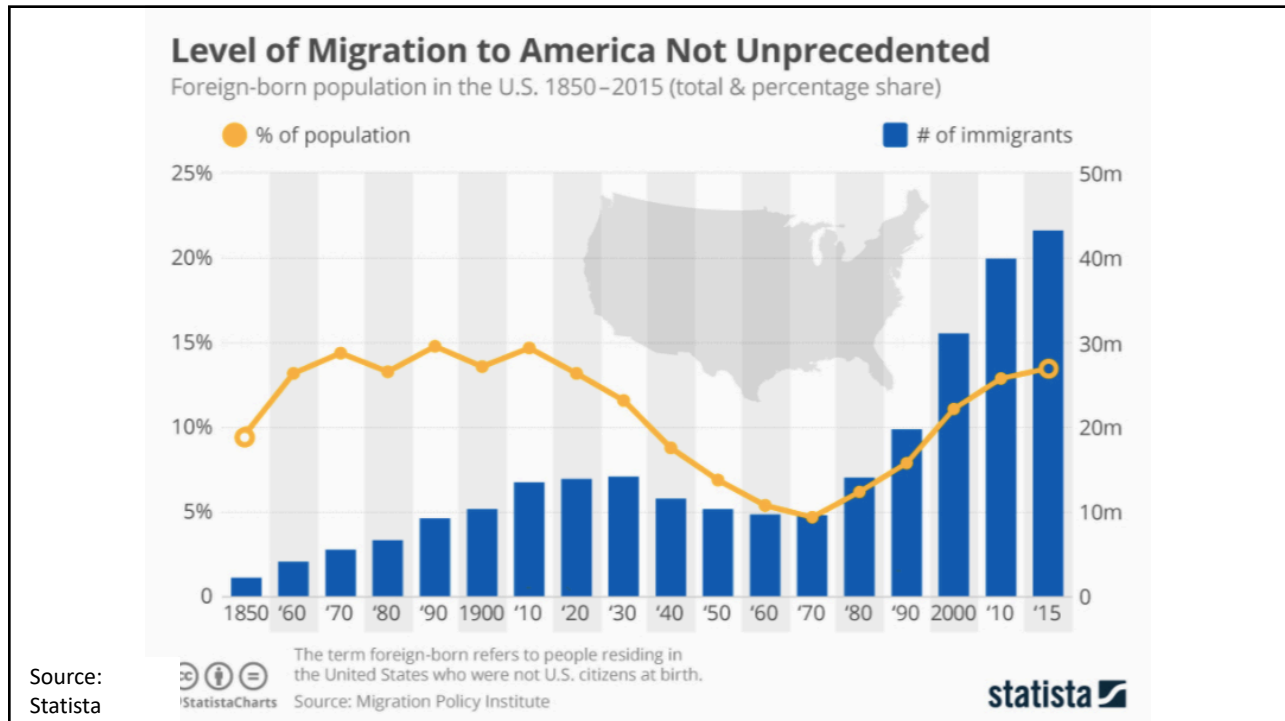
21

International migrants, 1970–2015^[16]

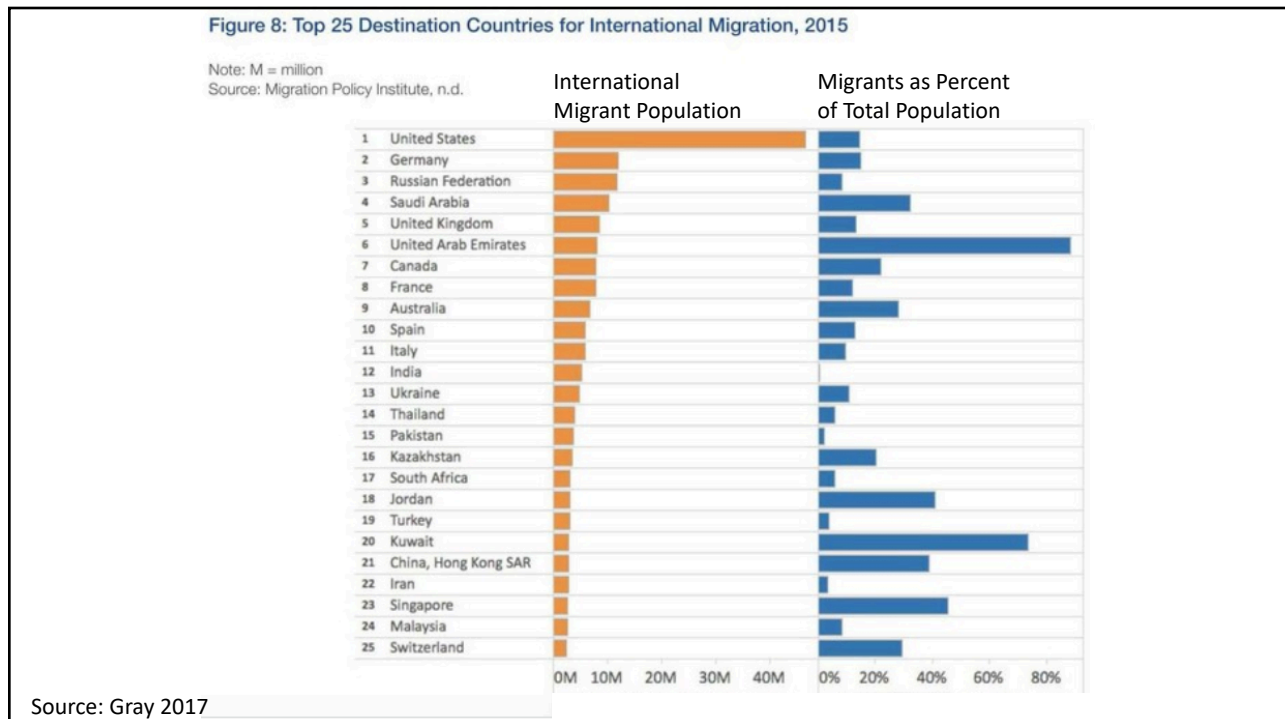
Year	Number of migrants	Migrants as a % of the world's population
1970	84,460,125	2.3%
1975	90,368,010	2.2%
1980	101,983,149	2.3%
1985	113,206,691	2.3%
1990	153,011,473	2.9%
1995	161,316,895	2.8%
2000	173,588,441	2.8%
2005	191,615,574	2.9%
2010	220,781,909	3.2%
2015	248,861,296	3.4%
2019	271,642,105	3.5%

Source: Wikipedia

22



23



24

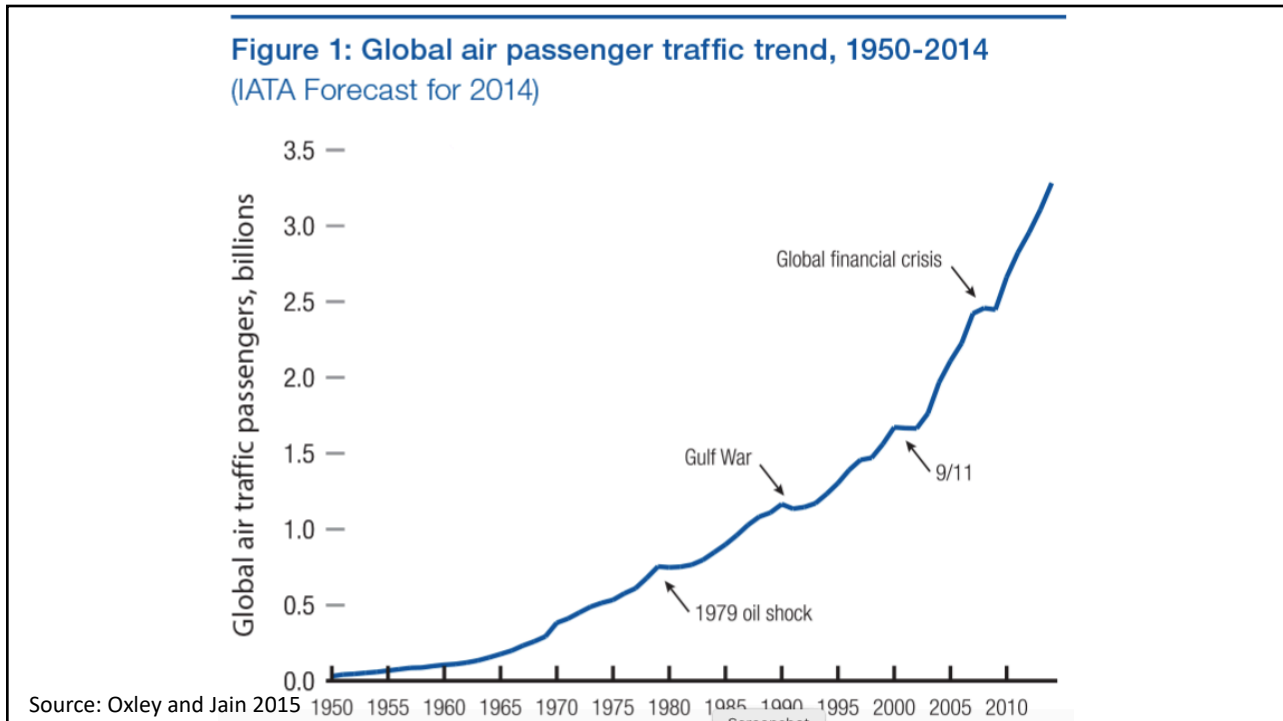
●●●●●●●●●●
●●●●●●●●●●
●●●●●●●●●●
●●●●●●●●●●
●●●●●●●●●●

International Travel

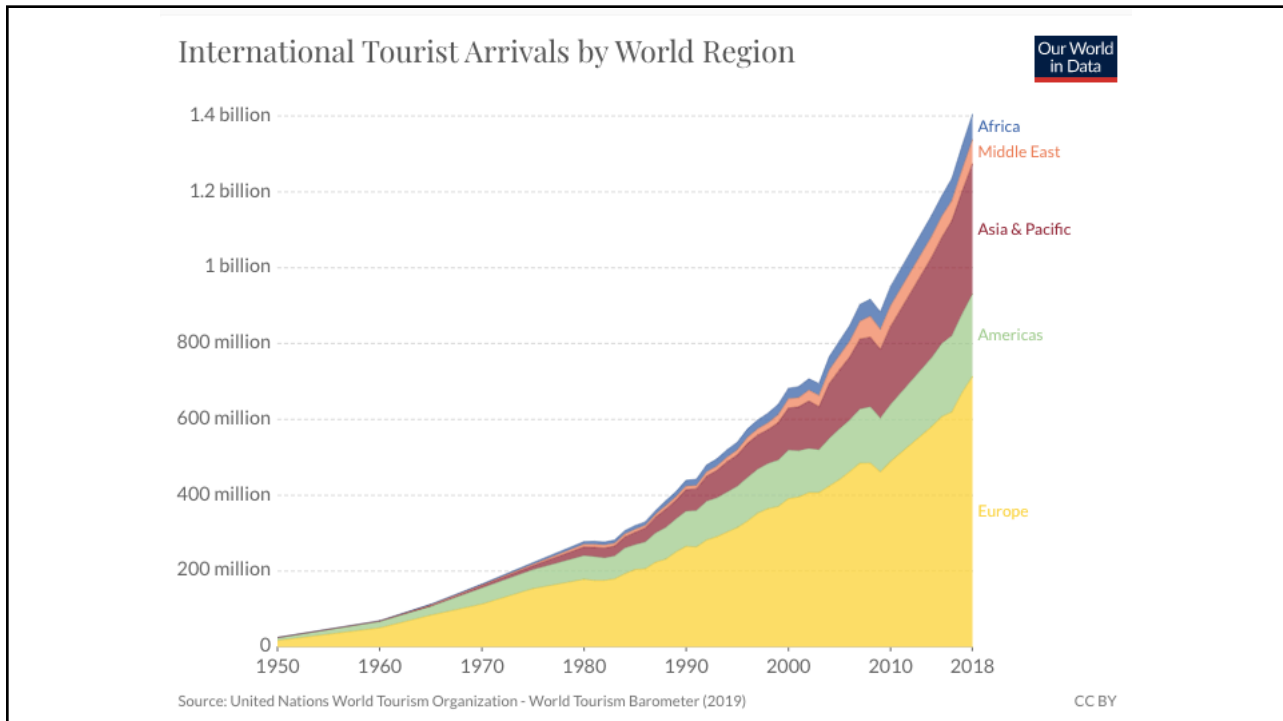
 NATIONAL ECONOMIC EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

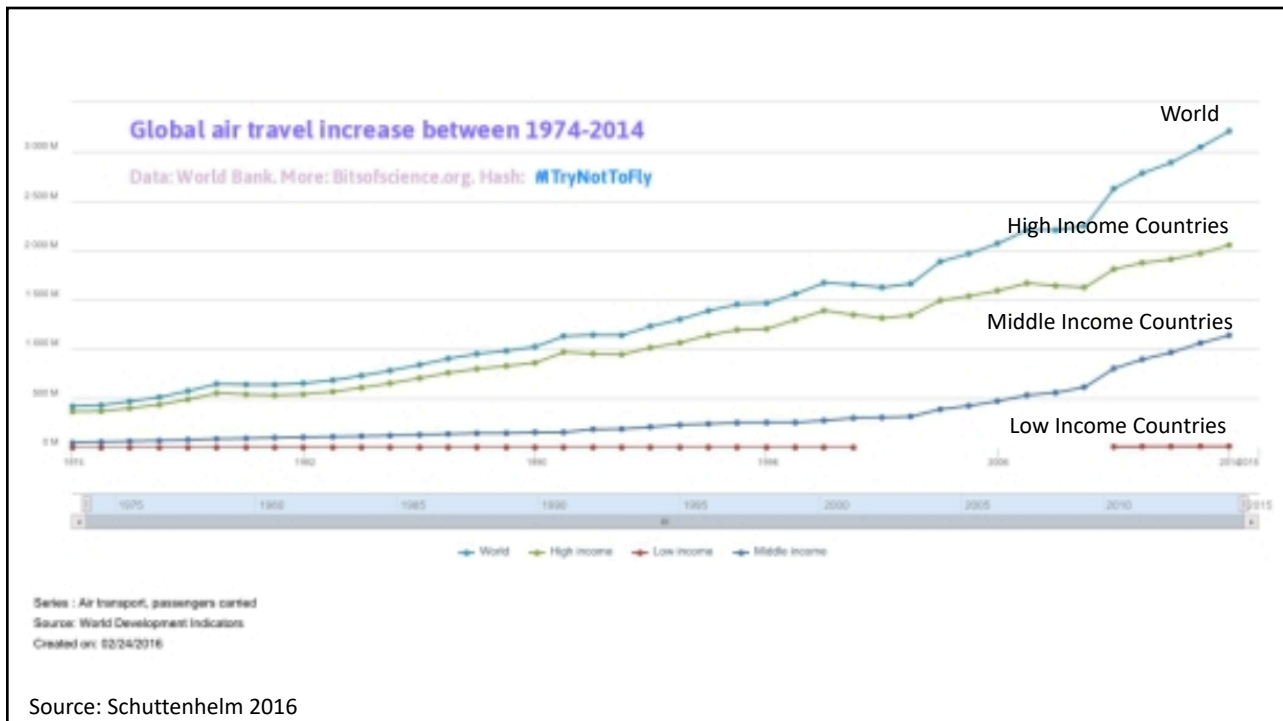
25



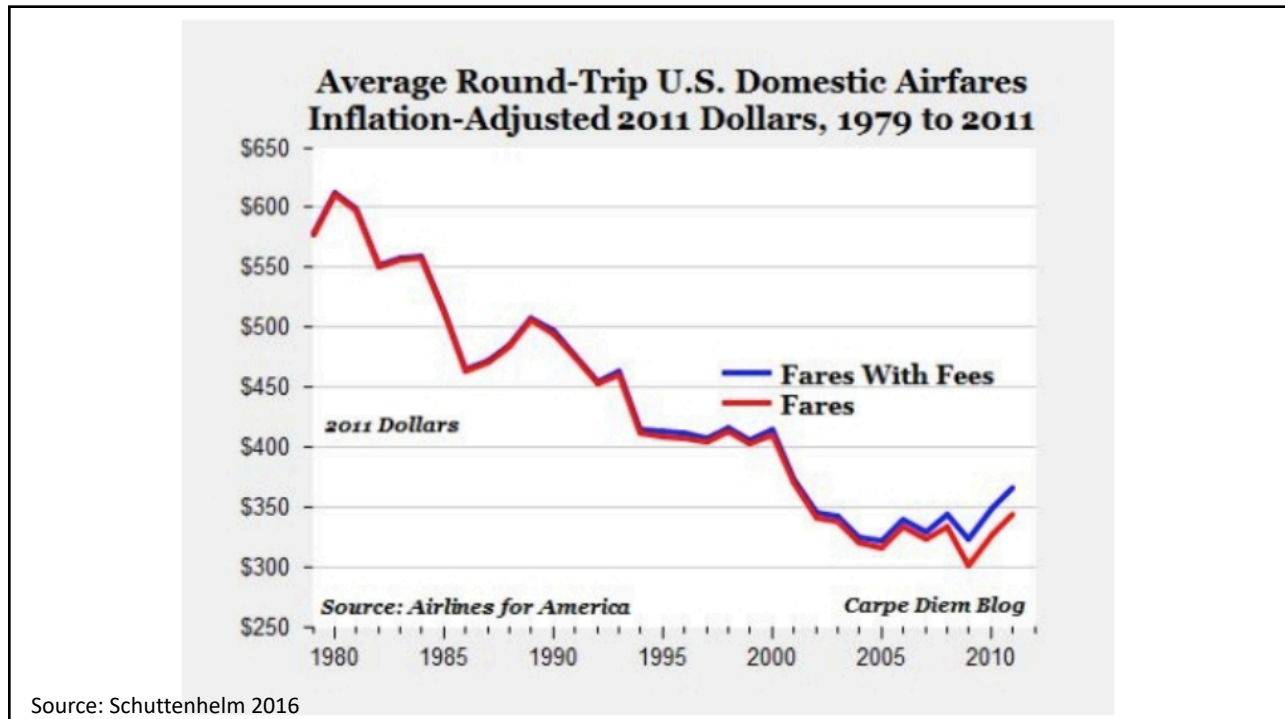
26



27



28



29

Pros and Cons of Globalization

• Pros and Cons of Globalization

- Gains from Trade
 - Theory of Comparative Advantage
 - Other Sources of Gain from Trade
- Costs of Trade

30



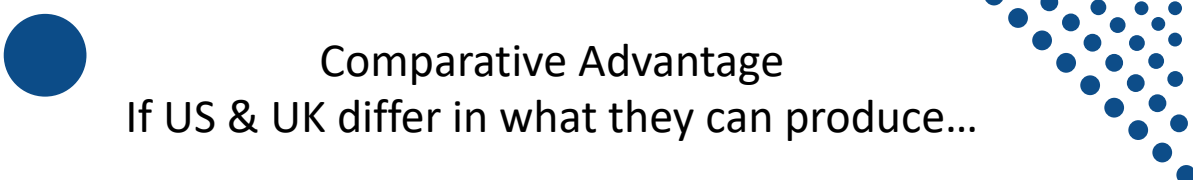
Gains from Trade

Theory of Comparative Advantage

 NATIONAL ECONOMIC EDUCATION DELEGATION

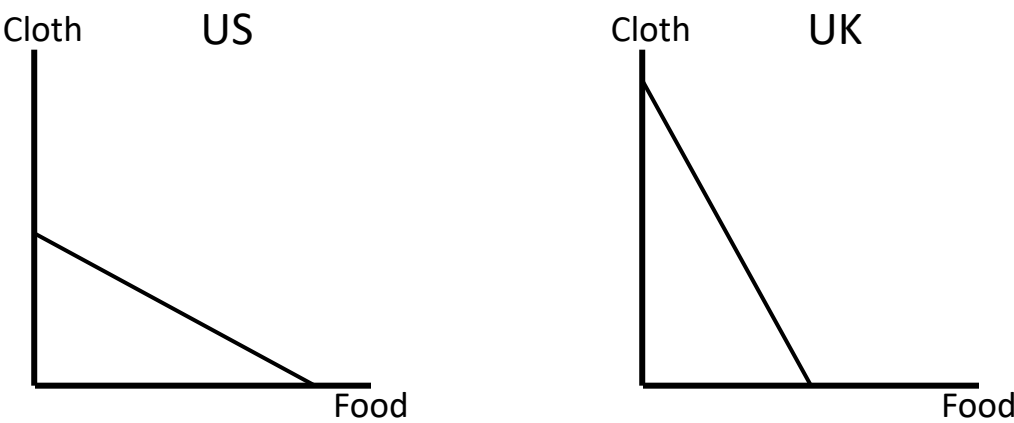
Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

31



Comparative Advantage

If US & UK differ in what they can produce...



US


Cloth


Food

UK

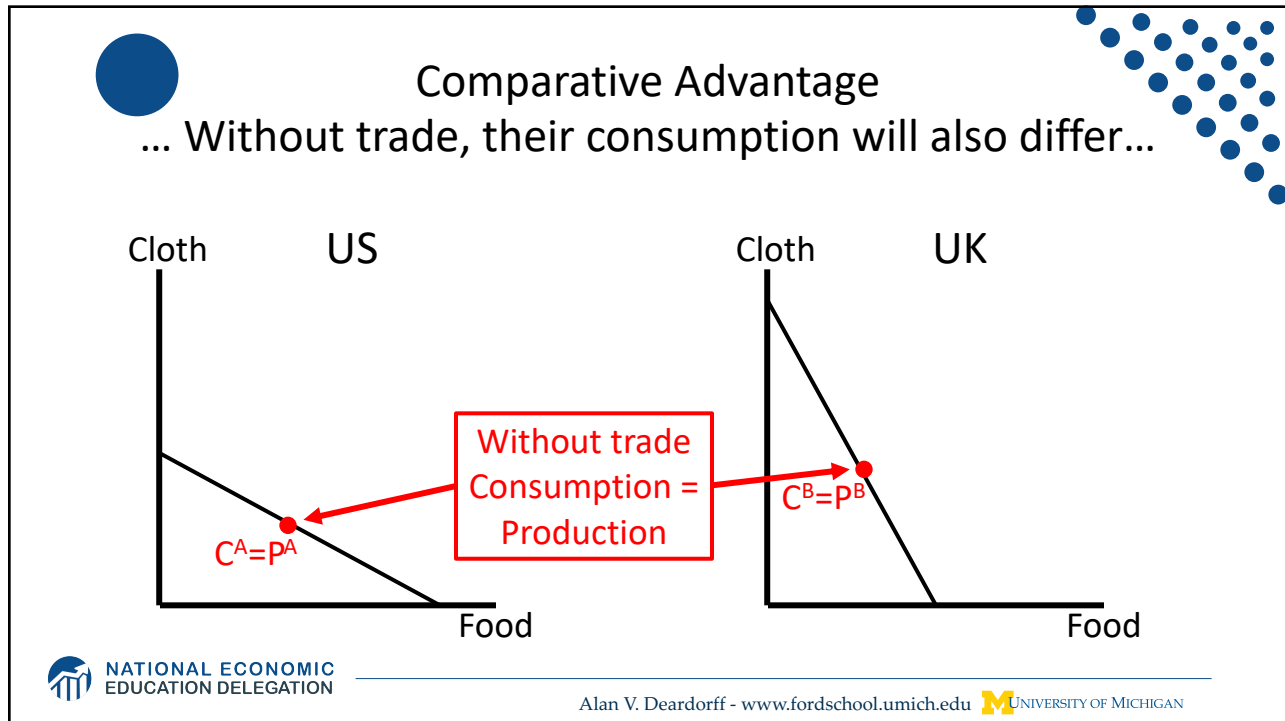
Cloth

Food

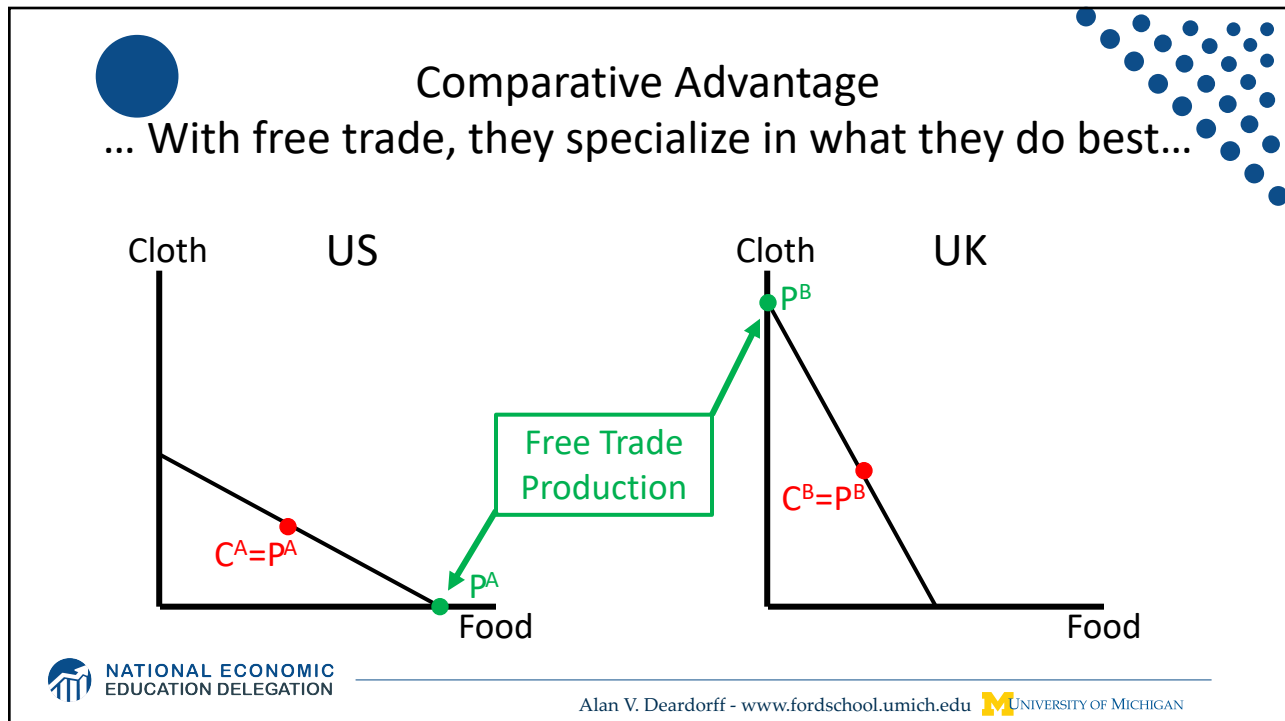
 NATIONAL ECONOMIC EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

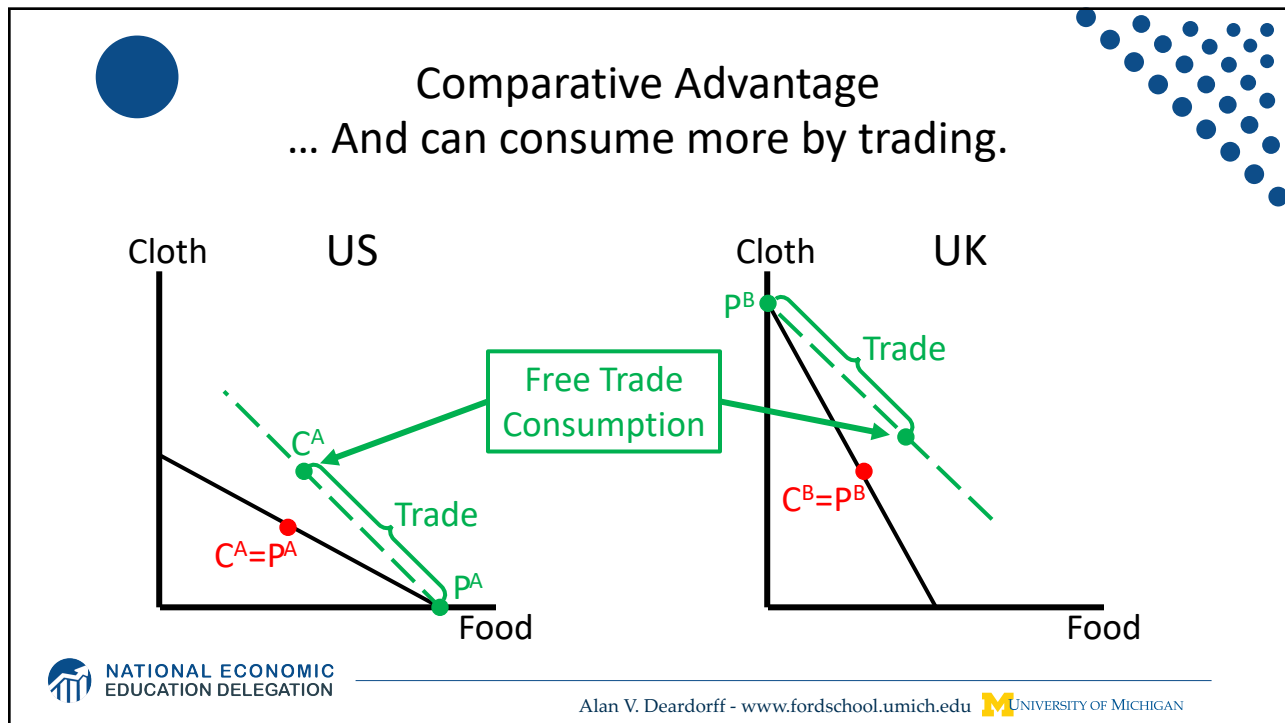
32



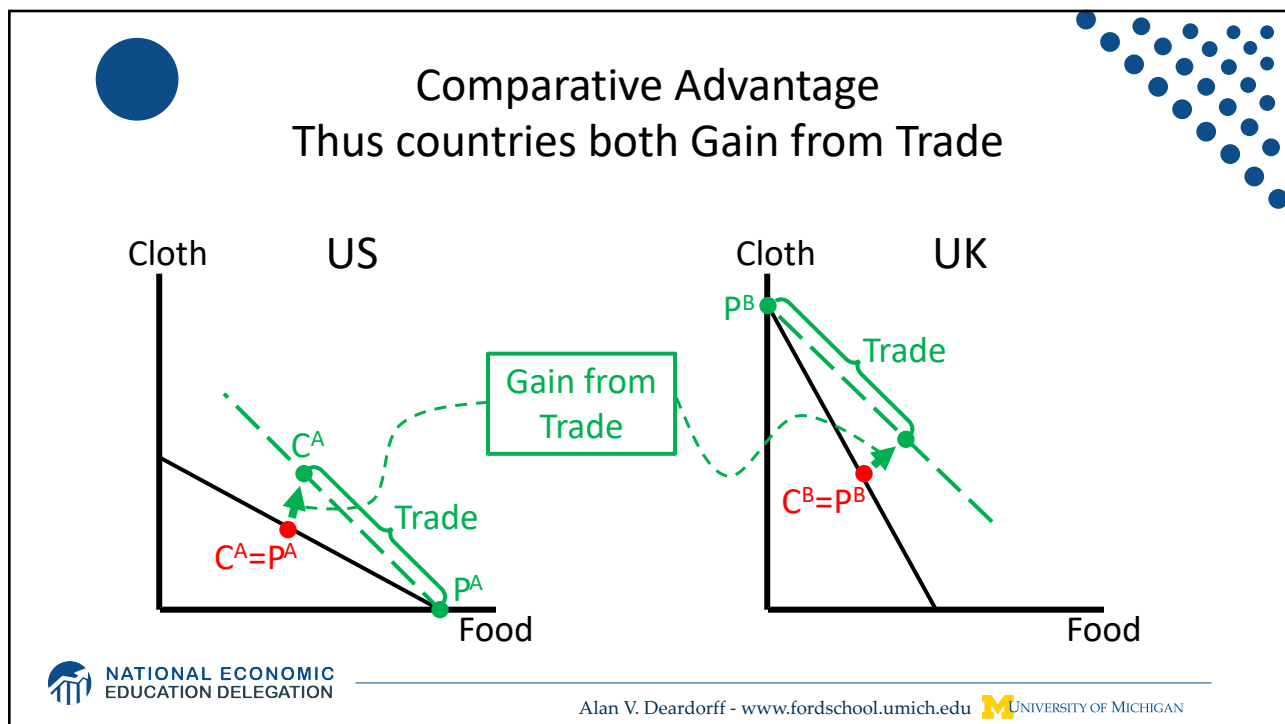
33



34



35



36



Gains from Trade

Other Sources of Gain from Trade

 NATIONAL ECONOMIC
EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN


37



Other sources of Gain from Trade

- **Productivity** (most productive firms expand and export)
- **Returns to scale** (small countries can support larger firms)
- **Competition** (monopolies in small countries lose market power)
- **Variety** (buyers can access more choices)
- **Supply chains** (firms source parts from cheapest sources)
- **Technology** (producers access foreign technologies)

 NATIONAL ECONOMIC
EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

38




Costs of Trade



NATIONAL ECONOMIC
EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

39




But there are Costs

- **Economic:**

- When trade expands (or contracts)
 - Some firms lose market share or shut down
 - Their workers lose jobs
 - Their communities lose customers
- Vulnerability to foreign recession/inflation

- **Non-economic**

- Dependence on other countries
- Vulnerability to trade disruption
 - Crisis induced (earthquake, flood, disease)
 - Policy induced (sanctions, tariffs, export bans)



NATIONAL ECONOMIC
EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

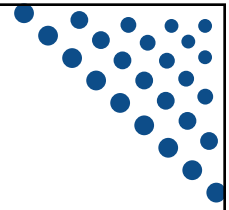
40

Policies that Affect Globalization

• Policies that Affect Globalization

- That Encourage It
 - Tariff Reductions
 - Trade Agreements
 - Other
- That Discourage It
 - Trump's Tariffs
 - Trade War

Policies that Encourage Globalization

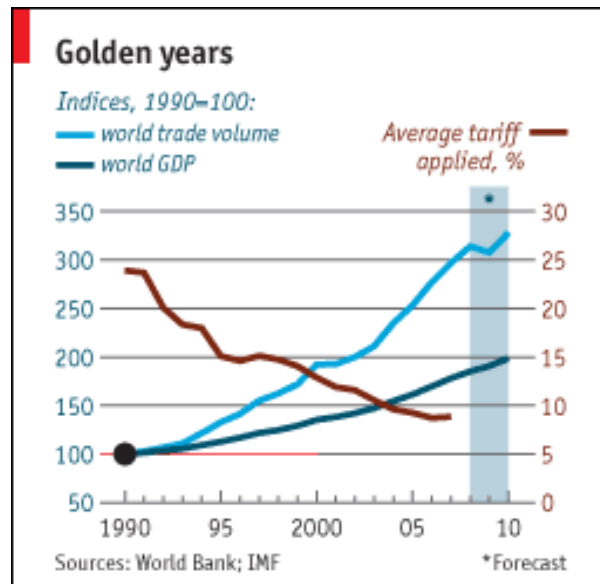


Tariff Reductions

NATIONAL ECONOMIC EDUCATION DELEGATION

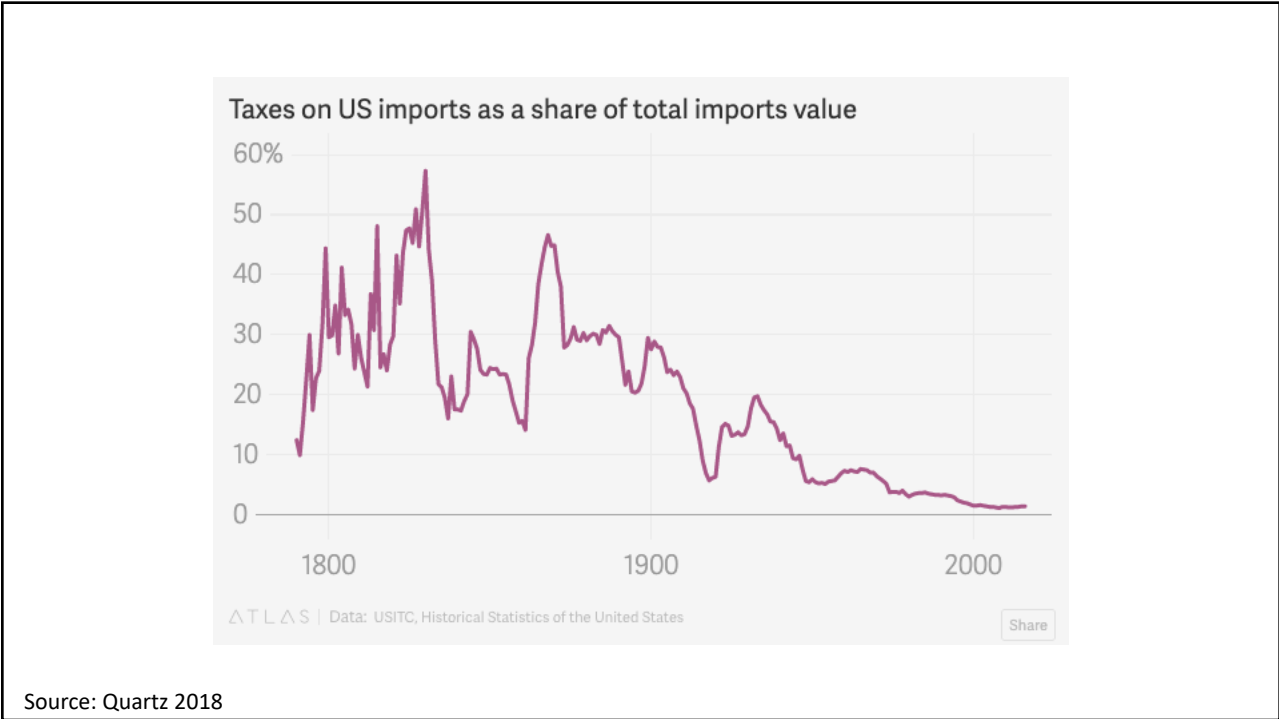
Alan V. Deardorff - www.fordschool.umich.edu UNIVERSITY OF MICHIGAN

43



Source: Economist

44



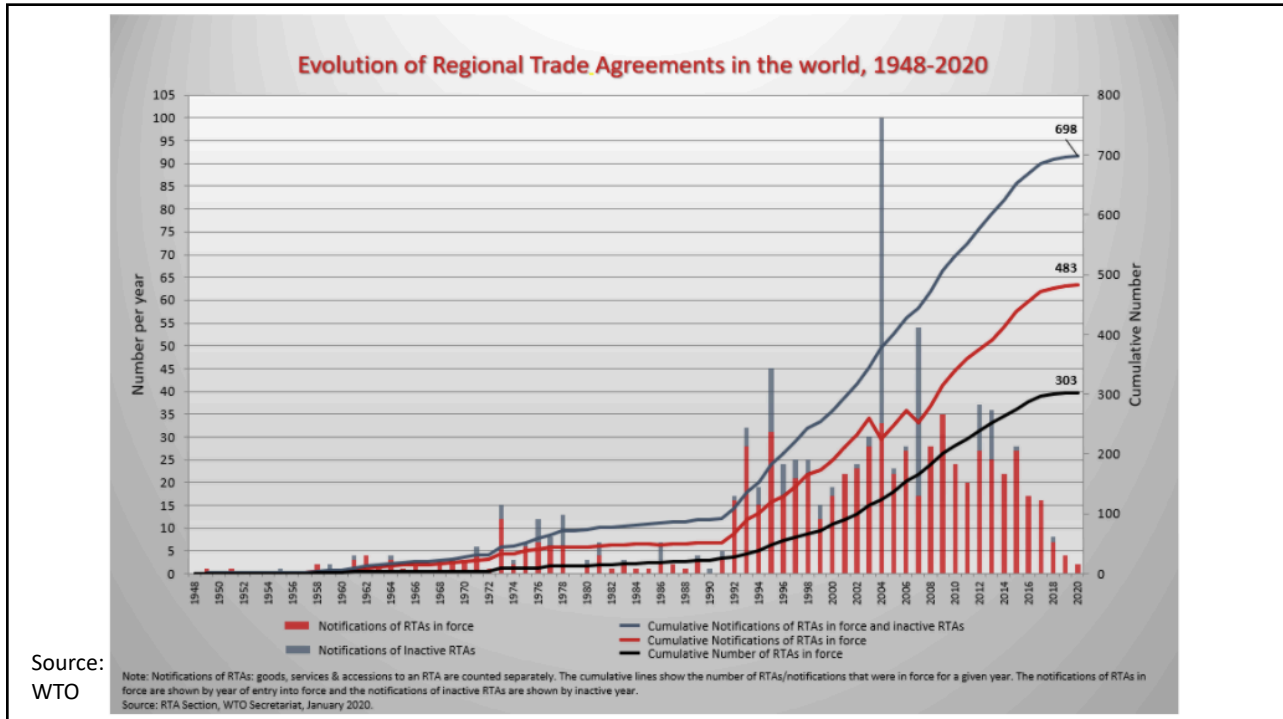
45

Trade Agreements

 NATIONAL ECONOMIC EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

46



47



48

NAFTA (now USMCA)

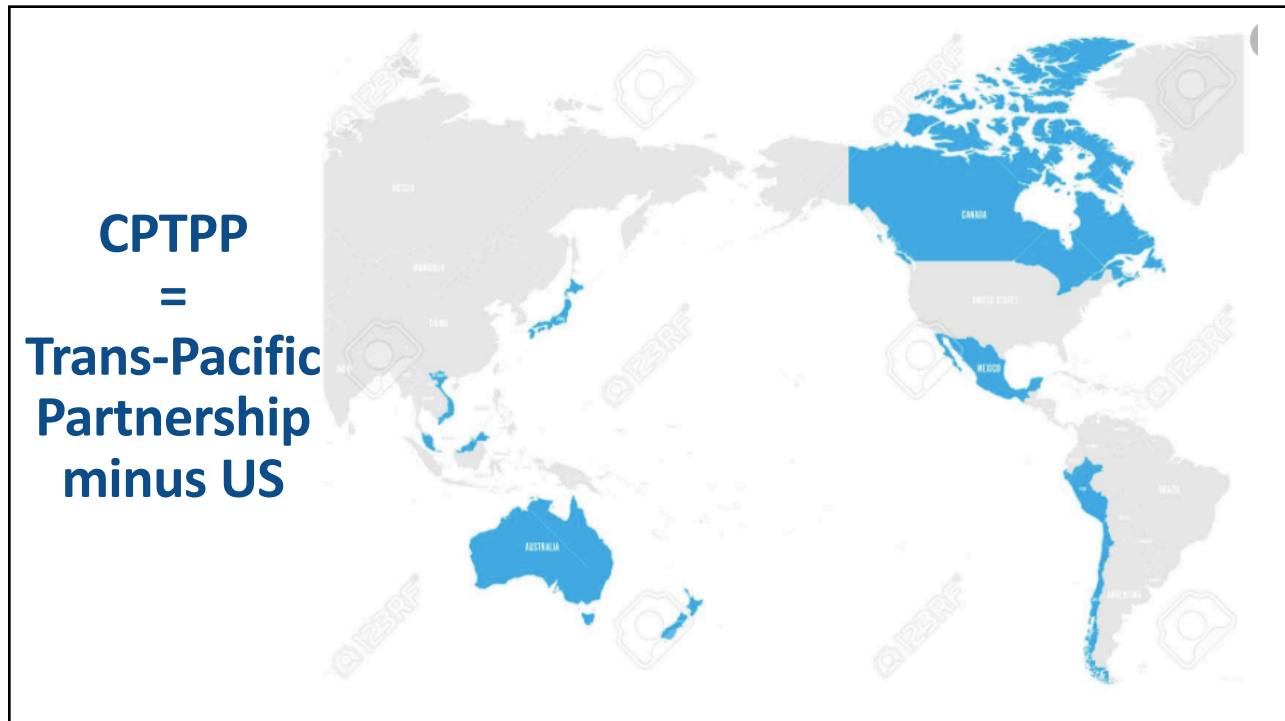


49

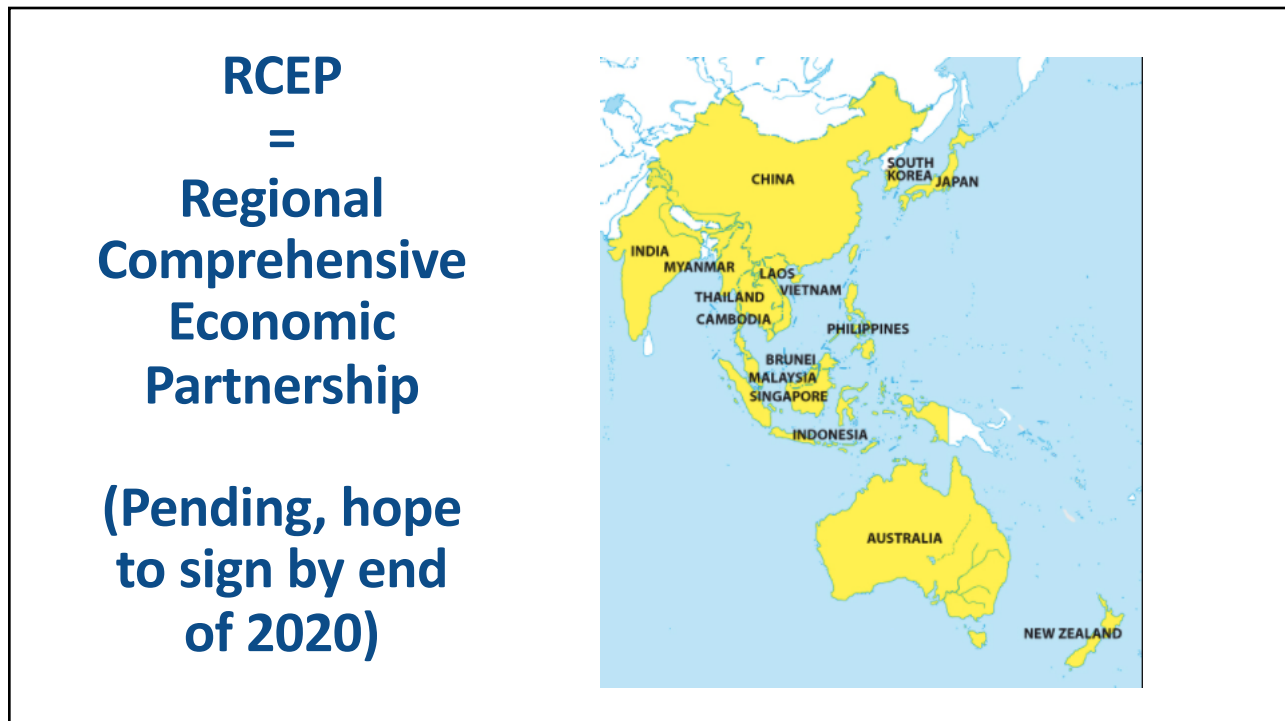
MERCOSUR



50



51



52

Other Policies to Encourage Globalization

- **IMF/World Bank**
 - Policy advice to open markets (the "Washington Consensus")
 - Loans to countries conditional on
 - Reducing trade barriers
 - Permitting capital flows
- **GATT/WTO (World Trade Organization)**
 - Negotiate reciprocal trade liberalization
 - Settlement of trade disputes (usually about interfering with trade)
- **Bilateral Investment Treaties**
 - Better treatment of multinational corporations



NATIONAL ECONOMIC
EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

53

Policies that Discourage Globalization



NATIONAL ECONOMIC
EDUCATION DELEGATION

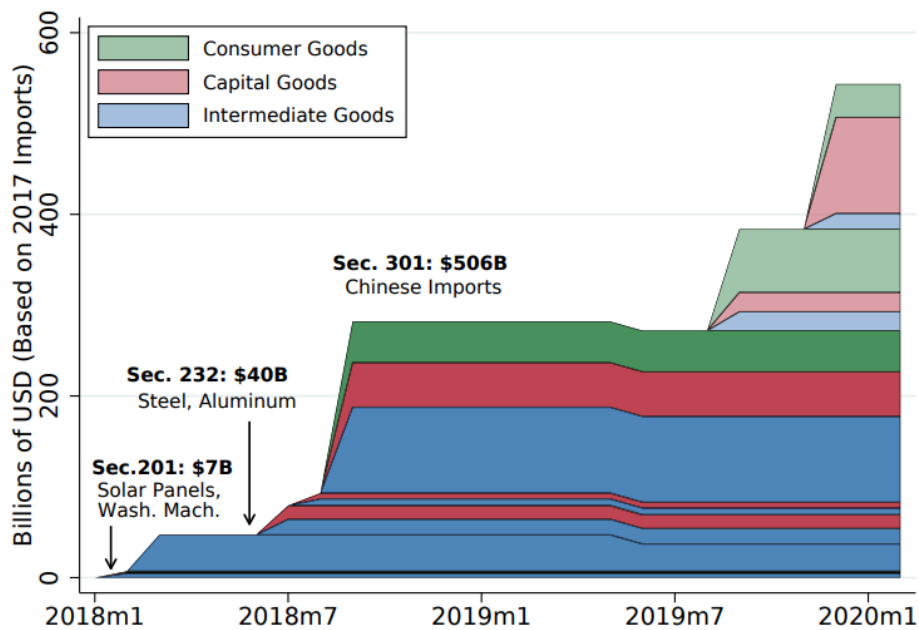
Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

54

Trump's Tariffs

55

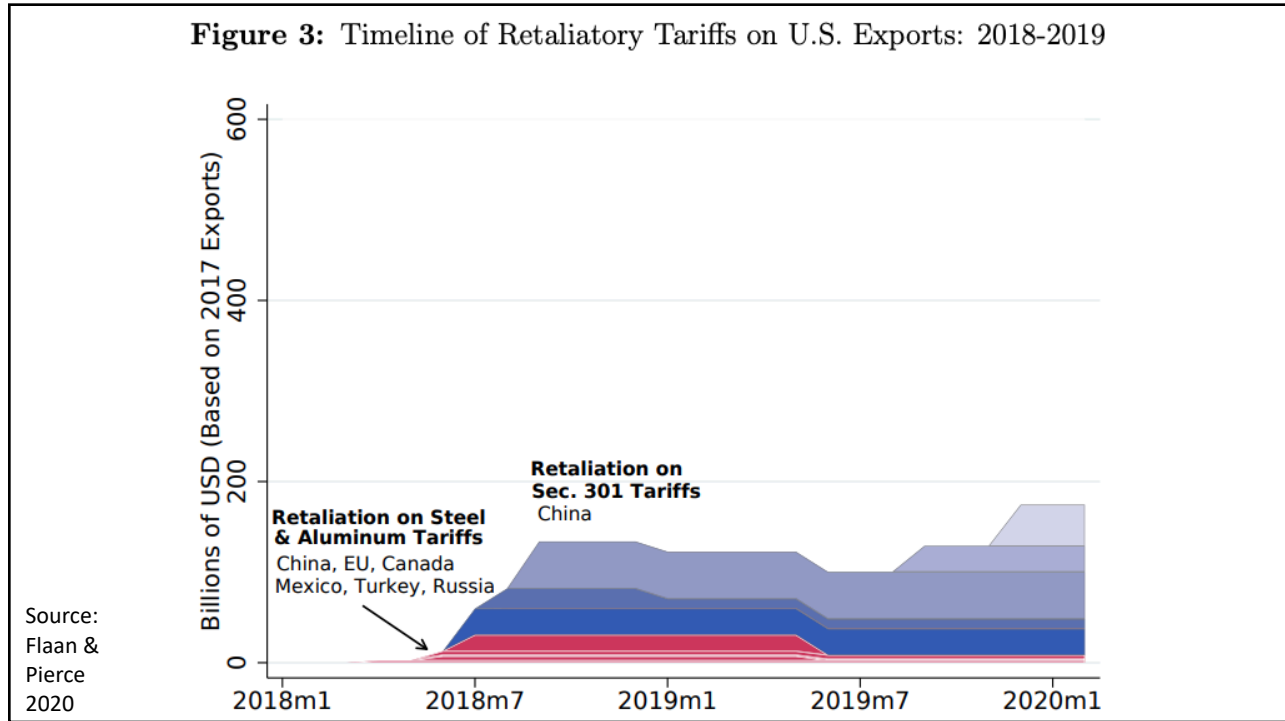
Figure B1: Composition of New U.S. Import Tariffs: 2018-2019



Source: Flaan & Pierce 2020

56

Figure 3: Timeline of Retaliatory Tariffs on U.S. Exports: 2018-2019



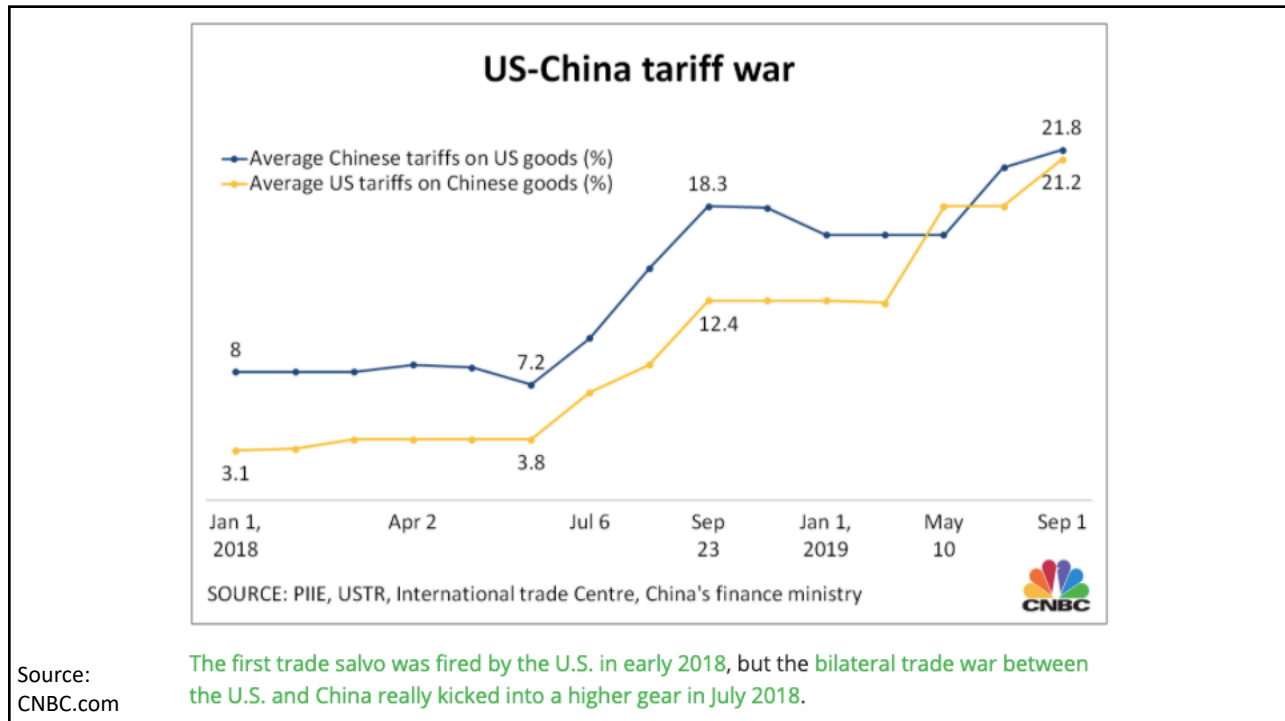
57

Trade War

NATIONAL ECONOMIC EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu UNIVERSITY OF MICHIGAN


58




59

Other Policies to Discourage Globalization

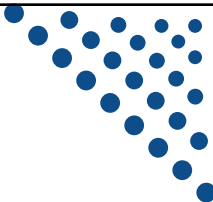
- **Undermine the WTO**
 - Trump blocks appointments at WTO, disabling the Dispute Settlement Body
- **Export bans**
 - To keep food cheap at home
 - To keep medical supplies at home
- **Immigration restrictions**
 - Trump blocks travelers from target countries
 - US and others block refugees



NATIONAL ECONOMIC EDUCATION DELEGATION


Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN


60



Effects of the Pandemic on Globalization

- **Effects of the Pandemic on Economies**
 - Travel halted
 - Stock markets fall
 - Factories shut down
 - Supply chains interrupted
 - Trade plummets
 - Unemployment
 - Reduced GDP
 - Panic buying and shortages

 NATIONAL ECONOMIC EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

61

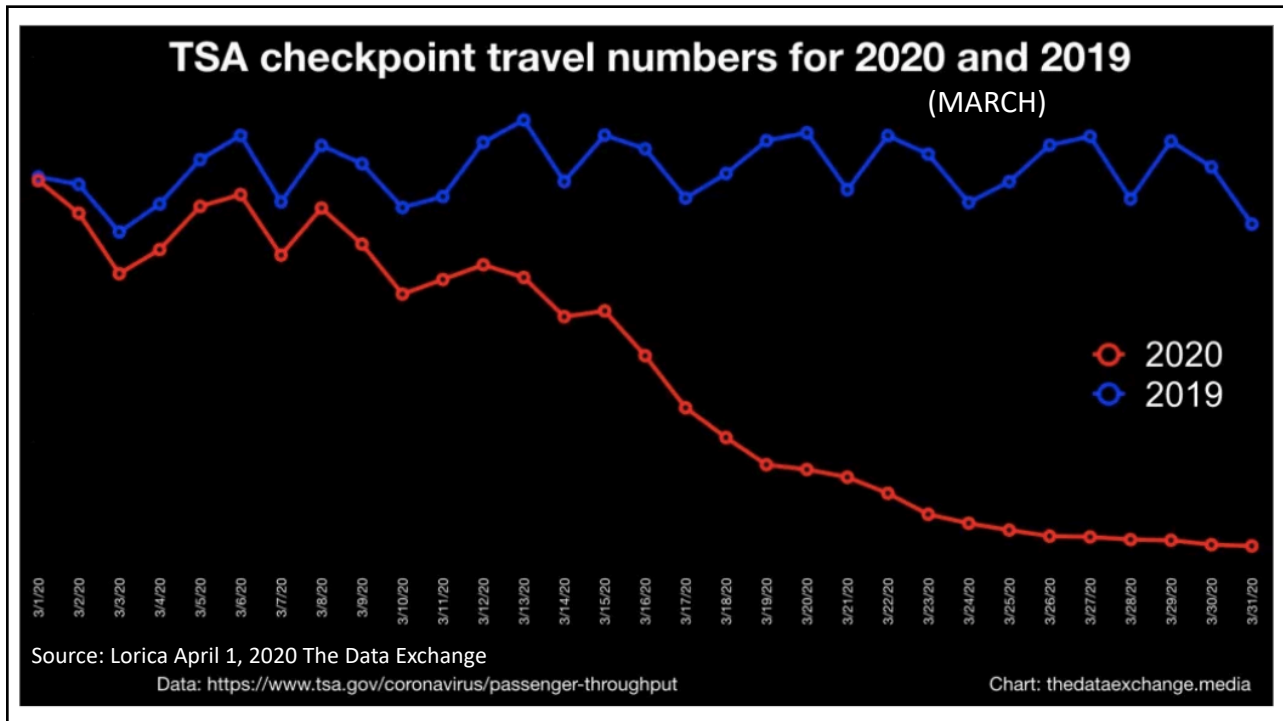


Travel

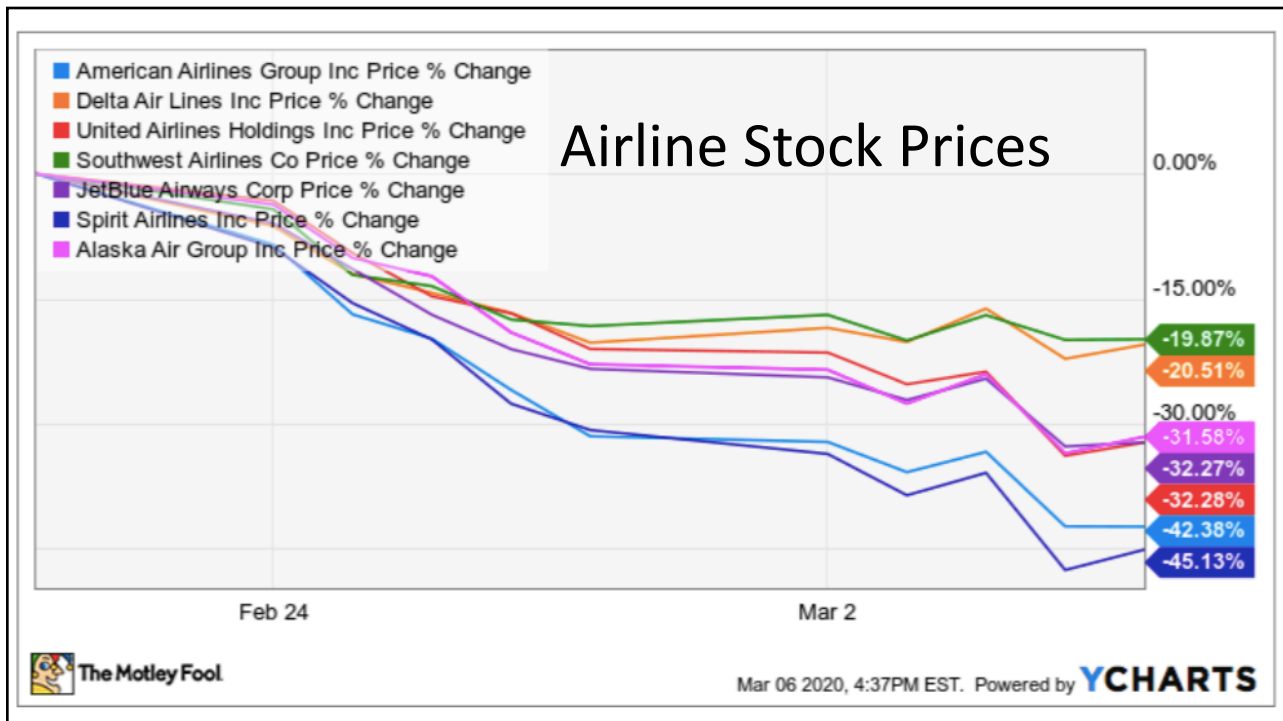
 NATIONAL ECONOMIC EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

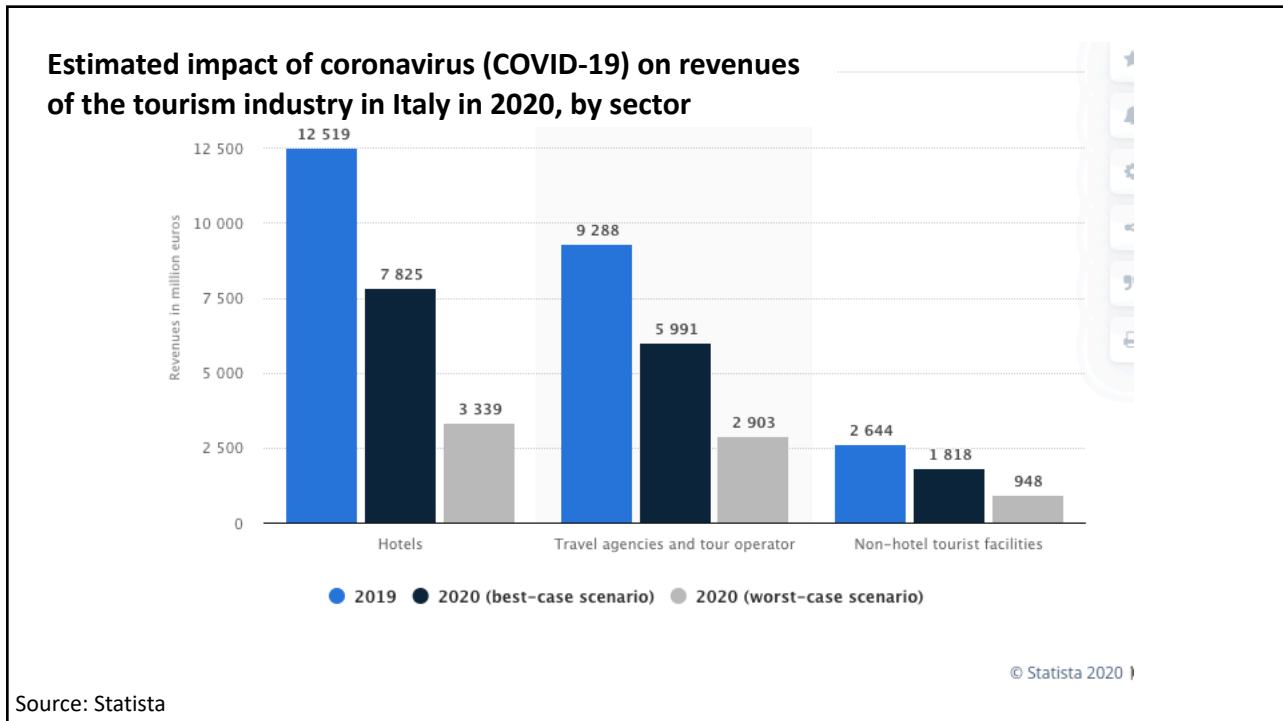
62



63



64



65

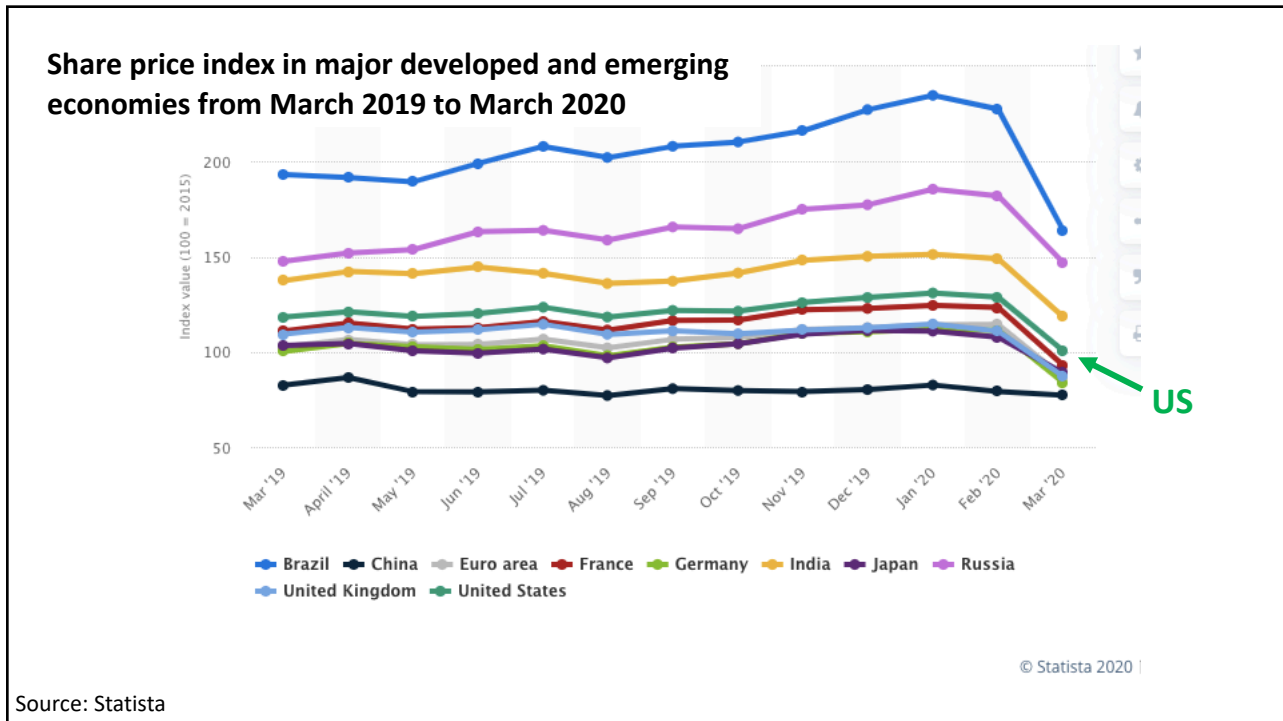
Stock Markets

NATIONAL ECONOMIC
EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu

UNIVERSITY OF MICHIGAN

66



67

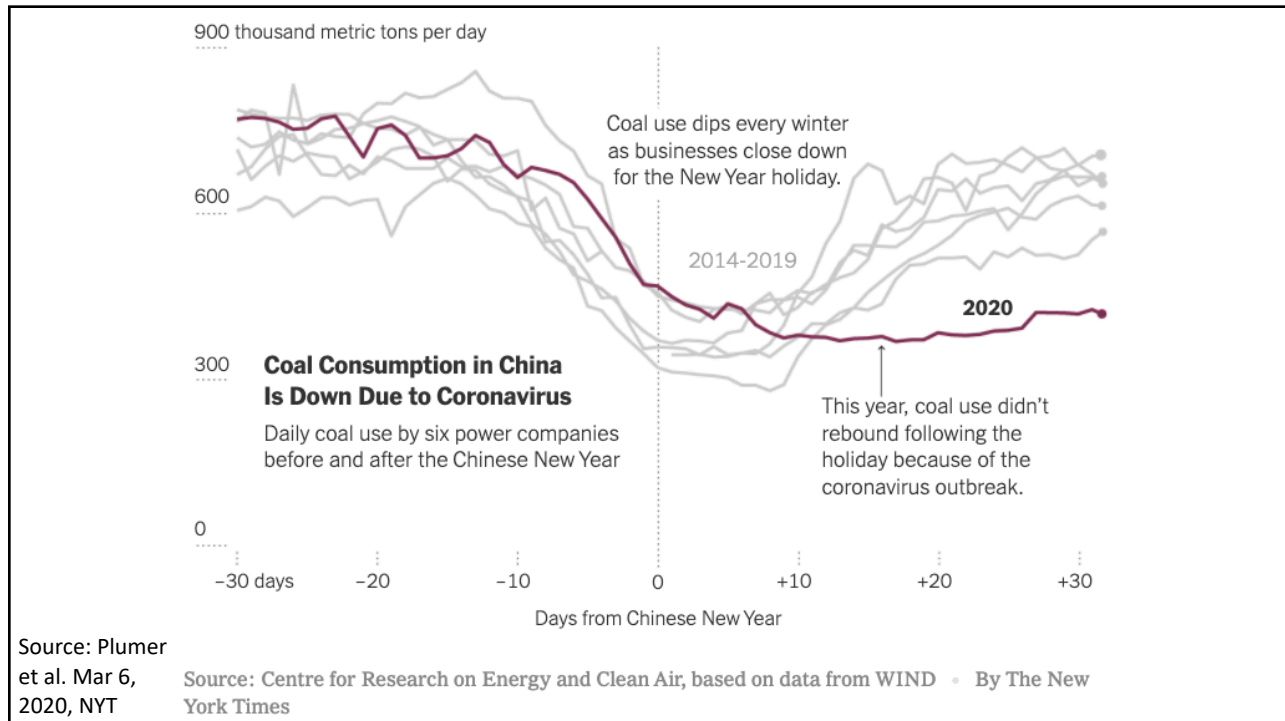
Factory Shut-downs

NATIONAL ECONOMIC
EDUCATION DELEGATION

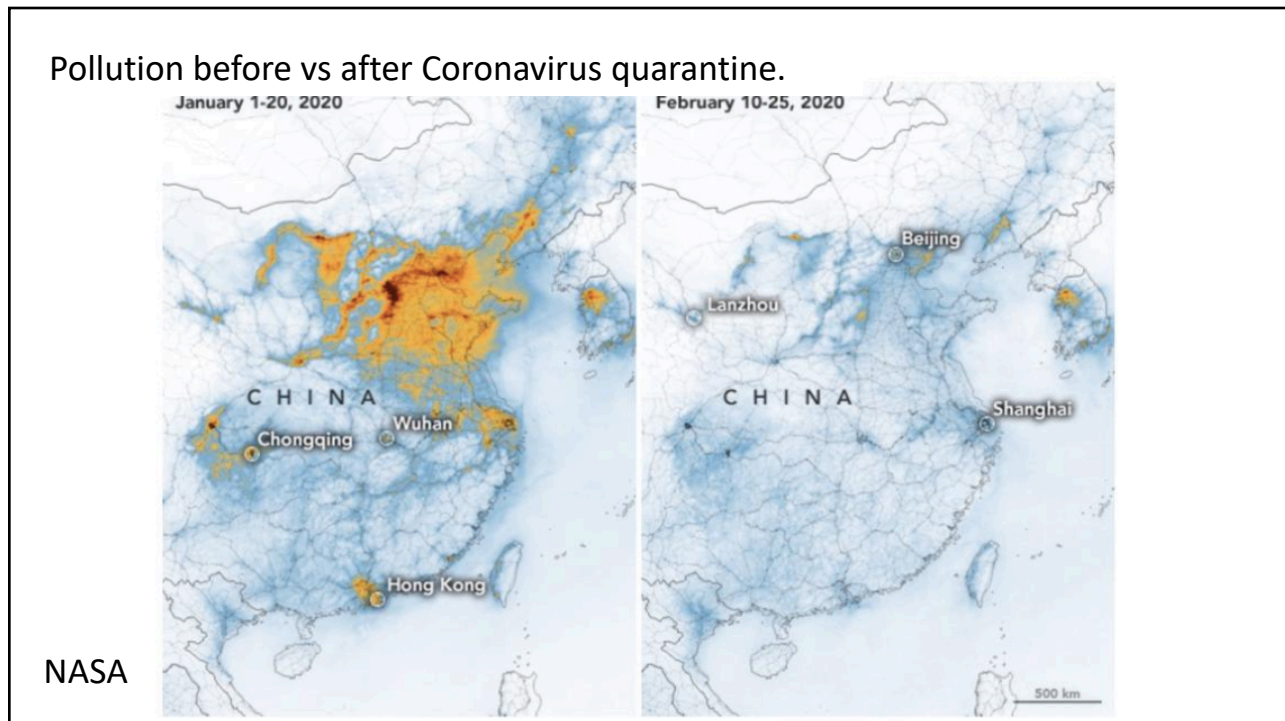
Alan V. Deardorff - www.fordschool.umich.edu

UNIVERSITY OF MICHIGAN

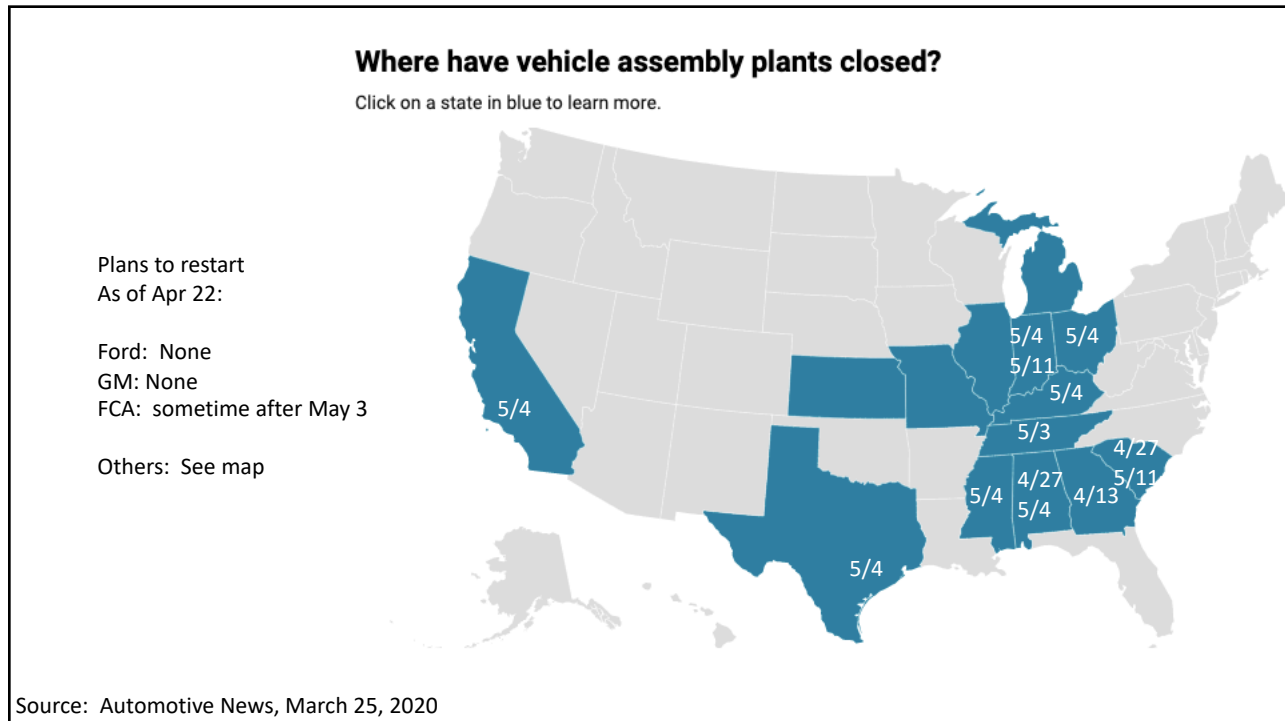
68



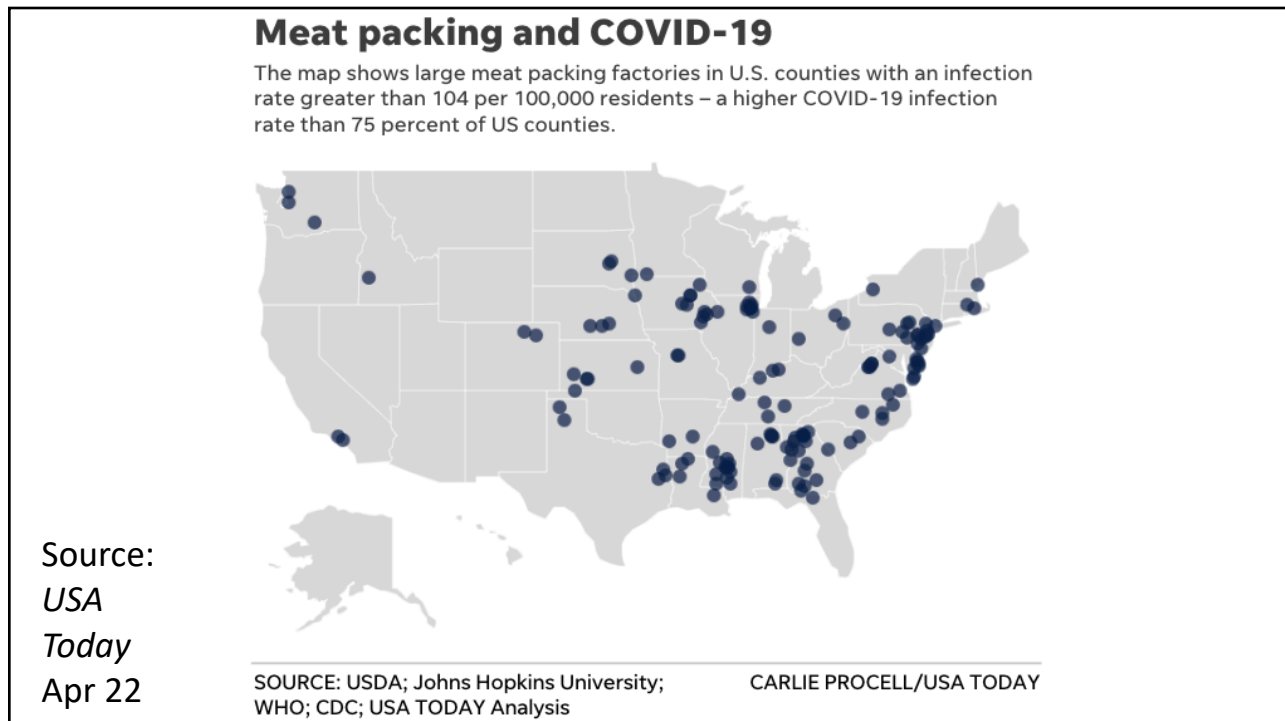
69



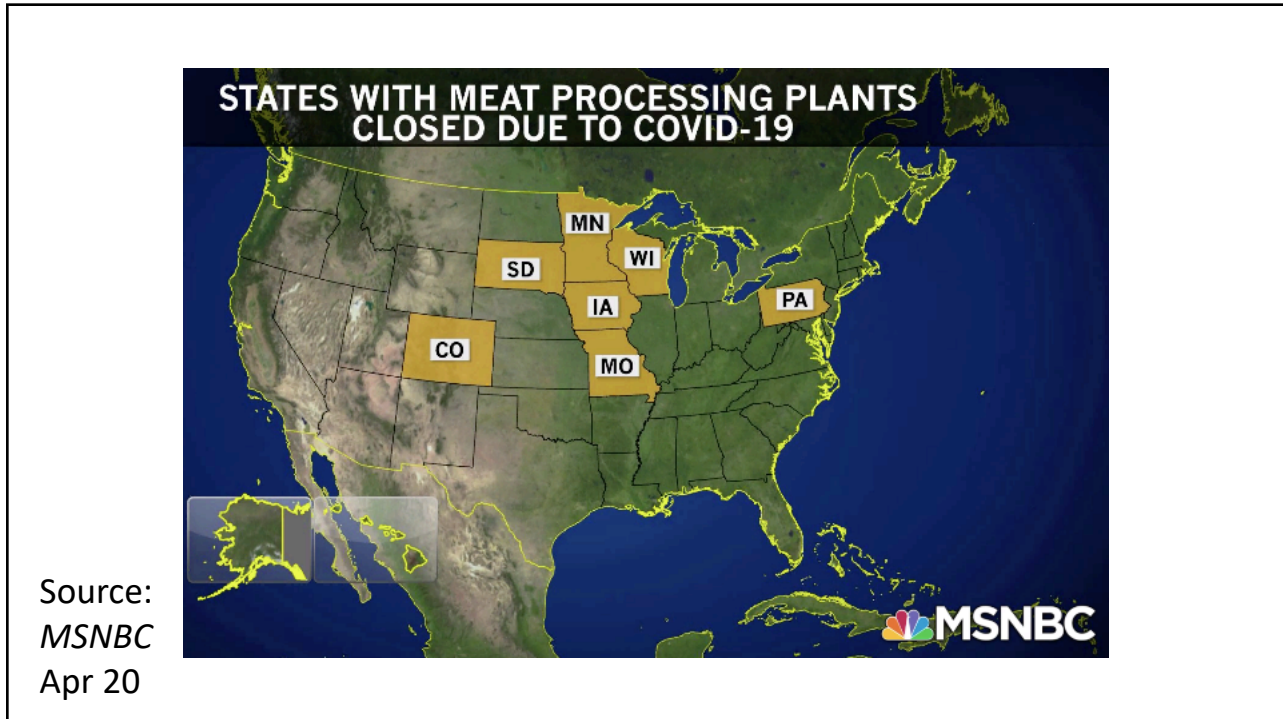
70



71



72



73

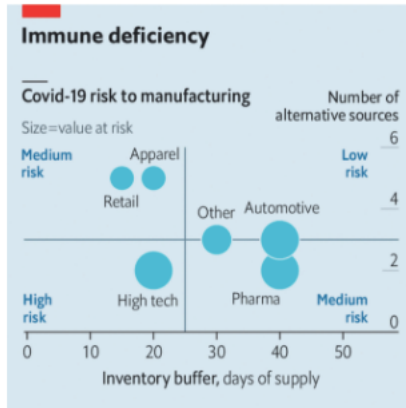
Supply Chains

 NATIONAL ECONOMIC EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

74

The new coronavirus could have a lasting impact on global supply chains



Source: *Economist*

75



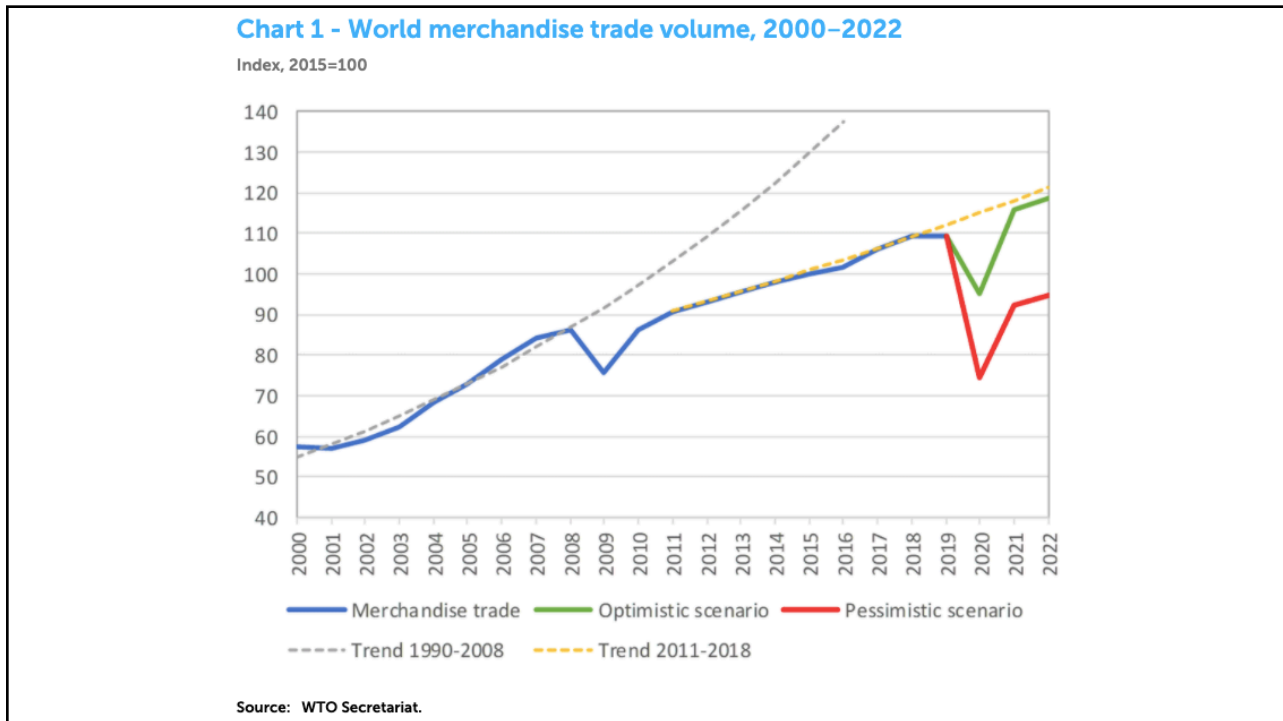
Trade



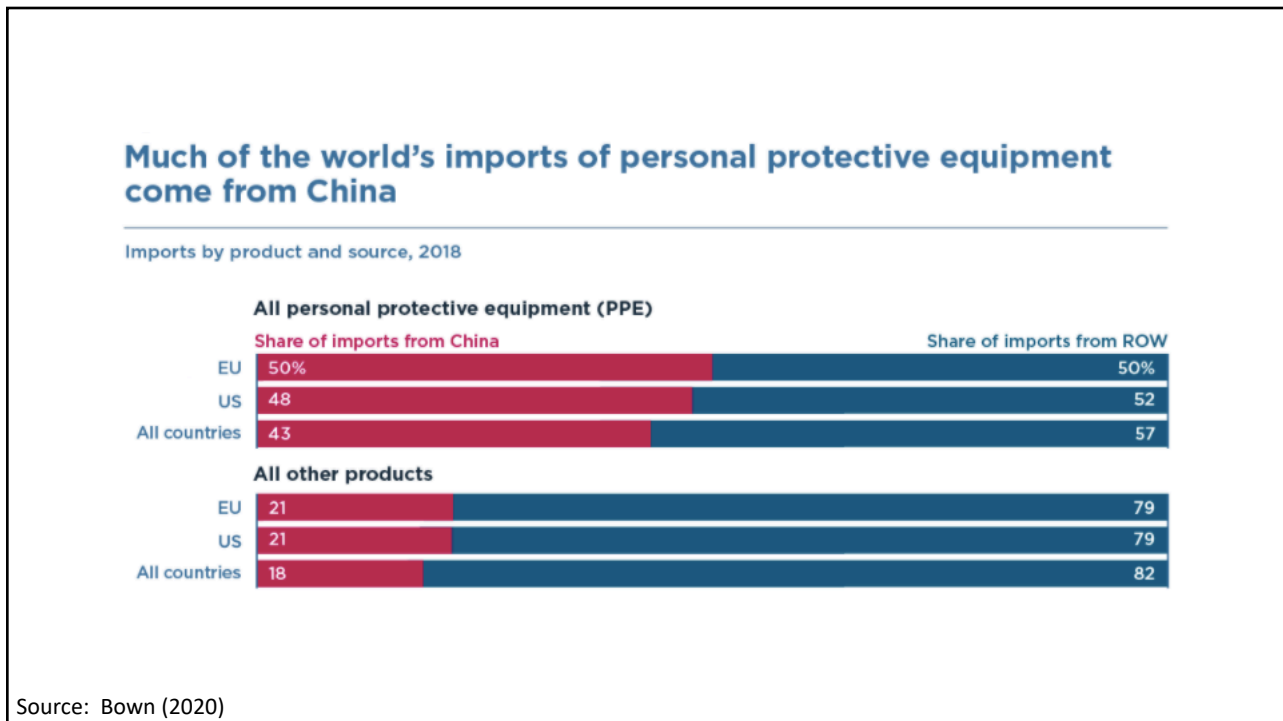
NATIONAL ECONOMIC
EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

76



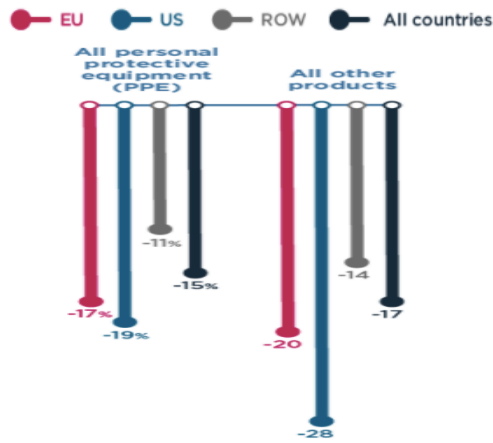
77



78

China's exports of personal protective equipment fell less than its exports of other products

China's export growth in January and February 2020 relative to January and February 2019, by product and trading partner

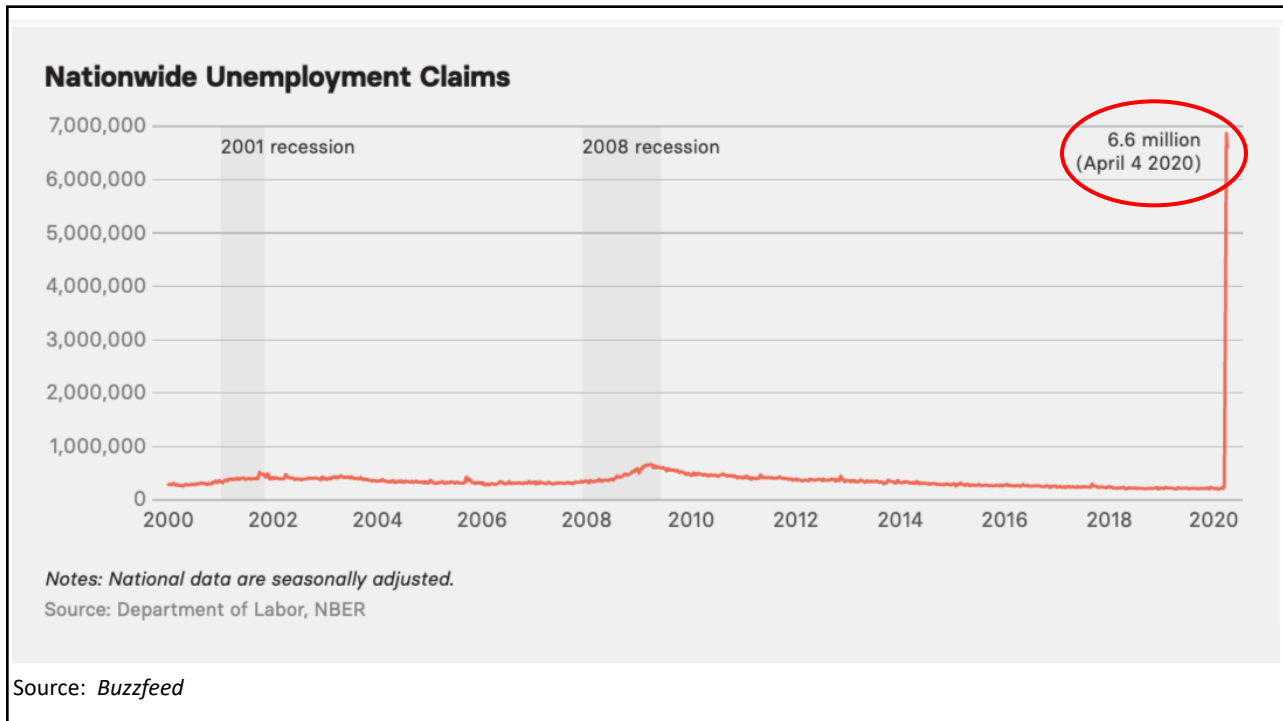


Source: Bown (2020)

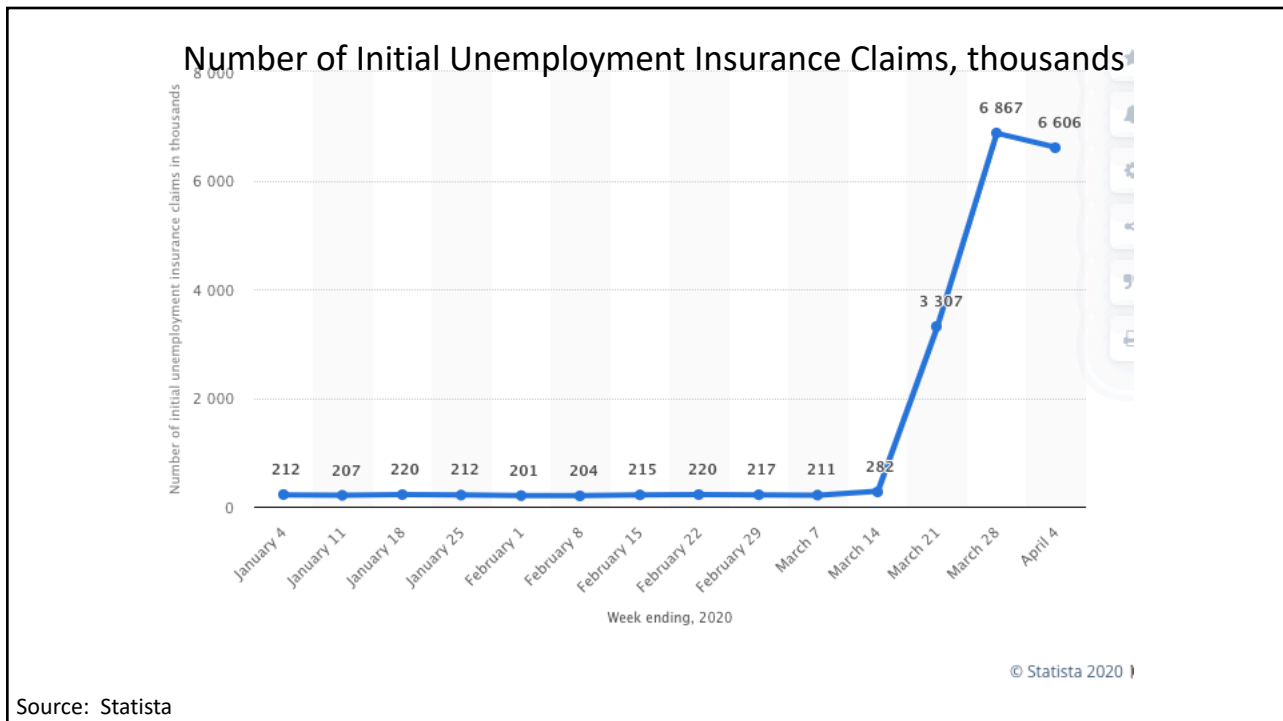
79

Unemployment

80



81



Source: Statista

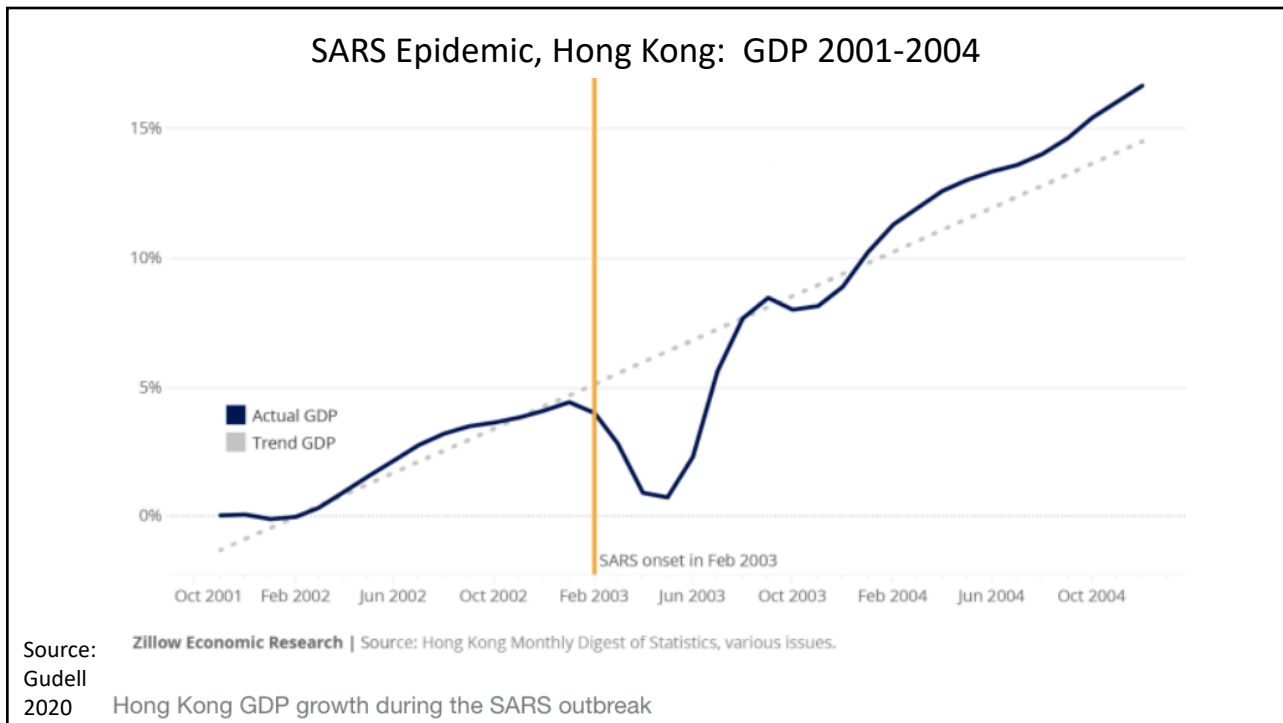
82

GDP

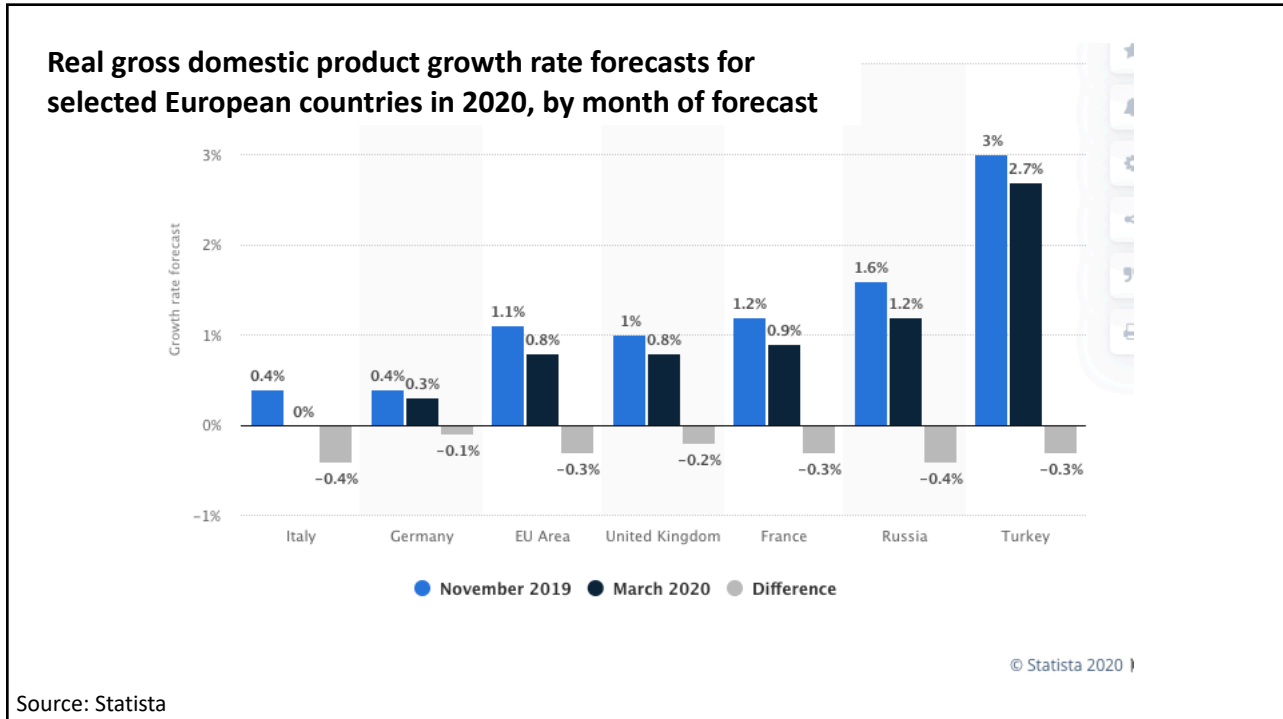
NATIONAL ECONOMIC EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu UNIVERSITY OF MICHIGAN

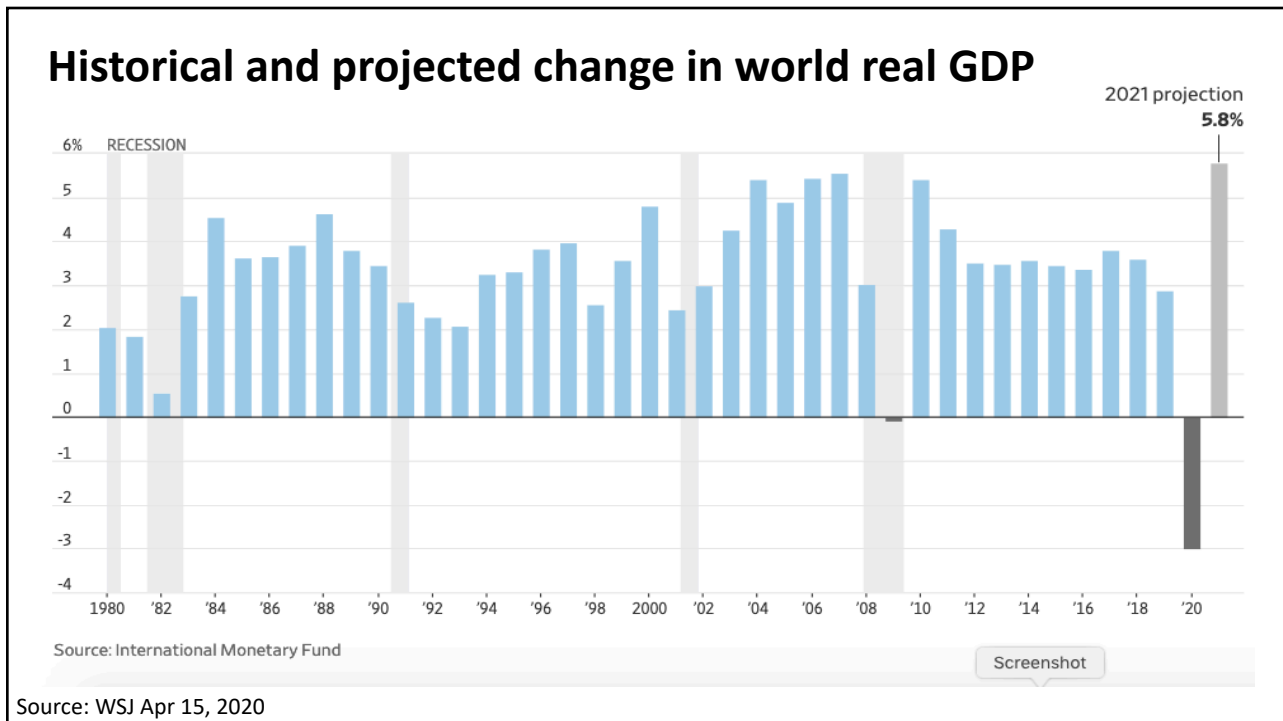
83



84



85



86

●●●●●●●●●●
●●●●●●●●●●
●●●●●●●●●●
●●●●●●●●●●
●●●●●●●●●●

Shortages

 NATIONAL ECONOMIC EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

87




88




89

Effects of the Pandemic on Globalization

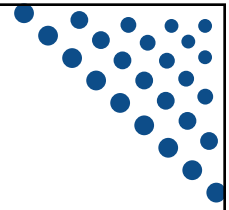
- **Effects of the Pandemic on Policies**
 - Travel restrictions
 - Export bans
 - Requests for reduced tariffs



NATIONAL ECONOMIC EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

90



Travel Restrictions



Alan V. Deardorff - www.fordschool.umich.edu UNIVERSITY OF MICHIGAN

91



Some of the countries that have imposed a global travel ban in response to the COVID-19 pandemic, as of April 5, 2020

- Current ban on foreign travellers
- Former ban on foreign travellers

Source: Wikipedia

92



- **Headlines on Travel restrictions**
 - Jan 31, NYT: **Trump Administration Restricts Entry Into U.S. From China**
 - Mar 10, NYT: **U.S. to Suspend Most Travel From Europe**

 NATIONAL ECONOMIC EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

93

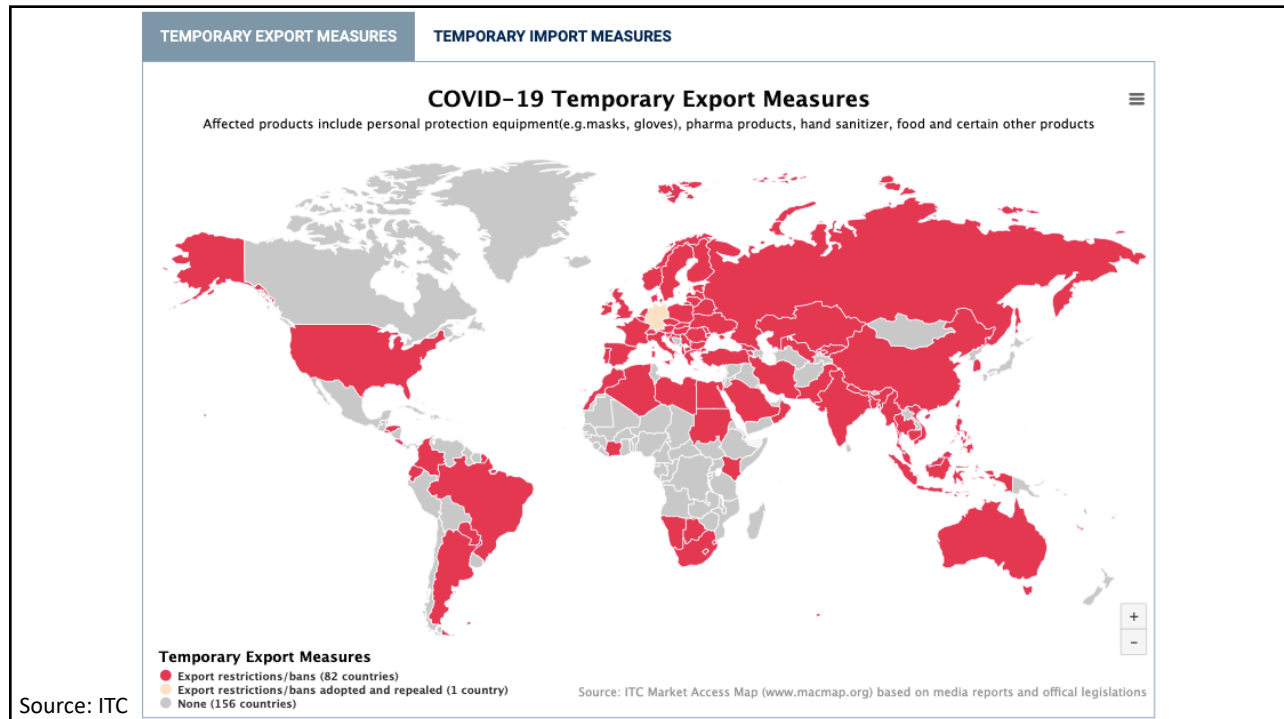


Export Bans

 NATIONAL ECONOMIC EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

94



95

• **Headlines on Export bans**

- Mar 19: Sickening thy neighbour: **Export restraints** on medical supplies during a pandemic
- Apr 3, NYT: Trade **Restrictions on Food Exports** Due to the Coronavirus Pandemic
- Apr 8, WP: As **borders harden** during pandemic, some countries look to hold on to their own food
- Apr 8, WSJ: U.S. to **Restrict Mask, Glove Exports** for Four Months During Coronavirus Pandemic
- Apr 10, Bloomberg: Food Supply Fears Are Growing as Romania **Bans Grain Exports**

 NATIONAL ECONOMIC EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

96

Reduced Tariffs (?)



NATIONAL ECONOMIC
EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

97

• Headlines on Reduced Tariffs (?)

- Mar 16 NYT: U.S. Weighs **Tariff Relief** but Some Fear China Will Take Advantage
- Mar 19 WSJ: Trump Spurns Business **Plea to Ease Tariffs** Amid Coronavirus
- Mar 24 FT: **Drop the tariffs** and save some lives. Quick
- Mar 26 WSJ: U.S. Will Approve Some **Delays in Tariff Payments** Amid Coronavirus Crisis
- Mar 31 FT: Trump to **suspend some tariffs** for 90 days
- Apr 2 NYT: Trump Rebuffs Demands to **Lift Tariffs** as Economy Falters
- Apr 13 WSJ: U.S. **Tariffs Hamper Imports** of Sanitizer, Disinfectants, Some Companies Say
- Apr 20 FT: **Trump exempts** virus-hit US businesses from import tariffs



NATIONAL ECONOMIC
EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

98



Globalization's Future?

 NATIONAL ECONOMIC EDUCATION DELEGATION

 UNIVERSITY OF MICHIGAN

Alan V. Deardorff - www.fordschool.umich.edu

99



Globalization's Future?

- **Will trade, travel, etc. come back?**
 - Yes, partly
- **Will it reach the previous trend**
 - Probably not.
 - It didn't after the financial crisis
- **Will attitudes change?**
 - Yes.
 - Firm's will try to limit exposure
 - Consumers will learn to live differently
- **Will economists' view of globalization change?**
 - I think so.
 - We still think globalization is good, but it should include greater protections

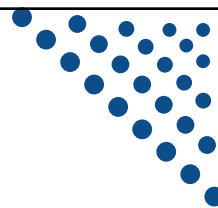
 NATIONAL ECONOMIC EDUCATION DELEGATION

 UNIVERSITY OF MICHIGAN

Alan V. Deardorff - www.fordschool.umich.edu

100

Thank you!



Any Questions?

Alan V. Deardorff
Ford School of Public Policy
University of Michigan

www.NEEDelegation.org



NATIONAL ECONOMIC
EDUCATION DELEGATION

Alan V. Deardorff - www.fordschool.umich.edu  UNIVERSITY OF MICHIGAN

101