

# IS THE GLOBAL BIG BANG EVEREXPANDING?

Michel Henry Bouchet  
www.developingfinance.org



# SK

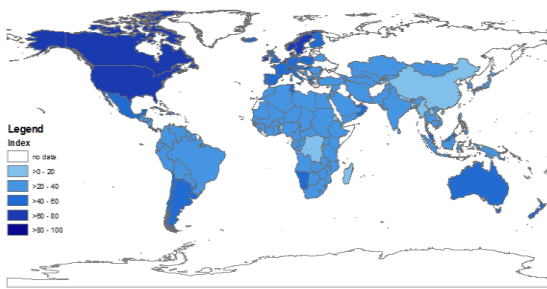
## MYTH 1

- 1. Globalization, i.e., the worldwide extension of the market economy, is an **everexpanding** process
- Facts:** Don't take it for granted! One can observe waves of globalization



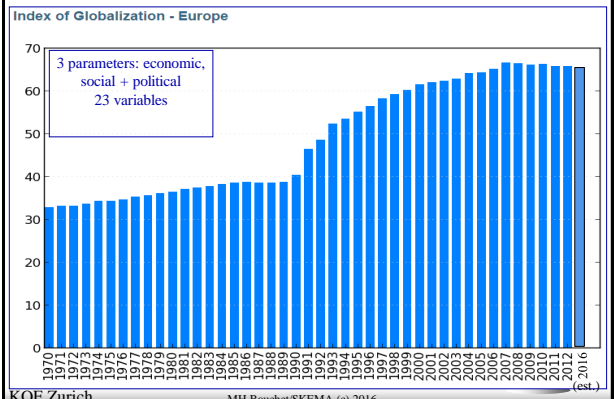
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KOF Index of Globalization 1970



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GLOBALIZATION IS NOT A SMOOTH ONGOING PROCESS  
1970-2016



KOF Zurich

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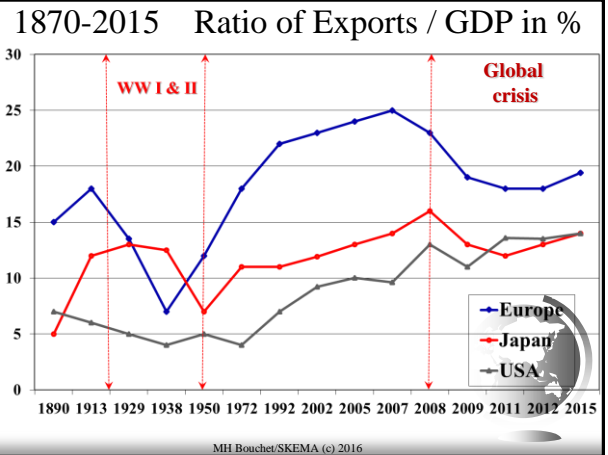
## Myth 2

GLOBALIZATION = END OF CYCLICAL BOOM AND BUST?

### Facts:

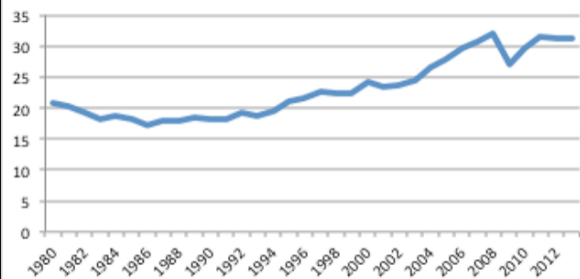
- > Sustained, meteoric growth in emerging economies may no longer be possible (growth slowdown in Brics + social unrest)
- > Something special about the 20th-century? mix of widespread, well-paying manufacturing jobs, higher education, rise of a middle class that acts as voters and taxpayers
- > End of high growth success stories and long-term decline in employment: de-skilling process
- > Decline in productivity, shrinking labor force and aging population

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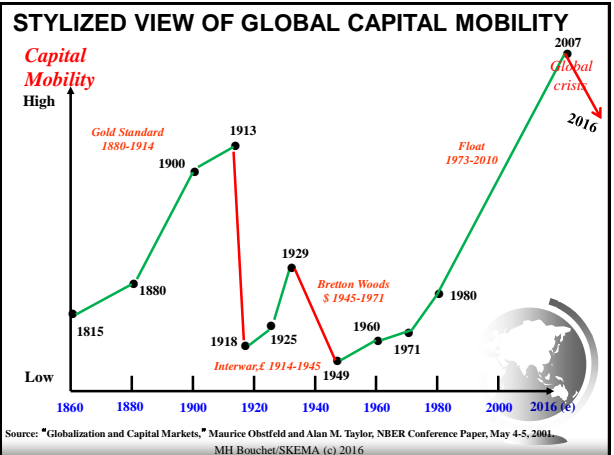
Is Globalization stalling? Since the inception of the global crisis, global trade is not rising faster than GDP

### Exports/GDP



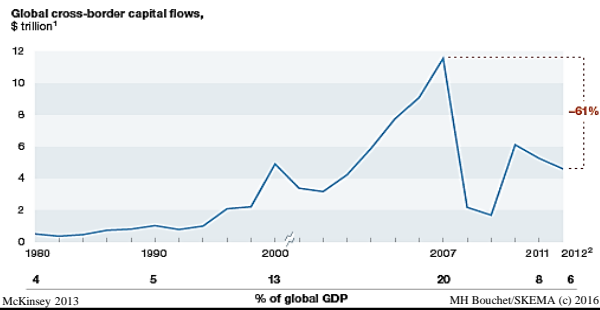
Source: Krugman 2014

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## GLOBAL CAPITAL FLOWS: DON'T TAKE THEM FOR GRANTED!

Cross-border capital flows fell sharply in 2008 and today remain more than 60 percent below their precrisis peak.



## Myth 3

HAS THE WORLD BECOME MORE GLOBALIZED OR MORE REGIONALIZED?

- ☞ **Facts:** Though trade, migration, communication and capital flows get increasingly transnational, they are still modest compared to the overall global stock of value added!
- ☞ Trade, labour and finance are still home-based and **regionalized**

Global trade openness= 30%      FDI <3% global GDP

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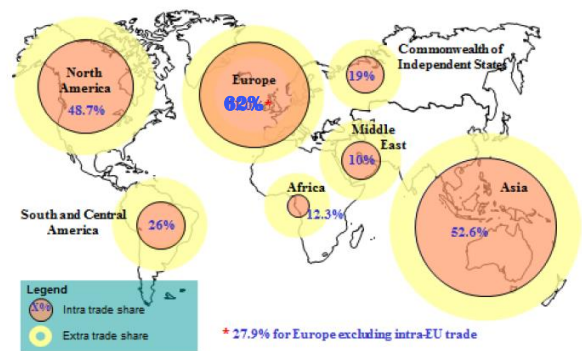
## THE GLOBAL MARKET PLACE IS A MYTH = THE END OF GLOBALIZATION?

(Alan Rugman-2000)

- ☞ Majority of trade and investment transactions are **within** regions
- ☞ There are just 500 MNCs competing in regional markets
- ☞ 50% of FDI within the 34 OECD countries
- ☞ 80% of FDI takes place in regional blocks
- ☞ Triad region: North America + Europe + Japan
- ☞ MNCs are **regionally based and locally operated**

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## INTRA-REGIONAL MERCHANDISE TRADE (WTO)



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## MYTH 4

### GLOBALIZATION AND NTIC = FLAT WORLD AND GLOBAL DEMOCRATIC POWER?

« As the world goes flat, and the dynamics of collaboration and exchanges gets stronger and stronger, the gap gets larger and larger between cultures that have the will and the way to adopt and adapt this dynamics and those that do not »

Thomas Friedman, 2006



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### THE « FLAT WORLD » MYTH AND THE ILLUSION OF THE NTIC DEMOCRACY

☞ **The Flat World is misleading! Information access does NOT lead to power, unless it is reshaped into Economic Intelligence.**

1. Those who controlled the capital accumulation since the Industrial revolution controlled access to economic and geopolitical power.
  2. Those who control finance capital since the 1980s control Hyperfinance's global power.
  3. Since the NTIC revolution, those who concentrate information power (US Intelligence, Google, Twitter) ... control power (not those who transfer personal information that will feed marketing strategies)!
- ☞ Access to global information does NOT translate into people's power, contrary to the hope during Internet's emergence: big data management and supercomputers transform information into consumer behavior's management tools

See: Jaron LANIER: « Who Owns the Future ? »- Simon & Schuster, 2013

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## MYTH 5

### GLOBALIZATION MEANS « LAISSEZ-PASSER »?

☞ **Facts:** trade protectionism is still strong and probably growing since the inception of the global crisis: China, Brazil, Russia, Argentina, India, Indonesia...

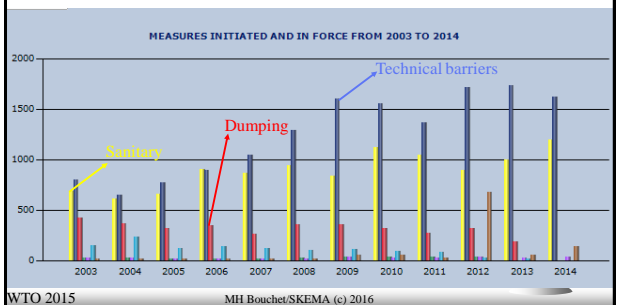
☞ **Facts:** FDI barriers remain strong to protect national industry: Argentina, Brazil, Canada, India, China, Russia, Indonesia, USA...



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## Stubborn global trade protectionism

Despite GATT, WTO and endless rounds of trade negotiations, protectionism is on the rise, including tariff and non-tariff barriers such as technical obstacles (regulations, testing and standards)!



# FDI RESTRICTIONS IN THE GLOBAL ECONOMY

