

# **Globalisation and Industrial Development:**

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# Structure of presentation

- Industrialisation and Development
- Globalisation and industrialisation
  - Phases of globalization
  - Stylised facts
  - Impacts of globalization
  - China's impact on developing countries
    - Potential future impacts
      - Role of Belt and Roads Initiative (BRI)

# Industrialisation and Development

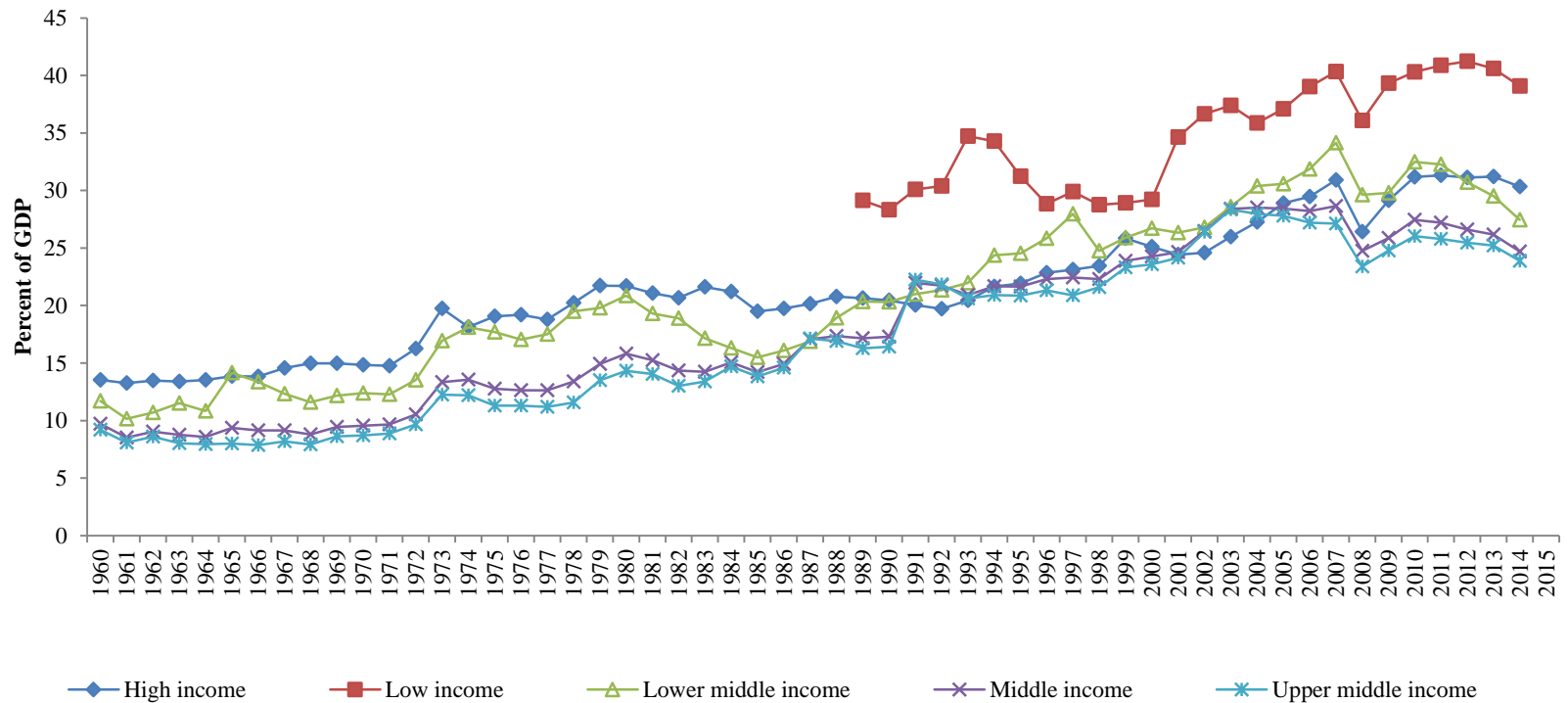
- Historical analysis of structural change
- Importance of Manufacturing:
  - Engle's Law
  - Externalities in manufacturing
    - Economies of Scale, Scope and Agglomeration
    - Learning by doing and learning
    - Backward and forward linkages
  - Trade and technology transfer
    - Demand-pull and Supply-push factors
    - Changes over time

# Globalisation and industrialisation

- Phases of globalization (Baldwin 2016)
  - First unbundling
    - Reduced cost of shipping
  - Second unbundling
    - Reduced cost of locating manufacturing production in different geographical locations
  - Third unbundling
    - Reduced cost of face-to-face communication between individuals in different part of the world
      - » Driven by ITC

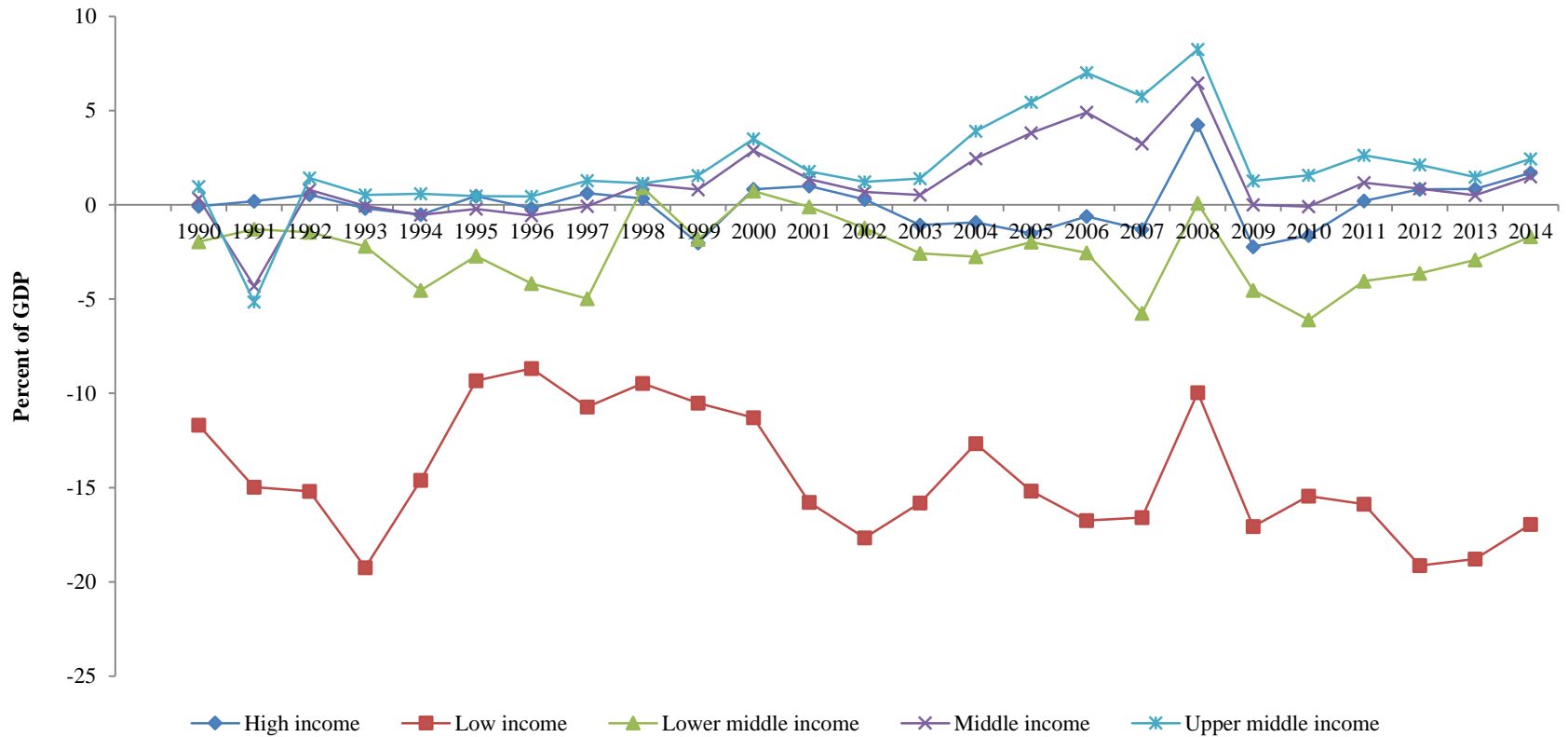
# Stylised facts

- Share of trade in GDP



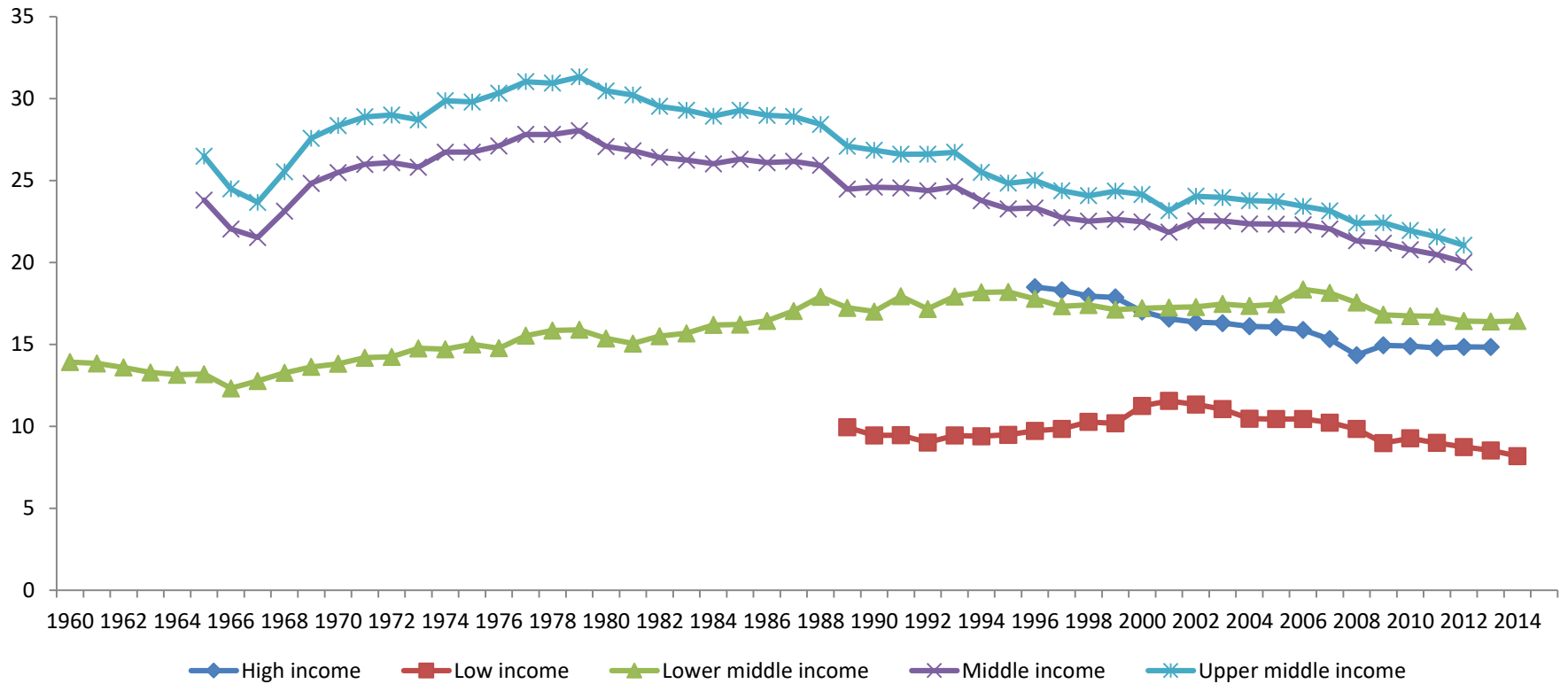
# Cont...

- Share of net export in GDP



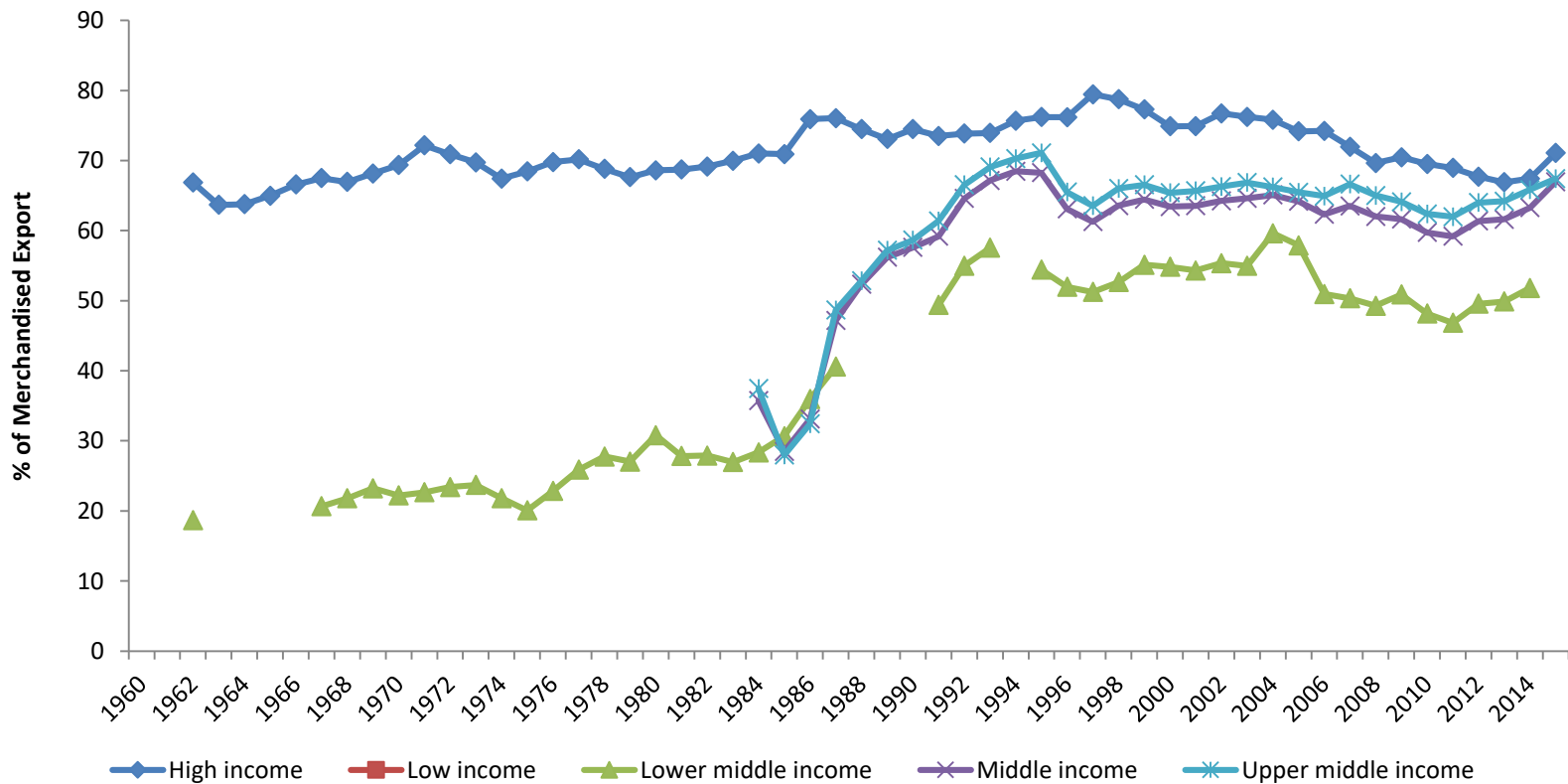
# Cont...

- Share of MVA in GDP



# Cont....

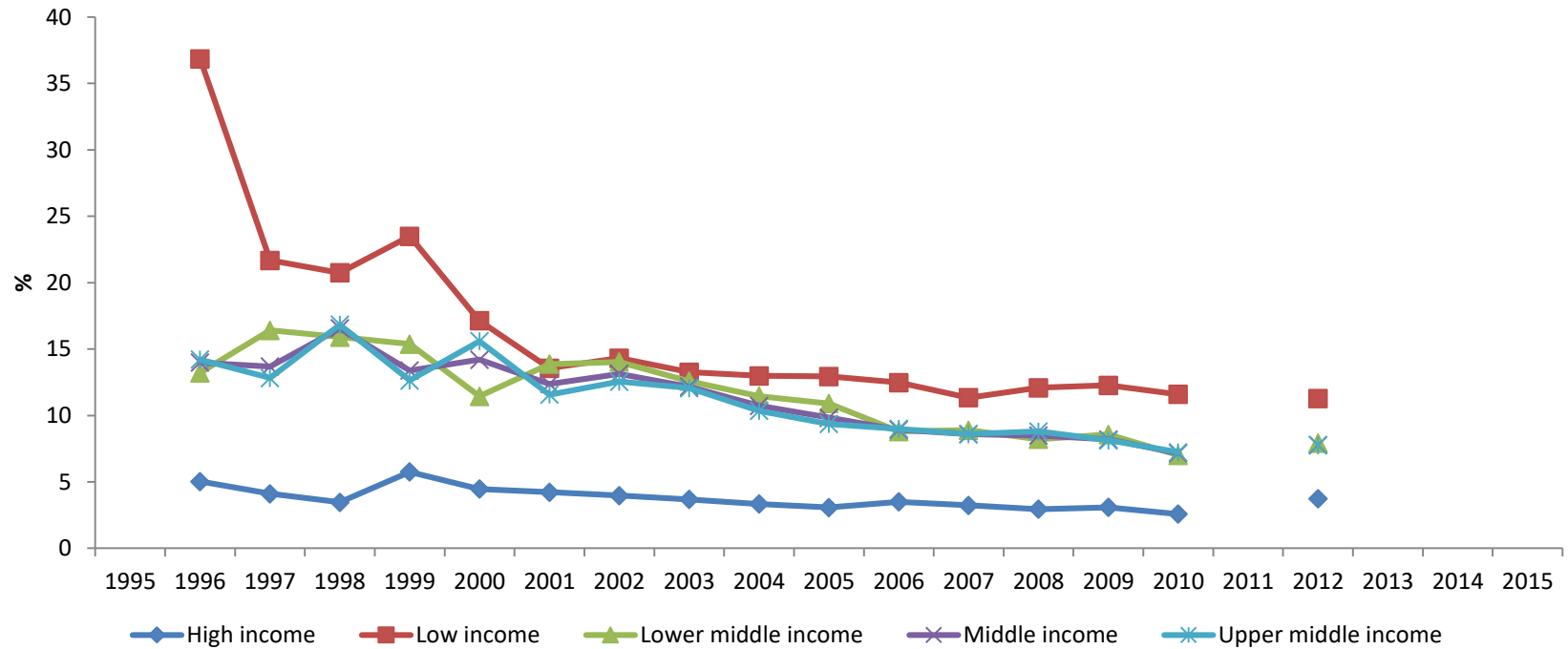
- Share of Manufactured export in total export





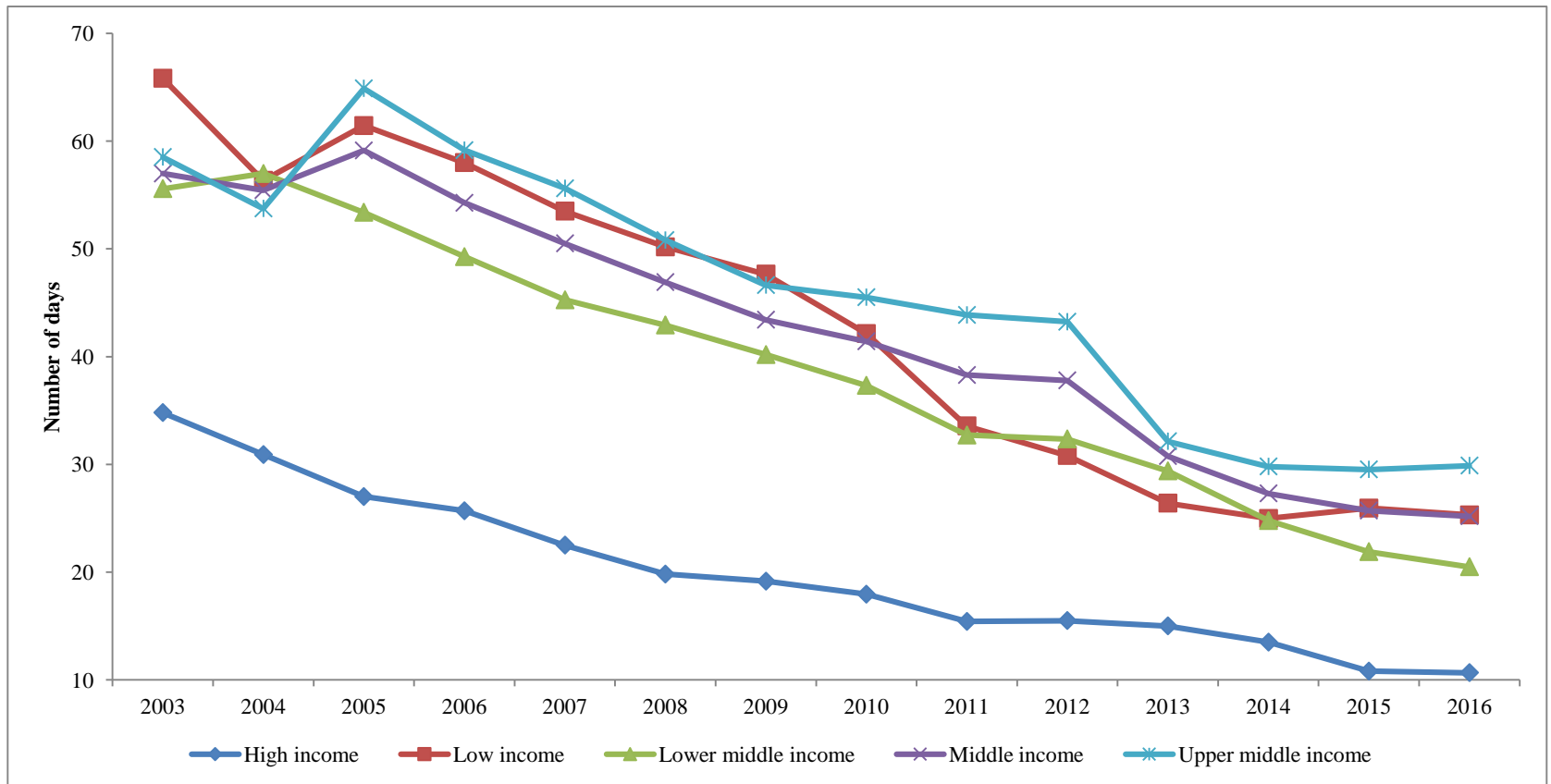
# Cont...

- Tariff rates



# Cont....

- Time required starting a business



# Cont....

- Impacts of globalization
  - Uneven impact
  - Potential for De-industrialisation
    - Production fragmentation
      - GVCs
      - Offshoring/Outsourcing
    - Increased mobility of capital
    - Speed of technical change
  - Increased competition
    - Participation of China, India.....

# China's impact on DCs

- Increased competition for low/medium tech products

## *Selected indicators of China's economy (Lin 2011)*

### *China's output as % of world output*

1979	1.8
2010	9.3

### *China's global export, 1979-2009*

Growth per year over the period	16%
Share of world export in 2009	26%

### *China's share of manufactured export in total export in 2009*

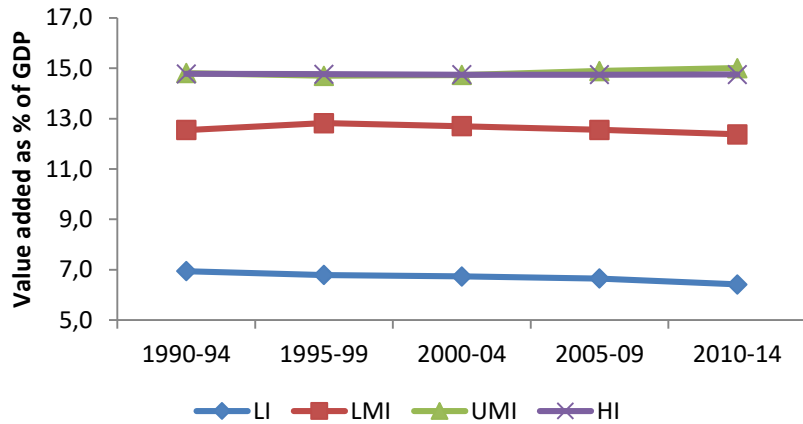
Machinery and transport equipment	47.3%
Miscellaneous manufactured	26.8%

# Cont....

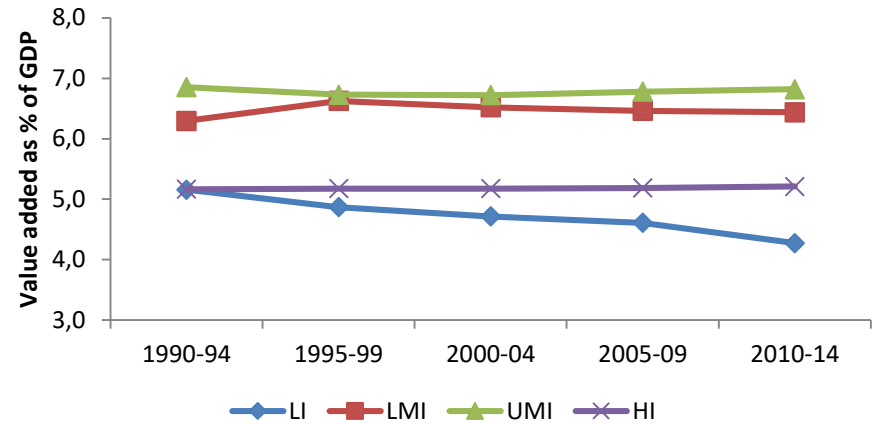
- Terms of trade deterioration
  - Exit of some DC's from selected sectors
- Increased cost of inputs
  - Benefitting some DCs
- Relocation of FDI
  - Away from some and into China
- Impacts:

# Technology classification of MVA

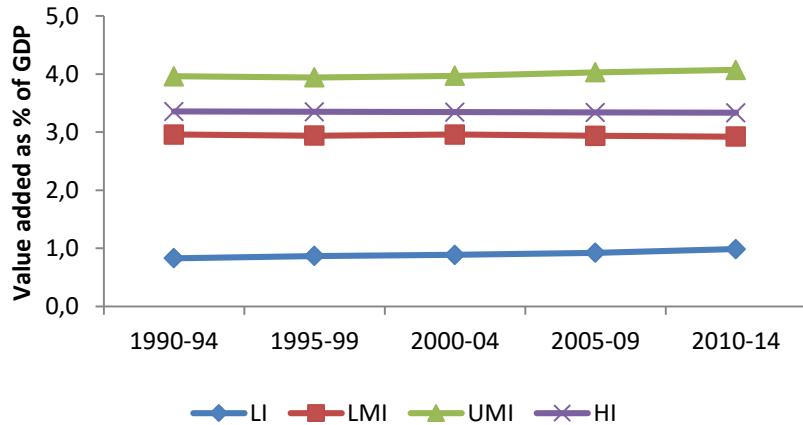
## All manufactures



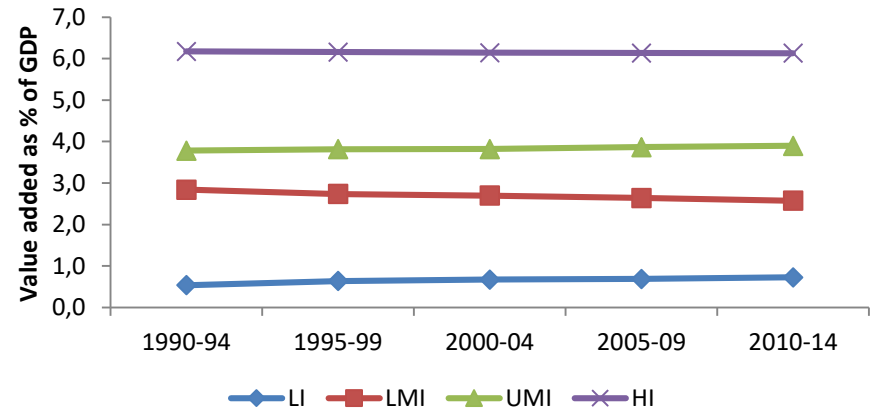
## Low technology manufactures



## Low and medium technology manufactures

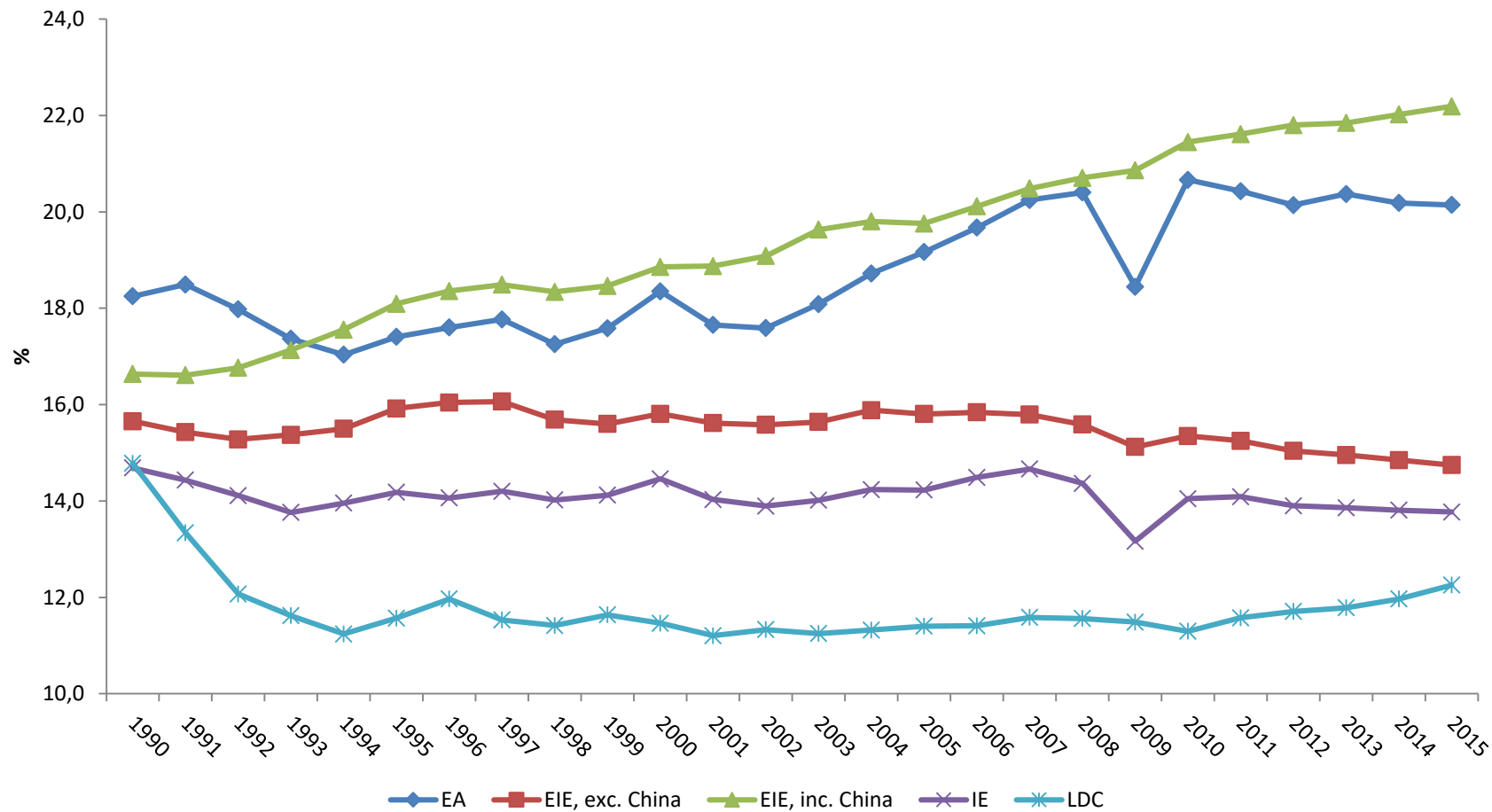


## Medium high and high technology manufactures



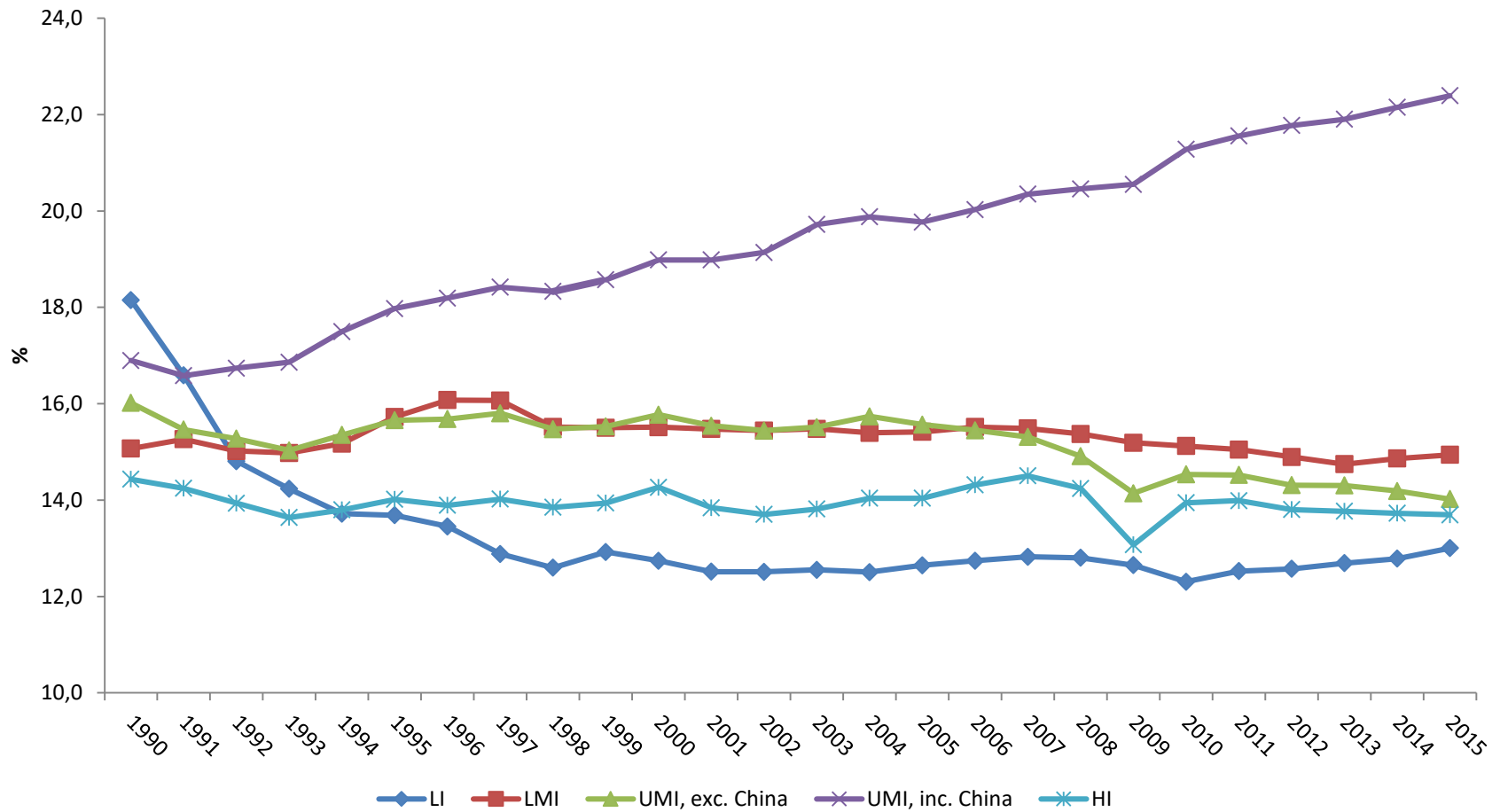
# Share of MVA in GDP

## Based on industrial classification



# Share of MVA in GDP

## Based on income classification





# Potential future impacts

- Change in China's development policy
  - Innovative, inclusive and sustainable growth
    - Shift into advance manufacturing
    - Environmental concerns
    - Increased wages
      - Differences between provinces
    - Increased outbound investment
      - Belt and Road Initiatives (BRI)
- Implications
  - Increased market opportunities for others
  - Relocation of some GVC away from China

# Role of BRI

- Infrastructure development in some DCs
  - Presenting opportunities and threats for industrial development
  - Reduced transportation cost
    - Increased incentive to export
      - Increasing local competition for manufactures
    - Opportunities for some DCs to join GVC
      - If complementary factors are present