




# INTERNATIONAL TRADE AND MARKETS

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## Assessment

- **Course work: 50%**
  - Individual essay: 30%
  - Group discussion: 20%
    - Grouping: 2 students/group
    - In-class discussion and debates
- **Final exam: 50%**
- **Textbook:**
  - **Carbaugh, R.J. (2009).** *International Economics – 12th edition.* South Western Cengage Learning. Ohio, USA
  - **Charles W.L. Hill.** (2007) “*International Business: Competing in the Global Marketplace: Asia-Pacific Edition*, McGraw Hill Irwin”.
  - **Thompson, H.** (2009) *International Economics - Global Markets and Competition.* World Scientific Publishing Co., USA.

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## Contents

- Globalization of economic activities, specialized in fisheries sector
- International Trade and Investment Theories
- Free trade and quality of life issues
- Trade conflict between developed nations and developing countries
- Trade liberation and policies
- International Finance, the 2008 global economic crisis and fish trade development trend

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## Topic I: Globalization

1. Definition of globalization
2. Driver of globalization
3. Waves of globalization
4. Globalization of markets & production
5. Cost & benefit of globalization
6. Limits of globalization

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# 1. Definition of Globalization

## ■ Definition

- the shift towards a more integrated and interdependent world economy
- the world is no longer an aggregation of individual markets, but has become a system of interdependent markets
- Increased integration of product and resource markets

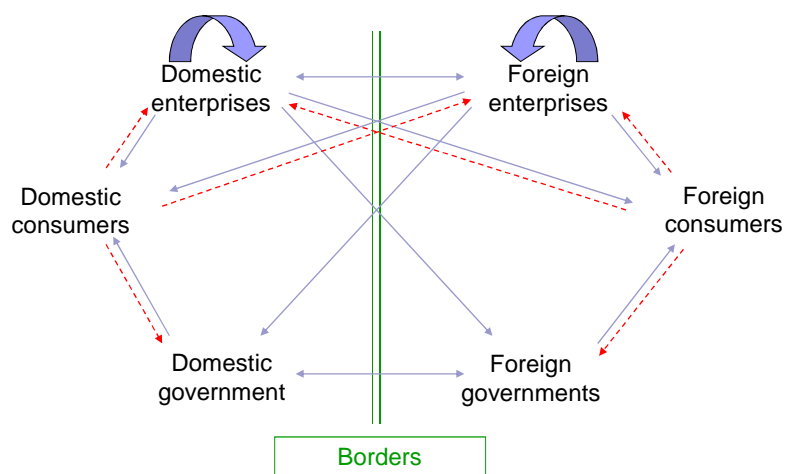
## ■ Forms of globalization

- Markets
- Production

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## Interdependent relationships between countries



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## 2. Drivers of globalization

- Technological development
  - Production technology
  - Transportation technology
  - Communication technology - Internet
- Liberalization of trade/investment
- Developments of MNCs
- Trade in factors
- Movement of people

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## TRANSPORTATION TECHNOLOGY

### The Shrinking Globe - Transportation

1500 -1840



Best average speed of horse-drawn coaches and sailing ships, 10 mph.

1850 - 1930



Steam locomotives average 65 mph.  
Steamships average 36 mph.

1950s



Propeller aircraft 300 - 400 mph.

1960s



Jet passenger aircraft, 500 - 700 mph.

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## COMMUNICATIONS TECHNOLOGY

- *The world is witnessing unprecedented transformation into an information-based society. This is driven by major technological changes in communications and computers.*

- The number of TV sets per thousand people doubled between 1990 and 1995 to 235.
- By the mid-1990s, the number of minutes of international telephone communications also doubled to 70 billion. Today?
- There were 140 million Internet users in 1998, in 2002 there were 600 million. Today?

*Implications for the spread of knowledge ...*

*Over half the GDP in major OECD countries is knowledge-based.*

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## LIBERALISATION

- Reduced role for government
  - Still argued in the current global crisis
- Deregulation and privatisation
- Greater openness to the outside-  
reduced trade and investment barriers

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## MULTINATIONAL ENTERPRISES

### Major routes:

- Trade
- Finance
- FDI
- International cooperative agreements

- In 1970, there were 700 MNEs, in 1998 there were 60,000 (with 500,000 foreign affiliates). Today there are 61,000 (with 900,000).
- In 1997 when FDI reached its peak, MNEs accounted for 25% of world GDP, 33% of world exports
- In 1970, US\$10-20b exchanged daily on currency markets. Today this figure is US\$1,500b
- FDI is growing faster than international trade – 39% increase from 1997 to 1998 alone.

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## MultiNational Enterprises

- **Definitions:** MNC is corporation that engages in FDI and owns or control value-adding activities in more than one country
- **Characteristics of MNCs**
  - Carry out business activities at least 2 countries
  - At least two partners which are different nationalities
  - Integrated strategy
  - Integrated resources: patent, copyright, capital, human resources,....
  - Its interest is the most important thing

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## MultiNational Enterprises

- **The role of MNCs: 61,000 MNCs (2003)**
  - Employ 54 millions persons
  - Total sales: \$19 trillions (in USD)
  - Outward FDI stock: \$8.2 trillions
  - Account for 10% GDP, 1/3 world export, 2/3 world trade at their peak
  - Key sectors: electronics, electrical equipment, automobiles, petroleum, chemicals, and pharmaceuticals
  - Some MNCs are bigger than countries: Exxon Mobil, Siemens, Wal Mart, IBM, Toyota....

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## MOVEMENT OF PEOPLE

In the 20<sup>th</sup> Century, the world's population grew from 1.6 to 6 billion.



Approximately eighty million people are added each year.

Population growth is concentrated in developing countries, and in cities.

42 million people migrate temporarily for work each year.  
6 million migrate permanently.

The number of international travellers each year is 590 million

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### 3. Waves of Globalization

- **1870 – 1914: the first wave of globalization**
  - New technologies in transportation,
    - Eg. Steam ship, railway
  - Transportation cost decrease
  - Exports contribution to world income doubles to 8% during the wave
  - However, during the Great Depression of 1930s get the process back

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### 3. Waves of Globalization

- **1945-1980: second wave of globalization**
  - Trade discrimination:
    - Developed countries reduce barriers to each other, but just reduce tariff to agricultural products from developing countries
    - Transportation cost continues to decrease
  - Agglomeration economis;
    - Specialization and clusters with vertical linkages
  - Higher income in developed countries but developing countries had been left behind.

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### 3. Waves of Globalization

- **1980 -recent: very distinctive**
  - Speed-up of China, India and Brazil
  - Developing countries have specialized in labor intensive production
  - Communication technologies developed
  - Outsourcing

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### 4. Globalization of markets & production

- **Globalization of the market:** refers the process of the worldwide market integration
- **Advantage:**
  - Exploitation and creation of global market segment
  - Standardization of products, packaging, promotion
  - Converging tastes and trends world wide

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#### 4. Globalization of markets & production

- **Globalization of production**: an emergence of an *integrated international production* system (IIP)
- **Form of globalization of production**
  - Parts/components: outsourcing
  - Allocated assemble: worldwide
  - Sales: worldwide

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#### 4. Globalization of markets & production

- **Reasons for *integrated international production***
  - Assess low cost inputs
  - Product differentiation
  - Imitate & adapt new technology
  - Assess cooperative advantage
  - Breakdown of the value chain and reallocation to the effective location

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## 4. Globalization of markets & production

### Implication of *integrated international production*

- Economic activities formerly under national control now under MNE control
- National economies linked through markets (trade) and through international production (FDI)
- Cultural convergence

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## 4. Globalization of markets & production

- How to get competition advantage: configuration versus coordination?
- **Configuration**: concentrated portfolio of production site
  - Technology intensity
  - Access to scarce resources
  - Pressure for cost reduction
- **Coordination**: expand the company's subsidiaries in various national markets
  - Importance of border-crossing customer
  - Presence of global competitors
  - Investment is not intensity

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# Discussion

- 1. Identify of macroeconomic changes in global economy!**
- 2. Select one of globalized aquatic products in your country and described its globalization.**

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## 5. Benefit & Cost of Globalization

### ■ Benefits of globalization

- Business expansion leads to economy of scale
- Access to resources
- Lowering price
- Economic growth
- Technology transfer
- Job creation
- And: so on.....

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## 5. Benefit & Cost of Globalization

### ■ Cost of Globalization

- Job displacement
- Real wage erosion
- Job insecurity
- Regulation avoidance
- Loss of sovereignty
- Environment damage
- Inequality
- Global problem: financial crisis, ethic conflicts...

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## 6. Limits of globalization

### ■ Countries are different

- Economic conditions
- Differences in culture
- Barrier to trade and investment
- Political uncertainty
- Corporate strategy
- Difference in customer needs, behavior, government regulation...

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