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
• Tariff rates
Cont....

• Time required starting a business
• 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**
  - Value added as % of GDP over time:
  - LI, LMI, UMI, HI

- **Low technology manufactures**
  - Value added as % of GDP over time:
  - LI, LMI, UMI, HI

- **Low and medium technology manufactures**
  - Value added as % of GDP over time:
  - LI, LMI, UMI, HI

- **Medium high and high technology manufactures**
  - Value added as % of GDP over time:
  - LI, LMI, UMI, HI
Share of MVA in GDP
Based on industrial classification
Share of MVA in GDP
Based on income classification

[Graph showing the share of MVA in GDP for different income classifications from 1990 to 2015]
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