

Comments on The Economist's *Gated Globalization*

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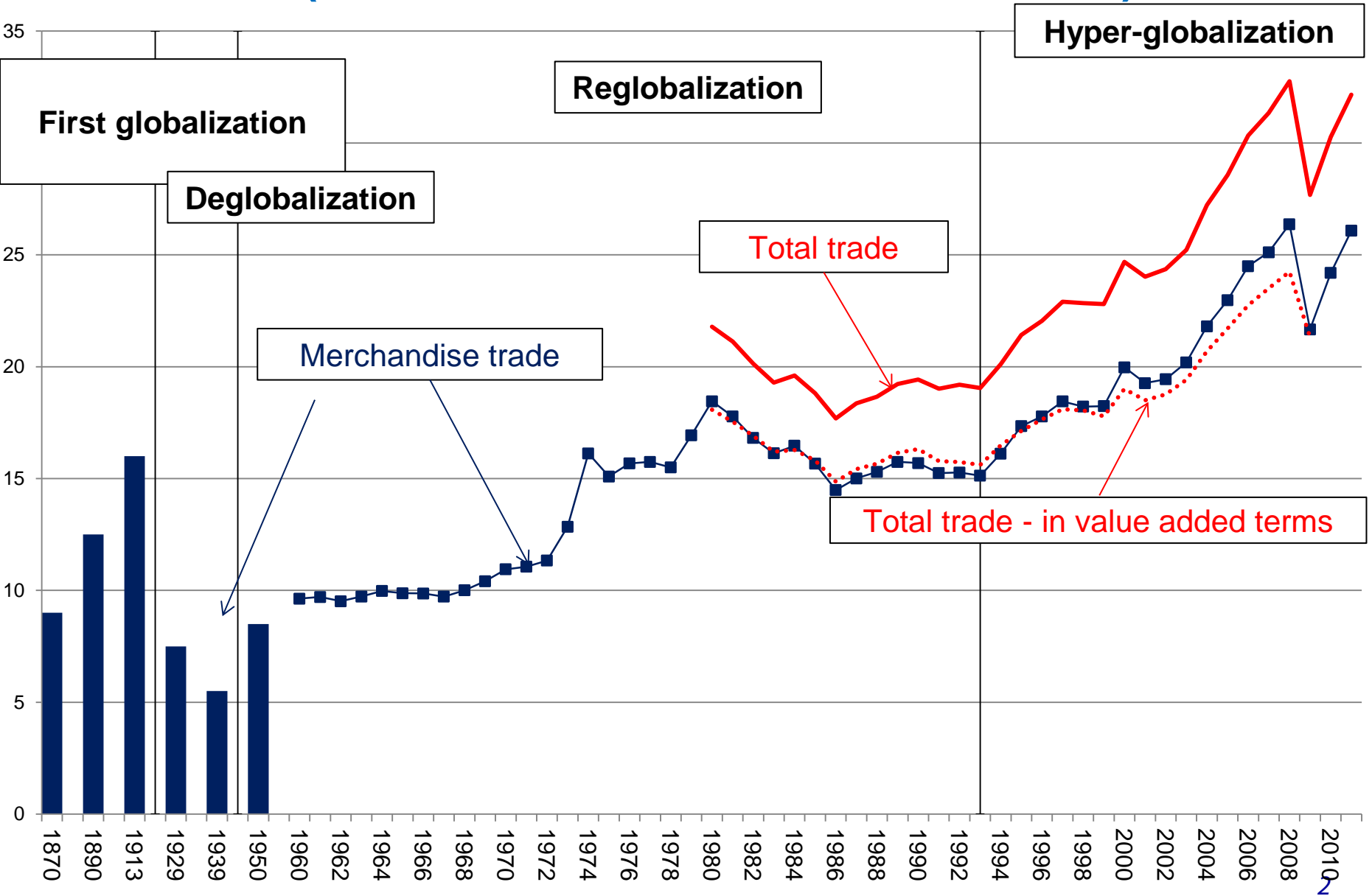
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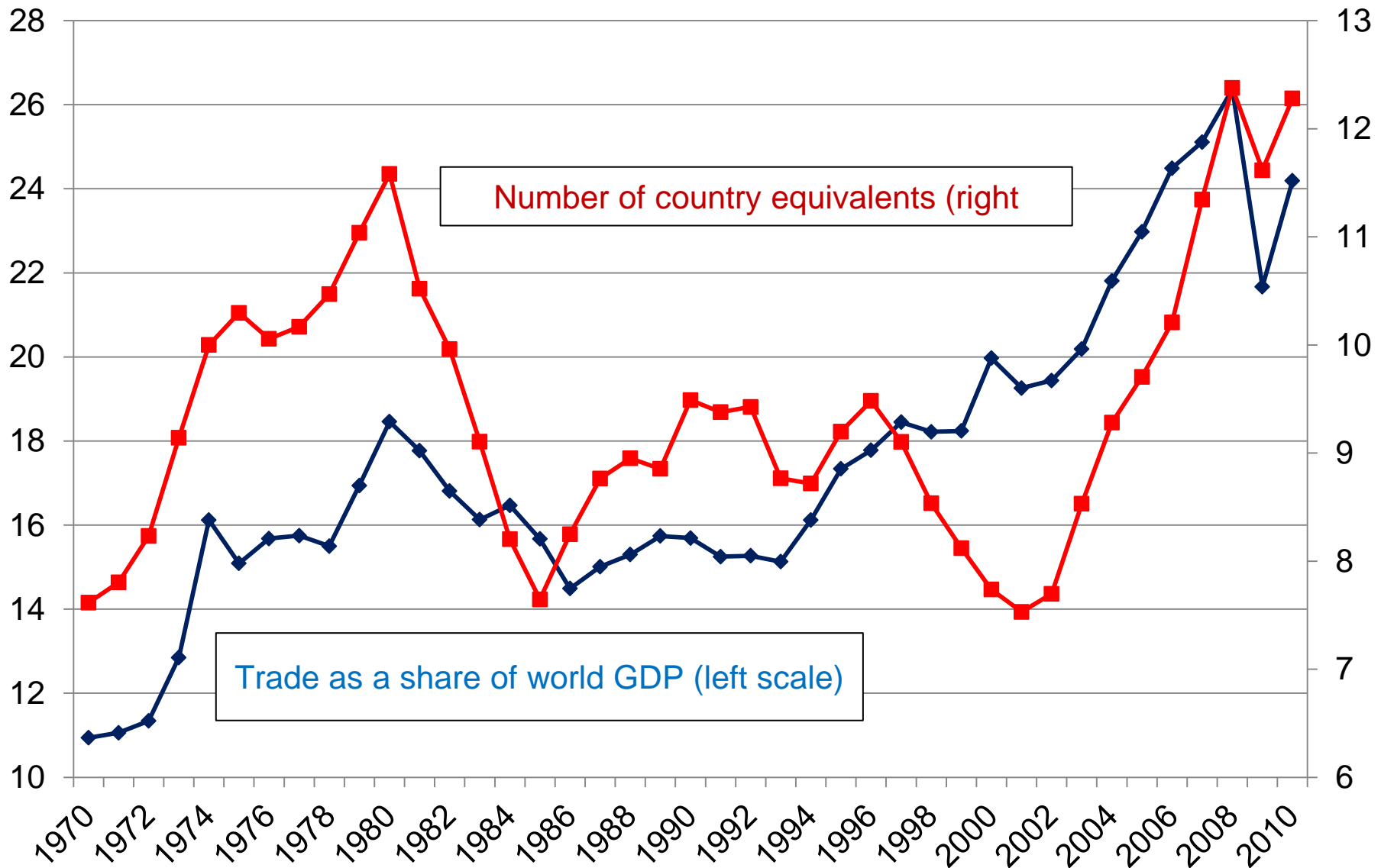
Overview

- Hyper not gated globalization
 - Outcome
 - Policy
- The real “gated” or “de-” globalization”
 - Mercantilism
 - Demise of multilateralism
 - Shifting composition of world output
- Outlook: Hegemon versus endogenously-sustained globalization

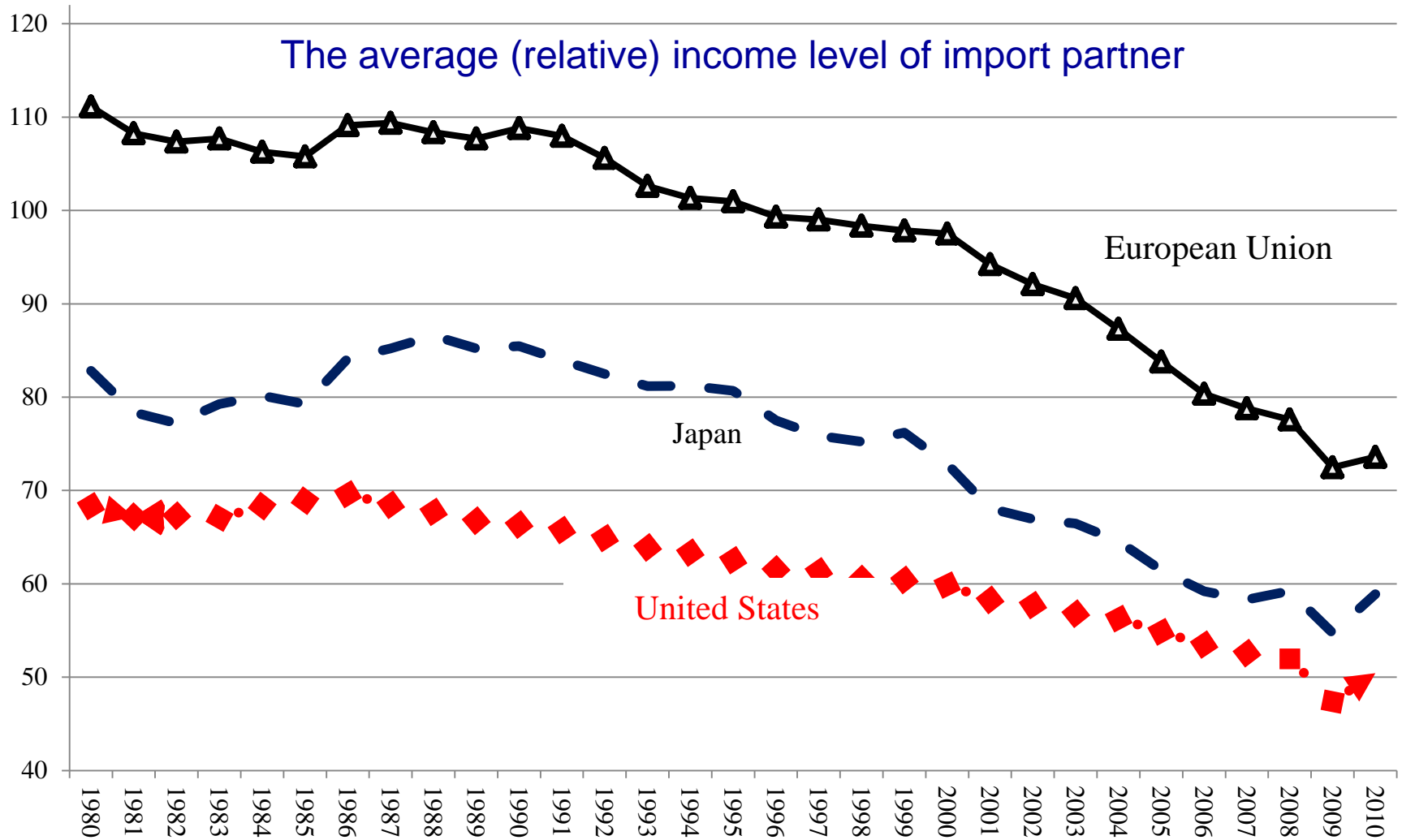
Outcome: Hyper-globalization (World Trade as Share of World GDP)



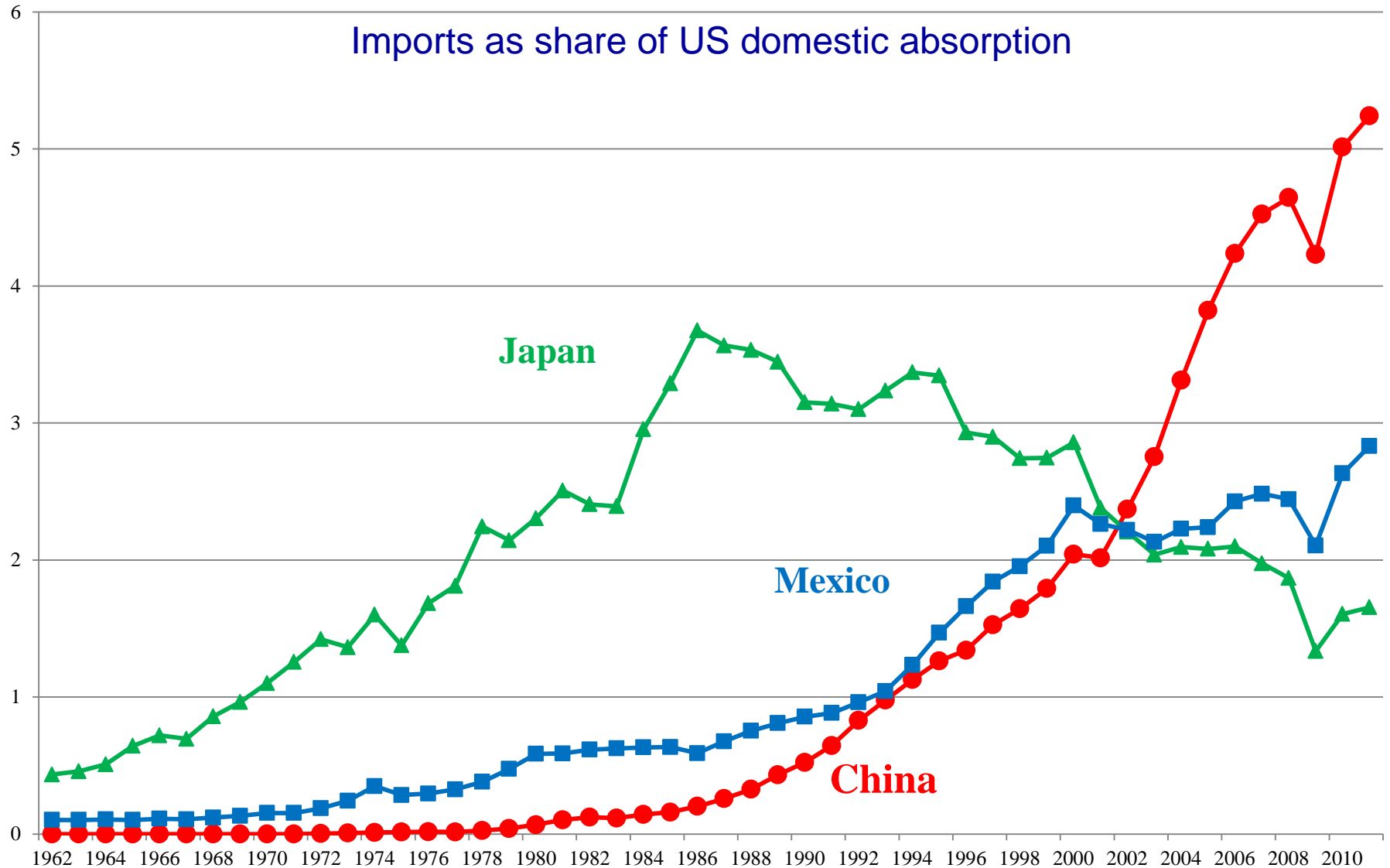
Trade-GDP is endogenous to convergence



Policy: The Protectionist Dog that Did Not Bark Despite Massive Structural Shocks



The China Shock to the US



Policy changes

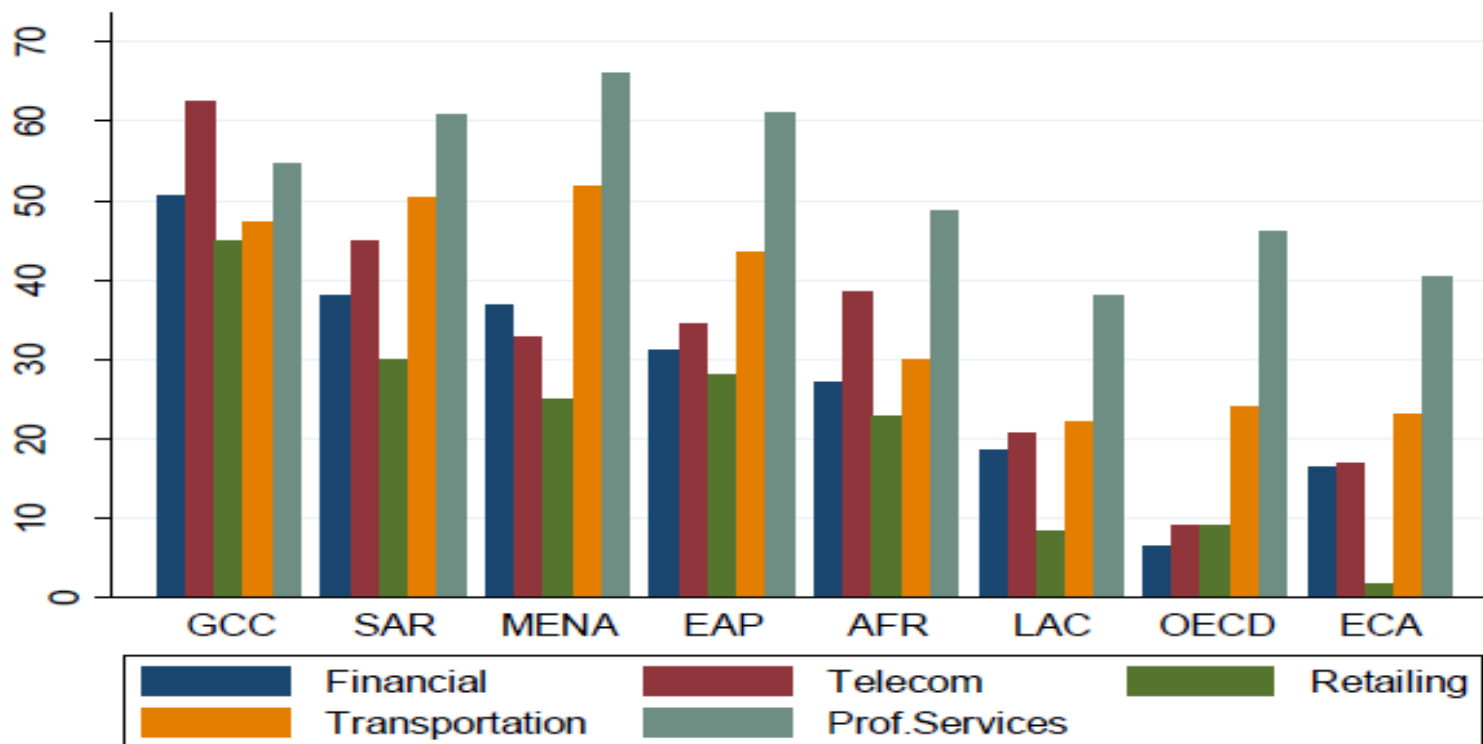
- China and India liberalizing FDI and capital account
- Brazil undid capital controls
- Real prospect of immigration reform in the US

De-globalization

- Mercantilism: China ran the “most protectionist policy in history.” But ...
 - Co-incident with hyper-globalization and boom
 - Has receded
 - Cannot be replicated because it requires:
 - Closed capital account; Lewis labor supply; and fiscal prudence
- Demise of multilateralism: Yes, but ..
 - Don't lament for Doha
 - Mega-regionalism could possibly work

De-globalization? Possibly because of Shift in global composition of output from... rich to poor and manufacturing to services

Index of Services Trade Restrictiveness, by Sector and Region, 2008–10



Note: 103 countries included.

Note: The services trade restrictions index (STR) at the regional level is calculated as a simple average of individual country's STRs. The STR in the cross-border air passenger transportation subsector comes from the QUASAR database of WTO (2007). Regional abbreviations: HNO – High income non-OECD, SAR – South Asia, EAP – East Asia and Pacific, MENA – Middle East and North Africa, AFR – Sub-Saharan Africa, LAC – Latin America and Caribbean, ECA – Europe and Central Asia, OECD – High income OECD.

Can Hegemon Be Substituted

- Convergence, technology, and 3 I's: Ideas, Interests, Institutions
- Technology: Spread far from complete
- Ideology: Finance not capitalism or globalization that was discredited
- Institutions: WTO does play a constraining role
- Interests: New phenomenon of criss-crossing globalization

Prospects: Enmeshing of interests: Criss-Crossing Globalization

(Global Two-Way FDI Flows)

