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## **Resilience to Deglobalization**

**Peter A.G. van Bergeijk**

*Selected presentation for the International Agricultural Trade Research Consortium's (IATRC's) 2023 Annual Meeting: The Future of (Ag-) Trade and Trade Governance in Times of Economic Sanctions and Declining Multilateralism, December 10-12, 2023, Clearwater Beach, FL.*

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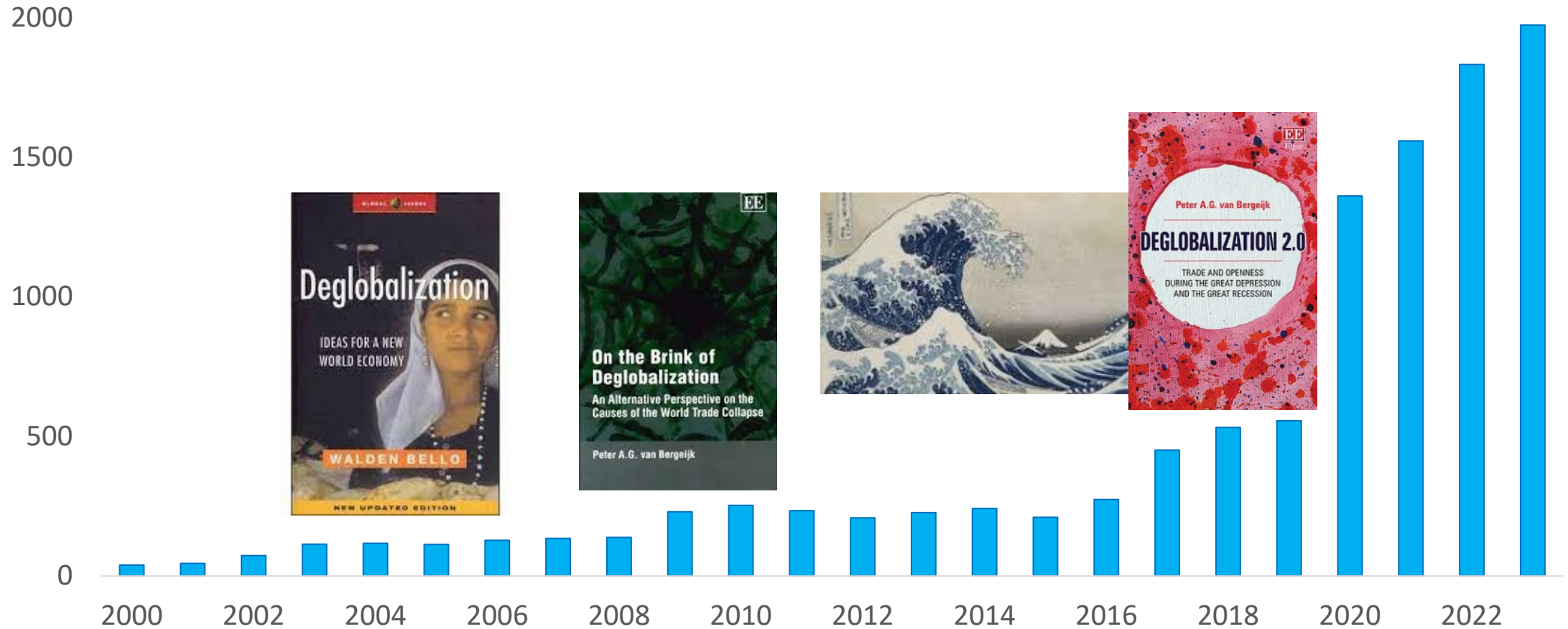
The background of the slide is a reproduction of the painting 'Rain, Steam, and Great Central Railway' by the English painter J.M.W. Turner. The painting depicts a lone figure standing on a railway track that recedes into the distance. The scene is characterized by a hazy, rainy atmosphere with soft, diffused light. The brushwork is visible, with a mix of blue, grey, and white tones, capturing the texture of the rain and steam. In the far distance, the silhouettes of railway buildings and structures are visible against the horizon.

# Resilience to deglobalization

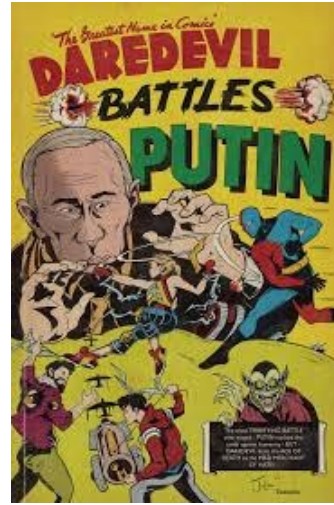
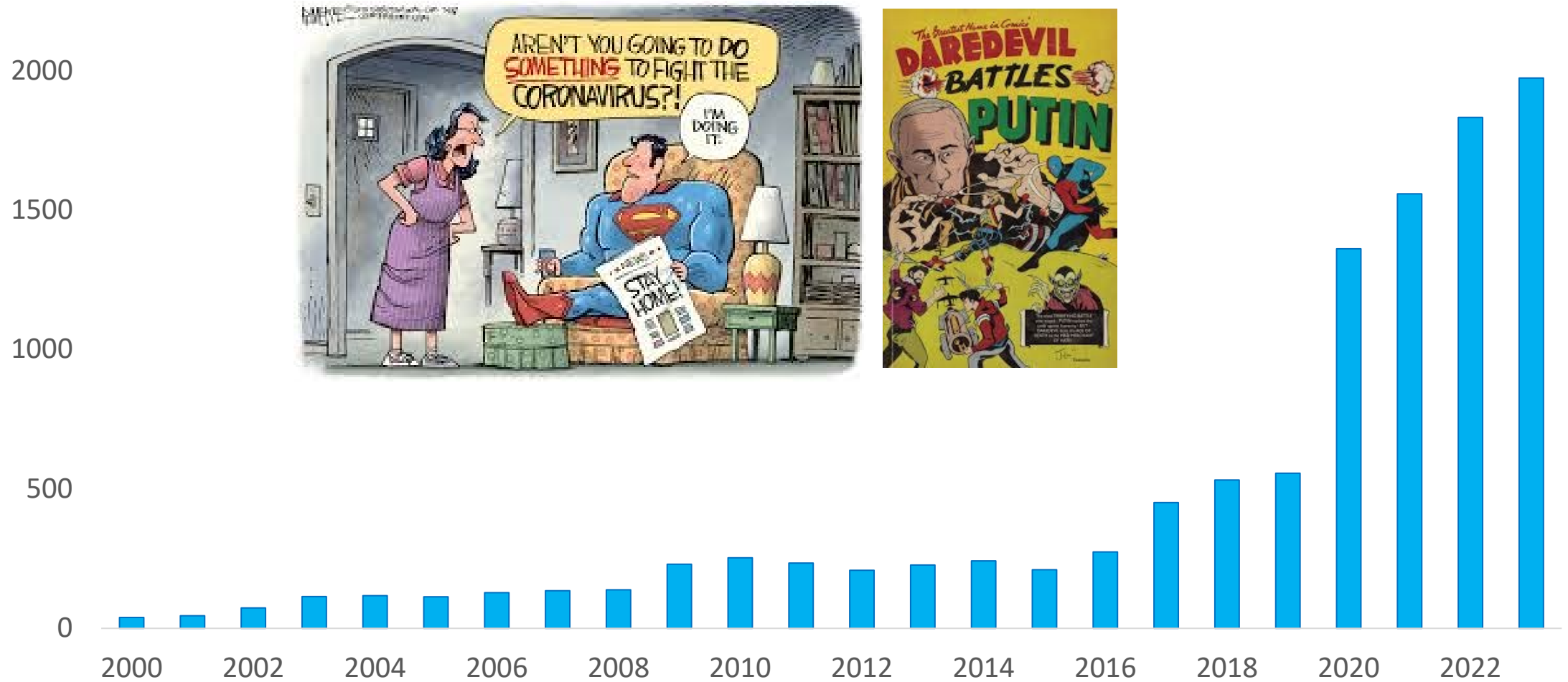
Peter A.G. van Bergeijk

Erasmus University The Netherlands

# Annual Google scholar hits on deglobali(s/z)ation 2000-2023

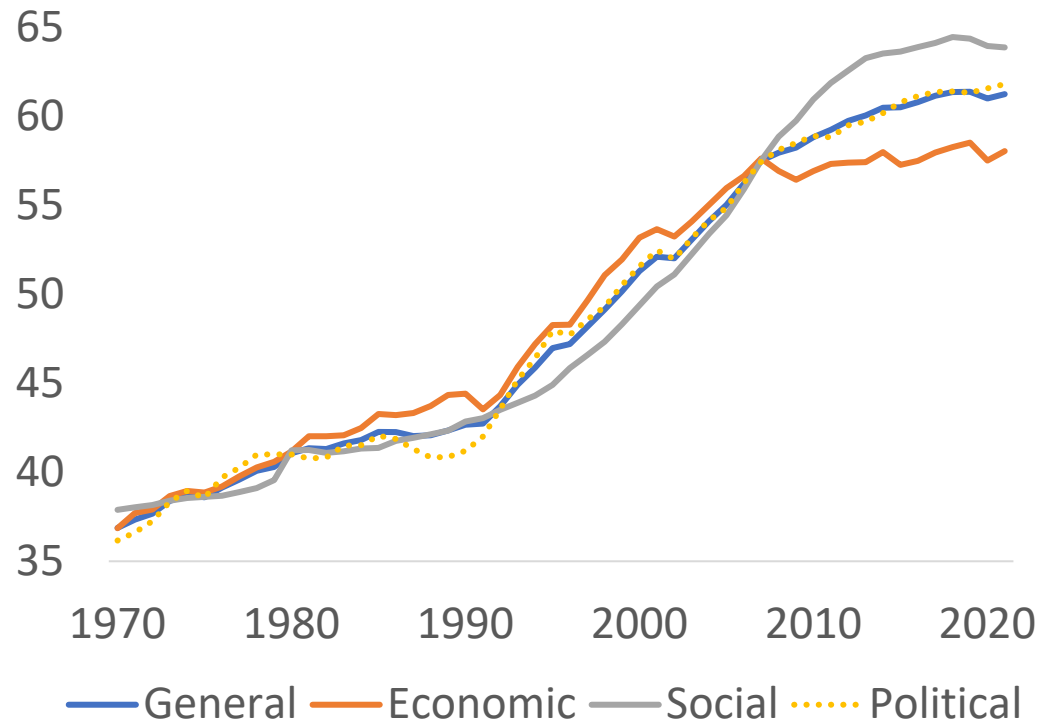


# Annual Google scholar hits on deglobali(s/z)ation 2000-2023

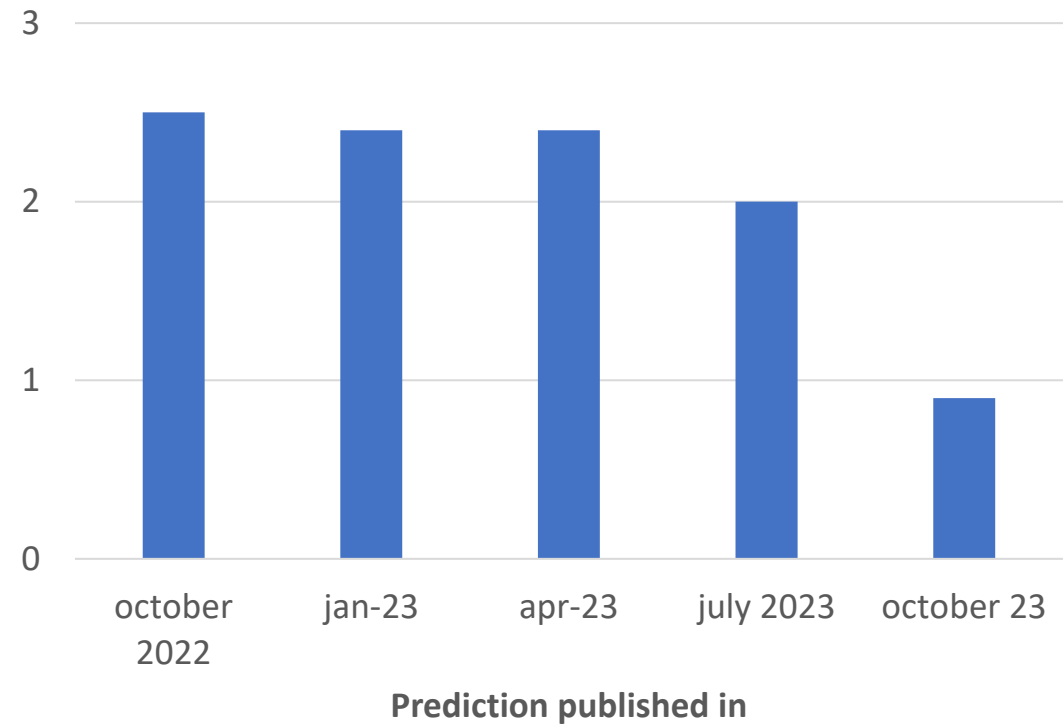


# The outlook for globalization is sobering

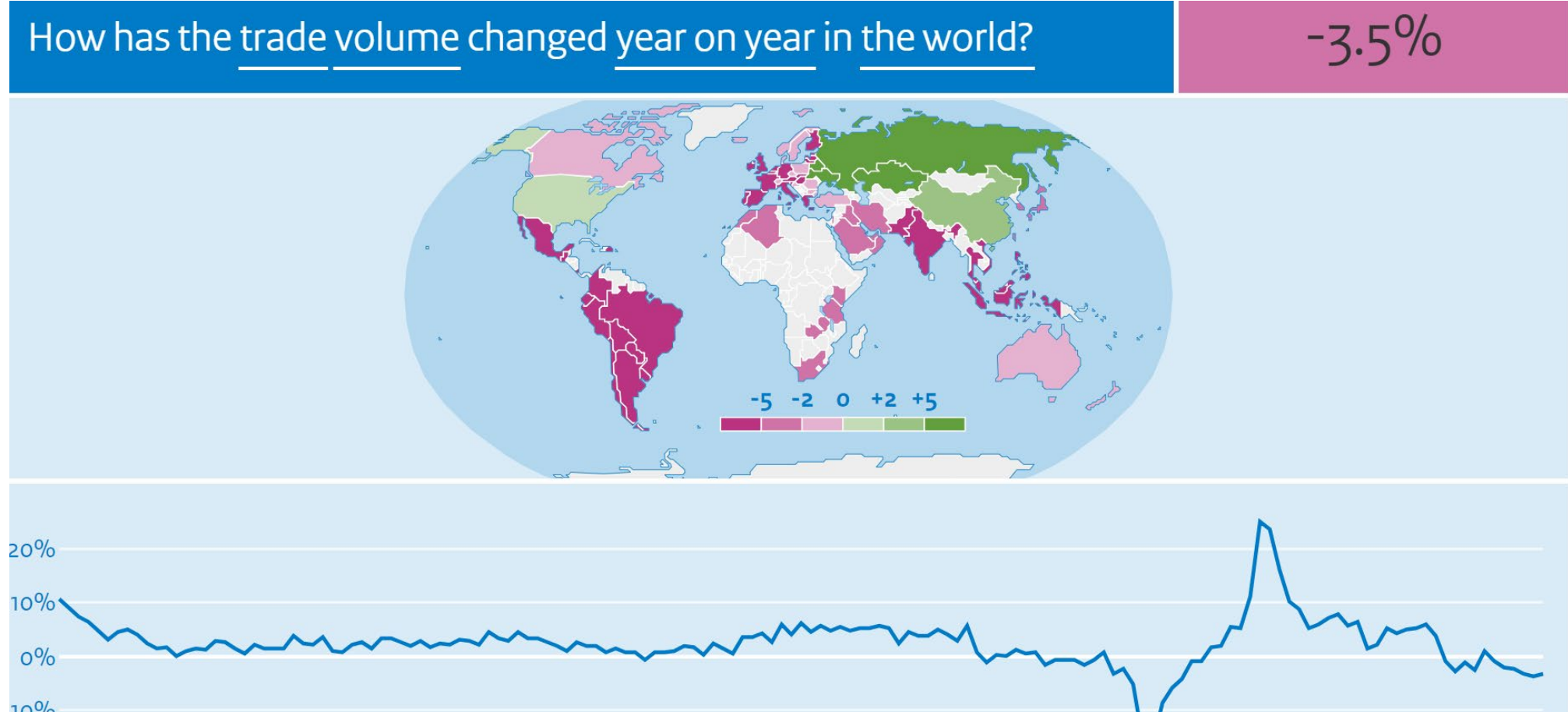
**KOF globalization index (1970-2021)**



**IMF prediction for world trade growth for the year 2023**



# The most recent CPB World trade monitor



# Plan of the talk

1. What deglobalization?
2. Some manifestations of deglobalization
3. Is the TikTok generation right?
4. The 1930s versus the 2000s
5. World trade collapses and resilience
6. Speculation (including short term outlook)







What (de)  
globalization?

# Heterogeneous Views

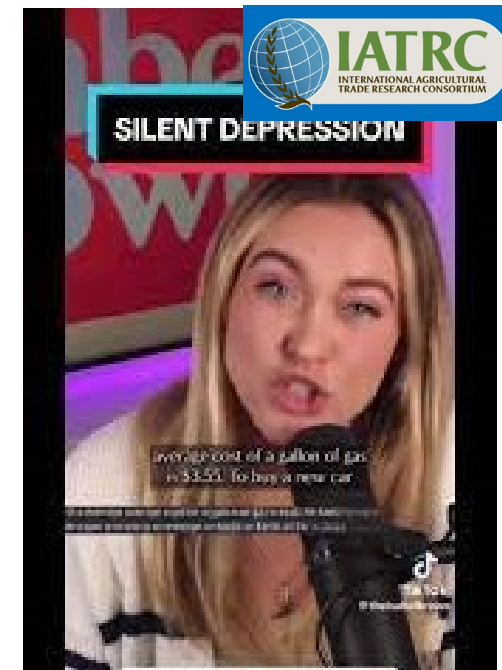
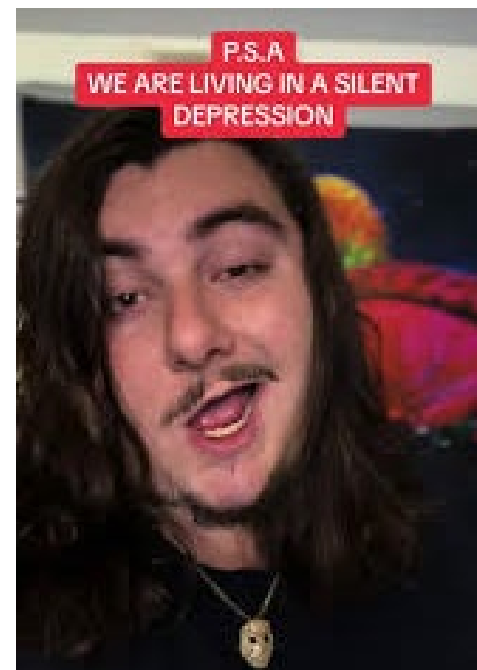
- Walden Bello & the ‘deglobalists’: normative view on new world order with more localization and less powerful international organizations
- Uniqueness of each collapse – Robinson (*Int. Rev. Modern Sociology* 2012)
- Structural deglobalization and world system approach – Chase-Dunn, Álvarez, and Liao (*Soc. Sciences* 2023)
- Missing globalization puzzle and structural gravity – Franco-Bedoya (2023, *World Bank PRWP 10451*), Yotov (2022, *Contemp. Ec. Policy*), Escaith (2023, *MPRA 119045*)
- Fragmentation, global production networks – Jaax et al. (2023, *OECD Trade Policy Paper*); Borin et al (2021, *World Bank PRWP 9785*).
- Services and e-commerce – Baldwin et al. (2023, *Asian Ec. Pol. Rev.*)
- Potential (Brexit, Trump, and forward-looking: decoupling – Eppinger et al. (2021, *CESifo 9079*; Attinasi et al. (2023 *ECB working paper 2839*); Felbermayer et al. (2023, *Empirica*)

# My practical definition of deglobalization:

- A long term (at least a decade)
- below post peak level
- trend of
- World merchandise trade to Gross Planetary Product.

# My starting point and hypotheses

- One is not enough!
- Globalization and deglobalization are alternating phases of the world economy
- Drivers:
  - a) Decreasing marginal benefits of globalization** When an economy opens up to the world easy gains are available, but once the lowhanging fruit has been harvested it becomes more difficult
  - b) Costs of redistribution:** losers from globalization need to be compensated and the costs increase (for tax the welfare loss is quadratic in the tax rate; similar for the environment) – Stiglitz (2002, 2018)
  - c) Changing hegemonism** (costs and benefits for the incumbent follow a similar pattern) Olson (1965, 1982) Kindleberger (1981, 1986)



# Is the TikTok generation right?

## The Roaring twenties versus the Roaring 2000s

# Similarities: the roaring 20s and 2000s

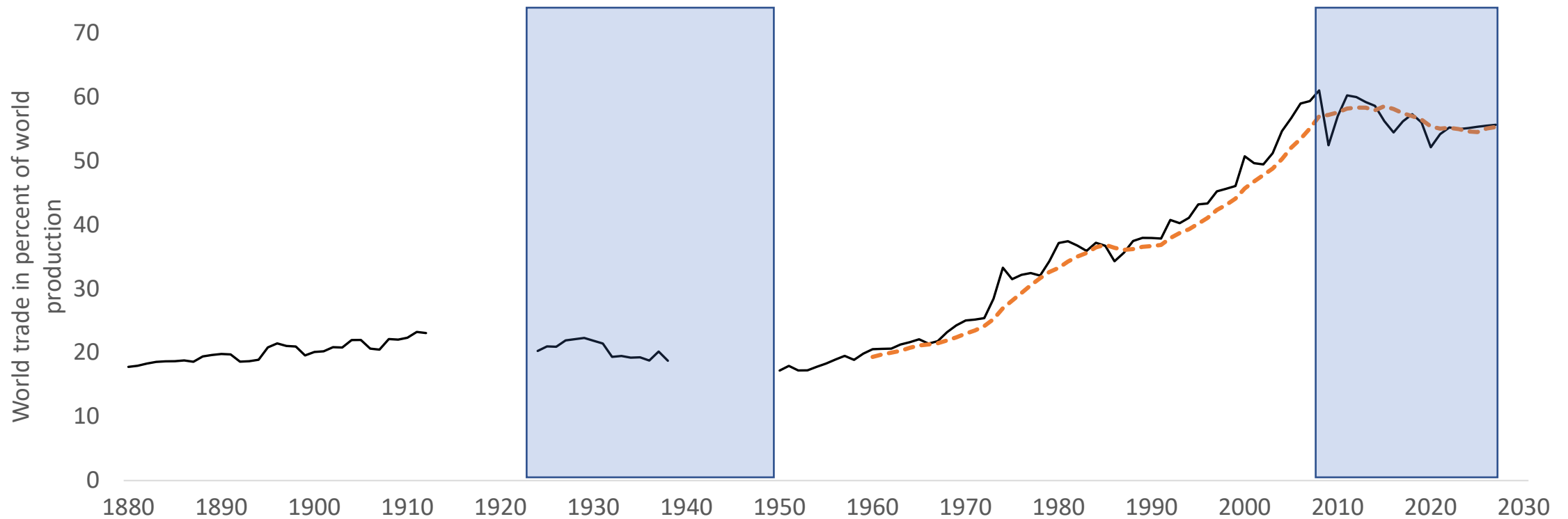


# The 1930s versus the 2000s

Deglobalisation 1.0 (Great Depression)  
and 2.0 (since the Great Recession)



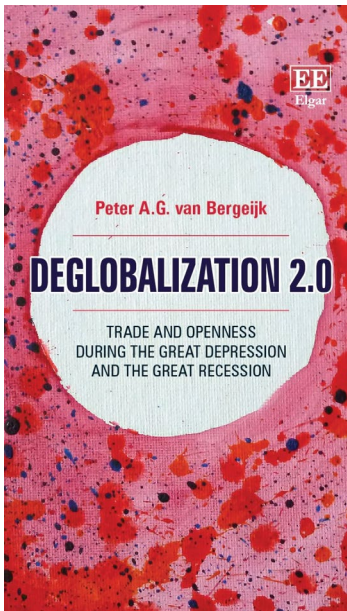
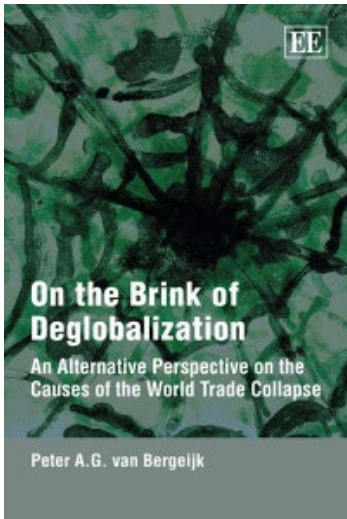
# Globalization and deglobalization (‘openness’ of the world economy 1880-2027)





Great

# Similarities Depression era and today



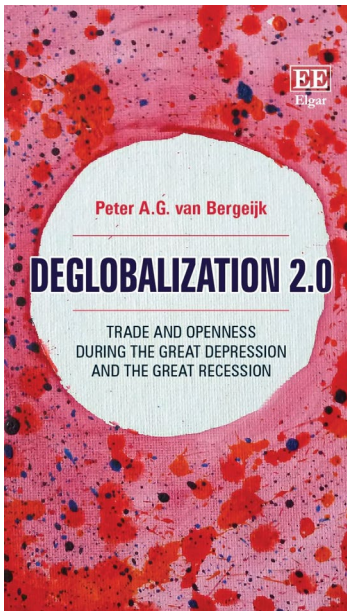
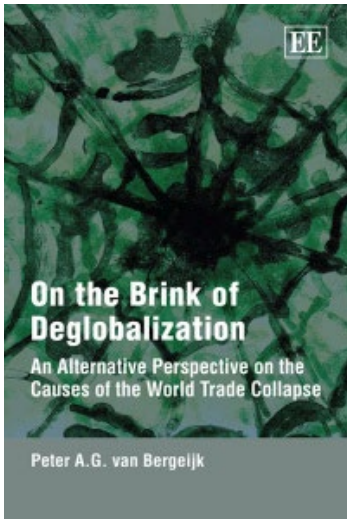
- Long-run reductions of trade costs
- New modes of transportation
- Revolution in communication
- Entry of new countries (recent capitalist countries)
- Key innovations – break-through technologies
- Financial innovation and capital account liberalization
- Changing hegemony
- Imperialistic war
- Pandemics
- Banking and financial crisis

Then

Now

- |   |   |
|---|---|
| ● | ● |
| ● | ● |
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| ● | ● |
| ● | ● |

# Similarities and differences of the Great Depression era and today



- Long-run reductions of trade costs
- New modes of transportation
- Revolution in communication
- Entry of new countries (recent capitalist countries)
- Key innovations – break-through technologies
- Financial innovation and capital account liberalization
- Changing hegemony
- Imperialistic war
- Pandemics
- Banking and financial crisis
- Substantial presence of international value chains
- Multilateral trade governance
- Protectionism
- Initial international policy coordination

	Then	Now
Long-run reductions of trade costs	●	●
New modes of transportation	●	●
Revolution in communication	●	●
Entry of new countries (recent capitalist countries)	●	●
Key innovations – break-through technologies	●	●
Financial innovation and capital account liberalization	●	●
Changing hegemony	●	●
Imperialistic war	●	●
Pandemics	●	●
Banking and financial crisis	●	●
Substantial presence of international value chains		●
Multilateral trade governance		●
Protectionism	●	
Initial international policy coordination		●

# Determinants of the peak to bottom change in trade and openness following the outbreak of the Great Depression and the Great Recession (N=159)

Concept	Trade flow		Openness	
	import volume index number		import to GDP ratio	
	[1]	[2]	[3]	[4]
	1 year	3 years	3 years	3 years
Real GDP (peak to bottom)				
Manufacturing share				
Interaction 1930s manufacturing share				
Democracy				
Interaction 1930s democracy				
Shift dummy 1930s				
Adjusted R <sup>2</sup>				

# Determinants of the peak to bottom change in trade and openness following the outbreak of the Great Depression and the Great Recession (N=159)

Concept	Trade flow		Openness	
	import volume index number		import to GDP ratio	
	[1]	[2]	[3]	[4]
	1 year	3 years	3 years	3 years
Real GDP (peak to bottom)	1.2*** (0.3)	1.1*** (0.2)		
Manufacturing share				
Interaction 1930s manufacturing share				
Democracy				
Interaction 1930s democracy				
Shift dummy 1930s	-2.2 (2.8)	-18*** (4.5)	-25** (3.8)	-16.4 (-13.1)
Adjusted R <sup>2</sup>	0.21	0.44	0.22	0.25

# Determinants of the peak to bottom change in trade and openness following the outbreak of the Great Depression and the Great Recession (N=159)

Concept	Trade flow		Openness	
	import volume index number		import to GDP ratio	
	[1]	[2]	[3]	[4]
	1 year	3 years	3 years	3 years
Real GDP (peak to bottom)				
Manufacturing share	-0.1 (0.1)	-0.2*** (0.1)	-0.2*** (0.1)	-0.1 (0.1)
Interaction 1930s manufacturing share				-0.4** (0.2)
Democracy				
Interaction 1930s democracy				
Shift dummy 1930s				
Adjusted R <sup>2</sup>				

# Determinants of the peak to bottom change in trade and openness following the outbreak of the Great Depression and the Great Recession (N=159)

Concept	Trade flow		Openness	
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	1 year	3 years	3 years	3 years
Real GDP (peak to bottom)				
Manufacturing share				
Interaction 1930s manufacturing share				
Democracy	-0.2** (0.1)	-0.2** (0.1)	-0.2** (0.1)	-0.3*** (0.1)
Interaction 1930s democracy				0.8** (0.4)
Shift dummy 1930s				
Adjusted R <sup>2</sup>				

# Determinants of the peak to bottom change in trade and openness following the outbreak of the Great Depression and the Great Recession (N=159)

Concept	Trade flow		Openness	
	import volume index number		import to GDP ratio	
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Real GDP (peak to bottom)	1.2*** (0.3)	1.1*** (0.2)		
Manufacturing share	-0.1 (0.1)	-0.2*** (0.1)	-0.2*** (0.1)	-0.1 (0.1)
Interaction 1930s manufacturing share				-0.4** (0.2)
Democracy	-0.2** (0.1)	-0.2** (0.1)	-0.2** (0.1)	-0.3*** (0.1)
Interaction 1930s democracy				0.8** (0.4)
Shift dummy 1930s	-2.2 (2.8)	-18*** (4.5)	-25** (3.8)	-16.4 (-13.1)
Adjusted R <sup>2</sup>	0.21	0.44	0.22	0.25

# Stylized facts

- The 1930s has a stronger contraction
- The two trade collapses are ‘similar’ in the first year
- Medium term effects, however, differ:
  - Manufacturing share is always associated with stronger trade collapse, but this association is statistically stronger in the 1930s
  - Political system is always relevant, but autocracy is associated with stronger deglobalization in the 1930s; in the 2000s the globalization tendency appears to be originating in democracies

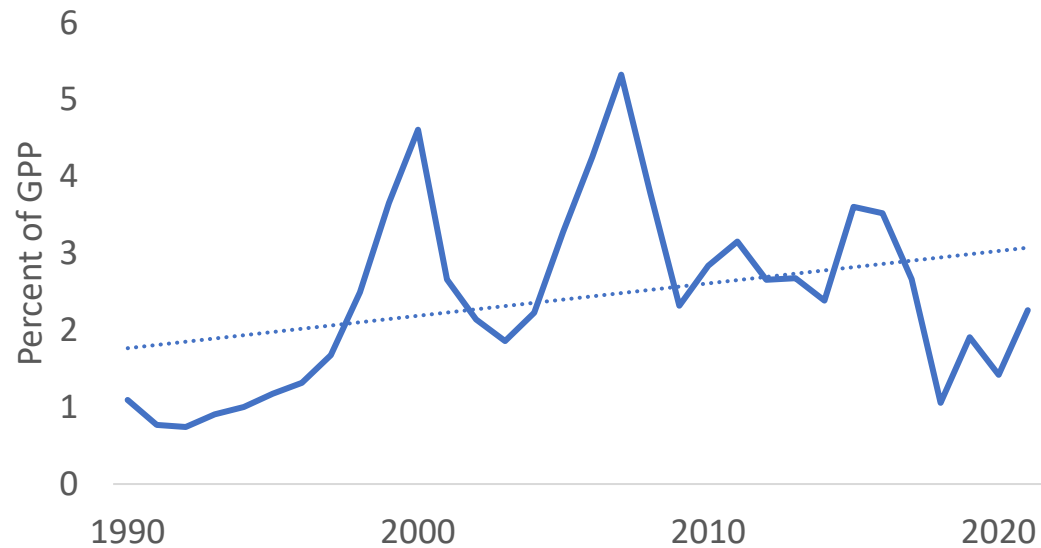




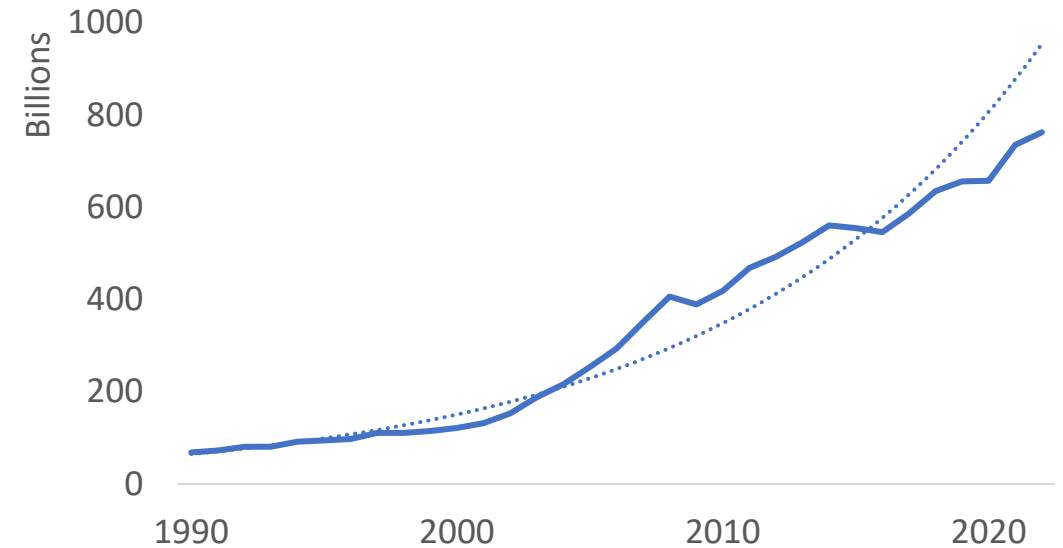
# Some manifestations of deglobalization

# Manifestations of deglobalization (1) FDI, Remittances

**Foreign direct investment, net inflows (% of GDP)**



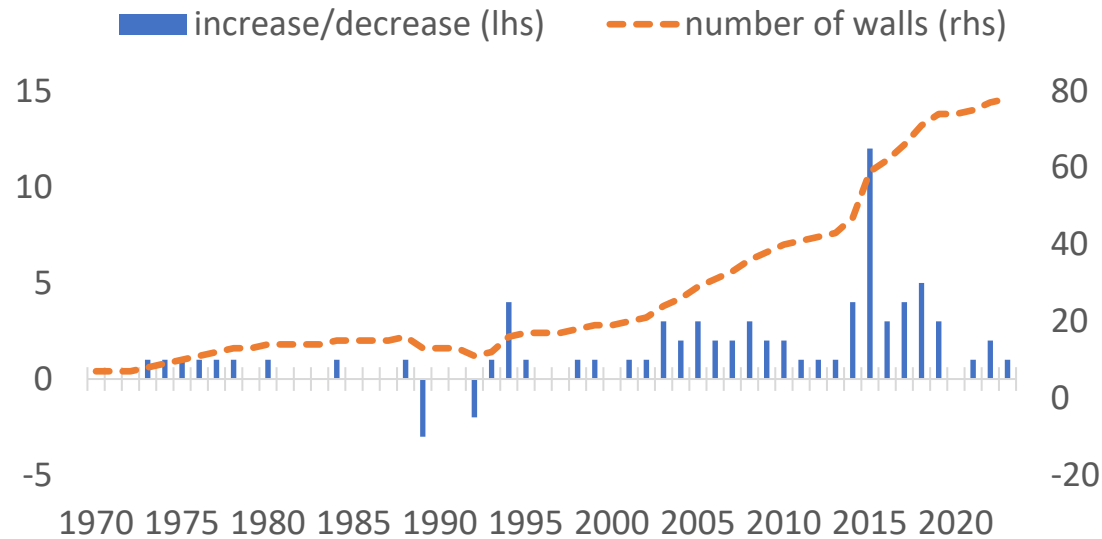
**Personal received remittances, billions current US\$**



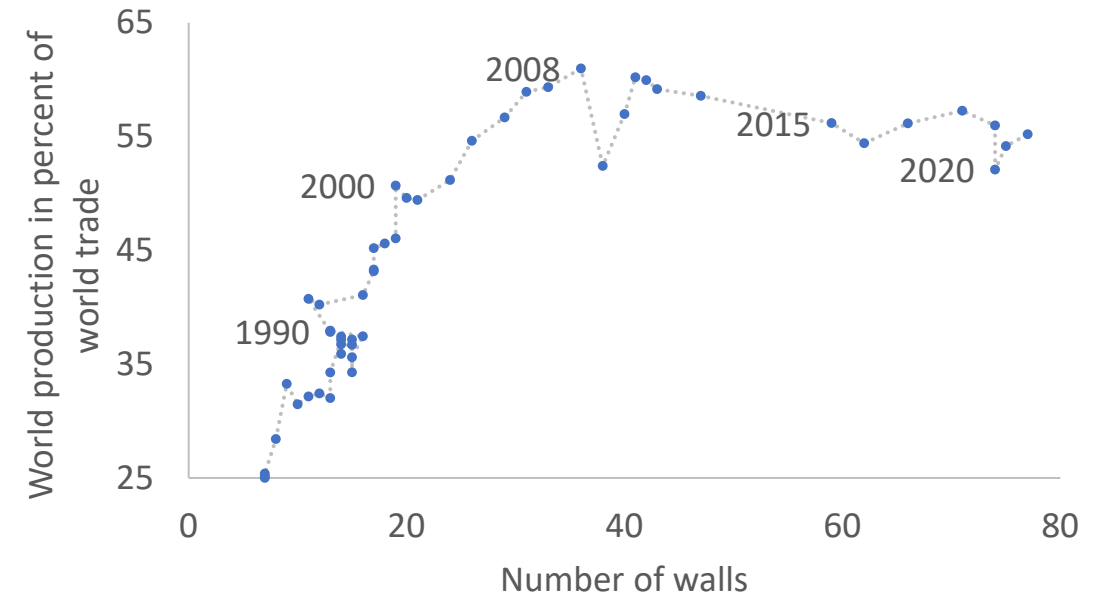
# Manifestations of deglobalization (2)

## Strengthening physical borders

### Emergence of border walls and fences

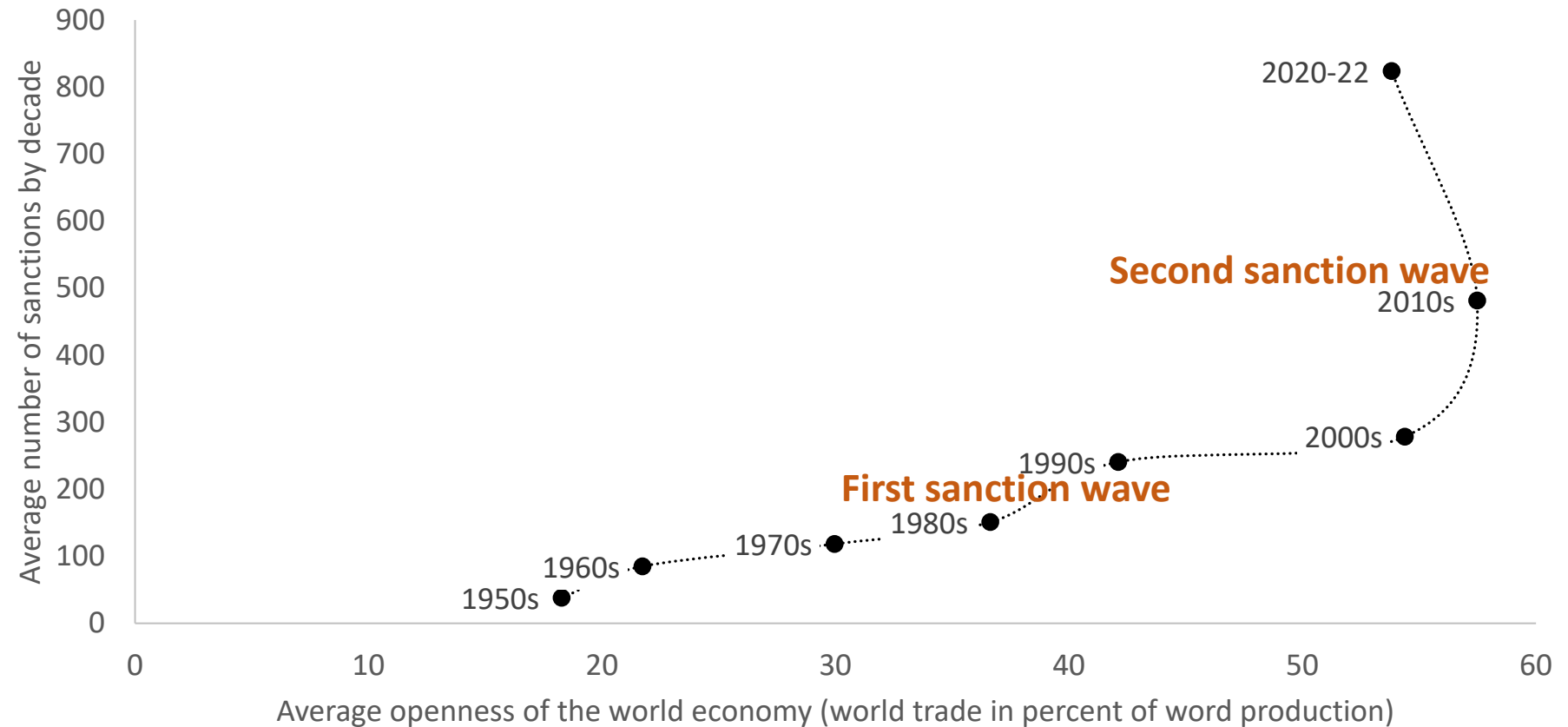
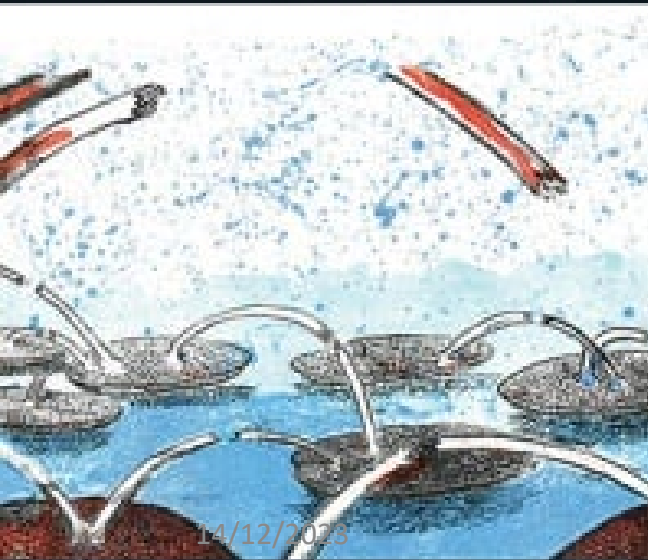


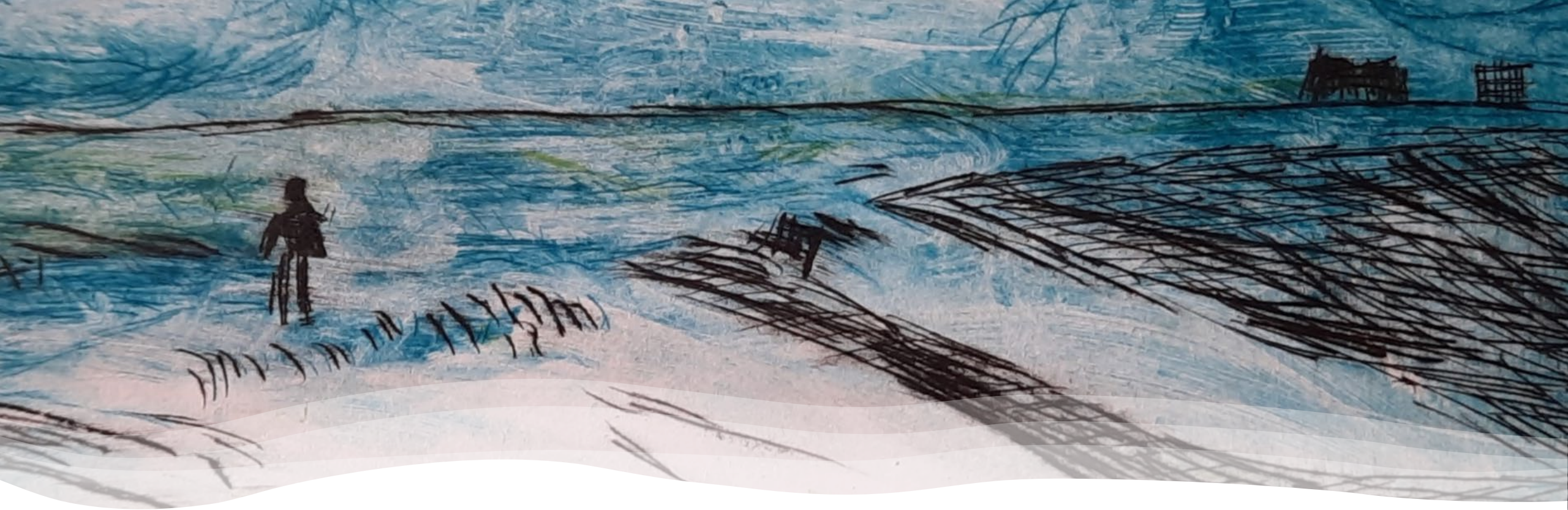
### Walls versus openness of the world economy



# Manifestations of deglobalization (3)

## Economic warfare (sanctions)

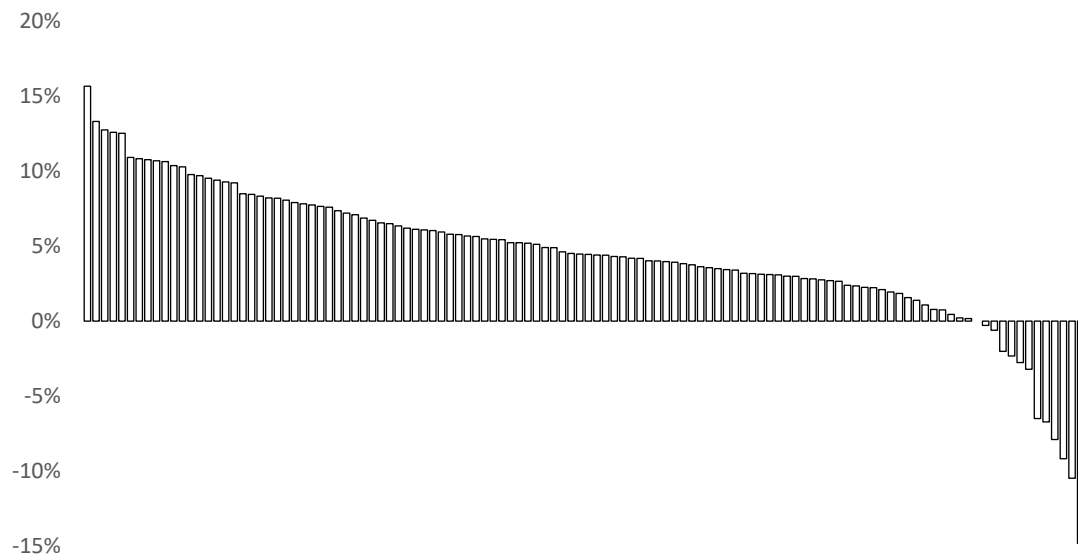




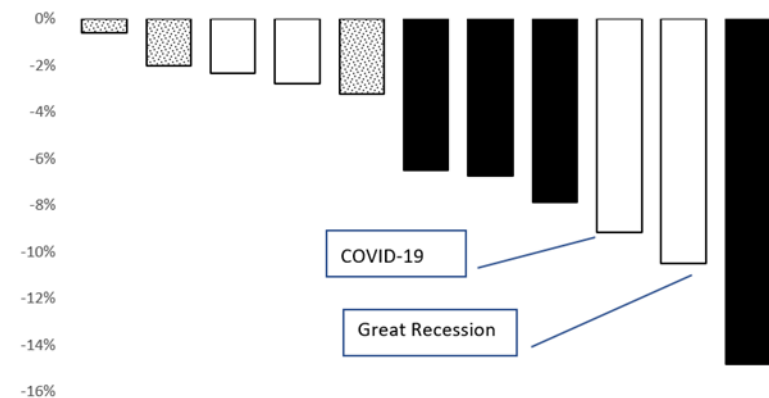
# Trade collapses and resilience

# Contractions of world merchandise trade are exceptional

## Growth rate of world merchandise trade 1880-2028

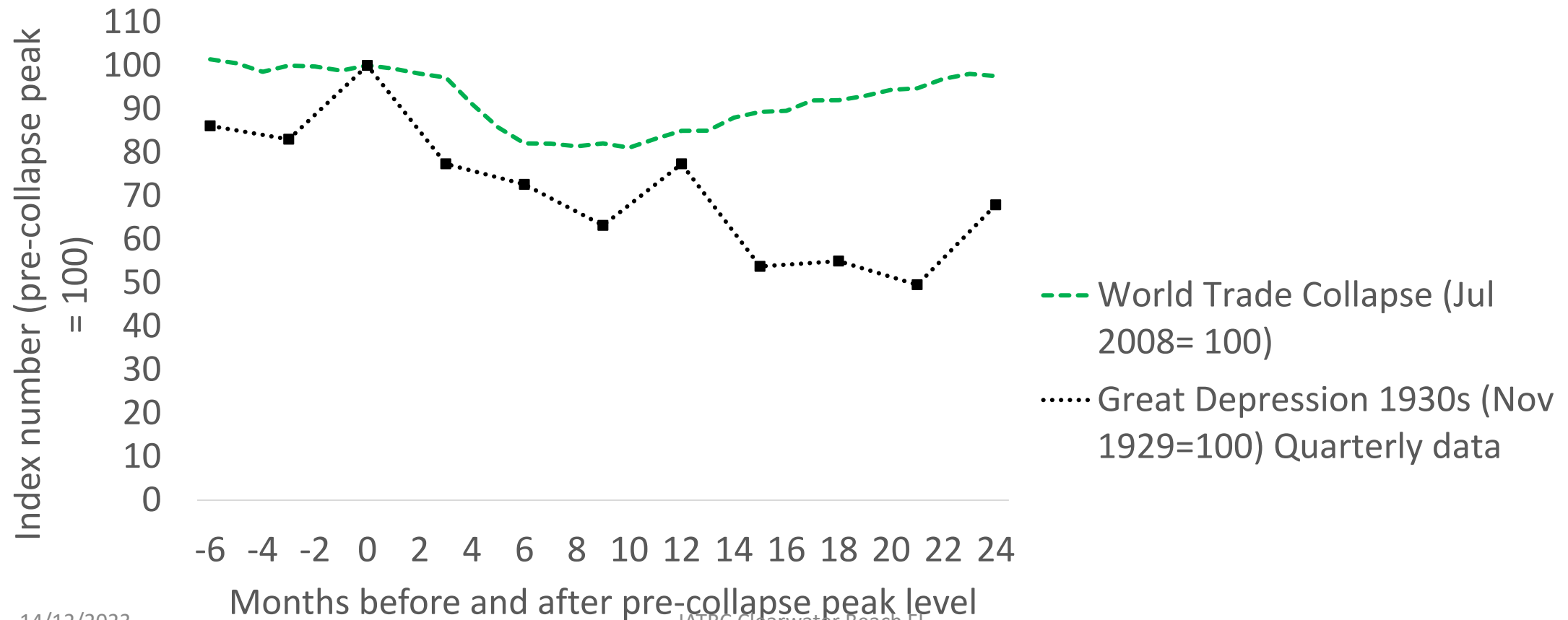


## Largest real contractions of world merchandise trade since 1880

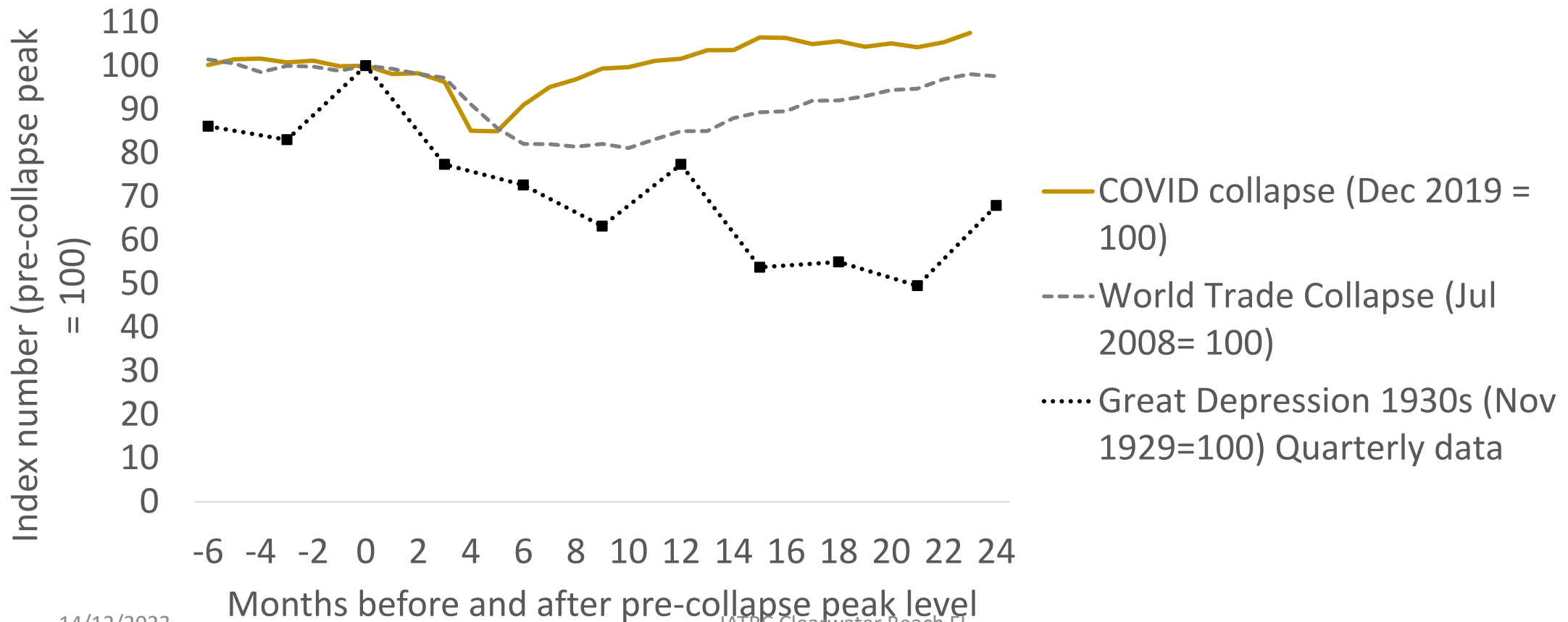


1930s in black, oil crises contractions (1975-1982) in gray

# World trade has become much more resilient



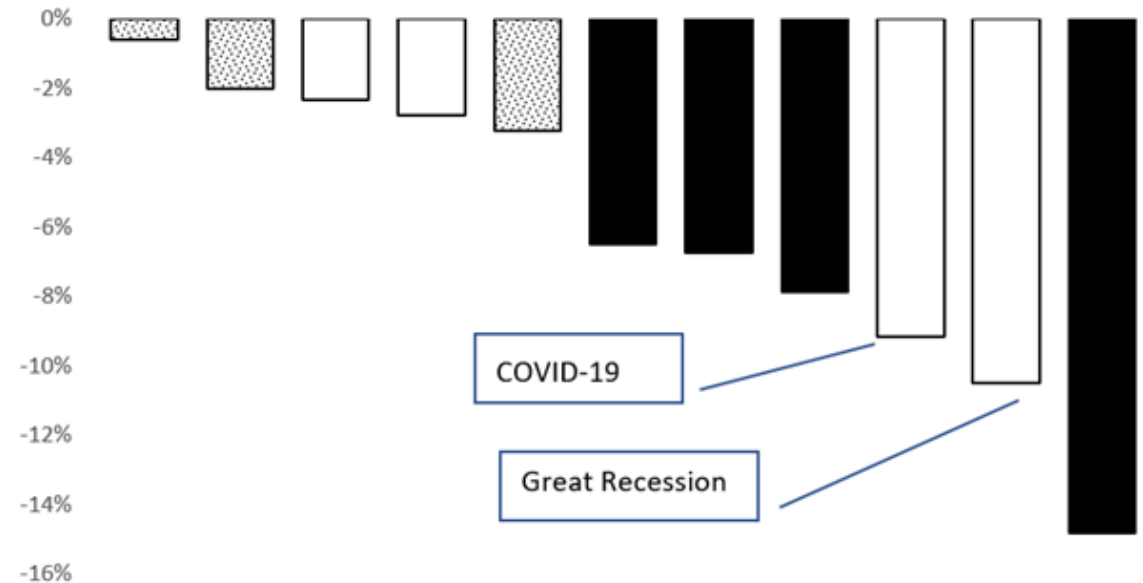
# World trade has become much more resilient





# Stylized facts

- The number of recent shocks is worrisome
- With each collapse the **initial** decrease has been stronger (speed and depth)
- But so is the speed of recovery



12/14/2023

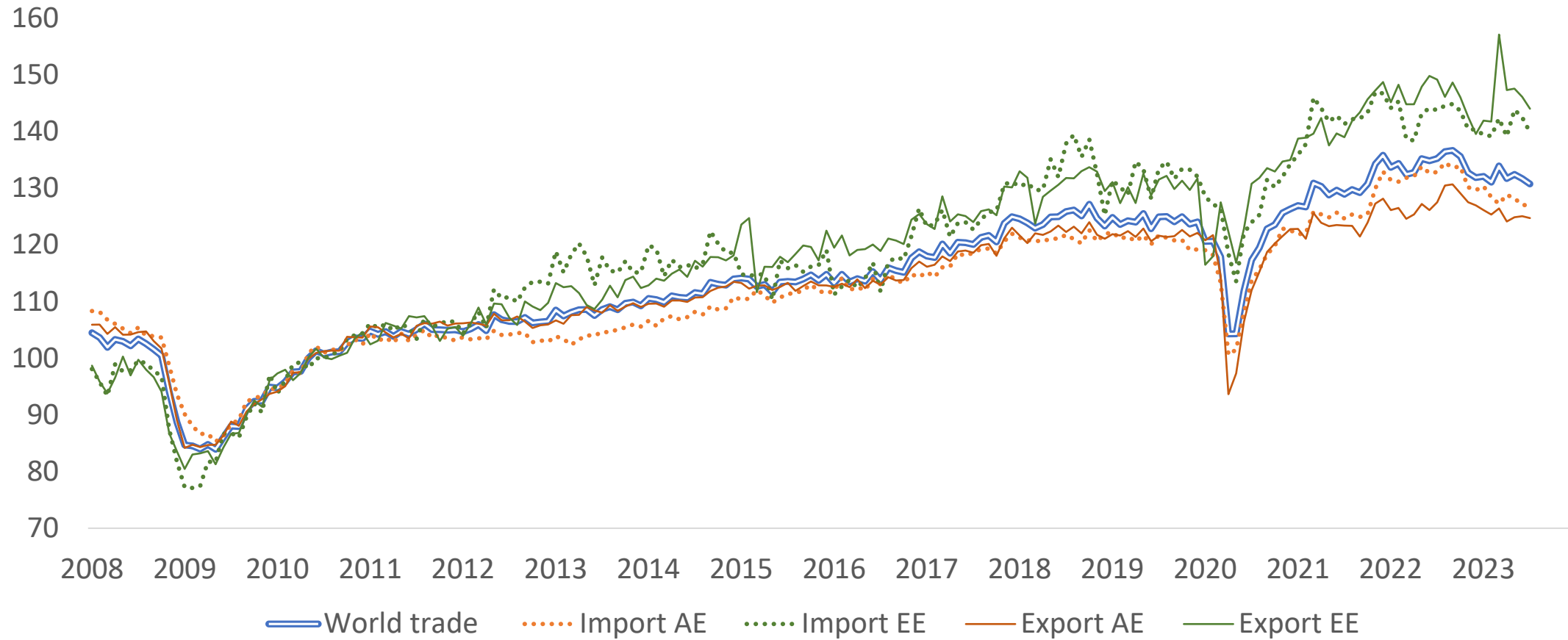
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# Speculation

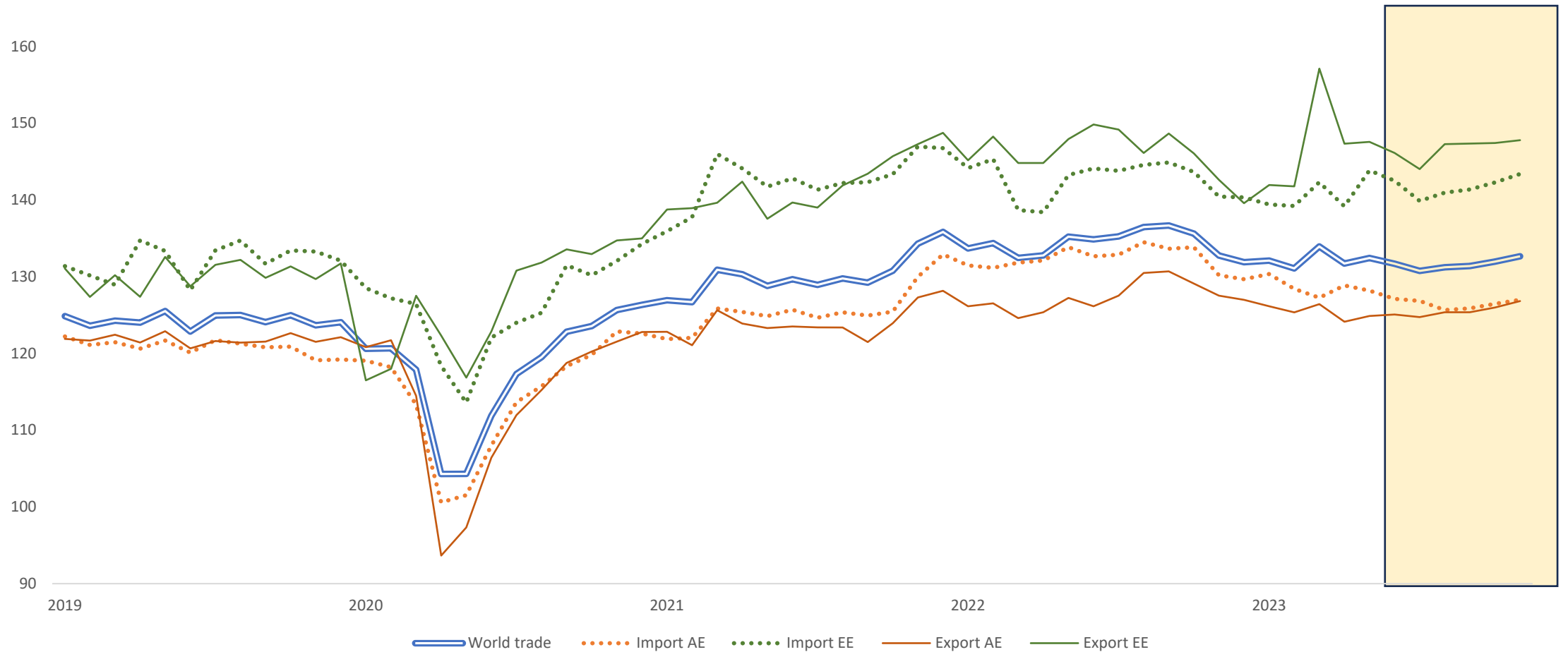
# Speculation (1): Why?

- International value chains also have stabilizing effects
- Multilateral trading system (the most significant difference between the 1930s and today)
- Economic advice against protectionism is an evergreen
- Emerging markets (increasing economic weight)

# Speculation (2) short-term outlook



# Speculation (2) short-term outlook – tnx to CPB; see Meyerink et al. 2020, Voxeu, updated





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