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RESISTING DEGLOBALISATION: THE CASE OF EUROPE

ZSOLT DARVAS

Zsolt Darvas

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1 Introduction

Economic globalisation is at a crossroads. In the last decade, trade and financial integration advanced much less than before the 2007-2009 global financial and economic crisis. Some indicators even show there have been setbacks. Protectionist tendencies are on the rise and global governance faces major challenges. The United Kingdom's vote to leave the European Union, the election of Donald Trump as the president of the United States and the popularity of the right-wing political parties in France, Italy and elsewhere are some noticeable examples suggesting people's rising discontent with the ¯ ā ˏ ˏ . The preceding rapid pace of globalisation might have contributed to this discontent.

A notable sign of deglobalisation is the decline in the global trade to global GDP ratio since 2010. Several alternative explanations have been proposed in the literature to explain this decline. Some of these explanations are more cyclical in nature, while others are more structural, as nicely summarised by Hoekman (2015). The very rapid growth of the trade-to-GDP ratio in the 1990s and the first half of 2000s was to a great extent driven by the re-integration of China and central and eastern European countries into the world economy, and by the rapid growth of global value chain (GVC) participation ans -(n E) (e)-5of gS-4 (G)-(io)-5.160 ( )]TJ f Ho

8 percent in early 2018 to a level of 6.7 percent at time of writing. The January 2020 Phase 1 trade deal between China and the US left most tariffs unchanged[1].

The major increase in US-China bilateral tariffs has likely had a negative impact on trade between the two countries. It also likely had repercussions for other countries because of disruptions to global supply chains. Another negative impact on other countries could come from slower global growth, should the US-China trade dispute lead to a slow-down in these two large economies with adverse spillover effects onto other countries[2]. In its October 2019 *W ´d Ɛc _ ic O* (WEO), the IMF (2019) estimated that US-China trade tension will cumulatively reduce the level of global GDP by 0.8 percent by 2020. This is one reason why the IMF (2019) cut its global growth estimate for 2019 to 3 percent, which is the slowest pace s trhe

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decade, this fall results from developments in non-EU countries. In EU countries, exports of intermediate goods, including to non-EU countries, have continued to grow as a share of GDP (since the global crisis). European participation in global value chains has thus not been significantly affected by deglobalisation tendencies.

Figure 1: Exports as a share of GDP, 1962-2019Q1

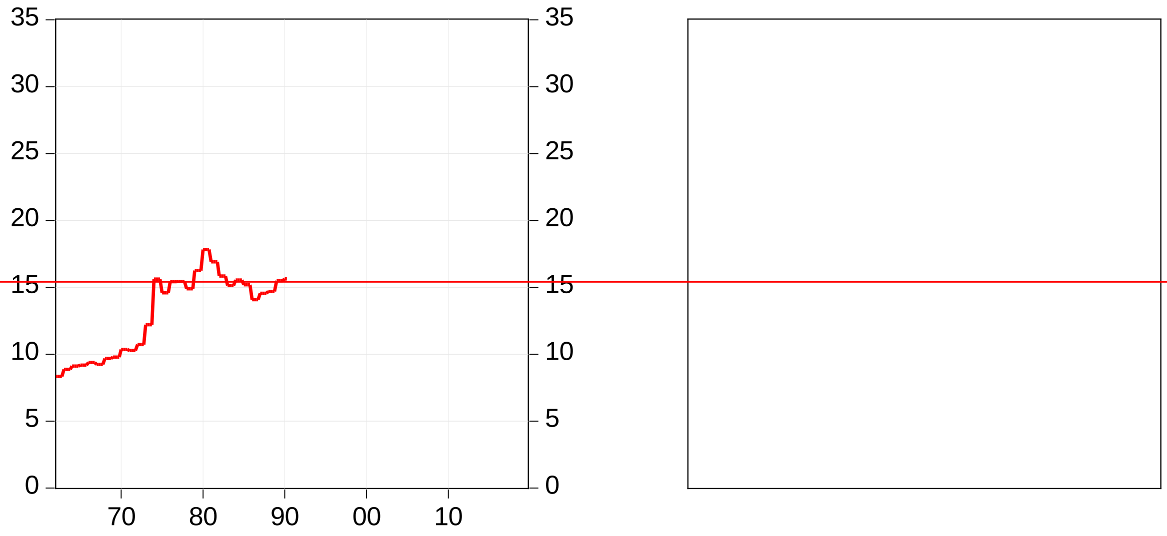

Figure 2: Exports of intermediate goods as a share of GDP, 1962-2017

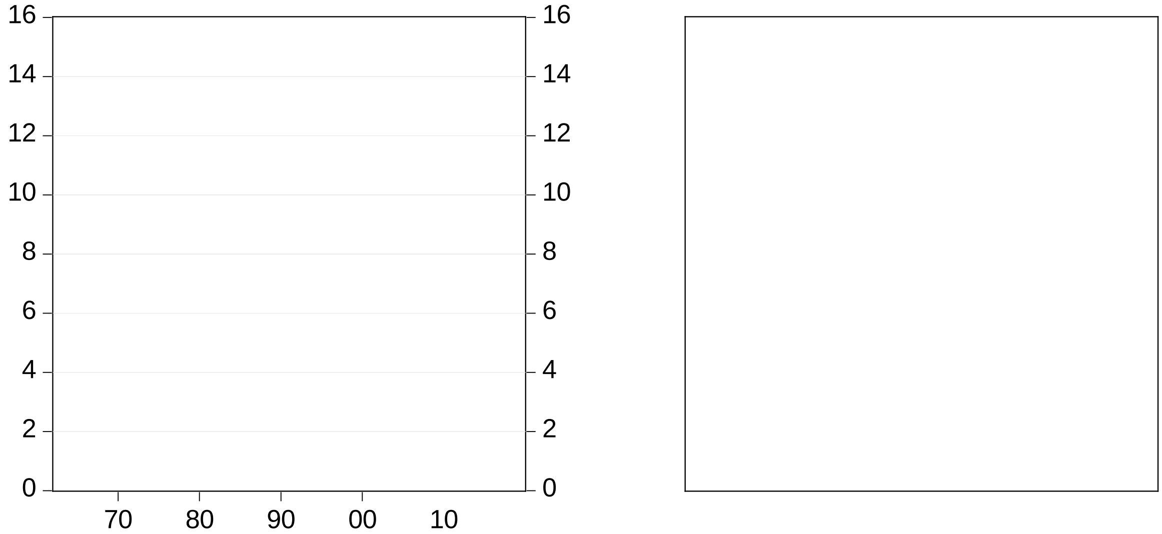

Figure 4: Foreign assets (percent of GDP), 1980 – 2018

(A) Total assets by region

(B) Composition of EU assets

Source/note: see Figure 3.

The global crisis led to withdrawal of earlier investments (negative gross capital outflows) in 2008 and 2009, but positive outflows resumed in 2010, though at a much lower level. Analysis of the composition of capital flows shows that mostly so-called ‘other investments’

Figure 5: The ECB's euro-area financial integration composite indicators, January 1995 – November 2019

Source: European Central Bank,
https://www.ecb.europa.eu/stats/financial_markets_and_interest_rates/financial_integration/html/index.en.html

Immigration into the EU started to increase after 2012 and peaked in 2015, the year when the EU received more than 1.2 million new asylum seekers. Mobility within the EU also re-started its increase.

Nevertheless, intra-EU mobility, which is primarily reflected in the movement of EU citizens to other EU countries, remains relatively low. In 2017 1.34 million EU citizens moved to another EU country, which is just 0.26 percent of total EU population[7].

Figure 6: Immigration into/within the European Union countries, million people, 2006-2017

Source: Bruegel based on Eurostat's 'Immigration by age group, sex and citizenship [migr_imm1ctz]' dataset.

Note: 27 EU members, except Bulgaria but including the UK (which was an EU country in the sample period), are considered as receiving countries (but Bulgarians emigrating to other EU countries are included). Some missing data especially from 2006-2008 is approximated.

To sum up, hard evidence on deglobalisation, global trade and finance data does indicate that the rapid pre-2008 pace of globalisation has at least stalled, or has even gone into reverse. But Europe defies this trend, with both trade and financial claims, especially within the EU, continuing to grow after the recovery from the global economic and financial crisis. Immigration has also continued to grow since the crisis-induced declines.

[7] It would be interesting to study the question whether mobility of non-EU citizens from one EU country to another EU country is greater than that of EU citizens. If so, labour mobility can play a stronger role in adjusting to economic

3 Public opinion

Valuable information about public opinion can be obtained from the PEW *G ba A i de S e* and the European Union's Eurobarometer surveys[8].

The PEW *G ba A i de S e* is conducted in various countries at irregular intervals. It does not include a direct question on globalisation, but includes several questions on its three main manifestations: trade, investment by foreigners and immigration. There is only one question on trade which was asked in [illegible]

Figure 7: EU public attitude toward globalisation and free trade, 2006-19

Source: Eurobarometer Standard Surveys (https://ec.europa.eu/commfrontoffice/publicopinion/index.cfm).

Note: Values refer to the 27 members of the EU in 2009-2012 and 28 members in 2013-2019. The following question is asked: “Could you please tell me for each of the following, whether the term brings to mind something very positive, fairly

Figure

negative estimated parameter suggests that when the unemployment rate is higher, fewer people believe that globalisation is good for growth. The estimated parameter is close to minus one, implying that a one percentage point higher unemployment rate is associated with a one percentage point lower support for globalisation. On average across the EU, changes in the unemployment rate explain about one-quarter of the changes in support for globalisation. While this magnitude is sizable, it indicates that there are other determinants of the changes in support for globalisation. Moreover, the country fixed effects vary between -21 for Greece and plus 18 for Denmark (according to model 2 of Table 1), implying that for a given level of unemployment, support for globalisation is 21 percentage point lower in Greece than the average in the EU, and it is 18 percentage points higher in Denmark than in the average of the EU. Therefore, our panel regression model captures part of the cyclical variation in globalisation support, but not the structural differences between countries.

Table 1: Panel regression results – the share of positive response to the statement 'globalisation is an opportunity for economic growth' is regressed on the unemployment rate, 28 EU countries

	-1.21	-0.95	-1.15	-0.53
Standard error	0.10	0.09	0.11	0.09
t-ratio	-11.6	-10.2	-10.6	-5.7
R2	0.19	0.81	0.25	0.88
Country fixed effects	no	yes	no	yes
Time fixed effects	no	no	yes	yes
Cross-sections included	28	28	28	28
Total pool (balanced) observations	588	588	588	588

Source: Bruegel. Note: the sample includes biannual data between the first half of 2009 and the first half of 2019 for the 28 EU countries, using opinion data from Eurobarometer and unemployment rate data from Eurostat. The unemployment rate figures refer to the first quarter of each half year.

There is no uniform EU view on whether globalisation is a positive force. Among the EU's six largest countries, Germans view globalisation as a driver of economic growth most positively, with an 80 percent favourable view in November 2019, while Italy and France score lowest at about 60 percent. This difference in public opinion also coincides with differences in the unemployment rates in differen-9 (I)5 (oy 0.18 -(

Figure 9: Share of citizens who view globalisation as an opportunity for economic growth, percent,

on average over seven EU countries for which the same question was asked in both years (France, Germany, Greece, Italy, Poland, Spain, UK). There was also some increase in the average of four non-EU advanced countries (Israel, Japan, South Korea and the United States) from 82.5 percent to 84.8 percent over the same period, while there was a decline in the average of eleven non-EU developing and emerging countries from 85.8 Percent to 82.8 percent (Argentina, Brazil, India, Indonesia, Kenya, Mexico, Nigeria, Philippines, Russia, South Africa and Tunisia). Therefore, support for free trade has increased the fastest in Europe among the countries for which data is available, even if the country sample might not correspond to a representative sample.

Figure 10: Support for growing trade and business ties between the home country and other countries, % of responses, 2018

Source: Spring 2018 Global Attitudes Survey of PEW Research Center statistically different from zero[10], possibly because of the low number of observations. But for the 1

(C) Prices: Does trade with other countries lead to an increase in the price of products sold in (survey country), a decrease in prices, or does it not make a difference?

Source: Spring 2018 Global Attitudes Survey of PEW Research Center.

Therefore, while a large majority, about 80 percent, believe that trade with other countries is either very good or somewhat good, only about half of the respondents believe that trade creates jobs at home, and about a third believe that trade increases wages and decreases prices at home in the sample of ten European countries. On average, the view in non-EU advanced countries is similar, while even fewer people in developing and emerging countries think that trade lowers prices at home.

3.3 Immigration

Immigration is a more divisive topic than trade, though recent trends also indicate greater public support in the EU for immigration. Immigration still tops the list of challenges of greatest concern to European Union citizens, according to the Eurobarometer surveys, though the share of respondents putting immigration among the two top EU concerns fell from a peak of 58 percent in November 2015 (the year when the EU received more than 1.2 million new asylum applications) to 34 percent in June 2019.

According to the International Organisation for Migration (2015), Europeans are more negative about immigration than people from other continents. The PEW survey allows us to assess this question using more recent data. In 2018, 74 of Greeks and 73 percent of Hungarians believed that immigrants are a burden on their countries because they take jobs and social benefits, while the share of such people was around 27 percent in the United Kingdom and close to one-third in Sweden and Germany. The range for the surveyed non-EU countries was similar with 60-62 percent believing immigrants are a burden in South Africa, Russia and Israel, but only 27 percent in Canada, 31 percent in Australia and Japan and 34 percent in the United States. Views about this aspect of immigration turned more favourable between 2014 and 2018 in four European countries (France, United Kingdom, Spain and Italy), they remained broadly unchanged in Poland, and turned more negative in two countries: in Germany from relatively high level in 2014 and in Greece from an already very low level in 2014.

Therefore, in most EU countries surveyed, views about the economic aspects of immigration turned more favourable between 2014 and 2018.

Figure 12: Public opinion on immigration in a global perspective, % of responses, 2014 and 2018

Immigrants today make our country stronger because of their work and talents [OR] Immigrants today are a burden on our country because they take our jobs and social benefits

Source: Spring 2014 and 2018 Global Attitudes Survey of PEW Research Center. Note: only seven European countries were surveyed in 2014 (indicated by “14” below the country name), while in 2018 ten European and eight non-European countries were surveyed (indicated by “18” below the country name). The shares of respondents answering “neither”, “both” and “do not know”, as well as those refused to answer, are not indicated.

The Eurobarometer surveys allow us to analyse the shifts in public attitudes toward immigration in every EU country starting in 2015, separating immigration from inside the EU and from outside the EU. Europeans’ enthusiasm for the intra-EU mobility of people is relatively high and is rising ifsbown 20w

4 Policy implications

Globalisation and market integration create winners and losers. O'Rourke (2019) pointed to the anti-

In addition to globalisation shocks arising from trade, finance and foreign investment, which create losers, a populist backlash against globalisation can result from mass immigration and refugee arrivals, as rightly argued by Rodrik (2018). From 2015 to 2017, the EU received in total 3.1 million new asylum-seeker arrivals, which caused immense problems and tensions and likely boosted the populist backlash, as analysed by Batsaikhan *et al* (2018). Yet even if EU countries were not able to agree on a fundamental reform of the EU's asylum system, some important measures have been taken, such as reinforcing border and sea rescue procedures, providing technical assistance to countries facing difficulties in handling mass immigration, reallocating EU funds to support asylum policies and immigrant integration policies, and a deal with Turkey to support the large number of refugees residing in Turkey. As a result of these measures, the share of EU citizens mentioning immigration as one of their top two concerns about the EU fell from 58 percent in November 2015 to 34 percent in June 2019[16]. While this is still a large share, the significant fall suggests that improvements have been made to EU immigration policies, and perhaps also reflects that the asylum-seeker pressure has come down and this issue is not in the news so much: while in 2015, 1.3 million first-time[17] asylum seekers arrived in the EU, in 2018 the number was reduced to below 600,000. This is still more than double the number of first-time asylum seekers who arrived per year on average from 2008 to 2012, but is a significant decline from 2015.

Therefore, our overall conclusion is that economic developments in the EU not only defy the global tendency towards deglobalisation, but in fact support for globalisation, free trade and immigration among citizens is on the rise in the EU. The latter development is at least partly a result of policy measures to improve social fairness in the EU, combined with some success in containing the asylum-seeker pressure. But there is no cause to become complacent. The EU continues to have pressing social problems, which are especially concentrated in some member countries that performed disappointingly in economic terms during the past decade and that have weaker economic outlooks. In these countries, there is less support for globalisation than in countries with better economic fundamentals. With global and European economic growth slowing and the risk of a European recession increasing, unemployment tensions could re-emerge, which might reverse recent increases in support for globalisation.

[16] Source: Eurobarometer surveys.
[17] Rejected asylum seekers frequently apply for asylum again, possibly in another EU country. Therefore, we report the number of first-time asylum seekers and not the total number of asylum seekers.

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III: Portfolio investment - debt

(A) Gross capital outflows (B) Gross foreign assets

IV: Other investments

(A) Gross capital outflows (B) Gross foreign assets

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