

Resisting deglobalisation: the case of Europe

Zsolt Darvas

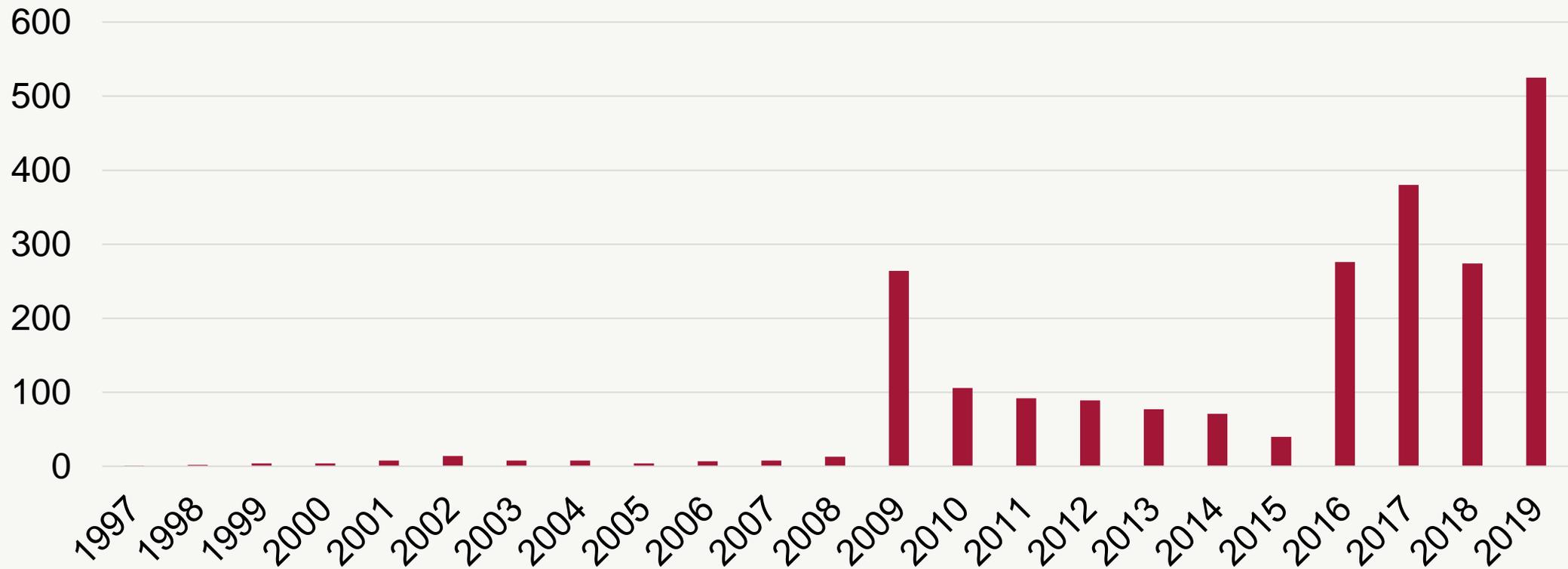
Bruegel and Corvinus University of Budapest

Nomura Foundation's 2019 Macro Economy Research
Conference on 'The Economics of De-Globalization'

30 October 2019, Tokyo, Japan

Public discussion about ‘deglobalisation’ is intensifying

Count of occurrences of the term ‘deglobalisation’ in the press from 1997 to 2019



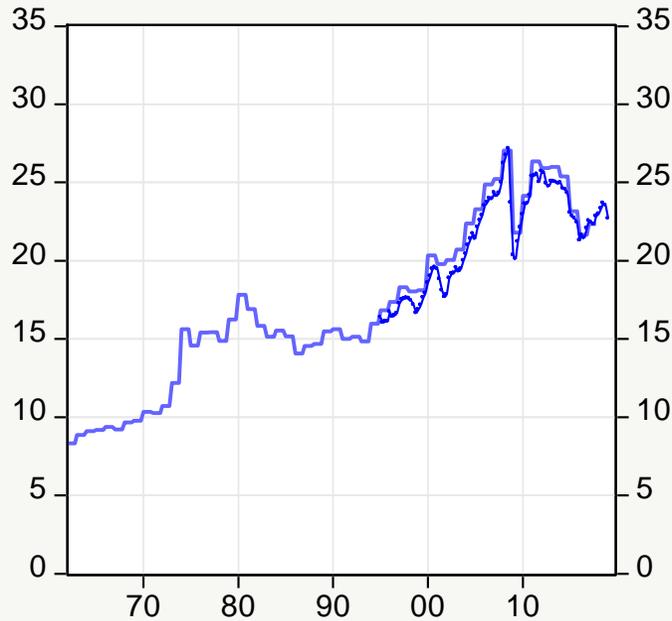
Source: Bruegel based on Factiva. Note: The key words used are ‘deglobalisation’ and ‘deglobalization’. The cut-off date for 2019 was the 16 October 2019.

Motivation

- Economic globalisation is at a crossroads
- Weakened trade and financial integration, protectionist tendencies, global governance challenges
- Globalisation creates winners and losers → political consequences
- Beyond economics, immigration shocks, xenophobia, cultural identity, technological change
- Global trade tensions, reduced global growth
- Questions: (1) Does the EU differ from the rest of the world?
(2) What's the public opinion in the EU?
(3) What policy lessons?

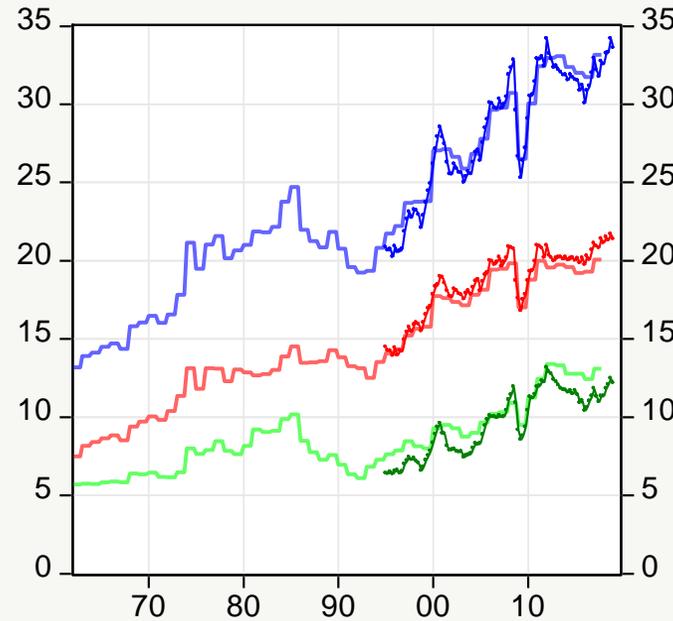
EU exports (% EU GDP) keep growing, despite global setback

A: World exports (% world GDP)



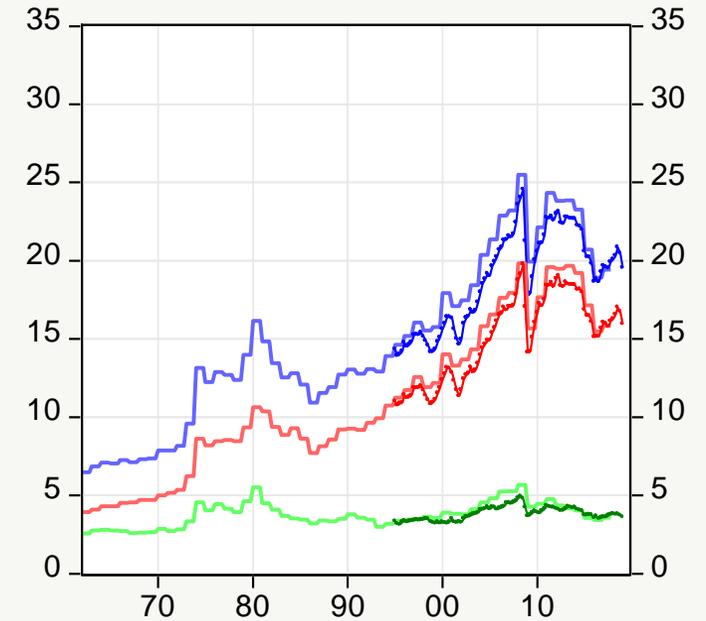
— Annual data
— Quarterly data

B: EU exports (% EU GDP)



— Total (annual data)
— Total (quarterly data)
— Intra-EU (annual data)
— Intra-EU (quarterly data)
— To non-EU (annual data)
— To non-EU (quarterly data)

C: Non-EU exports (% Non-EU GDP)

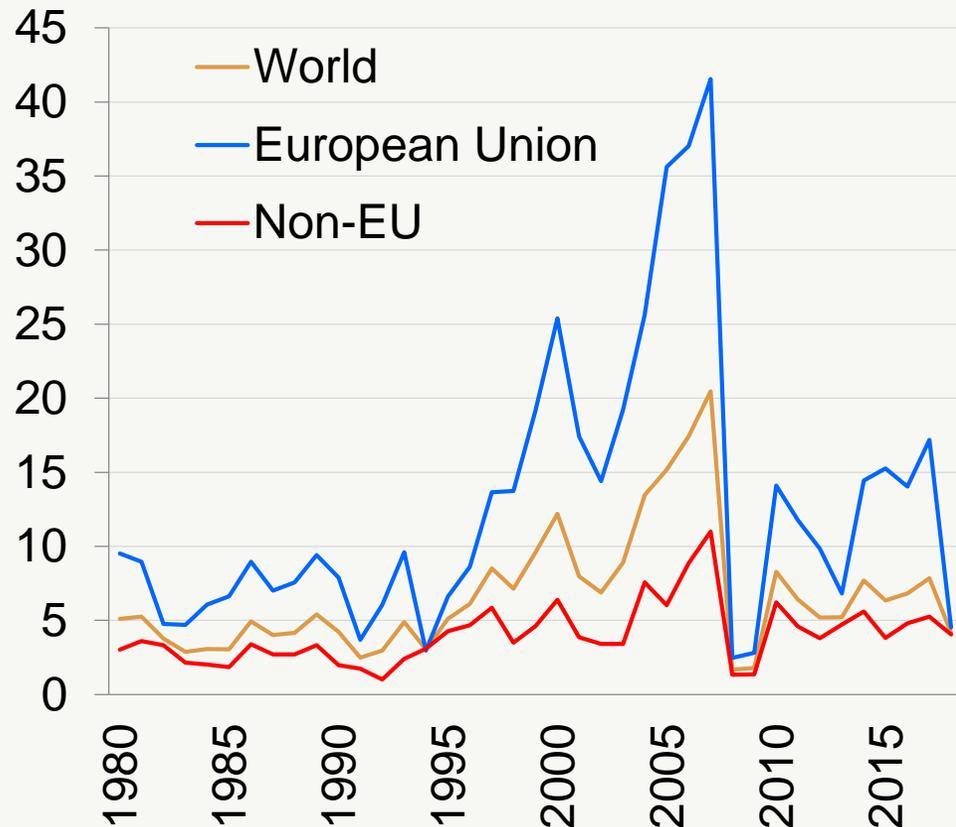


— Total (annual data)
— Total (quarterly data)
— Intra-nonEU (annual data)
— Intra-nonEU (quarterly data)
— To EU (annual data)
— To EU (quarterly data)

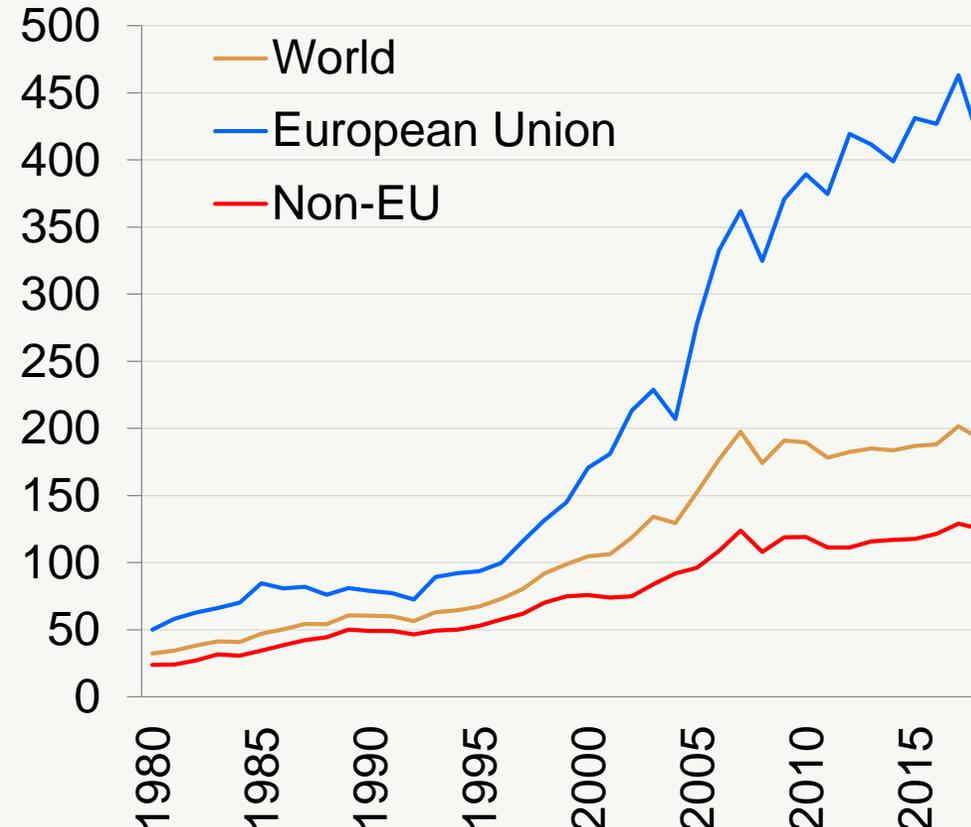
Source: Bruegel calculations using bilateral trade data for 236 countries

While gross capital flows declined after 2008, EU foreign assets (% GDP) continue to expand, but remain unchanged elsewhere

(A) Gross capital outflows (% GDP)

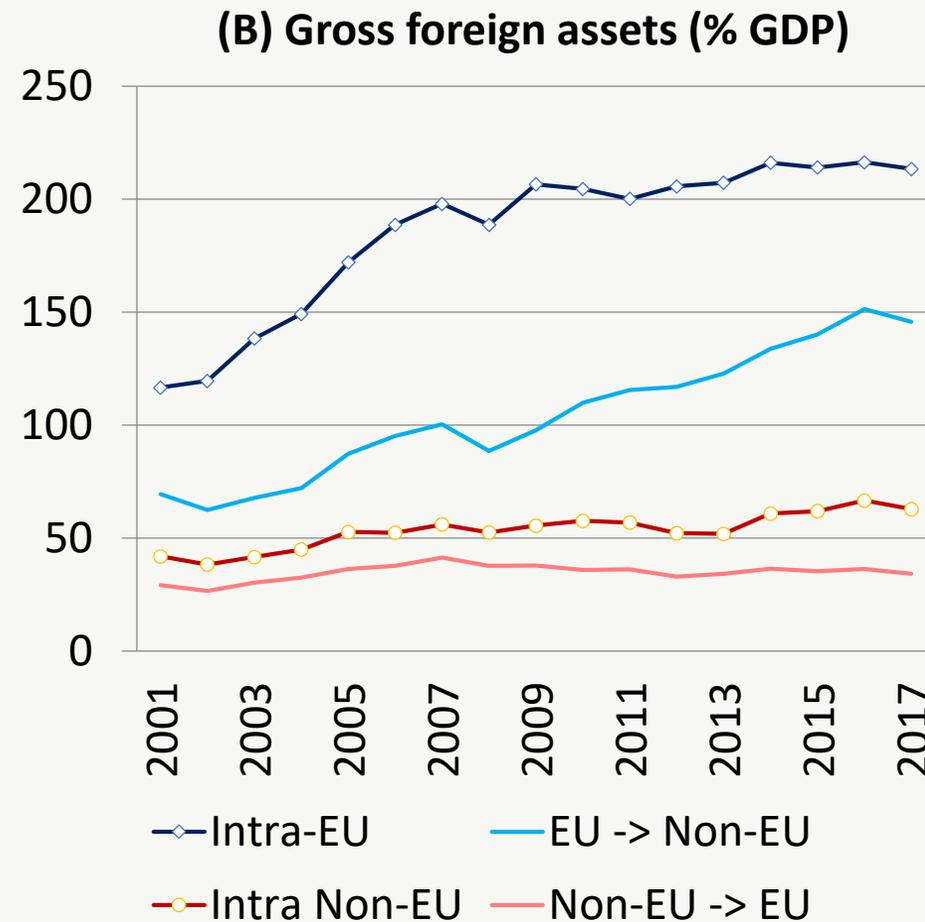
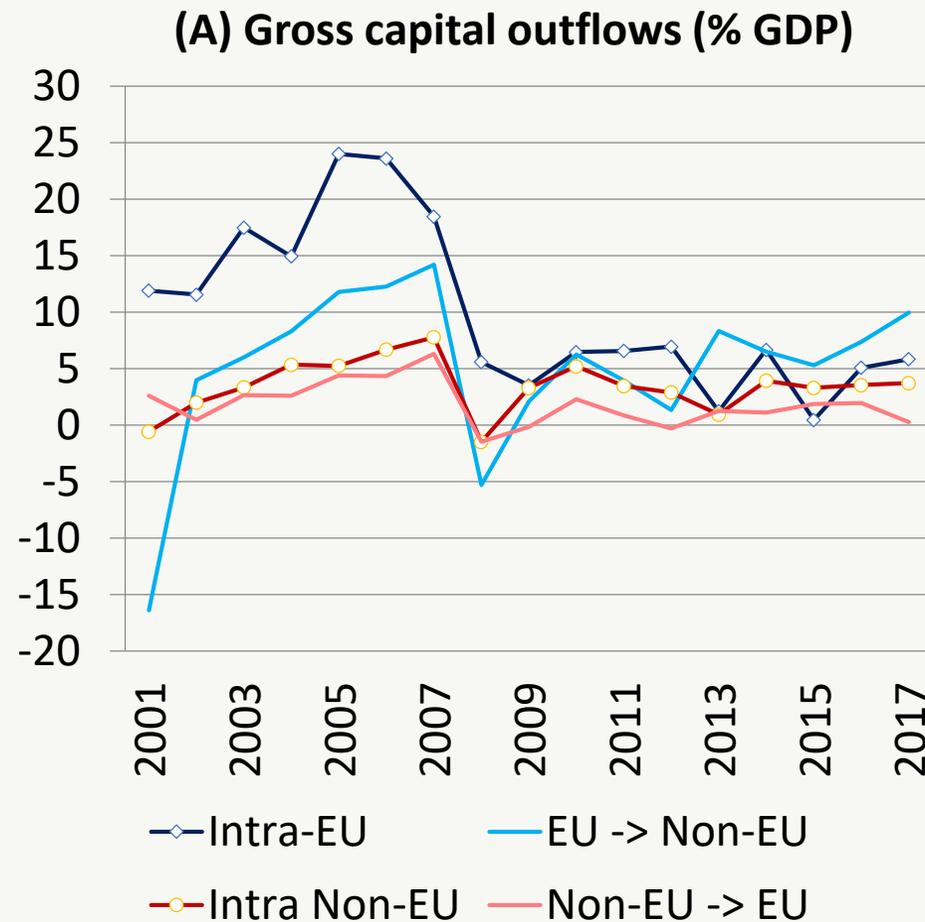


(B) Gross foreign assets (% GDP)



Note: Capital flows/stock data for each group is divided by the GDP of the group. The country composition is variable: for each year only those countries are considered for which data is available, both for capital flows and GDP.

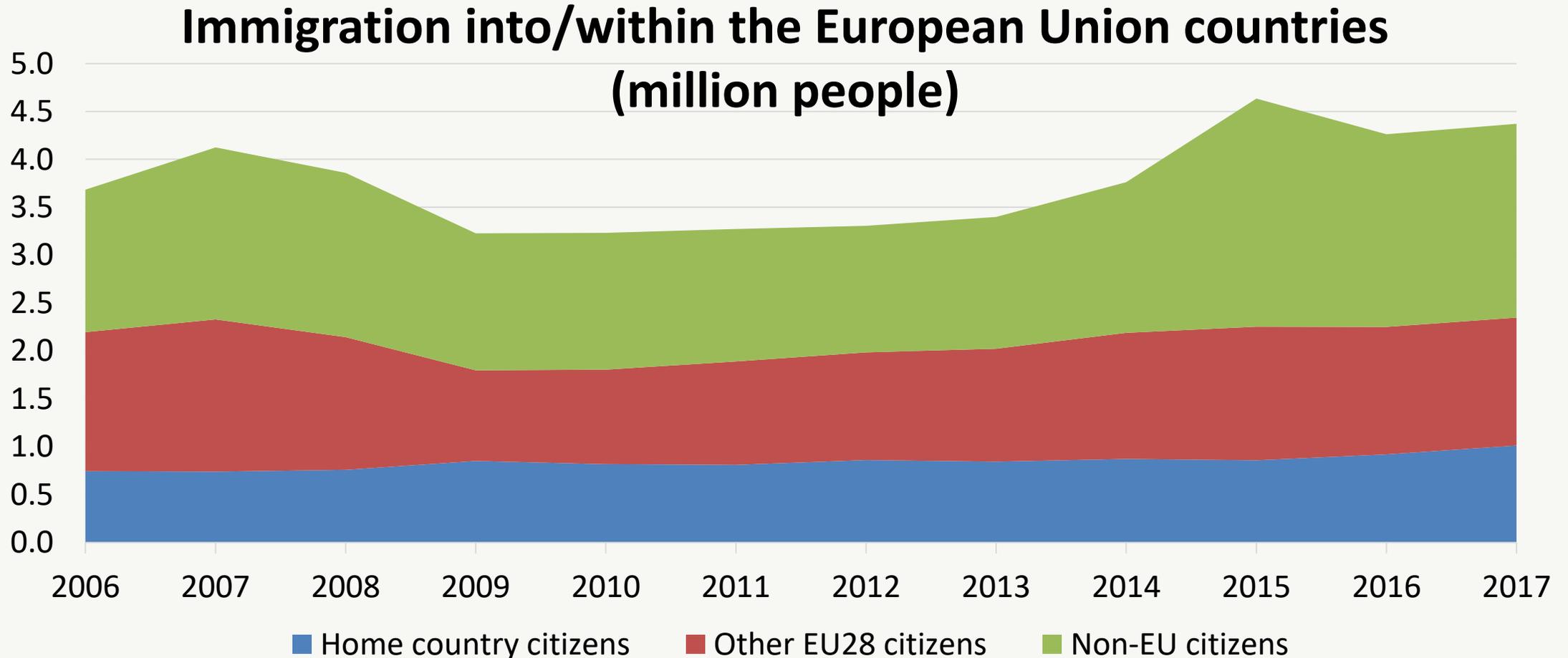
Intra-EU claims and EU claims on non-EU countries continue to grow (as % GDP), while non-EU claims are stagnant at a lower level



Note: Our calculations consider bilateral capital flows and asset positions between 200 countries (of which 28 are EU members and 172 non-EU members for flows and 156 countries for stocks, although full bilateral information is not always available for all).

Source: Bruegel calculations based on the European Commission's Finflows database (bilateral capital flows and stocks), the October 2019 IMF World Economic Outlook database (GDP in US dollars) and Bloomberg (exchange rates).

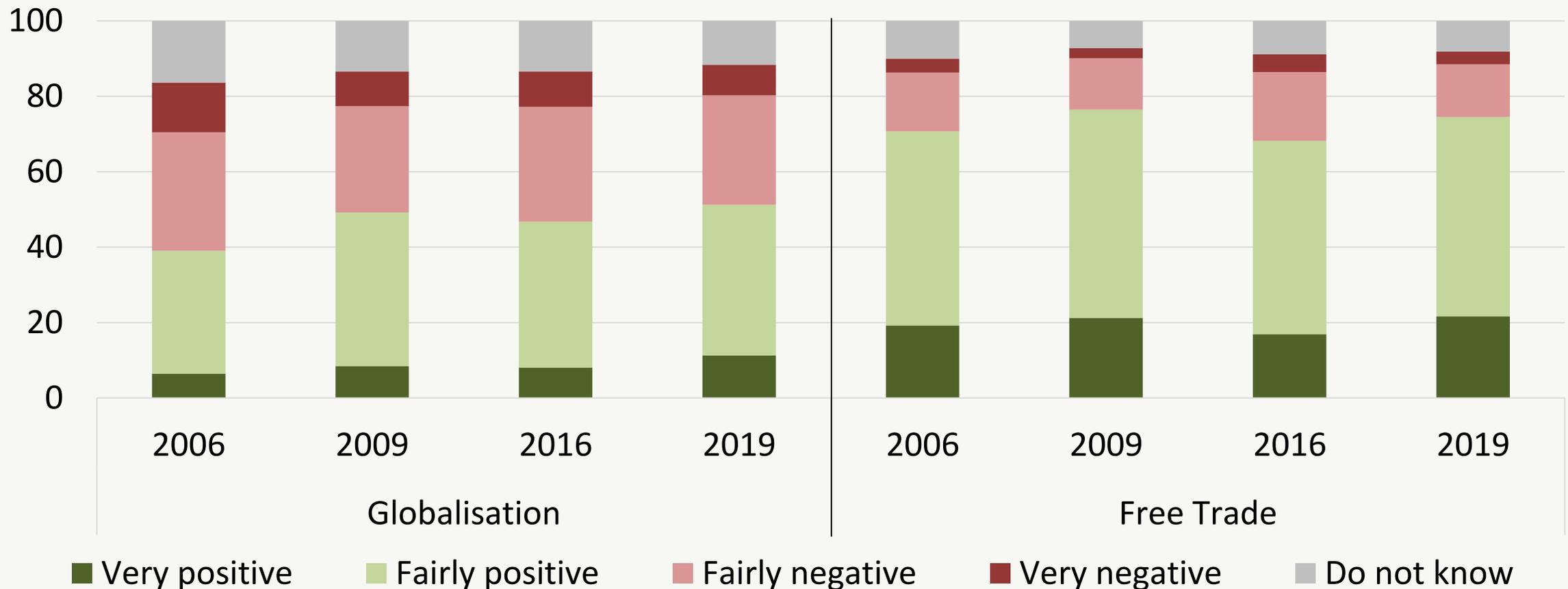
Immigration into the EU, and intra-EU mobility, continued to grow after the crisis-induced declines



Source: Bruegel calculations based on Eurostat's immigration dataset.

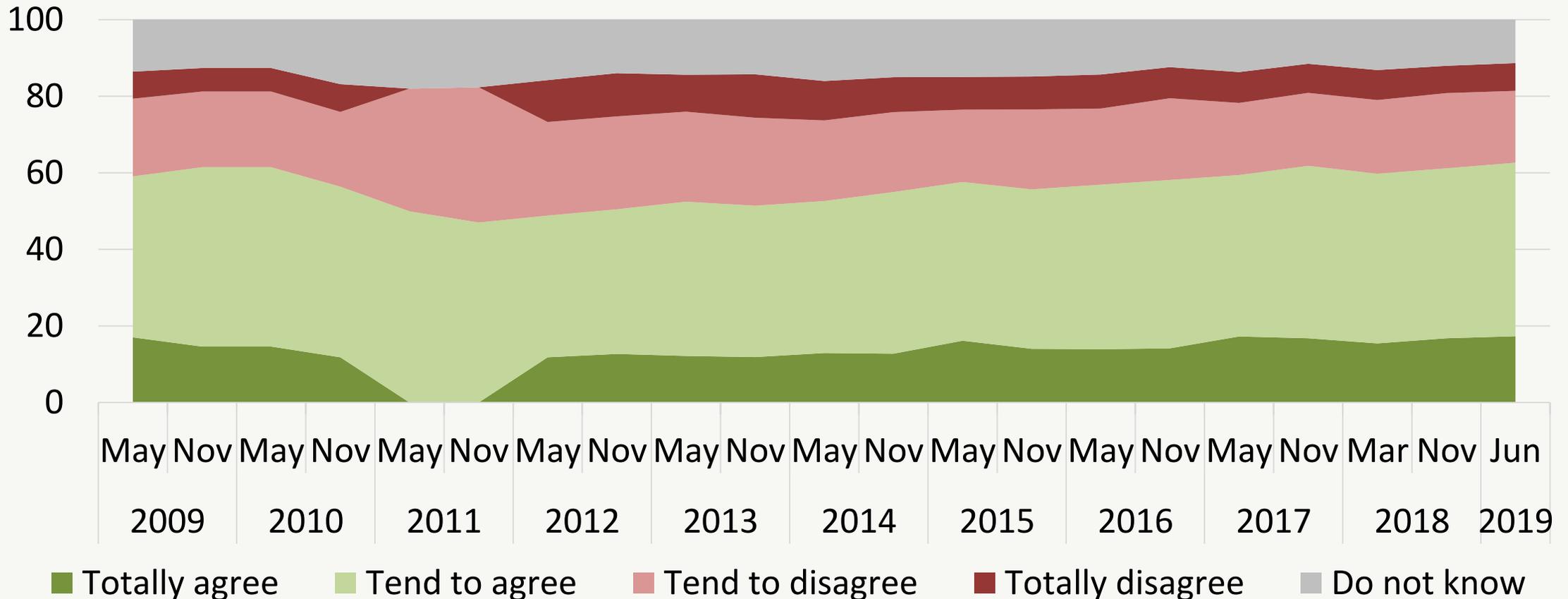
Europeans have an increasingly positive view of globalisation, and even more so of free trade

EU public attitude toward globalisation and free trade



As a gradual economic recovery built after 2012, more and more EU citizens agreed with the view that globalisation is good for growth

EU public opinion on whether globalisation is an opportunity for economic growth



Source: Eurobarometer Standard Surveys. Note: In 2011, only two answers were possible ("tend to agree" and "tend to not agree"), while in other years "totally agree" and "totally disagree" were also among the possible answers.

Our panel regression results show a very strong association between the unemployment rate and the prevailing view on whether globalisation is an opportunity for economic growth

	Model 1	Model 2	Model 3	Model 4
β	-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

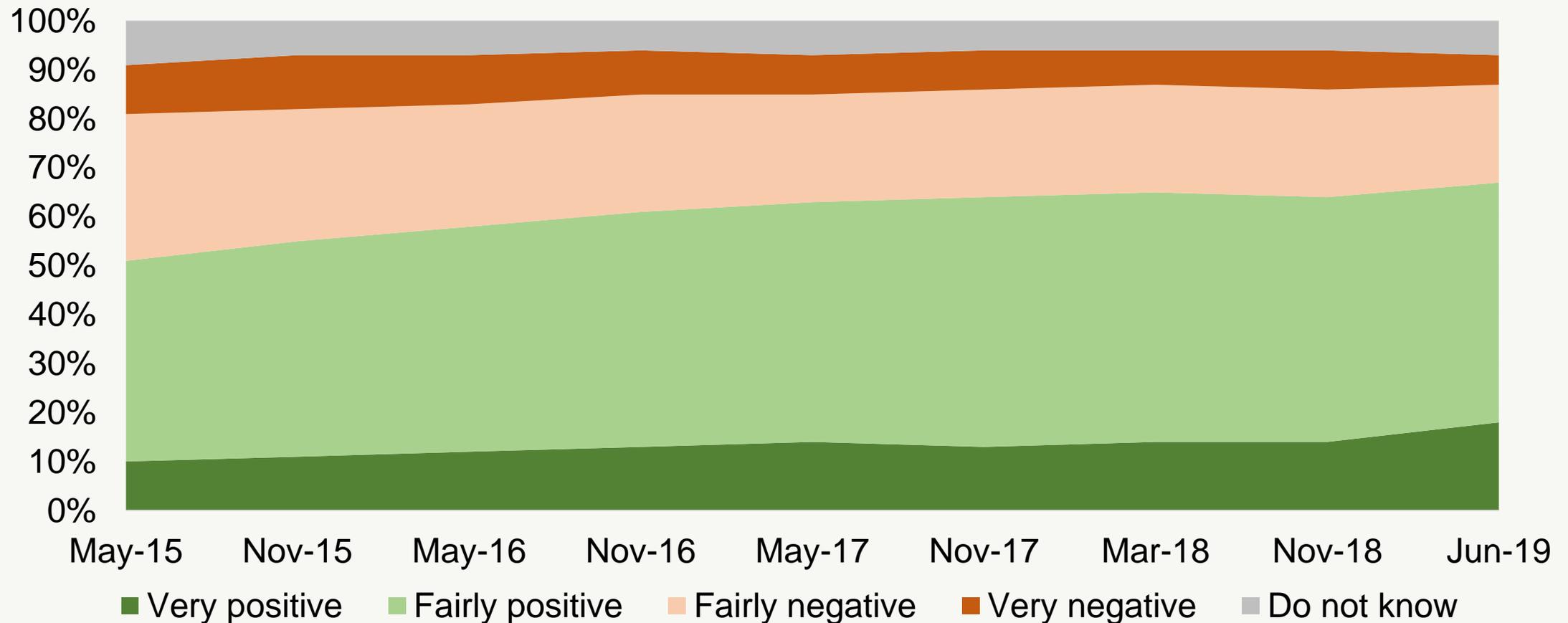
Dependent variable: the share of positive views on 'globalisation is an opportunity for economic growth'

Explanatory variable: the unemployment rate

Sample: 28 EU countries x 21 observations between May 2009 and June 2019 = 588 observations

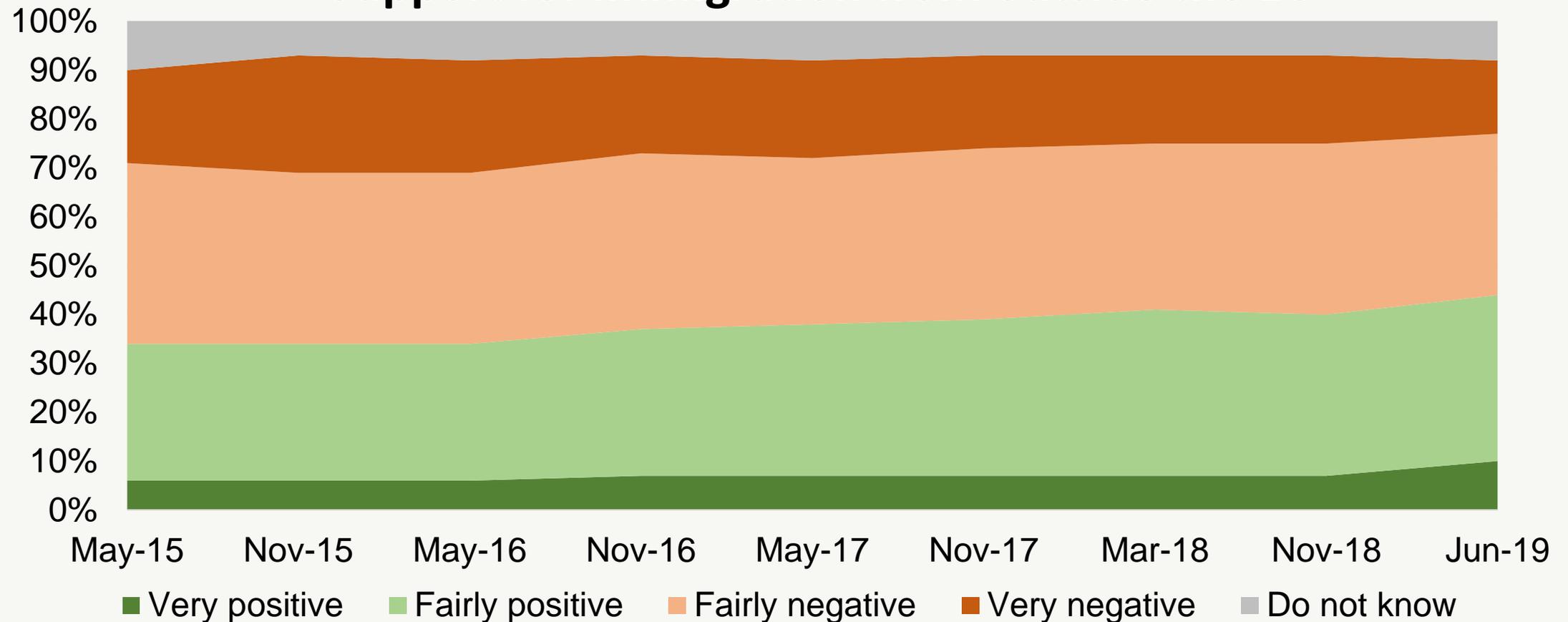
Europeans' enthusiasm for intra-EU mobility of people is relatively high and is rising

Support for immigration from inside the EU



Support from immigration from outside the EU is lower, but rising

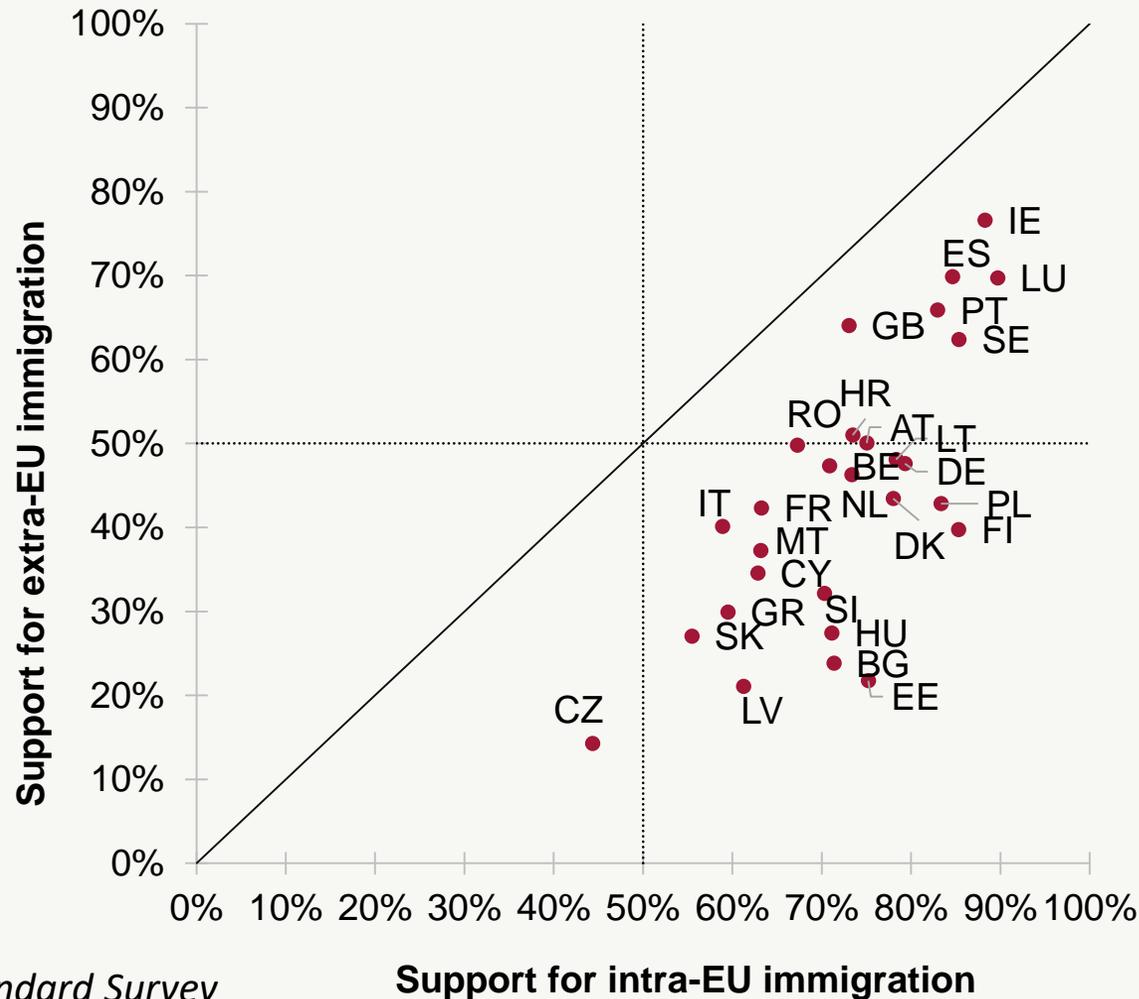
Support for immigration from outside the EU



Source: Eurobarometer Standard Surveys

Large heterogeneity of views on immigration

Support for immigration from inside the EU vs. immigration from outside the EU, percent of respondents, 2019



People who view globalisation positively are: **younger**, better-educated, in better economic situations, who feel politically included, who have a positive view of the EU



Positive EU public attitude toward globalisation

Age	15-24	25-39	40-54	55 +
% agree	75	62	56	50

People who view globalisation positively are: younger, **better-educated**, in better economic situations, who feel politically included, who have a positive view of the EU



Positive EU public attitude toward globalisation

Education (End of age)	15-	16-19	20+	Still studying
% agree	48	55	60	75

People who view globalisation positively are: younger, better-educated, **in better economic situations**, who feel politically included, who have a positive view of the EU



Positive EU public attitude toward globalisation

Consider belonging to	The working class	The lower middle class	The middle class	The upper middle class	The upper class
% agree	54	51	61	67	75

People who view globalisation positively are: younger, better-educated, **in better economic situations**, who feel politically included, who have a positive view of the EU



Positive EU public attitude toward globalisation

Difficulties paying bills

Most of the time

From time to time

Almost never/
Never

% agree

42

55

61

People who view globalisation positively are: younger, better-educated, in better economic situations, who feel politically included, who have a positive view of the EU



Positive EU public attitude toward globalisation

Situation of national economy

Good

Bad

% agree

67

48

People who view globalisation positively are: younger, better-educated, in better economic situations, who feel politically included, who have a positive view of the EU



Positive EU public attitude toward globalisation

Age	15-24	25-39	40-54	55 +		My voice counts in my country	Agree	Disagree	
% agree	75	62	56	50		% agree	64	45	
Education (End of age)	15-	16-19	20+	Still studying		Satisfaction with democracy in my country	Yes	No	
% agree	48	55	60	75		% agree	68	43	
Consider belonging to	The working class	The lower middle class	The middle class	The upper middle class	The upper class	Satisfaction with democracy in EU	Yes	No	
% agree	54	51	61	67	75	% agree	70	40	
Difficulties paying bills	Most of the time	From time to time	Almost never/ Never			Image of EU	Positive	Neutral	Negative
% agree	42	55	61			% agree	72	53	31
Situation of national economy	Good	Bad				Understand how the EU works	Agree	Disagree	
% agree	67	48				% agree	64	46	
Expectations situation of national economy	Better	Same	Worse			EU enlargement	For	Against	
% agree	66	59	49				68	48	
						Left-right political scale	Left	Centre	Right
						% agree	58	60	57
						Subjective urbanisation	Rural village	Small/ mid size town	Large town
						% agree	57	58	59

Policy implications

- Globalisation and market integration create winners and losers
- Technological development changes the nature of work and might amplify income inequality
- Immigration shocks and terrorist attacks reinforce xenophobia and fear of losing national cultural identity
- These factors might generate discontent with status quo, strengthen populist movements and induce deglobalisation policies
- Yet the EU defies deglobalisation trends, while public support for globalisation is on the rise

Policy implications, 2.

- Why is Europe different?
- Economic gains, job creation, reduced unemployment, reduced gender pay gap, reduced EU-wide income inequality, national income inequality in EU countries is mostly low and has not increased, fall in the rate of early school leavers, fall in unmet medical needs, ...
- Reduced immigration pressure
- More emphasis on social aspects of the EU

Policy implications, 3.

- European Pillar of Social Rights (EPSR) – jointly proclaimed by the European Parliament, the Council and the European Commission on 17 November 2017 in Gothenburg
- It includes 20 principles, such as:
 - Education, training, lifelong learning
 - Gender equality, equal opportunities, inclusion of people with disabilities
 - Employment support, work-life balance, healthy and safe work environment, unemployment benefits, minimum income
 - Childcare, long-term care, pensions, healthcare
 - Social dialogue, access to essential services
- In itself the EPSR is just a declaration, but social policies are national competences in the EU. EU institutions can adopt EU-wide legislation and make recommendations to national governments

Policy implications, 4.

- But there is no cause to become complacent
- EU continues to have pressing social problems, especially in some member countries
- Rules-based global governance faces major challenges
- Economic slow-down and risk of a recession
- Greater efforts needed to tackle social problems, including through better measures to support the losers from globalisation and to offer lower-income families better opportunities
- More progressive taxes and more wealth and inheritance taxes could create the financial resources to improve public services and to reduce social inequalities

Thank you for your attention!

zsolt.darvas@bruegel.org