THE FUTURE OF GLOBALIZATION AND INTERNATIONAL TRADE - EXEMPLIFIED THROUGH MODERN DANISH ECONOMIC DIPLOMACY

PRESENTED BY JARL FRIJS-MADSEN
AMBASSADOR OF DENMARK IN NORWAY

LECTURE AT UNIVERSITY OF OSLO, INTERNATIONAL TRADE FRIDAY FEBRUARY 9TH

@DKAmbNorway (Jarl Frijs-Madsen)
@danskeambassadeinorge @jarlfrijs
ABOUT ME

- Master of Economics, University of Copenhagen
- Retail banking, Privatbanken which later became: Nordea
- Various job in the MFA
- Associated professor at Denmarks International Study program
- Consultant in Public Affairs and Communication
- Management positions in Trade Council Denmark
- CEO of the Trade Council of Denmark
- Ambassador, Consul General of Denmark in New York
- Associated Partner, Copenhagen Institute for Futures Studies
- Ambassador of Denmark in Norway
WHAT I PLAN TO COVER TODAY

- What are the advantages of international trade?
- Why was global trade limited for many years?
- What is economic globalization?
- When was globalization born?
- What happened to int. trade after globalization was born?
- What is the future of globalization?
- What is modern Economic Diplomacy?
- What is trade policy?
- How does a country like Denmark work with international trade and globalization?
ADVANTAGES OF INTERNATIONAL TRADE
As you have learned in the first lectures this semester:

Through international trade countries use comparative advantages to create higher production, growth and increase wealth.
As you have also learned:

This growth makes countries as a whole richer – but not necessarily every industry, company or employee.
LIMITATIONS OF GLOBAL TRADE
PROTECTIONISM WAS THE NORM

• In general the world has been dominated by protectionism rather than open, free markets in the last 80 years.

• Open markets is a new thing

• And as you will learn – open markets is also a very rare thing. To put it bluntly: total open markets do not exist.
DEFINITION OF ECONOMIC GLOBALIZATION
WHAT IS ECONOMIC GLOBALIZATION?

That physical and manmade barriers are reduced leading to a higher degree of interaction between countries, companies and humans. Borders dissolve and distances are being reduced.

In a totally globalized world, there is not a big difference between doing business in Bergen, Beijing and Boston. Same language (English), same ways of communicating (digitally), same consumer preferences, same rules and almost same costs.
THE BIRTH OF GLOBALIZATION
INTERNATIONALIZATION HAS EXISTED FOR A LONG TIME BUT ECONOMIC GLOBALIZATION IS A NEW PHENOMENON

1989: Fall of the Berlin Wall
1990: Launch of WorldWideWeb browser
1991: Economy of India begins opening up
1992: European Union Single Market: Largest in the world
1994: End of the Uruguay Round
1994: NAFTA is passed
1994: Amazon is established
2001: China becomes member of WTO

Continuously: decline in freight rates on both ship and flight transport

Source: Jarl Frijs-Madsen 2017
INTERNATIONAL TRADE AFTER GLOBALIZATION
CONSEQUENCES OF GLOBALIZATION AT MACRO LEVEL

Steep **increase in trade and investments**

**Emergence of global value chains** which change the industrial structure in both industrial and developing countries

New and **growing middle class** in countries like China, Brazil and India.

A world that is **closely connected** economically, for better or for worse (interdependence and economic shocks)

Source: Jarl Frijs-Madsen 2017
GLOBAL TRADE 1810-2013

Figure 3.2 Total Exports of Goods and Services as a Percentage of World GDP, 1820–2013

Gross exports of goods and services as a percentage of world GDP regularly scaled new heights since the Second World War. This metric increased marginally during 2013 to a level just shy of its 2008 peak.

Source: Ghemawar/Altman NYU 2014
# INTERNATIONAL HANDEL

International varehandel, 2014, mia. USD, eksportregion i række, importregion i kolonne

<table>
<thead>
<tr>
<th></th>
<th>Afrika, syd for Sahara</th>
<th>Nordafrika, Nær- og Mellemøsten</th>
<th>Nordamerika</th>
<th>Latinamerika</th>
<th>Asien og Oceanien</th>
<th>Europa</th>
<th>Rusland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afrika, syd for Sahara</td>
<td>52,1</td>
<td>9,5</td>
<td>27,3</td>
<td>17,4</td>
<td>157,3</td>
<td>106,6</td>
<td>1,3</td>
</tr>
<tr>
<td>Nær- og Mellemøsten</td>
<td>40,5</td>
<td>180,8</td>
<td>113,0</td>
<td>17,4</td>
<td>696,0</td>
<td>194,2</td>
<td>3,0</td>
</tr>
<tr>
<td>Nordamerika</td>
<td>27,8</td>
<td>89,4</td>
<td>650,4</td>
<td>419,2</td>
<td>482,3</td>
<td>335,1</td>
<td>16,1</td>
</tr>
<tr>
<td>Latinamerika</td>
<td>9,7</td>
<td>28,3</td>
<td>481,0</td>
<td>208,0</td>
<td>229,3</td>
<td>135,4</td>
<td>9,3</td>
</tr>
<tr>
<td>Asien og Oceanien</td>
<td>151,3</td>
<td>361,4</td>
<td>940</td>
<td>297,1</td>
<td>3137,5</td>
<td>888,3</td>
<td>93,0</td>
</tr>
<tr>
<td>Europa</td>
<td>100,0</td>
<td>337,3</td>
<td>479,7</td>
<td>162,6</td>
<td>717,8</td>
<td>4618,9</td>
<td>159,0</td>
</tr>
<tr>
<td>Rusland</td>
<td>2,0</td>
<td>17,0</td>
<td>17,9</td>
<td>7,6</td>
<td>126,7</td>
<td>313,5</td>
<td>0</td>
</tr>
</tbody>
</table>

Kilde: Eigte beregninger med data fra Oxford Economics
40-50% of international relations are regional.

Source: Ghemawar/Altman NYU 2014
FDI 1910-2013

Figure 3.8 FDI Outward Stock as Percentage of World GDP, 1913–2013

FDI outward stocks as a percentage of world GDP were larger in 2013 than in any other year they were measured as far back as 1910.

Source Ghemawar/Altman NYU 2014
ANDEL AF FDI – INDUSTRILANDE OG UDVIKLINGSLANDE

FDI inflows: Developed vs. Developing Economies, 1990-2014 (Share of Global %)

Source: IFF 2015
GLOBALIZATION HAS REDUCED POVERTY

World population living in extreme poverty, 1820-2015

Extreme poverty is defined as living at a consumption (or income) level below 1.90 "international $" per day. International $ are adjusted for price differences between countries and for price changes over time (inflation).

Source: World Poverty in absolute numbers (Max Roser based on World Bank and Bourguignon and Morrisson (2002))
GLOBAL INEQUALITY HAS FALLEN 1988
- BUT IS RISING WITHIN NATION

Kilde: Christoph Lakner and Branko Milanovic, 2016
DEN GLOBALE MIDDELKLASSE STIGER - ANFØRT AF KINA OG INDIEN

CHINA’S INCOME BOOM
$3,000 ANNUAL DISPOSABLE INCOME, PER CAPITA

SOURCE: CHINA MARKET RESEARCH GROUP
MIDDELKLASSEN FORTSÆTTER MED AT VOKSE, SÆRLIGT I ASIEN
EMERGING OG SÆRLIGT KINA EROBRER MARKEDSANDELE

<table>
<thead>
<tr>
<th>Area</th>
<th>1980</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORDAMERIKA</td>
<td>29%</td>
<td>24%</td>
</tr>
<tr>
<td>VESTEUROPA</td>
<td>36%</td>
<td>23%</td>
</tr>
<tr>
<td>KINA</td>
<td>3%</td>
<td>19%</td>
</tr>
<tr>
<td>EMERGING MARKETS</td>
<td>21%</td>
<td>41%</td>
</tr>
<tr>
<td>AFRIKA</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Virksomheder fra emerging markets opbygger stærke, lokale brands, eller opkøber vestlige virksomheder og erobrer markedsandele hjemme og ude

Kilde: McKinsey 2015 The new global competition for corporate profits
HVAD HAR GLOBALISERINGEN MEDFØRT PÅ VIRKSOMHEDSNIVEAU?

BEHOV FOR ANDRE KOMPETENCER

FALD I OMKOSTNINGER

ØGET KOMPLEKSITET OG HASTIGHED

STIGENDE KONKURRENCE

NYE OG STØRRE MARKEDSMULIGHEDER

Source: Jarl Frijs-Madsen 2017
HVORFOR GLOBALISERE SIN VIRKSOMHED?

FOR AT ØGE DET GLOBALE SALG

FOR AT FØLGE KUNDERNE UD PÅ MARKEDERNE
FOR AT REDUCERE OMKOSTNINGERNE

FOR AT OPNÅ BEDRE OG HURTIGERE INNOVATION - OGSÅ TIL BRUG HJEMME

Source: Jarl Frijs-Madsen 2017
GLOBALISERING, SERVICEØKONOMI OG DIGITALISERING

- Fra produkt til service
- Fra fysisk til stedeerværelse til app/web
- Fra lokal salg til global salg

Source: Jarl Frijs-Madsen og IFF 2016
GLOBALISERING PÅVIRKER ALLE VIRKSOMHEDER OG ALLE BRANCHER (MEN NOGLE MERE END ANDRE)

Source: Jarl Frijs-Madsen 2017
GLOBALISERING AF VÆRDIKÆDEN

- Firm Infrastructure
- Human Resource Management
- Technology Development
- Procurement
- Inbound Logistics
- Operations
- Outbound Logistics
- Marketing And Sales
- Service

Support Activities

Primary Activities

Margin
THE FUTURE OF GLOBALIZATION
HAS GLOBALIZATION HIT THE BRAKE BEFORE COMING TO A STOP?
THE WORLD IS INCREASINGLY CONNECTED

There are more than 3.6 billion internet users today, equivalent to ~40% of the world population. In 1995, it was less than 1%.

Source: www.internetlivestats.com
GLOBAL TRADE GROWTH IS LOOSING MOMENTUM

Source: World Bank
TRADE IN GOODS AND SERVICES AS A PERCENTAGE OF GLOBAL GDP

Source: World Development Indicators, The World Bank
TRADE AGREEMENTS ARE NOT POPULAR IN EUROPE AND THE US

- **CETA** (EU-Canada) struggled to get passed
- The US has withdrawn from **TPP** (Trans Pacific Partnership)
- **TTIP** (EU-USA) faces a difficult future
- The end of **NAFTA**?
- **CREP** (Asian mega regional trade agreement) is still being negotiated

Source: Jarl Frijs-Madsen 2017
PROTECTIONIST MEASURES HAVE BEEN RISING SINCE 2008

Net increase of measures in force at the end of the given year

Cumulative stock of measures implemented since November 2008 and still in force at the given year

Source: Global Trade Alert 2017
FREE MOVEMENT OF PEOPLE? NO THANK YOU!

Discontent with open boarders, immigration, refugees and free movement of labor leads to politicians reacting by proposing walls and guarded boarders.

The border fence in Naco, Mexico
**Source:** The New York Times

At a Spanish/ Moroccan border
**Source:** The Washington Post
ILLEGALE INDREJSER I EU OVER TID

Kilde: Frontex
INDUSTRY 4.0 IS REDEFINING GLOBAL VALUE CHAINS

Digitization and exponential technologies like:

- Advanced robots and continued automation
- Artificial Intelligence (AI)
- Internet of Things (IoT)
- Additive Manufacturing (3D printing)

Will lead to:

Less labor intensive production and potentially the end of global value chains – a key driver of economic globalization.

Source: Jarl Frijs-Madsen 2017
FREMSKRIDT SKABER OG DRÆBER JOBS

Antal elevatorførere i USA

THE WORLD GAINS A LOT FROM INTERNATIONAL ECONOMIC COOPERATION

Source: OECD 2017
...AND THE POOREST WOULD BE HURT THE MOST FROM CLOSING OFF TRADE

Source: Faijgelbaum and Khandelwal (2016, Table V) cited in IMF et al. (2017)
ECONOMIC AND COMMERCIAL DIPLOMACY
DEFINITION OF ECONOMIC & COMMERCIAL DIPLOMACY

Economic diplomacy is the use of the full spectrum economic tools of the state to achieve its national interest. Economic diplomacy includes all the economic activities, including but not limited to export, import, investment, lending, aid, free trade agreements etc.

Commercial diplomacy is activities conducted by state representatives with diplomatic status in view of business promotion between a home and a host country. It aims at encouraging business development through a series of business promotion and facilitation activities.

Source: Oliver Narray, 2008
WORKING WITH INTERNATIONAL TRADE AND GLOBALIZATION – DENMARK AS CASE
THE CREATION OF TRADE COUNCIL OF DENMARK

- Created in 1999
- Integrated part of Danish MFA
- 330 people working within the area
- Created with strong business board
- KPI’S for all business areas
- CRM system
UDENRIGSMINISTERIETS ECONOMIC DIPLOMACY

Primært placeret i Trade Council of Denmark med 5 hovedområder

- Trade policy (framework conditions)
- Export promotion
- Investment promotion (Invest in Denmark)
- Innovation (start up and entrepreneurship)
- Techplomacy (ikke kun economic diplomacy)
EXPORT PROMOTION

**Individual companies – consulting fee based**

- Market entry strategies
- Market analysis
- Partner search
- Strategic alliances
- Public Diplomacy

**Collective export promotion activities**

- Fairs
- State visits
- Match making
INVESTMENT PROMOTION

- Nation branding focusing on investments
- Free service for foreign companies
- Assisting them all the way to the investment is finalized

Services include:
- Information
- Benchmarking
- Site visits
- Policy advocacy

- Target countries
- Target sectors - clusters
- Target companies

Invest in Denmark
TRADE POLICY
HANDELSPOLITIK

= de regler og regulativer der former de internationale handelsstrømme. Gennem en aktiv handelspolitik kan markede åbnes og reglerne gøres klarere og mere gennemskuelige

Fora:

- Multilaterale forhandlinger: ex. WTO
- Bilaterale forhandlinger: ex. EU-Japan FTA-forhandlingerne

Handelspolitik beskæftiger sig med...:

- Told, kvoter, subsidier
- Andre handelsbarrierer:
  - Reguleringer, procedurer, standarder
- Investeringsbeskyttelse
- Andre målsætninger: arbejdstagers rettigheder, bæredygtighed, forbrugerforhold, CSR (Ansvarlig forretning), etc.
WTO - TIDSLINJE

GATT 1948-1994

Creation of the WTO January 1995

Buenos Aires Ministerial Conference December 2017

Uruguay Round 1986-1994

Doha Development Agenda 2001-
DANMARKS HANDEL MED VARE OG YDELSE UDEN FOR EU I 2016, UDVALGTE FJERNMARKEDER

Canada
7,4 mia. kr.
4,1 mia. kr.

USA
93,3 mia. kr.
59,6 mia. kr.

Brazil
7,6 mia. kr.
4,5 mia. kr.

Russia
9,2 mia. kr.
13,7 mia. kr.

Japan
22,1 mia. kr.
7,6 mia. kr.

China
41,1 mia. kr.
54,4 mia. kr.

Singapore
13,6 mia. kr.
10,2 mia. kr.

India
9,1 mia. kr.
8,2 mia. kr.

2016
EU FORHANDLER FTA’S PÅ VEGNE AF MEDLEMSLANDE

Udviklingen af EU’s indre marked er (formentlig) den primære historiske drivkraft bag EU’s integration

I dag fungerer EU effektivt som en samlet handelsblok i global handelspolitik
HVOR LANGT ER VI NÅET? – STATUS FOR EU’S FTA’S

THE STATE OF EU TRADE

2017

Effective agreements
Negotiated agreements
Agreements being negotiated
Prepared negotiations
Dansk vareeksport er koncentreret på markeder der geografisk er nære og modne. 62 % af Danmarks eksport er rettet mod andre EU lande.

6% af verdens samlede eksport sker til Kina, mens kun 3% af den danske eksport er til Kina.

Source: DST & WITS
TECHPLOMACY

(DIPLOMACY FOCUSING ON TECHNOLOGY)
“Mennesket vil opleve større forandringer de kommende 20 år end de foregående 300 år”

- Futurist Gerd Leonhardt
DIGITIZATION

EVERYTHING THAT CAN BE DIGITIZED WILL BE DIGITIZED
THE POWER OF EXPONENTIALLY
TEKNOLOGIER DER VIL REVOLUTIONERE ALLE BRANCHER

Advanced robotics
Artificial Intelligence
Cloud computing

Internet of things (IoT)
Hand held super computers
3D printing
BNP (2016) vs. markedskapitalisering, Bill. USD

VIRKSOMHEDER OG LANDE

In 2016 Apple, Amazon, Google and Facebook had a combined revenue of 466 billion USD. That would have placed them 25th on a list of the world's wealthiest countries (GDP). Each individual company would have placed within the 100 richest countries in the world.

Norway is placed 31st with a GDP of 370 billion USD.
MANDATE FOR TECHPLOMACY

Mandate defined in the Government’s Foreign and Security Policy Strategy. Ambitious and comprehensive, elevating technology to strategic priority in Danish foreign policy.

Two-fold purpose:

- Help prepare Danish society for the rapid technological development
- Global impact, promoting Danish values and interests
6 LINES OF EFFORT

- New platform for formalized communication
- Information collection and new knowledge
- Global challenges and foreign affairs
- Digital MFA
- PD and strategic communication
- Exports and investments
NEW PLATFORM FOR FORMALIZED COMMUNICATION

Establishment of a new unit with a global mandate and presence across different time-zones - able to carry out function as a new platform for formalized dialogue on behalf of Danish authorities vis-a-vis the tech sector.
INFORMATION COLLECTION AND NEW KNOWLEDGE

Contribute to the collection of information and knowledge for the use of policy development in Denmark, across different policy areas (domestic as well as foreign policy).
GLOBAL CHALLENGES AND FOREIGN AFFAIRS

Making technology a subject of foreign policy (end vs. means), both bilaterally and multilaterally and with focus on both the opportunities and challenges/risks that come with technology on a global scale.
DIGITAL MINISTRY OF FOREIGN AFFAIRS

Contribute to the Ministry of Foreign Affairs’ internal digitalization process. Vision: Becoming a Danish front-runner among ministries and global frontrunner among MFAs.
PD AND STRATEGIC COMMUNICATION

Ensure strong communication regarding Denmark’s leading role as digital country and society in a broad sense and contribute to a nuanced discussion about the benefits and risks associated with digitalization.
PROMOTE EXPORTS AND INVESTMENT

Take advantage of the positive attention surrounding the TechPlomacy initiative and the new contacts/network being developed to benefit Danish companies and business sectors by engaging in concrete export and investment activities when/if relevant.
INNOVATION
INNOVATION ON THE AGENDA

Regulating the internet giants

The world’s most valuable resource is no longer oil, but data

*The data economy demands a new approach to antitrust rules*

The robots are here
Meet your digital workforce
A Deloitte report
GLOBAL ORGANISATION

- SILICON VALLEY
- MUNICH
- Tel Aviv
- SEOUL
- SHANGHAI
- NEW DELHI - BANGALORE
- SÃO PAULO
ICDK – A THREE-PRONGED APPROACH

- MoUs with foreign authorities, universities
- Research, innovation and higher education partnerships
- Foreign companies
- Danish competence clusters
- Investment promotion
- Commercial innovation
- Access to innovation ecosystems
- Internationalisation of SMEs
**SERVICES & DELIVERABLES**

**Entrepreneurship & SMEs**
- Innovation camps
- Introduction to international start-up ecosystems and access to funding
- Incubator services

**Corporate Innovation**
- Tech scouting
- Business model development
- Product and technology assessment
- Partnerships and network
SERVICES & DELIVERABLES

Science and Technology Collaboration
- Scientific workshops and partnerships
- Technology scouting
- Science and technology assessments

Higher Education Collaboration
- Create networks and partnerships between Danish research institutions and their counterparts abroad
- Knowledge transfer
- Student innovation camps
- Educational agreements (MoU)
- Promoting Danish higher education and careers
SCALEit – SILICON VALLEY

WHAT?
5 day startup bootcamp to Silicon Valley

HOW?
Business development, pitch training, meet the eco-system, intro to investors, VCs

WHO?
10-12 scalable Danish companies pr. camp

HOW MANY?
131 DK companies since first SCALEit in 2011

INVESTORS
31 % of participants was introduced to their investors through SCALEit*

STRATEGY
67% revised business plan or strategy due to SCALEit*

SCALEit IN 2017
Camps in February, July, August & November. Recurring preparatory sessions in Copenhagen.

CASES
DXTR Tactile, The Eye Tribe,

*Source: 2015 SCALEit Survey Report - scaleit.us
ICDK GROW is targeted at SMEs and offers customised services at the innovation centres to boost innovation and trade.

**What do you get?**

- Minimum 50 and maximum 200 hours of consultancy
- Can be used on one or several markets
- Can be shared by two or more companies
QUESTIONS OR COMMENTS?

JARL FRIJS-MADSEN

@DKAmbNorway (Jarl Frijs-Madsen)

@danskeambassadeinorge

@jarlfrijs