



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

PRESENTED BY JARL FRIJS-MADSEN
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LECTURE AT UNIVERSITY OF OSLO, INTERNATIONAL TRADE
FRIDAY FEBRUARY 9TH



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@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**
- **Counsultant 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



David Ricardo (1772-1823)





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 year.
- 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), samme 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

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

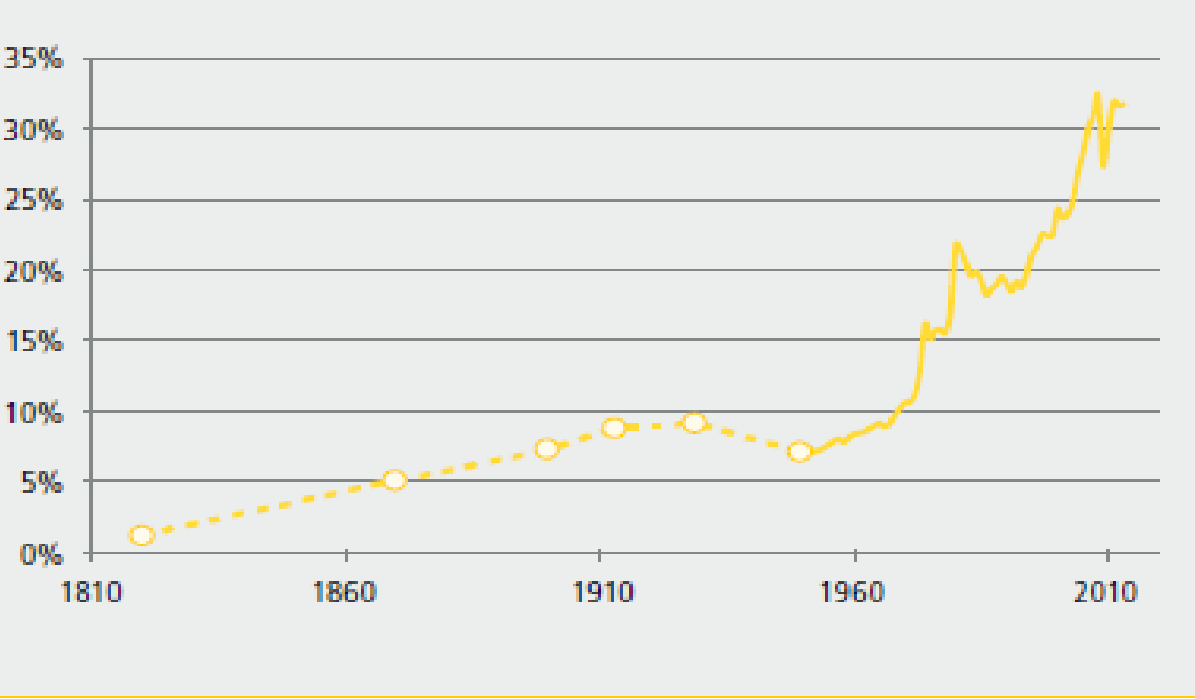
New and **growing middle class** in countries like China, Brazil and India.

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



GLOBAL TRADE 1810-2013

Figure 3.2 Total Exports of Goods and Services as a Percentage of World GDP, 1820–2013⁴



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



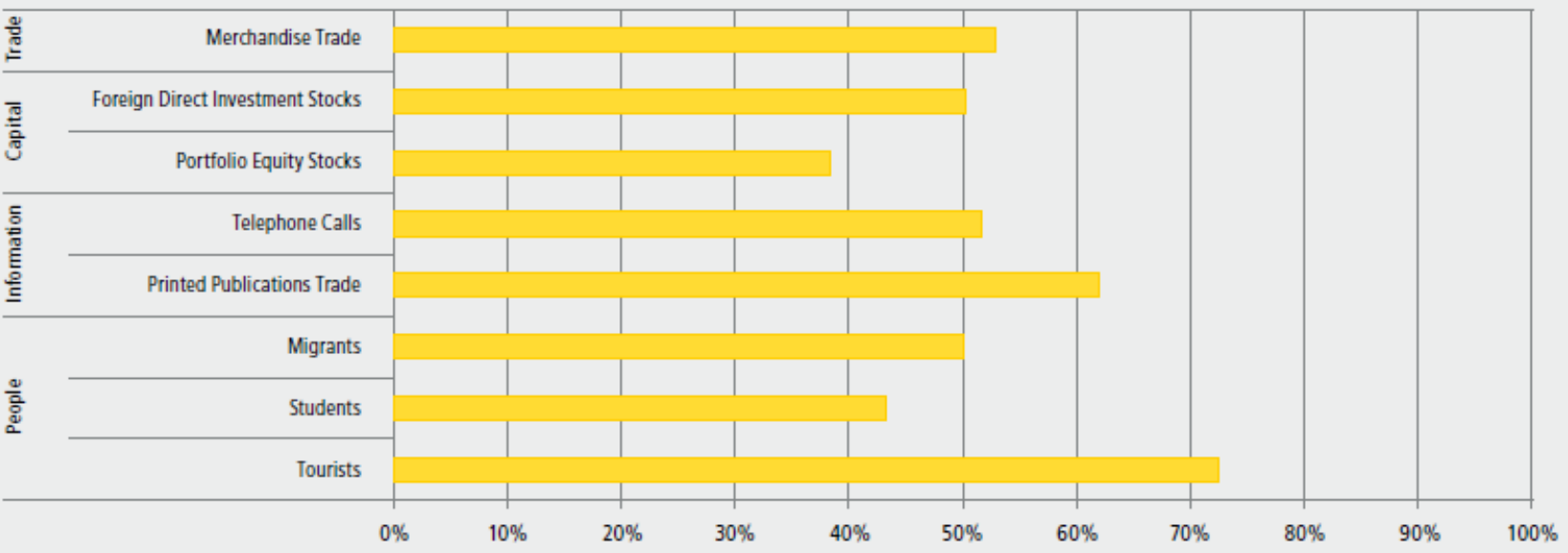
International varehandel, 2014, mia. USD, eksportregion i række, importregion i kolonne

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



40-50% OF INTERNATIONAL RELATIONS ARE REGIONAL

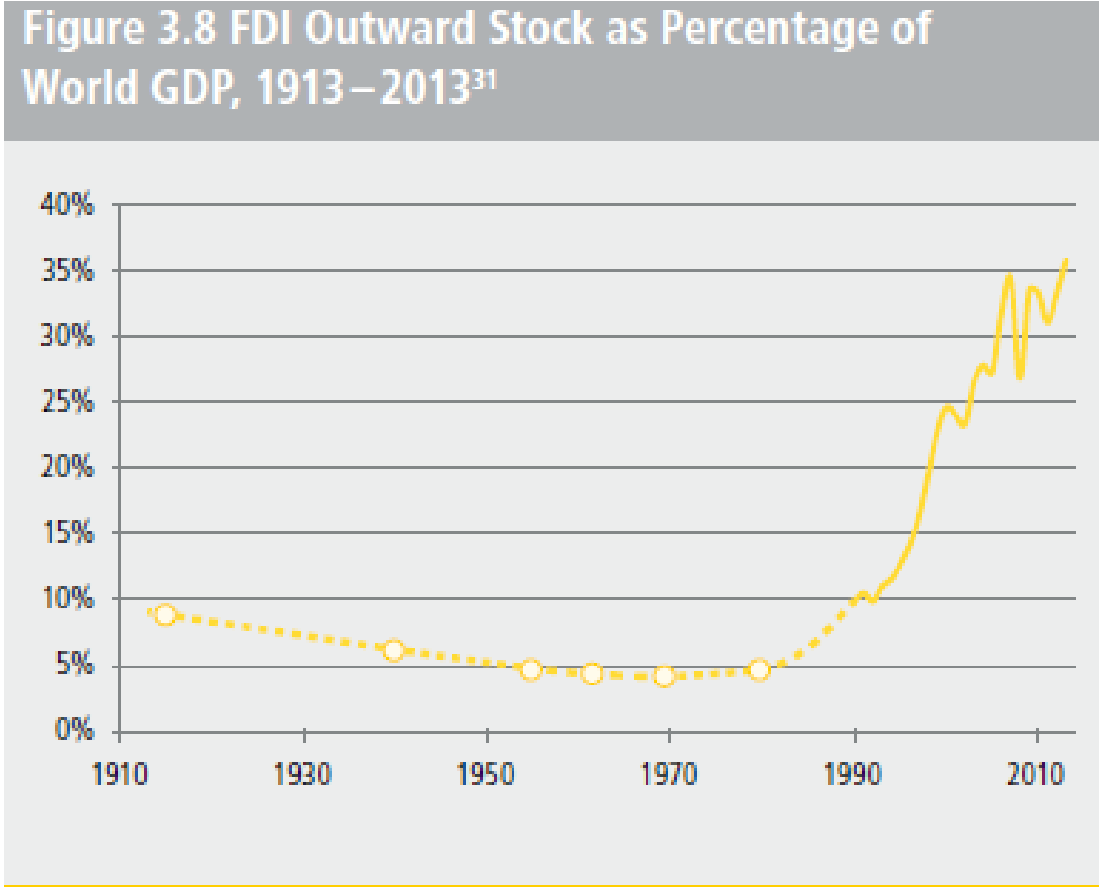
Figure 1.2
Global Intra-regional Share of International Interactions, 2013 or most recent year available¹⁵



More than 40% of all of the international interactions studied except portfolio equity investment take place within roughly continent-sized regions. Over half of merchandise trade and telephone calls are intra-regional, as are over 70% of international tourist arrivals.

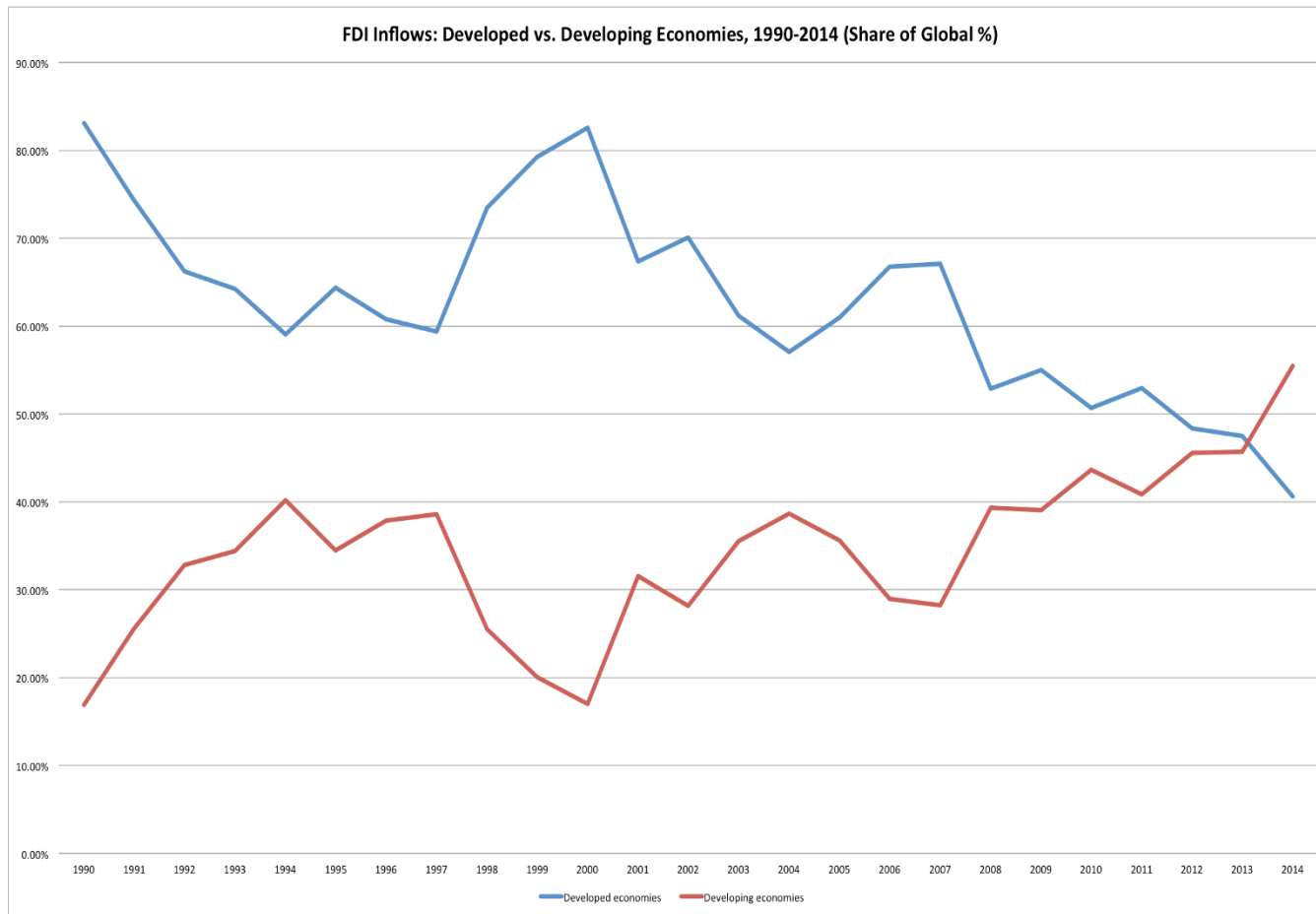


FDI 1910-2013



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.

ANDEL AF FDI – INDUSTRILANDE OG UDVIKLINGSLANDE

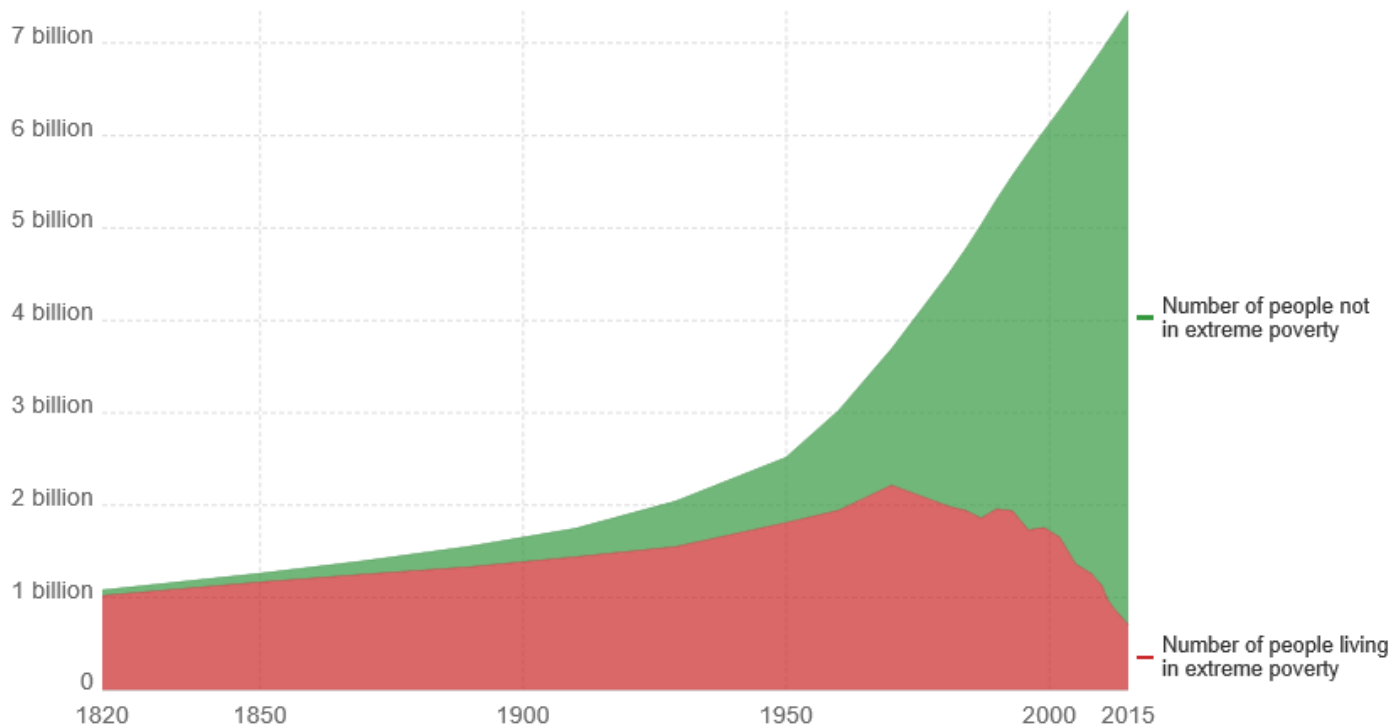


GLOBALIZATION HAS REDUCED POVERTY



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).

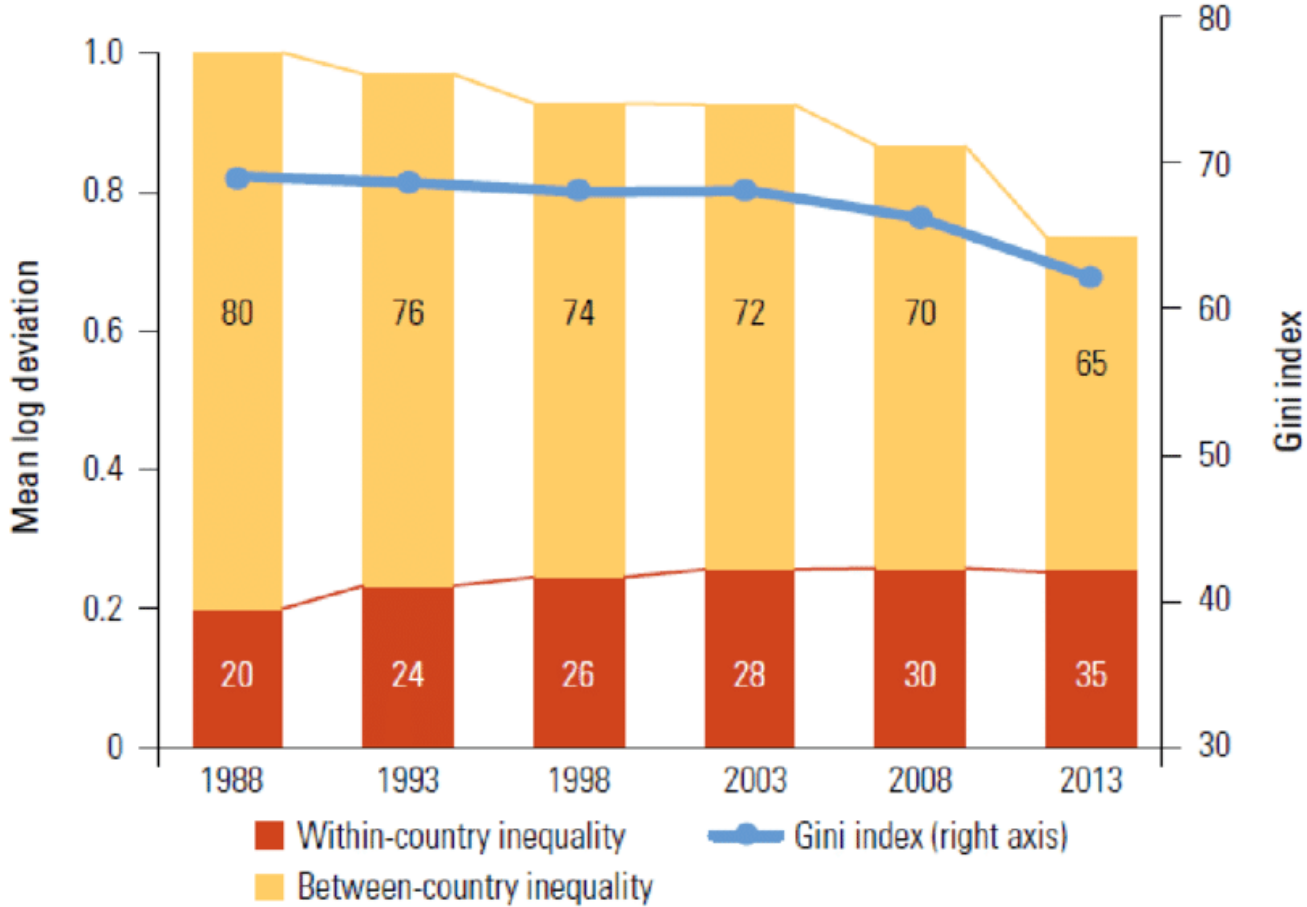


Source: World Poverty in absolute numbers (Max Roser based on World Bank and Bourguignon and Morrisson (2002))



GLOBAL INEQUALITY HAS FALLEN 1988

- BUT IS RISING WITHIN NATION

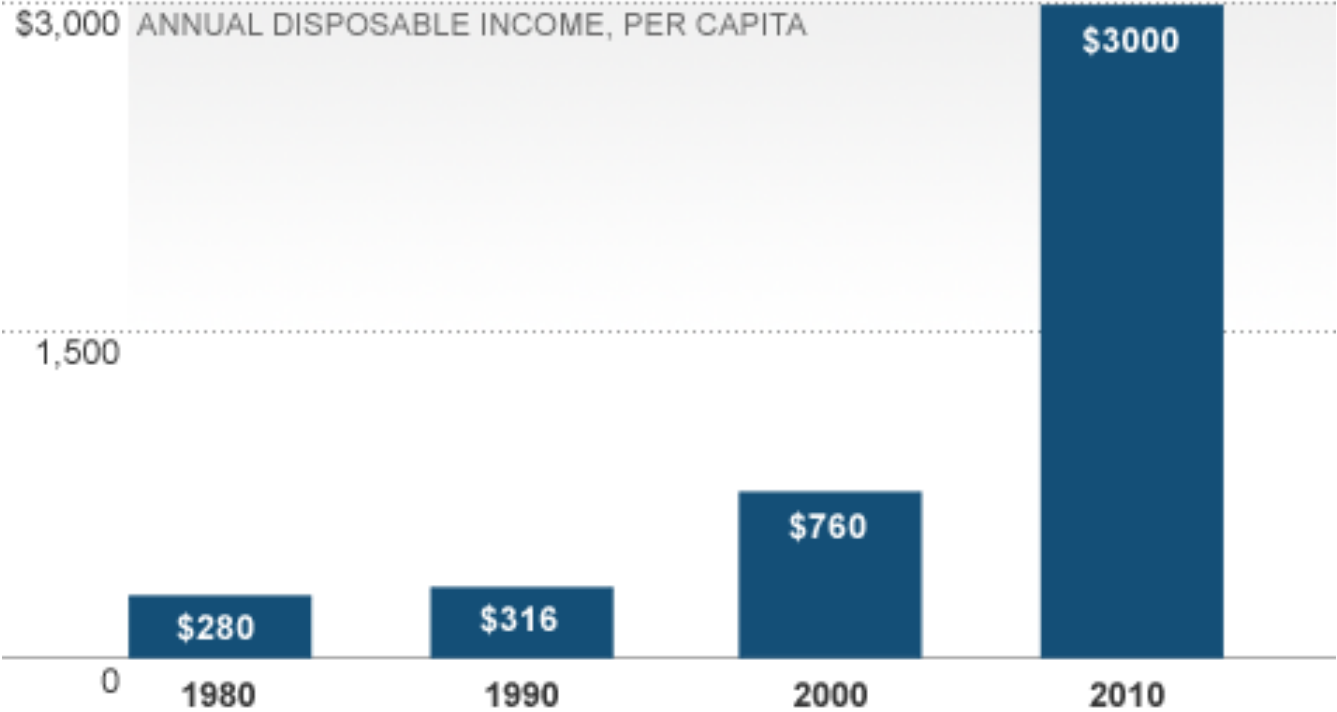


Kilde: Christoph Lakner and Branko Milanovic, 2016



DEN GLOBALE MIDDELKLASSE STIGER - ANFØRT AF KINA OG INDIEN

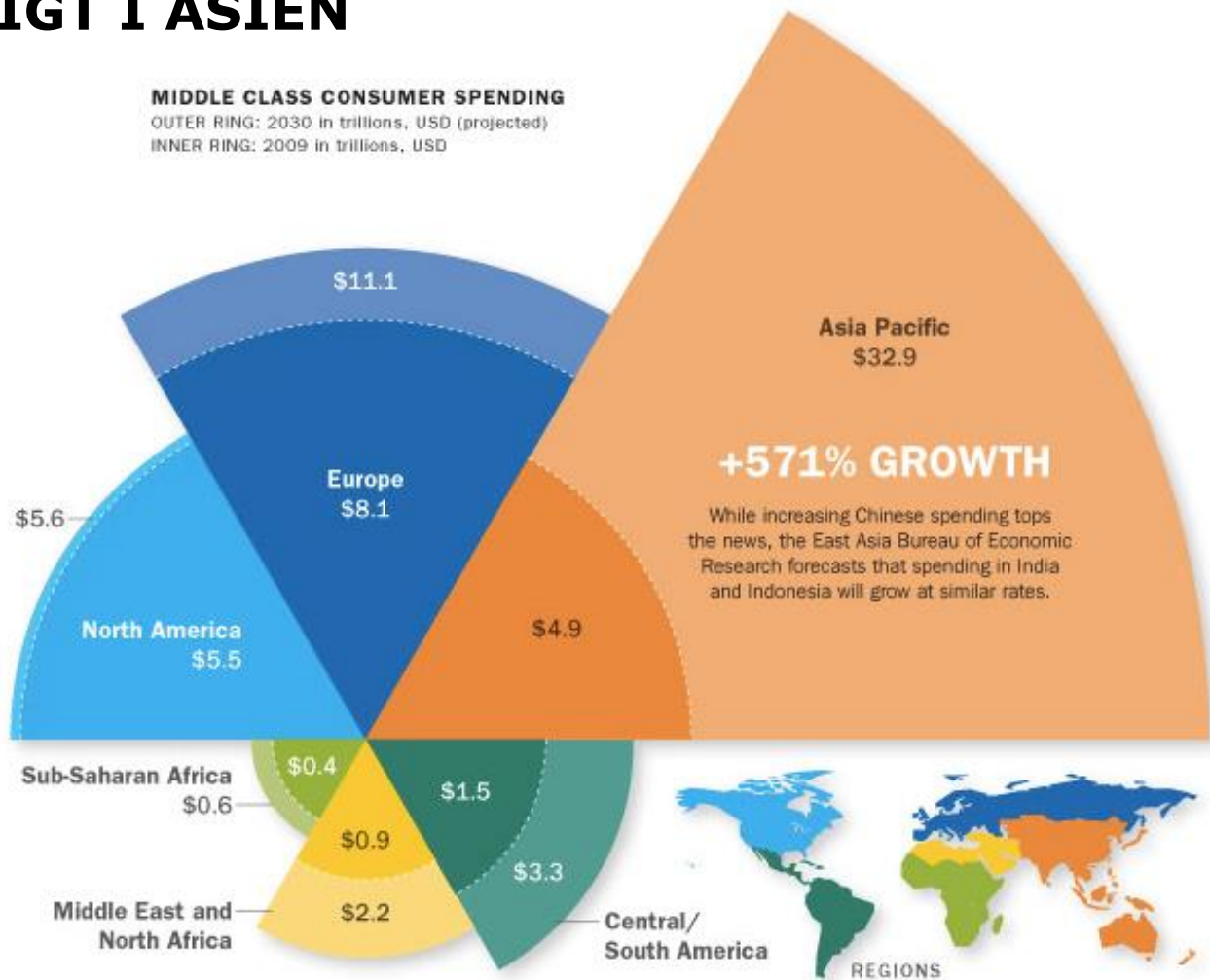
CHINA'S INCOME BOOM



SOURCE: CHINA MARKET RESEARCH GROUP



MIDDELKLASSEN FORTSÆTTER MED AT VOKSE, SÆRLIGT I ASIEN





EMERGING OG SÆRLIGT KINA EROBRER MARKEDSANDELE

ANDEL AF GLOBALT SALG	1980	2013
NORDAMERIKA	29%	24%
VESTEUROPA	36%	23%
KINA	3%	19%
EMERGING MARKETS	21%	41%
AFRIKA	2%	1%

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



HVAD HAR GLOBALISERINGEN MEDFØRT PÅ VIRKSOMHEDSNIVEAU?

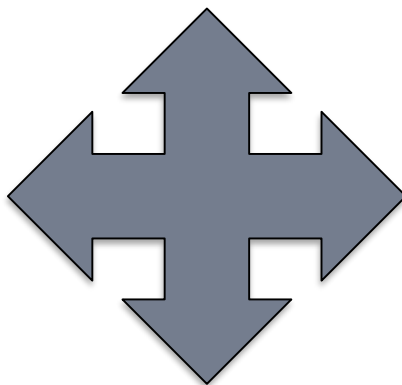




HVORFOR GLOBALISERE SIN VIRKSOMHED?

FOR AT ØGE DET GLOBALE SALG

**FOR AT FØLGE
KUNDERNE UD PÅ
MARKEDERNE**



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

FOR AT REDUCERE OMKOSTNINGERNE



GLOBALISERING, SERVICEØKONOMI OG DIGITALISERING

FRA PRODUKT
TIL SERVICE



FRA FYSISK TILSTEDEVÆRELSE
TIL APP/WEB

Scandic

DriveNow



FRA LOKALT SALG
TIL GLOBALT SALG

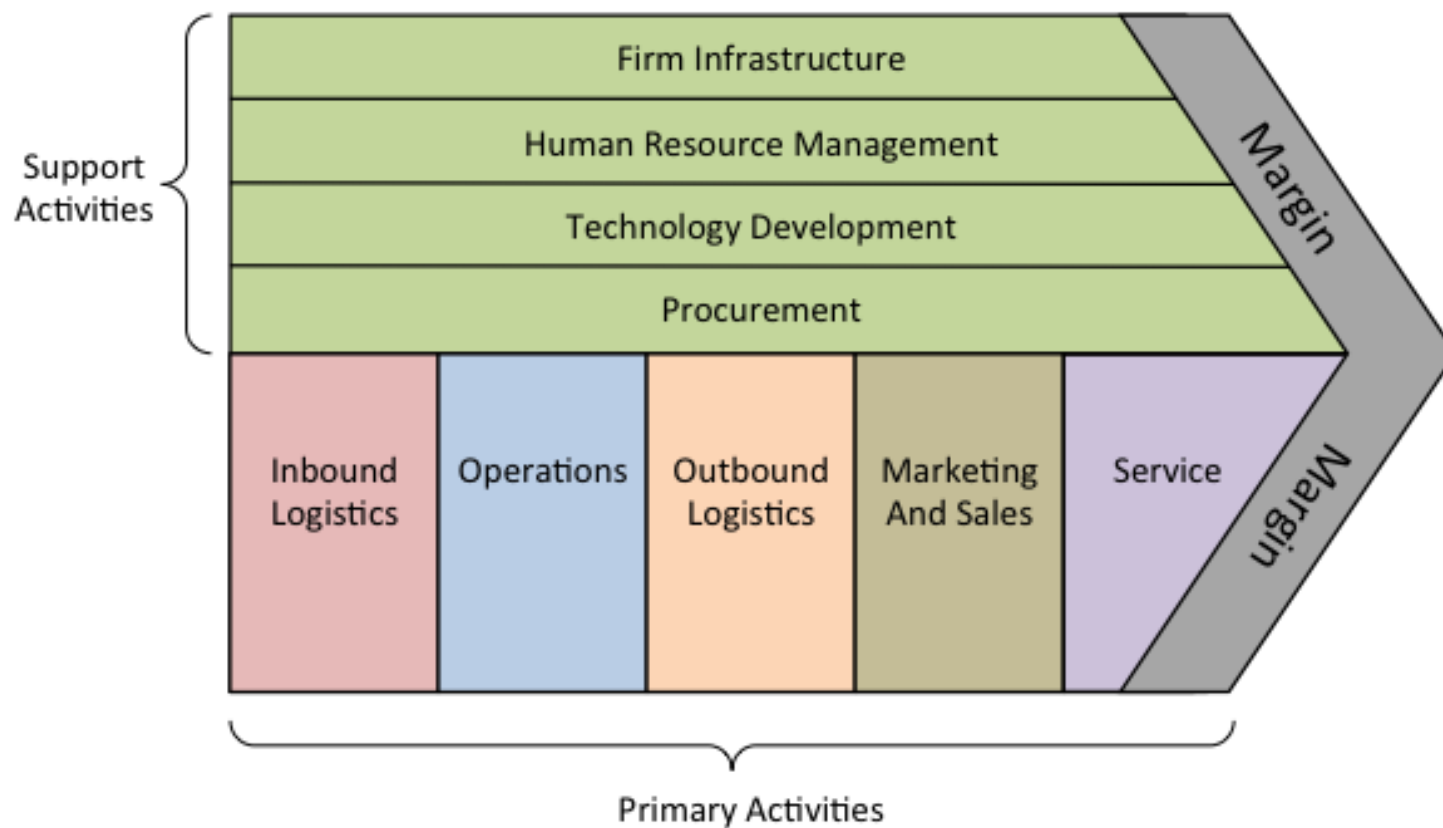




GLOBALISERING PÅVIRKER ALLE VIRKSOMHEDER OG ALLE BRANCHER (MEN NOGLE MERE END ANDRE)



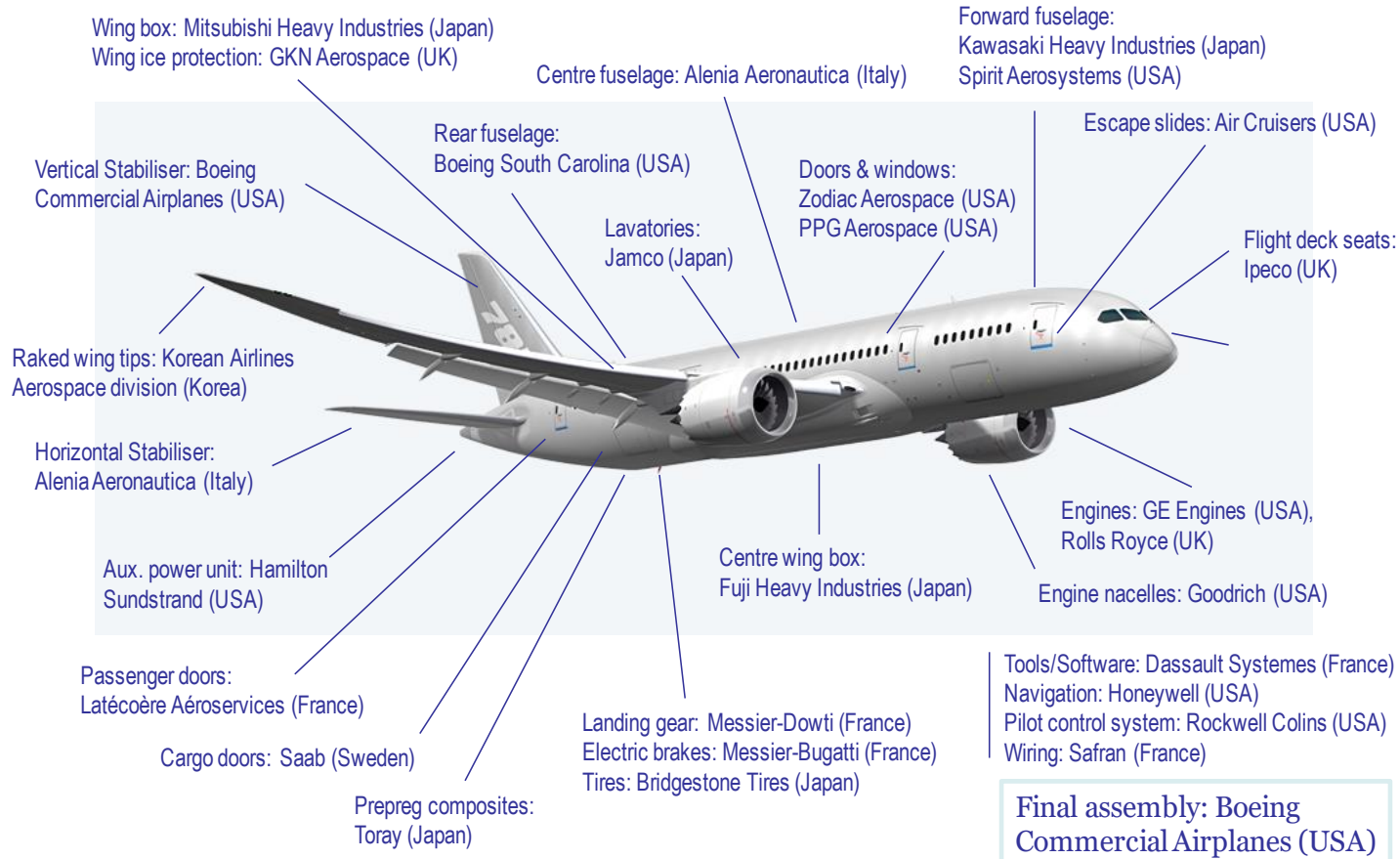
GLOBALISERING AF VÆRDIKÆDEN





GLOBAL VALUECHAINS

EN BOEING 787 DREAMLINER





THE FUTURE OF GLOBALIZATION

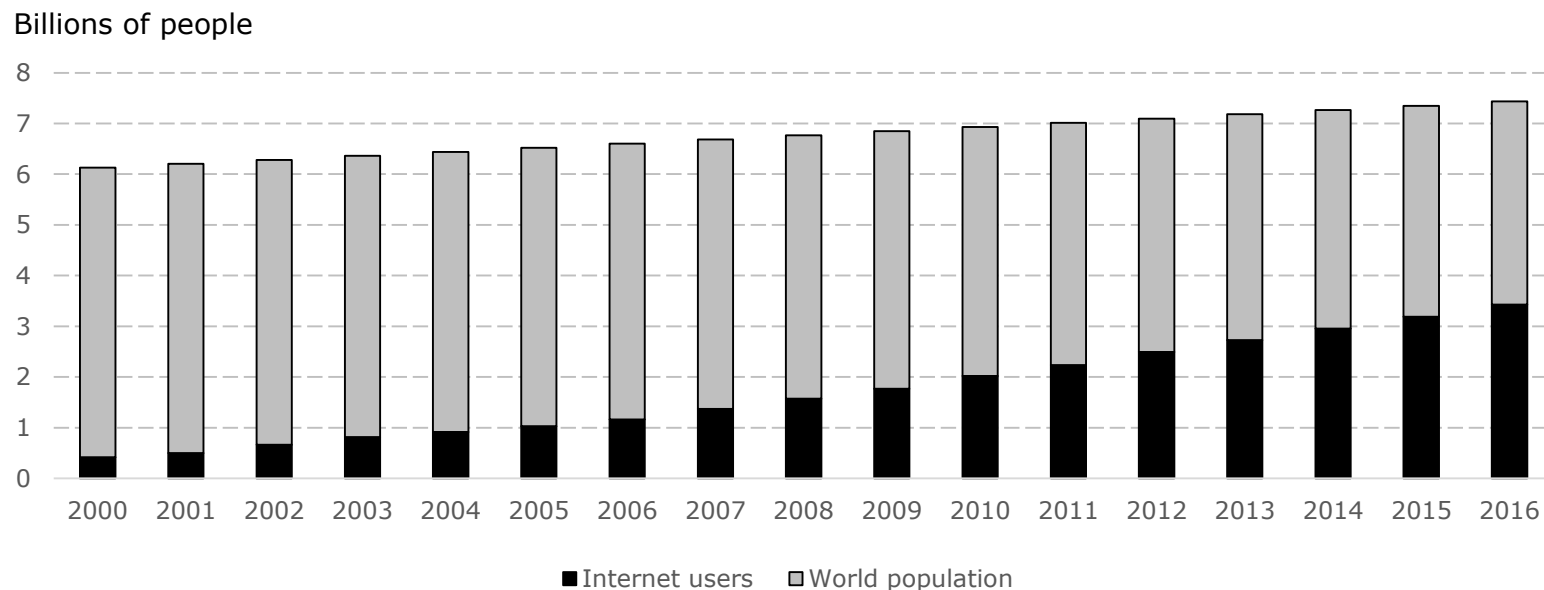
HAS GLOBALIZATION HIT THE BRAKE BEFORE COMING TO A STOP?





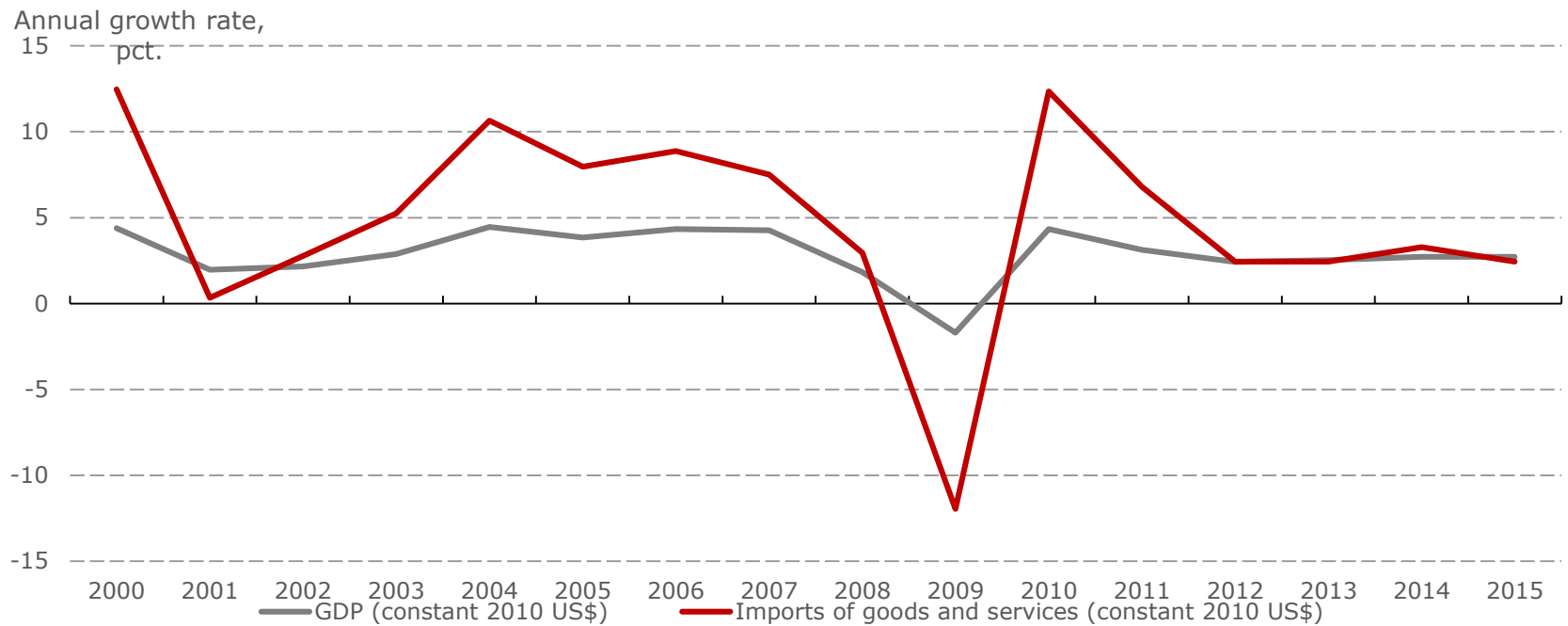
THE WORLD IS INCREASINGLY CONNECTED

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



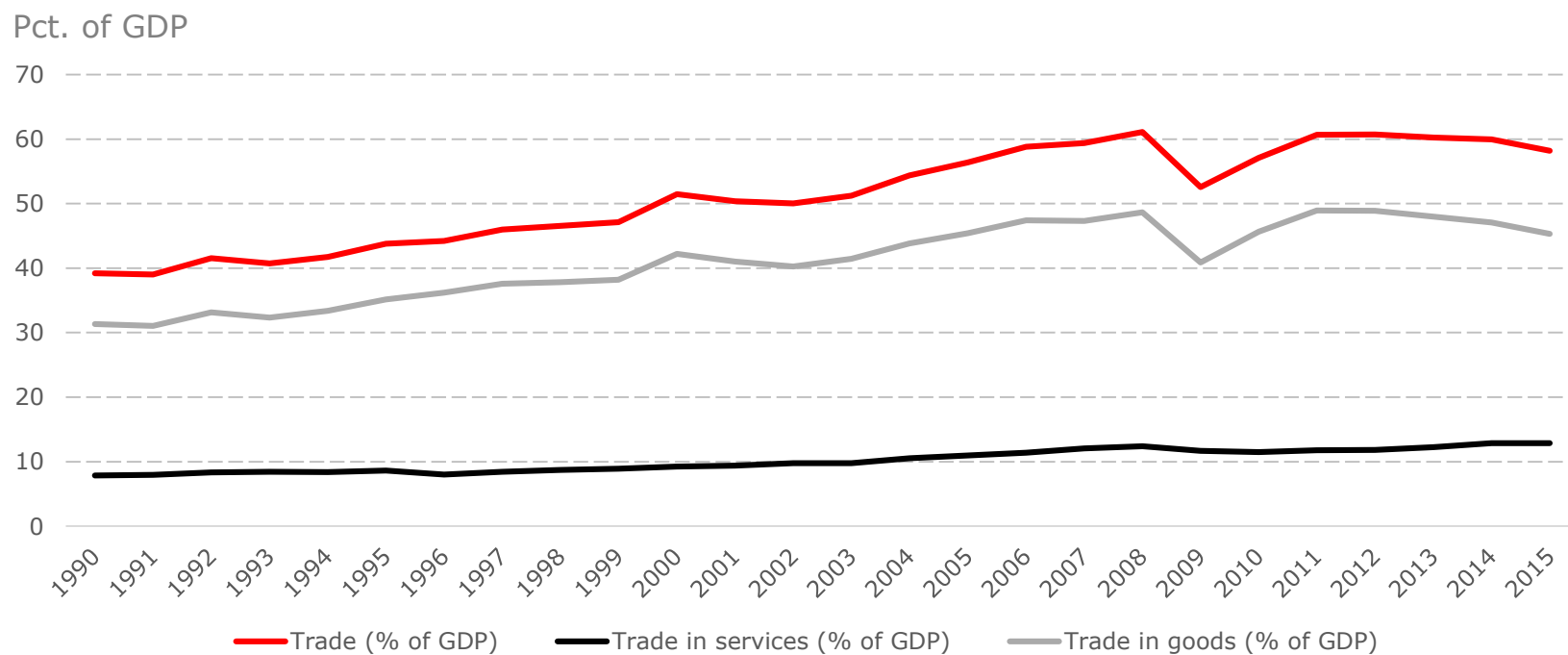
Source: www.internetlivestats.com

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

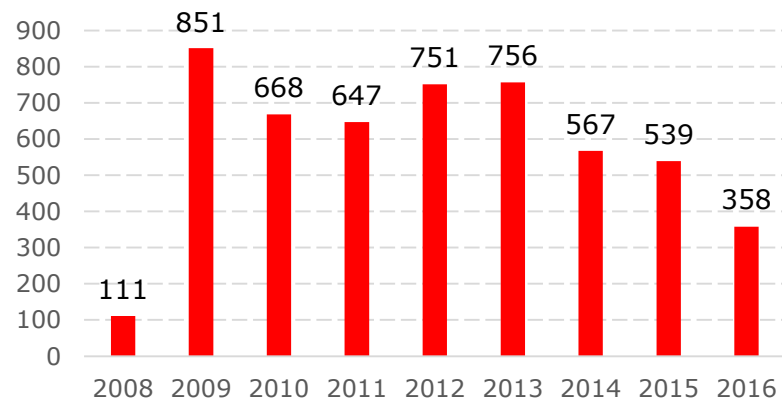


- **CETA** (EU-Canada) struggled to get passed
- The US has withdrawn from **TPP** (Trans Pacific Partnership)
- **TTIP** (EU-USA) faces a difficult future
- The end of **NAFTA**?
- **CREP** (Asian mega regional trade agreement) is still being negotiated

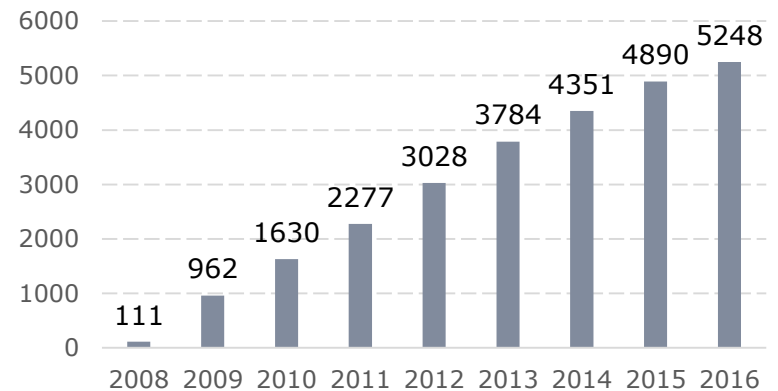
PROTECTIONIST MEASURES HAVE BEEN RISING SINCE 2008



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 borders, immigration, refugees and free movement of labor leads to politicians reacting by proposing walls and guarded borders.



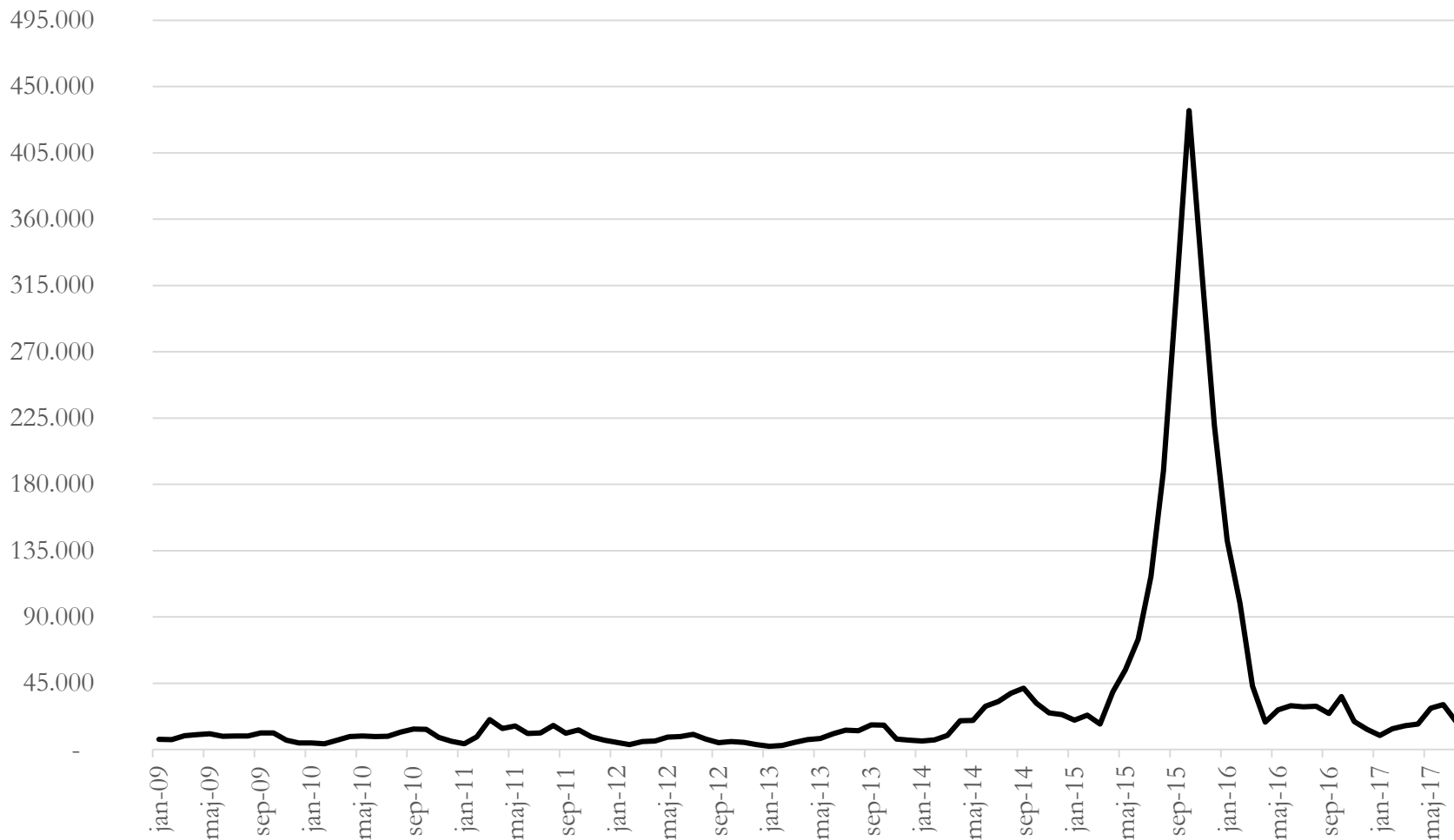
The border fence in Naco, Mexico
Source: The New York Times



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:

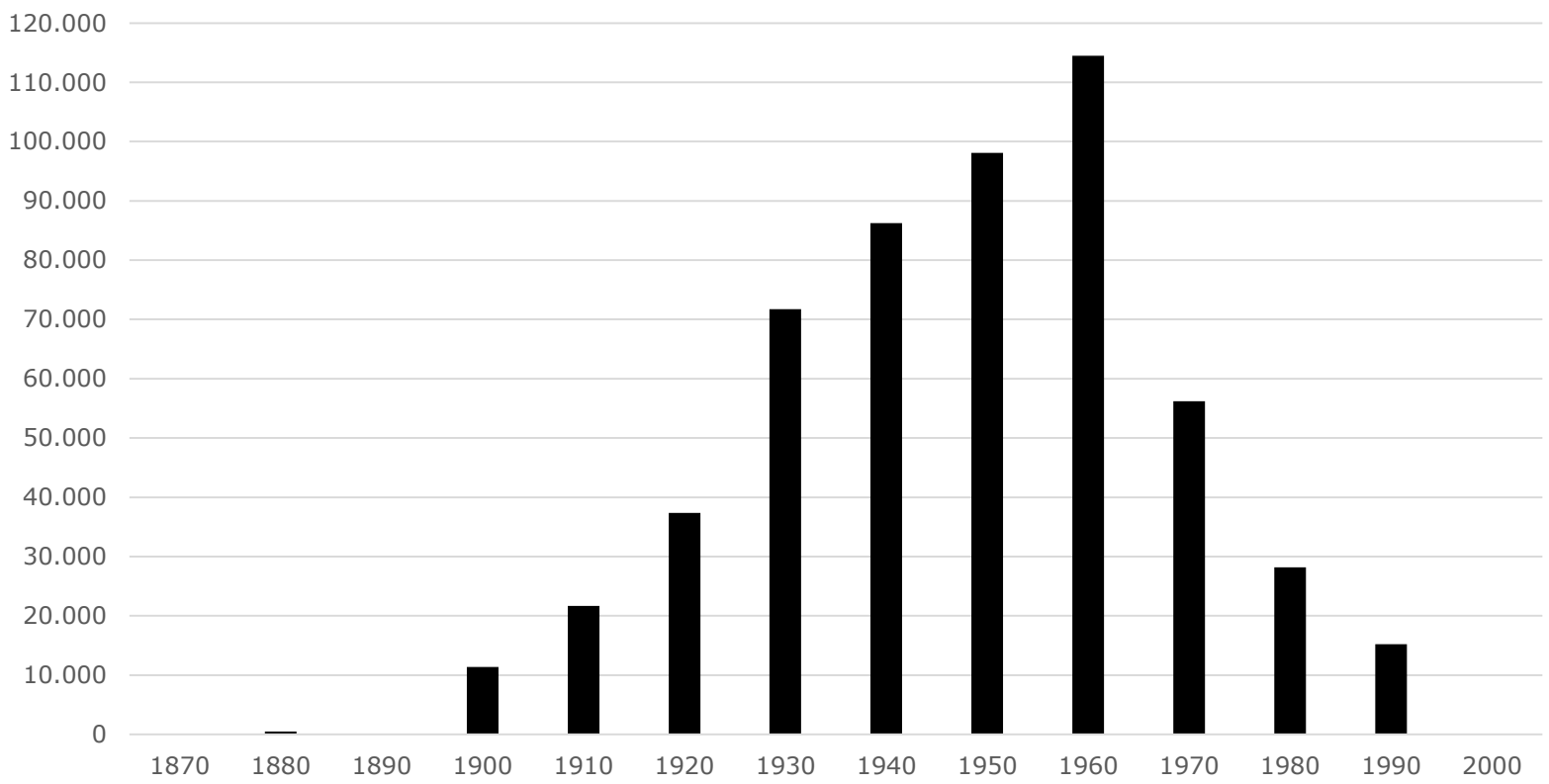
Less labor intensive production and **potentially the end of global value chains** – a key driver of economic globalization.





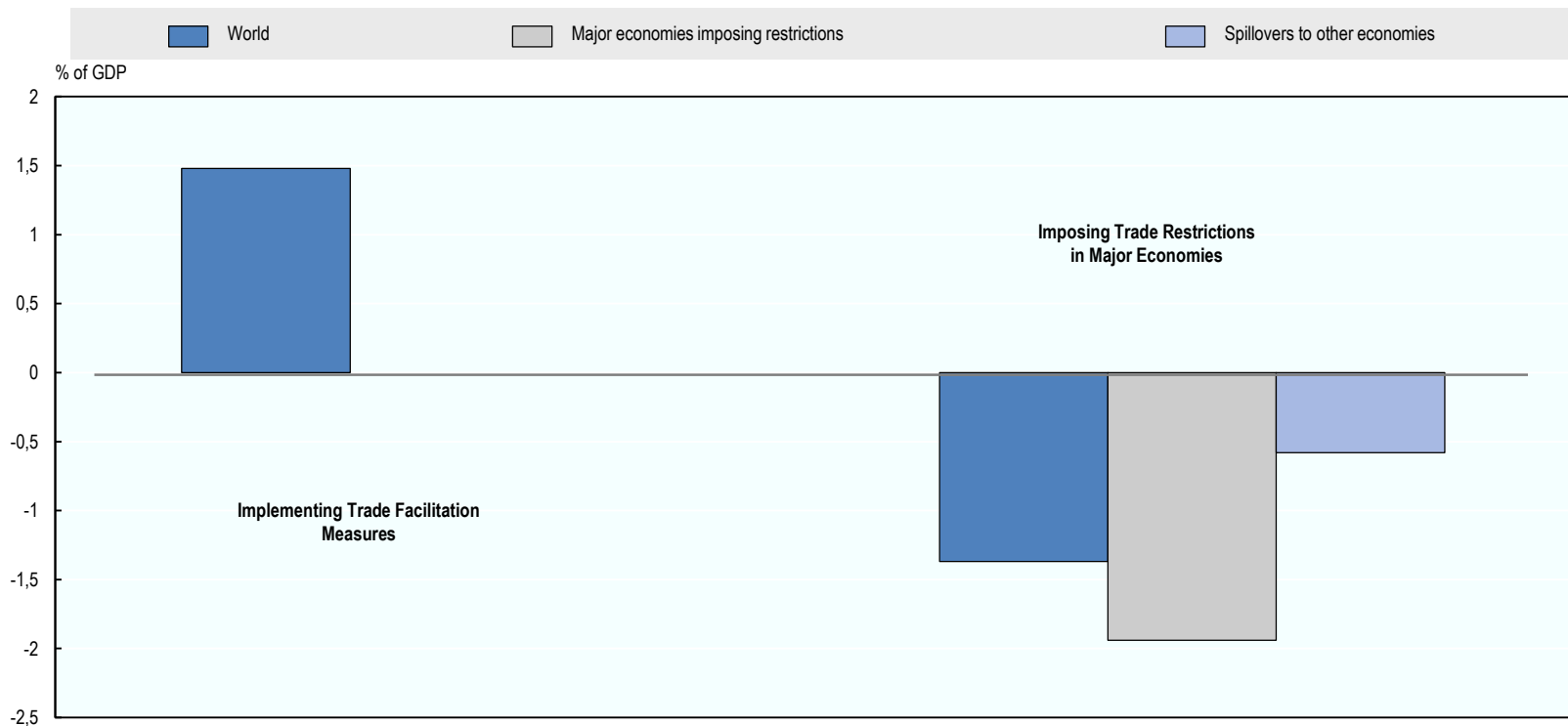
FREMSKRIDT SKABER OG DRÆBER JOBS

Antal elevatorførere i USA



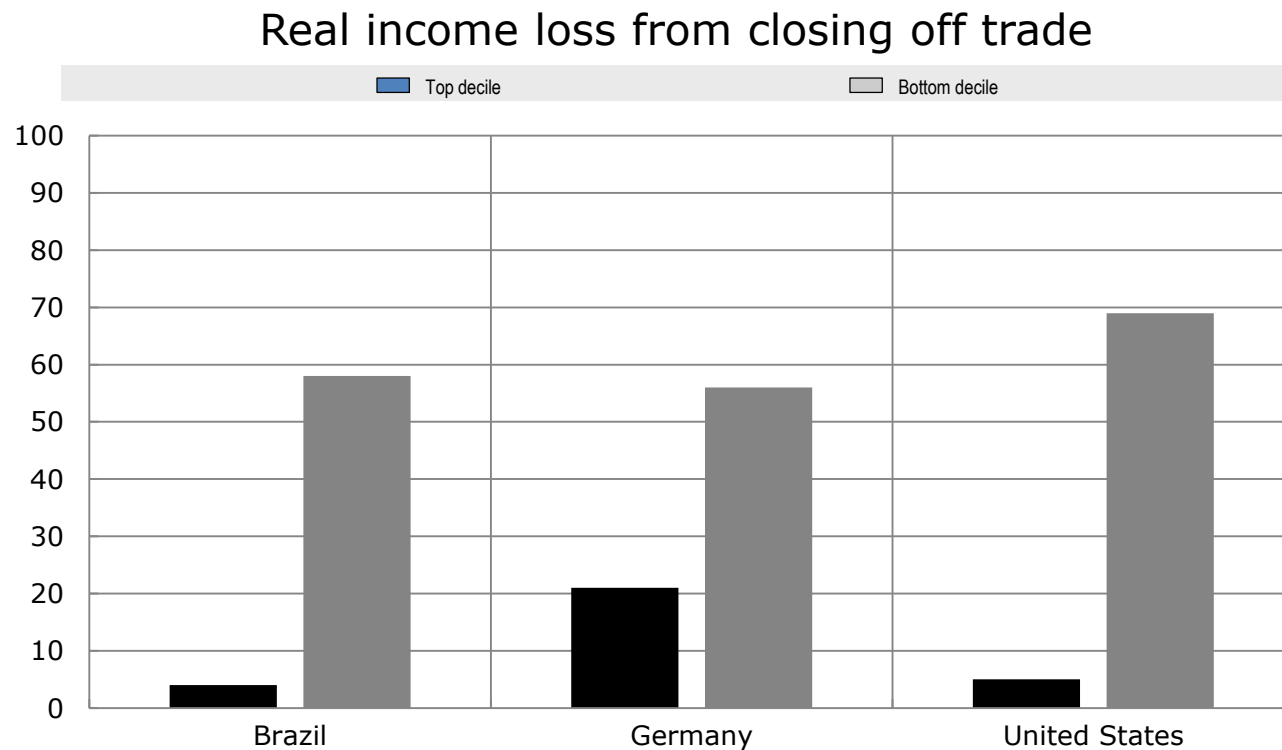
Kilde: Robert D. Atkinson, and John Wu: False Alarmism: Technological Disruption and the U.S. Labor Market, 1850-2015

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.



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

***Trade Council
of Denmark***





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 markeder 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**

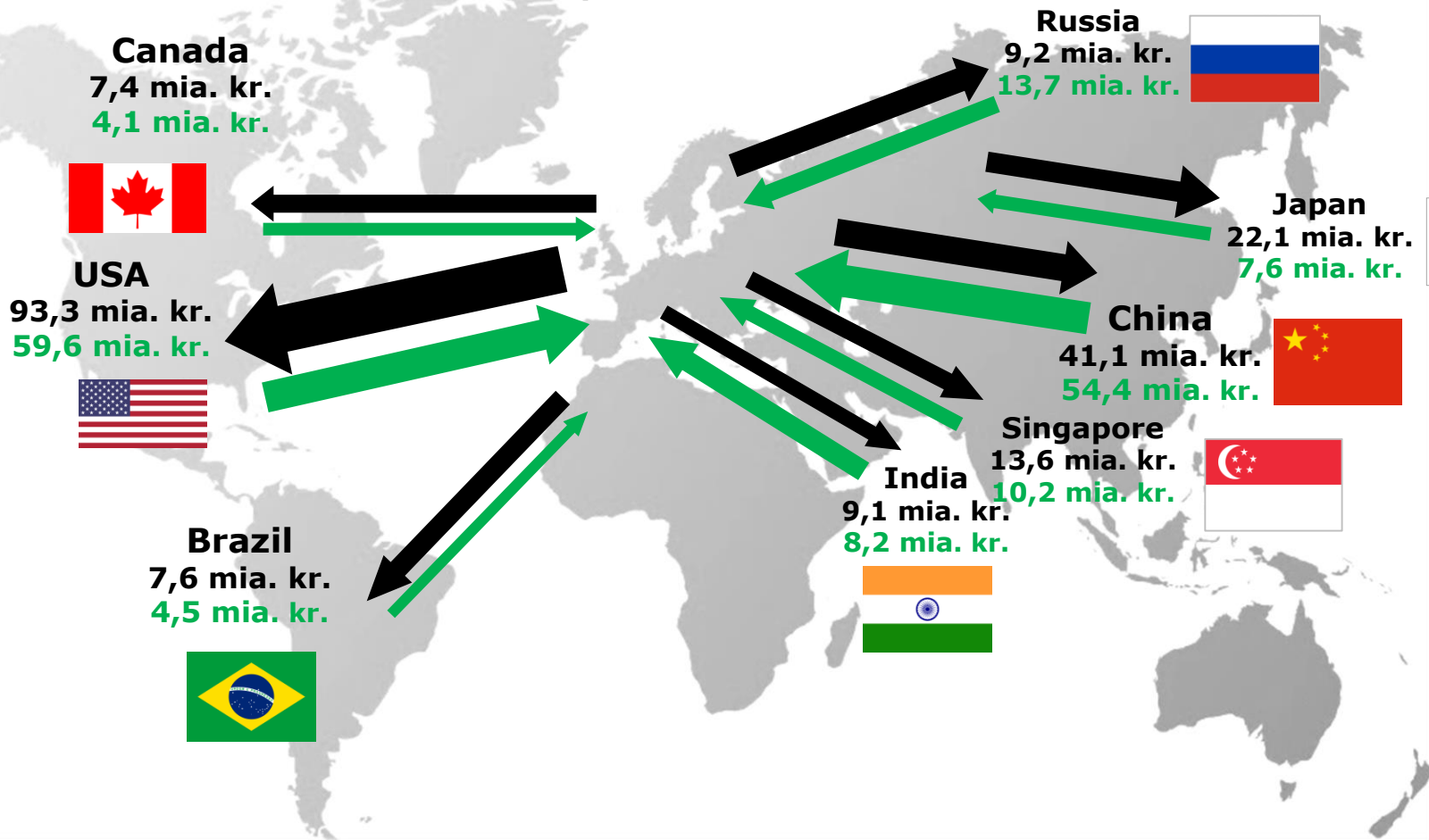


**Uruguay
Round
1986-1994**

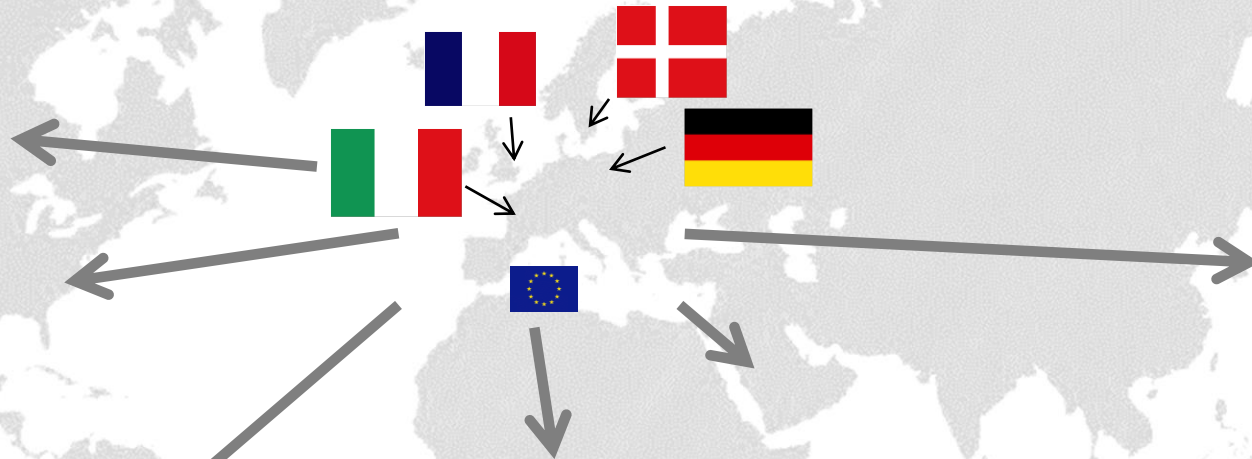
**Doha
Development
Agenda
2001-**



DANMARKS HANDEL MED VARER OG YDELSER UDEN FOR EU I 2016, UDVALGTE FJERNMARKEDER



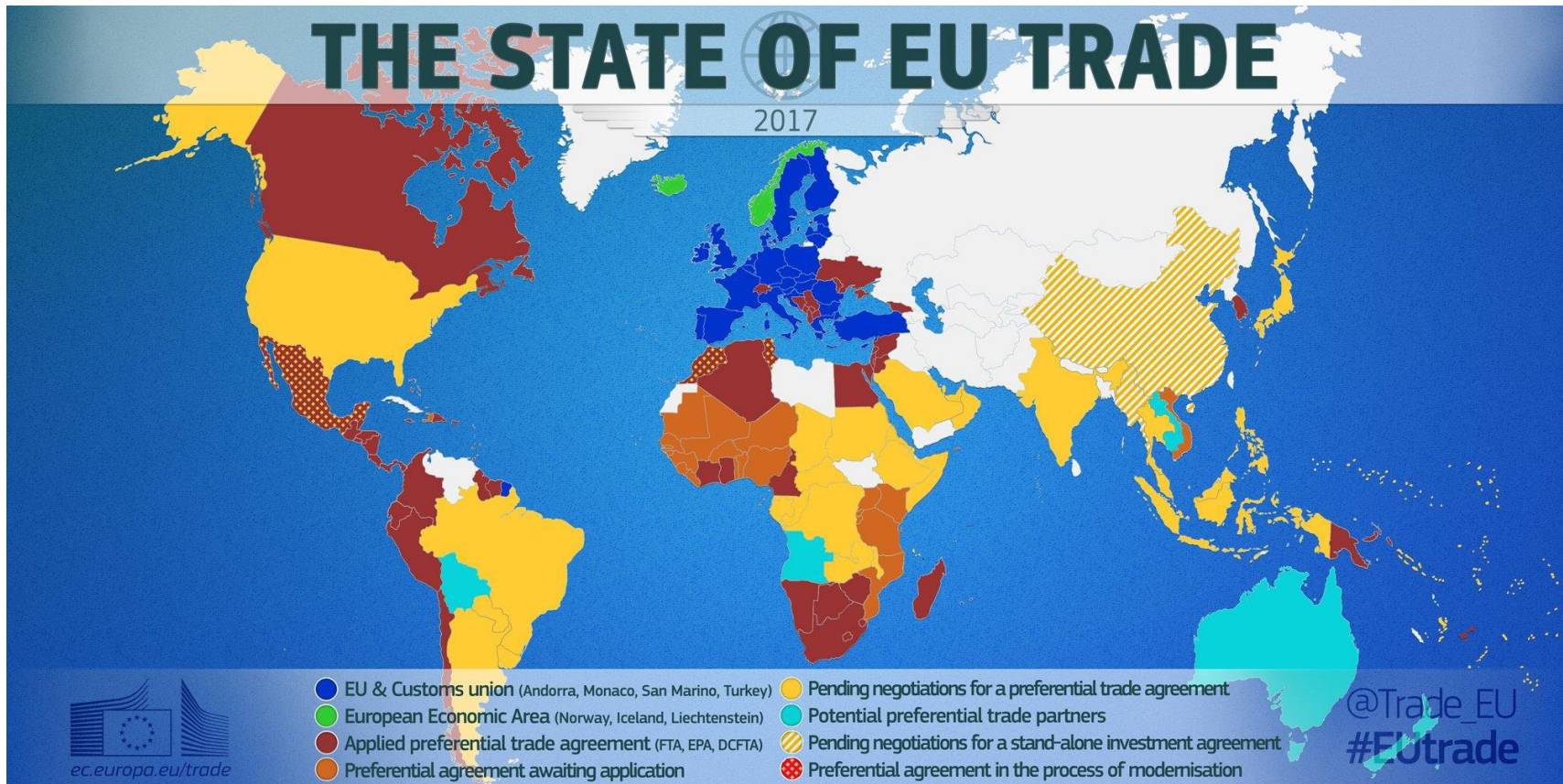
EU FORHANDLER FTA'S PÅ VEGNE AF MEDLEMSLANDE



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



Effective agreements



Negotiated agreements



Agreements being negotiated



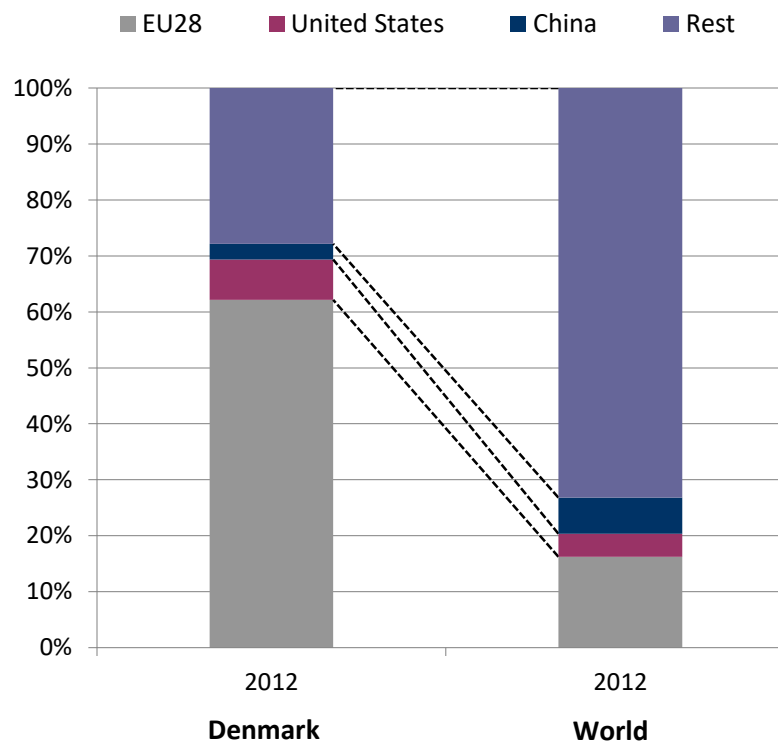
Prepared negotiations



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

Composition of Danish Exports vs. World Imports



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

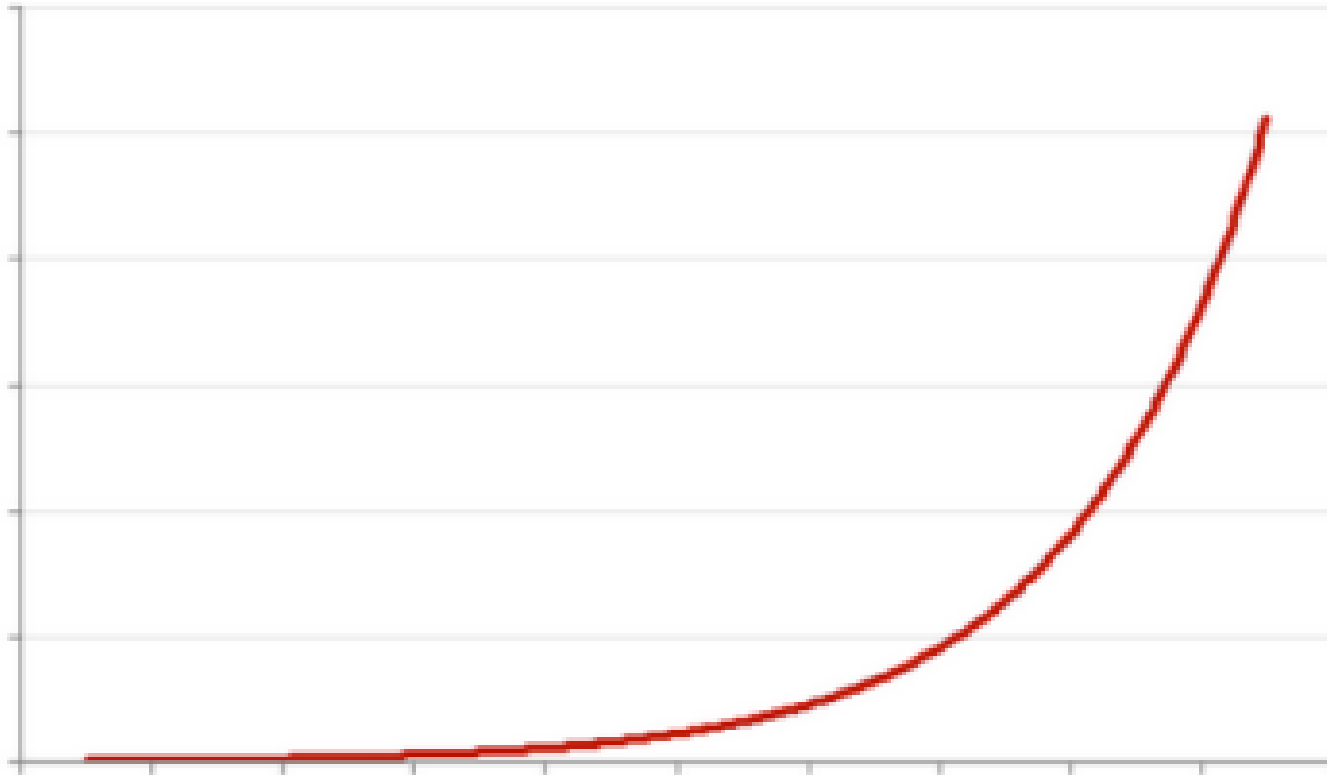
DIGITIZATION



EVERYTHING THAT CAN BE DIGITIZED
WILL BE DIGITIZED



THE POWER OF EXPONENTIALITY





TEKNOLOGIER DER VIL REVOLUTIONERE ALLE BRANCHER



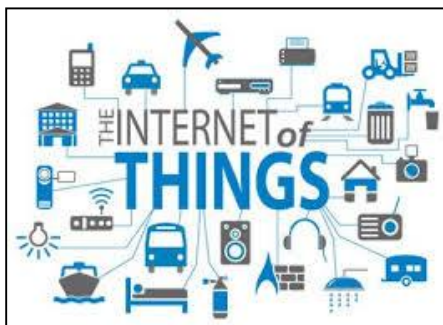
Advanced robotics



Artificial Intelligence



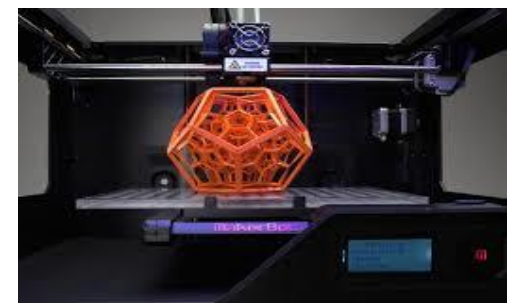
Cloud computing



Internet of things (IoT)



Hand held super computers

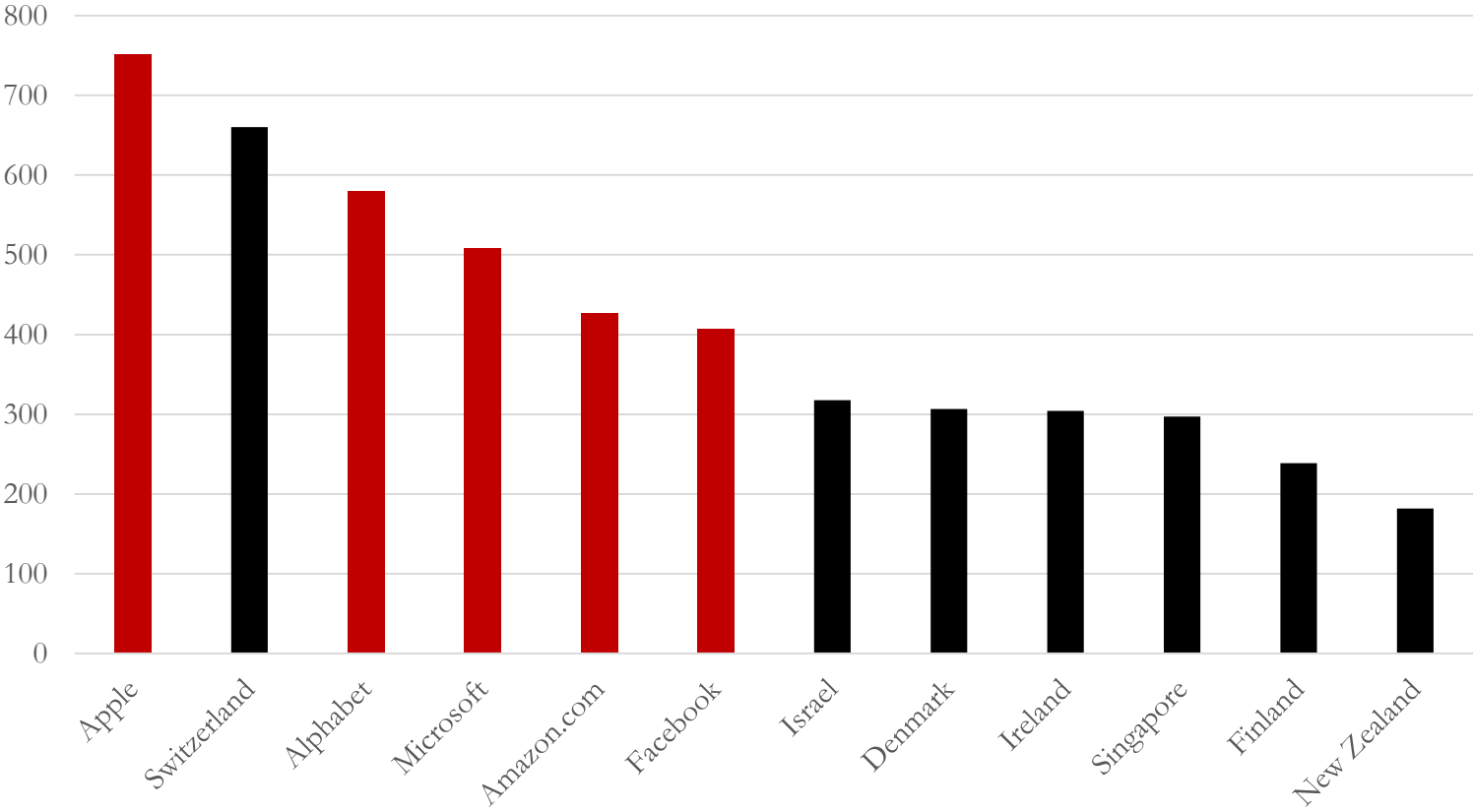


3D printing



VIRKSOMHEDER OG LANDE

BNP (2016) vs. markedskapitalisering, Bill. USD



Source. Oxford Economics and Forbes: The Worlds Largest Public Companiens



TECHNOLOGY IN PERSPECTIVE

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 worlds 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.

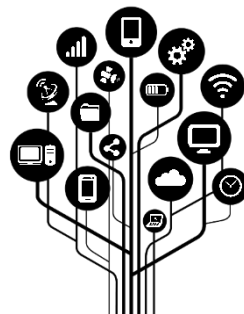
Two-fold purpose:

- 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



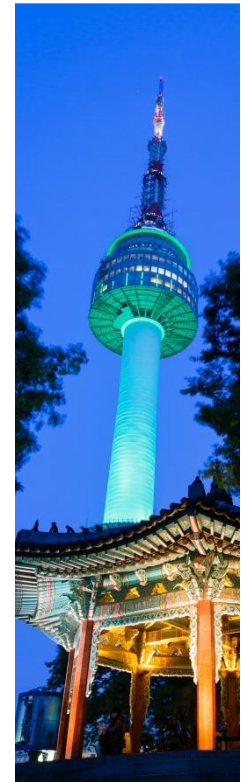
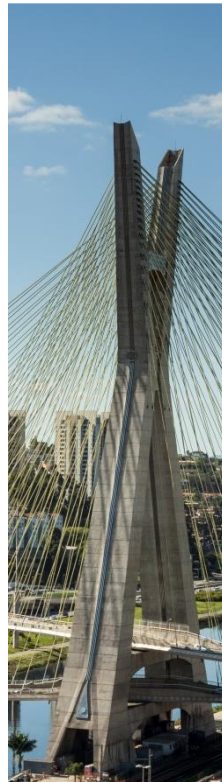
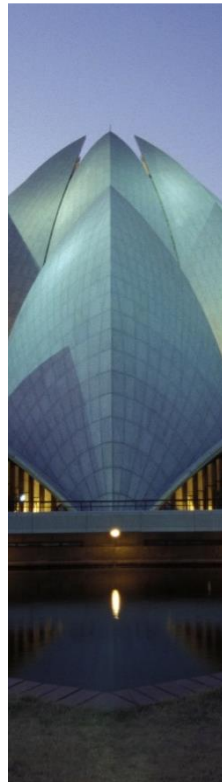
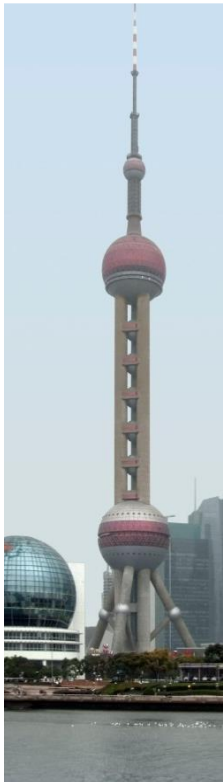
Take advantage of the positive attention surrounding the TechPlomacy initiative and the new contacts/network being developed to benefit Danish companies and business sectors by engaging in concrete export and investment activities when/if relevant.



INNOVATION



INNOVATION CENTRE DENMARK





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



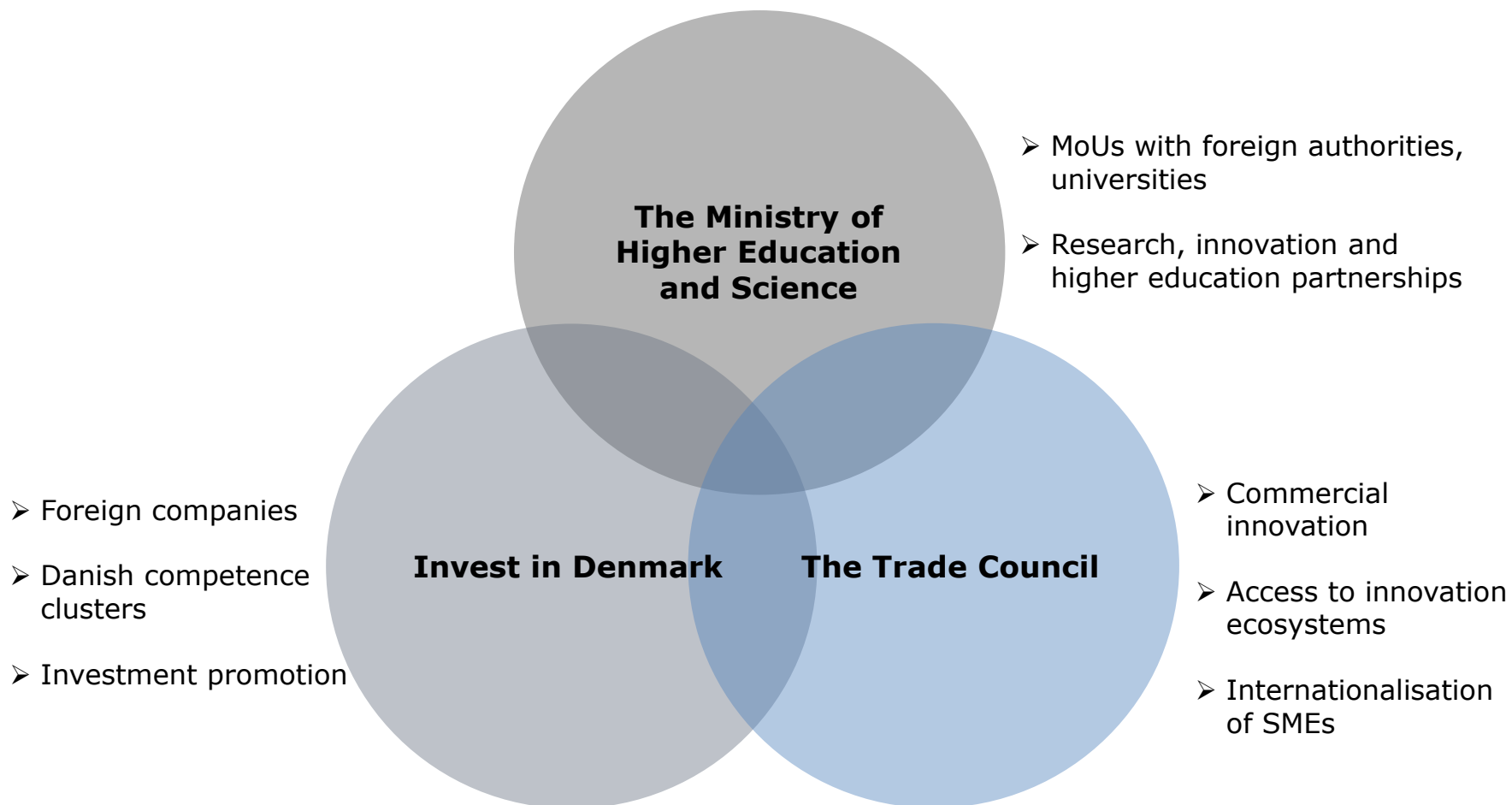
The robots are here
Meet your digital workforce
A Deloitte report



GLOBAL ORGANISATION



ICDK – A THREE-PRONGED APPROACH

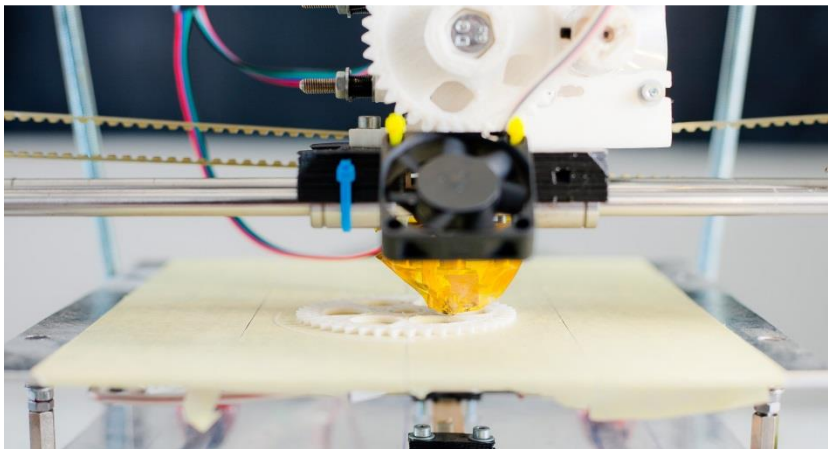
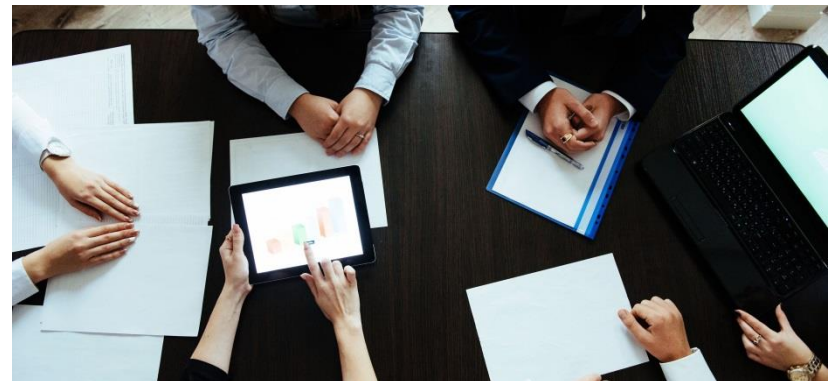


SERVICES & DELIVERABLES



Entrepreneurship & SMEs

- Innovation camps
- Introduction to international start-up ecosystems and access to funding
- Incubator services



Corporate Innovation

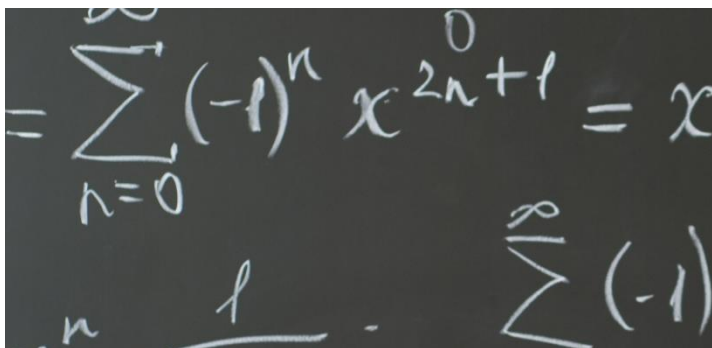
- Tech scouting
- Business model development
- Product and technology assessment
- Partnerships and network



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

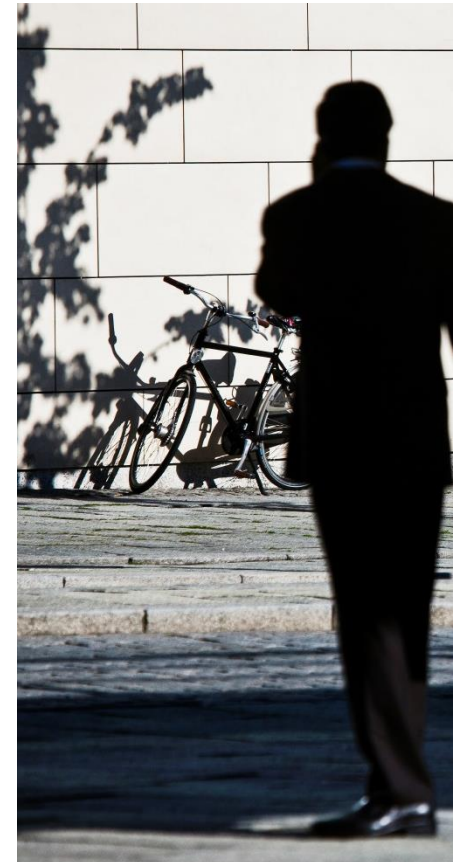
DXTR Tactile, The Eye Tribe,

GROW

ICDK GROW is targeted 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?

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