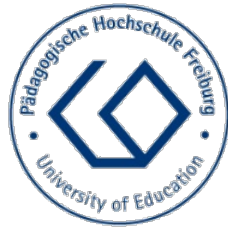


# State of the Art in Globalisation and Industrialisation in the Textile and Clothing Industry



Hochschule Reutlingen  
Reutlingen University



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# Learning Objectives

After this lecture you should be able to:

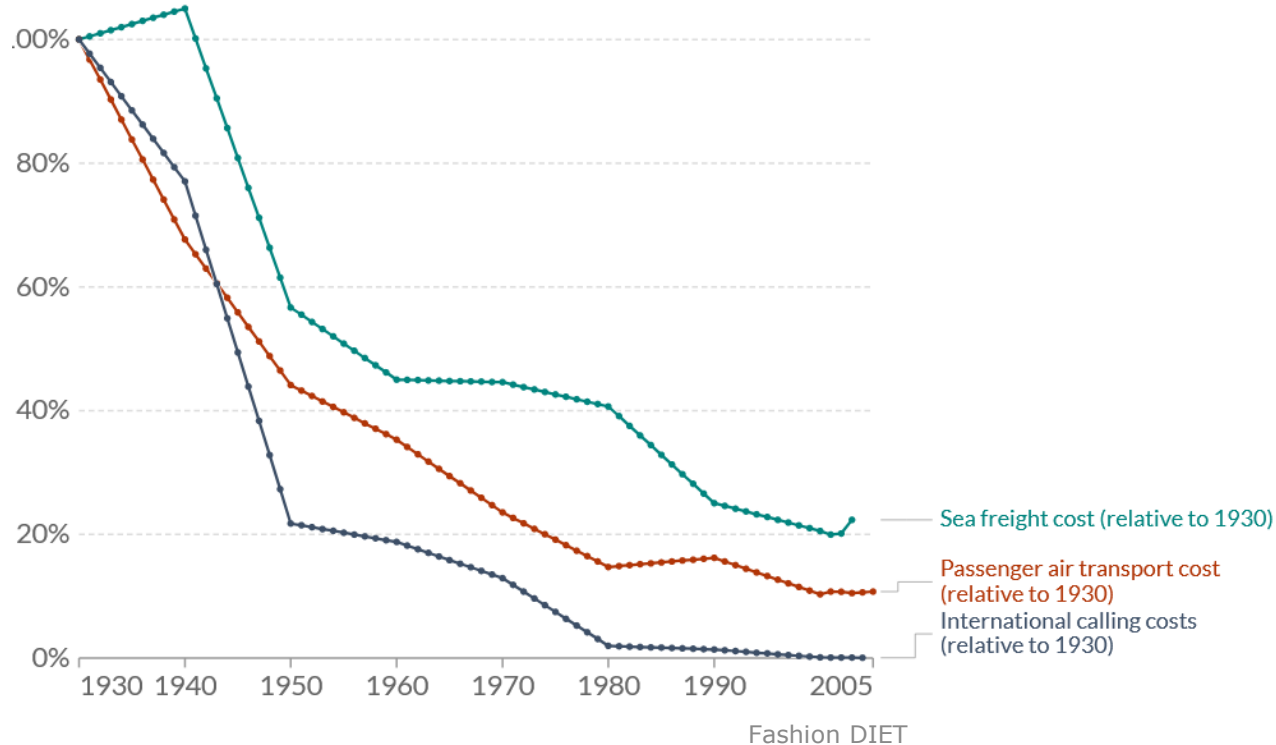
- Explain different reasons for globalization
- Describe the positive and negative impact of globalization
- Explain how global trade has developed over the last decades
- Outline the impact of globalization on the fashion industry

# Globalization

**Globalization** = process of interaction and integration among people, companies, and governments worldwide:

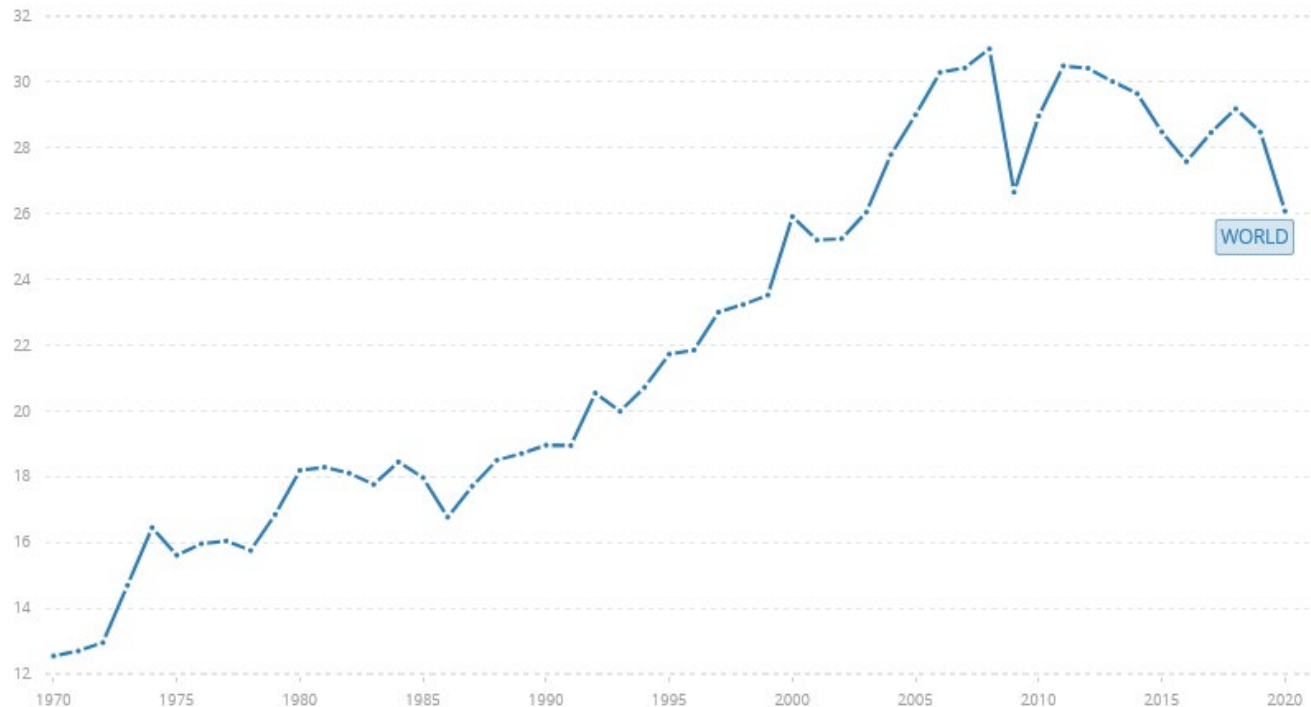
- increased international trade
- companies operating in more than one country
- greater dependence on the global economy
- freer movement of capital, goods, services and humans
- recognition of specific companies worldwide

# The decline of transport and communication costs relative to 1930



Our World in Data (2022)

# Exports (goods and services) in % of GDP (1970-2020)



The World Bank (2022)



# Exports (goods and services)

- Up to 1970, the sum of worldwide exports counted for less than 12% of global output
- Today, the value of exported goods around the world is between 25% and 30%



Over the last 50 years of economic growth, there has been more than proportional growth in global trade.

## Exports of goods and services in billion USD by country (2020)

Country	Billion USD
China	2,591
United States	1,431
Germany	1,380
Netherlands	674
Japan	641
Hong Kong	548
Korea	512
Italy	496
France	488
Belgium	419
Mexico	417
UK	403
Canada	390

## Exports of goods and services by country as % of GDP (2020)

Country	% of GDP
Luxembourg	214
Hong Kong	177
Singapore	176
Djibouti	153
Malta	140
Ireland	131
Vietnam	106
Slovakia	85
Belgium	80
Hungary	79
Slovenia	78
Netherlands	78
Lithuania	77



→ Represents how much  
involved each  
individual is on  
international trade

Data: The World Bank (2022)

## Imports of goods and services by country (2020)

Country	Million USD
United States	2,839,772
China	2,003,257
Germany	1,417,657
UK	799,294
Japan	782,592
France	759,683
Netherlands	611,415
Hong Kong	585,454
Korea	584,998

→ Smaller economies are much more susceptible than larger economies to various external shocks in the world economy

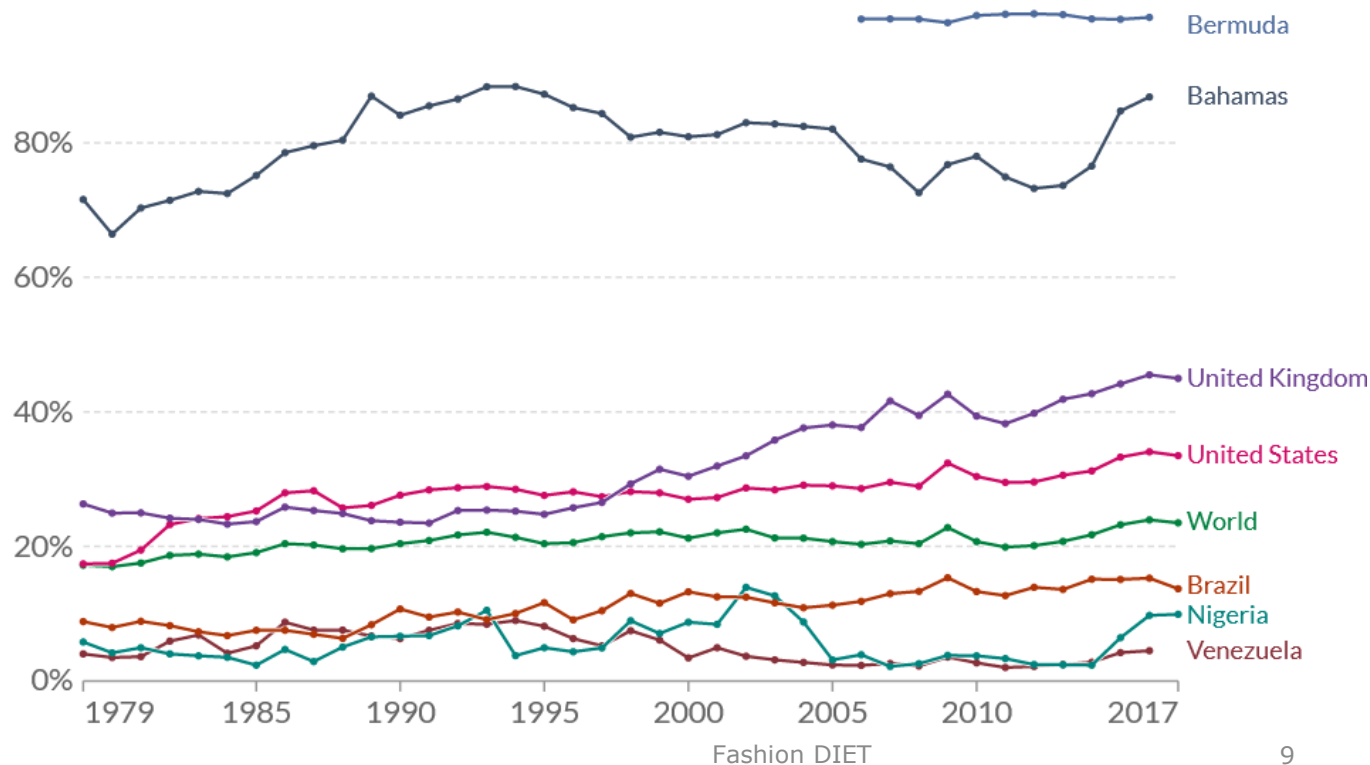
## Imports of goods and services as % of GDP (2020)

Country	% of GDP
Luxembourg	175,80
Hong Kong	174,92
Singapore	140,33
Djibouti	130,97
Malta	111,38
Seychelles	108,84
Ireland	105,43
Somalia	103,20
Vietnam	94,54
Liberia	84,90
Slovakia	80,13
Libya	77,51
Belgium	73,87

Data: The World Bank (2022)



# Share of services in total exports 1979 to 2017



Our World in Data (2022)



# Freedom of Trade

Intergovernmental organizations like the World Trade Organization (WTO), International Monetary Fund (IMF) etc. promote free trade between countries

# The World Trade Organization (WTO)

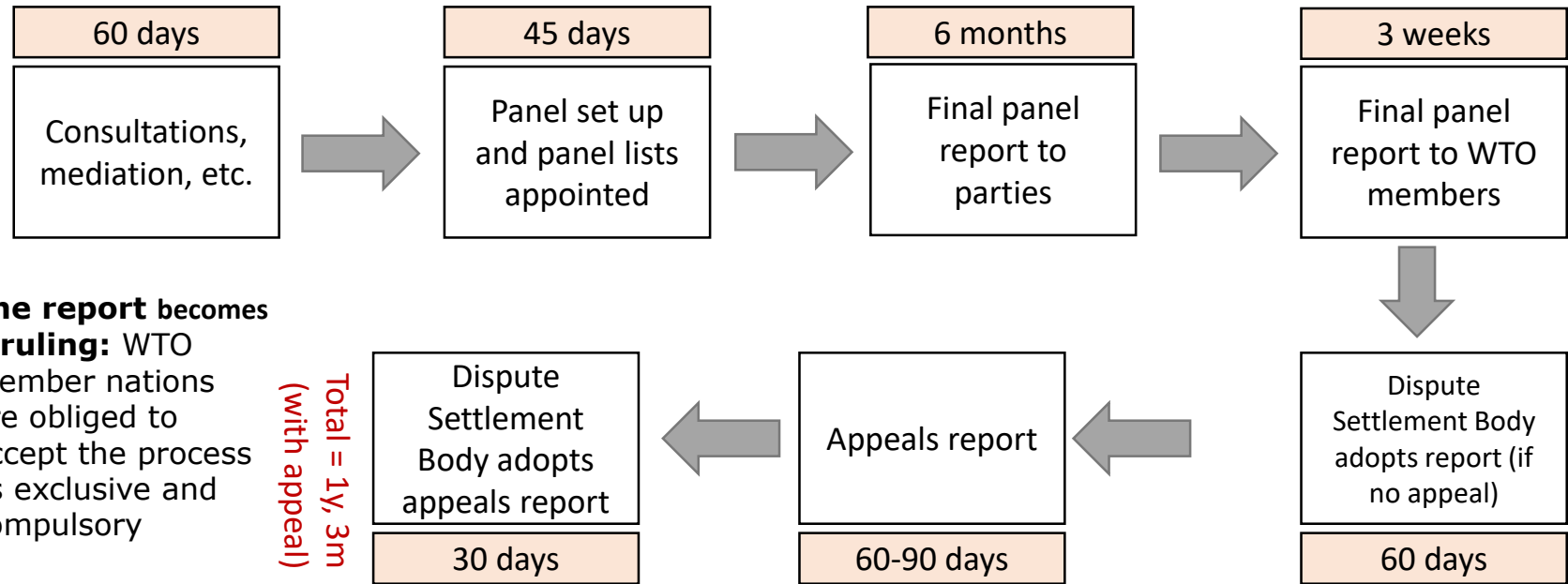
- Officially commenced operations in January 1995; headquartered in Geneva, Switzerland
- As of 2021, the WTO has 164 member countries
- Tremendously boosted global trade and reduced trade barriers
- Governments use the organization to establish, revise, and enforce the rules that govern international trade.
- Mainly a dispute or mediation entity: provides a platform that allows member governments to negotiate and resolve trade issues with other members

# The World Trade Organization (WTO)

## **WTO dispute settlement mechanism**

- Before taking any other actions the countries in dispute have to talk to each other:
- See if they can settle their differences by themselves
- If that fails, they can also ask the WTO director-general to mediate or try to help in any other way
- Countries can settle their dispute themselves at any stage

# The World Trade Organization (WTO)



# International Monetary Fund (IMF)

- Headquartered in Washington, D.C., consists of 190 countries, started 1946
- Stability of the international financial system
- Countries contribute funds to a pool through a quota system from which countries experiencing balance of payments problems can borrow money
- Monitoring the financial and economic policies of member nations
- WTO and IMF have total 150 common members: both work together; the central focus of WTO is on the international trade and of IMF is on the international financial system

# United Nations Conference on Trade and Development (UNCTAD)

- Established in 1964; 195 members; headquartered in Geneva, Switzerland
- Intended to promote the interests of developing states in world trade:
  - Eliminating trade barriers that act as constraints for developing countries
  - Providing technical assistance to developing countries especially low developed countries
- UNCTAD is a strategic partner of WTO. Both organizations ensure that international trade helps the low developed and developing countries in accelerating their pace of growth

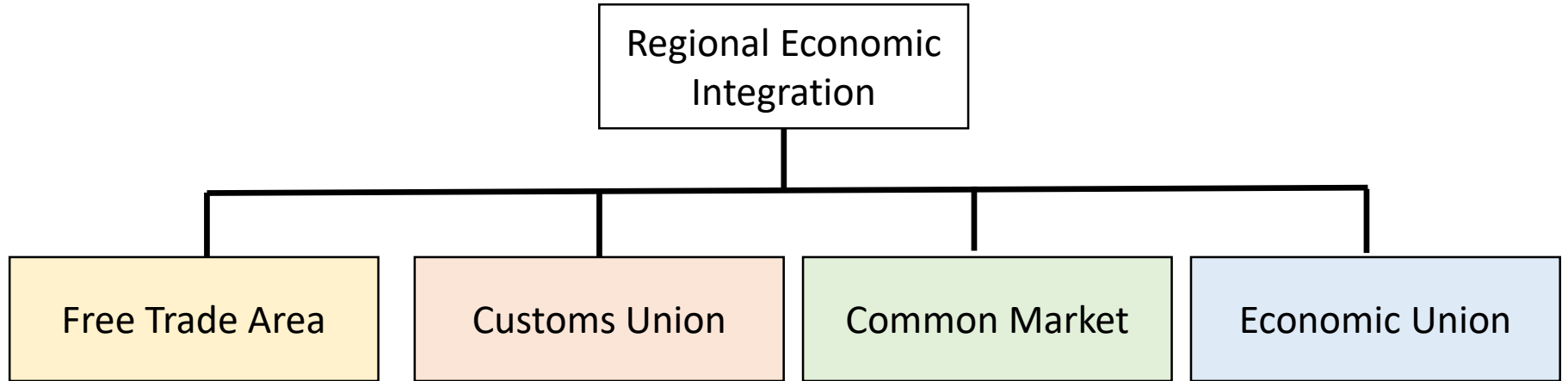
# Regional economic integration – Trading blocs

Economic institutions, such as WTO, IMF, and UNCTAD aim at promoting economic cooperation worldwide.

- A similar effort is made regionally through regional multinational *trading blocs* (= intergovernmental organizations) that are geographically close to each other, share similar cultures and/or have a historical connection
- Trading blocs are a group of countries that have common trading policies for the rest of the world in terms of tariffs and market access + they give preferential treatment/benefits to each other within the bloc.
- e.g. North American Free trade Agreement (NAFTA); European Union (EU); Asia-Pacific Economic Cooperation (APEC); Association of Southeast Asian Nations (ASEAN)



# Types of Trading Blocs



# Free trade Area

- Region in which a group of countries has signed a free trade agreement and maintain little or no barriers to trade (in the form of tariffs or quotas) between each other
- However: member countries are free to maintain individual tariffs for countries that do not belong to the free trade area group
- One fundamental problem is that a free trade area can be circumvented by non-member countries: They can export to the nation with the lowest external tariff in the free trade area and then transport the good to the destination country in the free trade area without paying the higher tariff of the respective country

# Free trade Area

- To avoid this: local content laws are usually introduced – a product is “domestic” (and can thus be shipped within the trade area without tariffs) if a certain percentage of the value of the product is sourced within the free trade area → foreign exporters are encouraged to set up their manufacturing locations in the free trade area
- e.g. African Continental Free Trade Area (AfCFTA); North American Free trade Agreement (NAFTA); South Asian Free Trade Area (SAFTA); Association of Southeast Asian Nations Free Trade Area (AFTA)...

# Customs Union

- Group of countries that form common trade policies
- Free trade area: no tariff for participating countries → allows the trade of goods and services among the member countries without any tariffs
- Also: common tariff for trading goods and services from rest of the world - the import duties and regulations are same for all the member countries.
- The crucial difference between customs unions and free trade areas is their approach to third parties:
  - A customs union requires all parties to establish and maintain identical external tariffs with regard to trade with non-parties
  - Parties to a free trade area may establish and maintain tariffs to imports from non-parties individually

# Common Market

- Free trade area & customs union in which the members also agree to reduce restrictions on the movement of factors of production: goods, capital, services, workers
- The physical (borders), technical (standards) and fiscal (taxes) barriers among the member states are reduced to the maximum extent possible: freedom of movement

# Common Market

- Benefits:
  - Competitive environment makes the existence of monopolies more difficult
  - Inefficient companies will suffer a loss of market share and may have to close down
  - Efficient firms can benefit from economies of scale, lower costs and larger markets with easy access
  - For consumers the competitive environment brings them cheaper products, more efficient providers and increased choice of products and their quality
- National participation into single market opens political debates, about skills loss through worker migration from less developed countries, and wage suppression in countries to which they migrate

# Economic Union

- Composed of a common market with a customs union
- Agreement between two or more nations to allow goods, services, money and workers to move over borders freely
- Common external trade policy
- The countries may also coordinate social and financial policies: when an economic union involves unifying currency it becomes an economic and monetary union
- Purposes for establishing an economic union normally include increasing economic efficiency and establishing closer political and cultural ties between the member countries

# Let`s work!

What is the Chinese Belt and Road Initiative (BRI)?

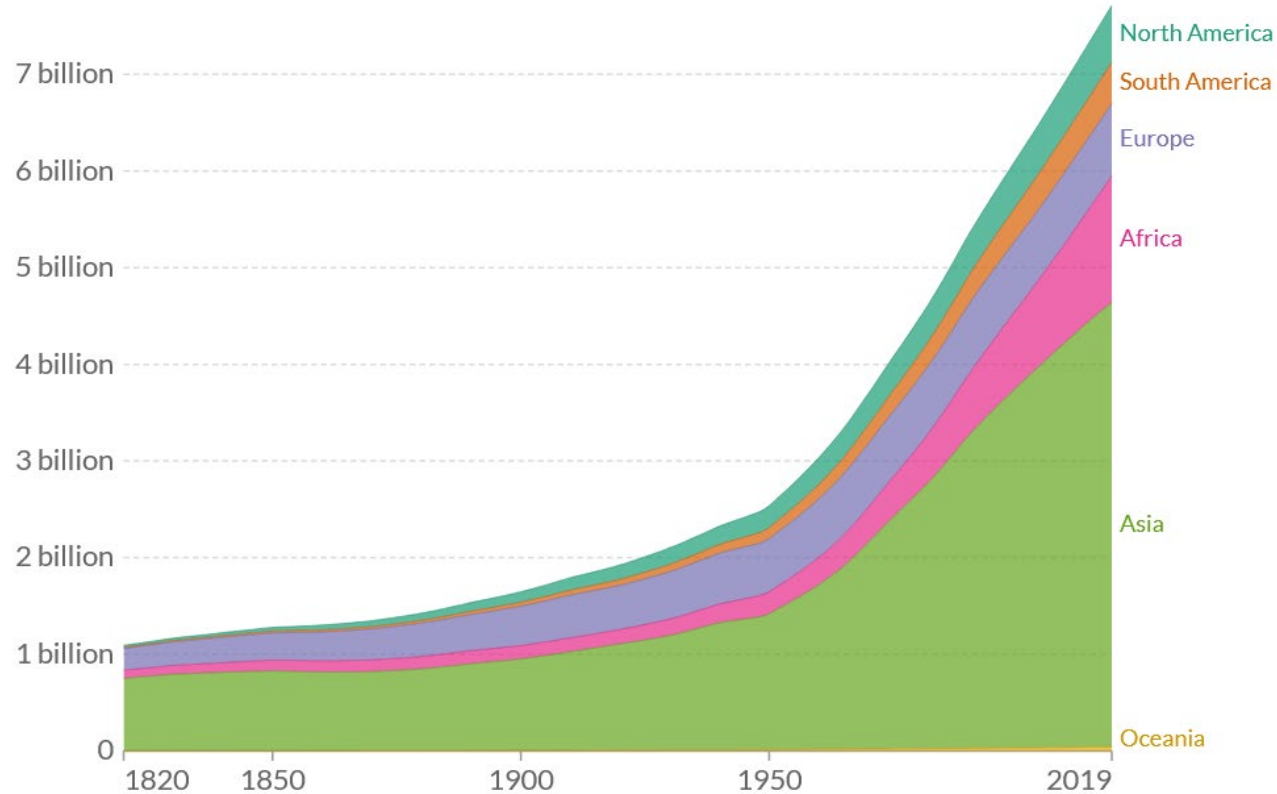
Which opportunities and risks are involved for the EU?

Which opportunities and risks are involved for developing countries?

What are your thoughts?

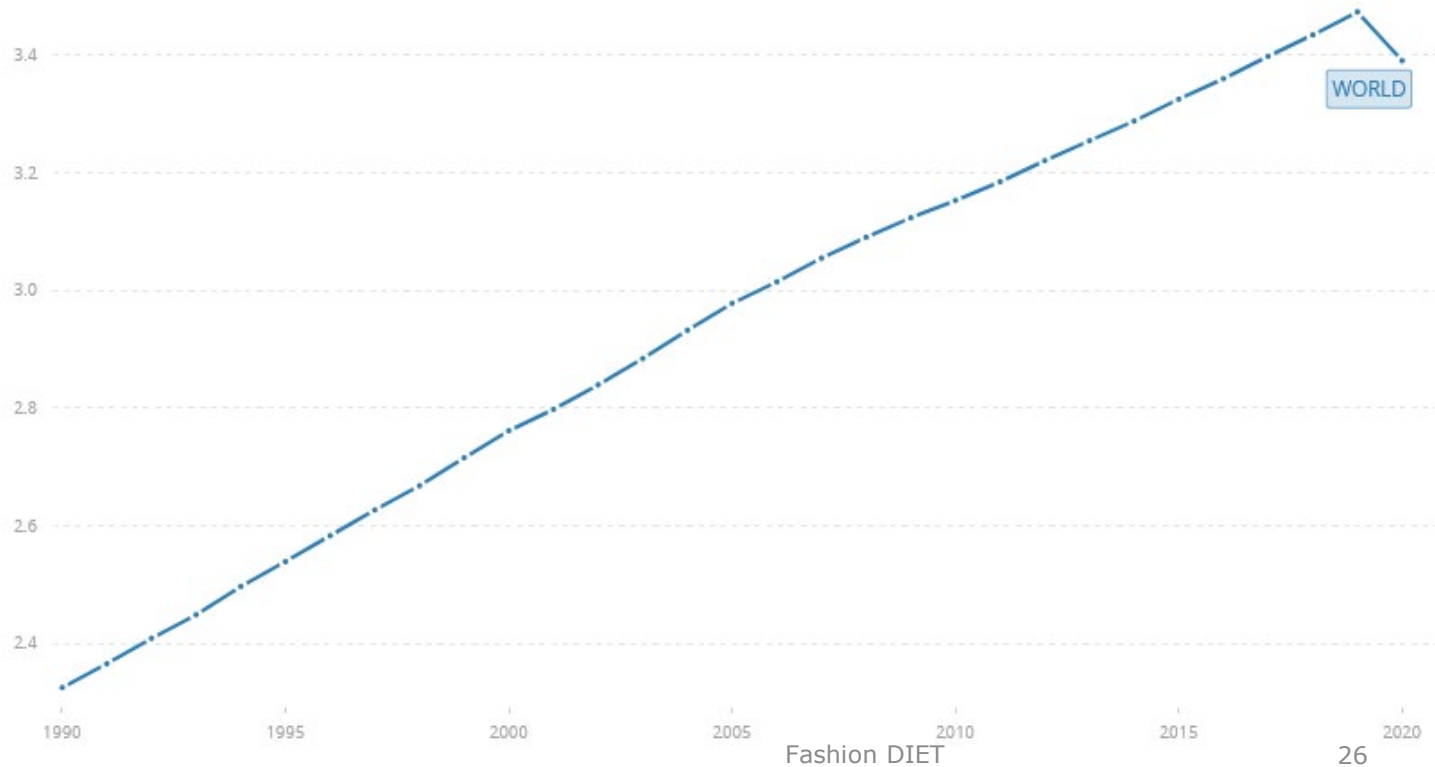


# World population growth (by region)



Our World in Data (2022)

# Global labor force total in billion 1990-2020

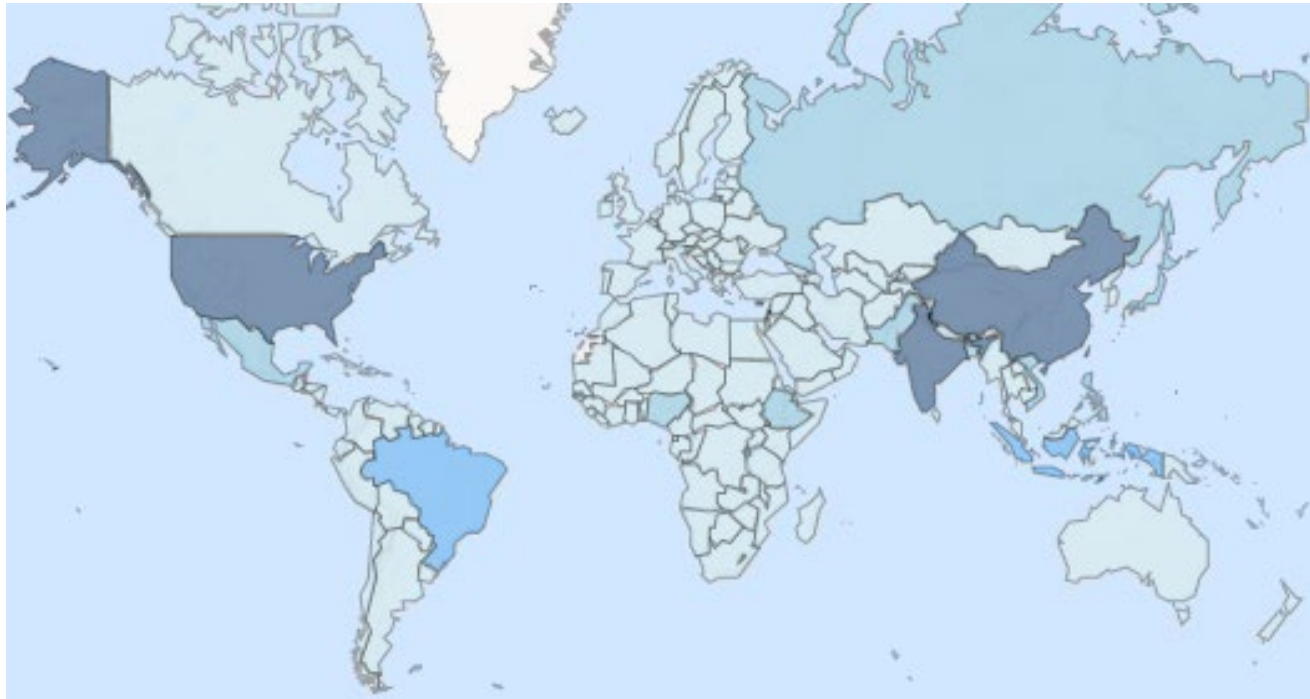


The World Bank (2022)



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# Global labor force total



Millions

< 13.85

13.85 - 43.72

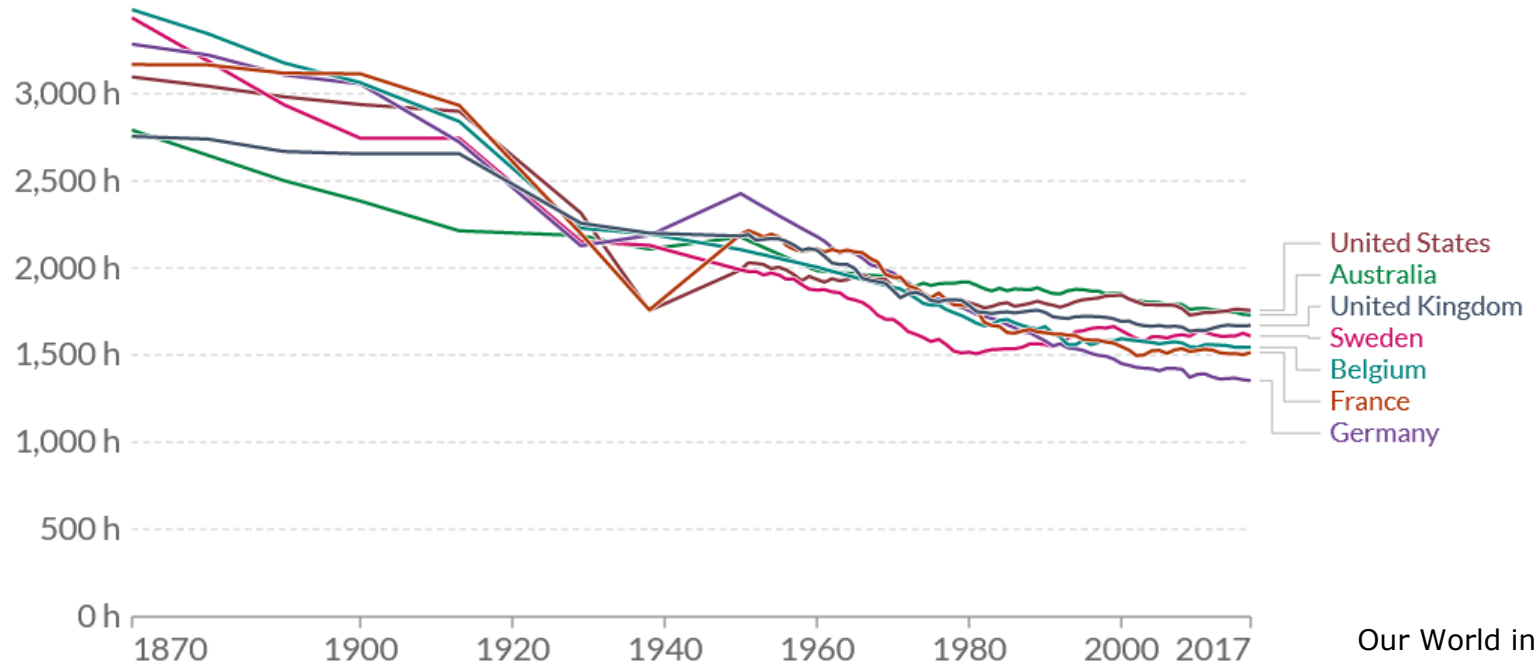
43.72 - 99.84

99.84 - 165.16

> 165.16

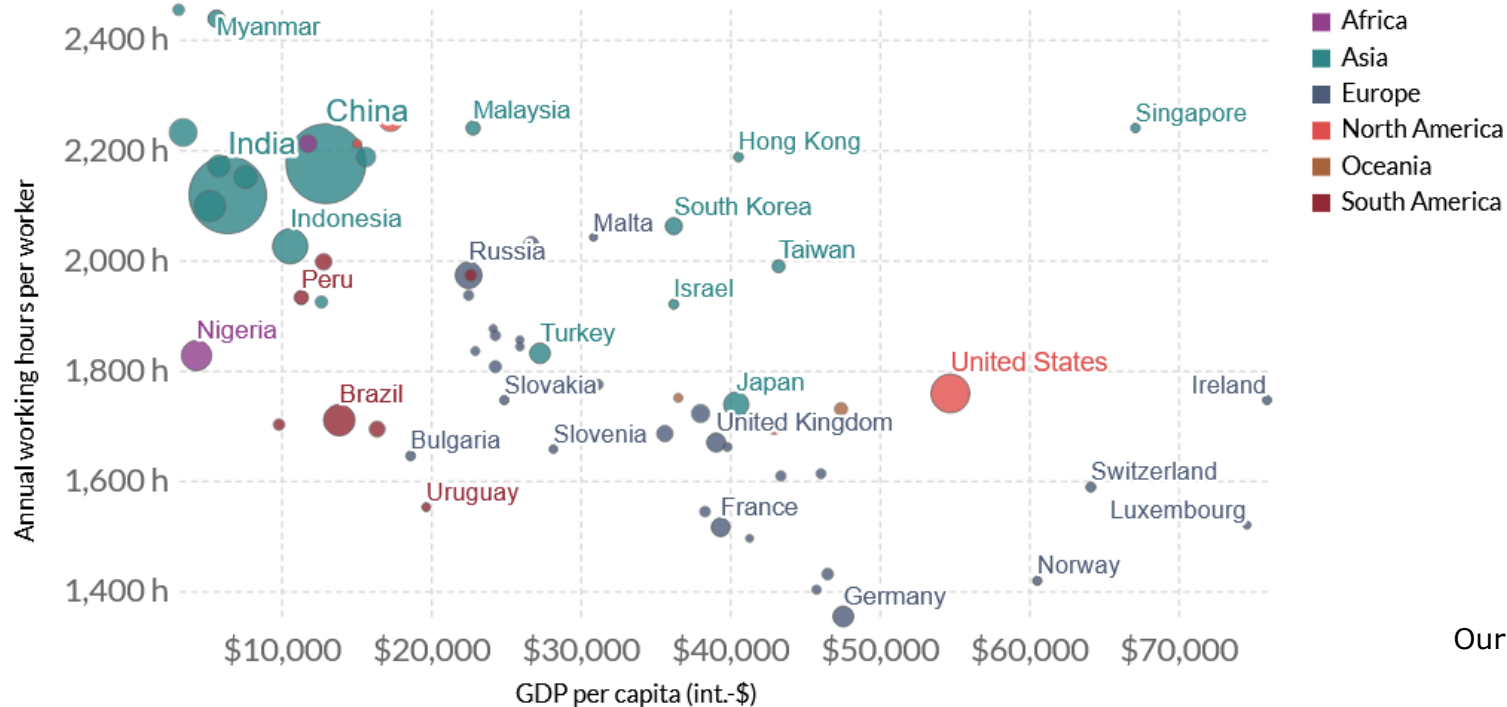
The World Bank (2022)

# Annual working hours per worker



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# Annual working hours vs GDP per capita



Our World in Data (2022)

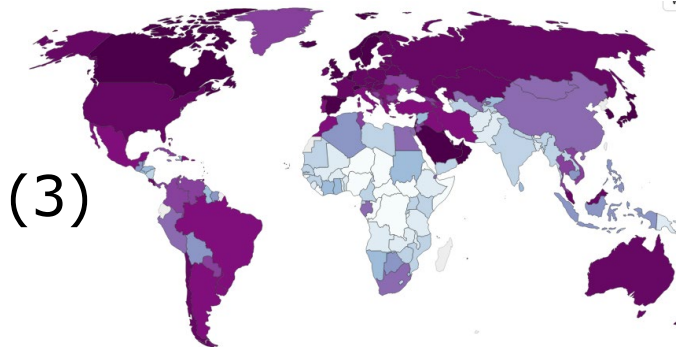
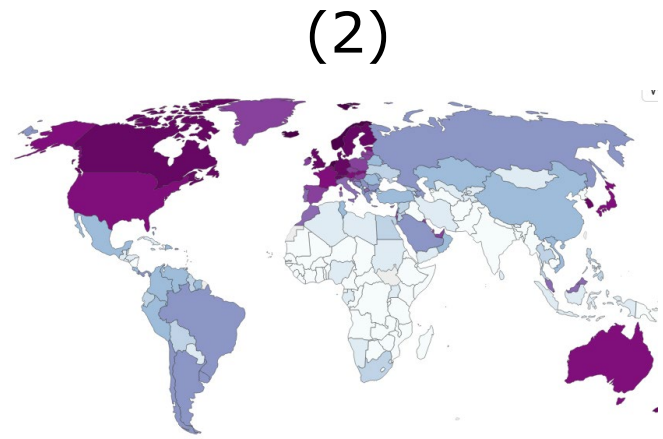
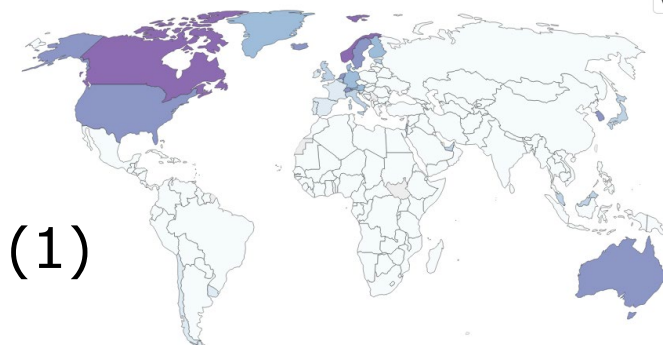
# Improvements of communications

- The internet and mobile technology have allowed greater communication between people in different countries



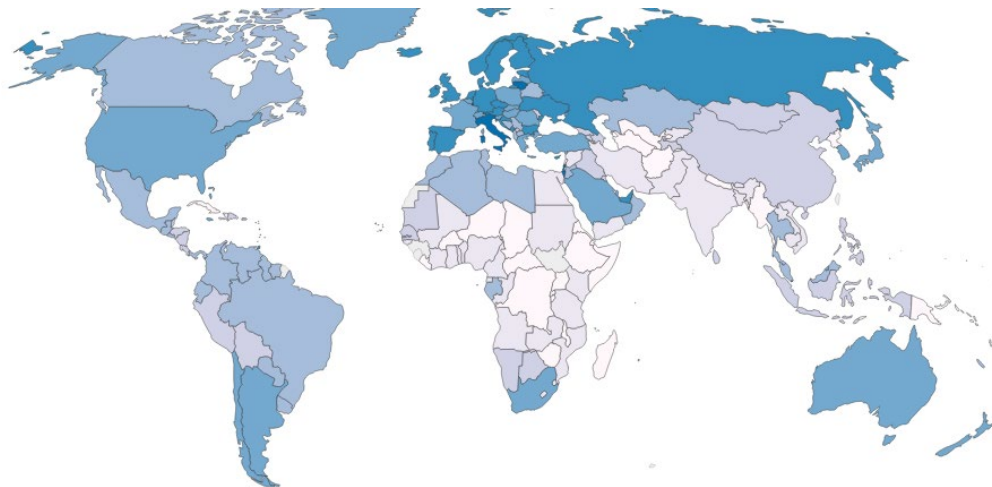
- The „global Village“: individual technology orientation leads to global networks
- Development of e-commerce

# Share of the population that uses the internet in (1) 2000, (2) 2010, (3) 2020

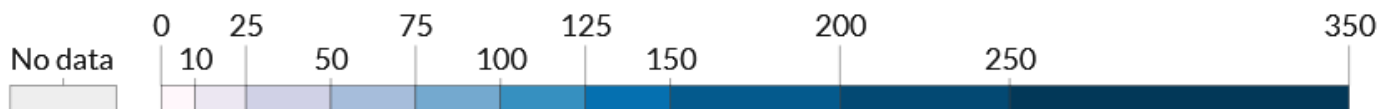
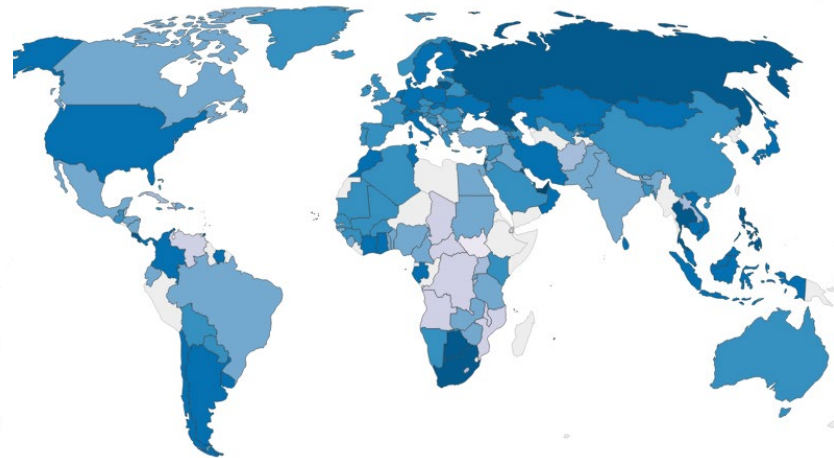


# Mobile phone subscriptions, measured as the number per 100 people

## Mobile phone subscriptions, 2006



## Mobile phone subscriptions, 2019

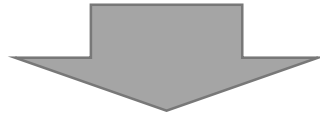


Our World in Data (2022)



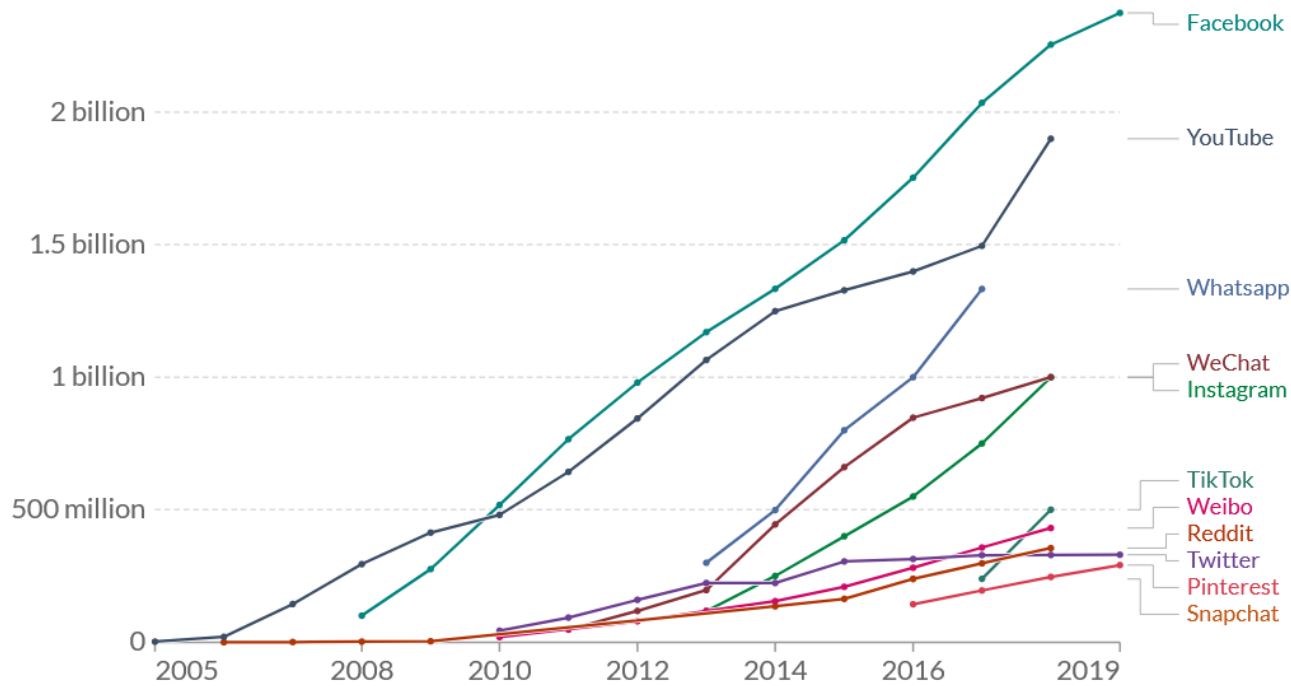
# Development of social media

Advancement of technology



- No matter in which part of the world (potential) customers and stakeholders are located social media platforms are increasingly used to promote products, services, and content
- Celebrities can influence the consumers` intention to purchase sustainable products
- Influencers: trustworthiness and attractiveness are found to influence consumers` adoption of sustainable products and lifestyles

# Number of people using social media worldwide



Our World in Data (2022)

# Online Retail Sales 2018-2020

Economy	Online retail sales (\$ billions)			Retail sales (\$ billions)			Online share (% of retail sales)		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Australia	13.5	14.4	22.9	239	229	242	5.6	6.3	9.4
Canada	13.9	16.5	28.1	467	462	452	3.0	3.6	6.2
China	1,060.4	1,233.6	1,414.3	5,755	5,957	5,681	18.4	20.7	24.9
Korea (Rep.)	76.8	84.3	104.4	423	406	403	18.2	20.8	25.9
Singapore	1.6	1.9	3.2	34	32	27	4.7	5.9	11.7
United Kingdom	84.0	89.0	130.6	565	564	560	14.9	15.8	23.3
United States	519.6	598.0	791.7	5,269	5,452	5,638	9.9	11.0	14.0
<b>Economies above</b>	<b>1,770</b>	<b>2,038</b>	<b>2,495</b>	<b>12,752</b>	<b>13,102</b>	<b>13,003</b>	<b>14</b>	<b>16</b>	<b>19</b>

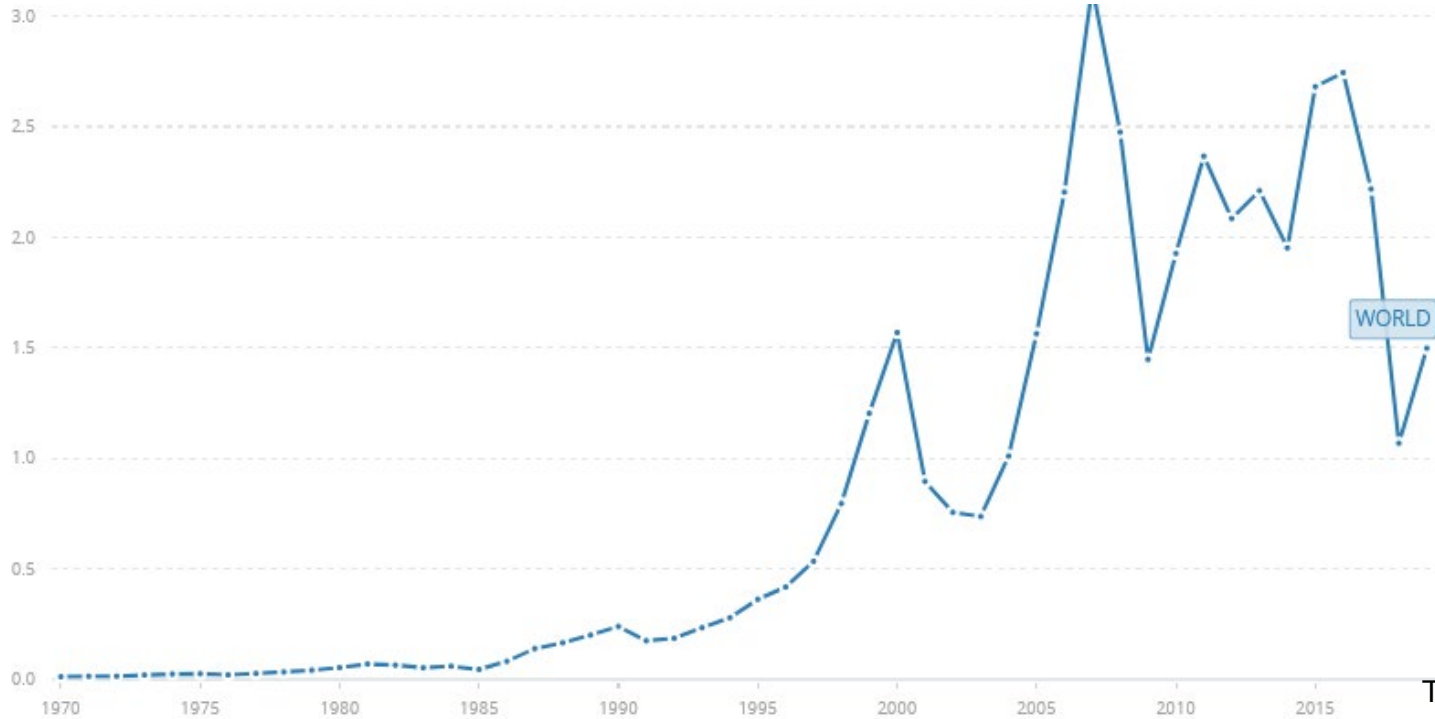
UNCTAD (2021)

# Positive impacts of globalization Foreign direct investment (FDI)

Foreign direct investment (FDI) = investment in the form of a controlling ownership in a business in one country by an entity based in another country.

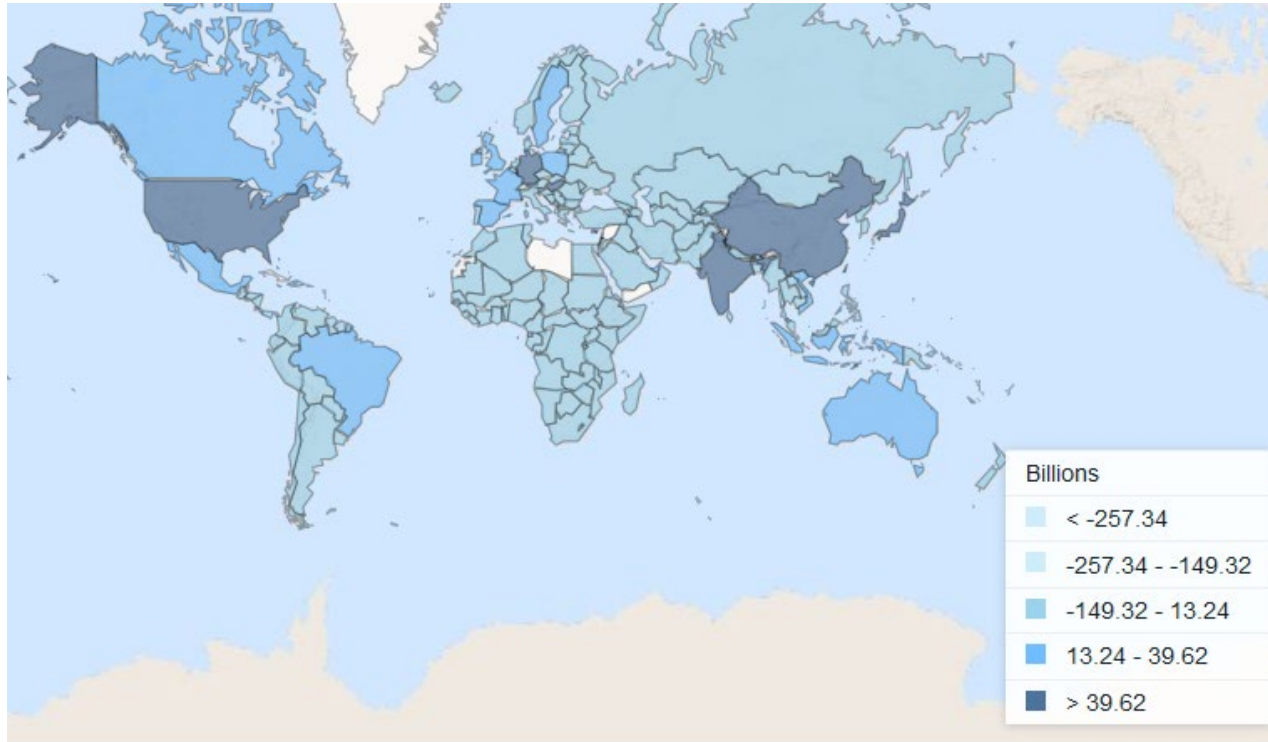
- FDI is an important channel for the transfer of technology between countries and promotes international trade.
- Can create jobs and skills for local people
- Money created by investment can be spent on education, health and infrastructure

# FDI net inflows in trillion USD 1970-2020



The World Bank (2022)

# FDI Net Inflows (Countries)



The World Bank (2022)

# FDI inflows, percent of GDP by country

Country	%
Cyprus	103,9
Hungary	56,4
Guyana	32,7
Singapore	27,9
Malta	26,5
Republic of Congo	17,4
Mongolia	16,9
Hong Kong	16,6
Mozambique	13,78

Data: The World Bank (2022)

# FDI outward by country (sorted 2019)



Location ▾	▾ 2013	▾ 2014	▾ 2015	▾ 2016	▾ 2017	▾ 2018	▾ 2019
<b>Japan</b>	..	130 963	136 296	151 287	164 563	143 075	226 573
<b>Germany</b>	39 512	83 968	99 003	63 599	103 865	78 764	120 133
<b>United States</b>	303 432	333 014	264 359	284 469	327 781	-194 412	93 552
<b>Netherlands</b>	69 691	59 358	233 593	184 985	19 047	-45 357	84 864
<b>Canada</b>	54 863	60 542	67 466	69 518	78 338	49 869	76 554
<b>Korea</b>	31 488	19 994	18 490	30 508	43 464	45 233	50 981
<b>France</b>	20 365	49 785	53 206	64 785	35 908	105 569	38 662
<b>Spain</b>	14 294	36 743	41 917	43 902	55 926	37 710	19 671
<b>Italy</b>	25 130	26 327	21 640	16 165	24 478	32 797	19 586
<b>Sweden</b>	30 173	9 179	13 045	4 703	27 367	17 839	15 522
<b>Denmark</b>	7 173	4 841	8 708	10 112	10 025	-370	11 404
<b>Austria</b>	15 566	-723	7 027	-2 031	10 229	5 608	10 894
<b>Mexico</b>	15 459	7 507	10 672	193	3 988	8 365	10 845

OECD (2022)



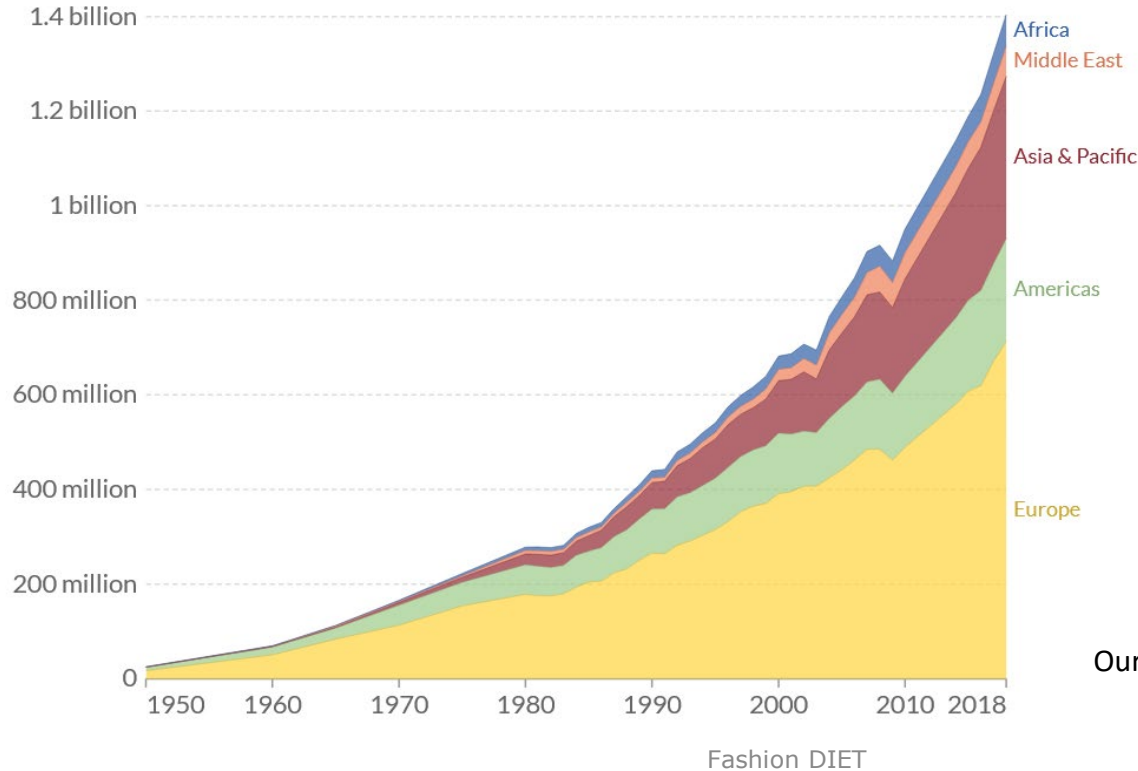
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# Positive impacts of globalization

- The sharing of ideas, experiences and lifestyles of people and cultures. People can experience food and other products not previously available in their countries.
- Reduction of prejudices

# International tourist arrivals by world region



Our World in Data (2022)

# Contact hypothesis (Gordon Allport, 1954)

- Prejudice = direct result of generalizations and oversimplifications made about an entire group of people based on incomplete or mistaken information
- The basic rationale is that prejudice may be reduced as one learns more about a category of people
- An individual's beliefs can be modified if the person comes into contact with a culturally distinct category member. The person subsequently modifies or elaborates the beliefs about the category as a whole

Cao, Galinsky, & Maddux (2014)

# Contact hypothesis (Gordon Allport, 1954)

Travel has positive impact:

- breadth (= the number of countries one visits )
- but not depth (= the length of time one spends abroad ) of foreign experiences

increases generalized trust in a category of people



The more countries one travels, the more trusting one is

Cao, Galinsky, & Maddux (2014)

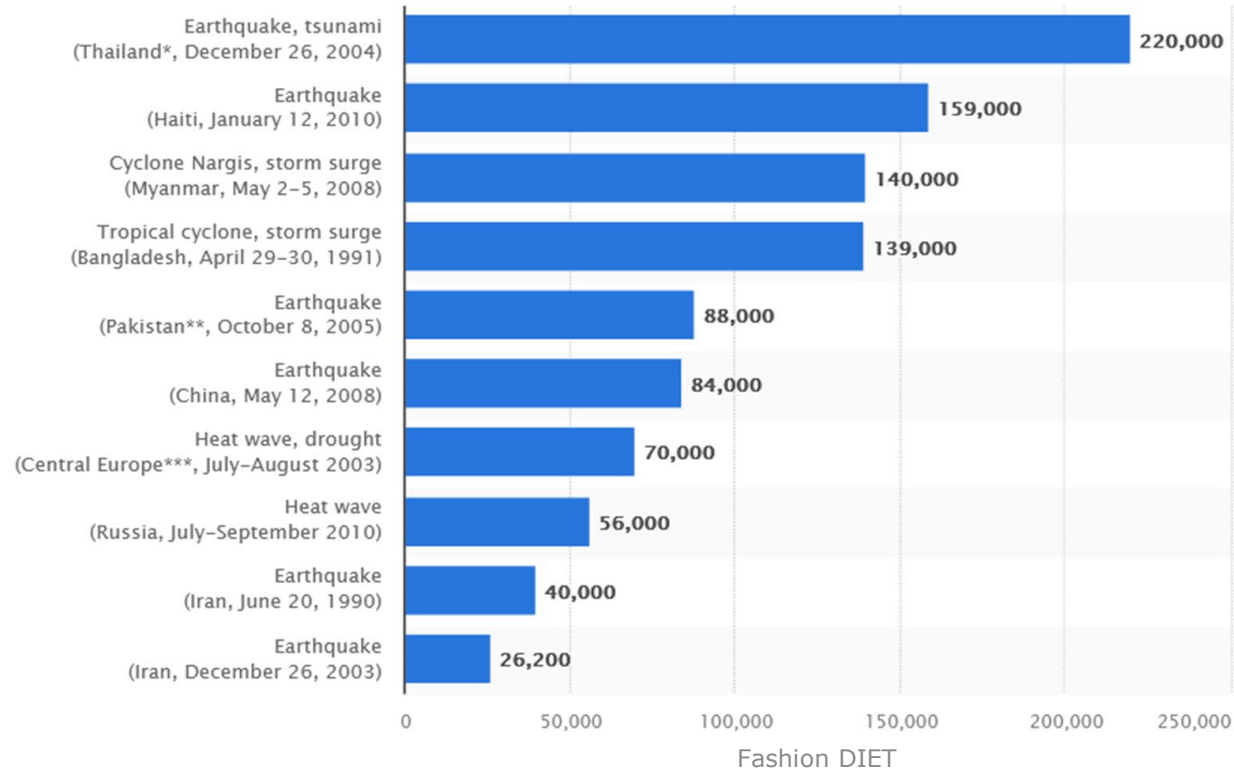
# Positive impacts of globalization - Awareness

- Globalization has increased awareness of disastrous events in faraway parts of the world
  - People in any country are quickly made aware of natural disasters and can provide help and/or donate
  - This is greatly needed: In some countries there is more development aid than government spending
- See next slides

# Number of recorded natural disasters

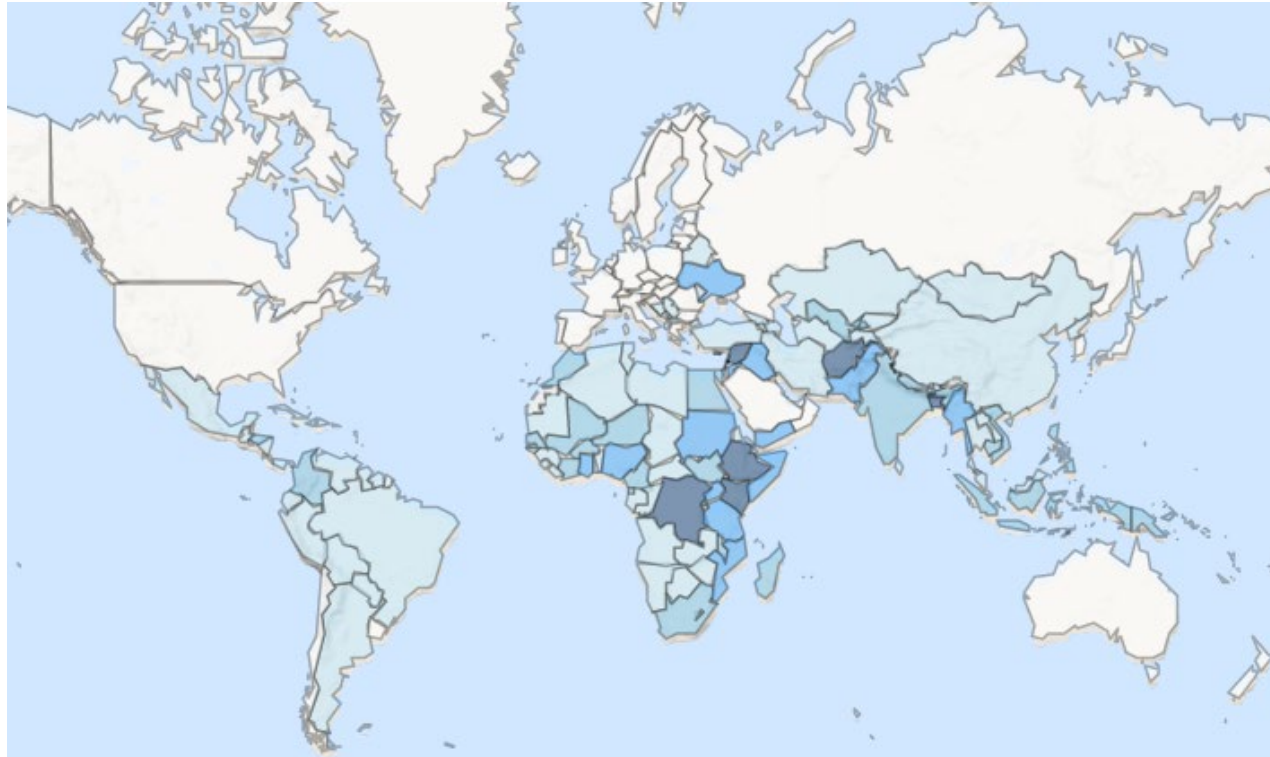


# The 10 most significant natural disasters worldwide by death toll from 1980 to 2022

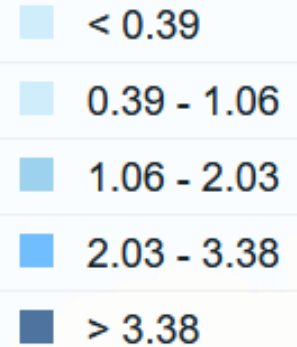


Statista (2022)

# Net official development assistance and official aid received (USD)



Billions



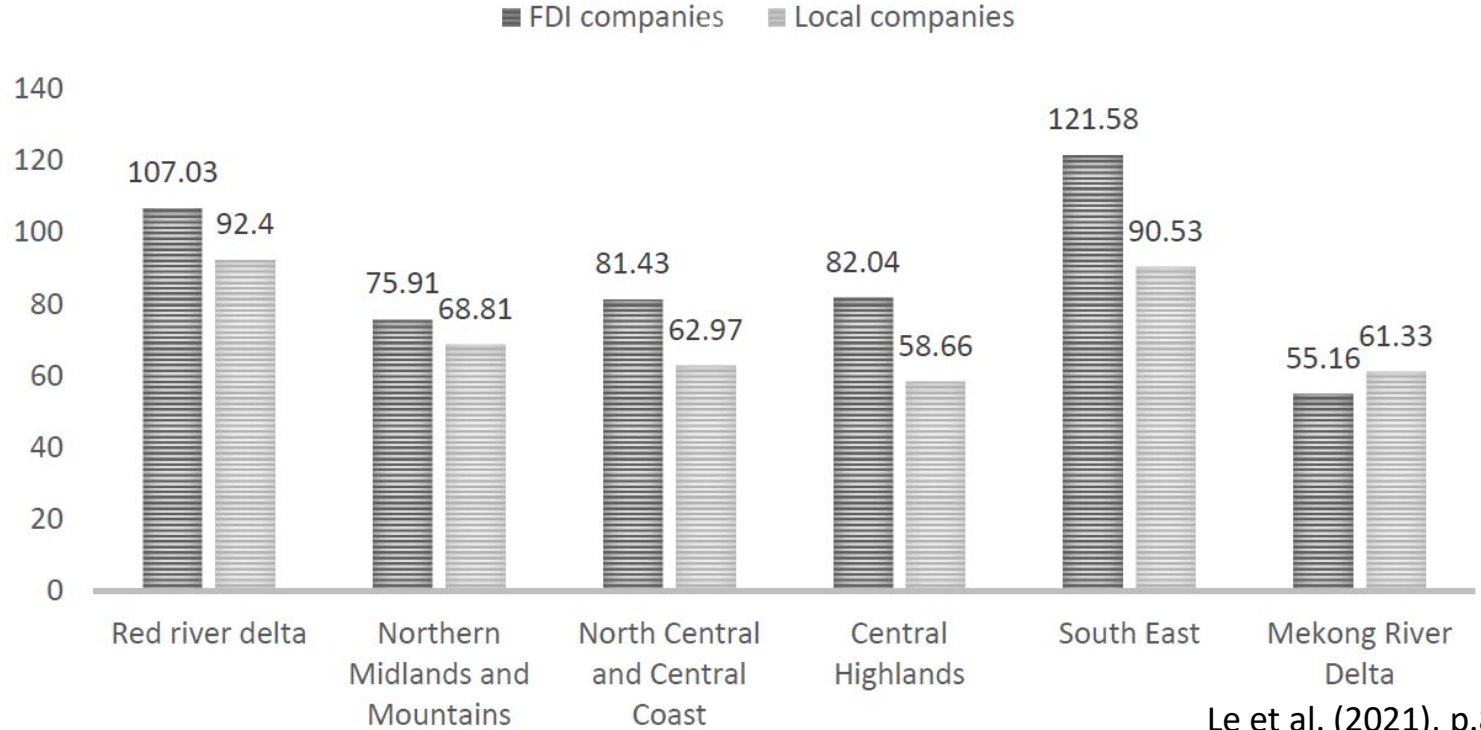


# Negative impacts of globalization

- Globalization operates mostly in the interests of the richest countries, which continue to dominate world trade at the expense of developing countries: cheap labor and raw materials

# FDI tend to increase income inequality

Average salary of Vietnamese employees in 2018 - by region in million VND (Vietnamese Dong) per person



Le et al. (2021), p.8

# FDI tend to increase income inequality

Income inequality may *hinder* economic growth:

- Demotivating effects, e.g. reduced effort, lack of investment in one`s own education, no risk taking (effort is not worth it...)
- Social tensions, e.g. increase in strike days, increase in property crime and protests, economic chaos, riots. These disturbances discourage investors and investment declines
- Necessary redistribution measures lead to welfare and growth losses while taxes present a negative incentive to performance

# Negative impacts of globalization

- MNCs with their massive economies of scale, may drive local companies out of business
- If it becomes cheaper to operate in another country, the MNC might close down the factory and make local people redundant

# Let's work!

Do some research: Take a closer look at some (developing) countries:

- How are markets shared?
- How dominant are MNCs?
- How do local providers perform?

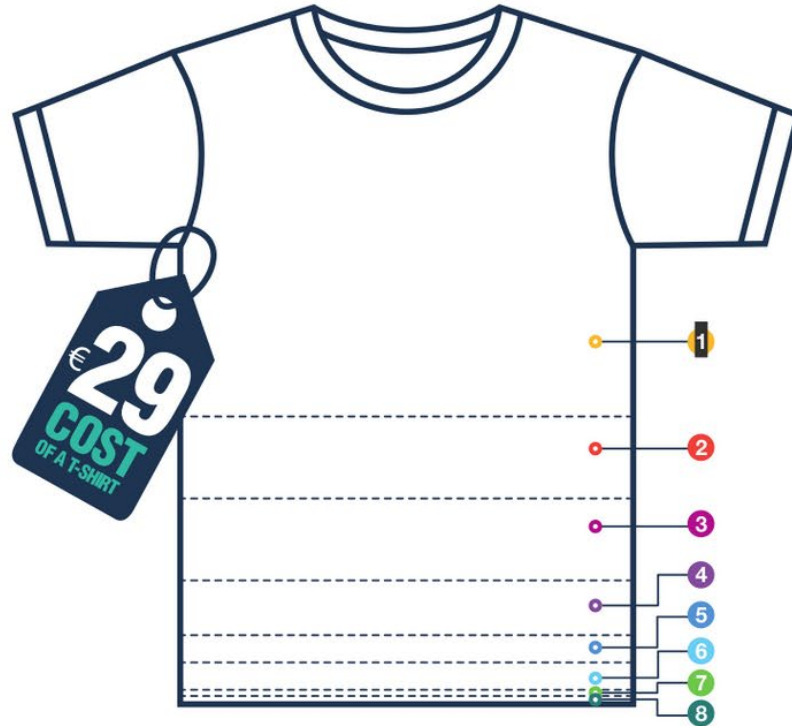
# Negative impacts of globalization

- Globalization has facilitated mass production and leads to overconsumption
- More production, more consumption, more shipment



- Severe negative impact on our environment
- Partly unhuman working conditions and child labor

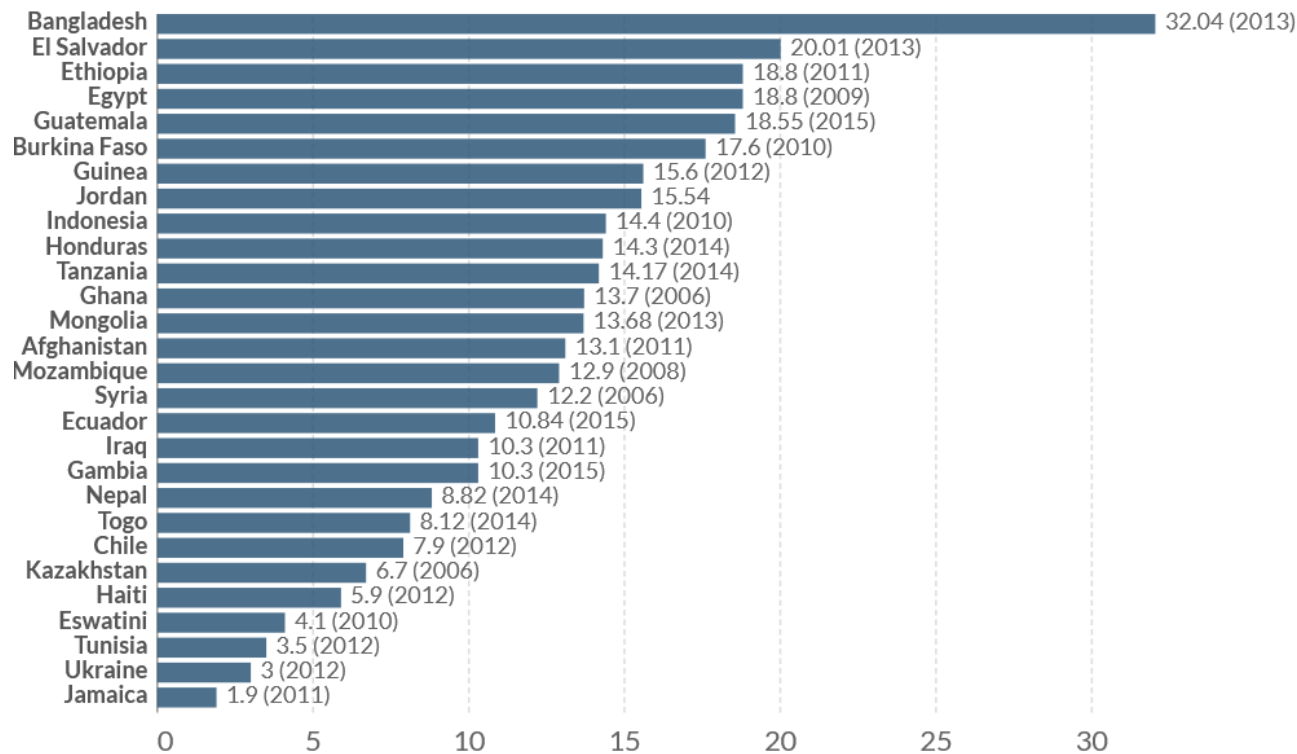
# Breakdown of costs of a T-Shirt



\* Includes all costs at a retail level including staff, rent, store profit, VAT etc.

Clean Clothes Campaign (2019)

# Average weekly working hours of children (7-14 years)



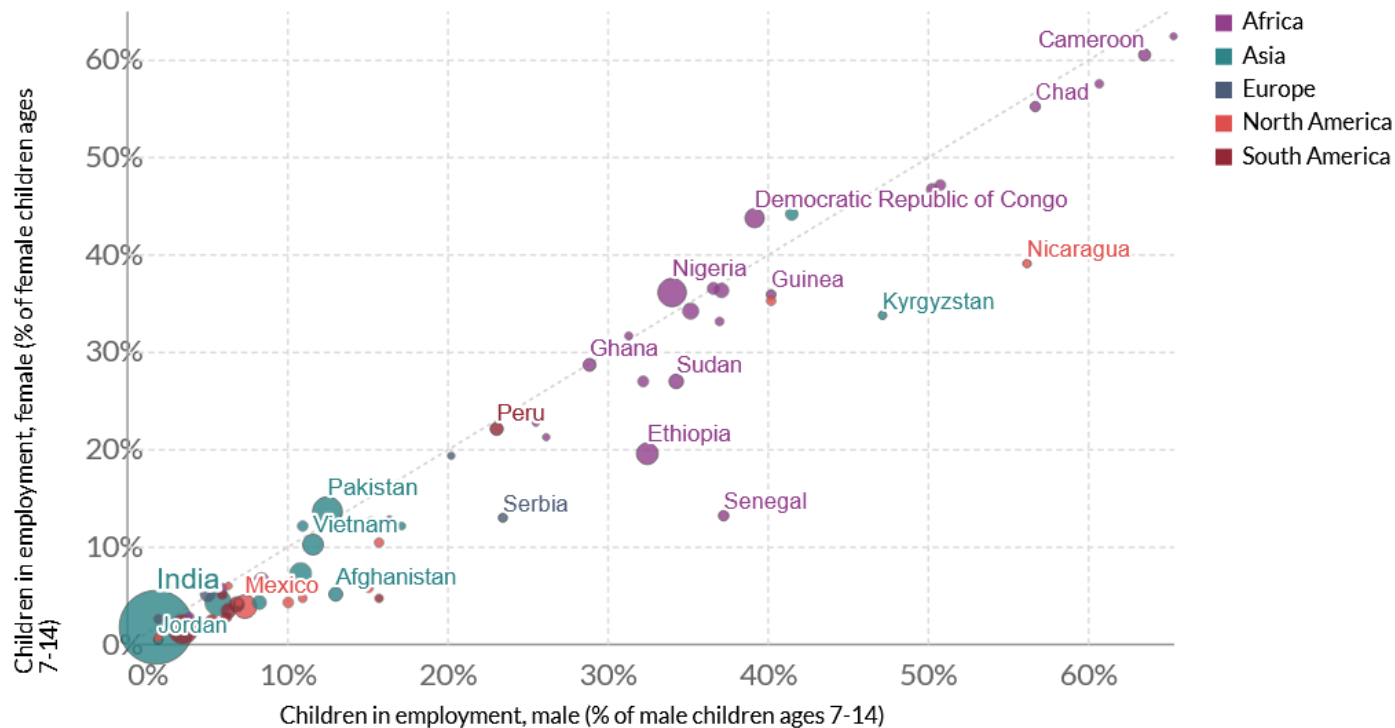
Our World in Data (2022)



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# Share of children in employment, boys vs girls



Our World in Data (2022)

# Negative impacts of globalization

- Threat to the world's cultural diversity: globalization might drown out local economies, traditions and languages
- Huge multinational fashion firms serve the global market
  - Fashion is increasingly westernized
  - Large retails mostly decide to mass-produce clothes worn in Western countries and promoted by Western celebrities
  - Decrease of regional individuality and decline in culture-specific dress
  - Loss of heritage and domestic skills

# Discussion Round

- What are your personal benefits of globalization in your daily life?
- Are there any aspects of globalization that negatively affect your daily life?
- Who benefits the most from globalization?
- How does the globalized world in 2050 look like?
  - A) What is your projection?
  - B) What are your personal fears & desires?
- How can a globalized world be regulated?

# Contact

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