



Globalization and Migration



But what is...?

Globalization refers to the increasing global integration of economies, and increasing exchanges of goods, services, people and capital. Technological change may have helped to accelerate this process. But international trade, investment and migration have been occurring for centuries.

Comparative Advantage is the idea that countries can gain if they specialize in producing goods and services which are most appropriate given their economic circumstances. They can trade these goods and services for others which other countries are relatively better at producing.

Immigration can bring benefits to a country (e.g. it can help it to overcome skill shortages, or cope with population aging). It can also have costs, especially if immigrants are not well integrated.

International investment can bring lower borrowing costs and technology transfers, but also increases financial stability risks.

Recent decades have seen increasing global economic integration. The EU's single market, Schengen and EMU are examples of reforms that have liberalized flows of goods, services, people and capital within Europe. But Europe is also increasingly integrated into the global economy. Increased trade, investment and migration have many benefits, and on aggregate tend to boost growth and living standards. But globalization can also threaten specific interests and groups. How can euro area countries take advantage of new opportunities while adapting to global competition?

- ① Is your chosen country a relatively open economy or a closed one? That is, do international trade and investment represent a large or a small share of GDP?
- ② Does your chosen country have a strong export sector? Are certain industries at risk from competition abroad? What impact would greater global economic integration have on unemployment?
- ③ What is comparative advantage? Why are there benefits if countries specialize in producing those goods and services in which they have a comparative advantage and importing the others from abroad? What comparative advantages does your country possess?
- ④ How do consumers benefit from increased trade in goods and services? What about workers? How will wages and employment be affected? How might domestic inflation respond to increased trade?
- ⑤ How does your chosen country integrate immigrants into its society and economy? Are there special education or job training programs?
What are the costs and benefits associated with immigration? Is it important to match the needs of the labor market with the skills of immigrants? Do recent immigrants benefit from the social safety net?
- ⑦ What role have international investment and capital flows played in your country? Are there internationally active (or owned) banks? Did they experience any financial contagion? What has happened to corporate borrowing costs and investment plans?