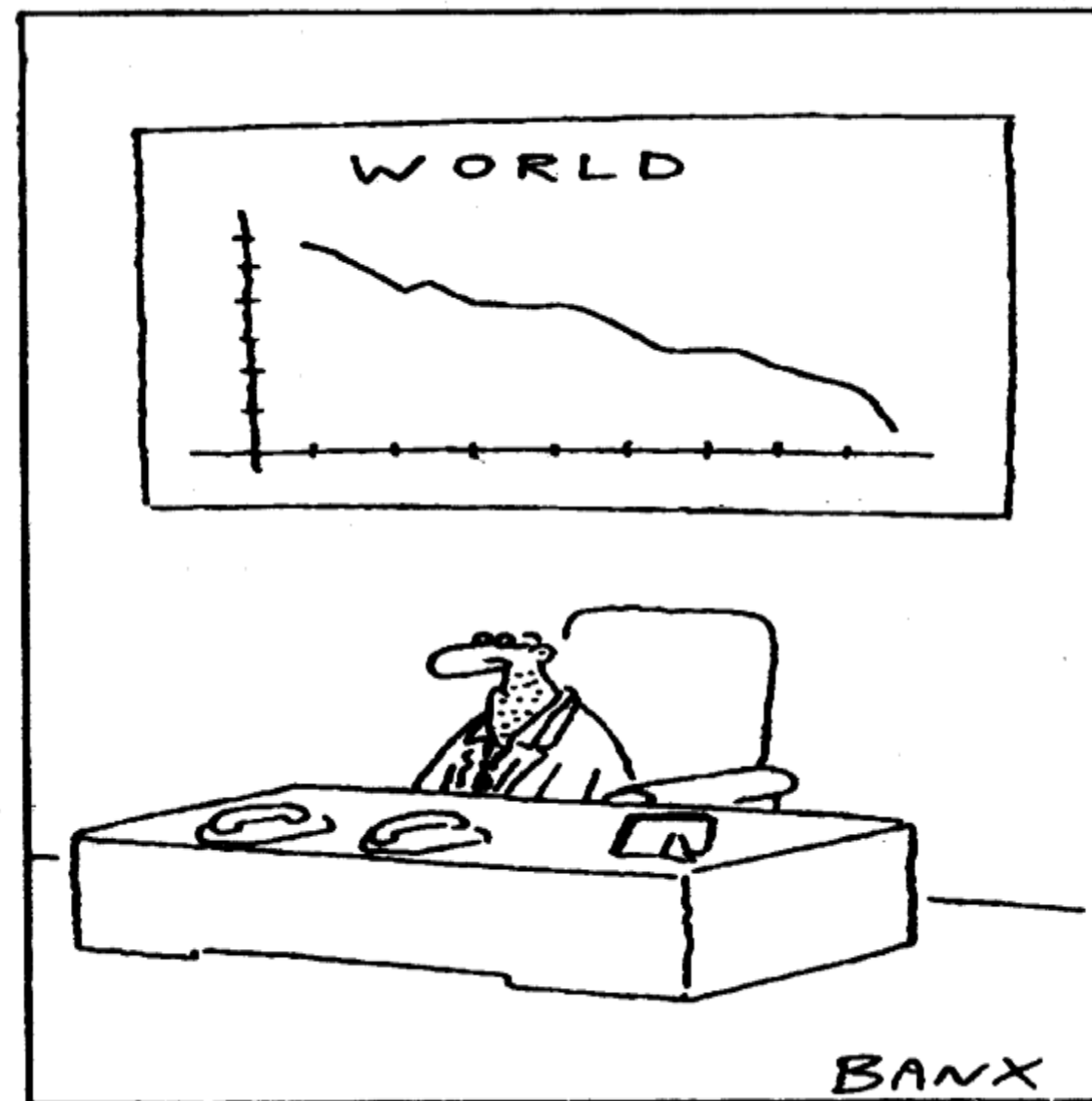


Trade and Globalization in Perspective

Professor Pankaj Ghemawat
World Export Development Forum
International Trade Centre
Chongqing, September 10, 2010



One View of the World



The Way Forward

1. Understanding how global we **really** are
2. Understanding **all** the barriers that constrain trade
3. Thinking **broadly** about the gains from trade



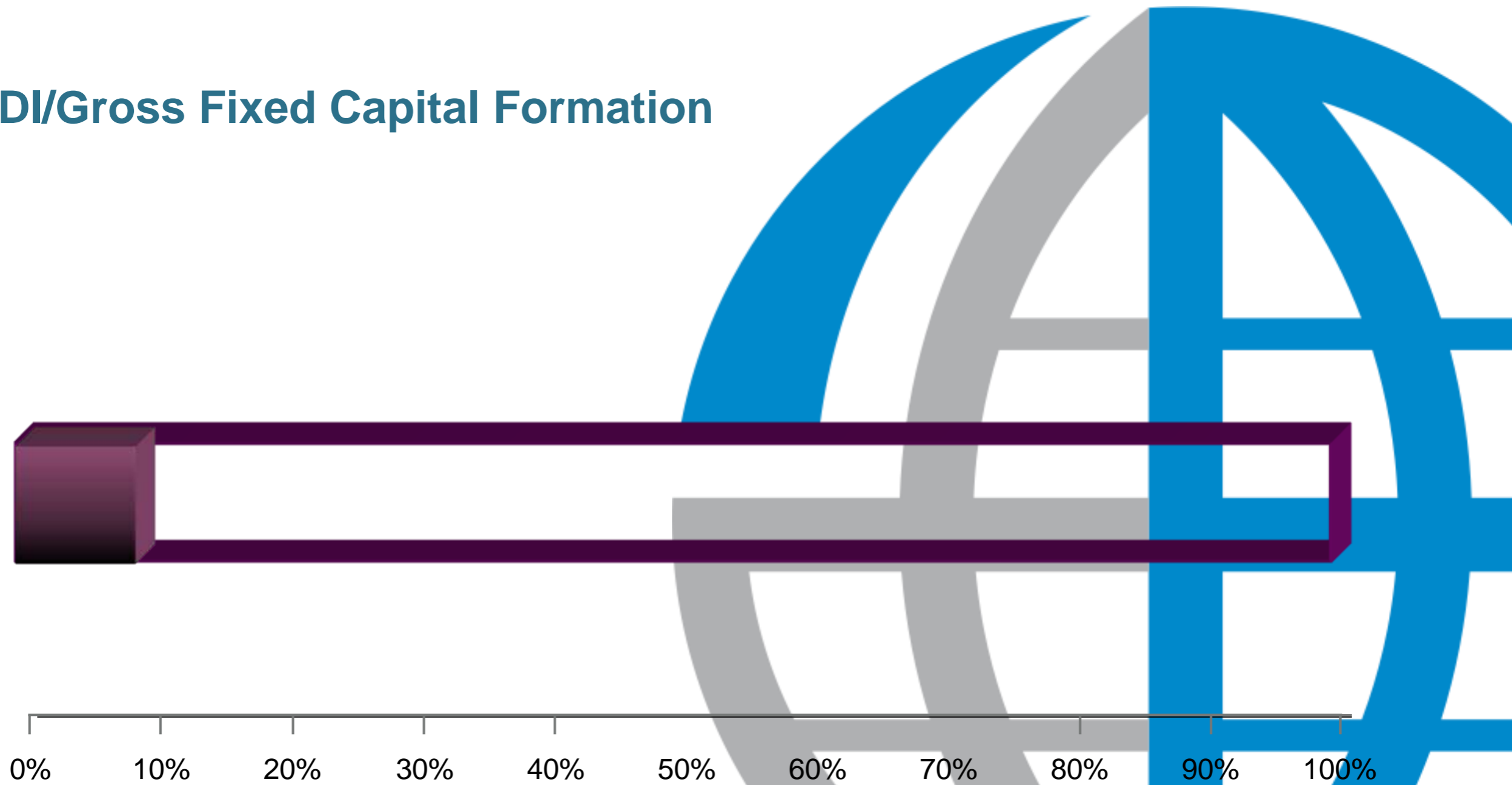
How Global Are We?

A. In real estate, the mantra is 'location, location, location.' For global brand managers, it might be 'localise, localise, localise.'
—A consultant

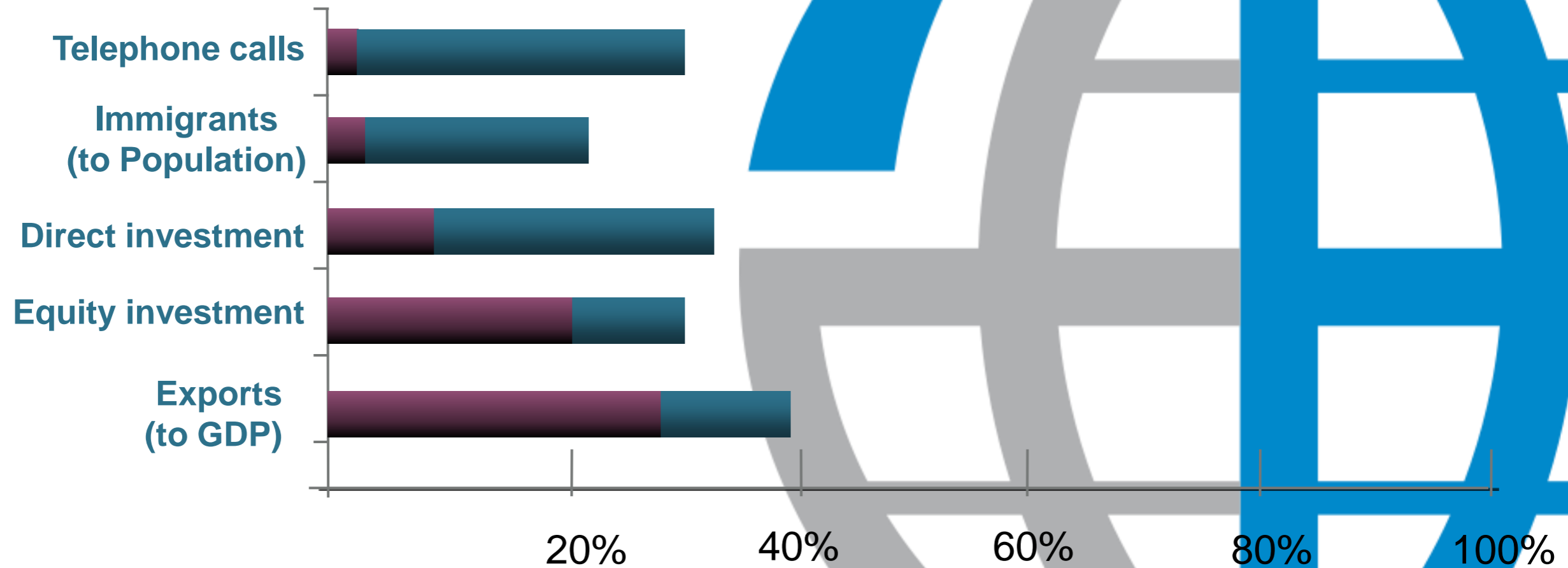
B. There is a balance on the spectrum between “local” and “global” that represents the “sweet spot” ...[and makes for] “the race to the middle.”
—A manager

C. The world got flat...[creating] a global, Web-enabled playing field that allows for...collaboration on research and work in real time, without regard to geography, distance or, in the near future, even language.
—A journalist

FDI/Gross Fixed Capital Formation



Levels of Internationalization



The Way Forward

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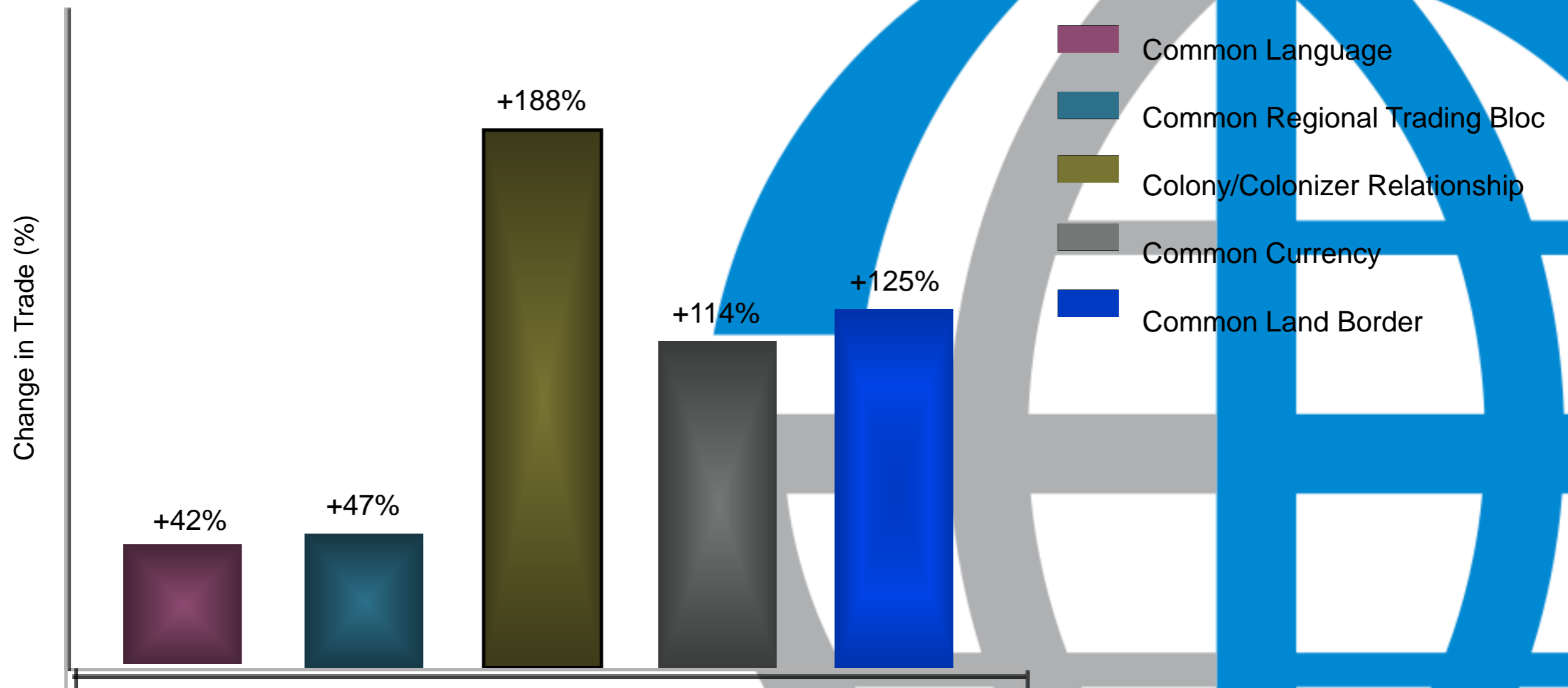


What Are the Barriers to Trade? The Mystery of the Missing Trade

- In 1988, Canadian provinces traded 20 times as much merchandise with each other as with U.S. states
- By the mid-1990s, this multiple had come down to 12
- After a decade of NAFTA, this multiple still exceeds 5—and this is just for merchandise!
- Note free trade agreement, common border, mostly common language/colonizer, generally friendly relations etc. making U.S.-Canadian trade largest bilateral trade relationship in the world



Influences on Bilateral Trade (%)



The CAGE Distance Framework



Expanded Conception of Policy Levers

A Dozen Ideas for Reducing Distance

CULTURAL	ADMINISTRATIVE	GEOGRAPHIC	ECONOMIC
<ul style="list-style-type: none"> • Exploit language bridges • Encourage interregional networks/exchanges -students • Promotional efforts 	<ul style="list-style-type: none"> • Harmonize: <ul style="list-style-type: none"> -foreign investment promotion to avoid races to the bottom -public procurement processes -health, safety, environmental standards • Simplify cross-border regulations and paperwork • Bilateral/multilateral summits <ul style="list-style-type: none"> -share best practices in government operations -review regional institutions 	<ul style="list-style-type: none"> • Improve regional transportation/communications infrastructure • Create an efficient energy network • Coordinate infrastructural investment 	<ul style="list-style-type: none"> • Improve interregional market linkages <ul style="list-style-type: none"> -employee mobility -capital markets -information about interregional flows • Exploit scale/scope <ul style="list-style-type: none"> -business networks/ events -joint embassies -process for upgrading cross-border clusters • Collect and disseminate information about interregional flows

The Way Forward

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TCS Latin America: A Case Study

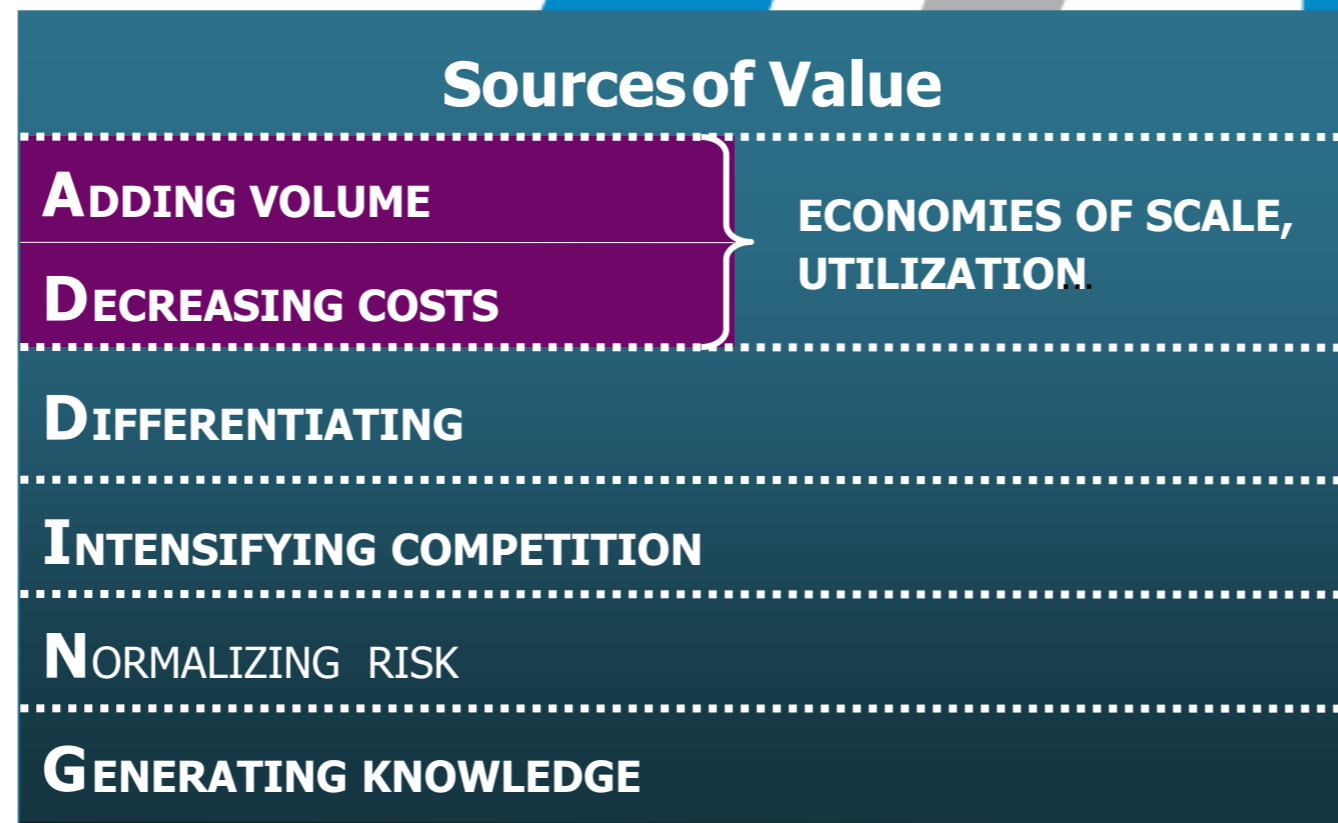


- ✓ 7000+ Associates
- ✓ 150+ Active Clients.
- ✓ 16 of Fortune 100
- ✓ 4 of 11 Latin firms in the Global 500™



VALUE COMPONENT	TCS Latin America
A dding Volume	<ul style="list-style-type: none">● Pursuit of large global deals
D ecreasing Costs	<ul style="list-style-type: none">● Increase in absolute cost levels● Dynamics of Indian costs/availability
D ifferentiating (Increasing Willingness to Pay)	<ul style="list-style-type: none">● Language advantages● Time zone/local presence advantages● Claim to be truly global
I mproving Industry Attractiveness	<ul style="list-style-type: none">● Too small to invite retaliation by western firms● Lock out Indian rivals
N ormalizing Risk	<ul style="list-style-type: none">● Reduction in India risk
G enerating and Deploying Knowledge/Other Resources	<ul style="list-style-type: none">● Buzz● Multiculturalism● Propagating delivery capabilities

ADDING Value vs. Standard Approaches



PANKAJ GHEMAWAT

REDEFINING GLOBAL STRATEGY

Crossing Borders
In A World
Where Differences
Still Matter

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