Edited by
Franco Amatori - Andrea Colli

The Global Economy
A concise history

G. Giappichelli Editore

First published 2019
by Routledge
2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN

and by Routledge
711 Third Avenue, New York, NY 10017

Routledge is an imprint of the Taylor & Francis Group, an informa business

and by G. Giappichelli Editore
Via Po 21, Torino – Italia

© 2017 Franco Amatori - Andrea Colli (Edited by), *Il mondo globale. Una storia economica* - Giappichelli Editore

© 2019 Franco Amatori - Andrea Colli

The right of Franco Amatori - Andrea Colli to be identified as authors of this work has been asserted by them in accordance with sections 77 and 78 of the Copyright, Designs and Patents Act 1988.

All rights reserved. No part of this book may be reprinted or reproduced or utilised in any form or by any electronic, mechanical, or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system, without permission in writing from the publishers.

Trademark notice: Product or corporate names may be trademarks or registered trademarks, and are used only for identification and explanation without intent to infringe.

British Library Cataloguing-in-Publication Data
A catalogue record for this book is available from the British Library

Library of Congress Cataloging-in-Publication Data
A catalogue record for this book has been requested

ISBN: 978-0-367-26508-3 (hbk-Routledge)
ISBN: 978-88-921-1734-1 (hbk-Giappichelli)
ISBN: 978-0-429-29355-9 (hbk-Routledge)
ISBN: 978-0-367-26507-6 (pbk-Routledge)

Typeset in Simoncini Garamond
by G. Giappichelli Editore, Turin, Italy

The manuscript has been subjected to the double blind peer review process prior to publication.

Chapter 22
THE GLOBALIZED WORLD

SUMMARY: 22.1. BRICS. – 22.2. The success of the market and state intervention in Asia. – 22.3. The commodities boom and development of south-south economic relations. – Bibliography.

22.1. BRICS

The most important outcome of globalization has been to spread economic development to areas previously almost unaffected by this process. In some ways, economic growth has been spectacular in what were once known as "developing countries", and are now called "emerging economies". Their total contribution to world economic growth has risen from 31% in the 1980s to 46% in the 1990s, to a dominant 67% in the early years of the 21st century, and then to over 70% in the first half of the following decade. Researchers and commentators agree that the driving force of the world economy has shifted decisively to the economies of these emerging countries.

This situation has many aspects, and not all allow one single interpretation. The most striking aspect certainly concerns the extraordinary changes affecting China's economy and society. China has now become the "world's factory", even more so than England in the mid-19th century. It has also been the world's biggest exporter since 2011, joining the *mega traders*, the group of countries with a large share of world trade and whose export trade accounts for at least 50% of GDP. China is the first country after 19th century Great Britain to achieve this kind of position.[1] Even more outstandingly, China is now an extremely important economic and commercial partner for over a hundred countries, giving it an enormous influence on the present world economy. In other words, China is a true *dual hub*, a revolving door for a constant flow of imports and exports.

The existence of a real economic system centred on China demonstrates the country's role and importance in the world economy. The complex in-

---

[1] A. Subramanian, M. Kessler, *The Hyperglobalization of Trade and Its Future*, Peterson Institute of International Economics, Working Paper 3, Global Citizen Foundation, June 2013.

ternational division of labour implemented by Beijing now includes practically every continent. China's global presence is based on the identification and exploitation of raw materials, importation of industrial and other *commodities*, collaboration along the production system, and exports of mid- and low-tech goods to its partners.

Observers perceived these processes at the time, particularly after China entered the WTO in December 2001 after 15 years of difficult negotiations. The effect was immediate: Chinese exports rose sharply: from 3.9% of GDP in 2000 to 6% in 2003. As the Chinese economy gradually opened up to foreign investors, the country soon became the principal destination for foreign investments.

However, the rise of China must be seen within the context of the general transformation affecting the entire world economy since the 1990s. The rapidly changing world situation and the company's need to offer long-term prospects to its big investors led Goldman Sachs to set up a research group. Headed by James O'Neil, it worked to identify underlying dynamics that might be of interest to the bank and its most important clients. The result was the report *Dreaming with BRICS: The Path to 2050,* a reaction to 9/11 and the debate it triggered about the pros and cons of globalization. The report set out the case for changing the image of a process entirely centred on the USA to show that there were many reasons for urging a wider vision of the world economy; sheer force of numbers and geopolitics meant the gradual emergence of the countries making up the new world of "bricks" (BRICs): Brazil, Russia, India and China.[2]

These four countries had many things in common and many differences, but the former prevailed. The BRICs are the only countries in the world apart from the USA with a GDP over $600 billion, more than 100 million inhabitants, and a surface area of over 2 million sq. km. In the first years of the 21st century their economic growth rates ranged from 4% for Brazil to 11% for China, which they were generally able to maintain (Brazil had some difficulties) until the crisis hit at the end of 2008.[3]

Starting in 2010, the BRICs began to meet annually. Here was an evident political reaction to the ineffective decisions taken at the London G20 meeting in April 2009, which attempted to deal with the crisis. In 2011, for purely political reasons, South Africa was invited to join as representing Africa, and the BRICs became the BRICS.

During the worst years of the crisis, the BRICS cooperated very closely

---

[2] J. O'Neil, *Dreaming with BRICS. The Path to 2050*, London, 2003.

[3] *Follow the Yellow Bric Road. Welcome to Tomorrow's Economic Giants*, in *The Economist*, 9.10.2003.

with each other, even creating a bank. The Shanghai-based New Development Bank BRICS was established at the 2014 summit in Brazil to enable economic-financial and commercial transactions between member states; it also represents a real challenge to the IMF and its regulations, traditionally weighted towards developed countries. Economist Joseph Stiglitz has defined the creation of this bank as "a fundamental change in global economic and political power".[4]

Because these countries had high growth rates during the worst years of the crisis, especially China and India (GDP + 60% and + 40% approximately, 2008-2013), the Goldman Sachs forecasts seemed about to come true ahead of time. Apparently there was no need to wait for 2040-2050 in order to confirm that these four or five economies had become more important for the world economy. In 2012, the BRICS produced a quarter of the world's wealth, and it was predicted that they would account for a third of the world's GDP by 2020. However, 2013 brought the first signs that the era of the BRICS was already ending.

The situation varied greatly from one country to another. China's GDP began to slow, falling gradually from 8-9 % to around 6%. According to the Chinese government, this meant that growth was now becoming more "normal" after years of growth rates around 10-12%. China was not the only country feeling a need to restore balance to an economy too heavily weighted towards investments in fixed assets. It also needed to increase domestic consumption by the middle class (a market of 350-400 million people in China, similar in size to the European market) and the weaker classes, who were still largely concentrated in the country areas. Salaries rose more quickly than expected, thus confirming Premier Wen Jiao Bao's forecast in February 2012 that China would soon cease to have the lowest labour costs. In effect, the Chinese value chain adapted by moving the most *labour intensive* activities to Vietnam, Malaysia and India.

Even before the crisis, Russia's GDP growth rate began to slow in comparison with the first years of the new century, but the collapse it suffered in 2009-2010 was worse than other countries; GDP dropped ten points in a year and then fell below zero. Economic recovery pushed the growth rate back up to around 5% in 2011, but at the end of the year it began to fall rapidly again. Growth was negative once more in 2014 under the combined effect of falling petrol prices and the sanctions the West imposed on Moscow for supporting the civil war in the Ukraine. Government programmes for further privatization of the Russian economy were launched in 2012-

---

[4] *Nobel Economist Joseph Stiglitz Hails New Brics Bank Challenging US-Dominated World Bank & Imf*, in *Democracy Now*, 17.7.2014.

2013 to attract foreign capital, but had very little effect. In fact, the most visible outcome of the country's increasing difficulties after 2014 was actually a massive exodus of capital during the second half of the year, accompanied by devaluation of the rouble, which lost approximately 50% of its value.[5]

Brazil's growth rate fell equally sharply; at the beginning of 2010 it was still 8%, but dropped to 1% in the second trimester of 2012. This wiped away the Brazilian "difference" on which the country had based almost a decade of hopes fuelled by the fast-growing internal demand (also driven by possibly over-generous consumer credit), together with its solid industrial system that interacted with all of South America. Brazil had generally been able to control inflation and its state finances, despite a tendency to concentrate on welfare spending, especially pensions, for political/electoral reasons during the presidencies of both Lula and Roussef. Brazil's new *middle class* felt both economically empowered and held political hostage by a system that had created too many expectations, which no one – and certainly not the government – was capable of satisfying.[6] Its GDP continued to fall, dipping below zero in the last trimester of 2013. It was difficult to invert this trend, at least in the short term, and another contributing factor was the political instability connected to Roussef's impeachment for her role in the scandal regarding the state petrol company Petrobras and its funding for the 2010 and 2014 election campaigns.[7]

The situation was somewhat different for India, which had been competing with China since 2009 for the highest GDP growth rate and had actually managed to draw slightly ahead of its rival, with a stable growth rate of over 7% according to the previous two years' data. India had always been distant from China's extremely successful development model based on exports, and its growth was uneven and asymmetrical. India's economy had been 20% larger than China's in the 1970s, but by 2015 it was just a fifth the size of the Chinese economy. India was trapped in its many contradictions and risked remaining "a great unfinished work" of globalization.[8]

Indian agriculture lacks efficiency, but nonetheless succeeds in supplying resources to the world's second largest population. The country also

---

[5] K. Hille, *Moscow Expects Recession in 2015*, in *Financial Times*, 2.12.2014.

[6] J.P. Rathborne, *Economic Slowdown Puts Latin America's Aspirations at Risk*, in *Financial Times*, 16.4.2014.

[7] J. Leahy, *Rousseff's Campaign Aides Face Arrest in Petrobras Investigation*, in *Financial Times*, 22.2.2016; *Lessons of the Fall. Impeachment May Give the Brazilian Workers' Party a Brighter Future*, in *The Economist*, 22.5.2016.

[8] G. Rachman, *Richer than Great Britain and Poorer than Africa*, in *Financial Times*, 25.9.2012; V. Mallet, J. Crabtree, *Industrial Evolution*, *ibid.*, 6.5.2014.

has an industrial sector that includes state-owned companies, together with large private corporations permanently at the centre of the Indian economic establishment (Tata, Aditya Birla Group, Infosys), and big foreign electronics multinationals (Microsoft, Oracle, Digital/Compaq, Hewlett Packard, Fujitsu, Siemens, Cisco Systems, Ericcson, Sony and others). These companies have made the Karnataka State capital Bangalore an Indian version of Silicon Valley, the ideal location for *business process outsourcing*, especially *back office* services for finance and the major world airlines. Nonetheless, India's total manufacturing output remained at around 15% of GDP from the 1970s, and the crisis has driven it to an even lower level for several years. India's infrastructures are extremely poor and inadequate; per capita investment in infrastructures rose from around $500 to $1,500 between 2000 and 2015, whereas Chinese investments during the same period rose from $1,000 to just under $6,000 at purchasing power parity. A 2015 World Bank study estimated that India needed investments of $1.7 trillion in order to provide the country with a modern infrastructure system by 2020. This is a very difficult objective, given that only the state can finance these huge investments and that the ten biggest companies in this sector have bank debts of over $125 billion.[9] Despite his 2014 election slogan promising "minimum government maximum governance", India's Prime Minister Narendra Modi has encountered unexpected difficulties in attempts to carry out a drastic overhaul of India's economic model. He has preferred to adopt a fragmentary strategy, slowly eliminating the many constraints on private enterprise that have impeded the country's economic development. Modi is just one of the many who are discovering that India is actually a very difficult country to change.[10]

22.2. The success of the market and state intervention in Asia

However, these real difficulties cannot cancel the deeper changes affecting the entire planet in the last thirty or so years. Most have taken place in Asia, but then gradually extended to the other southern hemisphere continents; even sub-Saharan Africa has been involved in this since the 1990s, and even more intensely since the first years of the 21st century.

The most striking case is South Korea, one of Asia's poorest and most destitute countries immediately after the Second World War, which divid-

---

[9] H. Sender, *If You Built It, Can They Come?*, in *Financial Times*, 21.6.2015.

[10] V. Mallet, J. Crabtree, *One Direction*, in *Financial Times*, 18.5.2015; M. Vaishnav, *Modinomics at Two. The Indian Economy Under the Bjb*, in *Foreign Affairs*, 8.3.2016.

ed the Korean peninsula. Nevertheless, it was already seen as successful by 1960, and many countries have attempted to imitate the Korean model of economic development, particularly in Asia.[11] This model was based on the following elements: priority given to structural factors, above all education and health policies; the leading role played by Korean technocrats, trained on the lines of Japan's Miti model, but with more elements of American culture; authoritarian governments within an outwardly democratic institutional framework; strong protectionist policies and incentives to Korean company's competing on the international markets; the influential role of the big private corporations, the *chaebol*. These factors allowed South Korea to carry out a process of industrialization with nothing to fear from the world's economic giants, particularly the USA.[12] South Korea initially built up its industry based on the more mature sectors: steel, cars, shipbuilding and chemicals. However, development was accelerated by Korea's ability to acquire the most advanced technologies. The speed and success of its growth are illustrated by just a few figures. In 1970, per capita wealth in South Korea was just $295, about a fifth more than the Asian and African average, but less than half the South American average of $650. By 2008, when the crisis began, South Korea's per capita wealth had risen to almost $19,300: three times the level of South America, five times the average of Asia (excluding Japan), six times the level of China, and thirteen times that of Africa. Even more striking was the way South Korea closed the gap with Japan. In 2000 its *per capita* wealth at purchasing power parity was less than half that of Japan ($16,500 *vs.* $32,000), but this had increased to $34,386 by the end of 2015, only slightly behind Japan's $35,8045.[13]

The government began a cautious liberalization policy in the 1980s, slowly dismantling the protectionist model of the previous two to three decades. Within this context, however, it has been unable to make any changes regarding the big groups (*chaebols*) that dominate South Korea's economy and form the core of the country's industrial system. Their influential role has not diminished, given that the top ten *chaebols* actually controlled around 75% of South Korea's GDP in 2014-2015.[14] It is no surprise that the country has risen rapidly in the world ranking, from 36th place in

[11] S.E. Chapin, *Success Story in South Korea*, in *Foreign Affairs*, April 1969.

[12] World Bank, *Korea, Managing the Industrial Transition*, Vol. I, *The Conduct of Indus- trial Policy*, Washington, 1987.

[13] UN, National account, database; *http://it.tradingeconomics.com/country-list/gdp-per-capita-ppp*.

[14] P. Dicken, *Global Shift. Mapping the Changing Contours of the World Economy*, New York-London, 2011, pp. 194-195.

1970 to 16th in 1990, 14th in 2010, and 11th in 2016. Close collaboration between universities and the big private companies has meant enormous investments in research and development and allowed South Korea to become a world leader in electronics and telecommunications. Its best known company is Samsung, but there are now 17 South Korean companies among the first world's top 500 manufacturers, compared with just 10 in 1990.[15]

South Korean growth has been accompanied by the development of other Asian countries, particularly Singapore, Taiwan and Hong Kong (known as "the four Asian tigers"), whose success has become increasingly evident since the 1980s. Their political histories are very different. Singapore is a former British colony, and Taiwan was the last refuge of the Kuomintang after its defeat in the Chinese Civil War; Hong Kong was a British colony until 1997, but enjoyed a special economic statute also after its return to China. These countries can (and must) be considered as confirming a successful Asian development model launched in the 1970s. In the 1980s, when the World Bank was still influenced by the prevailing viewpoint of the time and too inclined to observe only what happened in the financial centres of Singapore and Hong Kong, it had difficulty in accepting that the progress made by these countries was not the result of liberal policies. Only in 1993 did a new World Bank study admit that the success of Hong Kong, Singapore, and of Taiwan, Malaysia, Indonesia and Thailand, should be considered a real "economic miracle" based on specific industrial policies, and in certain cases also on state protection for nascent industries. Confirmation arrived a few years later, following the short but serious Asian crisis of 1997-1998: China, Korea and Taiwan were affected only in part and continued to grow, since their industrial development was more advanced, whereas Thailand, Malaysia and Indonesia were held back for a time because their development was still too weak to withstand the impact of the crisis.[16]

Of the first four Asian tigers, Singapore had some very peculiar features. As a small city-state, its size set it apart from the other Asian states, except for Hong Kong, which it resembled in some ways. Singapore has also been important as a model for China. During his 1978 visit, Deng Xiaoping was impressed by the economic model of Singapore's much-loved Prime Minister Lee Kuan Yew, its paternalistic ruler for several decades. In the space of

[15] D.S. Zagoria, *Is Korea The Next Japan*, in *Foreign Affairs*, Summer 1989.

[16] World Bank, *The East Asia Miracle. Economic Growth and Public Policy*, New York- Oxford, 1993; J. Studwell, *How Asia Works. Success and Failure in the World's Most Dynamic Region*, London, 2013, pp. XIV-XV.

just twenty years or so, Singapore's population of just under 6 million (75% ethnic Chinese) had experienced extraordinary economic and social development, and the reformist Deng saw Lee's combination of state intervention and openness to foreign investment as a path China should follow with care.[17] However, China could never hope to copy Singapore's strategic position, which had allowed it to become one of the world's most dynamic financial centres over the previous two decades. Most importantly, Singapore was now the world's most important port, since around 40% of the world's sea-borne trade passes through the Strait of Malacca every year.[18]

The Asian tigers have grown in number, and the original four have been joined by Thailand, Indonesia, Malaysia and Vietnam. This is also partly due to China's expansion of its value chain, since its manufacturers need partners able produce a share of their goods at even lower costs. In other cases, it involves economic and entrepreneurial development in nearby countries. In short, the "billions of entrepreneurs" in a well-known book, which examines the growth of opportunities and entrepreneurial talents in India and China, do not all live in these two countries. Vast numbers are also present in other Asian countries.[19] This massive growth has made it possible to reduce the number of people in Asia living on less than $2 a day by 50% since the start of the 21st century.[20]

22.3. The commodities boom and development of south-south economic relations

A large share of this undeniable success is connected with the enormous Chinese demand for raw materials. In fifteen years, China has become the world's leading industrial manufacturer and trading power, and its greatest consumer of raw materials. In 2010, China used 20% of the non-renewable energy resources, 23% of the main agricultural products and 40% of the basic metals consumed in the world. To be more precise, it consumed 50% of the cotton, around 40% of the copper and aluminium, less than half the

---

[17] Lee Kuan Yew, *From Third World to First: Singapore and the Asian Economic Boom*, New York, 2011, pp. 595-603; E.F. Vogel, *Deng Xiaoping and the Transformation of China*, Cambridge, Mass., 2011, pp. 290-291.

[18] L.Y.C. Lim, *Singapore's Success. After the Miracle*, in *Handbook of Emerging Economies*, London, 2014, pp. 203-226; J. Grant, *Singapore tests success*, in *Financial Times*, 27.11.2014.

[19] T. Khanna, *Billions of Entrepreneurs. How China and India are reshaping their future and yours*, Harvard, 2011.

[20] J. Noble, *Addicted to Debt*, in *Financial Times*, 14.5.2015.

coal, a fifth of the meat, wheat and soybean (much of the soybean as pig feed).[21] The *commodities* market has experienced a real boom since the start of the new century, entering in 2003 what has been defined as the "super-cycle" of commodity prices, with increases of 100, 200 and even 300-400% in just a few years. The most valid explanation of this trend connects it to the demands for raw materials generated by the BRICS, especially by China.

Prices began rising sharply in 2003; certain products accelerated in 2007-2008, and the trend continued during the crisis, although more slowly. The effects of the crisis in the more developed countries and contraction of the Chinese demand then combined to cause a fall in prices, which for some raw materials was very dramatic (50-70% for petrol, copper and iron ore).[22]

In many Asian countries, not to mention various South American and African states, China's increased demand for raw materials has led to important economic-social changes. The Chinese government has accompanied these operations, nearly always involving state-owned enterprises, in a way that has provided new opportunities to the countries exporting raw materials, particularly in Africa. Since Chinese strategy implies no interference in a country's internal affairs, its companies also do business with dictatorships, and it uses a combination of financial resources, technical expertise and influence on the UN Security Council to protect these countries from international sanctions.[23]

In many cases, this economic-commercial exchange means that Chinese companies build new infrastructures (roads, ports, railways) or improve those already in place, the decadent legacy of the colonial period or the early years of independence. In addition, China needs to maintain a fair balance of trade with its African partners. General improvements in living standards have allowed these countries to achieve better consumption levels, due to the very low cost – even for the poor African markets – of many mid- and low-tech Chinese goods.[24] The economic growth of sub-Saharan

---

[21] S.K. Roache, *China's Impact on World Commodity Markets*, Imf Working Paper, WP/12/115, May 2012.

[22] B. Erten, J.A. Ocampo, *Super-Cycles of Commodity Prices Since the Mid-Nineteenth Nentury*, DESA Working Paper No. 110, ST/ESA/2012/DWP/110, February 2012; *Why the Commodities Super Cycle Was a Myth. Falling Prices Show the World Is Not Running Out of Resources*, in *Financial Times*, 31.8.2015.

[23] S. Halper, *The Beijing Consensus. How China's Authoritarian Model Will Dominate the Twenty-first Century*, New York, 2012, pp. 44-45 e 99-101.

[24] L. Xing, A. Osman Farah (eds.), *China-Africa Relations in an Era of Great Transformations*, New York, 2013.

countries is bringing Africa increasingly into the globalization mechanism, and not only as a passive player. This is confirmed by the GDP growth rate, which has remained steadily 2% to 3% percentage points above the developed economies since 2000. However, it is the striking development of Africa's foreign trade that provides more important confirmation. It has perfectly overlapped the world trade cycle since the first years of the 21st century,[25] although the exports of at least fifteen African countries are excessively reliant on just two or three products for 75% of the total value. Moreover, these products are usually exported unprocessed, so that the greatest share of the value chain remains in the hands of international traders or big consumers.[26]

The unprecedented geographical expansion of economic development is causing profound changes in the world economic equilibrium. The most important new element is the growth of "south-south" trade between emerging countries, which has become increasingly important in the last twenty or so years, at the expense of the traditional north-south trade between developed and developing countries. Between 1990 and 2010, trade in non-petroleum goods between southern hemisphere countries, including the recently industrialized nations, rose from 9% to 21% of the total, trade in mid-tech goods ranged between 28% and 35%, and trade in high-tech goods increased from 21.5% to just under 30%.

In this kind of context, the free trade policies advocated by the WTO are fundamentally important. However, the scale and importance of the process has meant that the major players in the world economy, especially the USA and China, are now developing new political-commercial policies to protect their own national interests, aiming to bring about greater interdependence between the economies of their chief trading partners in the world's most important areas.

This is the background to moves to establish a North American and European free trade area, known as the Transatlantic Trade and Investment Partnership (TTIP). The negotiations have taken years, attracting criticism and causing concern to different economic sectors and public opinion in both Europe and the USA. If the project is successful, it will unite about 50% of the world's GDP and a third of its international trade. However, many doubts about its feasibility remain, at least in the short term. Great

[25] *http://www.imf.org/external/np/ds/matrix.htm.*

[26] A. Goldstein, N. Pinaud, H. Reisen, C. Xiaobao, *China and India. What's in It for Africa*, Oecd Development Centre, February 2006; Omotunde E.G Johnson (eds.), *Economic Diversification and Growth in Africa. Critical Policy Making Issues*, Berlin, 2016.

Britain's exit from the EU has greatly weakened the project, also because it has strengthened the positions of states like France and Germany, which are long-term sceptics about some parts of the agreement.[27] In the USA, where both candidates in the 2016 US presidential elections were openly against the agreement, scepticism has always been a constant, and Donald Trump's election victory seems to have put an end to US involvement in a project towards which Barack Obama had worked hard.

Problems have also beset the other great trade agreement, the Trans-Pacific Partnership (TPP), advocated by the USA to re-affirm its role and curb the growing Chinese presence in the Pacific area. Talks began in 2005, concluding in February 2016 with an agreement between twelve countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the USA and Vietnam). Trump's victory in November 2016 had an even greater effect on shelving this other great free trade project than on the TTIP.[28]

US strategy has been rather unconvincing and unclear, even for its closest allies, as confirmed by the surprising success of China's initiative to establish the Asian Infrastructure Investment Bank in 2014. Despite political and diplomatic pressure from the USA, almost sixty countries (including the United Kingdom, France, Germany, Italy, Spain, Brazil, Russia, India, many of the Gulf states, Kazakhstan, Uzbekistan, Indonesia, and many Southeast Asian countries) hurried to join the new bank. Many of these considered the institute as the Chinese regional equivalent (of a "region" as vast as much of Asia) of the World Bank (influenced principally by the USA) and the Asian Development Bank (controlled by Japan).[29]

This is one element of a vast Chinese strategy; it aims to achieve free trading relations and better defend its own interests by offering itself as a partner for far-reaching investments in connection with its One Belt One Road strategic plan, also known as the Silk Road Economic Belt and 21st Century Maritime Silk Road. With an initial fund of €40 billion provided by the China Investment Corporation (the Chinese sovereign wealth fund), China Development Bank, Export-Import Bank of China and the State

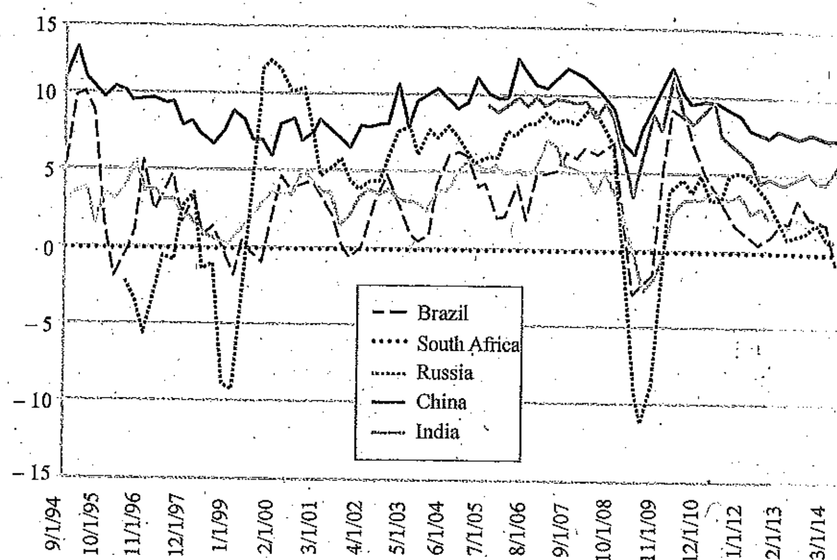
[27] *US-EU Trade Talks Reach Critical Stage*, in *The Economist*, 21.1.2014; *Trading Places. What the Aversion to Global Trade Says about Europe and America*, *ibid.*, 30.4.2016.

[28] *Trade, Partnership and Politics. With Negotiations Secret, Optimism about a Path-breaking Trade Deal is Hard to Share*, in *The Economist*, 24.9.2013; *Trade, at What Price? America's Economy Benefits Hugely from Trade. But Its Costs Have Been Amplified by Policy Failures*, *ibid.*, 2.4.2016.

[29] *The Infrastructure of Power. Reasons to Be Enthusiastic about China's Answer to the World Bank*, in *The Economist*, 2.7.2016.

Administration of Foreign Exchange, the new bank will provide finance for new infrastructures and for industrial and financial cooperation projects to exploit resources. The first areas it will focus on will very probably be central and southeast Asia.[30] In any case, as shown by the railway line connecting central China since 2014 to the railway hub at Lodz (Poland), trains are faster than ships (14-18 days by rail instead of 30 by sea from China to Hamburg, ideal entry point to the European market). Not only do trains have the advantage of speed, but they also offer better possibilities of forging close political and economic relations with the countries they cross. Moreover, it should be remembered that each far-reaching Chinese initiative envisages so many variants that it appears to form a part of an even broader strategy.[31]

Figure 22.1. GDP growth rates of BRICS (1994-2014)



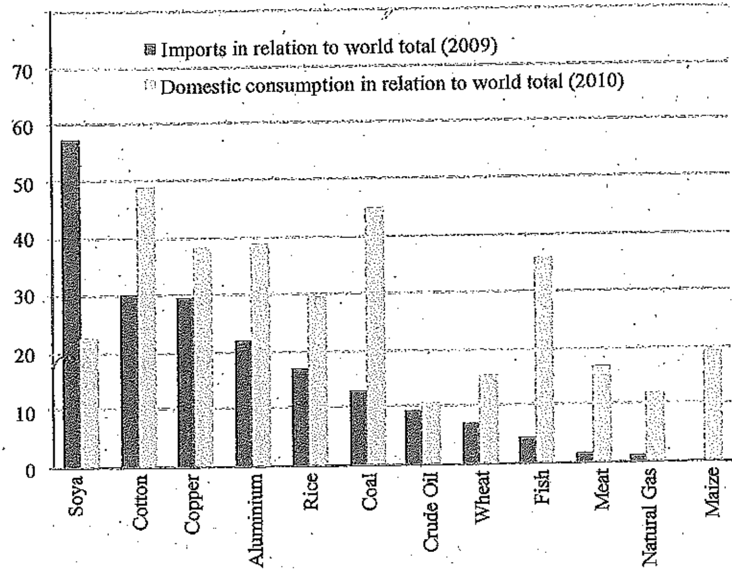
Source: Thomson Reuters.

---

[30] Min Ye, *China's Silk Road Strategy. Xi Jinping's real answer to the Trans-Pacific Partnership*, in *Foreign Policy*, November 2014; The Economist Intelligence Unit, *Prospects and Challenges on China's 'One Belt, One Road'. A Risk Assessment Report*, 2015; J. Stokes, *China's Road Rules. Beijing Looks West Toward Eurasian Integration*, in *Foreign Affairs*, 19.4.2015; C. Clover, L. Hornby, *Road to a New Empire*, in *Financial Times*, 13.10.2015.

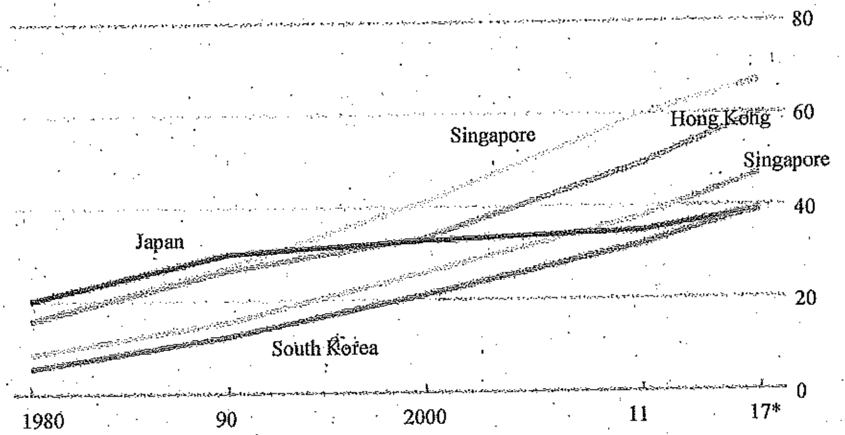
[31] *http://www.reuters.com/article/us-china-railway-kemp-idUSKCN0X41U7.*

Figure 22.2. Chinese market share of certain commodities (2009-2010, %)



Source: S.K. Roache, *China's Impact on World Commodity Markets*, IMF Working Papers, 2012, 12, 115.

Figure 22.3. Per capita GDP growth rates of some Asian countries ($1000, at Purchasing power parity, 2011)



Source: International Monetary Fund.

Bibliography

Berger S., *How We Compete. What Companies Around the World Are Doing to Make it in Today's Global Economy*, New York, 2005.

Ferguson N., Kissinger H., Li D., Zakaria F., *Does the 21st Century Belong to China? The Munk Debate on China*, Toronto, 2011.

Goldstein A., *Bric, Brasile, Russia, India, Cina alla guida dell'economia globale*, Bologna, 2011.

Khanna T., *Billions of Entrepreneurs. How China and India are Reshaping Their Future – and Yours*, Harvard, 2011.

Masina P.P., *Il Sud Est asiatico in trappola. Storia di un miracolo mancato*, Milan, 2014.

Yergin D., Stanislaw J., *The Commanding Heights. The Battle for the World Economy*, New York, 1998.

AUTHORS

Franco Amatori is Professor of Economic History at Bocconi University, where he teaches History of Italian Business, Business History and Comparative Business History. He edited the volume; he is the author of chapters 6, 7, 24.

Andrea Colli is Professor of Economic History at Bocconi University, where he teaches Economic History, Business History and Global History. He edited the volume; he is the author of chapters 14, 15, 16, 17, 18.

Guido Alfani is Professor of Economic History at Bocconi University, where he teaches Globalization, Divergence and Inequality in Historical Perspective. He is the author of chapters 1, 2, 3.

Silvia A. Conca Messina is Assistant Professor in Economic History at the University of Milan, where she teaches Economic History and History of Economic Policy. She is the author of chapters 4, 5.

Gianluca Podestà is Professor of Economic History at the University of Parma, where he teaches Economic History and History of Financial Markets. He is the author of chapters 10, 11, 12, 13.

Marina Romani is Associate Professor of Economic History at the University of Genoa, where he teaches Economic History and History of Money and Financial Markets. She is the author of chapters 8, 9.

Luciano Segreto is Professor of Economic History at the University of Florence, where he teaches Economic History of Globalization, Business History in Global Economy and International Economic History. He is the author of chapters 19, 20, 21, 22, 23.

AUTHORS OF THEMATIC SECTIONS

Matteo Di Tullio (Bocconi University and University of Pavia): Demographic transition.

Roberto Giulianelli (Marche Polytechnic University): Mass Emigration from Europe.

Marina Nicoli (Bocconi University): Industrial Revolution.

Mario Perugini (Bocconi University): Workplace Organization and International monetary systems.