

increasing levels of economic interdependence and integration. Globalization is now understood to mean a process that involves the increasing cross-national spread of products, markets, firms, and production factors.⁶ In the globalization process, national boundaries are becoming less relevant to the conduct of business. Globalization is not confined to export industries. Import-competing industries are equally, although perhaps less obviously, a part of the global marketplace. International trade flows and foreign direct investment are indicators of globalization.

2.2 Globalization and Trade

Increased economic interdependence is reflected in the annual growth in the volume of world trade. Increases in the volume of world merchandise trade have outpaced the growth of world output in goods (Chart 1).⁷ Firms are exporting an increasing share of their production to foreign markets. There is also evidence to suggest that international trade in services has at least kept pace with growth in trade in goods and, therefore, has also outpaced growth rates of world output in goods. Trade in services is also contributing to a more interdependent global economy.⁸

The geographic pattern of trade highlights some broad features of interdependence. The largest part of the OECD countries' exports, approximately 74 percent, is amongst themselves, rather than between these countries and the developing countries.⁹ Intraregional exports are also important, with trade within Western Europe accounting for 72 percent of its total exports in 1991 (Table 1).¹⁰ On balance, the traditional pattern of developed countries exporting manufactured goods to the developed countries, and the developing countries exporting primary products is still evident. Nonetheless, the developing countries' exports of manufactured goods are a fast-growing part of world trade. Yet the distribution of developing country exports remains skewed. Most of the developing countries' growth in manufactured goods is accounted for by the newly industrializing economies (NIEs), especially those in East Asia, as well as Mexico.

⁶OECD, "Globalization Framework", TD/TC/WP(92)72, October 1992.

⁷ GATT, International Trade 91-92, Vol.II, p.1.

⁸ Keith Christie, Globalization and Public Policy in Canada: In Search of a Paradigm, DFAIT, Policy Staff Paper 93/01, January 1993, p.10.

⁹ IMF, Direction of Trade Yearbook .

¹⁰ GATT, International Trade 91-92, Vol.II, p.6.