



OFF THE NEWS

Globalization Update

A NEW GLOBALIZATION

Soaring digital flows of information now exert a larger impact on GDP growth than the centuries-old trade in goods.

The size of the world's cross-border bandwidth has grown 45 times larger than it was in 2005. It is projected to increase by an additional nine times over the next five years. Almost all types of cross-border transactions now have a digital component.

—*McKinsey Global Institute*

THE DEMOGRAPHIC COMPLICATION

I. For the first time, Japan's latest census showed a population decline.

—*Wall Street Journal*

II. Almost 100 percent of the world's projected population growth over the next four decades will occur in countries classified as less developed.

—*IMF's Finance & Development*

III. In 1950, 8 percent of the world's population was classified as 60 or over. Today, that number is 12 percent. By 2050, 22 percent will be older than 60. In 1950, the average female gave birth to five children; today, 2.5.

—*United Nations*

IV. Europeans 65 or older who are not working are 42 for every 100 workers. By 2060, the number will be 65 per 100.

—*Eurostat*

GLOBALIZATION'S GOOD SIDE

For two decades since the early 1990s, more than 700 million people have been lifted out of extreme poverty, six million fewer children die every year from disease, tens of millions more girls are in school, millions more people have access to clean water, and some form of usually imperfect democracy has become the norm in the world's developing countries. This untold story has been of an unprecedented economic, social, and political transformation.

—*from The Great Surge: The Ascent of the Developing World by Steven Radelet*



PIPPA RANGER/DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

Girls in school in Chennai, India.

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Global Trumpism

French economic officials are suggesting that financial markets may be underestimating the potential for Marine Le Pen and her National Front party to rise to power relatively soon. To date, the one thing keeping her from the presidency has been her party's rejection of the euro (67 percent of the French public supports the common currency). Officials say, however, that Le Pen is slowly moving toward euro acceptance.

Officials add the strong suggestion that Europe's refugee crisis is only in the early stages. "The crisis could eventually include large parts of Africa, and Europe is not prepared," an official told *TIE*.


Marine Le Pen

Donald Trump

Why China Has a Dollar-Denominated Debt Problem

On the issue of China's foreign exchange reserves and its enormous accumulation of dollar-denominated corporate debt since 2010, European officials are suggesting that China's corporate debt holdings are much larger than even the Bank for International Settlements statistics indicate. So much of this dollar-denominated debt was taken on during the 2009–2010 period when the Chinese elite community bought into the notion that the U.S. financial system and economy were both a giant train wreck of unsustainable trillion-dollar debt. Then, the one certainty throughout elite Chinese circles was that the dollar was a one-way bet down. This was about the time when a class of Chinese students openly laughed when visiting U.S. Treasury Secretary Timothy Geithner suggested Chinese holdings of U.S. Treasuries were "safe." "A dollar crash was thought to be a giant certainty throughout elite Chinese circles," a eurozone official with close Chinese ties told *TIE*. This turned out to be a wrong bet.

If Brexit Succeeds

If Brexit becomes a reality, the European Union over the next twelve months is far more likely to "go easy" in its negotiations with the British than to do the reverse. The general assessment: London would still likely remain relevant as a kind of giant offshore financial center *à la* Singapore and Hong Kong, an official told *TIE*.