Editorial

INTERNATIONALISATION POLICY

The world economy has changed dramatically during the last decades. The current level of international economic flows is much higher than that seen after the Second World War. Several factors related to the reduction of international trade costs contribute to explain this remarkable evolution. First, the reduction in transport costs was significant. Second, the liberalization trend, in the context of GATT and, since the 1990s, the World Trade Organization also contribute decisively to increase international trade flows. This is true even despite the fact that less transparent forms of trade policy have gained prominence. A critical dimension of this liberalization process is the tremendous growth registered in the number of regional trade blocs at the world level. In short terms, the world is more globalized.

In a recent and very comprehensive study on this topic – trade globalization – Palan et al. (2019) obtained impressive results. This empirical study analyses bilateral trade flows, at the sectoral level (147 sectors), during the period 1967-2016. Let us emphasize four main conclusions. First, trade volume has increased by a factor of 13, in real terms, during this period. Second, when this evolution is disaggregated by technology levels, the high-tech sectors show the highest growth. Third, some bounded dimensions of trade globalization (namely, number of positive bilateral trade flows or the distance involved in these flows) are already high at the beginning of the period and are very close to their upper limit at the end of the period considered. Even we consider that the analysis only includes 84 countries, this is, for sure, a remarkable result. Fourth, some room to increase is still open at the sector level since no more than around 50% of the possible bilateral trade flows are already established.

Therefore, globalization is one of the most critical trends of the last decades. This phenomenon makes clear that the central dimension of the business activity is more and more on the foreign markets. In this context, the capacity to be competitive in the external markets is a key aspect to be considered not only at the firm-level but also by public policy.

It is clear that public policy has a critical role in what concerns the creation of better conditions to national firms in foreign markets. This aspect is vital because the openness of the different economies makes the competition among them stronger than ever in each specific foreign market.

This special issue aims to address this important dimension of public policy. It includes six papers dealing with different aspects of this general topic.

A first paper, by Nuno Crespo, Nádia Simões and Iulia Dumitrescu has a methodological nature and aims to contribute to a better understanding of the concept and the measurement of trade competition. In fact, in a globalized world in which the countries are increasingly dependent of what happens in the foreign markets, it is important to have adequate and robust metrics to capture the level of trade competition between two countries in a given destination market. This papers provides a detailed discussion covering the measures that have been developed along the last 10-12 years to evaluate this phenomenon and advances some key avenues for future research on this area.

The second paper included in this special issue was produced by Carlos Figueiredo, José Manuel Félix Ribeiro and António Manzoni. This study produces a geo-economic analysis of the major trends of the last decades. Starting at the world level, the authors consider three macro regions – Europe, North America, and Asia – and discuss the key modifications introduced by the economic and financial crisis of 2008. After this global approach, the study moves towards a more in-depth discussion of the European case and evaluates in a closer way the Portuguese and the Spanish reality. The most extensive analysis of the study is however devoted to the Portuguese case, at the sectoral level, aiming to identify critical strengths and weaknesses. The several internationalization waves of Portugal are discussed. It is shown that these waves have very different characteristics. The author conclude their analysis with the identification of the major transformations that are currently occurring, considering different groups of sectors.

The third paper of this special issue was written by Catarina Leal and is dedicated to a specific but very important element: economic diplomacy. At the conceptual level, this study provides a detailed discussion of this concept, its meaning and its evolution. More specifically, the author identifies four periods in what concerns the evolution of modern economic diplomacy, since the XIX century. Providing a clear and detailed characterization of this concept, four main vectors of its

operationalization are evaluated. The second part of this study is dedicated to the Portuguese case. In this specific context, it is produced a very in-depth discussion of the evolution of the Portuguese economic diplomacy as a key dimension of our internationalization strategy. The analysis is enriched with some real-world examples.

The next paper included in this special issue of the Public Policy Portuguese Journal was produced by Nicole Palan, from Graz University. The study put the focus of analysis on the competitiveness of the Portuguese economy in the global market. It highlights the impact of trade costs and evaluates Portugal's specialization profile. The study emphasizes the remarkable structural transformation registered in Portugal. The country moved from being concentrated in low-tech manufacturing sectors, being the clothing and textile industry the most relevant example, to a more service-oriented economy. In this context, the paper concludes that the capacity of the country to remain competitive in the international arena critically depends on its ability to deal with the challenges of digitalization and to catch up with other European countries.

The fifth paper belongs to Maria João Tomás and aims to produce a concise evaluation of the trade relations between Portugal and a group of countries that despite less studied are very important for Portugal both as origin and destination of trade: the Arab countries. With simple numbers, it is shown that the bilateral trade flows between Portugal and this group of countries is still below its potential level, opening a vast room for closer relations. This objective depends of course of the capacity of the Portuguese firms to be competitive in these markets but an active role is also required from the public actors. A national coherent internationalization strategy is therefore necessary and this includes concrete interventions helping the firms to see new opportunities in less explored markets. Obviously, cultural aspects will require adaptations and probably imply some additional transaction costs. This study discusses some of the most important cross-cultural challenges that must be considered. But the opportunity exists and this paper clearly recommends that these markets should be seen in a more pro-active way.

The last paper that compose this special issue was produced by Zélia Breda, Emese Panyik and Carlos Costa. They analyse the internationalization of the hotel industry with evidence for Portugal. The study starts to highlight that tourism is not only the world's largest commercial service sector but also that it has, by definition, a globalized nature. After an interesting discussion about the link between tourism and globalization, the impact of economic liberalization on international tourism flows and the global expression of the tourism system, the study dedicates the most important part of the analysis to the internationalization of the hotel industry. In this context, an overall background (at the world level) is provided, showing the importance of the hotel industry to the development of travel and tourism. The study concludes its evaluation with a more direct analysis of the Portuguese case, which allows to conclude that the hotel industry has a key role in the internationalization process of Portuguese tourism firms.

We believe that the studies included in this special issue are an important contribution to the debate on a critical dimension of public policy: internationalization. We would like to conclude expressing our gratitude to all the authors that contribute with their research as well as to the editors of the Public Policy Portuguese Journal for the invitation and the opportunity to organize and publish this special issue.

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