

Lyon 2006 - Background papers and conclusions

EIN Summer University and European Ideas Fair

21 - 23 September 2006

EIN POLICY ROUNDTABLE

Globalisation

Background



Globalisation has set in motion a process of far-reaching change that affects everyone. New technology, supported by more open policies, has created a world which is more interconnected than ever before. This process spans not only growing interdependence in economic relations - involving trade, investment, finance and the organisation of production globally - but also social and political interaction between organisations and individuals across the world. The potential for good is immense. Growing inter-connectivity is nurturing an understanding that we are all part of a global community, but one where the individual has a central part to play.

The economic structures of the developed and developing world are being transformed, with India emerging as a global power in services and China consolidating its strong position in manufacturing. The number of stakeholders in a prosperous world economy has grown rapidly. Globalisation is not a zero-sum game. It has already been beneficial for the EU and can continue to be so, particularly if Europe takes seriously the need for economic reform and all partners advance a more efficient division of labour in the world economy by successfully concluding current international trade round.

Over the past four years, the EIN working group on Globalisation has focussed particularly on issues of governance, competitiveness and development. In its view, Europe's political leaders have failed to communicate effectively that the EU cannot shelter from globalisation. Governments must give positive leadership and explain the likely resulting advantages, both economic and political. Although creating a new global governmental framework is neither likely nor desirable, there needs to be better co-ordination and clearer division of responsibilities between the various international bodies, such as the OECD, WTO and UN.

At the 2005 summer university in Lisbon, the working group reiterated its view that globalisation leads to a better allocation of resources, greater diversity and choice in markets, and a higher rate of innovation. The increased pressures of competition require regular structural adjustments if globalisation is to be, and be seen as, an opportunity and not a threat. Policies should promote innovation, entrepreneurship and a knowledge society, whilst reducing regulation and modernising Europe's social model.



In February 2006, the WG held a seminar in Paris, focussed on the impact of globalisation in India and China, and their need to tackle internal problems of

pollution, over-capacity and congestion. The challenge of responding to the growing gap between rich and poor globally was also discussed. The EU needs to help developing countries to prepare for participation in globalisation through supporting stable democratic governments, functioning market economies and fighting corruption. This moral obligation should induce the EU to speed up its own liberalisation with respect to the exports from the world's poorest nations.

Conclusions of Lyon discussion

- In assessing the policy implications of globalisation, the Policy Roundtable in Lyon agreed that the advantages and potential efficiency of global action were extremely important - as recently evidenced on bird flu - but that they were matched by the risk of not always achieving a 'level playing field'. In the EU, the earlier application by Europe than the United States of Basle II, for example, and new governance rules for reinsurance had put enterprises on this side of the Atlantic at a competitive disadvantage.

- The issues of a 'level playing field' and 'potential international competitive disadvantages' were explored in detail by the Policy Roundtable in respect of the automobile industry. Here part of the problem was the difficulty in generating a coherent and consistent European response to an evident global challenge. The 'Cars 21' process of consultation, instituted by the European Commission and involving a wide-range of stake-holders, had developed a viable set of policy principles to help safeguard the international competitiveness of the European industry. Unfortunately, it had been quickly undermined when the first piece of draft EU legislation in the sector - the so-called 'Euro 5' proposal (to reduce pollutant emissions from light vehicles) - neither respected the procedural principles agreed upon nor gave sufficient consideration to potential adverse effects on existing competitiveness in producing small diesel cars.



- Another conclusion of the Policy Roundtable was that globalisation not only led to open markets and wider opportunities, but also accelerated transition processes: China was going through its 'industrial revolution' in just two decades. In this process, both multinational companies and developed nations had a particular responsibility resulting from their 'brand reputation'. They were expected to provide role models for societies in developing countries and economies in transition. This was also one of the key areas where the EU and the US needed to work closely together.

- European integration was an excellent contribution to the positive impacts of globalisation. Considerable economic advantages resulted from the creation of a large, open internal market. And EU enlargement to the east provided the framework for political stability for many Central and Eastern European countries. However, it also had to be accepted that structural adjustments (plant closures and new investments elsewhere in the region) were part of the game.

- In respect of the 'governance of globalisation', the Bretton Woods institutions created after the second world war had fulfilled very important functions. However, with the suspension of the Doha Round and the new and important role of countries like China and India in markets, it had become increasingly evident that adaptations of global institutions were necessary. No support was evident for the use of the euro as an instrument of international political action.