

Warsaw 2007 - Background papers

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EIN POLICY ROUNDTABLE ON

GLOBALISATION

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Background

Globalisation remains a phenomenon that policy-makers across the world are still striving to understand. Not only can globalisation not be captured in a single measure or index, but its economic impacts are also difficult to isolate given the complexities in disentangling globalisation from other important structural changes that have occurred in parallel in recent years. One definition of the globalisation process is as a "growing interdependence of economies via trade, production and financial market linkages". This process has accelerated in the last decades, with two main contributing factors. The costs of transporting goods, services and information across the globe have been reduced considerably, including by the surge in information and communication technology. Secondly, global productive capacity has sharply increased as economies like India and China open to international trade, investment, and production.

Over the past four years, the EIN working group on Globalisation has considered 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 provide positive leadership and explain the benefits, both economic and political, and adjust framework conditions in such a way that enterprises and citizens can effectively enjoy them. 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 international bodies, such as the OECD, WTO and UN. Looking at the 'governance of globalisation', the Bretton Woods institutions created after the Second World War were felt to have fulfilled important functions. But the suspension of

the Doha Round and the trend towards more bilateral deals might now lead to some necessary adaptations.

At the EIN Summer University in Lyon in 2006, the policy roundtable highlighted the advantages and potential efficiency of the right government actions, whilst noting the risk that bureaucratic and political inertia often paralyses the best political plans. This was explored in detail in respect of the automobile industry: While a coherent and consistent European response to a global challenge was found in the successful CARS 21 process, the subsequent lack of joined up policy-making between different vested interests and departments frustrated many of the good intentions..

Participants also concluded 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 the multinational companies and developed nations had a particular responsibility resulting from their 'brand reputation': to provide role models for societies in developing countries and economies in transition. This was seen as a key area where the EU and US should work together.

At a joint seminar with the Konrad Adenauer Foundation in Berlin in March 2007, the working group looked at the impact of demographics and Asia on globalisation. It was felt that Western societies would see major genetic changes that could result in enormous societal change. Overall, participants felt that the decline of the West would only be in relative, not absolute, terms. Some stressed the myths currently surrounding Chinese and Indian economic power.

Six questions might be addressed in the debate on globalisation at this year's summer university:

? How could industrial economies keep their lead in innovation as the key tool in global competition?

? Do government policies in Europe do sufficiently permit and promote change and adjustment?

? Will centralised government planning ("guidance") or dispersed market forces be more successful in the global competitive race?

? Is there a way for meeting the challenge of declining birth-rates in developed economies through globalisation?

? Will the race for access to raw materials and other resources lead to the next World War?

? Does the failure of the Doha Development Round and the growing "spaghetti bowl" of bilateral free trade agreements seriously affect globalisation?