

OECD FORUM 2006
BALANCING GLOBALISATION
22-23 May 2006, Paris

Innovation and Economic Growth

Karien van Gennip, Minister for Foreign Trade, Netherlands

Ladies and Gentlemen,

When last year I addressed this forum, I argued that globalisation was a force for good. This time, I want to elaborate on that message and tell you that if we are to reap the full benefits of globalisation, we need to play by the rules.

First, let me reiterate that globalisation creates value for all us:

- Last summer, 80,000 Chinese tourists visited Amsterdam, boosting our local tourist and hotel industries.
- In India, 25 million middle class people are developing an appetite for Western products. They are potential buyers of Lacoste shirts – the real ones!
- Huawei, a Chinese telecommunications giant, has set up shop in Amsterdam and has outsourced its distribution to a Dutch logistics player.
- And Dico, a Dutch company that sells designer beds, was making losses until its outsourced production to Poland, the Czech Republic and China. Now, it is profitable once again and able to invest more money in developing in R&D and its people.

I have always believed - and I will continue to believe - that globalisation creates jobs, enlarges markets and enables our businesses to survive in an increasingly competitive world. Moreover, globalisation leads to further economic, social and political integration, which in turns results in more stability.

We cannot close our eyes and pretend there are no drawbacks to globalisation. The reality is that some economic regions will be negatively affected by these changes.

Governments have a responsibility to cushion the blow. Not by subsidising loss-making industries, but by creating more flexible labour markets, supporting opportunities for life-long learning and investing in the potential strengths of regions (PIDD).

In other words: continued employability is the key to long-term profitability.

Now, the topic of this session is innovation and economic growth. To me, innovation and globalisation are two sides of the same coin. Innovation and globalisation increasingly depend on and stimulate each other.

If businesses want to thrive in a globalising world, they need to innovate in areas which give them a competitive edge. By outsourcing labour-intensive processes and investing the savings in R&D. By connecting to local and global knowledge networks, they can have access to scientific insights that can enable commercial breakthroughs.

Take for example a material called Glare, a high-tech laminate that is used to make parts of the fuselage of the new Airbus A380 jumbo jet. Lighter and stronger than traditional aluminium, Glare enables the giant double-decker Airbus to fly.

I am proud to say that Glare is the result of Dutch ingenuity. It was developed by the Delft University of Technology in the Netherlands, The Netherlands National Aerospace Laboratory and Stork Fokker, a Dutch aerospace company.

Incidentally, another innovative Dutch company has contributed to the revolutionary new Airbus: Ten Cate Advanced Composites supplies laminates for the interior of the double-decker jumbo jet.

What is fascinating here, is that Ten Cate used to be a traditional producer of textile, an industry now dominated by competitors from emerging economies. By focusing on innovation, Ten Cate transformed itself into a profitable, high-tech company.

To me, these two examples show how innovation enables businesses to survive and thrive in a globalising world. But innovation and globalisation can reinforce each other only if we all play by the rules.

Now, you may wonder what playing by the rules means.

First and foremost, it means respecting Intellectual Property Rights. This is a fundamental issue: businesses won't innovate if there is no guarantee that their R&D will be protected. Why develop MP3 players when cheap knock offs are for sale on the street? Or why entrust a foreign company to make a matrix of your product, when the design of the matrix is copied and used for making illegal copies of your product behind your back?

When I say we all need to play by the rules, I mean all of us. Last summer I fought hard to have Chinese sweaters enter EU markets. Because I believe in free trade and I believe the overall benefits for traders and consumers outweighed the negative effects. But I have also urged and will continue to urge countries like China to enforce IPR regulation. Chinese companies themselves are urging their government to uphold IPR. IPR is a fair principle, and other countries can apply it to us just like we can apply it to them. That, too, is part of globalisation and playing by the rules.

But playing by the rules is more than just IPR. It also means that governments and businesses need to take responsibility for their impact on the environment and fight against child labour. The Football World Cup is about to kick off and I am sure no team would like to compete with a football stitched together by a child.

A third and final way of looking at Playing by the Rules is protectionism. I believe in a globalised world there cannot be any room for protectionism. Governments should lower their artificial barriers and let the market do its work.

Last year I said globalisation was a force for good and this year I have argued that innovation will strengthen that effect but that we need to play by the rules.

I understand that globalisation brings new changes and complex challenges. Albert Einstein once said: "If you do what you always did, you get what you always got." I dare to disagree with him: in today's world, you get less if you do what you always did.

Globalisation creates jobs, enlarges markets and enables our businesses to survive in an increasingly competitive world. Let's not close our eyes to globalisation. It won't go away. Globalisation is here to stay. Instead of allowing ourselves to be overwhelmed, we should be part of the change to shape the change.