



Balancing Globalisation

by Lord Watson of Richmond, CBE

It is entirely appropriate that the OECD should take as its theme for the Stakeholder Conference in Paris on May 22nd the issue of globalization - its benefits and risks. Why? Because the OECD is the cartographer of globalization, mapping its course, measuring its dimensions, assessing its implications.

According to the OECD China could overtake the USA and Germany to become the largest exporter in the world during the next 5 years.

Goldman Sachs has highlighted the transformational role of the BRICS, Brazil, Russia, India and China, who together by 2005 could equal half the economic power of the present G6 and in 40 years outstrip the whole of the G6 in US Dollar terms. Thus the map of globalization is changing and so rapidly that the explorers of the New World in the 16th Century would have feared falling off the edge of the earth!

Fear is a very real factor in the reaction of the United States and European Union to what is happening. The United States accounts for around 27% of the world's GDP and has so done for most of the 20th Century. However, that primacy will be challenged by the BRICS and by 2050 China will have become the world's largest economy. If the United States cripples itself with "imperial" overreach then globalization which was once thought to secure American predominance in perpetuity might in fact bring it to an end. American anxiety about China and the direction of globalization is now palpable.

If the Americans are worried, so too are the Europeans. Wolfgang Munchau writing in the Financial Times described the European debate on globalization involving 25 heads of state and government as «a modern version of hell». Germany seems to see its only way of dealing with globalization as the maintenance of the competitiveness of its industrial base by cutting costs and exporting jobs. The former Chancellor Gerhard Schroeder railed at globalization at his last European Council Summit protesting that attempts to "elevate the market and pursue never ending liberalization" was to betray Europe's basic beliefs and values. The French Government seems to agree. Grappling with the problems of integrating its own Muslim population - a consequence of globalization rather than colonialism - France sometimes sounds close to despair. Dominique Moisi has expressed French anguish in these terms following last summer's rioting by Muslim youngsters in French cities:

"A more secure Europe of economic growth and dynamism would be confident of its ability to transcend this powerful challenge of integration. But how can we find the formula for successful integration in France if at the same time we feel so threatened by the tremendous energy coming from Asia?"

So, How to balance globalization? How to support the BRICS as they win their place in the sun thus enriching the global economy as well as themselves?

Surely it is in the interests of Western companies that Asia provides huge new middle class market? But can we do this without surrendering our own industrial base? If globalization is to be balanced this becomes a key question.

Clearly there are no easy answers although one thing is clear. Globalization is not a zero sum game. It is not an economic race to the bottom but to the top. In the end the winners will not be the cheapest but the best. And even those who come in second could do very well. Let's see what answers the OECD Summit produces.