

OECD FORUM 2006
BALANCING GLOBALISATION
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Keynote Speech

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Distinguished Guests, Ladies and Gentlemen,
It's a great pleasure and honor for me to address the OECD Forum, a reputable and well established institution advancing public dialogue and mutual understanding.

Our focus this year is on how best to balance the negative and positive effects of globalization. Our common objectives are the achievement of benefits, their long-term sustainability and their equal distribution to all countries. So that citizens enjoy higher incomes and improved living standards. So that the right to employment and social protection is secured. So that the gap between the rich and the poor is gradually bridged. For centuries now, populations of different backgrounds and cultures, gradually became involved in more extensive and complicated economic relations. After all, the true origins of migration, trade and economic cooperation date back to ancient times. In spite of several intervals of international conflicts and protectionist policies, the unprecedented pace of global integration we observe today, is more of a historic pattern than a circumstantial drift.

In the last 20 years, the pace of international economic integration accelerated sharply. Major economic and political events such as,

- the historic re-unification of Europe,
- the outward oriented policies in East-Asia,
- China's sweeping economic reforms
- the steady growth of India

together with

- the tremendous progress in technology and innovation and
- the digital revolution

made it possible, to shorten distances and widen opportunities.

In this respect, globalization is not only about trade and financial flows. It also refers to the movement of people and knowledge, to wide cooperation and sharing of best practices, to mutual exchange of information and support.

Globalization has unleashed unprecedented powers of growth in many parts of the world. But at the same time, it has created causes for concern with respect to job insecurity, social exclusion, widening imbalances, terrorism, security of energy supply and the environment.

Unsurprisingly, not everybody views globalization as beneficial. Some regard it with suspicion, others view it as just being inevitable. Notwithstanding how we perceive it, though, globalization remains an opportunity and a challenge, an advancing reality affecting more and more citizens across the world.

Our experience so far has shown that, the opportunities of global integration are not seized without effort. The power of globalization needs to be harnessed and carefully directed to our benefit. The speed and extent of change is enormous. Our policies need to be focused and pro-active. International cooperation towards common targets is required.

Some countries have already become integrated into the global economy more quickly and efficiently than others. By adapting, restructuring and changing accordingly. As a result, they observe faster growth, higher income and welfare. As Darwin has noted “it is not the strongest of the species that survive, nor the most intelligent, but the ones most responsive to change”.

A successful example is provided by the impressive developments in South Eastern Europe. A region, known for its troubled past which has embraced a promising future by adapting and integrating.

Greece, being the only EU member in the region is actively encouraging regional cooperation in many fields, such as transport, entrepreneurship, trade, tourism and energy. Through concerted action, the region is developing into an international energy hub improving its development potential and strengthening its global presence.

Conversely, countries which do not succeed in reforming appropriately or in improving their competitiveness face difficulties in enjoying the benefits of global integration. Indeed, market forces, extending beyond national borders, promote efficiency and give easier access to capital flows, new technology and cheaper products. But they do not always ensure fair distribution.

Trade imbalances accumulate and fiscal accounts are over-stretched. Coupled with increasing demographic pressures such imbalances indicate mounting difficulties in maintaining sustainable public finances.

Furthermore, as advanced economies mature they become more service oriented thus shifting towards high skilled jobs. As a result, low skilled jobs are threatened, and unemployment builds up. These global imbalances certainly lead to mounting insecurities. Especially, when taking into account further spillover consequences, such as social exclusion and a deteriorating environment.

Soaring energy prices and a turbulent energy market create another source of concern. However, such uncertainties should neither reverse the process nor indicate a shift to inward-oriented policies of the past.

On the contrary, they should serve as a wake-up call for governments, to embrace policy changes, implement the necessary reforms and coordinate procedures in an effort to build competitive economies and strong, inclusive societies.

The main focus should be on:

1. *Macroeconomic stability*

Budgetary consolidation remains a challenge in many countries. Healthy public finances are crucial in order to secure efficient allocation of resources, long-term sustainability and social security for all citizens.

2. Structural market reforms

Promoting openness and competitiveness is imperative.

- Opening up product markets and reducing entry barriers,
- modernizing labor markets by improving supply and demand,
- securing smooth financial markets by appropriate regulation, and
- reducing red-tape are essential priorities.

Countries need to increase the pace of structural reforms (and that is the course of action we currently implement in Greece) in order to integrate into the global business environment and seize the opportunities that free trade and open markets generate. Especially in terms of creating more and better jobs. Nevertheless, for growth to be sustainable, the global community must increase awareness on environmental issues. Protecting the environment should constitute the milestone of globalization rather than be seen as an obstacle to growth. In this respect, efforts at national level, should concentrate on reducing oil dependency and promoting the use of renewable resources. Common initiatives, such as the Kyoto protocol should be implemented and further reinforced.

3. Promote research and innovation-Modernize education

The progress in innovation and technological advances has been undeniable. But most of the research and its outcomes remain concentrated in a few pioneering countries.

We need to coordinate our efforts to globalize R&D, and spread the gains of innovation. In this rapidly changing environment, life-long learning is necessary. Modern education and training are decisive in

- increasing employment,
- reducing social exclusion,
- limiting inequalities.

Through a common platform, countries should promote research and innovation and modernize education so as to develop knowledge-based societies and adaptable labor forces.

A prominent example of such coordination efforts is the case of the European Union. Member-states have set common targets, in order to increase competitiveness and enhance the role of the Union in the global economy.

The review of the Lisbon Strategy in 2005, launched a new Partnership for Growth and Jobs, and stressed the importance of broadening the ownership of reforms. Old structural weaknesses are addressed in a concerted and mutually reinforcing way. Multilateral cooperation is essential.

4. Consensus-building on the necessity of reforms

Reform implementation remains a difficult task. Economic and political conditions play a crucial role. Often costs of reforms are immediately visible and concentrate on specific groups, whilst benefits are mostly medium and long-term and diffused across society. As a result, resistance to reform, has been strong internationally. To respond, governments need to proceed in

- thoroughly explaining the problems,
- clarifying the alternative solutions,

- jointly agreeing on courses of action,
- enhancing commitment and coalition building,
- achieving the largest possible political and economic consensus.

We need to embrace society in every step of the process. Increase the awareness of citizens about

- the nature and extent of the real problems,
- the consequences of inertia and
- the benefits of reforms.

This is what the European Partnership for Growth and Jobs is about:

A partnership of societies.

A partnership between governments and citizens.

A partnership within and between countries.

Ladies and Gentlemen,

In our search for balanced global integration we should not underestimate the importance of international institutions. They have the opportunity and the capacity, to play a stabilizing role, ensuring that all countries, especially the poorer ones, receive guidance and support. They can ensure that the global community coordinates its efforts in

- reducing inequalities,
- promoting sustainable growth
- containing the risks of globalization and
- increasing the benefits for all.

An important global problem, in need of a collective approach, is fighting poverty and securing decent living standards for every man, woman and child.

The OECD and other international institutions, have an important role to play. In 2000, through the Millennium Declaration the leaders of the world established the Millennium Development Goals and adopted the Monterrey Consensus.

Last year, the global community, during the UN General Assembly, reaffirmed and reinforced these ambitious but, nevertheless, attainable objectives. Certainly, more has to be done. But only through such commitments, can we hope to tackle issues like global pandemics, extreme poverty and hunger.

In an era of enormous changes, our aim is to assist our countries, to address the problems and challenges. To provide the opportunity for reaping the benefits of these changes in a balanced way. By always combining the need for economic efficiency, with the need for social cohesion and security.

Our concern is to enhance global cooperation with respect to diversity. But also with respect to universally accepted values. Reaching a common understanding and agreement is imperative for realizing the benefits of the New Era.

Throughout our common course three unifying goals can guide our code of conduct 'Peace-international cooperation-economic prosperity'.

The OECD Forum brings together representatives from the political, economic and social spectrum. Thus, it provides the grounds for such an understanding and cooperation. This year's topics are of utmost importance. Discussing and advancing issues such as

- global imbalances,
- diffusing the benefits of innovation and technology,
- creating more and better jobs,
- achieving reform support,
- integrating the emerging economic powers into the world economy and
- reducing extreme poverty

take us one step closer to attaining the benefits of global integration.

Ladies and Gentlemen,

The process of globalization can be balanced. It is up to us to adapt, adjust and widen the political and social momentum for change. It is also up to the international organizations

- to foster and coordinate reform policies,
- to help restoring imbalances,
- to support developing countries.

The choice is ours. The challenges are many. But the benefits lie ahead, for us to capture. I'm looking forward to a constructive dialogue.

Thank you