

BALANCING GLOBALISATION

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Globalisation, propelled by trade and investment liberalization, and rapid technological changes, has delivered prosperity and reduced poverty for millions of people in recent decades. We have learned, however, that that some adverse affects have occurred. Gaining the positive benefits requires necessary reforms to address global imbalances and make our world a better and more prosperous place to live in. ...It is of vital importance for its success to have as many different views as possible on the issues we are going to discuss.

Issues like education, investment in innovation and research, social cohesion, trade, financial markets, energy supply, environmental protection are of high interest to everyone involved in policy formulation. Exchanging views and reviewing best practices can lead to better policies and more efficient policy coordination between countries. Moreover, there is widening consensus that we need to implement policies that will stimulate growth and employment, in order to ensure economic stability and improve economic performance, both at the national as well as at the international level.

There are some who perceive global economic integration as a threat, especially as regards to socially sensitive issues such as job security and unemployment. They argue that the integration into the global economy of low-wage emerging market economies will lead to ever-increasing pressures ..., which in turn will have to undergo painful structural adjustment at home. As emerging market economies take a bigger share of world markets for goods and services, the brunt of competitive pressures is on labour-intensive sectors. One effect is the outsourcing of jobs to emerging market economies.

And there are others, who perceive global economic integration as an opportunity for a more prosperous world. They argue that the positive effects of globalization by far exceed the risks. Companies are able to stay competitive by improving productivity and expanding their activities. Consumers benefit from cheap labour-intensive goods from emerging economies. And as a result, overall, globalization does not necessarily lead to lower real wages...Indeed, it can contribute to maintaining or even increasing the purchasing power of people.

So the argument goes. In both cases however, global economic integration is a challenge. A challenge that if carefully balanced can provide the citizens of this world with more wealth, more opportunities and a more promising future. Indeed, balancing globalisation is a sine qua non condition for a better future for all of us. We can all observe the great imbalances that prevail in our world – among them fiscal, current account, and labour-market imbalances. Some of them are clearly not sustainable and will have to be addressed in an effective manner as soon as possible. The large external deficits of some countries combined with the surpluses of their trade partners and of the oil-producing countries can pose considerable risks to global economic stability. So, it is crucial that we do something about them.

Consequently, it is essential to implement policies that aim at increasing the growth potential of our economies and fighting unemployment and social exclusion in a framework of sustainable development. Focusing on sustainable fiscal discipline, a more business-friendly environment, the promotion of Research and Development and innovation, the modernization of labour markets, and the enhancement of social cohesion is vital for the long term outlook.

These are serious issues that we have to examine. Most of us live in knowledge based economies. Knowledge embodied in intellectual assets is becoming crucial for firms' and countries' economic performance and growth. We have to ensure that their beneficial effects are spread throughout the whole world economy, by safeguarding the balance between legal control and diffusion of knowledge at the same time.

Another topic that is of great interest to all of us, is the rise in oil prices, which makes the issue of increased security of energy supply combined with environmental sustainability even more urgent to discuss and to resolve.

Regarding trade and the Doha Development Agenda negotiations, we must encourage that they will be concluded successfully by the end of the year. A balanced and viable outcome in DDA is possible, providing prosperity to the global economy, but mainly to the Less Developed Countries.

Financial markets have developed into a crucial factor for global economic performance. Their function differs significantly across countries in view of size, structure, competition, and regulatory frameworks. We need to enhance effective competition, abolish existing barriers and safeguard protection of investors at the same time.

All these issues comprise a major challenge for the future course of the global economy. At all times, our aim should be to help the public understand and accept the necessary policy improvements. This requires political courage, commitment and the international coordination of policies. This is no time for complacency. We have to act in a steadfast manner, in order to make this world a more prosperous place for its citizens.

In this context, the OECD itself (and similar organisations) have an important role to play. Our efforts to tackle problems and find viable solutions with the largest possible social consensus can lead to even better results, if we use the expertise of well respected institutions.....This may mean that these Organisations should both widen scope and enhance its working relations with other countries around the world over the next years.

I am confident that ... the exchange of views and the flow of ideas will lead to a synthesis that will ultimately help us reach our target.