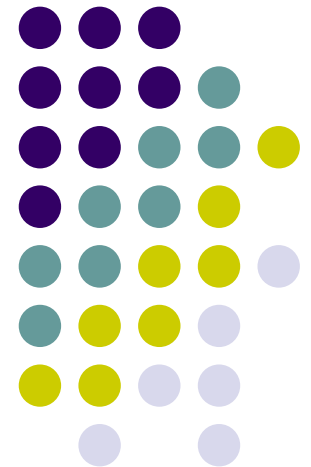


POLICY CHALLENGES OF GLOBALIZATION

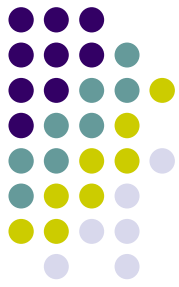
COMMENTS ON NIGEL PAIN'S PRESENTATION
JACQUES MISTRAL*



CONFERENCE ON
“THE EURO AND THE DOLLAR IN A GLOBALIZED ECONOMY”
WASHINGTON UNIVERSITY, SAINT LOUIS, MAY 25-2006

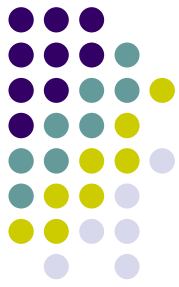
(*) Conseil d'analyse économique, Paris / French Embassy, Washington DC / Kennedy School of Government, Harvard University

A BROAD AND NICE OVERVIEW



- GLOBALISATION IS WELL IDENTIFIABLE:
TRADE AND FDI / OUTSOURCING /
MACROECONOMIC EFFECTS / SECTORAL
IMPACT / FINANCIAL ASPECT
 - OPPORTUNITIES AND CHALLENGES :
PRODUCTIVITY GAINS / THE ADAPTATION OF
LABOUR MARKETS / ACCELERATION OF
CHANGES / A TWO SIDED APPROACH OF
INFLATION (2006 vs 2004).
- >> WHAT'S NEW WITH GLOBALIZATION?
- >> DIFFERENT STRATEGIES BETWEEN G3
- >> GEO STRATEGIC INTERETS ARE BACK

WHAT'S OLD, WHAT'S NEW WITH “GLOBALIZATION” ?



- A LONG HISTORY: TRANSPORTATION AND COMMUNICATION COSTS, CREATING NEW COMPARATIVE ADVANTAGES, K. FLOWS
- THE TRANSATLANTIC ECONOMY AS THE BACKBONE OF GLOBALIZATION, EMERGING COUNTRIES, STRUCTURAL ADJUSTMENT
- THE HISTORIAN'S GLIMPSE : GLOBALIZATION IS GOOD, ALTERNATIVES TO INTEGRATION PROVED DISASTROUS... “BUT AN INSISTANCE ON GLOBALISATION AT ALL COST WAS [AT THE TURN OF THE XXTH CENTURY] EQUALLY MISGUIDED” (J. Frieden)
- NOW, A NEW INTERNATIONAL DIVISION OF LABOUR: RICARDO / SCHUMPETER / BILL GATES
- THE EMERGENCE OF CHINA AND INDIA: UNLIMITED SUPPLY OF CHEAP LABOUR / QUICKLY INCREASING SKILLS

THREE STRATEGIES



- **THE PACIFIC BASIN**

- > **THE US AS THE ULTIMATE CONSUMER**

- AGGRESSIVE MACROECONOMIC POLICIES, STIMULATING DOMESTIC DEMAND, “DADDY, TELL ME THE STORY OF SAVINGS IN THE OLD DAYS”, DEFICITS

- QUESTION : WHICH PLACE FOR THE US ECONOMY IN THE NEW DIVISION OF LABOUR?

- > **CHINA AS THE WORKSHOP OF ASIA**

- INTRA-REGIONAL FDI, SAVINGS GLUT, EXPORT LED GROWTH, SURPLUS AND ACCUMULATION OF RESERVES

- QUESTION: TOO MUCH OF A GOOD THING?

- **OLD EUROPE ON ITS OWN WAY**

- TRADE AND CAPITAL ACCOUNT LIBERALISATION, PRUDENT MACRO-ECONOMIC POLICIES, BALANCING EXTERNAL ACCOUNTS, BUILDING ON TRADITIONAL EUROPEAN COMPARATIVE ADVANTAGES

- QUESTION: TOO LITTLE CHANGE, OR TOO LITTLE CONFIDENCE ?

HARDWARE AND DARK MATTER

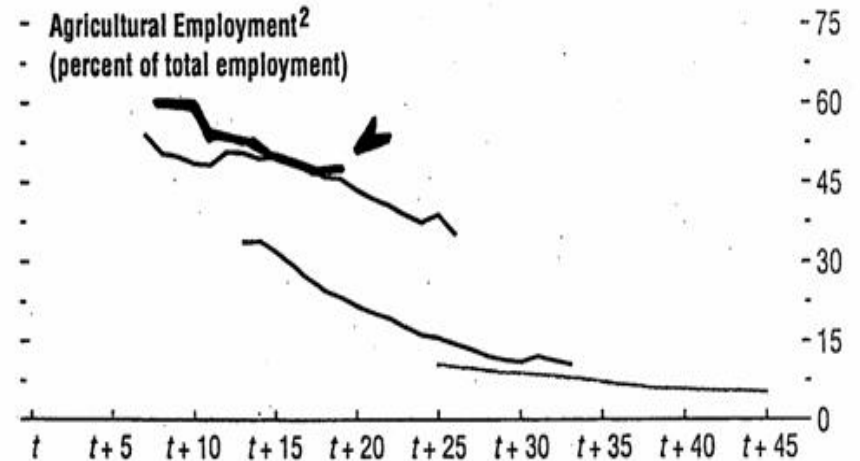
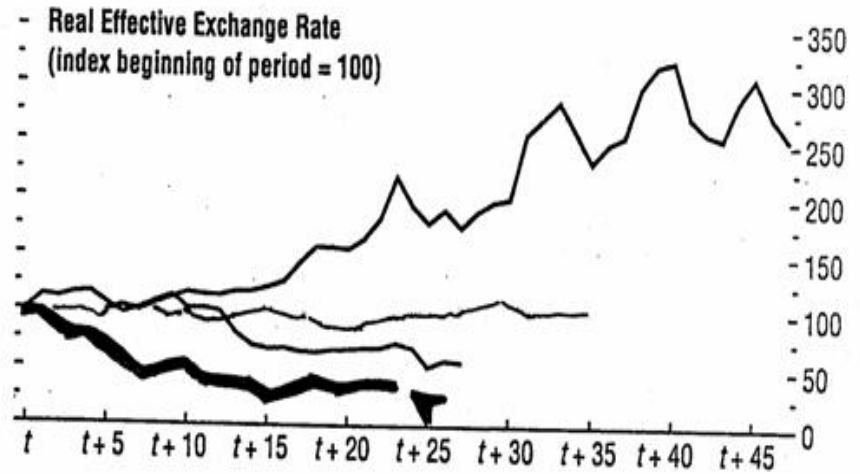
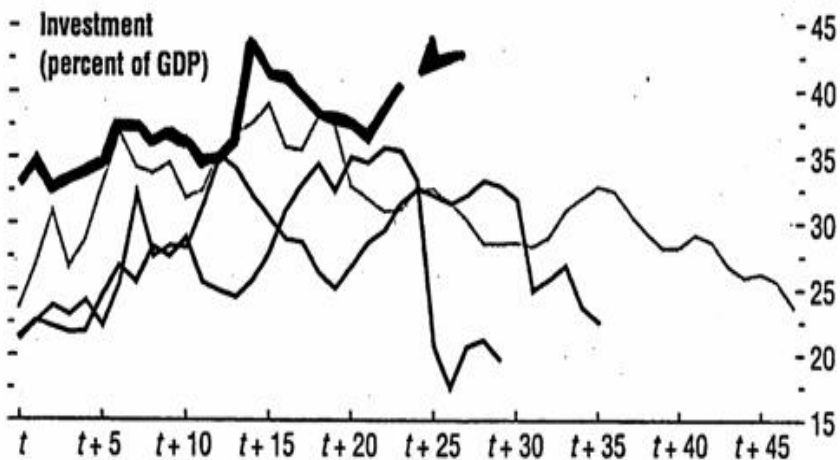
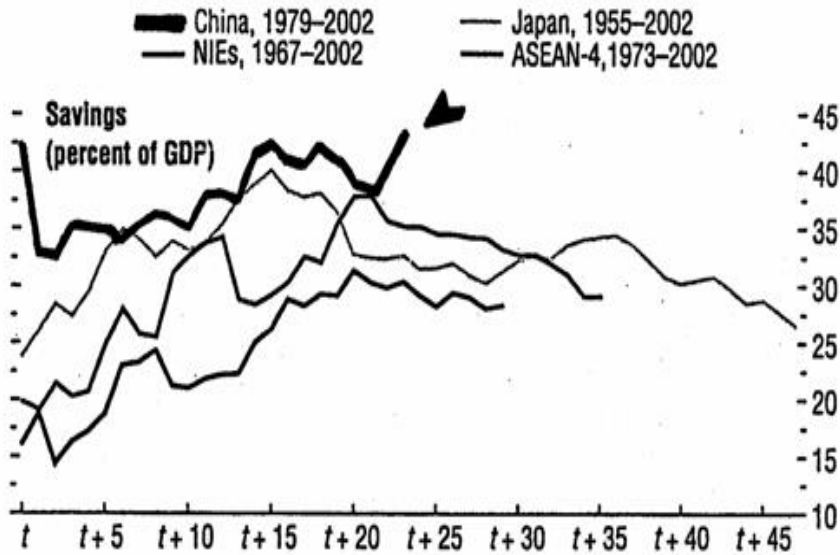


WHICH SORT OF SPECIALIZATION DOES THE US DOMESTIC-LED GROWTH DRIVE?

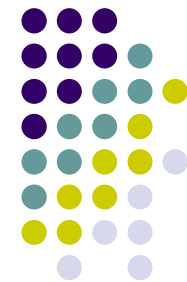
SOLDES EXTÉRIEURS, (Mds\$)	2003	2004	2005 (Q1/QII)
BIENS D'EQUIPEMENT DONT	-2	-12	-21
MACHINES ELECTRIQUES	-7	-7	-4
MACHINES MINES/OIL/BTP	+5	+4	+1
MACHINES POUR L'INDUSTRIE	+3	+2.5	+1
MACHINES OUTILS	-1	0	0
INSTRUMENTS DE MESURE ET DE CONTROLE	+5	+5	+2
MACHINES POUR L'AGRICULTURE ET DIVERS	-9	-9	-6
ORDINATEURS	-36	-46	-24
SEMI CONDUCTEURS	+22	+21	+10
MATERIEL DE TELECOMMUNICATIONS	-4	-5	-5
MATERIELS DE BUREAU	-5	-6	-3.5
EQUIPEMENTS SCIENTIFIQUES	+3	-2	-1.0
MATERIEL AERONAUTIQUE		+23	+15
AUTOMOBILES	-116	-139	-70

Source : Survey of current business

CHINA: TOO MUCH OF A GOOD THING?



ECONOMIC AND STRATEGIC INTERESTS



- THE ATLANTIC WORLD AND THE COLD WAR
 - > FREE TRADE WITH EUROPE, BW, EUROPEAN INTEGRATION, PREVIOUS PHASE OF GLOBALIZATION (Japan, NICs, ASEAN);
 - > CONTAINMENT VIS-À-VIS USSR
- THE END OF THE COLD WAR, THE END OF HISTORY?
- GEO-STRATEGY IS BACK IN THE PACIFIC BASIN: PARTNERS? RIVALRY ? THREATS ?
 - > REGIONAL INTEGRATION IS WEAK
 - > AMERICAN POSTURE IS AMBIGUOUS
 - >> COMPROMISES MADE MORE DIFFICULT?

CHALLENGES



- A STABLE MACROECONOMIC ENVIRONMENT, STRUCTURAL REFORMS OF PRODUCT AND LABOUR MARKETS
- SUFFICIENTLY INVESTING IN INNOVATION
- COMMODITIES BOTTLENECK AND INFLATIONARY RISKS
- INCREASING INEQUALITIES AND POPULIST THREATS
- NATIONAL SECURITY AND PROTECTIONISM
- RESTORING TRADE AND FINANCIAL FLOWS SUSTAINABILITY
- INTERNATIONAL INSTITUTIONS AND GLOBAL GOVERNANCE