

LAUNCHING THE THIRD WAVE

MEMO FROM DAVOS,
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BRIEFING

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IDEAS to
CHANGE LIVES

MEMO FROM DAVOS

The need for new rules and structures to manage globalisation was the key argument to emanate from a high-level breakfast discussion that took place in Davos to mark the launch of IPPR's new report, *The third wave of globalisation*.¹

Former EU trade commissioner and UK business secretary Lord Mandelson, who led IPPR's research project, started the discussion by outlining why progressives and those on the centre-left needed to avoid the insular, protectionist and anti-business policies that have reared their heads in the US and French election campaigns this year. He warned that moving down this route was a policy cul-de-sac and that policymakers should instead turn to smart policies that resulted in fairer outcomes from globalisation. Globalisation, in turn, should be seen as a means rather than an end in itself. At the international level, Lord Mandelson accepted that the era of global rules emanating from the Atlantic was over but that it was therefore essential to determine 'new rules rather than no rules'.



Barclays Capital hosted a breakfast roundtable event for the launch of IPPR's report *The third wave of globalisation*

The other attendees spoke under the Chatham House rule. The first judged that the report had hit the nail on the head in defining the issues, but urged for the policy approach to go further than the report's focus on the national and global by arguing for a regional response as well. She described the rapid opening-up in countries such as hers in the

early 1990s which had not been as positive as was initially hoped, with the influx of cheap goods from China becoming a major concern (as, indeed, it is in many other countries). She picked up on the report's recommendation for greater provision of social protection policies and outlined how the Asian financial crisis of 1998 had been a catalyst for these policies in her own country. The next stage, she said, involved updated IT systems allowing the government to make better judgments about coverage and implementation than ever before. But, she argued, providing social protection policies is easier in developing countries than in developed countries, where those who lose their jobs need to be retrained as well as being supported in unemployment. In relation to future trade agreements, she was not optimistic about Doha but was involved in developing regional free-trade agreements on the basis of three pillars: liberalisation, facilitation and capacity-building.

Another speaker eloquently picked up IPPR's idea of the 'third wave' – he contended that the old, American-led 'cathedral' was crumbling and that hopes of shoring it up were misguided. Instead, new, more stable structures at the regional level were needed.

¹ Available at <http://www.ippr.org/publications/55/8551/the-third-wave-of-globalisation>



Sir David Wright, vice chairman of Barclays, chaired the event while Lord Mandelson delivered opening remarks

He spoke of the need to agree ‘meta-rules’ at the international level, while recognising that it would be down to individual countries as to how they realise their obligations and policy objectives. He suggested that although the end of the cold war appeared to have led to a policy convergence, it was in fact leading to a new divergence: a range of different

approaches are being pursued, with each country or region experimenting with different paths to the future. One common theme, he argued, was that all countries had to accept that they could not divorce the private from the public sector and that both had an important role to play in ensuring growth.

The next speaker sounded a note of caution and asked those assembled to consider what the parameters were for supranational decision-making. He argued that international organisations had been held back for 50 years by the power of veto wielded by the US. In this context, the G20 was a significant development but still needed a proper framework to embed sensible decision making on economic policy. Second, he urged that all policies

should be seen through the prism of helping poor countries, especially in Africa, to catch up. Finally, he highlighted the inadequacies of cash transfers as an important but severely limited means of reducing inequalities in income distribution.



Sir Roger Carr, president of the CBI, speaks as Lord Carter, former Singapore foreign minister George Yeo Yong-Boon and his wife look on

Speaking from an industry perspective, the next speaker described how business attitudes

to globalisation had changed. In the 1980s, businesses in the developed world had seen emerging markets as a source of cheap labour – globalisation had essentially been a one-way ticket. But rapid changes in the last decade meant that the cheap labour had become part of the supply chain, offering the skills to do things that were no longer possible in the west. It was now no longer possible for western businesses to impose their will on emerging-market competitors. Since they were no longer the absolute winners, both businesses and people had become more concerned about competition caused by globalisation. To equip Britain to compete in the global economy, he called for an upgrade of the education system and for a greater focus on self-reliance.

The penultimate speaker reiterated the report's conclusion that global geopolitics had changed, with a new focus on understanding the relationship between India, China and the US. He outlined that India was a much younger country than China, making it a driver of both globalisation and what he called 'reverse globalisation'. India's demographic dividend meant it was a huge market and that it would need to look outside its own borders for technology and talent. He pointed out that the highest capital inflows to India were from remittances, while externally trained doctors and teachers were now going back to India to work. He felt that India, after the political difficulties of 2011, would 'turn the corner' in 2012.

The final speaker moved the conversation on to the role of finance and asked whether its role should be seen as proactive or reactive. He worried that the shock caused by the global financial crisis may have resulted in a regulatory over-reaction. Finance, he believed, still has an important role to play in third-wave globalisation as a facilitator of growth.