



The Limits of Globalisation and European Integration

A Lecture by Professor Dr Heribert Dieter

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The talk by Dr Heribert Dieter on Limits of Globalisation and European integration was timely in view of the rising discontents against globalisation and populist backlash seen in several OECD countries. Dr Dieter began his talk on this by pointing to the current and recurrent rhetorics of globalization coming to an end. In the past, maybe as recent as five years ago, these kind of sentiments with regards to the end of globalisation would have been considered absurd; yet today, in lieu of events such as Brexit and Trumps' America first rhetoric, this question is rightfully being considered more seriously. Issues such as concerns over the international division of labour, difficulties in forging cooperation at multilateral level, the return of the flag and family, have fuelled populist sentiments in OECD countries.

However, he argued that it was not that previously international cooperation was “free of trouble” right before Brexit, but that many problems were more latent and less visible as they are today, and therefore under-addressed. As an example, he pointed to the Doha Round negotiations at the World Trade Organization, which suffered from endless discussions but without any conclusions. The subsequent “mushrooming of preferential trade agreements (PTAs)” is in part a result of the failed negotiations at the multilateral level. However, PTA, in effect “discriminates many non-participating economies, and the impact of these PTAs on development has been increasingly questioned. Similarly,

even before the election of Trump, the Obama administration has already flagged the issue of “fair” trade, as a reflection of the widening perception by many Americans who see themselves as “losers” in the era of free trade. Obama’s speech that “we will engage in processes that support free and fair trade”, sent a subtle signal of rising protectionist sentiments.

Throughout his talk, Dr. Dieter made several salient and engaging references, including to that of Francis Fukuyama’s about populism “I am surprised that it didn’t happen earlier... populism is the label that political elites attach to policies supported by ordinary citizens” – backlash is led by ordinary people, seeing their fortunes vanish. Dr. Dieter also disagreed that we have seen the worst of populism, and instead commented that there are “strong national forces at play” that are expressing dissent about further integration of Europe. The idea that we are all on the same trajectory and moving toward the same end goal is increasingly being questioned. The prediction that with the opening up of China and Russia, and increasing engagement with the global economy, Russia and China will align themselves to the policies of the West has not come true. In fact, with a little irony, Dr Dieter feared that some nation states in the West seem to become more closely aligned with China’s system of governance with emphasis on authoritarianism nationalism, thereby possibly indicating the demise of liberalism and cosmopolitanism.

He then went on to address three distinct questions; firstly, are critics of globalization wrong? Second, the trilemma of the world economy that Dani Rodrik talked about – the impossibility of achieving all three goals of democracy, strong nation-states and (hyper) globalization simultaneously; and third, Germany’s role in European integration.

Although poverty has been significantly reduced by globalization (the millions that were lifted out of poverty in China is a clear example), Dr Dieter told the audience that a poll in 2016 revealed that not many people got the answer right with regards to how much poverty had declined. He also highlighted another poll that while citizens in emerging economies such as Indonesia and Vietnam, and also China viewed globalisation positively, this was not the case for citizens in several OECD countries. While workers in emerging economies emerged as winners in globalisation, many workers in OECD countries lose their jobs and if they still have their jobs, found that their wages have stagnated over the years. This should not be surprising because the massiverelocation of work to emerging economies. Which meant that in the perception of many of these people, globalisation is a zero-sum game with winners and losers. These “losers” happen to be American and British workers who lost their jobs but contrary to the premises and promises of globalization, were unable to find new work (Autor et al. 2016).

On the political trilemma, we may now be entering a period where globalization is facing a standstill due to the rising nationalism and nation states, all of whom increasingly want to put themselves first. As a result, globalization can no longer be regarded as an "inevitable process" operating on an indefinite timeline. At this juncture with a choice of three "mutually incompatible" goals - of democracy, national sovereignty and global economic integration - a "trilemma", as Rodrik, a Harvard economist terms, we may well have to make a choice of any two, but can never enjoy all three simultaneously.

Lastly, Dr. Dieter reflected on the limits of European integration, and what more can be done by German policy makers to further the agenda of Europe and mitigate the discontents felt today within the Union. He addressed the 0% interest rate policy, and problems with Germany's current account surplus. He believed that more can be done in terms of negotiating the low interest rates. Altogether he hopes that European integration will give more weight to the interests of the citizens as well as "inclusive citizenship". If citizens' preferences continue to be suppressed, backlash in the form of populism will continue to rise. In sum, Dr. Dieter ends with a quote by Larry Summers, that "the events of 2016 will be remembered either as a point at which we began to turn away from globalization or the one at which the strategies of globalization begin to reorient from the elite."

Interesting questions from whether the design of the European monetary union was fundamentally flawed, to the issue of labour mobility within the EU, (as well as wage normalisation) to the impact of technology on jobs and production were asked during the Q&A.