

## Dialogue and Events

Forum

### Globalization in reverse?

**“How to Deal with the Globalization Backlash?”** was the question for leading thinkers and academics at the UBS Center Forum for Economic Dialogue.

Resurgent nationalism, rejection of free trade, opposition to immigration, growing global inequality, and a retreat from multilateralism: These are the defining issues of our time that fuel the globalization backlash, which reached seismic proportions in 2016. Does it herald the end of the economic and political consensus that has underpinned the international order since the end of the Cold War?

This year’s keynote speaker, Leszek Balcerowicz, experienced the rebirth of globalization in the early 1990s at the sharp end. As Poland’s deputy prime minister and finance minister following the collapse of communism, he pushed through a painful program of financial and economic reforms that helped transform Poland’s command economy into one of Eastern Europe’s most dynamic bright spots.

Despite this, Poland like many countries, is experiencing a sharp reaction against globalization’s foundations: open borders, global trade and finance, cultural exchange, and economic integration. Following a robust defense of globalization, Balcerowicz lamented the tendency to focus on the losers rather than the far greater numbers of winners from globalization. The critics of globalization can be divided into two main camps: the utopian, anti-capitalists on the Left and the nationalist, anti-immigration, economic isolationists



Leszek Balcerowicz (Warsaw School of Economics) presented his assessment of the globalization process since the 1990s.



State Secretary Marie-Gabrielle Ineichen-Fleisch (SECO) and Prof. Kevin O'Rourke (University of Oxford).

on the Right. Both resort to crude simplification backed by emotionally charged rhetoric. Instead of pandering to these crude and simplistic remedies, governments, institutions, and political parties should look at constructive ways to help their citizens adapt to globalization and technological change, while challenging the emotive propaganda of the anti-globalization movement.

#### Through a glass, darkly

In the first panel session on free trade, Professor of Economic History Kevin O'Rourke looked back at some of the past economic crises and backlashes as a guide for understanding today's malaise.

*“It’s much too early to talk of deglobalization as we experienced between 1918–39,”*

he argued. O'Rourke sees globalization as a series of waves followed by phases of retrenchment. We are probably going through such a phase now. But he claims, this has less to do with reversing globalization than gearing up for the next wave, says O'Rourke. In the afternoon session “How to do business amidst the globalization backlash,” Karl Gernandt, executive chairman of global logistics giant Kühne + Nagel (K+N), questioned whether there was actual evidence of a reduction in global trade. Trade volumes remain buoyant. Most of the declines detected by K+N since the crisis reflect shifts in trade patterns rather than an overall drop in trade, he argued.

#### The Full Monty

Laura Alfaro, Professor of Business Administration at Harvard Business School, reminded the audience how

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she served as Minister of National Planning in her home country Costa Rica, often called the Switzerland of Latin America. The country is one of the major beneficiaries of globalization and has given its citizens unparalleled opportunities for professional and economic progress, of which she is a good example. Using the 1990s hit movie *The Full Monty* as an example, she acknowledged that many people feel left behind and like the steelworkers in the film they are often reluctant to embrace change. She listed a number of measures that governments can use to redeploy the benefits of prosperity more evenly, while reemphasizing the close interrelationship between social and economic development.

### Fix the problem, not the blame

The final session was a disputation on „How much globalization do we want?“ – focusing on the political, social, and cultural aspects of globalization. It noted the tendency to blame globalization for all kind of things that are wrong in the world while ignoring the underlying mechanisms. In line with this presumption, populist political groupings are gaining more and more ground by exploiting anti-globalization issues and fueling many people’s fear. There is no doubt that society is facing major challenges due to globalization-related changes, such as digitalization and global trade. These challenges need to be addressed with sound policies and agreements, both on a national and on an international level. More important, as the former Prime Minister and former Foreign Minister of Sweden Carl Bildt concluded, we should not forget that the last quarter of a century – which has really been globalization coming back with force – has probably been the best quarter of a century for mankind ever.

### The economics of populism

Dani Rodrik closed off the forum by addressing what he calls the political trilemma of the world economy. When it comes to free trade, democracy, and national sovereignty, you have to pick two and abandon one, so he emphasized. Herein lies the trilemma, which is related to a particular kind of globalization that we have been striving for since the 1980s, and which Rodrik calls hyperglobalization. It is an attempt to get rid of all the transactional costs associated with the national borders. This conception of globalization – which has been taken to its most extreme form in the Eurozone – runs into severe problems in practice, he argued. The trilemma manifests itself in all globalized sectors, such as trade, finance, and migration.



Laura Alfaro (Harvard Business School) addressed the issue of globalization losers and the government’s responsibility.

Furthermore, the trilemma implies tension between democracy and globalization. Indeed, historical data show that there is a clear link between populist movements and the rise and fall of globalization. In this context, Rodrik outlined the concept of populism based on the demand and supply sides of politics. Thus, populist parties mobilize voters by addressing fears and concerns, such as economic anxiety, discontent, or fairness concerns. Consequently, there is a need for a fair globalization in order to counteract populist movements.

*“Globalization is something that we design ourselves.”*

This means that there can be many different types of globalization, including a fairer and more sustainable one than we have now. Aiming for a fair globalization would mean to revert to an earlier conception of globalization, explained Rodrik. Paradoxically, this would mean a safer, more sound, and more sustainable globalization, he concluded.



Dani Rodrik (Harvard University) advocated for a fairer, more sustainable globalization.