

**Managing the Next Wave of Globalisation**  
**Launch of the *Global Economic Prospects 2007***

**Comments by Prof. Rik Coolsaet, Director, Royal Institute for International Relations (IRRI-KIIB), Brussels at the pre-launch of the World Bank's *Global Economic Prospects 2007***

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Mr. Chairman, Mr. the Minister of State, Excellencies, Ladies and Gentlemen,

I first would like to thank the organisers for having invited me to comment this flagship publication of the World Bank. It's an honour to have been able to have an early look into this flagship publication of the World Bank.

Every year, the Bank provides us with its Global Economic Prospects, drawing our attention on themes that will come at the international agenda in the next few years. It rightly labels the Bank as the innovative vanguard of global foresight. We all know how difficult prediction is, especially if it's about the future...

Let me give in one single sentence the thrust of my sentiment after reading the new edition of the GEP: **the 'next wave of Globalization'** will also be a **'wave of Global Unrest'**, due to the very development highlighted in the GEP 2007 – unless we can provide for mechanisms, both at the global level and at the local level, to absorb the 'dark side' of the next wave of globalisation.

Behind this sentiment lurks the conviction that globalisation – the shrinking of the worlds – not only entails a meeting of the minds and offers opportunities for all. But globalisations, past and to come, are also a clash of actors or countries of different size and strength encounter. And so power – economic, political, as well as cultural – forms part and parcel of globalisation. Globalisation offers not only a rosy picture.

Since there is no watertight compartmentalisation between politics and economics, I will focus on the political consequences of some of the developments presented by the GEP. I will successively tackle the two issues of emerging powers and inequality.

**(1) There is an old world crumbling**

GEP underpins the growing consensus that the 21<sup>st</sup> Century globalisation will bring new actors on the scene. The **emerging economies** are indeed rapidly becoming the real engines of world economy and already have the real key to world foreign-exchange reserves. They will transform the economic world order into a multipolar one. In fact that is already the case: they already account for more than half of total world GDP, growing twice as fast as the rich countries.

Globalization is opportunity – but then also confrontation: not a flat world, but a white water rafting race, with increased competition, as mentioned in the GEP

Every day brings new indications of this happening and sets new challenges to Europe and other developed countries.

- A new breed of ambitious multinationals from emerging countries is rising on the world scene and are changing in depth the rules of the game
  - 'Steel makers in India, Brazil and Russia are buying plants in Europe and North America, shifting power in the industry away from first world companies' (*New York Times*, 21 November 2006)

- Emerging countries more and more join forces to form a increasing pattern of South-South cooperation – representing an axis of power that was lacking up to now
- The competition between workers – blue and white collar alike – and the relocations of multinational companies mentioned by the report.
- Some of the emerging powers are behaving as voracious, for example in Africa, as the West once did – possibly enhancing the competition with other emerging powers to the detriment of the weak.

What we are lacking is a mechanism that can accompany this power shift in the Next Wave of Globalisation. Economic decision making has to be made more **representative**. The recent decision in September in Singapore to increase the weight of emerging economies within the IMF with just 1,8 % appears too little. Let's hope it's not too late...

So, the jury is still out if the old and the emerging powers that will steer the wheels of globalisation in the 21<sup>st</sup> century will ensure that globalisation will again be contentious or proceed harmoniously? If to be judged from the increasing acrimony in the debates at the UN General Assembly, I would not bet on the latter.

## (2) Inequality and radicalism

I will now address the issue of world inequalities also included in the GEP and which was also the central issue of last year World Development Report published by the Bank.

The issue of inequality and inequity has long been neglected by opinion makers and international organisations alike. LSE Professor Robert Wade once compared inequality with global warming: "Its effects are diffuse and long term, and there is always something more pressing to deal with. The question is how more unequal world income distribution can become before the resulting political instabilities, migration flows and social disruption reach the point of harming the rich world enough to move in to action".

Inequality exists on both economic and non economic issues as well as within and between countries. They are synonymous of structurally enshrined disparities and perceived as a breach towards an ideal situation which is considered to be fair, while this sense of inequity may potentially lead to social tensions or political turmoil.

**Inequity** – the feeling of not having equal opportunities, real and perceived – **is indeed the engine of radicalisation**. And we tend to underestimate the urgency of this. It's like global warming: its effects are diffuse and long term, and there is always something more pressing to deal with. The question is how more unequal world income distribution can become before the resulting political instabilities, migration flows and social disruption reach the point of harming the rich world enough to move in to action.

Some of the emerging economies are clearly aware of the danger. China and too a lesser degree also India do realise that growth for growth's sake contains social and political dangers that can only be checked to cohesion mechanisms, preventing the gap between rich and poor to grow too large.

The GEP evokes the emergence of a global middle class. As the GEP mentions, poverty is clearly diminishing, thanks to the growth of the emerging economies. For hundreds of millions of people the 1 and 2USD/a day poverty trap has become history – let's hope once and for all.

But when one evokes 'global middle class', we have to keep in mind that this is a group in between an upper and a under. Jacques Delors once asked the question, this way: 'Can we accept a society that is based on **10:70:20 division** ?'

10: upper-class  
 70: middle-class  
 20: underclass – both at the domestic and the global level

(We are no there yet, far from it, was can be concluded from a UN report that was released yesterday: the richest 2 percent own half of global wealth.) Coming back to the 10:70:20 division: if the underclass only represents 20 % of the population how then can it hope to correct this by means of the democratic representation ? This then be a recipe for lingering unrest of the kind we saw at the French banlieues a year ago.

So, we do not only need a representative mechanism that prevents confrontation between emerging and existing powers, but also some kind of global cohesion mechanism that turns equity into a global strategy.

## Conclusion

The ultimate question is: **will the powers that be, now and to come, develop a system of Global Governance around a strong and representative United Nations** – or will they instead revert to the classic patterns of shifting alliances and confrontations, resulting in once again unpredictable power relationships. And this is basically the same conclusion as the GEP's: 'All these developments are pieces of the new burden lying on the shoulders of national policy makers: to manage globalisation or risk being overrun by it.' But the GEP also mentions something very encouraging: **policy matters**. So it can be done.