

Yves Mersch: Globalisation – can Europe manage it?

Introductory speech by Mr Yves Mersch, Governor of the Central Bank of Luxembourg and President of the Bridge Forum Dialogue, at the Conference “Globalisation: Can Europe manage it?”, Luxembourg, 22 January 2008.

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Your Royal Highnesses,
Mr. Minister,
Mr. President of the European Court of Auditors,
Mr. Vice President of the European Central Bank,
Your Excellencies, Representatives of the European and National Institutions,
Ladies and gentlemen,

It is a great pleasure for me to welcome you today. I would like to start by thanking you for participating in this event to discuss a crucial issue that has gained increasing prominence and touches upon many aspects of our lives and our economy: “Globalisation: Can Europe manage it?”.

I should also like to thank both the Bridge Forum Dialogue and the BCL staff who contributed with their efforts and support to the organisation of this event.

The integration of emerging economies into world markets, the offshoring of production and services, the rising global competition in markets, and the growing awareness that economic stability and development, but also policy issues related to energy, the environment or migration require a global perspective and at times even cooperative responses, have put globalisation at the centre of international policy debates.

According to different sets of surveys inside Europe, the strongest supporters of globalisation seem to be the Nordic countries, such as Denmark and Sweden, and new EU member states, such as the Czech Republic and Poland (with 77%, 59%, 50% and 47% of the population who regard globalisation as “an opportunity”). Opposition seems to be strongest in France and in Greece (with 64% of both countries’ population considering globalisation as “a threat”).

Within countries, surveys carried out in Asian and European countries suggest that risk-averse respondents tend to oppose globalisation most. Moreover, support for government safety nets also appears to be positively correlated with opposition to globalisation. What is perhaps more surprising is that exposure to international competition plays less of a role.

Political orientation is not found to matter decisively either, as supporters and opponents can be found across the whole political spectrum.

The **rapid development of trading in tasks** and offshoring in the course of last decade’s wave of globalisation has contributed to make the distributional effects of globalisation more unpredictable in mature economies.

The **globalisation of finance** has been even swifter than that of trade, with cross-border financial flows between mature economies almost tripling over the last quarter of a century.

In parallel, financial innovation has developed faster than the regulatory framework.

What lessons to draw?

This conference should provide the forum with an enlightening discussion on the issue, and with an opportunity to share your views and experience, as academics, central bankers, economists and representatives of EU institutions constitute the audience.

Having set the scene for I trust a stimulating discussion on such a complex topic, I am very honoured to have with us three eminent authorities on globalisation issues. Let me say just a few words about our distinguished guest speakers.

First is **Professor Ken Rogoff**. He is a Professor of Economics at Harvard University. As you know, he has previously been Chief Economist and Director of Research of the International Monetary Fund (IMF) from 2001 to 2003 and beforehand he has served as an economist at the IMF and also at the Board of Governors of the Federal Reserve System. Professor Rogoff has published extensively on policy issues in international finance, including both exchange rates and international monetary policy.

Let me also welcome **Lucas Papademos**, the Vice-President of the ECB since 2002. Previously, he was Governor of the Bank of Greece from 1994 to 2002 and he served as a Senior Economist at the Federal Reserve Bank of Boston in 1980. Lucas Papademos has also been a Professor of Economics at the University of Athens since 1988, and he is author of numerous articles and essays on both economic and monetary policies. Let me also mention that among other competences, he is in charge of financial stability issues within the Executive Board of the ECB.

Our third speaker is **Lars Heikensten**. He has been a member of the European Court of Auditors since November 2005. He previously was Governor of the Sveriges Riksbank from 2003 to 2005, and prior to that Deputy Governor since 1995. He had been Chief Economist at Svenska Handelsbanken between 1992 and 1995, and had served as Under-Secretary for Economic Affairs at the Swedish Ministry of Finance between 1990 and 1992. Mr Heikensten, wrote academic papers and books, and conducted research in the area of industrial policy, labour market and foreign aid.

Again, I would like to thank the three of you, for coming to discuss globalisation.

Let me now proceed with the conference organisation. Professor Rogoff will be our first speaker, followed by Lucas Papademos and then Lars Heikensten.

Thereafter, a discussion will follow.

You will understand that under present circumstances and high market volatility, the speakers would like to focus on questions directly related to the subject of tonight's conference.

I beg for understanding that we decline to comment the most recent market or policy developments.

Let's welcome Professor Rogoff.