

Introduction to the series

Reactions and responses to globalization

Students of multinational corporations and consultants identified the first signs of globalization back in the 1980s. As national markets became ever more integrated, some experts even went so far as to predict the advent of global firms and the eclipse of the State. Policy-makers, for their part, feared that neoprotectionist trends gathering steam since the 1970s would undermine the internationalization process. These fears were nourished by the difficulties encountered during the Uruguay Round such as trade disputes between the United States, then faced with industrial decline, and Japan, which was experiencing a remarkable economic ascent. Yet the backlash against globalization did not come from governments. At the end of the 1990s, after the World Trade Organization had been set up and many governments of developed and emerging economies had embraced more liberal policies, opposition to globalization developed from a number of groups within society. This backlash stemmed from governments' very acceptance of globalization and from the social tensions caused by growing integration of national economies.

Reactions to globalization vary widely, ranging from proposals to reform international institutions to challenges to more open borders or broader opposition to the market economy. At the international level, several new issues, such as global governance and the need to adapt present institutions or create new ones, have become major items on the political agenda. Yet domestic economic and social reforms seem just as important and urgent when it comes to finding answers to the challenges of globalization and the reactions it provokes.

Race to the bottom or race to the top?

Globalization is often blamed for widening gaps both between and within nations. Some even argue that globalization leads to a “race to the bottom”, with deep cuts in social spending and increased poverty worldwide. Such criticism rejects the argument that removing obstacles to trade allows better allocation of resources between economies, thereby boosting growth and reducing poverty, particularly in developing countries. Activist-led campaigns denouncing “capitalist globalization” have opened up a far-ranging debate on these fundamental issues which includes the broader public, not just experts.

The analysis of reactions to globalization and policy responses can now build on two major results from research conducted in the 1990s. First is the recognition that there are winners and losers with globalization and that public policies may alter the allocation of benefits and costs between social groups or between nations. Second, globalization interacts with other contemporary economic and social trends. These results contradict both those who see globalization as the solution to the world’s problems, and those who use it as an easy scapegoat.

It would therefore be illusory to think that the only measures that can be taken in response to the challenges of globalization relate to the degree of openness of economies and societies to exchanges. In particular, any analysis of the dynamics of globalization emphasizes the complex interactions between growing economic integration, the level of competition and the speed of technological progress. Trade-restricting policies could, for example, have a negative impact on the dynamics of innovation. Yet such measures would have only a limited effect on the trends commonly attributed to globalization, since some of these depend just as much on technological dynamics. Debates on labor market trends and working conditions highlight such interactions between globalization and technical change. Thus, the fact that the least qualified workers find themselves worse off – in terms of job security, wages and working conditions – can be explained by the combination of the two responses to tougher competition: the race to cut costs and the race to innovate, which is a race to the top.

The French paradox

France has actively participated in the globalization process. Since the 1980s, the French economy has continued to open up, not only inside Europe but also with respect to the rest of the world, from the United States to Asia. At the end of the 1980s, French firms caught up with their competitors in terms of internationalization. Some of them are among the leading multinationals in their field of activity, including services and high technology. French companies have also entered into international alliances with a view to reinforcing their strategic positions. In more general terms, France has become integrated into the body of technological and cultural exchanges that characterize the globalization era. This integration has been one of the driving forces of the economic and social change under way in France since the 1980s. Thus, over the last twenty years, France has been one of the countries that has taken advantage of globalization. Yet, at times, it has also appeared as one of the bastions of resistance to globalization. This same paradox applies to European integration, which France helped to launch and which has greatly benefited the country, both politically and economically.

This series of “Notes de l’Ifri” examines this French paradox by studying the challenges of globalization and how they prompt specific reactions in France. The “Notes” look at several fundamental themes such as the dynamics of world inequalities, the integration of France into the global economy, employment trends, the transformation of the financial system, and the characteristics of the French backlash against globalization. They form part of an international program that is comparing reactions and responses to globalization in France, Germany and the United States². The interpretation outlined above contributes to the understanding of differences between the three countries. The

2. This project has been conducted in cooperation with DGAP (Berlin) and IIE (Washington, D.C.), with the support of the German Marshall Fund of the United States. A series of seminars has been devoted to specific topics, such as employment trends, domestic and international inequalities, the convergence of financial systems, cultural diversity and reactions to globalization from various components of civil society. See the website <www.ifri.org>.

degree of openness to economic exchanges and the rapidity of this opening do not suffice to explain the reactions to economic and social change. Another factor requiring analysis is the ability of each country to innovate and race to the top.

International comparisons underscore the influence of institutions and national traditions, not only on the domestic impact of globalization but also on the perception of this impact. Responses to globalization should therefore take specific national characteristics into account, while public policy should aim at adapting the institutions of the market economy rather than at adopting some ideal outside model. Such a perspective reveals that there is still ample leeway in terms of domestic policy, helping us to move away from sterile condemnation of globalization in the name of diversity and against the imposition of the “American model”, which has been so often denounced in France.

Yet States still face a paradox to the extent that, even if their involvement remains necessary, their intervention in the economy and society must take new forms to be effective. In view of the enhanced role and increased mobility of firms, the complexity of technological issues and the demands of civil society, much more debate and negotiation are needed before policy decisions are made. The challenge is particularly crucial for France, where the central role of the State in the economy and in society goes a long ways towards explaining the characteristics of the country’s backlash against globalization.

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