

Globalization

Globalization and its implications for industrialized and developing countries is the overarching theme of the Lyon Summit. The term "globalization" refers to the expanding integration of countries into the world trading and financial system. Behind this process lie many important developments: reduction of trade barriers and especially tariffs, through trade liberalization efforts such as the World Trade Organization and regional trade agreements like the North American Free Trade Agreement; emergence of highly dynamic economies, which represent both a challenge and an opportunity for established industrial economies; finally, growth in economic wealth, de-regulation of financial markets in many countries, new investment vehicles and technological innovations — all of which have led to substantial growth in capital markets.

While these factors open up new market opportunities, they can also lead to new competitive pressures. The costs of being inefficient or inflexible are now much greater than they used to be. Globalization presents vast opportunities to increase the standard of living in both industrialized and developing countries; however, it also demands adjustments that can be difficult in the short run. To take advantage of improved prospects for better living conditions and progress, countries must be capable of rapid adjustment and continuous innovation in the face of constant change. Although this is not easy, the benefits outweigh the costs.

Countries wishing to seize the benefits of globalization must work together to develop the necessary strategies. These strategies must be geared towards maximizing sustainable economic development while maintaining social cohesion and strengthening the system of multilateral rules necessary for a globalized economy.

The striking characteristic of globalization is the sheer magnitude of the new relationships arising from the mobility of capital, labour, knowledge and technology. This presents a challenge to industrial economies. Some fear that globalization leads to disruption, job losses and lower wages. This has given rise to protectionist calls in countries like the United States, France and Germany. There is no doubt that industrialized countries will face some adjustments in the years ahead. Governments have a role to play in helping people to adapt to these changes. However, there is no question that globalization offers opportunities for economic growth, job creation and a better quality of life.

Many developing countries are keen to join the new global marketplace, but they must upgrade their infrastructure and their financial, banking and commercial laws before they can succeed. At the same time, like developed countries, developing countries must find ways to help their people adjust —