

GLOBALIZATION IS JUST BEGINNING

Donald Johnston is retiring after 10 years as Secretary-General of the Organisation for Economic Co-operation and Development (OECD) in Paris, following a career in Canada as an academic, lawyer, author and politician. From 1978 to 1988, he was a member of Parliament, serving as a cabinet minister in a number of senior portfolios including President of the Treasury Board, Minister of Justice and Attorney General of Canada. Johnston became Secretary-General of the OECD in 1996, the only Canadian and first non-European elected to the post. Over his two terms, he played a major role in globalizing the organization, which now works with more than 70 non-OECD economies throughout the world in areas such as agriculture; trade; macro-economic, labour and social issues; corporate governance; and the effectiveness of development assistance programs. He left the OECD in May and is succeeded by Angel Gurría, the former foreign minister and finance minister of Mexico.

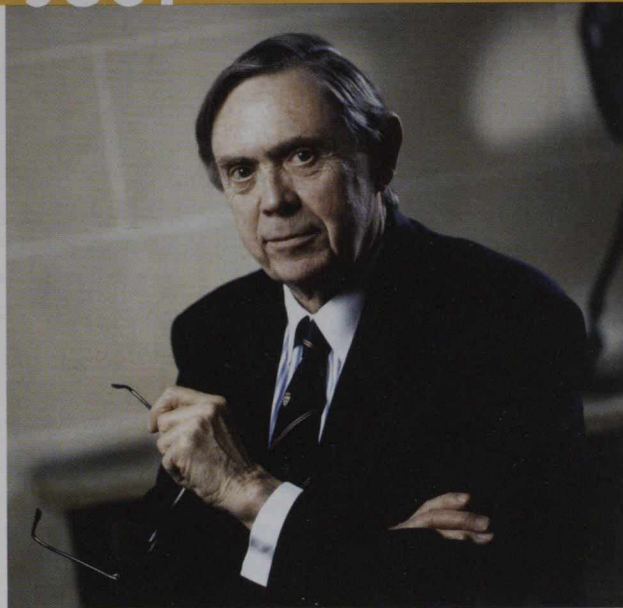


photo: OECD/OEDE

OECD Secretary-General Donald Johnston: "The end of the last century and the beginning of this one will be characterized as the dawn of the 'Age of Globalization.'"

The Dark Ages, the Renaissance, the Industrial Revolution: these may be phrases from previous centuries, but they carry a multitude of images, lessons and historical memories that are still relevant today. I believe that the end of the last century and the beginning of this one will be characterized as the dawn of the "Age of Globalization."

Not that globalization is a new phenomenon. International trade and investment, to take just two examples from the many areas affected by globalization, have a long history. And markets have been international for centuries. According to economic historian Angus Maddison, some 3,500 Dutch merchant ships plied the seven seas in about 1670. The Dutch fleet dwarfed all others at the time. The leading capitalist country of the 19th century, Britain, which embarked on market integration, albeit largely within a colonial context, developed a policy of eliminating tariffs and imposed the policy on others. At the same time, it opened its economy to agricultural imports and watched its own agricultural sector wither away.

The mobility of capital in the latter part of the 19th century and the early part of the 20th century was enormous. The gross nominal value of capital invested abroad in 1914 by the U.K., France and Germany was greater than in 1938. Capital mobility was quite extraordinary at the end of the so-called liberal era before the First World War. In 1914, the stock of foreign capital invested by western European countries in developing countries was 32 per cent of their GDP. Although we have, in recent years, drawn close to this level of investment in developing countries, we have never exceeded it.

So why are we so preoccupied and concerned with the notion of free trade and globalization today, if they are merely an extension of what we have already experienced? The difference is that the extent of global integration between national markets is much greater than in the past—although, in many respects, less than popular opinion would have us believe. Moreover, it is the fast pace of change that has put



image: NMM London

International markets: A painting of Dutch merchant ships under sail by Willem van de Velde, the Elder, 1649. Some 3,500 Dutch merchant ships plied the seven seas in the era.