

World Knowledge Forum 2012

Debate on Globalization: Failure or Success to Global Growth

On Wednesday, October 10th, 2012, Dani Rodrik, Harvard University Professor of Economics, and Dr. Panitchpakdi Supachai, Secretary General United Nations Conference on Trade and Development, engaged in a moderated discussion and debate about economics utilizing globalization as a springboard for a discussion of larger issues.

"I think of globalization as a great facilitator of growth and development. What people do with it is most important," Dr. Rodrik said. He spoke on the general positives with globalization, but stated that he was concerned with its unintended effects on developing nations.

"We believe that globalization could be a force of good," Dr. Supachai said. He then discussed the speed of globalization and how rapidly Asian countries like China and India were able to expand their gross domestic product compared to the historical examples of Europe and the United States.

However, these newly developed countries were also victims of economic downturns.

"Asian economies were helped greatly by an IT boom around the world. Asian economies were being linked to the global value chain through IT. Post-crisis devaluation has allowed economies to return to normal quickly, and avoid a double dip," Dr. Supachai said, focusing on the differences between these newly developed economies and developed Western nations.

The session then focused on the nuanced and multi-faceted issues that global trade presents.

"Protectionist trends are happening in the larger economies, thus affecting developing countries," Dr. Supachai argued. He noted how the most recent economic downturn caused large U.S. firms to ask the government for financial support, creating the climate for a "buy us first policy." He believed that this could have negative implications for smaller trade partners.

Dr. Rodrik disagreed, noting that it was important to maintain trade agreements and trade balances, which he believed would do more to solve problems than focusing on protectionism. "Anytime the World Economy is unbalanced, there is a generalist trend for protectionism. What is striking is how there is so little protectionism [in developed economies]," he said.

Dr. Rodrik then talked about issues surrounding trade agreements, focusing on the Doha round of World Trade Organization negotiations.

"I think the Doha round is dead. It is dead because the amount of benefits it actually offers are really not that large. It's relatively small potatoes," he said.

He also commented on the state of the trade organizations, saying, "I hope that we can strengthen the multi-lateral trade regime. It is suffering from a legitimacy crisis...the system is in question. 'WTO' in countries like the U.S. is basically a dirty word," he said.

Dr. Supachai agreed in part. He focused on improving the effectiveness of trade organizations.

"In Africa, there are in excess of 15 economic groups. None of them are successful," Dr. Supachai said. He called on governments to improve the efficacy and strength of the trade organizations in places such as Africa, in order to avoid continued legitimacy problems.

The discussion then turned towards the future of globalization. "It is not realistic to expect that world trade will be expanding over the next 10 years," Dr. Rodrik said, adding that he believes the global markets will shrink. "Countries will have to rely on domestic demand and building a domestic middle class to sell their goods."

The two doctors also spoke on the theme of poverty. "Growth under the circumstances of inequality will lead to poverty," Dr. Supachai said. He disagreed with Dr. Rodrik's market shrinking analysis, but focused on the problems of poverty and the lack of economic focus in the United Nation's Millennium Development Goals.

Dr. Rodrik concluded by reiterating that "Globalization provides the material and infrastructure to allow developing countries to grow larger." However, he expressed concern of its long term impact on the developing world.

Dr. Supachai added, "You need to teach countries to be less reliable on foreign aid." He acknowledged the benefits associated with globalization, but not without highlighting very complex risks.