

TRANSCRIPT

Managing Challenges of Globalization for Industry and Society

Discussants: Dr. Manfred Bischoff, Chairman of the Supervisory Board, DaimlerChrysler AG
Mr. John Evans, General Secretary, Trade Union Advisory Committee, OECD
The Hon. Robert Kimmitt, Deputy Secretary, U.S. Department of Treasury

Moderator: Ms. Margaret Warner, Senior Correspondent, *The NewsHour with Jim Lehrer*

MARGARET WARNER, SENIOR CORRESPONDENT, THE NEWS HOUR WITH JIM LEHRER: John Evans who is the General Secretary of the Trade Union Advisory Counsel to the OECD. And we're just going to start out with a quick question to the three panelists and I'm going to start with Dr. Bischoff, which is before we talk about the solving the challenges of globalization.

Let's see if we agree on what they are. What do you think is the greatest challenge to globalization? If we're talking about the integration of economies, the free flow of goods and services and people and capital today.

JOHN EVANS, GENERAL SECRETARY, TRADE UNION ADVISORY COMMITTEE TO THE OECD: Actually I see two main challenges for globalization and I hope we all understand under globalization the same things, free exchanges goods, services, and information based on the stage of modern technology.

I see the first challenge is what I call the acceptance of a free market economy including the free exchange, especially in the more advanced countries. The second challenge I see is that free exchange, by far, is not complete. Look at how limited we are in the agricultural sector or look at some countries (INAUDIBLE) free exchange partially yes, partially no.

There are countries which limit the free flow of information. At least they try to. There are limitations through that free flow. So I think we have that big challenge to show our own populations that globalization is good for everybody. And I think that is a very big issue and the other one is our limitations to that basic idea.

WARNER: Secretary Kimmitt, is it both acceptance by the public and at the same time lack of completion by those who are engaged in trying to keep the momentum up?

ROBERT KIMMITT, DEPUTY SECRETARY, U.S. DEPARTMENT OF TREASURY: Certainly I think those would be two of the challenges, Margaret. It's always interesting to me, anytime we talk globalization we go immediately to the challenges. There are tremendous benefits from globalization and there are tremendous opportunities from globalization.



We went from 20 percent of the world population living in poverty in 1970 to just seven percent in 2000. That's still too many people, but there have been benefits from globalization. I agree with Manfred on the challenges he mentioned.

I think, fundamentally globalization has produced a period of accelerating dynamic change that has led to uncertainty, concern, and even anxiety among populations. I think it's a time for real leadership to let people know that the answer to that dynamic change is more open. It's not more protectionism and barriers.

WARNER: John Evans did you agree with the diagnosis and let's move onto answers. Is the answer more openness?

EVANS: No, I don't think it is. I think it's a question of insuring that global trade and investment actually does transmit into higher living standards and that those living standards are more shared internationally and in within our economies. And at the same time, that that whole process is sustainable from an environmental point of view.

And I think that the major challenge at the moment is that too few people are actually gaining from globalization and the potential fruits are actually being distributed very unfairly. And we've seen widening in equality, both within our (INAUDIBLE) and also gaps appearing between countries.

So it's a question and I'd perhaps challenge the Deputy Secretary on some of those figures on policy. It depends what you're actually looking at, but I think the major challenge unless some of the fruits of globalization are shared more evenly, distributed better, then the public concern as you've mentioned, they are not just perceptions. They are reality of insecurity and unfairness of what's happening on the ground.

WARNER: Do you think it is perception, Dr. Bischoff or reality, what the public is sensing? That it's leading to a growing gap actually.

DR. MANFRED BISCHOFF, CHAIRMAN SUPERVISORY BOARD, DAIMLERCHRYSLER AG: But it's interesting to note that's a difference in perception. It's obviously different if you look, for example, in emerging markets in Asia. So it's a widespread feeling that globalization was a real success for such countries.

In some of the more developed countries, you know, it's not so obviously seen; because clearly we have profited quite a lot and I totally agree with Bob if you see, for example, increase in world trade. And I always take my special example, how trade, even between developed countries can be very successful.

You only have to look at what has happened inside the EU for example for the trade between France and Germany. It's the same you have seen the world over so it's the more advanced



countries were very successful, for example, in exports. We have an internal problem in each of our countries in that the fruits of those are not, you could say, equally distributed. So you have more people who profit. I think there are more people who profit clearly. But for sure there's some who are left behind, and we have to give an answer to decide internally.

MARGARET WARNER, SENIOR CORRESPONDENT, THE NEWSHOUR WITH JIM LEHRER: But are they less equally distributed now in this area of globalization than they were?

UNIDENTIFIED PARTICIPANT: I don't think the root cause for that, basically, is globalization, because part of it is technology. And I think we would have to face that problem how we distribute the national income and how it's created into individual countries anyhow. So I think it is somewhat misleading to say the root cause for that is globalization.

WARNER: Bob Kimmitt.

ROBERT KIMMITT, DEPUTY SECRETARY, U.S. DEPARTMENT OF TREASURY: Actually although John disagreed with me on the point of openness being the process that we should follow, I actually agree with the points that he made, both as to perception and as to facts. Those are part of the challenges of globalization.

But I don't think that we meet those challenges by being closed to trade or closed to creating new opportunity. And I think it's important to recognize that a lot of the disparity is a – that is, a wage disparity in some of the other disparities that John mentioned really go back to the fundamental point that if you look at who is educated, who is trained, those are the people who tend to do well, whether they're in a developed country or a developing country.

And therefore I think we need to look at what is causing this disparity, and recognize, in my view, that a continued investment on education, on training through a lifetime of learning, a lifetime of employment at a time again of accelerating dynamic change is going to be an important step to take.

WARNER: So that sounds as if you're talking about that the remedies are domestic in nature.

KIMMITT: Well, no. I think, of course, each country will have a palate of domestic remedies. We have in the United States, for example, trade adjustment assistance, the Workforce Investment Act.

We also have the lifetime learning credits, the Hope credits, subsidized student lending. Those types of things are domestic responses. But I don't disagree, I think, with the point that John was making, that as we look at trade agreements, as we look at bilateral relations,



that we do have to look at some of the issues that have been mentioned, including workforce, environmental and other issues on a global basis.

WARNER: Now John Evans, you're, and then we're going to go to the audience, so get your questions ready. Your organization is also concerned still about capital flows. Explain that.

EVANS: Yes. Well I think it would be wrong to look at the problems just as a trade issue. And I don't disagree with many of the things which have been said. But I think what has changed about globalization is that now work is a part of global supply chains, and this has increased the exit option for companies in those sectors.

WARNER: Meaning they can say they've leaving.

EVANS: Well, you can say if you don't like it here, we just source from China; we'll source from somewhere else. And that pressure has, I think, started now to show up in the figures. If you look at the share of national income, which has been going to wages and work compensation throughout the OECD, that has actually fallen over the last 15 years quite substantially, and has actually now reached record lows, the actual, the share of wages.

And even within that wage share, if you look at some of the key countries, and particularly the United States and I'd agree many of the solutions may be domestic, you see very rapid growing inequality.

I think in 2005 the top ten percent in the wage share. Their income rose by 14 percent. The bottom 90 percent, sorry, bottom 80 percent, their incomes actually fell by 0.6 percent. So you need the domestic policies. The Nordic countries haven't had that problem. They've been able to distribute it better.

As a result, our affiliates are actually more confident about what you can do about trade. But you also have to tackle the issue of what are the rules in the global economy. What are the rules on core labor rights in different parts of the world? What are the rules on how multi-nationals can operate? What are the rules of financial markets, and look at both directions. What hands domestic and also what you can put into trade investment agreements and other forms of governments.

WARNER: All right, well let's bring all of you all in now and yes right here. Even though we know one another, please announce your name, and if you are in the back rows you actually already have microphones. All you have to do is press the button. You don't need to lean in.

UNIDENTIFIED PARTICIPANT: (INAUDIBLE).

WARNER: But would you introduce yourself for everyone. Yes, there, I think you are.



UNIDENTIFIED PARTICIPANT: My questions don't address the politics of the organization. I think that we are heading for more problems. I definitely (INAUDIBLE) profiting from globalization, but I've been saying for three weeks prior to the last midterm elections, especially in the Midwest.

There was not one democratic candidate who was not running out of protection this ticket. And naturally they don't call themselves protectionists who would do (INAUDIBLE); they always talk about fair trade and add a couple here and there.

But obviously the protectionists in the United States are gaining ground in the political scene and, which by the way, I have nothing against Democrats or anything, but this is one of the negative elements which might be related to the Democrats winning.

And then in Europe, Germany is a cross-party alliance nuances in favor of protectionism, with exception of the post communist, I would say. But France, when you really look at the debate, they're profiting from globalization, the mood (INAUDIBLE) is not very open in direction of (INAUDIBLE).

In Italy, I'm very concerned because of politics and because of the economic situation inside the country.

So we might find ourselves in a situation in which people, like us here, are discussing how much we like globalization, but we try to influence it, try to shape certain rules, but that the politics of globalization is running in a different direction, and might make it impossible for people who endorse it on both side of the Atlantic to implement it because of growing reluctance in the political system to support such initiatives.

WARNER: Is that the central challenge? That the politics of globalization are moving in the opposite direction from what many people in this room would support. Not in your view, that's all right.

EVANS: Sorry. Most of my job is actually going to talk to groups of workers, many of them whose jobs depend upon global trade, global investment, international companies, etcetera, and there's no way that my organization can be pro against globalization.

It's a reality, and we internalize this issue about where if a country cuts back where its protectionist that means jobs lost somewhere else so those issues are internalized. When I talk to people I totally share the premise of this panel. There is this deep concern about speed of change (INAUDIBLE) distribution issue which we've just put on the table.

This at the same time, I'd say a general concern, despite sometimes concerns about immigration and other issues. There's got to be more (INAUDIBLE) in the world, and I



think the challenge is to say, ‘How can you put an agenda forward, which brings those two concerns together?’ which may be contradictory in a way which allows positive outcomes.

And I think if you look at some of the questions of what the Democrats are trying to do at this moment in terms of bilateral trade agreements, which is putting labor standards into agreements. We simply say that countries should observe core labor standards and (INAUDIBLE) their own label legislation and have some monitoring mechanism which can lead to results.

I don’t see that as protectionist. I think it’s actually public counter-protectionist, because you give people confidence but that there isn’t going to be international arbitrage either by companies or by investment flows or firms to actually lower those standards and actually undercut, and I think that should be center of discussion in terms of how this debate moves forward as a central challenge.

WARNER: Bob Kimmitt, is this move to inserting labor and environmental standards, do you think that’s the same thing as protectionism?

KIMMITT: If you go too far, I think it can become protectionist but if you strike the right balance I think that it can be part of a very valuable package in the U.S. on moving through both bilateral trade agreements and let’s hope eventually a multilateral trade agreement. It’s certainly always been part of the discussion.

Trade bills are always tough votes in the United States regardless of who’s in the White House, regardless of who’s in the Congress. Those issues are always on the table. They’re very much at the center of our discussions now on the bilateral trade agreements.

They have been negotiated and the multilateral framework that we hope will be successfully concluded. Just picking up on Carston Folk’s point, I think one of the greatest concerns to the world economy right now is growing investment

UNIDENTIFIED PARTICIPANT: The world economy right now is growing investment protectionism. Investment flows dwarf trade flows. And I think you mentioned some of the countries in Europe and we look at Invasa the Italian Banks, (INAUDIBLE) France and we start to see rising investment protectionism.

We see the same in the U.S. in the wake of the C Nook and Dubai Ports World. I think the good news is maybe running counter a little bit to your point that as we look to revising the investment review process in the United States, we’re working with bipartisan groups in the Congress to come with a system that stresses we are open to investment.



And of course we'll continue to protect our national security concerns, but that the number of cases that will raise legitimate national security concerns will small in number. A bill has been passed by the House already.

Led by the Chairmanship of the Democrat, Barney Frank, working closely with Senator Bennett and his colleagues on the Banking Committee to move their version through. The House Bill was a very balanced bill.

And so I think that while I agree with you on the perception of that protectionist trend, I think when you actually start working on the details whether in trade, in agreement, or in investment view of legislation, we've been able to strike a good balance.

UNIDENTIFIED PARTICIPANT: How does at the large companies of with which you are involved feel about international trade agreements that include core labor standards?

MANFRED BISCHOFF, DR. CHAIRMAN SUPERVISORY BOARD, DAIMLERCHRYSLER AG: Now let me clearly say I think the root cause for some of the misunderstanding is that some people have not realized or are not willing to realize that in twenty years, the labor force, accessible labor force in the world has simply doubled.

By the introduction of China, Russia, and India, or the former Soviet Union its better said, in the national accessible labor force. That is also the root cause why the wage level inside Zimbabwe has not risen.

We suddenly have competition we didn't have before for labor. And another fact is as (INAUDIBLE) has pointed to that I think rightly so, it's clear that these modern technology, so the wages you can or you're willing to pay for uneducated labor are going down. Say, less in demand than before.

These effects we have to cope with. For a company I think it is clear, our main goal is simply to provide the products as the customers want. And it is not that we could take responsibility because our customers don't care so much where the supply comes from as long as there is quality and it works and it does exactly what he has paid for.

So we then have obligation to go to those sources where we can get those. Wherever in the world they are, so I don't think companies can take said obligations and say OK, you have now to be in one specific country.

Let's take DaimlerChrysler as a really international placed group, we have more than 300,000 employees around the world so it would be hard shall we defend the term labor, shall we defend the U.S. labor force, shall we defend our Chinese labor force, who are we going to defend?



MARGARET WARNER, SENIOR CORRESPONDENT, THE NEWSHOUR WITH JIM LEHRER: Senator Bennett and then I'm going to go to someone over here and I think I'll pick up what Philip Stephens did and have a couple of interventions and then have people respond.

BOB BENNETT, SENATOR, U.S. SENATE: Two quick points coming out of examination of these issues that we've done, I did it when I was Chairman of the Joint Economic Committee, let's be careful about the percentage of benefit that comes and say there is a growing gap because the bottom percent is getting a less percentage of the pie.

That sounds terrible until you recognize that the pie in fact is growing tremendously. The fact that Bill Gates has \$60 billion, he didn't take that away from anybody, the people at the bottom according to the studies that we did increase their actual revenue in terms of real wages and real benefits.

But it decreased as a percentage of the pie because Bill Gates went from a Harvard drop-out to \$60 billion. Oprah Winfrey went from wherever she was to the richest woman in America and that increases the percentage at the top dramatically but it does not disadvantage the people in the bottom quintile.

Now I'm over simplifying and I'll be happy to go through the whole situation, we don't have the time for that. The other circumstance that I would like to point out and Secretary Kimmitt's well aware of this is the cost in America of globalization in terms of dislocation of people's lives.

I have a steel mill in my state that closed because it couldn't compete in the global market and those people lost their jobs and these were people who had spent their lives learning how to deal with the steel and the devastation is enormous in their personal lives and the cost is \$90 billion a year.

I don't know how the economists come up with that is not a trivial number, the cost of the American economy, \$90 billion a year. The benefit of globalization to the American economy is estimated by these same people at \$1 trillion per year.

The challenge for us as policymakers is not to be panicked by the \$90 billion cost in such a fashion that we end up taking away from the economy, the \$1 trillion benefit. And speaking as a republican who doesn't – the party doesn't usually talk in these terms.

I think we ought to be willing to reach across the aisle and say to our democratic friends, let's find the \$90 billion and then get you to come across the aisle with us and say, let's do what's necessary to keep the 1 trillion flowing in.



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MARGARET WARNER, SENIOR CORRESPONDENT, THE NEWSHOUR WITH JIM LEHRER: (INAUDIBLE) take that and the question right here.

UNIDENTIFIED PARTICIPANT: (INAUDIBLE)

UNIDENTIFIED PARTICIPANT: (INAUDIBLE) from Chatham House in London. I am a political scientist and I'm conscious of three debates going on simultaneously.

The political aspect of globalization has been introduced but I wonder if I could take it one stage further with the panel because it seems to me that there is the debate amongst economists about the health of the global economy and who's doing well and who is doing less well.

Simultaneously you have a debate about the effects of climate change which would seem to be on a collision course with the debate about global economic prospects and growth.

In other words, I hear from the economists repeatedly that there's always plenty and that the whole business of economic activity should be about creating more with value added and applying labor to the raw materials and increasing consumer demand and so on and then from the climate change types who are warning that if we carry on in this vein we'll destroy the planet.

And we're all being told that we're consuming more than we're putting back in – I think in the UK by April each year. As a political scientist there's a third debate going on which is about political risk. The people are neither interested in being purely economic animals nor interested in saving the planet, they are interested in identity and fighting over the cake.

And that there is a competition between these three because you have those who are going to war over what they value so conflict, political risk. There are those who are convinced that if only the economy could be allowed to work, the market will solve all, and of course, you have those who say, we can't go on like this because we'll all be dead.

Where do you stand?

WARNER: Gentleman, where do you stand; on both these questions?

MANFRED BISCHOFF: You know, I'm probably the first (INAUDIBLE) because my background is from the car industry and from the aerospace industry. So, especially for the environmental questions, we would be an easy target for your questions.

I think we have to bring to a balance, especially two points I leave out because I think it goes a little too far beyond our question of globalization (INAUDIBLE) political identity. People want (INAUDIBLE). So I limit myself to my mental and economic prowess.



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Because your basic question was, is there a conflict between economic prowess and environmental protection and I would answer simply yes, if we continue on like we're doing, yes there is. On the other side we have to educate people that there is a price. For having environmental protection there is no such thing as a free lunch.

If you want to drive on three liters for 100 kilometers you have either to put in high technology and that makes your car much more expensive than you are willing to pay today. So actually, it boils down to our consumption behavior and what we are willing to give which priority to which goal. If environment is so important for us, it's clear, depends on the behavior of the people, because industry is not, I take enough of industry point of view, is not creating the perception.

We are just reacting what the market is and what the demand is there. So we will always go for that. We can contribute, but basically we are driven by the demand from the consumer side and naturally we are also driven by regulation. But I see a chance that we can balance those, because there is also (INAUDIBLE) and there is also economic (INAUDIBLE) in protecting the environment.

UNIDENTIFIED SPEAKER: Well on Monday, we're going to have the annual European Union/U.S. Summit, Mrs. Merkel, President Barroso are coming to meet. Mrs. Merkel has put on the table what we think is a quite far reaching initiative to better integrate the trans-Atlantic marketplace, but one of the key agenda items that will be discussed within that initiative is climate change, the environment, energy and security.

Something that we have to discuss on a bilateral basis, that is between Europe and the United States, but also something that must be addressed on a global basis, including the tension with economic growth, the need to protect the environment, protect the planet. I think that there is very often the misperception that this is a subject the administration doesn't want to discuss, doesn't want to address.

We are forthright in addressing it with partners. Indeed it was discussed yesterday between President Bush and Prime Minister (INAUDIBLE). Some additional work being done between the U.S. and the Asian space in that particular area and again, I think as Manfred had said, these are issues that have to be confronted directly and I think a balance has to be struck on precisely the dichotomy that your question suggests.

WARNER: John Evans, would you address the Senators question about, even though you're not in the United States, obviously, is there a way for using the metaphor, he did, a way to take care of the \$90 billion in some fashion that makes workers feel that they can still be winners in this new economy, without endangering the one trillion?



EVANS: Well, I think the problem and I guess now is not when we're going to look at the actual figures, but the figures I've seen show that for an average production worker in the States, I mean productivity in the last 15 years has risen by something like 70 to 80 percent and actually certain compensation has risen somewhat.

Wages have been pretty flat apart from a couple of years at the end of the 90s, but much of that compensation has actually been the form of rising healthcare costs and I just think it is now becoming unchallengeable, the actual distribution issue is at the core of the problem of why there is this reaction in the U.S.

I totally agree, beyond that, you need good adjustment policies and I think that some countries have managed to succeed that. Both on the trade issue, but I also link to the question about climate change, global warming, and environmental non-sustainability and if I could just make one comment on that, because I would have agreed the contradiction going to a Union meeting, even the United States, ten years ago exactly the contradiction which was pointed out would have been there.

I mean, where you took coal miners jobs or others. Now, the question is how do you get away from what we would say is false debate about good jobs and the environment. We've got for green jobs. We've got to go for good adjustment policies and you need to go for showing also where you can actually create decent work through policies which are environmentally sustainable and I think all of those issues have to be on the table at the same time.

WARNER: I'm getting a lot of signals from a lot of people who want to ask questions, so I'm going to ask our questioners to be brief and you want to direct it to a specific panelist do that and then I'm going to ask our panelists to be crisp. Is there anyone in a back row who really wants to ask questions? Yes, sir right there.

UNIDENTIFIED SPEAKER: (INAUDIBLE) why do the things that could presumably help the (INAUDIBLE) from globalization to stronger international (INAUDIBLE) institutions?

But the problem is, is that at this point, the institutions tend to look at the WTO, the International Financial and (INAUDIBLE) are perceived as stagnant or going in the wrong direction, where at the same time, the U.S. and the EU are pursuing bilateral arrangements with a whole variety of countries on trade deals.

My question is do you need to see a re-strengthening of the global institutions in order to have globalization at a positive face?

WARNER: Yes, right here. Do you want to add a question?

UNIDENTIFIED SPEAKER: (INAUDIBLE).



WARNER: And could you identify yourself please?

UNIDENTIFIED SPEAKER: (INAUDIBLE). First, I have specific question to Manfred Bischoff. I would be very interested how a high-tech company like yours in a 10-15 year timeframe responds not only to what we discussed, I mean, globalization a sense of relative wages in the global marketplace, but to the new phenomenon that beyond the unbundling of the production progress, you now have increasing tradability of services, services that do not require face-to-face contact.

How do you see that strategically, as a Global company – high-tech, safe means for your next ten, 15 years and the second quick question to Bob Kimmitt. China will soon overtake both the U.S. and Germany as the largest exporter in the world and, of course, much of the discussion of the economics and politics of Globalization revolves around the U.S./China relationship.

(INAUDIBLE) I think (INAUDIBLE) very appealing, this broad special economic dialog with China. A crucial round is ahead in May. In fact if – leaves a Secretary empty-handed there might be – understand great risk of two bills in Congress on the protection aside, hopefully pointing to the W-2 and not bilaterally.

What – given the Chinese political calendar, where you have leadership change only late in the year and it's hard to expect that we'll make major directional changes, for example, on the procession of the exchange rate before that.

How do you see that mismatch of political calendars and the risks that arises (INAUDIBLE) Congress.

MARGARET WARNER, SENIOR CORRESPONDENT, THE NEWSHOUR WITH JIM LEHRER: OK, I'm going to throw in one more comment. Gentleman with the green tie.

UNIDENTIFIED PARTICIPANT: (INAUDIBLE) in Germany. I was originally noticing your point two on your agenda, which says how do we halt the affects of Globalization.

WARNER: It wasn't my question, I can assure you.

UNIDENTIFIED PARTICIPANT: No, yours means, of course, the collective wisdom of the Conference, but of course, you don't and I think, however, many of the other comments – and I think this has been a very good discussion, but many of the comments are still sort of – if I may put it this way, stuck in the social engineering concept of the 1960's.

That is, we're going to come up with arrangements, we're going to have programs, we're going to have international institutions and I think that many of the other questions I think –



and especially Senator Bennett made quite clear, we're not talking about doing a war on poverty or a great society.

We're talking about dealing with the revolutionary force which is simply not going to be stopped and my question, followed point from that, goes from the gentleman's question about the institutions.

My own feeling is that one of the casualties of all this is, in fact, going to be the post-war if you want to call it, Regan, (INAUDIBLE) – International Institutions. You already see the IMF being tremendously under pressure. The WTO, I do not believe many people believe have lived up to its capabilities and, of course, even the G-8 is an aide which, ten or 15 years from now, won't be the great aide any more because there will be other countries who have taken over their role.

So I'd be interested in what the panel thinks about what, in fact, the International adjustment mechanisms can be and whether the existing institutions will, in fact, hold during this period?

WARNER: Bob Kimmitt?

ROBERT KIMMITT, DEPUTY SECRETARY, U.S. DEPARTMENT OF THE TREASURY: Well maybe I can pick up the first question and the second to John asked on the institutions. I think that especially when I come to this Forum, it's fair to say that the security institutions that were put in place in the immediate post-World War II period I think have adapted better to the post-Cold War, post 9/11 period than have, perhaps, the international financial institutions and multi-lateral development banks.

They need to go through a period of updating to be relevant. That's why the top priority now, at the International Monetary Fund is structural reform, both on the quota system on some of their decisions, for example, on surveillance that are now 30 years out-of-date.

They need to be brought into the modern economy. I think the G-7 and G-8 still play an important role, John, but an institution of growing importance that (INAUDIBLE) brought to my attention as I was coming back in the government is the G-20, which takes the G-8, but reaches out beyond that to important emerging economies like India; China; Brazil; South Africa; Saudi Arabia; Turkey and others and right now our engagement includes those institutions were set some time ago.

The ones that developed, that is right after World War II, those that developed in the '60s and '70s, but a new set that came up in the '90s after the turn of the century, including APEX, the G-20 and others, to try to keep up with the dynamic change that's going on in the world economy.



BISCHOFF: I'll ask two questions more or less. The first one, how does a multi-national company react to that? It's quite clear. If you look, for example, at the output of engineers in China today, which is between 400 and 800, however you define it and it's the level of education they get, it's clear that in the future you will have in those countries centre of excellence. And for a multi-national company as I said before, for us, that is a supply site.

That means we have to go where we get those services, where we get those developments for a decent cost. At the same time, that doesn't mean we immediately will give up where we traditionally have been, we naturally tried to develop those places where we traditionally had our stronghold, but I think we have to accept that in the future, even on the know-how driven site, say it's more distributional around the world.

Let me say something on regulating forces, because to me that is very important. Coming from the background, markets only work for the good of everything if they are somewhere regulated. My simple example is why we have anti-monopoly laws. Simply, because the selfishness of everyone. If I could get a monopoly I would take it tomorrow.

We have that market work for everybody well, we need regulation. And it's more as the world grows together through globalization, so more we need those regulated markets and we need institutions which regulate those markets.

WARNER: And briefly, what kind of regulation?

BISCHOFF: I look now, I'm not as specialized, but I look at for example the financial sector. I think if I look at some of the latest development there is for me sometimes a leg of transparency and there is something's a leg of regulation.

And so far as you have possibilities to juggle around without any official control of what is going on and I think we need more regulation as a sector because things have become so complicated, partially except for a normal person, it's very hard to understand what is going on. Look for example that's a question of (INAUDIBLE).

WARNER: Put on the table, what, I mean you all are calling for "core labor agreements". Briefly, what is that?

EVANS: I think essentially you have an international institution which has existed now for over 60 years, which is the International Labor Organization, sorry 80 years, which has sort of correlated the standards, which in principle all it's 177 members...

WARNER: Just explain briefly what that would be, how would that change the roles of the games?



EVANS: Well, those standards which freedom association writes to collect a (INAUDIBLE) against child labor, against forced labor, and prison labor would have to be enforced by other parts of the system as well. The World Bank is very reluctant to go too far down that road, now the International Financial Corporation has actually started to put that as (INAUDIBLE) conditionality of loans.

We've argued that, that should part of the global trade agreements within the WTO as well as they could be forced, but if I could also perhaps think a bit out of the box in terms of the question as well and I think those core standards are actually essential. I mean, the organizations which I'm a partnership with represent about 180 million workers around the world; this is not just a north/south issue.

In the last five years, they've now signed more than 50 global framework agreements with companies, including with DaimlerChrysler and others. And to some extent, those are designed to give confidence, there isn't international arbitrary taking place because capital can go wherever labor is cheaper in the world or has fewer standards, that undermines it.

And so I would also challenge the statement at the beginning Mr. Bischoff, which is, you know, while we go, we have to go where things are cheap, it's true. But if really pension funds start saying we can no longer invest in DaimlerChrysler because essentially there is so much forced labor being used in sub-contracts for certain areas that makes--raises a major problem.

But I would just add and I realize time is short, but we haven't really broached one, the (INAUDIBLE) funds have been raised, but for us, one of the issues is who our partners are now. I mean, we were having this conversation two or three years ago and I come from the U.K., which there is DaimlerChrysler, its large employees, it's (INAUDIBLE). I mean a fifth of the British labor forces are now employed by companies, which are in the control of private equity. I don't know...

WARNER: That's a stunning figure.

EVANS: A lot of who those managers are. It's very hard to have a conversation with them. They are not regulated; they are pining out debt in many other companies. Some of that may be good, normal, restructure activities, but essentially such a large part now of an economy, we have to seriously look at transparency regulation taxation rules, for what has become I think a new form of capitalization which has gone, I think, way beyond some of the models we've been talking about this morning.

WARNER: So Bob Kimmitt, go please.

UNIDENTIFIED PARTICIPANT: You allow me, just only he said it doesn't stay there. We are not anywhere using forced labor.



UNIDENTIFIED PARTICIPANT: I wasn't implying you would, because that would come up, I was using a hypothetical example.

WARNER: Hypothetical example, yes.

UNIDENTIFIED PARTICIPANT: I'm sure, if you didn't have the global framework agreement, you might, but that's now regulated through that, so...

WARNER: But it's interesting, Bob Kimmitt, that you're two fellow panelists here are both talking about a need for more international regulation, particularly in terms of transparency, but also in terms of labor standards.

Do you think that's something that the United States Government should be supporting, or do you think that it's, I don't want to put words in your mouth, John Kornblum, but I mean the kind of social engineering that is just completely unrealistic and out of date in this 21st century.

KIMMITT: We don't need more regulation. One of the things that Mrs. Merkel and President Barroso are coming to Washington to do is to get us to join them in the European effort to reduce regulatory burden in Europe, both at the community level, at the member-state level by 25 percent.

That's the strategic goal of this initiative, and the U.S. will join by trying to bring the regulatory regimes on both sides of the Atlantic closer together, converge, harmonize or mutually recognize, including importantly in the accounting standard area. So I don't think we need more regulation. I think we need less regulation on both side of the Atlantic.

And that also goes for private pools of capital. Private pools of capital include hedge funds, private equity and venture capital. We put out...

WARNER: And you don't think there needs to be any different way that they're treated?

KIMMITT: But a different way is different than increased regulation. We put out a statement recently from a group called the President's Working Group – and that is all the U.S. financial regulators – in which we said there had been real benefits from these private pools of capital, on risk management market discipline.

But there were concerns, both on systemic risk and investor protection. Investor protection is the responsibility of the SEC and other similar regulatory bodies. And on system risk we're looking very closely at risk to the system both in the United States and more broadly.



But remember we have creditors and regulated counter-parties who give us a window into what is going on in that particular area. The message that we were sending is it's not business as usual. There has to be greater vigilance on the part of both these fund managers and governments.

We also have a dialogue with Europe on that through the financial market's regulatory dialogue, and in the G7, where the financial stability forum has looked at this very closely, has come to the conclusion, as had the G7, that there's not need for greater regulation or for regulation – there is need for greater attention.

WARNER: Manfred Bischoff, is this the kind of thing you're talking about, or something more?

MANFRED BISCHOFF: I think we have to differentiate. I totally agree with Bob. We have to cut down on those bureaucratic regulations. I tell, you know, the famous example of the size of tomatoes in the EU, which is regulated, or classified. We have to cut those down.

Now my concern is more about, that markets fulfill their function. That markets and wherever there are markets, whether it's financial markets or product markets, or services, they fulfill their function.

And I think since then, I mean regulation, that we need rules which are based on transparency to make sure that markets do exactly what they're supposed to do. I don't talk about all the other bureaucratic staff and here I totally with Bob. If it is only 25 percent, I would be glad we could go to 40 to cut it down.

WARNER: So the headline from this session is not Chairman of DaimlerChrysler calls for more regulation.

BISHOFF: No, for sure not.

WARNER: Not my visit.

KIMMITT: Margaret, if I could, could I pick up...

WARNER: Yes, yes. Please.

KIMMITT: Could I pick up Kyle's question on China? We have begun a strategic economic dialogue with China. The next meeting of this group will be the third week in May in Washington. I would note, though, that Japan has just begun a strategic economic dialogue with China, and I think Europe should look at the same kind of strategic economic dialogue.



Because the issue of China's emergence in the world economy is not a bilateral issue for the U.S. in China, it's an issue for the global economy, one that needs to be looked at in the forums that we discussed. But I think there is good opportunity for bilateral engagement.

You're exactly right. When we have a strategic economic dialogue, we're looking at mid to long-term adjustments that are needed in China – and frankly in the Chinese-American relationship to produce economic benefit both in China, the region, the world more broadly.

You're right about China's growing export prowess. Clearly they have to have more demand-led growth to do that. There has to be rising wages, greater opportunity in China. That's something that we're pushing for, again, I think that's something that will come over the mid to long term.

But you're also right that politically, we've got to show enough progress in this dialogue that we in the executive branch can lead the debate rather than have to respond to initiatives on the hill and we've made quite clear to the Chinese that they need to move quicker on their currency to move it to underline market valuation based on fundamental economic principles.

There are some things that we will be talking about in this next session around innovation, around market opening, on the environmental side we have a number of issues that we are discussing with them because of their significant use of coal burning facilities that could benefit from clean technology.

So, we're going to be looking for near term progress that can be made but over the long term this is an engagement that is going to require patience and persistence on our part and I would also argue that the other major economies, Japan and Europe, should join in this discussion.

WARNER: All right, we have a couple of questions over here. Yes Sir? No, actually it's right there.

UNIDENTIFIED PARTICIPANT: I just want to follow up on the question regarding the politics of globalization. One of the measures that countries put into place in order to rekindle domestic support for globalization has been to compensate the losers from globalization.

Now, it has taken the form of the trade adjustment assistance in the U.S. and now the EU has found its own globalization fund. I would like to hear from the panel there on assessment of whether these instruments have been useful politically and whether they have actually rekindled domestic support for globalization and hindered protectionism?

WARNER: Congressman? You had a question?



UNIDENTIFIED PARTICIPANT: As we talk about managing the impacts of the global economy and we've discussed quite a bit of capital and services as well as goods.

What I have not heard mentioned is the role that currency rates and these exchange rates have in our ability to continue this trade and what often times seems to be a great challenge that we face in promoting further trade, when we see distortions in these currency rates.

WARNER: I'm going to take a couple of questions right over here, here and here. Just because I even though I don't have something where they can zap me, I ...

UNIDENTIFIED PARTICIPANT: (INAUDIBLE) Parliament. It looks like globalization moves borders and as well it moves borders of what we can call conflict of civilization. It moves it from the geographical to distribution issue.

If you come to Cairo, in the center of Cairo you'll find a perfectly globalized part of society. If you go to Cairo, Giza suburban area you don't find even McDonald's. The same holds true for Beirut, the same holds true for many parts of the Middle East.

One of the issues of distribution I assume is industrialization of oil countries. How are you big companies going to work about bringing up industrialization which I assume is the only way how to create employment and how to help the distribution of wealth so that countries are not that much conflicted by globalization? Thank you.

WARNER: And Jim Kolbe.

JIM KOLBE, GERMAN MARTIAL FUND: Thank you, Jim Kolbe of the German Martial Fund. The discussion between or the race between globalization and trade sometimes reminds me of the race between the hare and the tortoise.

Globalization racing forward, trade moving like at the speed of the tortoise. Since so many of you are directly involved in the trade regime, it might be the appropriate question to ask of you, do you think our whole, the way we look at trade and the way we negotiate trade agreements needs to be rethought that it's not, we can't possibly keep pace in the current system that we have the regime that we have with trade can't keep place with the kind of changes that are taking place globally?

WARNER: So, four topics. Do we need to change the way we actually negotiate trade agreements to step up the pace? What are company's responsibilities? I think I understood your question, in the sort of huge disparities it's creating or enclaves within different countries? We have, of course, the question about distortions of currencies and trade assistance in what political effectiveness that it has had within countries and maintaining at least some sort of floor on support for globalization. So you want to start?



UNIDENTIFIED PARTICIPANT: Just the, I think that sort of mercantilist approach to trade negotiations is I think missing the point to some extent. I don't have a solution for it other than to link to this broader debate we're having on globalization.

While certainly our affiliates would have different views about particular issues under negotiation. The view of having a rules based international system is very, very important. But I don't think you can defend unless you begin to integrate with these social and economic concerns we're talking about today and to get better governments in a number of different ways.

I think adjustment assistance, while it's too early to say on the EU globalization fund, but I think is part of an important set of policies to actually try and give confidence. That effect can be shared; costs and benefits can be in effect more shared more evenly.

That includes other policies which enacted, like my market policies; it includes good social security systems and so on. And I come back to the point that if you look probably where both employment rates have been highest and where countries are most open is often been some of the Nordic countries which have managed to balance that quite well.

It may have a price in terms of taxation, but I think it's important. But to conclude I say I think that's only part of the solution and perhaps just to finish with a small comment on China. Because this arbitrative issue is out there, I mean, as well.

It's not just a question of compensating losers. It's a question of how do you avoid power getting imbalanced in the international system. And 60 percent of trade of China is actually from non Chinese companies. And I was shocked last year, when we have a lot of problems with the Chinese trade unions because that power party system.

There are 74,000 disputes took place last year that were not official unions trying solve or negotiate or deal with those, that things bottom, disputes going on because of appalling working conditions of often migrant workers within China.

And we've got to try and link somehow official structure to deal with those issues. But when the authorities made some partial approach, which was to try to introduce draft contracts law which would at least give migrant workers a contract. So if they weren't paid by an employer, they could prove what they were owed.

That would have given unions some negotiating rights on the question of the changes. I mean I was just shocked to see that the U.S. Chamber of Commerce in Shanghai issued a statement that we are going move elsewhere if this happens. The European Chamber of Commerce issued a similar sort of statement.



They then said it was a misunderstanding and it was a junior official who had said this and he didn't really mean it. But I mean seriously, I mean there two worlds out there. I think there are lobbies that actually go for international opportunity to lower standards, which I think is the wrong way to go.

We need to actually be improving standards and I would just conclude by saying I think, I don't think conclusions are being made upon the role of (INAUDIBLE) among, knowing so far and I see some of the effects which is deeply worrying both on system at risk grounds and also employment standards grounds.

And I think we need to get a more level playing field between publicly traded (INAUDIBLE) companies and incorporate governments there and what is now happening by some very important venture capital. That's some very important activity becoming a business model in the century cause (INAUDIBLE)

UNIDENTIFIED PARTICIPANT: Pick up on the trade adjustment point.

MARGARET WARNER, SENIOR CORRESPONDENT, THE NEWSHOUR WITH JIM LEHRER: And that would be the currency one as well if you could.

UNIDENTIFIED PARTICIPANT: Well currency is one I think pretty straight forward answer if you look at the fundamental of a sound world economy. It's free trade, flexible exchange rates and the free flow of capital (INAUDIBLE) quarters.

All three have to operate and as flexible exchange rates have to be set in open competitive markets based on underlying fundamentals. That means particularly fast development economies with large current account surpluses need to move quickly to proper valuation of their currencies.

On trade adjustment though, I'd say let's ask first what the marketplace can do before we ask what governments do. There was a very good piece by Senator McCain in this week's Financial Times in which he said expanding economic freedom is pro growth agenda that is built on a competitive private sector and small responsive and results oriented government.

Opening new markets for trade and goods and services is an indispensable form of freedom for entrepreneurs and (INAUDIBLE) proven road to greater prosperity. And I mention that because you have to understand the philosophy of change in the U.S. labor markets to understand why this freedom agenda is so important.

We have roughly 150 million jobs in United States, almost 40 percent of those or 56 million turned over last year. Now fortunately 59 million were filled. So we created a net 3 million new jobs. That was the marketplace at work. It was really a significant (INAUDIBLE)



staying out of the way of the marketplace as it produced that dynamic change. And I'll tell you that change which is called job ...

UNIDENTIFIED PARTICIPANT: (INAUDIBLE).

UNIDENTIFIED PARTICIPANT: Well, it's a combination. There are some jobs (INAUDIBLE) either ...

UNIDENTIFIED PARTICIPANT: Go over ...

UNIDENTIFIED PARTICIPANT: In general or they go over seas (INAUDIBLE) not as much an (INAUDIBLE) that are created in the United States (INAUDIBLE) strong markets (INAUDIBLE) so you have to look at that. Now, some of that (INAUDIBLE) or (INAUDIBLE) trade (INAUDIBLE) and some others in that same article.

Senator MacKay said the (INAUDIBLE) accountable for these programs (INAUDIBLE) trade adjustment assistance (INAUDIBLE) this year, we're going to look at a way to do (INAUDIBLE) substitute for the wonder of the marketplace that in the United States is producing and has produced almost eight million jobs in the last four years, more than all of the rest of the industrialized world combined.

UNIDENTIFIED PARTICIPANT: Take those or I'll go head with another question. Yes, right there.

UNIDENTIFIED PARTICIPANT: (INAUDIBLE) and my question (INAUDIBLE) specifically goes to (Bob) (INAUDIBLE). (INAUDIBLE) I think correctly observed that we're in the mid-term election and democratic victory in the Congress.

The trade outlook has become (INAUDIBLE) that's now if you look around also in this town, a lot of people are finger pointing to the coming absence of trade promotion authority in the United States and some actors in the trading system who don't want the completion of the go around are actually beginning to try to use the absence of trade promotion authority as a pretext (INAUDIBLE).

I understand the President is fully committed to completing the round. My question to (Bob Kimmett) is what prospects do you see for renewal of trade promotion authority? What strategy will the administration pursue? And most important, what's the timeframe?

UNIDENTIFIED PARTICIPANT: Want me to just pick that up.

UNIDENTIFIED PARTICIPANT: (INAUDIBLE).



UNIDENTIFIED PARTICIPANT: The strategy that we're pursuing is to negotiate good agreements and to engage early and often with the Congress, including the new democratic leadership especially in the ways and means Committee and the Finance Committees on the individual bilateral agreements that have been negotiated and also an early discussion of the issues that would be involved as (Doha) agreement went forward and that would also include ...

UNIDENTIFIED PARTICIPANT: Not, okay.

UNIDENTIFIED PARTICIPANT: (INAUDIBLE) authority could be opened up in general. That is, extended or opened up for a consideration of a (Doha) agreement, but I think the first and fundamental obligation that we have collectively is successfully to conclude the Doha round. Again, that was the center of the discussions between President Bush and Prime Minister (Abay) yesterday. It will be a key if not the key trade and economic agenda item on the ...

UNIDENTIFIED PARTICIPANT: Okay. I'm hearing fine ...

UNIDENTIFIED PARTICIPANT: On Monday with Chancellor Merkel and President Bush and I'm still optimistic that we can reach an agreement. Again, as I said earlier ...

UNIDENTIFIED PARTICIPANT: Test, test, test, 1, 2, 1, 2 ...

UNIDENTIFIED PARTICIPANT: (INAUDIBLE) in (INAUDIBLE) so late in the second term of a Republican president, the Congress had turned completely democratic again. We were still able to get that through. It's always a tough vote precisely because of these gale force winds of globalization with leadership and with an open mind on both sides of the political spectrum, I think that we can get it through.

That certainly is our intention and what we're doing now on the bilateral agreements through Columbia and South Korea is having precisely the kind of engagement with the Congress that would be needed as we look at issues like PPA and Doha.

UNIDENTIFIED PARTICIPANT: I'd like to raise a question and then we can go to a few final interventions that nobody else has asked, but given where we are right now, I'd like to ask it which is the Transatlantic dimension of this whole issue and I'd like to start with you (INAUDIBLE) Bischoff which is one, how either congruent or divergent are the interests of Europeans and Americans in this whole globalization issue? This whole Globalization issue and if they are convergent, is there a way to make that more apparent, in other words, to move toward closer harmonization between the two and in the way in which the two, then together, deal with Global trade rounds?



UNIDENTIFIED PARTICIPANT: I believe it is really a transatlantic issue, because it goes back to the basic values we share. Our understanding of modern society includes free markets and includes free exchange of information, free flows of goods – of capital.

That is a definition. The same way how we like markets to operate is something which comes from the basic values we share across the Atlantic and so far, I believe very much that on both sides, in the United States, in Europe, we should work closely together to make that more popular in the world because as I said in the beginning, I think there are a lot of limitations, us including, but more outside, yes, in the world to bring that idea forward based on those values.

So I believe very much we have a common goal even if sometimes we have trade issues and we differ on certain things, I think that is not so basic. The basic is a common interest we have in making market and economies work around the world and the world as a market.

MARGARET WARNER, SENIOR CORRESPONDENT, THE NEWSHOUR WITH JIM LEHRER: John Evans?

JOHN EVANS, GENERAL SECRETARY, TRADE UNION ADVISORY COMMITTEE TO THE OECD: Well I think the, in some of the issues in the agenda that we've been talking about today, which is how you get better governments internationally and regulations, if you add the U.S. population, North American population, the European population together plus the size of the economies, you've got an awful lot of the world economy, despite the emerging economies, which can actually take a lead.

I just think a lot of the requirements have to be also on the human rights agenda, on the question of some of the other values which are about political democracy and expression and I would also say (INAUDIBLE) standards and not to be hypocritical about those – not to say these are defended as long as it doesn't cost money or there's a business interest involved.

I think it has to be consistent because the rest of the world will just turn around and point fingers and that's not the case.

UNIDENTIFIED PARTICIPANT: I think this initiative, by chance of a miracle, is one of the most significant proposals in the transatlantic economic relationships in a decade.

UNIDENTIFIED PARTICIPANT: And this is to create essentially a barrier-free zone.

UNIDENTIFIED PARTICIPANT: Basically it's a more closely integrated transatlantic marketplace. There had been some discussion last year of whether the goal should be a transatlantic free trade agreement.



The decision was no, let's focus on (INAUDIBLE) and get that through, but there's an awful lot that we can do in the non-tariff barriers in the regulatory area to lock in that reduction of regulations on both sides, bring them closer together.

I mean, let's not forget the political point. Any time a sixth-month Presidency puts a transatlantic agenda item on its Presidency agenda, it's very politically significant and especially what Germany putting it on, but here we think there will also be a significant benefit to a marketplace that already account for 60 percent of the world trade in goods services and we've seen some progress already.

I don't think the EU/U.S. Air Transport Agreement would have finally come through, had it not been for this initiative with the Chancellor. I think we're going to have accelerated mutual recognition of accounting systems that is U.S. GATT and IFRS, which will help across all sectors.

And therefore, I think we need to make sure that this is not an initiative that just looks good on the day of the Summit, but looks good a year from now, two years from now and to do that, it has to have breadth as well as depth and some of the points that John has raised are very much on that agenda.

WARNER: I'm going to go to a few final interventions, go ahead, this gentleman's been – had his hand up multiple times. Mic please?

CONSTANTINE EGGERT, ABC RUSSIAN SERVICE MOSQUE OF EUROPE :
Constantine Eggert, ABC Russian Service Mosque of Europe. My question is about the so-called break countries and the kind of two-tier societies that are, to a large extent, being created there because of Globalization and because of the fact that part of society has benefited from it and part didn't.

There is definitely certain resurgence of economic and political nationalism in Russia, for example, we can't exclude it in other countries. Do you fear it, do you see it as a significant factor or you don't?

WARNER: Bob Zoellick:

BOB ZOELLICK: Hello? Thank you. Bob Zoellick. There's assumption on the panel that additional global governance will help deal with some of these tensions that we've seen in globalization that affect on domestic economies. But there was a question up here that I think raised a point that's worth drawing out.

I think you'll find that among many of the developing countries, they will be more suspect of some of the global governance aims that you have. We may disagree with their approach. We may think, for example, core labor standards are good for them.



But for example the question that almost suggested, well you have these bilateral trade agreements and should we do this multilaterally. I'll point out to people you couldn't even get a discussion in the WTO about willingness to have any conversation with the ILO. However, in bilateral accords where the United States and Europe has much more leverage, you could start to put in labor environmental standards.

So there will be a tension here, between the things that people talk about in this room to deal with their domestic politics and develop countries and the suspicions of developing countries about how these may be used to limit their development and this will of course also be true in the environment and energy area.

And the second point related the ILO standards. Margaret you asked about this, I think it's an important recognition again of how governance will affect domestic politics. These get a little complicated. ILO has a series of - has a declaration that countries abide to. Then they have a series of conventions.

The United States for example has signed the declaration, only two of I believe eight declarations. And so the anxiety in the U.S. Congress would be if you agree to these core labor standards. What is the risk that one of your trade partners will then bring a case and say, you have to change your labor law.

And it's my experience with congressmen of both parties; they don't like trade negotiations doing American Labor Laws, as much as I might have enjoyed authority to do so. So I think the problem here is that we don't have anybody from a developing world up on that and I'm not blaming them, but global governance solutions, be careful, because a developing world may not want to go the way that our domestic politics want to go.

WARNER: Right here.

VIVIEN SCHMIDT, BOSTON UNIVERSITY AND (INAUDIBLE) IN BRUSSELS: Much of this discussion has been about harmonizing regulation, about freer trade, about global governments. I'd like to take us back to the national level and the problems of politics and the role of government really.

And so my question is, what about the welfare state? What can government do to make the impact of globalization less (INAUDIBLE)? It's true that off shoring is really a blip. It's no more than two percent loss of jobs, but it is a move often for manufacturing and good jobs into services, pizza delivery, etc. So what can governments do to cushion the effects, especially given the fact that you've got very different models of welfare states in the U.S. and Europe?

WARNER: Yes, way in the back.

UNIDENTIFIED SPEAKER: (INAUDIBLE) the main cause of (INAUDIBLE) of globalization in the (INAUDIBLE) countries is the following that all the benefits of globalization are often not immediately visible. The costs are quite visible and the costs, I think one of the main costs, which are very easily visible are precisely job losses, which are due to off shoring.

Now these job losses are particular problems if jobs are not immediately replaced by other jobs, which are at least as good as well paid and this is particularly I think a problem in Europe. Where due to really over regulation and not very efficient financial markets on up as efficient financial market as we could have labor markets...

WARNER: I'm sorry to interrupt you but, could you just get to your question, thank you.

UNIDENTIFIED SPEAKER: OK, so the question is, first of all how can we reform our systems, welfare systems, and maybe change the regulation, maybe have less and more efficient regulations, particularly in Europe and with regard to the benefits of globalizations, which particularly decreasing costs, less often inflation of certain goods, thanks to integration of India. How can we make these benefits more visible, if at all possible to make them visible?

WARNER: So I'm going to ask the panel for some final thoughts based on some of these questions particularly like someone to address what Bob Zoellick about the fact that a lot of what we've been talking about may be greeted with suspicion in the developing world.

BISCHOFF: I think to come to Bob's contribution he's right that some of those countries have the suspicions at every regulation we want to introduce, is just trying to limit their (INAUDIBLE), so that only we can continue the dialog.

Let me come back to the one question I was especially interested in. Is the basic notion of compensating the losers, is that anything which makes sense and I take the typical example of the coal miners in Germany, yes?

For me that's a clear demonstrate that it makes no sense because partially it is simply misused to keep up structures, yes, which are outdated, yes, it makes economic no sense and on – at the same time, it diverts money away from what we should do and what we should do probably is put more money in education, because that is exactly the chances those countries which are not rich in natural resources will have in the future.

As we have learned, educated labor has a much better chance of profiting from Globalization so we should put a focus exactly on education and technology.



MARGARET WARNER, SENIOR CORRESPONDENT, THE NEWSHOUR WITH JIM LEHRER: John Evans, final thoughts?

JOHN EVANS, GENERAL SECRETARY, TRADE UNION ADVISORY COMMITTEE TO THE OECD: How long do we have? I was (INAUDIBLE) very, very (INAUDIBLE).

WARNER: Not long. My reminder is here.

EVANS: On the bricks, I totally agree, but I think the issues are very differently presented.

WARNER: Explain bricks.

EVANS: Well Brazil; Russia; India; China and South Africa and I think the distributional problems, which are there in all of them, are presented very differently in each of those companies and I perhaps would be interested to discuss.

I was discussing with the Russian Unions just this week the problem of having to maintain pension systems in Russian and what can go on there, but I think on the central point of Bob Zoellick, which is OK, these are problems from the North.

The email traffic, the issues, the problems which come across my desk on these co-laborized issues don't come from the North, they come from workers in the South, whether it's in Columbia, with people being assassinated, whether it's export (INAUDIBLE) zones in Central America, whether it's non-sustainable investment in Chile or Malaysian workers saying companies are being threatening to move to China because they ask for a wage increase.

And so I come back to the issue that certainly I don't disagree with the opposition that many of the developing countries put in this area at that level. I mean, this is a Global issue on the labor side and I think we have to get these things right.

And that's why I think the United States should ratify all of those core conventions because they've signed a declaration in the ILO saying they actually observe them and the reasons it wasn't possible to ratify due to Federal problems and so on.

But I think to give the message which seems to be coming out of the press now, that actually they don't really believe in them because they don't actually like, you know, freedom association, would be absolutely devastating for the U.S. in the future and, I mean, on the issue of the welfare state.

I just say that yes, when I look at countries which I think are going the least down the protectionist route for a range of reasons, they have well-functioning welfare states.



I mean, the Nordic countries and so on, I mean, there's a lot of talk about, you know, flex security in excess. I don't want to mention in Brussels, because it's not happening, but when you can give at least workers a degree of security in the change process, then you deal with those problems.

When you've got a decent pension system which might be generalized so that it's not all focused on the steel firm and its pension obligations, the pressure to try and introduce trade restrictions because, you know, the company and then the pension fund are going to go down the tubes is less strong.

So I think good horizontal programs are absolutely essential to actually making the system work better in the future.

WARNER: And Secretary Kimmitt, you have the last word.

ROBERT KIMMITT, DEPUTY SECRETARY, U.S. DEPARTMENT OF THE TREASURY: I think I can answer all four of them quickly. In Russia, the rise of economic nationalism is a problem there, it's a problem anywhere and as I say, it's being expressed often in terms of investment protectionism.

That can't be good for Russia. Russia announced just this week a new process by which they want to invest some of their capital abroad. One quick way to do that is to make sure that they're open at home.

Secondly, on the question about the welfare state, again, I would first of all say, let's let the marketplaces do its work, but recognize that the government does have a role. Americans now, in their first 20 years of employment, ages 18 to 38, will have on average ten different employers.

Ten different employers, the average job tenure of about two years. What that means is, that they're going to need continual education and training, some of which they'll seek on their own, some of which the government can help support, but an awful lot of which the market is going to help create opportunity.

One of the things we're looking to do is make better use of our Community College system where Federal Government, State Government and businesses can use these. Not just for initial education, but for later education, continuing education, and training. Bob Zoellick's point, I think is a very good one.

I have been struck at least among finance ministers how much of a developing world perspective we get in the G-20 precisely because of Brazil and India, China are at that very important table. We talked really about the international financial institutions, certainly the



World Bank and multi-lateral development banks have to be part of the process of bringing them into the 21st century.

They are not yet as close to the constituencies that they need to serve as they should be, it's something that we're working with each of those bank presidents on. I guess the last point to, I don't think we answered Jim Kolbe's question earlier. I think trade negotiators can keep up with the pace of globalization.

The question is can the political and can the political will be brought forward to make the decisions that are always required at the end of any trade negotiation to bring it to success. That's precisely where we are on Doha. I think the negotiations are effectively done. Now we need to have the political will to close the deal and move forward to the benefit of each of our economies, but the world more broadly.

WARNER: Thank you. Thanks to our excellent panel and our break has now shrunk to ten minutes. So everyone's asked to be back in ten and Nik Gowing of BBC, the next moderator has asked you to be thinking about some issue you might want to put on the table for the discussion on civil liberties in a time of terror, because he's going to do something radical and actually ask for comments from the audience first.

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