

# Opening remarks of First Vice-President Frans Timmermans and Vice-President Jyrki Katainen on the Reflection Paper on Harnessing Globalisation

## **First Vice-President Timmermans**

It's my pleasure to be here with Jyrki to talk to you about globalisation.

We are in the middle of tectonic changes as we now see the effects of the 4<sup>th</sup> industrial revolution and people are feeling the brunt of these global shifts. It's very important that we have a debate on how to harness globalisation now, because it will challenge us even more in 2025.

There is no protection in protectionism. But there is isolation in isolationism. And who is isolated will be left behind. Who is left behind will miss out on many opportunities and will suffer for it.

Globalisation carries many benefits and is good for the European economy overall, but this means little to our citizens if the benefits are not shared fairly and evenly.

We want a fair and rules-based global economic development that protects European businesses. And we want Europe to lead in rewriting the global rulebook in line with our own values, interests, and standards. New circumstances – new challenges – new rules.

We must rewrite it so that globalisation works for all Europeans, so that free trade becomes fair trade: transparent, equitable and sustainable.

A global rule book of course needs effective multilateral institutions and fair dispute settlement. We look forward to discussing this in the upcoming G7 and G20 meetings.

We will require that all EU trade agreements include tax cooperation sections as well as binding social and environmental clauses, by lowering tariffs on clean goods and services as a matter of priority, and by introducing trade sanctions in case of violation of social and environmental clauses.

At home we must look seriously at a fairer redistribution of the benefits of globalisation, help our people to become more resilient through lifelong learning and better skills, and build robust social policies and safety nets.

This is absolutely essential to guarantee the social cohesion and solidarity this Union and all its Member States are based upon.

All of these tools can contribute to a fairer redistribution of wealth, but not all of these tools are in the hands of the EU, let alone the Commission.

All levels of government – EU, Member State, regional, and local – have a responsibility to make our societies and economies successful, resilient, healthy and innovative. The EU Semester and strong enforcement of our rules should also play an important role in this respect.

This reflection paper is not a trade policy paper; it is the beginning of a debate on how we will protect and provide for our planet and for our people.

Harnessing globalisation; shaping the world for the better; promoting values and high standards outside Europe; protecting our citizens from unfair practices; making our societies resilient and our economies more competitive.

This is who we are; this is what we believe in; this is how I truly believe we serve Europe's citizens.

### **Vice-President Katainen**

First, globalisation is not, and it doesn't have to be, a zero-sum game. It can be a plus-sum game.

This is dependent on three issues. First, how well the EU can influence the direction of globalisation, how well we can shape globalisation.

Second, how well we manage to bring our forces together in order to help poorer parts of the world to get better economic growth, more inclusive growth, for instance.

Thirdly, how well our Member States can address the negative side-effects of global openness. How well our Member States can strengthen the resilience of societies, especially the resilience of individuals.

When looking at these three elements, shaping or harnessing globalisation means that the EU has power to write the rulebook of globalisation. When we talk about rules-based trade, it is in our hands to negotiate fair trade deals. When creating international investment courts, for instance, it is in our hands to influence this. When fighting against tax avoidance, or when strengthening financial stability, it is in our hands to influence globalisation. When looking at the position of the poorer parts of the world, again, if we put our forces together, we can influence the development in African countries. We can help to address the root causes of migration.

Finally, when looking at the strengthening of the resilience of our people and citizens, all the power is already in the hands of Member States, governments and national parliaments. They are the ones responsible for the quality of education for instance, the quality of teacher training and the modernisation of social security structures.

Globalisation by definition is not a source of inequality if we manage to

address the root causes, and make it work in a fair manner. The truth is that over the last decade, real incomes of middle class households in the EU and other advanced economies have, for the most part, stagnated even as the economy has grown overall. This is an issue which we have to face as a fact. It is also an issue which we have to address in order to make the future more fair. At the same time, if we are looking at the chart presented in the communication, it shows that the more open countries are in terms of international trade, the more equal they are. So, there are contradicting facts which shows that global openness and openness to international trade are not the primary sources of inequality. Quite the contrary, in fact.

We have to manage to make globalisation fair. In many peoples' vocabulary, globalisation means growing inequality. Many people are using the dichotomy that there will be more winners and more losers as a result of globalisation. This can be the case if we don't address difficulties. It is not globalisation itself which leads to this development. We can influence it by, for instance, redistributing the wealth generated by global trade, to the people by strengthening education and creating better social security structures which are more suitable to the modern world.

We try to provide some examples of globalisation in this paper. If you look at the country I know best, Mercedes-Benz started a car manufacturing site in a country considered to be a high-cost country because robots made the work more efficient. If you look at the specific city, it has the most robots per-capita and the most vacancies per-inhabitant in the country. So, modern technologies, for instance robots and digitalisation, can repatriate some manufacturing which we have lost. Globalisation is working in two directions.

We have lots of examples in other Member States where factories have been closed down and many people have lost their jobs, but thanks to the policies of public authorities and the active participation of social partners, many people have already found a new job after factory closures.

The basic message of our paper is that you can and you must influence the future of globalisation and we cannot protect ourselves through protectionism.