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Federal President Johannes Rau Calls for a Globalization Policy, May 13, 2002

Taking fears of globalization seriously, Federal President Johannes Rau, a moderate Social Democrat, carefully tries to discuss the advantages and disadvantages of worldwide competition, pleading for a political effort to control the process in order to maximize its positive potential.

Berlin Speech by Federal President Johannes Rau in the Communication Museum, Berlin on May 13, 2002

Opportunity, not Fate – Giving Globalization Political Shape

I.

Three years ago, half the German population had never heard the word "globalization." Today virtually everyone is familiar with it. No political debate, no speech on the future of society, no economic analysis is complete without it.

The "one world" – which just a few years ago was the hope of alternative movements and so-called Third World groups – now seems to be becoming reality in quite a different way than once envisaged – through cross-border cash flows and company mergers, through the Internet and mobile phones.

We encounter the word "globalization" almost daily as an argument, albeit an argument for many different things: for radical education reform, for English lessons even in kindergarten, but also for cutting jobs, easing ethical standards, for instance in genetic engineering, for relocating company headquarters, for mergers – even for strawberries being available all year round.

Some say that globalization leads to the loss of familiar ties and the undermining of the nation-state – and are afraid of this. Others are delighted that the rule of the market and its laws will soon apply everywhere and to everything.

To some it all seems like an inescapable fate, a disaster, to others it is the promise of a golden age.

The range of views is great, as is the uncertainty about what globalization means – for the individual, for families, for our society as a whole:

– Globalization is when the company you work for is suddenly competing with companies from parts of the world you'd barely heard of before.

– Globalization is when young people hiking in the Andes contact their parents in Oberursel from the Internet café in Quito and quickly send them the first digital photos by e-mail.

– Globalization is when we book our holiday on the Internet and when pupils use the Internet in the afternoons to gather material from America for their homework.

– Globalization is when the car we buy is made up of parts from many countries, when "Made in Germany" in some cases refers only to the idea, the final assembly or the brand name.

– Globalization is when people throughout the world had to watch live on September 11th as the World Trade Center collapsed burying thousands of people.

– Globalization is when a criminal act that shatters the whole world is planned and steered from remote mountain caves.

History has taught us that nothing – no technical invention, no political development, no social change – automatically leads exclusively to change for the better or worse for everyone. And with globalization, too, what counts is what we make of the new possibilities.

But many people today are asking whether one can do anything at all. Surely globalization cannot be influenced? Is it not like a natural phenomenon in the face of which we are powerless?

If that were the case there would indeed be no sense in even trying to think how we could shape it and who should do so.

But globalization is not a natural phenomenon. It is sought and made by people. That is why people can also change, shape and guide it in the right direction.

But one has to look very closely: There are amazing new opportunities – and there are tangible interests. There are people who make decisions – and there are people who have no say. There is greater prosperity and a wider cultural exchange – and there are countries and regions that are left behind.

We can and must ask: Who – thus far – are the winners and who – thus far – are the losers of globalization? Where does globalization allow us access to foreign cultures? And where does it lead to an indefinable uniformity of lifestyles, with everyone eating the same food and watching

the same films? Are we not getting too close to each other? Is not distance, or the possibility of keeping some distance, part of the progress of civilization?

We are all affected by globalization – even though we are not yet all truly aware of how it actually functions. And so we must try to understand what is happening and why. We must regard globalization as a political challenge and take political action. In order to be able to shape globalization, we need new political answers.

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III.

The phenomenon that we call "globalization" has historical roots. What we are seeing today is not a sudden dramatic change, but nor is it merely the continuation of what has come before.

We are experiencing changes of a new quality. We are seeing international relations intensifying in an unprecedented manner. This is true in terms of business, the international division of labor, transportation and communications, encounters with foreigners and foreign cultures, environmental issues and legal matters. We are seeing the emergence of international networks.

All this is particularly visible on the financial markets: Trade in stocks and shares between the industrial countries was thirty times higher in 1998 than in 1980. Foreign direct investment, in other words, the purchase or establishment of companies in another country, increased by 400% through the 1990s. This means that more and more companies are operating on an increasingly international basis.

IV.

However, globalization has repercussions that extend beyond markets for goods and beyond networked financial markets: it also affects our approach to nature; it affects people's lives and living conditions in many countries.

It has been a while since there has been a broad-based international protest movement on the scale of the anti-globalization movement. For the first time in years people from across the world, from very different social and political backgrounds, are coming together with a shared cause: from the Guatemalan farmer to the New York student, from the trade union representative in Göppingen to the Cardinal of Genoa.

This movement has prompted thorough reflection, and it asks good questions. This is true even though its demonstrations end, time and again, in violence. Everyone must realize that violence

is not an instrument of political argument. Sensible critics and sensible supporters of globalization are not irreconcilable.

Globalization's supporters emphasize the opportunities inherent in it. Its critics oppose negative developments and point out the risks. Criticism is always a kind of early-warning system that politicians and business should not ignore.

The 1998 Nobel Prizewinner in Economics, Amartya Sen, has said that although he is in favor of globalization, he thanks God for the anti-globalization movement. How right he is.

V.

Only those who have clear values that extend beyond the commercial can shape globalization. We must be clear about how we can secure and promote freedom and justice for all in the age of globalization. Our freedom is important to each and every one of us. Economic freedom is one of the fundamental liberties. It is the prerequisite for a strong economy and for prosperity for all. That is why money can justifiably be called an instrument of liberty.

Economic freedom, like all freedoms, is based on preconditions and depends on ties. It will quickly expire where there is no order and where order cannot be enforced. Giving the market a framework and organizing competition fairly is one of humanity's major cultural achievements.

No one is free simply because he can participate in the market. But everyone loses part of his freedom if he is excluded from the market. Only those who regard the freedom of the market as part of universal human freedom can credibly seek the freedom of the market. The market, too, depends on conditions that it cannot itself create.

If the market is now becoming global, we need systems of order that will secure people's freedom worldwide. Politicians must ensure that the freedom of the global market cannot impinge on the freedom of individuals. Everyone must be able to share in the benefits of the global division of labor. We are a long way from this ideal. Globalization is not yet as global as it sounds:

Forty percent of the world's population live in the poorest countries of the world, their share of world trade is less than three percent. In contrast, over three-quarters of world trade is effected by just under sixteen percent of the world population. Over eighty percent of direct investment is concentrated on just ten countries. Thirteen percent of the world population lives in Africa, but they have only 0.3 % of all Internet connections. There is no way around it: so far globalization runs the risk of fragmenting the globe.

We can never assess the market solely in terms of its impressive results for the winners. We must also always ask how these results were achieved.

A policy of freedom will only be convincing in economic terms, too, if it frees people from exploitation, poverty and over-indebtedness, if it provides equal opportunities, if it helps promote mutual respect and if it lets all people share in global developments. The aim must be no more and no less than such a liberal order.

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IX.

When problems are or become global, then politicians must act globally too. Examples include climate protection, the international financial system, competition for business, social dumping, economic crises and the causes of flight. It has now become the norm to discuss how to tackle these global challenges on the basis of equality under the heading "global governance." Global governance does not mean ruling the world, and it certainly does not mean that the nation-state is superfluous. However, the international community must work together constructively. We need regional and global cooperation, not centralism; we need multilateral cooperation, not the primacy of individual states.

But global cooperation is already much more advanced than we sometimes realize: global and regional organizations monitor elections, combat new forms of organized crime and make decisions on humanitarian intervention. Arms control and disarmament are further important elements of an international regulatory framework.

The most important element is the United Nations. The United Nations must be strengthened. It is after all much more than just the Security Council. It is also concerned with health issues and industrial health and safety, with global environmental issues and with the fight against hunger and poverty.

The debate on the reform of the United Nations is at last underway. It is good that many sides are participating. The tasks facing us today are not those of fifty years ago. The United Nations must take account of this.

Global governance also implies a globally recognized legal order. We need reliable, independent courts and arbitral bodies to arbitrate in disputes, punish international crime and ensure that anyone who violates international order must fear the hand of the law. I confess I am worried that the establishment of an International Criminal Court suffered such a severe setback recently.

Three institutions today are particular determinants of the shape of globalization: the International Monetary Fund, the World Bank and the World Trade Organization. Of course the

work of these organizations is also the target of criticism. Some people accuse them of focusing on unilateral interests and demonstrating a blind faith in the market.

The developing countries must be given greater weight in the decision-making bodies of the World Bank, IMF and WTO. These organizations are under obligation to people across the globe, they are not slaves to economic or other specific interests.

We Europeans must bring our idea of a social and environmentally-friendly market economy even more strongly to bear than we have done thus far. This, too, is a logical consequence if we are and if we wish to take on increased global responsibility.

Regional cooperation strengthens international cooperation. It wins back the sovereignty, the democratically legitimized power that individual nation-states have lost as a result of globalization. The European Union is a successful illustration of this. It can and must make an important contribution to globalization. As a response to the challenges of our age it is an example for other regions to follow.

The non-governmental organizations, too, provide substantial impetus in giving globalization political shape. They help to identify problems and develop strategies for their solution.

Companies and entrepreneurs are responsible not only to their shareholders and employees. They also bear a social responsibility in the town, region and country in which they operate. There is a well-established tradition of this in many companies in Germany.

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X.

Many people associate globalization with the fear of losing something: their home, their identity, the possibility of influencing factors that determine their lives. This is undoubtedly truer in other countries than in Germany.

We all know how difficult it is to give political shape to economic globalization on a step-by-step basis. But it is inordinately more difficult to prevent globalization from leading to the loss of cultural diversity and cultural identity. What we are experiencing today is not so much the emergence of a new culture from many different roots. What we are seeing is rife with European and North American characteristics and is therefore largely familiar. To many people, however, globalization means that their traditions and their attitudes are being ousted and eclipsed.

These people know and appreciate the benefits of economic progress. But they also notice how little their traditions, their culture – quite simply, the very fact of their uniqueness – is respected when it comes to easing the way for economic progress, for the global market.

These people feel that their dignity has been violated. They feel like losers and indeed many of them are. Anyone who feels himself to be homeless and uprooted can easily fall victim to fundamentalism or populism. We have seen this over many years, not just in faraway countries. Political extremists are gathering large followings in European countries, too, gaining a frightening number of votes in elections.

We can only stem this dangerous development if we take seriously such feelings of alienation and trace their causes. A globalization that overstretches people will damage society as a whole in the end. This too shows that globalization must be given political shape.

I speak frequently about intercultural encounters and about the dialogue among civilizations. This is a very important topic. But greater account must be taken of the fact that we need this very same dialogue within our own country, too. Firstly: one can only hold a genuine dialogue if all the partners really do take each other seriously, only when there is a mutual awareness and a sense of equal value and equal dignity. Anyone holding a dialogue must accept that he alone is not in exclusive possession of the whole truth. As Hans Georg Gadamer put it: anyone embarking on a dialogue is leaving himself open to the discovery that others may perhaps be right.

Only if we are prepared to respect different cultural, religious, economic and political identities and formative social ideas will we succeed in working and living together peacefully in our own country and in one world.

XI.

The international setting in which the German economy operates has changed in recent years. International competition has increased. Not only do entrepreneurs feel this, employees do, too. Craft businesses are noticing that the number of suppliers of basic products is falling, and that the power of large companies to influence demand is increasing, as is pricing pressure.

Never have so many workers worried that their company might become the object of a foreign takeover, and what would become of them then. That is a topic of conversation in the factory, in the pub and at home. People are realizing that: the permanent mobility repeatedly demanded of employees has concrete repercussions for families, friends and clubs. If both partners work and are both supposed to be flexible and mobile, then they face a decision as to whether one of them should give up work or whether a weekend marriage should become their norm.

Our Basic Law affords marriage and the family special protection. Nevertheless, plans and marriages collapse in the face of external circumstances that force mothers, in particular, to feel guilty because they cannot find adequate childcare.

People are not as mobile or free as capital: they never will be, nor do they want to be. We need a home and familiar surroundings. We need family ties, friends, acquaintances, a strong social network. People need warmth and a sense of security. Anyone who regards all this as old-fashioned is mistaken. Politicians must take such fears and uncertainties seriously. They must offer orientation.

Some German companies are trying to give the term "flexibility" a new interpretation in their personnel policy: they want to be flexible in their approach to their employees' needs. They know that a company that does not take its employees' interests and circumstances seriously cannot be successful in the long term. This will become even more important in the coming years, when the number of workers declines for demographic reasons.

Companies rightly expect politicians to give them a secure framework for their planning. And people cannot be expected to put up with less security than companies. A social welfare system that can offer protection from the major risks in life strengthens the freedom of the individual. Anyone who is afraid of what tomorrow may bring will cling desperately to what he has today. A basic feeling of security and reliability makes people more open to new things.

The welfare state does not put the brakes on economic dynamism. On the contrary: if it is managed correctly it enhances economic performance, because it relieves the burden on people and creates room for creativity and achievement.

There is no doubt that we need reforms in our social welfare system. We must go beyond Bismarck, not fall behind him. Being able to depend on solidarity and justice at home is the precondition for achieving greater justice at the global level.

For many years a debate has been going on, not only in Germany, about the respective advantages of various business locations. I believe we should talk openly about our problems and shortcomings, weaknesses and mistakes. However, I am also astonished, time and again, by the enthusiasm and energy with which we put our country down and paint a black future. Has not the very debate about locations become a problem for Germany as a location?

Without confidence in one's own strength no individual and no country can shape its future. We have no grounds for self-satisfaction, but many grounds for self-confidence. Our history since the end of the war and since unification shows us that we can be proud of what we have achieved and that we can have confidence in our abilities.

This is true not least in the economic sphere:

– We have excellent skilled workers.

– Germany is the world's second-largest export nation. That is not exactly an indication of poor international competitiveness.

– The United States, Japan and Germany are the top three for high-tech products.

None of this comes naturally. It is all attributable to the work and motivation of the people in Germany. In order for all this to remain true, we must keep creating new preconditions. This we can do even in the age of globalization.

XII.

Let me say it again: many people associate the word "globalization" with fear and anxiety. We can seize the opportunity afforded by globalization if we do not accept it as fate, but recognize it and take it seriously as a political task.

– Globalization will be an opportunity if we orient ourselves to the principle of the freedom and equality of all.

– Globalization will be an opportunity if people from different civilizations respect each other.

– For us in Germany, globalization will be an opportunity if we improve our education system for all, if we do something for everyone, the highly gifted as well as those who have difficulties, if we promote science and languages as well as art and music.

– Globalization will be an opportunity for us if we manage to make our taxation system simpler, fairer and more transparent. Modern tax policy must not turn into a race to cut taxes – neither between parties nor between states.

– Globalization will be an opportunity for us if our social systems are strengthened, if they embody solidarity and are organized more efficiently.

– Globalization will be an opportunity for us if we make public administration more efficient and take it closer to the citizens, because we know the value of public institutions.

– Globalization will be an opportunity for us if we know where our home and our roots are. Then we will also be able to integrate foreigners and manage immigration.

Whether we will be successful depends on whether we confine losers to the sidelines or whether we give everyone the chance to make something of their lives. If people feel cut off, if they feel that globalization is proceeding without them or even against them, then they will become opponents of globalization and also opponents of democracy and the rule of law.

Globalization presents us with a challenge. We must and can give it political shape. That demands a great deal, but no more than we can give. We have learnt that government cannot

work miracles. Similarly, we should not forget that the market, notwithstanding all its achievements, is not a panacea for all ills.

Globalization will be a success if dynamic market forces are steered on a favorable course. People all over the world must see that they are at the heart of things. They must be able to appreciate that politics and business are run for the good of the people. We must now discover this anew.

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