

## **ESRF FIRST ANNUAL GLOBALISATION LECTURE ENTITLED GLOBALISATION AND THE EUROPEAN ENLARGEMENT: WITH SOME POLICY LESSONS FOR TANZANIA BY PROF. GRZEGORZ KOLODKO**

### **Rapporteur's Report**

The first ESRF Annual Globalisation Lecture on *Globalisation and the European Union Enlargement: With Some Policy Lessons for Tanzania* was held on 25 August 2003, at the ESRF Conference Hall. A total of 45 participants drawn from the academic community, civil society, government, private sector, political parties and the media attended. The Polish Embassy in Dar es Salaam was also well represented, including his excellency the Ambassador.

The speaker, Prof. Grzegorz Kolodko is currently the Director of Transformation, Integration and Globalisation Economic Research (TIGER) at the Leon Kozminski Academy of Entrepreneurship and Management (WSPiZ) in Warsaw, and John C. Evans Scholar in European Studies at the University of Rochester, NY. He was Polish Deputy Premier and Minister of Finance between 2002-03. He is also a consultant to international organizations such as the World Bank, IMF, UN and OECD. As First Deputy Premier and Minister of Finance from 1994-97, he led Poland into the OECD.

Prof. Kolodko started his lecture by introducing the concept of define globalisation. He acknowledged that globalisation is multi-dimensional and the definition will vary from discipline to discipline. Globalisation is an economic process that has cultural, anthropological and philosophical dimension. It is the bringing of national economies together. He called it the gradual process of first liberalizing, then integration of capital goods and labour into one global market. This integration into one market is facilitated by the political and geographical spheres. For instance, there is a process to replace the more than 140 currencies in the world by fewer regional currencies.

Prof. Kolodko called globalisation a permanent started process. He used a historical review to explain ways of permanence globalisation, by categorising the whole process into three stages. The process started with the geographical discoveries in the 18<sup>th</sup> century. This economic system was characterised by exploitation of the new lands mainly through colonialism. The second way of permanence globalisation was through technological centres in the 19<sup>th</sup> century. The era runs through the first and second world war. The process was however temporarily halted by events such as the depression and Nazism. The last one is the era of virtual discoveries. This is characterised by high tech discoveries such as movement to the outer space. This is a 24 hours economy and capital can flow in the speed of light.

Prof. Kolodko also discussed the contemporary issues surrounding globalisation. Two things were given prominence in his lecture; the issue of capital and the so called Washington consensus. According to the Professor there is abundance of free capital and investors looking for places to invest their money. Emerging markets are very attractive for this but then they have to create conducive environment to be able to access the capital. They have to transform to the market economy.

On the Washington Consensus he lamented the inability of countries to borrow money from multilateral institutions due to conditionality imposed on the borrowing. The

countries are required to open up their markets. Issues such as political democracy and the right of the citizen to express their opinions are also some of the conditionality. He therefore concluded that the world is run by the capitalist rules: drafted by the Americans.

Although he acknowledges that globalisation is an irreversible process but considers one global market to be a theory that will never happen. For instance he argues that the market of tomato in Dar es salaam is different from the market of tomato in Paris. However, with globalisation, there is a tendency towards integration of the market. This is through groupings such as the NAFTA,SADC,EU,ASEAN,CIS etc. The EU is the largest. Poland is the biggest country in the post communist Eur opean countries.

Prof. Kolodko then went ahead to talk about the post-communist Europe and link it with globalisation. He explained that the communist population is a big market and therefore can not be left out of the global market. The countries had to be linked to the rest of the world. Although the European Union is regulated these countries did not have much choice as this was one of the ways to deal with globalisation. It is now accepted and nobody talks of whether to join the EU but when. He identifies three gaps to be considered on the move towards the EU. The political, psychological and institutional gap. Once the institutional gaps have been managed it is time to join the EU. That is why some countries such as Finland are doing very well and bene fitting after joining the EU, while others such as Greece are not reaping the benefits.

In conclusion, the Professor emphasised the importance of the flow of capital for the countries to develop. He however cautions against the dangers of the short term flow of capital. It was clear even from the discussions that followed that globalisation brings more opportunities than risk, but the question is whether the country is ready to take and absorb these risks. The conclusion is that globalisation process as currently managed is not sustainable. He believes the negatives aspects of globalisation can be managed if we have GLOBALISATION WITH A HUMAN FACE!.

### **Comments and Discussions**

The speech was followed with comments and discussions from the speakers.

Issues raised in the discussion included if the accession of Poland into the EU was going to influence the common agricultural policy especially regarding subsidies and whether African farmers are likely to benefit from the changes. Professor was sceptical on whether the peasant farmers are likely to benefit. Even after joining the EU offered only a fraction of the subsidies. But it is clear with the enlargement of the EU the common agricultural policy is unsustainable.

The second issue is regarding common currency euro and whether by adopting it, the exchange rate will be over valued as was the case of East Germany. The Professor said there is likely to be over appreciation due to short term flow of capital. It is inevitable but the question is at what exchange rate not when.

He was also asked if there is a Marxist critique that provides an alternative to globalisation. There has not been much work done on the dangers of globalisation and

much of the research interest has been on the advantages of globalisation because most of those financing the research are agents of the corporate world.

Other issues raised in this session were on the lessons learnt from those countries that have refused to be broken down such as Vietnam, China, Cuba, if their approach is sustainable and the lessons that cannot be learnt for this region. China has made remarkable progress by moving to capitalism. Its GDP has doubled compared to that of Russia, which has halved. The lessons for the region is that restructuring is about changing the system not replacing the systems as he calls it. He advocated for gradual growth such as the one witnessed in China.

Other issues that featured prominently in the discussion included the distribution of gains in the globalised world. That developing countries are losing and developed countries should increase their budgetary allocation to aid and better trade conditions. The other issue was on migration. Free movement of people and labour should be allowed. The Professor argued that people do not leave their countries because they are poor, they leave because they cannot see any prospects. If the country is growing, from his experiences in Poland workers are not likely to migrate.

Lastly, he is very much against over protecting our markets. Free trade is better than protection. There are scenarios for gradualism. The balance of trade should however not be tilted in favour of one side. Countries should only open their markets in exchange of getting other markets.

The Polish Ambassador hailed the improving bilateral relation between Tanzania and Poland which was very strong in the 1970s but later had declined.

The meeting was chaired by Ambassador F. Kazaura, who is the special advisor to the president of the Republic of Tanzania on Globalisation. The president is the co-chair of the World Commission on Social Dimensions on Globalisation.

### **Appendix 1: Agenda**

### **Appendix 2: List of participants**