Europe is a big winner from globalisation. If only politicians would say so

“LET us be frank about it: most of our people have never had it so good,” a British prime minister, Harold Macmillan, once said. The phrase entered the political lexicon, and “Supermac” went on to win re-election in 1959. The lesson seems clear enough: for a politician, delivering good news is a winner.

If only it were that simple. Half a century on, a growing body of research makes the case that, contrary to widespread belief, globalisation has made life better for most European citizens. What is more, Europe is unusually good at it. Yet political leaders seem wary of delivering the good news. With few exceptions, the political rhetoric when it comes to globalisation ranges from grim resolve (this challenge can be managed) to plain grim (we must tame this menace). Defending globalisation is left to a cottage industry of think-tanks, academics and business lobbies (although some of the most thoughtful studies are quietly financed by pro-market governments, from Finland to the Netherlands, or by the European Union).

What is going on? Politics, mostly. Today’s Europeans fear that globalisation may not be good for most people. Or, to be more precise, even if they notice the diffuse benefits (cheap jeans and high-tech gadgets), they fret about the visible losers, starting with workers whose jobs are shipped overseas. Worse, with globalisation disrupting business models at an ever finer level of detail many citizens feel they cannot be sure if they will be next.

A new book* by a pair of academics from America’s Johns Hopkins University finds lots of facts to cheer Europeans up. European consumers (ie, all Europeans when they are shopping) are big winners from globalisation, which has delivered cheap imports, held down inflation and kept interest rates low. Despite the fuss about China and India, the EU’s share of world exports rose slightly between 2000 and 2006. What is more, two-thirds of Chinese exports involve foreign brands, a good chunk of which are European. Nor does a “made in China” tag mean big revenues for Chinese firms. In a recent speech defending globalisation, the EU trade commissioner, Peter Mandelson, cited a University of California study into who gains when an iPod is sold in America for $299. Only $4 stays in China with the firms that assemble the devices, Mr Mandelson explained. $160 goes to American companies that design, transport and retail iPods. A similar pattern holds for many European products.

Europeans worry a lot about wage competition. The researchers note that globalisation is not just about wages, but more broadly about finding efficiencies anywhere along complex supply chains. After all, most non-EU employees of European firms live in America, not China (EU and Swiss firms employ some 3.5m workers in America). Yes, European jobs have been lost by offshoring, but unevenly. In France only 3.4% of jobs lost in 2005 could be blamed on offshoring, though there has been a wave of factory closures more recently (see article). Portugal has suffered more: a quarter of its job losses between 2003 and 2006 involved jobs heading overseas, mostly to new EU members.

Stick to the data, and globalisation Angst in Europe can look like the tail wagging the dog. Italian producers have demanded anti-dumping duties of tens of millions of euros on Chinese air compressors, to preserve just 500 jobs. Yet in a political world, data get you only so far. A politician seen as heartless towards 500 workers risks punishment by millions of watching voters. EU economies may have created 18m more jobs than they shed in the past decade. But the jobs are different: like America, Europe has shed manufacturing and farming jobs, and created new ones in services. Many Europeans suspect these of being precarious and low-paid. President Nicolas Sarkozy of France is not alone in fuelling such suspicions, visiting factories to vow that France will remain an industrial power— with state help if need be — and deriding those who say that services are the future.

Services français

Such populism willfully ignores European strengths. France has a particular genius for exporting services (if you are after striking symbols, a French firm, Sodexo, feeds both the American Marines and the British garrison on the Falklands). Furthermore, wages and conditions in services vary widely; and not all factory jobs were fun. Yet Mr Sarkozy and his kind may be expressing something else: a sense that a shift towards globally traded services involves a loss of control. Many Europeans have grown up in corporatist systems, dominated by trade unions, employers’ groups and politicians. Globalisation is bad for such a model. That can be liberating, if annoying to French Gaullists. But it can be bruising as well.

Globalisation is one reason why European wage demands have been so restrained in recent years. It is easier for bosses to say no when workers fear that their jobs might be shipped to Shenzhen. That has been good for EU competitiveness. But it is not nice to hear your boss making the threat. Arguably, the European model has more niceness built into it than the American version, thanks to social safety nets of various sorts. Some, like Denmark’s pricey “flexicurity”, look tailor-made for a globalised world thanks to their focus on supporting and retraining individual workers, not protecting jobs.

Politicians should not skate over risks (to be fair, in his 1957 speech, even Mr Macmillan confessed to worrying: “is it too good to last?”). But they should not conceal good news from voters, either, just because it runs counter to popular gut instinct. Although many Europeans do not seem to realise it, globalisation has been good for them—and the protection some farming jobs, and created new ones in services. Many Europeans suspect these of being precarious and low-paid. President Nicolas Sarkozy of France is not alone in fuelling such suspicions, visiting factories to vow that France will remain an industrial power—with state help if need be—and deriding those who say that services are the future.

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*Globalisation and Europe: Prospering in the New Whirled Order*. By Daniel S. Hamilton and Joseph P. Quinlan, Centre for Transatlantic Relations.