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## ECONOMIC NEWS UPDATE

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So we live in a globalized world, with impacts on jobs, wages, consumers and producers. All of which already have received too much attention to require further comment by me.

But what we have not fully considered is the extent to which globalized markets produce pressures for globalization of government policies. Some policymakers and officials want to build dikes to prevent the regulatory policies of other countries from leaking into theirs. In Europe, the big worry is that what the EU considers excessively burdensome financial regulation will seep into Europe's financial markets. So Ed Balls, the new Economic Secretary to HM Treasury, and the chancellor of the exchequer's principal ally, is assuring the City that in the event of a takeover of the London Stock Exchange by NASDAQ, now deemed likely, the Government will save the City from the dreaded heavy hand of American regulation, most especially the hated Sarbanes-Oxley Act.

Stock exchanges here in America are facing such competitive pressure from London's less heavily regulated

exchanges that they are scrambling to lighten the regulatory load. Secretary of the Treasury Hank Paulson and New York Mayor Mike Bloomberg, both intimately familiar with the working of financial markets, see the globalization process as a threat to the ability of New York to compete with London in the competition for share listings. So they are each initiating studies of ways to make Wall Street less regulated and therefore more competitive, which in practice means getting congress to modify Sarbanes-Oxley by exempting smaller firms from the Act's requirements. That chore might be made easier by the impending retirement from congress of both authors of that now-controversial legislation.

In addition, both the Secretary and the Mayor are putting pressure on the Securities and Exchange Commission to take a more relaxed view of the procedures companies must adopt to comply with SOX, as it is known, or "Darn Sox", as The Economist dubs it.

This is only one, if the most prominent, of the consequences of the globalization of policy. Tax is another. More and more companies operating in high-tax venues are casting envious eyes on lower-tax Ireland, and a variety of island tax havens. Britain's chancellor Gordon Brown has always resisted calls of high-tax EU countries for "tax harmonization", fearing that meant imposing on the UK the stultifying tax regime of the EU. Now the shoe is on the other foot, and the market is attempting to impose on him the low-tax regime of countries that British companies are beginning to consider as havens from the Inland Revenue's apparently insatiable desire for funds, and the intrusiveness of its 70,000 tax collectors. We are witnessing on an international scale the sort of tax competition that has always existed among our states in their scramble to attract business, although that competition has most often been on a one-shot basis when a business was mulling over a decision to locate a new plant.

Meanwhile, the US business community is calling for all manner of harmonizations. The, shall we say, looser policies of many countries towards the protection of intellectual property (IP) allows foreign competitors to steal American technology, audiovisual content, and designs. So firms in industries from pharmaceuticals to film-making want to harmonize rules on the use of IP -- a bridge too far for China, where it is possible to buy a DVD of a film for \$1 on the day it is released to theaters in the US, and a source of some trade tension between US pharma and Australia, a country somewhat less deferential to the patent claims of America's drugs companies.

For American businessmen with whom I spoke the big worry is competition policy. Ever since the EU prevented the merger of two American companies, GE and Honeywell, and decided to be tougher on Microsoft than the Bush reluctant antitrust enforcers, European competition policy has had a very high a profile in America. Some American CEOs think, or say that they think, that the EU uses competition law to prevent American companies from competing vigorously with home-grown firms. Never mind that most of the complaints against Microsoft, and now against Intel, have come from American companies challenging the competitive tactics of rivals they believe to be "dominant" under EU law.

American firms are also finding that doing business in a globalized world subjects them to the merger policies of many nations. Indeed, one expert in mergers and acquisitions tells me that when a deal is struck he now sets up a giant board with a column for each of the dozens of nations that have antitrust statutes and which have to clear the transaction of any company that operates on a transnational basis. Authorities in Australia, along with those in the US and the EU, are always top of the list of his concerns.

Then there is food. Europe and America can't agree just which foods are safe and which are not, with the disputes shifting from time to time from beef or other specific foods, to genetically modified (GM) crops -- safe for American stomachs, but not considered safe enough to eat in many EU countries, despite a World Trade Organization finding that there is no sound scientific basis for eschewing the chewing of GM foods.

Finally, the globalization of product markets, with made-in-China sneakers flooding the US, made-in-China soccer balls flooding Britain, and made-in-China shoes flooding European markets, is leading to a call from America and Europe for harmonization of labor standards. America's trade unions are pressuring the government's trade negotiators to demand internationalization of US work-place standards, while Europeans want the competition from Britain's harder-working labor force ended by preventing workers in the UK from putting in more hours at work than lazier French and German workers.

There's more, but you get the idea. The EU wants to impose its more rigorous competition policy on American firms, who want to impose their more rigorous financial regulations on European firms. The Americans and Europeans want to harmonize China's lax-to-nonexistent IP protection regime with their own. Britain wants protection from American financial regulation and from EU labor market regulation, and worries that harmonized tax policies might force taxes up if France and Germany do the harmonizing, or down if Ireland plays that role. And every nation wants to impose its own view of appropriate environmental policies on every other, with Europe last week threatening to impose emissions taxes on US airplanes flying into and out of EU air space.

Such are the business complexities created by globalized markets.



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