

European Union and Globalization*

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The European Monetary Union (EMU) is often held responsible for cuts in health, retirement, education, or infrastructure expenditures in its member countries. Repeatedly, we hear that growing unemployment throughout the continent is a result of the euro restrictions imposed from Brussels or more recently, Frankfurt. With their demagogic and simplistic arguments all kinds of neonationalist militants, be they from a fictitious Left or a true Right, are winning ground over the supporters of a united Europe. Paradoxically at a time when the reasonable alternative would be to push the process of political union forward in order to face new global challenges, the fear inspired by the globalization phenomenon is strengthening narrow nationalism.

Those of us who believe that the European Union (EU) is the solution and not the problem are bound to lose ground if we fail to define our goals in a serious and understandable manner. If possible, we must present our arguments in a way that resonates with the ethos of post-Berlin Wall Europe and the collapse of ideological blocs. We must be able to explain our role in the globalized world that has emerged from the revolution in technology, particularly in the fields of information and biotechnology. We must be able to prove that we can respond to a changing system of production characterized by lower employment, the growing concentration of firms, and unfettered capital flows. And we must insure our safety by seeking a new international balance beyond the traditional confrontation between two rival superpowers.

But before European integration can progress any further, we must consider some questions that are simple to ask, but perhaps not so simple to answer: Who are we, the Europeans? What do we wish to place in common? How do we insure freedom in the space we have created? How do we guarantee for ourselves a political and security role in the new global context? What institutions do we need to carry out the tasks we set for ourselves?

The European Forefathers

In order to explain the need for strengthening and expanding the EU, allow me to recount some of my past experiences in the European Council. In 1985, as one of the

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longest stages of “Europessimism” was coming to an end, we decided to reform our existing treaties. Almost 30 years after the Treaty of Rome created the European Economic Community — which expanded the customs union to include agriculture and many industrial sectors — we believed the time had come to make a qualitative leap in the building of Europe. The Single European Act was thus born, committing member nations to the goal of opening their borders to the free movement of labor, capital, and goods. We had created in fact what had existed for nearly 30 years in name: the European Community (EC).

Between 1986 and 1992 this entity evolved into an internal market without boundaries. As the internal market developed, we agreed to increase significantly the structural funds needed to balance development levels.

Along the way, Soviet president Mikhail Gorbachev entered the scene and the world stage began to change. In 1989, the Berlin Wall fell. In fact, it was torn down by those anxious to escape from the “communist paradise”. The rich countries of the north and center of Europe wished to enter the EC, despite their almost metaphysical doubts over whether or not to do so. The countries that had been made poor by the “communist miracle” began to clamor at the door, certain beyond any doubt that they would be better off inside.

The internal market led us to consider the new needs of the European project and to prepare for its expansion; thus we were able to foresee the technological revolution that would follow the second industrial revolution. By signing the Treaty on European Union at Maastricht in 1992, we made progress in four areas: economic and monetary union; common foreign and security policy; justice and home affairs policy; and European citizenship.

We adopted cohesion as a principle upon which to build a new European entity. This principle, however, has always been interpreted in a limited manner that has contradicted and frustrated its true scope. To provide a civil identity, we added a social charter that was rejected by British conservatives but later accepted by the new Labour government.

With the birth of our new invention, we, the European “forefathers”, became aware that the task of building European unity was entering a new stage. What was taking shape — in a deficient manner for some and in an excessive way for others—was something different from the EC, even while encompassing it. The need arose to baptize the creature. It was not an easy task:

The Economic and Monetary Union (largely monetary thus far) was considered part of the common policies of the EC. We defined it as our first pillar. Now that monetary union has become an irreversible reality ripe with expectations, the need for an economic policy

for the EU will gain strength. Should it not, we will frustrate all hope.

The Common Foreign and Security Policy was to continue to be intergovernmental and thus, in spite of its name, we viewed it as a second pillar outside the common policies. We acknowledged the fact that the differences among the foreign policies of our countries were our greatest weakness. Because of our contradictions, on the international stage we were both “a trade giant and a political dwarf”. However, our countries were not yet ready to take more definite steps in this direction, other than a basic and hesitant coordination between governments.

The Justice and Home Affairs Policy stems from a much deeper understanding by the European governments that crime — which not only knows no boundaries but takes advantage of their disappearance within the EC — must be fought efficiently. We understood this problem and we were aware of the concerns of the people in this regard, yet we were unable to agree on anything more than a timid cooperation between governments. Thus, we created the third pillar.

European Citizenship was a proposal aimed at convincing Europe’s men and women that what we were doing only made sense if we viewed Europe as belonging to its citizens. National identities and original citizenships would be compatible with this idea. We meant to add it as a bonus, as Europeans who shared a common project.

Having completed the debate, we baptized the creature “European Union”. As federalists, confederalists, antifederalists, or simply supporters of a free exchange area, we did not quite understand that we were building something new, something different. The EU is not, and probably never will be, a federation as we understand it from the perspective of the power-sharing theories within the nation-state. We were not — nor are we now — trying to create the “United States of Europe”. The EU is not a confederation. Nor does it even remotely resemble a “unitarian state”.

However, it was not enough to say what the EU is not. We needed to define what it is, or no one would understand us. Hence, like curious children who question their parents, we asked ourselves, the forefathers of the invention: What is this ?

Imagine the difficulties we encountered when EU advocates, Euroskeptics, and other political fauna from 12 countries attempted to define the new creation. Finally, we decided that the European Union is a union of peoples.

Exhausted by the effort, we had to hush the questioning child because we were having difficulties finding the answer to the next question: What do we mean by a union of peoples ?

The globalization of the economy, the increasing capital movements, the technological revolution, particularly in information, which is altering production structures, creating

structural unemployment, and forcing firms to restructure constantly, have created a new frontier. This different era is already upon us, even though we can still feel the weight of the past. The stage is set for the prophets of doom, the oracles of the millennium, or the reactionaries who wish to turn back history's clock, seeking certainties where none exist.

Without denying the founding fathers of the earlier European Communities their due credit, they had an easier task during the 1950s and 1960s. To begin with, in their time, the ethics of peace shaped a Europe that had been nearly destroyed by two terrible conflicts within a half century. It was not difficult to reach consensus that the production of coal and steel, two raw materials for war, should be united under a common organization (the European Coal and Steel Community), or that atomic energy, a new potential threat to peace, should fall under the purview of another organization (the European Atomic Energy Community).

The fact that these organizations were founded by six, reasonably homogeneous nations made it easier for them to adopt common policies on issues such as those mentioned above and to implement concrete proposals to address these concerns. Even the communist threat — the “totalitarian state”— made the task easier. All of these factors made it possible to operate according to Jean Monnet's functional tenet: Take one step forward only when the time is right.

However, because of the complex nature, depth, and range of a union that now encompasses 15 countries, this approach is no longer applicable. In this supranational evolution of our nation-states, representative democracy is lacking in values and rules. Decision making will become even more cumbersome when we expand from 15 to potentially as many as 25 countries.

In view of historical developments, the strides made with the Single European Act (Internal Market) and the Maastricht Treaty (including the EMU), and the challenges ahead, how do we define the project of the Europe we want? How can we answer the important questions we left pending: What is this union of peoples, and what do we need it for?

Recognizing that expansion is inevitable, the European Commission issued “Agenda 2000”, a document that spells out the three main challenges facing the EU. First, in anticipation of millions of new European “citizens”, the agenda states that we must adapt and strengthen the common agricultural policy, as well as policies on social and economic cohesion. Second, we must determine the precise criteria for acceptance into the EU, based on a nation's adherence to democratic principles and the rule of law and on that nation's ability to incorporate already existing European legislation into its own domestic political system. And third, we must adopt a financial framework that allows European countries to cope with the ongoing EU growth spurts in a manner that will not bust our budgets.

My concern today is not just whether the European leaders, usually influenced by national (electoral) agendas, will be able to honor these commitments. I believe that even if the Agenda 2000 is implemented as a package some things will still be lacking. In the end, my dissatisfaction stems from the fact that the fundamental question has not been answered. The sum of the agenda's parts does not explain what kind of Europe we want. In other words, it does not give us a clear definition of a European project, particularly within the context of globalization.

The Challenge of Globalization

In my opinion, the most relevant aspects of globalization — which interact and affect all national and regional realities — are the information revolution and the globalization of the economic and the financial systems.

These elements are affecting considerably the one area where representative democracy, sovereignty, and identity are put into effect; the nation-state. Most notably, the room for maneuver in macroeconomic policy has shrunk considerably. We may argue over the levels of income and expenditures needed to reach a reasonable balance, but we may hardly deny the need for such balance. The capital markets dramatically remind us of their distrust for those economic policies that fail to curb inflation or control the deficit. The difference between the political Left and Right will depend, above all, on how income and expenditures are juggled to achieve macro results, not on the results themselves.

The very structure of the nation-state is undergoing a crisis with two outcomes. First, we see a movement toward “supranationality”, as in the case of relations between the EU and the Latin American trade bloc MERCOSUR, in order to find a more satisfactory answer to the challenges of globalization and an open economy. The crisis of the nation-state is not a terminal one but rather a crisis of redefinition, one that requires us to adapt to the new realities or face even more dramatic consequences.

At the same time, we see a movement toward “intranationality”, which represents a new internal distribution of the power of the nation-state. When we speak of the new role of the state, we are referring to the new role the political representative powers will play. Today, few people pine for the nearly defunct totalitarian state. A majority even reject the “fat”, interventionist, populist state. People no longer tolerate cumbersome bureaucracies, and politicians are aware of this. At the same time, the public sector is withdrawing from entrepreneurial activities because of efficiency requirements. Privatization is more than just a trend. At stake in this environment is the determination of the role politics will play in the new reality. The heated debate going on over the role of the state will determine people's opportunities, the future of the private sector and of the so-called welfare state, and the sustainability of an economic growth and development

model within the framework of the information revolution. A strong, lean state will compete favorably against a weak, anorexic one.

Capital movements are the most visible expression of the new international situation. Money circulates throughout the world in a kind of international financial casino where no rules exist. The tripod on which the international financial system has rested since the Second World War the International Monetary Fund, the World Bank, and the system of regulated exchange rates — has lost its third leg and is becoming increasingly unstable. By and large, the various control measures implemented by countries at the national level are useless and counterproductive. The global financial crises that have erupted have had devastating effects, yet a countervailing current has not emerged with enough strength to propose reasonable reforms at the international level. The Asian crisis is an epidemic threatening to become a pandemic disease. Even though its effects have been felt in Latin America and Russia, the Asian financial meltdown has posed a number of questions and generated protests that have not been translated into concrete proposals. For the time being, the so-called center countries may weather the crisis more comfortably as they are transferring its costs to the emerging countries of the periphery. However, growth is already beginning to weaken, and there will be asset losses if the situation is not corrected in the affected areas.

If, as I believe, globalization is changing the reality of the industrial society's system of production, national and international political power, and social relations, what are we to do with Europe? The problem facing Europe's leaders is not just how to articulate and respond to the challenges of the Agenda 2000, which are inexorably linked. We must truly understand these challenges, and this understanding will only be attainable once we have reasonably defined the European project.

At present, the EMU is just a monetary union, with virtually no economic policy. In spite of the encouraging advent of the euro, the lack of a unified economic policy may make Europe vulnerable to asymmetric shocks during future economic crises and leave us devoid of tools to counter them efficiently.

The expansion of the EU is still discussed more on the grounds of principle than reality. No one is prepared to answer three simple questions: Who should enter the union? When should they do so? And how should they do so? Some say all should enter, that there is no particular order, and that it will not cost us anything. In other words, no one wants to answer these questions seriously.

To repeat, however, beyond the shortcomings of Agenda 2000 and the difficulties posed by its implementation, the definition of "Europe" remains the true underlying problem. Until we address this matter, we will be mired in dissatisfaction and uncertainty. We need to define the new form of political representation required by a project capable of

meeting the challenges of globalization.

If a supranational space is what we need in order to develop our personality, both plural and common, within Europe's boundaries and to meet the challenges of globalization, then let us define the new form of political representation that such a project requires.

Four central aspects will need to be addressed to move in a direction that completes the unfinished tasks that would cement a truly united Europe. First, we must ask ourselves how much we wish to share in the economic, social, and cultural areas. This line of questioning would lead us to a rigorous and impartial analysis of the policies that constitute the first pillar of EU, in order to decide what should be added or taken out. In undertaking this process, we would have to analyze the content of the common policies embodied within the Treaty of Rome, the Single European Act, and the Maastricht Treaty.

Second, what do we wish to share in the area of law and security in order to ensure that the scope of the freedoms we have given ourselves can continue to be enjoyed? Sometimes I use the following provocative example to explain people's preoccupation with insecurity: It would be unthinkable for a mayoral candidate from a constituency of 5,000 people to decline the protection of the local police during a public presentation. Each representative power within a territorial area — which is also an area where freedoms are enjoyed — must guarantee those freedoms through the police and legal forces within its jurisdiction.

Third, what do we wish to share in the area of foreign and external security policy in order to ensure that the role we play in the world is in accordance with what we are from an economic, trade, and cultural perspective?

Although we have debated endlessly over common external and security policy, we must admit that we have made few strides in this direction. The EU's economic and trade power, as well as its significant role in international cooperation, is still at odds with its feeble political representation in the international decision-making process. To make progress in this area, we should build up a reservoir of common actions on areas of interest, including the adoption of some kind of instrumental action in the area of security. The current events in Kosovo highlight the changing nature of conflict and foreign policy. We need to equip our union with institutions that are capable of responding collectively to the challenges of the new diplomacy.

Fourth, what institutions do we need in order to obtain an efficient, transparent, and democratic instrument? The growing problem with the debate on needed institutional reforms is that we have made it into a debate for its own sake, often omitting the definition of its practical operational purposes, its instrumental character. Therefore, I believe that progress will be achieved in the formulation of institutional reforms only when we have

defined the aforementioned issues of the European project. Once we know what project we want to develop together, it will be easier to determine the tools and means to achieve it.

Ever since the Maastricht Treaty negotiations, we have been facing the problem of power sharing (remember what I said above on the crisis of the nation-state) and institutional reform (remember the dissatisfaction with the democratic deficit). All of this has been magnified by the pending expansion and by increasingly sharper disputes on the volume and distribution of the budget needed for this task.

When I suggest we reconsider Europe, I am attempting to change the way we view the situation, to rearrange our ideas in order to avoid a discussion on institutions and bureaucracy when we are not clear as to what it is we want to do together.

I have participated in countless meetings on the famous principle of subsidiarity, which holds that legislation should only be implemented at the European level if it is more effective than legislating at the national level. The 15 countries of the EU almost never agree on which issues should be kept in common and which should be the sole purview of individual governments.

Once we decide which areas we wish to develop in common, the debate on institutional reform will acquire new meaning, more so if we keep in mind that the functioning of the representative democracy to which we are accustomed cannot be undone by the EU's democracy. European citizens can easily monitor the functioning of local or national representative institutions, but they are at a loss regarding the EU because its codes are different. At the risk of repeating the obvious, the executive and legislative branches must fulfill their roles in a way that is clearer to the people.

What worries me most is the distribution of power. In my opinion, the key question behind the European project is not the amount of power that is transferred to the center but the quality of the actions each country undertakes to be more effective. In this respect, the criteria for effective action is strengthening cohesion so that all of us feel part of a common project. This distribution criteria should not assign the European center in Brussels many tasks, but should instead allocate it coherent ones. Monetary policy will not work for a long time to come if we do not pursue a common economic policy. Scattered and repetitive research and development will not allow us to catch up with the United States' technological capacity. Our collective foreign policy will be out of sync with our trade policy if the latter is formulated in Brussels and the former in individual countries.

If we do not define the type of European democracy we wish to offer our peoples and the tasks we decide to carry out in common while simultaneously respecting our peoples' identities, we will be unable to tackle successfully the issues of employment, the environment, or culture. Our peoples want to see that there are political leaders with a project for Europe. But Europe's policymakers have yet to define that project. I suggest

we do not go back in time by declaring ourselves federalists or supporters of a confederation. Let us, rather, think ahead to the twenty-first century and grant substance to a union of peoples without reviving the bitter nationalist debates of the nineteenth century. If we can do this, we will make tremendous strides toward building a new Europe, one that will benefit greatly from the opportunities of globalization.

Want to Know More ?

For a good analysis of the failure of the European Union (EU) to create a common foreign and security policy, see Jan Zielonka's *Explaining Euro-Paralysis: Why Europe is Unable to Act in International Politics* (New York: St. Martin's Press, 1998). Zielonka notes that Europeans sometimes do not support EU policies because they feel they have no real control over them. The EU, he suggests, needs to make strategic choices on its purpose function and territory. For an opposing view see Karen Smith's *The Making of EU Foreign Policy: The Case of Eastern Europe* (New York: St. Martin's Press 1999). Smith says that the EU has projected a common foreign policy toward six former Eastern Bloc countries — Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia — and that the EU is now in a position to include Eastern Europe in its plans for enlargement.

Though optimists believe that European expansion and integration could spread peace and harmony throughout the continent, Martin Feldstein cautions that a Europe of 300 million people with an independent military capability might just as easily be prone to producing conflict in "The EMU and International Conflict" (*Foreign Affairs*, November/December 1997).

In "EMU: Taking a Gamble" (*International Affairs*, January 1998), Pierre Jacquet argues that monetary union is a risky but ultimately worthwhile venture and urges member states to do what they can to make it a success. Tasks that member states might face include undergoing structural reforms and striving to better coordinate economic policies. Timothy Garten Ash argues that after 1989 European leaders focused their energies on federalizing Western Europe while neglecting Eastern Europe in "Europe's Endangered Liberal Order" (*Foreign Affairs*, March/April 1998). Now Europe's liberal order must endeavor to spread liberty and security from West to East.

Several experts discuss key issues affecting the EU in a compilation of essays and debates entitled *Should the EU be redesigned?* (Brussels: Philip Morris Institute for Public Policy Research, 1999). Contributors include Martti Ahtisaari, president of Finland; John Bruton, former prime minister of Ireland; Francesco Rossolillo, former president of the Union of European Federalists; and George Vassiliou, former president of Cyprus.

An online guided tour through the European bureaucracy can be found at Europa, one of the official Web sites of the European Union delegation of the European Commission to

the United States. Internet browsers will find links to all the major EU agencies, as well as basic information on key issues such as employment, citizens' rights, and monetary union.

For links to relevant Web sites, as well as a comprehensive index of related FOREIGN POLICY articles, access www.foreignpolicy.com.

Toward a More Perfect Union

Two recent treaties on European Union (EU) have created the bulk of policies that Europeans share. Maastricht, signed in 1992, and Amsterdam, signed in 1997. Though many of the EU's economic policies have received media attention of late, other lesser-known measures could affect day-to-day Europe as dramatically as the euro.

Revisions in European Union Employment and Social Policy mandated by the Maastricht and Amsterdam Treaties will likely have the greatest impact on the lives of Europeans. At Amsterdam, the EU made job creation a formal policy goal and defined a common strategy among member states for improving vocational training and assisting in setting up businesses. Social policies called for at Maastricht — free movement, better working conditions, fair pay, social security protection, collective bargaining, equal treatment for both sexes, health protection, and safety in the workplace — were incorporated into EU legislation at Amsterdam when the United Kingdom's new Labour government approved them.

Recent developments in the EU's Justice and Home Affairs Policy include the creation of Europol, the EU police force. Europol's officers do not patrol the streets of London and Berlin, equipped with guns and handcuffs. Rather, officers in the Hague track illegal activity on one of the continent's most comprehensive computer databases. Information on drug traffickers, car thieves, modern slave traders, nuclear smugglers, and (as of this year) terrorists, is stored in this central location, allowing Europol officers to coordinate efforts of national police forces in combating crime.

Passport-free travel for EU citizens among member states was institutionalized when the EU adopted the Schengen Agreement at Amsterdam. Critics object to the lack of national control over who crosses borders, yet proponents argue that open borders make it easier for officials to concentrate their efforts on performing selective checks. Great Britain and Ireland opted out of the agreement in 1997 and still balk at relinquishing control over their borders.

Despite progress in formulating intra-European policies, a Common Foreign and Security Policy (CFSP) remains elusive. Maastricht created the CFSP as an intergovernmental network of officials responsible for EU decisions on matters of defense and international policy. In addition, officials gave the military arm of the European

community, the Western European Union (WEU), the role of implementing decisions and actions of the EU that have defense implications.

The EU has had some success in formulating foreign policy since Maastricht — union officials proudly point to economic sanctions against Iran in response to the death sentence issued against author Salman Rushdie and the EU's decision to postpone a partnership agreement with Moscow after Russia invaded Chechnya. The failures, however, are egregious. Most notably, critics argue that the EU failed to take action to prevent ethnic cleansing in Bosnia until the United States took the first step. Employing military force to support EU foreign policies (when they exist) has proved tricky, and examples of the implementation of a European security policy are scarce. Indeed, perhaps the only such example might be the role of the WEU in enforcing sanctions in Bosnia.

Europeans hope that implementing key provisions of Amsterdam appointing a high representative for the CFSP and giving this official a policy-planning and early warning unit — will give the CFSP muscle. Yet, the decision to appoint a “Mr. or Ms. CFSP” has been repeatedly pushed off the agenda at recent meetings of EU officials. For the time being, it seems that progress on CFSP and many common policies has been waylaid as officials wrestle with EU enlargement, finances, and indeed, over the future of union governance itself.

[From Felipe Gonzalez and Stanley Hoffmann 1999.]