

## **The Double Challenge of Globalisation and Regionalisation**

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Firstly I would like to thank Professors M. Kennedy and V. Lambropoulos for inviting me to give a lecture in the framework of the European Studies Program. I was a graduate student at the University of Michigan in the period 1985-1989 and I am really glad being back at UM, a lively and progressive University.

I will be speaking today about regionalisation and globalisation, with an effort to exemplify on the regionalised character of the European Union and also include in the discussion the current situation in Europe as well as the prospects and trends. I will try in particular to provide my views by responding to a number of key - to my understanding - questions:

- 1. What is globalisation?*
- 2. Has globalization resulted in inequalities?*
- 3. Which forces predominate today and which will predominate in the following years/decades?*
- 4. Will these forces lead to regionalisation or globalisation?*
- 5. Which are the European values?*
- 6. How is Europe portrayed today?*
- 7. Does Europe face a crisis today?*
- 8. How do Europeans portray their lives in a globalised world?*
- 9. Which are the challenges for Europe today?*
- 10. Which initiatives need to be taken by Europe?*
- 11. Regionalisation or globalisation: what about Europe?*
- 12. Can globalisation be fair?*

## **Question 1. What is globalisation?**

In 1967, Michael Nichols directed an excellent movie titled "The graduate". Dustin Hoffman, the protagonist in this movie, is a freshman at College and tends to socialise with the friends of his father. In one of the cocktail parties the young student asks one medium age businessman about the future. The business man replies "Plastics". He was correct; the world experienced a massive boost from the exploitation of plastics at all levels and for all social classes. If the same question was to be placed today, the answer may have been "globalisation".

And this is particularly true. In the last decade, everything in this planet - regardless if it is a social measure or a social uprising, a business bankruptcy or a relocation, the increase of the unemployment rate or the destruction of the environment - is attributed to globalisation.

Too many terminologies can be provided. Some term "globalisation" as the capacity of the markets to expand with no barriers. Some others as the collapse of the national frontiers, mostly because of the momentum of the business sector. Others as the change of state as it used to be considered in the past, or as a conspiracy of the western world against the poor countries of the developing world. The list is surely not exhaustive.

I believe that an example may be supportive at least with respect to the complexity of the issue:

Naousa is small city (30,000 inhabitants) in northern Greece. It experienced major economic progress in the 90s mostly due to the fact that it attracted the vast majority of textile industry of Greece. If in 1995, one claimed that the local market would be experiencing danger due to globalisation, he would be considered as a scapegoat. Ten years later, the area experiences a major economic decline. A recent treaty opened the frontiers of the European Union to textile products from China, resulting in a fast and irreversible collapse of the textile industries in Naousa as they could not compete in a market which abruptly introduced new rules and most importantly cheaper prices and massive loads.

The signs were there, from the year 1995, even before. They were not taken into consideration nor was a contingency plan developed. Today, 60% of the local population is unemployed and the chances to find a job are limited.

The "Naousa" example is a distinct - yet local or limited - example of globalisation. In addition it only demonstrates the threats, while at the same time opportunities do also exist. In any case getting globalisation right matters more than ever.

## **Question 2. Has globalisation resulted in inequalities?**

There is intense debate over whether world inequality has gone up or down. Any way you measure it, it seems clear that that inequality between countries has gone up. Those penalised by the process of globalisation have been countries in the developing world, e.g. in sub-Saharan Africa where persistent underdevelopment and indebtedness is recorded.

Despite the improvement in the living conditions or in the life expectancy in some parts of the developing world - a fact which could be considered as a positive consequence of globalisation-, I believe that globalisation has created new forms of insecurity and social disruption that need to be remedied.

In terms of the positive impact of globalisation to international trade, I believe that despite the expansion of world trade through globalisation too many are being left behind. In addition the World Trade Organisation has failed to introduce measures which reduce subsidies in agricultural products, a fact which leads to larger inequalities between rich and poor countries.

## **Question 3. Which players predominate today and which will predominate in the following years/decades?**

*Today*

The main players today are the US and the European Union. A number of countries in the America are linked with the US through NAFTA, whereas several countries in South - East Asia merge forces through ASEAN. Russia keeps a significant share of the international market, yet only recently it has developed an aggressive policy so as to establish new relations with countries especially in Central Asia. China and India surprise us with the high development rates, their boosting economies and their political willingness to participate in the globalised market (or the globalised society). On the other hand they are often accused for social dumping.

There is no doubt that the players do exhibit major differences between them. The European Union for instance is not exhausted to the characteristics of ASEAN or NAFTA (namely economic bodies),

but has been rather developing as a political, social and economic union.

In addition each player has established its own system for protecting its economy from outsiders and for securing development rates. USA uses the international reserve status of the dollar to run external deficits that would force any other country to deflate their economy. The economic modernisation of China has involved a heavy element of state direction in the form of capital controls, along with the state ownership of banks and significant parts of its industry. India also has capital controls and an interventionist economic policy.

#### *The following years/decades*

Too many analysts claim that the predominant forces in the following years/decades will include China and India. The same analysts question the capacity of the European Union to overcome current difficulties and to this end they challenge whether the EU will be one of the predominant forces of the future.

China's trade is doubling every three years, while India is developing particular strengths in the export of services. With four million graduates a year from Chinese and Indian universities, these economies are increasingly competing on high tech, high value - added goods. Furthermore both countries are developing energy policies which will reduce their current high dependency to oil.

These changes - hard to conceive in Monnet's day - pose dramatic new challenges for all countries, for the US and for Europe.

#### **Question 4: Will these forces lead to regionalisation or globalisation?**

I believe that the question is wrong, at least for now. There are so many levels between national and global -- defined by socioeconomic systems and subsystems -- that the best approximation is not to assume the existence of two levels, but rather a continuum of levels, to an extent supported by the digital society (despite the fact that the majority of the world's population lacks access to the Internet or the WWW).

Yet,, the activities of national economies in some parts of the world have become increasingly regional, such as in the case of Europe, East Asia, or North America, while the Third World countries in Africa and South America are increasingly dependent on other regions without much success of intra-regional integration.

### **Question 5: Which are the European values?**

I strongly believe that Europe is a Union of values. To start, European integration is a phenomenal success story. It has achieved the original purpose of the Community of making war between its members unthinkable. It has constructed the largest Single Market in the world, boosting jobs, growth and living standards. It is the largest trading block.

It has shown solidarity with Europe's poorer regions by providing structural funding. It has become the biggest provider of humanitarian aid and untied development assistance in the World. It has promoted political change by embracing new democracies in Central and Eastern Europe. It has achieved the creation of a single currency and successive rounds of enlargement that have more than doubled its membership from twelve to twenty-five.

European values are embodied in the political choices Europeans make. In social and economic policy, these include support for political pluralism and democracy, endorsement of the mixed economy and a strong commitment to public welfare, social cohesion, environmental protection and wealth redistribution.

Asked whether it is more important for governments to guarantee that no one should be in need or for people to be free from government, Europeans choose the former by margins of approximately two to one: Britain 62 per cent to 33 per cent, France 62 per cent to 36 per cent, Germany 57 per cent to 39 per cent and Poland 64 per cent to 31 per cent. Americans, however, choose freedom from government by a margin of 58 per cent to 34 per cent.

Those agreeing strongly with the proposition that government has a responsibility to look after the poor were as follows: Britain 59 per cent, France 50 per cent, Germany 45 per cent and Poland 59 per cent. In USA just 29 per cent agreed.

European societies exhibit a strong attachment to the welfare state and mechanisms of collective social protection, Americans tend towards a minimal government and individual responsibility.

Similar differences are observable on other issues. Europeans are much more committed than Americans to multilateralism based on international laws and institutions. The belief that UN approval should be secured before the use of military forces runs at 64 per

cent in Britain, 63 per cent in France, 80 per cent in Germany and only 41 per cent in America.

The nations of Europe are also more socially liberal. 58 per cent of Americans believe that it is necessary to believe in God to be moral compared to only 25 per cent in Britain, 13 per cent in France, 33 per cent in Germany and 38 per cent in Poland.

Moreover, it is clear that European values and preferences are still attractive, moreover they are fair. As the American author, Jeremy Rifkin, has argued:

"The European Dream emphasizes community relationships over individual autonomy, cultural diversity over assimilation, quality of life over the accumulation of wealth, sustainable development over unlimited material growth, deep play over unrelenting toil, universal human rights and the rights of nature over property rights, and global cooperation over the unilateral exercise of power."

### **Question 6: How is Europe portrayed today?**

As mentioned before, Europe demonstrates the success of a visionary plan in the 50s. At that time the leaders of France, Germany, UK and Italy did not just promote a plan for an economic coalition. They rather promoted a plan for peace and prosperity in Europe which was devastated from two World Wars in a time span of 25 years.

I am sure that many Britons and French people at that time must have been furious with their political leaders in the sense that they were promoting an alliance with Germany. The scars of WW II were still evident, taken the numerous casualties, the devastation of families and the destructions of cities and villages. Yet the vision was clear.

European countries had to coalite forces so as to establish peace on the one hand and develop power for prosperity in the future. The experiment was successful. The European Union now accounts for 25 member states with two more to come in 2007 (Bulgaria and Romania) and five more requesting membership (Turkey, Croatia, Serbia, Albania, FYROM).

Furthermore the European Union differs substantially from ASEAN and NAFTA; the Union is been developing as an economic, social and political one, with governing bodies reflecting all Member States, with an enhanced operation of the European Parliament and with the regulations applying to all member states not being

exhausted in economic issues (e.g. debt, inflation) but also referring to environmental protection, transparency, right to information, security, etc. For instance one directive calls for the reduction of the levels of air pollution, another for the treatment of waste, etc.

### **Question 7: Is Europe facing a crisis today?**

The recent French 'no' and the Dutch 'no' to the European Constitutional Treaty have revealed a crisis in Europe with many attributing this crisis to the limited and unfocused reaction of Europe to the forces of globalisation. Furthermore the 'no' to the referendum has liberated centrifugal forces.

The facts behind the crisis are easy to find: twenty million Europeans out of work, and almost one in five young people without a job. In addition Europe is ageing significantly more than almost any other area of the world. By 2050, if current trends continue, the US population will be nearly 500 million; the EU's will be barely half that.

Enlargement is a fundamentally positive development for citizens from all over Europe. However many claim that the European leaders have failed to make enlargement acceptable throughout the Union, as exemplified by the "Polish plumber" (as related to the so called "Bolkenstein" directive) syndrome which emerged in the French referendum campaign.

This crisis is not "salutary"; it is damaging as it could ultimately lead to weakening substantially, if not shelving the whole European project.

Some argue that the negative results in France and the Netherlands, show that the crisis is also related to the opening of the European Union to Turkey. It is correct that many Europeans stand negatively to the inclusion of Turkey to the European Union, either because they consider Turkey as a non democratic country, or because they are concerned by the clash between cultures or religions.

But it would be wrong to prevent Turkey from joining if it met the conditions for membership. To rule it out on specious grounds of cultural difference would send a negative message about Europe's unwillingness to accommodate diversity.

I believe that a prosperous and democratic Turkey can be a great asset to Europe. Moreover, progress towards membership can act as a catalyst for peace and stability in the Eastern Mediterranean

region, helping a UN sponsored solution for a just settlement in Cyprus, enforcing the respect of international Treaties by Turkey and eradicating Turkish threats against Greece and Cyprus.

### **Question 8: How do European portray their lives in a globalised world?**

Many Europeans portray their lives through the following questions:

*We are living in a time in which insecurity has increased enormously.*

*Can I keep my job?*

*Will I have sufficient income to pay for my children's education in a short time?*

*Will I still be able to afford good health insurance? Are my parents going to be decently looked after in the nursing home?*

*Will I have a reasonable standard of living if I lose my job or when I retire?*

*Can I feel safe in the streets?*

Fear is obvious. And partly it is a result of the way that globalisation works: workers who have lost their jobs as their employer relocates to a cheaper wage zone, while the benefits to the economy as a whole are more diffuse and less immediately noteworthy.

But fear is at the same time a bad advisor. Fear is responsible for the social exclusion. Fear is responsible for the violent riots in Paris. Fear is responsible for the uprise of far right movements in Europe.

Fear needs to be confronted with solidarity. And solidarity is facing three threats:

One. Solidarity is under threat from our failure to integrate newcomers into our society.

Two. Solidarity is under threat from the failure to secure the welfare system as well as to develop more and better jobs for Europeans.

Three. Solidarity is under threat from attempts to create a Europe that is large, fully integrated, effective and efficient all at the same time.

It is clear: Europeans want a political and social Europe, not just a free trade zone. This is connected to Europeans' economic and social values, and the nature of the societies constructed in Europe during the twentieth century and particularly since the war. Europeans are proud of the European models (for there are more



than one) of society and the social welfare systems that go with them as they integrate the value of social justice.

### **Question 9: Which are the challenges for Europe today?**

Challenge 1: Citizens want to be empowered to have access to the promised opportunities of a single market of 450 million inhabitants.

Challenge 2: Europe should enhance the welfare state and protect it in a world which is fastmoving, more exposed and risky than ever. Europe needs to react in a solid manner to the claims that for competitiveness to be secured or even enhanced, a number of well established (and to an extent historical) social rights need to be dropped.

Challenge 3: Europe should be regarded as a political, social and economic project.

Challenge 4: Europe must be able to deal with immigration in accordance with its values of freedom, world security and justice for all.

Challenge 5: Europe must convince that it can respond efficiently to global issues which affect it directly such as terrorism, nuclear proliferation, state failure, organized crime and the breakdown of regional conflicts, whether near or distant.

Challenge 6. Europe must face the growth in populist and extremist parties of right and left across Europe.

Challenge 7. Europe should promote education and research.

Challenge 8. Europe needs to promote the Lisbon Agenda adopted by the European Union. It remains the right way forward, but more efforts are needed to raise the proportion of Europeans who are economically active, boost investment in research and development and human capital, promote skills and lifelong learning, and combat social exclusion.

Challenge 9. Europe must provide a new framework within which national identities can be upheld, while at the same time symbolising and encompassing those common European ideas and ways of doing things that have developed during our history.

Challenge 10. Europe must answer effectively to the clash of civilisations. It shocks that someone who had been brought up as a British citizen, been educated in a British school, spoke in a broad

Yorkshire accent, had watched British television, and read British media, had loyalties that were not to Britain but to something that motivated him to commit an act of terrorism against his own countrymen and the place of his birth.

### **Question 10: Which initiatives are to be taken by Europe?**

The European Union requires renewal and a new vision for the future on three pillars that must proceed in parallel:

First pillar: make economic Europe work. Responding convincingly to the criticism of economic inefficiency is necessary: why would European citizens be favourable to the continuation of the European project if the present construction does not deliver its expected benefits? Europe must rediscover the path towards growth, employment and prosperity.

Second pillar: make protective and empowering Europe emerge. The European Union project does not end with economic integration. It should expand to include European citizens' protection and empowerment from a social, environmental and security perspective.

Third pillar: make democratic Europe come through. The various political and national cultures induce differences of sensitivity concerning the functioning of the European institutions and the extent of EU-level competences.

Those are the pillars which are essential to ensure the return to growth and employment, while at the same time contributing to the achievement of prosperity, cohesion, equity and solidarity among generations and among our peoples.

### **Question 11: Regionalisation or globalisation? What about Europe?**

European integration reflects a form of regionalisation, to an extent conceived as a response to globalisation. The reasons behind such regionalisation are clear; they reflect the need to sustain a central and secure pole in the international world which develops in fast paces and with new players.

Whether, however, Europe will be able to live up to this opportunity depends on its ability to solve its current structural problems, to establish a European Constitutional Treaty, to create a truly European identity, and to build efficient supra-national, European-level policy-making institutions. Europe's failure or success in

achieving its global potential will determine how Europeans will stand in a globalised world and to what extent European values will be sustained.

### **Question 12. Can globalization be fair?**

If the answer is to be given for the present time, it is "NO". If is to examine the prospects for a fair globalisation in the future, some options do exist.

One option that deserves positive consideration is a new international system of managed exchange rates and capital controls to prevent financial flows from disrupting otherwise stable economies.

Another option is a mechanism for managing global trade imbalances. The essence of this idea is that countries with trade surpluses would be obliged to recycle them in ways that sustain global economic demand and allow countries with trade deficits to restore balance.

Another option or objective should be the global benchmarking of social and environmental standards and their integration into world trade rules. There is nothing protectionist about insisting that social and environmental dumping is to be challenged.

These policies would form the basis for a global New Deal: a social and economic compact between the developed and developing worlds in which the rules of globalisation are structured to benefit all.

There is no doubt that the world is facing a crisis. However I stand in the optimistic side. To this end allow me please to conclude with some words from your own President Kennedy: *'When written in Chinese, the word 'crisis' is composed of two characters - one represents danger, and the other represents opportunity'*.

Thank you.