

## **Financial and productive globalization: a new governance required in the European Union**

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### **Situation**

The European Union is now facing major challenges which it has never known since 1957, date of birth of the Treaty of Rome and the EEC Six. The most important challenge is the one posed by the future of its productive structure (agricultural and industrial products and services) strongly constrained by the globalization of business and the role occupied by the American dollar, concerned by erratic fluctuations and strong, which is the main vehicular currency in international trade. If we add that international trade agreements must now respect the MFN clause, then there are now areas of free trade and customs union that no longer correspond to any regional preference and to any effective degree of trade integration true. Thus, before phasing in the euro from 1 January 1999, the European Union had lost its specificity of customs union or single market in relation to third country markets. With the Common external tariff average around 3% and an exchange rate of one dollar bearish, which fluctuates in a range between \$ 1.10 and \$ 1.50 against € 1, we see that the reality of the customs union is belied by the facts and that the economies of European states is fully inserted into globalization. With the creation of the euro zone, Europe joins again effectively with a process of economic integration. However, contrary to the wishes of Germany, monetary union has been very wide open (16 members present) and includes countries that are not sufficiently converged in economic criteria, the Maastricht criteria do not permit a sufficient convergence of real economies. The result is twofold: firstly, the sustainability of the euro area in its current shape remains uncertain and, secondly, the euro can not be used as an instrument of a proactive economic policy, both economic divergence structural is strong among European countries<sup>1</sup>.

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<sup>1</sup> A further remark: contrary to what common analysis of regional integration suggests, it is not sure whether the economy is the first ideal topic of the processes of regional integration because member states are facing rapidly enough to competitive effects which can inhibit or block deepening of such processes. Conversely, democracy, human rights and minority rights, public goods, culture, etc are areas that build more easily regional cohesion around common values and common aspirations.

## **Foreseeable effects**

**1 - The European trade integration is not a reality today because the European economy is diluted in globalization.** The customs union and the single market are forms of organization of economic cooperation dominated by the WTO rules.

### **2 - A threat to the sustainability of social protection systems**

The comparative advantage of international trade today is based more on differences in wage rates or social protection and less advantage of know-how. In the euro area, rising of fiscal deficits and balance of payments (with the notable exception of Germany for the balance of payments) is indicative of a problem in the sustainable capacity of economies to be successful in globalization. A problem of structural competitiveness arises in Greece, Spain, Portugal, Italy, France, etc. Their ability to finance public goods, including social, is diminished.

**3 - The economic and social differences increased between member states, especially between France and Germany (recurring phenomenon observed in the previous monetary experiments such as the Monetary Snake and the EMS)**

Globalization today has retroactive effects, sometimes negative, on national economies. Indeed, while emphasizing the interdependence of national economies, an undeniable factor of international peace, it induces an economic polarization generating serious discrepancies: firstly, between the developed and the emerging countries on one side and the excluded countries from globalization of the other (eg Africa) and secondly, between different social groups within the national spaces, in other words between those who participate in the process of globalization and those who remain aloof. These new fractures require governments to consider either a new global governance or a national or regional regulation (in this case at the European Union level) to prevent the erosion of constitutional states, resulting from any movements social or populist generated by the increase of poverty and exclusion.

The main risk in the future is the exit of monetary union on the part of a state whose economy could be seriously divergent because of difficulty of public finances and inadequate international economic performance.

## **Some suggestions of economic and social actions**

**1 - Europe will exist in the future only if it realizes a progressive federal construction.** We must therefore realize in priority the deepening economic integration based on an **enhanced cooperation** around an axis possible Franco-German with some Member States the most convergent and complementary in terms of economic structures. This would be the first draft of a European federal state which could institutionalize a Europe of variable geometry that in fact has long existed in practice

**2 - The Commission must accept that enlargement policy has reached its limits ((because of the insufficient economic and social cohesion of the new applicant countries) and it is ultimately an impediment to any policy of deepening integration.** A pragmatic scenario would be to use now the European Economic Area (EEA) as a receptacle for any significant cooperation with the European Union. The Balkan countries, Turkey and the countries of Eastern Europe, not members of the European Union (Ukraine, Moldova, Russia, etc) could adhere to it transiently. However, the Europe of 27 can also represent this receptacle, provided that one simultaneously building a federal Europe based on an enhanced cooperation.

**3 - The European Union must do more to address the worsening social problems in member states and do not let the treatment only to member states on behalf of subsidiarity.** In this context, we suggest already creating a tool joint (national / community) to give people permanently excluded from the job, **a cover basic minimum of needs (CBMN)** for food, housing, transport and health. Solidarity must be expressed in a sustainable manner in respect of those excluded from globalization in each Member States which are and will increasingly numerous. Otherwise, social tensions could become unbearable as to threaten civil peace. An awareness of the acuteness of this problem is urgent and necessary. In addition, further harmonization of the Schengen Agreement is necessary so that illegal immigration does not come hinder the construction of new social balance, intended to mitigate the negative effects of globalization.

**4 - Continue the current efforts to increase the qualifications of people, supporting education and research in the context of the Lisbon strategy.** Three areas could be more privileged:

- Training to productive processes that save non-renewable resources using a program public / private education and research (this would compensate the inevitable decline of economic activities that are intensive in non-renewable resources);

- Rehabilitation of manual skills, intensive in innovation and know-how;
- Creation of a European investment fund for young graduates wishing to start their own business.

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