

# **Europe's Cautious Globalization**

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A casual observer of European affairs could be forgiven for concluding that Europe is deeply opposed to globalization. Anti-globalization speeches by a range of politicians; the rise of far-right and far-left movements opposed to economic liberalism; large anti-globalization street protests during meetings of international organizations; and the occasional ransacking of symbols like McDonald's restaurants give the impression of a continent determined to resist the integration of global markets and cultures.

That impression, however, would be wrong, or at least highly misleading. Many Europeans do worry about the effects of globalization on jobs, economic equality, European culture, or Europe's independence vis à vis an increasingly powerful United States. But the prominent anti-globalization movement is actually a small, if vocal, minority. It consists, moreover, of an eclectic coalition of strange bedfellows, from laborers and trade unionists genuinely hurt by economic integration to middle class idealists worried about economic inequality, to well-off citizens resentful of the domination of American culture. Ironically, many of these activists are able to spend their time lobbying against globalization because they live in a European Union whose economy has benefited fantastically from globalization over the past 50 years.

The strong majority of Europeans, in fact, both among political leaders and in public opinion, accepts that on balance increasing global economic, political, and cultural exchange enriches both their country and their personal circumstances. What they want is not to stop globalization, but to find ways to harness it. They seek to take advantage of its unparalleled ability to generate prosperity and cultural diversity without undermining other values like job security and stability, economic equality, a strong social safety net and aspects of traditional European ways of life.

Europeans seek to manage globalization in a number of ways, but their primary tool in that effort is the maintenance and development of a strong European Union. Ironically, for years—especially in the 1980s—the EU was seen by many Europeans primarily as a *cause* of a form of globalization, forcing them to liberalize their economies and open their borders to foreign goods, services, and influences. By the 1990s, however, a single European market was widely accepted across the continent, and the EU increasingly became the tool with which Europeans shielded themselves from the downsides of global liberalization and integration.

The EU single market, regulated by institutions in which all member states have a say, allows its members to take advantage of many of the benefits of globalization on a more limited scale and among people with relatively similar social values and levels of economic development. The EU also allows Europeans to aggregate individual member-states' power to give the Union as a whole leverage in dealing with the United States and the rest of the world. This allows them a much greater ability to manage and regulate aspects of globalization such as the environment, food safety, financial transactions and even world politics than would otherwise be the case.

The core argument of this paper is thus that the EU is, and seen in Europe to be, an effective tool for managing globalization. In the next section I define what I mean by globalization and show that it actually has many different aspects—political, economic, cultural, and strategic. These are often related but they are nonetheless distinct and the differences must be kept in mind. In Section three I discuss why globalization poses particular challenges to Europe and why it is thus more difficult for Europeans to accept than for most Americans. Section four returns to the theme of the European Union as a

tool for managing globalization and shows how, through its trade, monetary, agricultural, and income distribution policies, it does so. Finally, in Section five I discuss the issue of political globalization, again showing how Europeans—though with less success than in the economic domain—have turned to the European Union to try to mitigate the strategic effects of an integrated world dominated by a sole superpower, the United States.

### **What is Globalization?**

Globalization means different things to different people, but it can best be understood as the increasing speed, ease, and extent with which goods, capital, services, technologies, people, cultures, information, ideas, and threats cross borders all around the world. It is economic and political interdependence on a worldwide scale.

Some have questioned whether there is really anything new about all of this. And they are right to point out both that the globe has been “shrinking” for centuries and that earlier periods—for example, from the 1880s to the 1910s—also saw great increases in international human and economic exchange.<sup>1</sup> But the acceleration of the phenomenon over the past two decades, and in particular since the early 1990s, has been undeniable, as are the differences with earlier such eras.

Economically, as a number of scholars have pointed out, trade and investment as shares of GDP may not be at much higher levels than they were at the end of the

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<sup>1</sup> See, for example, Kenneth N. Waltz, “Globalization and American Power,” *National Interest* 59 (Spring 2000), pp. 46-56; Michael D. Bordo, Barry Eichengreen, and Douglas A. Irwin, “Is Globalization Today Really Different from Globalization a Hundred Years Ago?” in Susan M. Collins and Robert Z. Lawrence, eds., *Brookings Trade Forum 1999* (Brookings 1999), pp. 1-72; and Ellen L. Frost, “Globalization and National Security: A Strategic Agenda,” in Richard L. Kugler and Ellen L. Frosts, eds., *The Global Century: Globalization and National Security* (Washington: National Defense University Press, 2001), pp. 35-74.

nineteenth century for certain countries. But clearly the degree, intensity, speed, volume, and geographic reach of economic globalization today far exceeds anything that has come before.<sup>2</sup> International trade flows now amount to nearly \$9 trillion per year, and annual foreign direct investment is about \$600 billion (down from over \$1 trillion in 2000 and 2001).<sup>3</sup> Global mergers and acquisitions over the past several years have averaged over \$700 billion annually, and there are now some 63,000 transnational companies with 690,000 foreign affiliates around the world.<sup>4</sup> In global currency markets, \$1.5 trillion moves around the world electronically every day. For many global companies with headquarters, sales offices, manufacturing plants strewn all around the world and whose workforces no longer have a dominant nationality, the very concept of being a national company simply no longer exists.<sup>5</sup>

Culture also is becoming globalized as never before. Satellite television (now widely available even in the developing world), low cost travel, the diminishing costs of air-freight and the rapid growth of the Internet all considerably diversify the global offerings of television, cinema, cuisine, art, and language. More than 3 million people per day now cross international borders, taking their local cultures, customs, and languages with them. The Internet is now available to more than 500 million people around the world, opening an immediate and low-cost window to news, culture, music,

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<sup>2</sup> See Thomas L. Friedman, *The Lexus and the Olive Tree: Understanding Globalization* (Farrar, Straus and Giroux, 1999), pp. xiii-xvi. For other comparisons among eras, see Dani Rodrik, "Has Globalization Gone too Far?" *California Management Review* 39 (Spring 1997), pp. 34-36; Jeffrey Frankel, "Globalization of the Economy," in Joseph S. Nye Jr. and John D. Donahue, eds., *Governance in a Globalizing World* (Brookings, 2000), pp. 45-50; John Micklethwait and Adrian Wooldridge, *A Future Perfect: The Challenge and Hidden Promise of Globalization* (Crown, 2000), pp. 3-25; and Bordo, Eichengreen, and Irwin, "Is Globalization Today Really Different from Globalization a Hundred Years Ago?"

<sup>3</sup> See International Monetary Fund, *World Economic Outlook 2003* (September 2003), table 22; and United Nations, *World Investment Report 2003*, Annex table B.2.

<sup>4</sup> See United Nations, *World Investment Report 2003*, Annex table B.7.

<sup>5</sup> For other statistical indicators of globalization, see John Micklethwait and Adrian Wooldridge, *A Future Perfect: the Challenge and Hidden Promise of Globalization* (New York: Crown, 2000), pp. xxi.

and information from all over the world.<sup>6</sup> Whatever the measure, it seems clear that the world is more tied together, and societies and economies are more open to foreign influences than ever before.

Finally, world politics and strategic affairs also are more globalized than ever. Terrorist networks like Al Qaeda operate in more than 60 countries, transfer weapons and money around the world, and coordinate attacks on a global level. Transnational criminal gangs are now multinational enterprises with production and distribution networks spread around the world. Similarly, weapons proliferation networks, such as the recently discovered A.Q. Khan nuclear ring, have brought together countries as geographically and politically diverse as Pakistan, Iran, North Korea, Malaysia, and Libya. Countries also have been inevitably brought together politically by global environmental issues such as climate change or the spread of diseases like AIDS that do not respect national borders and that require coordinated, global political responses.

Partly as a response to such growing transnational threats, the United States has invested massively and successfully in the ability to influence political decisions and use military force literally anywhere in the world. In 2001 and 2003, it used its military forces to overthrow governments in Central Asia (Afghanistan) and the Middle East (Iraq) and now finds itself leading coalitions of dozens of countries trying to stabilize those countries and others in the region. No military power in world history has ever had the ability the United States has today to intervene almost immediately in any region in the world without the assistance of allies or serious fears of a major counterattack.

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<sup>6</sup> On Internet availability, see World Bank, *2003 World Development Indicators*, table 5.1 The Information Age.

Much of this unprecedented globalization, as is often pointed out, is due to technological advances over the past few decades.<sup>7</sup> As a result, the costs of international shipping, transportation, travel, communication, and financial interaction have all fallen, in some cases dramatically. But it is important to remember that globalization also has been driven by changes in ideas, and therefore policies. As recently as 20 years ago, much of the world—the Soviet Union, Eastern Europe, China, India, Southeast Asia, Africa, the Middle East, and most of Latin America—was either largely cut off from the international economy or at least highly reluctant to open borders to trade, capital, and information flows. Even in Western Europe, not all governments were yet persuaded of the beneficial effects of free trade, capital, and investment flows. Today, however, while a range of views still exists on the best way to implement modern capitalism, mainstream thinking about international openness is dramatically different. Not only has the European Union completed its single market and ended all restrictions on capital flows (no longer opposed even by governments of the Left), but leaders of huge parts of the international economy—China, Southeast Asia, Latin America, Eastern Europe, and Russia—are now convinced that openness to trade and foreign investment are in the best interests of their countries. While there is no guarantee that this trend will go on forever—previous periods of economic openness, after all, have been reversed—there is no doubt that it has already progressed quite a long way, and few signs that it is running out of steam.

It also is important to keep in mind that the many distinct, if related, components of globalization are not all driven by the same forces or proceed (or recede) at the same pace. Robert Keohane and Joseph Nye have pointed out, for example, that economic

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<sup>7</sup> See, for example, Jeffrey Frankel, “Globalization of the Economy,” pp. 45-46.

globalization progressed between 1850 and 1914 but receded between 1914 and 1945, while many aspects of military and social globalization progressed between 1914 and 1945.<sup>8</sup> Similarly, the effects of the different strands of globalization can vary considerably. Economic globalization might force once-protected industries to compete or affect the relative return to labor or capital. Informational globalization (via the Internet, for example) might undermine the control of authoritarian governments. Military globalization (the growing ability to project force around the world) might enhance the global influence of the United States or it may open up the possibility of terrorism on a global scale. And environmental globalization might make populations more vulnerable to disease, pollution, or other environmental issues originating beyond their own borders.

Most people, of course, do not distinguish among these various elements and often think of globalization as a single phenomenon that cannot be accepted or rejected in part. Indeed, it was interesting to note that the massive anti-globalization protests of 2000-02—at IMF or EU meetings in Prague, Gotenberg, or Genoa, or at meetings of the World Economic Forum in Davos, for example—significantly diminished during 2003, when much of the anti-globalization movement focused instead on the U.S.-led war against Iraq. Presumably economic globalization was no less a “threat” in 2003 than it was the previous year, but in 2003 it was another, very different aspect of globalization—American power—that came to the fore. Many of the different strands of globalization are, in fact, related—American political and economic preeminence no doubt help spread U.S. culture for example. So we need to try to balance the need to disaggregate a

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<sup>8</sup> See Robert O. Keohane and Joseph S. Nye Jr., “Introduction,” in Nye and Donahue, *Governance in a Globalizing World*, p. 2.

complex phenomenon with the need to see globalization as a package of closely related developments that cannot be discussed in isolation from one another.

### **How Globalization Challenges Europe**

Europe is hardly the only region in the world where globalization has become a controversial political issue. Trade unions, political and human rights activists, environmentalists, and consumer groups all around the world have brought attention to the dangers of unchecked globalization—such as the undemocratic nature of the trade regime, the social failures of the free market, and the real risks of environmental degradation. From the United States to Japan, from Brazil to India, substantial sections of public opinion and key government leaders are now seriously questioning the effects of globalization and looking for ways to control it. In the current U.S. presidential campaign, leading Democrats are making much of the significant net loss of jobs under the Bush administration, and many are blaming globalization—free trade agreements like NAFTA and the “outsourcing” of jobs to other markets—as the cause of the problem.<sup>9</sup>

Yet if globalization is now an issue everywhere, it challenges Europe in particular ways, and arguably more than it challenges the United States. First, globalization is a greater challenge to Europe because of the greater role traditionally played by the state in most European countries. Economic globalization obliges the state to significantly relinquish that role and defer to the market. Europeans, of course, have significantly liberalized their economies over the past 20 years, but most of them remain much more state-centric than the U.S. In 2003, for example, state spending (total government

outlays) in the European Union averaged over 48% of GDP compared with only around 36% in the U.S. In several EU member states (Austria, Denmark, Finland, and France), state spending was more than 50% of GDP.<sup>10</sup> The percentage of European workers who are on the state payroll is only marginally greater than the percentage in the U.S. (17% to 15%), but for certain European countries—such as France—that percentage is significantly higher (25%), making economic liberalism that much more difficult to accept. State social expenditures in the EU average over 25% of (nearly 30% in Germany and France) compared with just 15% in the U.S.<sup>11</sup> The lack of labor mobility and labor market flexibility also contributes to the challenge—EU citizens are almost six times less likely than Americans to move from one region to another, and workers whose jobs are affected by trade are less likely to accept wage or benefit cuts in order to preserve those jobs.<sup>12</sup> When globalization requires economic adaptations, workers in Europe simply do not adjust as easily as they do in the United States. These factors all make it difficult for Europeans to accept that their economic, social, and cultural fate is controlled less and less by their national capitals—or even by Brussels, where at least they have a say—and more and more by the whims of the global market.

A second (and related) reason why globalization poses a particular challenge to Europe is that Europeans are generally more attached to equality and collective rights

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<sup>9</sup> See, for example, Charles Schumer and Paul Craig Roberts, “Second Thoughts on Free Trade,” *Washington Post*, January 6, 2004; and Jonathan Weisman, “Bush Adviser Assailed for Stance on ‘Offshoring’ Jobs” *Washington Post*, February 11, 2004.

<sup>10</sup> See OECD Table 26, “General government total outlays,” [www.oecd.org](http://www.oecd.org).

<sup>11</sup> OECD figures from 1998 (most recent available), [www.oecd.org](http://www.oecd.org), Programme: 90. Public Social Expenditure.

<sup>12</sup> In 1999, 1.2% of the EU population moved from one region to another, compared with 5.9% of the population that moved from one county to another in the United States. In 2000, only 0.1% of the EU population moved from one EU country to another. Also in 2000, only 16.4% of EU workers had been with their employer for less than a year, compared with 30% in the United States, and only 0.1% of the EU population moved from one EU country to another. See European Commission, Employment and European Social Fund, Employment and Social Affairs, [www.publications.eu.int](http://www.publications.eu.int).

than are most Americans. The United States, proud of its tradition of individualism and convinced that anyone given the opportunity can thrive as a “self-made” man or woman, is relatively more comfortable with the chaotic world of globalization. To be sure, Americans—especially in increasingly difficult economic times and after reports of outlandish pay packages for sometimes corrupt CEOs—also resent inequality at home. But many—especially on the conservative side of the political spectrum—also accept the combination of great successes and inequalities that globalization creates. As Robert Samuelson has written, “On the whole, Americans care less about inequality—the precise gap between the rich and the poor—than about opportunity and achievement: are people getting ahead?”<sup>13</sup> “Even after the Enron and other scandals,” Nathan Glazer adds, “most Americans remain apathetic about inequality: What we have today is outrage against those who do not play fair—not outrage over inequality as such.”<sup>14</sup> Perhaps this helps explain why Americans continue to support tax cuts whose benefits go mostly to the very rich, and why they tolerate CEO pay levels at top companies that are 531 times the average for typical hourly employees, compared with CEO/worker pay ratios of 25:1 in Britain, 19:1 in Italy, 16:1 in France, and only 11:1 in Germany.<sup>15</sup> Europeans, perhaps in reaction to: (1) living for centuries under highly unequal economic systems, (2) a much higher population density requiring more cooperation within communities, and (3) the generous welfare states they have come to rely on, are more skeptical.

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<sup>13</sup> See Robert J. Samuelson, “Indifferent to Inequality?” *Newsweek*, May 7, p. 45, 2001.

<sup>14</sup> See Nathan Glazer, “On Americans & Inequality,” *Daedalus* (Winter 2003), pp. 49-65. Glazer also cites polls showing that 71% of Americans, but only 40% of Europeans, believe that the poor have a chance to escape from poverty.

<sup>15</sup> On the CEO/worker pay differentials, see Eric Wahlgren, “Spreading the Yankee Way of Pay,” *Business Week*, April 18, 2001. On the support for the unequal tax cuts, see Larry M. Bartels, “Homer Gets a Tax Cut: Inequality and Public Policy in the American Mind,” Paper prepared for presentation at the Annual Meeting of the American Political Science Association, Philadelphia, PA, August 2003, available at

A third reason why globalization may be more difficult for Europe than for the United States is that it is often seen as a threat to local cultures—or at least to all cultures other than that of the United States. The issue of cultural threat is obviously greater for some countries—such as France—with long traditions of resentment of American cultural domination than in others. In Britain, language is not an issue, and many of the smaller countries long ago abandoned pretensions to playing a major global cultural role or creating a national cinema industry. Yet all across Europe there is at least a degree of resentment at the extent to which globalization leads to an invasion of American culture. In fact, in Europe many products of globalization—such as sushi, reality television, low-priced manufactured goods, and Mad Cow disease—have nothing to do with the United States. Still, because of the size of the U.S. economy and the country’s political presence all around the world, American practices, values, and products are present in the affairs of other countries as never before.

Finally, there is the issue of the way that political and strategic globalization challenges Europe’s ability to manage its own security in an increasingly interdependent and dangerous world. During the Cold War, most European countries more or less abandoned the notion of defending their security interests on their own. They turned to NATO under U.S. leadership to do so, and mostly were comfortable with American management of the Cold War and willingness to respect their particular interests as the leader of the alliance. Today, Europeans are not so certain. They know they are threatened by instability from the Middle East, terrorism, and the proliferation of weapons of mass destruction, but also that they remain highly dependent on the United

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[www.brookings.edu](http://www.brookings.edu). Bartels, however, argues that Americans support the tax cuts not because they are indifferent to inequality, but because they do not connect inequality and public policy.

States for dealing with these problems. And unlike during the Cold War, they are no longer certain that U.S. and European interests and worldviews are sufficiently congruent. Some Europeans worry as much about the consequences of America's global power as they do about the strategic threats that the United States claims to be using its power to confront.<sup>16</sup>

### **Using the European Union to Manage Globalization**

As noted earlier, the loud anti-globalization movement sometimes gives the impression that "Europe" opposes the process. In fact, however, both public opinion surveys and the actual policies of European governments strongly suggest that this is not the case.

Europeans welcome globalization and believe it can be good for their countries, their companies, and their families—so long as the process can be managed. And they believe that it can and should be managed by a strong European Union.

According to public opinion polls taken in October 2003, some 64% of Europeans said that they were "rather in favor" (51%) or "totally in favor" (13%) of globalization, with only 28% saying that they were "rather opposed" (20%) or "totally opposed" (8%).<sup>17</sup> Some 52% said that more globalization would be "more advantageous" for their families compared to 32% who said it would be "less advantageous." Fifty-six percent said

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<sup>16</sup> See, for example, the EU opinion poll in late 2003 that showed that Europeans considered the United States—along with Iran, North Korea, and Israel—to be among the greatest threats to world peace. See Richard Wolffe, "Diplomatic Diary: Not Just Name Calling," *Newsweek*, November 5, 2003.

<sup>17</sup> See European Commission, *Eurobarometer*, Flash Barometer 151b "Globalization" (polls taken October 2003), p. 15. In this survey, globalization was defined as "the general opening-up of all economies, which leads to the creation of a truly world-wide market." The strongest support for globalization (total in favor above 70%) was found in the Netherlands, Germany, and Ireland while the greatest opposition (total opposed above 40%) was in Greece and Austria. Greece was the only EU country showing a larger proportion of opponents than supporters, but even that difference was narrow 51% -47%.

globalization would be “a good opportunity” for businesses in their country, compared with 39% who said it would be a “threat to employment.”<sup>18</sup>

Europeans also seem to cautiously accept the liberalization that globalization entails. Indeed, a solid plurality of Europeans (41%) felt that their country’s economy was “suited to the development of the global economy,” and more felt that if anything their economy was “too closed” (31%) rather than “too open” (20%).<sup>19</sup> Only 26% of Europeans said the EU was “too liberal,” with some 65% saying that it was either “too protectionist” or “neither too protectionist nor too liberal.” Only in Germany and France did more than 30% say that the EU was too “liberal.”

It does seem clear, however, that Europeans oppose unbridled globalization and that they see the EU as a key tool for managing it. As EU Trade Commissioner Pascal Lamy has put it, the EU is “the only instrument for harnessing the forces of globalization to make it compatible with our model of society.”<sup>20</sup> A solid majority of Europeans (62%) believe globalization can be “effectively controlled and regulated” compared with just 35% who did not think so.<sup>21</sup> A large majority (73%) also believes that globalization needs more regulation, and 61% has confidence that the European Union will guarantee that globalization moves in the right direction, compared to 34% who do not have confidence in the EU.<sup>22</sup> Again, Lamy seems to speak for a majority when he argues that “global markets need global institutions to sustain and regulate them. We should reject

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<sup>18</sup> *Eurobarometer*, pp. 19, 24.

<sup>19</sup> See *Eurobarometer*, Globalization, p. 8.

<sup>20</sup> See Pascal Lamy, “The European Union: Between Globalization and Enlargement,” speech delivered at the Dialogue on Europe, Freie Universität Berlin, February 8, 2001 ([http://europa.eu.int/comm/trade/speeches\\_articles/spla46\\_en.htm](http://europa.eu.int/comm/trade/speeches_articles/spla46_en.htm))

<sup>21</sup> *Eurobarometer*, Globalization, p. 29.

<sup>22</sup> *Eurobarometer*, Globalization, p. 47.

the notion that unfettered market forces should dictate our way of life, our culture, and ultimately the nature of our society and our core values.”<sup>23</sup>

The record of the past 25 years certainly provides more evidence of an EU that is adapting to (while managing) rather than resisting globalization. As late as 1980 the major European economies were still highly regulated, capital movements were restricted, and hundreds of non-tariff barriers (physical barriers at borders, immigration controls, licensing requirements, health and safety regulations, and restrictions on trade in services) prevented true economic integration even within the EU. Other trade distorting measures included heavy state subsidies and obstacles to cross-border mergers and acquisitions. From 1981-83, the French government even experimented with a socialist economic experiment—a massive program of nationalizations and state-led growth that threatened economic integration within the EU and economic openness.

Since that period, however, Europe’s economies have liberalized extensively, and economic openness within Europe has progressed greatly. The “1992” program to complete the single European market did away with the nontariff barriers to trade and capital flows, and governments across the Union proceeded with the privatizations and elimination of trade barriers necessary to open their economies up to world trade. To be sure, much progress remained to be made, but by the early 1990s the EU was far more open to internal movements of goods, capital, services, and people than even a decade before.

In retrospect, the “Europeanization” of the 1980s was the prelude to the “globalization” of the 1990s. Even its opponents were the same—left wing socialists

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<sup>23</sup> Pascal Lamy, “Facing the Challenge of Globalisation: Regional Integration or Multilateral Rules,” Buenos Aires, March 1, 2002.

opposed to the workings of the free market and the inequalities it creates, environmental groups concerned about the effects of industrialization, and right-wing nationalists opposed to the erosion of national sovereignty. These groups all fought against the European integration process of the late 1980s and the Maastricht Treaty that, in 1991, consolidated that process. When they lost that debate, the anti-globalization activists turned their energy toward resisting globalization and its manifestations in the late 1990s—the World Trade Organization, the Multilateral Agreement on Investment, the World Economic Forum, and the spread of American culture. In other words, whereas in the 1980s the EU was mainly seen as a force behind globalization and liberalization, by the 1990s it had become a tool for managing those processes. As Denis Kessler, vice president of the French employers association, put it in 2000: “A few years ago, it was Europe that was being presented negatively by a large part of the French political elite: the euro was going to destroy jobs, and the loss of sovereignty would be terrible for the French economy. All of this was false. Today, we are looking for another devil—one who now has the face of globalization.”<sup>24</sup>

Europeans look to the European Union to protect them from this new devil in a number of different ways. First, by providing a large, single market, the EU allows its member states to take advantage of many of the benefits of globalization (specialization; free circulation of goods, services, money and people) on a more limited scale and among relatively like-minded countries at similar levels of economic development. Europeans find it easier to accept European integration than global integration because of the Europeans’ similar value systems and common commitment to generous social and

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<sup>24</sup> See Denis Kessler, “Les Français aiment le risque mais l’Etat les endort,” *L’Expansion*, February 17-March 1, 2000.

environmental provisions. Since most of the trade of individual EU member states takes place within the European Union, these provisions reassure Europeans that economic openness will mostly take place in a managed and regulated context. Europeans also count on the EU to protect them from the inequalities that globalization can create. The EU's generous provision of "structural funds" (30 billion euros of economic aid to regions whose GDP per capita is below 75% of the EU average) and a social safety net make the Union safer for globalization.

The EU also is a tool for aggregating the separate member states' strength to give them more leverage in international negotiations—whether on trade, the environment, food safety, international financial reform, foreign policy, cultural issues, or anything else. None of the individual member states could ever hope to stand up to the United States in any of these areas, but the EU—with a collective GDP and population on a par with or greater than those of the United States—has increasingly done so.<sup>25</sup> Trade Commissioner Lamy, for example, negotiates with U.S. Trade Representative Robert Zoellick as a genuine equal (in a way, for example, that neither EU External Affairs Commissioner Christopher Patten nor EU foreign policy chief Javier Solana do with U.S. Secretary of State Colin Powell.) The U.S.'s recent repeal of steel tariffs, its willingness to eliminate its foreign sales corporation tax scheme, and its agreement not to implement secondary sanctions on European companies that do business with Cuban, Iran, and Libya are all examples of how Europe's collective leverage can win concessions from the U.S. Indeed, Europe's ability to act as a single unit on trade questions was itself one of

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<sup>25</sup> See the discussion in Sophie Meunier, "What Single Voice? European Institutions and EU-U.S. Trade Negotiations," *International Organization*, vol. 54 (Winter 2000), p. 103. `

the factors that led the United States to agree to the creation of a World Trade Organization with a binding dispute mechanism.

The creation of the euro is another EU mechanism that has provided Europe some shelter from the vicissitudes of globalization, sheltering more than half of the trade of participating EU countries from intra-European currency fluctuations. Furthermore, if the euro proves to be a success, it may one day allow Europeans to invoice energy imports in their own currency (instead of in dollars) and become a reserve currency rivaling the dollar.

Finally, Europeans turn to the EU to regulate certain sectors of their economies or societies—such as agriculture or culture—that would be dramatically transformed by unregulated globalization. With the EU's Common Agricultural Policy (CAP), for example, globalization would mean the destruction of much of European farming, especially small farms. From the standpoint of global efficiency and production, that would be a good thing. But Europeans (and not, according to opinion polls, only the farmers themselves) apparently would rather pay a significant price—including in the form of higher food prices—in order to maintain this aspect of their traditional culture and way of life. The EU will eventually have to cut back on its agricultural protection, and it is gradually doing so already. But Europeans expect the EU to be able to manage that process in a way that does not cause the pain they would expect from living in an entirely unregulated world.

In all of these areas, mostly concerning the economic and social aspects of globalization, the EU is seen as—and arguably is—a hugely important tool for promoting globalization while managing some of its potentially negative effects. The EU also can

be a tool for managing political and strategic globalization. But in that area, as seen below, it still has a long way to go.

### **The EU as a Strategic Tool**

Growing global political and strategic interdependence challenges Europe as much as global economic interdependence does. As the EU itself notes in its recently published European security strategy, “the post Cold War environment is one of increasingly open borders in which the internal and external aspects are indissolubly linked. [...] These developments have...increased European dependence—and so vulnerability—on an interconnected infrastructure in transport, energy, information and other fields. [...] In an era of globalization, distant threats may be as much a concern as those that are near at hand. Nuclear activities in North Korea, nuclear risks in South Asia, and proliferation in the Middle East are all of concern to Europe.”<sup>26</sup> The document goes on to define the “key threats” Europe faces as terrorism, weapons proliferation, regional conflicts, state failure, and organized crime—all of which are global in nature, with little respect for national frontiers. As a result, the strategy concludes, “as a union of 25 states with over 450 million people...and with a wide range of instruments at its disposal, the European Union is inevitably a global player. [...] Europe should be ready to share in the responsibility for global security and in building a better world.”<sup>27</sup>

European attempts to coordinate their foreign and military policies, of course, go back many decades. Indeed, from the very beginning, the process of European integration was designed not only to help to prevent yet another intra-European war or to

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<sup>26</sup> See European Union, *European Security Strategy: A Secure Europe for a Better World* (Brussels: December 2003).

enhance economic performance, but also to give the eclipsed nation-states of Western Europe more of a voice on the world stage and the means to stand up to the two superpowers. The end of the Cold War in 1989 gave a further boost to such efforts, as fears grew that the United States would turn inward to deal with its own economic problems, leaving Europeans to deal with security challenges on their own. The 1991 Maastricht Treaty created a “common foreign and security policy” and expressed the aspiration one day to have a common European defense, but that agreement papered over many differences among the key European players, particularly on the issue of how the EU should relate to the United States in foreign affairs.

After initial optimism that the Europeans could be both united and effective in strategic affairs—as the Luxembourg Foreign Minister famously announced in 1991 that the “hour of Europe” had arrived—the crises in the Balkans showed that Europe was in fact still highly dependent on the U.S. Internal European divisions prevented effective action. It was only after the U.S. finally decided to become engaged, leading a NATO military intervention in Bosnia in 1995, that the Europeans were able to overcome their own internal differences and work effectively in the Balkans. The following year, when Greece and Turkey almost went to war over an islet in the eastern Mediterranean, Washington again had to take the lead in crisis resolution. U.S. Assistant Secretary of State Richard Holbrooke complained that Europeans were “literally sleeping through the night” as the Americans mediated between the two sides. Holbrooke’s comments were unfair, but the incident symbolized the degree to which Europe remained dependent on the United States years after the Soviet threat had disappeared. The message for many Europeans was that only a more concerted effort to harmonize their foreign and defense

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<sup>27</sup> EU, *European Security Strategy*, p. 4.

policies could help ensure their security and provide a modicum of autonomy from the United States.

In December 1998, at a bilateral summit in Saint Malo, France, London, and Paris joined forces behind an initiative to endow the EU with autonomous military forces. Blair had been appalled at Europe's lack of unity and lack of capability in facing the mounting Kosovo crisis that year and he wanted to give the EU options in cases when the United States or NATO chose not to be engaged. The Saint Malo proposals quickly won the support of other Europeans and at the Helsinki summit the following year EU leaders agreed to create an EU rapid reaction force that would be capable of deploying 60,000 troops within 60 days and sustaining them for up to a year.<sup>28</sup> More than four years later, however, efforts to build this deployment capability are still lagging, as Europeans have proved unwilling to increase military budgets in a difficult economic climate.

The arrival of the Bush administration made Europeans even more determined to build up their capacity for collective and unified global action. Bush's response to global strategic challenges was for the U.S. to lead decisively, unencumbered by international institutions and alliances. Thus, during his first year in office, Bush repealed, unsigned, or refused to support a number of international agreements designed to manage various transnational issues including: the International Criminal Court, the Kyoto Protocol on Climate Change, the Anti-Ballistic Missile Treaty, the verification mechanism of the Biological Weapons Convention, and the Comprehensive Nuclear Test Ban Treaty. The message to Europe, again, was as long as America was powerful and united and Europe was not, it would have little influence over international affairs. On trade, a powerful EU

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<sup>28</sup> For background, see Gilles Andréani, Christoph Bertram and Charles Grant, *Europe's Military Revolution* (London: Centre for European Reform, March 2001).

Commissioner representing a united EU could oblige the U.S. to take its interests into account; on strategic affairs, Washington could act almost as if European views did not exist.

The September 11<sup>th</sup> terrorist attacks also reminded Europeans how vulnerable they, along with the U.S., now were to transnational terrorist threats. Even the most powerful country in the world could be struck a devastating blow, and Europeans knew that even if they might not be the number one target they could easily be subject to attack as well. The anthrax attacks on the east coast of the U.S. in the month following 9/11—which killed five people and nearly shut down the U.S. Postal Service—also were a sharp reminder of the dangers of the spread of weapons of mass destruction. It left no doubt that if members of a global terrorist network like al Qaeda got its hands on anthrax—or something worse—they would be prepared to use it. Moreover, the use of the extensive al Qaeda network in Germany by some of the 9/11 hijackers, the discovery in a London apartment of the poison ricin (known to be of interest to terrorists as a possible weapon of mass destruction), the London-based “shoe-bomber” Richard Ried who tried to blow up an airplane on its way from Europe to the U.S., thwarted terrorist plots to blow up buildings in Rome, and the recent threats to airliners scheduled to fly from Paris to Washington also are reminders that transnational terrorism and weapons proliferation are hardly issues for the U.S. alone.

As a response to such threats, Europeans have sought to strengthen the EU as a tool for improving common security. Since 9/11, the EU: adopted a common search and arrest warrant so that police forces in one Member State need not wait for lengthy extradition procedures to pursue suspected criminals or terrorists elsewhere in the EU;

improved intelligence cooperation; expanded the ability of “Europol,” the EU police agency, to demand instantaneous information from EU Member States and to coordinate arrests; and passed directives giving the Commission greater ability to freeze terrorist assets and control money laundering. The EU also is considering the use of more majority voting to better coordinate immigration policies and other aspects of Justice and Home affairs. But as on defense, many national obstacles to greater integration remain, and internal counter-terrorist cooperation has a long way to go.<sup>29</sup>

The European Constitutional Convention that met during 2003 to draft a new EU Constitution also made considerable efforts to strengthen the EU’s common foreign and security policy and to give the Union a greater voice in managing global affairs. The Convention proposed the creation of a new post of EU “President,” someone who could replace the old system of a rotating presidency with more continuity but also have the stature to meet as more of an equal with the President of the United States and other world leaders. The new plan also would create an EU “foreign minister,” who would take on the responsibilities currently divided between EU foreign affairs representative Solana and External Affairs Commissioner Patten. If and when the new constitution is approved—as of spring 2004 it was still being blocked by a dispute over voting weights within the Council (only the latest example of national resistance to turning over more power to a centralized EU)—these measures should provide at least a modest improvement in the EU’s ability to make and articulate a unified foreign policy. Other recent agreements—for a common EU armaments agency, an operational planning cell

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<sup>29</sup> See Heather Grabbe, *The Impact of September 11<sup>th</sup> 2001 on Justice and Home Affairs in the European Union* (Warsaw: Institute of Public Affairs, 2004).

for EU military operations, and a common defense clause for the EU—also should help foster solidarity and promote more effective EU defense and security policies.

But even after these changes, the establishment of the EU as a decisive and capable global actor is still a long way off. Indeed, the 2003 Iraq war and its difficult aftermath have shown how far Europe is from having a common policy to deal with global security threats. In fact, European views on the war were quite similar across the continent—the vast majority of European public and elite opinion preferred deterrence and containment to regime change by military force, and they wanted to see the UN Security Council play a key role. The difference, however, was that certain European governments—France, Germany, Belgium, and Luxembourg—chose to stand up to the United States on the issue, whereas most others did not believe the Iraq issue was worth a crisis with the United States. The result was a deeply divided EU throughout 2002-03. France, Germany, Belgium, and Luxembourg refused to support the war (and even to approve defense planning for a NATO member, Turkey, in case of war), although the other EU and NATO members backed the United States, many even sending troops to Iraq.

Iraq was no doubt a particularly difficult case, and the intra-European divisions it produced should not obscure the significant progress the EU has made even in the area of foreign policy. European interests and solidarity have converged over the years, and the EU is gradually becoming a global player better able to meet a wide range of transnational threats. Even though it is furthest behind, the military arena is making progress—the EU *as the EU* conducted military operations last year in the Democratic Republic of Congo and Macedonia and it is about to take over from NATO in Bosnia.

National European forces, meanwhile, are operating in Afghanistan, Iraq, Haiti, Africa, and elsewhere around the globe. Although the EU still lags behind the U.S. in handling the political and strategic aspects of globalization, progress is being made.

## **Conclusion**

Many Europeans will, no doubt, continue to rail and protest against globalization—and sometimes for good reason. Growing international interdependence does challenge many basic aspects of traditional European political and economic systems, it threatens aspects of national European cultures, and it leaves Europe vulnerable to new and unprecedented threats. But globalization also brings many great benefits, including prosperity, development, and cultural diversity. Much of it, in any case is inevitable. In the EU, Europeans have found a tool to help them manage these processes, taking advantage of their many benefits while protecting EU citizens from some of globalization's less positive effects. Although the EU remains an imperfect tool for managing globalization, it is nonetheless an indispensable one.

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