

Europe and Globalization

Alfredo Rocafort Nicolau

Doctor Honoris Causa
Staffordshire University

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To my wife Francisca and my daughters Andrea and Alba

Staffordshire University, United Kingdom

Staffordshire University is a public university which has evolved into one of the country's most dynamic, progressive and forward-thinking learning institutions. Always quick to adapt as student requirements change, we have become renowned for our groundbreaking new courses and first-class learning opportunities. Staffordshire University has a long and proud history of providing high quality, progressive and inclusive higher education for people from across Staffordshire, the UK and the rest of the world.

Staffordshire University is a higher education corporation under the provisions of the Education Reform Act 1988. In exercise of the powers conferred upon it by section 125 of this Act the Board of Governors has made Articles of Government in accordance with which the University shall be conducted. These Articles together with an Instrument of Government in regard to the operation of the Board were approved by the Board of Governors at its meeting held on 24 June 1992 and by the Privy Council on 5 March 1993.

The University is led by its Vice-Chancellor, Professor Christine King. Overall management of the University is the responsibility of the University Executive, which comprises the Vice-Chancellor, Deputy Vice-Chancellor, University Secretary, Finance Director, Director of Human Resources and Executive Pro Vice-Chancellor. The Executive Team are also responsible for corporate strategy and operational policy decisions.

The honorary position of Chancellor of Staffordshire University was created when the institution was awarded university status in 1992. The first Chancellor was Lord Ashley of Stoke, former MP for Stoke-on-Trent South. Lord Bill Morris of Handsworth has been Chancellor since 2002 following Lord Ashley's retirement from office. Lord Morris is supported in his honorary duties by three Pro Chancellors: Michael Wood, Dame Tanni Grey-Thompson and Dr Paramjit Singh.

The University has a Board of Governors, the responsibilities of which are set out in the Instrument of Government. In summary, the Board is responsible for overseeing the strategic development of the University and for the effective and efficient use of resources.

General issues relating to the research, scholarship, teaching and courses at the University, including criteria for the admission of students, are the responsibility of Academic Board. It acts in an advisory capacity on such academic matters that may be referred to, or by, the Board of Governors.

The academic structure of the University is based around the following Faculties:

- Faculty of Arts, Media And Design
- Faculty of Business and Law
- Faculty of Computing, Engineering And Technology
- Faculty of Health
- Faculty of Sciences

There are also a full range of Services designed to complement and enhance the work of the Faculties and provide in depth support for students and staff.

Research and Scholarship are fundamental to the work of the University and operates through a series of Institutes and Centres focused on individual Faculties and drawn together by the work of the Research and Enterprise officer.

We are known for our fresh approach to learning, the application of research, the transfer of knowledge and the promotion of creativity and enterprise. Some of our many recent successes in these areas include our

- National leadership in delivering government-backed, fast-track, two year degrees.
- Investment in sector-leading facilities, including a fully equipped television studio in Stafford and a media centre with a working broadcast newsroom in Stoke-on-Trent.
- Future-facing new courses, including computer games design, music technology, animation, forensic accounting and motorsport technology.
- Creation of a fast growing graduate enterprise community based in Business Villages in Stoke, Stafford and Lichfield.
- Applied research which has led to the development of new products in markets as diverse as medical technology and recycling.

Our students come from all backgrounds, ranging from undergraduates to doctoral researchers, from learners looking for exciting new opportunities to professionals updating their skills for work.

Our pride is our students – the real measure of our success. Studying here requires commitment and hard work, but the result is well worth the effort.





**Professor Alfredo Rocafort Nicolau,
Honorary Doctor of Staffordshire University**

Mercantile Expert and Auditor by the School of High Mercantile Studies of Barcelona. Graduate and Doctor in Economic and Business Sciences (1986 and 1990) by the Faculty of Economic and Business Sciences of the University of Barcelona, Graduated in Law (1992) by the Faculty of Law of the same University.

Numerary Academic of the Royal Academy of Economic and Business Sciences (1999). Secretary and President of Entrance Commission of the Royal Academy of Economic and Business Sciences from 1999 to the present. He is also Numerary Academic of the Royal Academy of Doctors (2006) and Doctor Honoris Causa of the Autonomous University of Coahuila, Mexico (2009).

He began as a Professor at the University School of Business Management at the University of Barcelona (1983), Associated Professor (1986), Professor of the University School of Business Management (1992) and Professor of the University of Barcelona, Financial Economics and Accountancy Professor.

He is the Director of diverse Masters and Postgraduate Studies related with the entrepreneurial and economic sphere. He was Dean of the Superior Institute of Accountancy Experts at the Business Management School of Barcelona (1988-1994).

Guest Professor at the University Pompeu Fabra in Barcelona and at the University Rovira i Virgili in Reus to teach PhD courses and seminars about the New Tendencies in Accountancy Management.

He has been in charge of diverse Education Management positions: Secretary (1992-1995), Vice Director (1995-1997) and Director (1997-2004) at the Business Management School, University of Barcelona.

Founder and Editor of the magazine "Management and Enterprise, edited by the University of Barcelona. Member of the first and second Directive Board of the Spanish Association of University Accountancy Professors.

Vice-President of the Catalan Association of Accountancy and Direction (ACCID) since its creation in October 2002 which associates the majority

of the Accountancy Professors from Catalan Universities. ESERP Business School Honorary President. Honorary President of the European Superior Council of Doctors (2009). Honorary President of the Public Relations and Business Management Institute.

Among the different awards, it is important to recall the Pedro Prat Gabbí Prize because of his scientific contribution “The Spanish Company and its adaptation process to the EEC Accountancy Regulations. Essays and notes for the reform of Accountancy Law”, implemented in business management. Silver Medal from the Business Management School of Barcelona (1987). Honorary Prize from the Spanish Association of University Accountancy Professors – ASEPUC (1996) and as Member of its Board of Directors (2003). Honorary Award “Noces d’Argent” from the High College of Auditors and Business Management Experts (1998). Honorary Award celebrating 25 years dedicated to the scientific area of Accountancy at the College of Auditors of Catalonia (2001). Honorary Degree awarded by the Superior School of Business Management, Marketing and Public Relations – ESERP (2004). Honorary Award by the European Superior Council of Doctors (2004).

He is author of more than twenty books, related to Accountancy and Business Management. He is author of diverse articles about entrepreneurship and is Professor of seminars and conferences at both business and professional forums and meetings.



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Europe and Globalization

Introduction

In my country, during the last century and also at the present time, the idea that Spain was the problem and Europe the solution has reigned. As I witness the failure of all European countries when faced with the financial crisis I believe that we can apply this idea to all Europeans. Europe has also failed, because it neither had nor yet has the necessary means at its disposal to successfully face all of the problems which the financial crisis has brought with success and, in general, an unregulated and uncontrolled globalization. A greater union between Europeans is necessary, that the European Union is more of a Union. If we open our eyes we can see where the path which humanity is taking leads.

Europe learnt the lesson given by the two World Wars and with the Schuman Declaration and the Treaties of Rome the foundations were placed for a *Pax Europea* and the age of the greatest economic and social prosperity in its history. This business of European unification cannot remain unfinished.

Globalization is an exceptional occasion to move all countries of the world closer together. We live in a global village and, whether we want it or not, we share the same problems and the same advances, but we need some basic rules which govern our coexistence. The lack of these rules has left an open door for mafia and organised crime. The law cannot be supplanted by the interests and powers of multinationals or financial circles either. The problems of unemployment, which according to a report by the United Nations has increased to 211 million people, the problems of hunger, of health and of education which the world suffers will not be solved if joint measures are not taken at a worldwide level. A country cannot prosper at the expense of the poverty of another.

The European Union, which has been the pioneer of globalization, the first in the opening of borders between countries and citizens, should continue on the way started more than fifty years ago, but this progress should

be made on solid foundations, on a more active involvement of citizens and not only through decisions of politicians. For this, education towards solidarity between European citizens is necessary which should be compatible with solidarity with citizens all over the world, above all with citizens from poorer countries.

For this a European conscience must also be developed. Beginning from the first years at school children should be taught of the important events in European history, not of the wars which separate us but those things which unite us. It is also necessary that in addition to their own language or languages, European citizens can communicate with each other in a common language and this language, coming from a Spaniard, should be English. I believe that we all, even the British, must renounce our nationalism a little and move a step towards mutual comprehension.

Much more important than the nation, that legal body on the way to extinction, are the people and, regarding people, we are all equal. We are equal but education, policies, interests and languages have made us different. What should be bridges have in fact become barriers in many cases.

Globalization is the greatest challenge which present day society is facing. It is a reality on which we should reflect if we wish to channel it in an appropriate way, in order that it is not converted into an unsolvable problem.

This analysis is an attempt to channel the present financial crisis within globalization and to search for universal rules which regulate both phenomena: globalization and international financial disorder. Since it deals with a world wide phenomenon, it requires world wide regulation. The European States, through the European Union, are theoretically better prepared than other countries to face this challenge, but the reality is quite different. The European Union advances too slowly, it moves at a slower speed than society itself and it is missing the boat of globalization.

I have divided my work into seven chapters. In the first I analyse the phenomenon of globalization, its definition, its repercussions in the industrialised world, in emerging countries and in developing countries, the op-

portunities of globalization and its risks and also its relationships with outsourcing relocation and the financial crisis.

In the second chapter I focus on globalization in Europe, with its special characteristics as a unifying movement, its beginnings with the Schuman Declaration and the Treaties on the European Communities, presently the European Union, its evolution as new countries have been integrated into the European Union, the creation of an interior market, of the Schengen area and the single monetary unit. The second stage of this European unifying movement is still unresolved. The 25 million people left dead by the Second World War are now 25 million people without work, who live in constant distress with their families. I reflect on this second unresolved unifying stage in the third chapter.

The failure of economic and financial relations caused by the crisis has created protest that globalization of trade and finances requires regulation mechanisms on a global scale. The lack of international regulations in any of the areas of finance, trade or labour produces serious imbalances which usually prejudice the weakest sectors, the small and medium companies and the workers. This is the subject of chapter 4.

Due to its intimate relationship with globalization I will study the phenomenon of relocation in chapter 5 as a part or a result of globalization, without outsourcing being considered as an automatic consequence of globalization since other factors also play a part in relocation.

Globalization can have positive effects, but these effects are not equally distributed amongst all social groups nor among all countries nor are all countries automatically favoured by globalization. There are many people who see their own security and that of their family threatened and who have lost or may lose their place of work at any moment. An ever increasing concern exists about the evolution of the world economy, which threatens the rich as much as the poor. Globalization has created enormous fortunes, but it has also created a lot of poverty, exclusion and inequality. This is the subject of chapter 6.

And, finally, in chapter 7 we formulate the question of how we can face globalization, above all as Europeans. And the answer is more Europe,

more solidarity, more and better quality training and promotion of the conscience of European citizenship. To be specific, more than an economic union, a political union, the European citizen must begin to occupy the place which they should have always occupied in the European Union: the centre and the focal point of policies and politics.

1. Globalization at present

At a time of pessimism in which almost all the countries of the world have been negatively affected by a financial crisis which has left millions of workers unemployed and is affecting the foundations of a social Europe, speaking of globalization is almost impudent, a risk. I do not know if the studies and polls carried out on the economic and financial crisis and on globalization a year ago can be applied to the present situation. I very much doubt it. But, what I am sure of is that previous studies are hardly suitable for us.

Some defenders of globalization are reducing their optimism, bearing in mind the magnitude which the present financial and economic crisis is attaining. Those who oppose globalization because they see in it a kind of new colonialism by rich countries on poor countries and also due to a factor of unemployment and precarious salaries in industrialised countries are not few. On the other hand, those who are in favour of the globalising dynamic understand that it deals with a process destined to solve those same problems and to save many more places of work. The opinions are polarized following political or geographical criteria.

None the less we must have inner calm to be able to judge the objectivity of the phenomenon of globalization, because there is a lot at stake. We must stop to think for a moment of what relation may exist between the world financial crisis and globalization. The financial crisis will be overcome, but will we not continue to be faced with the problem of globalization?

There are many questions that we can ask on the matter of globalization. Can we give an unconditional “yes” to globalization? What advantages has globalization yielded to Europe? What attitude have the European Union and the Member States taken on globalization? What has Europe done well and where has it failed? Who has globalization benefited?

We must firstly ask ourselves what we understand by globalization and what the characteristics of globalization are.

The profound changes that society has undergone in recent history: family environment, work, business, international interdependence, massive mi-

grations, power of the financial world, the fall of communism and the Berlin wall, communication through the internet, as well as the global financial crisis and the structural crisis in some countries, such as mine. All of this is related to the phenomenon which we call globalization.

Globalization is the logical consequence of the disappearance of the barriers of international borders in international economic transactions and the vertiginous development of new technologies. Globalization spans several varied fields: economic and financial (free movement of goods and of capital), political (relations between various states, as much individually between each state as multilaterally through international organisations: The World Trade Organisation, The World Bank, The International Labour Organisation), cultural (tourism, sport, international congresses and meetings) and technological (the Internet, e-mail).

In particular, the viability of the European social model is seen as being at risk due to globalization. For example, the May 2006 Eurobarometer survey on the Future of Europe (European Commission, 2006) shows that a growing number of European citizens perceive globalization as a threat to employment and social conditions. Asked about the increasing globalization of the economy, 47% of interviewees considered that globalization was primarily a threat to employment and companies in their country, compared with only 37% who saw it as a good opportunity for firms in their country. Moreover, the latter proportion had fallen by 19 percentage points since October 2003, when 56% of Europeans had viewed globalization as “a good opportunity”. Only 11 of the (then) 25 member states in the May 2006 survey saw globalization above all as an opportunity for national companies. Danish citizens (77%) and Swedish citizens (54%) were the most positive in their assessment of the consequences of globalization. On the other hand, the vast majority of French (72%), Greek (also 72%) and Belgian (64%) citizens seemed to be among the most worried about globalization¹.

It is true that there was an earlier wave of globalization associated with the 19th century industrial revolution that swept through Europe and extend-

1. Report of the Commission “Is Social Europe Fit for Globalization?”, March 2008.

ed to the USA. At the end of the 19th century, the volume of global trade relative to output was roughly the same as it is today. But today, the world is integrating in a novel way.

The Federal Reserve Board Chairman Ben Bernanke (2006) recently pointed out four defining features of the new developments. **First**, is the matter of their sheer volume: the global market has expanded to an unprecedented scale, with more countries than ever actively integrated in global markets. **Second**, is the observed weakening of the traditional core–periphery effects. In the past, the core provided manufactured goods to the periphery in exchange for raw materials. Today, however, the emerging markets account for a large and growing share of world manufacturing capacity and, as China’s burgeoning demand for raw materials shows, a significant determinant of commodity prices. Even more strikingly, the flow of capital has become bi-directional. Whereas in the 19th century, Britain exported financial capital to the periphery, the largest economy of today, the US, runs a current account deficit substantially financed by emerging-economy nations. **Third**, the current geographical fragmentation of production processes has no precedent. **Fourth**, the capital markets are much more developed and sophisticated today than at any time during the past expansions of trade and capital flows. Gross flows of capital are much larger than in the past, and they take many more forms. In particular, the flows of foreign direct investment are much larger relative to output than at any time before. Finance is arguably the area in which the world has been transformed into something very close to an idealised global market².

*“Globalization has set in motion a process of far-reaching change that is affecting everyone. New technology, supported by more open policies, has created a world more interconnected than ever before. This spans not only growing interdependence in economic relations – trade, investment, finance and the organization of production globally – but also social and political interaction among organizations and individuals across the world”.*³

2. Speech of Chairman Ben S. Bernanke at the Federal Reserve Bank of Kansas City, 25.8.2006.

3. A fair globalization creating opportunities for all, February 2004, ILO publications.

With digitisation and the development of communication technologies, the transaction costs of moving money are practically zero. Today, a foreign-exchange dealer in a bank somewhere in Europe follows the movements of currencies in Asia just as closely as those in his or her own country, and interacts continually with counterparts across the globe. Momentous changes in the global organisation of finance and the deepening international division of labour raise questions about their societal implications.

International organisations have responded by organising large-scale research projects. The OECD came up with a programme on “Empowering People to Meet the Challenges of Globalisation”⁴. The International Labour Organisation established the World Commission on Globalisation, which gave its report in 2004:

“We believe the dominant perspective on globalization must shift more from a narrow preoccupation with markets to a broader preoccupation with people. Globalization must be brought from the high pedestal of corporate board rooms and cabinet meetings to meet the needs of people in the communities in which they live. The social dimension of globalization is about jobs, health and education – but it goes far beyond these. It is the dimension of globalization which people experience in their daily life and work: the totality of their aspirations for democratic participation and material prosperity. A better globalization is the key to a better and secure life for people everywhere in the 21st century”⁵.

The World Bank published, for example, *Poverty in an Age of Globalisation* (2000) and more recently, *Managing the Next Wave of Globalization* (2006). Apart from statistical monitoring and impact studies, another layer of literature explores the characteristics of globalization. This layer is the analytical literature that tries to categorise the phenomena entailed in the global socio-economic processes, looks for drivers of changes and interprets these social and economic processes in terms of larger frameworks of values, preferences and desirable outcomes.

4. CD/DOC (2001) 18 – OECD.

5. A fair globalization creating opportunities for all, February 2004, ILO publications.

In 1962, Marshall McLuhan first brought out the term 'global' as something denoting a tectonic shift in social relations into the public domain in his book, *The Gutenberg Galaxy*⁶. The term was more cultural in content than anything else. The concept of a 'global village' describes broadly changing patterns in human perceptions of time and space. Indeed, by now communication technologies and commercial developments have created a certain global, common cultural code.

Globalization has progressively come to be referred to in connection with economic challenges, however. References are often negative, as when newspaper headlines describe anti-globalist protesters spoiling international gatherings⁷ or the anti-globalization feelings that ran against the European Constitution⁸. Globalization in this sense denotes the processes of pressure on labour markets to become more flexible and wages to adjust to the rate dictated by the global market. Producers compete not just with other producers in the same country or region, but more and more with almost anyone across the globe, as new technology makes transportation much less of a cost and communication much easier.

The European Economic and Social Committee, in its report of 14th July 2005, "Scope and Effects of company relocations"⁹ sends us to the definition of the word "globalization", referred to in number 2,859 of the French magazine *Problèmes économiques*, September 2004.

"It is the evolution of an international economy, in which politically autonomous nations organize their national economic space and carry out economic exchanges of greater or lesser magnitude to a global economy which is not tied to national rules"

Globalization describes a process by which regional economies, societies, and cultures have become integrated through a globe-spanning network of

6. University of Toronto Press, 1962.

7. David Held and others, *Globalization/anti-globalization: beyond the great divide*. Polity, Cambridge. 2007, ISBN 0745639119; *Globalization theory: approaches and controversies*, 2007. Polity, Cambridge. ISBN 0745632114; Paul Hirst and other, *Globalization in question*.

8. Anthony Giddens, *Run away world: How globalization is reshaping our lives*, New York, Ruetledge, 2000,

9. D O C 294, de 25.11.2005, p. 45.

communication and trade. The term is sometimes used to refer specifically to economic globalization: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology. However, globalization is usually recognized as being driven by a combination of economic, technological, sociocultural, political, and biological factors. The term can also refer to the transnational circulation of ideas, languages, or popular culture through acculturation.

2. Europe: the pioneer of globalization

The process of European globalization has various special characteristics. It is a voluntary process, forced neither by war nor the necessity of subsistence, a process which historically moves forward this universal movement of the opening of borders and, at the same time, is much more than a globalising movement. It is a unifying movement.

Present day Europe, the Europe of the 21st century, has emerged from a devastating panorama. The Second World War had left 25 million dead and many millions more condemned to exile, hunger, illness and destitution...

The foresight of select privileged minds, such as Jean Monnet, Robert Schumann, Konrad Adenauer and De Gasperi, coincided at that time with the wish of the people anxious to finally put an end to the eternal rivalry between the French and Germans. In this way the first bases of a unifying process which has lasted up to the present day and which should remain alive during the next generations were created. The European heavy industry sector, co-responsible for so much death and misfortune in Europe, could not continue the confrontation any longer and had to put itself to the service of peace under a common authority.

"Ladies and Gentlemen, It is no longer a question of vain words, but of a bold act, a constructive act. France has acted and the consequences of its actions can be immense. We hope they will be. France has acted primarily for peace and to give peace a real chance. For this it is necessary that Europe should exist. Five years, almost to the day, of the unconditional surrender of Germany, France is accomplishing the first decisive act for European construction and is associating Germany with this. Conditions in Europe are going to be entirely changed because of it. This transformation will facilitate other action which has been impossible until this day. Europe will be born from this, a Europe which is solidly united and constructed around a strong framework. It will be a Europe where the standard of living will rise by grouping together production and expanding markets, thus encouraging the lowering of prices. In this Europe the Ruhr, the Saar and the French industrial basins will work together for common goals and their progress will be followed by observers from the United

Nations. All Europeans without distinction, whether from east or west, and all the overseas territories, especially Africa, which awaits development and prosperity from this old continent, will gain benefits from their labour of peace. ¹⁰.

“With this aim in view, the French Government proposes that action be taken immediately on one limited but decisive point :

It proposes that Franco-German production of coal and steel as a whole be placed under a common High Authority, within the framework of an organisation open to the participation of the other countries of Europe.

*The pooling of coal and steel production should immediately provide for the setting up of common foundations for economic development as a first step in the federation of Europe, and will change the destinies of those regions which have long been devoted to the manufacture of munitions of war, of which they have been the most constant victims”*¹¹.

The basic material elements of arms production should contribute to peace, prosperity and solidarity between people.

*“The solidarity in production thus established will make it plain that any war between France and Germany becomes not merely unthinkable, but materially impossible. The setting up of this powerful productive unit, open to all countries willing to take part and bound ultimately to provide all the member countries with the basic elements of industrial production on the same terms, will lay a true foundation for their economic unification”*¹².

This solidarity in production of coal and steel would be the first practical step in search of that ideal, of that utopia called Europe. In this way, with the Treaty of Paris on the 18th of April 1951, the European Community of Coal and Steel was born, the first of the European Communities, into which France, Germany, Benelux (Belgium, Holland and Luxembourg) and Italy were integrated as founding members.

10. Introduction to the Schuman Declaration 9th May 1950.

11. Schuman Declaration 9th May 1950.

12. Schuman Declaration quoted.

*“Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity. The coming together of the nations of Europe requires the elimination of the age-old opposition of France and Germany. Any action taken must in the first place concern these two countries”*¹³.

Later the creation of the European Economic Community and the Atomic Energy Community (1957) would come, followed by diverse expansions- Great Britain, Ireland and Denmark (1973), Greece (1981), Spain and Portugal (1986)... When the word globalization was still not known, Europe, the old Europe, heir to the great Greek thinkers, of Roman Law, heir to the great philosophers, the Europe of the Renaissance and the French Revolution, began its integrative process, breaking the borders which separated its countries and erasing all discrimination for reasons of nationality between its citizens.

Another fundamental step in this integrative process was the creation of the single monetary unit, the Euro, a political decision and certainly risky, but which was hoped to be followed by new accompanying political decisions.

Never in all of the history of humankind had an integrative process of such magnitudes been freely adopted, a process that, on the other hand, did not try to create a front against any, nor replace the nationalism of the state for European nationalism.

In 2007, for the 50th anniversary of the Rome Treaty, the Berlin Declaration stated:

“For centuries Europe has been an idea, holding out hope of peace and understanding. That hope has been fulfilled. European unification has made peace and prosperity possible. It has brought about a sense of community and overcome differences. Each Member State has helped to unite Europe and to strengthen democracy and the rule of law. Thanks to the yearning for freedom of the peoples of Central and Eastern Europe the unnatural division of Europe is now

13. Schuman Declaration quoted.

consigned to the past. European integration shows that we have learnt the painful lessons of a history marked by bloody conflict. Today we live together as was never possible before.

We, the citizens of the European Union, have united for the better. The European Union is founded on equal rights and mutually supportive cooperation. This enables us to strike a fair balance between Member States' interests. We preserve in the European Union the identities and diverse traditions of its Member States. We are enriched by open borders and a lively variety of languages, cultures and regions. There are many goals which we cannot achieve on our own, but only in concert. Tasks are shared between the European Union, the Member States and their regions and local authorities.

*We are facing major challenges which do not stop at national borders. The European Union is our response to these challenges. Only together can we continue to preserve our ideal of European society in future for the good of all European Union citizens. This European model combines economic success and social responsibility.*¹⁴

The first stage of the process of creation of the European Union was the fruit of a reaction against the 25 million dead, the destitution and the hunger which the Second World War left in its wake.

It is not 25 million dead, but 25 million unemployed people and their consequent families, those who find themselves currently living in distressing conditions in the European Union. Is it not perhaps the time to leave this lack of definition in which the European Union finds itself, incapable of successfully facing the challenges of a financial crisis and a globalization which is dismantling its industrial fabric and creating armies of unemployed? Will there have to be another 25 million dead for Europe to react and rise from its lethargic state?

Nationalism, which unfortunately has not disappeared but has always co-existed with the idea of the European Union, as we will later see, once again threatens Europe. If it is true that we should defend our industry and

14. Declaration of Berlin 2007, European Council of 25 March 2007.

our jobs against unfair competition or unfair commerce and trading, it is not that each country should affront this challenge on their own, in this way failure is assured. The wisest path is not “every man for himself”, the way of nationalism.

Europe finds itself in a double process of globalization: general and its own. The first is unstoppable. Nothing can be done to stop the march of history. There is no other alternative but to adapt to this process of globalization or be out of place. But regarding the process of internal globalization, or, perhaps better, of unification within the European Union, there are various ways but each of them must pass through this alpine stage of globalization. Choosing the way of renationalisation or stagnation would assume losing all options of overcoming the test. The only way that can lead us to the summit is the way of greater unification, as foreseen in article 1 of the Treaty on European Union: *“This Treaty marks a new stage in the process of creating an ever closer union among the peoples of Europe”*

How should one face a globalization partially based on social injustice, on the predominance of finances and on salaries that are mere subsistence with the arms of a more or less decent social insurance and a labour legislation reached by consensus of representatives of workers? How can one democratically face the state of well-being with the state of exploitation?

At the same time, the European Union should keep the equilibrium between the State and market, between social protection and economic competence, between the interests of the wage earners – the world of work – and those of capital. To this need of keeping an original social model, but at present on the defensive, is added the need of this same Europe to politically survive.

If the European Union achieves a democratic and dignified solution to this question, not only will it have acted as a pioneer but also as a guide: raising the well-being of millions of workers in emerging nations, without this meaning an attack on the state of well-being of the inhabitants of the developed nations. Here we have the greatest current challenge of the European Union.

3. Europe and its doubts when facing globalization

Where is the European Union going? Has its unification process not been brought to a standstill? Is it capable of facing the challenges of emerging nations such as China, India and Brazil with minimum guarantee?

Although in reality the European Union has made advances in its unification process, since the veto of the decisions of the Council of Ministers has practically disappeared, the European Parliament, as representative of the people, has acquired greater powers and has converted into a true legislator together with the Council, there is a greater collaboration in security and justice matters and a giant step has been made with the creation of the single monetary unit, the doubts and the shadows are still clearly visible on the horizon of the Union and in times of crisis like at present, the aforementioned negative aspects become more registered.

Faced with the serious financial crisis which is affecting us, each and every one of the countries of the European Union has been adopting their own measures, sometimes in a contradictory way. Party interests of governments are greater than common interest for the Union, even the very existence of the Union has been placed in danger, due to desire to remain in power. The financial breakdown of a country, given the interdependency of the different countries of the European Union, may drag other countries or even all of the Union with it towards bankruptcy. It has been this fear when faced with the situation in Greece that has triggered all of the alarms and caused the group action of all the Union. Now is precisely the time when the urgency can be seen that the Union is provided with the necessary mechanisms to not encourage doubts with respect to its capacity and problem solving decisions.

The present crisis has made us see that the true quantum leap has not yet been made. The European Union, or better said, the European politicians have always chosen the path of expansion instead of that of consolidation. The imperialistic idea of a European Union with five hundred million people, the idea of a market of enormous magnitudes, has prevailed over the idea of an authentic community of citizens in which priority is given to true human values: equality, education and training, eradication of des-

titution and poverty, non-discrimination, respect of human rights and the spirit of union instead of national spirit.

The European Union has grown, but it is constantly more difficult to make decisions. This difficulty perhaps lies in the term Union itself. Although this term, as in the term community, is taken in very diverse meanings, we cannot understand it in one way when it is applied to economic and commercial fields and in another way when we speak of human relationships. Within the European Union there have been many advances in the economic and commercial fields—all kinds of commercial bonds and tariffs have been abolished and an interior market has been created- in a way that from a commercial sense it is correct to use the term Union, but in the sphere of relationships the advances have not been as significant. Neither are all citizens of the European Union treated as equals by the law, nor do Europeans in general feel as part of a unity or the same people, precisely because there has been much more emphasis placed on commercial unity than cultural or human unity.

If we stop to think about the three types of community spoken of by Ferdinand Tönnies, later developed by Max Weber, the *kinship community*, the *neighbourhood community* and the *friendship community*, we can say that the European Union is a community in which different elements of the community are mixed by neighbourhood and by friendship, the latter is, according to Tönnies, the most human of all¹⁵. Tönnies defined community (*Gemeinschaft*) as a type of grouping in which natural will predominates. Society (*Gesellschaft*) is, on the other hand, that type of coexistence formed and conditioned by rational will. Tönnies pointed out that it is not about realities, but of ideal types, as all human grouping takes part, so to speak, in the two characters mentioned in diverse and changing proportions. And in the first chapter of his book Tönnies had opposed community, as grouping characterised by real and organic life, against society as grouping or structuring of a mechanical character.

For Tönnies, community (*Gemeinschaft*) is an association in which individuals are orientated towards unity as much as, or more than, towards

15. Article "Gemeinschaft und Gesellschaft", published in *Handwörterbuch der Soziologie*, edited by A. Vierkandt (1931) and in which the doctrines put forward in his book of 1887 are summarised.

their own self interest. The individuals in the *Gemeinschaft* are regulated by common rules or beliefs on appropriate behaviour and responsibility of the members towards others individually and towards the community. The community is characterised as a *unit of will*.

In the various expansions of the European Union, and including in its own construction, the neighbourhood element has been prioritised over the element of friendship. The geographical element has weighed more than the cultural or sociological elements, because the geographical element is that which most favours commercial and economical interests. For this reason economic and commercial aspects have predominated over social aspects.

It is true that one of the conditions for joining the European Union is that the territory of a state, or at least the greater part of the same, must be within the European continent. Following this criteria neither Morocco nor Turkey would be able to join the European Union. But, if the criteria of friendship or spiritual proximity is applied there are many countries of Latin America closer to Europe than some countries of the European continent. It is true that mere geographical pertinence is not a sufficient condition, but I do not know if it very wise that geographical pertinence is *conditio sine qua non*.

If the European Union previously had the name Community it is because this union was understood as an organic grouping guided by natural will, not by interests. But a Union is a step further in this integrating process of Europe, although for the union to be produced the parts must be compatible. Thinking in economical terms it may be that a European Union is viable, but in social or cultural terms -a goal to which the European Union must aspire- it results much more difficult, as in recent times, instead of promoting what brings us together the emphasis has been placed on what differentiates us, even within the same state as is happening in my country. Compatibility of the peoples which make up the European Union is, above all in certain sectors, extremely low.

This rhythm disparity between the European single market and the European Union of the people is another of the causes of the lack of affection of the European citizen towards the problems of Europe.

We are before a relatively advanced economic “society”, but before an incipient human and social “community”. The national interests of the 27 Member States of the European Union have converted it into a slow and heavy machine with divided and diffuse responsibility between different levels -the level of the Union, state level, regional level- and separate groups within: the Euro group, the Schengen area. The Europe of various speeds has already been a reality for a long time.

Between European citizens the idea of Europe has not caught on. There are many factors which contribute to this. The European citizen does not feel represented by the Euro-deputies who, in general, vote remote-controlled by their respective national parties and concentrate more on party interests than on the interests of the citizens. In the same way, national politicians generally claim responsibility of success for themselves and hold responsible -with great irresponsibility- the institutions of the Union for any failure.

Moreover, the Member States, or better said, the national governments of the respective Member States act as a filter between citizens and the European Union, and not only from a practical point of view -they are the ones who elect the President of the European Union and the members of the Commission and in the majority of cases Euro-deputies are elected from closed lists- but also from a theoretical point of view. If in the national sphere sovereignty resides in the citizen -according to the Spanish Constitution, national sovereignty resides in the Spanish people-¹⁶, then why can the European citizen not intervene directly in the election of the President of the European Union, or indirectly through the European Parliaments? To my understanding this is one of the most conflicting concepts with the principle of the European Union, which is a union of peoples, not of States. If, according to the Treaty on the European Union, the States are those which attribute competencies to the institutions of the Union -*by this Treaty, the high contracting parties establish among themselves a European Union, hereinafter called ‘the Union’, on which the Member States confer competences to attain objectives they have in common*¹⁷-, it is not strange that for the citizens of the Union it is something very far.

16. Art. 1 of the Spanish Constitution.

17. Art. 1 of the Treaty on European Union.

In article 5 of the Treaty on European Union the following is stated:

- “1. The limits of Union competences are governed by the principle of conferral.
The use of Union competences is governed by the principles of subsidiarity
and proportionality.*
- 2. Under the principle of conferral, the Union shall act only within the limits
of the competences conferred upon it by the Member States in the Treaties to
attain the objectives set out therein. Competences not conferred upon the
Union in the Treaties remain with the Member States.”*

The States are thus the filters or barriers which stand in the way between the citizens of the Union and the institutions of the European Union. The European citizen continues to play a secondary role and instead of strengthening their concept of European citizenship the States continue fomenting their national characteristics and values, as if these values were above their human and universal values which unite them with any citizen of the world and, even more so, with any European citizen.

It is said that the people and citizens of France, of Germany, of Spain and of the rest of the countries, and including, as done by the German Constitutional Tribunal, that the European citizen can be done without, while the preamble of the Treaty on European Union states:

*[The member States] Resolved to establish a citizenship common to nationals
of their countries,*

On what is the common expression citizenship based? Until now it has been a concept with no content, apart from the possibility of participating in local and European elections. It is true that the Lisbon Treaty has admitted the European legislative initiative, but its implementation, up to now unresolved, could be surrounded by such difficulties that they make it almost invisible, as seen in the proposal presented by the Commission.

On the other hand, nationalism continues to dominate in every decision made by the European Union and the principle of subsidiarity, which should serve to draw administrations due to this the institutions of the

Union nearer to the citizens, has been converted into a dredging and nationalist principle for the citizen.

And in section 3 of the stated article 5 of the Treaty on European Union it is established:

“Under the principle of subsidiarity, in areas which do not fall within its exclusive competence, the Union shall act only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States, either at central level or at regional and local level, but can rather, by reason of the scale or effects of the proposed action, be better achieved at Union level”.

But in this article neither who has to decide if a State can achieve an objective or not, nor how much time must pass until it is decided that an objective cannot be reached by the Member States is established. The most evident example which we have is the current financial crisis. Have the Member States, each on their own account, been satisfactorily capable of facing and resolving the crisis at minimum cost? Has it occurred to them to perhaps think that, if they had worked together and had conferred competencies and responsibility to the European Commission, it would have been able to be resolved with a much lower cost of worker dismissal and closing of factories?

The principle of subsidiarity is solely applied in a single direction. It is solely applied as an argument of control and distrust against the institutions of the Union, but not as an argument for control of the Member States. Oh! If the authority of the European Institutions and the European Parliament to perform their competences is exceeded! There they are, the national parliaments, as watchmen or controllers of this situation to deliver their verdict. In the same article 5 of the Treaty on the Union it is stated *“National Parliaments ensure compliance with the principle of subsidiarity in accordance with the procedure set out in that Protocol”*. That is to say, they will keep watch so that the institutions of the European Union do not assume competencies which do not correspond and that they exert their competencies in the due proportion. It is, therefore, a clearly static treaty, not dynamic, as a State may be incapable of resolving a problem and, all the same, the Union cannot intervene because it has not been granted competencies for that. The mechanism is therefore slow and inefficient.

The principle of subsidiarity should be the quintessence of democracy, since it deals with bringing administration as close as possible to the citizens and with searching for maximum efficiency of an administration, which should be at the service of the citizen. But in an age in which the Internet has citizens all over the world connected in real time, this rapprochement has been taken as a geographical coming together, which is not always the most efficient and in this way administrative bodies have been needlessly multiplied.

In not counting this principle with the evolution of society, continually more international and more globalised, and not having the efficient mechanisms to adapt to change, conflicts have continually arisen because competencies are not clearly defined. As has been said, this principle is applied in those fields which are not of exclusive competence of the Union, that is to say in the fields in which the institutions of the Union share competencies with the State Members.

But, if we speak of competencies we must ask, along with Professor Barquero, “Who is the owner of these competences? Is it not perhaps the people? The people delegate those powers in their leaders so that they act in their name. The powers are granted in order to be performed and in order to be performed well”¹⁸ But when a representative, in this case the national government, is not capable or is not competent to practise these powers, how can we say that they have competencies? And if they do not have competencies then how can they delegate them? Do they not perhaps have the obligation of referring to another higher instance, in this case the institutions of the European Union? How can the Member States claim some competencies which are not theirs? At the most they may be able to delegate the received competencies, but under no circumstances confer the competencies of another.

As a test of the usage of this principle of subsidiarity in a single direction, there are the diverse resources which have been presented before the Court of Justice of the European Union accusing the Union of having exceeded its authority in its competencies, which is to say of violation of the principle of subsidiarity. But I have not yet seen a formal complaint made before

18. Barquero Cabrero, José Daniel, *La Economía China: un reto para Europa*, Entrance Speech as Numerary Academic in the Royal Academy of Doctors, Barcelona 2010.

the same tribunal in which a Member States is accused, being incapable of resolving a problem, of not passing the bequest on to the higher instances of the European Union. It is assumed that the institutions of the Union can overstep the mark, they can be mistaken, but, it seems, it is also assumed that the Member States are infallible.

In an implicit way and with a much wider vision this principle has always been present in the Founding Treaties of Paris and Rome. In articles 7 and 8 of the past Treaty on the European Community the following is stated:

“Each institution shall act within the limits of the powers conferred upon it by this Treaty”.

This provision constitutes the judicial and political foundations of the principle of subsidiarity. In article 308 of the same Treaty it is established that:

“If action by the Community should prove necessary to attain, in the course of the operation of the common market, one of the objectives of the Community, and this Treaty has not provided the necessary powers, the Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament, take the appropriate measures.”

The birth of the European Community or Union is due to the necessity of a specific application of the principle of subsidiarity. The Nation-States, in past times absolute powers, are not in the condition of being able to ensure peace and well-being in Europe. The concept, as such, appears for the first time in the Project of the Founding Treaty on European Union, approved by the European Parliament on 14th February 1984¹⁹, which is based on the “Spinelli Report”²⁰. And the European Parliament, in its Resolutions

19. Art. 12, 2 states: “... The Union will only intervene to perform those functions which may be undertaken in a more efficient way in common than by the Member States separately, in particular those whose performance demands the action of the Union, when its dimensions or effects exceed national borders.” OJ C 77, of 19.3.1984, p. 33.

20. For Spinelli report or project it is understood the Project of the Treaty establishing the European Union approved by the European Parliament on 14th February 1984, in as such that the inspiration and the speaker of the report which contained said project was the Italian Deputy to the European Parliament Altiero Spinelli. This project later influenced the Single European Act, which remained far from the aspirations of that project, and in the Treaty on the European Union.

on 12th July and 21st November 1990 on the principle of subsidiarity, states that the principle of subsidiarity is not only important with a view to the demarcation of the competencies between the Community and the State Members but also regarding the exercising of these competencies, and that the Community will act, *“to put into practice its action, in the measure which its intervention is necessary for the carrying out of these objectives, either because the dimensions or effects of these objectives exceed the borders of the Member States or because they may be carried out in a more effective way at community level than at separated Member State level”*²¹.

But it is in article 5 of the Treaty on European Union, or Maastricht Treaty, where this principle appears expounded, although with certain obscurity:

“The Community shall act within the limits of the powers conferred upon it by this Treaty and of the objectives assigned to it therein.

In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community.

Any action by the Community shall not go beyond what is necessary to achieve the objectives of this Treaty.”

The first paragraph of article 5 of the past Treaty on European Community closely coincides with article 5 of the Treaty on European Union. It deals with the principle of the attribution of competencies. The competency of the Member States is the norm and community competence the exception. The second paragraph quoted applies the criteria of efficiency. It does not speak directly of geographical or transnational criteria -as the European Parliament had proposed in their above quoted resolutions- for example in the case that an action goes beyond the borders of the Member States, although this geographical criteria is implicit in the efficiency criteria. That which the Single Act had stated with respect to the environment

21. OJ C 231, of 17.9.1990, p. 163 and DO C 324, of 24.12.1990, p. 167.

is applied by the Treaty on European Union to all of the Union, the Union field and the intergovernmental field. The third paragraph quoted -in a negative way- does not add anything new to what we have already found in articles 7 and 308 of the past Treaty on European Community. It places a limit on the powers of the Community. At the same time it reflects the principle of proportionality, which is one of the general principles that is found in the past Treaty on European Community.

The application of this principle results as being quite complicated in practice, since it contains judicial elements and political elements, without the existence of a fixed objective criteria. To this respect it is worth remembering some of the conclusions of the European Council of Edinburgh on 12th December 1992: “*The application of the principle (subsidiarity) shall respect the general provisions of the Maastricht Treaty, including the “maintaining in full of the *acquis communautaire*”, and it shall not affect the primacy of Community law nor shall it question the principle set out in Article F (3) of the Treaty on the European Union, according to which the Union shall provide itself with the means necessary to attain its objectives and carry through its policies.*”²².

Subsidiarity is a dynamic concept and should be applied in accordance with the objectives which are set in the Treaty. It allows community intervention to be increased when the circumstances demand and, inversely, that it is restricted or abandoned when the intervention is no longer necessary.

If I have amplified the classification of this principle within the context of the European Union it is due to the relationship which it has with other basic principles of the same and the danger that the incorrect or biased application would mean for the subsistence of the Union, since its application should be “integrally maintained to the community heritage”, it should not affect the primacy of Community Law nor question the principle of indirect attribution spoken of in article 6, section 4 of the past Treaty on European Union.

22. By *Acquis Communautaire* it is understood the collective of provisions and legislative laws, rules and jurisprudences (first legislation, secondary legislation, jurisprudence and international agreements) which are in force in the European Union and whose acceptance is *conditio sine qua non* for adhesion to the Union.

“The Union shall provide itself with the genes necessary to obtain its objective and carry through its policies”

The Lisbon Treaty assumed a step backwards in this European unifying process. Not only has the application of the principle of subsidiarity been submitted to the control of national parliaments, following article 5 of the Treaty on European Union -“*National Parliaments ensure compliance with the principle of subsidiarity in accordance with the procedure set out in that Protocol*”-, but, the principle of indirect attribution has been deleted from article 6, section 4 of the old Treaty on European Union.

We cannot attribute to carelessness the fact that the Lisbon Treaty specifically confers this control of the institutions of the Union to the national parliaments, but it does not speak of any specific system to denounce the violation of the principle of subsidiarity by the Member States. And nevertheless I do not believe that it is possible to advance towards a constantly narrower union between the peoples of Europe through the ways of renationalisation or nationalism. The European citizen remains totally isolated from those who should be their direct representatives in the European Union.

The recent decision of the German Constitutional Tribunal on the ratification of the Lisbon Treaty, although it expressed positively on the constitutionality of the same, at the same time demanded a greater democratising of the decisions of the European Union and subjected them to the control of the German parliament and a possible control of the tribunal.

The condition imposed by the German Constitutional Tribunal of adopting a new accompanying law before ratifying the Lisbon Treaty should strengthen, according to the Tribunal, the democratic principle and the power division principle. Whenever dealing with decisions of the European Union which affect national sovereignty or which create new competencies of the European Union or new voting models, the approval by the German representative in the European Council must be preceded by approval by the German parliament. And the German Constitutional Tribunal reserves the right to examine if the decisions made by Brussels conform with the German Constitution.

Up to what point this decision does not affect the principle of primacy of the Law of the Union is yet to be seen. A part also, to my understanding, of a concept of sovereignty which is too static and does not correspond with a world in constant change, in which the sovereignty of the Member States has become outdated in many areas: security, the fight against terrorism, climatic change. How can the argument of the competency of the States be adduced when it can be seen with dazzling clarity that in said areas the States are incompetent in resolving problems?

With this decision the German Constitutional Tribunal maintains the path already begun in its day with the two famous "Solange"²³ decisions. In the first decision said Tribunal **is prepared to intervene when certain conditions are not fulfilled:**

"While the process of integration of the Community has not advanced to the point at which Community Law hold a catalogue in force of fundamental rights passed by a Parliament and which correspond with the catalogue of the fundamental rights established by fundamental law, Community Law should be measured by national fundamental law. ²⁴"

It is recognised, as such, competent to examine, by means of an incidental appeal, the compatibility of the community regulations with the German Constitutional Law, and denies the primacy²⁵ of Community Law and the unity of the same, at least in the field of derived community law and of the fundamental law guaranteed by national Constitutions, and the constitutional Tribunal is declared competent to appreciate the conformity of derived Community Law with the constitutional provisions concerning fun-

23. Named in this way for the word with which two decisions of the German Constitutional Tribunal began, one on 29th May 1974 and the other on 22nd October 1986, which spoke of the relationships between the fundamental rights recognised by the German Constitution and Community Law and supposed a change in the direction of Community Law-German Constitution Rights relationships.

24. BundesverfassungsGE 37, p. 271.

25. Characteristic of community laws with respect to internal laws of each member country in virtue of which all provision of national legislation against community law -be it previous or posterior- should remain without application in virtue of the authority of the national judge, for this without having to ask or wait for its previous elimination through legislative channels or whichever other constitutional procedure.

damental rights²⁶. It also goes against the competencies of the Court of Justice of the European Union, which is the only body authorised to pronounce on the validity of the acts of European institutions. The field of protection of human rights constitutes “the final line of resistance of constitutional law facing community power”.²⁷

In the second “Solange” decision the posture of the German Constitutional Tribunal is much more reserved: **it will not intervene whilst certain conditions are met**, but fundamentally it raises the same problems. And on this line in its sentence on the Lisbon Treaty the aforementioned Tribunal, which partly coincides with the sentence passed on the Maastricht Treaty in its day, calls for whatever act of the Union to be declared inapplicable in Germany when in the opinion of the German Federal Court said act is not within the limits of the powers of attribution and at the level of the Union judicial guarantees cannot be obtained. In this way, it reduces the importance of the doctrine developed by the Court of Justice of the European Union on legal primacy of the Law of the Union.

The aforementioned tribunal is entering very dangerous territory in wanting to assume the responsibility as national court of the interpretation of the Law of the Union, whose mission is entrusted by the Treaties on the Court of Justice of the European Union²⁸.

Moreover, in entirely rejecting the idea of a future or possible Federal European State, it is confirming that the idea of a United States of Europe, which was defended in its day by Konrad Adenauer and Helmut Kohl, is incompatible with the German Constitution.

And without doubt, the primacy of the Law of the Union is founded in the very nature of said Law. If it were possible to judicially oppose a national legal text, the Law of the Union would lose its character of Union Law and the own judicial base of the Union would be questioned.

26. Ehlermann, Primacy Community Law placed in danger by the Federal German Constitution Tribunal, *Revue du Marché Commun* 1975, p. 10.

27. G. Cohen Jonathan, *Cour constitutionnelle allemande et règlements communautaires*, C.D.E., 1975, p. 173.

28. See art. 267 of the Treaty on the Functioning of the European Union.

It is understandable that some German politicians feel a certain sense of superiority when thinking that their country is that which gives the greater economic contribution to the community cause, as when all is said and done this falls into the game of politics, although many times it does not respond to reality since in reality those who have profited most from the expansions of the European Union have been the rich countries, who, moreover, are the central countries of the European Union. But the protests or sentences of a constitutional tribunal may have some much more serious consequences.

The European Union finds itself at a crossroads: a Europe which should be able to make decisions when faced with the serious problems lying in wait and for this greater competencies are necessary, or a Europe controlled by the Member States, distrustful and suspicious, a Europe of slow reflexes which could die of starvation.

The Member States have lost part of their competencies because they are outdated, but they place all kinds of reservations so that the Union is the one which cannot assume said competencies, creating a lack of power which the powers that be -economic and financial- generally take advantage of to impose their own laws.

Will a Europe which is too atomized be able to face the serious problems of globalization? We can deduce the answer from the zigzagging path that it has followed and is following when faced with the present financial crisis. This may only be the beginning of everything that we hope for from a thrifty and nationalist European Union.

One of the most serious mistakes that our European governments are making is wanting to stop the march of history, wanting to avoid the unavoidable, betraying the spirit of the Treaties on European Union, which is to say “enough” to the unification process of Europe and “we have reached here and here we will stay”²⁹, when the preamble of the Treaty on the European Union literally states: “*Resolved to continue the process of creating an*

29. Barquero Cabrero, José Daniel, Entrance Speech as Numerary Academic in the Royal Academy of Doctors, quoted.

ever closer union among the peoples of Europe". A constantly narrower Union means that we cannot stop halfway, but we should aspire to total union, to the political union of all the Member States of the Union.

This attitude of our leaders has a well defined description, this attitude is called anti-constitutional, since they are betraying the spirit of the Treaties of the European Union, which are its constitution. What in its day may have seemed a utopia of those who placed the first stone of the European Union now presents itself to us as an imperious necessity. It deals with something more than an elaborate and well-sounding phrase, it deals with a question of life or death for Europe.

Unfortunately, decisions which are essential for the survival of not only the European Union but also the Member States continue raising suspicions. For example, the Commission's latest idea that every European finance minister should be compelled to send his Budget plans to Brussels for approval before announcing them to his own MPs and citizens. The rationale is that if there is to be a central bail-out fund for stricken European nations, there should be someone in the middle making sure no one misbehaves.

The idea of a Europe of several speeds is being imposed more all the time, one in which advancing towards total integration is not impeded for those countries that want this, with those countries which do not wish to advance more possibly remaining in a minor Europe. This idea, launched by Willy Brandt in a speech given in Paris in 1974 and later developed by Leo Tindemans in his report on the European Union (1975), an idea which coincides with the concepts of "Europe of variable geometry", "Europe a la carte", "Europe of two speeds", may be one of the possible solutions. In this way, no State will act as a brake against those who wish to advance more, and no State will be seen coerced to go further than their citizens wish.

4. A World economy without control mechanisms

The neoliberal economy of the last decades, inspired by the idea of the regulating market, has driven us to two global failures. The first has been evident since two years ago, with deadly consequences for both companies and citizens: the world financial crisis, which has been the consequence of a lack of financial regulation as much globally as nationally of global imbalances, of the lack of an international monetary system and of the incoherence between commercial, financial and world monetary systems. The second, failure in the fields of trade and labour, is on the verge of happening.

Both failures, the present and the future, are related to globalization or, better said, to uncontrolled and unregulated globalization. This space or lack of regulation, which should be filled the law, has been occupied by big businesses, sometimes through banks and finances and others through multinational corporations. The Law, as generally happens, is behind society. The world is a global society and the problems are of a global scale. They therefore cannot be solved with national measures or laws, and much less regional laws. Politicians, those people elected by the citizens to govern them, have not moved events forward, they have not acted as guides, as their mission should be.

The economic and financial crisis which we are suffering from at the moment has shown us up to what point the failure of the economy of any country in the world, above all a large country, can place the economy of other countries in danger, as the failure of one country is the failure of all society.

A regulation in which both governments and international organisms play a decisive role in close collaboration is therefore necessary. The failure of economic and financial relationships provoked by the crisis has made it evident that the globalization of commerce and finances requires regulation at global level. According to the United Nations Conference on Trade and Development,

“Blind faith in the efficiency of deregulated financial markets and the absence of a cooperative financial and monetary system created an illusion of risk-free profits and licensed profligacy through speculative finance in many areas”.³⁰

The attitude of many governments of once again trusting the financial markets the function of judge of a reform process, when it is known that the future of many nations depends on this reform is therefore not wise.

The financial system is the nervous system of modern economics, but it is very sensitive when faced with a loss of confidence that has been rapidly spreading. Due to this, an efficient regulation cannot be renounced. The financial markets need rules which are clear and do not allow dangerous deals motivated by greed. And so, faced with a global financial crisis, international agreements which regulate the financial markets and a coordinated financial policy are needed. Facing this crisis of confidence in banks special measures have to be taken at short term, such as partial or total nationalisation of some banks or the policy of issuing money by issuing banks, but also fundamental changes. A stable financial architecture constructed through strict rules is decisive for the stabilising of economic life.

Amongst the specific measures which should be taken, we can list:

1. Restructure rating agencies which have not fulfilled their information obligation; at the very least it should be forbidden that agencies cannot value products of those banks with whom they are doing other business.
2. Investment tools cannot remain out of the balance. All operations must be submitted to a risk profile in agreement with their own capital.
3. Salaries and bonuses of executives should be limited, which may mean an incentive for an orientation at short term but a burden for the future.
4. Make investment consultants responsible for the gambles which they have passed on to clients without experience in the form of certificates. Here a reversal of the charge of the test obliged to banks would be logical.
5. Submit all financial products to a “technical inspection”.
6. Newly remodel banks in a way that they dedicate themselves to solid business models.

30. UNCTAD, The Global Economic Crisis: Systemic Failures and Multilateral Remedies, 2009.

A global crisis demands a global solution. And for global markets global regulation is necessary. The G-20 Summit, in its London declaration, expressed the following:

“We start from the belief that prosperity is indivisible; that growth, to be sustained, has to be shared; and that our global plan for recovery must have at its heart the needs and jobs of hard-working families, not just in developed countries but in emerging markets and the poorest countries of the world too; and must reflect the interests, not just of today’s population, but of future generations too. We believe that the only sure foundation for sustainable globalization and rising prosperity for all is an open world economy based on market principles, effective regulation, and strong global institutions”³¹.

The decisions of this G-20 Summit, celebrated in London in April 2009, are in the right direction: from here onwards all financial markets, all products, all the important institutions of the financial market will be submitted to a regulation and a control. For the first time “hedge-funds” were included, but only the “important” ones. The salaries and bonuses of the most senior staff should also be regulated, although the way of doing this was not specified. The decision to place those States which do not keep the standards of the OECD with respect to a tax on a “black list” also merits a special mention. In the meantime, a brown list has been drawn up in which Austria, Switzerland and Luxembourg figure, States which, in spite of their official promises, have not yet regulated by law said standards. One result of the London Summit has been the reform of the International Monetary Fund, with a greater margin of action to be able to help those countries in development and emerging economy countries threatened by the crisis, in which China and India will have greater influence.

But unfortunately at this Summit the fight against imbalances between countries with a surplus and those with a deficit, a subject which is in urgent need of debate, was not spoken of. Nor did the Summit speak of a deep revision of the International Monetary System with a system of changes in search of stability. To be able to at least stop the transactions of

31. London Summit 2009 Declaration, Global Plan for Recovery and Reform, 2.4.2009. <http://www.londonsummit.gov.uk/en/summit-aims/summit-communique/>

highly speculative currencies, a tax on currency transactions should be introduced in the short term.

To this respect, it is worth remembering that it has been a long time since the professor of Yale University and Nobel Prize in Economics in 1981, James Tobin³², set out the idea of introducing a tax placed on speculative transactions with the aim of limiting the excessive flow of short-term financial round-trip conversions from one currency to another, a measure to achieved greater stability in the new monetary philosophy. For this he suggested the necessity of establishing a tax of between 0.10 and 0.25% on all international financial transactions every time a border is crossed. In this way, productive investments (for example, the purchasing of a company), which are of a long term nature and more stable are hardly seen to be affected while a transaction which changes once or twice in a short term or including days would see no incentive to these transactions, as it would be difficult for the profit made in a few days in search of higher rates of interest to exceed these percentages.

But above all the London Summit has failed in its most important mission, that of imposing a coordinated expansive financial policy. It was left in the hands of each country to decide what extent these measures of contextual policies should have, which shows that in many countries there is no conscience of the scale of this global crisis.

These mechanisms or measures of financial control could help us to escape from the current crisis, but other regulating measures of the labour market and the commercial market are also necessary if we want to deal with the problem of globalization with a certain guarantee of success, which although it is related to the financial crisis, demands special policy measures.

Together with the regulating measures of the financial markets at international level, some minimum labour standards which regulate working conditions in different countries of the world are necessary³³, within these the fun-

32. Tobin, James; *Asset Accumulation and Economic Activity*, University of Chicago Press, 1980, Minneapolis.

33. José Daniel Barquero Cabrero, Entrance Speech as Numerary Academic in the Royal Academy of Doctors, quoted, p. 26.

damental conventions of the International Labour Organisation -ILO-, the working standards of the ILO and, especially, those contained in the Declaration of 1998³⁴ or in the Declaration of the ILO on Social Justice for a Fair Globalization³⁵. This last declaration arose at a time of great uncertainty in the world of work -June 2008- when situations of abuse of rights at work continued and there was a growth of concerns about the course of globalization and the need for international organisations to better unite their work in these fields, putting the emphasis on decent work³⁶ and it was state

“... that labour is not a commodity and that poverty anywhere constitutes a danger to prosperity everywhere”.

And it was also acknowledged

“... that the ILO has the solemn obligation to further among the nations of the world programmes which will achieve the objectives of full employment and the raising of standards of living, a minimum living wage and the extension of social security measures to provide a basic income to all in need, along with the other objectives set out in the Declaration of Philadelphia”.

It is necessary that said rules are undersigned by all countries, that they are included in international economic and commercial agreements and that

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- 34. Declaration of the ILO with respect to the principles and fundamental rights for workers. Between others it establishes that the Member States, when they have not yet ratified certain Conventions of the ILO, are committed to respect: a) freedom of association and trade union freedom and the effective recognition of the right to collective bargaining, b) the elimination of forced or compulsory labour, c) the abolition of child labour and, d) the elimination of discrimination in respect of employment and occupation.
 - 35. Geneva, 10.06.2008. http://www.ilo.org/global/What_we_do/Publications/Officialdocuments/lang-es/docName--WCMS_099768/index.htm
 - 36. Pope Benedict XVI, in his third encyclical titled “Caritas in veritate” -“Charity in Truth”-, gives an explanation of the word “decency”: “What is meant by the word “decency” in regard to work? It means work that expresses the essential dignity of every man and woman in the context of their particular society: work that is freely chosen, effectively associating workers, both men and women, with the development of their community; work that enables the worker to be respected and free from any form of discrimination; work that makes it possible for families to meet their needs and provide schooling for their children, without the children themselves being forced into labour; work that permits the workers to organize themselves freely, and to make their voices heard; work that leaves enough room for rediscovering one’s roots at a personal, familial and spiritual level; work that guarantees those who have retired a decent standard of living.”

the ILO provides surveillance and control instruments for their fulfilment, since almost half the workers of the world are not protected by these social rights as neither Brazil, China, India, Mexico nor the United States have ratified the ILO Convention.

Regarding commercial regulation, the World Trade Organisation Agreement and its multilateral commercial Agreements collected in the annexes exist, undersigned by the European Union and also by the Member States and the majority of the countries of the world, but these agreements only deal with commercial aspects.

Given the connection which exists between commercial, industrial and labour aspects, we can ask ourselves: Why, if according to these multilateral agreements commercial dumping is forbidden, is excessive labour and ecological dumping not forbidden, understood as unfair competition exercised by some countries on others in function of lower prices due to a lack of labour legislation or non-fulfilment of environmental legislation?

It is true that many companies have achieved the moral commitment of good business and labour practice through their own initiative, but this should only be complementary. The social responsibility of companies begins there, where labour legislation ends. It corresponds to the governments to establish this line of demarcation. If the governments wish to introduce measures to regulate certain behaviours then they are free to do this while recurring to habitual procedures and, logically, they must assume the responsibility for the actions undertaken. However, they cannot wait or insist that companies fulfil this function through voluntary social initiatives and in this way transfer the responsibility of the government themselves.

The lack of international regulation in any of the three areas of finance, trade or labour produces serious imbalances which normally damage the weakest sectors, small and medium companies and the workers. An unregulated globalization is creating large profits and capital, benefits greatly reduced for the working class in developing countries, but large scale damage in the form of unemployment and reduced purchasing power for the workers of the industrialised world. The present crisis has also shown us the failure which the separation of the financial, trade and labour markets assumes as they are closely related.

That said with respect to these two failures, the present and that yet to come, which is to say financial, trade, industrial at global level, also serves for the European Union, although special characteristics are given in the European Union. In the European Union the danger had been forecast, measures had been taken, but the courage to adopt the appropriate measures did not exist because the politicians of the Member States still think with national clichés, they do not have a global vision of the European Union and even less a general global vision.

In the field of economic and monetary policy of the European Union we find a complicated structure which is difficult to understand. We have Monetary Union, but it is not economic. Here we have the first difficulty. But the monetary union only affects the countries of the Euro area. With regards to the countries of the Euro Area, the monetary policy is a common policy of the Union, and in this area the competency is of the Union. Regarding the other countries which are not in the Euro area, the monetary policy is an equal competency of both the Member States and the European Union, it is a policy of common interest³⁷, which is governed by the same principles as the common policy of the Euro area States, but is still placed in the second phase, which is to say the Euro has not been adopted. And so, the monetary policy of these last States does not coincide with the monetary policy of the Euro area States.

Another of the difficulties of the monetary policy of the Union, which I would qualify as contradictory, is that in principle it is directed towards a single currency for all the countries of the Union, without there seeming to be too much interest from some States to pass into this third phase of monetary union, which is to say the adoption of the Euro, and without the institutions of the Union wanting to push the adoption of the Euro by all the States.

Although the monetary policy of the Union is founded on the solidarity of all countries of the Union³⁸ and in spite of the fact that it is actually pos-

37. Art. 121, paragraph 1, of the Treaty on the Functioning of the European Union.

38. According to art. 122, paragraph 1, of the Treaty on the Functioning of the European Union, "Without prejudice to any other procedures provided for in the Treaties, the Council, on a proposal from the Commission, may decide, in a spirit of solidarity between Member States, upon the measures appropriate to the economic situation, in particular if severe difficulties arise in the supply of certain products, notably in the area of energy".

sible to speak of a monetary or financial policy of the Union, without doubt this institutional framework and this barrier between monetary policy and economic policy makes it almost impossible in practice to take significant measures to be able to confront the present crisis together.

In the Lisbon Treaty, it is true that important modifications have been introduced with respect to the Euro area. The competencies of the Commission in front of the Member States have been strengthened in the area of economic and tax coordination³⁹, as the Monetary Union is based on two totally different pillars: monetary policy, which is the competence of the Central European Bank -that is to say the supranational or Union pillar-, and tax policy, which is fundamentally the competence of the Member States, although with certain limitations established in the European agreements.

According to article 121 of the Treaty on the Functioning of the European Union, *“Member States shall regard their economic policies as a matter of common concern and shall coordinate them within the Council”* (ECOFIN, Economy and Finance Council), and according to article 120 of the same Treaty, *“Member States shall conduct their economic policies with a view to contributing to the achievement of the objectives of the Union”*

Article 121 establishes:

“3. In order to ensure closer coordination of economic policies and sustained convergence of the economic performance of the Member States, the Council shall, on the basis of reports submitted by the Commission, monitor economic developments in each of the Member States and in the Union as well as the consistency of economic policies with the broad guidelines referred to in paragraph 2, and regularly carry out an overall assessment”.

“4. Where it is established, under the procedure referred to in paragraph 3, that the economic policies of a Member State are not consistent with the broad guidelines referred to in paragraph 2 or that they risk jeopardising the proper functioning of economic and monetary union, the Commission may address a

39. See article 143 of the Treaty on the Functioning of the European Union.

warning to the Member State concerned. The Council, on a recommendation from the Commission, may address the necessary recommendations to the Member State concerned. The Council may, on a proposal from the Commission, decide to make its recommendations public.

Within the scope of this paragraph, the Council shall act without taking into account the vote of the member of the Council representing the Member State concerned”

After the Lisbon Treaty the European Commission could therefore address a warning to the Member State whose economic policy contradicts the general orientations for the economic policies of the Member States elaborated by ECOFIN⁴⁰.

We can find a similar innovation to this regarding surveillance of the budgetary policy in article 126 of the Treaty on the Functioning of the European Union, according to which “*if the Commission considers that an excessive deficit in a Member State exists or may occur, it shall address an opinion to the Member State concerned*”. This new aspect eases the opening of deficit procedures and grants the Commission greater weight.

The Lisbon Treaty also widens the possibilities of making joint decisions within the Euro Group. For the first time a chapter whose dispositions are orientated only and exclusively to the States of the Eurozone has been introduced. Now said States will be able *to strengthen the coordination and surveillance of their budgetary discipline*⁴¹ and of economic and fiscal policy in the Eurozone and develop general orientations of economic policies. The Lisbon Treaty establishes the possibility that the States of the Eurozone have a single representation in international financial institutions and conferences. Nevertheless, it does not specify how said representation should be, and so the possibility ranges from a coordination of national positions in the preparation of those international meetings to a common seat of the Eurozone in the International Monetary Fund.

40. Art. 121, 4, of the Treaty on the Functioning of the European Union.

41. Art. 136, paragraph 1, letter a) of the Treaty on the Functioning of the European Union.

But these measures established in the Lisbon Treaty have been shown as insufficient, because of this the Commission and the European Parliament, conscious of their responsibility and maybe also with a guilty conscience due to their lack of vision in foreseeing the crisis, are trying to find solutions so that a new future crisis is not produced and to protect investors, and above all the citizens, while at the same time maintaining the freedom of the markets. This is the objective of the methods proposed by the European Commission and which are presently being debated in the European Parliament. To be specific, a new brand of financial monitoring is wanted to be developed and for this new bodies are foreseen to be created, such as a European Systemic Risk Board or European System of Financial Supervisors.

The goal of these measures proposed by the Commission is to reform the European model of financial supervision with the aim of achieving greater coordination of supervision at European and national level, not only of the general economy but also of institutions or alternative investment products such as hedge funds.

With respect to the European Systemic Risk Board, the European Commission, basing itself on the so called Larosière report (ex managing director of the International Monetary Fund and previous governor of the Banque de France, Jacques de Larosière), proposed that this Board is charged with monitoring the general situation of the financial system, issuing alerts in case of threats to financial stability. Once the risks are identified, recommendations would be made. This entity, with headquarters in Frankfurt, would be formed by the main heads of the Central European Bank, the governors of the twenty-seven national central banks and the new authorities of European monitoring.

Moreover, the European Parliament is debating on the creation of three monitoring mechanisms of financial institutions: a European Banking Authority, a European Insurance and Occupational Pensions Authority and a European Securities Authority, which means three entities which will monitor banking, stock exchange and insurance and retirement pensions. Representatives of the highest level of the corresponding national monitoring authorities will be a part of these three entities and they may also fix common rules in the European Union, in this way improving coordination.

Some of the ideas regarding these entities will be the creation of specific funds to help banks with problems, stricter monitoring rules, the possibility of the new entities being able to mediate in the case of conflict between national regulators and that the new entities will have the right to temporarily prohibit some financial products and directly exercise control over certain institutions if they believe it to be convenient.

Another of the aspects which the European Union would like to regulate are the rewards and remunerations of executives in the financial service and of advisers of companies which trade in the stock market. The present financial crisis is due to, amongst other causes, the “excessive assumption of risks” by a wide group of companies in the sector. Their administration advisers, executive presidents and workers propelled these practices to increase profitability and, due to this, remuneration and profits. All companies which trade on the stock market should count on an independent remuneration committee which determines the remuneration policy. The members of this committee would not be able to carry out executive functions in the company and their pay would be fixed, independent to the performance of the business.

If we do not want to see ourselves exposed to a new crisis, the financial, labour and trade markets must all be regulated as much at international level as within the European Union. In a global market where the economy moves guided by speculative capitalism and without control, reforms in the financial architecture are necessary: a new regulating and monitoring brand at international level in agreement with the evolution of globalization and financial innovation, risk management and prevention mechanisms of crisis which discourage excessive risk assumption. While the economy is globalised, policies have tribal characteristics and guidelines.⁴²

We hope that efficient measures are taken so that we can soon escape from the present financial crisis. And that this crisis has at least opened our eyes so as to convince us of the need for insisting on solidarity between the

42. Rocafor Nicolau, Alfredo, *El fenómeno mundial de la deslocalización como instrumento de reestructuración empresarial*, Entrance Speech as Numerary Academic in the Royal Academy of Doctors, Barcelona, 2006.

countries of the Union and of creating monitoring mechanisms which would foresee possible future crises.

On the other hand, although we cannot speak of labour and commercial de-regularisation within the European Union, without doubt it is advisable that we face globalization with ideas which are clearer and more resolute.

The European Union has a common monetary policy, at least in the countries of the Eurozone, but this monetary policy has not been enough to prevent and decisively face the financial crisis. The European Union also has a common trade policy which is not enough either. Globalization, through outsourcing and direct investment abroad has created the loss of many jobs in Europe. In this way, in addition to a common trade policy, a common industrial policy, a common economic policy and a common tax policy are also necessary for all the Union. The economy forms one unit and we cannot go dividing the different sectors and sharing competencies between the Member States and the Institutions of the European Union as if we were dealing with areas of land which we may separate with a wall. As well as the necessary union or coordination of strengths, a clear attribution of responsibilities is imposed. With regards to the industrial policy of the European Union, for example, which is directly related to the problem of globalization, article 173 of the Treaty on the Functioning of the European Union tells us:

“The Union and the Member States shall ensure that the conditions necessary for the competitiveness of the Union's industry exist”

I hope that the provisions of this article are more than a statement of good intent.

5. Relocation and globalization

These two terms are so closely related that there are many who consider them to be equivalent, in a way in which judgement taken on globalization coincides with that of relocation. However it is advisable that we distinguish them, at least conceptually. Globalization is a much wider phenomenon, which spans all fields of human life. Relocation is only a part or a result of globalization. Nonetheless, relocation is not the logical or automatic consequence of globalization, as other factors also intervene and play a part in this activity.

It is therefore not advisable to confuse these two terms, as, if it is true that relocation is contributing to globalization in a kind of feedback, it is not globalization which depends on relocation, but the contrary. But, we would not have a complete view of the globalization phenomenon if we do without a study, even though it may be superficial, of relocation.

If it is true that for relocation one can first understand the movement of a company, or of a part of a company, from one place to another, nevertheless it is used almost exclusively to refer to international displacement of productive activities. That is to say displacement of a company from one country to another because, amongst other reasons, there are hardly any relocations within the same country. But, at least as an example, we will see on the one hand how relocations have occurred within one country and, on the other hand, the negative effects that these have. We will also study, for its special characteristics, relocations from one country to another within the European Union, as the countries of the European Union are living a style of special globalization within general globalization.

The study of relocations will help us to better understand the phenomenon of globalization and to find common solutions to the problems which may be raised.

Relocations are total when a company closes its production plants or head offices in its country of origin, or partial when only a part of production is moved or subsidiaries are opened abroad.

Lionel Fontagné and Jean Hervé Lorenzi classify relocations as *offensive, defensive and accompaniment*⁴³. An example of the first would be the relocation of a company to the same centre where the competition is found. Defensive relocation implies the movement of production, or a part of the same, in order to cope with the competition. An example of accompaniment relocation occurred in the company Valeo, which closed its production in Spain because Volkswagen, its client, relocated part of its production to Slovakia.

Taking into account the geographical factor, relocations can be classified as global-level or to other countries of the European Union or also within the same country.

Other concepts with which we relate relocations are: *deindustrialisation* and *disinvestment*, each with a negative lexical connotation and also presenting a close relationship between each other. Deindustrialisation, understood as the decrease of the percentage of industrial employment related to total employment, is a natural phenomenon owing, on one hand, to displacement of customer demand of industrial goods and services as their acquisitive power grows and, on the other hand, a greater growth of productivity in industry than in services. Although it is not possible to generally say that deindustrialisation has been produced in developed countries, it is possible to state that the relative weight of industry inside the economy of a country getting less all the time.

Reduction of employment in the industrial sector occurred before relocation, it began in the 1960s in the United States and in the 1970s in Europe. However, there is no doubt that with relocation this process is stressed even more. According to Lionel Fontagné and Jean Hervé Lorenzi⁴⁴, this percentage would be about 15% in the United States, 18% in Japan and approximately 13% in France.

Deindustrialisation is a much wider phenomenon than relocation. There are other external and internal factors which contribute to deindustrialisa-

43. Lionel Fontagné and Jean Hervé Lorenzi *Désindustrialisation, délocalisations*, La Documentation Française, Paris, 2005.

44. Lionel Fontagné and Jean Hervé Lorenzi, quoted, p. 31-41.

tion in addition to relocation, such as structural and technological changes. On the other hand, relocation does not only affect industry, but also services and especially call centres, accounting activities and including investigation work.

For their part, multinational corporations move and become established in those countries which they find more attractive, some for reasons of their aggressive policies, others for subsistence or merely their commercial policies.

It can be stated in a simplified way that the causes of relocations in the strict sense are due to foreign multinational corporations, and especially those whose production is largely based on exportation. The reasons why they move from one country to another are generally lower cost labour, tax advantages, semi-gifted terrain and lax environmental and labour legislation, among others.

But, as I have previously set out, relocation is generally closely connected to other factors distinct to globalization, such as restructuring of production or the opening of new markets. This form of relocation, which is rather outsourcing of production and hardly ever total relocation, does not need to entail negative consequences. Solely total relocation which is motivated only and exclusively by *animus lucrandi* is that which deserves negative criticism.

To sum up, we are able to say that relocation is the point in common of four converging trends: globalization in general, the political and economic power of multinationals, neoliberalism politics and the modern restructuring of the workplace.

With reference to neoliberal economic politics, prevailing as much in the European Union as at a global-level, although with certain social nuances, it has many positive aspects but in the present situation it may also have serious drawbacks.

The reasons which incite businesspeople to relocate a company are not only labour costs, but are extremely diverse and almost all are valid. In any case, even though the circumstances may be different, the fundamental

reason is the same as an invitation to invest abroad: business profit. We can group the different circumstances in several categories:

- a) Creation of distribution channels for greater sales and improved customer support services and, in this way, having the possibility of increasing foreign sales of national products; in this case the objective of relocation of companies is moving the new production capacities nearer to the areas where demand has the highest level of growth and optimising the chain of added value in function of the advantages which different relocation movements bring. According to Lionel Fontagné and Jean Hervé Lorenzi,

“the activities of creation, of organisation... and of innovation remain located fundamentally in the North, and the activities of production are normally located in emerging countries... The subsidiaries of services located in the vicinity of the markets guarantees the diffusion of industrial goods”⁴⁵.

- b) The creation of self-owned or subsidiary production centres with the aim of opening new markets or of expanding existing markets or market share; this is sometimes the sole possibility of gaining access to the markets of a country.
- c) Reduction of costs: lower salaries, reduction of taxes and fees, less strict legislation of working regulations and also environmental legislations. Without doubt, for those products with a high transportation cost, the advantages which relocating may yield are possibly minimal.

Some, more than relocation, prefer to speak of a global reorganisation of companies. Many times it does not deal with a horizontal investment – creating a replica of a national company abroad – to gain access to local markets, but a vertical investment or vertical division of work to benefit from the advantages of lower salary costs. Partial relocation may sometimes be an essential condition to be able to continue surviving.

45. Lionel Fontagné and Jean Hervé Lorenzi, quoted, p. 48.

- d) In other cases the motives may also be political. For example, in the case of the movement of the Telecommunications Market Commission from Madrid to Barcelona, or the movement of ministries from Bonn to Berlin. Although this assumption deals with relocation of public administration, it also entails relocating of countless services.
- e) In this context, it would be appropriate to also speak of ecological and social dumping. Ecological dumping arises when a company moves to those countries which do not respect legislation on the environment (the communal legislation, if dealing with member countries of the European Union, or international legislation if dealing with non-member countries), being able to, for this reason, to produce at lower prices than in those countries which respect said legislation.

The second, social dumping, takes place when a company moves to a country whose lack of working legislation, lack of trade union freedom or poor worker protection allows the company to produce goods at a lower cost and in this way compete against other countries which have a more advanced working legislation.

It is worth remembering to this respect that relocating can be used as an anti trade union tactic. There is a growing number of companies – such as Volkswagen in the case of Seat- which use the threat of relocation to overcome obstacles in negotiations with trade unions.

According to a report produced by economists from the North-American Universities Cornell and Massachusetts⁴⁶, 29% of the companies which outsource their production to Asia or Mexico count on staff with trade union representation. Two of every five jobs which are exported correspond to United States workers who are members of a trade union. These percentages are much higher than the level of unionisation in the affected industries. This also explains that well paid work is lost and badly paid work lacking in union rights is generated.

46. Capital Mobility and Job Loss: Corporate Restructuring, Production shifts and outsourcing, Cornell University ILR School, 2007.

Although commercial dumping, or the commercial practices of dumping are forbidden by article VI of the GATT and may give rise, according to the dispositions of the same article, to anti-dumping measures or practices, without doubt neither ecological dumping nor social dumping, which may be the origin of some practices as unfair or more unfair than commercial dumping, are regulated by the Agreement of the World Trade Organisation.

- f) State aid and tax advantages may also have an influence on relocation of companies. In a global context this is rather frequent and must be regulated through the World Trade Organisation or the International Labour Organisation. At the end of the day, there are other less important aspects of world trade which are actually regulated by the WTO. But if European countries have used and are using this system of attraction of capital then they cannot complain when other countries also use this system.

Nevertheless, within the European Union state aid is prohibited in most cases, because it is contrary to the single market. For this reason, relocating within the countries of the European Union funded by non-specifically authorised state aid is prohibited.

Regarding tax advantages within the European Union, some are authentic state aid, and in this case it is possible to apply that stated in respect to the last, that is to say that tax aid is prohibited in the European Union.

There are other measures which, without receiving the consideration of state aid and, due to this, are not prohibited in the European Union, may nevertheless entail pernicious effects for the single market. The Code of Conduct for business taxation of 1st December 1997 “*concerns those measures which affect, or may affect, in a significant way the location of business activity in the Community*”. These measures affect or may affect as much in the de-location as in relocation of companies.

“...Measures which provide for a significantly lower effective level of taxation, including zero taxation, than those levels which generally apply in the Member State in question are to be regarded as potentially harmful and therefore covered by this code.”

When assessing whether such measures are harmful, account should be taken of, inter alia:

- 1. whether advantages are accorded only to non-residents or in respect of transactions carried out with non-residents, or*
- 2. whether advantages are ring-fenced from the domestic market, so they do not affect the national tax base, or*
- 3. whether advantages are granted even without any real economic activity and substantial economic presence within the Member State offering such tax advantages, or*
- 4. whether the rules for profit determination in respect of activities within a multinational group of companies departs from internationally accepted principles, notably the rules agreed upon within the OECD, or*
- 5. whether the tax measures lack transparency, including where legal provisions are relaxed at administrative level in a non-transparent way”.*⁴⁷

Even though there are normally several specific factors which form a part in the decision to relocate a company, depending on the predominating factor in the origin of relocation, we can speak of two large types of relocating: structural and justified relocation or speculative relocation.

Relocation within the European Union; can we also classify this as speculative? The dismantling of companies from industrialised countries to Eastern Europe has not always been motivated by motives of survival.

Relocations founded on tax advantages which some states or regions of the European Union offer would be more controlled if there were a common tax policy within the Union, but direct taxation is a competence of the Member States of the European Union. Taxation, and in particular that of companies, is one of the few fields in which the Council is obliged to unanimously adopt legislative measures. This explains that the adoption of such measures results as practically inevitable.

These fiscal advantages could possibly negatively influence in the exercising of the four fundamental liberties: free circulation of goods, peoples,

47. OJ C 2, 06.01.1998, p. 2.

services and capital, and in this case the European Union is obliged to intervene, as the Right of the Union prevails over the Rights of the State members, in the case of contradiction or of divergence of opinion between each.

The Code of Conduct quoted is an atypical legislative act and, for this, non binding, but reflects the great importance that direct taxation may have in the evolution of the interior market and in the location and relocation of companies. With this Code, adopted through resolution of the European Union Council and the representatives of the Member States, pernicious tax competence is expected to be fought. It should be, as a result, a guiding beginning in this matter.

The underlying philosophy in this Code of Conduct is that legislative competence of the Member States in the field of taxation may give rise to certain imbalances and a falsification of the interior market and to relocation of companies, and for this reason, certain harmonisation in direct taxation matters of companies is necessary as a result.

At any rate, we should pose the question of if this zeal that Member States have in preserving their legislative competence in tax matters, and above all in the field of direct taxation, is the most compatible with in a single market. Would it not be wiser to progress towards harmonisation – via directives- and inclusive towards a tax unification via regulations?

We know that there are other factors which may have an influence on relocation of companies within the European Union, such as infrastructure networks, the proximity of borders and specialised personnel. Nevertheless, companies opt for a certain location searching for lower tax charges. Due to this the stated factors do not usually play such an important role.

Maybe it is time to ask oneself if a single market, such as that of the European Union, can work correctly without distortions with 27 different direct taxations on companies.

The strongest criticism made against tax jurisdiction of the Member States applied to direct taxation of companies is that of the discrimination which is provoked between productive factors against the working factor. The tax

jurisdiction of the States has given way to a deauditing of capital, which has been compensated by an increase in social contributions and taxation on labour, damaging employment, benefiting those with the highest levels of income and giving an incentive to the hidden economy.

The movement of companies from one country to another within the European Union is a fact: the group of companies Halbleiterkonzern Infineon moved all its accounting to Portugal and the Siemens group gradually did the same with its accounting moving to Prague. Seat-Volkswagen has moved part of its production to Slovakia. With the inclusion of new countries to the European Union, relocations are acquiring considerable proportions.

At first these relocations do not present any aspect open to criticism, as the Treaty on European Union establishes the free circulation of peoples, goods and capital as one of its fundamental principles. For this reason companies have the freedom to choose the site of their activities.

But the question is if these relocations are not the result of State aid, which is forbidden within the European Union, or the consequence of some aid destined for regional development and which is used detrimentally against other regions, that is to say if these companies are employment creators or simply move from a region where they did not enjoy regional funding to another region where they may have recourse to regional development funds.

In any case, article 147 of the Treaty on the Functioning of the European Union also states:

- 1. The Union shall contribute to a high level of employment by encouraging cooperation between Member States and by supporting and, if necessary, complementing their action. In doing so, the competences of the Member States shall be respected.*
- 2. The objective of a high level of employment shall be taken into consideration in the formulation and implementation of Union policies and activities.*

And this is the general principle which is above any regional aid. For this reason, a region cannot develop with detriment to another.

These movements may be made in agreement with the rules of the European Union on free competition or against the same. If they contradict free competition, then first the European Commission will intervene, in a preliminary phase. Then, if the observations made by the European Commission are not taken into account, the Court of Justice of the European Union or the Court of First Instance of the European Union are resorted to, depending on the case.

Still in the supposition that relocations within the European Union are not provoked by either State Aid or Regional Fund Aid, we would have to submit them to the code of conduct test on taxation of companies.

Therefore, from the fact that the movement is performed conforming with the rules of the European Union it is not to be deduced that it is economically efficient or socially correct, as sometimes the movements of companies are made in function of state interventions and for tax purposes without searching for a more efficient business, this also being socially perverse in moving the tax charge from the company to the worker.

The causes of relocation within the European Union are normally similar to the causes of the movement of companies from the European Union to non-member countries, although they cover special characteristics.

These special characteristics, in agreement with what has just been set out, are the following:

- They comply with the principle of the free market; they cannot have any relation with that state aid which, in accordance with article 107 of the Treaty on the Functioning of the European Union, is forbidden, understood by such as aid or subsidies of the central State, of regional governments and of city councils.
- They cannot place in danger the economic and social cohesion of the Member States; favouring some regions through the movement of a company which would cause a development deficit in another would be going against this principle.
- The informing and consulting of the workforce and committees of European companies, as the previous state to any relocation, here must play

a much more important role than in the movement of companies to non-member states.

- Movements or displacement of capital which are performed taking advantage of more attractive taxation regimes are inefficient from the economic theory point of view, since they assign resources in function of criteria connected with state intervention and not the greatest business efficiency and they are economically perverse at European Union level when displacing the tax charge towards employment and those countries which for different causes cannot apply the same active taxation policies.

The European Union constitutes a single market, a free market. Economic activity and, therefore, businesses are obliged to fair competition, a free competition. The States, or the regional governments cannot falsify free competition with their aid or subsidies, away from certain specific cases. Article 107, paragraph 1, of the Treaty on the Functioning of the European Union establishes:

“Save as otherwise provided in the Treaties, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market...”

If the strongest criticisms that are made against globalization are due to this lack of democratic control of the powers that be – the world of multinational companies and of finances- and, at the same time, we have asserted that speculative relocations come provoked by large multinational companies, then from the perspective of globalization certain regulation must be logically established because at an international level they are practically non-existent.

These multinational companies, when moving a part or all of their production out of Europe, are dragging many other auxiliary companies with them. At first these were almost exclusively textile or labour intensive companies which moved, but they were later followed by services and even investigation. There is no commercial branch which has not been affected by relocation or that is not subject to being relocated.

Although for some companies relocation has supposed a necessity to be able to continue surviving and, it can also be confirmed that relocation brings some benefits for the citizen -access to many goods at accessible prices-, the general balance, precisely due to the lack of regulation of this phenomenon and the speculation surrounding it in many cases, is normally negative. From here the distrust which exists in general against all globalising movement, and in this way also against the idea of European integration.

The citizen, in their role as consumer, may have access to some goods which are not within their reach when produced in Europe, but with respect to workers, they are seen submitted to competition which, as I have said and due to existing production conditions in many countries to which European companies move, is normally unfair. The benefits which relocation has brought for multinationals has hardly been passed on to workers at all, who feel disillusioned because of this.

With respect to relocations within the European Union, although deep down they have the same motivation as a relocation to a non-member country, that is to say business profits, and they also assume a danger of freezing or even a reduction of salary for the worker, I do not believe that they can be qualified as speculative. However, in some cases they may be considered pernicious in the way that has been previously described. Even more pernicious are the relocations which are produced within the same country, including within an area of only one hundred kilometres, which at times occurs in Spain and comes motivated by a struggle or speculative competition between general system regions and regions which enjoy, against all democratic sense, privileged taxation regimes.

For relocations to be accepted as something positive, as much for citizens of the countries to where industries and services move as citizens of industrialised countries, efficient international regulation is necessary and, within the European Union, a control, through the Commission, of those relocations which may come into effect receiving funds or aid from the Union destined for other purposes and the intervention of the same Commission so that any tax privilege founded on historic reasons but incompatible with a single market and a democracy disappears.

6. World balance of globalization

Globalization is a constantly growing reality which cannot be stopped and much less erased. A reality in evolution within a world of constant change. The image which we trace of globalization so as to reflect the reality at any given time will therefore be somewhat inexact, since it is quite static whereas globalization is something dynamic and changing.

On the other hand, as we have already indicated, relocation is one aspect of globalization. And so, the fears and worries surrounding relocation affect globalization in its whole and the criticisms made against globalization also affect relocation.

Upon reaching judgement on globalization, it is advisable not to be led by prejudice or by sentiment. According to a report of the International Labour Organisation:

“Although many of the ills of the world today -poverty, the lack of decent work, the denial of human rights- existed long before the present phase of globalization, there has been growing exclusion and deprivation in certain regions of the world”.⁴⁸

For some, globalization has killed off the way of life and traditions of many indigenous peoples and local communities, at the same time it is a threat for environmental sustainability and cultural diversity and including the increase of inequality, not only between countries but also within countries as seen between different social groups, and this is creating negative repercussions on populations, families and communities.

According to the quoted ILO report, the debate on globalization is rapidly changing into a debate on democracy and social justice in the heart of a globalised economy.

48. Report of the World Commission on the Social Dimension of Globalization of the ILO, 2004.
“A Fair Globalization: Creating Opportunities for all”, quoted.

At the present moment it is even more difficult to cast an objective and sober judgement on globalization since we relate it, and many times confuse it, with the financial crisis. And, although the fact is that globalization and the financial crisis are closely related, the financial crisis did not directly derive from globalization.

Globalization has allowed people, companies and nations to have an influence on actions and events in a more rapid, deeper and economical way which was never previously possible. Commercial liberalisation and the removal of many barriers has the potential to increase liberty, democracy, innovation and social and cultural exchanges as well as offering exceptional opportunities for dialogue and understanding. This is the positive side of globalization.

But the global nature of an ever increasing number of disturbing phenomena -the shortage of energy resources, deterioration of the environment, migratory movements caused by insecurity, poverty and political instability or including the volatile nature of the financial markets as seen in recent months- are also by-products of globalization.

In some cases globalization has strengthened powerful economies and has further weakened those which were already weak. In the same way, great preoccupation exists about the impact it has on socioeconomic structures, competition increase or the resort of relocation to foreign countries of those industrial and service companies which require intensive work. The problem of inequalities of global trade and commerce is also negatively considered.

The memory of the recession of the 1930's which began with commercial protectionism and finally led to the Second World War seems to be absent at the present time in some people's minds. The objective of the establishment of the Bretton Woods system, including the General Agreement on Tariffs and Trade (GATT), the predecessor of the World Trade Organisation, in search of an open world economy code was to prevent the repetition of such a tragedy. We should not commit the same mistakes.

To begin with, we must recognize that the policies of trade liberalisation suffer from an innate asymmetry, since there are many who benefit from

the profits of trade liberalisation, although they are barely conscious of the source of their advantages, while the prejudiced, who are less, can easily identify with the origin of their suffering.

For politicians, such asymmetry is difficult to solve and frequently the easiest way to face it is to make immigration, which is also a by-product of globalization, responsible for the present situation. But, how can trade and commerce be made to benefit all? There are two aspects which we should consider. The first is how to ensure that profits are more equally shared between nations. The second is to guarantee a greater distribution of profits from trade within each country.

In the first case, it is fundamental to adopt fairer rules for multilateral trade and to elevate the trade capacity of countries in development. A primary objective of the negotiations of the World Trade Organisation taking place is precisely to deal with the remaining inequality which affects countries in development, be it in agriculture or in areas such as textile or shoe manufacturing. It is also necessary that trade liberalisation is accompanied by a solid domestic agenda to stimulate growth and absorb balance costs as although it may result in a greater growth and alleviate poverty, this occurs neither automatically nor immediately. Appropriate tax policies, compensation policies, investment in quality training, in the social security network and in innovation and promotion of healthy environments should form part of the necessary group of rules so that trade is converted into a real benefit for people.

On the other hand, workers of the industrialised world who are seen damaged or harmed by globalization should be compensated and helped with educational and social measures, so that they can adapt to a new style of employment.

The quoted report of the ILO literally states:

"Ours is a critical but positive message for changing the current path of globalization. We believe the benefits of globalization can be extended to more people and better shared between and within countries, with many more voices having an opinion on its course. We seek a process of globalization with a strong social dimension based on universally shared values, and respect for human rights and individual dignity: one that is fair, inclusive..."

It is a known fact that the advantages of globalization do not reach everybody. There are many who see the security of themselves and their families threatened and who have lost or may lose their job at any moment. An ever increasing preoccupation of the evolution of the world economy exists, which threatens the rich as much as the poor. Globalization has created enormous fortunes, but it has also created great poverty, exclusion and inequality.

Relocating, which, as we have previously stated, is intimately linked to globalization, appears to raise wages for highly skilled workers, a finding that is in line with the idea that firms outsource the low-skilled, intensive parts of production and, consequently, increase the relative demand for skilled workers. For medium- and low-skilled workers the coefficients on the outsourcing intensity are negative.

International outsourcing has a statistically significant positive impact on workers who report that their job requires college or technical school training. For workers in jobs requiring lower levels of qualifications there is a significant negative effect of outsourcing, with an increase of 1 percentage point in narrowly defined outsourcing yielding a wage loss of around 1.3%, all other things being equal. Low-skilled workers are therefore the losers from this form of globalization of production, while highly skilled workers are, on average, the group liable to gain. This leads us to debate on the way of compensating the losers of globalization in some way and on the extent of this compensation.

The econometric analysis indicates that real wages for workers in the lowest skill categories were reduced by outsourcing by up to 1.5% or 1.3%. By contrast, real wages for highly skilled workers grew by 2.1%.

Regarding the distributions of riches, it does not seem that globalization influences this in one way or another. But globalization creates growth of wealth and the increase of wealth in turn contributes to the reduction of poverty⁴⁹.

49. See Ravallion, Pro-Poor Growth: A Primer World Bank Policy Research Working Paper N° 3242, World Bank, 2004, Washington D.C. and Equity and Development, World Development Report, World Bank, 2005, Washington , D .C.

The ILO report recognizes that globalization has also produced great benefits in some countries:

“We recognize that globalization has opened the door to many benefits. It has promoted open societies and open economies and encouraged a freer exchange of goods, ideas and knowledge. In many parts of the world, innovation, creativity and entrepreneurship have flourished. In East Asia, growth lifted over 200 million people out of poverty in a single decade.”⁵⁰

Improvement of communications has favoured sensitisation with respect to rights and identities and has allowed social currents to mobilize opinion and strengthen democratic presenting and auditing of accounts. As a result, a true global conscience has begun to take shape, attentive to inequality linked with poverty, sexual discrimination, child labour and environmental degradation. On the one hand the process of economic cooperation and integration which globalization entails has contributed to the fact that some countries have benefited from high levels of economic growth and creation of employment, incorporating and developing many people living in poverty in rural areas to the modern urban economy. On the other hand, world economy integration has created a situation in which many countries and sectors have to face great challenges with respect to income inequality, high levels of unemployment and poverty, economic vulnerability when faced with external crises and the growth of non-protected work. All of this has an influence on relationships of work and worker's protection.

Persistent and profoundly entrenched inequalities can be seen in the present operation of the global economy, which result as unacceptable and politically unsustainable from an ethical point of view. This arises from a fundamental inequality between the economy, society and politics. The economy is constantly becoming more global, while social and political institutions continue to be fundamentally of local, regional or national reach. There is no international institution or body which is capable of adequately controlling global markets in a democratic way, nor of correcting the basic inequalities between countries. These imbalances have em-

50. Quoted report of the ILO, p. 25.

phasised the need for improvement in institutional and political frameworks if we want globalization to fulfil its promises. The greater part of the world population, who live and work in the informal economy, continue not being able to directly participate in the markets or globalization on a fair and egalitarian basis.

But the increase of commercial restrictions is not the best answer to counteract the drawbacks of globalization. The damage which such restrictions may create would be of an inconceivable magnitude. The true cause of the discomfort is not the escalation of international trade, but not accompanying trade liberalisation with other policies which could increase the positive impact arising from opening to exterior competition. One cannot return to protectionism or nationalist economics. The destabilising effects of growth reduction on countries in development would create a much poorer world. The growth of emerging nations largely depends on the demand of developed countries and their exports to these. Disconnecting or separating the economy of the industrialised countries of the global economy would take the ladder out of poverty away from emerging and developing nations.

Although globalization has its great defects, it has created a stable and equitable framework for economic cooperation and trade between states that has allowed an unprecedented expansion of global prosperity through multilateral rules, first under the General Agreement on Tariffs and Trade (GATT) and then the World Trade Organization (WTO). It has reduced global economic inequality and has without doubt made a greater contribution to global poverty reduction. Globalization could work better but that does not mean that we would be better off without it.

In defending a redistribution of large economic risks that lie in wait for individuals -unemployment and social security-, ensuring a minimum level of social equality, the most advanced social models are the best prepared to create a society better equipped to overcome an economic change. The most effective models favour flexibility in the labour market, but at the same time protect the worker with salary insurance when changing one job for another, and promote a high level of education, even basic education. This is the path to face globalization with success. This is the way that the Nordic countries of the European Union, those showing the most optimism facing globalization, have followed.

The more efficient allocation of resources will boost growth with potentially positive effects on social welfare by offering the prospect of greater aggregate prosperity. The economic benefits of globalization partly reflect the theory and empirical evidence on the gains from increased specialisation. They also flow from the access to knowledge and the reorganisation taking place in value chains. The principal benefits of globalization are:

- Reduction of poverty in developing and emerging countries
- The diffusion of technology, which should stimulate economic growth by facilitating productivity growth.
- Innovation as a competitive factor can also lead to higher productivity and improved living standards.
- A better configuration of the value chain,
- More responsive capital markets can allocate resources to where they can attain the highest return, with knock-on benefits for the savers.
- Foreign direct investment (FDI) flows can achieve a better matching of savings and investment flows across the world,
- Demand from emerging markets is the flip side of the rapid expansion of new competitors. Increases in demand can be expected from the new global competitors.
- Consumers gain from obtaining access to cheaper sources of goods and services. Yet the fall in prices relies on the level of competition in the product markets. If markets are characterised by an oligopolistic structure, the positive price effect of globalization may be more limited.
- With all the world population growth in the coming decades in developing countries, there is a potential labour supply for Europe.

Many of the gains are pervasive, but often not very visible or readily calculable, with the result that there is no easily quantifiable figure for the overall benefits. Jaumotte & Tytell⁵¹ estimate, for example, that falling prices for traded goods have increased output and real labour incomes in the 'advanced' economies by about 6% over the last quarter of a century. This gain has been accompanied by substantial increases in real terms in the

51. See Jaumotte, F. and I. Tytell (2007), "Globalization of Labor", Ch. 5, *World Economic Outlook*, IMF, Washington, D.C., April (retrieved from <http://www.imf.org/external/pubs/ft/survey/so/2007/RES057D.htm>).

labour incomes of emerging market economies, yet it is also probable that the competitive pressures have been one factor behind the general decline in inflation. There has nonetheless been a tendency for the labour share of income to fall, a trend that has appeared in most advanced economies in recent years (although the supposedly Anglo-Saxon economy of the UK is a notable exception). 'Labour globalization' may be a factor in this shift, but Jaumotte & Tytell argue that technological change has had a bigger impact, above all on the levels of unskilled wages, and also notes that despite the fall in share, real labour incomes have "grown robustly in advanced economies", especially in the Anglo-Saxon ones.

The degree to which real wages in the most dynamic emerging markets converge with richer countries is striking. According to Jaumotte & Tytell, real manufacturing wages in China (adjusted for purchasing power) caught up from 7.4% of the US level in 1992 to 16.1% 10 years later in 2002. Over the same period, Korean wages went from 48.8% to 70.2%. Such relative changes reflect growth rates, and it is noteworthy that economically less successful emerging economies have not seen similar rates of catching-up. The policy implication, however, is that the economies that do expand significantly will follow a well-trodden path of seeing rising wages and growing consumer demand.

**Real wages in manufacturing, selected countries and years
(index, 1995=100)**

	1980	1985	1990	1995	2000	2001	2002	2003
Canada	-	94,9	93,9	100,0	102,6	101,5	102,0	100,7
China	-	-	77,4	100,0	155,3	172,2	195,4	-
Cyprus	-	-	-	-	103,3	107,1	109,1	-
Czech Rep.	-	-	-	100,0	116,1	118,6	122,0	-
Denmark	-	-	-	100,0	110,1	113,5	115,3	-
Estonia	-	-	-	100,0	121,9	127,0	135,2	-
Finland	-	-	-	100,0	110,4	110,9	113,2	-
Germany	-	-	-	-	102,4	101,9	102,6	104,1
Hungary	-	-	-	100,0	110,9	116,6	124,5	129,1
India	186,3	151,7	134,3	100,0	73,4	104,4	-	-
Ireland	85,2	86,5	93,7	100,0	141,8	149,2	152,8	155,6
Japan	-	-	-	100,0	103,6	105,9	106,4	106,8
Korea	32,4	42,2	71,0	100,0	117,3	119,8	130,6	137,3
Luxembourg	-	-	102,5	100,0	101,9	99,9	101,6	102,5
Malaysia	-	85,1	80,0	100,0	118,6	129,1	-	-
Malta	-	-	-	-	100,0	100,9	103,3	103,6
Netherlands	79,3	78,2	85,4	100,0	107,1	-	-	-
Portugal	-	-	97,6	100,0	-	-	-	-
Singapore	-	-	73,5	100,0	134,4	136,7	138,8	143,0
Slovakia	-	30,8	30,6	100,0	109,9	112,9	117,2	116,0
Slovenia	-	-	113,1	100,0	117,0	119,5	122,1	124,4
Spain	70,7	78,6	91,9	100,0	104,3	-	-	-
Sweden	94,5	90,8	100,3	100,0	101,7	102,5	103,2	104,6
Taiwan, China	-	-	81,5	100,0	111,1	109,7	109,7	-
UK	-	-	91,4	100,0	111,7	115,8	118,8	121,0
US	108,9	109,5	102,3	100,0	102,7	102,9	105,0	-

Source: ILO Key Indicators of the Labour Market database.

On the other side the main threats related to globalization arise from intensification of competition, pressures on public finances and the repercussions of migration. The existence of a number of restrictions on trade and on labour flows provides the EU member states with relatively more insulation from the more pernicious effects of globalization than other countries around the world. Nevertheless, they still face a number of potentially serious social costs that are associated with the process of globalization⁵². The sheer complexity of globalization and its many dimensions means that “identifying a simple relationship between globalization and social progress is impossible”. The negative effects of globalization can be grouped under five main headings⁵³:

a) Unemployment

For developed countries, and in particular for EU countries, globalization has a negative effect on employment, at least in the short term. Yet, this effect is neither uniformly distributed across the population nor in all countries, but has hitherto had a disproportionate effect on low-skilled workers. Globalization reduces the demand for unskilled labour, leading to higher long-term unemployment among unskilled workers in Europe. The magnitude of this effect depends on the ability of workers to be successfully retrained. At the same time, international outsourcing leads to a shift in relative demand for labour and increases the employment share of highly skilled versus low-skilled labour. Firms outsource the low-skilled, intensive parts of production and hence increase the relative demand for skilled labour. Empirical work examining the effects of outward FDI on home employment provides mixed evidence.

b) Social dumping and tax competition

Social dumping results from the rising competition of countries for the attraction of investment through the lowering of labour regulations and

52. Torres, R. (2001), *Towards a Socially Sustainable World Economy: An Analysis of the Social Pillars of Globalization*, International Labour Organisation, Geneva, p. 1.

53. *Is Social Europe Fit for Globalisation?*, A Study of the Social Impact of Globalization in the European Union, Centre for European Policy Studies, March 2008, p.. 137.

standards. This competitive deregulation is complemented by the impact of tax competition on the welfare state⁵⁴. The free mobility of factors of production stemming from globalization can tempt countries to embark on tax competition aimed at attracting the tax bases of relatively more mobile factors of production (e.g. capital). In equilibrium, this process lowers tax rates to suboptimal levels, leaving tax bases unaltered with a negative impact on government revenue, at least in the short run. This process restricts the ability of countries to preserve a strong welfare state and increases the relative tax burden of less mobile production factors (e.g. labour). In contrast to this process, the need for a strong welfare state may increase with globalization for at least three reasons. First, many of the arguments supporting the existence of the welfare state (the presence of uncertainty that could otherwise reduce innovation and investment) become more significant in a globalised environment. Second, gains from globalization may spread unevenly across individuals. Third, exploiting the efficiency gains from globalization depends crucially on the existence of the welfare state and its role in preserving a suitable economic and regulatory environment.

c) A rise in income inequality and poverty

Mobility of capital and workers which comes with globalization affects the distribution of income since it increases the relative income of capital (labour) in the countries endowed with a high (low) capital/labour ratio. Moreover, trade arising from differences in technologies can have a positive impact on all workers only in the case that all workers are identical and fully mobile across industries. Otherwise, technological innovation will tend to raise the relative demand for skilled labour. As a result, the relative income of skilled versus unskilled labour will tend to increase. Outsourcing will have a similar effect on wages. These effects are likely to lead to increased levels of inequality and (relative) poverty.

54. See Bretschger L. and Frank Hettich, Globalisation, Capital Mobility and Tax Competition: Theory and Evidence for OECD Countries", 2002, European Journal of Political Economy, Vol. 18, n° 4, p. 494-716.

d) A rise in international migration

International migration entails both costs and benefits for the host country of the immigration. From the perspective of economic benefits, migration has two important effects. First, it can facilitate economic growth by raising labour supply or by affecting the skill composition of the workforce. Second, it may partly tackle the financial burden imposed on the social welfare systems of industrialised countries by the ageing of their populations. In many European countries migrants generate at least transitory positive effects on the pension systems. On the side of possible costs, migration may reduce wages and increase unemployment in the host country, especially if migrants' skills are similar to those of workers in the host country.

According to the European Commission's *Third Annual Report on Migration and Integration*⁵⁵ immigration has grown significantly in recent years and continues to be the main source of population growth. At the beginning of the year 2006 there were 18.5 million nationals of third country nations residing in the European Union, which represented 3.8% of the total population. However, it must be taken into account that many emigrants acquired citizenship of a host country of the Union after a certain period of time and were therefore no longer emigrants. The nationals of the countries of the Union that live in a distinct country are obviously not included either as they cannot be considered as immigrants. Yet the report also notes that national policies are becoming more diverse, although a general trend is towards policies that are more restrictive. Moreover, it is clear that the integration of migrants remains problematic, even in those countries that appear to have adapted social policies well in relation to the complexities of globalization. For example, the employment rate of migrants in Denmark –the country that tops the table for employment rates in several segments of the working population– is significantly below that of the indigenous population. In several member states, the extent of participation of immigrants in civic society is low and there are specific problems among target groups, notably women and dependent migrants.

55. Brussels 11.9.2007, COM (2007) 512 final.

According to this report, greater coordination of national policies of integration and the activities of the EU on the base of basic values and common principles is necessary. Integration is a dynamic, two-way process of mutual accommodation by all immigrants and residents of Member States. Integration implies respect for the basic values of the European Union. Employment is a key part of the integration process and is central to the participation of immigrants, to the contributions immigrants make to the host society, and to making such contributions visible.

The present crisis is affecting immigrants in a special way for two reasons: the first because it is the sector which most suffers from unemployment and the second because xenophobic movements are emerging against immigrants, blaming them for unemployment and the lack of means for social aid in favour of nationals.

Regrettably, here one must also remember that lack of planning and clear policies of some governments has given way to this situation. For this reason, what could at first be a benefit for the host country has been converted into a burden due to this lack of planning.

e) A rise in regional inequality

In theory, in a frictionless world the process of globalization should gradually eliminate regional inequality. The free mobility of goods and factors of production should enforce a more efficient allocation of resources internationally through the equation of marginal productivity and income across different regions. Low-income regions should grow faster than high-income regions as they will attract more capital and be able to exploit their comparative advantage. In the real world, however, production often concentrates in relatively advanced regions in order to exploit agglomeration effects and increasing returns to scale, in such a way that the catch-up process of backward regions becomes very difficult. The countries of the European Union are partly protected from the effects of globalization because of the existing restrictions on trade with the rest of the world (especially trade in agricultural products) – although these restrictions have declined substantially in recent decades. Still, the EU countries remain exposed to free capital mobility. Furthermore, European economic integration is a form of globalization

on a smaller scale. According to the Sapir et al. report⁵⁶, in the period 1980–2000, one can observe a tendency of per-capita GDP towards convergence across the EU member states, while within most countries one can observe a divergence of GDP levels across regions.

Plainly, there will always be localised impacts of structural change and these impacts may be long-lasting ones. Many regions and localities largely dependent on traditional industries in decline –such as coal mining, steel-making, ship-building and textiles– faced severe economic problems during the latter half of the 20th century. Among the new Member States of Central and Eastern Europe, the decline of state owned enterprises had a similar, although often even more pronounced effect during the 1990s. It is therefore safe to predict that further localities will be affected in this way from new forms of restructuring that themselves cannot readily be predicted.

In summary, we can say that unregulated globalization is producing large profits for multinational corporations, profits greatly reduced in the working class of developing countries, especially India and China, but great harm in the form of unemployment and reduced acquisitive power for non-specialised workers of the industrialised world⁵⁷. A lowering alignment of salaries would not help us to overcome the difficulties, it would give way to strong social tensions and would place globalization itself in doubt.

As I have already said, it is extremely difficult to separate the repercussions that the financial crisis and relocating are individually having on the increase in poverty. My criticisms of relocations or of globalization are directed more against the lack of regulation than against relocating or globalization itself. It is not outsourcing or relocating nor globalization that I am criticising, but this kind of relocating and this kind of globalization.

56. Sapir, A. et al., *An Agenda for a Growing Europe*, The Sapir Report, Oxford, 2004, Oxford University Press.

57. Barquero, quoted work.

7. How should we face the challenge of globalization?

Without claiming to having found the solution to facing globalization, I am going to point out some circumstances which may indicate the direction of the path that carries us to a true understanding of this problem.

I have said that globalization is hitting less specialised workers the hardest and that the Nordic countries of Europe, with their social, education and labour policies, are those who have known how to best face and reduce this lack of specialisation and who see and accept the phenomenon of globalization with greatest optimism.

I have also said that it is not globalization itself which has brought us to this world financial crisis, nor is it that which is giving rise to suppression of employment in the industrialised world, but all this is due to the lack of an effective and international regulation of globalization, and in the same way the lack of efficient accompaniment measures and of wise policies in industrialised countries.

It is also worth remembering that the process of outsourcing of companies from industrialised countries to countries with cheap labour has been taking place, although not at present proportions, since several decades ago. It is a mistake to want to compete with emerging or developing countries in those products which require high intensity labour.

Within the positive lessons which we should learn from this financial crisis is the need for the European Union to act in a more unified way, that it becomes an authentic Union. More solidarity and less subsidiarity is necessary.

The principle of subsidiarity, as a fundamental principle of democracy in the sense that sovereignty lies in the people, does not add anything new to the concept of democracy and, regarding vertical distribution of power, it is now implicit in all decentralised governments -at the moment almost all democratic States are more or less decentralised- and in the concept of federalism or of a State of Autonomous Regions.

Professor Philip Allott of the University of Cambridge goes even further. In his intervention before the Committee on Legal Affairs of the European Parliament on 6th October 1992 he said of subsidiarity:

*...it is worse than fraud, it is an error...it deals with a recipe for the destruction of the Community... Subsidiarity is a shout from the past, it is the old order, the old regimen which is trying to return.*⁵⁸

When the community, according to him, is something totally new.

Moreover, the closeness to citizens, which is a basic concept linked with the concept of subsidiarity, does not necessarily nor principally want to say physical proximity. Closeness to the citizen is listening to the citizen, attending their needs and solving their problems. In an age of electronic connections geographical distance is not an inconvenience at the least. It is worth remembering to this respect that most cases of corruption take place in a local scope. The local scope and local authorities are much more prone to favouritism and bribery. As such, physical proximity does not describe better service for the citizen.

It may result as strange to declare oneself against this principle when in the last decades it seems that most authors consider it a panacea for all ills suffered by the Union. But, I do this totally convinced, as Europhile as I am, because, without being utopian, I see that subsidiarity has promoted discord, national pride and nationalism. The only solution for Europe which we are seeing now with the economic and financial crisis is more Europe, more solidarity. The prosperity that Europe has had in the last decades is fruit of the solidarity between Member States, since if the poor countries have had access to European funds then the rich countries have had a virgin market at their disposal in which to place their industrial products.

Solidarity is one of the basic or general principles of the European Union and this principle cannot be distorted in times of crisis, a principle which impregnates all Law and all the activities of the European Union. In the preamble of the Treaty on the Functioning of the European Union it is stated:

58. See also Philipp Allot, *Eunomia: New Order for a New World*, Oxford University Press, 1990.

“ANXIOUS to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions”,

Union solidarity is the foundation of all regional policies of the Union. The lack of duties of solidarity which non-fulfilment of community legislation assumes is an attack on the bases of Union legal order⁵⁹ The principle of subsidiarity is not the only general principle of Union Law, nor is it the most important. Separating it and confronting it with the principle of Union solidarity would be to go against the spirit of the Treaties. Solidarity is also a general objective of the Union. Subsidiarity is, on the other hand, not a good in itself but is in function of solidarity and the other objectives of the Union.

The solidarity of the Union is to be found within the policy of economic and social cohesion, which consists of both economic and social harmonious development of all of the Union, directed towards the reduction of regional differences and the differences between States such as holding up of less favoured regions and States. The instruments which the Union uses to reduce these differences between regions are, in addition to coordinated economic policies of Member States, the actions of the four structural funds of the Community -ERDF, ESF, EAGGF Guidance Section and FIFG⁶⁰- the Cohesion Fund, the European Investment Bank and other existing financial instruments.

The creation of a single market and the disappearance of interior borders does not necessarily entail the disappearance of interregional differences, it may even emphasise them. For this reason, economic and social cohesion results as being so necessary. Economic and social cohesion has been converted into one of the primordial purposes of the Union:

*The Union shall promote economic, social and territorial cohesion and solidarity among Member States.*⁶¹

59. Judgement of the Court of Justice of the European Union, 7.2.1973, case 39/72, Commission/ Italian Republic, ECR. 1973/101, paragraph 25.

60. The so called structural funds, which is to say financial funds of the European Union with a structural purpose.

61. Art. 3 of the Treaty on European Union.

Regarding economic and social cohesion or, to put it another way, solidarity among the diverse States, a new fund was created, the Cohesion Fund⁶², with the aim of aiding creation of transport infrastructure in the poorest countries of the Union.

The principle of subsidiarity has been taken from its original environment -the relationships between the individual and the State- and we are extrapolating it to a political environment in which decisions are made by virtue of political reasons, which in principle have nothing to do with the Law. This principle of subsidiarity, in its origins, hoped to regulated the relationships between individuals and the bodies of the State. It arose as a system of defence of the interests of the people faced with the State. It has a vertical vision: the individual, or lower level, and the state or higher level. The person is the centre and subject of all policies, and the State is legally below the people and at the service of the same.

On making this ethical principle a political principle it has been disfigured and, at the same time, overdimensioned, as in reality this principle does not bring anything to political theory. In the European Union the principle of subsidiarity regulates the relationships of two fields which are at the same level -the national field and the field of the European Union-, which is to say it regulates relationships in an environment in which both Member States and the institutions of the European Union have competencies.

The international and national fields have different structures. In the national structures the actors or main subjects are the people, while in the international structures the main actors are the States. For this reason in national structures the relationships are vertical whereas in the international field the power relationships are horizontal. In this last field there is no higher authority.

62. New fund, foreseen in article 177 of the Treaty on the Functioning of the European Union, which was created by Regulation CE 1164/94 of the Council on 16th May 1994, DO L 130 de 25.5.1994, p. 1, and which attributes a financial contribution to projects related to the environment and with pan-European transport networks in those Member Countries whose GNP per inhabitant is lower than 90% of the community average. (Protocol on economic and social cohesion, annex of the Treaty on European Union). What other structural funds are at regional level this fund is at state level.

But the relationships between the States and the European Union are not at an international scale but a supranational scale. The European Union is a supranational organisation which has nothing to do with classic international bodies. Its relationships are therefore not horizontal but vertical and the Law of the Union is above National Law, it has supremacy over National Law. If we are not in an international area it is therefore not the international structure which is in the centre, but the individual, the people. The European Union is a Union of the peoples of Europe, not of the States⁶³. The States act as mediators, as representatives, but regrettably as bad representatives, or better said they exceed their authority in their competencies conferring part of sovereignty, which is not theirs to give but belongs to the citizens, to the European Union:

*Under the principle of conferral, the Union shall act only within the limits of the competences **conferred upon it by the Member States** of the Treaties to attain the objectives set out therein. Competences not conferred upon the Union in the Treaties remain with the Member States⁶⁴.*

Moreover, in a modern society sovereignty is shared, not only within the State -central, autonomous, provincial and municipal governments- but also between the government of the State and the international instances or, as in the case of the European Union, between the State and the institutions of the Union. Constantinos N. Kakouris, ex judge of the Court of Justice of the European Union says to this respect:

Sovereignty is at present considered as a dividable set of competencies in the way that their exercise may be trusted in two or more authorities. This evolution comes aided by abandonment during the course of the last decades of the classic conception of sovereignty as something inadvisable, inalienable and in-transmissible⁶⁵

In an attempt to summarise and as a contribution to the challenge of globalization, I would propose the following measures:

63. See article 1 of the Treaty on European Union

64. Article 5, paragraph 2, of the Treaty on European Union

65. La relation de l'ordre juridique communautaire avec les ordres juridiques des Etats membres, du droit international au droit de l'integration, en Liber amicorum Pierre Pescatore, Nomos, Baden-Baden 1987, p. 319-345.

a) Political Measures

I do not know if political measures are the most necessary, but I am convinced that they are among the most urgent. In the European Council of October 2008 a legislative process was begun with the aim of creating structures of financial monitoring. A European financial monitoring system must be created with three authorities: a European Authority for the Monitoring of Banking, a European Authority for the Monitoring of the area of Insurance and a European Authority for the Monitoring of Paper Securities. But the setting in motion of this legislative process does not seem to have advanced much.

And without doubt the necessity of these methods is somewhat evident. The Treaty on the Functioning of the European Union already forecast in its article 121 that the European Commission devise some general orientations on economic policy, supervise the economic policy of Member States and direct a warning to a Member State in the case that its policy diverts from the general orientations of the Commission, what has these days changed into a monitoring of the general budget projects of the Member States and recommendations to return to stability and growth pact⁶⁶.

It is recommendable that the spirit of austerity which the European Institutions recommend to the governments of the Member States be applied to themselves. There is no *raison d'être* that the number of embassies of the Member States is multiplied by 27 and on top of this there is an embassy of the Commission, in addition to the so called embassies of several autonomous regions. Without mentioning the enormous administrative

66. Agreement reached in the European Council of Dublin on 13th and 14th December 1996 between the heads of State or Government in order to achieve a financial "stability programme, which provides an essential basis for price stability and for strong sustainable growth conducive to employment creation" [Regulation (CE) 1466/97 of the Council]. In the judicial acts which constitute this pact a clear and close progressive relationship is always reflected among regularised public finances, price establishment, strong and sustainable growth and employment creation. The first ring of all this chain is therefore made up of regulated public finances. This pact was founded in the obligation which every Member State has in avoiding excessive public deficit (article 126 of the Treaty on the Functioning of the European Union) and of considering their economic policies as a point of common interest and of coordinating them with the heart of the Council (article 125 of the Treaty on the Functioning of the European Union).

costs which come from using twenty-three working languages in the institutions of the European Union. All of this is a luxury which neither the European Union nor the Member States can permit. With a little pedagogical sensitivity the European citizen would understand these measures and would renounce the national prejudices learnt at school a little.

The European Union cannot decide to use, as far as possible, one single language because neither the French, the Spanish, the Portuguese nor the citizens of any country, not even the Maltese, want to renounce their language. Here we have the nationalist spirit of all Europeans. With this spirit Europe cannot be built. And with this administrative waste of money Europe cannot compete with any country. The savings that could be made in this way could be dedicated to training, investigation and social aid.

When the Treaty on the Functioning of the European Union states that the service of external action:

*...shall work in cooperation with the diplomatic services of the Member States and shall comprise officials from relevant departments of the General Secretariat of the Council and the Commission as well as staff seconded from national diplomatic services of the Member States...*⁶⁷

it is showing us the way. Europe is not built with 27 different and often contradictory external policies. What possibilities of success does Europe have when faced with countries such as the United States and the emerging economies of great power such as China, India or Brazil?

Europe is losing importance in the world. We do not want to convert the European Union into a superpower or a Superstate, but neither can we passively watch as the States of the Union become relegated to a secondary role, due partly to globalization and partly to a misunderstood concept of subsidiarity, without the European Union assuming that main role. If Europe is moved to the background then the same may happen with its ideas of democracy and freedom and its well-being and social state, assets which should not be waived by any citizen of the world and which constitute the

67. Article. 27, paragraph 3, of the Treaty on European Union

most prized patrimony of Europe. The losers would be the citizens of Europe and the citizens of the world.

A possibility exists of building a strengthened cooperation in matters of external policies and security between those Member States that wish to do so, but this possibility is timidly left in the hands of the Member States without the Commission taking or being able to resolutely take the initiative⁶⁸. European politicians are convinced that there is no other way but they do not dare to state this clearly. They are afraid of losing the votes of their fellow citizens who they have educated towards nationalism and discord.

There is another aspect which assumes a great restraint for the development of the European Union: the unanimous vote, which, although it has reduced, continues to be in force in many fields of the European Union. The unanimous vote is not only something undemocratic since it is always the minimal vote to which the wish of the last is imposed, the only way there is to achieve unanimity, but it also impedes advances in the construction of Europe.

b) Educational measures

This may be the chapter which demands the deepest changes. European construction is without doubt the most important political decision of the 20th century, but it is a construction which has been built almost exclusively from the top. The higher levels have greatly advanced but deep foundations have yet to be laid. The citizen does not feel much excitement for the idea of Europe because they have been neither prepared nor educated for this. Or to put it better, I would say that they are being educated for discord, for separatism. The clearest example can be seen in my own country, with seventeen different educational systems, where students study the history and geography of their region but hardly learn anything about the history of their own country let alone the history of Europe. With money from the States or money from the Union we are sowing the seeds of disunion in schools.

68. See article 329 of the Treaty on the Functioning of the European Union.

The exchange of students from diverse States of the Union must begin from this stage and should not be something exclusive to those with a high acquisitive power. This exchange, optional for school children and young workers, should be obligatory for those who study higher education. Living together with other young people in other environments would help these to open up to the world and would increase the desire for foreign language learning.

In addition to the perfect learning of a foreign language, other values presently absent from schools must be encouraged: the spirit of solidarity, the spirit of effort and overcoming, sport and love of nature and animals. Investing in education is the economically most profitable investment.

There remains no other path but to invest in human capital, in training and investigation. What we have not done for many years now appears with an urgent and imperious need: investigation, education and training. It is the only way out of the crisis. It is a long and winding road but it is the only possible solution. Politicians are not usually given to long term solutions, they want to invest the money of the citizens and that this money dazzles and is immediately converted into votes. But it is necessary that governments think more of the citizens than in electoral victory. On the other hand, training and education make a young person more critical and free and the faint-hearted governments are afraid of a trained and free citizen.

To face the challenges of the modern economy with certain guarantees I would say that the criteria of the Lisbon strategy should be applied in a binding way: education, professional training and investigation. Cooperation between students, universities and companies must be strengthened. I have said in a “binding way” because the commitments attained in the framework of the European Union many times remain as good intentions and nothing more.

Public awareness is indispensable of social responsibility, education for solidarity, solidarity between rich and poor countries, solidarity between rich and poor regions, solidarity between directors and workers, whatever means total elimination of fixed and disproportionate salaries, continuous training for workers and dedicated professionals as both equally need a continuous updating of their knowledge. Every person, and above all every

young person, must be clear that an improvement in salary, meaning an improvement in standard of living comes through improvement of productivity and that in turn, the improvement of productivity comes through an ever improving education.

c) Promotion of the conscience of European citizenship

Theoretically a citizen of the Union exists, but they hardly have any content:

*Every national of a Member State shall be a citizen of the Union. Citizenship of the Union shall be additional to and not replace national citizenship.*⁶⁹

The citizen has to see in their daily work that they live in Europe and not a country of Europe. For example, telephone calls have certain fees when made to provinces of the same country or to other countries of the European Union, the cost of a telephone call is naturally higher if it is made to another country of the Union. The same occurs with stamps and also with bank transfers. Newspapers and magazines edited in a different country of the Union officially have a higher price and even article 97 of the Treaty on the Functioning of the European Union recognises charges or dues for a carrier crossing frontiers within the Union when the word frontier should already have been banished from the vocabulary of the European Union.

*Charges or dues in respect of the **crossing of frontiers** which are charged by a carrier in addition to the transport rates shall not exceed a reasonable level after taking the costs actually incurred thereby into account.*

There is an enormous difference between economic integration and the policy of integration of the Union. Much more interest has been placed on economic and geographical integration than on social and human integration, which considerably reduces the legitimacy of economic agreements and decisions, as they are sometimes achieved behind the backs of citizens. Much more interest has been placed on widening than deepening, in the

69. Article. 9 of the Treaty on European Union.

market more than in the people. One cannot continue distinguishing between “nationals” and “foreigners” of other countries of the Union.

If the citizen is really wanted to be felt as a citizen of the Union, they must be considered as an active part in all of this process and not merely a spectator. Where is the direct voting for the President of the European Union by the citizens of Europe? And if we are not dealing with a direct election then why can the citizens not indirectly choose through the European parliaments? Where are the true European parties which are something more than just a branch of the national parties? Where is the standard electoral system and the single date for the elections to the European Parliament? If we all have European citizenship then are national citizens exclusive from one another? Why is it not possible to always have several national citizenships at the same time?

The project of the Statute of the Citizenship of the Union, passed on 20th February 1991 by the Commission of the European Communities and later by the European Parliament in its resolution on 14th June 1991⁷⁰ lists a whole series of rights specifically linked to the condition of the European citizen and, in particular, between civil rights and duties, the right to participation in European elections and municipal elections in the country of residence, free circulation and the right of residency of the European citizen. In the widest sense, within the civil rights and duties concepts of equality of treatment and opportunities, social solidarity and respect for dignity and diversity of individuals are stated. Expressed reference is made to the European Convention on Human Rights (ECHR) and the Fundamental Freedoms, rejecting all discrimination for causes of nationality and advocating the common protection of citizens of the Community outside their borders -diplomatic and consular protection- as well as for the institution as community defender of the people.

If the concept of citizenship is a concept in evolution, the same as the European Union itself, and if the citizen should be the centre of this evolution, then why has the development of the citizen of the Union reached a standstill? A European public sphere and a common European conscience and feeling must

70. DO C 183 de 15.7.1991, p. 473.

be created. The citizen sees affairs related with the European Union as something distant which does not affect them. The actual elections of the European Parliament are a background subject. In the new phase which has started with the Lisbon Treaty the central character should be the citizen, not the States nor the institutions. The financial crisis has taught us that the States have failed. We cannot continue making the same mistakes. A European Union which excites citizens and builds their hopes once again is necessary.

In Europe, distrust of the institutions of the Union by the Governments of the Member States comes first, nationalism comes before solidarity among States, the brake is before the accelerator. The Union as it was conceived -and this vision continues to be present in the Lisbon Treaty- is an appendage of the Member States. The competencies of the Union are the residues of power that the Governments of the Member States have had to grant. The divine conception of power stays alive in many governments, although they remain atheist.

d) Trade measures

The European Union claims to act as a unity, but without being one. I have already said that there is a common monetary policy and a common commercial policy of the European Union, but there are twenty-seven economic policies and just as many other political, industrial, tax and educational policies. We have a single market in all the Union, but in this competencies of the Union are intermingled with other national and autonomous competencies which are normally restraints to the free circulation of goods. A single market, but one in which regional products are sometimes subventioned or given priority. Yes, a single market, but with a multitude of legislations and different languages, a single market it is true, but with some cultural barriers which are at times more difficult to overcome than material barriers. Are the same requisites required to start up a company in Berlin, Barcelona or the Gibraltar Field? Is the acknowledgment of titles maybe carried out in an automatic way? These are just a few examples of the great contradictions which exist in the European Union.

Is the European Union in the condition to compete with China, a market of perhaps 1,300 or 1,400 million inhabitants, which as well as having

lower prices also has a single commercial language, a single legislation and a single sentiment of the people?

It is assumed that if Europe cannot compete with prices, at least it should be able to compete in quality, but at the moment it cannot even compete in quality in many cases because investigation has been neglected, there has been no investment in new technologies -above all in Spain- and the funds destined for investment have been spent on useless activities and self propaganda by the parties in power.

When faced with the present globalization of the economy we have to look towards and place our hope in the European Union for legal reasons, in first place since trade policy is an exclusive competence of the Union, and secondly for practical or political reasons. If we want to face international competition, nowadays seen in China but which could soon be seen in India, Brazil or Pakistan, with a minimum degree of success we must be clear in the role which the Union should develop. If we conform with a Union which is little more than a single market then we are already behind the times. We cannot place barriers around the market, nor can we think of a market which is limited to a group of States. At the moment the market is something global, universal. It takes the same amount of time to make a transaction from Madrid to Barcelona as from Barcelona to Shanghai. If we do not aspire to making the European Union something more than a market, which is to say a true union, then we have already lost the battle before it has begun.

Within the European Union they have come to give priority to company freedom and free trade, showing distrust to concentrations of companies because they might distort the principle of free trade, while in other countries the concentration of companies has been made easier to create more competition and profitability.

e) Labour measures

The labour measures are closely related to commercial measures. To maintain competitiveness when faced with emerging countries, with salaries much lower than their European counterparts, or when faced with other countries of the Union with a different labour legislation, we should re-

structure our labour systems. The increase of competitiveness can only be achieved with greater productivity, and this through investment in capital or in training. The competitiveness and productivity binomial must be strengthened in all spheres and encourage economic policies at short or medium term. The countries with a higher level of education and professional training are those which are better facing globalization.

On the other hand, the criteria of efficiency and rationality which are applied in the business world to unify or create or eliminate places of employment should also be applied to the group of all administrations, from municipals to the administrations of the European Union. Restructuring is necessary in all of the administrations, naturally taking into account the service function which these have and therefore giving priority to the services of education and health. In a globalised world interconnected by the internet I do not believe that the physical presence of so many representatives of the institutions of the European Union is necessary. The administrative costs reverberate in the taxes on the economy of the citizens and in the productivity of companies.

Moreover, to be able to fulfil the Lisbon objectives and to reduce the high levels of unemployment in the present economic and financial crisis, new forms of flexibility and security are necessary. Citizens need more employment security and not so much security for their place of work, as the number of citizens who keep the same place of work throughout their lives is continuously decreasing. Companies and workers should adapt to labour and economic conditions in constant change due to externalisation and relocation. In the opposite case, companies would be outdated and the inequalities between qualified and non-qualified workers would grow more and more. That is to say, the European Union and the Member States should advance towards an economy of the knowledge recommended by the Lisbon agreements

It is necessary to combine labour security with flexibility in the place of work. That which we understand as “flexicurity” can be defined as an integrated strategy to strengthen flexibility and security in the labour market at the same time. Flexibility means the capacity of adaptation and overcoming through changes during life: the step from school to work, from one job to another, from unemployment or inactivity at work to retirement. It does not want to only say freedom for companies to contract or dismiss nor does it mean that

indefinite contracts have become obsolete. It means progression of workers to better employment, *upward mobility* and optimum development of talent and professional capacities. Flexibility means flexible work organisation to be able to rapidly respond to new needs and to increase production, in this way harmonising work and private responsibilities or family life.

Security on the other hand does not only refer to the security of maintaining a place of work: it deals with the development in people of those faculties which allow them to progress in their working life and help them to find new employment. But, while they are searching for new employment security also means the offering of adequate unemployment benefits to ease the changes. Security also covers training courses for all workers, especially for women, older people and those who are less qualified.

Those who most need training, such as less qualified workers, workers on temporary contracts, autonomous workers and older workers are those who unfortunately count on the least possibilities of training, the most affected by the lack of investment in training. It is therefore necessary that the constant training of workers is one of the priorities of all budgets. For this the joint collaboration of governments, social negotiators, companies and the workers is necessary.

In general, workers feel better protected by adequate unemployment benefits than by strict protection against dismissal. Social aid, above all when dealing with large scale dismissals, has unfortunately been more orientated towards retirement than reinsertion in a new place of employment. In the same way, the active policies of the labour market contribute to workers feeling more secure.

One of the most characteristic examples of this labour system is the so called Danish Golden Triangle:

*The Danish labour market shows a successful combination of flexibility and security, offering flexible labour laws and relatively low job protection, extensive efforts on lifelong learning and active labour market policies, and a generous social security system.*⁷¹

71. Commission of the European Communities, COM (2007) 359 final.

At the end of the 1980's and the beginning of the 1990's active policies of the labour market were created aimed at motivating the unemployed to find and accept work and also at improving their qualifications. All of this was stimulated through a system of employment rotation which allowed workers to be trained while others without work temporarily substituted them. The combination of these elements conforms to the denominated "golden triangle" of flexible contractual regulations, generous health and social security regimes and extensive active policies of the labour market. Thanks to this, Denmark is characterised by high levels of employment and very low levels of total unemployment, youth unemployment and long term unemployment, a high level of employment rotation (a quarter of those employed have spent less than one year with the same employer), a high level of participation in lifelong learning, a low level of risk of poverty and a noticeable general sensation of security among the population.

Europeans have to convince themselves that either we move towards a true Union or that the idea that has built up hope over decades for millions of Europeans has not been more than that, wishful thinking, a chimera.

In this way, I will once again insist that as well as a common commercial policy, a common industrial and labour policy and a common economic policy are also necessary for all the Union. The economy forms a whole as we cannot divide it into different sectors and share its competencies among the Member States and the Institutions of the European Union, as if dealing with areas of terrain which we can separate by a wall. On speaking of common policies of the European Union I am speaking about a unique common policy for all of the European Union in the respective sector. As well as a necessary union or coordination of strengths, a clear conferral of responsibilities must be imposed. In so much as the industrial policy of the European Union, which is directly related with the problem of globalization, article 173 of the Treaty establishes:

The Union and the Member States shall ensure that the conditions necessary for the competitiveness of the Union's industry exist.

For that purpose, in accordance with a system of open and competitive markets, their action shall be aimed at:

– speeding up the adjustment of industry to structural changes,

- *encouraging an environment favourable to initiative and to the development of undertakings throughout the Union, particularly small and medium-sized undertakings,*
- *encouraging an environment favourable to cooperation between undertakings,*
- fostering better exploitation of the industrial potential of policies of innovation, research and technological development.*

The Member States shall consult each other in liaison with the Commission and, where necessary, shall coordinate their action. The Commission may take any useful initiative to promote such coordination, in particular initiatives aiming at the establishment of guidelines and indicators, the organisation of exchange of best practice, and the preparation of the necessary elements for periodic monitoring and evaluation.

How will these stylishly perfect sentences later be translated to real life? Whose is the responsibility of the lack of competitiveness of the national industry? For this we can answer both the respective national governments and the European Union, but, who has the maximum obligation? It is here that the cloud surrounding many undefined policies which the European Union shares with the Member Countries appears. With this lack of definition regarding responsibilities it is not surprising that national politicians claim success for themselves whilst making the institutions of the Union responsible for failures.

f) International Solidarity

If globalization is negatively affecting developed countries due to a lack of global regulations or for not having taken the appropriate measures, it is also affecting countries in development, sometimes dramatically. Up to what point and in what measure are the European Union and its Member States contributing to worsen the negative effects of globalization in less developed countries? Or, on the contrary, are they collaborating to alleviate these negative effects in agreement with the promises made?

In September 2000, 189 Member States of the United Nations signed the “Millennium Declaration” and they committed themselves to construct a

better world with the aim of eradicating extreme poverty and hunger, achieving basic education for all, promoting equality between the sexes and strengthening the influence of women, reducing child mortality, improving maternal health, combating AIDS, malaria and other illnesses, guaranteeing sustainability of the environment and promoting a world association for development.

The majority of these objectives should be achieved by the year 2015. They are the expression of commitment between developed countries and those in development. However, the objectives set, with the exception of the first -eradicate extreme poverty and hunger by 50%- are still very far, according to the last report of the World Bank⁷² and the International Monetary Fund.

According to the 2010 report of the United Nations on the objectives of the fight against poverty, the number of people who live in extreme poverty has been reduced from 1,800 million in 1990 to 1,400 million in 2005 (from this figure, 70% are women). Maybe this results as not very convincing, but it must be taken into account that the world population passed from 5,300 to 6,500 million people. The proportion of these people in extreme poverty dropped from 40% to 25%. The situation has improved, above all in East Asia and South-East Asia where the proportion of people in extreme poverty respectively dropped from 60% to 16% and from 39% to 19% and where the objective of reducing the number of people living in extreme poverty by half will have been reached by 2015. The greatest achievements have been made in China and India and the worst in sub-Saharan Africa. However, the world financial crisis is paralysing advances in the millennium objectives.

If I want to make international solidarity stand out specifically it is because I am convinced that world cooperation is necessary now more than ever, not only to escape from the crisis but also to successfully face the challenges which globalization raises. And, as globalization is and is going to be a permanent factor and in continuous growth, international solidarity has to be a primordial element of international policies. Neither can the

72. World Bank report 2010.

commercial policies of the rich countries continue to ignore solutions to poverty in developing countries.

We all live in this global village with some limited resources of food, water and energy. We all breathe the same air. The air or water contaminated around the coast of Sweden, for example, may be found in England or Spain in only a few days. The rich countries cannot consume and exhaust the natural and energy resources of the planet with wild abandon, even though they pay whatever they like. They are limited resources which the poor countries and future generations also need. According to the quoted report of the United Nations from 2010 on the objectives of the fight against poverty, in ten years the world has lost thirteen million hectares of forest and the last twenty years of human activity have caused an increase of 50% in CO₂ emissions.

The rich countries, and among them the European Union, have to help poor countries in a rational but generous way, helping them to help themselves, and with a control and monitoring of the result of this help to correct any possible errors. The most effective way of helping poor countries is by not placing blockages on their exports, generally agricultural, combining the protection measures of the common agricultural policy of the European Union with the opening of its markets to products from countries in development, in this way contributing to alleviate or avoid the negative effects which globalization usually has on said countries, such as:

- environmental damage, since some of these countries have tolerated the destruction of their forests with the objective of exporting the wood and have indiscriminately used pesticides and fertilizers;
- Drugs, as due to the low costs of its products some countries dedicate cultivation to cocaine, opium and marijuana, and;
- Emigration, since the lack of work has forced nationals to emigrate.

True cooperation is not achieved with subsidies or donations, which on many occasions only serve to perpetuate the causes of underdevelopment, as has occurred in sub-Saharan countries which are those that receive the highest aid per capita in the world.

True cooperation for the development of poor countries consists of helping them to transform their economic systems, so that in each investment

and creation of wealth is possible. It is normally alleged that it is not possible to force these countries to adopt western systems, but the fact is that, unfortunately, a large part of the problem is caused by the economic systems which these countries have.

According to the quoted report of the United Nations in 2010 on the objectives for millennium development, records of unemployment in the world are currently being broken and have reached 211 million. The document of the UN recognises that advances have been made in the fight against poverty, but explains that this is due, above all, to progress in China and India, as with 1,300 million and 1,100 million inhabitants respectively China and India have a third of humanity and any progress which is registered will have a strong impact on global figures. China has brought 400 million people out of poverty in the last twenty years, while in India the UN calculates that poverty will continue to reduce considerably until the year 2015.

According to this report, the South-East Asiatic zone is that which has done most in this area, while in Latin America two key poverty indicators have shown improvement, employment and vulnerable employment, lowering due to the crisis.

The elimination of poverty goes hand in hand with economic growth and the creation of employment. In this way the latest announcements of the developed world are therefore not very encouraging. If the industrialised world prospers at the cost of poverty in developing countries then that same poverty will ultimately finish economically damaging industrialised countries.

If humanitarianism or solidarity are not the reasons to move to collaborate in the fight against poverty -which would be desirable- then at least let the fear that said poverty will ultimately damage the world village in which we live be that which finally decides our commitment.

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