

## ***The Tendencies of the European Union in the Process of Globalization***

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**Abstract:** Nowadays, the European Union faces unprecedented challenges, both internationally and internally: terrorism, the migration flow and the pressure exerted by this phenomenon, regional conflicts, protectionism and many other phenomena. More than ever, these challenges have become local problems with a global dimension; respectively global issues have a local impact. Globalization influences almost every aspect of our lives, but the way this evolution is perceived and felt differs from continent to continent, from state to state, from one citizen to another. A large category of European population believes that establishing connections with other people from other countries will change their lives for the better. Another category considers that globalization is a process synonymous with job loss, with low standards of life protection and private security, environment, health etc. According to them, globalization is a factor that causes loss of traditions, even of identities. There appears a question: what can the European Union do to value the opportunities offered by globalization? How can globalization be shaped according to people's interests and values? And also how we, a heterogeneous society – from the member states, those who aspire to integration, unite our forces to value those opportunities which are being offered by globalization?

**Keywords:** globalization, international standards, policies, strategies, values

### **Introduction**

Nowadays, the European Union faces unprecedented challenges, both internationally and internally: terrorism, the migration flow and the pressure exerted by this phenomenon, human trafficking, regional conflicts, cyber attacks, protectionism and many other phenomena. More than ever, these challenges have become local problems with a global dimension, thus, global problems have a local impact. Globalization influences nearly every aspect of our lives, but the way this evolution is perceived and felt differs from continent to continent, from state to state, from citizen to citizen.

A big part of European population believes that establishing connections with other people from other countries will change their lives for the better. Another category considers that globalization is a process equal to job loss, low standards of life protection and private security, environment, health, etc. According to them, globalization is the factor which causes the loss of traditions, even of identities.

In this context, there appear several questions: what is globalization for Europe and what can the European Union (EU) do to value the opportunities offered by globalization? How can globalization be modelled according to people's interests and values?

In our opinion, globalization represents for all of us the possibility to move freely, to produce what you want, to invest where you want, to achieve everything you want with as few obstacles as possible. For several decades, the world economy has been, on the one hand, the site of an increasingly acute tension, between the increasing globalization of economies and, on the other hand, the persistence of an atomized political framework in the nation states, decisional political units that cannot be bypassed. The globalization of the economy, the intensification of international cooperation, the customs, economic, monetary unions, social conventions and other types of formal and informal relations have progressively strengthened the interdependence between nations. [1]

Although, according to some authors, in the contemporary literature the process of globalization is perceived to affect any state, the evolution of foreign direct trade and investments, as well as a large concentration of financial intermediaries, which suggests an important orientation towards strengthening regional blocks such as the European Union (EU), NAFTA, MERCOSUR, ASEAN.

The essential argument is that the Regional Trade Agreements have a dual aspect: for the supporters of free trade, this is the first step towards the complete liberalization of trade, investments and financial operations in the world but for the states' governments, the same process is governed by the objective of concluding joint public interventions and regularizations that cannot be implemented worldwide, thus, offering the inability to build the political compromise between both the heterogeneous states in terms of living standards, traditions, economic interests and the political intermediaries. [3]

In this context, the European Union sets a remarkable example of a subtle and diplomatic combination between economic concerns and political aims, strives to defend the concept of culture and social solidarity, by progressively configuring the supranational rules of the so-called "game started". It is between preserving the autonomy of each national state and the institutions of the new world order that has proven to be quite difficult to be achieved.

Globalization has had and has the effect of changing the "rules of the game" of competition among companies, within the same country or on international markets, constituting an incentive towards regionalization. [10]

And if to describe this phenomenon from simple to compound, but in everybody's language, trying to understand its essence, we would start from the simplest: to analyze the interaction of the processes that occur.

Thus, the technological progresses [11], such as the Internet and the development of emerging economies, have greatly accelerated the global trade changes and transformed their nature. Most products are no longer manufactured in one country, but rather "manufactured worldwide". These include raw materials, components, technologies and services from different countries and continents. As for example, smart phones or medical devices can be designed in Europe or the US and can be assembled in Asia or Eastern Europe from parts manufactured somewhere else. The supply chains have acquired a global dimension. [1]

Today, people travel, work, study and live in different countries. They interact, socialize on the internet, share their ideas, culture and experiences. Students have online access to courses organized by top universities all around the world. Countries can produce more with less resource, specializing in the sectors where they are the most performing and valuing on top economies in world markets. The European Commission states in the Report on the internationalization of SMEs that international competition, global actions to fight the climate changes, scientific cooperation and the exchange of ideas have stimulated the creativity and accelerated innovation. Enterprises operating in international markets remain competitive due to the fact that they learn and adapt more quickly to changes. Cheaper raw materials and new technologies imported from outside the EU also increase the competitiveness of our businesses, thus contributing to maintaining jobs in the EU. 80% of EU imports consist of raw materials, capital goods and components necessary for a good functioning of the European economy. [2] Foreign direct investments are present an essential source of financing and technology transfer.

Based on the data provided by the World Bank 2017-2018, global trade openness has fostered the EU's economic growth, enhancing its prosperity and allowing it to remain competitive. On a global scale, EU exports remain at more than 20%, although it has been slightly down from the beginning of the century and since China was a member of the World Trade Organization and an exporting power. Some of the Member States that are the most integrated in the global supply chains have higher incomes and lower inequalities. [10] This successful model has enabled the EU to mobilize the necessary resources to support the social model and protect the environment.

### **1. The Evolution and Effects of Globalization**

So, in the first phase, we can say that globalization is a force and a positive phenomenon that generates change. Globalization has had and continues to create similar positive effects all around the world. Due to globalization, hundreds of millions of people have escaped poverty, and poorer countries have recovered more or less the disparity from more developed countries. Globalization has played and plays a role in strengthening stability, democracy and peace. The UN's sustainable development objectives have provided a global framework for combating poverty and improving the standard of living in developing countries, ultimately creating export markets of the future. The prospect of a sustainable and prosperous future in the country of origin also contributes to reducing and managing the illegal migration flows into Europe. [1]

However, when analyzing the sources of the European Commission, in the opinion of Europeans there are different opinions regarding globalization. Globalization causes some problems, but also great challenges. According to Bertelsmann Stiftung and the European Commission reports, the benefits of this phenomenon are unevenly distributed between populations and regions, some of them less prepared than others to cope with change and competition. In recent decades, many countries - where wages, environmental standards or taxes were sometimes lower - have increasingly competed with Europe in sectors that require low-skilled labour and have low added value. The fact that other countries do not have the same standard of living, social and environmental protection and does not benefit from the same tax conditions or other standards as the countries of Europe means that the companies in these countries can use these differences to their competitive advantage. [1] This has led to closing factories, loss of jobs or pressure on wages and working conditions. Enterprises that are unable to compete with more productive or cheaper foreign competitors are closing their gates, which has a lasting impact on the dismissed people, their families and, in a broader context, upon the region where they are. Here is the precedent - some foreign companies and governments have involved in unfair trade practices, while other states enjoy the benefits of international openness, namely the increase in export volumes, but they refuse to apply the principle of reciprocity and continue to prohibit the access of foreign enterprises to their national economy. Also in this context, big companies can take advantage of the legislative vacuum in international norms and decide to transfer their profit to countries with a low level of taxation, instead of paying taxes in the country where they produce and sell. These strategies deprive EU governments from tax revenues and contribute to the perpetuation of injustices and the feeling that only large enterprises and wealthy citizens benefit from global integration. [7]

Under the correlated effect of globalization and technological evolution, further analyzing those processes related to this phenomenon, in its report, the McKinsey Global Institute, the United Nations, the World Tourism Organization, the OECD, the European Commission mentions the increase in the demand for skilled labour, and at the same time reducing the number of jobs available to people with a lower level of qualification.

Another challenge to this phenomenon is the legal immigration, which has accelerated the economic growth of the host countries and can give the EU the necessary skills to eliminate labour-related deficiencies. However, if local infrastructures and integration efforts do not keep pace with the increasing magnitude of migration, this situation may lead to social tensions within communities. Especially in countries and regions with high levels of unemployment and social exclusion, economic and societal costs can be high, and the phenomenon of marginalization can, in some cases, lead to radicalization.

In the opinion of the Julius Bear, if no concrete measures are taken, there is a risk that globalization will aggravate the effect of technological advances and the recent economic crisis and contribute to the exacerbation of inequalities and social polarization. Over the past ten years, the real incomes of middle-class families in the EU and other developed economies have stagnated, in the most part, even though the economy, as a whole, has grown. Although inequalities in Europe remain far less marked than in other parts of the world, that 1% of the wealthiest people in our population still hold 27% of total wealth. [7]

Going back to the Bertelsmann Stiftung source, globalization is considered to be a direct threat to their identities and traditions at the expense of their cultural diversity and lifestyle. Citizens are concerned that they are not in a position to control their future and they have the impression that the prospects offered to their children will be worse than the ones they have benefited from. In conclusion, this is due to their perception of the situation: governments no longer have control over the future, are unable or unwilling to model globalization and manage the impact of globalization in a way that is beneficial to everyone. This is the political challenge that states must deal with in international society, here and now.

## **2. The Globalization Modelling Trough International Cooperation**

We think we will not find an answer to all these challenges and uncertainties, but trying to analyze all the factors that bring about a change in our society for the better, we'd mention that a special role is attributed to the international cooperation, meant to model globalization and those tools that allow to ensure fair competitive conditions and we are convinced of this. In our opinion, the EU is already a force for a more fair global order.

It is undeniable that in order to build a fair international order based on high rules and standards, it is necessary for many countries with different interests, cultures and levels of development to cooperate. The objective is to reconcile the means used for globalization - the opening of markets and the technological progress - with the results - promoting the rights and strengthening the well-being of the population. In general, cooperation between states is the key to success.

In this context, within the international society there have been taken important actions and we should mention that after the two devastating world wars, the governments created the United Nations (UN), the International Monetary Fund (IMF), the World Bank or the General Agreement on Tariffs and Trade (GATT), which later became the World Trade Organization (WTO). These institutions have brought peace, stability, trust and prosperity to a number of states increased the level of interconnection and global trade has evolved.

Both internationally and regionally after the financial crisis, there have been taken a number of actions to strengthen stability. The governments of the G20 countries have agreed on a coordinated program to support the global economy and more robust rules for regulating financial markets and combating tax evasion worldwide. [10]

Following the approval of the 2030 Agenda for Sustainable Development and Sustainable Development Goals (SDGs) by all UN members in 2015[4], an international binding agreement aimed at combating climate change was also concluded in Paris; thus began a process of improving environmental standards all around the world. Leaders present at the 2016 UN summit also committed to developing a comprehensive policy for managing large numbers of refugees and migrant flows, a new WTO agreement on trade facilitation is in force. These examples are evidence that, at the global level, cooperation efforts are being made to value on the opportunities offered by globalization. The EU is a model of successful regulated integration that allows it to promote rule-based order. [5]

However, in our opinion it would be advisable to concentrate the efforts, in order to face the unpredicted challenges, because we must not only follow the existing world order based on rules, but also maintain a continuous development. Taking into consideration the challenges for the future, especially in a multipolar world, it is absolutely necessary to strengthen the actions of coordinating economic policies in order to ensure strong, sustainable, balanced and inclusive economic growth. Multilateral cooperation between international partners is the number one approach. This involves contributing to the consolidation and reform of multilateral institutions, so that they become more equitable and effective and continue to be part of the solution. Given that the world order is increasingly challenged, another solution would be to cooperate with smaller coalitions, while leaving the door open to other states wishing to participate when they feel ready[8]. Also, non-state actors, such as international organizations or NGOs, should be involved in this process, in order to capitalize on this cooperation.

The 2030 Agenda for Sustainable Development provides a common point of reference to set priorities for future efforts for prosperity, for the planet and for the citizens around the world, especially those from in developing countries. [4]

In June 2017, the EU adopted the European Consensus on Development. The content has been aligned with the development policy of the 2030 Agenda for sustainable development. To effectively address the challenges of a globalized world, the EU development efforts must go beyond simple assistance. These efforts must bring together investment and trade, private sector contributions, mobilization of internal resources, promotion of good governance, the rule of law and human rights, with a special focus on youth, gender equality and women's emancipation. [5]

The EU's proposed foreign investment plan aims to create mutually beneficial situations by promoting sustainable growth and creating jobs in developing countries. This will help reduce the pressure exerted by migration and create investment opportunities for European businesses. [6]

Through all these actions, the EU declares itself in the favour of openness and cooperation. It takes time to eliminate global regulatory gaps and raise standards. In the meantime, the EU needs to have tools to restore fair competition and take decisive actions against countries or businesses that compete unfairly. It is necessary and appropriate to ensure better compliance with existing agreements and rules in areas such as trade, labour standards, climate and environmental protection etc. [12]

We believe that valuing the opportunities offered by globalization remains a common task of the whole community, both at EU level, at Member State's level, at regional level, as well as at local level, by setting concrete goals and actions that will become trends that will influence globalization:

- Elaboration of Trade Agreements for opening markets and ensuring fair competitive conditions;
- Adopting measures to ensure fiscal equity and transparency worldwide;
- Elaboration of the mechanisms and tools of commercial defense;
- Development assistance;
- Food safety;
- Education and training;
- Active policies in the field of labour force and intervention tools to the good of workers;
- Research and development;
- Integration of migrants;
- Innovation centres and business incubators.

### **Conclusions**

Strengthening global economic cooperation and technological progress creates opportunities and challenges, hopes and fears. The fears are absolutely real and, in some cases, well founded. Globalization and technological changes will transform the life with an unbelievable speed. [12] This process is not an easy one. Although some things seem quite clear to us, some remain to be discussed, others leave no question. The question now is whether the EU can reach a common understanding to effectively manage this transformation. They even ask themselves whether the single market does not allow too much freedom of movement of goods, services, capital and labour within the EU. On the other hand, taking a step back to European integration can be a dilemma.

The OECD states that the challenge facing Europe as a whole is: to be innovative in strategic technologies and to support workers in obtaining the right skills to avoid deepening the existing labour market's gap.

Digital technologies and e-commerce will further increase cross-border opportunities, even for smaller companies. Currently, many companies are "born global", which means that they operate worldwide, reaching out to buyers around the world via the Internet. On the other hand, some large online platforms take up an increasingly important place in the market due to their ability to track and store personal data. The challenges of managing privacy, data protection, cyber security, as well as preventing abuse of a dominant position on the market will be increasing. [11]

Developed countries have paved the way for many of these new technologies. Emerging economies will, however, exert increasing competition as they rapidly advance in the value chain. The gap between the most technologically advanced and least advanced regions risks deepening if governments do not invest in education, if they do not give citizens the opportunity to acquire the appropriate skills, if they do not encourage innovation, if they do not ensure fair competition and if they do not adopt intelligent rules when necessary.

To better value the opportunities offered by globalization, we need increased global governance and more international norms. Regardless of the position and status of each actor in our society, whether a member of the EU or not, at national level, it is necessary to adopt policies that boost competitiveness and improve resilience.

Today, when the society is constantly evolving and developing, when new powers appear, the EU-28 is considered one of the great trading powers, a great investor and a major provider of development assistance worldwide, deeply integrated in the worldwide value chains. Within the EU there are rules that regulate the largest single market; consequently, ensuring high standards, therefore valuing the opportunities offered by globalization begins within the EU, which develops an innovative and competitive economy. Evidently the EU and its institutions will not be able to take actions in this regard alone. We consider that all actors in the international society, the states, and the governments must consolidate their efforts, being convergent, responsible for their own future.

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