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Abstract

This paper claims that the European Union (EU) has had a very peculiar relationship with the globalized post-Cold War economic order. On the one hand, the EU was instrumental in bringing about this order. It aggressively promoted (both internally and externally) the principles and policies upon which this economic order has been based. On the other hand, this proactive engagement was translated within the EU into a highly polarized and antagonistic public discourse that led to a serious identity crisis. In this way, it is argued that economic globalization emerged in the EU as a debate on the nature and future of Europe. After 2005, this polarized and antagonistic discourse started to change. The rise of flexicurity, as a new way of thinking about Europe's place and orientation in the global political economy, has been instrumental in this shift. The paper examines and evaluates these developments and their implications for the European project.

Social Europe and/or global Europe? Globalization and Flexicurity as Debates on the Future of Europe[1]

There has been a shift in the terms of engagement of Europe, and particularly of the EU, with 'economic globalization'. In particular, during the first five years of the 21st century the question 'what is globalization?' led the EU to the existential questions of 'what is European?' and 'what is possible?' within a globalised economic order. These questions, in turn, led to two competing discourses/projects within the EU. The first proclaiming that Europe, instead of participating in, or contributing to, an international 'race to the bottom' in economic, social and environmental terms, must intervene in (and humanize) globalization through standing by and defending its social model, values and standards of living and working. The second proclaiming that globalization is not something that can be resisted. The only way for Europe to maintain a strong voice in world politics and to secure its values and living and working standards, is by improving its international competitiveness.

After 2005, however, the public discourse within the EU gradually moved away from the aforementioned polarized discourse. Rather than being based on two opposing points of departure—Anglo-Saxon versus Continental; flexibility versus social security—it has shifted and been rearticulated around the concept of flexicurity. Flexicurity refers to a set of working arrangements that promote at the same time flexibility in the labour market and a high degree of employment and income security. It is therefore an economic strategy that pays less emphasis on the protection of jobs, and more emphasis on the protection of people. It is taken for granted that within a highly globalized and competitive environment employers and enterprises must be flexible and able to continually restructure themselves. Yet, this flexible system remains committed to the principles of social protection, cohesion and solidarity. In this manner flexibility is combined with a range of policies that increase workers security, and their ability to plan their lives and careers (European Commission 2007a, 7).

Flexicurity has not only been used to redefine the aforementioned polarizing terms of the debate within the EU, but has also functioned as a way of redefining the EU's place in and stance towards globalization. Thus flexicurity comes to give new flesh and bones to the concept of a 'European Social Model', in a way that in principle neither the proponents of the Anglo-Saxon, nor those of the Continental model oppose. The durability and success of this discursive shift remains to be seen. It can be argued that these shifts and choices are attempts by the EU and its member states to define a European proposal and modus vivendi in the era of globalization.

A caveat and clarification is important here. The paper refers to and focuses on the entity 'EU'. By this we do not mean to ascribe strategic agency or actorness to the EU with regard to the phenomena we analyse. As it will become clear throughout our

[1] The author would like to thank Ben Clift, Stella Ladi, Ben O'Loughlin, Fabio Petito and Nicola Smith for their comments on earlier versions of this paper. The author would also like to thank the Centre for International Studies at LSE, where he wrote part of this paper as a Visiting Research Fellow (2007/08). A version of this paper has been published in the *Cambridge Review of International Affairs*, Volume 21, Number 3, September 2008.

analysis what are taken to be EU actions, developments or positions are nothing more than the outcome of the uncoordinated, or even antagonistic, actions and interactions of its member states. Yet seen from the outside these actions and interactions do create a 'whole' that defines the nature, identity, orientation and movement of the entity EU.

The structure of the paper is as follows. First, we examine the EU's place and role in the production of 'economic globalization'. Second, we analyse the impact that economic globalization had on the public discourse of the EU. Here we try to demonstrate how the EU—through the cooperation or antagonism of its member states—engaged with and positioned itself within this economic globalization order. Third, we evaluate the EU's aspirations to acquire a leadership role within the global political economy, using examples from its trade diplomacy. This is followed by a discussion of the impact these aspirations and policies may have on the EU itself.

The EU and Economic Globalization

The European Union holds a very strong position in international political economy. Its population (493 million) is the world's third largest after China (1,306 million) and India (1,080 million), and followed by the US (296 million) (European Commission 2007c, 9). Furthermore, the EU includes five out of the 10 largest national economies of the world, in terms of gross domestic product (GDP) (Germany, United Kingdom, France, Italy, Spain), and has the highest GDP (goods and services) output in the world (11.0 billion Euros), followed by the US (10.0 billion Euros), Japan (3.7 billion Euros) and China (1.8 billion Euros) (European Commission 2007c, 46)[2]. It is also represented by four members (Germany, UK, France and Italy) in the G7.

Furthermore, according to *Fortune*'s 2007 ranking of the world's 500 largest corporations, the European Union is at the top with 165 corporations, followed by the US (162 corporations) and Japan (67 corporations). Similarly, according to the United Nations Conference on Trade and Development (UNCTAD), 50 out of the top 100 nonfinancial corporations (in 2005), and 30 out of the top 50 financial corporations (in 2004) ranked by foreign assets, were based in the EU (see, respectively, UNCTAD 2007, 229–231 and UNCTAD 2006, 287).

The decisive position of the EU in the world economy is also evident in the category of foreign direct investments (FDI). In 2006, the EU accounted for almost half (47 per cent) of the world's outward FDI, compared to 18 per cent for the US and 6.1 per cent for the region of East Asia as a whole (including China). Similarly the EU is the largest recipient of FDI, receiving 40.7 per cent of the global FDI pie, well ahead of the US that receives 13.4 per cent, and East Asia that receives 9.7 per cent (UNCTAD 2007, 2). In 2006, the EU was also the world's leading exporter and importer of services, as well as the world's leading exporter and the second largest importer of goods (WTO 2007, 13, 15).

[2] The figures used are from 2005.

Considering the EU's central position in the global economy it seems impossible for globalization to have taken place without the EU's endorsement and promotion. Yet the most important politico-economic project in the region in the last decades has been that of European integration. Is European integration then to be understood as a feature of globalization? If not, what is the relationship between these two processes (cf Rosamond 2005)?

European Integration and Globalization

A key event for conceptualizing the relationship between European integration and globalization is the signature of the Single European Act (SEA) in 1986. In many respects, the SEA was born out of the unsatisfactory progress towards completing the common market of goods agreed to in the Treaty of Rome in 1957. With the SEA, western European states set as their target the transformation of their region from an incomplete common market of goods to a single market—that is an area where capital, goods, services and labour would enjoy free movement. To meet this target the participating member states carried out a large politico-economic programme of market and capital account liberalization. This programme involved a far-reaching deregulation process at the national level, combined with a reregulation process at the EU level (Tsoukalis 2003).

The single market project was then pushed forward with the Treaty of Maastricht, signed in the beginning of the 1990s. The target of the treaty was the establishment of an Economic and Monetary Union (EMU) with a single currency (Euro replaced ECU in 1999 and entered in circulation in 2002). EMU was then followed by the Lisbon Strategy, which was launched in 2000 with 'a view to make the European Union "the most competitive and dynamic knowledge based economy in the world"' by 2010 (European Council, 2000)[3].

Taking into consideration these developments it can be argued that the European integration was a globalization project. Indeed, the integration of EU member states' financial markets, along with the promotion of a neoliberal politico-economic agenda that involved conservative fiscal policies, the reduction of state intervention in the economy, a smaller state sector and the liberalization and deregulation of national economic frameworks, contributed a great deal to the global integration of financial markets and the transformation of international political economy in terms of (neoliberal) globalization. Furthermore, economic integration in the EU stimulated third countries to ask for multilateral and preferential liberalization involving the EU, thus accelerating the process of economic globalization.

Interestingly, however, much of the rationale and justification for the single market and the EMU were predicated on the need to deal with what is presently referred to as economic globalization. The main argument was that an integrated Europe would be better positioned to survive and prosper in an era of relentless international competition. A bigger market would allow European companies to increase their competitiveness and efficiency; and increased competition and efficiency along with

[3] After a non-satisfactory mid-term review, the Lisbon Strategy was simplified and relaunched in 2005.

new optimum economies of scale would speed up growth rates, thus generating jobs, wealth and prosperity. The manufacturing sector in the EU member states acted as an antenna for the changing international environment and the challenges ahead. In the case of the textiles sector, for instance, whereas intra-EU15 imports remained relatively stable during 1988–2002 (21–24 per cent of total consumption), EU15 imports from the rest of the world increased gradually but steadily from 15 per cent to 35 per cent (European Commission 2007b, 18–20).

What were the actors/forces driving these dynamics? National governments had the first say in these changes and were at the helm throughout the integration process. The important role of the European Commission and the European Court of Justice in keeping the integration on track must also be underlined (Dashwood 1983). Last but not least, the role of big European business, although hard to discern and prove, has also been instrumental for the direction of the European integration. In this regard, Tsoukalis argues that 'big business in Europe came to perceive the fragmentation of the European market, caused by persisting government intervention and various forms of non-tariff barriers, as the main reasons for the lack of competitiveness in international markets' (2003, 48). The single market project seems to have been a response to these concerns. Thus, the big European business and employers, either through their institutional mechanisms (mainly the European Round Table of Industrialists, ERT and the Union of Industrial and Employers' Confederation of Europe, UNICE) or out of them, must be considered as a critical force behind regional integration in Europe (Cowles 1995; Rosamond 2002; Bieler 2003). Finally, and with regard to the historical economic context, the economic hardship that followed the 1970s oil shocks could also be considered an important factor in the direction of the integration project, for it created a crisis (and a sense of crisis related to the perceived failure of Keynesian policies) that opened the policy window to new ideas, represented by monetarism and supply-side economics.

Yet European integration cannot be boiled down to 'neoliberal globalization'. The Single European Act and EMU did not only introduce neoliberalism in the EU. They also set as their aim the 'economic and social cohesion' of the EU, and created the Structural Funds and Cohesion Fund to support and secure this aim through (unprecedented) redistribution provisions. In this manner, redistribution became a defining part of EU 'globalization policies'. Some analysts would treat this development as evidence of a distinctive European, social model of capitalism; others, as a way of buying support and creating consent in favour of the single market and EMU (Tsoukalis 2003, 19, 50–53; European Commission 2005; Allen 2005).

To summarize, the European integration process could and should be seen as an integral feature of the economic globalization order. Therefore, the appellation 'US contrôlée' given to the contemporary international economic order does not seem accurate. The EU played a significant and independent role in the production of this order. Yet European integration as a globalization process has been distinctively 'European' in two ways. First, it took place as a response to globalization. Thus, although the integration process accelerated cross-border assets acquisition, the integration of financial markets and the general spread of neoliberal economic norms, policies and practices, it was conceived and designed by Europeans as a means of dealing with increased economic globalization and global competition. In this regard, the phenomenon of globalization was instrumental in the definition of European integration (for a similar process in the case of NAFTA see Helleiner 2007). Second, in Europe, 'liberalization . . . [became] directly linked to redistribution' (Tsoukalis 2003, 19). Thus, European economic integration was not only conceived by the majority of European states and populations as a response to globalization but also as a project that served the vision of a politically united Europe, while following a distinctively European tradition of political economy, often referred to as the 'social model' (for contemporary debates on the 'social model' see Giddens et al 2006).

The EU and Economic Globalization beyond European Integration

The European Union's relation to economic globalization is not limited to the domestic sphere of European integration. In most international economic fora, the EU advocated and proactively supported the 'economic globalisation' throughout the 1990s. Thus, despite the arguments about trade wars and the collapse of transatlantic economic relations after the end of the Cold War (Schott 1996), the US and the EU worked hard together to build the cornerstones of the post-Cold War order of economic globalization (Eichengreen 1996; Van der Pijl 2006). They joined their efforts to promote and implement—through the International Monetary Fund (IMF) and the World Bank—the Washington Consensus as an all-valid recipe for international development. Furthermore, the Paris-based Organization for Economic Cooperation and Development (OECD) offered similar neoliberal economic recommendations to its member states (reduction of the size of state and its involvement in the economy, privatizations, liberalization and deregulation of markets). Moreover, a central aim shared both by the EU and the US was the need to expand and liberalize the multilateral trade regime (thus also securing and improving their market access in an ever-increasing number of countries). This cooperation led to the successful conclusion of the Uruguay Round in 1994 and the creation of the World Trade Organization (WTO).

Taking into consideration the above, it can be argued that the EU's strategy towards the US, with regard to the post-Cold War economic order, cannot be captured by the concepts of balancing and bandwagoning. The EU had and has its own independent standing in the creation of the post-Cold War economic order. That is, its policies and stance are not reducible to a strategy of balancing or bandwagoning, but should be seen, at least partly, as independent strategic choices, made on the basis of real (or perceived as such) interests and gain considerations. This again raises the question: who is the EU? Addressing this question in depth is beyond our aim here. Yet the role of particularistic, sectoral and trans-European groupings, coalitions and economic interests (along with that of 'national interests') should not be underestimated. Examining how the EU positions on the Doha Developmental Agenda compare with those of specific economic and social interests, Andreas Dür (2008) has found that the EU positions correspond strongly with the positions voiced by European economic interests—including UNICE, the European Roundtable of Industrialists, national employers' associations and other relevant economic or sectoral (for example farmers) groups and associations. Furthermore, the more concentrated a group or association is, the more likely it is that their positions are going to be reflected as official EU positions.

It should be noted here, however, that the aforementioned independent standing of the EU in the production of the post-Cold War economic order does not exclude aspects of what we could call the 'socialization' of the EU in its changing environment. The emergence of globalization discourse itself, for instance, within the EU and its member states, is an integral part of this socialization process. To a significant extent the same can also be said about the rise of the concept of flexicurity that emerged as a way out of the cul-de-sac that had been reached by the antagonism between the Anglo-Saxon and the Continental models (see below). Similarly, analysing the EU's role in the Doha Round, Young notes:

> As a consequence of changing firm interests and the increasing acceptance of liberal economic ideas among the governments of the Member States and particularly within the Commission and the reinforcing of trade as a development issue, the preferences underlying the EU's traditional trade policy have become more liberal (2007, 801).

The next section aims to complement the above analysis with a discussion about how European societies felt about the emerging new global economic order, and how their reactions affected the EU's engagement with economic globalization. To do so, we examine the impact of the emergence of economic globalization on the public discourse of the EU and its member states (see also Hay and Rosamond 2002; Hay and Smith 2005; Antoniades 2007a; 2007b).

Europe's Entanglement with Economic Globalization

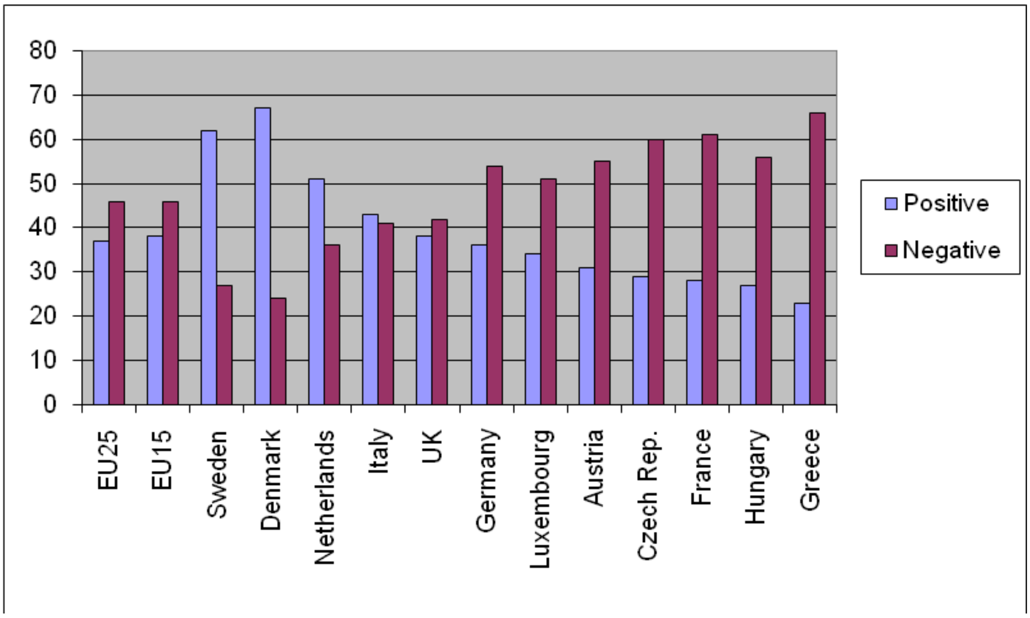
This section of the paper makes two main claims. First, that although the EU and its member states have been instrumental in the production of the globalized post-Cold War economic order, this order generated a polarized identity crisis within the EU. Second, that the significant implications of this crisis seem to be overcome gradually after 2005 when the concept of flexicurity emerged and was formulated as a way of bridging the opposite poles that defined this identity crisis, as well as offering a *European* way of dealing with economic globalization.

Stage I: Economic Globalization as a New Zone of Antagonism[4]

By the end of the 1990s globalization had acquired a negative connotation for the majority of citizens in several European states. This negative connotation was clearly reflected in a number of Eurobarometer surveys during the 2000s. For instance, in a Eurobarometer survey in 2005, globalization conjured up negative images for 46 per cent of the EU25 respondents as shown in Figure 1 (Eurobarometer 2005, 57, annexes; see also Eurobarometer 2004, B2–B4).

[4] For a full elaboration of the arguments presented in this section see Antoniades (2007a).

Table 1. Attitudes towards Globalisation – Selected EU countries, 2005 (% of respondents)



Source: Eurobarometer (2005, 57 and annexes; see also Eurobarometer 2004, B2–B4 and Eurobarometer 2003).

Note: The original survey question was: Could you please tell me whether the term globalisation brings to mind something very positive, fairly positive, fairly negative or very negative. Table 1 presents the aggregates for positive and negative responses.

A decisive factor in the negative attitudes of Europeans towards globalization seems to have been the phenomena of relocation—the move of large European enterprises to low-cost countries (Schmidt 2006). In particular, in 2006 close to half of the respondents (49 per cent) in a Eurobarometer survey felt that globalization had a fairly negative effect on employment in their country (contrary to 27 per cent who believed the opposite) (Eurobarometer 2006, 89); and throughout the period 2005–07 the first thing that came to mind to most Europeans when they 'heard the word 'globalization' was 'relocation' (35 per cent in 2007), followed by '[o]pportunities for national companies in terms of new outlets' with 22 per cent (Eurobarometer 2007, 156).

In this context, globalization came to be conceptualized as a direct threat to the traditional 'European social model'. This development was the first defining feature of the emergence of globalization discourse within the EU (or to be more accurate within the EU15). The second defining feature was the association of globalization with a/the (Anglo-Saxon) model of capitalism that was considered to be foreign to and noncompatible with the (Continental) 'European social tradition'. The conflict between the two 'models' (Anglo-Saxon versus Continental) was of course not new. However, it gained unprecedented publicity, popularity and momentum after the mid-

1990s (Antoniades 2007a). Thus, economic globalization was 'translated' within the EU into a polarized zone of competition between two antagonistic discourses/projects—the Continental and the Anglo-Saxon (or Liberal) (see also Policy Network 2006). These discourses were based on different conceptions of what is European and what Europe should do in the era of globalization. In the Continental discourse globalization emerged as a zone of contestation and a process that needs to be controlled, if not resisted. In the Anglo-Saxon discourse it emerged as a new challenge that requires a new 'ideology' and new set of policies in order to be met. It should be stressed, however, that these two antagonistic discourses, as used here, did not correspond to specific geographical areas, but were (and are) embedded in broader transnational discursive fields. Thus, Anglo-Saxon attitudes have been held by groups/actors in Continental Europe and vice versa.

The two competing discourses shared a common normative (European) view of rights, modernity and the world, but adopted different ontological positions with regard to the questions, 'what is globalization' and 'what is possible in (the context of) globalization'. The Continental perspective was based on the assumption that globalization is what is produced through states' policies and practices. Thus for instance, by defending European working standards in an ever-interdependent world, it was argued that a more humane globalization process was secured. This approach suggested that Europe's stance and orientation towards economic globalization should be based on and guided by the European values and rights on which the traditional European social model has been based. It further suggested that taking neoliberal globalization for granted and trying to adapt to it, is a strategy for producing neoliberal globalization. Europe, therefore, had to work to produce another globalization that would be based on the principles of its social model. The Anglo-Saxon perspective, on the other hand, was based on the assumption that the globalization of production and finance and the revolution in technologies and communications had unleashed forces that were beyond European control. This process carried with it a great promise for growth, welfare and prosperity nationally and globally. Yet to take advantage of it, and to secure the welfare and prosperity of its citizens, Europe had to adapt to globalization. For this approach, the alternative to globalization was isolation (Blair 2005), that is there was no real alternative to economic globalization. Therefore it was suggested that Europe's orientation and stance on economic globalization should be based on competitiveness.

The above two perspectives were thus based on two opposing mantras: 'no competition or development without social standards' versus '(there will be) no social standards and development without competition'. Of course, the two perspectives did not ignore each other. Those who advocated that Europe needs to 'defend' its social model, did not ignore that competitiveness is a decisive factor for survival in today's world; and those that advocated that Europe needs to be above all 'competitive', did not ignore the importance of maintaining certain elements of the Continental social model. Yet the two approaches set different priorities and criteria for assessing success and, most importantly, were based on different understandings of globalization and the 'possible'. It is important to note here that the aforementioned two 'poles' did not exhaust the different views towards Europe's future and globalization within the EU, but their antagonism did set the terms in which those issues were discussed and negotiated within the EU.

Furthermore, the zone of antagonism produced by the aforementioned competing projects was not limited to the realm of economic policies. Economic globalization forced Europeans to reflect on who they are and where they want to go. Therefore, what was at stake in this antagonistic field was the nature of European identity itself. To a great extent, this was also the reason why the debate between the two projects led to a cul-de-sac, which became explicit during thepublic debate on the Constitutional Treaty in France, and reached its peak immediately after the 'no' votes in the French (29 May 2005) and Dutch (1 June 2005) referenda.

Stage II: from model antagonism to a cul-de-sac (and its implications)

The antagonism between the two competing projects was personified in the public opposition and hostility developed between Tony Blair and Jacques Chirac (and to a lesser degree Gerhard Schröder) over the issue. This opposition brought the EU to a standstill. The first victim of the intensification of this antagonism was the European Union summit that aimed to decide the EU's 2007–2013 budget (18 June 2005). Jacques Chirac demanded Britain give up part of its budget rebate. Tony Blair responded with a counterdemand for further CAP reforms and a corresponding cut in EU agricultural subsidies (thus asking for a revision of the agreement on agricultural spending that had been reached in June 2003, and which covered the period up to 2013). Gerhard Schröder joined Jacques Chirac in his critique of Britain's stance in the negotiations. The result was the collapse of the summit. The issue, however, is not simply that the summit collapsed—which is not surprising for EU politics—but rather the extent of the antagonistic and hostile environment that led to, and was fuelled by, its collapse.

The atmosphere after the failed summit was one of deep divisions, disappointment, embarrassment and pessimism. Indicatively, the Irish Prime Minister Bertie Ahern stated after the meeting: 'I hate to see grown men bickering at each other', and called the debate over money 'pathetic and embarrassing'. In a similar manner, Luxembourg's Prime Minister Jean-Claude Junker, who tried to reach a compromise between the competing demands (Luxembourg held the EU presidency), said: 'My enthusiasm for Europe has suffered a profound shock', and went on to praise the negotiation stance of the new member states by noting that these countries '[gave] us a lesson in ambition. I think this is a good reason for those not able to speak the same language to be ashamed of what they did'. Jacques Chirac referred to 'British intransigence' and Gerhard Schröder to 'the stubbornness' of Britain as decisive factor for the collapse of the summit[5].

After the summit, the opposition between Tony Blair and Jacques Chirac turned to an exchange of views on models of political economy and their performance within globalization. As a response to the Continental critics of the Anglo-Saxon model, Tony Blair, in a highly influential speech to the European Parliament (23 June 2005), proclaimed:

[5] All quotes are from: Elaine Sciolino, 'European Union's Heated Budget Negotiations Collapse', *The New York Times*, 18 June 2005, and, Stephen Castle and John Lichfiled, 'Juncker Plays the Blame Game as Blair prepares for EU Precidency', *The Independent*, 23 June 2005.

> Some have suggested I want to abandon Europe's social model. . . . But tell me: what type of social model is it that has 20 million unemployed in Europe, productivity rates falling behind those of the United States; that is allowing more science graduates to be produced by India than by Europe . . . (Blair 2005).

Blair was making the case that an open and flexible system like the British was much better positioned to face the challenge of globalization, and therefore the European Union had to move towards that direction if it was to survive and defend its living standards in the age of globalization. Responding to this, Jacques Chirac in a televised interview given on Bastille Day (14 July 2005), proclaimed:

> I don't believe the British model is one we should envy or copy. Admittedly, unemployment there is lower than ours, significantly so, but if you take the important things in life in society—health policy, the fight against poverty—you see that we are nevertheless in a far better position than the British (Chirac 2005).

In these developments the role of the European Commission and its president Jose Manual Barroso was rather that of a mere observer, without any powers or means to affect the nature or direction of the opposing dynamics. Furthermore, the international political juncture, and especially the controversy over the Iraq war, exacerbated these opposing dynamics, contributing significantly to the deterioration of the relations among the EU3 leaders. Thus during the first years of the new millennium the EU seemed to be heading towards disintegration.

Stage III: Flexicurity as a Way Out?

A number of factors and developments that took place after the summer of 2005, however, contributed to the transformation of the aforementioned bipolar discursive field that dominated European politics and public discourse. We examine these factors below, establishing why 2005 can be seen as a turning point in the way the EU positioned itself towards economic globalization. The coming into power of Angela Merkel, in September 2005, was instrumental in this regard. Merkel took a much more 'pro-British' stance, especially towards the issue of the British rebate, and this created a positive aura for her in the British press. Indicatively, in a parliamentary debate before her election as Chancellor, Merkel said of the rebate:

> It does not make it easy when one side says that agricultural subsidies are sacrosanct, we cannot touch them, and at the same time flexibility is being demanded from others. . . . The British must move, that is indisputable.
> But compromises cannot be expected from one side when the other side says that its benefits are sacrosanct[6].

Furthermore, Merkel adopted an explicit pro-transatlantic stance and rhetoric which, among other things, aimed to heal the transatlantic bitterness and divisions generated by the Iraq war.

Alongside these rhetorical developments, the most significant signal that something could be changing in the EU's deadlock came from the successful conclusion of the

[6] See Roger Boyes and Philip Webster, 'Blair's New Best Friend in Europe Comes to Britain's Aid over Rebate', *The Times*, 17 June 2005.

EU summit that took place in December 2005 (hosted by Britain), and aimed to decide the still-pending EU budget. Merkel's decisive role in this success and her negotiating, mediating and reconciliation skills were widely hailed in Europe and the European press. She was portrayed and praised as the person who managed to bridge the gap between Blair and Chirac, adopting at the same time, a much more conciliatory position towards the demands of the 10 new member states[7].

The feeling that the EU was moving again dominated the post summit statements of the EU leaders. Manuel Barroso stated: 'Europe is on the move'. Mrs Merkel said: '[t]he big cloud has been lifted from Europe . . . [The deal] shows Europe is capable of acting'. In similar lines, the Austrian Chancellor Wolfgang Schuessel and his Danish counterpart noted respectively: 'I have the impression that we are moving, gradually, maybe slowly . . . in the right direction' and '[w]e can now again get momentum'[8].

At the same time, Barroso tried to take a more active stance in moving the European debate beyond the binary opposites of the Anglo-Saxon and Continental models (see European Commission 2005). The informal meeting of heads of states and governments, including Mr Barroso, held by the UK EU presidency at Hampton Court Palace, in Surrey, in October 2005, was significant in this discursive shift. Most importantly, it brought the concept of flexicurity to the heart of the EU debates and negotiations over the 'European Social Model' and its reform. The fact that flexicurity finds its origins in the 'Nordic model' that, both in the past and at the face of economic globalization, has been able to combine social equality with high growth rates, facilitated its role as catalyst in the European public discourse. Thus despite the fact that the problematique that has dominated and continues to dominate the public discourse of the EU and its member states—social equality and social security versus economic competition and economic growth—remains the same, the prism through which this problematique was and is negotiated between the EU leaders has been changing (also Liddle 2006).

The European Commission tried hard to sustain the momentum of this discursive shift. First, it created the European Globalization Adjustment Fund (EGF) (that had been discussed in the Hampton Court meeting) (Tsoukalis 2005). The 500 million Euro (per year) EGF was agreed to in 2005 and finally adopted in December 2006. Its main aim is to play the role of economic globalization's 'shock absorber', by helping EU workers who lose their jobs due to delocalization and changes in global trade[9]. Second, and most importantly, in a very proactive way the European Commission tried to 'bind' the European debate about the Social Model and its reform—and thus the debate about the 'European way' of being in globalization—to the concept of flexicurity. This attempt, with the assistance of several member states, has been quite successful. Flexicurity was discussed for the first time at the Council's level in

[7] For statements by European leaders, see: 'EU pulls itself back from the abyss', 19/12/25, available at: http://www.euractiv.com/en/future-eu/eu-pulls-back-abyss/article-151032; for Blair's statement, see: http://www.number-10.gov.uk/output/Page8834.asp. See also the 'BBC European Press Review' on 19/12/2005, available at: http://news.bbc.co.uk/1/hi/world/europe/4541054.stm. BBC's headline was 'Angela Merkel's 'EU triumph'', 17 December 2005.

[8] For these statements, as well as other similar by EU leaders see: BBC News, 'In Quotes: EU Leaders on Budget Deal', 17/12/2005, available at: http://www.news.bbc.co.uk/1/hi/world/europe/4537304.stm.

[9] On the EFG see: http://ec.europa.eu/employment_social/egf/index_en.html.

January 2006 at an 'informal meeting on flexicurity', in Villach, Austria. The European Commissioner for Employment, Social Affairs and Equal Opportunities, Vladimir Špidla (2006) opened the meeting as follows,

> Three months on from the Summit Meeting at Hampton Court, which lent new momentum to social Europe, I am pleased to have been invited by the Austrian Presidency to take part in a debate on the concept of 'flexicurity'. We can learn a lot from Austria. With the help of 'flexicurity', Austria has succeeded in combining labour market flexibility and social security.

This meeting was followed up by the Presidency Conclusions of the Brussels European Council in March 2006, where it was noted that the

> European Council ask[ed] Member States to direct special attention to the key challenge of 'flexicurity' (balancing flexibility and security). . . . In this context, the Commission, jointly with Member States and social partners, will explore the development of a set of common principles on 'flexicurity'. (European Council 2006, 12).

In May of the same year, the Employment Committee (EMCO) and the Social Protection Committee (SPC) of the European Commission produced a joint opinion ('joint contribution') on flexicurity, where they noted:

> The discussions and preparatory work leading to this contribution have confirmed the commitment to explore flexicurity policies as a way to achieve the common objectives of the European Employment Strategy. (EMCO and SPC 2006, 1).

Consequently, Finland, which took over the EU presidency from Austria, organized an 'informal tripartite social summit' in Lahti in October, through which the Finnish presidency and the European Commission tried to bring the European social partners on board of the 'flexicurity venture'. In the summit the European Trade Union Confederation (ETUC) positioned itself in favour of a flexicurity formula close to the Scandinavian model, where flexibility does not take precedence over security. ETUC's General Secretary John Monks declared that

> [w]e are in favour of flexicurity, on the condition that it creates a win-win situation for workers as well as for companies. . . . This presupposes policies to promote lifelong learning, and active policies on employment, social protection and support for workers during all forms of transition[10].

The momentum of flexicurity was intensified in 2007. In April, the European Commission organized a large 'stakeholder flexicurity conference' with over 400 representatives of workers, employers, NGOs and governments to debate the 'flexicurity approach'[11]. In June, the Commission published its communication 'Towards common principles of flexicurity: more and better jobs through flexibility and security', in which it proposed eight principles for the development of a common EU approach to flexicurity (published as a booklet in July 2007; see also European Commission 2007a). In September, the Portuguese EU Presidency organized a

[10] See ETUC's statement at ,http://www.etuc.org/a/2947.

[11] See the Commission's press release, available at: http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=225.

conference for the relevant European Ministers to discuss the aforementioned Commission's proposals (representatives of social partners, NGOs and experts were also invited to participate in the conference). The European Parliament responded to the Commission's communication with a 'resolution on common principles of flexicurity' (29 November 2007), which—after a number of caveats, and including a number of proposals and comments on the Commission's proposals—proclaimed that the European Parliament

> [b]elieves that the rationale for an integrated approach to flexicurity is the need to achieve the objectives of the renewed Lisbon Strategy, in particular more and better jobs, and at the same time to modernize the European social models[12].

ETUC welcomed and supported the Parliament's 'balanced approach'[13]. Ultimately, the Council of the EU ministers of Employment and Social Affairs endorsed 'the final and consensual version of the [eight] common principles of flexicurity' in early December 2007. It is important to note here that throughout this process the European Commission was very careful to clarify that the development of common principles of flexicurity, on which an EU-wide flexicurity approach would be based, would not imply a 'one-size-fit-all' approach. Along these lines, in its communication, the Commission proposed the concept of flexicurity pathways (European Commission 2007a, 22). In an annex attached to the communication (European Commission 2007a, 28–35) it articulated four different pathways (which overlap with the four different varieties of European capitalism found in the European comparative political economy literature: Anglo-Saxon, Continental, Scandinavian, Mediterranean).

The coming into power of Nicolas Sarkozy (May 2007) facilitated the above dynamics. Sarkozy's very strong proflexibility, pro-US and pro-transatlantic rhetoric came to enhance both the afore-described discursive shift within the EU as well as the change in transatlantic environment that had been initiated by Angela Merkel (and warmly supported by Manuel Barroso). Soon after the change in the French presidency, Gordon Brown replaced Tony Blair in 10 Downing Street (June 2007). Therefore none of the EU3 leaders who were initially involved in the controversy of the Iraq war and the collapse of the 2005 EU summit remained at the helms of their states and at the centre of European politics.

Do these developments herald the end of the controversy between the Anglo-Saxon and the Continental discourses/projects? The answer should be no. For instance, Sarkozy's successful request to remove a reference to 'undistorted' competition from the main objectives of the EU, during the negotiations on the Reform Treaty of the European Union in June 2007 (later the Treaty of Lisbon, signed in December 2007), triggered a significant row in the British press, and was welcomed or condemned across Europe as an attempt to give to the Reform Treaty a less 'Anglo-Saxon flavour'[14]. Yet the changes mentioned above and the rise of flexicurity discourse have

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[12] See, European Parliament resolution of 29 November 2007 on Common Principles of Flexicurity [2007/2209(INI)]

[13] See ETUC's statement, available at: http://www.etuc.org/a/4333.

[14] Similarly, see the controversy over the creation of the EU Reflection Group, Horizon 2020-2030. For the Reform Treaty, among others, see: 'A Less "Anglo-Saxon" EU: Sarkozy Scraps Competition Clause From New Treaty', *Spiegel Online*, June 22, 2007. For the Reflection Group see the Presidency Conclusions of the Brussels European Council (14 December 2007), and Stephen Castle and Dan

undoubtedly changed the terms of engagement for these two opposing discourses/projects, and have changed the impact that their polarizing nature had on the EU public discourse and policy-making. The successful conclusion of the negotiations and the signing of the Treaty of Lisbon further consolidated this new dynamic.

Significant as they are, all of these developments point to a rather introverted EU public discourse focusing on domestic EU reforms. Within this conjuncture and taking stock of the positive climate in the EU, the European Commission tried to change this introversion by developing a discourse, which had as its main focus the EU's potential to 'shape globalization'[15]. The next section discusses this EU leadership aspiration and potential in the global political economy (focusing mainly on the realm of multilateral trade regime), and the dilemmas this aspiration creates for the EU itself.

Global Europe and its Discontents: Possibilities and Obstacles

During the WTO Doha Round negotiations, 'a key part of Trade Commissioner Peter Mandelson's strategy was to present the US as the problem and the EU as part of the solution' (Allen and Smith 2007, 166). In this manner, the European Commission tried to develop, and to appear to have developed, a leadership role in the Doha negotiations. At the same time, Peter Mandelson (2006), in his capacity as EU Trade Commissioner, proposed the adoption of a 'decidedly hard-headed' EU trade strategy, based on two broad pillars. First, a 'new strategic approach to market access', that is the adoption of a stronger stance and more assertive policy towards countries that impose 'barriers in overseas markets—not just tariffs on goods, but . . . [also] non tariff barriers, especially those which operate behind-the-border on goods, and crucially, on services'. Second, a review of how the EU can 'take forwards key strategic relationships both multilaterally and bilaterally' (emphasis added) and a review of the way in which the EU uses its trade defense instruments[16]. This proposal was formalized in the European Commission's document Global Europe: Competing in the world, which was adopted by the Council of the EU in June 2007 (European Commission 2006)[17]. This new document seems to represent a shift in the guiding doctrine of EU trade policy away from the concept of 'managed globalization', promoted by the previous EU Trade Commissioner Pascal Lamy (1999–2004), and towards the aforementioned concept of 'Global Europe' championed by Peter Mandelson[18]; a shift that represents the adoption of a more 'assertive' and 'offensive' trade strategy (see the discussion in Meunier 2007, especially 916–917). Specifically, the new document emphasizes the need for a 'renewed and reinforced market access strategy', new measures for opening 'procurement markets abroad', a review of the

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Bilefsky, 'Sarkozy and Brown Offer Starkly Different Futures for EU', *International Herald Tribune*, 14/12/2007.

[15] See for instance, Barroso (2007); see also the European Commission (2007d).

[16] Within this framework, Mandelson (2006) singled out the need for the EU to define and develop 'strong trade relationships with Asia'. See also European Commission (2006, 15). For the EU's bilateral relationships in 2006, see Allen and Smith (2007) and Zimmermann (2007).

[17] See the draft Council conclusions, document 10542/07 WTO 127 COMER 90, 8 June 2007, at http://register.consilium.europa.eu/pdf/en/07/st10/st10542.en07.pdf.

[18] Peter Mandelson left his position in the European Commission on 3 October 2008, to join Gordon Brown's government as Secretary of State for Business, Enterprise and Regulatory Reform.

use of trade-defence instruments, a strategic partnership with China, 'a second phase of the EU Intellectual Property Rights enforcement strategy', and 'a new generation of carefully selected and prioritized' bilateral Free Trade Agreements (European Commission 2006, 28).

The European Commission's eagerness to develop a leadership role in the Doha negotiations and a more assertive policy on the world economic stage is unsurprising. The field of international economy in general, and the field of international trade in particular, is indeed the most solid arena in which the EU can manifest its role as a decisive global actor (Meunier and Nicolaïdis 2006). It is the world's leading exporter and second largest importer of goods, and the world's leading exporter and importer of commercial services (see above in this paper). This has a significant impact on the international image and standing of the EU. This is also confirmed by the research project The external image of the European Union (EIEU; Lucarelli 2007a), one of the main findings of which is that the EU is seen as a 'trade giant' and a 'source of foreign direct investments', especially in developing economies.

> For Indian, Chinese, South African and Brazilian elites, the EU is a strategic opportunity for development and economic growth and is mainly described as . . . the biggest market in the world. (Lucarelli 2007b, 16–17).

A former Brazilian Secretary General for External Relations stated for instance that '[i]ts fifteen members, together, represent the largest market for Brazilian exports and the main source of FDI in Brazil' (quoted in Lucarelli 2007b, 17). Similarly, the Indian Prime Minister, Manmohan Singh, stated that the EU is 'not only India's largest trading partner, but also our largest source of FDI' (quoted in Lucarelli 2007b, 17).

Trade negotiations fall under the Commission's mandate, therefore the EU speaks with a single voice in international fora (Woolcock 2000; Meunier 2005; Dür 2006), avoiding the polyphony usually found in the field of Common Foreign and Security Policy. The EU's reputation and traditional stance in favour of multilateralism and diplomacy, in opposition to the assertive and unilateral stance adopted by the US during the George W Bush administrations, has enhanced the EU's international image vis-a`-vis the US. The European Commission's prioritization of multilateralism in trade negotiations and 'informal' moratorium on (new) bilateral trade agreements, during Pascal Lamy's tenure as EU Trade Commissioner (1994–2004) (Meunier 2007), reinforced the EU's image as a 'committed multilateralist', in stark contrast to the US 'competitive liberalization' policy (Meunier 2007, 912–913). Along similar lines, Chaban, Elgström and Holland conducted interviews with participants in the negotiations within the Convention on International Trade in Endangered Species (CITES) and the UN Forum for Forest (UNFF) and found that 'the EU is at times seen as a counterbalance, or a softer alternative, to the "American superpower", being more "accommodative" and less "confrontational" than the USA' (Chaban et al 2006, 252; see also Elgström 2007, 962). The image of the EU as a 'champion of multilateralism' (in contrast to the US) was also one of the main findings of the EIEU project mentioned above (Lucarelli 2007a; 2007b), as well as of Elgström's (2007, especially 960, 962) research on the EU's image within the WTO.

Accordingly the EU, through the European Commission, has tried to put itself forward as the defender of developing countries and a leader in Doha negotiations.

The 'Everything But Arms' initiative (adopted in 2001) that granted duty-free access to imports of all products from least developed countries without any quantitative restrictions, except for arms and munitions[19], was part of this EU aspiration, and it did seem to have some positive impact on the EU's image (Chaban et al 2006, 253). The same could be said about the EU's 'Access to Essential Medicines' initiative, which was also adopted in 2001[20]. Furthermore, the EU's position as the world's largest economic aid donor seems also to have a positive impact on the image of the EU (Chaban et al 2006, 250; Bonaglia et al 2006; Elgström 2007, 962).

Yet, the EU's 'leadership bid' has not been successful, at least until now. Although the EU is perceived, along with the US, to be an economic superpower and a crucial actor in international trade negotiations, most of the EU's trade initiatives and positions—especially its attempt to widen the trade agenda by including environmental, labour standards and human rights issues, as well as the 'Singapore issues'—have been treated with deep suspicion and triggered negative responses from developing countries. In particular, the EU's credibility is hampered by what is widely perceived among developing countries as EU inconsistency, double standards and protectionism (Meunier and Nicolaïdis 2006; Elgström 2007; Lucarelli 2007a; Young 2007). Of decisive influence here is the EU's Common Agricultural Policy (CAP). As Elgström concludes, 'it will be impossible for the EU to play a real leadership role in the WTO as long as it carries the luggage of agricultural protectionism' (2007, 959). This EU 'double standard' attribute is also reflected in Young's (2007) insightful analysis on how domestic economic interests in Europe react to EU trade policies: where the EU regime is more liberal than the multilateral regime these interests support EU trade policies, where new policies would require further liberalization and adjustment of the EU status quo, they push for the adoption of protectionist positions. Furthermore, in large parts of the developing world, the EU is also seen as a 'neoliberal actor' whose policies are not conducive to sustainable development (Lucarelli 2007a), thus 'reaping the fruits' from its participation in the creation of the globalized economic order.

The shift to the 'Global Europe' doctrine will arguably strengthen these negative aspects of the EU's image. At the same time, however, one could not foreclose the possibility that a more assertive attitude and policy of the EU in the global political economy will enhance its image as an economic superpower and increase its international leadership credentials and capacity. Such a leadership role, however, seems to move in a different direction than a leadership role based on the notions of the 'champion of multilateralism', 'policy of solidarity' and legitimacy (on this, see Meunier and Nicolaïdis 2006, and the contributions in Lucarelli and Manners 2006).

Conclusion

The aim of this paper was to explore the terms of engagement of the European Union with economic globalization. It has been argued that, in the field of international economy, the EU was not a passive receiver of economic globalisation, but rather an active partner in its production. This active engagement of the EU (and/through its

[19] See http://ec.europa.eu/trade/issues/global/gsp/eba/index_en.htm.
[20] On the 'Access to Essential Medicines' issue, see http://ec.europa.eu/trade/issues/global/medecine/index_en.htm. See also Meunier (2007, 915).

member states) in the production of the contemporary globalized economic order had a significant impact on the EU itself. In particular, it produced a highly polarized political space that was dominated by an antagonism between the Anglo-Saxon and the Continental models. After 2005, however, there has been a move away from this field of antagonism, and realignment around the concept of flexicurity. The latter allowed the ‘social concerns’ of the Continental model to be addressed in tandem with the ‘competition concerns’ of the Anglo-Saxon model. The proactive stance of the European Commission was instrumental in this development. Yet the endurance of this ‘discursive realignment’ remains to be seen.

The most concrete outcome of the EU’s engagement with the ‘US order’ can therefore be said to have been an EU identity crisis. The negotiation of economic globalization in Europe has been nothing less than a negotiation on the identity and future of Europe itself. After a period of internal divisions and soul-searching, flexicurity seems to have offered a way out from this crisis. On this basis, the EU has been eager to develop a new strategy for acquiring a leadership role in the international economy. It seems, though, that this new attempt, if successful, may once more profoundly change the nature of the EU.

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