The new international order: imperialism in the 21st century – the EU and its global ambitions

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It might be expected that a benchmark for evaluating the values and principles that should govern a new international order for a more peaceful, prosperous and just world might be found in Millennium Declaration adopted by the General Assembly of the United Nations from September 2000.

True enough, the Declaration affirms the principles of sovereign equality of states, respect for their territorial integrity and political independence, resolution of disputes by peaceful means and in conformity with the principles of justice and international law, the right to self-determination of peoples which remain under colonial domination and foreign occupation, non-interference in the internal affairs of states, respect for human rights and fundamental freedoms, respect for the equal rights of all without distinction as to race, sex, language or religion and international cooperation in solving international problems of an economic, social, cultural or humanitarian character.

But when the Declaration comes to the issue of globalization it becomes extremely weak both in its analysis and in its prescriptions.

The Declaration identifies globalization as 'the central challenge facing the world today' acknowledging 'that while globalization offers great opportunities, at present its benefits are very unevenly shared, while its costs are unevenly distributed' and that 'developing countries and countries with economies in transition face special difficulties in responding to this central challenge'.

When it comes to producing prescriptions as to how best to address these issues, the most that it can recommend are 'broad and sustained efforts to create a shared future, based upon our common humanity in all its diversity' and also making globalization 'fully inclusive and equitable' by developing policies and measures 'which correspond to the needs of developing countries and economies in transition and are formulated and implemented with their effective participation'.

The language of globalization deserves consideration for a minute or two. Without a clear definition, it is all too often presented as a catalogue of everything that seems different since the early 70s, it covers processes as diverse as advances in information technology, increased capital flows across borders, so called Disneyfication of culture, mass marketing, multinational corporate power, new international division of labour, global warming. The list can go on and on. But we shouldn't lose sight of the fact that it is intensely political and is about much more than providing a sort of conceptual hold-all for the main socio-economic developments of our era.

The uncritical catch-all nature of the concept stymies any attempt to separate cause from effect in these processes or to analyse what is being done, or by whom, or to whom, or for that matter, to what effect. Globalization is seen as a tide sweeping over borders, in which technology and irresistible market forces transform the global system in ways beyond the power of anyone to do much to resist or change.

At the political level, the vagueness of the concept turns it into something which seems to have an existence independent of the will of human beings, inevitable and irresistible. The notion of free market hegemony without the nation state and without discernible centres of power (only the highly visible instruments of the market) makes globalization and the capitalist system synonymous. In Margaret Thatcher's famous phrase, repeated time and time again by mainstream politicians on every continent: TINA – 'there is no alternative'.

Adam Smith described capitalism in the late-18th century as a system that eliminated all need for a sovereign power in the economic realm, replacing the visible hand of the absolutist state with the famous invisible hand of the market. 'The Sovereign', he wrote 'is completely discharged from a duty' with respect to the market. Now we are told that this invisible hand has been globalized to such an extent that the sovereign power of nation states has been vastly diminished.

The myth of the powerless state needs to be rejected. If states do not control the movement of capital or goods it is not because they cannot, but because they will not – it is an abdication of power, not a lack of that power. The idea that globalization has weakened the state ignores the continuous ability of the state to regulate capital. Money can flee to tax havens and to offshore banking centres only if governments pursue policies that allow this to happen. It is the governments of the EU countries and the US that have encouraged deregulation. It needs to be stressed time and again that this is always a political choice, not a technical necessity.

The notion that globalization makes the nation state out of date is thus an ideological one. Globalization can be at once both a description of fact and an ideology, a mixture of 'is' and 'ought'. States have always been interdependent to some extent. There was relatively more globalization in the sense of free movement of labour, capital and trade in the late 19th century although the volumes involved were much smaller than today. In those days most countries were on the gold standard which is a form of international money. Modern states do more for their citizens, are expected by them to do more, and impinge more intimately in people's lives than at any time in history, most obviously in redistributing the national income and providing public services.

Globalization refers to new constraints on modern states but there have always been constraints. States adapt to such changes, but they do not cause states to disappear or become less significant.

Globalization can also refer to the ideological interests which want to be free of state control on capital movements and seek minimal social restraints on the private interests that possess it.

The relation of transnational capital to sovereign states is often ambiguous. On the one hand it may seek to erode the sovereignty of states in order to lessen their ability to impose constraints on private profitability. On the other hand it looks to its own state, where the bulk of ownership may be concentrated, to defend its economic and political interests internationally.

Also, within each state, different social interests line up for and against the maintenance of state sovereignty, seeking either to uphold or to undermine national democracy.

So how does the EU fit into this perspective?

The six founding members of the original EEC had, apart from Luxembourg, all been imperial powers with colonies and dependencies in Africa and elsewhere. France, Germany, Italy, Holland and Belgium had been defeated and occupied during World War II. After that they found themselves in a world dominated by the two superpowers, US and USSR. Their political classes were still hankering for world power status. If their countries could no longer be big powers on their own, they would try to be a big power together through the EEC/EC/EU. The Lomé Agreement of 1975 regularised relations between the then EEC and the former colonies and semi-colonies throughout the world. A document produced by the Wilson Government about the same time arguing in favour of Britain remaining with the EEC contained a map of the world with EEC dependencies marked. It was almost as if the old empires had been got back.

Norwegian writer John Galtung was therefore bang on the money when he portrayed the dynamic for European integration as being, 'take five broken empires, add a sixth later, and make one big neo-colonial empire of it all'.

After World War II, European powers adopted a strategy of neo-colonialism. Left financially depleted and with a traumatised political class by years of warfare, and facing intensified popular resistance from within the Third World itself, they reluctantly decided that indirect economic hegemony was less costly and politically more expedient than outright colonial rule. They discovered that the removal of a conspicuously intrusive colonial rule made it more difficult for nationalist elements within the previously colonized countries to mobilize anti-imperialist sentiments.

Though the newly established government might be far from completely independent, it usually enjoyed more legitimacy in the eyes of its populace than a colonial administration controlled by the imperial power. Furthermore, under neo-colonialism the native government takes up the costs of administering the country while the imperialist interests are free to concentrate on accumulating capital – which is all they really want to do.

After years of colonialism, the Third World country finds it extremely difficult to extricate itself from the unequal relationship with its former colonizer and impossible to depart from the global capitalist sphere. Those countries that try to make a break are subjected to punishing economic and military treatment by one or another major power, nowadays usually the United States.

The leaders of the new nations may voice revolutionary slogans, yet they find themselves locked into the global capitalist orbit, cooperating with the First World nations for investment, trade, and aid.

In many instances a comprador class emerged or was installed as a first condition for independence. A comprador class is one that cooperates in turning its own country into a client state for foreign interests. A client state is one that is open to investments on terms that are decidedly favourable to the foreign investors. In a client state, corporate investors enjoy direct subsidies and land grants, access to raw materials and cheap labour, light or non-existent taxes, few effective trade unions, no minimum wage or child labour or occupational safety laws, and no consumer or environmental protections to speak of. The protective laws that do exist go largely unenforced.

In all, the Third World is something of a capitalist paradise, offering life as it was in Europe and the United States during the nineteenth century, with a rate of profit vastly higher than what might be earned today in a country with strong economic regulations. The comprador class is well recompensed for its cooperation. Its leaders enjoy opportunities to line their pockets with the foreign aid. Stability is assured with the establishment of security forces, armed and trained from abroad in the latest technologies of terror and repression. Still, neo-colonialism carries risks. The achievement of *de jure* independence eventually fosters expectations of *de facto* independence. The forms of self-rule incite a desire for the fruits of self-rule. Sometimes a national leader emerges who is a patriot and reformer rather than a comprador collaborator. Therefore, the changeover from colonialism to neo-colonialism is not without risks for the imperialists and represents a net gain for popular forces in the world.

Untrue, an exaggeration, old-fashioned leftist or Marxist nonsense? Or, in fact, has the EU made the relationship more humane? Let’s take a brief look at recent developments in the area of EU trade policy.

Lord Mandelson, the man who has the dubious distinction of having been the worst secretary of state for NI, spelt out the essence of EU trade policy a few years back: ‘What do we mean by external aspects of competitiveness? We mean ensuring that competitive European companies, supported by the right internal policies must be enabled to gain access to, and operate securely in world markets. That is our agenda.’

In 2006, he launched Global Europe, a new framework for trade policy which clearly prioritises the interests of big business. This policy was developed with the full support and input of organisations such as BusinessEurope, which represents the interests of large corporations.

BusinessEurope has free and regular access to the on-going negotiations on EU bilateral free trade agreements.

Global Europe is a new framework for EU trade policy which covers several initiatives. It is presented as trade policy’s contribution to the EU’s agenda for growth and jobs.

The external agenda of Global Europe is a very aggressive push to dismantle ‘barriers’, such as the social and environmental regulations that large EU corporations currently have to comply with when conquering new markets and accessing natural resources abroad.

It plays on the fear that emerging countries like India, Brazil and China will prove more competitive than EU industry by imposing a trade policy which is entirely focused on helping business become 'more competitive' and 'more profitable'. The corollary of that is it does not consider the impacts on the development of other countries – whose governments will find their choices are restricted when it comes to determining their own development model, protecting their environment and even providing assistance to their people.

It wants third countries to increase access to their markets, deregulating sectors such as services, investment, public procurement and competition policy, and enforcing tougher intellectual property rights (IPR) which will benefit EU-based trans-national companies.

At the centre of the Global Europe strategy are a new generation of regional and bilateral free-trade agreements (FTAs) and Market-Access Partnerships (MAP), designed to tackle barriers to EU exports; a policy to gain unlimited access to raw materials all over the world; as well as moves to redefine the EU's trade relations with China and the US.

The other side of the coin is the EU-internal agenda, not generally considered to be the territory of trade policy. Here again the fear of so-called emerging economies and the threat they are said to pose to jobs and growth is used to push through measures within the EU, which could have wide-ranging effects.

The agenda includes further liberalisation to remove any restrictions preventing the expansion of corporations and measures to match other countries' requests for the opening of EU markets.

This could potentially expose every sector to more competition. Global Europe reinforces what in Commission-speak is referred as 'better regulation', which is the need to subject every new EU regulation – including environmental and social rules – to an impact assessment that looks at their effect on the international competitiveness of European business. This makes it more difficult to adopt environmental or social regulations, as large corporations will argue that they will hamper their international competitiveness.

Global Europe also proposes that the EU should first look at what other 'main competitors', mostly the US, are doing, before introducing new regulations so as to create 'regulatory convergence': 'the greater the consistency in rules and practices with our main partners, the better for EU business' is the mantra.

The Impact Assessment Report of Global Europe admits those policies will hurt the more vulnerable in the EU: 'the process of market opening ... brings about transformations which are disruptive for some.'

Big business interests have used the Global Europe strategy to push through their ambitions for liberalisation of investment, services, public procurement and me stronger enforcement of intellectual property rights. Issues which have proven difficult to negotiate at the WTO, are seen as having a better chance if the EU throws its weight behind a bilateral deal, or through trade diplomacy.

Developing countries have every reason to resist, as such deals hamper their own developmental efforts and ruin local business. As one commentator put it: 'It seems the wolf has taken off its sheep's clothing. This is an extremely aggressive agenda that pays little more than lip service to development. The EU plan to use free trade deals to force concessions on issues that developing countries have repeatedly rejected at the WTO. It will undermine multilateralism and increase poverty and inequality.'

Enforcing tougher intellectual property rights will threaten access to medicines in many developing countries, will deny many subsistence farmers the right to own seeds and will impede domestic businesses from copying the technologies that could help their own development. Deregulating investment, which has been a key point for BusinessEurope, will deprive countries of the right to make sure foreign corporations bring something positive to their countries.

Liberalisation of the services sector was high on the agenda not just for BusinessEurope, but also for the European Services Forum (ESF), which includes the largest EU service corporations such as Deutsche Bank, Goldman Sachs, British Telecom and Telefónica.

The ESF has managed to make worldwide liberalisation of services a priority in the Global Europe Strategy insisting on the need to open up markets. Available information on the current negotiation shows that the Commission is arm-twisting countries to get them to open their service sectors.

Large EU corporations have also been lobbying for an EU trade policy that helps them secure unlimited access to raw materials worldwide. They are worried about the increasing consumption of raw materials by industry in China, India and Brazil and other so-called emerging economies.

A central part of the Commission philosophy is the priority objective of helping EU multinationals by limiting as much as possible the conditions in which countries can impose measures restricting exports of raw materials. According to the EU, provisions to ban restrictions on access to raw materials have been introduced in free trade agreements with Chile and Mexico and the Commission is currently trying to include them in on-going negotiations with India and South Korea.

The EU insists that countries should not impose restrictions on trade in raw materials, not even to tackle problems such as the strengthening of infant industry, ensuring government revenue from commodity exports, or restricting trade in environmentally sensitive goods like timber. The Commission is also targeting African and other developing countries to accept their policy regarding raw materials.

So the EU represents in an advanced form an alliance of European states in which the interests of transnational and multinational companies predominate.

Developments at the economic level have a counterpart in and have been strengthened by development at the political level. French-German co-operation provides the core of this process.

The construction of a European supranational state is primarily due to the wish to create an internal market, which can promote economic growth and create increased profits.

It is also due to the wish to strengthen European big capital in competition with American and Japanese big capital.

The expansion of the EU and the incorporation of the countries that are peripheral to the EU core was a policy that must be seen in the context of strengthening European capital. Its purpose has been to secure new areas as objects of investment for Western European capital.

But now the public debt crisis of Greece, Ireland and other peripheral euro-zone countries has the potential to harm the European Monetary Union. The euro-zone project has already inflicted damage on the peripheral countries. Monetary union has removed or limited the freedom to set monetary and fiscal policy, thus forcing the pressures of economic adjustment onto the labour market. Guided by EU policy euro-zone countries are in a race to the bottom. Labour has lost out to capital across the euro-zone.

Research on money and finance

- *The mechanism of the crisis: gains for German capital, losses for German workers and the periphery*

Monetary union has imposed fiscal rigidity, removed monetary independence and forced economic adjustment through the labour market. Workers have lost share of output relative to capital in Germany and peripheral countries.

Despite images to the contrary, the German economy has behaved poorly, with low growth, weak productivity gains and high unemployment. But Germany has been able to keep down inflation as well as wages. Peripheral countries behaved generally better, but labour costs and inflation have risen faster.

Germany has gained competitiveness within the euro-zone for the sole reason that it has been able to squeeze its workers harder. Inevitably it has generated persistent current account surpluses against the periphery. The surpluses were turned into foreign direct investment and bank lending to the euro-zone.

- *Finance created a crisis and then takes advantage of it*

European banks needed liquidity after 2007. They also had to deal with the excesses of the preceding bubble. The ECB provided extraordinary volumes of liquidity, allowing banks to get back into shape by reducing lending. We all know that this makes a recession worse. By 2009 bank lending was in retreat in the euro-zone and banks were not acquiring long-term securities.

But during 2007-8, banks of the core euro-zone countries (Germany, France, Netherlands, Belgium) had continued to lend to peripheral countries (Italy, Spain, Greece, Portugal and ourselves). Gross cross-border claims from core to periphery reached 1.5 trillion euro in 2008.

Periphery and core states arrived in financial markets in 2009 seeking extra funds of nearly 1 trillion euro because of the crisis. Public revenues had collapsed as the recession deepened, while public expenditure had risen to rescue finance and perhaps to maintain demand.

With banks reluctant to lend, yields rose for all public debt. Financial capital was able to engage in speculative attacks on public debt of peripheral states, while the ECB watched.

Now we have a situation where the peripheral countries confronted with a public debt crisis have been forced by the euro-zone to impose harsh austerity. Yet they are receiving very little support to ease the pressure. Under all this burden peripheral countries face hard choices involving social conflict.

There are only two logical positions possible on the EU:

1. One regards the EU as fundamentally reactionary, and getting more so with every new treaty, even if it occasionally does something positive – just as Britain did positive things in 19th-century Ireland by giving us railways, schools, hospitals, pensions and policemen;
2. Another sees EU integration and the push to turn the EU into a federal state within which the existing EU member states are more like provinces or regions than independent sovereign states as an essentially good and progressive thing, even if there are some downsides to the process.

Thus in relation to the current crisis, we have seen this week Citigroup – one of the largest banks in the US – calling for further EU integration in the form of fiscal and political union, repeating earlier calls by financial speculator George Soros. And they are both right. There is no example in history of a lasting currency union that was not also part of one state, and therefore also part of a political union and fiscal union, with common taxes and public services which all national states possess. The existence of such common taxes and services serves to compensate to some extent the poorer regions of a national currency union for their inability to balance their payments with others by utilising their own interest rate and exchange rate. Yet there is no possibility of the EU having common taxes and public services because the solidarity that is needed to underpin these does not exist at the EU level.

Two thirds of all legal acts in the twenty-seven EU member states now come each year from Brussels. Only one-third originate in each member state. This shows graphically the loss of national democracy and independence entailed by membership of the EU. The first step in remedying the EU’s widely admitted democratic deficit is to repatriate policy making powers from Brussels to the member states.

But these are issues for another day.

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