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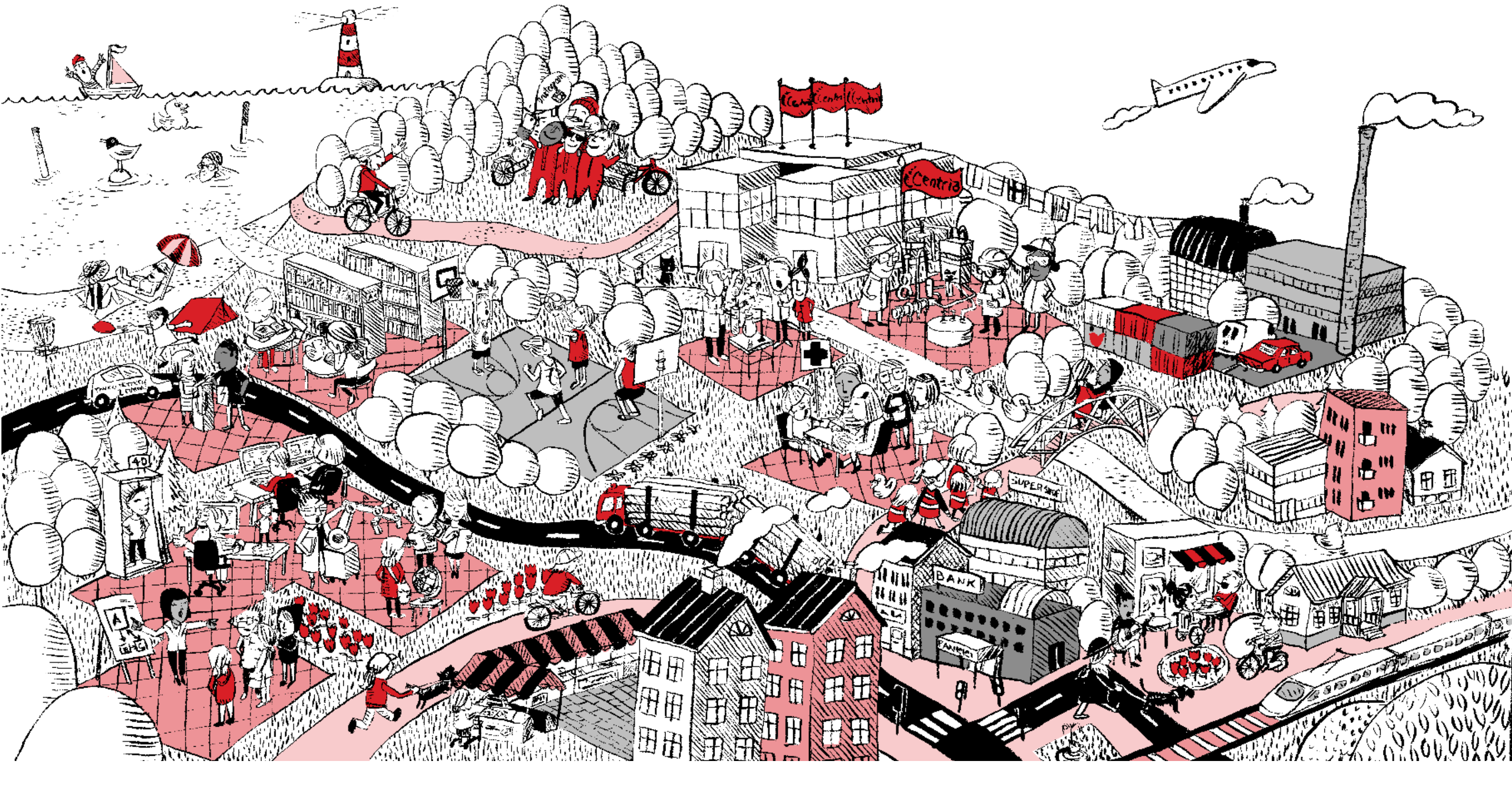
THE EUROPEAN UNION IN TRANSITION TO GLOBALIZATION

Thesis
CENTRIA UNIVERSITY OF APPLIED SCIENCES
Business Management
June 2020



ABSTRACT

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Degree programme Bachelor of Business Administration, Business Management and Enterprise Resources Planning		
Name of thesis THE EUROPEAN UNION IN TRANSITION TO GLOBALIZATION		
Centria supervisor Katarina Broman		**Pages** 48

The European Union was constituted by various means of the system: politics and economics. The study of it gives the readers a deeper understanding of overall aspects. In the introduction of the thesis, the history of the EU was wrapped up and the very core scheme of it: the international economic integration.

The thesis aim was to provide an understanding of the idea of the European Union and how the union as a global economy is operating. Since this union is of utmost the biggest economic integration around the world so far, it is the closest to perfection despite it has its problems. The report discussed the global factors that affect economies and societies of the member nations of the European Union as well as some of the outside countries in relation to the EU. Undeniably the author endeavored to follow all the possible pieces of information to provide the best picture of the topic. The paper thoroughly analyzed the correlation between the size of a country and economic development. The measurements to evaluate the performance were five core indexes. Comparisons of the tax burden and gender inequality in the economy of different countries were also studied to show how these issues were global concerns to the EU.

The second part of the thesis went deeply into a discussion about globalization and the consequences of this phenomenon. The first paragraph briefly defined the nature of globalization by tracking back to human trading history. Support ideas and opposing opinions from experts on whether the world's economy is globalized were also examined carefully. Deeply digging into the topic is the presenting of the process of globalization and the response of the EU to globalization. The purpose was to help viewers understand more about the European Union since they can approach it from many perspectives.

Globalization did generate consequences negatively and positively which is the main conversation of the next chapter. Even though the expectation of globalization is the perfect future for every human on the globe, but it is not that simple.

Keywords
Economy, globalization, monetary union, multinational corporations, single European market, transnational companies.

CONCEPT DEFINITIONS

ASEAN

Association of Southeast Asian Nations

Bailout

The general term used for a country that is facing a risk of bankruptcy that need intensively financial supports. It can be seen as loans, cash, bonds, or stock purchases. A bailout program may or may not require a refund and usually governed by greater government. (The Economic Times 2020.)

Bombast manifesto

Public declaration with big words but has little meaning that is used to impress people by politicians.

CAP

Common Agricultural Policy

EC

European Commission

EEA

European Economic Area

EFTA

European Free Trade Association

EMU

Economic and Monetary Union

ERM

European Exchange Rate Mechanism is a system introduced by the European Economic Community on 1 January 1999 along with the introduction of a single currency as part of the European Monetary System to reduce exchange rate variability and achieve monetary stability in Europe.

Eurozone

Eurozone as known as euro, is a monetary union consisted of 19 out of 27 European countries. These countries adopted the euro as their common currency and sole legal tender.

GDP

Gross domestic product

GNP

Gross national product

Hegemony

Hegemony is an expression of a stage where a nation politically, economically and military dominates others.

Homogeneity

Homogeneity is the term describing the state of being the similar kind or all the same kind.

IEI

International economic integration is an agreement among nations that typically includes the reduction or elimination of tariff barriers and fiscal policies. Economic integration aims to cut off costs for both consumers and producers and to boost trading between the member states. (Investopedia 2020a.)

Mini states

Mini states are countries with a small size of population, typically less than 1 million.

MS

Member state

Multilateral mechanism

Multilateral mechanism is the process of establishing relations among three nations or more to reach several agreements. (Britannica 2021.)

Neoliberalism
Neoliberalism is a method based on the competing nature of human. The market is facilitated as much as possible for selling and buying. Taxes and regulations are minimized, merits are rewarded, and inefficiency will be punished. Private ownership is encouraged rather than public possession. (The guardian 2020.)

Nepotism
Nepotism is the favoritism based on kinship. (Merriam-Webster 2020.)

OPEC
Organization of the Petroleum Exporting Countries

PPP
Purchasing Power Parity

Protectionism
Protectionism is a policy implemented by governments to protect their domestic markets by limiting international trade. The purpose of protectionism is to improve the domestic market activity or to protect it from quality concerns. (Investopedia 2020b.)

Public servant
Public servant are government employees who are doing civil services.

Referendum
A referendum is a vote that all the people of a state or an area are asked to give their opinions about an important political decision.

SEA
Single European Act

SEM
Single European Market

Supremacy

Supremacy is the state of having ultimate authority over others. (Vocabulary 2020.).

The Triad

Also known as the global Triad, including three largest economies as well as the three largest financial centers in the world the US, the EU and Japan.

Third World

The developing countries in Africa, Asia, Latin America, and Oceania.

UN

The United Nations

WTO

The World Trade Organization

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1 INTRODUCTION

Most crucially, the EU is almost a comprehensive economic union with a practically common market, where people, goods, services, and capital move freely, so-call the four freedoms. Half of the member countries are using the same currency (euro), with the European Central Bank regulates the Eurozone monetary policy as well as a system to imply fiscal policy and the EU has its budget, financial monitoring policies. Due to the Lisbon Treaty, on 1 December 2009, the union has a European Council president and a foreign policy chief who oversee a vast diplomatic corp.

The thesis begins with the general view of the history of the European Union, the chapter briefly examines the big events that contributed to the creations of the EU throughout history. Following that is the discussion about the nature of the EU as international economic integration. Chapter two examines the characteristics of this scheme and how it stands out from other countries and regional economic integrations around the world. After that, the thesis focuses on the economy of the EU by briefly going through the core and essential aspects such as the creation of Single Market, the Eurozone, trading, and the general budget.

The following chapter raises the question of whether the size of a country can affect its economy. Examples are chosen from small and European countries with outstanding performed economies. This chapter attempts are to prove that small countries with less complex political systems can outrank larger ones. Evidence for the discussion of this paper is based on five statistical indicators namely: the Human Development Index (HDI), the Economic Freedom Index, the Ease of Doing Business Index, the Corruption Index, and the Travel in Tourism Competitive Index. Based on the indicators, readers can see how it might be better for a country's economy if it is smaller.

The next part of the thesis brings up the recent challenges that the EU has been facing. How these events affected the union economically and politically is also a consideration, thus actions have been made to adapt and overcome the obstacles.

Continually, the concept of globalization is also examined along with the movements of the EU towards the phenomenon. The general notions of globalization are numerous and widely used, thus there is no actual agreement on what it really is and indeed none has confirmed whether it is for good or bad sake. As a result, the paper examines how the EU has responded to globalization. The actions of the

EU are complicated which are not only about the attributes of globalization but more about internationalization. The responses of the Union are more likely to be transitional than stationary. It is an ongoing process of changing and adapting which can be seen as the creating of Single Market, the EU monetary system, the development from EC to EU, etc. The chapter is concluded by a claim that there is a difference between globalization and internationalization which should be defined separately. Finally, the consequences of globalization are critically discussed. Particularly, it results in the overall development of all countries including the Third World in terms of individual freedoms, improved living standards, and more opportunities.

2 THE EUROPEAN UNION IN THE GLOBAL CONTEXT

During the 19th century, a Pan-European political thought which was inspired by the liberal ideas of the French and the American Revolutions after the demise of Napoleon's Empire truly emerged. Flourished as it was, the idea of European unity was populated across the continent. During a speech at the International Peace Congress, which was held in Paris in 1849, Victor Hugo stated the term United States of Europe.

> A day will come when all nations on our continent will form a European brotherhood ... A day will come when we shall see ... the United States of America and the United States of Europe face to face, reaching out for each other across the seas (Hugo 1849).

An idea of a regional integration in Europe has been stated by economists, politicians during the 19th century and onwards. After the two world wars, the European Union idea was finally emerged by relentless effort of many European countries in order to secure a lasting peace for the region. In terms of economic power, Europe is indeed one of the biggest and very first dynamic economic area. The European Union has been then formed as a pioneer economic integration where all commercial transactions were removed or facilitated. (Europa 2021.)

2.1 The history of the European Union

Beginning as the European Coal and Steel Community, the European Union was founded in 1950 and it consisted of six members: Belgium, France, Germany, Italy, Luxembourg, and the Netherlands. Afterward, under the Treaty of Rome, it became the European Community. A union that was established after World War II with the purpose of a more unified Europe would find it harder to fight each other and enter a new war. This organization was a combination of three organizations. The common market, the European Economic Community (EEC), unified the economies of Europe. Secondly, the European Coal and Steel Community oversaw regulating manufacturing aspects across the participating countries. The last was The European Atomic Energy Community was developed to set up a market for nuclear power. The overall work of these treaty organizations is to ensure the fairness and even policies were executed and promulgated across the state members. (Europa 2020.)

On November 1, 1993, the Maastricht Treaty took effect, and the EC was rolled into the European Union (EU). Until today, EU has 27 members, including the original six as well as Austria, Bulgaria, Croatia Cyprus, Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Ireland, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden (Eurostat 2020). The euro was created by this Treaty as well, which has become the single currency for the EU. This currency was first introduced on Jan.1, 1999. The euro is used as the official currency of nineteen countries. However, adopting the euro has not been successful for some newer members of the EU as they did not meet the criteria. Unlike what many analysts, American businessmen and bankers predicted; the euro has proven to be a remarkable success.

The EU was developed to bring lasting peace to the continent by tying the countries of Europe together economically and with strengthened legal, political, and security interests. In 2017, the EU's gross domestic product was the second biggest in the world with $17.1 trillion (nominal), $2.9 trillion less than the United States' $20 trillion GDP. Although being a smaller economy compared to the US, the EU economy is still growing. However, $170 billion was the number of EU's exports more than the US exports and they also invested more money in America than the other way around. The EU accounts for 61% of foreign investment in America. Even though not being a part of the Euro-zone, Britain is the major European investor in America, and they also maintain the strongest ties to the American economy. (Investopedia 2018.)

That is why the EU is intriguing to study, and this thesis gives a concise overview of this union for those who care about it. Indeed, it is not only for the 'European,' since the lessons of the EU are offered to the greater population of the world and for all nations that try to mimic from it or even surpass it. It does not mean that the EU is perfect since it has its problems, serious ones, some even brought collisions that made it close to complete collapse: namely the financial and economic recession which was witnessed in 2007.

2.2 The European Union as a regional integration

According to El-Agraa (2011) the European Union (EU) is the most promising scheme of international economic integration (IEI). IEI establishes groups between some countries that discriminate against non-members. The importance of it has emerged since the twentieth century. Before 1950, no definition describes this term, which had been given specifically by the international trade specialists: a state of affairs or a process that involves the amalgamation of separate economies into larger free trading regions, known as globalization, nowadays. IEI includes different forms in which many have been implemented while others are being contemplated (TABLE 1).

In terms of free trade areas (FTA or PTAs), the tariffs among the member nations (MNs) are removed, while they are free to determine their policies to the non-participants. This trend which benefits investment has been recently extended. Customs union (CUs) is quite similar to FTAs/PTAs, besides the fact that MNs have to impose common external tariffs (CETs) on imports from the outside world. Regarding Common markets (CMs), they are considered as a type of Cus, that mobility across MNs' border is allowed – as such, capital, labor, technology, and businesses should move freely among MNs. Complete economic unions are CMs including the complete unification of monetary and fiscal policies – that requires a central authority to manage these matters, so that all the state members finally become a single nation. In Complete political unions (Pus), all MNs can be seen as one nation. Central authority is paralleled to a common parliament and other institution which is needed to secure the sovereignty of one state. (The European Union: Economics and Policies 2011.)

TABLE 1. Schematic presentation of economic integration schemes (adapted from El-Agraa 2011)

Scheme	**Free intra-scheme trade**	**Common commercial policy (CCP)**	**Free factor mobility**	**Common monetary and fiscal policy**	**One government**
Free trade area (FTA)	Yes	No	No	No	No
Customs union (CU)	Yes	Yes	No	No	No
Common Market (CM)	Yes	Yes	Yes	No	No
Economic union (EcU)	Yes	Yes	Yes	Yes	No
Political union (PU)	Yes	Yes	Yes	Yes	Yes

The popularity of IEI can be wrapped up into two main reasons:

1. The members of it can benefit many ways in unhindered access to a bigger market, minimal costs due to the removal of trading barriers, which leads to higher quality products and lower prices, better innovation, and more.

2. Due to the unmoving progress in achieving global agreements through the WTO, many countries have become more and more exhausted. Because 153 members raised difficulties to reach a consensus. Experts also believed that the prosperity of IEI schemes may motivate the WTO to enact the favored multilateral regime. (The European Union: Economics and Policies 2011.)

3 THE ECONOMY OF THE EUROPEAN UNION

The EU with 27 countries operates as a single market, which plays an essential role in world trading. In terms of nominal and according to purchasing power parity (PPP), the EU is the second-largest economy in the world. EU economic policy seeks to sustain growth by investing in transport, energy, and research while minimizing the environmental impact due to further economic development (Europa 2018). In 2017, the total value of all goods and services produced (GDP) of this union is bigger than the US economy with $17.60 trillion, and $18.8 trillion is the estimated number of GDP in 2018 which represents approximately 22% of the global economy. (Eurostat 2018.)

3.1 Currency

After the United States dollar, the euro which is used by nineteen countries is the second biggest reserve currency and it is also the second most traded currency. The European Economy comprises an internal market of mixed economies based on the free market and advanced social models (Central Intelligence Agency 2020.). The gross domestic product per capita was $37,800 in 2017 compared to $59,495 in the US, $42,695 Japan and $16,636 in China (International Monetary Fund 2020.). Comparing to the world average the EU is a more egalitarian repartition of incomes with a low Gini coefficient of 31 (The Word Bank 2016.). Denmark and the UK who are not members of the eurozone, have their choice to adopt the euro later. Besides, Sweden can decide whether or not to join the European Exchange Rate Mechanism, a preliminary step towards joining. The other state members committed to join the euro through the Treaties of Accession.

An event took place in 2009, Greece and four other members of the eurozone have been stuck into a sovereign debt crisis as known as the European debt crisis. By reforming and getting bailout packages, Portugal, Ireland, Spain and Cyprus have recovered from their debt crisis but Greece in 2015. Later on, some of the non-eurozone states such as Romania, Hungary, and Latvia experienced a debt crisis as well and successfully overcome the bailout programs. (The Political Economy of the Euro Crisis 2016.)

3.2 Budget

The adoption of the general budget in 1988 by the Council of the EU has an amended base of the budget regarding the gross national product (GNP), revenue structures, and a series of expenditure categories of the MNs. In terms of these multi-annual agreements, the specific amounts of revenue and expenditure are set in a budgetary cycle. Due to these processes, a balanced-budget policy has been executed, which expenditure must always less or equal to revenue. On the contrary to state governments, the union is not permitted to be indebted. (The History of the EU Budget 2019.)

€141 billion was the agreement of budget for the operation of the EU in the year 2011, and for the period 2007-2013, it was €862 billion, which accounts for around 1% of the EU's GDP. There are many European level policies, which is the reason for this union to have a budget. Specifically, these policies are agriculture, poor regions assistance, trans-European networks, overseas development aid, research, and its administration which are a parliament, executive branch, judiciary that are distinct from those of the member states. The administrative sectors enact and ensure the application of treaties, laws, and agreements between the member states and their expenditure on general policies throughout the Union. According to the European Commission, the administration makes up 6% of expenditure compared to 94% on policies. (European Commission 2010.)

Annually the EU budget is requested by the European Commission. Then the Council of the European Union representing member states' governments and the European Parliament representing EU citizens, reviewed and negotiated the proposed annual budget. All member states need to reach a consensus to finalize the common budget. One year in advance is the time for the budget to be determined. For each member state case, the final calculations of payments are not completed until after the budget year is over and information about revenue and expenditure is available, and correction mechanisms have been applied. (European Commission 2020.)

3.3 Trade

The European Union is known as the largest exporter in the world and the largest importer of goods and services in 2008. The EU removed trading barriers such as tariffs and border controls which facilitates internal trade between the member states. Especially in the eurozone, zero differences in the currency makes trade easier to deal for most members. (European Commission 2019.)

For the countries outside of the EU, the European Union Association Agreement initiated the soft approach to enhance their influence on those countries' politics. At the World Trade Organization (WTO), the EU is on behalf of all its members and resolves any disputes for its members. In the case of negotiating trade-related agreements outside of the WTO framework, the subsequent agreement must be approved by each EU member. (Se-jeong 2009.)

In 1973, an industrial free-trade area including seven countries Finland, Iceland, Liechtenstein, Norway, Sweden, and Switzerland of the European Free Trade Association (EFTA) was established by the EC. This eliminated the customs duties and restrictions on trade, and some reciprocal concessions were made for agricultural produce (Dick, L. & Robert. T 2016, 105.). Because of this, the size of the common market for manufactures was successfully extended to 370m people. EFTA became the EU's most significant trading partner.

Following the operation of the EC's single market program, the EFTA countries expressed their desire for a closer association with the Community. In December 1989, negotiations started for the establishment of the European Economic Area (EEA). Many regulations and policies were applied to the EC membership which is the acceptance of free movement of capital, persons, and services, in return for sharing in most of the expected benefits of the single market program. (Dick, L. & Robert. T 2016, 106.)

3.4 Single European market

In the early 1980s, even though all the restrictions and duties on the internal trade were abolished, the EC was still far from reaching the "common market" that it was usually known as. The single market program was designed to finalize the internal market among member states of the EC. In 1985, the European Council committed to creating a single European market by the end of 1992 and this commitment was stated in the Single European Act (SEA) of 1987. The main purpose of the single market is to remove the remaining nontariff barriers to trade among the member states. The completion of the single market has provided significant economic benefits to member states, which in particular are growth, more jobs, and competitive edges. According to many studies, the single market is ranked as one of the most important economic policy measures recently.

Based on the will of establishing a true single market (the Single European Market, or SEM), the SEA developed policies that propose free movement of goods, services, capital, and people. In terms of the SEA, other policy areas are also debuted and consolidated. These are environmental responsibility, health and working safety encouragement, technological research, and development promotions. Putting more action on strengthening economic and social services to support the weaker MSs to fully participate in the larger market and give hands in economic and monetary policy. Additionally, the administrative unit locating in Brussels is also supported in foreign policy to work more effectively than in the past by the SEM. It is a common agreement to taking decisions on an eligible majority vote in terms of SEM, R&D, consistency, and working condition improvements. Later these positive changes were followed by consensus regarding the expenditure control of Common Agricultural Policy (CAP) which has raised some intense disputes for many years, and most crucially is the change in the EC common budget. But there were also some complications relating to the power held by EC institutions. Certain numbers of MSs with heavy systems need to do some necessary changes to collaborate with SEM smoothly. This posed economic difficulties for some MSs that might impact their fortunes in some ways (El-Agraa 2011, 28).

There are three kinds of barriers in the single market. The physical barrier consisted of frontier controls that created stoppages, delays, administrative burdens, and associated paperwork. Secondly, the technical barriers comprised of the product standards of different nations, technical regulations, and business law. Lastly, fiscal barriers resulted from different rates of value-added tax (VAT) and excise duties, and in varying degrees of subsidization (The European Union: A Critical Guide 2005, 119).

The estimated benefits from completing the single market were made by Paolo Cecchini and others to over ECU200 billion, makeup to 4,3%, and 6,4% of the community's GDP in 1988. The greatest single contribution was the economies of scale at almost 30% of the total. There are also estimations for the benefits of the single market in terms of macroeconomic effects. Subsequently, the 1992 program led to an overall increase in total Community output of 4.5%, 1.8 million new jobs were created, which reduced the unemployment rate by 1.5%, and also lowered the inflation by 6%.

4 THE RELATION OF THE SIZE OF A NATION TO THE EUROPEAN UNION ECONOMIC DEVELOPMENT

In recent years, the size of a country has been agreed by many experts' studies that it is a determinant of both economic and non-economic results. Concerning this matter, various means of measurement have been developed to measure the performance of a country in many important aspects. They are the Human Development Index (HDI), the Index of Economic Freedom, the Ease of Doing Business Index, the Corruption Index, and the Travel and Tourism Competitiveness Index (Winkler, L. & Codrington, H 2017, 23.). A country that is doing well is determined by these factors which cover the national well-being, transparent and effective governance, and the appeal in the tourism industry.

Indeed, developed European countries earn their status by doing much better than developing ones economically. But there is a deeper study that smaller countries out-perform the large ones, on average. In terms of size, several indicators were used to determine such as population, area of the country, and GDP, the population is the easiest to see and analyze. Ones with a population of fewer than 10 million are considered small, whereas medium countries are ones with populations more than 10 million and large countries can be defined as those with populations exceeds 25 million. And those countries which have less than 1 million people are very small states. (Kutznets 1959; Demas 1965.)

4.1 The Human Development Index (HDI)

In 1990, the UN introduces annually the HDI of 187 countries. Based on four criteria, the HDI describes the rank of countries' levels of social and economic development: human life expectancy, mean years of schooling, expected years of schooling, and gross national income per capita. Therefore, the HDI is a summary of average key achievements in how the quality standard of living of a person. The HDI Countries are categorized in Very High (0.8-1.0), High (0.7-0.79), Medium (0.55-0.69), and Low (below 0.55) levels of Human Development. In this thesis, the European countries are the research targets. (Winkler, L. & Codrington, H 2017, 7.)

According to a 1990 analysis of the HDI, the smaller the country, the more outstanding performer it is in this term. For the HDI of 2014, 25 European states were ranked Very High Human Development, out of those countries with less than 10 million people were 9, ones with approximately 1 million were 6 and (TABLE 2).

TABLE 2. Very High Human Development Index of the EU countries in 2014 (adapted from Human Development Report 2014)

Medium and large countries		**Small countries**		**Mini states**	
Rank	**Country**	**Rank**	**Country**	**Rank**	**Country**
5	Netherlands	4	Denmark	16	Iceland
6	Germany	6	Ireland	19	Luxembourg
14	United Kingdom	14	Sweden	32	Cyprus
21	Belgium	23	Austria	30	Estonia
22	France	24	Finland	37	Malta
26	Spain	25	Slovenia	37	Lithuania
27	Italy	35	Slovakia		
28	Czech Republic	37	Lithuania		
29	Greece	44	Hungary		
36	Poland	46	Latvia		
43	Portugal	47	Croatia		

On the other hand, in the category of Very High Human Development, there were only five nations with more than 25 million people. In terms of the biggest population European countries: Germany, France, Italy, Spain and Poland were ranked in this category, which only represented for 18 percent of the European Union (TABLE 2).

In the next category of the index, which is High Human Development, the rank is from 50 to 102. Only two countries of the European Union were ranked in this category which were Romania and Bulgaria at rank 52 and 59, respectively.

To sum up, there were 28 of the European Union countries of the Very High and High Human Development in 2014. 17 countries have populations less than 10 million which account for more than half of the European Union (6 of those have populations approximately 1 million), and the rest which are 11 have populations of more than 10 million, 5 of them have populations of 25 million upwards (FIGURE 1).

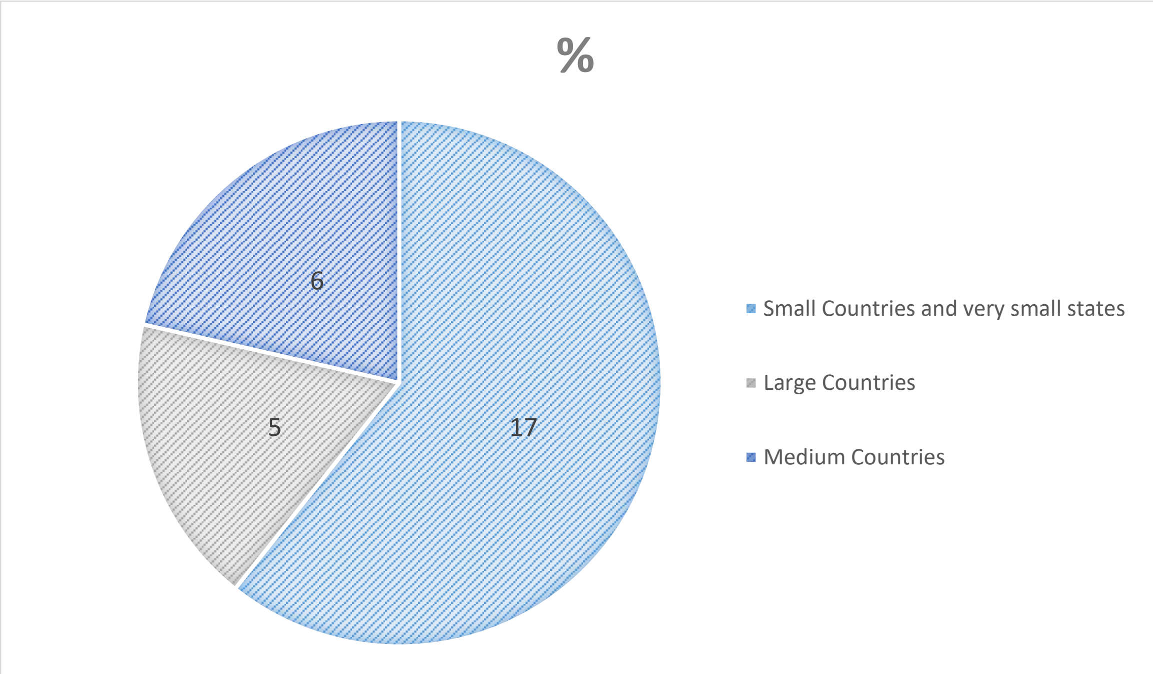

FIGURE 1. Shares accruing to European Union countries ranked as having Very High or High Human Development (adapted from Human Development 2014 Report).

In addition, even in the recession time in 1990-93, 1998, 2001-02, and 2008-09, the small population European Union countries have gradually achieved a constant performance and have been always in the top 25 which are: Denmark, Finland, Sweden, and Luxembourg (Human Development 2014 Report.). The possible explanation for this phenomenon is that the better a country at collecting taxes the higher social service it can provide to the citizen. Small countries are usually better doing this which raises the possible revenues to finance healthcare and education. With this longevity and literacy are much more improved, two essential factors of the HDI. Secondly, small countries tend to receive more benefits from abroad remittances which contributes to disposable income, and then they can spend it on the health care system and education. Besides, these countries are also profited from higher foreign aid per capita which inflates government revenue. Finally, a slight increase in GDP can make a huge difference in per capita incomes.

4.2 Economic Freedom Index

The Index of Economic Freedom was created by Heritage Foundation and The Wall Street Journal, including 178 countries. The index represents the foundation right of a person to entitle to his or her labor and property. A free society is the one that an individual can do business in the way they want. Labor, capital, and goods are allowed to move freely without exceeding the order of liberty itself. The attributes of this index are the rule of law (possession rights and freedom from corruption), Limited Government (fiscal freedom and government expenditure), Regulatory Efficiency (business freedom, labor freedom, and monetary freedom), and Open Markets (trade freedom, investment freedom, and financial freedom). In the matter of this, countries can be ranked as free, mostly free, moderately free, mostly unfree, and repressed (Winkler, L. & Codrington, H 2017, 10-11).

In the 2014 evaluation, the argument stays the same as the small European Union countries are on top.

TABLE 3. Rankings for Top Performing Small EU Countries in 2014 (adapted from The Heritage Foundation 2014)

Rank	**Country**
9	Ireland
10	Denmark
11	Estonia
19	Finland
20	Sweden
21	Lithuania
24	Austria

TABLE 4. Ranking for Top-performing Very small EU-states in 2014 (adapted from The Heritage Foundation 2014)

Rank	**Country**
16	Luxembourg
42	Latvia
46	Cyprus

TABLE 5. Ranking for Top-performing Medium and Large EU countries in 2014 (adapted from The Heritage Foundation 2014)

Rank	**Country**
14	The United Kingdom
15	The Netherlands
18	Germany
26	Czech Republic

35	Belgium
49	Spain
50	Poland

From the three tables, in the total of 17 nations ranked as free and mostly free, 10 countries are small and very small-states and the 7 rest have populations of 10 million or more. Noticeably, for the 25 plus population countries, only the UK and Germany hold the top positions, whereas other countries like Spain, Poland, Italy or France were either hold lower positions or not even in this category. (FIGURE 2).

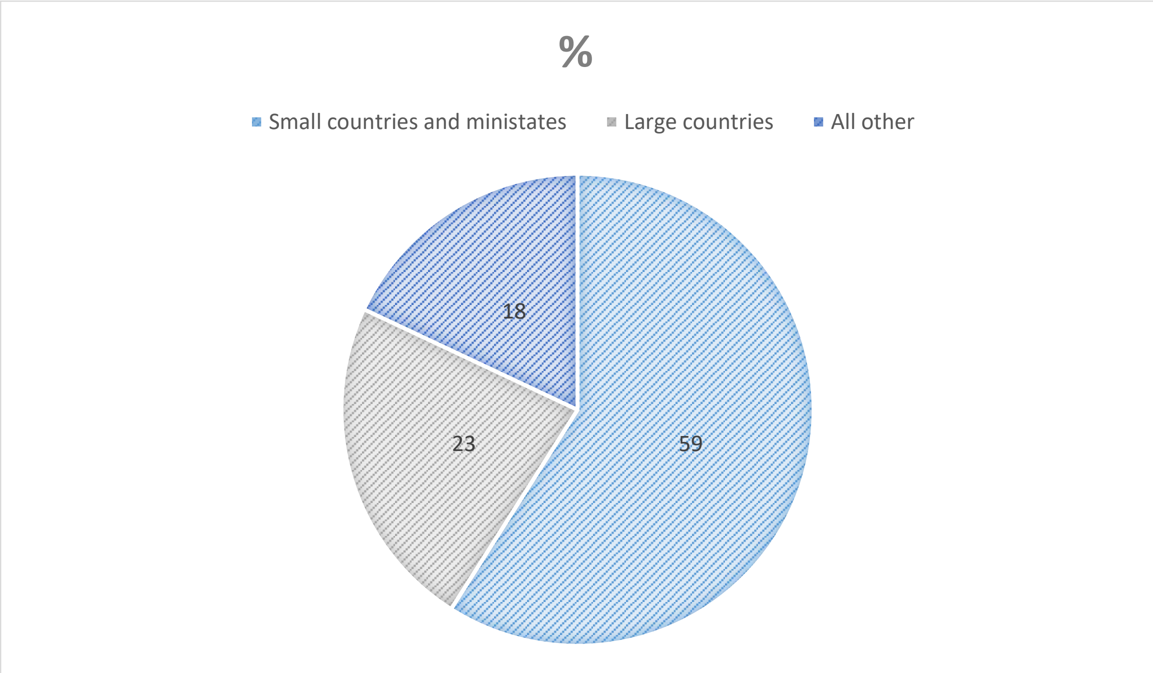

FIGURE 2. Shares of the EU countries rated free or mostly free.

Since 1995, the European Union's small countries which are Denmark, Finland, Ireland, Estonia always hold the top positions. To maintain the rule of law and monitor governments as well as preserve aspects of regulatory freedom, societal consensus must be achieved. Small countries have societal and political advantages to attain social consistency. Small populations facilitate information exchanging between internal organizations, which reduces the misunderstanding in information exchanging and moral hazard. It promotes better social cohesion and fosters the relationship between government and citizen so that reduced the gap between law makers and law takers. Official social partnership programs that are available in small countries reduce distrust and doubtless, thereby facilitates labor market freedom.

4.3 The Ease of Doing Business Index

This index was first introduced by the World Bank Group, covered 189 countries. The index was created based on economic research and surveys conducted by the World Bank. It represents some factors that directly influence doing business: starting up a business, construction permits issuing, electricity establishment, registering property, accessing credit, investor security, paying taxes, international trade, contract enforcement, and dealing with bankruptcy. (World Bank Group 2016.)

TABLE 6. Ease of Doing Business Index in 2014 for Small EU Countries (adapted from World Bank Group 2016)

Rank	**Country**
4	Denmark
9	Finland
11	Sweden
13	Ireland
17	Estonia
23	Latvia
24	Lithuania

The result of this index is not much different than the previous as half of the top 30 positions are held by small countries and very small states, 7 of them are the EU member states.

Social consensus favors labor market stability which attracts investors and thus it is a crucial factor determining the investment tension and economic development. Besides, small countries tend to have consistently integrated societies favoring personal relationships. These aspects improve communication between private investors and official government departments. Correspondingly, requesting for information, complaining about difficult processes can be conveyed easily, which mitigates long delays. Consequently, smaller official governments have fewer obstacles to doing business.

Concerning the poor performance of mini states in this indicator, one reason might be that they are afraid of taking criticism that their economies are not qualified enough by enacting many relevant requirements to the most possible difficulty. Since these countries rely on international financial aids, sometimes they put overhead efforts to preserve the country's reputation. Moreover, as emerging economies, these countries need to get used to the new information technology and therefore, some tasks are still done manually which delays the process.

4.4 The Corruption Index

This index was conducted in 1995 by Transparency International and categorized 177 countries on the range from 100 (very clean) to zero (very corrupt) according to expert evaluation and opinion surveys. The index is a combination work of many credible institutions and field experts around the world. One disadvantage of this index is that the methodology used to evaluate changes every year, so it is difficult to make comparisons. (Transparency International 2020.)

According to the 2014 assessment, in the top 30 countries, there were 19 are small and very small-states, and only 6 large countries were in this list. From the view of the European Union countries: Denmark, Finland, Sweden have always been holding in the top 10 since 2006. (TABLE 6)

TABLE 7. The Corruption Index 2014: small countries and very small states of the European Union (adapted from Transparency International 2014)

Rank	**Country**
1	Denmark
3	Finland
4	Sweden
9	Luxembourg
17	Ireland
25	Austria
26	Estonia

Small size countries can be understood that there are more connections per head of population. Small size can bust concealed dealings since it is likely someone will find out if there is any suspicious transaction happening. Regarding a simpler economic and financial system, incomes per capita are higher on average which promotes higher salaries and benefits to the civil servants, thus mitigating the risk of corruption. This political transparency is a characteristic that can be seen in many small countries and it benefits the country in exterminating an environment of weak bureaucracy, vulnerable politicians, and easily corrupted public servants.

4.5 The Travel and Tourism Competitive Index

This index covers 139 countries, was conducted by the World Economic Forum in 2007. The index aims to assess the attractiveness to invest in the travel and tourism industry of a country. This index focuses on the regulatory framework, the business environment and infrastructure, and human, cultural, and natural resources.

In the examination of the European Union countries, while the other indices are dominated by small countries and very small states, this index is the only one occupied by the large countries. In the 2015 ranking, the top 5 positions are France, Spain, Germany. The next top 10 includes 3 large countries: Italy, Netherlands, and Portugal. Moreover, half of the top 30 countries are large countries and the other half are small ones.

TABLE 8. Travel and Tourism Competitiveness Index 2015: The European Union countries ranking in the top 30 (adapted from World Economic Forum 2021).

Rank	**Country**
1	Spain
2	France
3	Germany
8	Italy
12	Austria
14	Netherlands
15	Portugal
19	Ireland
21	Belgium
22	Finland
23	Sweden
26	Luxembourg
27	Denmark

Every country in the world has its tourism industry and the competitiveness is high. Correspondingly they must allocate the natural resources properly to increase the competitive edge. Factors that are prioritized maintaining are air transport infrastructure, ground and port infrastructure, and tourist service infrastructure. Nowadays, governments are also focusing on environmental sustainability, natural and cultural resources, safety and security, health and hygiene, and innovative technology willingness. The higher developed a country and larger the democracy, the more competitive it is since it is more capable of improving environmental sustainability. For smaller countries that are competing in the upper end of the tourism market, innovative technology is an important factor enhancing their attractiveness.

5 GLOBALIZATION AND THE EUROPEAN UNION IN TRANSITION

As the first chapters of this paper depicted the history from where the EU has emerged, the following text has further discussed several economic aspects affecting the performance of the Union. This chapter begins with the examination on the history of globalization along with a further attempt to distinguish the difference between ‘internationalization’ and ‘globalization’. Whereas the second part of the chapter digs into its process and the relentless adapting determination of the European expressing through its response to the dominant constituents of the emerging phenomenon, globalization.

5.1 A brief history of globalization

Among the opinions about globalization, one of the well-known views is globalization skeptics. In their theory, Hirst and Thompson (1999), separates economic globalization and its consequent globalized economy. People are living in an era in which the cultures, economies, and borders of the nation are being erased. This is the cause of economic globalization. A genuinely global economy is believed to have been emerging in which nations with distinct economy systems and personalized strategies of economic monitoring are more and more inappropriate. Uncontrollable forces are dominating the world economy to the very basic dynamics of its. The rule-makers have created the international economic principals and transnational corporations nowadays pledge no allegiance to any nation-state. Their loyalty place only to wherever the global market advantage commands (Sweeney 2005, 283.).

Another expert supports this idea. Goldmann’s (2001) belief lies in the fact that the term should be internationalization rather than globalization since the phenomenon is happening around the Triad (US, Europe, and Japan). Because of that global economy only occurs in the northern part of the globe, excluding the remaining part of the world’s population. These three regions accumulate approximately 75 percent exports and 60 percent of production output of the world and most of the transnational movements situate between the Triads. In one word, this is not globalization.

To support the idea against economic globalization there are several summarized cases exist. Firstly, it is not the first time the world becomes an internationalized economy. In 1870 to 1914, the world economy has formed a more open and integrated regime and prevailed during the time. Secondly, distinct transnational companies are not that popular. These companies locate nationally and do business multinationally relying on the advantages they have which raises almost no international development. Thirdly, the facilitation of capital mobility promotes no big considerate shift of investment and employment from modern nations to developing ones. The Third World accounts for a small amount of investment and trade since foreign direct investment (FDI) is mostly expended on more advanced industrial countries, which are a small minority. The investment and financial flow highly occur among the Triad of Europe, North America, and Japan, and this dominance will long remain. Finally, these superpowers, the G-3, if they unite the power, they can enact significant governance pressure on the financial markets and other economic key factors. Because of that, there is no means the global market can go beyond monitoring and control. (Sweeney 2005, 284.)

On the other hand, some theorists believe globalization is a real thing. Not only economic interdependence that it is about but also the changing living atmosphere around the people. Whether it is about economic or not, oversea events impact human lives more than ever. Individual decisions can make a huge difference to the globe than we thought. For example, vegan's food products and bio-food products are the consequences of vegan and health-oriented people's eating habits who are living in the other part of the world. This can relate to the commonly known butterfly effect theory that flapping of the wings of a butterfly can create a hurricane on the other side of the planet. (Micklethwait & Wooldridge 2000, 285.)

In the 1980s, the president of the US Reagan and the Prime Minister of the UK Thatcher applied new policies that deregulated the financial and telecommunication aspects. As a result, economies exploded in capital movement. After that is the launch of the World Wide Web in 1990 boosting globalization. There was nothing ever before that can compare to the growth of the capital flow between the three financial biggest economies of the world, the Triad. (Gray 1998, 287.)

There are beliefs that globalization is Americanization. Which describes that the globalization project is driven by the US. The USA became the most powerful and influential country after the end of the Cold War; thus, they have the political and economic power towards the world. And it is a fact that many multinational corporations are currently located in America. The purpose of this idea, Americanization, is to promote American benefits and influences. Even though, this idea has encountered various denial from theorists over the world. An example is Japan's influence in America and Europe. Western countries have been studying and adopting the Japanese management methodology, compromising between workers and employees, long-term corporate strategies, and research-oriented use of labor and financial resources (Strange 1996, 75). The world's most popular sport is indeed soccer, and it has nothing to do with the popularity in the US. Another example is the cultural exchange: the widely used Arabic and North African music in France originates from French colonial history and migration patterns. London, a multiethnic international city comprises of multiple different language communities is an instance of trans-ethnic and international transition, indeed, this is unrelated to the USA. English is an international language, and it does not belong to anyone or any country. It is widely spoken around the world due to its functionality, and one more time, the cultural dominance of America did nothing to this matter.

There are also many multinational institutions the UN, the EU, the OPEC, the WTO, and the ASEAN which are growing in global influence can become the counterweights to the dominant position of the USA. Even though the internet is a creation of America, it has outgrown far beyond its first investors. As well as the English language, it is not the possession of any nation since its birth. The Roman Catholic Church, inspired by disputes and scandals, stands out as a widely influential spiritual organization. The widespread of Islam is another cultural counterpart against American values. (Sweeney 2005, 290.)

After the end of the Cold War, the US has not only become a superpower but also more threatening to the world in many aspects. The US Army initiated the wars in the Persian Gulf in 1991 and Bosnia in 1994 reinforcing its hegemony. America also shapes the globe to its will by bolstering cultural influence which are the US movies, media, and entertainment industry. The bombast manifestoes of US politicians after 9/11 was also an exemplar to affirm their image as ‘the leader of the free world’ – which is also an excuse for the initiating a war against Iraq with a limited number of allies and without any clear support from the UN Security Council, results in the reducing of UN-initiated weapons inspections.

To answer the question ‘What is globalization?’, a short and simple answer can be the internationalization of the market. We drive German cars, listen to Japanese hi-fis, eat French food, drink Colombian coffee, wear Italian clothes, buy Chinese toys, chat on Finnish mobile phones, work on computers made in Taiwan and use American software (Legrain 2002, 5). The examples indicate that nowadays human life is surrounded by globalized products coming from all over the world. A small innovation which is likely to be bought by consumer can embark from any cooperation or startup regardless its nationality.

5.2 The process of globalization

Globalization as a whole should be understood as a process since humans set sail to distant communities and trading with each other. The globalization phase constitutes the international trade with a long history. Many people believe that the very first globalization phase was the establishment of the Silk Road starting from Europe and ending in the Pacific Coast, from Cadiz of Spain to Shanghai of China and reverse (Gray 1998; Hirst & Thompson 1999). The Road emerged during the Roman Empire and before that. The common trading merchandise is spices, cloth, and artisan treasures. Besides, the Roman also created many trading routes across Central and Western Europe and North Africa. During the seventeenth, eighteenth, and nineteenth centuries, trading explodes between Asia and Europe in the ages of empires and colonialism. Following that is the industrial era after 1800 boosting international trade. And before the twentieth-first century, international capital flow accounted for a significant proportion of the world GDP in 1980. Globalization has been emerging throughout history. One might suggest that the modern age of globalization marked at the end of the Second World War since the influence of the United States is apparent, while Europe and Japan were not that fortunate. Therefore, America had a chance to shape the post-war economy to ensure their hegemony over the globe.

5.3 The responding of the EU to globalization

Since multinational corporations play a bigger role in the integration process and leave a tremendous impact on the EU movements towards the external economic factors such as the huge competitions from the United States, Japan and China, and the Asia Pacific region.

In fact, during the 1980s European productivity was left behind by its Triad adversaries. And the response to that is the creation of the Single European Market and Economic and Monetary Union. The facilitate cross-border transactions such as merger, acquisition, and joint ventures, the EU removed the limitation on capital movement which in turn enhanced the economies of scale significantly, particularly in research and development. To increase the competitiveness of the long lead-times and high development costs industries, the EU focused on rationale distributing resources, collaborating technology, and joint ventures. The merger of two well-established corporations KLM and Air France in 2004 is one of the responses of the EU to globalization. High levels of collaboration intra-SEM have been made by the European Space Agency, the Eurofighter aircraft, satellite technology, Airbus industries, the automotive, pharmaceuticals industry, and air transport. Due to the stimulus in 1980, during the time 1988 - 1992, a deadline has been made for the completion of the Single European Market to foster the growth in the continent by 5 percent (Moravcsik 1999; Milward 2000.). Another recent movement with the prospective for gaining opportunities from the constantly interconnecting world is the EU trade policy. The EU trade policy is a making of the EU and Parliament which gives the EU advantages against multilateral unions such as World Trade Organization and improve their bilateral positions. A closer look to the EU trade policy is that it primarily facilitates trading factors such as trade agreements with non-EU countries, trade regulation to prevent inequitable competition and acting on behalf of the member state as the European Commission. (News European Parliament 2019.)

Following after the SEM was the emerging of Economic and Monetary Union (EMU) from the Maastricht summit in 1992. Three years later is the first launch of the single currency, the Euro, with notes and coins. The purpose of EMU is to fulfill the motives of the SEM, providing cost savings and boosting the economy as well as drawing the logical step-by-step framework towards the completion of the SEM. The euro represents the exceptional success of European integration and a competent political symbol. The single currency to multinational corporations is an essential development and the frameworks of EMU did show effectiveness as it was economically predictable and cost-saving, supporting strategic planning and daily operating system.

On the other hand, EMU has its drawbacks. Even though it has comprehensive categories in many economic respects, it lacks others such as political influence on the independent European Central Bank. Experts predicted that EMU was designed for an ideal future economy but if the EU experiences a recession or a slump there was no solution yet. But they agree that the success of an integrated EU in both political and economic terms is a hope for globalization to be successful as the EU will be a core rival to the United States hegemony.

Another aspect to the EMU project that should be mentioned is that in 1999, 77 percent of all international capital investments and 83 percent of all foreign exchange transactions were the US dollar (Hutton 2002, 199). This can be explained that the international finance system had been designed for the expansion of the US financial and political power rather than the world public commodity. The launch of the euro was aimed at creating a prominent rival to the dollar, which was confirmed happening four years later by Monbiot (2003). He believed that the emergence of a euro-designated market for oil could have a drastic impact to the relative strength of the dollar. Once the euro is comprehensive in this market it is possible to become a crucial reserve currency, an actor which would influence the world’s major currencies relationships in financial markets. (Monbiot 2003.)

For many people, with the help of EMU, the EU's global influence and political integration could be boosted. Others believed the integration process of the European is part of the 'problematic globalization'. According to Wallace and Wallace's (2000) statement, the EU is not only a safe house for the globalized process, but also a contributor. Specifically, the global context of the EU could be summarized into two perspectives. On the one hand, the single market offers opportunities and cultivates a liberal trade ecosystem, which can be seen on multinational corporations' cases who were benefit from enhanced access to key markets. That subsequently resulted in wealth concentration in those major markets. On the other hand, the anti-globalists censure the EU for fulfilling the interests of private corporate whereas ignoring democratic, political control. Another word, they accused the EU of failing to establish sufficient tools for markets' regulation. Furthermore, the decision-making process of the Union was not transparent enough and was unnecessary complex. Debates of transnational administration are still not settled. According to Christiansen, a more competent EU, eager to respond to the challenges of globalization, would be highly centralized and the preferences of citizens along with elected governments will not be major priorities. Since the further a voter can exert their influence, the less effective a political authority over global markets will be. (Christiansen 2001, 511.)

In addition, the reason Switzerland, Norway and later the UK prefers to remain outside of the EU is because their priority is their own sovereign national interests. Since in order to be a member of the Union, a state is limited to act unilaterally. Likewise, the UK, Denmark and Sweden were afraid of adopting the Single currency as it raised complexity in economic and fiscal policy aspects, resulting in their withdrawal from the EMU. In this point of view, EMU and the European integration is more likely an emerging problem of globalization rather than a solution.

Whereas supporters of a highly integrated Europe make it a panel discussion and a policymaker on the flow of globalization. Fundamentally, states will be provided with a multilateral mechanism to encounter the challenges to come. Confronting the process of economic liberalization alone is unwise for states without the backing of an institutional approach. Moreover, although not all policy aspects are consistently developed, the EU offers a supremacy regime responding to the globalized pressures of external forces. Besides, in 1997, the Kyoto World Summit has reported that the US emissions of carbon gases were most of the time higher than the EU. Therefore, the EU has been recognized as the world environmental ambassador, leading to environmental matters. Environmental issues such as 'global warming', are tremendous and imminent that one country alone cannot make a difference, but it requires the efforts and synergies of all government to address (Satoh 1998, 7). Regarding the EC-

Japan Declaration in 1991, the EU and Japan consented to giving more attention to environmental problems such as acid rain, tropical forest, and global warming. Similar agreements have also been met with South Korea and China.

According to Sweeney (2005), the most controversial topic during the summit seems to be agriculture sector. To prevail in its agriculture and agrochemical industries the Union has deliberately excluded several principles of free trade. They carried out this by implementing the Common Agricultural Policy system which provides subsidiaries to farm production, ensuring incomes and keeping the prices higher than the world's levels. The emergence of the CAP met no obstructions from the US since the European integration would thrive significantly more with this. With the success of the CAP, the EU became self-sufficiency, and the surpluses from it even big enough to pressure the developing countries' exports and bending the world market prices. CAP is a conspicuous example of the denial of free-market principles. It also offers comprehensive defend and promotion for the interests of European farmers. (Sweeney 2005, 304.)

It is unambiguous that the characteristics of free trade are unparalleled with the nature of EU and US agriculture policy. Agriculture has fundamentally shown how state governments are capable of enacting policy to retain their interests against external competitors. Additionally, the EU can oppose the US incentives in WTO by refusing to import the US's genetically changed food and growth-enhancing hormones beef.

In short, the EU's response to globalization has been driven by economic orders, but there is also a strong incentive for creating a political community that can better respond to certain great challenges of global capitalism. In specific, the emergence of the Single European Market and the liberalized trading of the inner-EU has cultivated the characteristic attributes and at the same time involved in the world competitiveness of European economy. In addition, the EU aimed to reach political consensus and with the creation of transnational institution, unfavorable hindrances, results of globalization can be ameliorated better. In other word, the process of European integration is a significant response to the growing power of international markets at the expense of traditional national authorities.

6 THE CONSEQUENCES OF GLOBALIZATION

As discussed in the previous chapter, globalization is indeed a profound occurrence that will greatly affect not only the EU but also the world in certain dimensions. What globalization will result in is an unanswered question. So, in terms of globalization consequences, there are different perspectives from experts concerning cultural, political, and social consequences. Though, these views are critical, many theorists defense the positive impacts of globalization which are the benefits it could bring: human rights, improved living standards, career opportunities, not only in modern countries but also in the developing ones.

6.1 Negative impacts of globalization

In post-war market capitalism and later monopoly capitalism was replaced by a third technological revolution that led to an era of post-capitalism. This era presented the introduction of nuclear power as well as innovations and information technology expanded industrialization to all sectors of the economy and society. As the diminishing of physical and manual workers, the constant development of production and computerization took place as well as the continuously increased demand in intellectual labor. (Lyotard 1979.)

As a result, society shifts from a former era of commodity production to a new one where navigation of knowledge is of utmost importance in the working environment. Since the mobility of employment has increased, factories and companies' locations are more provisional and less fixed. With the help of innovative technologies, working remotely has become more common in many careers such as experts and consultants. The need to move from places to places has as well become more or less permanent depending on the job. These changes were heavily influenced by computer science and innovations in communication technologies. (Fukuyama 1992.)

Not so long before the twenty first century, countries effortfully competing for benefits and resources by many costly ways, mostly by wars. The two World Wars are great examples. But now, in only the first twenty years of the twenty first century, the world has made miraculous technology groundbreakings, bonding countries like never. Recently, a Fourth industrial revolution is coming, built on the

Third digital foundations. Unprecedentedly, this technological breakthrough is evolving at a remarkable speed rather than a steady pace. Billions of people around the world are connected by mobile phones with imaginable storage, processing power and knowledge accessing. In terms of the core inventions of the twenty first century, namely artificial intelligence, the Internet of Things, robotics, 3-D printing, nanotechnology, biotechnology, autonomous vehicles and recently quantum computer can be mentioned. By emerging these digital revolutions, the possibilities of the global economy will be multiplied exponentially. On the other hand, according to economists Erik Brynjolksson and Andrew McAfee, there could be a great gap between social distance due to the fourth technology advancement. Since automation takes place more and more in industries, "low skill" labors have a potential to be substituted while the technology workers are in favor. As the more displacements happen, the greater the social tension will be. (Klaus 2021.)

Most Western countries in the world have been following the neo-liberal ideology favored by the US government. The neo-liberal political project connected continents and countries in distant parts of the world culturally, economically, and socially. Nevertheless, liberalism produces social inequality as the demand for basic-skilled workers declined to result in lower salary paycheck and the possibility of being employed (Goodman 1997.). And the phenomenon will not be likely to stop, thus, the inequality will increase continuously. The richest 1 percent of the United States population owns more wealth than the poorest 90 percent. The per capita income of Mozambique is 400 times less than Switzerland (Landes 1998.). The United States and its closest allies, through successively elected governments of distinctly different political nuances in different OECD countries, continue to support this policy provision, or at least, they approve that. Social consequences can be observed as an increased rate in fractured and broken families since 1970 as they followed the liberal ideology. A similar phenomenon happened around the world; the migration rate increases constantly, which leads to an increase in criminal activities and higher rates of imprisonment (Ladipo 2001.).

Another consequence of globalization is that while neo-liberalism claims that it is the solution for the reduction of global poverty. But in reality, the developing countries are left behind from globalization because they are not fast enough to follow and adopt the regime that the First World has long been conducted. Therefore, they fail to join the world economy on time, resulting in millions of poor people in developing countries living with less than 1$ a day. Not until the world is fully globalized, poverty will always exist through time. (Held & McGrew 2002, 80.)

World population distribution of income
arranged by income

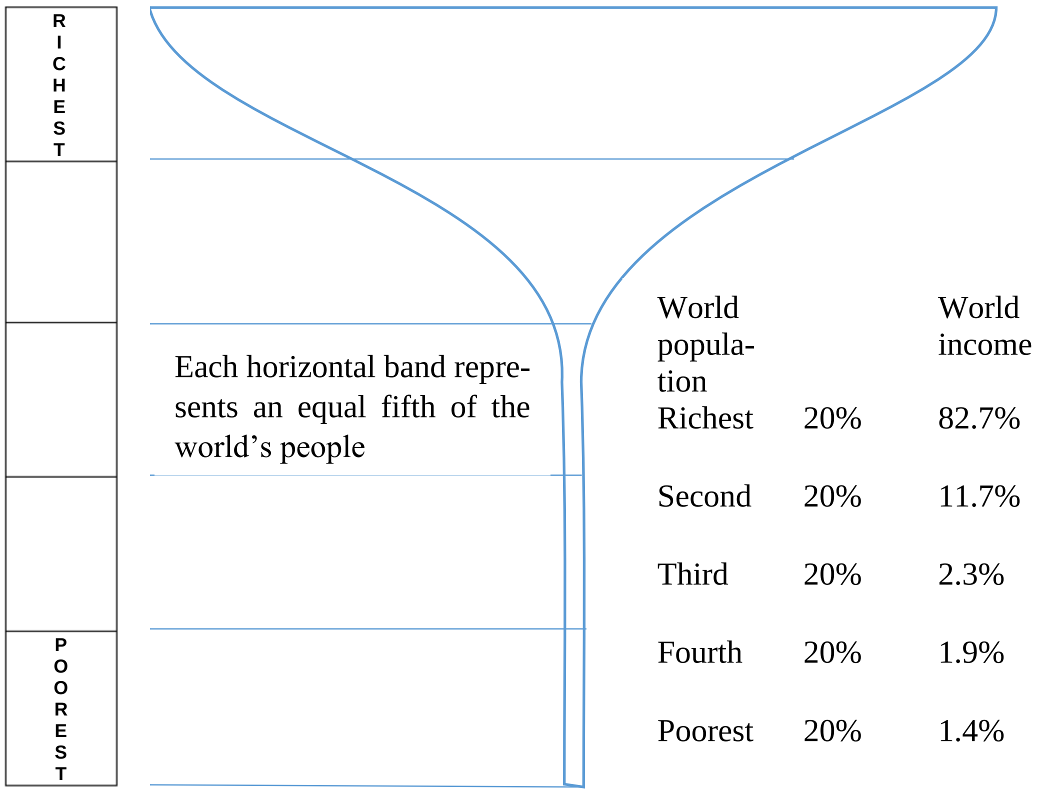

FIGURE 3.” The Champaign Glass” figure represents the inequality between the rich and the poor world's population. (adapted from Human development report 1992)

The global economy is the factor deciding the distribution of world inequalities, free movement of capital determines the world supply chain and production, trade aggravates the pressure of international competition, and global finance limits the welfares and allocates the resources of nations. Consequently, neo-liberal globalized economies instead of protecting and promoting equality, helping the elite populations more elite and they are responsible for the poverty of the most vulnerable (FIGURE 3).

Countries around the world more and more connect economically, politically, and culturally to each other as a result of globalization process. The EU and European continent are not an exception for the global income inequality. The common measurement for the income inequalities of different social groups is purchasing power parities accounting for varieties in average living costs between European countries. In particular, the income gap of different European populations has gradually increased from 1980 to 2017. In 1980, 29% of the continental income belonged to the top 10% richest people, whereas the poorest half accounted for 24%. In approximately the next forty years, 2017, the income inequality does not seem to be subsided but rather increased. The top 10% earners percentage has gone up to 34%, while the bottom 50% share has shrunken to 20% total income. In concert with the former findings, it is most likely that the income differences occurred mostly in the last twenty years of twentieth century. Most Western Europe and Scandinavia countries witnessed a rise in income inequality between 1980 and 2000, the top earners managed to capture an increase proportion of the regional growth, before sustaining since then. On the other hand, because of strong economic declines and increase wealth gap of the top in Eastern Europe, the poorest half population share dropped more sharply. These two movements have created most of the differences in income inequality in the whole European region. (FIGURE 4)

In the long term tendency, inequalities have primarily grown at the very top of the wealth distribution. In 1980 to 2017, the bottom 50% and the following European middle class share both increased by 10% from 30 to 40% and 40 to 50% respectively. For the same period of time, the top 10% wealthiest class income grown significantly higher. Furthermore, the highest earners from 0.1% group saw their living standards increase about two times higher than before, while the highest 0.001% total growth rates were tripled. (FIGURE 5)

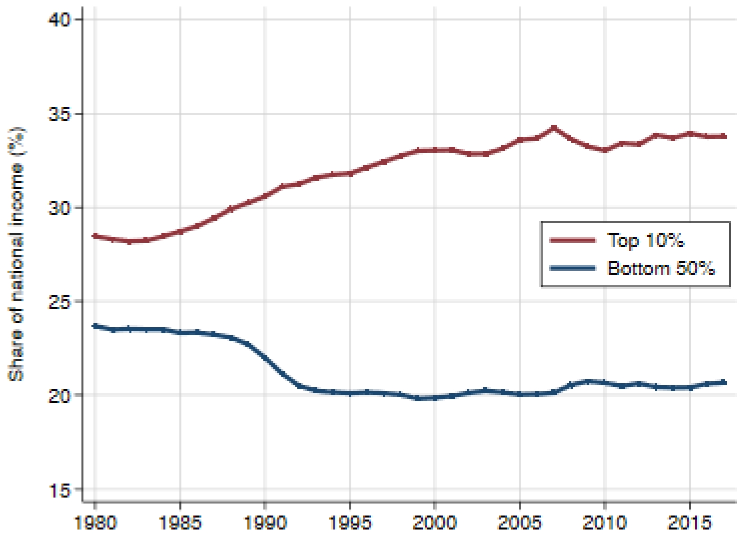

FIGURE 4. Income inequality in Europe, 1980-2017: Top 10% vs. bottom 50% income shares. (adapted from World Inequality Lab 2019)

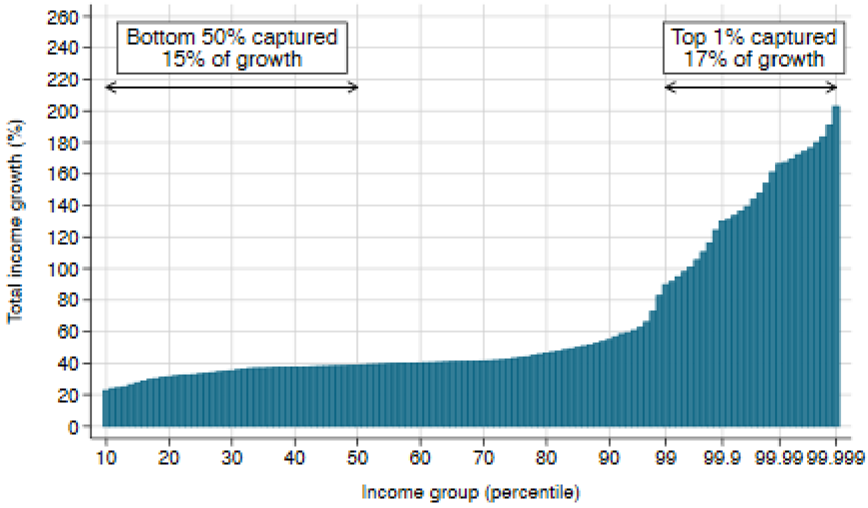

FIGURE 5: Income inequality in Europe, 1980-2017: Growth incidence curve. (adapted from World Inequality Lab 2019)

The threats of global poverty are not only to human security but also to erode the globalization process. Due to the variability of the globalization, the world polarizes into richness and poverty, comprehension and incomprehension, the authorized and the unauthorized. The world order is generally defragmented which generates the failure of governments in the long run, transnational terrorism, increase in organized crimes, and conflicts. If only the neo-liberalism economic globalization is fully comprehended and implemented, very soon the world will face new chaos that sets it back to the start (Held & McGrew 2002, 2-3).

6.2 Defense of globalization

The opposite perspective is that the problems for poverty and inequality are due to underdeveloped countries' debts, lack of investment in the education system, political corruption, protectionism. And globalization is the solution for Third World countries to attract more economic opportunities and wealth. The prospective of the technology enables the project of globalization. In particular, the capital flow has grown constantly since the 90s, one trillion dollars have been poured into the Second World countries by profit-seeking foreign investors surpassing any bulky government aid program of the previous thirty years (Micklethwaith & Wooldridge 2000, xxi-xxii).

Even though there is no guarantee of long-term benefits for foreign investors investing in developing countries. But it is undoubtful that the lives of millions of people in these countries have been improved dramatically. Computers, the internet, and telecommunication facilitate the overall business respect and human life, cheap and frequent air travel connects these countries to developed ones. Developing countries' societies have been transformed into advancement, many major cities can be compared to Western ones regarding the living standard and financial flow. Even now, it is common to see that a farmer in Viet Nam using an iPhone – a deluxe mobile phone product of the US, which proved that globalization has even spread to the remotest parts of the world. Nonetheless, Asian countries are still facing their problems not because of embracing deeply into economic globalization but not enough. Many Asian countries are not following the neo-liberal economic regime; thus, they are limited to foreign investments. Nepotism and corruption are other common obstacles to openness and collaboration with Western countries. Unless they liberalize their banking systems and overcome domestically capital control, they will always be left behind the development of the First World. The free market has been allocating resources and money better and fairer than bureaucrats have. Many short-term money borrowings were made by Asian enterprises, mostly they are denominated in foreign currency. As a result, the foreign currency reserves of banks declined, which made banks limit further loans. The recession took place after that. This proved the point that not because of the international financial system created the crisis but national financial systems themselves. Such issues are inappropriate accounting standards, unsustainable exchange rates, exceeding acceptable borrowing, and lacking access to information (Krugman 2000).

It is commonly believed that gigantic corporations through mergers or acquisitions swallowing up the small companies. And this is an unavoidable fact of globalization. But in reality, many multinational corporations fall and disappear by time. Three leading American automobile companies in 1970 were Ford, Chrysler, and General Motors. Through time, Chrysler was taken over by Daimler Benz, a German automobile company. Everyone knows Microsoft is a massive corporation in the computer software industry, but there are also countless smaller software companies intensively competing too. The dominators Mattel and Hasbro in the toy industry now have their rivals Lego, Sony, and Nintendo. The same thing happened for many mega-companies in other industries too. Even multinational enterprises, the competition has never been easy and the threats from newly emerged companies are also in concern. (Micklethwait & Wooldridge 2000, 101.)

The second misbelief is that globalization leads to homogeneity, where products are homogeneous and identical. Local identity products becoming less. But in fact, the number of global corporations producing uniformed products is quite small. Such companies are Starbucks, Apple, Nike, Unilever, and some more. But indeed, their proportion is just a small amount in the global economy. Multinational companies reach is mostly in the Triad or between their neighboring developed countries, only a few in the Third World, so it raises a question whether they are multinational or transnational. Furthermore, their products take a proportion of the market share thanks to the brand name. But that is it, they do not dominate all markets. National companies around the world are thriving in competition with global products, domestic consumption programs have been initiating in many countries, especially in China, where most of the global brands are replaced with locals and referred by their consumers (Micklethwait & Wooldridge 2000, 104).

The next controversy is that globalization generates mass winners and mass losers, companies start relocating to cheap labor markets, which takes away jobs and opportunities. And globalization is made to profit the rich, developing countries are exploited by international trade cruelly. The argument against this is that the losers of the globalized economy are much less than the ones who benefit from it. Many populations of countries have their material lives much improved as their government adopting international trade. Furthermore, globalization has nothing to do with the miserable poverty in Africa agriculture since their farmers do not trade at all (Legrain 2002, 10).

Relocating business has become so easy that there are transnational companies all over the world. This raised a doubt that the world has become borderless, geography is fading out, and this is the deed of the globalization project. The argument against this view is that it is not that simple to just relocate the business to cheap labor markets. For doing this business need to meet many requirements in which productivity is the biggest concern. Since transportation plays a crucial part in productivity. The closer the market, the more efficient the businesses operate. Therefore, businesses will be most likely to relocate to where the supply of appropriately skilled and educated labor is always available. Besides, the infrastructure of the place where the relocate is also important as it will need to be at the same quality level as the business. These factors lead to the conclusion that it is not a simple job to just uproot and set up operations from a modern industrial home base at the heart of one’s major market to a developing country on the other side of the world (Sweeney 2005, 342). Nonetheless, businesses will need to do a handful of market research and analysis before relocating to a new place.

7 CONCLUSION AND DISCUSSION

To wrap it up, the thesis objective was to briefly establish a general picture about the European Union and further investigate the globalization process and its consequences which will give the readers and the writer himself a deeper understanding of these two topics, since most people know what the EU and globalization is, but not everyone really has a clear knowledge about them. In an attempt to make the most effective information conveying, a qualitative approach was used to broadly examine samples of text from different sources. Since the information about the EU and globalization is diverse, it is necessary to narrow down the topic by deeply analyzing economic aspects of the two phenomena. To begin the work, I picked the most crucial movements and events from 19th and 20th century to quickly demonstrate the emergence of the European Union as a historical viewpoint.

In particular, European nation-states have established exclusive interdependent. They can no longer relieve their responsibilities to the economy, security, or ecology apart from working together. Their people need a large, open economy in which innovative technologies can flourish, they demand effective management over cross-border pollution, and they need a sustained European system that minimizes threats to security. Whether they will stand or fall, the EU depends on its contribution to fulfilling its citizen's wellbeing.

Even though there is no unambiguous evidence that the size of a country plays an important role in economic development, the small and very small European Union still outperformed large ones in various areas. The outcome of an economy could be facilitated by several factors. These are investments in education and healthcare, social consistency, political stability (corruption rate), effective governance by less complex government structure, and the compromise of the civilian. Small size population could be an advantage for small countries in achieving proficiency. Taken together with the investing in IT can closer the gap of small countries to the more advance and efficient banking and payment systems, consolidating their economic position in the international market.

Since the EU is an international economic integration, it influences the world more or less economically, culturally, and socially. Reversely, the global phenomenon also leaves significant impacts on the Union. Political and economic events such as the Euro crisis and the UK referendum in recent years left scars for the EU when they are over. Nonetheless, the primary attention of the EU is globalization. Understanding and adapting to globalization on time is the key to success for any country in the world.

Since the superpowers decide the rules of the global economy. Third world countries are the ones that will have a difficult time struggling to catch up with the globalization. To make sure the same thing would not happen to it, the EU has initiated and implemented considerable approaches to counter the impacts of globalization and later benefits from it.

The consequences of globalization were clear since it shaped the world drastically comparing to every previous decade. Inequality is the most obvious result that was seen and agreed upon by many theorists. Opportunities are unequally distributed across the world. The rich have become richer, and the poor have been thriving to sustain in the modern world. Advanced industrial regions are favored by developed countries since it is more likely they would get profits from their investments. Undeveloped and developing countries have been struggling to attract foreign investments as there were no guarantee long-term benefits in investing in these countries. However, the benefits that globalization has brought to the world are undeniable. Many parts of the world population have their material lives gradually improved. In addition, the number of these people outnumbers the ‘losers’ of globalization.

Half a century of peace, stability, and prosperity is what the EU today has offered to the world. In addition, they raised human living standards and launched the single European currency: the euro which became an essential factor for the modern economy. More than 340 million EU citizens of 19 countries use and benefit from this currency daily. Thanks to the abolition of restrictions between the member states, a person can travel freely across the continent. Living, working, and travel abroad in Europe has become much easier. Every EU citizen has their choice in which EU country they will study, work, or spend the rest of their lives.

The EU’s major economic system, the single market makes it possible for goods, services, money, and people to move freely. They look forward to the future of developing this huge resource to other areas like energy, knowledge, and capital markets to ensure a prosperous European Union.

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