

**THE CHANGING SPATIAL CONTEXT FOR DAILY LIFE
IN THE EUROPEAN UNION**

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Recent political turmoil within the European Union (EU) has focused considerable attention on the integration process in Europe. During the past few years, Germany has been preoccupied by internal problems associated with reunification. Citizens in a variety of EU countries are voicing concerns over the concentration of power in a relatively unresponsive bureaucracy in Brussels. The status of the EU monetary system is in considerable flux, and few of Member States of the EU are headed on an economic path that is likely to make them eligible for currency union under current guidelines. In addition, xenophobia seems to be on the rise in the EU, and the Member States have displayed a marked inability to develop a coherent response to critical international developments, especially the disintegration of the former Yugoslavia.

Under the circumstances, it is perhaps not surprising that grave questions are being raised about the prospects for the European experiment with integration; some are even suggesting that the experiment may be coming to a halt. Despite the problems that the EU has faced, however, it is a

mistake to dismiss the EU as an economic and political force; there are simply too many interconnected interests and EU-dependent economic arrangements for that to happen. The tendency on the part of some commentators to ignore these interests and arrangements stems from an analytical mind-set that evaluates the integration process largely in terms of the statements and activities of governmental authorities. Those that reveal greater conformity among EU governments and a willingness to transfer power from the national level to the EU level are seen as indicators of success for the integration process. Conversely, signs of intergovernmental discord and resistance to centralization are taken as signs of EU failure. It is the dominance of the latter in recent years that has spurred the spate of eulogies for the EU.

A state-based approach to evaluating the future of the EU has much to offer, of course. The EU is, at heart, the creation of individual states, and state authorities continue to be the dominant actors within the Union. At the same time, as developments around the world seem to be challenging the traditional role of the state, analyses of the EU that are preoccupied with the activities of state leaders seem curiously anachronistic. By focusing attention on governmental institutions and figures, such analyses privilege state actions over other economic, social, and cultural processes. As such, they fail to consider how

underlying geographical arrangements may be shaping the emerging political and social structure of the continent.

This paper takes a different approach, focusing on the character of underlying arrangements and their implications for the EU. An examination of the changing geography of economic, demographic, and cultural arrangements in Europe reveals both a significant interpenetration of interests across international boundaries and a widening scope of authority for governments and institutions operating at the substate regional level. These aspects of the contemporary European scene render unlikely a disintegration of the EU. At the same time, they do not necessarily portend the construction of a superstate in Europe. Instead, they challenge the traditional order by opening up new possibilities for the political and social organization of the continent.

THE CHANGING GEOGRAPHICAL CONTEXT

Whatever current problems the EU may be facing, the Union has already reached the point where states are less important economic, social, and cultural containers than they once were. This does not mean that states are unimportant--we may even see a rise in state nationalism in the years ahead--but the EU has facilitated both a level of connectivity across state boundaries and a degree of regional assertiveness that makes a return to the status quo

ante highly unlikely. An examination of these patterns of connectivity and regionalism shows their importance in redefining the context within which the lives of contemporary Europeans are being played out.

Cross-border connectivity

Cross-border connectivity has always existed in Europe, but the EU has facilitated an unprecedented level of interaction across international boundaries. Interaction has occurred in a variety of ways, but it is particularly evident in the economic, demographic, and cultural realms.

The Economic Realm

The economic realm is one of the first places where evidence of cross-border connectivity is sought, and by almost any measure the level of connectivity is significant (Williams 1987). The veracity of this claim is clear to anyone who has been to Europe over the past thirty years. Products that were found primarily in one country or another three decades ago are now available all over the Union, in small towns and large cities alike. A more formal analysis of several key indicators of cross-border connectivity shows why this is so.

Trade

The removal of interstate tariff and non-tariff trade barriers has had a remarkably impact on trade within the EU. The past decade has seen a rapid rise in trade among Member States (figure 1). It is difficult to assess how much of

this can be attributed directly to the existence of the European Community (EC), now EU, but the general consensus is that the integration process has substantially facilitated intra-European trade. In the 1970s and early 1980s trade between Member States was estimated to have been between 40 and 125 percent more than it would have been without the EC (Knox and Agnew, 1989) and during the 1980s the EC is widely viewed as having helped to promote a GDP growth in Europe that kept pace with the United States and Japan. These developments reflect the economies of scale and enlarged markets that have resulted from EC/EU efforts to promote the free movement of capital, goods, and labor.

The extent to which intra-European trade represents a remarkable interpenetration of interests can be seen by comparing European trade figures with those from other major world regions. As Figure 2 shows, in 1974 intra-European trade already accounted for more than 60 percent of the total trade of European countries, and that figure rose to around 70 percent by 1992. By contrast, only about 30 percent of the total trade of North American countries stays in the region and, despite a growing level of economic interaction in Pacific Asia, more than 50 percent of that region's trade is with other parts of the world. What this means, of course, is that the EU is knit together by a set of economic interactions that may have been facilitated by state action, but that now create international economic

links that can no longer be understood primarily in state terms.

Joint Ventures and Mergers and Acquisitions

During the 1980s, joint ventures and mergers and acquisitions (M&A's) across international boundaries occurred far more frequently in Europe than in any other part of the world (Jacquemin and Wright 1993). M&A's were particularly important in the food and beverage industry, the chemical industry, and the pharmaceutical industry. They even extended into the service sector, with a number of European law firms and consulting agencies assuming an international character. M&A activity reached a peak of \$60 billion in 1990, but it still remained strong (\$40 billion) in 1991, despite a serious recession and a decline in the number of large deals. Moreover, despite German industrialists' nouveau "Drang nach Osten," cross-border spending by German firms nearly doubled in the early 1990s, and much of it went to the West. Hence, M&A activity has been remarkably resilient in the face of political turmoil in recent years. A considerable number of M&As are not successful, of course, but a structure and culture of business relations has emerged that is no longer easily divisible along state lines. The role of the EU in this process is suggested by the fact that two-thirds of all cross-border M&A activity in the world now occurs in western Europe (Jacquemin and Wright 1993). And in coping with competition, producers are increasingly turning away from

product diversification toward a strategy of concentrating on their top-grade products while extending their geographical diversification.

The history of joint ventures and other types of international alliances mirrors that of M&As. Joint ventures have occurred in a wide variety of industries, ranging from construction to research and development. International alliances have developed even in such national institutional bastions as banking and financial services. A recent Bank of England study ("Cross-border alliances" 1993) showed considerable activity in cross-border alliances in the banking and financial arena between 1987 and 1993 (figure 3); each of the past several years has seen 20-50 cross-border banking and finance alliances. It is difficult to say how much of this activity is due to the single market, but the EU-effect has almost certainly been substantial. And more recently, the surge of activity in cross-border financial alliances can be attributed to the EC's Second Banking Coordination Directive, which went into effect at the beginning of 1993.

Foreign Direct Investment

The history of foreign direct investment (FDI) provides another indication of the extent to which the economic significance of international boundaries in the EU have been eroded. Germany leads the Member States of the EU in international investment. If one compares the pattern of German FDI with that of the major source-countries of

foreign investment in North America and Asia--the United States and Japan--the extraordinary interpenetration of interests across the EU becomes clear (figure 4). Germany directs more than 50 percent of its FDI to other European countries. By contrast, US FDI in North America fell considerably below 20 percent during the decade of the 1980s, as did Japan's FDI in Pacific Asia. The result of such an elevated level of intraregional FDI in Europe is that economic interests are necessarily more closely linked there than in other world regions.

States play an important role in all of these economic changes, of course, but the growth in intra-European trade, international business alliances, and FDI creates an environment in which states are less important as economic containers than they once were and in which people are more likely to identify their economic interests in extra-state terms. Hence they cannot be ignored when evaluating the nature of the European experiment with integration.

The Demographic Realm

Another important impact of the EC/EU stems from its role in facilitating the movement of peoples across international boundaries. Citizens of EU Member States can now travel throughout the Union with considerable ease, and border controls have been entirely eliminated between the countries that entered into the Schengen Agreement. Moreover, with certain limitations, a citizen of one Member State can seek work in another Member State under the same

conditions as nationals from the host state (Séché 1988). This does not mean that movement is entirely unrestricted, but of the four EU countries that keep the most detailed records on visitor arrivals--Greece, Italy, Spain, and Portugal--only Italy did not show a significant increase in visits from EC citizens during the period 1981 to 1987 (figure 5).

The movement of labor has not been as great as many expected, but even in this realm considerable cross-border interaction has taken place. A great deal of attention is given to the large number of guest workers and refugees from the so-called Third World in Europe. This attention is well deserved given the problems that many of these guest workers and refugees face. Yet it is easy to forget that the proportion of laborers in EU countries who come from other EU countries is often around 50% of the total foreign workforce (SOPEMI/OECD 1992). This is certainly the case in countries such as France, the Netherlands, and the United Kingdom that have a significant pool of foreign labor (figure 6). Just as in the economic realm, then, the changing population geography of the EU creates interests and understandings that are not easily reducible to individual states.

The Cultural Realm

Charting the importance of cross-border linkages in the cultural realm presents special challenges because data is not readily available. Nonetheless, there has clearly been

an extraordinary rise in cultural contacts across international boundaries within the EU in recent years, and this is changing how Europeans see themselves and others. The EU alone devoted one billion ecus in 1994 to educational exchanges, up 40% from the previous budget period (European Insight 1994). Tens of thousands of students are moving across international boundaries to study. Along with this, substate regional governments are initiating cooperation schemes that involve cultural/educational exchanges and cooperation on R&D (e.g., the Four Motors Agreement) (figure 7).

The changing transportation network of Europe is facilitating cultural contacts. The European air transport network has been significantly reconfigured in recent years with the introduction of many new flights between second-order European cities (Keeling 1993). The European air network is the most integrated of any world region. Figure 8 shows the number and percentage of direct flights to major foreign cities from the most important air transport center in Europe, North American, and Pacific Asia. The figure reveals that 48 percent of the flights emanating from London are bound for another European city, a much higher figure than for the regions in which the other major air transport centers are situated. The air transport network thus helps to foster an undercurrent of cultural and economic interaction that cuts across state lines.

Prominence of Regional Issues and Concerns

The importance of looking beyond the actions of state governments in analyses of European integration is further confirmed by considering the importance of substate and extra-state regional structures and arrangements in Europe today. Europe has experienced a rise of regionalism in recent years, and regional issues are at the heart of the debate over the future of Europe today. In most states substate regionalism--whether ethnic or socio-political--is on the rise, and its growth has been fueled in part by the changing role of the state within the EU. Moreover, new regions are emerging that do not correspond to state boundaries, and these are playing an increasingly important role in European political, social, and economic life.

Consider first the importance of substate regionalism. Figure 9 is a map that is increasingly entering the European consciousness. It depicts substate regions in Europe, a few of which encompass autonomist or separatist movements, and a number of which represent significant foci of regional identity. As such, many of the regions shown on the map cannot be treated simply as subdivisions of states. This is especially true since many of those who identify with regions actively resist any kind of retreat to a largely state-based political/economic structure.

The increasingly important political role of substate regions is suggested by Figure 10, which shows the many substate European regions that have missions to the EU in

Brussels (Cole and Cole 1993). These missions are articulating regional interests directly to the EU, and they are becoming an increasingly important voice in European affairs. Whether the French foreign minister disagrees with the German foreign minister on an international policy issue says little about the changes unfolding as a consequence of the growing role of regions in European affairs.

Maps such as the one set forth in Figure 9 are suggestive of only one dimension of regional change in Europe today. Over the past decade some of the most interesting and important regional developments have grown out of efforts to forge regional linkages across international boundaries (Murphy 1993). As a result, meaningful transnational regions are developing directly across international boundaries (see figure 11), and new social spaces are emerging as geographically dispersed regions enter into cooperation agreements (e.g., the Four Motors Agreement referred to above). In a potentially significant departure from the state-based perspective that has dominated most decision making in the EU, modest efforts are now being made to facilitate interstate regional linkages. In July 1990 the EC established a funded program to support cross-border cooperation schemes (Commission of the European Communities, 1990a). The program, called INTERREG, has a budget of 800 million ecus (1 ecu ~ \$1.25) and is the only EC/EU aid program with a budget that is not shared by the member states. Local representatives from

border areas may apply for funds to encourage administrative and economic cooperation across the border. The EU also recently adopted a program under the name "Exchange of Experience and Regional Network Scheme," which is designed to promote local-level cooperation initiatives across state lines (Commission of the European Communities, 1990b). The program derives from an initiative of the European Parliament, the only major European Union institution with significant substate regional representation. It provides funds to encourage the exchange of ideas and information concerning local administration, transportation, research and technology, problems of environmental degradation, and tourism among substate regions and cities in different countries. Although in their infancies, programs such as these demonstrate the changing character of regional arrangements and interactions in Europe--changes that are a fundamental dynamic of the integration process today.

IMPLICATIONS AND CONCLUSION

Collectively, the developments discussed in this paper have produced a changed context for daily life within the EU, one with distinct implications for the EU, for the state, and for ways that issues ranging from the environment to human rights are conceptualized and confronted.

For the EU, they suggest that the relationship between state governmental authorities is not the only issue of significance. Even if no further steps are taken toward

closer political and monetary cooperation, the EU is more than a meaningless name and it is unlikely to disappear. The reemergence of an entrenched system based on state interests would not be compatible either with the current level of cross-border connectivity or with the new focus on substate regional issues and concerns. Hence, the disintegration of the EU does not appear to be at hand.

By the same token, reactions to the Maastricht Treaty and to the concentration of power in an unrepresentative bureaucracy in Brussels are also contemporary European realities. Moreover, xenophobia is on the rise and the state tends to be the spatial scale at which issues of "us" versus "them" are still most commonly defined. When these developments are considered along with the rise of regionalism, it seems unlikely that a highly centralized EU superstate is in the offing. Indeed, for certain social purposes the state as a symbol may be on the rise, although it often has to compete with both regionalism and internationalism.

Reconciling these seemingly divergent tendencies is no easy matter, but one thing is clear: they are not simply problems that can be resolved at the EU level or at the state level, or even at the EU and the state levels. Rather, they suggest that the success of the Union may be tied more to its ability to facilitate new forms of decision making and cooperation at a variety of levels than to its ability to exert exclusive control over a wide range of

issues. The Union is a long way from realizing this ideal; indeed, for all the deference paid to "subsidiarity" in the Maastricht treaty, the treaty assumes that there are only two levels of decision making: the Community and the state. Yet the idea that integration could give rise to a "Europe of the Regions" has always been part of the movement for European unity (Bray and Morgan, 1985). The regions encompassed by this expression are usually understood to be simply administrative subdivisions of states, but there is no reason why a more imaginative approach to regionalism could not be adopted. Such an approach is beginning to crop up in EU planning documents (see, e.g., an approach that was taken to the establishment of development assistance regions, as shown in Figure 12). Developments such as this open the door to new political-geographic arrangements, which in turn could allow for new approaches to such issues as environmental regulation and human rights. The state would not be the sole arena within which such issues would be cast, and affirmative obligations in the social and environmental realms could be formulated in terms of territories defined along socio-economic and ecological lines. We are a long way from this, but true success for the experiment in European integration may lie with the Union's ability to overcome the rigidities of the traditional state system in ways that do not sacrifice respect for local interests and concerns. If it succeeds in this endeavor, the part of the world that gave birth to the

modern state might well be the place that forges the basis for a new political/territorial order that at least partly transcends the state.

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Figure 1

TRADE WITHIN THE EUROPEAN COMMUNITY

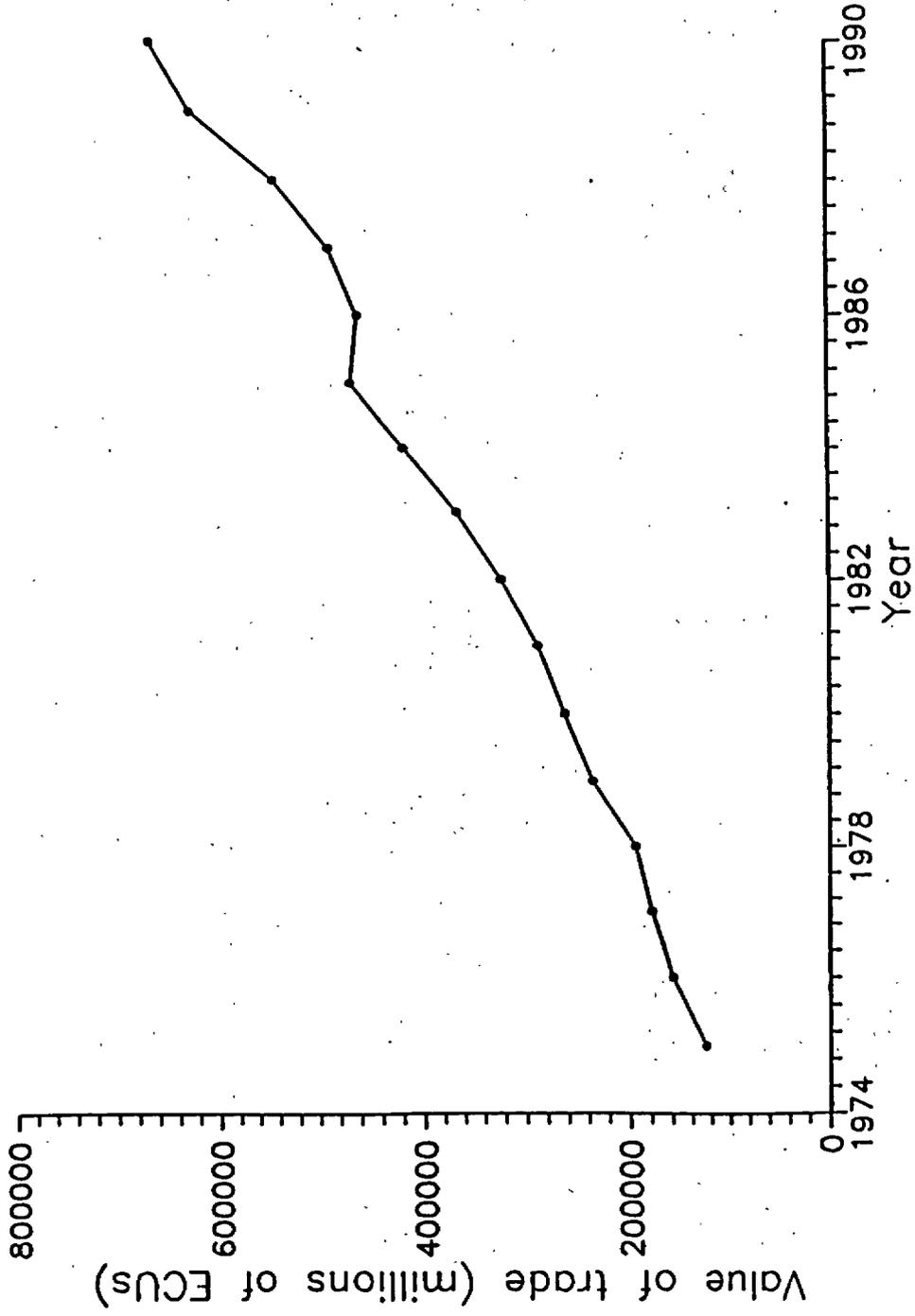


Figure 2

Total Exports and Imports of World Regions:
(in Millions of U.S. Dollars and Percentage of each Region's Trade with the Rest of the World)

North America: United States and Canada

	1974		1992		(% Change)	
	<u>Exports</u>	<u>Imports</u>	<u>Exports</u>	<u>Imports</u>	<u>Ex.</u>	<u>Im.</u>
N. America	41,645/31.3	45,421/32.1	194,016/33.4	180,586/26.6	366	298
Europe	32,591/24.5	28,766/20.3	124,806/21.5	127,368/18.7	283	343
<u>Pac. Asia</u>	<u>26,521/19.9</u>	<u>31,786/22.5</u>	<u>129,873/22.4</u>	<u>235,350/34.6</u>	<u>390</u>	<u>640</u>
Combined	100,757/75.7	105,793/74.9	448,695/77.2	543,304/80.0	319	345
World	133,022	141,436	580,847	679,446	337	380

Europe: Austria, Belgium-Luxembourg, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and United Kingdom

	1974		1992		(% Change)	
	<u>Exports</u>	<u>Imports</u>	<u>Exports</u>	<u>Imports</u>	<u>Ex.</u>	<u>Im.</u>
N. America	26,450/ 7.9	35,803/ 9.5	123,534/ 7.4	140,129/ 8.1	367	291
Europe	219,214/65.4	220,958/58.8	1,197,467/71.3	1,194,204/68.6	446	440
<u>Pac. Asia</u>	<u>14,769/ 4.4</u>	<u>17,653/ 4.7</u>	<u>100,958/ 6.0</u>	<u>172,109/ 9.9</u>	<u>584</u>	<u>875</u>
Combined	260,433/77.6	274,414/73.0	1,421,959/84.6	1,506,442/86.5	416	420
World	335,399	376,035	1,680,121	1,740,566	401	363

Pacific Asia: Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, South Korea, China, Hong Kong, Taiwan, and Japan

	1974		1992		(% Change)	
	<u>Exports</u>	<u>Imports</u>	<u>Exports</u>	<u>Imports</u>	<u>Ex.</u>	<u>Im.</u>
N. America	31,114/26.8	29,835/22.6	226,347/25.7	146,489/18.5	627	391
Europe	18,137/15.6	16,362/12.4	156,924/17.8	116,662/14.8	765	613
<u>Pac. Asia</u>	<u>47,322/40.7</u>	<u>48,140/36.5</u>	<u>368,696/41.9</u>	<u>383,061/48.5</u>	<u>679</u>	<u>696</u>
Combined	96,573/83.1	94,337/71.5	751,967/85.5	646,212/81.8	679	585
World	116,207	131,993	879,958	790,053	657	499

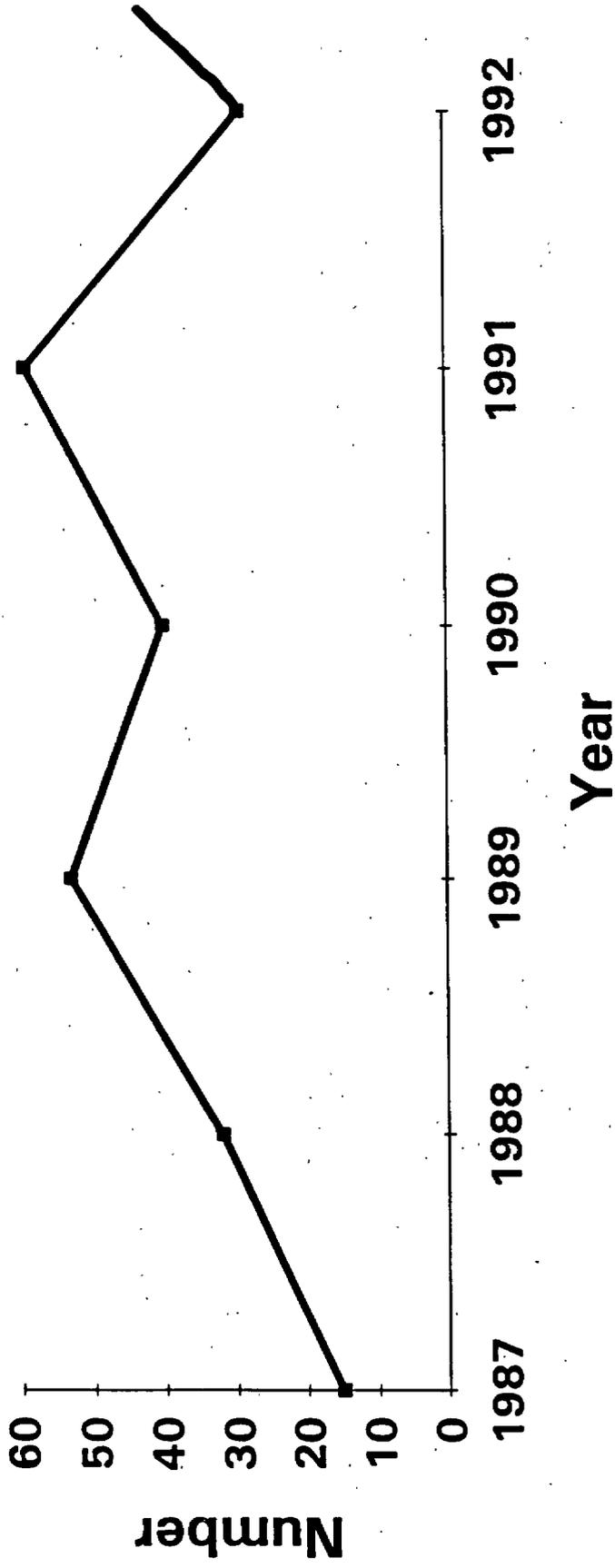
Sources:

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Figure 3

Cross-border Alliances between EU Financial Institutions, 1987-92



Source: Bank of England, 1993

Figure 4

Outward FDI by Region (Percentage of Total FDI)

	Europe		N. America		Pacific Asia	
	<u>1980</u>	<u>1991</u>	<u>1980</u>	<u>1991</u>	<u>1980</u>	<u>1991</u>
Japan	12.2	19.5	26.8	44.0	26.9	15.2
USA	44.8	49.9	20.9	15.2	6.8	10.7
Germany	48.9	54.7	24.3	25.8	3.2	4.0

Sources: Survey of Current Business 1992, 125

" " " " 1982, 21

US Department of Commerce 1993, appendix C

United Nations 1993, 216-218

Figure 5

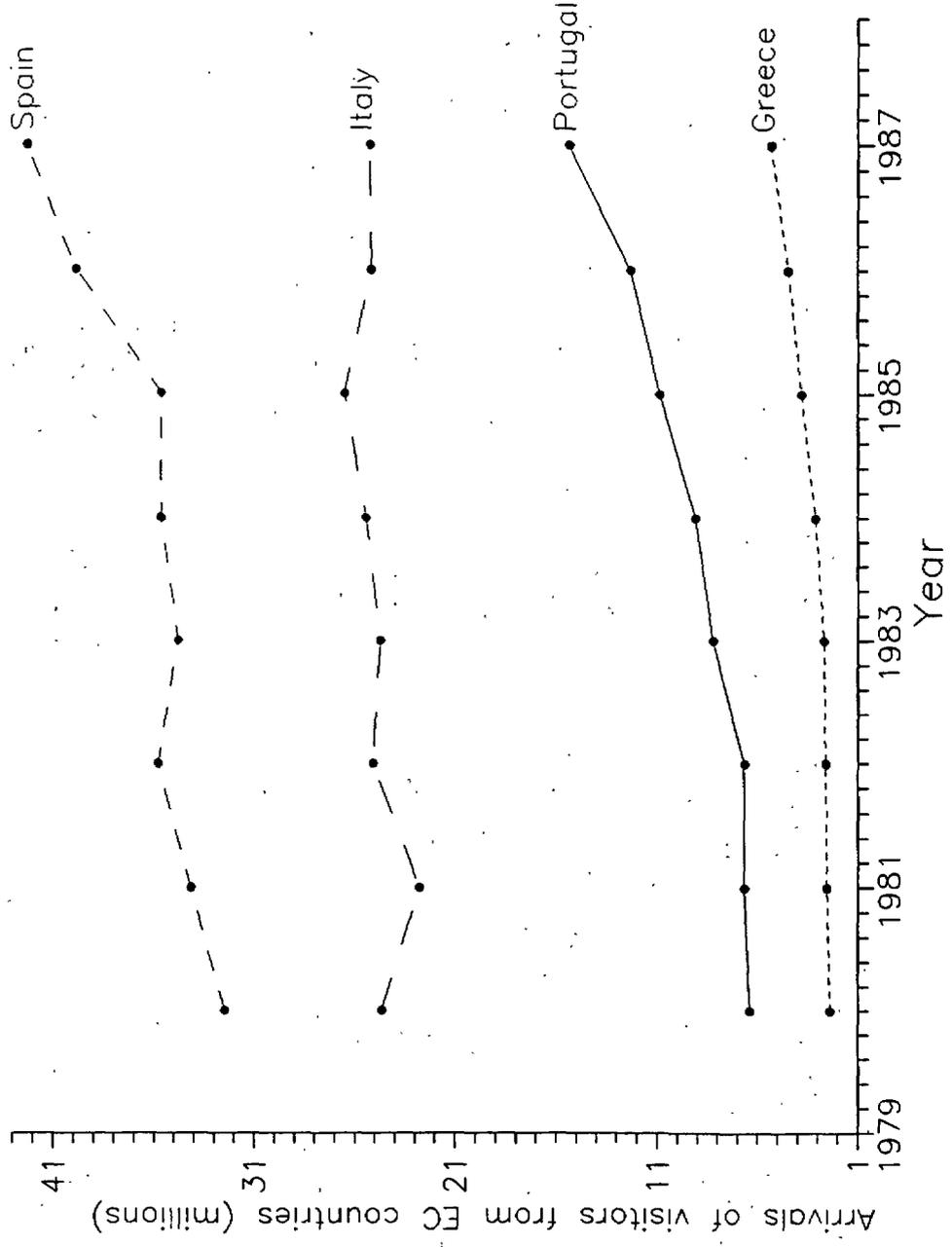
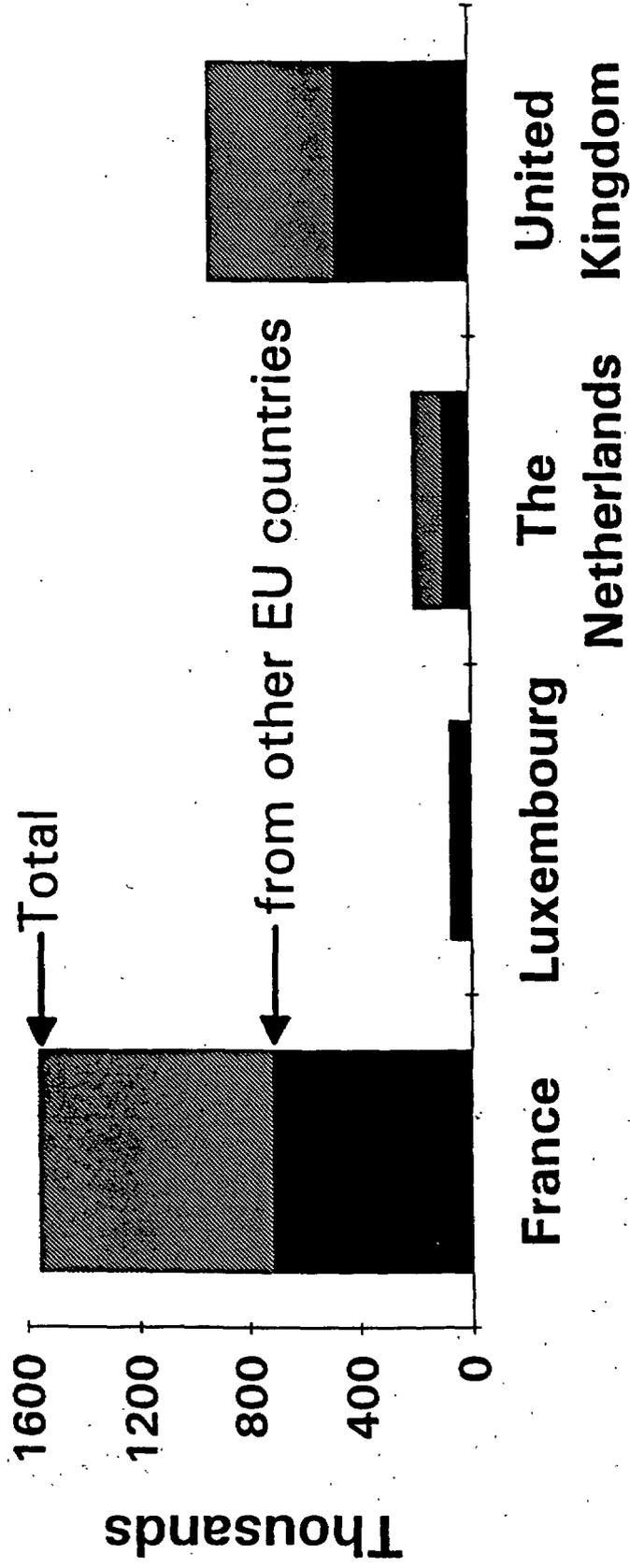


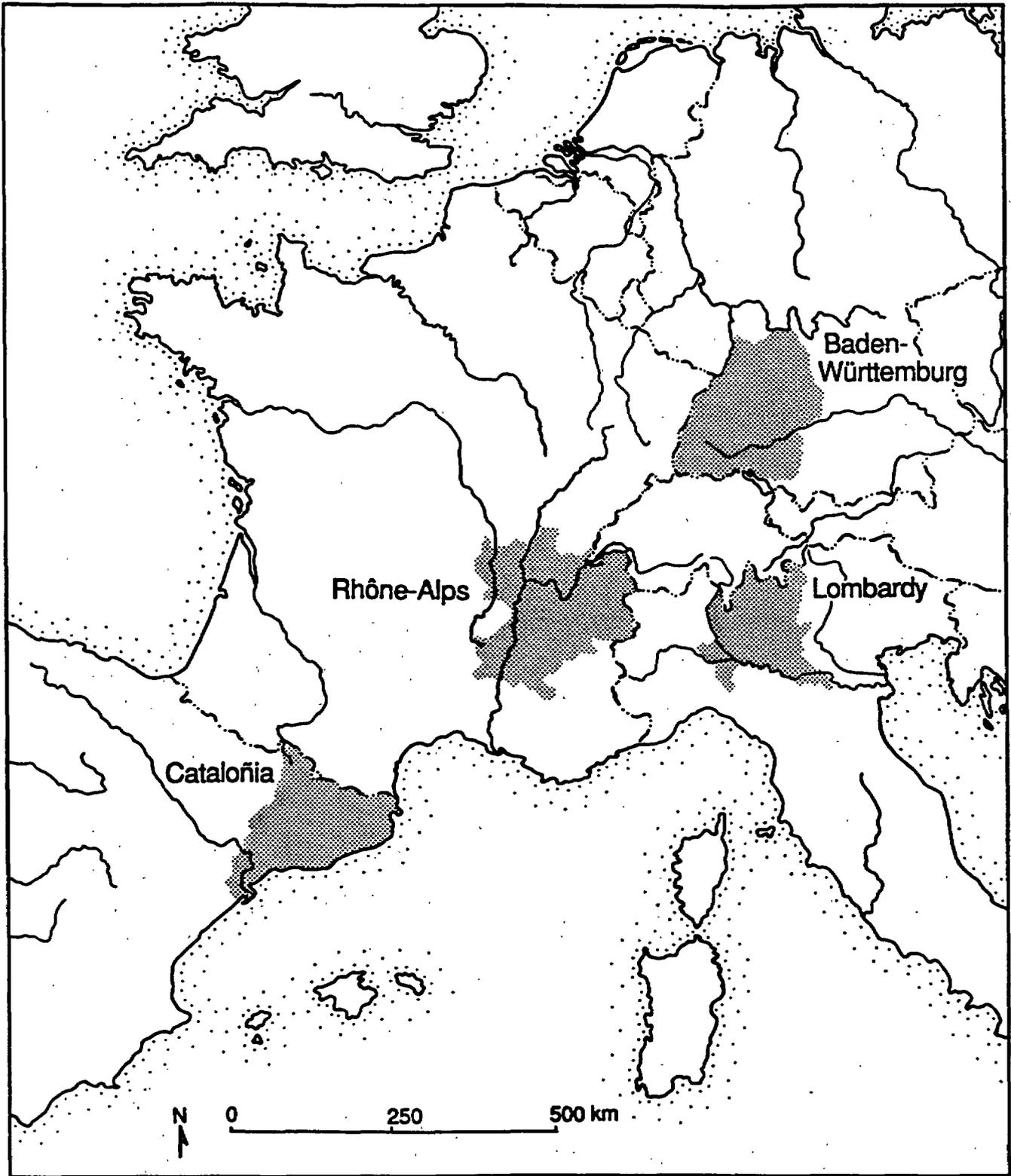
Figure 6

Foreign Laborers in Selected EU Countries, 1990



Source: SOPEMI/OECD, 1992

Figure 7



Regions participating in the
"Four Motors Agreement."
Source: Murphy, 1993

Figure 8

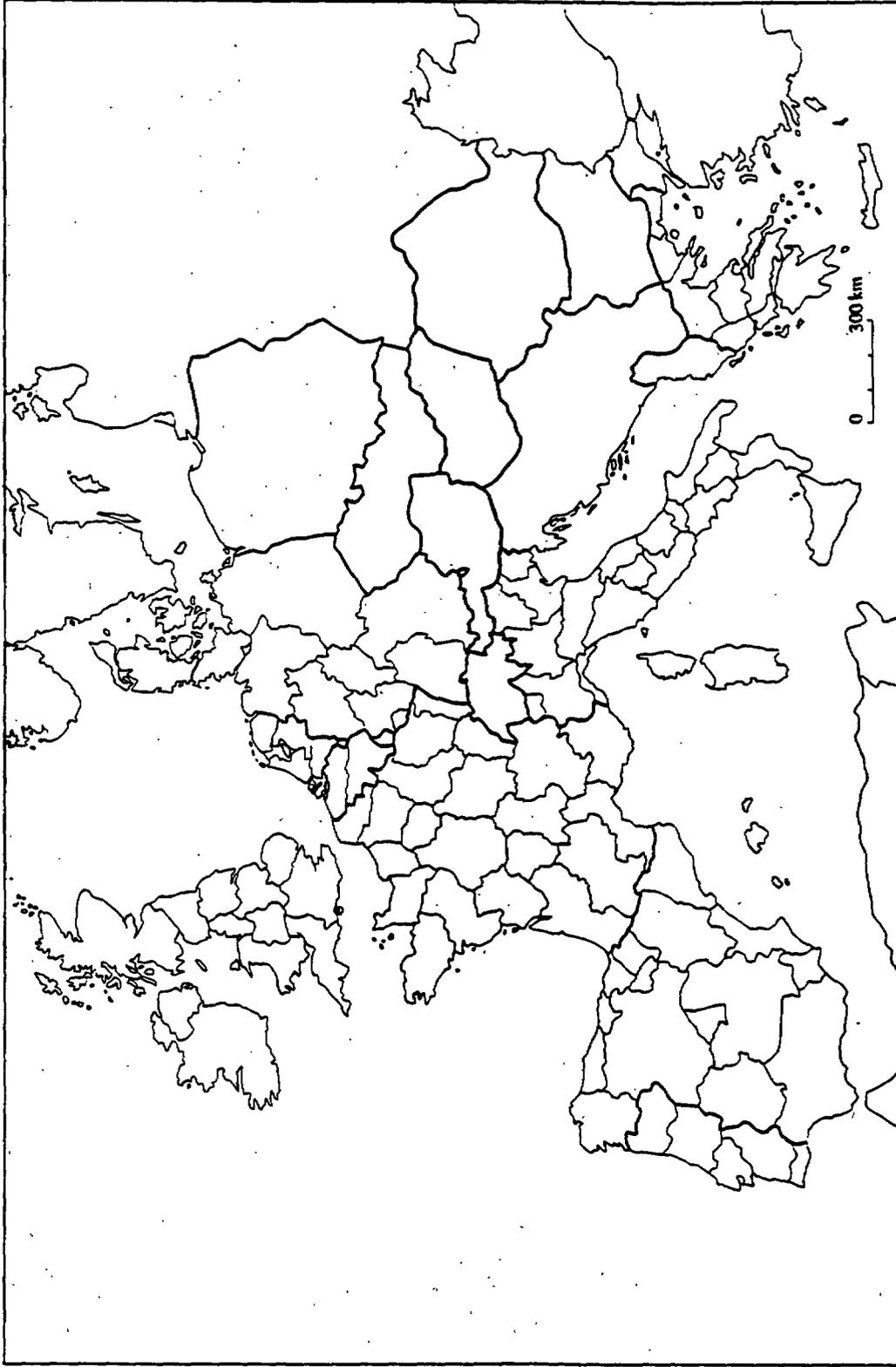
Number and Percentage of Direct Flights to Major Foreign Cities^a by Region, 1992

	North America		South America		E & SE Asia		S & SW Asia		Africa		Oceania		Europe		Total	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
London	43	18	6	2.5	12	5	25	10	34	14	6	2.5	116	48	242	100
New York	45	34	20	15	7	5	12	9	6	5	1	1	40	31	131	100
Tokyo	18	22.5	3	4	18	22.5	8	10	1	1	13	16	19	24	80	100

^a A city with a population in excess of 1 million.

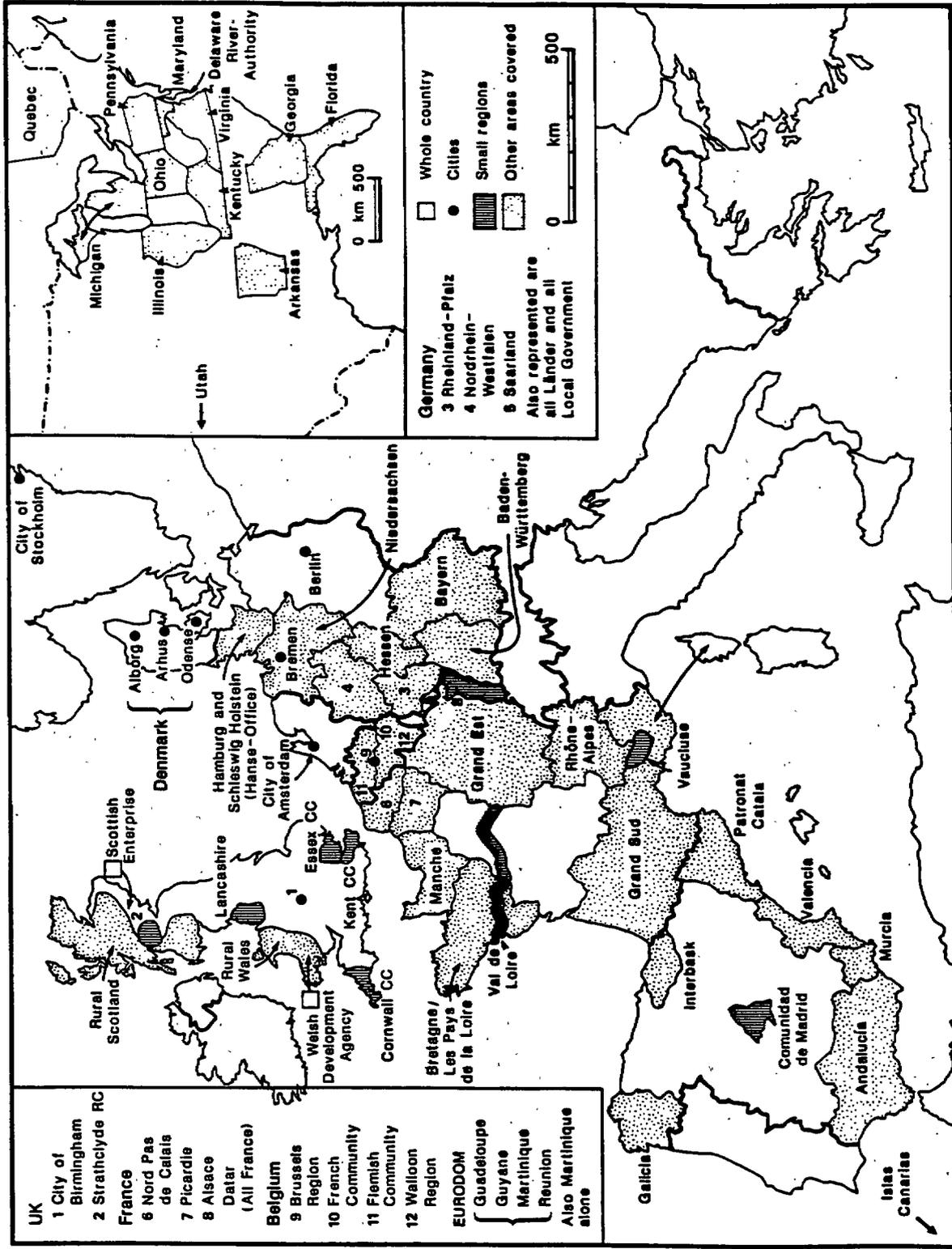
Source: Keeling 1993

Figure 9



EUROPEAN REGIONS

Figure 10

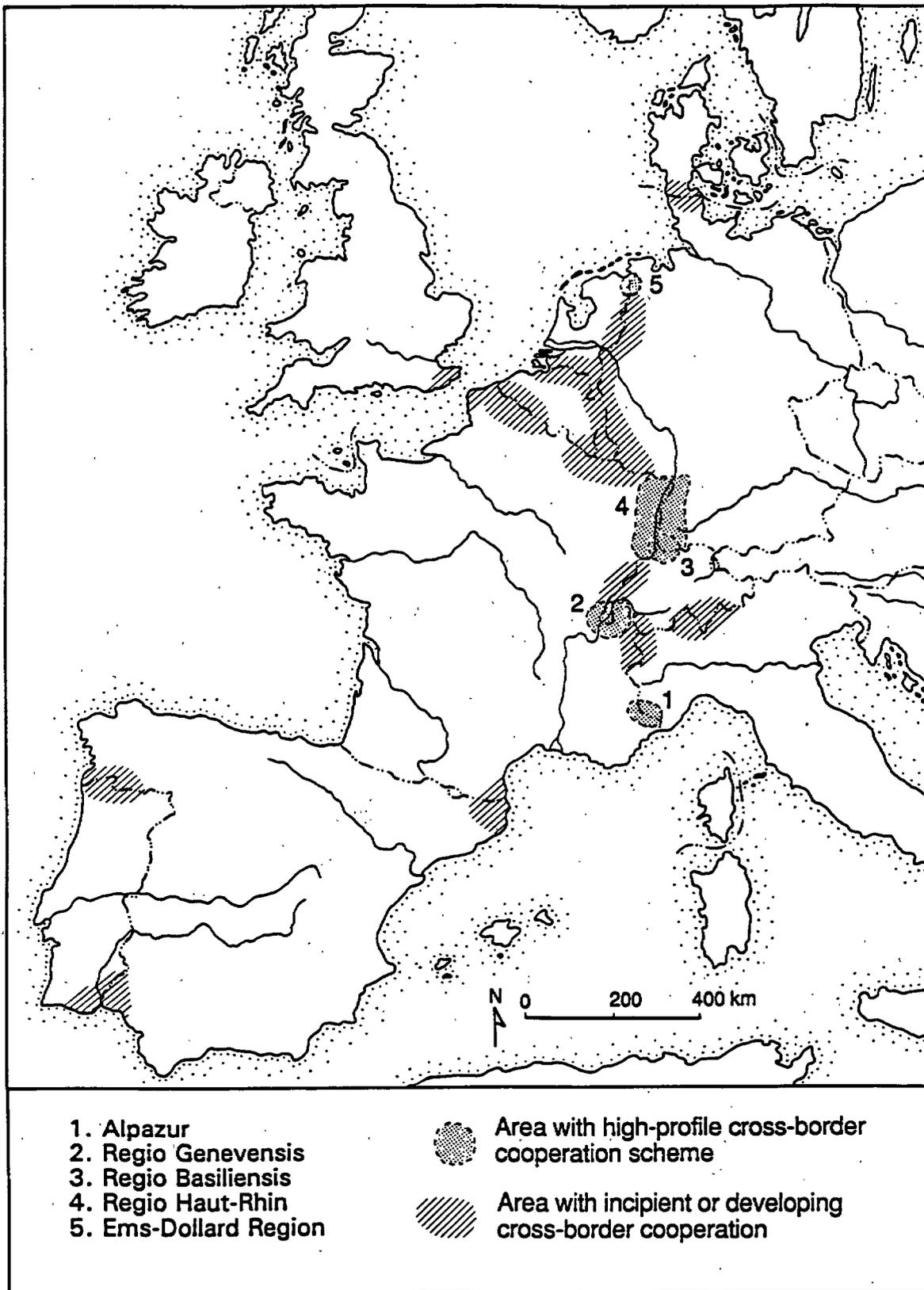


Subnational regions with 'missions' to the EC having Brussels addresses

Source: Landmarks 1991: 57-9

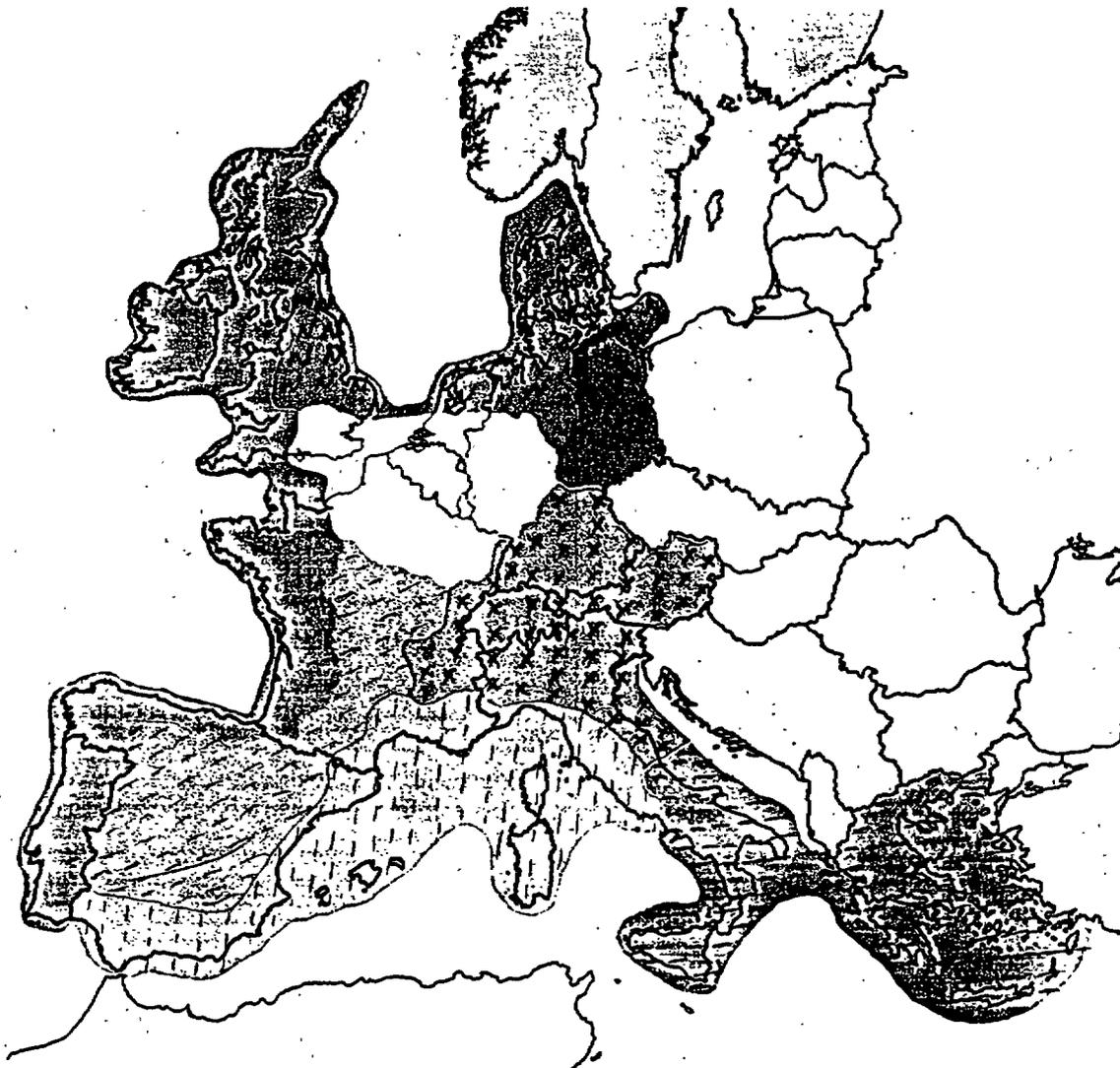
Source: *Colo & Cole 1993*

Figure 11

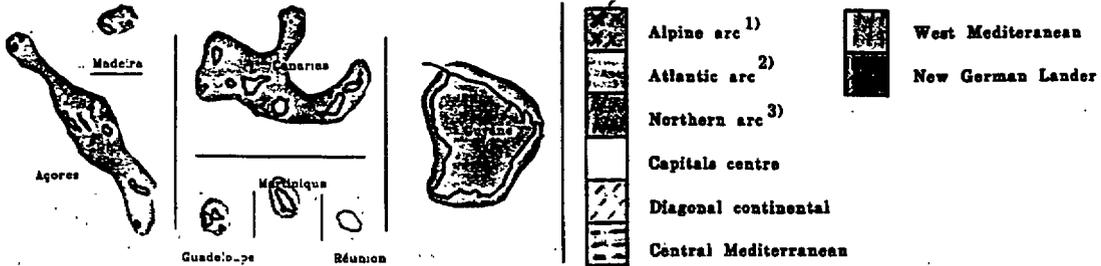
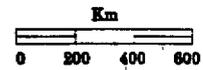


- Cross-border cooperation in Europe. Source: Murphy, in

Figure 12



Sources : CEC



1) Includes Alpine areas of Côte d'Azur

2) Includes areas of western Andalusia

3) Includes eastern Scotland of Mecklenburg-Pommern

- Regional development zones in Europe.
Source: Commission of the European Communities, 1991.