

The Ethics Shaping EU Interactions and Transactions

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The European Union represents hope that the era of Europeans attempting to gain power over other Europeans is over. EU represents a new perspective on European interactions based on an ethical commitment to shaping interactions between agents (interpersonal, commercial and political) into mutually beneficial outcomes for all the participating parties. It is hoped that these Western democratic principles will create a type of dialogue where international agents interact within the boundaries of constituted structures to shape an “ontological middle way.” In other words international actors will apply deliberative democracy to identifying principles that establish the normative structures necessary for achieving mutually desired outcomes. As a result international relations will not be anarchic, nor only interest driven but also value driven. A part of the process-of shaping Europe into an extended zone of peace, security and prosperity-involves the challenge of formulating a view of Europe’s heritage that overcomes what has historically persisted in being conflicting interests. Thus bonding Europeans on the basis of shared values and principles represents the possibility of healing painful aspects of European history. Europe’s current notion of the role of power in interstate relations offers the prospect of reducing (perhaps eliminating) some of the troublesome clashes of interests that have caused pain and violence throughout European history. European scholars recognized the need to reconcile the painful aspects of history and address the persistent problems of Western Civilization’s ontological, teleological and epistemological assumptions by taking a critical look at Enlightenment philosophy (that gave birth to Modernity). The ontological, teleological and epistemological assumptions of Modernity had tremendous impact on most of the world. These basic assumptions are not only being reconsidered by Europeans themselves but are also under scrutiny by many world

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cultures. Such dialectic reconsiderations have played a role in shaping a new European model of how power is employed in regional (thus international) relations.

“Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist.”- John Maynard Keynes

INTRODUCTION

The change in European notion of power relations is prompted by a reconsideration of the philosophical and ethical principles that are the “Sacred Canons” of Europe. These founding principles are the cornerstones of democracy and the most widely acknowledged basis of Europe’s shared heritage, common values and shared beliefs. The European Union anticipates that shared or common values and principles are the basis of the discourse ethic that shapes European interstate interactions. This approach to international relations is based on the premise that international relationships and structures can be constructed by means of a dialogic process to determine what principles and norms are best for facilitating the realization of Europe’s Sacred Canons. This means a move toward a transnational civil society where “the deliberative action of the people” results in putting into effect normative (or institutional) structures that will facilitate shaping the common good. Jürgen Habermas envisions this as a “Cosmopolitan Liberalism” that will not devalue the sovereignty of the nation state.¹ Europhiles envision interacting on the basis of a value oriented approach to relations that will alter the conception of material power in ways that will not only increase prosperity but will, as well, increase Europe’s zone of peace and security.

The process involves the challenge of formulating a view of Europe’s heritage that overcomes what has historically persisted in being conflicting interests. “For Europe, an act of commemoration is a way of negotiating an attitude to its own history.”² Europhiles are now attempting to commemorate Europe’s heritage by emphasizing that Europe is bound together by the recognition that cooperating to realize European shared

1 Habermas, Jürgen. (2006) Religion in the Public Sphere. *The European Journal of Philosophy*. Vol. 14: Issue 1, 5.

2 Hervieu-Léger, Danièle. (2007) The Role of Religion in Establishing Social Cohesion. *Eurozone*, 8.

values is the basis of overcoming conflicting interests. Thus uniting Europe represents the intention of realizing the possibility for healing painful aspects of European history. The reference to history as heritage is a way of converting the painful aspects of Europe's history into anew conception of how power shapes international relations.

The painful aspects of European history were precipitated by a Realist perspective that saw international relations as driven by the exertion of power in an effort to protect, promote and extend interests. Realism stipulates that in an anarchical IR reality power prevails and that small states must seek protection within alliances against threatening powers. This has prompted the perspective that states are involved in a survival struggle where concerns about national security are linked to concerns about the survival of identity. This approach to international relations resulted in an international "stand-off" (a divided Europe) during the last century due to the fact that IR was dominated by a power struggle between contrasting ideologies (Capitalism and Marxism) both regarding power in Realism's materialistic terms.³

Power continues to be a fundamental consideration in international politics. However EU as a unique system of regional multi-level governance extends the traditional notion of power by asserting that both material and discursive power are essential aspects of any understanding of world affairs. Europhiles recognized that in order for the European Union to work the foundational success of the economically based European Community needed to be expanded to be inclusive of culture and shared principles. Thus Europeans initiated a new approach to power relations between sovereign states that goes beyond thinking about international relations in only material terms. Europeans began to build interstate relations based on the Constructivist conviction that "Contemporary social reality makes evident the power of knowledge, culture, ideology and language (that are all based on discourse)."⁴

In other words the success of the European Union demands transforming the notion of EU as a community with a materialist focus on power capabilities to a perspective that would be inclusive of an ethic promoting interacting with the intention of creating mutual benefits. This approach to international relations counters "The rationalist conception

3 Wendt, Alexander. (1999) *Social Theory of International Relations*. Cambridge Uni. Press, Cambridge, 94.

4 Hopf, Ted. (2009) *The Promise of Constructivism in International Relations*. *Approaches to International Relations*. Sage Publications, Los Angeles, 222.

of actors as utility-maximizers operating according to the logic of consequentiality, in favor of March and Olsen's conception of the logic of appropriateness."⁵The shift to appropriateness, as March and Olsen argue, is necessary given the possibility of the emergence of a distinctly different Post Westphalian international order. The Post Westphalian international arena reflects a decline in the influence of Realism and an increase in the influence of Liberalism. With the resurgence of Liberalism norms, international institutions, regionalism, networks, and policies play a role in defining the international arena.⁶

The article begins with explaining the fundamental principles shaping the European notion of interactional discourse ethics. These fundamental principles represent *Europe's Sacred Canons* thus represent the cornerstone of the shared values and common principles that are the basic normative principles shaping European interactions. The second section of the article explains how these principles affect current notions of business negotiations and business ethics. The final section of the article defines what this means in terms of normative structures and the prospects of Europeans consenting to multi-level governance. There is also the consideration of Europe as a model for the ethics shaping the interdependent global community plus for enhancing global stability and global economic justice.

THE FUNDAMENTAL PRINCIPLES SHAPING EUROPEAN INTERACTIONS

In the early 1970's Francois Duchene defined the emerging European Union's notion of *Normative Empowerment* as "A civilian power which is not bent on using military means, but is intent on only promoting its norms through civilian means."⁷More recently this claim has been articulated as Europe's use of transformative power because it attempts to apply its norms through the logic of "appropriateness."When the European Community transformed into the European Union there was concern that when mere market forces are driving relations. Europe's fundamental principles (the achievement of social justice, the advancement of the public

5 Pollack, Mark. (2005) Theorizing the European Union. *The Annual Review of Political Science*, Vol. 8, 365.

6 March, James. & Olsen, Johan. (1998) The Institutional Dynamics of International Political Orders. *International Organization*. Volume 52, Number 4, 945 & 946.

7 Duchene, Francois. (1973) The European Community and the uncertainties of interdependence. *A Nation Writ Large? Foreign-Policy Problems Before the Community* (M. Kohnstamm and W. Hager eds.). London, McMillan, 1-21.

good, and the post war desire to enhance cooperative interactions) tend to be jeopardized. Unfortunately, market oriented forces-at the time of transition to the European Union-considered social concerns as periphery to the processes of the market.

During the time of the European Community Economic Liberalism pushed ahead with its own agenda overlooking the problems it created regarding protecting state interests (by this I mean

it overlooked the consequences of a merelymarket driven perspective of globalization). Thus it seemed that market interests disregarded social welfare and that market orientations of globalization had little regard for its impact on cultural traditions and values. The prevailing assertion of respected economists at that time was that the market system operates best when it is free from political interference and left to pursue its own agenda for increasing material prosperity.

The more recent, persistent, problems of EU (with constitutional legitimacy for example and persistent financial crisis) have made it apparent that EU cannot continue to operate under the old rule of unbridled market interests in the pursuit relative advantage. Liberalized market policies alone could not satisfy state concerns about social efficacy via unregulated markets. In addition Political Liberalism's justice agenda seemed to be in conflict with Economic Liberalism's business ethics. This discrepancy needed to be addressed. Increasingly Europeans felt that the ethical principles that are the sacred canons of Europe must become the normative principles shaping all aspects of European transactions and foreign relations. Thus the welfare of the citizens (manifested by the EU's effort to safeguard public interests) became an essential concern for European normative governing bodies. Freedom, in this respect, is based on safeguarding or adhering to the social contract which, as the basis of democracy, guarantees individual rights. Business is certainly one contributor to public welfare thus plays a major role in fulfilling the social contract by assuring the protection of public interests.

It is in this respect that Europhiles realized the necessity of making a monumental shift in the fundamental ethics underlying European interactions and transactions. Steven Vertovec and Robin Cohen, in *Conceiving Cosmopolitanism*, refer to the shift as an effort to create a consensus about values and behaviors-a cosmopolitan community-amongst Europe's

diverse communities.⁸ Europe's supra-national agreement is a regional attempt to transcend becoming a union built only on the basis of Economic Liberalism and operating on the basis of Realism. EU represents the effort of *Peoples* bond together by a common heritage plus, certain cherished values and operative principles. The principles can best be defined as Cosmopolitan Liberalism (mutuality, human rights, and a Habermasian dialogic or Constructivist strategy for transactions).

Freedom of choice (as a key component of the European notion of what facilitates the common good) generates a multitude of alternatives and possibilities of which participating in voluntary economic exchange is an indispensable component. As the unsuccessful experiments of command economies demonstrate flourishing relies on the concept that power is built upon knowledge and the exchange of knowledge that trans-border or decentralized systems make possible. These factors began to alter some of the prior mindset assumptions of the European community. Europhiles began to realize that it is counter-productive to have altruistic social welfare policies contrasting with market ethics which allow for selfishness. In addition it was clear that citizens of states would not submit their sovereign interests to power mongers who have little concern for their culture and values and who might indeed hurt their societal interests.

The Economic reality in Europe today takes place not only at the domestic level of the nation-state but increasingly also at a regional and global level. Today, commerce between nations is

supported and accelerated by truly global and highly integrated financial systems—systems which are themselves speedily evolving with the technological bounds of the last decade. Technology is allowing goods, services, and capital from different parts of the world to flow together, become integrated and offer enormous short term profit opportunities. Economic globalization has been accompanied by the “Soft Globalization” of knowledge, thoughts and ideas. Soft globalization balances the harsh and often inequitable practices of unfettered markets with what Dr. Kemal Derviş (formerly with the UN and the World Bank) calls a “Social-Liberal synthesis.”⁹

8 Vertovec, Steven.& Cohen, Robin. (2002) *Conceiving Cosmopolitanism: Theory, Context and Practice*. Oxford, Oxford University Press, 1-22.

9 Derviş, Kemal. (2005) *Globalization: Key Challenges for Governance and Multilateralism*. UN conference, *The Challenge of globalization: Reinventing Good Global Governance*. Washington, DC., George Washington Center for the Study of Globalization.

Social-Liberal synthesis requires greater consideration of the relationship between global economics and distributive justice. EU members have recognized that agents of the globalized economy have operated at a level of autonomy that is beyond state capability to manage. Thus there are concerns that the domination of market interests and the resultant power transfer to some ambiguous international corporate power forces decrease state management of socio-economic activities and create a slow depersonalization of economic interests.

The underlying principles of the current European business and discourse ethics (instituted by regional financial governance) propose a regional-wide effort to assist the state in its attempt to protect the rights and the well-being of its citizens. This becomes necessary on a transnational level because the power of international corporations is seen to exceed the abilities of state regulatory powers. As Europe “tightened its belt” in an effort to put the global financial crisis behind Europhiles realized that Europe must more carefully scrutinize the effectiveness and efficiency of corporate behavior to be sure that the operational ethics are closely in line with European Sacred Canons (or in other words do not betray European public interests). Europe must now decide how supra-national governance and the guiding principles shaping these normative and institutional structures can be applied to every sphere of its transactions in such a way as to promote and safeguard European common interests. Europhiles must ask business as well to pursue their private interests in ways that protect (does not harm) public interests. As a matter of fact in the near future businesses that are deemed to be damaging to public interests will no doubt suffer fines, sanctions and penalties.

The European Union’s new approach to interaction and discourse gives more importance to the social formation of power-developed in the process of dialogic interaction-and therefore stimulates more creativity and innovation. From the perspective of Gerard Delanty and Chris Rumford this new approach represents a “Constructivist notion of a European identity understood with reference to discourse in which competing claims are worked out rather than a straightforward notion of culture.”¹⁰

European economists and futurologists predict that agents will have a distinct advantage in EU’s emerging economic opportunities if the agent

10 Delanty, Gerard. & Rumford, Chris. (2005) *Rethinking Europe: Social Theory and the Implications for Europeanization*. Abingdon, Oxon, OX.,Routledge, 50.

realizes that there will gradually be a shift from a material capabilities regime toward a more inclusive “access regime.”¹¹ What some of the most progressive thinkers emphasize today is that this new vision of cooperative relationships, that creates mutually satisfying outcomes, is based on certain foundational ethics. European ethical principles that are foundational to the European intellectual heritage- encourage a *negotiated economy* where individuals are engaged in symbolic and social exchanges that enrich the lives of all those participating in the interactions.

Take for example the paradigm shift necessary for Eastern Europeans to adjust their pre-independence intraregional production systems to the technological substitutions necessary for successfully integrating Western European economic schemes with those of the local economies. From my experience in Estonia I know that this requires serious ethical considerations as the local economy explores ways to protect property rights while encouraging young IT specialists to freely pursue innovations- by creating new ways to make knowledge applicable within and between various contexts (*act locally but think globally*). The hope (even expectation) was that local economies could improve in the short term based on these innovation processes. With the support of necessary capital local entrepreneurs could contribute to continuously upgrading economic systems (hopefully resulting in ways to better manage the trade deficit).

In other words this has to be done based on a clear understanding of the recently emerging new power paradigm (understanding how the creation of knowledge shapes power and the ethical considerations of protecting property rights). If this Eastern Europe paradigm shift is to work for mutual benefit we know that Estonia must gradually learn to do what Japan accomplished (take these latest most advanced technologies, improve on them and sell them back for a good profit). Remember that Japan does this based on a clear understanding of its own integrity (ethical business practices and cultural integrity- in a sense Japan is marketing its own quality and excellence).

The European Union internally and in its practice of international relations is guided by the principles which have inspired its own creation: belief in the principle that cooperating regionally to create mutual benefit would increase prosperity and would also contribute to collective security (this

11 Rifkin, J. (2000) *The Age of Access: The New Culture of Hypercapitalism, Where All of Life is a Paid-For Experience*. New York, Putnam Group, 4.

is basically Liberalism's agenda-especially when you add respect for the individual and free markets). Western values explicitly define individual rights as freedom of conscious, freedom of speech, freedom of assembly and voluntary association. Such liberal principles are tantamount to self-determination and the necessity for individuals to take the responsibility for achieving what they consider to be in their best interests.

EUROPE'S UNIQUE BUSINESS ETHICS

After the collapse of communism and the subsequent failure of Realism to predict the socio-political aftermath of Post-Cold War Europe Liberalism has resurged (with its counterparts-human rights, the free market, multi-level governance and interstate normative and institutional structures). These all now appear to have increased merit as a viable approach to interstate relations. Even the set-back of the recent global financial crisis supports Liberalism's claims that European-wide economic stability is best achieved when the appropriate normative structures and principles are put into place. This all necessarily demands ethical to consideration to determine how a dialogic process can result in collective reflection to decide what principles are best for realizing certain shared values. The European Union certainly represents a unique model of how the value choices of agents can result in mutually beneficial transactions by applying normative principles to interstate transactions.

The relationship between the self-interested individual and the interest of the flourishing of Europe plus,consideration of the best interest of the entire European public is complicated. However, the proponents of Liberalism assert-on the basis of Kantian Cosmopolitanism-that there are material incentives connected to moral commitments. In order for commercial and media enterprises to be convinced of the necessity of such ethics there has to be an incentive for applying these principles to current practices. That incentive is power, persuasion and influence. One of the best methods for increasing the power, persuasiveness and influence of business performance is to emphasize the relationship how utility is connected with aesthetics, ethics, persuasion and practices connected with creating the most desired outcomes.

Liberal economic theorists hold that these Cosmopolitan ties (or economic benefits) derive from applying the ethical principles of Kantian Liberaism to European interactions and transactions. Given the extent of European

cultural diversity Ian Manners sees European normative principles as an example of how to reconcile Communitarianism with Cosmopolitanism—by shaping norms that create a more just, ‘*cosmopolitical*’ economy. That is to say that a more just, *cosmopolitical* economy would be one in which communitariansocial rights accommodate cosmopolitanism (a communing of human rights and local interests and concerns).¹²

European business ethics are not a set of moral prescriptions (this in some respects would begin to infringe on the individual’s freedom of conscious). Business ethics is also not an abstract theoretical ideal merely meant to provide more exposure to “the great philosophical ideas in the history of Western intellectual history.” Business ethics is about reminding each business practitioner that—as is true with any field of endeavor—good practice is based on good principles. The study of ethics is to help the business practitioner to determine what guiding principles are necessary to assist the person in developing the type of characteristics, power and persuasive ability that will afford one the best that life has to offer. Each individual must make a commitment to his or her values. However value choices (or ethical choices) are believed to be connected with what help the person to experience “the good life,” to experience ones most desired outcomes, and to experience what is in one’s best interest.

Much of current scholarship regarding effective business transactions is influenced by “Game Theory.” Game theory has contributed to more mutually beneficial transactions on the basis of its claim that egoistic (self-interest incentives) actually yield deficient results. Game Theory has contributed enormously to business ethics theory by supporting the claim that cooperative interactions create preferable results in all spheres of transactions (particularly where long-term or sustainable relationships are concerned). Social psychologists increasingly acknowledge that by acting on the basis of what is considered to be the human instinctive impulse (self-interests or self-preservation) or, in other words, the lowest level of human psychological development delivers the worst outcomes in the long run. The higher yields (in terms of personal value, personal ambitions and professional success) are connected with displaying what Abraham Maslow called self-actualization. This is reflected in a magnanimous character that displays a type of synergetic vitality that contributes to sustaining relationships, enhancing community, and maintaining systems

12 Manners, Ian. (2008) The Normative Ethics of the European Union. *International Affairs*. Volume 84, Number 1, 47.

integrity. Social psychologists point out that both the desire to use power to control others and the willingness to accept abuse (or the willingness to put in a relationship that is condescending) are both evidence of poor psychological health.

The ability to achieve healthier social benefits while obtaining higher commercial shields occurs when the business professional is concerned about the interest of both shareholders and stakeholders. Safeguarding the interest of all parties affected by the negotiated outcome requires a Constructivist deliberation approach to negotiations that is intent on determining what will maximize profit and achieve sustained socio-economic stability.

In this respect the Nordic economic model is impressive with its insisting that economies are negotiated with input from entrepreneurs, research scholars, universities, and government officials. This model is called *negotiated economies*. Certainly collective negotiation is one means of decision making intended to create satisfactory results for all the effected parties. It works especially well in nations where industry, scholars, students and policy makers are willing to negotiate sustainable development possibilities together. As can be expected negotiated economies imply a unique model for equalizing the power relations between various segments of society (plus within domestic transactions and international interactions).

The negotiated economy is built on the multi-level governance model of institutional and inter-institutional networks. Of course business ethics play a role here because parties must come to some mutual understanding of the socio-economic principles shaping policy and practice. Interactions, practice and policy are all shaped by foundational principles. Especially in emerging economies, a greater amount of social synergy is achieved because mutual understanding is established which reduces conflict in attempts to implement decisions and transform principles into practice. The key lies in the process of parties engaged in decisions that are inclusive of student ideals about sustainable development, the IT student's advanced technological insights, mixed with theoretical the knowledge of economic scholars, the practical experience from the business sector, and finally agents who can synthesis all of this into normative policy.

Let me use Estonia as an example of a context where the severity of the financial crisis could have been averted with Post Soviet policy based on the negotiated economic model. During the years after independence Estonia

enjoyed new levels of prosperity; affording many years of potentially being able to celebrate what the national common struggle had long been attempting to achieve. Estonians (at this point in their socio-political struggle) were mindful of something essential that created the spirit of a national bond during the time leading up to independence. There was hope that prosperity would not overshadow this essential “value-bond.” However Estonia did have a problem balancing the need for rapid economic progress with concerns for developing in ways that are in line with its cultural heritage and cultural integrity. One of the biggest challenges to the Estonian economy was the irresistible attraction to capitalize from the then expanding “financial bubble.” This was coupled with a desire for “as much as possible as fast as possible.” It was gradually recognized that these two traits betrayed cultural integrity and opened a way for economic activities that-although extremely liberal-were not informed by normative principles in line with cultural integrity and sustainable development. As a result the crisis ensued causing Estonians wondered if integrity and honest hard work are respected more or if the predominate value had become “as much as possible as quickly as possible!”

Estonia’s love for peace, independence, and “The Estonian Homeland,” bound Estonians during the struggle for independence. Estonians trusted their work ethic which proclaims that “Honest work, reflecting character and integrity, produces desired results!” I argue that a more sustainable approach to development should have been based on the assertion that national prosperity is created by transforming cultural values and the national character into a basis for flourishing. Belgium with its pride in beer; France with its pride in cheese and wine, plus Greece with its pride in olive oil are examples. Estonians would have certainly preferred that their national and economic agenda had been set by internal criteria that were in line with their cultural values. There was certainly widespread agreement that betrayal of cultural integrity creates conditions Estonians would prefer avoiding.

Estonian cultural values are in line with democratic and free market principles. Estonian sentiments support the cornerstone free market principle of noninterference by the state. The entire swing away from the Soviet sphere of influence was partially sparked by the fact that Estonians do not like state interference in private affairs! However when individuals hurt public interests in pursuit of their private interests and when officials betray public trust there must be an increase in government

and international interference. The recent crisis makes evident that financial decisions threatening public interests and betrayal of integrity by trusted officials will result in greater official interference—from national and from supra-national levels—with an increase in very sophisticated and technologically advanced surveillance equipment that is able to screen private affairs thus, demand greater transparency.

Those who believe that negotiated economies contribute to improved business ethics argue that it represents a type of Neo-Keynesian approach to managing the problem of the business tendency to operate on the basis of self-interest. Keynesian economics claims that “The best means of making macroeconomics more compatible with social welfare (now on the global scale) is negotiations between industry and governance.”¹³ Current EU discourse ethics as applied to financial transactions is a particular European expression of the Keynesian paradigm built around an ideal conception of socioeconomic efficiency through negotiated coordination of policies between various autonomous actors in the national economy. The concept of negotiated economies satisfies Europe’s intention to balance the operative principles of Liberalism with social democratic principles. The negotiated economy can be defined as a structuring of societies where the essential decision about the allocation of resources is conducted through organized negotiations between independent decision making centers in the public sector, private interest organizations and financial institutions, including the central bank.

Some recent scholarship refers to the negotiated economy as the learning economy (the learning firm, and the learning region), which highlights the potential contribution of economic research for generating sustainable development. Knowledge as the route to corporate and regional economic success is one facet of the engagement between economics and European governance that promises significant theoretical breakthroughs and promises to open up exciting new possibilities for the conception, implementation and practice of European economic policy. I will come back to this theme when I emphasize knowledge societies and knowledge as a base of power by Michael Foucault. This segment will be especially relevant for those concerned about the connection between IT and the ethical considerations of technological information exchanges.

13 Coughlin, Richard. (1991) *Morality, Rationality and Efficiency: New Perspectives on Socio-Economics*. New York, M. E. Sharpe, Inc., 150.

REGULATIONS, GOVERNANCE AND INTERDEPENDENCE

There is no state that has not preferred to modernize (and remember modernization is a European agenda meant to spread development, individual rights and the free market). There are sub-national groups who resist (the most extreme of which are called fundamentalists). But even these sub-national groups make use of modern technology to spread their cause. On the other hand there must be some sensitive consideration for the position of traditionalists (those who are not upsetting global stability neither, global security but, would prefer to live the same way that their cultural ancestors have for thousands of years (without the benefits of Modernity).

Every single nation on earth has chosen (or rather found it necessary) to make use of telephones, electricity, indoor plumbing, television, telecommunications and computers. The very idea of Rule of Law or government was introduced by Europe. Before the idea of forming governments and nations all people of the world were organized in terms of tribes, clans, villages, kingdoms and empires. There are some Western critics who claim that Western efforts at development are really a type of neo-colonialism where the West is trying to increase its power by advancing its material (market) and ideological interests. This is where the European Union's ability to demonstrate that it operates on the basis of more insightful ethical principles is important for introducing a change in the way power has been understood and was manifest.

As I mentioned earlier, the current manifestation of European Union emerged out of a Post War (and eventually a Post-Cold War) effort to secure Europe's zone of peace and prosperity. With the collapse of the Soviet Union and the integration of Central and Eastern Europe the dream of a united, peaceful and prosperous Europe became even more realizable. The one big hurdle that had to be overcome to constitute this effort could be summarized as the necessity to achieve the ability to negotiate transactions so that they produce mutual benefits (by transactions I mean procedural, normative and commercial). Europe with its tendency to emphasize the importance of welfare concerns prefers that transactions are beneficial not only in monetary and economic terms but also in human and social terms. In addition, the ability for Europe to successfully constitute a Union of Peoples bonded together by a common heritage, common principles and common values depends on sensitivity to the different cultures and worldviews that make up Europe.

The infamous ethical philosopher Peter Sutherland (associated with the London School of Economics, EU policy making and the establishment of the ERASMUS program) states that “European interdependence demands an approach to policy making that can reduce conflicts over values that until comparatively recently were regarded as exclusive concerns of local cultures.”¹⁴ Sutherland believes this is true because given the reality of interdependence multi-level structures are crucial for maintaining economic equilibrium. In effect, we must have systems equivalent to international governance bodies that formalize negotiated economies on a global scale to assure that constructively agreed norms and principles are the basis of global economic and financial transactions (plus offers a system that provides an appeal bodies to reduce and manage trade disputes).

Those who are in favor of interregional governance insist that a nationalist world (nationalist politically, nationalist economically, nationalist in terms of power politics, and nationalist in terms of identity politics) is both dangerous and damaging to the human condition as a whole as well as to global stability and to the global economy. Nationalism and identity politics were an enormous problem throughout the last century. To reduce this problem EU makes efforts to increase the integration of policies and norms in order to increase the prosperity of the people of Europe while defending their rights. The rallying cry for global governance accentuates the fact that effectively managing global financial stability is beyond the capability of states. This is especially true concerning the magnitude and impact of capital transfers. Digital technology has made it possible for capital transactions to take place daily on a level that exceeds the capital reserves of the world’s wealthiest governments. This means that it is increasingly necessary to provide more sophisticated systems of regulation and security.

Another concern is that it simply does not make sense to have the same issues determined differently in different jurisdictions and Europe must do all it can to avoid this. The USA may be an example of very high standards of justice-as reflected in decisions made by its Justice Department (as Europe implements with its Treaty of Rome). The principles under which these institutions are founded are similar, yet the USA and Europe have enormous trade disputes. The inclusiveness of China demands normative structures that guarantee that we are all playing by the same rules (it levels

14 Sutherland, Peter. (1999) Global Interdependence, the Corporation and the Changing World. *Business Strategy Review*, Volume 10, Issue 3, 48.

the playing field which continuous to be a major concern for small states or small economies).

The recent crisis also makes it evident that the burden of risk-resulting from such huge financial transfers-has to be carefully evaluated. For example individuals and governments are now very concerned about whether or not international bailouts have increased risk hazards for local economies. The ethical questions regarding the private financial sector's role in financial crises emerges because of fairly widespread public perception that big private investors are not bearing the full cost of their investment decisions. As a matter of fact, the public perception is that some private investors profited enormously at public expense. Whether or not this perception is entirely true, it still has resulted in a movement toward global financial governance (and more concerted efforts to protect the public interest). "But the real problem is where money goes to when it goes in and out of countries. This is the real issue for the international financial system and it is in this particular area that we really have to have a new look at the overall supervision of capital transfers."¹⁵

PirkkoLammi (Department Head at the Confederation of Finnish Industries) states that globalization is changing the nature of the business world in terms of "The ever advance of global market economies, more integrated business networks, the drive for constant innovation and the change in the concept of power relations as a consequence of technology."¹⁶ All of this seems to be bringing members of the global community into closer contact with each other more than ever before and making each individual related in new ways. In Europe the realization of interdependence is changing the notion of how and why agents interact with each other. The traditional idea of business transactions was based on bargaining where the seller was trying to "up the price" as high as possible to create a win-lose result. Today all scholarship in business negotiations refer to the probability theory claim that the best results are more likely when business agents attempt win-win results.

EU represents this new perspective on interactions based on an ethical commitment as a means of strengthening the bonds of the European community. As Kantian Liberalism asserts "Freedom is a moral condition!" Europhiles have come to acknowledge that the extended zone of peace,

15 Ibid., 52.

16 Lammi, Pirkko.(1992) My Vision of Business in Europe. *Business Ethics in the New Europe*.(Jack Mahoney and Elizabeth Vallance editors). Netherlands, Kluwer Acedemic Publishers, 3.

security, and prosperity Europe is attempting to achieve is best realized by placing certain values and principles over economics and politics. Solidarity and European bonding in this respect is seen as occurring on the basis of what Neo Kantian Critical Philosopher Jürgen Habermas refers to as Cosmopolitan, Constructivist, *Communicative Action*.

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