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Palgrave Studies in European Union Politics
Series Standing Order ISBN 978-1-4039-9511-7 (hardback)
ISBN 978-1-4039-9512-4 (paperback)

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Chapter 15

Europe and Globalization

Wade Jacoby and Sophie Meunier

Globalization is a source of endless debate in both popular and scholarly literatures. In the case of Europe, the causes and effects of globalization are difficult to isolate from those of the effects of deeper regional integration, often referred to as 'Europeanization'. Since globalization has occurred in tandem with regional integration, it leads to questions that are specific to the European case. Has the EU subversively acted as a Trojan Horse that helped bring globalization into the heart of Europe, or instead has the EU been Europe's best defence against its negative effects? Are regional integration and globalization two facets of the same phenomenon? Do they reinforce each other or contradict each other?

Many studies in economics and international political economy have addressed the question of how globalization and regionalization are related, but globalization scholars have not looked much at the EU (Lawrence, 1996; Baldwin, 1997; Baldwin *et al.*, 1999; Hettne *et al.*, 1999; Landau, 2001). In turn, EU scholars have not looked much at globalization (Wallace, 2000). It is commonplace in literature reviews on globalization to point out the increasing use of the term 'globalization' and its variants. Yet the most comprehensive 'mapping' of EC-EU studies doesn't even use the word 'globalization' (or 'global') at all (Keeler, 2005). Moreover, the first ten years of the European Integration Online Papers produced exactly two papers with 'global' in the title, and none with the term 'globalization' (or 'globalisation'). The *Journal of Common Market Studies* shows seven articles since 2000 with 'global' in the title, though in some of these cases 'global' seemed to be deployed as a synonym for something like 'bilateral relations at a great distance' (e.g. EU–Mexican relations).

To be sure, there is a Europeanist literature on globalization, but one reason for its modest size is the veritable explosion of literature on 'Europeanization' (Olsen, 2002; Featherstone and Radaelli, 2003; and see Chapter 9). This literature deals with an important aspect of the internationalization of European political economies and, to a certain extent, has crowded out some scholarship that might otherwise have been pitched as globalization. As we will see, one important strand of scholarship has tried to sort out the effects of globalization and Europeanization – two hard-to-define processes taking place simultaneously. This chapter

provides a compact exploration of the state of the field on the complex relationship between globalization and the EU and sketches a range of questions that still remain. We start by reviewing the multiple definitions of 'globalization'. The second section surveys how scholars have studied the impact of globalization on the EU, while section three looks at the European imprint on globalization. We end by highlighting a research agenda centred on the question – partly empirical, partly normative – of whether the EU can help the Europeans 'manage' globalization.

Globalization and Europe: scope and definition

Globalization is a huge topic – sometimes so huge as to spark despair among scholars. Yet even scholars who suggest that the concept of globalization might be better abandoned have also proposed ways of refining and keeping it (Rosamond, 2005).¹ Innumerable studies have looked at its manifestation in areas such as crime, terrorism, disease, culture, sports, education and religion. This essay concentrates on economic aspects of globalization, fully mindful of the truncation of the account. This choice excludes in particular the literature on globalization's impact on European democracy (Axtman, 1998; Hooghe, 2003; Kuper, 2007). Our chapter also has a decidedly contemporary bent even though there exist several fine works on the history of globalization in Europe (Murphy, 1998; Wallace, 2000; O'Rourke, 2002; Berger, 2003). These omissions are regrettable, but a single review can only encompass so many themes.

Even the large literature on economic aspects of globalization still contains multiple definitions. Scholte (2000: 15–17) summarizes five major definitions in the social sciences, and each of them is present in the Europe-based literature.² First, globalization as internationalization – emphasizing cross-border flows – is present in a lively debate about whether Europe is most affected by its own regional integration or by transactions with more distant actors (Weber, 2001). Second, globalization defined as liberalization – especially the removal of state regulations on economic transactions – is exemplified in debates about whether the EU (in particular, the Commission) is an instigator of liberalization or rather an insulator against liberalization (Hay, 2007). Third, globalization as universalization – the spread of human artifacts to corners of the globe far from their creation – is present in discussions about the EU's ability to externalize its own rules, especially in an effort to 'manage globalization' (Lamy, 2004). Fourth, globalization as Westernization or modernization is featured in investigations of the diffusion of contemporary EU practices to aspirant member states (Jacoby, 2004) or close geographical neighbours (Kelley, 2006).

Fifth, globalization as deterritorialization – or the reconfiguration of geography, so that social space is no longer mapped primarily in terms of (especially national) borders (Giddens, 1990; Scholte, 2000, 2002; Katzenstein, 2005).

A crucial issue for scholars of globalization in Europe is a definition of globalization that clearly differs from regional integration, a second powerfully transformative force affecting the EU. While some early literature often used interchangeably the concepts of globalization, internationalization and regionalization, the rise of the concept of Europeanization has led scholars to try to be more precise. Such precision has not led to agreement, but it has led to somewhat more self-conscious definitions. To an extent, these definitions track findings in predictable ways. Broad definitions – such as Weber and Posner's (2001) use of factor 'mobility' as the key indicator – are linked to a broad appreciation of globalization as a powerful force in Europe (though clearly one mediated by other factors) (cf. Hiscox, 2002). By contrast, definitions that demand of globalization a degree of physical distance from Europe that allows us to distinguish it from regional processes tend also to downplay the effects of globalization in favour of more focus on Europeanization (cf. Hirst and Thompson, 1996; Hay, 2006).

Several scholarly and popular sources purport to measure globalization with some precision. Most show steady increases in the degree of globalization since the early 1970s. After major contractions in trade and, even more markedly, capital flows after September 2001, it now appears that accounts of the demise of globalization were premature (for a summary of this debate, see Held and McGrew, 2007: 3–5). The Swiss Institute for Business Cycle research maintains an annual index comprised of 24 social, economic and political variables gathered for 122 countries for over 30 years. Europe shows by far the highest absolute levels of globalization in all three areas, and indeed of the world's 15 'most globalized countries' in the period 2001–07, the first 14 are European (no. 15 is Canada; the US is no. 22), and 13 are EU members (non-member Switzerland is in fourth place).³ Since 2000, the Foreign Policy/AT Kearney Index tracks 'economic, technological, personal and political integration' through 12 indices. The 2007 data has non-European locations (Singapore and Hong Kong) in the first two locations, but still has 11 EU states (plus Switzerland and Norway) in the top 20 of their aggregate index.⁴

With these indices, scholars can disaggregate the concept of globalization in many ways and seek more precision in tests of specific manifestations of globalization – including non-economic ones, such as flows of international telephone calls and number of international treaties ratified. Yet while these indices usefully break down globalization into many different kinds of flows, they obviously continue to privilege state territoriality. For the first four definitions above, this

move has few costs. To the extent that globalization is defined as the transcendence of territory, however, such indices are often 'meaningless' (Rosamond, 2005: 33).

The impact of globalization on Europe

There is a vibrant literature on the ways in which globalization has affected Europe. As noted, however, most of that literature lacks any specific focus on the EU. Rather, either explicitly or implicitly, it focuses on efforts of European *states*, and occasionally of *regions* (cf. Ansell *et al.*, 2001; Longo, 2003), and even *cities* (cf. Brenner, 1999; Fry and Kresl, 2005) to cope with the challenges of globalization. To review this vast literature would go beyond the chapter's remit.⁵ Instead, two largely empirical issues dominate much of the current literature relevant to the EU. First, we see an effort to sort out the effects of globalization and Europeanization to clarify what might otherwise appear as causal overdetermination. Second, we see an effort to determine whether globalization is affecting Europe in any substantial way at all or whether it is rather a rhetorical device to promote neoliberal policies.

Empirical effects: Confronting causal overdetermination

As noted, a central analytical problem is that globalization is not the only prospective cause of economic outcomes of interest – from institutional and policy change to growth, employment and income distribution. Rather, Europeanization also looms large as a potential cause for many of these same outcomes. Since both processes happen simultaneously in Europe, how should scholars sort out their influence?

For some authors, Europeanization dominates globalization (Fligstein and Merand, 2002; Véron, 2007). Hay (2006) argues that Europe has seen a process of 'de-globalization' since the 1960s, with the rise of European regionalism actually diminishing earlier levels of globalization. Arguing that the globalization thesis rests largely on expectations of convergence across Europe, he shows that cross-national social spending has not, in fact, converged over the past 40 years. Indeed, precisely during the purported ramp up of globalization in the 1980s, social spending increased significantly in Europe, especially in the very open Scandinavian political economies (cf. Rodrik, 1998). Hay uses gravity models to demonstrate that of the 11 European economies in his sample, only Finland shows diminished effects of distance on trade flows. All other states exhibit patterns of 'deglobalization', in which more proximate trading relations increasingly dominate cross-border exchanges (Hay, 2006: 16). Drawing similar conclusions from the FDI

data, Hay argues that rather than a process of globalization, then, intra-European divergence is a result of different responses to a relatively common *ideology* of 'neo-liberalization' (ibid.: 19).⁶

By contrast, others argue that European regionalism takes a backseat to globalization as a driver of institutional and regulatory change in Europe. A pioneering work in this regard is Verdier and Breen (2001), which attempted to separate the impacts of 'market globalization' from those of the European single market and European political union. Looking at indicators in four areas (labour and capital markets, electoral competition, and centre-local government relations), they build from the idea that globalization is largely a process of 'negative integration' or deregulation (Scharpf, 1996). If Europeanization is also 'synonymous with deregulation', its effects then 'should be similar to the effects of globalization' (ibid.: 229). By contrast, moves towards political union would have preserved (or built anew) 'interventionist capability' (ibid.: 231). The fruits of such intervention would then differ from those of globalization or, indeed, of European market integration.

Verdier and Breen find that all three forces matter. In some cases, globalization – measured as trade and financial market integration – does all the causal work. In other cases, European market integration does extra work not done by globalization. Finally, in still other cases, European political integration is the result of political 'voluntarism' not explained by market processes (sometimes the outcomes of such political voluntarism can go beyond or even against what is dictated by markets). To demonstrate this logic, Verdier and Breen structure their research design around two sets of Europeanization processes – ones that interact with globalization to either accelerate or brake its effects, and ones that operate entirely independently of globalization ('*sui generis* effects').⁷ In the first logic, where Europeanization and globalization are cumulative forces, we see a 'globalization plus' effect. Where European-level political forces slow globalization, we see a 'globalization minus' outcome. Similarly, where Europeanization operates in a *sui generis* fashion, it might work either through a market or voluntarist logic.

The authors find that in finance (though not trade), globalization and Europeanization together ('globalization plus') explain variation in trade-union density and variation in the choice of the level at which wage bargains are set. There is no evidence that European countries are especially able to use policy to slow these trends (indeed, rather the opposite) (244). In capital markets, while globalization has clear effects, 'market reform took place among EU countries at the same speed as among non-EU countries. We found no trace of Europeanization, let alone voluntarism, in financial markets' (ibid.: 246). Turning to politics, the authors test the proposition that as markets become more important, political parties become less important. They find that

increased financial globalization is associated with higher electoral volatility outside the EU but not inside the EU. This 'insulating' capacity of the EU is a case of 'globalization minus' and evidence of a voluntarist component (ibid.: 252). On centre-regional relations, while an increase in financial globalization is associated with increasing centralization of state spending, this is not true in those European states that receive heavy allocations of structural funds (ibid.: 256). A central implication is that since Europeanization cannot really tame globalization at home, there is a compelling case for trying to do so abroad. Here, the persistence of partisan loyalties and the rise of anti-globalization politics may be a foundation for managing globalization (see also Hoffmann, 2002 on the 'clash of globalizations').

Recent extensions of this line of research include Levi-Faur (2004), who applies it to infrastructure industries (electricity and telecommunications).⁸ His central question is whether Europeanization is liberalizing Europe in ways that are distinct from what globalization is doing elsewhere in the world. His basic answer is 'no'. With liberalization quite advanced there, telecom and electricity regulation are held to represent 'best cases' for the Europeanization thesis. Yet Levi-Faur finds that Europeanization does not lead to liberalization in his comparison of 14 of the old EU-15 member states with 16 Latin American countries (using a most different cases logic) and with eight wealthy non-EU democracies (a most similar logic). He also finds that liberalization also happened in areas – like privatization – that are clearly outside EU jurisdiction. Levi-Faur notes that his findings complement the Verdier and Breen findings on capital and labour, which means that four economic cases all point to no effect of Europeanization but to substantial effects of globalization. Levi-Faur notes, however, that Europeanization may matter more in the 'southern countries', following Schneider (2001), and in Central and Eastern Europe, following Jacoby (2001).⁹

Humphreys and Padgett (2006) tell a similar story about these two sectors, focusing on the cases of France and Germany but in ways that privilege the role of EU actors. Defining globalization as a combination of technological innovation and international market forces, they argue that in telecoms, where globalization mattered significantly, the sector generated pressure for regulatory change that the Commission could use to produce reforms even when member states were reluctant to go along. Where such sectoral pressure did not exist, such as in the case of electricity, the Commission had no such leverage. The authors emphasize policy transfer (for example, of the British model in telecom regulation) as a means to 'synchroniz[e] the responses of the member states to the changing international and technological environment (globalization)' (ibid.: 402). In line with the large literature on national regulatory systems and globalization noted earlier, they find that state

features matter insofar as Germany's pluralist and veto-rich system makes implementation more difficult than France's centralized, executive-led system (ibid.: 401).

Friedman's revenge? globalization as rhetoric

For some scholars, the kind of research just outlined tends to fall into traps that either exaggerate globalization's causal weight (Hay, 2006) or link it too strongly to specific spatial assumptions (Rosamond, 2005: 29). Some authors (Hirst and Thompson, 1996) seem to say that the concept of globalization might better be abandoned, as their reading of the empirical evidence does not support the idea that long-distance transactions are on the rise. For others, trying to separate global processes from other spatial domains reifies the artificial divide between domestic and foreign in much international relations scholarship (Scholte, 2002: 28). Yet globalization seems here to stay in popular discussions, which are replete with economic determinism and race-to-the-bottom scenarios. Thus, despite mountains of evidence calling the simple convergence model into question (Berger and Dore, 1996; Weber, 2001; Campbell, 2004), policy-makers still seem to act as if the world were 'flat' or at least becoming more so every day (Friedman, 2007). We see this enduring enthusiasm of policy-makers for the notion of flatness to be 'Friedman's revenge' against his legion of academic critics (cf. Berger, 2005; Aronica and Ramdoo, 2006).¹⁰

Thus, rather than playing down globalization's effects or pointing to endemic confusion about the levels at which such effects occur, an alternative strategy is to look into the rhetorical use made of globalization by policy-makers and journalists (Mishra, 1999; Meunier, 2003). What if the public discourse about globalization in Europe is only that – discourse? Rosamond stresses that the very complexity of globalization probably contributes to the relentless simplification of the concept for use by policy elites. He argues the concept is an 'empty signifier' that is used in radically different ways by different actors at different times.

To date, we have little research that catalogues this range of differences, and this seems a fruitful avenue for research. One exception is Smith and Hay's (2008) survey of 2,000 British and Irish politicians and civil servants, which finds that almost 99 per cent of the respondents focus on globalization as an economic phenomenon. They also find that large majorities of elites believe in the basic 'hyperglobalization' thesis in which economic imperatives tie the hands of policy-makers. Of course, parliamentarians and civil servants ought to have at least as hard a time distinguishing the effects of globalization from the effects of Europeanization as do social scientists, and Smith and Hay provide ample evidence that this is so.

Cameron and Palan (2004) help explain why such a multistranded and contradictory phenomenon as globalization can be handled in such a reductionist way – with a simple story about the need for convergence along policy lines most friendly to business interests – whether the specific policy of note involves taxation levels, labour markets or welfare-state spending. Emphasizing the 'communal story telling' surrounding globalization, Cameron and Palan suggest new avenues for understanding the evolution of ideas from minor alternative to dogma.

Several related avenues for research deserve more attention in the future. First, the concept of intellectual 'anchoring' implies that respondents may cluster their answers in similar ways for different causal forces. This is exactly what we would expect if Smith and Hay are right about the level of confusion of their respondents. If that is so, however, future scholarship should deploy phone or internet surveys that, more than paper and pencil surveys, lend themselves to randomizing the order of questions.¹¹ Second, a basic factor analysis should show if policy-makers' responses on globalization and Europeanization 'load' on the same factors – again suggesting that they can't really tell the two phenomena apart – or whether, by contrast, different respondents who gave similar answers on one question gave very different answers to other questions.

The imprint of Europe on globalization

Europe has not only been on the receiving end of globalization. It has also been a major actor in the globalized world that it has actively contributed to creating. In the early days of European integration, the new European institutions were inward-looking, reactive to outside pressures, and their original goal was not to shape global order. Over time, however, the EU's internal actions began to impact on the rest of the world, and the EU designed policies with the specific goal of making its mark on its outside environment.

A growing scholarship is interested in analysing what exactly has been the European imprint on globalization (cf. Kierzowski, 2002; Laible and Barkey, 2006; Heisenberg, 2006; Sapir, 2007). Recent studies have been focusing on the main mechanisms through which Europe is affecting globalization: by writing the rules that are enabling globalization to take place, by transferring European regulations and standards to the global level, and by serving as a model to be emulated. In impacting on the rest of the world, the EU is also affecting its own identity and political legitimacy. Will globalization continue to be so marked by Europe in the future, as the emergent powers, especially in Asia, become stronger?

Writing the rules of globalization

Contrary to popular imagery, globalization is not an out-of-control process or 'deregulation gone wild'. It was not created by a *deus ex machina* in the 1980s. Nor is it the result of a conspiracy by profit-obsessed capitalists. Global markets – whether they relate to capital, goods, services or even labour – have strong institutional foundations. The levees through which goods, services and people flow freely today across the world have been built and adjusted by the architects of the international system, of which the EU has been a major contributor.

A burgeoning scholarly literature explores the contribution of Europe to the setting of the terms and levels of economic openness in the past three decades. The popular literature on globalization has formed the conventional wisdom that globalization is the product of the neoliberal revolution in the 1980s in the United States and the wave of deregulation that ensued. Instead, scholars are now increasingly showing that Europe did have a major role to play in enabling globalization and in (re)regulating instead of simply deregulating.

In the world of global finance, Europe played a crucial, central role in enabling financial globalization through the rules developed by the EU and by the Organisation for Economic Co-operation and Development (OECD) (Bakker, 1995; Story and Walter, 1998; Abdelal, 2007). It was indeed European policy-makers who 'conceived and promoted the liberal rules that compose the international financial architecture. The most liberal rules in international finance are those of the EU, and the United States was irrelevant to their construction' (Abdelal, 2007: 3).

The euro is another instance of a European policy scheme which has had a direct impact, voluntarily or not, on globalization. It was created for a variety of reasons, more political than economic, in large part to immunize Europe from the vagaries of international currency fluctuations and from the diktats of the 'Washington Consensus' – in other words, to protect Europe from globalization (McNamara, 1998; Jabko, 2006). In turn, by becoming a successful reserve currency, the euro has enabled Europe to set some of the rules of the game.

In the world of global trade, the EU has been, more visibly than in finance, a major player in designing the rules that enable goods and services to circulate throughout the world. Trade is, after all, the policy area where sovereignty is shared, where the EU speaks on behalf of its member states, and where national competences have been delegated to the supranational level for the longest time (Meunier and Nicolaidis, 1999; Elsig, 2002; Meunier, 2005; Young and Peterson, 2006). When and where the EU was ready for liberalization, it happened largely on its own terms.

The EU has been instrumental in shaping global economic institutions, most notably the World Trade Organization (WTO). The EU

strongly supported the move from the General Agreement on Tariffs and Trade (GATT) system to the WTO in the mid-1990s. The main institutional innovation was the creation of rules for settling trade-related disputes in the WTO – including a codified set of rules for reporting violations, adjudicating disputes and implementing resolutions in order to facilitate trade liberalization in the world (Meunier, 2007; Young, 2007). These new institutions codified and locked in a set of liberal principles, which then further reinforced liberalization and the free movement of goods and services. With respect to services in particular, the EU has been extremely vocal in pressing for more market opening.

The extent of globalization also depends on the accepted boundaries of the WTO and a consensus around what policy domains are included in, and excluded from, world trade rules (Warwick Commission, 2007). The EU has been the primary driver of the expansion of such boundaries, with its insistence on the inclusion of the four 'Singapore issues' addressing and establishing rules for the conditions under which trading takes place (competition policy, transparency in government procurement, trade facilitation and investment protection) (Howse and Nicolaidis, 2003; Young, 2007). Though not successful in having these issues included as part of the formal trade agenda for now, the EU has nonetheless put them on the table, thereby potentially expanding the reach of globalization in the future.

Transferring European regulatory standards

The second mechanism through which Europe has been impacting on globalization has been through the transfer of European regulatory standards at the global level across a wide range of sectors – from financial services to food, from chemicals to telecommunications. Alone or in cooperation with the US, the EU has been instrumental in shaping international regulatory designs and playing regulatory politics (Kelemen, 2004, 2008; Drezner, 2007; Damro, 2006; Young, 2003; Mattli and Buthe, 2003; Egan, 2001; Vogel, 1997). Indeed, in some issue areas, the recent rise of European regulatory influence in global markets has occurred despite opposition from the US and despite the absence of a single European superstate (Bach and Newman, 2007). As the *Financial Times* summarized: 'there is now a growing realization in many quarters that Brussels, not Washington, is shaping the global regulatory standards companies will have to abide by' (cited in *ibid.*: 829).

This powerful influence on globalization stems from two main sources: the size of Europe's internal market and the strength of its own regulatory institutions. The EU has been able to exert meaningful pressure at the global level because of the sheer size of its internal market. As Drezner explains, large markets 'have a gravitational effect

on producers – the larger the economy, the stronger the pull for producers to secure and exploit market access' (Drezner, 2005: 843). The EU has been able to impose many of its preferred standards on other economies, and therefore spread its imprint on globalization, thanks to the ever growing size of its internal market (Schreurs and Tiberghien, 2007; Vogler and Hannes, 2007).

The EU has also made its mark on globalization through regulatory politics because of the skills and capacities of its internal regulatory institutions. Many analysts have noted the rise of a regulatory state in Europe, whose main functions are to stimulate competition and provide social goods (Majone, 1996; Thatcher, 2002, 2007). Bach and Newman (2007) argue that the rise of the regulatory state in Europe had important implications for global public policy, first by providing an impetus for subsequent debates about global market rules, and second by providing institutional capacity and expertise. The institutional experience acquired through years of navigating the EU system has given European regulators substantial knowledge, legitimacy and the basis for policy entrepreneurship. Europe's regulatory clout has thus enabled a globalization that is not deregulated but reregulated. This influence of EU regulatory authorities on global rules has led to a world with higher standards, much in its own image (Vogel, 1997; Shaffer, 2000; Prakash and Kollman, 2003).

Serving as a model

A third mechanism by which the EU has dictated the contours of globalization is simply by being what it is – the biggest market in the world and a hybrid organization with supranational institutions, shared competences and an ability to achieve compromises between diverse interests. Both by being a region and by serving as a model, the EU has actively shaped globalization, in addition to passively receiving it.

Europe is a region, whether defined by geographical, cultural or economic criteria (Katzenstein, 2005). Even if it were not trying to impact on the rest of the world, it still would, because economic actors elsewhere would try to conform to its own internal rules and preferences – the bigger the region, the larger its impact. By making its own sovereignty compromises and setting its social and legal norms, the EU also sets, in part, the terms and levels of economic openness in the world – like the US has done, and as China will perhaps do in the future. What is true for trade and regulatory standards is also true for financial and monetary issues, where the regional monetary order achieved by the EU after several decades has enabled the emergence of the financial globalization we know today.

Europe has also shaped globalization by serving as a model for other regions of the world. Globalization looks European because many

actors of globalization are, to some extent, emulating the EU (Farrell, 2007). Fioretos calls this power of attraction 'representational power': 'through its representational power, the EU exercises influence on global economic governance by exemplifying a model of how diverse market economies can coexist in a liberal economic order while respecting and promoting the principles of social progress, sustainability, transparency and subsidiarity' (Fioretos, 2009).

The EU has also become a model through persuasion and conditionality (Jacoby, 2004; Hafner-Burton, 2005; Szymanski and Smith, 2005; Vachudova, 2005; Meunier and Nicolaidis, 2006). Yes, groupings of states emulate some features of the EU, and therefore contribute to spreading these European features globally, but they do so when it is a precondition for having access to the EU internal market and other benefits. The EU offers access to its market as a bargaining chip in order to obtain changes in the domestic arena of its trading partners – from labour standards to human rights, democratic practices and the environment. It is also a way of using trade policy to pursue foreign policy, sometimes out of the limelight and on the back of the member states (Peterson, 2007).

The result is a world that looks increasingly like the 'world of regions' described by Katzenstein (2005). A world in which global rules are made not only by the EU and North America, but also by ASEAN, Mercosur and now Unasur – the Union of South American Nations created in May 2008 with the goal of boosting economic and political integration in the region. This is a world in which 'globalization' is less global and increasingly regional, thanks in large part to the successes of the EU.

Finally, one can investigate the role of the US in allowing Europe to leave its mark on globalization. Does the EU have the power to shape the rules of global markets only when its interests are aligned with those of the US? Or only when the US retreats? These are questions being pursued more systematically under the rubric of 'managed globalization' – an emerging literature studying how the EU can ease globalization for its member states (see Jacoby and Meunier, 2010). Because of its long history of trying to manage cross-border flows, Europe is particularly well suited to the effort to manage globalization and can act as a 'filter' to globalization (Wallace, 2000).

Several scholars working on a project we have organized have found that the EU's advocacy of managed globalization is not purely a rhetorical device, only used for domestic political consumption. Instead, it has been accompanied by real policy substance, with more or less success, in policy areas as diverse as the environment (Kelemen, 2010), trade (Abdelal and Meunier, 2010; Fioretos, 2010; Sbragia, 2010), and social policy (Burgoon 2010). In other policy areas, meanwhile, evidence shows the EU has been much more dependent on a regulatory agenda

set by the United States, including (at least so far) the important case of financial regulation (Posner and Véron, 2010). All of the works in our project explore the major policy mechanisms through which the EU has attempted to manage globalization over the past decade – by exercising regulatory influence, empowering international institutions, enlarging the territorial sphere of EU influence, redistributing the costs of globalization and legitimizing economic patriotism. These mechanisms provide the contours of an approach to globalization that is neither ad hoc deregulation, nor old-style economic protectionism.

Conclusion: globalization and the EU's legitimacy

This chapter has reviewed the main interactions between Europeanization and globalization, asking in particular whether the EU has acted as a Trojan Horse that helped bring globalization into the heart of Europe, or whether instead the EU has been Europe's best defence against the negative effects of globalization. Europe has been both a creator and a receiver of globalization, in a kind of virtuous or vicious circle, depending on one's point of view. In the virtuous circle interpretation, the EU has created its own internal rules for market liberalization, then shaped the rules of globalization in its own image to derive maximum benefits from globalization, while shielding European citizens from its worst effects. In the vicious circle interpretation, the EU acts as a transmission belt, even an amplifier, of globalization, and it is the combined effect of globalization and Europeanization that helped to create the economic and social malaise in which European citizens find themselves today. Much more research has yet to be conducted in order to support or debunk the virtuous/vicious interpretations and provide sound ammunition for the public debate on globalization which, while long on rhetoric, is often short on facts.

Plenty of controversies remain. Some are essentially historical: was globalization built as an outgrowth of American hegemony (Ikenberry, 2007) or, as some revisionist accounts have it, must the story also include European leadership (Abdelal, 2007; Callinicos, 2007)? Other controversies turn on differences in the direction of causation: are European firms and their lobbyists essentially responding to state 'shaping' (Woll, 2008) or are at least the weakest European states still vulnerable to capture by trans-national corporations (TNCs) and interest groups (Csaba, 2007)? Still others harken back to the conceptual disputes noted at the outset of the chapter: is territory less meaningful (Scholte, 2002) or does globalization entail a 'reterritorialization' in the form of a multidecade trend towards aggregations of supranational competencies at European, rather than national, levels (Brenner, 1999)?

Much research needs to be done on these questions, especially now that the financial crisis has revealed both the dangers and the limits of

globalization for Europe. Scholars can investigate how much insulation the EU has provided, if any, against the spread of financial contagion, how united European countries have acted in response to the crisis, and whether the experience of European integration has anything to teach the rest of the world about how to soften and contain the bluntness of neoliberal globalization.

Ultimately, the relationship between European integration and globalization is tied to the issue of EU legitimacy. In the eyes of most European citizens, the EU owes its legitimacy partly to being able to protect them from the negative side-effects of globalization while shaping aggressively a globalization in Europe's image. According to many opinion polls, this is actually an area where the EU is expected to do better than nation states because it has the advantage of the power derived from size. When Europe is perceived as adequately managing globalization, it looks legitimate. Judging by the results of the various referenda on the EU lately, however, many European citizens believe that the EU performs poorly in this respect. More research should probe the extent to which the French, Dutch and Irish referenda were swung by beliefs and preferences about globalization.

But Europe's ability to shape global economic rules is limited. Most policy tools for affecting globalization and dealing with its effects are not supranational powers. Even if they were, problems would emanate from the internal diversity and the lack of preference homogeneity within the EU – certainly all member states are not equal when it comes to loathing or admiring globalization (Sapir, 2007). Problems would also come from the fact that new challenges are threatening globalization as we know it today: turbulence in financial markets, threats to the 'European social model(s)', the emergence of new economic actors, and pressures on resources such as energy, food and water. Much is written about the EU's 'normative power' to shape the beliefs and preferences of other states by the diffusion of its values (Manners, 2002; Diez, 2005; Laïdi, 2008). But can Europe still deploy this normative power to shape the rules of globalization even if its economic and geopolitical power is eroded?

After all, the ability of the EU to manage globalization is reduced daily by the rise in power of new actors in the world. Ironically, globalization was much criticized in Europe precisely during an era when globalization clearly was, in significant ways, a European construct. This era may be over soon. It is predicted that the BRIC (Brazil–Russia–India–China) economies will account for half of world income by 2050 (Brainard, 2008). Will Europeans miss the current era of globalization or even retreat from it when other actors, in Asia and Latin America, start to have a meaningful voice? Former European trade commissioner Peter Mandelson recently remarked that 'there is a sense that globalization is something that is being done to us, rather than

something we can control. The consequence is rising pressure for protection; we see it in growing economic nationalism at home, a return to fashion for zero-sum thinking about resources and public goods' (Mandelson, 2008). For every purported success in managing globalization, one can adduce (so far) some clear failures, including the absence of meaningful global labour standards, standards for the hedge-fund industry and the regulation of global financial transactions. In other words, complacency would ill-suit the EU, and scholars of the EU should thus have little reason for complacency either.

Notes

1. Olsen (2002) raises similar questions about the concept of Europeanization but also concludes that it is 'premature' to abandon the term.
2. Other extensive reviews of the concept include Hirst and Thompson, 1996; Axtman, 1998; Guillén, 2001; Held and McGrew, 2007.
3. See http://globalization.kof.ethz.ch/static/pdf/press_release_2008_en.pdf.
4. The US was seventh. See http://www.foreignpolicy.com/story/cms.php?story_id=3995&page=1. Other related indices can be found at the Warwick Centre for Globalisation and Regionalisation (<http://www2.warwick.ac.uk/fac/soc/csgr/index/>).
5. Influential summaries scrutinizing globalization pressures on national states include Mosley 2007; Iversen 2005; Schmidt 2002; Kitschelt *et al.* 1999; Garrett 1998. On the other hand, Eichengreen's 500 page history of the European economy since 1945 does not contain globalization in its substantial index (2007).
6. Hay explicitly sees the varieties of capitalism approach as a more subtle form of the convergence expectation but with the difference that there is now two distinct models – LMEs and CMEs – upon which laggard national political economies can converge (2006: 6–7). See Hall and Soskice (2001).
7. The study also has a null effect in which Europeanization has no effect one way or the other.
8. A different framework, with application to agriculture, is used by Hennis (2001); see also Ross (1998).
9. For more on Europe as a 'conduit' for globalization, see Schmidt (2002).
10. More sympathetic is Rodrik (2007: 201–2).
11. Important applications of cognitive psychology literature to the diffusion of liberal economic policy models can be found in Weyland (2007).

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Chapter 16

The Future Shape of the European Union

Heather Grabbe and Ulrich Sedelmeier

Introduction

Is the future shape of the EU a question of maps, policies or culture? In other words, is its shape defined in terms of its territorial borders, or the functional reach of its rules, or by the constitutive identity of its members? The EU's territorial and functional dimensions do not necessarily overlap, as its functional reach extends beyond its borders. But they often interact. The EU's territorial shape influences its functional shape (for example because new members bring new priorities which stimulate the development of new policies) and vice versa (as the EU's functional reach expands, demands for integration from non-members increase). This chapter considers both these dimensions of the future shape of the EU.

While the EU's territorial shape is determined by the scope of its enlargement and the expansion of its membership, its functional shape depends on the reach of its external governance – that is, the extent to which its policies and norms are institutionalized and practised beyond its borders. The distinction between the EU's territorial and functional shape draws on the literature that identifies a variety of boundaries of EU political order (Smith, 1996; Lavenex, 2004). The territorial shape of the EU is determined by its institutional or organizational border, which shifts with each inclusion of a new member state. The functional shape relates to its legal or regulatory boundary, which shifts with each horizontal extension of the regulatory scope of EU rules.

The EU's territorial shape: enlargement

The EU's territorial shape is defined by the geographical borders of its members. The large-scale political debate about the geographical boundaries of Europe has been mostly raised by those opposed to further enlargement. Contributions to this debate include German Chancellor Angela Merkel's proposal to offer Turkey a privileged partnership (rather than membership); MEP Elmar Brok's call for a study to draw the EU's ultimate borders once and for all; Austrian