4

# European Integration and Globalisation since the 1970s

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## Introduction

In 2020, 'strategic autonomy' became a buzzword in Brussels. The phrase catches different meanings, ranging from the self-sufficiency of the European Union (EU) to the management of interconnectedness in a globalised world. In EU parlance, 'strategic autonomy' is used in a sense that aims to be different from the traditional concepts of sovereignty and power, but should, however, not be read in contradiction with free trade. 'Strategic autonomy' seems to have been articulated first by President of the European Council Charles Michel in two speeches in September 2020.[1] But in reacting to the clichés that US president Donald Trump voiced against the EU in January 2017, German chancellor Angela Merkel had already expressed her desire for European autonomy in declaring that 'we Europeans have our fate in our own hands'.[2] French president Emmanuel Macron has regularly used

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1 C. Michel, 'Recovery Plan: Powering Europe's Strategic Autonomy – Speech by President Charles Michel at the Brussels Economic Forum', 8 September 2020, www.consilium.europa.eu/en/press/press-releases/2020/09/08/recovery-plan-powering-europe-s-strategic-autonomy-speech-by-president-charles-michel-at-the-brussels-economic-forum; C. Michel, '"Strategic Autonomy for Europe – the Aim of Our Generation" – Speech by President Charles Michel to the Bruegel Think Tank', 28 September 2020, www.consilium.europa.eu/en/press/press-releases/2020/09/28/l-autonomie-strategique-europeenne-est-l-objectif-de-notre-generation-discours-du-president-charles-michel-au-groupe-de-reflexion-bruegel.

2 '"Europe's Fate Is in Our Hands": Angela Merkel's Defiant Reply to Trump', *The Guardian*, 16 January 2017, www.theguardian.com/us-news/2017/jan/16/europes-fate-is-in-our-hands-angela-merkels-defiant-reply-to-trump.

the related concept of 'European sovereignty' since his speech on Europe at the Sorbonne in 2017.[3] Regardless of the origin and meaning of the phrase, 'strategic autonomy' touches therefore on a perennial motif of European integration that largely predates the 2010s, namely the place and role of the EU in a globalising (or globalised) world.

European integration and globalisation form a tumultuous duo. To some, the latter dictates the former. The EU is helpless – or worse, complicit – in letting the neoliberal forces of global markets impose their rule on European lives. But to others, the former regulates the latter. The EU is a heavyweight in many policy areas. The EU allows otherwise too small individual European nation-states to make their voice collectively heard, and matter, in international arenas. Whatever the interpretation, the interaction between European cooperation and globalisation is therefore a given. And this has remained true over the past half a century, in spite of the dramatic changes that took place, between what the EEC looked like when globalisation restarted, around 1970, and what it is today. Between 1970 and 2023, the integration of European nation-states moved from a Community of six members to a Union of twenty-seven, with a peak at twenty-eight members between 2013 and 2020, and from a single currency area of eleven members in 1999 to twenty members in 2023 – all this in spite of repeated predictions by authoritative pundits about the imminent disintegration of the EU or the eurozone, or indeed both, especially from 2008 onwards. Between 1970 and 2023, globalisation moved from being a fledgling (and restarting) phenomenon to a seemingly inescapable trend, reinforced by the end of the Cold War and by the emergence of China and its inclusion in the international multilateral capitalist system, but again put at risk by the coronavirus pandemic. Globalisation remains severely criticised, regularly challenged and liable to setbacks, but it continues to be a driving force. The European Economic Community (EEC)/EU's share of world gross domestic product (GDP) has steadily declined since the 1990s – in spite of its enlargements – going from its peak at 28 per cent (1995–2002) to 23 per cent in 2019 (Figure 4.1). However, in more than half a century, the EEC/EU's share of world population has remained relatively stable over time, at about 7 per cent, due to its successive enlargements (Figure 4.2).

3 E. Macron, 'Initiative pour l'Europe – Discours d'Emmanuel Macron pour une Europe souveraine, unie, démocratique', 26 September 2017, www.elysee.fr/emmanuel-macron/2017/09/26/initiative-pour-l-europe-discours-d-emmanuel-macron-pour-une-europe-souveraine-unie-democratique.

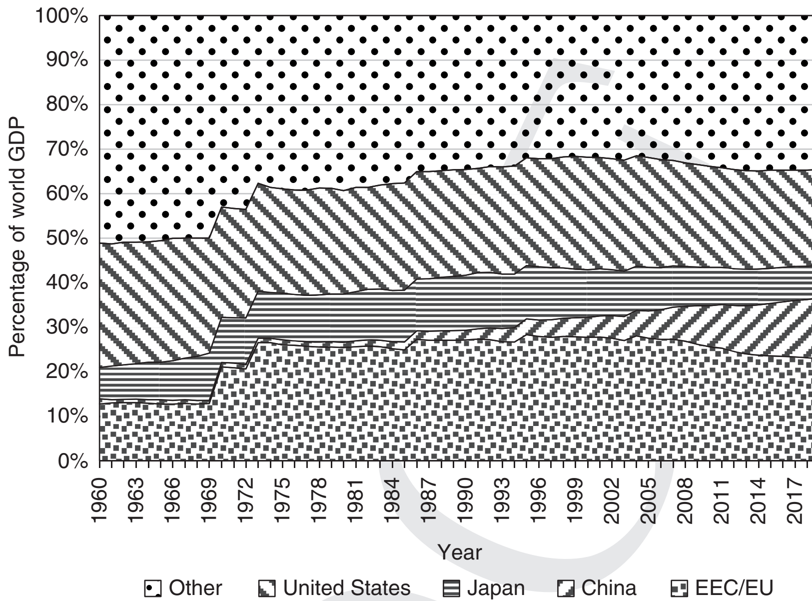


Figure 4.1 EEC/EU GDP as a share of world GDP since 1957. Source: World Bank, constant 2010 US$.

Beyond these basic indicators, the role of the EEC/EU has also markedly changed. In 2023, the EU is the largest trading block in the world, most of its member states share a single currency that is the second-most-traded internationally after the dollar, and its regulatory influence, that Anu Bradford recently dubbed the *Brussels Effect*, spreads well beyond the borders of the EU.[4] All these elements, and indeed many others that are not included in this shortlist, were far from being a given in 1970. In examining the interplay between European integration and (economic) globalisation, this chapter thus attempts to capture the main trends of a relationship that is in constant flux, with each element having also its own endogenous dynamics. How does European integration contribute to, and how is it influenced by, the course of globalisation? What tools has the EEC/EU built, failed to build or considered building, to enhance its status in a globalised world?

This chapter is divided into two sections, revolving around two major turning points: 1989–1991 and the mid 2010s. As with any chronological

4 A. Bradford, *The Brussels Effect: How the European Union Rules the World* (Oxford, Oxford University Press, 2020).

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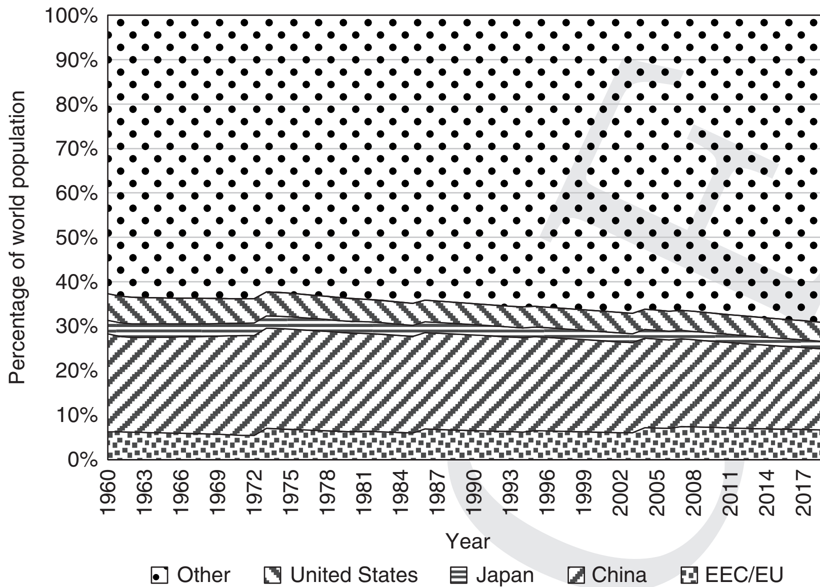


Figure 4.2 EEC/EU population as a share of world population since 1957. Source: World Bank.

division in writing history, this reflects a deliberate choice to highlight the coherence and continuity of some periods over others. The first section covers the restart of globalisation around 1970 until the end of the Cold War and the signature of the Maastricht Treaty creating the EU. This was a time when the main challenges to the post-war order emerged, and when the first EEC responses to globalisation were being devised. The second section analyses how the Maastricht Treaty, and the end of the Cold War, changed the stakes of the globalisation–European integration relationship. It looks at the early hopes for genuinely global governance and the first seemingly successful decade of the euro, and then it turns to the global financial crisis and the crisis of the euro area and the reforms of the euro area, before scrutinising the challenges posed by the rise of China. Finally, a long concluding section starts from the middle of the 2010s, when the crisis of the euro area was over, at least in its most acute form, and the consequences of the failures of globalisation started to manifest themselves in their most acute form. This includes the UK's referendum to leave the EU in June 2016, the internationalisation of the euro, climate change, the challenges brought by the digital and the Covid-19 crisis. (Since this chapter was written

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before Russia's attack on Ukraine, it does not include discussion of this topic.) Given its scope and contemporary nature, this concluding section is much more forward looking than the previous ones.

## The End of the Transatlantic Cocoon (1970–1990)

How did the EEC fit in the global conversation about some key issues of globalisation before Maastricht? The first section looks into the governance of four key policy areas for Europe in a globalised world: trade, finance, macroeconomic relations and capital liberalisation. It then analyses separately the making of the Single European Act and the Maastricht Treaty as responses to international challenges.[5]

### *The Governance of International Trade Relations*

Trade was one of the policy areas where the EEC's power and influence over international negotiations could, and still can, be felt most clearly.[6] The General Agreement on Tariffs and Trade (GATT), signed in 1947, aimed at promoting the liberalisation of international trade by reducing tariff barriers after the end of the Second World War. A series of 'rounds', lasting several months or years, covering specific subjects (textiles, dumping, agriculture . . .) and involving a number of countries, were organised in order to reach a negotiated outcome. One of the first major rounds, the so-called Kennedy Round, lasted from 1964 until 1967. Overall, the EEC, as such, championed a liberal attitude in the industrial sector but a protectionist one in agriculture. But, crucially, the Kennedy Round of talks showed the interest of the then six EEC member states in attempting to reconcile their internal quarrels in order to present a united regional front in the negotiations in Geneva. Overcoming these quarrels was surely no easy task, but the prospect

5 A. Andry, E. Mourlon-Druol, H. A. Ikonomou and Q. Jouan, 'Rethinking European Integration History in Light of Capitalism: The Case of the Long 1970s', *European Review of History: Revue Européenne d'histoire* 26, no. 4 (2019): 553–72.

6 P. Ludlow, 'The Emergence of a Commercial Heavy-Weight: The Kennedy Round Negotiations and the European Community of the 1960s', *Diplomacy & Statecraft* 18, no. 2 (2007): 351–68; L. Coppolaro, 'In Search of Power: The European Commission in the Kennedy Round Negotiations (1963–1967)', *Contemporary European History* 23, no. 1 (2014): 23–41; L. Coppolaro, *The Making of a World Trading Power: The European Economic Community (EEC) in the GATT Kennedy Round Negotiations (1963–67)* (Farnham and Burlington, VT, Ashgate, 2013); F. McKenzie, *GATT and Global Order in the Postwar Era* (Cambridge, Cambridge University Press, 2020); A. Sapir, 'EU Trade Policy', in H. Badinger and V. Nitsch (eds.), *Routledge Handbook of the Economics of European Integration* (Abingdon, Routledge, 2019), pp. 205–19.

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of being able to have considerable weight in the global negotiations and ultimately attain a dominant position in world trade helped sideline these difficulties, even if eventually the EEC did not move the talks ahead, leaving that task to the United States. EEC member states carefully defined the European Commission's room for manoeuvre so as to preserve what they perceived as their own national interests and to enhance at the same time their common position. Whereas in the preceding Dillon round the six EEC member states kept attending negotiation sessions with speaking rights, for the Kennedy Round they let the EEC Commission become the sole negotiator.

The Kennedy Round thus marked, as Lucia Coppolaro argued, the EEC's 'first act of foreign policy'.[7] Later rounds confirmed the importance of the EEC as a world trading power, further reinforced by the EEC's enlargement. But the 1960s remained the defining time period when these choices granting significant power and autonomy to the European Commission were made. In subsequent rounds, especially the so-called Tokyo Round, which lasted from 1973 until 1979, and the so-called Uruguay Round, which lasted from 1986 until 1994, the EEC (and later the EU) continued to put forward preferences that confronted those of the United States in particular, while promoting the development and strengthening of the rules of the multilateral trade regime aimed at regulating globalisation, up until the creation of the World Trade Organization (WTO) in 1995.

### *Europe and the Vicissitudes of International Finance and Energy*

At first, the evolution of the international monetary system and of European currency relations seemed unconnected. When the EEC was being negotiated in 1955–7, the European Payments Union (EPU), an organisation created to facilitate the convertibility of European currencies, was still in operation (it was wound up in December 1958), and the international monetary system was considered stable. So stable, in fact, that the negotiators of the Treaty of Rome largely omitted the topic in drafting the treaty. In short, western Europe started its economic integration in what was widely perceived to be an international monetary cocoon.

7 L. Coppolaro, 'In the Shadow of Globalization: The European Community and the United States in the GATT Negotiations of the Tokyo Round (1973–1979)', *The International History Review* 40, no. 4 (2018): 752–73; L. Coppolaro, 'Globalizing GATT: The EC/EU and the Trade Regime in the 1980s–1990s', *Journal of European Integration History* 24, no. 2 (2018): 335–52.

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The vicissitudes of international monetary relations, however, offered an early opportunity to highlight the necessity and the difficulty of finding a common European solution. They equally spurred hopes that the EEC, as such, could become a regional unit of stability and thus protect itself in an unstable world. In spite of the European Commission's activism to find an EEC-wide solution, in particular with the creation of the Committee of Governors of the Central Banks of the EEC in 1964, the crises of the 1960s were not auspicious. Instead of coordinated EEC solutions, EEC member states most often considered bilateral options (with the United States) or global multilateral options (with the International Monetary Fund (IMF) or the World Bank).[8] In April 1969, the Commissioner in charge of economic and financial affairs, Raymond Barre, lamented: 'What we want is that the currency problems of the Community can be examined at the Community level and can be treated at the Community level. If ever it happens that these problems must be examined in a wider framework, then the Community as such can participate in the debates that take place at the IMF, or in the Group of Ten (G10). But we are at present in a situation where there exists a Community in trade, there exists a Community in the economic realm, but when there are monetary consequences of the existence of the Community in the economic realm, and in the trade realm, then the Community does not exist.'[9]

In the 1970s, the problem of international and European monetary coordination remained, and European policymakers kept on discussing the possibility of devising a by the coordinated response. The end of the Bretton Woods system pressed European policy-makers to envisage creating a new European framework able to provide some currency stability to EEC member states, without having to rely on the evolution of the discussions about the future of the international monetary system. President of the European Commission François-Xavier Ortoli declared in January 1974: 'It is essential that the problems linked to international monetary relations [. . .] be treated as Community problems [*problèmes communautaires*] and that Europe speaks

8 H. James, *Making the European Monetary Union: The Role of the Committee of Central Bank Governors and the Origins of the European Central Bank* (Cambridge, Belknap Press, 2012), pp. 36–88; E. Mourlon-Druol, 'History of an Incomplete EMU', in F. Amtenbrink and C. Herrmann (eds.),*The EU Law of Economic and Monetary Union* (Oxford, Oxford University Press, 2020), pp. 13–36.

9 Historical Archives of the European Union, PE0 19402, Intervention prononcée par M. Barre devant la Commission économique du Parlement européen, 14 April 1969 (my translation).

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with one voice in these negotiations.'[10] In September of the same year, Ortoli further added that 'the common dependence of outward-looking economies which rely on the growth of trade for maintaining full employment implies that Europe must effectively participate, that is to say as a unit, in international discussions and must contribute towards defining a new, stable and lasting international monetary and commercial order'.[11]

In 1977, still in the same vein, President of the European Commission Roy Jenkins argued that a single European currency could contribute, alongside the dollar, to a more stable international monetary system. In a famous speech calling for the monetary integration of Europe at the European University Institute in Florence, he said: 'The benefits of a European currency, as a joint and alternative pillar of the world monetary system, would be great, and made still more necessary by the current problems of the dollar, with its possible destabilising effects. By such a development the Community would be relieved of many short-run balance-of-payments preoccupations. It could live through patches of unfavourable trading results with a few-points drop in the exchange rate and in relative equanimity. International capital would be more stable because there were fewer exchange risks to play on, and Europe would stand to gain through being the issuer of a world currency.'[12] Even if the creation of the European Monetary System (EMS) was quite a long way from being the same as introducing a European single currency, the dynamic was comparable, and it represented an attempt to provide a coordinated European response in a world of fluctuating currencies.[13]

International financial relations offered another early opportunity to show the weaknesses of European coordination. From the 1960s, the development of the so-called euromarkets exemplified the inability of Europeans to act in unison. The development of the euromarkets provided another global challenge to international financial relations and European integration.

10 Archives historiques de la Commission européenne, Collection des discours, François-Xavier Ortoli, Declaration on the State of the Community, 31 January 1974 (my translation).
11 Archives historiques de la Commission européenne, Collection des discours, François-Xavier Ortoli, 'The Personality of Europe and Economic and Monetary Union,' 25 September 1974 (my translation).
12 R. Jenkins, *Europe's Present Challenge and Future Opportunity* (Florence, European University Institute, 1977).
13 E. Mourlon-Druol, *A Europe Made of Money: The Emergence of the European Monetary System* (Ithaca, NY, Cornell University Press, 2012).

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The origins of the Euromarkets are still being debated.[14] The prefix 'euro' in euromarkets does not relate to the European single currency or even to the European continent. It means 'offshore', that is, something that is done outside the normal area of jurisdiction. Euromarkets are, broadly speaking, markets that operate outside their home country. Eurodollars, the most common form of euromarket, refer to dollars traded outside the United States. London was the leading international financial centre for this trade. Several factors contributed to the development of euromarkets, including the desire to evade regulations (in particular US Regulation Q), the benevolence of British regulators and the fact that, during the Cold War, the Soviet Union held many dollars but did not want to store them in a location where they could be seized by the US authorities. The Soviet Union thus preferred trading them in London. The banks that started trading in this market were British-based, in particular the Midlands Bank.

The main challenge posed by this market was that, because it was based offshore, that is, outside the conventional apparatus of a state authority, it was unregulated. Euromarkets called into question monetary sovereignties. But, just as much as the United States, the UK or the G10, the EEC was unable to regulate them, in spite of the creation of a new institution, the Euro Currency Standing Committee, by the governors of the G10.[15] Furthermore, the EEC was also unable to develop a genuine capital market of its own. This represented a potential twinned failure of European integration: the inability both to develop a capital market in the EEC and to regulate the one that had developed in Europe, but outside EEC jurisdiction. The question of the liberalisation of capital movements will be addressed later in this chapter.

Finally, the oil-price shock of 1973 also laid bare European disagreements on the global stage. European positions were not always well coordinated in

14 S. Battilossi, 'International Money Markets: Eurocurrencies', in S. Battilossi, Y. Cassis and K. Yago (eds.),*Handbook of the History of Money and Currency*, (Singapore, Springer Singapore, 2019), pp. 1–46; B. Braun, A. Krampf and S. Murau, 'Financial Globalization as Positive Integration: Monetary Technocrats and the Eurodollar Market in the 1970s', *Review of International Political Economy* 28, no. 4 (2020): 1–26; C. R. Schenk, 'The Origins of the Eurodollar Market in London: 1955–1963', *Explorations in Economic History* 35, no. 2 (1998): 221–38; G. Toniolo and P. Clement, *Central Bank Cooperation at the Bank for International Settlements, 1930–1973* (New York, NY, Cambridge University Press, 2005); K. Yago, *The Financial History of the Bank for International Settlements* (London and New York, NY, Routledge, 2012).

15 See A. Drach, *Liberté surveillée: Supervision bancaire et globalisation financière au Comité de Bâle (1974–1988)* (Rennes, Presses universitaires de Rennes, 2021); C. Goodhart, *The Basel Committee on Banking Supervision: A History of the Early Years, 1974–1997* (Cambridge, Cambridge University Press, 2012).

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9:11AM



the Group of Seven (G7).[16] This partly stemmed from the fact that EEC member states fared very differently in response to the oil-price shock, and their energy and geopolitical situations varied from one to another. The oil-price shock also contributed to the further development of the euromarkets, in that they were used for recycling the surpluses of the producing countries. Finally, as I will explain in greater detail in the section on Covid-19, the oil-price shock spurred the creation of a new EEC financial mechanism to support the balance of payments difficulties of EEC member states. With the benefit of hindsight, this move has gained in significance, as this was historically the first time that the EEC, as such, borrowed on international capital markets.

### *A New European and Global Institutional Framework*

The beginning of the 1970s witnessed a major reconfiguration of European and global institutions to deal with a new wave of challenges spurred by the restart of globalisation, which had to be addressed respectively at European and global level.[17] The international and European monetary and financial issues that have been set out above featured prominently, but they were not alone in motivating institutional change.

Two new institutional frameworks emerged. The first was designed to cope more specifically with economic challenges, and increasingly political challenges. In 1974, EEC heads of state and government met at a summit in Paris, to discuss the current state of European integration. They decided, among other things, that such meetings would from then on become regular, three times a year and whenever necessary, in what was to be called the 'European Council'. In November 1975, the leaders of the six most industrialised countries met in Rambouillet to discuss the state of the West's economic problems, and in particular the future of the international monetary system. They did not decide straight away to make their meetings regular – this decision was not taken until 1977 – but they quickly decided to meet up again.

16 N. Bonhomme, 'Les Européens au G7: Entre intérêts communautaires et gouvernance mondiale (1975–1985)', *Les cahiers Irice* 9, no. 1 (2012): 73–89.

17 E. Mourlon-Druol and F. Romero, *International Summitry and Global Governance: The Rise of the G7 and the European Council, 1974–1991* (London, Routledge, 2014); N. P. Ludlow, 'The Real Years of Europe? U.S.–West European Relations during the Ford Administration', *Journal of Cold War Studies* 15, no. 3 (2013): 136–61; E. Mourlon-Druol, 'Adjusting an Institutional Framework to a Globalising World: The Creation of New Institutions in the EEC, 1957–1992', *Journal of Economic Policy Reform* 23, no. 3 (2020): 273–89.

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Both types of meeting had roots in previous ad hoc and informal meetings. From the early 1970s, the so-called Library Group, named after the location of the meetings in the Library of the White House, gathered the finance ministers (not heads of governments) of France, the UK, West Germany and the United States. From the creation of the EEC onwards, heads of state and government met occasionally, in ad hoc summit meetings, to discuss the state of European integration. Both experiences inspired the creation of the European Council and the G7, although both of these new institutions were specifically aimed at filling an international and European institutional void: the regular meeting of heads of state and government. Until then, the only occasions at which European heads of state and government normally met were state funerals.

The second stream of institutional reform focused on financial challenges. It involved again both a global trend and a distinctively European regionalism. Faced with an increase of coordination challenges, European banking regulators and supervisors decided to convene on a regular basis in a so-called Contact Group from 1971–2. A few years later, in 1974–5, after the outbreak of several major banking crises, including the Lugano scandal and the failure of Bankhaus Herstatt, Western financial regulators and supervisors decided to create the Basel Committee on Banking Supervision, housed at the Bank for International Settlements in Basel.[18] Just as with economic and political coordination, the coordination of financial regulation therefore originated from a regional endeavour, which was soon accompanied and partly superseded by a global effort.

### *European-Inspired or US-Inspired: The Liberalisation* élan *of the 1980s*

The 1980s witnessed the rise to power of neoliberal ideas and their implementation in policy terms. European and global dynamics converged, with the two most famous neoliberal leaders – US president Ronald Reagan and UK prime minister Margaret Thatcher – being elected on the two sides of the Atlantic. The reforms of the 1980s provide another example of mutual

18 C. Schenk, 'Summer in the City: Banking Scandals of 1974 and the Development of International Banking Supervision', *English Historical Review* 129, no. 540 (2014): 1129–56; E. Mourlon-Druol, '"Trust Is Good, Control Is Better": The 1974 Herstatt Bank Crisis and Its Implications for International Regulatory Reform', *Business History* 57, no. 2 (2015): 311–34; Goodhart, *The Basel Committee on Banking Supervision*; A. Drach, 'A Globalization Laboratory: European Banking Regulation and Global Capitalism in the 1970s and Early 1980s', *European Review of History: Revue Européenne d'histoire* 26, no. 4 (2019): 658–78; Drach, *Liberté surveillée*.

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9:11AM



influences between European integration and globalisation.[19] Rawi Abdelal famously argued that, while the shift towards the liberalisation of capital movements had long been perceived as US-centred and US-driven, it had been European-inspired and French-engineered.[20] Jacques Delors (president of the European Commission), Michel Camdessus (director general of the IMF) and Henri Chavranski (president of the Committee on Capital Movements and Invisible Transactions of the Organisation for Economic Co-operation and Development (OECD)) were at the helm of those financial reforms. Abdelal highlights how these French politicians and civil servants, often linked to the French Socialist Party, first implemented the opening of the French economy to international financial markets and then worked to liberalise capital movements through the OECD, the IMF and the EEC.[21] While French policy-makers fully embraced the liberalisation of the 1980s, they aimed at creating new rules at the international and European levels to govern this liberalisation.

Key to these developments, so Abdelal argues, was the work done within the EEC. Liberalisation was not only accepted as a critical component of the European project, but was being devised in the most liberal sense. No distinction was made according to the origins and destination of capital movements: whether from outside or within the EEC, capital could move freely. The EEC thus established a model of 'open regionalism' – an expression that Peter Katzenstein coined, and that Abdelal uses with reference to the European setting – that critically influenced the course of global finance.

A final feature highlighted by Abdelal is the common ideological background of the French policy-makers involved in the effort to liberalise international and European capital movements. This elite was often left-wing, which is surprising given the policy options implemented in favour of capital. Several reasons contribute to explaining these choices. French policy-makers argued that, before liberalisation, capital controls were a failure: rules were constantly evaded by the rich at the expense of the working class and the poor. Unable to regulate this, they decided to liberalise everything. Another factor was that national public debt

19 A. Drach and Y. Cassis (eds.), *Financial Deregulation: A Historical Perspective* (Oxford, Oxford University Press, 2021).

20 R. Abdelal, *Capital Rules: The Construction of Global Finance* (Cambridge, MA, Harvard University Press, 2007).

21 R. Abdelal, 'Le consensus de Paris: La France et les règles de la finance mondiale', *Critique internationale* 28, no. 3 (2005): 87–115.

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was high, and liberalising capital markets would decrease the cost of servicing it.[22]

The story of the liberalisation of capital movements within the EEC is one of stop and go: early moves (1960–2) were followed by standstill until the mid 1980s, with occasional introduction of greater constraints in the 1970s and full liberalisation in the second half of the 1980s.[23] The Treaty of Rome originally set out four freedoms of movement: for goods, people, capital and services. But Article 67 on the free movement of capital was devised with some restrictions, in that it should happen only 'to the extent necessary for the proper functioning of the Common Market'. This restrictive phrasing was largely influenced by the view that capital movements could have destabilising effects. In the early 1960s, the European Commission pushed for greater liberalisation, which materialised in two directives (dated 11 May 1960 and 18 December 1962). Given the disagreements among EEC members, in particular with France being against and Germany in favour, no consensus was reached on a third directive as the European Commission envisaged. The efforts for liberalisation stalled afterwards, and indeed some greater restrictions were put in place in the 1970s. The French U-turn on the subject in the early 1980s allowed the formation of a new consensus in favour of removing restrictions. The free movement of capital was now seen as a useful constraint imposed on the national individual economic policies of EEC member states in the framework of the EMS. Further to this, and regardless of the time period, the free movement of capital was a prerequisite to the European Monetary Union (EMU): whether in 1970 or in 1989, restrictions on capital movements had to be lifted in order for the EMU to become a reality. The EEC Commission's White Paper of June 1985 gave a central position to the liberalisation of capital movements. The full liberalisation of capital flows was eventually adopted in June 1988.

The French and EEC role, while indeed central as Abdelal contends, should, however, be qualified. Alexis Drach argues that two elements must be borne in mind.[24] First, French policy-makers were not alone in pushing for the liberalisation of capital movements: so did British and German

22 O. Feiertag, 'Financial Deregulation in France: A French "Big Bang"? (1984–1990)', in Drach and Cassis (eds.), *Financial Deregulation*, pp. 121–54; L. Quennouëlle-Corre, 'Les réformes financières de 1982 à 1985: Un grand saut néolibéral?', *Vingtième Siècle. Revue d'histoire* 138, no. 2 (2018): 65–78.

23 A. F. P. Bakker, *The Liberalization of Capital Movements in Europe* (Dordrecht, Springer Netherlands, 1996); A. Drach, 'Removing Obstacles to Integration: The European Way to Deregulation', in Drach and Cassis (eds.), *Financial Deregulation*, pp. 76–100.

24 Drach, 'Removing Obstacles to Integration'.

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policy-makers, who, in addition to liberalisation, pushed for financial deregulation. The UK view was that liberalisation should not be accompanied with re-regulation at the European level; quite the contrary, London fought against any attempt at reinforcing the role and competences of the EEC. Secondly, the EEC's programme for liberalisation covered many policy areas other than capital movements, including, for instance, stock markets. In these other areas, French policymakers were far from being enthusiastic supporters of a systematic liberalisation. One further argument, at the heart of the investigation of this chapter, should be added to these two. The liberalisation of capital movements in the EEC was also part of an ambition to re-assert EEC sovereignty over European capital markets. As mentioned earlier, the development of euromarkets took place in Europe but offshore, outside any EEC jurisdiction. As Padoa-Schioppa noted in 1982, 'Instead of the development of an integrated European capital market, we have witnessed the remarkable growth of a parallel and unregulated world-wide financial market, the so-called Euromarket.'[25] The liberalisation of capital movements within the EEC aimed at contributing to the creation of a genuine EEC market under EEC jurisdiction.

### *The Single Market and the Single Currency as European Responses to Globalisation*

At its heart the single market was a re-enactment of the goals of the Treaty of Rome and its four freedoms.[26] The reason why this re-enactment was needed was that the authors of the Treaty of Rome had not anticipated the development of non-tariff barriers, such as consciously imposed administrative delays, that could limit these free movements. In so doing, the development of the European single market set out a new institutional and legal framework that considerably reinforced the regulatory power of the EEC. Far from being ideologically monolithic, as Laurent Warlouzet argues, the EEC pursued many different options in trying to regulate globalisation: at times socially oriented, at times neomercantilist, and at times market-oriented. The

25 Archives historiques de la Banque de France, 1489200205/222, T. Padoa-Schioppa, 'European Capital Markets between Liberalisation and Restrictions', Speech to the Second Symposium of European Banks, Milan, June 1982. See also Commission of the European Communities, Communication to the Council, Financial integration, COM (83) 207, 20 April 1983.

26 M. Egan, *Constructing a European Market: Standards, Regulation, and Governance* (Oxford, Oxford University Press, 2001).

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first option aimed to diminish social inequalities, the second focused on maximising industrial output and the third promoted free-market reforms [27]

With the movement of capital fully liberalised in the EEC, exchange rates had to be locked to ensure the survival of the single market. It was not just that currency fluctuations constituted a non-tariff barrier. It was more that incessant currency fluctuations, and in proportions that would render intra-marginal interventions within the EMS framework impossible, put the single market at risk. To the famous inconsistent trinity originally set out by Robert Mundell in the early 1960s, according to whom it was impossible to have at the same time fixed exchange rates, free capital movements and independent national monetary policies (one had to give), the vice-director of the Banca d'Italia and former head of Directorate General II Tommaso Padoa-Schioppa added free trade (the single market) and dubbed this the 'inconsistent quartet'.[28] This reasoning was at the heart of the renewed *élan* in discussing the possible creation of a European EMU in the second half of the 1980s.[29] As the next section will show, the creation of the EMU – and the deepening of European integration in general – further complexified the relationship between the EU and globalisation.

## One Mirage and Two Crises (1991–2015)

The end of the Cold War and the creation of the EU changed the dynamics of the relationship between European integration and globalisation. The end of the Cold War gave birth to a wave of hope for a better world, the governance of which would become truly multilateral, including former communist countries. For European integration, it opened the way for an eastern enlargement. The creation of the EU presented European policy-makers with some new tools, most importantly the European single currency. But the twenty-first century quickly made these hopes fade away and contrasted them with a range of new (or seemingly new) challenges. This section analyses the impact of these changes across five themes: the hopes of

27 For more details, see L. Warlouzet, *Governing Europe in a Globalizing World: Neoliberalism and Its Alternatives Following the 1973 Oil Crisis* (Abingdon, Routledge, 2018).

28 R. Mundell, 'Capital Mobility and Stabilization Policy under Fixed and Flexible Exchange Rates', *Canadian Journal of Economic and Political Science* 29, no. 4 (1963): 475–85; T. Padoa-Schioppa, 'Capital Mobility: Why Is the Treaty Not Implemented? [1982]', in T. Padoa-Schioppa, *The Road to Monetary Union in Europe: The Emperor, the King, and the Genies* (Oxford, Clarendon Press, 1994), pp. 26–43.

29 K. H. F. Dyson and K. Featherstone, *The Road to Maastricht: Negotiating Economic and Monetary Union* (Oxford, Oxford University Press, 1999); James, *Making the European Monetary Union*, especially Chapters 6 and 7.

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global governance, the first decade of the euro, the outbreak of the Global Financial Crisis (GFC) and the crisis of the euro area, the reform of the euro area and finally the challenges posed by the rise of China.

### *The End of the Cold War and the Dream of Global Governance*

The end of the Cold War engendered hopes about a new world order based on multilateralism. While the international system that emerged after the Second World War was in principle universal, it was only with the enlargement of the Bretton Woods institutions to the countries of the former Soviet bloc, and then to the WTO incorporating China, that it became truly so. Trade continued to expand, in particular in services, but without corresponding international rules. Emerging economies had increasing importance globally, and thus also for the EU, but this role was not reflected in international governance. The remit of the Uruguay Round (1986–94) thus became larger and included services, intellectual property and investment. The creation of the WTO in 1995 materialised the American–European efforts to strengthen the international system. Unlike the GATT, the WTO was a full-fledged international institution, with a binding dispute settlement mechanism. China first requested access to the GATT in 1986, and eventually joined the WTO in 2001. While China aimed at gaining export markets, the United States and EU aimed at inserting China into a rules-based international trade system.[30] The 1990s therefore progressively marked the end of a system that had hitherto been dominated by the United States and (west) European countries. This system had become challenged, both because geopolitics had changed and because the reality of world trade had considerably evolved. But once this new international architecture was set in place, coordination stalled, and the hopes for successful international collective action faded in the late 1990s.

### *The First Decade of the Euro*

With the benefit of hindsight, the first decade of the euro emerges as a stereotypical moment of quietness before the storm. Against the scepticism that surrounded its creation, in particular among US economists, the first decade of the euro proved better than expected. This was so on at least two counts. First, the transition to the single currency was smooth. This was no small feat, since it was a monumental logistical task. Secondly, in terms of

30 For an examination of China's WTO membership, see P. C. Mavroidis and A. Sapir, *China and the WTO: Why Multilateralism Still Matters* (Princeton, NJ, Princeton University Press, 2021).

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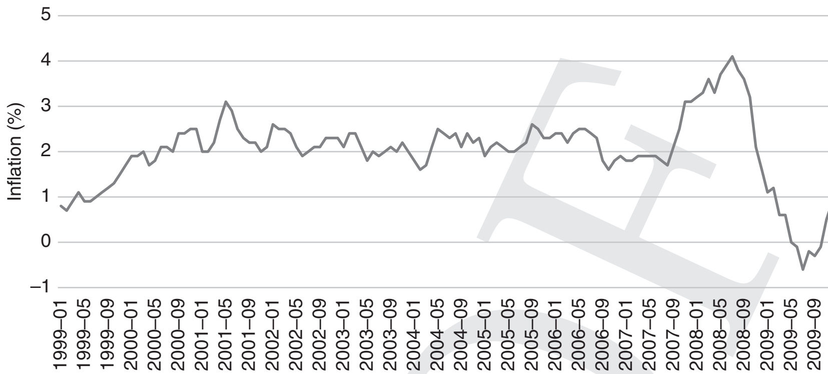


Figure 4.3 Euro area inflation, 1999–2009. Source: ECB.

various basic economic metrics, the first decade of the euro was far from the disaster predicted: the European Central Bank (ECB) mandate of price stability was broadly respected, with inflation remaining around 2 per cent except in 1999–2000 and 2008–9 (Figure 4.3); yearly growth rose to about 4 per cent in 2001, then fell to about 1 per cent in 2002–3 and rose again slightly until the GFC (Figure 4.4); unemployment decreased until 2001, then rose slightly until 2004 and decreased again until the GFC (Figure 4.5). Reflecting on the first 10 years of the euro, the European Commission concluded in 2008 that it was 'a resounding success. Ten years into its existence, it has ensured macroeconomic stability, spurred the economic integration of Europe – not least through its successive enlargements –, increased its resilience to adverse shocks, and become a regional and global pole of stability. Now more than ever, the single currency and the policy framework that underpins it are proving to be a major asset.'[31] The European Commission's positive assessment was not without substance, but the EMU's structural weaknesses identified at Maastricht were still there, and they were only partly and poorly addressed in the rest of the 1990s with the creation of the Stability and Growth Pact (SGP).[32] But 10 years after the introduction of the single

31 European Commission, Directorate General for Economic and Financial Affairs, *EMU@10: Successes and Challenges after Ten Years of Economic and Monetary Union* (Luxembourg, Publications Office of the European Union, 2008).

32 The nature of the SGP is highly political, see M. Segers and F. Van Esch, 'Behind the Veil of Budgetary Discipline: The Political Logic of the Budgetary Rules in EMU and the SGP', *JCMS: Journal of Common Market Studies* 45, no. 5 (2007): 1089–109; M. Heipertz and A. Verdun, *Ruling Europe: The Politics of the Stability and Growth Pact* (Cambridge and New York, Cambridge University Press, 2010).

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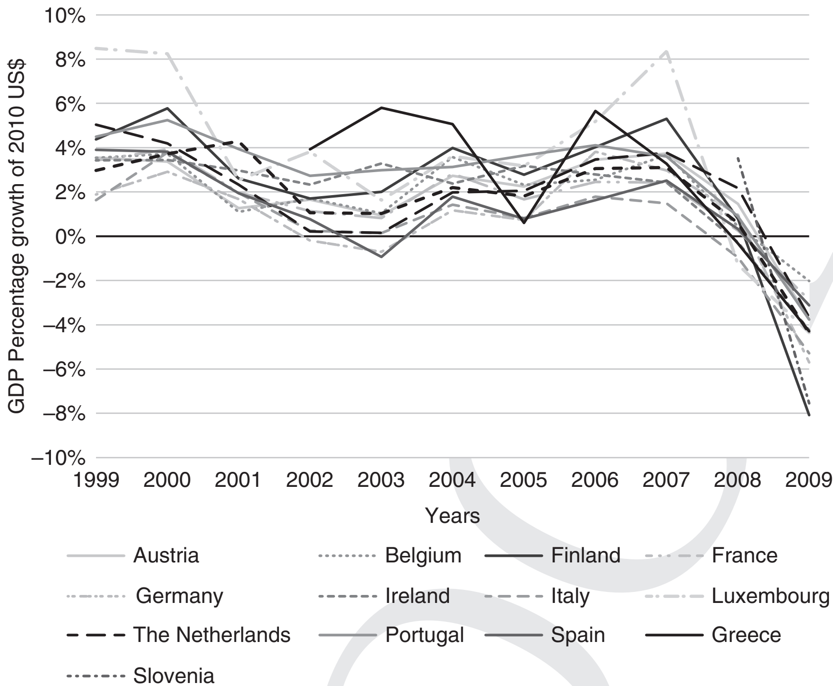


Figure 4.4 Euro area GDP growth. Source: World Bank, World Development Indicators – GDP (constant 2010 US$).

currency, many of the disadvantages put forward by economists and political scientists warning against the introduction of the euro had simply failed to materialise.[33] In assessing the first 10 years of the euro, Henrik Enderlein and Amy Verdun concluded that 'almost all of the highly pessimistic views on the creation of EMU have proven to be wrong'.[34] They do, however, strike a note of caution, observing that the 'EMU's success is rather puzzling, since it is based on a peculiar mixture of outcomes that no one predicted, and which was not thought to lead

33 A comprehensive review can be found in A. Verdun, 'Ten Years EMU: An Assessment of Ten Critical Claims', *International Journal of Economics and Business Research* 2, no. 1–2 (2010): 144–63, 144.

34 H. Enderlein and A. Verdun, 'EMU's Teenage Challenge: What Have We Learned and Can We Predict from Political Science?', *Journal of European Public Policy* 16, no. 4 (2009): 490–507, 491.

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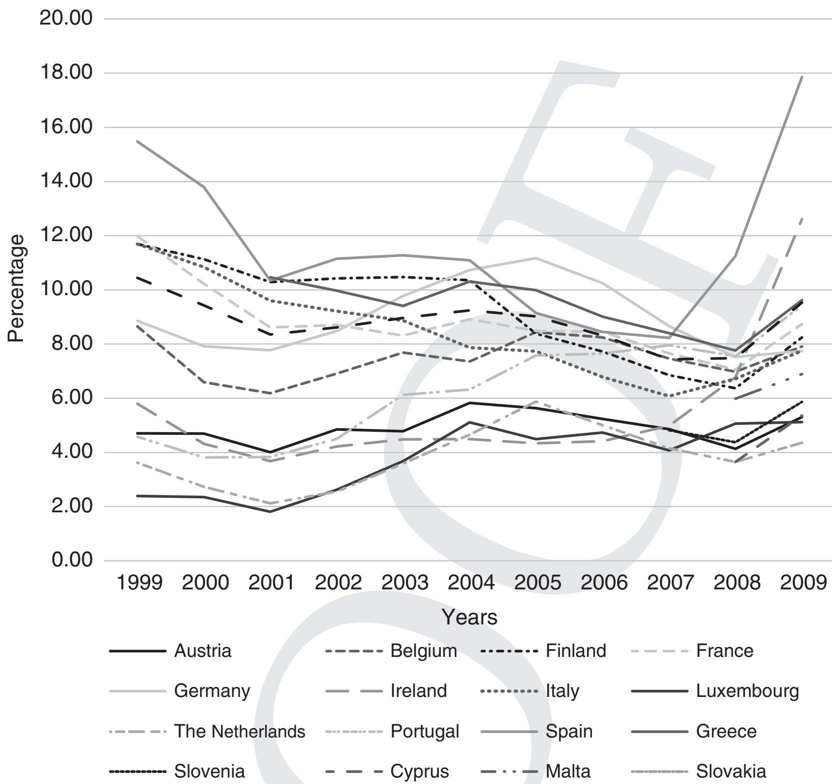


Figure 4.5 Euro area unemployment 1999–2009 (as percentage of total labour force, national estimate). Source: World Bank.

to success.'[35] Writing in 2009, they duly highlight that the main challenge will be how the euro area will fare through the GFC.

### *A Transatlantic Financial Crisis?*

Since 2007, the GFC and the crisis of the euro area have challenged the foundations of both globalisation and European integration. Both crises had well-known immediate triggers. The bankruptcy of Lehman Brothers on 15 September 2008 signalled the former. Greek prime minister George Papandreou's disclosure in October 2009 that Greece's budget deficit would be nearly twice the original estimate heralds the latter. Their

35 Enderlein and Verdun, 'EMU's Teenage Challenge', 491.



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interconnection is also traditionally well known. Borrowing costs rose as a consequence of the GFC, and Greece then became unable to service its debt, which in turn triggered a wider crisis of public debt in the EU. There would appear to be some sort of domino effect in this narrative, which is comforting but not wholly accurate.[36]

The 2008 crisis is often depicted as being of US origin. It originated from the 2007 subprime mortgage crisis and the practice of securitisation. A subprime mortgage is a loan offered to a borrower with a low credit rating and hence at a higher cost. Securitisation is the pooling of different types of debts, including subprime mortgages, then called mortgage-backed securities. Rating agencies kept rating these securities highly in spite of the poor quality of these financial assets, which in turn blinded investors about the risks incurred. A decline in home prices led to a devaluation of mortgage-backed securities, which spurred a classic domino effect on the entire economy: mortgage delinquency and foreclosure, bank losses, bank failures, a liquidity crunch and increasing unemployment. The crisis erupted in the United States, and only after some time had elapsed was the crisis 'imported' to the European side of the Atlantic. Once it had reached Europe, the crisis took the form of the European debt crisis, which in turn gave birth to the so-called eurozone crisis.

Or did it? Adam Tooze calls for a geographical change of focus and argues that the 2008–9 crisis, instead of being purely American-led in origin, was transatlantic in the making.[37] Tooze documents how European banks were part and parcel of the US financial landscape. While European policymakers were prompt to criticise American mistakes in the run-up to the crisis, in reality European banks actively participated in the construction of that system and were implicated in the securitisation system.

### *The Crisis and Reform of the Euro Area under International Pressure*

Whether the trigger was extra-European or not, the crisis of the euro area had distinctively European features and exposed a number of issues that European policy-makers had failed to solve ever since the very first debates

36 There is insufficient space here to recount in detail the chronology of these crises. For more details, see A. Tooze, *Crashed: How a Decade of Financial Crises Changed the World* (London, Allen Lane, 2018), 42–71; The Federal Reserve Bank of St Louis provides a useful timeline of events: Federal Reserve Bank of St. Louis, 'Federal Reserve Bank of St. Louis' Financial Crisis Timeline', 1 April 2021, https://fraser.stlouisfed.org/timeline/financial-crisis#11. Charles H. Ferguson's documentary *Inside Job*, which won an Oscar in 2011, also remarkably documents the crisis, including the pre-2001 period of regulation/deregulation and the formation of the bubble between 2001 and 2007.

37 Tooze, *Crashed*, pp. 72–90.

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about the making of an EMU.[38] Even before the crisis broke out in the euro area, it was well known that the Eurozone did not have a common framework to deal with the case of a member state being unable to service its sovereign debt; that the redistributive dimension of its common budget was not large enough and would not allow a member state hit by an external economic shock to recover financially; that there was no common supervisory and regulatory framework in the euro area to deal with the actions, difficulties and/or outright failure of a bank; and, finally, that the political setting in which decisions about the single currency were taken was unsatisfactory.

While it is surely difficult to disentangle euro area reforms that have an endogenous origin from those that have an exogenous origin, the GFC had a clear impact on European integration. The creation of the banking union was spurred by the need to break the vicious circle between debt and sovereigns that the GFC laid bare. The so-called Troika, composed of the European Commission, the ECB and the IMF was a stereotypical example of the intertwining of globalisation and European integration. The Troika was the group of institutions that negotiated the bailouts of several euro area countries (Cyprus, Greece, Ireland, Portugal and Spain) from 2010 onwards. In exchange for bailouts, the Troika required the implementation of several economic reforms, or adjustment programmes, composed of austerity measures aimed at cutting these countries' government expenditures. The IMF's involvement was not a given. Originally, European institutions wished to keep the resolution of these crises to EU institutions as this was an EU matter. But they progressively came to realise that the intervention of the IMF as an outsider which had much experience in dealing with such crises, and was considered to be neutral, would be useful.

Further to the IMF's involvement, the euro crisis posed another challenge to European integration in that it led to the creation of institutions to deal with the crisis that were outside the regular EU treaty framework, in a separate treaty: the European Financial Stability Facility, the European Financial Stability Mechanism and later the European Stability Mechanism (ESM).[39] In contrast, the European Banking Union was created within the

38 A timeline of the crisis is available at Bruegel, 'Euro Crisis Timeline', *Bruegel Blog* (blog), 16 September 2015, www.bruegel.org/blog-post/euro-crisis; M. Sandbu, *Europe's Orphan: The Future of the Euro and the Politics of Debt* (Princeton, NJ, Princeton University Press, 2015); E. Mourlon-Druol, 'Don't Blame the Euro: Historical Reflections on the Roots of the Eurozone Crisis', *West European Politics* 37, no. 6 (2014): 1282–96.

39 R. Christie (ed.), *Safeguarding the Euro in Times of Crisis: The Inside Story of the ESM* (Luxembourg, Publications Office of the European Union, 2019).

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regular EU treaty framework.[40] The reform of the euro area remains a work in progress, the outcome of which could tend to reinforce or weaken the EU's 'strategic autonomy'.

### *The Rise of China*

As Tooze reminds us, what was expected to be the real international economic issue of the 2010s was not US subprime mortgages and the travails of the euro area, but rather US–Chinese economic imbalances.[41] As the world's large deficit economy, the United States was vulnerable to a loss of confidence from investors, which could lead to a depreciation of the dollar and a hike in interest rates. But as an ever-larger surplus economy that accumulated currency reserves and invested them in US government debt, China was less vulnerable but could also be hit by the imbalances of the world economy. Niall Ferguson and Moritz Schularick called this symbiotic relationship between the United States and China 'Chimerica'.[42] A crisis resulting from these imbalances was not what really happened, but the concern about this issue revealed the further politicisation of international economic and financial relations that is also at play in EU–China relations.

China has long been on the radar of the EEC and its member states.[43] Just as Nixon visited Beijing in 1972 – which is widely seen as the start of the normalisation of US–China relations – EEC member states had already recognised and developed relations with the People's Republic of China (PRC). And only 2 years later, in 1974, the EEC, as such, signed its first trade agreement with the PRC, whereas the United States did so only in 1979.

After this early development of economic and political relations, the rise of China to world-leading status since the 1990s posed at least three different types of challenges to the EU.[44] First, the different bilateral relationships that

40 P. G. Teixeira, *The Legal History of the European Banking Union* (London, Hart Publishing, 2020). For the most recent analyses, see F. Amtenbrink and C. Herrmann, (eds.), *The EU Law of Economic and Monetary Union* (Oxford, Oxford University Press, 2020).

41 Tooze, *Crashed*, pp. 25–41.

42 N. Ferguson and M. Schularick, '"Chimerica" and the Global Asset Market Boom', *International Finance* 10, no. 3 (2007): 215–39; O. A. Westad, *Restless Empire: China and the World since 1750* (London, Bodley Head, 2012), 365–404.

43 A. Romano and V. Zanier, 'Circumventing the Cold War: The Parallel Diplomacy of Economic and Cultural Exchanges between Western Europe and Socialist China in the 1950s and 1960s: An Introduction', *Modern Asian Studies* 51, no. 1 (2017): 1–16; M.-J. Chenard, 'The European Community's Opening to the People's Republic of China, 1969–1979: Internal Decision-Making on External Relations' (PhD thesis, London School of Economics and Political Science, 2012).

44 J. Pisani-Ferry, G. B. Wolff, J. Shapiro, E. Ribakova and M. Leonard, 'Redefining Europe's Economic Sovereignty', Bruegel Policy Contribution (2019), www.bruegel.org/policy-brief/redefining-europes-economic-sovereignty.

China develops with individual EU member states risks compromising the EU's ability to reach a single cohesive position. This was apparent with the Belt and Road initiative, whereby China seeks to improve transportation infrastructures leading from China to Europe in order to support trade. Some European countries are liable to benefit from this policy, and its associated investments, more than others. This was also the case of Chinese foreign direct investment in Europe.[45] Secondly, China's interests in economic, military and security affairs are blurred. This poses a challenge for the EU in that economic matters become closely intertwined with political issues. For instance, competition in the field of new technologies takes on a strategic dimension which it would not necessarily have with other countries in the world. The third challenge is common to other countries – such as the United States under the Trump administration between 2016 and 2020 – and concerns deviation from multilateral standards. This challenge comes from the fact that, with its growing financial and economic importance, China does not necessarily want to follow the rules that the United States and European nations established after the end of the Second World War. For all three of these reasons, the rise of China since the 1990s has added a layer of complexity to the EU's place and role in globalisation.

## The Challenges of 'Strategic Autonomy' since 2016

Just as the crisis of the euro area seemed to depart from its most acute phase, other longstanding or new challenges at the heart of the global–European nexus came into the open. This concluding section briefly looks at five of these challenges: the possible global consequences of the EU's internal challenges of Brexit and the rise of illiberal democracies, the question of the internationalisation of the euro, climate change, the regulation of the digital and the recent Covid-19 crisis.

### *The EU's Internal Challenges and Globalisation*

The UK's decision to leave the EU following the result of the referendum held on 23 June 2016 was made in reaction not just to European integration problems, but also to more broadly globalisation-related challenges. In that sense, Brexit illustrates the constant interplay between domestic politics, European integration and globalisation. The relationship between the UK

45 S. Meunier, 'Divide and Conquer? China and the Cacophony of Foreign Investment Rules in the EU', *Journal of European Public Policy* 21, no. 7 (2014): 996–1016.

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and the EEC/EU is the subject of a large historiography that cannot be reviewed here. One issue of the UK–EEC/EU relationship has always been the claim that the UK viewed its role in the world differently. The UK political elite used the EU as a convenient scapegoat to blame for the economic distress of its population during elections – as indeed did many other political elites in the rest of the EU. The UK's departure from the EU has, however, overall not yet resulted in a weakening of the EU, but this will have to be judged over the longer term. In political terms, the EU member states displayed considerable unity during all stages of the Brexit negotiations, in spite of the repeated attempts by the UK to divide their united front.

The development and consolidation of what has been called 'illiberal democracies' has persisted throughout the 2010s. Kelemen has powerfully argued that, while many commentators and scholars criticise the EU's 'democratic deficit', they probably do not think about the one it really has.[46] It is true that democratisation of EU institutions, not least in the framework of the EMU, is needed. But, more worryingly, the EU as such, and the EU member states, have allowed dangerous backsliding away from democracy by several of the EU member states, especially Hungary since the election of Viktor Orbán in 2010 and Poland since the victory in the 2015 parliamentary elections of the ultra-conservative party PiS. These developments make it more difficult for the EU to claim to be promoting democracy and good governance abroad when domestically some of its members do not respect such rules.

### *The Internationalisation of the Euro*

The possible greater internationalisation of the European single currency, which has been a longstanding issue in international economics, raises important questions for the euro area and the EU.[47] While the euro is already the second-most-traded currency internationally, the international monetary system remains largely dollar-based. Dollar dominance can be used by US administrations as a tool against the interests of any other country or group of

46 R. D. Kelemen, 'Europe's Other Democratic Deficit: National Authoritarianism in Europe's Democratic Union', *Government and Opposition* 52, no. 2 (2017): 211–38.

47 E. Mourlon-Druol, 'The International Use of the Euro: What Can We Learn from Past Examples of Currency Internationalisation?', *Bruegel Blog* (blog), 15 October 2018, www.bruegel.org/blog-post/international-use-euro-what-can-we-learn-past-examples-currency-internationalisation; F. Papadia and K. Efstathiou, 'The Euro as an International Currency', Bruegel Policy Contribution (2018), www.bruegel.org/policy-brief/euro-international-currency; B. Eichengreen, 'International Currencies in the Lens of History', in Battilossi et al. (eds.), *Handbook of the History of Money and Currency*, pp. 1–25.

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countries in the world, including the EU. This possible challenge became most apparent under Donald Trump's presidency, when US sanctions threatened European companies doing business in Iran.[48] Only a few weeks later in September 2018, the president of the European Commission, Jean-Claude Juncker, called for a strengthening of the international role of the euro, without, however, making any explicit connection between this call and the US sanctions. Juncker declared in particular that 'The euro must become the face and the instrument of a new, more sovereign Europe.'[49] The main benefit of a greater international use of the euro would be to increase the euro area's financial autonomy.[50] The extraterritorial reach of US rule is effective because the dollar is widely used in international transactions, hence the idea of reducing use of the dollar by replacing it with a greater use of the euro. Such a rebalancing exercise would also be welcome by other countries in the world, such as China, as it would mean reducing US dominance of international currency relations.

### *Climate Change*

Fighting against climate change poses the most immediate and pressing challenge to globalisation. As it is a collective challenge, it also raises specific issues for European integration in a globalised world. Early attempts to create an internationally binding framework largely failed, first at Kyoto in 1997 and then in Copenhagen in 2009. With the worsening of the analysis of the scale of climate change, and a new popular *élan* to promote change after the early attempts to create an internationally binding framework (Kyoto 1997 and Copenhagen 2009), the agreement reached in Paris in 2015 was surrounded by much greater hopes. However, the election of Trump and the withdrawal of the United States from the agreement during his mandate severely limited the effectiveness of the deal.

Climate actions have foreign policy implications: dropping fossil-fuel consumption leads to major changes in relationships with suppliers, which in turn can destabilise their economies. As in other policy areas, climate change leads the EU to consider what unified policy it follows, and in what international framework relevant issues can be discussed and agreed upon.

48 M. Peel, 'US Warns European Companies Not to Defy Iran Sanctions', *Financial Times*, 7 September 2018, www.ft.com/content/f6edbfc8-b1ec-11e8-8d14-6f049d06439c.

49 J.-C. Juncker, 'State of the Union 2018. The Hour of European Sovereignty', 12 September 2018, https://ec.europa.eu/info/priorities/state-union-speeches/state-union-2018_en.

50 Papadia and Efstathiou, 'The Euro as an International Currency'.

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In 2019, the European Commission presented the European Green Deal, which aims to make the EU climate neutral by 2050.[51] Many international economic and geopolitical challenges are implied by the EU green deal, further compounded by Russia's war against Ukraine.[52] The EU's decision to move to carbon neutrality by 2050 implies first a drop of its oil and natural gas imports and secondly a reflection on the logic of European decisions: many European products are manufactured in China, and European policy-makers will need to take this into account. Climate change, a global challenge par excellence, therefore calls for decisive actions by the EU.

### *Regulating the Digital*

Another area where globalisation and European integration have interacted most recently is in the governance of the digital.[53] The digital includes a variety of issues, ranging from social network regulation to 5G and cloud computing. All these issues provide several challenges to polities: they are subject to rapid change, their use and mastery in the population is unequal, they may not recognise the state's borders and they can at the same time be used – by other states or by non-state organisations – to attack a state. Such attacks can be multifaceted and range from the spread of disinformation to outright attacks on digital infrastructure. In short, the digital is not only about economics, but concerns a broader set of issues that affect European integration and globalisation in their broadest senses.

Global and without borders by definition, the Internet challenges traditional models of regulation. For the EU, the Internet has created a new dimension to the single market: the digital single market. Just as non-tariff barriers had not been envisaged by the authors of the Treaty of Rome, so too the possible digital obstacles to the free movements of goods, people and services that the EU now has to work on removing had not been foreseen.

51 European Commission, 'A European Green Deal' (2021), https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en.

52 M. Leonard, J. Pisani-Ferry, J. Shapiro, S. Tagliapietra and G. Wolff, 'The Geopolitics of the European Green Deal', Bruegel Policy Contribution (2021),www.bruegel.org/sites/default/files/wp_attachments/PC-04-GrenDeal-2021-1.pdf.

53 C. Hobbs (ed.), *Europe's Digital Sovereignty: From Rulemaker to Superpower in the Age of US–China Rivalry*, European Council on Foreign Relations (2020), https://ecfr.eu/publication/europe_digital_sovereignty_rulemaker_superpower_age_us_china_rivalry; Bradford, *The Brussels Effect*, pp. 131–69. Given how fast moving this field is, it is best to refer to the ongoing reflections of think tanks' webpages dedicated to the topic, for instance Bruegel's Digital Economy and Innovation, www.bruegel.org/topic/digital-economy-and-innovation, or the Centre for European Policy Studies Digital Forum, www.ceps.eu/ceps-digital-forum, in addition to the EU website for up-to-date information on legislative initiatives.

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The global landscape is now well known: the United States has a dominant position on all things digital, and China is seen as both an economic and a political competitor on the world's stage. For the EU, this global situation poses two challenges: one of innovation (how to develop homegrown future technologies, in particular in the field of artificial intelligence) and one of regulation (how to make the EU's voice heard in a discussion dominated by the two heavyweights). Digital innovation is associated with Silicon Valley, but digital regulation is increasingly associated with the EU. The General Data Protection Regulation implemented in the EU since 2018 increasingly sets an international standard in the field. In digital affairs, the EU has thus, again, an important role to play.

### *Covid-19*

Finally, the Covid-19 pandemic offers a further illustration of the mutual interaction between European integration and globalisation. Just like climate change and digital issues, the Covid-19 pandemic is global par excellence. But here the Covid-19 pandemic spurred a radical internal change in the attitude of EU member states. For the first time, they agreed on the fact that the EU, as such, could borrow large sums of money on the international markets in its own name in order to redistribute them among its members so as to support the European economy. Borrowing by the EU was not something new per se. As mentioned earlier, the EEC borrowed on international capital markets in the 1970s to fund momentary balance of payments deficits due to the oil-price shock.[54] But this scheme – the Community Loan Mechanism – was meant only for balance-of-payments difficulties, not for large investments. Under NextGenerationEU, the European Council agreed in July 2020 that the EU would borrow €750 billion to set up the EU Recovery Fund. While the eventual impact of this investment remains to be seen, the move is unprecedented, and highlights once more the continued interaction between global events and European integration.

## Conclusions

While the phrase 'strategic autonomy' has gained wide currency in the EU since the late 2010s, this chapter showed that the EEC/EU's quest for its independence from other powers in some key policy areas directly affected

54 S. Horn, J. Meyer and C. Trebesch, 'European Community Bonds since the Oil Crisis: Lessons for Today?', Kiel Policy Briefs (2020), www.ifw-kiel.de/publications/kiel-policy-brief/2020/european-community-bonds-since-the-oil-crisis-lessons-for-today-14037.

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by globalisation – including trade, international banking regulation, international capital markets and climate change – has a long history. True, it is difficult to compare the magnitude of the stakes in the 2020s and what they were the 1970s. But the key question remains the same: how can European nation-states organise themselves to preserve more efficiently through a collective regional effort what they perceive as their common interests against potentially disruptive global events?

The EEC/EU's answers to this question have varied across time. Sometimes the EEC/EU was simply unable to provide a coordinated and coherent answer to well-identified challenges, such as the troubles of the international monetary system in the 1960s and the rise of the euromarkets. On other occasions, the EEC/EU managed to put forward a response – whether one judges this response adequate or not retrospectively is another matter – such as in the 1980s with the liberalisation of capital movements, the creation of the European single market and the introduction of the euro. And more often than not the EEC/EU responses were incomplete, such as indeed in these three cases, and in most of the cases outlined in the last section of this chapter. This is certainly frustrating. But this is also to a large extent unavoidable, since the EU remains, except in its domains of exclusive competence, bound to implement what EU members states agree to do. The economic response to the Covid-19 pandemic offers one such example. While the EU Recovery Fund is certainly a historical step due to the size of the fund, it can still be criticised for being too modest and too slow in its implementation, and in any case falls short of instituting any genuine fiscal union that the euro area would need. But this is due to the EU member states' opposition to such an outcome, rather than to an intrinsic inability of the EU to devise one.

The efficiency of the EEC/EU responses to those challenges is a more difficult question to tackle. While there is little doubt that a coordinated action of European nation states will have more weight on the international stage than individual actions, the definition of the collective EEC/EU position is subject to debate and scrutiny. Further democratising the EU remains therefore one of the key challenges to overcome in order to make the EU's responses – whether 'domestic' or global – more effective.[55]

55 A. Vauchez, *Democratizing Europe* (Basingstoke: Palgrave Macmillan, 2015).



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## Recommended Reading

Drach, A. and Y. Cassis (eds.). *Financial Deregulation: A Historical Perspective* (Oxford, Oxford University Press, 2021).

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Mourlon-Druol, E. and F. Romero. *International Summitry and Global Governance: The Rise of the G7 and the European Council, 1974–1991* (London, Routledge, 2014).

Schenk, C. R. *International Economic Relations since 1945* (Abingdon, Routledge, 2021).

Tooze, A. *Crashed: How a Decade of Financial Crises Changed the World* (London, Allen Lane, 2018).

Warlouzet, L. *Governing Europe in a Globalizing World: Neoliberalism and Its Alternatives Following the 1973 Oil Crisis* (Abingdon, Routledge, 2018).

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