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Europe and the management of globalization

Wade Jacoby and Sophie Meunier

ABSTRACT European policy-makers often speak of their efforts to ‘manage globalization’. We argue that the advocacy of managed globalization is more than a rhetorical device and indeed has been a primary driver of major European Union (EU) policies over the past 25 years. We sketch the outlines of the concept of managed globalization, raise broad questions about its extent, and describe five major mechanisms through which it has been pursued: (1) expanding policy scope; (2) exercising regulatory influence; (3) empowering international institutions; (4) enlarging the territorial sphere of EU influence; and (5) redistributing the costs of globalization. These mechanisms are neither entirely novel, nor are they necessarily effective, but they provide the contours of an approach to globalization that is neither ad hoc deregulation nor old-style economic protectionism.

KEY WORDS Globalization; international organizations; managed globalization; regulation.

INTRODUCTION

Globalization – defined here as the increased flows of goods, services, capital, people, and information across borders – has been the source of many worries in Europe over the past decade, way before the global financial meltdown that began in 2008. In many European countries, globalization is perceived more as a threat than an opportunity. Some see a narrow threat to their jobs, others to their broader social welfare, and yet others to their entire way of life. At the same time, globalization promises opportunities, especially to those who can serve new markets or existing markets with cheaper inputs. This blend of threat and opportunity – combined with a sense that globalization may simply be too powerful to be resisted outright – has led many European policy-makers to speak of what we term ‘globalization with adjectives’. Typically, the adjective injects a note of caution that suggests the embrace of globalization is a conditional one – whether globalization is to be ‘humanized’, ‘tamed’, ‘harnessed’, or ‘managed’.

In this introduction, we adopt the term ‘managed globalization’ as a short cut for all attempts to make globalization more palatable to citizens. We define managed globalization as the attempt by public or private actors to ensure that the liberalization of rules about international flows of goods and services, capital, and labor goes hand in hand with formal practices to bind market

players and their governments. This collection traces a set of debates that culminated in the concept of managed globalization – debates that go back to the early 1980s and the policies to reform European economies in light of widespread discontent in the 1970s (Jacoby and Meunier 2009). This period saw the first sustained efforts to use common European tools to manage not just regional economic integration but rather to help set the rules for global exchanges.

The phrase ‘managed globalization’ emerged only after a long gestation and experimentation with a basket of mechanisms discussed below. As Rawi Abdelal and Sophie Meunier recall in their contribution, the concept was originally launched into the broader public debate by Frenchman Pascal Lamy in 1999 when he was European Trade Commissioner and has been perpetuated during his tenure as head of the World Trade Organization (WTO) (Lamy 2004). The term was used somewhat less under Lamy’s immediate successor Peter Mandelson, but this idea has mainly been strengthened by the ongoing economic crisis. Broadly, the widespread perception that the crisis involves a failure of regulation is likely to increase the legitimacy of the concept in the eyes of many European voters and already in the eyes of many analysts (Cohen-Tanugi 2009; Cooper *et al.* 2007; Sapir 2007). For example, highly visible European figures like Mario Monti have recently spoken of the dangers of ‘ungoverned globalization’ (Monti 2009).

That said, this introduction tries to separate rhetoric from reality. What did this idea of ‘managed globalization’ do for Europe? Was it only political rhetoric for domestic political consumption, or instead was it a source of real policies with an international impact? Have demands for the management of globalization been met by the EU? What kinds of management strategies have European leaders supplied? How well are those strategies working? We argue that the will to manage globalization has been a primary driver of major European Union (EU) policies over the past 25 years. This introduction sketches the outlines of the concept of managed globalization, raises broad questions about its extent, and describes five major mechanisms through which it has been pursued. The rest of this special issue fleshes out these five mechanisms and supplies concrete examples of managed globalization in action (and, sometimes, inaction).

MANAGED GLOBALIZATION: RHETORIC OR POLICY?

Just because politicians talk about managed globalization does not mean they actually try to implement it. Is the talk just empty rhetoric, designed to appease a public worried about globalization, or is it also a real driver of policies? Hay (2007) suggests that European publics have so internalized the necessities of deregulation that they have come to ‘hate politics’, which is unable to offer them any defense. At minimum, managed globalization is a rhetorical effort to suggest there is something European leaders can do. We and our contributors ask: Is it also something more? Does it lead to policy innovation?

One possibility is that globalization with adjectives is purely rhetorical. ‘Managing’ means altering the existing course of things and reorganizing them

for a purpose. Political leaders often imply that citizens are safer in their hands than they would otherwise be because they are ‘managing’ globalization, instead of merely letting it happen. It shows the voters that politicians are firmly in control, that they still have a margin of maneuver, that they have not abdicated policy-making in the face of external forces. French politicians, in particular, have a well-deserved reputation for promising voters relief from the direct onslaught of market forces. ‘Managing globalization’ means tinkering with free-market outcomes, which in France accords with *dirigiste* habits of centrally managing the economy (Abdelal and Meunier 2010).

If globalization with adjectives is merely a rhetorical trope, however, it is certainly a widespread one. Lamy is far from alone in having promised to manage globalization. Other prominent EU officials have talked of managing globalization, including Romano Prodi, former Commission President,¹ and John Bruton, former EU Ambassador to the United States.² Nor is this a purely EU discourse. Building on the debate about ‘fair trade’ that went back to the 1980s, an International Labor Organization report spoke of ‘fair globalization’ as early as 1994, and the WTO often refers to the need to ‘harness globalization’.³

National politicians have their own variants of globalization with adjectives. While still Chancellor of the Exchequer, Gordon Brown argued that ‘some critics say the issue is whether we should have globalization or not. In fact, the issue is whether we manage globalization well or badly, fairly or unfairly’.⁴ German Chancellor Angela Merkel speaks often of ‘shaping globalization’ (*Globalisierung gestalten*),⁵ as does External Relations Commissioner Benita Ferrero-Waldner.⁶ While few Spanish commentators speak of *globalización gestionada*, Conservative politician Ana Pastor promises *globalización económica responsable*,⁷ and Javier Moreno, Socialist MEP and Secretary-General of the Partido Socialista Obrero Español (PSOE) Europe, has spoken up for ‘social globalization’.⁸

All of this says nothing about the content, if any, of managed globalization or the other variants. Perhaps this family of concepts is merely the European answer to ubiquitous American tropes like the ‘electronic herd’ and ‘golden strait-jacket’ of a world that is ‘flat’ (Friedman 2000, 2007). To many Europeans, the notion of a ‘flat’ world is threatening. Our central argument, however, is that the advocacy of managed globalization is not purely a rhetorical device but is instead often accompanied by policy substance.

Our overarching finding is that there is a real effort afoot in Europe to manage globalization. How well these policies work, on the other hand, is quite a mixed story. Individual contributions develop specific arguments on the basis of empirical investigations drawn from areas such as rules for capital flows, the environment, trade dislocation policies, and enlargement. That said, our contributors also acknowledge many European failures to manage globalization in other ways, including the largely unsatisfying course of the Lisbon Process designed explicitly to help European economies face globalization. Perhaps nowhere are European difficulties in managing globalization so striking as in the context of the financial crisis, where EU actors have been relatively slow off the mark.

Elliott Posner and Nicolas Véron (2010) show that there are areas of regulation for which intensive regulatory harmonization did not amount to an effort to manage globalization. Indeed, EU policy-makers largely followed American and British approaches in their attempts to forge an integrated regional financial system. In between come mixed results, above all in the area of trade.

We focus here explicitly on the EU, which has been portrayed as actually or potentially playing a crucial role in managing globalization. This introduction is open towards a variety of theoretical perspectives and substantive insights into how the EU 'really works'. Thus, rather than favoring a particular model of EU decision-making, we treat the EU as something of a 'black box' insofar as the pressures and processes that result in particular decisions are a matter for each author to treat as a consequence of his or her own analytical choices. This means that individual contributions emphasize the source of novel policies in several ways: through intergovernmental bargaining in the Council of Ministers (Jabko 2010; Posner and Véron 2010), through corporate and/or civil society actors (Jacoby 2010; Kelemen 2010), through public opinion (Burgoon 2010), and through Commission entrepreneurialism (Abdelal and Meunier 2010; Fioretos 2010; Sbragia 2010) as the ultimate source of policy demand.

There is no doubt that many Europeans expect the EU to do something about globalization. According to a 2007 *Financial Times*/Harris poll, the majority of Europeans surveyed in Britain, France, Italy, and Spain believe that globalization is having a negative effect on their countries. The largest supporters of globalization (36 per cent) were found in Germany, then the world's leading exporter.⁹ To the question 'Should the European Union do more to protect people from the adverse effects of globalization?', a vast majority support an activist, protective EU: 94 per cent in Spain, 93 per cent in Italy, 89 per cent in France and in Germany, and 64 per cent in Great Britain. In addition, as Brian Burgoon's contribution points out, EU-27 citizens surveyed tend to trust the EU more than their own nation states, non-government organizations (NGOs), international institutions, or any other actors named in the survey to 'get the effects of globalization under control' (Eurobarometer 2004).

We argue that the EU has attempted to implement policies designed to manage globalization by using five main mechanisms: expanding policy scope, exercising regulatory influence, empowering international institutions, enlarging the territorial sphere of EU influence, and redistributing the costs of globalization. Rather than more specific policies, we focus on these broader functional mechanisms that represent fundamental ways of coping with major strategic problems. These mechanisms are neither entirely novel, nor are they necessarily effective; but they provide the contours of an approach to globalization that is neither ad hoc deregulation, nor old-style economic protectionism.

BETWEEN PROTECTIONISM AND AD HOC GLOBALIZATION

In simplest terms, we see managed globalization as an orientation to economic liberalization that may be located on a continuum between two other

approaches to globalization. The first is old-fashioned protectionism, in which actors seek to limit competitive pressures by excluding products and services from their markets. Advocates of managed globalization generally see such measures as either politically illegitimate or economically unwise. This does not, of course, mean that protectionist policies do not retain ample support in Europe (and elsewhere), but rather that they should be analytically distinct from policies we cluster under the rubric of managed globalization. Some managed globalization policies began as purely regional instruments and may, in that regional context, have had a protectionist effect. Nevertheless, with the passage of time, European actors used these policies also to affect global markets (Bach and Newman 2007).

We call the second alternative *ad hoc* globalization. It is somewhat harder to define, since one might get the impression that it is 'globalization without rules'. Yet liberalization is rarely entirely without rules. For example, most of the substantial economic liberalization of the first three decades after the second world war occurred in a rule-laden context known by the shorthand 'Bretton-Woods'. Each successive wave of globalization has had rules, and we think it is axiomatic that all future waves of globalization will as well (whether and how they are enforced is a separate question). Our central point is that some actors try to shape those rules while others do not. The former are aspirant managers of globalization. The latter are simply players (who may or may not play by those rules, e.g. they may comply or cheat). Thus a company, however large, that simply tried to negotiate, say, a particular tax break with a political jurisdiction as a *quid quo pro* for investing would not be engaged in a management effort so long as it made no effort to extend that condition to other firms. For a long time, European officials focused on managing regional integration and thought little about how globalization might better be managed in Europe's interest. This is now changing, albeit slowly and incompletely.

Thus, managed globalization means going beyond the simple removal of regulations and making some effort to shape and regularize the competitive order. Many variations are possible. Sometimes, this shaping occurs in domains where EU-based competitors enjoy prominent market positions that they seek to defend, while in other cases it occurs in domains where EU-based competitors hold weak positions that they seek to expand. Some of these management strategies are executed at national and even subnational levels. In the past decade, however, the EU has been, within Europe, the principal developer of the concept and rhetoric of managed globalization, as well as the principal actor responsible for its operationalization and implementation.¹⁰

INTERNAL CHALLENGES, EXTERNAL CHALLENGES

At one level, characterizing the EU as a system of management is nothing new. Older practical aspirations for European integration have often emphasized the management of intra-European tensions. A primary example is the Franco–German relationship, transformed in a series of postwar acts of reconciliation

from militaristic competition to jointly beneficial economic co-management. Conceptually, European integration has been seen as an effort to manage the eroding powers of national states, to manage the creation of an integrated market, and to manage the ‘pooling’ of national sovereignty.

Yet what all of these different ‘management’ approaches have in common is a focus on tensions and challenges with largely *intra-European origins*. The European Coal and Steel Community had external implications but mostly managed intra-European tensions. The 1980s move to the Single Market was primarily an intra-European exercise, which third countries deplored as ‘Fortress Europe’, though the Single Market brought the EC/EU leverage in broader global conversations. More recently, the concept of ‘managed globalization’, articulated explicitly as the central doctrine of EU trade policy since 1999, suggests that order and control should be restored to the process of globalization by framing it with rules, obeying these rules, and empowering international organizations to make and implement these rules (Abdelal and Meunier, this issue). Arguably, the EU is well placed to provide the institutional foundations for this, since economic liberalization has been such a fundamental part of European integration. Europe has conjured and then managed the world’s most impressive variant of regionalism (or so goes the intuition); why then would it not attempt to modify some key mechanisms and invent others in order to also manage globalization as well?

We explore how over the past 25 years European policy-makers have tried to manage globalization, both inside and outside Europe, in a variety of policy areas. We suggest that this concept of managed globalization, originally and explicitly developed with respect to trade and finance, has become the underlying driver of a number of major policy initiatives undertaken by the EU in the past decade. Whether the euro, immigration, enlargement, the Neighborhood Policy, or even the Lisbon Process, all these policies have been designed, at least in part, to restore order and control in the face of challenges posed by globalization. To be sure, some of these policy sectors go back almost to the founding of the EC/EU, but only with the rise of the Single Market did the European states find leverage that allowed them to act jointly to shape global structures. Understandably, most existing analyses of these policies have tried to understand their effects inside Europe, but aside from efforts to make Europe ‘fit for globalization’, we are also interested in efforts to make ‘globalization fit for Europe’ (Tsoukalis 2010). A common denominator in these efforts is an attempt to supplant ‘ad hoc globalization’, based primarily on the removal of regulations, with rule-based globalization that seeks to channel, regularize, and sometimes limit certain aspects of competition.

FIVE MECHANISMS

Over the past two decades, the EU has developed several mechanisms to try to manage globalization. Some seek to ensure that globalization happens on European terms, with other countries conforming to Europe’s ways and standards.

Other mechanisms ensure that external challenges brought about by globalization have as little negative, disruptive effect upon European citizens as possible. Some mechanisms may be used for both purposes. All five of these mechanisms, depending on the policy area in which they are used, are addressed in the contributions written for this project. The first mechanism, expanding policy scope, addresses solutions that apply, at least initially, only to European actors. Of course, only some of these policies are plausibly connected to the response to globalization pressures, and this project focuses on the euro as a key example of this mechanism. The other four mechanisms presume that the EU members have some set of common preferences they wish to extend to affect the behavior of non-members. The EU often prefers, where it can, to have European regulatory standards used as the foundation for global standards. Obviously, this is not always possible due, not least, to substantial preference heterogeneity on issues of global regulation. In such cases, however, the EU has developed other mechanisms to help Europe manage globalization.

Expanding policy scope

European states use the EU to develop and execute joint policies. Some may be understood as responses to globalization pressures, and these are the subset of interest to this collection. An example is the euro, which grew out of European experiences with the breakdown of Bretton-Woods – the prior regime for managing globalization – and the discontents of the European Monetary System. EMU led to a new framework for unified monetary policy and – to a lesser extent – co-ordinated economic policy among the 12 member states that adopted the euro in 2002.¹¹ Nicolas Jabko argues that this expansion of EU policy scope was an important way of managing globalization. The creation of an independent European Central Bank (ECB) with the primary objective of fighting inflation is generally cited as evidence of the EU's 'neoliberal' proclivities. Yet EMU may also be described as an example of EU empowerment, since the euro sheltered member states from the constraining pressure of currency fluctuations. Although they have transferred their monetary prerogatives to the ECB, governments have regained some maneuvering room *vis-à-vis* market actors in the conduct of economic policies. Their fiscal policies are now subject to a process of peer evaluation, which enables them to defuse the often much harsher verdict of financial actors. The treaty also provides an embryonic framework for international economic coordination, potentially empowering the EU to assert collective priorities in addition to that of low inflation (Jabko 2010).

Thus, expanding policy scope led to state empowerment that is just as real as the market-friendly policies usually emphasized; but will eurozone member states be content to adopt an attitude of 'benign neglect' *vis-à-vis* their currency, or will they manage EMU more actively and use it as a power resource for global leadership? As Jabko points out, the latter would open a Pandora's box since Europeans are not ready to stand united *vis-à-vis* the rest of the world.

Nowhere are such strains more evident than in the regulation of financial markets, as the contribution by Posner and Véron demonstrates. In the decade prior to the recent global economic crisis, EU policy-makers used legislation and co-ordination mechanisms to harmonize financial regulation and shifted many rule-making procedures (though not supervision) to the European level. Yet unlike monetary policy where, according to Jabko, unionization was, in part, a mechanism for managing globalization, Posner and Véron contend that expansion of the EU's policy scope in finance gave international firms more discretion and autonomy. To date, they have found little evidence that European states have developed new EU instruments (or so substantially strengthened old ones) that we could meaningfully speak of managed globalization in the financial arena.

The mixed pattern of both substantial efforts and results in managing globalization (EMU) and of market difficulty in doing so (financial market regulation) encountered in this first mechanism will be repeated in much of this special issue. For every area where we can point to achievements (e.g., the environment), we can also point to areas in which stated European ambitions to respond to globalization pressures have led to only modest change (e.g. the Lisbon competitiveness agenda) or virtually none at all (e.g., the common energy policy).¹² Where expanding policy scope is successful, however, there is often the possibility that common European solutions can be followed by extending that regulatory influence to larger geographical spheres at a later date. It is to this mechanism that we now turn.

Exercising regulatory influence

A central strategy for managing globalization is for the EU to develop its own regulatory power in a way that decisively shapes global governance. In many liberalized sectors, competition is ensured by regulatory institutions (e.g., agencies, courts, ombudsmen). The EU has become the world's largest regulatory power across a range of sectors, including food, industrial chemicals, and telecommunications (Drezner 2007). The case of the 1995 EU Data Privacy Directive is a telling example. Although the US actively opposed the EU approach, more than 30 countries have emulated EU regulations, including some key markets for the US such as Japan, Canada, and Australia. In the end, the US agreed to abide by EU rules in many cases, and European regulations have thus become the de facto international standard (Bach and Newman 2007). Here, Europe has managed to shape global rules on its own terms. Likewise, Daniel Kelemen's contribution shows that the EU has attempted to spread its environmental standards by leveraging its market power to pressure firms and foreign governments to ratchet up their rules to conform with EU standards (Kelemen 2010).

There are also, however, indications that the EU's internal diversity may at times serve to undermine its ability to exercise regulatory influence. Orfeo Fioretos discusses several areas of global governance in which variations in EU member states' economic systems prevent a common EU position in

regulatory matters. For example, in global hedge fund regulation, differences in national financial systems caused European governments to adopt divergent positions on global standards. This made managing globalization through EU-level regulations impossible. Moreover, the EU's internal diversity also prevented a common EU position in the G7 and IMF with the result that the global non-regulation status quo prevailed (Fioretos 2010).

In other areas, Fioretos shows a strikingly different pattern, namely that EU institutional innovations such as mutual recognition, common minimum standards, the open method of co-ordination, and variable geometry 'model' for non-European actors how diverse interests among sovereign states can be overcome while high levels of economic openness, international co-operation, and national discretion in economic management are sustained. Kelemen's contribution complements this by showing how EU policy-makers have sought to manage globalization by spreading EU environmental standards around the world, through support of multilateral environmental agreements and through the EU's normative and market power.

In finance, as noted, post-EMU regulatory harmonization and regional rule-making procedures increased the international clout of EU representatives. Yet unlike in data privacy and the environment, Posner and Véron argue that the EU's international agenda focused primarily on ensuring equal access to foreign markets for European banks and other financial services companies. In fact, rather than promoting a managed approach to financial regulation, the EU's international aims (like the principles underpinning regional financial regulation) did not challenge the dominant normative ad hoc globalization framework, as largely embodied by American and British models. Again, then, the picture is mixed.

Empowering international institutions

A related mechanism for managing globalization is to involve other international institutions. This mechanism is often a complement to expanding policy scope insofar as global rules are often written 'through' international organizations. Abdelal and Meunier argue that as globalization in trade and capital proceeded, the EU sought to write the rules of the game, develop the institutional architecture to monitor those rules, and build the capacity of international organizations to enforce them. This is by no means exclusively an effort to place the EU itself at the center of such deliberations; in fact, the EU has often tried to strengthen organizations such as the Organization for Economic Cooperation and Development (OECD), International Monetary Fund (IMF), and WTO and expand their membership, which has paradoxically contributed to diluting its own influence. This strategy clearly has its risks. In fact, a central paradox is that the same global institutions the EU often seeks to strengthen have come under fierce criticism for not managing globalization but for accelerating it, and therefore the organizations become the target of

attacks and lose political legitimacy – a trend for which the WTO may be the best example (Abdelal and Meunier 2010).

A related drawback is that the EU has discovered that empowering international institutions (the WTO in particular) hardly guarantees that the EU will secure its own interests. Alberta Sbragia shows that competitors – such as the US and also China – can use such institutions to restrain the EU just as easily as the EU can use them to advance its own economic interests. Seeing the EU and US as operating interdependently while acting as ‘geo-economic competitors’, Sbragia explains why European attempts to manage globalization stimulate a dynamic cycle of action and reaction. Put differently, the European countries are not the only ones trying desperately to manage globalization on their terms, and these efforts continually interact with other actors’ strategies (Sbragia, this issue). This is a point underscored again by Kelemen, who shows how the EU leapfrogged the US in terms of policy leadership on the environment by promoting the insertion of the ‘precautionary principle’ into multilateral environmental agreements regulating genetically modified organisms (GMOs), climate change, and chemicals but that this sparked off a dynamic process in which the institutional high ground is always contested and never secured.

Enlarging the territorial sphere of EU influence

The EU engages non-members with varying degrees of intensity, with the most intensive engagement saved for states seeking to become full members. Wade Jacoby argues that one part of managing globalization has meant managing both ‘threats and opportunities’ from Central and Eastern European (CEE) states who sought EU membership (Jacoby 2010). By expanding its territory through enlargement, the EU ‘subtracts’ new countries from the unadulterated reach of globalization and expands its influence. Of course, all the EU’s neighbors acclimate themselves to EU rules, but this is not something the EU leaves to chance or to voluntary actions on the part of its neighbors. Instead, the ten CEE states that joined in 2004 and 2007 were managed in systematic ways (Jacoby 2004). For example, the European Commission developed a thorough ‘screening’ of more than 30 separate policy domains for each of the prospective CEE members. This involved Commission experts meeting with government officials of each CEE aspirant member and going line by line through the *acquis communautaire*. Jacoby shows that the accession process managed and softened incentives towards competitive deregulation across Europe and helped organize the CEE region as a complementary platform for firms from existing member states. But a critical caveat is that however successful this management has been, the EU has much less leverage over states that are not credible future members.

Sbragia also argues that the EU is trying to bring more territory under the scope of EU-inflected rules through the use of regional trade agreements. Once again, however, such efforts are not guaranteed to succeed, and she

argues that actually the US has outflanked the EU on territorial influence and that the EU is now playing a catch-up game. The critical point is that European actors are engaged in intense competition with American and, increasingly, groups of emerging market states to set the rules for global competition. The barriers to European efforts to manage globalization are not only (or perhaps even primarily) the collective action problems and preference differences of the European states but rather the active efforts of other geopolitical actors to set those terms in different ways.

The EU is also exercising influence in international organizations in less direct ways. Fioretos argues in his contribution that the EU is emerging as a common reference point in discussions over how international economic organizations may be reformed to gain legitimacy and broad support (Laidi 2008). Through what he terms its 'model power', Fioretos contends that the EU is contributing to establishing a new global consensus on the appropriate form and role for international economic organizations. The new shared understanding that the EU is instrumental in producing is another self-conscious extension of the EU's doctrine of managed globalization (Lamy 2004, 2006). Specifically, the EU is contributing to a form of global governance that is palatable to its own member states and a growing number of states around the world by exemplifying a model of how economic openness can be reconciled with social progress and sustainability while observing the principles of transparency and subsidiarity.

Redistributing the costs of globalization

Managing globalization means not only building a framework of rules within which exchange may occur, but also redistributing its costs and benefits. These strategies can play a crucial role in sustaining public support for economic openness. In principle, some of these redistribution efforts try to extend social democracy to the global level. Such global redistribution includes using non-reciprocal trade benefits to help the least advanced countries or recent efforts like the EU-initiated 'Aid for Trade' program set up within the WTO to channel development assistance to help member-developing countries adjust to freer trade. Such redistribution may also occur within Europe: the European Globalization Adjustment Fund, started in 2007, is designed to train and relocate about 50,000 workers a year throughout Europe when their jobs are lost to the dynamics of trade. As Brian Burgoon stresses in his contribution, however, the development of many EU redistributive efforts are modest and constrained (perhaps more than other mechanisms of managed globalization) by national-level policies. They can also fall victim to the development of other mechanisms of management. For instance, EU-level adjustment funds are constrained by opposition to initiatives that might displace national welfare states and also perhaps by the way EU efforts to introduce WTO regulation of labor standards drain off political support for redistribution (Burgoon 2010).

Again, these redistributive tensions have long pedigrees, having been prominent in older attempts at managed globalization. For example, before the euro was created, the main question was who would bear the cost of adjustment within the EMS in case of economic shocks. Jabko shows that with the end of the Bretton-Woods system and the rising tide of capital movements as early as the 1970s, the question of exchange rate realignments was increasingly forced by market developments and speculation. Weak-currency governments in France or Italy often complained that they bore a disproportionate share of the adjustment burden in comparison with Germany, whose currency provided the 'anchor' of the European Monetary System (EMS). Although German officials disputed that claim, there is no question that these countries' currencies were primary targets for currency speculators and that they were often forced to change their policies in order to reassure both their partners and market actors. Meanwhile, Germany risked currency appreciation, which in turn hurt its export competitiveness. By moving to the euro, the weak-currency countries gained complete immunity to internal currency speculation – simply because markets for national currencies no longer exist. Because the ECB was designed to pursue a monetary policy for the eurozone as a whole, it no longer bore an asymmetric burden of adjustment. As for strong-currency countries, the euro eliminated the risk of competitive devaluations on the part of their main trading partners. With the Stability and Growth Pact, strong-currency countries also gained an assurance against their partners' potentially inflationary policies.

The difficulty of compensating for the costs of globalization means that supranational solutions must compete against national ones. For example, though the redistributive effects of financial regulation are notoriously difficult to pinpoint, Posner and Véron suggest that the new EU financial regime and increased transatlantic compatibility appear to have benefited the City of London and multinational European and American financial services companies. Meanwhile, the main losers have been local financial players that formerly benefited from monopoly or oligopoly positions and failed to find a successful position in a newly integrated market, such as most of Germany's *Landesbanken*. Tensions abound and form formidable barriers to supranational regulation. Meanwhile, according to Jabko, the issue of sharing sovereignty is also the major hurdle for the euro to work as a real managerial instrument. In addition, in the case of EMU, there is also a risk of re-nationalization and of national- instead of EU-level level management for fiscal policy.

Such incomplete forms of management seem set to persist with the July 2009 decision of the German Constitutional Court, which, while accepting the Lisbon Treaty, explicitly noted that no further delegation of German sovereignty in the fiscal policy realm would be allowable. This enormously complicates ambitious programs for greater EU management of globalization contained in Cohen-Tanugi (2009), who calls for augmenting the Lisbon Agenda and existing common policies (internal market, trade, Common Agricultural Policy (CAP) and economic and monetary Union (EMU) with a set of new common policies, especially in energy, immigration, development,

financial regulation, industrial standards, and monitoring sensitive inward investment.

MANAGED GLOBALIZATION'S DUAL LOGIC

Managing globalization entails a dual and often contradictory logic. On the one hand, many players seek to define the rules of globalization, specifying more clearly what is allowed and when. On the other hand, they would also like to co-ordinate their responses on what practices are out of bounds. As a political matter, European leaders would no doubt love to be praised both for how they let certain things in and also for how they keep other things out. In practice, however, it is also possible to face voters' wrath on both counts. Thus, the EU may resemble a 'Trojan Horse' because it has facilitated the penetration of globalization into Europe, notably by constructing the European single market and opening up protected economies to substantial competition (Jabko 2006). As a result, critics of globalization are also often critics of European integration. Yet, as noted, the EU also appears as the best bulwark against globalization, since its scale makes it more effective and credible in the face of competitive practices and products that Europeans collectively deem illegitimate.

Under what conditions does Europe appear as facilitator or even accelerator of globalization, and when does it appear more as a barrier to globalization? This question can be surprisingly tricky. A substantial tradition in international political economy would lead us to expect that where the key competition is intra-European, the strongest players will likely want the fewest global restrictions, and the weakest will want the strongest constraints (e.g., Rogowski 1989). Other recent work suggests, however, that rather than the strong setting the regulatory agenda, it is the weakest actors who are most willing to expend political capital to erect barriers to more market integration (Drezner 2007). So where competition is with extra-European players, all European players in a given sector may want to co-ordinate external barriers (agriculture is an obvious example).¹³ But whatever their differences, both of these intuitions essentially posit one major form of liberalization, and the disagreement seems to be more over whether the details are determined by the strong or by the weak. In this collection we are injecting a new level of complexity by positing that there is not simply one kind of liberalization on offer but rather a competition of different blueprints for globalization. By extension, the acquiescence of various actors is conditional upon the *kind of liberalization* on offer.

Obviously, the kind of liberalization on offer varies across a number of dimensions explored by our contributors. For one thing, variation in levels of managed globalization is likely affected by the amount of power delegated to the EU. Yet there are few easy equations here. For example, note that the dominant model explains variation in delegation to the supranational level by reference to a combination of homogeneous member state preferences, economies of scale in policy-making, high externalities, and low transaction costs (Sapir 2007). By this logic, trade policy – an area where member states have delegated

substantially to the EU – might be held a promising location for evidence of managed globalization while policy areas that remain deeply tied to member state prerogatives – such as taxes or immigration – might be thought unlikely cases to find evidence of managed globalization. Yet the contributions by Abdelal and Meunier and by Sbragia both find that the EU's oldest and arguably strongest area of joint activity – trade negotiations – is not its most successful arena for managing globalization. Meanwhile, Kelemen shows that one of the EU's most effective areas for managing globalization – asserting its preferences on environmental policy – is an area where its leadership has only recently come to the fore and where delegation to the EU remains moderate.

Moreover, as noted earlier, managed globalization is generally the project not merely of EU officials but of powerful member state governments. This suggests that evidence of managed globalization may be found even in policy areas where, for reasons developed elsewhere in the literature, states have delegated relatively little authority to the EU. Indeed, some scholars locate the management impulse squarely inside specific national states. For example, Abdelal and Meunier cast managed globalization in trade and finance as a largely French idea. They show that the doctrine of managed globalization was developed mostly by French socialists – those policy-makers who had turned France towards the market, Europe, and the world in the 1980s. The disorganized nature of ad hoc globalization was particularly anathema to the French belief that a centralized, *dirigiste* bureaucracy could manage the economy.

OPEN QUESTIONS

This special issue aims to start a conversation, not finish one. By posing managing globalization as an empirical challenge rather than as a mere rhetorical tool, we hope to spur on others to take up these issues. A number of areas not covered in this collection are obviously ripe for investigation using either the same five mechanisms we have emphasized or indeed by stressing those we have not broached. Obvious examples include agriculture, competition, energy policy, global spillovers from the Lisbon process, research and development policies, and many more. As other scholars take up research in these areas, we are particularly interested in their answers to a number of questions, some of which are classic and some relatively new:

- When does Europe's internal diversity in matters of political economy lead to regulatory impasses that cause the EU to 'underprovide' leadership at the global level? (e.g. paralysis at home leads to quiescence abroad).
- When does the fact that the EU is home to all of the varieties of capitalism lead, on the contrary, to common rules that are easier to broker at the international level? (e.g. diversity at home leads to leadership abroad).
- Has Europe's historical over-representation in the major Bretton-Woods International Financial Institutions (IFIs) damaged its incentives to coordinate at the international level?

- How do the sectoral parts shape the economic whole? For example, how can the EU really manage globalization, which requires liberalization, as long as it is essentially protectionist in important areas such as agricultural policy?
- Will the emerging set of overlapping jurisdictions at the international level start to work against the EU as ‘forum shopping’ allows strong players like the US to submit only to the fora that they find congenial?
- How do different mechanisms for managing globalization affect one another – perhaps mutually reinforcing or perhaps undermining one another?

Many of these questions return us to the dual logic outlined above in which all efforts to manage globalization are fraught with the risk that the efforts will bring more blame than acclamation. To a certain extent, European leaders face the same dilemma as all politicians. Except, of course, that they don't. Most national politicians outside Europe face a choice between confronting incentives for liberalization using exclusively national tools or trying instead to augment national tools by working through international organizations. Only in Europe is there also a third option: a regional level of policy-making with real potential and capacity in the here and now.

The task for European political leaders is to reconcile this dual logic of managed globalization – that they can act jointly only at the risk of incurring blame in the eyes of European citizens – while not losing their own political legitimacy. Our contributors provide a foundation for understanding whether the EU can indeed protect its model(s) from the negative effects of globalization, while asserting this model in the wider world. There are plenty of familiar reasons to be pessimistic. Major recent statements about the EU as a regulator of global markets point to substantial gaps in its capacity to shape global rules (Sapir 2007; Tsoukalis 2010). Others are cautiously positive, however, pointing to the EU's influence over global norms as essentially an unintended by-product of initially reactive and incoherent strategies that grew in stature in the face of American withdrawal from prior domains of global leadership (Laidi 2008). Others are even more optimistic still, especially when they begin from the substantial power conferred upon Europe through the sheer size of its market (Drezner 2007). But since there are no good reasons to believe that market size alone can endow Europe with the capacity to manage globalization, the task is to understand the variety of ways in which the EU can lead – or fail to lead – in turning its local hegemony into some variant of global leadership.

After all, what descriptions of current EU practice related to globalization would be alternatives to managed globalization? Broadly, there are only two such alternatives – one that sees no globalization and the other that sees no management. The first alternative is that globalization is not happening – to use a category already in the literature, that it is ‘feeble’ (Guillén 2001; Hirschman 1982). By this reading, adding the modifier ‘managed’ is superfluous because the basic phenomenon of globalization is simply overhyped (Hirst and Thompson 1996). By contrast, the contributions here give ample

warrant for the argument that globalization is a real challenge to European models of capitalism.

The second alternative is to acknowledge the power of globalization per se (and its effects on Europe) but to deny that there is anything coherent enough about EU policies to deserve the term 'management'. Most accounts that stress one of the variants of 'multi-speed Europe' implicitly suggest that the EU is now such a sprawling entity that few coherent external policies are still possible. This family of scholarship has received a shot in the arm both from the difficulties of the Constitutional and Lisbon treaties – intended in part to bring more coherence to EU decision-making – and indeed from three rounds of enlargement during the period in question. Can only a small Europe actively manage its members' response to their collective environment? Collectively, the contributions gathered here answer 'no' to this question and try to show what European states and the EU, with all their limitations, are now doing.

CONCLUSION

Europe is trying to manage globalization, and this introduction has detailed five ways in which EU efforts to manage globalization go beyond the undeniable rhetorical uses to which the term lends itself. First, management involves expanding policy scope by developing new instruments for use in Europe. Second, management entails an effort to set regulatory standards in the international economy, including outside of Europe. Third, management includes an effort to empower international organizations. Fourth, it involves various strategies for enlarging the territorial sphere of EU influence. Finally, management can entail efforts to redistribute the costs of globalization. Examples of each mechanism are noted above and fleshed out in detail in the individual contributions.

But every piece of this agenda also makes the EU vulnerable as well. For example, when the EU loses trade cases, this tends to erode the legitimacy of efforts to promote further institutionalization of WTO rules. EU efforts to bring more states into international trade organizations also tends to weaken its voice inside those organizations as some new members have preferences uncongenial to EU interests. Its commitment to multilateral approaches left the EU with a large deficit to overcome when the US moved aggressively towards more bilateral trade agreements while the EU long kept a moratorium on such deals. The enlargement tool has few places left where it can plausibly be deployed, and the EU's redistribution of costs to its own material detriment has not (yet) really bought it new allies in multilateral forums.

The final paradox facing European efforts to manage globalization is that the same global institutions the EU often seeks to strengthen have come under fierce criticism from Europeans for failing to correctly manage globalization and even for accelerating it in some cases. All of these tensions are sobering as the EU now faces a financial crisis that poses a stiff challenge to all capitalist economies. For the five mechanisms we identify are hardly exclusively European tools. Not only

is the US seeking to put globalization on terms congenial to its interests, but the Chinese are trying to do this as well. If the crisis that began in 2008 was a failure of ad hoc globalization, that crisis also represented the limits of the European attempt to organize the world economy without the participation of the most important borrower and spender in the world, namely the US, and perhaps the most influential exporter and saver, namely China. The EU cannot rig the game of globalization, but it can try to provide predictability, oversight, and regularity with rules that accommodate European interests.

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NOTES

- 1 http://www.delalb.ec.europa.eu/en/romano_prodi_president_of_the_european_commission_signing_the_treaty_of_accession_athens
- 2 <http://www.eurunion.org/news/speeches/2007/070404jb.htm>
- 3 <http://www.ilo.org/public/english/wcsdg/docs/report.pdf>
- 4 http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2005/press_111_05.cfm
- 5 <http://www.globalisierung-gestalten.de/merkel-redet-klartext/>
- 6 <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/08/387&format=HTML&aged=0&language=EN&guiLanguage=en>
- 7 http://www.redaccionmedica.com/~redaccion/pastor_foro_nueva_economia.doc
- 8 <http://www.psoe.es/ambito/europa/news/index.do?action=View&id=66999>
- 9 http://www.harrisinteractive.com/harris_poll/index.asp?PID=791

- 10 There is a growing literature as well on Asian efforts to manage globalization, but this tends to take place at the nation-state level (Alon *et al.* 2009).
- 11 More recently, Slovenia, Malta, Cyprus, and Slovakia have also joined since 2007.
- 12 Explaining these differences is an important task for another paper. The state of the art is the work combining state preference heterogeneity and policy delegation complexity in Sapir (2007).
- 13 Obviously, other European actors may want to give up restrictive agricultural policies in order to win better bargains in their sectors of interest.

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