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The Threat of Economic Patriotism

While in the fields of politics and culture cosmopolitanism is still regarded as a virtue to which patriotism is a threat that tends to be met with distrust, an almost inexorable shift in values in the opposite direction is currently taking place in the world of economics. Globalisation, celebrated until recently as the germ cell of a worldwide village community, and even the surmounting of national borders within the EU, is being branded as callous neo-liberalism by voices from both the right and the left of the political spectrum. Instead, maintaining the last remnants of national sovereignty is proclaimed to be a patriotic duty and, with trade barriers now largely ineffectual, the main focus has switched to the issue of defending national corporations from the clutches of foreign investors.

In the interest of accuracy we should note the following: even "national" corporations have long since been globalised, since the circle of shareholders is international – either as a result of direct share purchases by foreigners or through internationally active investment companies. Rather, the protection of national corporations involves measures designed to stave off "hostile" takeovers, i.e. protection against the kind of foreign influence that does not happen to suit corporate management or the national government. An arsenal of instruments is deployed in the struggle against unpopular investors, not least in the grey area of chummy government-industry complicity. In the course of such considerations, national governments increasingly do not flinch from confronting the European institutions. To begin with, fending off "hostile" investors is carried out at the expense of the shareholders, whose freedom of decision is restricted. It is thus no surprise that today's "unpatriotic fellows" are not, as was erstwhile the case under Kaiser Wilhelm II, the Social Democrats, but rather shareholders who fail to resist takeover bids. More important, however, are the secondary effects, the weakening of competition and of supranational institutions as well as the associated loss of welfare and peaceableness.

At the EU summit in the year 2000 the "Lisbon Strategy" was proclaimed, which included an attempt by the EU member states to formulate the goals of national industrial policy for the Community. This issue is increasingly absent from the political agenda. In the meantime, a number of governments have unmindfully returned to a form of national industrial policy that aims to repel what is considered to be the objectionable influence of foreign companies even if these are from other EU members; this was the case in 2004, for example, when the French government thwarted Siemens in its efforts to take over the French transport technology company Alstom. This renationalising on the part of individual governments inevitably brings the governments of partner states into play, which in principle oppose such policies. This leads to a form of bilateralism within the Community that challenges the concept of the Union. However, the fact that these economic patriots seek to protect national corporations from what they consider to be objectionable outside influence does not prevent them from supporting the expansion of their own corporations in other member states. This asymmetry demonstrates that economic patriotism is not purely defensive in character, but also bears within it the seeds of aggressive nationalism.

The renaissance of economic patriotism can be explained by the fact that it is no longer fostered by concerns of possible job losses alone, but is also encouraged by a fear of becoming dependent on outsiders. The Americans, too, are extremely sensitive in this respect, which explains why the American Congress disavowed its own government as well as the allied United Arab Emirates. Dubai Port, a harbour operator based in the Emirates, had bought the British company P&O and would thus have taken over the management of six American ports. Vociferous resistance from Congress against the perceived threat of foreign control led Dubai Port to announce that the US harbours would be transferred to an American entity. This knee-jerk reaction on the part of the US Congress contrasts sharply with the strict American practice of forcing foreign governments to open their markets. Moreover, the US executive has the authority to compel foreign-based port operators to comply with American laws and customs regulations at all times. Objectively speaking, Dubai Port and the United Arab Emirates would, in fact, have been assuming greater risks than the USA.

In Europe, the French government has recently played the patriotism card in response to concerns regarding developments in the country's energy sector. In order to prevent a takeover by the Italian company Enel, it ordered the merger of the private energy supplier Suez with the state-run Gaz de France. In similar fashion, the Spanish government hopes to prevent the German energy corporation E.on from taking over the Spanish electricity company Endesa, preferring instead the takeover of Endesa by Spain's own Gas Natural. What is behind all this?

As far as oil and natural gas are concerned, most EU member states are have-nots, and even in the UK and the Netherlands gas and oil imports are on the increase. They are all dependent on long-term delivery contracts. It is unlikely, however, that the EU can best secure supplies in the cartel-dominated oil and gas markets by having each member state with its national energy companies queuing up to knock on the suppliers' door. It would make more sense for the EU to coordinate the task of safeguarding oil and gas supplies and to allow the concentration of the energy sector. The typical autarkists' fear of foreign blackmail must be countered with a liberal recipe: open the markets and make economic integration easier, so that all countries become inseparably entwined in a state of mutual interdependency!

The transition from a national to a European energy policy is, however, impeded by the fact that at present a variety of different conditions are imposed upon the energy supply companies, e.g. maintaining storage facilities or cross-subsidising other branches of industry or private households. To open up the markets in any unregimented fashion would under these circumstances doubtless encourage "beggar-my-neighbour" policies. Only if conditions are standardised can there be a genuine opening of markets within the EU. The European Commission has now started an initiative to develop a joint energy policy, and the national governments are also emphasising the necessity of pan-European cooperation. However, this superficial commitment to a common energy policy masks the fact that there is a fundamental conflict between the European institutions and the national governments on the issue of authority.

It is doubtful whether the common interest in securing future energy supplies will bond the member countries together. The negative outcome of the referendums on the EU constitution in France and the Netherlands has given the economic patriots an enormous boost, since they have succeeded in branding Brussels – as well as the constitution – as a stronghold of neo-liberalism. Yet the EU does not deserve criticism for neglecting social issues – in this respect Brussels already does too much in the way of do-gooding – but rather for the increasing tendency towards centralising law-making procedures by means of EU directives at the expense of national parliaments. Here, the EU constitution would have provided an opportunity to safeguard the subsidiarity principle anchored in the EU Treaties on an improved institutional foundation.

It is imperative to resist the false suggestions currently being made by the economic patriots. The principles of the Union could be put to the test with the outcome of the conflict between the European Commission and the Polish government on the issue of the Unicredit/HVB bank merger. This merger puts the Polish branches of the Hypotheken- und Vereinsbank under the control of Italy's Unicredit. The Polish government is claiming the right to have a say in the matter and wants to prevent the merger on Polish territory, even though sole responsibility lies with the European Commission in its function as the relevant competition authority. Such an open challenge to the bodies of the Union and the idea of a Single European Market by a national government would until recently have been unthinkable.

Hans-Hagen Härtel