Globalization, Domestic Politics, and Transatlantic Relations

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Abstract

For two decades after the fall of the Berlin Wall globalization functioned as a unifying force in the West. In the absence of a common security threat, the United States and Europe found common ground in a neoliberal agenda calling for the freer movements of capital, goods, services, and peoples across national boundaries. Today, support for that neoliberal agenda has been rapidly weakening across the West. Drawing on a variety of quantitative measures, we show that Western support for globalization has declined, both at the level of national policy and at the level of party politics. We argue that this erosion of domestic support for globalization is closely linked to the rise of populist parties in Europe and the US. We consider the implications of this shift in the West’s domestic politics for the future of transatlantic cooperation and leadership.

**Key words**: Europe, USA, Globalization, Transatlantic Relations, Populism.
Introduction

Can the United States and Europe continue to work together to preserve the liberal world order? Will the forces of illiberalism that are afoot in America, Eurasia, the Middle East, and elsewhere strengthen or weaken the West’s resolve and capacity for collective action? Today, there is reason to think that the political room for transatlantic leadership is narrowing. This is not only because the world is becoming more multipolar, or because Americans and Europeans hold different cultural priorities and values. Domestic politics in the United States and Europe are also making it harder for leaders in the US and Europe to find common ground. Rising nationalism, widening inequality, declining trust, and indeed, rising illiberalism on both sides of the Atlantic are weakening the domestic foundations of Western leadership.

In this article we examine the shifting domestic bases of Western leadership. We make two arguments. First, we argue that in the absence of a common security agenda after the fall of the Soviet empire, Western elites found renewed common ground in a neoliberal global agenda calling for the freer movements of capital, goods, services, and peoples across national boundaries. The political viability of this strategy, we argue, depended greatly on globalization’s ability to compensate for the disappearance of the Soviet threat by generating tangible domestic benefits for average citizens. Today, growing numbers of Americans and Europeans are no longer convinced that globalization is paying the kind of pocketbook dividends it once did. The current populist backlash against free trade in the US and Europe is clear evidence of this. So is mounting opposition to immigration and multilateral cooperation.

Second, we argue that this populist backlash has made it riskier for political
leaders to invest political capital in policies aimed at promoting international openness, economic integration, and global engagement. This is especially evident in the United States, where Donald Trump took aim at free trade, immigration, outsourcing and international commitments. Many of the same domestic forces pressuring America today to lighten its international load (e.g., wage stagnation, rising inequality, and political polarization) are manifest in Europe. Here, too, elected officials are soft-peddling core principles around which market democracies have orientated themselves internationally for the past seventy years.

Globalization’s failure to deliver on its economic promise for Americans and European is one reason it has lost popular support. We show that a related but distinct force is the growing strength of populist parties in the electoral marketplace. By politicizing globalization, populist parties on the right and left have managed to put mainstream political parties and their leaders on the political defensive. Efforts to promote increased openness and interdependence, especially in the area of international trade, have stalled in the face of mounting popular opposition and resistance. While it remains to be seen whether the populist forces will push the West’s commitment to internationalism to its crucial ‘tipping point,’ it seems clear any political leader or party to invest political capital in expanding globalization will have to overcome stiff domestic opposition.

We develop these arguments in three steps.¹ We begin our analysis by looking back at how globalization replaced containment of the Soviet Union as the key justification for closer transatlantic relations after the end of the Cold War. In particular, we look at how this shift was manifest at the level of national policy, and in America’s and Europe’s party politics. We show that globalization enjoyed broad domestic support in the US and Europe during the 1990s. This continued into the
2000s. The second section focuses on the erosion of that domestic support over the course of the 2000s, manifested in both policy-regulations supporting political and economic globalization, and the content of party manifestos in the US and Europe. The third section considers how populist parties in the US and Europe have contributed to the erosion of support for globalization. We conclude by considering the implications of our analysis for the future of Western leadership.

From Geopolitics to Globalization

For nearly a half century after World War II, transatlantic cooperation rested on two foundational pillars. The first was the presence of a common threat, namely Soviet power. The second was the strength and breadth of citizen benefits from Europe’s and America’s economic openness (free trade, foreign investment, open immigration). The Soviet presence on Europe’s doorstep gave leaders in Western capitals reason to mobilize their publics to support efforts to contain and isolate it. The economic rewards their publics gained from international openness made it easier for these same Western leaders to promote ever greater levels of interdependence and integration. In short, during the Cold War America and Europe’s commitment to international openness reinforced their investment in shared security.

The end of the Cold War weakened these security and economic ties. The absence of a common geopolitical threat made it harder to rationalize transatlantic cooperation on security grounds while increasing Western leaders’ reliance on arguments for economic openness to sustain Western unity. ‘Globalization’ became the buzzword across the West. The term found its way into everyday discourse around the world, and especially into discussions over national policy. The end of the Cold War appeared to herald a new era in which the world would become ever smaller and more interconnected – a ‘global village’ – shaped by common purpose. Critics were
quick to point out that globalization was nothing new (Hirst, Thompson and Bromley, 2009). Other eras in world history also witnessed dramatic changes in the level of global interconnectedness. The Cold War itself was an engine of globalization, especially in transport, technological communications and international institutions.

The end of the Cold War marked a turning point in transatlantic politics. The geopolitical rivalries that had defined so much of 20th century international politics were over. The only question was what form international cooperation would take in the new global era. Francis Fukuyama (1992) declared that the end of the ideological struggle meant that humanity had reached the ‘end of history’. Geopolitics would give way to commercialism; nationalism would be displaced by liberalism. Others, like Samuel Huntington (1993), envisioned an international order defined more by religious and cultural divisions than interstate rivalries and balance of power politics. But these voices were subsumed by a broader set of ideas and policies that explained both why the West had won the Cold War, and why open borders and free trade should be adopted by other nation-states. Globalization, now as something of a catchall term, had long been a justification for a series of international and domestic policies that promised greater wealth and security for all.

In the economic realm, globalization took the form of neoliberalism, for better or for worse. Economic policies that had gained traction in the 1980s as Reaganomics and Thatcherism were now expanded and generalized. Thomas Friedman (1999: 83-92) wrote about states putting on a ‘golden straightjacket’ – a series of economic policies that grew your economy while shrinking the political options open to elected leaders. Increased competition, deregulation, and privatization meant less inflation, lower tariffs and smaller government. In the heady days of the 1990s, the global expansion of neoliberalism seemed to many to be the path to greater economic
prosperity and social inclusion. While the fit of Friedman’s ‘golden straightjacket’ varied from nation to nation, it became a powerful, if grudgingly accepted or forcibly imposed, norm across the West and increasingly, the Rest.

The spread of the neoliberal model around the world became a key plank of US and European policy. Through the IMF and the World Bank a series of policies known informally as ‘the Washington Consensus’ emphasized the importance of market forces as a solution for economies deemed to be in need of belt-tightening and liberalization. The US and Europe pursued policies to encourage the opening up of previously closed economies, including large states such as Brazil, Russia, India and China (Chen, 1992; Christensen, 2006). Multilateral institutions became a key point of coordination of these efforts. While Europe and the United States might have slugged it out in trade disputes through the World Trade Organization (WTO) and its predecessor the General Agreement on Tariffs and Trade, they generally supported WTO expansion to include countries such as China (Sbragia, 2010).

In building these institutions, the US and Europe drew on historical precedent. Throughout the Cold War, the number of multilateral institutions created for dealing with common problems proliferated. In the 1990s, Western-led institutions drew in new member states keen to embrace economic policies that seemed to work for Washington and Brussels. Even when the size and diversity of these institutions meant they struggled to find unity, the US and Europe sought to lead new multilateral ways forward. When WTO negotiations stalled, governments in the US and Europe sought instead to create two large multilateral trading agreements – the Trans Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP). Both were intended by the US and Europe to protect their economic and regulatory models in the face of emerging economic powers, to shape globalization in their
interests by expanding free trade and as such, be strategic tools to manage world politics (Korteweg, 2015). These represented attempts by the US and Europe to continue to cooperate to protect economic and regulatory models that worked for the West.

After the end of the Cold War, the West’s embrace of globalization also led it to redefine what issues counted as security issues. Issues such as disease, the environment, and crime, terrorism, and civil war which had long languished at the margins of Western policy debates over security, now became the emergencies to address (Buzan, 1997). Cold War military and security arrangements were reconfigured, including bilateral agreements and those shared by the US and Europe in NATO. The collapse of the USSR left redundant large swathes of garrisons and military arrangements created to contain the USSR. Meanwhile, the move by NATO countries away from conscription towards smaller, professional, flexible militaries that could fight expeditionary warfare was considered necessary to better manage the risks associated with the new world order (e.g., fragile states, regional destabilization, refugees). The September 11 attacks made these efforts more urgent. Terrorist groups, WMD proliferation and rogue regimes were portrayed as threats not only to national security but also to a wider liberal globalized political and economic system.

In short, the US and European embrace of globalization meant greater, not less, transatlantic cooperation in the immediate post-Cold War era. We can see this not only in the history of the period, but also in data measuring US and European governments’ support for globalization and transatlantic partnership. Figure 1 maps the policy positions of European countries on these two dimensions – globalization and transatlantic partnership – between 1970 and 2013.
Figure 1: Globalization and Voting with US in UN General Assembly, 1970-2013

The vertical axis in Figure 1 provides a general measure of transatlantic partnership: the degree to which individual European nations vote with the United States in the UN General Assembly. This is a widely used measure of international political cooperation, covering voting stances on all issues voted-upon in the Assembly – from high politics issues involving arms and interventions to many low-politics issues of economic, environmental, human-rights and other dimensions of statecraft – regardless of which country tabled and sponsored a given resolution (see for example Voeten, 2004; Gartzke, 1998). Focusing only on the US-European vote-alignment, it can be construed as a broad tendency of the US to vote with a given European country (or the EU bloc) on such issues. While certainly imperfect, it captures a systematic measure applicable to many countries and years for degree of transatlantic political embrace.

The horizontal axis in Figure 1 measures the extent to which European countries adopt policy measures that support economic and political globalization. We

Sources: MPD (Volkens et.al. 2012); KOF Globalization Index (2016), author calculations
rely on KOF-index measures of economic and political globalization. Economic globalization refers to actual policy provisions that regulate the flow of economic activity across borders, including tariff rates, capital accounts restriction, among other data. They do not include economic data on actual flows of trade, foreign direct investment. Political globalization includes data on a country’s membership in international organizations, participation in UN Security Council Missions, signed international treaties, and number of embassies (see Dreher, 2006).

The results paint a clear picture: the more strongly European countries adopt economic and political globalization, the more committed they are to transatlantic partnership with the United States. This pattern is in line with our contention that economic globalization has been an important driver of transatlantic partnership, particularly in the post-Cold War period. To be sure, a cross-sectional snapshot is not a substitute for fuller time-series analysis of globalization and transatlantic politics. It does, however, offer support for the idea that countries’ commitment to globalization buttressed transatlantic cooperation during the Cold War and importantly, in the decade that followed.

Retreat From Globalization

Globalization enjoyed broad domestic support across the West in the 1990s. Today, it is on the political defensive. On issues ranging from immigration, to trade, to security, support for globalization has weakened in America as well as Europe. Figure 2 captures this shift. It is based on the same KOF composite measure of country support for economic and political globalization used above (Figure 1). As Figure 2 indicates, the level of country support for globalization rose consistently between the 1970s and late 1990s, surging in the early post-Cold War years as European scores on the KOF index rose rapidly. By the KOF measure, in the late
1990s, Europe’s commitment to globalization even eclipsed America’s. Since the early 2000s, however, policy support for globalization has fallen off sharply on both sides of the Atlantic. Today, it is lower than at any point since the end of the Cold War.

Figure 2: US and European Policy Support for Globalization

What explains this retreat from globalization? Does the decline at the country level and in national policy mirror a waning of support at the level of domestic parties and public opinion? To get a handle on these questions, we turned to the Manifesto Project Database (MPD) to map US and European party preferences. Treating party platforms as a proxy for popular sentiment, we measured the level of pro-globalization sentiment between 1980 and 2015. The term Net Pro-Globalization in Figure 3 refers to the net percentage of total party platform sentences or phrases expressing support for internationalism, free trade and the European Union (i.e., opposition) minus the percentage of sentences or phrases expressing opposition for these items. To generate the country-year party-system averages for the purposes of
such a Figure, we use linear interpolation of a party’s position between election years, and then take the un-weighted average of all party positions in a given country-year.

As Figure 3 indicates, political contentment with globalization and internationalism has dropped steadily over the past decade. This is especially true in Europe, where average party support for pro-globalization positions in EU-15 polities, as expressed in party platforms, dropped sharply. European parties are now only slightly more supportive of globalization than opposed. The dotted line represents the cross over point. The closer the yearly scores are to the dotted line, the weaker party support for globalization is, with negative positioning constituting net anti-globalization. Pro-globalization sentiment remains generally stronger in the United States by this measure, though here too, there is a noticeable sagging in support for anti-globalization positions among America’s Republican and Democratic parties since 2008. Once the data becomes available we expect to see a continuation or acceleration of this trend given the anti-globalization platforms both parties supported.
in the 2016 election. This basic set of trends shows, however, that globalization, which was something of a political balm across the West only a decade ago, is now an object of domestic scorn and contestation.

Explaining Globalization’s Decline

What explains the erosion of support for globalization in Europe and the United States reported above? We know that this question has many answers that we cannot fully capture or referee in this article. But certainly a large part of the answer is linked to the rise of populism across the West. To be sure, populism is related to and partly fueled by disillusionment with globalization itself. However, populism cannot be solely explained by globalization. Party politics, charismatic leadership, and other domestic factors also explain the rise of populist movements. Meanwhile, populist parties have been at the forefront of efforts to mobilize publics against economic and political globalization. There are thus good reasons to view the rise of populist parties as an independent or exogenous source of declining policy and party support for globalization and transatlantic cooperation.

Evidence for populism as a source of declining support for globalization can be seen in Figure 4. These summary plots are based on the MPD party-platform data described in Figure 3 above. By disaggregating the full sample of Western political parties, Figure 4 isolates those parties that are least supportive of globalization. The graph includes the overall mean for different party types (e.g. Green, Liberal) than can be found in all OECD electoral systems in the MPD dataset. The white horizontal lines represent the sample medians for each party type. The dark-shaded boxes capture the lower 25th and upper 75th percentile in the distribution (the ‘interquartile range’). The ‘whiskers’ represent the lowest and highest adjacent values, respectively
(outliers beyond these values are not shown).\textsuperscript{viii} As Figure 4 indicates, these are parties on the radical Left and especially, the radical Right.

![Figure 4: Net pro-globalization across party types in the West](image)

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As noted earlier, the rise of these populist parties itself is a symptom of the decline in Western support for economic and political globalization. Indeed, populist parties and movements have surfaced in more and more Western countries since the early 2000s. This trend coincides with the erosion of party and policy support captured in Figures 2 and 3 above. These snapshots from the MPD data are of course only suggestive and more research on the links between populism and globalization is needed. Yet these trends do indicate that the recent retreat from globalization in the West owes much to the populist ferment it has fueled.

The term ‘populism’ is a broad-ranging one. As Figure 4 suggests, it is not confined to the left or the right (also see Grabow, 2013; Mudde, 2015; Goodwin, 2012). The right-leaning populism of the US’s Donald Trump is different in important ways from the leftist populism of Bernie Sanders, but political analysts often classify both as populist movements. Similarly, in the UK, the populism of Nigel Farage’s
right wing UKIP party differs from the populism of Jeremy Corbyn’s Labour party. Yet whether on the left or the right, such groups and parties have moved from the extremes of polities to the mainstream. Images of skinhead racists on the right and striking communists on the left have given way to slick political parties that, in cases such as Marine Le Pen’s Front National or Donald Trump’s presidential campaign, now vie for high office (Heyer, 2015).

These groups represent a real challenge to establishment parties and politicians. An emergent literature identifies some of their critiques of the old political elite (see for example, Mudde, 2015). First, traditional parties are seen as unwilling to engage with the issues populist parties have tapped into, especially immigration and growing inequality. Yet there is a general sense that the economic and political status-quo pursued since 1989 no longer works. Second, the failure of traditional parties to engage has led to a widespread public perception that ‘they are all the same.’ Third, the established parties seem powerless in the face of higher powers, such as the EU. In promoting their views, the populist parties have been adept at harnessing the very communication technologies that propelled modern globalization. Social media and instant communication allowed the upstarts to bypass traditional media and sources of information.

The rise of populist parties has raised questions about the stability and future of liberal democracy in both the US and Europe. Although some of this discussion can be guilty of hyperbole, the rejection by such parties of the traditional norms of US and European politics has shifted debate away from issues on the traditional left-right axis towards debates that run along liberal-authoritarian lines. The rejection of traditional parties has led to questions about traditional institutions and the norms they have helped create. Some on the right, but also on the left, have shown admiration of
Vladimir Putin and Russia as a ‘sovereign democracy that is beholden to no other power.’ This reflects a skeptical view of US and European political systems as weak and hamstrung by international rules and institutions (Shafer, 2016). The idea that powers such as China or Russia are outmaneuvering and prospering at the expense of the US and Europe is a common complaint. There is a lack of trust between the general public and the elites and the governing institutions they have created, such as the EU (Hutt, 2016).

The economic outcomes of globalization have fueled populism. The movement of manufacturing jobs to countries in the developing world sped up in the late 1990s and early twenty first century, with the opening up China, Mexico and Eastern Europe. This accelerated deindustrialization, adding to the lists of the long-term unemployed. Government retraining programs, social safety nets, and social service provision programs have been woefully underfunded (Goodman, 2016). Struggling communities and families were dealt a further blow by the financial crises and Great Recession of 2007-2009. Growing numbers of the ‘left behind’ feel that they have been politically ignored or sidelined (Jones, 2012; Vance, 2016; Luce, 2016). This is clear from polling data in the US (Pew Research Center, 2015; Pew Research Center, 2016). Similar trends are clear in the Eurozone (Kahn and Tananbaum, 2015; Durant et al. 3, 2013; Oesch, 2008).

It was once a taboo to discuss the idea of a member state withdrawing from the EU (Oliver, 2015: 410). Now there is open speculation on the disintegration of the entire Union. As Charles Kupchan (2010) argued, ‘From London to Berlin to Warsaw, Europe is experiencing a renationalization of political life, with countries clawing back the sovereignty they once willingly sacrificed in pursuit of a collective ideal.’ While polling suggests it might be too early to call time on the EU, the same
polling shows growing support for Eurosceptic positions (Stokes, 2015). And what is true of Europe is true of the transatlantic community more generally.

Indeed, public opinion polls indicate that Americans and Europeans are less committed to working together than they were during globalization’s heyday. Figure 5 shows that since 2000 and especially since 2008, there has been marked decline in public support in Europe and the United States for transatlantic cooperation over security and diplomatic matters. This should not really surprise us. After all, much popular anger over globalization’s domestic effects is directed against the Washington’s and Brussels’s political class. If the absence of a geopolitical challenger has made transatlantic partnership less urgent domestically, the backlash against globalization has also made it harder for American and European leaders to secure domestic support for their foreign policies and programs.

Figure 5: Support for transatlantic diplomatic partnership, 2004-2014*

* Percentage who think that partnership in security and diplomatic affairs between the US and Europe should become closer or remain about the same.

Source: German Marshall Fund-US, Transatlantic Trends 2014, author calculations
Conclusion

For the past quarter of a century, the transatlantic partnership has rested on Western public support for globalization. In the absence of a shared security threat, US and European leaders and their publics relied instead on their common cause in a neoliberal agenda that stressed the material advantages of international openness, economic integration, and global engagement. As we have argued here, it is now clear that commitment to that agenda on the part of policymakers and citizens in Western countries has eroded substantially. Mainstream parties that formed the backbone of the transatlantic consensus are fending off challenges from the anti-globalization-mongering of both left and right populisms – a breadth and depth of such mongering that few would have imagined even a decade ago. Consistent with our broader argument of the positive links between neoliberal globalization and transatlantic cooperation, we have also seen that this eroding policy and party-political support for globalization is beginning to spill over into erosion in public support for transatlantic partnership.

To be sure, the Western international order is not dead. America and Europe remain each other’s most reliable partners. Still, it seems clear that the neoliberal agenda that has sustained the relationship since the end of the Cold War is being challenged in ways that democratically-elected leaders cannot ignore. As we have shown, party-political and policy support for free trade, open immigration, and economic integration continue to weaken. And underlying this pattern, as we have hypothesized above, populist sentiment has won and continues to win ground in many parts of Europe and America. The UK’s decision to ‘Brexit’ the European Union and the election of Donald Trump make clear that a tipping point may well be near. The
question is when those thresholds are most likely to be crossed, and at what cost to transatlantic relations.

In thinking about the future of the West, efforts like the current EU Global Strategy initiative need to focus more attention on how domestic politics shape the possibilities for transatlantic cooperation (see Trubowitz and Burgoon, 2016). Whether the partnership is strengthened or weakened in the years ahead depends greatly on whether elites in Europe and the United States are willing and able to take bold action to tame the bitterness, resentments, and mistrust roiling their domestic politics. This is a tall order, given the Eurozone’s economic malaise and stagnation and the polarized state of American politics. Yet incremental half-measures will do little to quell the populist furore that is bubbling up from below. If Western leaders hope to revitalize transatlantic relations, they will have to address the causes of anger and resentment in their own backyards. Transatlantic cooperation begins at home.
Bibliography


Endnotes

1 In the limited space of this article, these arguments can only be modestly and incompletely developed, and the supporting empirical evidence only illustratively specified. However, together the arguments and illustrations provide a basis for reinterpreting how and why transatlantic cooperation has weakened in recent years.

2 Some have argued that the growth and integration of the world economy during the Cold War helps explain the collapse of the Soviet empire (Books and Wohlforth, 2000).

3 A good example was the British Government’s Strategic Defence Review (1998).

4 Data in Figure 1 are from Strezhnev and Voeten (2013).

5 The Manifesto database for the period 1970-2015 includes 455 parties. It includes all OECD polities, including all major US and EU-15 parties (242 in all). MPD codes party platforms by policy issue for individual political parties by election-year. We draw on the coded variables that entail a pro- and an anti-position taken on issues relevant to globalisation. This allows us to measure the broad salience of globalisation in a party’s platform and also the level of support for and against globalisation in the party’s platform. For more details on MPD, see Vokens et al. (2012).

6 The EU-15 refers to the following countries: Austria, Belgium, Denmark, Finland, France, (West) Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom.

7 These three components (support for internationalism, free trade and European Union) are the only items in MPD that explicitly focus on positive and negative positioning on issues of extra-national engagement. For more details, see Burgoon (2009) and Burgoon (2013).

8 ‘Adjacent values’ are those outlier observations that fall outside the upper and lower quartiles defining the ‘interquartile range’ (IQR). This is, formally, observations that fall at or beyond the lower and upper whiskers, where: Lower whisker=Q1 - 1.5 IQR; and Upper whisker=Q4 + 1.5 IQR.

9 As The Economist (2016) put it, ‘Globalization is increasingly blamed for job losses, rising wage inequality and sluggish GDP growth.’

10 The figure is based on survey data from the German Marshall Fund and Chicago Council on Foreign Relations. Publics in the US and a cross-section of major European countries were asked: “Do you think that partnership in security and diplomatic affairs between the EU and the US should…become closer, remain about the same, or take a more independent approach.”