THE NEW RISE OF ECONOMIC NATIONALISM IN TRANSATLANTIC TRADE RELATIONS

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ABSTRACT

Christian Alexander Fölster: The new rise of economic nationalism
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This paper seeks to explain the new rise of economic nationalism in transatlantic trade relations. By examining the arguments that were raised in favor for protectionism in America and in Europe, this paper identifies three different concepts of economic nationalism, along with the arguments can be structured and explained. The author argues that economic nationalism can be explained either as an ideological, economical or cultural concept, which can explain why protectionist policies are a common answer in times of economic crisis. This paper contributes to the debate about the conception of economic nationalism and its implications for transatlantic relations.

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INTRODUCTION

In 1929, the stock markets crashed and provoked a global economic crisis. As a response the President of the United States, Herbert Hoover introduced a Tariff Act which contained highly discriminatory protectionist doctrines and provoked a rise of economic nationalism all over the world. The so-called Hawley-Smoot Tariff Act was initially created to protect American farmers from agricultural imports, however it became the stepping stone for further tariffs on imports and trade wars with other countries. Despite the early warnings of many economists and the protests from United States (US) trading partners the Hawley-Smoot Tariff was finally passed in June 1930 (Suominen 2009: 18). Soon after the tariffs were introduced, Canada repeated with retaliatory actions and imposed extra tariffs on US products. This example was soon followed by European countries such as Switzerland, Spain, the UK, France, Italy and Germany who also imposed extra tariffs on US goods. The result were new protective trade policies such as quotas, import licenses and exchange controls, which led to a global trade war and carried long-lasting negative effects for the world economy (Suominen 2009: 19). In 2008 the situation appears to be similar to the situation in the 1930s and economic nationalism is on the rise again, especially in America and Europe.

The purpose and aim of this study is to explain economic nationalism in terms of its protectionist doctrines in the context of transatlantic trade relations. While the reasons for protectionism are not always obvious, the arguments that are used in this context must be analyzed. Besides the major economical, strategic, and political reasons that are given to support protectionist policies, also cultural circumstances play a part in the process of closing off domestic markets. All these factors must be taken into account when analyzing economic nationalism in a transatlantic context. The countries on both sides of the Atlantic use discriminatory and protectionist trade policies against foreign competitors to keep their national economies free from foreign influence. The governments reap the benefits from a public atmosphere that is heated with hostile attitudes towards foreign competitors, meanwhile strengthening their influence on the national economy. This development is noted by many economists and authors who interpret it as the birth of a "new economic nationalism."

The influence of antagonistic and hostile attitudes towards foreigners and foreign competitors are important factors that play a role in the formulation of economic policies. The global economic crisis and its impact on the national job markets in Europe and the US have evoked fears about losing jobs because of foreign investors and producers who increase their influence on foreign markets. It is beneficial to analyze the definitions of economic nationalism and the arguments that are presented. The term "economic nationalism" is used in many different ways for describing policy prescriptions that emerge from ideologically-motivated political decisions. Without any further explanations, the term is used in many different ways and is, therefore, always subject to interpretation (Suominen, 2009; Sprissler 2009; Kaufmann 2009).

As a response to the crisis, governments bail out banks and financial institutions to ensure their stability in the down-turning economies. As a result, the role of governments becomes more important, as they expand their involvement in their national economies. At the World Finance Summit in November 2008, the G-20 proclaimed not to "repeat the historic mistakes of protectionism of previous eras" and promised not to raise new trade barriers (Bourdreaux 2009). This commitment was interpreted as a positive signal to free trade and the achievements that were made through the WTO in the last decades. The IMF drew attention to the steps that would follow this commitment and warned that if governments would not collaborate on a global answer to the crisis, it would present harmful effects to the worldwide economic situation (Strauss-Kahn 2009: 37). However, most governments choose to develop their own national economic policies in order to protect their domestic markets. The G-20 agreement can be now seen as ineffective since the governments in countries, such as India, Russia and Argentina introduced new protectionist policies shortly after the summit, while several countries of the European Union followed that example. A rise of economic nationalism and protectionism that uses nationalist undertones has appeared since then and threatens international trade relations (Suominen 2009: 16, Sprissler 2009: 13).

CONCEPTS OF ECONOMIC NATIONALISM

The terms *economic nationalism* and *protectionism* are used by politicians, policy-makers, trade representatives, and the media to describe the broad influence of politics on economic development. Especially with regards to the global economic crisis, the term economic nationalism is often discussed when referring to the specific policy responses of the national governments. The US stimulus bill has been perceived as being a proof of rising economic nationalism. Similarly, the term is also applied as a reference to the involvement of the European governments in the regulation of the latest cross-national merger wave during and after 2006. Many of the measures undertaken by the national governments are associated with a growing influence of politics on the economy in a rather negative way. In general, there is no common theory for economic nationalism, neither in the academic nor in the media discourse: the term is used in many ways, in a somewhat "confusing manner" (Helleiner 2005: 221). Despite the lack of a general theory of economic nationalism, there are three different approaches, which define the term following the framework for studying nationalism and economy by Andreas Pickel (2005: 12). These approaches seek to explain the diverse usages of the term and the widespread use in common literature.

Economic Nationalism as an Ideological Concept

Economic nationalism can be interpreted as an ideology or a policy doctrine. In this sense, it can be analyzed in terms of its motivations and ideas according to its nationalist content that serves as an ideology. According to German scholar Andreas Etges (1999: 33), economic nationalism combines different facets of nationalism with the implementation of economic policies, economic nationalism serves as an ideology that influences the economy through protectionist policies. On a political level, governmental intervention is seen as a way to ensure the competitiveness of the national industry, shielding the national market against foreign influence. This style of intervention takes the concept of nationalism and applies it to economic policies. I argue that economic nationalism relies on nationalistic sentiments that work in favor of implementing economic protectionist theories. According to Takeshi Nakano (2004: 226), in order to overcome an economic crisis, governments rely upon economic nationalism because it delivers a strong identification with national problems. By appealing to nationalism and national unity, policy makers seek to introduce policies that appear to be beneficial for national unity and to convince the common people nationalist symbols and images are used to create a hostile atmosphere against foreigners. Dana Frank argues in this context that racism is one of the driving forces behind economic nationalism. According to Frank (1999:250), protectionism is always used for ideological reasons in order to maintain the political and economical control the people. Therefore, economic nationalism can be distinguished as an ideological concept that serves to increase the power of the government.

Economic Nationalism as an Economic Concept

Moreover, economic nationalism can be seen as a political action that is used by governments to influence the development of the economy. This is a common and still conventional view of economic nationalism that does not take into account historical, social, or cultural factors (Pickel 2005: 2). Described as the “urge to keep jobs and capital at home” this definition provides an explanation for stronger control of the economy (*The Economist*, February 5, 2009). By imposing tariffs, quotas and other restrictions on free trade, the national economy is protected against foreign influence. In this way protectionism is justified and linked to strategic economic considerations. Protectionism comes into play in the form of trade restriction that helps the national economy to grow without the interference of external forces.

Economic Nationalism as a Cultural Concept

Finally, economic nationalism can be also analyzed in the context of globalization and its influence on identities. This new scientific approach separates between political economy, nationalism, culture, and identities (Pickel 2005: 12). In this sense, it is important to understand that culture also has a sometimes invisible impact on specific economic policies. Different values, identifications, and ideas influence decisions, and therefore also decisions on economic policies. According to Patricia M. Goff (2000: 535), the European Union (EU) exemplifies this link between economics and culture, especially in the context of EU-enlargement and the common market. Goff uses the example of the protectionist film industry in France, which tries to protect itself against American influences. Ironically protectionism is applied in some cases where it would make more sense to allow free trade. However, because of cultural or ideological reasons, protectionism can come into play when trade is perceived as a threat to national culture. Economic nationalism can, therefore, be understood as a sometimes invisible force that influences economic decisions on the basis of common values and ideas.

It is evident from the different approaches that the term economic nationalism can be interpreted and conceptualized in different ways. The term is used by scholars, the media, and policy-makers, all with different interests in mind which they express through their definition of economic nationalism. In the formulation of protectionist policies for the economy, these definitions play a significant role because they can shed light on different hidden motivations. When we analyze the arguments in the context of the cross-national merger wave in Europe juxtaposed to the implementation of the "*Buy American*" provisions in the US Stimulus Bill, it reveals that there are different definitions of economic nationalism and protectionism used throughout the discourse.

UNITED STATES: ECONOMIC NATIONALISM

The *"Buy American"* Provisions in the US Stimulus Package

The American Recovery and Reinvestment Act (ARRA), introduced in February 2009 by the US government meant to be a direct response to the effects of the global economic crisis and its impact on US economy. With a size of $787 billion USD, it is one of the most important stimulus packages worldwide. The main purpose of the Act was to "save and create more than 3.5 million jobs over the next two years" by creating an economic stimulus to the market and different sectors of the US economy through several state-led investments. Among these were investments in the development of infrastructure and the promotion of renewable energy sources. The plan also included federal tax cuts and other financial benefits to bring financial relief to companies and individuals that were affected by the crisis (ARRA Website 2009).

When the Stimulus Act was passed by the House in January 2009, the most controversial and widely discussed part became the "*Buy American*" clause. The clause stated that all public projects that were funded by the stimulus plan must use iron and steel, entirely produced and made in the US. Therefore, all infrastructure projects, such as roads and bridges were subject to this rule and American steel manufacturers must be engaged for the production of the materials. The then designated rule would have supported the investments in infrastructure from the stimulus plan and favored the domestic steel producers over foreign competitors. Cheaper producers from abroad can launch their products more easily on the US-market due to the low price for oil. American steel producers, however, experience a declining demand especially in the US. By forcing government contractors to use US materials, the bill's purpose was to regenerate manufacturing jobs in heavy industry. Therefore, especially foreign steel producers would have been affected by this rule, notably China and rich countries that integrated their buy national requirements already in their own stimulus packages (*The Economist*, February 5, 2009). By embracing these provisions, many of the larger companies were aware of the consequences that the stimulus act had the potential to undermine their ability to export US produced products overseas. For that reason, US industrial giants like Caterpillar, General Electrics and the aerospace industry publicly opposed the "*Buy American*" clause. Some of these companies gain half of their sales overseas, in Europe and in China, such as construction cranes and land movers and lobbied for a rejection of the bill (Faiola 2009).

In early 2009, the "*Buy American*" provision drew harsh criticism from foreign governments, as well as trade representatives from all over the world and it provoked the international attention of world-wide media. Those countries that would be most affected by that rule condemned the clause and viewed it as a precursor to a more regulated trade environment in the US. International observers asserted that the Act would have certainly created new trade barriers that would have affected global recovery and prolonged the effects of the global economic crisis (Hufbauer and Schott 2009). Some media sources even sensed the danger for possible trade wars with other countries and they predicted retaliation mechanisms because other countries were expected to follow that trend. Subsequently, the Stimulus Act could create a "beggar-thy-neighbor" attitude just like in the 1930s that might have influenced other countries to enact their own protectionist policies.

The fear of a rising economic nationalism and protectionism in international trade provoked criticism, particularly in European politics. The British magazine, *The Economist* argued in this context that "*Buy American*" provisions were nationalistically motivated and could convert the economic crisis into a political one. Fears were raised that the provisions could violate international trade obligations, such as under the WTO. At the 2009 World Economic Forum in Davos, Switzerland, many world-leading economists expressed openly their concerns with the measures taken by the US Government and feared that the "sole superpower may turn its back on the open system" (*The Economist*, February 5, 2009).

The representatives of the European Union (EU) were alarmed by the "*Buy American*" clause and increased their pressure on the US to urge a last minute reconsideration of the provisions. Peter Power, a spokesman for the EU's trade commissioner, asserted that the provisions would violate international trade agreements and as a consequence must be removed. Also the EU's ambassador to Washington, John Bruton expressed his concerns in a letter to the President and warned that the provisions could provoke worldwide retaliations: "We regard this legislation as setting a very dangerous precedent at a time when the world is facing a global economic crisis" (Evans-Pritchard 2009). If the clause in the bill would be signed into law, the EU would bring the case in front of the WTO, was the general message.

The European national governments also expressed their concern over the bill. In Germany Chancellor Angela Merkel warned against the negative signal that the US would send out and argue that the crisis could lead to stronger protectionism as well as to a rise in other subsidies for national industries. This, it was feared, could have negative long-term effects on the global economy and in the worst case scenario could even extend or worsen the effects of the crisis. To resolve the issue, the world would need a global network of rules in a multilateral framework, as Merkel pointed it out (Fischermann 2009).

Besides the political statements from the EU, also trade representatives and economists showed their disapproval with the clause in the Stimulus Bill. In their view, the exclusion of non-US steel could provoke the exact opposite effect. Instead of helping the American economy by creating more jobs, the Stimulus package would slow down the economic growth on the long-term because of the trade conflicts with other countries. Trading partners would refuse to buy US-goods if their own entrance to the market would be denied under the "*Buy American*" clause (Entine 2009).

Shortly after these harsh reactions among major trade partners of the US, President Barack Obama and Vice-President Joe Biden reaffirmed the US commitment to free trade. The US was aware that under international trade agreements, such as the WTO and NAFTA, they are obligated to maintain their economy open to goods and services from the outside. Obama reassured the special role of the US in promoting free trade and that the consistency with the existing trade agreements must be ensured once the stimulus bill was signed into law. The provisions then underwent some major changes and the clause was modified to calm the international trade partners.

The final bill was passed by the Senate on February 7, 2009 includes a milder provision than the original one. The plan now refers to goods of steel that "are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality," and it also says: "This section shall be applied in a manner consistent with United States' obligations under international agreements." Hence, provisions now excluded the 38 member states of the WTO agreement, including the trade partners from free trade agreements, Mexico, Canada, and many developing countries (Sprissler 2009: 11). At the same time, the bill still discriminates against countries that have not signed the WTO agreement.

Assuming the influence from national interest groups, the "*Buy American*" clause was rather softened than dropped completely, so that it is ensured to work along with international treaties. A major EU lobby group, the EU's EUROFER steel trade association, still expresses its discontent with the final bill. According to Gordon Moffat, the head of EUROFER, the bill still undermines the political agreement made at the G-20 Summit in late 2008, where the attending members promised not to adopt protectionist economic policies. The "*Buy*

American" clause in the economic stimulus bill, however, shows that steps towards protectionism are underway (*USA Today News*, February 5, 2009).

Arguments for Protectionism in the US

It is important to understand the arguments that were used for defending the "*Buy American*" clause in the stimulus package and the defenders behind it. One of the most prominent supporters of the provisions in the stimulus package is the Alliance for American Manufacturing (AAM). According to their publication "Buy America: Key to America's Economic Recovery" the provisions are portrayed as positive and beneficial for the US economy. The AAM asserts that the stimulus plan with the "Buy American" provisions helps to create jobs while it also strengthens the US economy (Stewart and Drake 2009). The 4 million US manufacturing jobs that were lost since 2000 are seen as an example for the ongoing threat of unemployment in the manufacturing sectors that had sped up throughout the economic crisis. For every $1 billion invested in infrastructure, as many as 18,000 jobs could be created, asserts the AAM and concludes that the "Buy American" provisions help to save these jobs while it also invests in the overall infrastructure. According to the AAM, the bill is fully consistent with international trade obligations and justified because it is set up to protect American jobs. The AAM also points out that Federal Highways, Transit and Railroads still receive special Federal funds and provisions to ensure their stability and while the US government also shows a preferred treatment of the national banks and automakers, the manufacturing sector demands also a special funding. The AAM also links the provisions directly to China and France because they are countries that subsidize national products and, in the case of China, illegally undervalue their currency which poses a threat to a fair competition with the US.

The imbalance of the US trade deficit with China is portrayed on the website of the AAM as the main factor for the problems of the US major industries:

> In sectors ranging from telecommunications to steel to machinery and many others, China's leaders made it clear that the state will continue to exert its control, making it virtually impossible for American firms to compete (…). Company after company has been affected by a Chinese government policy that simply needs to be described for what it is: cheating (AAM Website).

Hence, it is argued that American taxpayers money must effectively save the American jobs, which are threatened by an imagined unfair Chinese threat.

Like the AAM, another lobby group, the American Iron and Steel Institute (AISI) also defends the "*Buy American*" provisions by raising similar arguments. As the AISI President and CEO, Thomas J. Gibson states:

> (…) Americans support a common sense approach to rebuilding the economy. Americans want to see American taxpayer funds supporting a stimulus package that will generate American jobs, using high-quality American-made products. In fact, America's steel industry which is fundamental to our national and economic security, has high-quality, competitive-priced, American-made steel for any shovel-ready projects made by the hardest-working, most skilled steelworkers in the world (American Iron and Steel Institute).

In a national survey by the AISI that consisted of 1,000 American adults around 86 percent supported the "*Buy American*" provisions for American products before foreign competitors. Another interest group that endorsed the clause is the International Association of Machinists and Aerospace Workers (IAM). On the IAM's website it is stated: "If we're going to spend hundreds of billions to stimulate the economy, we should spend the money on US-made goods and services." To support this major argument, Roger Simmermacher, the author of the book "How Americans can buy American: The Power of Consumer Patriotism" is cited: "The buy-American provision in the economic stimulus bill isn't as much about a return to protectionism as it is about a return to the American virtues and values — self-sufficiency, self-reliance and independence — that this country was founded on" (IAM Website).

From these statements, it becomes clear that the main supporters of the "*Buy American*" provision are those institutions and companies that benefit the most from the aid of the governmental stimulus package. Interest groups from the manufacturing sector endorse the stimulus plan of Congress, as well as workers associations who see the obligation of the government to protect domestic steel producers in an economic down turn. Among the major arguments that emphasize the economic benefits of "*Buy American,*" many of them unify the country as they rely on patriotic feelings or common American values. Compared to the situation in Europe, the supporters and founders of American protectionist policies seem to include interest groups that defend the provisions from the stimulus package by appealing to common values and patriotism. In contrast, in Europe the national governments themselves, rather than interest groups deliver most of the arguments as they intervene in their domestic economies, as the following examples prove.

EUROPEAN UNION: ECONOMIC NATIONALISM

The Discriminatory Policies of European National Governments

The continental European view of economic policies is often contrasted to the Anglo-Saxon economic model that emphasizes the free market principle and a non-interventionist approach towards the domestic economy. Therefore, economic nationalism in Europe has been often described particularly by the American media as a recurring phenomenon in national, as well as EU politics. The French, German, Polish and Spanish governments use protectionism for their own country's benefit and intervene in their domestic economy to pursue their own national interests. This trend is also reflected in EU policies, such as the Common Agriculture Policy (CAP) that provides the national governments the chance to influence EU policies in favor for their own national economy (Dale 2007).

Despite the fact that European Integration forces the member states to form a deeper economic dialogue and cooperation, many national governments still place their own national interests over the common interests of the EU as a whole. In the process of the Single Market creation, the member states have to overcome and abolish remaining trade barriers in order to promote free movement of service, labor and goods within the EU. For this reason, the European Commission proposes EU-level directives that have to be adapted and implemented by each member state.

This ongoing process stopped in 2006, when a wave of cross-national mergers in the energy sector arose in the member states across the EU. Instead of encouraging the new economic changes, many national governments interfered with the mergers and stopped those who would have had an negative effect on their own domestic industries in form of possible lay offs and job cuts or would provide foreign companies with a stronger influence on the domestic market. As a reaction to the changes, the governments employed anti-takeover laws and various economic barriers to interfere with the mergers and to protect their own economies.

As an example, the French and the Luxembourg governments both resisted initially when the world's largest steel producer Mittal Steel from India tried to take over its French-Luxembourg rival Arcelor. The government of Luxembourg, who was a substantial shareholder in the company, saw the Indian bid as a hostile and dangerous move and intended to interfere with the deal. The Spanish government also intervened in a takeover bid by the German electricity company E.ON for the Spanish-owned rival Endesa and they justified this by pronouncing the Spanish company as a "strategic asset" for Spain (Matlack 2006). Also in Germany also many political decisions, especially in the auto sector appeared to be suspicious to the European Commission. The so-called "Volkswagen Law" allows the state of Lower Saxony to maintain a blocking minority vote that could protect the German company from hostile bids or foreign takeovers. In addition, the European car industry urges for governmental support to combat the danger of lay offs that would have been the consequence of the economic crisis (ECIPE 2009).

The automobile manufacturing industry has been often portrayed as an example for the growing involvement of the national governments and their influence through the stimulus packages. The French bail-out plan as an example included a conditional clause that obliged French companies not to close any of their factories in France. But the controversial case of the German car manufacturer Opel shows a very recent example of how a European government employed special measurements in order to increase the preferred market position of one of their own national champions. In the case of Opel, the German government performed an active role when protecting the company from a possible closure. By taking a leading role in the negotiation process about the future of the company that was bound to the condition to keep the German branches running, the German government actively used its position to save the jobs and keep them in Germany. The intervention of the government and their decisions were justified by Joachim Poss, member of the German Bundestag and finance spokesman, as a type of: "(…) solidarity that goes across party lines and it can't just be set aside" (Cremer and Parkin 2009). The deal however was criticized by other European governments that perceived it as a violation of common EU law. While other companies did not receive governmental aid and went bankrupt due to the consequences of the crisis, Opel and other car manufacturers were portrayed as being "system-relevant" industries for the German car manufacturing industry and hence were given a preferable financial treatment (Sprissler 2009: 11). This was also a common argument for the bail-outs of the financial institutions which were seen as important to ensure the functioning of the domestic economy as a whole.

In the context of the economic crisis, the national governments have been developing their own economic stimulus plans to ensure the economic stability of their own countries. Despite the pledge during the G-20 Summit, where they all openly opposed protectionism, the broke this rule by introducing stimulus packages that discriminate against other foreign competitors. The European Commissioner Günter Verheugen calls this economic nationalism in the EU "politically and economically explosive" (EurActiv February 26, 2009).

Arguments for Protectionism in the EU

Many European national governments use protectionism as a way of preventing their companies from changing economic environments. The different governments of the EU member states influence the economic landscape of their countries through interfering with deals, imposing barriers and vetoing possible takeovers. When they explain and justify their actions, they use using labels such as "economic patriotism" and emphasize the importance of keeping the companies “nationally owned” (Schönberg 2006, Franks 2006). European governments also tend to emphasize the role of the national sovereignty and appeal to populist as well as patriotic ideas (Ahearn 2006). Many of these attempts are unbeneficial for the EU but even more beneficial for the individual member states.

As the keeper of the single market, the European Commission has initiated a number of actions against the involvement of the national governments in market access acts. Nonetheless, in general EU regulators do not have much power to undermine the individual decisions by the national governments. The Commission can only intervene if it sees that EU rules are being broken by a member state, which includes the free movement of capital and labor and the right to set up companies in other EU member states. In practice the Commission has limited influence and no power to oppose economic nationalism in the EU (Smyth 2009).

According to the interpretation of Stefan Schönberg, who outlines the protectionist trend in Europe in 2006: “government intervention in national energy, steel, banking, and other markets rather reflects the wish to control the forces of markets and globalization, seen as threats by many Europeans, and a reawakened belief in national solutions” (Schönberg 2006: 47). Furthermore, he argues, “the interventionist approach finds support from a majority of workers and consumers who are led by their governments to believe that state intervention can shield them against cuts in social standards, competition from low-cost countries, and unemployment” (Schönberg 2006: 48). According to this interpretation, European national governments intervene because they want to control the markets and they rely on the people’s fears and hopes. The attitudes and actions of the national governments can undermine the process of European integration because they outdate EU laws (Schönberg 2006: 49).

French parliament member Bernard Carayon explains why the French government defined eleven strategic commercial sectors that were protected exclusively from foreign takeovers: “(…) we must have the honesty to recognize that there are parts of the economy that deserve to be protected that are identified as being of strategic importance in order to gain ground commercially” (Franks 2006). Here the argument is made of using protectionism as a strategy for the long-term development. According to this remark, a classic protectionist argument is being raised, that some sectors need to be protected because of their importance for the future economic well-being of the country that will rely on these economic sectors. Infant industries especially have been seen as worth being protected against foreign competition. EU laws still reserve the right for the national governments to block foreign takeovers, if they become a threat to the plural media, public security or the country’s financial system (*The Economist*, March 14, 2006). Therefore, protectionism within the EU can be legally used in certain circumstances.

The examples show that despite the membership in the European Union and the commitment to the EU single market, many European national or federal governments use economic policies that help to ensure their sovereignty and authority over their national economies. Hence, economic nationalism and protectionism have to be analyzed in a larger EU-context along with the involvement of the national governments.

ARGUMENTS RECONSIDERED

The Role of National Governments on Both Sides of the Atlantic

The US and the member states of the EU were all affected by the consequences of the global economic crisis and experienced a rising unemployment rate, an ongoing recession and a collapsing banking system. The threat of possible job cuts appeared and the demand grows for a government that takes a bigger stake in the economy. According to a recent publication by the German Marshall Fund of the United States based on transatlantic surveys, the interest for governments to play an essential role in solving the global economic crisis has increased on both sides of the Atlantic (Transatlantic Trends 2009).

According to the study, there is a transatlantic divide over the question on how to combat the economic crisis and how much money should be budgeted. Even more interesting is the fact that Americans and Europeans both have become introspective. While around 69 percent of Americans strongly agree with their governments solving domestic economic problems, around 55 percent of the Europeans share a similar sentiment. In addition, people on both sides of the Atlantic prefer buying national produced goods if this would help and support their economies. According to these numbers, 70 percent of Americans are in favor of the "*Buy American*" provisions, while the Europeans show less interest for it. In general right leaning citizens are more supportive of "buy national" policies than their left leaning counterparts on both sides of the Atlantic (Transatlantic Trends 2009: 18).

As portrayed in this context, governments play a crucial role in regulating the economy, while they use different arguments that all deal with saving jobs at home (Mix 2009: 10). Many observers identify the danger of a growing economic nationalism, in particular because of the nature of the arguments that were used in the discourse. By analyzing the arguments that were made, we can rely on the different approaches on economic nationalism in order to organize a coherent structure.

The Ideological Concept of US and EU Economic Nationalism

The first approach that conceives economic nationalism as an ideology can explain the arguments that are raised on both sides of the Atlantic. One of these is saving domestic industries and jobs that are perceived as threatened by foreign competitors. The crisis has led to a wave of nationalization, especially in the banking sector in order to stabilize these relevant fields for national economic performance. Governments bail out banks and companies that they interpret as critical for maintaining the economic system. Multilateral institutions, notably the UN, the EU and the WTO seemed to be powerless against these actions, since they had no chance to intervene or affect the decisions (Cable 2008). I argue that the crisis was responsible for a new rise of popular nationalist demands for state intervention. In addition, this has led to a new rise of "politics of identity and old-fashioned economic nationalism" when immigrants and foreigners become a political target and serve as scapegoats for the economic problems of a country (Cable 2008). Governments want to safeguard national interests while they try to achieve this using shielding the national economy by using discriminatory policies.

The governments can rely on economic nationalism because the fear of the populace's fear driving and supports their policies. According to Frank (1999: 250), economic nationalism in the United States remains a strong force that can influence policy decisions. In many other "*Buy American*" campaigns in American history the same arguments for governmental interventions are used. The belief that Americans can influence the economic development of the US and, hence, their own well being by buying exclusively national products has been a reappearing phenomenon when the economic situation is in a down turn

(Frank 1999: 251). Especially in times of an economic recession, national governments emphasize patriotism and national pride in order to support their economic policies and use them as tools to justify a control of the domestic market. Following this argument, promotion of national security becomes another reason for protectionism. Certain industries are often recognized as being too risky to be opened up for foreign influences, such as the defense or intelligence sector. The national governments ensure its independence and autonomy when they rely on economic nationalism (Etges 1999: 30).

Regarding the arguments that were given for protectionism on the American and the European side, the belief in resolving economic problems on a national level is vital. Globalization is a threat to domestic jobs and companies that cannot compete with other markets who offer their workforce for much lower costs. The idea of controlling markets through protectionism to keep jobs inside the country is a very common concept. While the fear of losing workplaces to foreigners grows, so does the hostility against foreigners and influences from other countries on the national economy. This is also why many "*Buy American*" campaigns take on an atmosphere of hostility and are set up to "protect" the country's economy against foreigners. The nationalistic images help to identify a common enemy that can be blamed for the worsening economic situation. When an economy struggles with economic problems, xenophobia and racism are likely to rise too (Frank 1999: 251). According to Frank, the rising fears about lay offs and cut backs are exploited and used by politicians and businesses in order to keep the common people under control and to mask the private, mostly corporate interests. In the United States, the different interest groups, such as the AAM made the Chinese responsible for decreasing American wages and imports. The justification that the US is suffering from state intervention of the Chinese government serves as a political and moral argument to support the "*Buy American*" provisions. In Europe, the same nationalist undertones in economic policies can be found. Despite the forces of

European Integration, European governments focus rather on their national industries in times of the economic crisis, while they constantly blame each other and they also employ economic nationalism in support of their national oriented policies (Applebaum 2009).

It is not surprising, then, that especially in times of crisis many people demand not only a stronger regulation of the economy but also a stronger regulation of immigration and the access of foreigners to their countries' markets. This trend has become apparent since the beginning of the crisis and it appears in discussions that wish to stop governmental aid for immigrants and foreign workers (Sprissler 2009: 13). Economic nationalism is conceived as an ideology which relies on the assumption that the government can interfere with the markets and the process of globalization to secure jobs and maintain stability. Policy-makers then rely on nationalistic images that help to identify a common scapegoat to support their policies and to increase the level of influence on the economy.

The Economic Concept of US and EU Economic Nationalism

Another concept of economic nationalism focuses more strictly on explaining the term through its importance for the economy. In a strictly economic definition of economic nationalism, the government tries to improve economic development or the overall competitive position of its country through strategic considerations, by employing different types of economic tools, such as tariffs, quotas or taxes. This can be seen as a strategy for economic development and a way to keep jobs and capital at home. By protecting the economy through these measures it gets too costly and difficult for foreign competitors to enter the national markets and they are kept out of the competition. This purely economic argument for protectionism can be found among the supporters for the "*Buy American*" provisions, as they defend investments in the national economy and show their preference of national products over international goods.

The different protectionist policies that followed the economic crisis were often compared to the 1930s, when the closure of the US markets provoked retaliations and global trade wars. Unlike the world crisis then, the modern economies now are more interrelated due to international trade agreements and their ability to raise tariffs are now limited. As the example of the *"Buy American"* provisions show, the international pressure on the US was so immense that the final version of the Stimulus Bill had been changed. This shows that protectionism as a strategy for economic growth can not be easily promoted anymore.

While traditional forms of economic protectionism vanished, other forms of economy intervention became apparent. Governments can still influence their economies though antidumping actions or tax cuts for exports, as well as other legal methods to control foreign investment. These instruments also serve to protect the domestic economy and can appear in different and more creative ways than employing quotas and tariffs (Stokes 2009). Some authors argue that governments have learned from the crisis of the 1930s and now rely on other more subliminal methods to control their economies. This new protectionism comes through "the back door" as it appears now in the different stimulus packages that give national companies an advantage over foreign competitors without introducing protectionism directly (Strauss-Kahn 2009, Langhorst and Mildner 2009).

Key industries such as car manufacturers, steel or textiles factories were always seen as worthy for protectionist policies when they were infant industries, too young to face international competition. In particular these types of industries were, at least for some time, chosen to be financially supported, led by the thought that they would develop better under fiscal and economic protection. In France the economic crisis provoked controversies over the question of how to deal with the influence of international competitors on the French market. The idea of protecting infant French industries and shield them against competitive pressures became very popular. This was also the case in Germany where car makers were seen as worthy for protection, as they affected many national jobs.

European governments try to restore the ability to determine their own economic policies for the benefit of their country. In the EU, the governments of the different member states have diverging ideas on how to fight the crisis. Instead of developing a common European solution, the national governments favor their own stimulus packages, so that in the end all of the European countries adapted their own policies in order to protect their national economies (Sprissler 2009). Economic nationalism as a purely economic strategy to keep jobs and capital at home became, therefore, apparent on both sides of the Atlantic

The Cultural Concept of US and EU Economic Nationalism.

According to the third approach on economic nationalism, protectionism can arise in the context of saving cultures and identities. Economic nationalist policies superficially protect cultural exceptions in the process of globalization. Patricia M. Goff (2005: 184) asserts that in the process of EU-integration the traditional borders that were once formed for a clear distinction between states constantly lose their importance and while these territorial borders vanish, conceptual and cultural borders become more significant (Goff 2005: 183). In times of economic liberalization, governments try to minimize existing economic barriers and demonstrate a growing commitment to free markets, while on the other hand they try to maintain their sometimes invisible "borders of meaning" (Goff 2005: 184). These borders can serve for the cultural and political distinction of a country and help to define a collective identity. People who identify themselves with common ideas, values, and norms want maintain the same cultural and political boundaries. In the US and in the EU many people feel threatened by the economic changes through globalization, which is recognized by the governments and known by the policy-makers and the media who address these fears when they introduce their protectionist policies.

The IAM argues that the *"Buy American"* provisions in the stimulus bill are a return to American virtues and values provides a basis for common identification. The word "American" is used in the discussion extensively to activate patriotism among the population, which influences US policies. Andreas Pickel (2003: 110) defines the general population of the United States as being "far from immune to economic nationalism" and asserts that patriotism drives certain political policies.

Culture in general also plays a role in the EU policy making process. People appeal to common cultural values on the local and regional level and identify themselves with them. The question about European identity is still ongoing and hence on the European side; protectionism cannot be defended by calling on common "European" values. The European Commission only safeguards the common market and makes sure that the member states follow the treaties. Nonetheless the member states emphasize their regional and cultural differences and use them for defending their political decisions, while they link their politics to their various cultural exceptions. In the EU, the member states protect their national or regional cultures that influence the EU-policy making process. Particularly, the cultural industries and the film industry are protected against foreign competitors. As an example, the market for the French film industry applies quotas for French and non-French made films. Foreign made cultural products must succumb to the cultural exceptionalism of the French language. This European cultural protectionism is also reflected in the GATT agreement, which includes a legal exemption on the opening of audiovisual industry markets for international competition due to the European Union (Goff 2000: 534).

It is likely that especially cultural aspects come into play when protectionism is introduced as a way to manage the economy. These aspects often remain unrecognized in sciences and politics, but they are important for the explanation of economic nationalism.

Therefore, common cultural barriers still play a significant role in transatlantic trade relations and determine the economic development of the different countries.

CONCLUSION AND OUTLOOK

Economic nationalism is an ongoing phenomenon in transatlantic trade relations. In the EU, as well as the US there have been several acts of protectionism which appear as the "*Buy American*" provisions in the US stimulus bill or as the subsidies for certain European industries. Protectionism can be a side effect of economic nationalism and serves to shield the national economy against foreign influences. For economic nationalism, this means whenever a country decides to introduce discriminatory and protectionist trade policies, it has various reasons to do so. All protectionist doctrines are aimed to protect national businesses and the labor force by regulating the economy, at the expense of foreign goods, services and labor.

The economic crisis in particular and its effects on the transatlantic economies were the reasons for growing economic nationalism that took advantage of the people's fears about cut-backs and job losses. Therefore, many supporters of protectionism relied with their arguments on antagonistic and hostile attitudes towards foreigners and foreign competitors.

In order to explain economic nationalism in transatlantic trade relations, the different concepts of the term are imperative. A first concept focuses on explaining economic nationalism as an ideology. This is conceived as the assumption that governmental intervention can help to promote a fair-play of the markets and the development of the economy. Applied to the US and the countries of the EU it shows that common enemies serve to unify the people over a scapegoat. In the US, this was done by identifying China as the reason for the economic down turn of the US economy. In Europe, the EU member states blamed each other when they interfered with the cross-merger wave in the energy industries. In this process, the hostility against non-national labor force, goods and services grows and becomes a problem for open markets and society. The common belief in national solutions in terms of regulating the economy characterizes the ideological approach of economic nationalism.

Although Americans and Europeans both argued for a common strategy of fighting the crisis at the G-20 summit where they made the same statements on keeping their domestic economies open foreign labor and capital, in the end they relied on protectionism and national solutions to protect their domestic markets. Economic nationalism as an economic concept can explain which policy tools the governments attempt to interfere with the economy. Both sides of the Atlantic wanted to safeguard economic interests and they tried to achieve this through discriminatory policies. After a long era of economic growth and stability, the answers of the national governments to the effects of the economic crisis are extreme and reminiscent of the 1930s. The modern world has changed through globalization and the countries find themselves in a variety of different trade agreements and a larger multilateral framework that is challenging for them to adopt economic protectionist measures and follow the path of economic nationalism. The trade partners or the international organizations and bodies, such as WTO and the European Commission safeguard a fair and legal economic order. However, there have appeared other means of gaining influence and control over the domestic markets. This could be done through stimulus packages or by declaring some sectors of the economy as "strategically important" for the domestic economy as a whole.

In the American case the arguments for protectionism are strongly linked to economic considerations and spending tax-payers money on the domestic market and they also rely on common values used to support the "*Buy American*" provisions. Similarly, on the European side, economic patriotism is given as a reason for protecting the national economies against foreign competitors. Cultural exceptions play a role in European protectionism and in the broader EU policy-making process. The cultural aspect of protectionist policies characterizes this final approach of economic nationalism.

The three concepts that interpret economic nationalism either as an ideological, economic or cultural phenomenon can explain the new rise of economic nationalism in transatlantic trade relations. The ongoing economic crisis reveals how nationalist undertones appear when the countries are confronted with economic challenges while the national governments also become deeper involved with the economic development of their countries. In order to solve the economic problems, they rely on arguments when they introduce economic protectionist policies. Economic nationalism reappears in these situations with the popular demand for restrictions on the domestic control of their economy, the labor, and capital movements. This could impose a real danger for long-term economic cooperation and, in particular, to the European Union integration process and the EU common market. Economic growth only works with free societies, and free economies that rely on immigration, exchange, and open markets. Instead of not cooperating with each other, American and European governments should promote an open multilateral dialogue and synergy. Politicians, policy makers, and interest groups on both sides of the Atlantic should, therefore, resist economic nationalism and protectionist policies to improve the transatlantic dialogue in a new multilateral framework.

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