Boston University Study Abroad London

The European Business Environment: Institutions, Enterprise & Common Security
CAS EC 330/IR 336 (Elective A)
Spring 2013

Instructor Information

A. Name
Dr Hugh Macdonald

Course Overview

This course provides an introduction to the European Union (EU) system of regional integration via ‘competences’ ceded by member states to EU institutions. These competences operate in such areas as Competition policy, the Single European Market (SEM), the role of state aid, energy security policies, environmental regulation, transportation & trans-European networks, Economic and Monetary Union (EMU), and common foreign, security and defence provisions (CFSP/ESDP). The course identifies key issues facing EU member states, institutions, businesses and peoples; highlights different economic orientations and defence and security interests; and provides learning and skills at the interface between international business and international relations. Issues covered include:

- The dynamics of European integration;
- The EU as an economic actor;
- The SEM and its impact on trade, competition, industry, transportation, energy, and environment;
- Social protection regimes and their implications for economics, business, and ‘citizens’;
- EMU and its current dilemmas;
- Inter-governmental common policies in security, defence and foreign policy;
- EU institutional, regional and global relationships (Field trip);
- The EU in world affairs

Course Methodology

The course comprises nine sessions, made up of lectures, a field trip to Brussels, and class presentations. Students – working individually and on a small-group basis - will complete course reading/reporting assignments, participate in class discussions, have a 2-hour final exam and complete set background readings as part of the course.

Each Lecture session commences with an introduction to the set topic by the instructor. Students are expected to do set readings in advance. Seminar sessions discuss lecture topics in further detail and introduce commentaries on readings, assigned and prepared in advance by individuals or small groups. Set texts for readings are available from the BU Study Abroad London Library, and other set readings listed online on the course webpage, https://lms.bu.edu (you must log in to view materials). Other major activities include a two-day field trip to Brussels. Overall, this trip offers students an opportunity to identify and discuss the network of institutions that has evolved within the EU, and between the EU, US and NATO. Notes and Readings will be circulated in advance.
Assessment
Overall assessment will be the outcome of four distinct assignments, each carrying weights given below:

1. One individual in-class **Individual briefing** (5 minutes) based on independent investigation. Presentation notes will be submitted to assist assessment.

2. Two in-class **Group commentaries** (10 minutes each) on readings and tasks assigned by the Instructor, one of which will relate to the Brussels Field Trip (See below). Presentation notes will be submitted to assist assessments.

3. A **Case study** (guideline length 2,500 words or equivalent in PPP or another presentation medium) chosen from a course theme/topic, but with a precise/manageable focus. Students are primarily responsible for defining the scope of the case study, with assistance from the Instructor, by Session 3. A short in-class **presentation of main findings** will be made during Session 9. The deadline for final submission will be 6pm on the day of the Final Examination.

4. **Class participation** (not including Individual briefings and Group presentations) will be assessed on the contribution each student makes to questions and discussions around Lecture and Class topics (including Field Trip sessions) throughout the course.

5. A **Final examination** (two hours) will test information and knowledge gained during the course and field trip(s). Section ‘A’ requires responses about EU institutions and competences, and Section ‘B’ requires responses to essay-type questions.

Maximum marks available for each assignment are:

- Individual in-class briefing = 10%
- Small group commentaries (x2) = 20%
- Case study submission + presentation = 30%
- Class/Seminar participation = 10%
- Final examination (2 hours) = 30%

Grading
Please refer to the Academic Handbook for detailed grading criteria and policies on plagiarism: [http://www.bu.edu/london/current-semester](http://www.bu.edu/london/current-semester)

Attendance Policy

Classes
Boston University London Programme students are expected to attend each and every class session, tutorial, and field trip in order to fulfill the required course contact hours and receive course credit. Any student that has been absent from two class sessions (whether authorised or unauthorised) will need to meet with the Directors to discuss their continued participation on the programme.

Authorised Absence:
Students who expect to be absent from any class should notify a member of Academic Affairs and complete an Authorized Absence Approval Form 10 working days in advance of the class date (except in the case of absence due to illness, for which students should submit the Authorized Absence Approval Form with the required doctor’s note as soon as possible).

Please note: Submitting an Authorised Absence Approval Form does not guarantee an authorized absence

Students may apply for an authorised absence only under the following circumstances:

- Illness, supported by a local London doctor’s note (submitted with Authorised Absence Approval Form).
• Important placement event that clashes with a class (verified by internship supervisor)
• Special circumstances which have been approved by the Directors (see note below).

The Directors will only in the most extreme cases (for example, death in close family) allow students to leave the programme early or for a significant break.

Unauthorized Absence:
Any student who misses a class due to an unauthorised absence will receive a 4% grade penalty to their final grade for the course whose class was missed. This grade penalty will be applied by the Academic Affairs office to the final grade at the end of the course. As stated above, any student who has missed two classes will need to meet with the Directors to discuss their participation on the programme as excessive absences may result in a ‘Fail’ in the class and therefore expulsion from the programme.

Course Chronology

ONE: Monday 21 January
Lecture: The dynamics of European integration: Despite the sub-dominance of separate national states which exercise sovereignty and crucial tax-and-spend powers, the EU has demonstrated strong integration dynamics. What are the forces driving this integration?
Seminar: European national identities: Despite regional economic integration and institutional regulation, Europe continues to be characterised by national and sub-regional diversity, and strongly differentiated levels of economic development and performance between northern, southern and eastern parts of the Union. How effectively has institutional integration overcome these divergences?
Questions for discussion:
• What do you understand by the EU reform & integration process?
• What goals does the EU seek to achieve?
• Why are separate national identities so powerful in Europe today?
• What are the main implications of EU integration for European and international business?
Readings: Pinder & Usherwood, The European Union, Chs 1, 2 (pp. 1-35); Typical business opportunities & challenges Johnson & Turner (p. 54)
http://europa.eu/about-eu/institutions-bodies/index_en.htm

TWO: Tuesday 22 January
Lecture: The EU as an economic actor: Rather than a quasi-federation or a set of intergovernmental institutions with autonomous powers, the EU is best viewed as a ‘Club’ whose members operate a regime of ‘competences’. These originate as primarily ‘intra-regional’ (for example, rules on the conduct of firms in relation to consumers) or ‘extra-regional’ (for example, the Common Commercial Policy); yet separate competences increasingly interact, and need to be managed in association with other actors. How does the EU deal with its ‘constituents’, such as business corporations, national governments, trade unions, regional authorities, ‘citizens’, consumers and other actors – including ‘external’ commercial and political interest-groups?
Seminar: Characteristics of the European economy: The EU’s capacities to influence regional and international trade, monetary strategies, and economic development, have become enormously influential within the global system. The EU is often seen as one part of a dominant ‘Triad’ (with North America and Japan’s East Asian trade area). Yet the EU is often perceived as ‘an economic giant but a political pygmy’. How accurate are such perceptions, either of European economic predominance or of European political inferiority?
Questions for discussion:

- What are the main features of EU economic integration and the European economy?
- How has business in Europe viewed the integration process?
- Why has European international trade become so important in the global economy?

Readings:
- Pinder & Usherwood, *The European Union*, Ch. 3 (pp. 36-64)
- Johnson & Turner, *European business*, Ch. 17 (pp. 390-407)
- *Forms of economic integration* Johnson & Turner (p. 26)
- *Milestones in European integration* Johnson & Turner (pp. 31-2)
- *Clarification of competences* Johnson & Turner (p. 42)
- *Types of EU legislation* Johnson & Turner (p. 47)
- *Other EU institutions* Johnson & Turner (pp. 49-50)
- The European Court of Justice & Key ECJ Judgements Johnson & Turner (pp. 51-3)
- The European economy Johnson & Turner (pp. 63-79)
- *Aerospace: Boeing v Airbus* Johnson & Turner (pp. 129-31)
- EU-US ‘Open skies’ integration Johnson & Turner (pp. 401-2)

**THREE: Monday 28 January**

Lecture: *The SEM and its impact:* Since the mid-1980’s the development of a ‘single market(place)’ has been the main intra-regional driver of economic integration, particularly as key principles for the management of competition, transportation, environment (including health & safety), energy, trade in services (including financial products) and consumer protections have evolved inter-dependently. How have EU institutions, governments and business firms acted towards this framework for integration?

Seminar: *Market integration & financial policy constraints:* The EU’s capacity to openly regulate markets and the power of other actors in those market settings are crucial to the overall direction and rate of integration in the European region. What ‘markets’ does the EU regulate, and how effectively does it do so? Why is the competence of the EU in financial markets comparatively immature?

Questions for discussion:

- What are the main features of EU competition policy?
- In what ways might integration in services and financial markets change the behaviour of European businesses?
- Why is the removal of State aid (a) crucially important (b) very difficult?
- Does the EU have (or need) an industrial strategy?

Readings:
- Pinder & Usherwood, *The European Union*, Ch. 4 (pp. 64-79)
- Johnson & Turner, *European business*, Ch. 5 (pp. 103-123)
- *Barriers to be removed in the SEM* Johnson & Turner (p. 86)
- *Financial market integration* Johnson & Turner (pp. 99-100)
- *EU competition policy instruments* Johnson & Turner (p. 106)
- *France Telecom and state aids* Johnson & Turner (pp. 110-11)
- RWE: European leader in power supply? Johnson & Turner (pp. 256-59)
- The EU and Microsoft Johnson & Turner (pp. 118-20)
- *Milestones in common transportation policy* Johnson & Turner (p. 217)
- Key transport terms Johnson & Turner (p. 218)
- *Three airline packages* Johnson & Turner (p. 222)
- *Milestones in EU environment policy* Johnson & Turner (p. 321)
- Key environmental principles in the Treaties Johnson & Turner (p. 322)
- *European social models* Johnson & Turner (pp. 11-14)
- Key features of the sixth EAP Johnson & Turner (pp. 326-8)
- What is emissions trading & how does it work? Johnson & Turner (p. 333)
FOUR: Tuesday 29 January

Lecture: Social protection regimes, enlargement, business, and ‘citizens’: Although the EU ‘brands’ such items as passports, visas and ‘citizenship’, when Europeans buy postage stamps, pay taxes or receive benefits for loss of earnings from employment, they do so via ‘their’ national government. EU institutions have no direct tax & spend powers, nor do they possess the same legitimacy as national legislatures. Efforts to deepen ‘Social Europe’ have been confined to reform of the European Parliament and expanding existing SEM provisions. Nonetheless, Labour market flexibility, consumer rights and environmental health & safety policies have allowed EU institutions to enlarge existing competences. It remains to be seen how far the consequences of the current banking and financial crisis will be a ‘driver’ for enhanced social/fiscal policy competences at the EU level.


Questions for discussion:
• Why are European societies so attached to extensive and costly national systems of social protection?
• Is the EU displacing member states in providing social protection for employees, consumers and other groups of ‘citizens’?
• Why were the new member states of 2004-07 so eager to join the EU?
• How have these enlargements changed the European social, political & business environment?
• How challenging are ‘Euroscepticism’, nationalism and economic protectionism?

Readings:
Pinder & Usherwood, The European Union, Chs 6, 7 (pp. 95-111)
Johnson & Turner, European business, Chs 16 (pp. 359-389)
European social models Johnson & Turner (pp. 11-14)
Social provisions of the Treaty of Rome Johnson & Turner (p. 294)
Social & employment initiatives in the Amsterdam Treaty Johnson & Turner (p. 302)
Milestones in the EU-CEE relationship Johnson & Turner (pp. 362-3)
Membership eligibility & the Copenhagen conditions Johnson & Turner (p. 365)
Whirlpool in Central Europe Johnson & Turner (pp. 374-6)
Emergence of a new automotive cluster Johnson & Turner (pp. 379-84)
http://europa.eu/about-eu/basic-information/money/index_en.htm

FIVE & SIX: Sunday 3 February to Tuesday 5 February

Site Visit: Brussels Field Trip

Depart Sunday early afternoon 3rd February; return Tuesday evening 5th February. Full details of the field trip will be confirmed at the beginning of the course. Generally it will include travel from London to Brussels (return) by Eurostar. The first evening is free for
you to explore Brussels. On **Monday 4 February** briefing visits will be held at two EU institutions which may include the European Commission, Council of the European Union or the EU Parliament (including the newly-opened walk-through A/V facility). These will usually be completed by mid-afternoon, and the rest of the day is free. On **Tuesday 5 February** there will be a lecture & discussion on NATO and its role in European and global security, and a visit to the BU Brussels Centre.

### SEVEN: Monday 11 February

**Lecture:** *Economic and Monetary Union (EMU):* Monetary Union is proving to be a two-edged sword for EU members, including its key sponsors Germany and France. On the other hand even non-members of ‘Euroland’ depend on the stance of the European Central Bank (ECB) as a transmission mechanism for issuing securities to financial intermediaries against a background of weak growth, sovereign fiscal imbalances, deflated asset prices and banks unwilling to fund business and consumer borrowing because of their questionable balance-sheets.

**Seminar I:** *Review of Brussels field trip: Feedback from class members + Group Commentaries*

**Seminar II: EMU in crisis (Visiting Lecturer Dr. Andrey Jichev):* The EU has had to take crisis measures to support countries with large deficits which cannot use interest or exchange-rate changes as policy instruments. The ECB has *de facto* adopted new monetary policies in pursuit of stabilising the financial system. The European Financial Stability Facility (EFSF) and the Treaty for a European Stability Mechanism (ESM) have been established. Both sets of initiatives add massively to potential ‘Euroland’ sovereign debt, and as such have proved unpopular in economically stronger countries. Markets so far deem these steps inadequate. Withdrawal from EU membership and defection from previously agreed structures remain possibilities (despite the Treaty basis and tight conditionality of recent EMU reforms) so long as there is no ‘banking/fiscal union’.

**Questions for discussion:**

- Why has the EU placed so much emphasis on a single currency?
- What are the business & strategic strengths and weaknesses of ‘Euroland’?
- How has the EU/ECB responded to the global financial crisis since 2008?
- How can ‘Euroland’ deal with structural divergences between its ‘northern’ and ‘southern’ members?
- What are the policy implications?

**Readings:**
- Pinder & Usherwood, *The European Union*, Ch. 4 (pp. 65-79)
- Johnson & Turner, *European business*, Chs 8, 13 (pp. 162-187; 284-308)
- EU labour market policy Johnson & Turner (p. 295)
- Working hours – a test case Johnson & Turner (pp. 297-300)

### EIGHT: Tuesday 12 February

**Lecture:** *‘Common’ action in foreign, security and defence policies:* EU political co-operation in external relations grew out of the perception that common responses were needed when common challenges arose. After more than thirty years, and particularly following the end of the Cold War, the dynamics of co-operation shifted towards integrated planning and long-term common interests; but how successfully?

**Seminar I:** *The CFSP/ESDP of the EU:* With the Lisbon Treaty (2009), the EU has committed to implementing *Common* Foreign Policy and *European* Security and Defence Policy. ‘Common’ (driven by the shared interests of governments) is important in such cases as Israel and the Palestinians, Lebanon, Iranian nuclear ambitions, and the EU’s commitment to economic development. ‘European’ (driven by EU institutions) is symbolised by the High Representative for Foreign & Security Policy, the European
External Action Service (EEAS), the European Defence Agency (EDA), and the growth of shared defence research and procurement. Deep tensions between these approaches have been seen in Iraq, Afghanistan and other crises. During the ‘Arab Spring’ (2010-12) some EU member states acted together, but without first establishing either ‘Common’ or ‘European’ policy, for example when military intervention in Libya began in 2011. What are the implications of this ‘variable geometry’ in foreign policy, security & defence?

Seminar II: The development of regional infrastructure: One of the biggest issues facing the EU is how it will obtain the financial and technological support of European businesses and banks (including multi-national corporations) for the development of Trans-European networks (TEN’s) and multi-national defence programmes, arenas in which deep strategic inter-dependence, though not necessarily political cohesion, is being forged. Hence, significant contrasts can be noted between the political difficulties which face all attempts to create common security and defence structures, and the remarkably deep technological integration that is evolving among EU countries, corporations and institutions in the defence economy. Is this what the founding fathers of the EU meant by ‘Spillover’?

Questions for discussion:

a. Is the EU a ‘Great civilian power’;
b. Why is it so difficult for the EU to develop common foreign and defence policies?
   • What are the actual and perceived strengths & weaknesses of CFSP/ESDP in light of the Lisbon Treaty?
   • What might a SWOT analysis of CFSP/ESDP look like?
   • What are TEN’s? Do these have potential for driving integration?
   • Can the EU have a rational defence economy in the absence of political-military cohesion?

Readings: Pinder & Usherwood, The European Union, Ch. 8 (pp. 112-126)
The role of the EU in the development of TENs Johnson & Turner (pp. 198-206) 
Title XII – Trans-European Networks Johnson & Turner (p. 193)
The logistics of the Airbus 380 Johnson & Turner (pp. 191-2)
Larabee, F. S. ‘The United States and the evolution of ESDP’, in Vasconcelos (Ed), What ambitions for European defence in 2020? (pp. 51-60)
Vasconcelos, A. ‘2020: Defence beyond the Transatlantic paradigm’, in Vasconcelos (Ed), What ambitions for European defence in 2020? (pp. 15-26)

NINE: Friday 15 February

Lecture: The EU in European & world affairs: The EU has become predominant in Europe, and prominent across the globe, to the extent that it is easy to overlook its ‘contested’ nature. This calls for a careful overview:

• The EU as a ‘Club’, regime & system of institutions;
• The EU and other European & international institutions;
• Members of the EU ‘Club’ & other national states in the European region;
• The EU as a ‘Single Market’ with additional competences;
• EMU and its problematic future;
• EU infrastructure and defence economic integration;
• Inter-governmental v Federal dynamics in the EU system;
• Competences v capabilities in CFSP/ESDP;
• The EU as a global trade & monetary actor;
• The EU as a global political actor;
• The EU as a global development actor;
• The EU, US and the ‘western’ alliance.

Seminar I: Short case study presentations
Readings: Pinder & Usherwood, The European Union, Ch. 10 (pp. 141-161)
*Contingency Class Date: Friday 8 February:* Students are obligated to keep this date free to attend class should any class dates need to be rescheduled.

**Final Exam: Tuesday 19 February:** Exam times and locations will be posted on the BU London website and in the Student Newsletter two weeks before exam dates.

**Set Texts & Further Readings**


De Grauwe, P (Ed) (2009) *Economics of Monetary Union* (8e), Oxford UP


**BU Blackboard:** Electronic versions of selected weekly readings can be obtained from the course webpage: [https://lms.bu.edu](https://lms.bu.edu) (you must be logged in to view materials).

**Links:** Web links provide updates for individual and group class work, case-study presentations and input for term paper research.

- EU gateway portal: [www.europa.eu.int](http://www.europa.eu.int)
- UK government portal: [www.direct.gov.uk](http://www.direct.gov.uk)
- TEC (US): [www.state.gov/p/eur/rt/ue/tec/index.htm](http://www.state.gov/p/eur/rt/ue/tec/index.htm)