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Laurent.warlouzet@sorbonne-universite.fr

Author version of the contribution published as: Laurent Warlouzet, « Competitiveness and Solidarity in the History of the European Union, 1957-2017 », in Paolo Chiocchetti and Frédéric Allemand (eds.), *Competitiveness and Solidarity in the European Union. Interdisciplinary Perspectives*, London, Routledge, 2019, pp. 54-72.

**Abstract**

While some scholars consider that the European integration process has always had a dominant neoliberal component, this contribution will argue that, on the contrary, the development of the European Union since its inception in 1957 (as the EEC) has always been characterized by a balance between three types of policies : socially-oriented, neomercantilist, and market-oriented, with neoliberalism being a radical version of the latter category.

**Introduction**

While some scholars consider that the European integration process has always had a strong neoliberal component, which has grown over the years,[1] this contribution will argue that, on the contrary, the development of the EU has always been characterized by a balance between the principle of competitiveness and the principle of solidarity. This contribution will shed light on a 60-year long history, from the 1957 Treaty of Rome creating the European Economic Community (EEC), which was then superseded by the European Union (EU) with the 1992 Maastricht Treaty, to now. It focuses on the EEC/EU, as this institution is by far the most influential in terms of economic cooperation.

Throughout those 60 years, and according to the typology developed in *Governing Europe in a Globalized World*, Western Europeans leaders have strived to implement three types of socio-economic models of Europe at the EEC/EU level.[2] The first one, building a 'social Europe', aims at fostering solidarity, either by redistributive policies intended to diminish inequalities, or by taking measures targeted as the least favoured groups (the poor, the sick, the women, or those suffering from dire working conditions and/or from a degraded environment). The second type of policy is the neomercantilist one. Its aim is to maximize national industrial output by focusing on strengthening competitiveness through non-free market measures. Neomercantilism comes from the mercantilist impetus of protecting national companies and of fostering export. In this vision, world trade is a zero-sum game: the gains of one actor correspond to the losses of another. The prefix 'neo' is added to underline the fact that those policies were embedded in an international economic order based on a commitment to free-trade dating back to 1945. In contrast with promoters of social policies, neomercantilists do not aim at protecting the poorest, even if this could be a side effect of shielding industry from international competition. A last category regroups 'market-oriented' policies which aim at promoting competitiveness by removing obstacles to the economic liberties of individuals and of firms, both at the national and at the international levels. Neoliberal policies are a radical variant of market-oriented policies. They put an emphasis on a massive retrenchment of the welfare state combined with regressive fiscal policies, whereas those two elements are not present among moderate promoters of market-oriented policy.

The advantage of this threefold classification is double. First, it points out that the EEC/EU had not been only market-oriented or neoliberal right from the start. Second, it underlines that the goal of improving competitiveness can be attained either by neomercantilist or by market-oriented policies. Third, it provides a precise definition of neoliberal Europe which is based on a set of clearly identifiable policy measures.

This contribution, based on a vast array of literature in history and in political science,[3] and on forays into various European primary sources,[4] will examine the unfolding of those three models of economic cooperation during five periods: 'embedded liberalism' (1957–1973), the 'shock of the Global' (1973–84), the 'Single Market' (1985–1992), the 'end of history' (1992–2006), and the crisis years (2007–present).

## 1. 'Embedded liberalism' (1957–73)

The first period (1957–1973) was characterized by a relation between competitiveness and solidarity that was captured by the expression 'embedded liberalism' coined by John Ruggie in 1982. He defined it as a regime under which 'multilateralism and the quest for domestic stability were coupled and even conditioned by one another' (Ruggie 1982:398). By ‘domestic stability’, Ruggie meant that the GATT was founded on international free-trade, but it included many exemptions, both permanent (for regional trade agreements) and temporary (in case of balance of payments problem or trade disputes). Ruggie went on to quote the famous economist Jacob Viner, a specialist of trade agreements, who asserted in early 1947, during the GATT negotiations : ‘There are few free traders in the present-day world, no one pays any attention to their views, and no person in authority anywhere advocates free trade’.[5] In other words, the post-1945 international economic regime was not a pure laissez-faire approach that temporarily tolerated exemptions, but rather a comprehensive association of free-market, neomercantilist and social policies.

‘Embedded liberalism’ was predicated on a rejection of the nationalism of the 1930s. Initially, it was the most liberal states who unleashed economic nationalism, first the United States with trade protectionism in 1930 (the famous Smoot-Hawley Tariff Act), and then the United Kingdom with currency devaluation in 1931 (Boyce 2009). Combined with harsh deflation policies, this approach contributed to increase and to spread the economic crisis. Later on, in certain countries, economic nationalism fuelled political nationalism with the advent of Hitler in 1933. In reaction, after 1945, Atlantic elites fostered a radically different combination of international economic cooperation based on free-trade (even if barriers to trade remained important until 1959 due to the reconstruction) and an internal priority on full employment. According to Ruggie: ‘this was the essence of the embedded liberalism compromise: unlike the economic nationalism of the thirties, it would be multilateral in character; unlike the liberalism of the gold standard and free trade, its multilateralism would be predicated upon domestic interventionism’ (Ruggie 1982:393). In other words, despite inevitable local differences, most leaders shared the conviction that the 1930s, and in particular Hitler’s aggressive mercantilist policy, were a counter-model.

This translated in the Treaty of Rome of 25 March 1957 which created the European Economic Community. Detailed historical analysis of the early years of the EEC demonstrate that the Treaty of Rome was negotiated and implemented during its early years by a blend of Christian democrats (Adenauer, Fanfani), of socialists (Spaak, Mollet) and of conservative politicians who were not neoliberals (De Gaulle) (Parsons 2003; Varsori 2010; Warlouzet 2011b). Most of them signed or implemented the Treaty of Rome while at the same time strengthening their national welfare state. They put an emphasis on the EEC whereas a more market-oriented alternative, the Free-Trade Area (FTA), was available. The FTA was rejected first and foremost by the French government, but many other actors, such as the European

Commission, were sceptical about it (Warlouzet 2011a, 2011b). Only the most neoclassical and the least enthusiastic about European integration prioritized the FTA over the EEC: in particular, the German Minister of Economics Ludwig Erhard, who was outmanoeuvred by Adenauer (Löffler 2002:563).

The Treaty of Rome of 1957 proved flexible enough to accommodate many kinds of national economic policies, as its extensive articles 2 and 3 EEC stating its objectives demonstrate. Article 2 promotes a 'harmonious development of economic activities, a continuous and balanced expansion, an increased stability, an accelerated raising of the standard of living'. Article 3 lists a series of task to complete, with an emphasis either on a market-oriented approach (items a, b, c, f), or on a social-oriented one (i, j, k), with a third category being unspecific (d, e, f, g, h) (see Box 2.1).

Box 4.1 Treaty establishing the European Economic Community (Treaty of Rome), 1957, article 3

For the purposes set out in the preceding Article, the activities of the Community shall include, under the conditions and with the timing provided for in this Treaty:

a) the elimination, as between Member States, of customs duties and of quantitative restrictions in regard to the importation and exportation of goods, as well as of all other measures with equivalent effect;

b) the establishment of a common customs tariff and a common commercial policy towards third countries;

c) the abolition, as between Member States, of the obstacles to the free movement of persons, services and capital;

d) the inauguration of a common agricultural policy;

e) the inauguration of a common transport policy;

f) the establishment of a system ensuring that competition shall not be distorted in the Common Market;

g) the application of procedures which shall make it possible to co-ordinate the economic policies of Member States and to remedy disequilibria in their balances of payments;

h) the approximation of their respective municipal law to the extent necessary for the functioning of the Common Market;

i) the creation of a European social Fund in order to improve the possibilities of employment for workers and to contribute to the raising of their standard of living;

j) the establishment of a European Investment Bank intended to facilitate the economic expansion of the Community through the creation of new resources; and

k) the association of overseas countries and territories with the Community with a view to increasing trade and to pursuing jointly their effort towards eco- nomic and social development.

Whereas the Treaty of Rome certainly promoted market-oriented dynamics, it was by no means neoliberal. Rather, it was coherent with a long tradition of promoters of a unified market in Europe in order to increase efficiency, and hence growth. As early as 1919, Keynes defended in *The Economic Consequences of the Peace* the necessity to lower the tariff barriers in Europe to spur growth and peaceful relations in Europe (Keynes 1919). Setting up a common market in Europe had been promoted by many moderate politicians and intellectuals in order to emulate the gigantic US internal market, which was associated with higher productivity and higher growth.

Setting up a European free-trade zone was not incompatible with promoting solidarity. This was the idea behind the first Organization of European Economic Cooperation (OEEC) of 1948: massive American financial assistance was granted (through the Marshall Plan) and combined with the progressive opening of European markets. The European Coal and Steel Community (ECSC) and then the EEC pushed this logic further. In 1956, the Ohlin report requested by the ILO considered that the setting up of a common market would naturally unleash growth. Only targeted measures to foster the mobility of workers were deemed useful (Mechi 2013:26). The harmonization of social legislation was considered as unnecessary, especially since the six founding members of the EEC had roughly the same level of GDP per capita in 1957 (except for Southern Italy), and since all of them had rather extensive welfare state provisions. Besides, most of these welfare states were of the 'Bismarckian' sort which meant that the social benefits depended on the type of work performed (as opposed to 'Beveridgian' welfare states where provisions are universal). As a result, social benefits varied a lot even within a single state, so harmonizing them at the European level seemed pointless (Palier 2009).

Moreover, the Treaty of Rome included provisions designed to offset the detrimental consequences of free-trade. Some of them were general, like safeguard clauses allowing a country to close its market temporarily. Article 117 EEC was rather ambitious from the social point of view, as it underlined 'the necessity to promote improvement of the living and working conditions of labour so as to permit the equalization of such conditions in an upward direction'. Other provisions were more specific, such as the establishment of a fund to develop 'overseas territories' (colonies and former colonies), various articles aimed at favouring the mobility of workers, and the creation of a 'European Investment Bank' (EIB) to promote economic development, particularly in less developed regions. The last two measures were especially targeted at Italy's *Mezzogiorno*.

Lastly, national neomercantilist policies were protected by article 222 EEC, which explicitly allowed companies to be state-owned, and by rather ambiguous articles about state aid, which were implemented with great tolerance during the first 25 years (Warlouzet 2018). Specific provisions were devised to preserve the neomercantilists features of agriculture's regulation.

During the EEC's early years (1958–1973), competitiveness was ensured primarily through the establishment of a genuine Common Market entailing the elimination of internal custom duties and quotas (completed on 1 July 1968, in 10,5 years instead of 12–14 forecasted in the Treaty of Rome) and the setting up of a common external tariff. The EEC negotiated as a single unit in international trade negotiations, the first being the Kennedy Round (1964–67) (Coppolaro 2013). Nevertheless, neomercantilist and social features were visible with the Common Agricultural Policy (CAP) since it was devised to alleviate the burden of the rural communities' adjustment to a more urban consumer society. The CAP was considered as a sort of 'agricultural welfare state' (Knudsen 2009). Since the Treaty of Rome specified rather general and conflicting policy goals, it was the Commission and the Council which shaped them in 1962 and gave them strong neomercantilist features: the EEC market was protected from imports by specific duties and export aids was systematic. Under German pressure, cereal prices were fixed at very high levels in 1964, thus triggering fiscal imbalances in the 1970s. Social Europe was limited to targeted social measures such as the European Investment Bank (designed to fund economic investment in the poorest region such as the *Mezzogiorno*), the European Social Fund (which fostered the mobility of workers), the European Development Fund (which channelled aid to former imperial territories, before being replaced by the Yaoundé Convention in 1963), and the protection of migrant workers. Nevertheless, the priority for actors enmeshed into this 'embedded liberalism' framework remained the development of welfare states at the national level. This explains that Social Europe was limited to specific areas.

## 2. The 'Shock of the Global' (1973–84)

The 1973–1984 period was characterized by a 'Shock of the Global' (Ferguson et al. 2011), defined both as a major economic crisis and as a new form of globalization. From the macro-economic point of view, growth rates plummeted all over the developing world in 1973 and in 1979, including in Japan, while unemployment rose. This was the end of the 'Golden Age'. Moreover, while the crisis of 1929 triggered deflation, prices skyrocketed following the oil shocks. This rendered Keynesian-inspired policy of stimulus more difficult to implement, since they ended fuelling inflation without decisively denting unemployment (Chélini and Warlouzet 2016). In terms of globalization, a new era unfolded during those years with the rise of non-Western producers, both Middle-Eastern oil producers and East-Asian industrial exporters. The word 'globalization' was popularized in 1983 to designate an integration of markets at the world scale driven by technology (the lowering of transportation and communication costs) and by the emergence of new industrial producers (Sargent 2010:53). The current application of the term goes beyond this narrow definition to include not only industrial goods but also, to some extent, agricultural products, services, people, ideas and cultural norms. Rather than a centre-periphery dynamic, this phenomenon is characterized by multiple interactions which engender hybridization and cross-fertilization. Crucially, the notion of globalization put an emphasis on interconnectedness and on interdependence. Western European leaders devised three types of European approaches to cope with this challenge of globalization: social, neomercantilist, and market-oriented.

First, the project to build a comprehensive 'Social Europe' emerged at the political level with the German chancellor Willy Brandt (1969–1974) and subsequent official declarations by EEC leaders adopted at the Paris summits of 1972 and of 1974. The economic crisis and the division among member-states eventually shattered those bold ambitions. Social Europe materialized only in a very gradual and piecemeal way through two main channels. The first was specific legislation in new areas such as the protection of workers, gender equality, environmental protection, and health and security legislation. More daring ventures such as the creation of a European control of multinationals failed (Petrini 2013; Warlouzet 2018: 57-77). The second was the setting up of an original tool in 1975: a regional policy designed to establish a solidarity mechanism between rich and poor region all over Europe. However, in its early years, regional policy was mostly managed in an intergovernmental way and redistributed only relatively limited amount of funding.

Second, neomercantilism was on the rise at the international level in those days. Many projects designed to organize international trade by a coordination of outputs and of prices were devised (Warlouzet 2018: 78-98). This was related to the North-South issue and the proclamation of a ‘new international economic order’ (NIEO) by the so-called ‘South’ in 1973 (Garavini 2012). Some of these ideas were implemented by the EEC, in several domains. In 1975, the EEC concluded the Lomé agreement with 46 Southern countries, mainly former British and French colonies (Migani 2014). It encompassed the STABEX, an international fund designed to stabilise the export earnings of basic products of the poorest countries. In the steel sector, the EEC implemented from 1980 onwards a coordinated policy of steel restructuring. Even the West German government, who was extremely sceptical towards the setting up of a European industrial policy based on neomercantilism, accepted it at the European level if it was strictly limited. Indeed, state aids were accepted by the Commission only if they fostered restructuring, and targeted protectionist measures were tolerated within the framework of the EEC trade policy only during the most serious international trade conflicts (in particular with the US), and only if they did not threaten to trigger trade wars.[6] The EEC also secured exemptions from international free trade in textile, with the successive Multi-Fibre Agreements (MFA) which allowed it to keep higher trade barriers for a transition period, and in automotive, with voluntary export restraints granted by the Japanese (either on a bilateral basis or through the EEC) (Warlouzet 2018).

Third, EEC institutions managed to preserve a market-oriented institutional framework. Internally, the Commission strived to fight against new barriers to trade. As soon as May 1974, the Commission was unable to thwart Italian protectionist measures. It was forced to accept them, provided a close monitoring was implemented.[7] In 1976, the Commission faced a surge in protectionist measures and had to increase its staff to deal with more than 300 cases. The tide reversed in 1977 but was nevertheless worrying.[8]

In terms of macro-economic coordination, two systems of voluntary convergence were devised, the Snake in 1972 and then the European Monetary System (EMS) in 1979, which contained only slight improvements compared to the Snake (Mourlon-Druol 2012). The European Monetary System was an agreement according to which all members maintained a relative stability in their currency’s exchange rates which each other. It was a reaction against the growing monetary instability since the collapse of the Bretton Woods system in 1971 and the rise of volatile financial flows. It did not entail a major cession of sovereignty, so it was supported by all member states bar the United Kingdom, which did not participate in it.

Lastly, it marked a convergence between French and German leaders in terms of macro-economic preferences. German officials, the Chancellor Helmut Schmidt but also the Bundesbank president Otmar Emminger, had confidence in the French Prime Minister Raymond Barre's determination to stick to a stability-oriented policy (Mourlon-Druol 2012). This was important to overcome the debate between the so-called 'monetarists' and 'economists' (Dyson and Maes 2016; McNamara 1998). The countries with weak currencies insisted on monetary solidarity, especially during financial crises, and were branded 'monetarists' within EEC debates (not to be mistaken with the heirs of Milton Friedman, also called 'monetarists'). In contrast, the countries with strong currencies favoured more discipline in macro-economic coordination and were dubbed 'economists'. In short, the German government did not want to be committed to support the French franc and the Italian lira if a monetary crisis were to erupt because those countries were less disciplined than they were. When Barre became French Prime Minister in 1976, Paris openly modelled its policy on its German neighbour, which was hailed in those days as '*Modell Deutschland*', such were its success in terms of trade balance despite the oil shocks.

A new idea emerged in the 1970s: to 'complete' the Common Market by targeting non-tariff barriers. It is often argued that this ambition originated in the jurisprudence of the Court of Justice with two landmark cases, Dassonville (1974) and Cassis de Dijon (1979).[9] Both cases deal with restrictions to the selling of spirits, respectively Scottish whisky in Belgium and a French liquor in Germany. The Treaty of Rome established the principle of the prohibition of 'quantitative restrictions on importation and all measures with equivalent effect' (article 30 EEC), but it also included exemptions (such as health issues, etc.), while at the same time indicating that those exceptions must not be used to disguise a protectionist measure (article 36 EEC). In Dassonville, the Court limited the possibility of national administration to use non-tariffs barriers as protectionist tools. In Cassis de Dijon, the Court established the principle of mutual recognition on national legislations with only four exemptions listed in ground 8: 'the effectiveness of fiscal supervision, the protection of public health, the fairness of commercial transactions, and the defence of the consumer'.

According to some authors, the combination of Dassonville and of Cassis de Dijon greatly facilitated the harmonisation of all laws restricting intra-European trade (Dashwood 1983; Olivi and Giacone 2007:196–7). The full approximation of law was not necessary anymore, as the harmonisation process could be limited to the four exemptions listed in Cassis de Dijon. The diversity of products guaranteed by national laws was no longer incompatible with the freedom of circulation of goods. On the contrary, other authors have underlined that those ECJ rulings were indeed important, but not sufficient. For Karen Alter and Sophie Meunier, subsequent initiatives by the Commission were necessary to transform this case law into more general decisions, affecting not only those two spirits but a large variety of products (Alter and Meunier 1994:540–3). For Andrew Moravcsik, it was the member-states willingness which provided the decisive impetus in 1985–6 (Moravcsik 1998:354). Primary sources clearly support the second interpretation. Concerning Dassonville, the Commission tried to use this case to force Belgium to modify other parts of the legislation but the Court overturned its subsequent decisions.[10] Concerning Cassis de Dijon, Paolo Cecchini, in those day deputy Director General in charge of the internal market at the European Commission, and later on author of the well-known 1988 report on the Single Market, estimated in 1980 that the Court's decision was interesting but not revolutionary.[11] Others initiatives from the Commission were necessary to exploit this ruling. The Court cannot be considered as a substitute for the Council and the Commission, nor was it always an ally of the latter. In 1984 for example, the Commission attempted to use the principle of mutual recognition against a French law, but the Court eventually dismissed the cases and upheld the French provisions.[12]

This daunting task of harmonization was left to the new commissioner for internal market appointed in 1981, Karl-Heinz Narjes. A German Christian democrat and a former personal collaborator of Walter Hallstein, Narjes was a longstanding pro-European. For him, a large and unified internal market was a major asset in the international competition to attract foreign investment.[13] Narjes promoted the adoption of entire packages of harmonization directives. However, national governments remained reluctant. The use of unanimity within the Council proved to be an insurmountable barrier, which was eventually removed only in 1985.

## 3. The 'Single Market' period (1985–1992)

After 1983–4, the economic situation improved in Western Europe but this did not signal a return to the Golden Years' economics. The 1970s stagflation had condemned isolated Keynesian stimulus but neoliberal economics ideas were not widespread, even if the British Prime minister Margaret Thatcher strived to implement them. In most countries, leaders still hesitated between Keynesianism and neoliberalism. In the meantime, technical innovation disrupted certain sectors previously dominated by monopolies or stable oligopolies, such as telecommunications and air transportation. The cost of communication fell dramatically, thus fuelling globalisation. The organisation of European cooperation adapted to these new trends.

From 1984 to 1986, a 'relaunch of Europe' unfolded. This term was coined by Western European leaders and even Margaret Thatcher used it (Warlouzet 2018: 188-190 and 195-197). It meant that the process of European integration was reinforced by a new Treaty, the first since the Treaty of Rome in 1957, the Single Act of 1986. It was largely based on the promotion of the Single Market, i.e. a market devoid of any non-tariff barriers (such as diverging technical standards). To implement this flagship project, a major institutional reform took place, the adoption of qualified majority voting for most issues related to this domain, with major exceptions for social and fiscal matters.

Six years later, the Maastricht Treaty (1992) completed this market-based dynamic with the setting up of the Economic and Monetary Union (EMU), which eventually led to the adoption of a single currency, the euro, in 1999 (Dyson and Featherstone 1999). The EMU clearly embodied a market-based idea of Europe and its incremental process of unification: after the Common Market (abolition of trade barriers) and the Single Market (abolition of technical barriers), the Monetary Union (abolition of monetary barriers). Stringent criteria of convergence ensured that a stability-based approach was privileged. This development stems from the debate between 'monetarists' and 'economists' (see above): Germany, who was very reluctant to give up its much-loved D-Mark to team with weaker currency countries, had demanded such commitment to stability-oriented policy. In addition, it fitted well with the preference of governments both in France and in Italy, who still wanted to emulate the Germans (Dyson and Featherstone 1999; Howarth 2001; Varsori 2010). However, the EMU can also be associated with other dynamics than a univocal convergence towards stability-oriented policy. For some of its promoters – in particular Jacques Delors, the President of the European Commission, and the French government – European monetary cooperation was an expression of European solidarity between strong-currency countries like Germany and weak-currency countries like France. For France, European monetary cooperation concretely meant an assistance in case of financial crisis and lower interest rates, to the benefit of companies and of individual consumers alike (Abdelal 2007).

As a matter of fact, the neoliberal dynamic appeared more clearly outside the Single Act and the Maastricht Treaty with competition policy. Through the regulation of state aid and the promotion of deregulation, the Commission targeted more directly the industrial part of the welfare state. The Single Act did not deal with competition policy, despite Thatcher's effort to promote the deregulation of air transport and of insurance.[14] However, the French government and to some extent its West German counterpart were hostile to this wave of neoliberal reforms.[15] All in all, the development of EEC competition policy rested mainly on the initiative of bold commissioners for competition, like Peter Sutherland or Leon Brittan, rather than on the Single Act. Another neoliberal dynamic was the financial crisis of the welfare state, itself linked to the economic crisis of the 1970s (O'Connor 1973; Rosanvallon 1981), but this momentum was also external to the EEC.

Social Europe evolved in terms of content, as the theme of the democratisation of companies become much less prominent while the European social dialogue and regional policy, rebranded as cohesion policy, gained traction. Both elements were central in Delors' project of Europe. The Commission also secured an inclusion in the Single Act of an article ensuring that the approximation of laws concerning health, safety, environment and consumer protection would target 'a high level of protection', which meant concrete social progress. Moreover, in 1988, Delors secured a major overhaul of regional policy, whose funding doubled (Jabko 2006). This enabled the Commission to use this tool to concretely promote solidarity throughout the EU by delivering a windfall of aid to the poorest countries (in those days Greece, Ireland, Portugal and Spain), and to specific regions (Southern Italy, the rust belt of Britain, France, and Belgium, etc.).

Neomercantilism was declining but it was still present in some sectors. For example, the automobile market remained organized around the defence of 'European champions' until 1991 (Jullien, Pardi, and Ramírez Pérez 2014). Thereafter, the end of Japanese voluntary export restraints and the Eastern enlargement signalled the end of a European neomercantilist approach specific to automotive. The CAP maintained a strong neomercantilist streak until the 1992 and 2003 reforms. Even the EMU was defended by some actors as a tool to assert European interests against the US in international monetary negotiations. Neomercantilist approaches have certainly been renewed. For example, Airbus was initially heavily influenced by the national governments' strategic priorities but it progressively transformed itself into a normal for-profit organization. More generally, the definition of industrial policy has changed, with a stronger emphasis on the need to encourage structural adjustment rather than to prevent it. In some areas such as telecommunications, industrial and competition policy were considered as complementary by some scholars (Sauter 1997). However, when competition policy was spearheaded by the neoliberal Leon Brittan, it played a major role in eradicating neomercantilist practices. The British commissioner banned the purchase of a

Canadian builder of aircraft by its Franco-Italian competitor, ATR, following a narrow interpretation of competition rules. This led to a clash within the Commission between the neoliberal Brittan and the President Delors who defended the strengthening of the European high-technology sector (Ross 1995:176–80). Subsequently, neomercantilism remained active at the national level through regular calls for 'economic patriotism' (Clift and Woll 2013). Sectors perceived as strategic – armament and aerospace, but also finance in the UK or even the food industry in France – have been staunchly defended by national governments.

## 4. The 'End of History' (1992–2006)

After 1989, the context changed radically. The pressure of globalization became even more daunting, with new competitors outside Europe (China, etc.) and within Europe, with the ex-communist countries of Central and Eastern Europe eventually joining the EU in 2004 and 2007. The GATT Uruguay Round was concluded in 1994 and contributed to a global trend of liberalization of flows not only for industrial goods, but also for capital and for some agricultural products and services. While the alternative of communism disappeared, the free movement of goods and capital was accepted as a norm by most moderate political parties from the centre-right to the centre-left (Abdelal 2007). Neoliberal ideas based on the retrenchment of the welfare state, tax reductions and deregulation gained momentum.[16] From a political point of view, liberal democracies seemed on the rise not only in former communist countries, but also in former authoritarian capitalist states such as South Korea. Francis Fukuyama famously coined the expression 'The End of History' to capture this mood of a seemingly irresistible victory of liberal values, both in the political and in the economic realms. He envisaged 'the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government' (Fukuyama 1992).

This evolution did not lead to a unique form of regulated globalization in Western Europe, because the three types of economic policies outlined above remained present. Certainly, the market-oriented side became prominent and neoliberal policies of retrenchment of the welfare state and of pure deregulation sometimes gained the upper hand. This was visible mainly at the national level: in Great Britain, where the influence of the Thatcher revolution remained deeply ingrained; in ex-communist European countries, most of which embraced drastic liberalization packages (Ther 2016); and in other countries in a less drastic form. At the EU level, this move was clearly expressed by the centrality of the competitiveness paradigm, often promoted through the recourse to expertise (Jullien and Smith 2015). This legitimized a major strengthening of competition policy. The Commission attacked national industrial policies by fostering deregulation and privatization, as old national monopolies were perceived as chronically inefficient, even by some social democrats.[17] Deregulation brought competition to air transportation, telecommunications, postal services, energy, railways, and other sectors, while the directive on posted workers adopted in 1996 increased intra-European competition for several types of jobs, notably in the construction industry. More generally, the Single Market became for some neoliberals an occasion to retrench the state by removing national regulations without adding a European layer, rather than an instrument to ensure convergence toward a 'high level of protection' as stated in the Single Act (article 100A-3).[18] Lastly, the Economic and Monetary Union (EMU) contains clear ordoliberal features (Dyson 2016). The European Central Bank is both independent and focused on taming inflation, rather than on the dual aim of ensuring 'maximum employment' and 'stable prices' like the US Federal Reserve.[19] Arguably, ordoliberalism and neoliberalism must not be confused (Mudge 2008). The ordoliberal influence is not neoliberal per se since it had been associated with the development of an extensive welfare state in West Germany. Many different strands of ordoliberalism have coexisted.[20] This ambiguity was captured by the notion of the 'Social Market Economy', coined by Alfred Müller-Armack, a prominent ordoliberal, and which was inserted in the Treaty of Lisbon (article 3-3: 'a highly competitive social market economy'). Nevertheless, ordoliberal influence on the EMU had neoliberal consequences since the ECB mandate was not counterbalanced by a strong framework of actors promoting other visions – unlike in the German national arena. Some member states, notably the French socialist government of Lionel Jospin (1997–2002), tried to promote a more social orientation. Paris defended a reform of the EMU Stability Pact and of article 90 EEC which served as the basis for the deregulation of many sectors, but without a clear success, bar the inclusion of the notion of 'service of general interest' in the Treaty of Amsterdam (1997) and the renaming of what became the 'Stability and Growth Pact'. The same ambiguous development occurred with regard to article 117 EEC. In the Amsterdam Treaty, its scope was enlarged but a second paragraph urging 'the need to maintain the competitiveness of the Community economy' was imposed. This is now article 151 TFEU. On the whole, this neoliberal orientation fuelled the crisis of legitimacy of the European Union, which had been perceived as incapable of regulating globalization in some countries. Opposition to a EU perceived as too neoliberal certainly played a role in the outcome of the 2015 French referendum on the Constitutional

Treaty as well as of the 2016 British one on Brexit, even though it was not the only explanation for those votes.

At the same time, some Western European leaders still successfully promoted a socially-oriented regulation of globalization through EEC/EU institutions. The Delors Commissions (1985–95) adopted an extensive interpretation of the adoption of qualified majority voting for health and safety at work. Between 1989 and 1993, they managed to adopt major texts such as the Framework Directive on Health and Safety, the Pregnant Workers' Directive, and the Working Time Directive, the latter being unsuccessfully contested before the Court by the UK government (Giubboni 2006). Delors also managed to insert in the Treaty of Maastricht the Social Charter, with an opt-out for Britain. He also decisively strengthened regional policy in 1988 and in 1993 (Jabko 2006:121-146). The poorer countries benefited from a windfall of European funds to develop their infrastructure. Some of them, such as Ireland, are now well above the European average in terms of wealth. Besides, the mere fact that the EU was enlarged to Central and Eastern European countries despite a huge remaining gap in terms of GDP per capita is in itself a manifestation of solidarity: old EU members signalled their community of destiny with new EU members which were cut off from the Western European freedom and prosperity by the Cold War. Of course, Western European leaders also expected gains for their companies in terms of market access, but this opportunity could also have materialized outside the EU framework, either through a recourse to GATT/WTO rules or through an extension to them of the European Economic Area. Besides, the Maastricht Treaty also empowered the social partners to conclude collective agreements that could become legally binding after the Council's approval. This led to a string of decisions, for example on parental leave or on part-time work in 1996–97 (Didry and Mias 2005). More generally, legislation concerning health and security, gender equality and environmental issues expanded at the EEC/EU level, sometimes by providing more social benefits than what national laws offered. However, this did not prevent a major shift from social policy to a focus on employment, and hence on the competitiveness paradigm. Major rows over social policy took place not only at the Council, but also within the Commission. Promoters of harmonization toward the lowest common denominator clashed with defenders of high standards for health and security and for environment. Some ambitious pieces of legislation remained toothless. The representation of workers at the corporate board level has revived earlier failed attempts thanks to the directive 94/45 of 1994 establishing European Works Council. It was upgraded in 2009, but it is still largely non-binding. Hence, it does not prevent intra-site competition within Europe. For example, Renault's European Works Council was not consulted on the closure of the Belgian factory of Vilvoorde in 1997 (Berthet et al. 2015: 205).

## 5. The crisis of Western globalization (2007–present)

The current economic crisis, lingering since 2007–08, is still visible either in poor macro-economic indicators (growth, unemployment, debt) and/or in rising inequalities (even in countries with good macro-economic indicators such as Germany). Such a situation might alter the balance between the three types of economic policy, and more generally between competitiveness and solidarity. Certainly, the neoliberal approach prevailed at first. During the Eurozone crisis, southern European countries underwent a massive adjustment between 2009 and 2015, with current account deficits being transformed into surpluses thanks to a drop of domestic demand and a painful process of internal devaluation (i.e. a fall in relative wages) (Saadaoui 2016), much more than through solidarity. This adjustment was clearly neoliberal as it led to a massive retrenchment of the welfare state.

On the other hand, whereas social Europe had been presented as a 'dead-end' (Lechevalier and Wielgohs 2015), in reality, its form is constantly evolving. As a matter of fact, the crisis has led to the creation of a permanent instrument of financial solidarity among Europeans, the European Stability Mechanism (ESM), which materialized earlier attempts at creating a European Monetary Fund. Billions in aid were transferred to the most indebted countries such as Greece, Ireland, Portugal and Spain, albeit with constraining strings attached. Others, such as Italy and France, were indirectly supported by the European Central Bank's use of non-conventional instruments labelled 'quantitative easing'. In 2010, the ECB's head Jean-Claude Trichet launched the Securities Markets Programme (SMP), which allowed the Bank to purchase sovereign bonds in specific circumstances. Mario Draghi, the successor of Jean-Claude Trichet, was even bolder. He strengthened the ECB action, first with its 26 July 2012 speech when he promised to do 'whatever it takes' to support the euro, and second with the 'outright monetary transactions' (OMT) programme a couple of weeks later, which allowed the ECB to buy sovereign bonds on the secondary markets. The ECB's determination has contributed to diminish interest rates and spreads all over the eurozone. More recently, the IMF, the OECD, and the European Commission have revived the idea of a concerted macro-economic policy of reflation for surplus countries, such as Germany, echoing the debates of 1978. Paradoxically, competition policy, which was a major lever to nurture a neoliberal Europe, has recently been used in a much more socially-oriented way with recent cases over tax evasion, in particular the 2016 Apple ruling.[21] Indeed, by targeting a massive Irish tax exemptions made to a successful multinational, the commissioner for competition single-handedly revived the debate over the control of multinationals.

Neomercantilist tendencies have so far been checked by the resilience of the international trade system, by contrast to the post-1929 crisis. The conclusion of global international trade rounds remains as elusive as ever, but the emphasis is now put on bilateral agreements, which are still successfully concluded by the EU, recently with South Korea and with Canada. Protectionist tensions are managed by targeted sanctions, such as in the case of Chinese steel overproduction which had led to rising tariffs in the EU and mainly in the US. As a major exporter to China, the EU could not vehemently criticise Chinese's aggressive neomercantilism.

The recent Brexit decision and, most of all, the election of Donald Trump, present new challenges to this subtle balance between social, neomercantilist and market-oriented tendencies. Both events may be interpreted as a return of neomercantilist policies. The new US President has rejected both the Transatlantic Trade and Investment Partnership (TTIP), currently under negotiation between Europe and the US, and the Trans-Pacific Partnership (TPP), which had already been signed. He has also put into question the North American Free Trade Agreement (NAFTA), in force since 1994. In Britain, Theresa May has hinted toward a 'hard Brexit' in her 8 January 2017 discourse, where she clearly prioritized the restriction of immigration over the access to the Single Market. It is not yet clear how she could square this clear retreat in terms of liberalization of trade with her claim to promote a 'global Britain' based on free-trade deals.

Ironically, the defence of global free trade fell to the Chinese communist leader Xi Jinping, who released a staunch plea in favour of liberal multilateralism at the 2017 Davos summit, despite the strong neomercantilist flavour of Chinese economic policies. China and ASEAN countries have established a free-trade zone in 2010 and are currently negotiating the Regional Comprehensive Economic Partnership (RCEP) with ASEAN and other Pacific countries, such as South Korea and Australia. Similarly, the paradigm of free trade and international competitiveness remains at the core of the world economic order, even though it is not steered by a credible American leadership anymore. Hence, the process of globalization loses some of its liberal features.

## Conclusion

Since 1957, the EEC/EU has always been founded on a shifting and dynamic balance between competitiveness and solidarity which has manifested itself in three types of socio-economic policies: social-oriented, neomercantilist and market-oriented. The same dynamic compromises existed at national level.

The balance between those three types of socio-economic approaches on the one hand, and between national and European actors on the other hand, evolved over time. During the 'embedded liberalism' era (1957–1973), the welfare state was overwhelmingly national while the European institutions managed a controlled trade liberalization, with some targeted social elements. Social Europe really unfolded during the 'shock of the global' years (1973–1984). The competitiveness paradigm was largely implemented through neomercantilist policies during those years, even if market-oriented policies were preserved and slightly strengthened through the EMS. Thereafter, the Single Market programme took a centre stage in Western Europe (1985–1992). With the Single Act and the Maastricht Treaty, the competitiveness impetus was decisively associated with a market-oriented paradigm. Neoliberal policies aimed at dismantling the welfare state were on the rise. However, the yearning for a social Europe remained alive, with concrete realisations such as a strengthening of regional policies and legislation over health and environmental issues. The 1990s and early 2000s were marked by the 'end of history' liberal utopia and the rise of neoliberal policies, despite the preservation of ambitions of solidarity. Recently, the economic crisis lingering since 2007–08 has sparked a debate over the crisis of the Western liberal form of globalization, which eventually translated into the election of US President Trump. The three approaches, socially-oriented, neomercantilist and market-oriented, remain vital at the global level, but their equilibrium is constantly evolving.

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## Notes

1 This interpretation is present in many books as an underlying assumption. Among those who have developed it the most explicitly and with an historical approach are Denord and Schwartz (2009) and Gillingham (2003).

2 More details on this threefold classification, and on the distinction between market-oriented and neoliberal policies, can be found in Warlouzet (2018), chapter 1.

3 In addition to the author's two monographs (Warlouzet 2011a, 2018), the article draws on a blooming literature dealing with European integration history. For historiographical accounts see Bossuat et al. (2010), Kaiser and Varsori (2010), Patel (2013), Mourlon-Druol (2015) and Warlouzet (2014/2018).

4 The main primary sources consulted and referenced in the footnotes are the British national archives (abbreviated as NA-UK), the French national archives (NA-FR), the German national archives (NA-GER), and the EU Commission archive (AEU). Specific sub-funds include the French Foreign Affairs ministry (NA-FR(MAE)) and the German Foreign Affairs ministry (NA-GER(AA)). AAPD designates published documents of the German foreign affairs ministry (*Akten zur Auswärtigen Politik der Bundesrepublik Deutschland*).

5 Viner, Jacob (1947). 'Conflicts of Principle in Drafting a Trade Charter', *Foreign Affairs* 25:613, quoted in Ruggie (1982:397).

6 See state aid control and EEC-US trade conflicts in steel in Warlouzet (2018: 87-88).

7 Eigth Report of the Commission's activities, 1974, Brussels, EEC, 1975, point 102.

8 Tenth Report of the Commission's activities, 1976, Brussels, EEC, 1977, points 111-112 ; Eleventh Report of the Commission's activities, 1977, Brussels, EEC, 1978, points 122-123.

9 Judgment of the Court of 11 July 1974, case 8-74; Judgment of the Court of 20 February 1979, case 120/78.

10 Judgment of the Court of 16 May 1979, 'Commission of the European Communities v Kingdom of Belgium. - Certificates of authenticity', case 2/78.

11 AEU, BAC 91/94/56, note Cecchini 23 janvier 1980.

12 Judgment of the Court of 28 January 1986, « Commission of the European Communities v French Republic », case 188/84.

13 AEU, special minutes of the Commission meeting, 17 June 1981; Warlouzet (2018: 183-186).

14 AMAE-FR, DECE 2499, letter from Weston (British embassy in Paris) to Guigou, 21 novembre 1985

15 AAPD, 1985, 129, note on a meeting Kohl-Thatcher, 18 May 1985.

16 A vast array of literature exists, see in particular Burgin (2012) and Steadman Jones (2012).

17 Karel van Miert, who was commissioner for competition between 1995 and 1999, complained about the Belgium Postal Office, although he recognized that some state-owned monopolies in other countries, such as France, were more efficient (Van Miert 2000:51).

18 See in particular the interviews of two Commission officials, Anne Houtman and Heinz Zourek, available on the European Union historical archives's website.

19 See: https://www.federalreserve.gov.

20 On ordoliberalism, a vast array of literature exists. Among the most useful books on the linkage between economic ideas and economic policies in Germany are Leaman (1987), Löffler (2002) and Nicholls (1994).

21 Commission's decision C(2016) 5605 final of 30 August 2016, addressed to Ireland, on State Aid case SA.38373 (2014/C).